



MINUTES

**Board of Directors Meeting
Ali'i Place, Suite 150
1099 Alakea Street, Honolulu, Hawaii
(entrance on Richards Street)
Wednesday, June 8, 2016, 1:00 p.m.**

PRESENT:

Colleen Hanabusa	Ivan Lui-Kwan
Damien Kim	Mike Formby
George Atta	William "Buzz" Hong
Colbert Matsumoto	Terrence Lee

**ALSO IN ATTENDANCE:
(Sign-In Sheet and Staff)**

Daniel Grabauskas	Russell Honma
Brennon Morioka	Barbra Armentrout
Randall Ishikawa	Rose Pou
Lisa Hirahara	Gig Greenwood
Joyce Oliveira	Natalie Iwasa
Cindy Matsushita	Brian Hoernig
Corey Ellis	Eric Ryan
Sam Carnaggio	Catherine Graham
Michael McGrane	David Sarish
Tyler Dos Santos-Tam	Gladys Kaeo
Matt Caires	Shem Lawlor
Joshua Noga	

EXCUSED:

Ford Fuchigami	Terri Fujii
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I. Call to Order by Chair

HART Board Chair Colleen Hanabusa called the meeting to order at 1:00 p.m.

Ms. Hanabusa acknowledged HART Budget Analyst Michael McGrane, who would be retiring from HART that day; she thanked him for his service.

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II. Public Testimony on All Agenda Items

Ms. Hanabusa requested that public testimony and questions be held until after the presentation. She opened the floor to anyone wanting to testify prior to the presentation, and there was no testimony at that time.

III. Approval of the May 12, 2016 Minutes of the Meeting of the Board of Directors

Ms. Hanabusa stated that the approval of the minutes would be deferred until the end of the meeting.

IV. Discussion on the Options to HART's Current Full Funding Grant Agreement Scope

HART Executive Director and CEO Daniel Grabauskas said that HART had received a letter from the Federal Transit Administration (FTA) that week requesting a recovery plan to identify budget and schedule shortfalls. He said that the request was a result of the FTA's recent risk refresh, which determined that the available project funds are insufficient and that the time to complete the project is likely longer than had been previously anticipated. The recovery plan would propose scenarios to either shorten or limit the project as outlined in the Full Funding Grant Agreement (FFGA).

HART Deputy Executive Director Brennon Morioka and Project Director Sam Carnaggio had been working on the scenarios. The first scenario addresses the shortfall and possible revenues that may bridge the gap. The bulk of the presentation would focus on building the project with the available funds. Mr. Grabauskas noted that as the two-month timeframe given by the FTA for the recovery plan may be a bit short, he had reached out to the FTA to request a longer deadline. He said that the goal is to work with the FTA

Ms. Hanabusa pointed out that the FTA's letter sets a deadline of August 7, 2016 for the recovery plan.

Board member Ivan Lui-Kwan asked that as the FTA had previously been consistent in its position that the project could not be modified from the 20 miles and 21 stations, was it now willing to deviate from that. Mr. Grabauskas said that was correct, and that the FTA was looking for options to get as close to the original FFGA commitment with HART's projected budget, while leaving its \$1.55 billion commitment intact.

Ms. Hanabusa recalled that the FTA had previously raised the possibility of recovery mode in August 2014.

Mr. Morioka gave a brief overview and history of the 20 mile, 21 station project, which runs from east Kapolei to Ala Moana Center. He said that HART entered into the FFGA in December of 2012 for a total project cost of \$5.122 billion with a federal contribution of \$1.55 billion and a revenue service date of January 31, 2020. In August 2014 following a risk refresh exercise, the FTA recommended that HART increase the project cost estimate to \$5.4 billion by adding \$265 million of additional costs between adjustments and additional contingency. However, subsequent to that, the significant increase in construction costs as reflected in the bids for the

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nine west side station groups took HART, the FTA, and the Project Management Oversight Consultant (PMOC) by surprise.

In the risk refresh that was currently underway, the FTA stated HART's costs should be increased to \$7.7 billion at their 50 percent confidence level, with \$856 million in contingency, or \$8.0 billion at a 65 percent confidence level, with \$1.1 billion in contingency. Mr. Morioka noted the distinction between the FTA's confidence level, which differs slightly from probability methodology, which utilizes a top-down methodology. He stated that HART's current estimate of \$7.967 billion utilizes a bottoms-up estimate, which begins at a basic cost and then assigns risk values and contingency levels. He added that this amount includes the 15% contingency on remaining contracts, as well as adds 50% contingency to some remaining work in the first ten miles.

Mr. Morioka said that total projected revenue is at \$6.82 billion, which includes the \$1.55 billion in federal grant monies, as well as the \$.3 billion initial balance in GET revenues. Total GET revenues are projected to be a bit under \$5 billion, based on a five percent growth rate through 2022.

Mr. Morioka outlined the estimated daily boardings through 2030, which had been updated at the time that HART changed from a two-car to a four-car configuration, but would need to be updated further.

Mr. Morioka said that given the projected cost of \$7.97 billion and the projected revenue of \$6.8 billion, the estimated potential deficit would be about \$1.140 billion. HART has begun discussions on building to budget, assuming no additional revenue.

Mr. Morioka outlined six different options for accomplishing that: build to Middle Street plus guideway only to Ala Moana, build to Middle Street then continue with bus service, build to Middle Street then continue with an at-grade rail system, construct as far as funding allows (a la carte evaluation), enter into public/private partnerships for all or some of the 21 stations, and lastly, to move the alignment from Dillingham Boulevard to Nimitz Highway.

The first option is to build to Middle Street as planned, then build the guideway to the Ala Moana terminus station without any stations between. The Middle Street station would have a pedestrian bridge over Nimitz Highway and Kamehameha Highway that would take pedestrians from the rail station to the Middle Street Transit Center. Mr. Morioka said that this option saves the initial cost of building seven stations, and lessens construction impact. It would also result in a reduction of the number of rail cars required, although the cost for unbuilt cars would not be recouped on a dollar-for-dollar basis. The option would also preserve the guideway corridor.

Negative aspects of option one is the negative impact to ridership; HART would complete ridership evaluations for each option, and it was expected that most changes would result in a loss of ridership. Additionally, there would be an increased cost when the remaining stations are eventually built. Mr. Morioka added that there would not be a significant time savings, as station work would be done concurrently with guideway work. This option would cost approximately \$7.59 billion.

Option two, building to Middle Street and then continuing with bus service, would require a crossover that would allow the rail cars to go from one set of tracks to the other. A crossover would be required of any station that is a potential terminus. This option would also require more bus integration work, as well as core systems and redesign work.

This option would save initial costs, but result in additional, probably higher costs to build the stations and guideway later. Construction impacts would be lessened, and the number of rail cars needed would be reduced.

However, projected ridership would drop, as changes in transportation mode generally discourages rail ridership. Also, the option would result in additional costs for core systems changes, as well as additional costs for right of way acquisition, and to build the remaining stations and rail cars at a later time. Additional bus-rail integration would also be required.

Mr. Morioka said that option 2A would end the elevated guideway at Middle Street, then continue with an at-grade rail system. The analysis for this option is very similar to that of option 2, except that option 2A would likely require a supplemental environmental impact statement due to the change in rail technology, which would require more time. Also, the change in rail technology would require a separate light rail maintenance facility, which would mean additional land acquisitions for 30-40 acres in the urban core. Additional design and construction work for the light rail would also be required.

Option 3 is the a la carte option: building the project as far as funding allows. Mr. Morioka said that the options being presented will be further developed. The presentation would include very high-level estimations, which will be refined as ridership evaluations are developed. He presented a chart representing the costs of ending the guideway at various stations; for instance, ending the guideway at Middle Street would cost approximately \$6.22 billion. Mr. Morioka noted that the costs do not include any other changes, including traction power substations and crossovers. He outlined the costs of each station, but stressed that HART would not realize a dollar-for-dollar savings on any option to reduce scope, but would instead realize about 50-70% of its value.

Mr. Morioka gave three examples for illustrative purposes. The first a la carte example is building everything up to the Iwilei station for approximately \$7.15 billion plus additional items that would need to be incorporated. The second example would be to build to the Downtown Station, while deferring the Kalihi, Kapalama, and Chinatown stations at a cost of \$7.35 billion plus additional items. The third example was to end the alignment at the Civic Center Station, while deferring the Kalihi, Kapalama, and Chinatown stations at a cost of \$7.5 billion plus additional items. The last example was to build the guideway to the Ala Moana Center Station, plus the Iwilei and Downtown Stations, and deferring the remaining stations. That example would cost \$7.8 billion plus additional items.

Mr. Morioka said that while option three allows decisionmakers with a lot of flexibility, it would also result in a higher cost when the remaining stations are eventually built. However, he noted that construction impacts would be lessened for the guideway and stations that are deferred, and that the number of rail cars purchased may also be reduced. The drawbacks to this

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approach include the reduction of ridership when a change of travel modes is required. The a la carte approach would also require more bus integration and potentially put more stress on bus service. Lastly, HART would face an increased cost to eventually build the deferred guideway and stations, and rail cars.

Mr. Grabauskas added that the a la carte option could also extend to stations between East Kapolei and Middle Street, although there are existing contracts on some stations that have not yet been built.

Mr. Morioka said that option four is to issue public/private partnership solicitations for all 21 stations, which would reduce initial capital investments. However, this option would also require a number of change orders to existing contracts as well for those that are currently in procurement. This option could result in lower costs for some stations, but require HART to adjust existing contracts. This option would also have an impact to the schedule, because of the uncertainty of the timing of availability of the stations, which would be dependent on the developer. The option would require over \$900 million in private capital for all 21 stations.

The final option would be to change the alignment to Nimitz Highway instead of Dillingham Boulevard. The guideway would then revert to its original route in Iwilei or near the Chinatown Station. This option would require significant environmental and ridership studies as part of the design work. Costs could potentially be less, but is unknown. The option presents a seven to ten-year delay due to FTA review and approvals for environmental impact statements to change the alignment. There would possibly be ridership impacts, which would be known after a ridership study. New station locations and right-of-way acquisitions along Nimitz Highway would give rise to new unknown utilities and Superfund challenges due to the known contamination in the area. Lastly, HART would need to engage with the State Department of Transportation regarding traffic impacts.

Mr. Morioka said that the feedback received that day would be provided to the Mayor and the City Council, as a working group would be formed to develop a plan for the project. The City Center guideway and station offerors will also be advised, and HART would likely issue an addendum that the procurement would be put on hold.

Ms. Hanabusa called for public testimony.

Russell Honma provided testimony congratulating Ms. Hanabusa on her congressional campaign, and to Mr. Lui-Kwan for his service to the Board. He said that the project must be managed correctly, and provided suggestions for additional revenue sources.

Barbara Armentrout testified regarding the importance of public input, and said that HART should become part of the City. She also opined that the Airport Station was not needed. Ms. Hanabusa agreed that the public must have input, and said that the Charter Commission was considering an amendment that would give the Department of Transportation Services authority over HART.

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Rose Pou testified that TheHandi-Van, TheBus, and HART should remain separate. She cautioned that stopping rail at Middle Street would result in more congestion, and advocated for continuing rail into town.

Gig Greenwood provided testimony questioning Ansaldo's truthfulness. He said that HART's ridership figures were significantly lower than other rail systems. Mr. Greenwood added that HART should employ monorail technology, which is less expensive and quieter. Mr. Greenwood said that he would provide written testimony to members, a copy of which is attached hereto.

Natalie Iwasa, who had also provided written testimony attached hereto, testified regarding errors in HART's calculations. She questioned the accuracy of HART's projections regarding local jobs and ridership. Lastly, Ms. Iwasa testified regarding the effect of the general excise tax surcharge on low income residents.

Brian Hoernig, the owner of Honolulu Hardwoods in Kaka`ako, asked whether HART was attempting to make up for its budget shortfall by offering landowners fifty cents on the dollar to acquire property along the alignment.

Eric Ryan testified in favor of ending rail at Middle Street. He expressed his concern over operating costs and the cost to build the project.

Catherine Graham with Faith Action for Community Equity, which supports rail for the affordable housing opportunities it affords, expressed her discouragement with the presentation. She made various suggestions for raising additional revenue.

David Sarish testified in favor of stopping rail, saying that costs, job creation and ridership numbers have not borne out.

Gladys Kaeo testified in favor of stopping rail construction, citing Honolulu's excellent bus system.

Shem Lawlor, the Transportation Director for the Blue Planet Foundation, testified in favor of rail, stating that HART's focus should be on minimizing costs and maximizing ridership. He spoke of the need to implement policies that limit suburban sprawl and auto-oriented development.

Mr. Matsumoto asked about Blue Planet's position on the rail, and Mr. Lawlor said that his organization supports public transportation, and more specifically, electrical public transportation that allows minimal use of cars – a mode shift that will be enabled by transit-oriented development.

Mr. Formby asked why HART utilizes a bottoms-up cost estimating methodology, instead of the top-down methodology employed by the FTA, which would provide more clarity in comparing the two. Mr. Morioka said that HART was in the process of obtaining a top-down estimate, which was expected to be close to the FTA's P50 and P65 range. Mr. Formby asked about the

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likelihood of achieving HART's cost estimate, and Mr. Morioka replied that it would be between a P50 and P65 probability, with the figure closer to the P65 range. Mr. Formby requested that HART provide a probability percentage.

Mr. Grabauskas said that the following week, the Airport Station and Guideway best and final (BAFO) offers were expected. After the evaluation of those offers, there would be much more certainty regarding cost.

Mr. Formby asked how HART's figures could have been inaccurate so many times in such a short time frame. Mr. Morioka replied that he had not seen cost increases of the magnitude and speed being experienced by the project, and that chasing estimates is typical in a rising construction cycle. He said that estimating involves capturing median escalation rates, which are locked in at the time of contract. However, the extreme volatility of the current market results in estimates becoming stale on a month to month basis.

Mr. Lui-Kwan echoed Mr. Formby's question, and said that the evolving numbers have resulted in his loss of confidence in the cost projections. He urged staff to err on the conservative side when developing estimates.

Mr. Lui-Kwan asked about the supplemental environmental impact statement (EIS) delay required by option 2A, as well as cost. Mr. Morioka said that an EIS typically takes three to five years. Adding on another three years for design results in a seven to ten year delay before construction. He said that there is no cost estimate yet. However, he highlighted the numerous difficulties presented by that option, including the extensive trenching required which would require utility relocations and possibly disturb `iwi, and the overhead catenary lines which may conflict with overhead electrical lines. At-grade rail would also require smaller trains, which would affect ridership. A different type of rail car and technology would require locating a 30-40 acre site for a maintenance facility in urban Honolulu.

Mr. Lui-Kwan asked about the status of the BAFO process for the Airport Station and Guideway. Mr. Grabauskas said that after discussions with offerors, it was determined that HART would call for a BAFO, which is ahead of schedule. He said that evaluations were expected to wrap up in July.

Board member Terrence Lee said that the Board should not only evaluate the options, but do it decisively based on the best available information it has. He asked what other options were explored before deciding on the technology and route in the FFGA.

Mr. Morioka said that there was an alternatives analysis per the FTA's National Environmental Policy Act (NEPA) process, during which various technologies were examined by a panel of experts. This process was followed by an EIS study on the preferred alternative. Mr. Grabauskas added that the steel on steel technology was supported by voters in 2010.

HART Director of Planning, Permitting and Right of Way Jesse Souki said that the alternatives analysis examined different rail technologies as well as routes, based on the Oahu Metropolitan Planning Organization's regional transportation plan. The EIS and NEPA processes involved

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public input and the Mayor's blue ribbon panel to explore steel-on-steel, mag lev, bus rapid transit, a no-build option, and other options. A change in technology now would involve the same process. Mr. Lee asked whether option 2A, transitioning from elevated to at-grade rail at Middle Street, was explored in 2005. Mr. Souki said an at-grade option was examined, but rejected in part due to the concern over the extensive trenching required. Mr. Morioka added that a supplemental EIS would probably be required, which would take three to five years.

Mr. Lee asked how long a ridership study would take, and Mr. Morioka said that each scenario would take a few days to a week to study. He said that he hoped to narrow the options down to a few, so that ridership evaluations could be conducted. Mr. Grabauskas added that in his experience, the FTA would likely be more comfortable with the route and mode that has already been studied and confirmed.

Mr. Formby said that based on 100 percent probability, the project would end at the Kapalama station. However, Kapalama is not an intermodal transfer point; Middle Street makes more sense for intermodal transfers. He cautioned the impact to ridership and the functionality of the system, should the project stop anywhere short of downtown. However, he noted the financial challenge of doing so.

Mr. Hong asked why Nimitz Highway was not originally considered as an option. Mr. Morioka said that at the time, HDOT had a plan to extend the Airport viaduct. Mr. Hong raised the possibility of starting construction on Ward Avenue or Ala Moana Boulevard, then working west while waiting for the EIS.

Mr. Morioka said that HART would likely not be allowed to segment the environmental planning process under federal and state laws.

Board member Colbert Matsumoto asked how much of the \$7.96 billion was contingency. Mr. Morioka replied that the amount included about 15 percent of it was contingency for non-contracted work, and 15 percent for contracted work, for a total of approximately \$800 million in added or new contingency. Mr. Matsumoto asked about the total, and HART Deputy Director of Project Controls Corey Ellis stated that the total of committed but unspent, and new contracts, to include Airport and City Center guideway and stations and the Pearl Highlands Transit Garage, the total contingency is around \$740 million. Mr. Matsumoto confirmed that the FTA's \$8 billion estimate includes \$1.1 billion in contingency, and Mr. Ellis confirmed it did, and that HART's construction cost is higher than the FTA's.

Mr. Morioka said that HART was in discussions with the FTA regarding its contingency amount and construction estimate; the differences were due to the differing estimation methodologies. Mr. Matsumoto asked about HART's confidence that it would be successful in those discussions, and Mr. Morioka said he was fairly positive. The FTA and the Project Management Oversight Contractor had characterized recent meetings as positive.

Mr. Matsumoto asked whether required contingency levels would decrease as construction progressed. Mr. Morioka said theoretically it would, but pointed out that the initial \$5.12 billion FFGA budget included \$644 million in contingency, before any construction started. By

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contrast, about 50 percent of the project is still left to construct, but the current contingency estimate is about \$740 million. This reflects the level of risk and uncertainty due to the construction market. Mr. Matsumoto asked what the contingency accounts for. Mr. Morioka said that it accounts for unknown issues such as different site conditions, unexpected utilities, changes to schedule because of noise concerns in residential neighborhoods, as well as items that may be added, such as the fare gates that were added.

Mr. Matsumoto asked if those factors add to the increase in construction costs, and Mr. Morioka said they would to a certain degree. Mr. Morioka said that additional items that could contribute to the construction cost increases that contingency wouldn't be anticipated to cover would be design refinement. He cited the example of the need for deeper foundations in the City Center section due to underground geological conditions, which were not known at the time of preliminary design. Mr. Grabauskas said that the foundations for the Ho`opili station were 40 feet deep, in contrast to the 70 to 250 feet depth in the City Center section. He said that this accounts for much of the increased construction cost of the guideway in the eastern half of the guideway, as opposed to the western half of the guideway. Mr. Matsumoto asked whether those factors could have been expected six years ago. Mr. Morioka said that during preliminary FFGA planning, a higher contingency of about 35 percent was included to account for unknowns. The contingency would theoretically be reduced as the design is refined, but due in large part to the current construction market, that is not occurring in Honolulu.

Mr. Matsumoto asked about other factors that might be within HART's control. Mr. Grabauskas said that in 2009 when the first contracts went out to bid, the construction industry was in a down cycle, and bids came in lower than engineer's estimates. During the period when the remainder of the project contracts should have been out for bid, the project experienced the construction suspension and injunction against real estate acquisition due to litigation. At the time that the FFGA was signed, construction costs were increasing at three to five percent annually. However, in the last three years, those costs have been increasing in double digit percentages. When the nine station package came in at over 60 percent above HART's 2012 estimates, staff estimated that it could bring costs down to 35 to 45 percent over 2012 estimates; the final result was 40 percent over those costs. Mr. Grabauskas said that the compounding of construction costs over the last four years accounts for the majority of the cost increases.

Mr. Morioka added that HART's budget was based on high-level planning estimates, and not final design estimates, which results in uncertainties. When site-specific design work begins, more specific issues start being identified. Additionally, design estimates also change due to the market, which affects procurement schedules. He said that current estimates were much more accurate than that had previously been, but that the construction market was still a major factor.

Mr. Matsumoto asked about the contingency of the 2012 FFGA budget. Mr. Morioka said the average among contracts was 15 percent, which included an assumption of increased construction costs. There was a seven percent design contingency included in construction contracts over base costs to account for market variations. He said that the escalation factor was four and a half percent, which was inadequate in hindsight. As the market enters the recession part of the cycle, the escalation would decrease, but at a slower rate than it escalated.

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Mr. Matsumoto asked whether the \$7.9 billion estimate factors in projected escalation and de-escalation. Mr. Morioka said that it assumes procurement of the Airport and City Center contracts within the year, so that prices could be made more certain. Mr. Matsumoto asked whether it was realistic to expect that prices would be locked in over the next eight years. Mr. Morioka said that the Airport contract would likely be locked in within the next month or two. The City Center contract was expected to be procured within the next year, during the 12 to 15 percent escalation period.

Ms. Hanabusa said that that FTA did not agree with HART's 15 percent contingency on its \$7.97 billion estimate. She said that when HART had requested \$2.1 billion from the City Council for the GET extension, it said that its contingency was \$130 million. Mr. Grabauskas said that \$130 million was the reallocation from the prior year. Ms. Hanabusa said that the FTA thought in March that HART's estimate of \$6.827 billion was too low, and Mr. Morioka said that was correct. Ms. Hanabusa pointed out that the Airport Guideway and Stations estimate went from an FFGA estimate of \$511 million to \$673 million in October 2015, to \$820 million in March 2016, five months later. The City Center Guideway and Stations contract began with an FFGA estimate of \$528 million, increased to \$702 million in October 2015, then increased to \$866 million in March 2016. She noted that she thought the March figures were too low. She said that HART would have to go back to the City Council with the \$8 billion estimate so it could issue the Airport and City Center contracts, because HART did not currently have enough money to build the project as planned, and therefore could not issue both contracts. Mr. Morioka agreed; he said that HART had a \$1.2 billion shortfall.

Ms. Hanabusa said that even if HART were to increase its GET surcharge revenue project rate from 4.3 percent to 5.04 percent, doing so would only yield an additional \$200 million. Mr. Ellis agreed. Ms. Hanabusa said that if HART were to increase the budget so it could build the project, it must find an additional \$1.2 billion in revenue. She noted that as the Mayor and City Council would not increase property taxes HART could seek another GET surcharge extension, despite the fact that that the Legislature had indicated that it would not grant another extension.

Ms. Hanabusa said that since the FFGA was between the FTA and the City and County of Honolulu, the HART Board of Directors would not be the decision-makers on this matter. She also said that a task force or group would decide between the different options presented, and that the FTA had given a deadline of August 7, 2016, which she believed was too short. Additionally, the decision needed to be made as to who would negotiate with the FTA. Mr. Morioka said that the FTA indicated that the agency typically deals with the FTA as a representative of the grantee, who is the City and County of Honolulu. Ms. Hanabusa said that the City could be either the City Council, the Mayor, or both.

Mr. Formby asked about the delta between HART's escalation rate and the construction market escalation. He stressed the need for confidence in the numbers. Mr. Morioka said that HART has been trying to control costs in procurement, such as issuing addenda that address offerors' concerns regarding risk. He said that could result in a small cost reduction of perhaps five percent.

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Mr. Formby said that under the FFGA, the project ending cash balance was \$193 million. He said that he advocated for a bigger contingency based on the project's history, as he thought that the utility issues in the City Center section could result in significant change orders. He said that HART should not have to go back to the FTA for more money. Mr. Morioka agreed, and said that HART's approach was not to convince the FTA to lower contingency for the sake of lowering the budget, but rather, to state why it has confidence in its estimate, and a lower contingency. Mr. Formby thanked Mr. Morioka and staff for the presentation. Mr. Morioka reiterated that the estimates for the terminus options were not true estimates, but an arithmetic exercise based on the cost of the stations for discussion purposes only.

Mr. Lee registered his lack of optimism in any of the options. He stated that the options were to abandon the project or seek a GET surcharge extension from the Legislature. That option would not be successful unless it has the support of taxpayers. He suggested a poll to that end. Ms. Hanabusa suggested requesting that Move Oahu Forward conduct the poll, and asked that Mr. Grabauskas make the request.

Ms. Hanabusa said that the FTA had urged HART to engage a peer review with an eye towards project completion. Mr. Grabauskas said that HART had conducted a peer review previously, and said that it was common practice in the transit industry of which he was supportive.

Mr. Lui-Kwan asked about the parameters of the requested recovery plan. Mr. Grabauskas said that a recovery plan would have HART demonstrate maximum effort get as close to the project outlined in the FFGA as possible, particularly regarding ridership and the benefit to the community. The FTA had also indicated in Mr. Grabauskas' meeting with them that HART should be conservative in its numbers. He said that it would be a balancing act between reducing the project and maintaining ridership. The FTA was looking for a community discussion on the matter, a decision from policymakers, and HART's analysis on ridership, forecasting, and budgeting as close to the original FFGA as possible.

Mr. Lui-Kwan noted that the FTA had previously said that HART must follow the FFGA at the peril of the grant monies. Mr. Grabauskas agreed and said that the FTA recognizes that there will be a shortfall and that HART was not likely to obtain another GET surcharge extension. It is willing to make these concessions now in the interest of moving the project forward. Mr. Lui-Kwan said that many of the options would take years to come to fruition, and are therefore not realistic.

Mr. Matsumoto asked what was being asked of the Board. Ms. Hanabusa said that while the Board would not necessarily be the decision-makers, the information should be brought forward for the public's information. Additionally, HART was in the middle of its budget process with the City Council. She reminded members that HART had informed the Council in January that it needed \$1.2 billion more, a figure which is now more. She said that HART would be requesting monies for its capital budget, and that the Council would be questioning HART's requested amount. She said that the presentation was in reaction to the Star Advertiser's article, which reported that the FTA estimated project costs at \$900 million to \$1.2 billion more. She said that the FTA had engaged in conversation with the Mayor and City Council regarding a recovery plan, which was then requested of HART in the FTA's June 6th letter. Ms. Hanabusa said that it

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was unclear what role the Board would play in decision-making, but that it could make the information available to the public.

Mr. Matsumoto said that the FTA, the Council and Legislature are all funders of the project, while HART performs project management. The HART Board, while charged with project oversight, does not have any real authority under the Charter. He said that the Board should focus on restoring credibility and confidence in the numbers given to the funders who can make the political decision whether to provide additional funding to complete the project. He emphasized the need for reliability and clarity in the numbers being presented. Ms. Hanabusa agreed. She suggested creating a permitted interaction group to discuss the options and prepare for decision-making.

Ms. Hanabusa asked Mr. Morioka which option he preferred. Mr. Morioka said that the Downtown Station would be the best terminus in terms of ridership and functionality, but that any interim station deferrals would need to be studied. Mr. Formby agreed that either the Middle Street or Downtown Stations would be the best intermodal options. Mr. Morioka said that option one, building the guideway to Ala Moana with no stations, was still not within the budget and would result in low ridership. He added that any reduction in the planned project would put additional stress on bus service.

Ms. Hanabusa asked Mr. Grabauskas for his preference, and he echoed Mr. Morioka's choice.

Ms. Hanabusa said that another likely source of additional revenues is the reduction of the State of Hawaii's ten percent administrative fee from the GET surcharge revenues. Mr. Morioka said that from 2017 to 2027, if GET surcharge revenues were \$300 million annually, the ten percent retention would be \$300 million. Mr. Grabauskas added that although he did present that possibility to the FTA, they were requesting that HART present a recovery plan based on its current budget.

Mr. Matsumoto asked about the FTA's commitment. Mr. Grabauskas said that the FTA would still dedicate its full pledge of \$1.55 billion. Alternatively, the FTA could consider HART in breach, and request that HART repay the grant monies already paid. Mr. Matsumoto said that the recovery plan would give the FTA the basis on which to release the remaining committed funds to HART, and Mr. Grabauskas agreed. Mr. Matsumoto asked whether HART was obligated to limit itself to the recovery plan. Mr. Grabauskas replied that anything beyond what was included in the recovery plan would be decided on by the community, subject to HART seeking additional funding. Mr. Matsumoto said that he was having a hard time agreeing with any of the options, financially and functionally.

Ms. Hanabusa confirmed that HART would have to implement whatever the FTA agreed to in the recovery plan, and Mr. Grabauskas said that it would. She said that the \$6.8 billion includes the \$1.55 billion from the FTA, and Mr. Grabauskas agreed. He added, however, that HART was not restricted thereafter from adding to the project.

Mr. Matsumoto again clarified that an agreement by the FTA to the recovery plan does not preclude HART from later utilizing other funding to build the rest of the project. Mr.

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Grabauskas agreed, and added that because of the environmental and other work that had already been done, any work that is locally funded would be free of FTA oversight, which would allow greater flexibility.

Ms. Hanabusa called for further public testimony.

Mr. Greenwood provided testimony stating that Ansaldo had lied about the pricing in its contract and what it would build. He urged the Board to consider other companies to perform the work.

Barbra Armentrout testified in favor of the alignment going to downtown.

Eric Ryan said that were the 2008 rail vote held today, it would fail because rail will not ease traffic congestion.

V. Adjournment

There being no further business before the Board, Ms. Hanabusa adjourned the meeting at 4:14 p.m.

Respectfully Submitted,

/s/ Cindy Matsushita

Cindy Matsushita
Board Administrator

Approved:

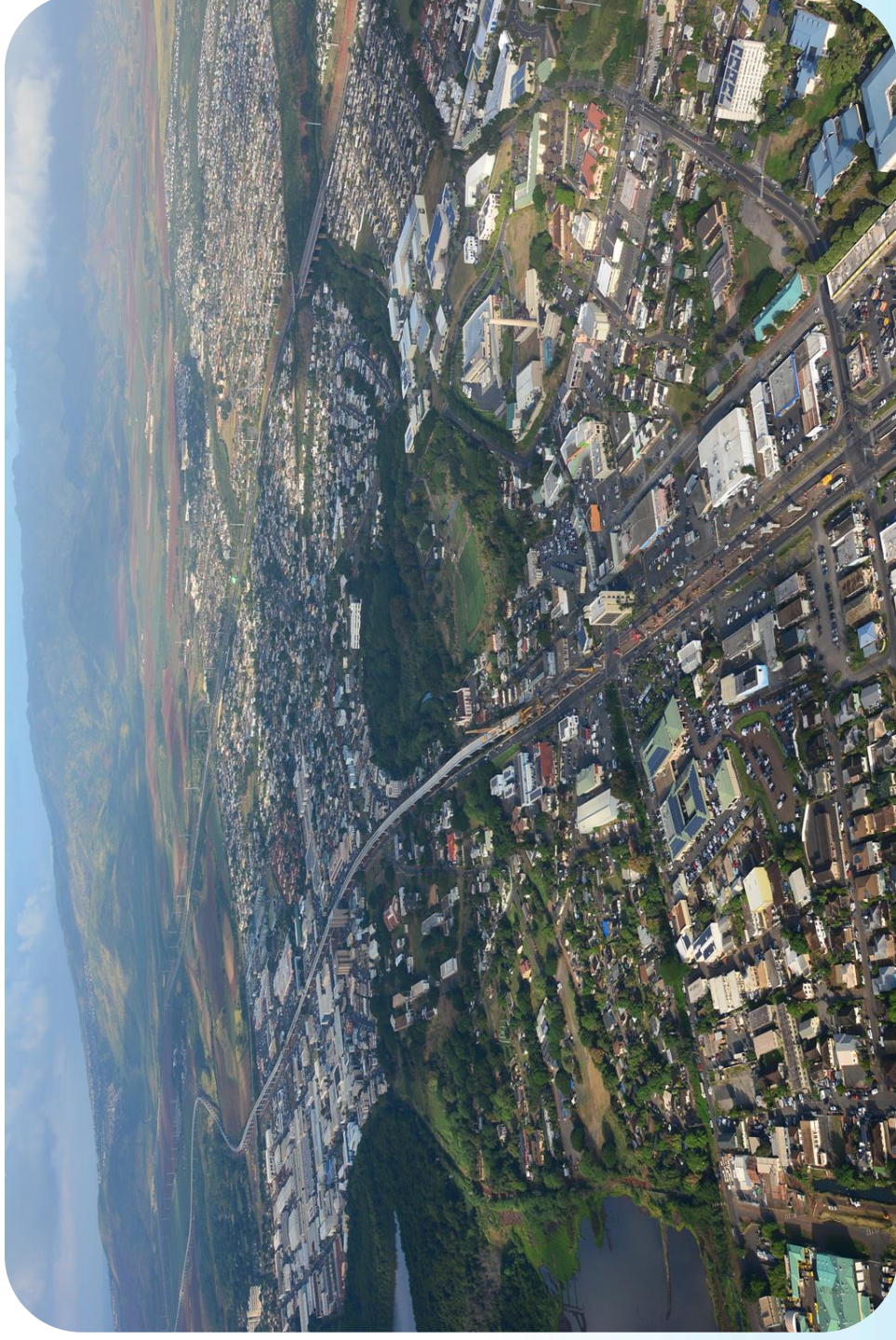
/s/ Colleen Hanabusa

Colleen Hanabusa
Board Chair

July 14, 2016

Date

ATTACHMENT A



Honolulu Rail Transit Project Update

Options to HART's Current FFQA Scope

June 8, 2016

H O N O L U L U R A I L T R A N S I T P R O J E C T

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HART

HONOLULU AUTHORITY FOR RAPID TRANSPORTATION

Current Alignment

20 Miles – 21 Stations



Original FFGA Requirements

- On December 19, 2012, HART signed a Full Funding Grant Agreement for a total Project cost of \$5,121,693,163 with a Federal contribution of \$1,550,000,000. The Revenue Service Date (RSD) was to be January 31, 2020.
- The Project description stated “The Honolulu Rail Transit Project (the Project) consists of design and construction of a 20-mile, grade separated fixed rail system from East Kapolei to the Ala Moana Center in Honolulu Hawai’i. From East Kapolei, the Project proceeds to the University of Hawai’i at West Oahu, then east to Pearl Harbor, the Honolulu International Airport and ends at Kona Street adjacent to Ala Moana Center. The Project will operate in an exclusive right-of-way and will be grade separated except for a 0.6 mile, at grade section near the Leeward Community College. The Project includes 21 stations, 80 rail vehicles and a Maintenance and Storage Facility”.
- In FTA’s Risk and Contingency Review in September, 2012 for the FFGA, the PMOC stated that HART’s cost estimate of \$5.122 billion, including \$644 million in total contingency, was acceptable.

History of Review by FTA

- Since then, HART has worked closely with the FTA in the management of the Project.
- During this time, Monthly Reviews were performed by the FTA's Project Management Oversight Contractor (PMOC) and Quarterly Reviews performed by the FTA's Regional Office.
- On August 14, 2014, FTA issued another Risk Refresh letter in which they recommended that HART increase their cost estimate to \$5.386 billion by adding \$265 million (\$139.5 million in adjustments and \$125.5 million in additional contingency).
- Both the FTA and the PMOC, as well as HART, were surprised at the increased costs to the Project in late 2014 due primarily to the extraordinary construction cost increases in Honolulu over the past five years.
- On May 10, 2016, FTA forwarded a copy of their recent 2016 Risk Refresh entitled FINAL DRAFT for comment. In this review, the FTA states the cost to be \$7.731 billion (p50) including an increase of \$856 million in contingency, an increase of \$2.609 billion over the original FFGA cost estimate. The FTA also gave a cost of \$8.016 billion (p65) by including \$1.141 billion in contingency.

HART's Current Cost & Schedule Estimate

- To construct the Project as programmed in the FFGA,
 - Projected Cost Estimate **\$7,967,000,000**
 - Projected Schedule (same as FTA's estimate)
 - ✓ Construction Completion **April, 2024**
 - ✓ Revenue Service Date (RSD) **December, 2024**

HART's Current Capital Revenue Estimate

- Projected Revenue Resources total **\$6.827 billion**:
 - GET Revenue totals \$4.977 billion
 - ✓ Growth rate lowered from 5.04% in original financial plan (June 2012) to 4.3%
 - ✓ Council on Revenues current Statewide GET projection reflects a 4.8% compounded annual growth rate from FY 2014 to FY2022
 - ✓ Range from \$4.903 billion at 4% to \$5.167 billion at 5.04%
 - Federal Grant provides **\$1.551 billion**
 - Beginning Balance of **\$0.3 billion**
 - ✓ Consists of GET revenues and interest income prior to the grant period (January 2007 to October 2009) net of City expenses

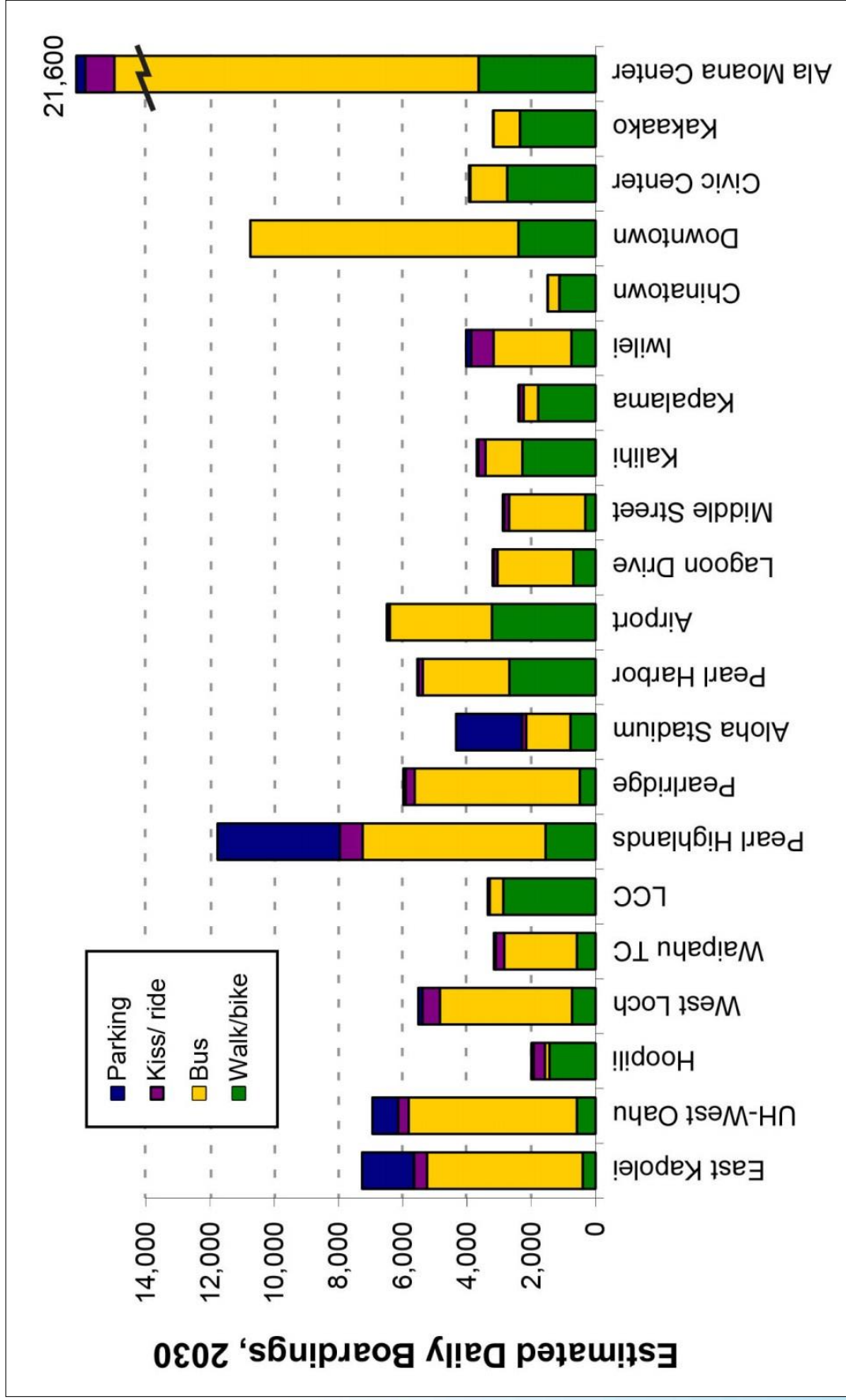
**Growth rate applied to 4 quarterly receipts through 1/31/2016*

Estimated Daily Boardings 2030

WEST SIDE	Daily Boardings	EAST SIDE	Daily Boardings
East Kapolei	7,266	Pearl Harbor	5,552
UH West O'ahu	6,939	Airport	6,490
Ho'opili	1,995	Lagoon Drive	3,215
West Loch	5,526	Middle Street	2,895
Waipahu Center	3,167	Kalihi	3,701
Leeward CC	3,356	Kapalama	2,395
Pearl Highlands	11,750	Iwilei	4,028
Pearlridge	5,982	Chinatown	1,499
Aloha Stadium	4,334	Downtown	10,748
		Civic Center	3,933
		Kaka'ako	3,199
		Ala Moana	<u>21,612</u>
		EAST/WEST TOTAL	119,582

4-car train update

Estimated Daily Boardings 2030



Projected Cost vs. Projected Revenue

- Given the projected Project cost of **\$7.967 billion** and the projected revenue of **\$6.827 billion**, the Project as defined by the FFGA has a potential deficit of **\$1.140 billion**
- Without additional revenue, HART, after consultation with the FTA, needs to consider options for construction within the current projected revenues
- **Build to Budget vs. Budget to Build**

Options

- #1 Build to Middle Street as planned plus “guideway only” to Ala Moana
- #2 Build to Middle Street as planned and continue with bus service
- #2a Build to Middle Street as planned and continue with at-grade rail system
- #3 Construct as far as funding allows (a la carte evaluation)
- #4 Public-Private Partnership (P3) Solicitations for all stations
- #5 Change alignment to Nimitz

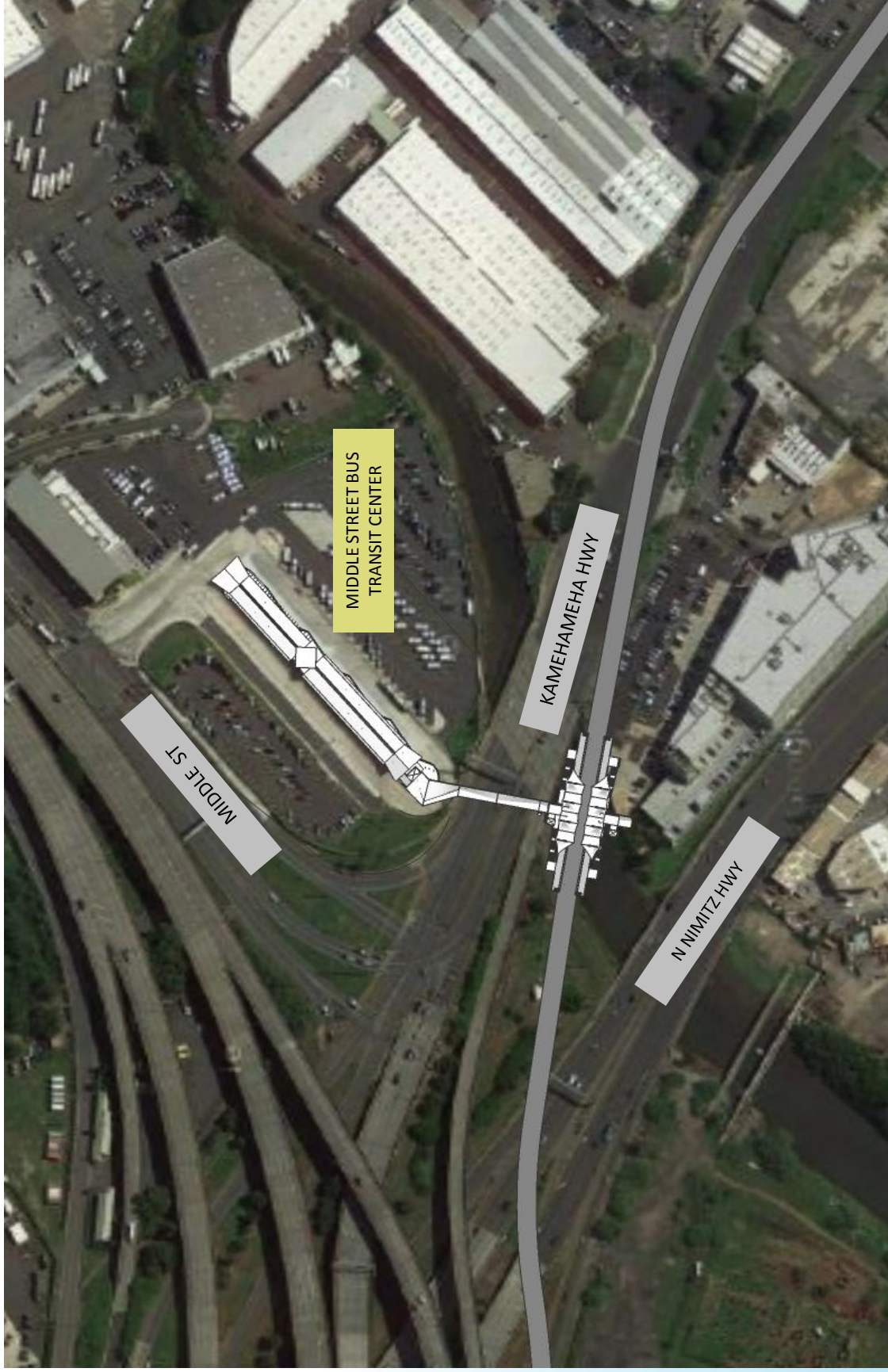
Option #1

Build to Middle Street as planned; Build 'guideway only' to Ala Moana (no stations, except Ala Moana)

Description of Changes

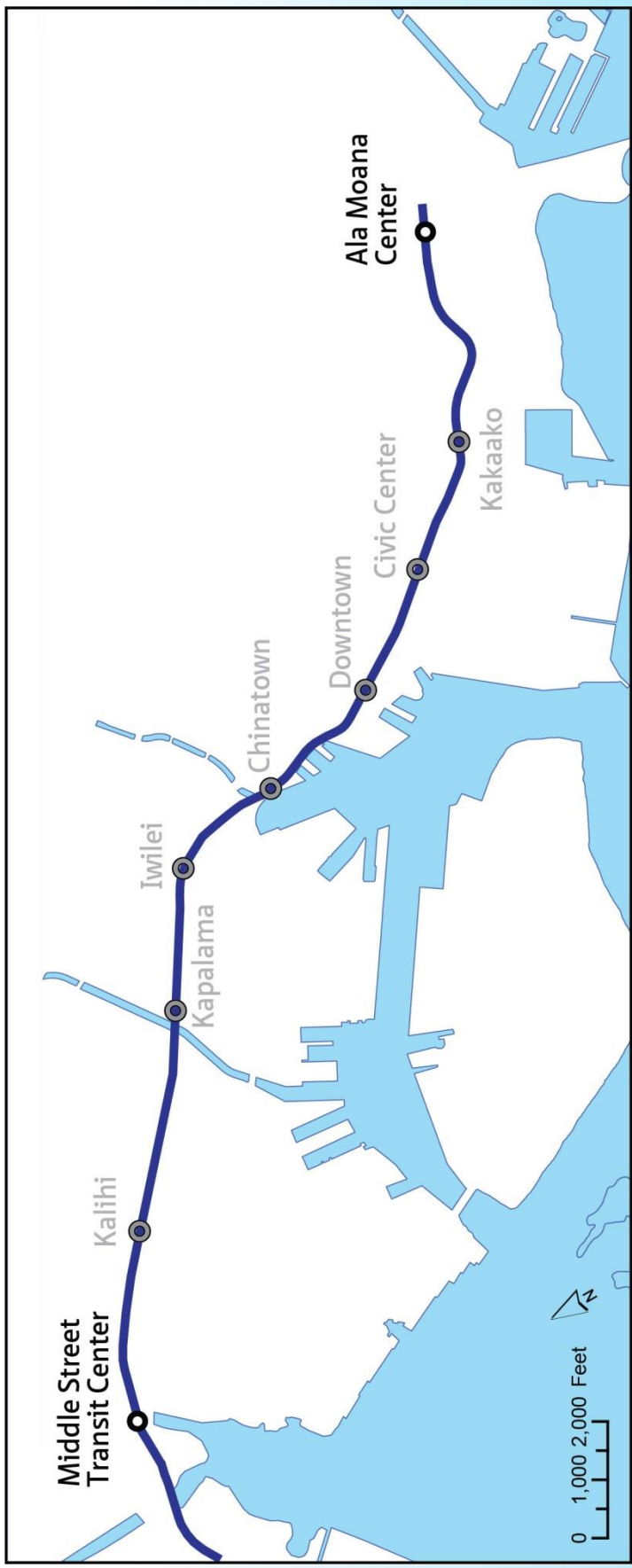
- Build 'guideway only' from Middle Street to Ala Moana
- Do not build any stations beyond Middle Street, except for the terminus station at Ala Moana

Middle Street Transit Center Site



Option #1

Build to Middle Street as programmed; Build “guideway only” to Ala Moana



Option #1

Build to Middle Street as programmed; Build 'guideway only' to Ala Moana

Pros

- 1) Saves initial cost of building seven stations
- 2) Construction impact will be temporarily lessened by deferral of stations
- 3) Will reduce number of railcars, but will not recoup full cost
- 4) Preserves guideway corridor

Cons

- 1) Deferral of stations will significantly impact ridership
- 2) Increased final costs to build remainder of stations later
- 3) Increased costs to buy remainder of railcars later
- 4) No significant savings of time
- 5) No rail service to Kalihi, Downtown or Kaka'ako
- 6) Significant changes to existing contracts
- 7) **Insufficient funds (\$7.59+B)**

Option #2

Build to Middle Street as planned & continue with bus

Description of Changes

- Terminates elevated rail system after station
- Install crossover after station
- Initialize integration w/ bus transit center
- Move TPSS and other core system changes
- Construct Kiss and Ride facilities

Option #2

Build to Middle Street Transit Center & continue with bus



Option #2

Build to Middle Street as planned & continue with bus

Pros

- 1) Saves initial cost of building eight stations
- 2) Construction impact will be temporarily lessened by deferral of stations
- 3) Will reduce number of railcars, but will not recoup full cost

Cons

- 1) Change of travel modes discourages ridership
- 2) Requires more bus integration and increased bus service and cost
- 3) Increased costs of right-of-way acquisition later
- 4) Additional costs due to infrastructure changes and core system changes
- 5) Increased costs to build remainder of stations and guideway and buy railcars later

Option #2a

Build to Middle Street as planned & continue with at-grade rail system

Description of Changes

- Terminates elevated rail system after station
- Install crossover after station
- Possible need for Supplemental EIS for change in technology
- Initialize integration with bus and new light rail system
- Acquire land, design and construct new light rail operations and maintenance facility
- Design and construct alignment for light rail including overhead electrical catenary system
- Move TPSS and other core system changes

Option #2a

Build to Middle Street as planned & continue with at-grade rail system



Option #2a

Build to Middle Street as planned & continue with at-grade rail system

Pros

- 1) Provide a street running light rail system at grade
- 2) Size and cost of rail stations are minimized

Cons

- 1) Change of travel modes discourages ridership
- 2) Likely need for Supplemental EIS
- 3) Requires further bus and rail integration
- 4) Additional costs due to new rail system including land, design and train driver labor costs
- 5) New rail car costs and new rail maintenance and operations facility
- 6) Light rail intermixed with vehicles within the street network

Option #3

Construct Project as far as funding allows (a la carte evaluation)

1. Cost to terminate guideway after each station
2. Additional changes may need to be considered:
 - Install crossover after station
 - Move TPSS and other core system changes
 - Initialize integration with bus
 - Make necessary site changes to be a terminus
3. Itemized costs that could be saved by deferring a specific station

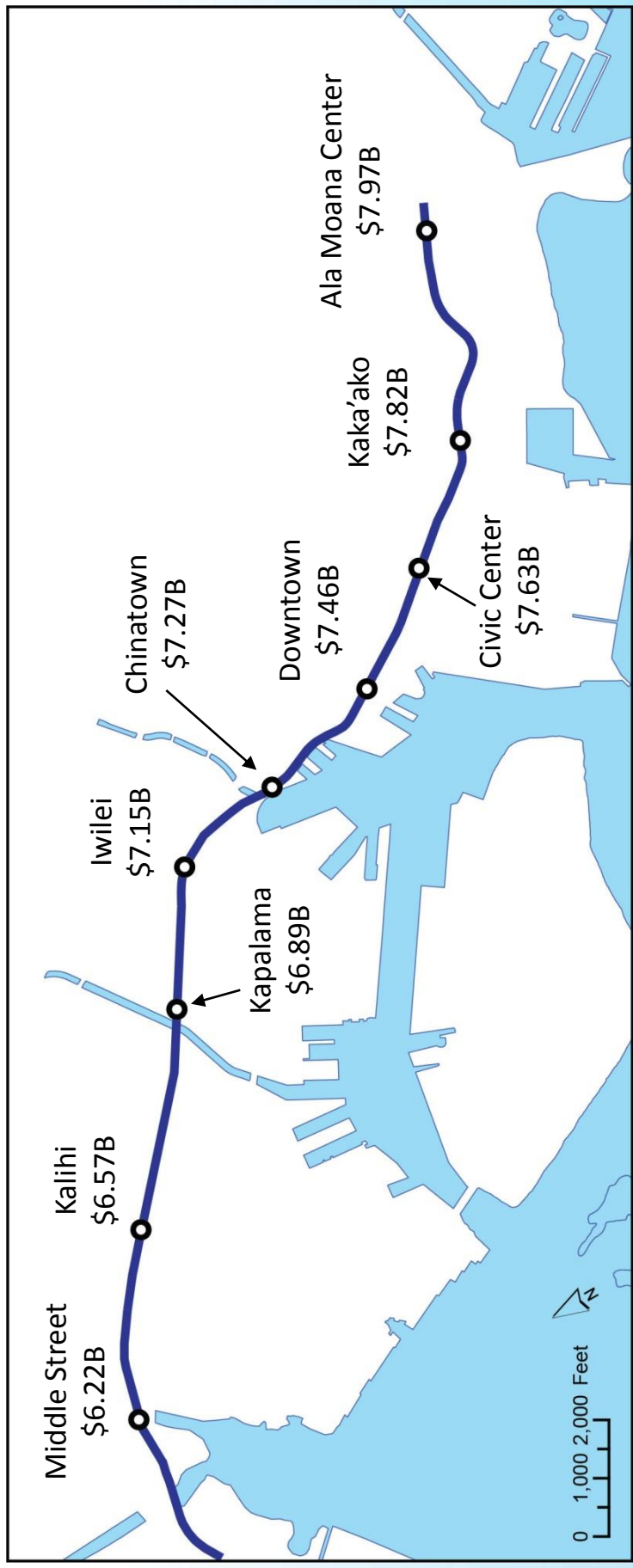
Option #3

Construct Project as far as funding allows

Cost to Complete Project to Each Station	
Middle Street	\$6.22B
Kalihi	\$6.57B
Kapalama	\$6.89B
Iwilei	\$7.15B
Chinatown	\$7.27B
Downtown	\$7.46B
Civic Center	\$7.63B
Kaka'ako	\$7.82B
Ala Moana	\$7.97B

Option #3

Construct Project as far as funding allows



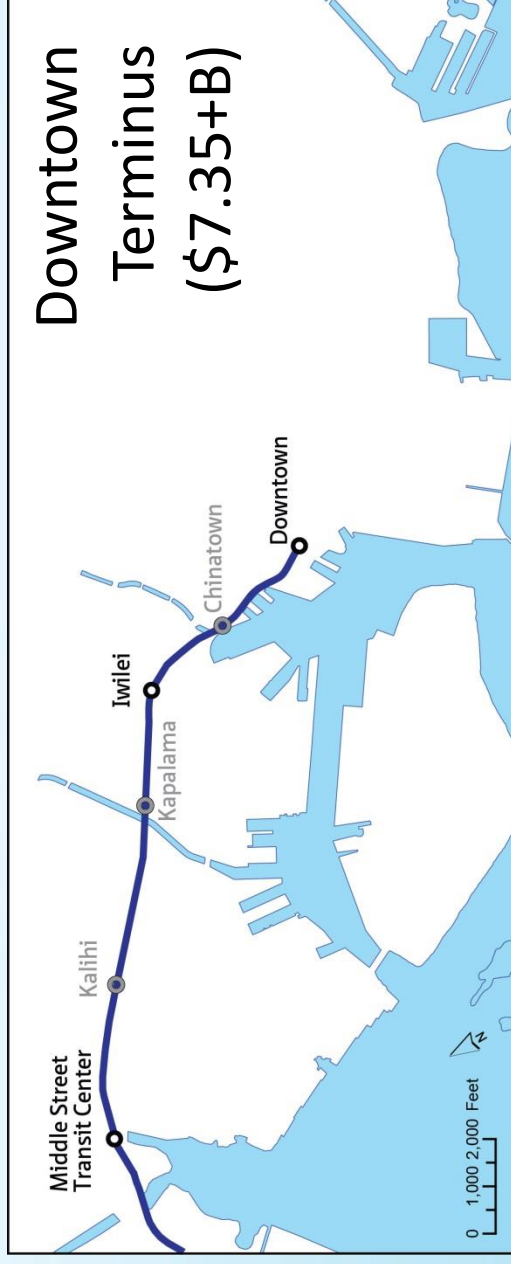
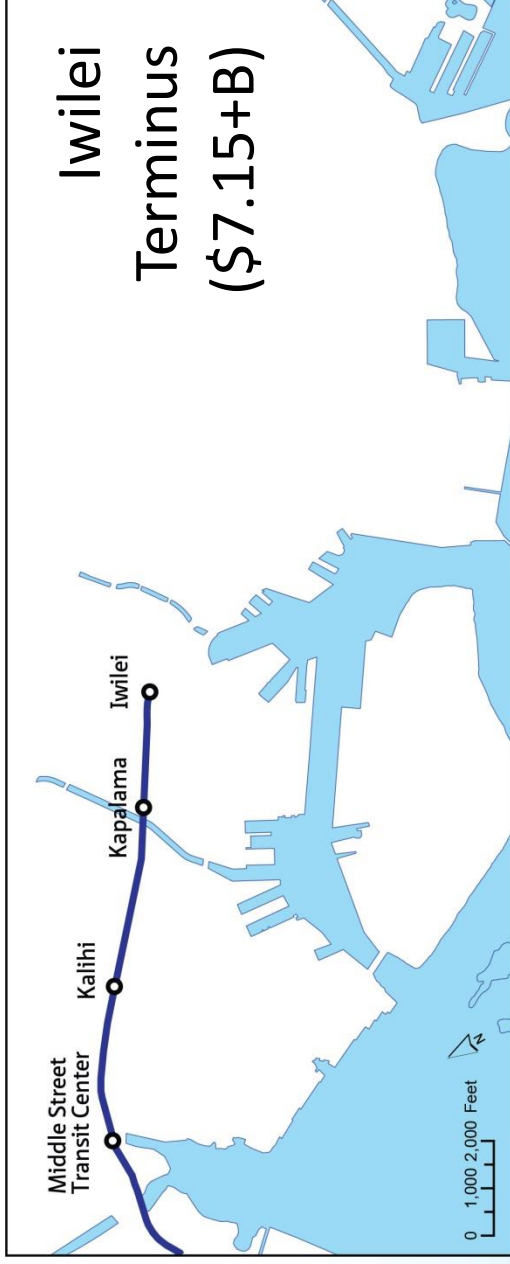
Option #3

Construct Project as far as funding allows

<u>Actual or Estimated Cost of Each Station</u>		
East Kapolei	\$ 17.7M	Airport \$ 32.5M
UH West O'ahu	\$ 22.2M	Lagoon Drive \$ 22.3M
Ho'opili	\$ 14.1M	Middle Street \$ 45.9M
West Loch	\$ 41.0M	Kalihi \$ 30.2M
Waipahu	\$ 35.2M	Kapalama \$ 33.0M
Leeward CC	\$ 12.0M	Iwilei \$ 31.8M
Pearl Highlands TC	\$ 280.0M	Chinatown \$ 41.1M
Pearl Highlands	\$ 47.1M	Downtown \$ 60.1M
Pearlridge	\$ 36.4M	Civic Center \$ 37.4M
Aloha Stadium	\$ 30.5M	Kaka'ako \$ 27.9M
Pearl Harbor	\$ 26.0M	Ala Moana \$ 45.6M

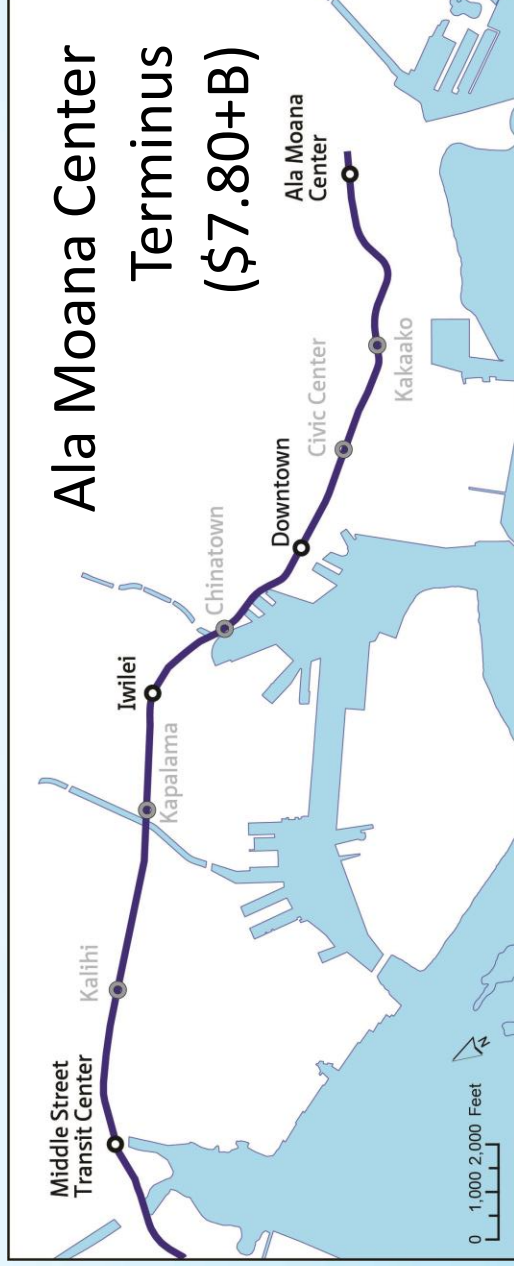
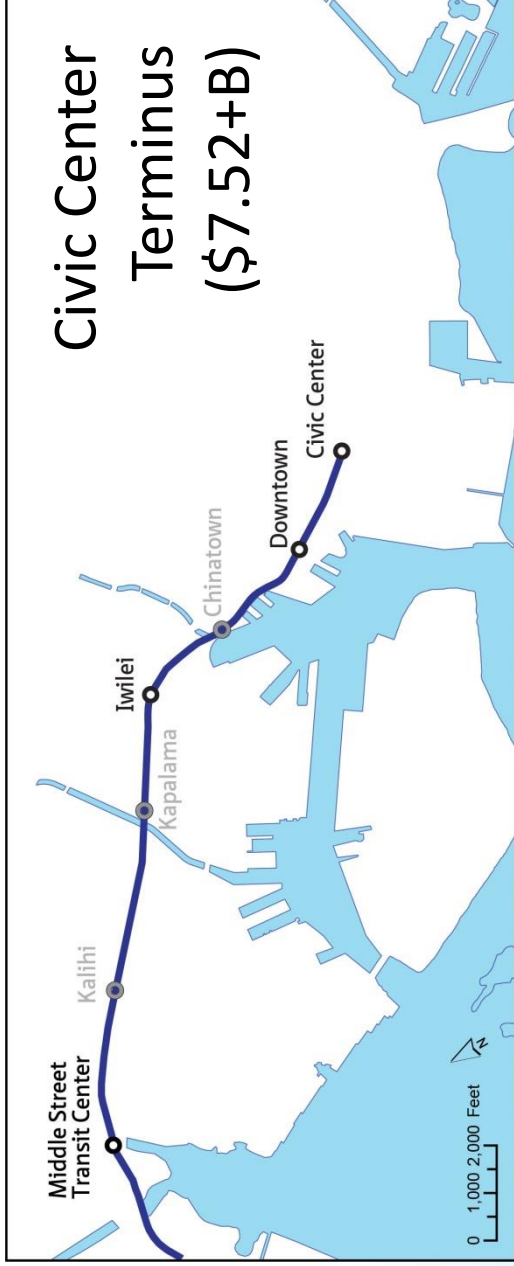
Option #3

(a la carte examples)



Option #3

(a la carte examples)



Option #3

Construct Project as far as funding allows

Pros

1) Maximizes flexibility in use of current funding

2) Saves initial cost of not building guideway and/or some stations

3) Construction impact will be temporarily lessened by deferral of stations and guideway

4) Will reduce number of railcars, but will not recoup full cost

Cons

1) Change of travel modes discourages ridership

2) Requires more bus integration

3) Additional costs due to infrastructure changes and core system changes

4) Increased costs to build remainder of guideway and/or stations later and buy railcars later

Option #4

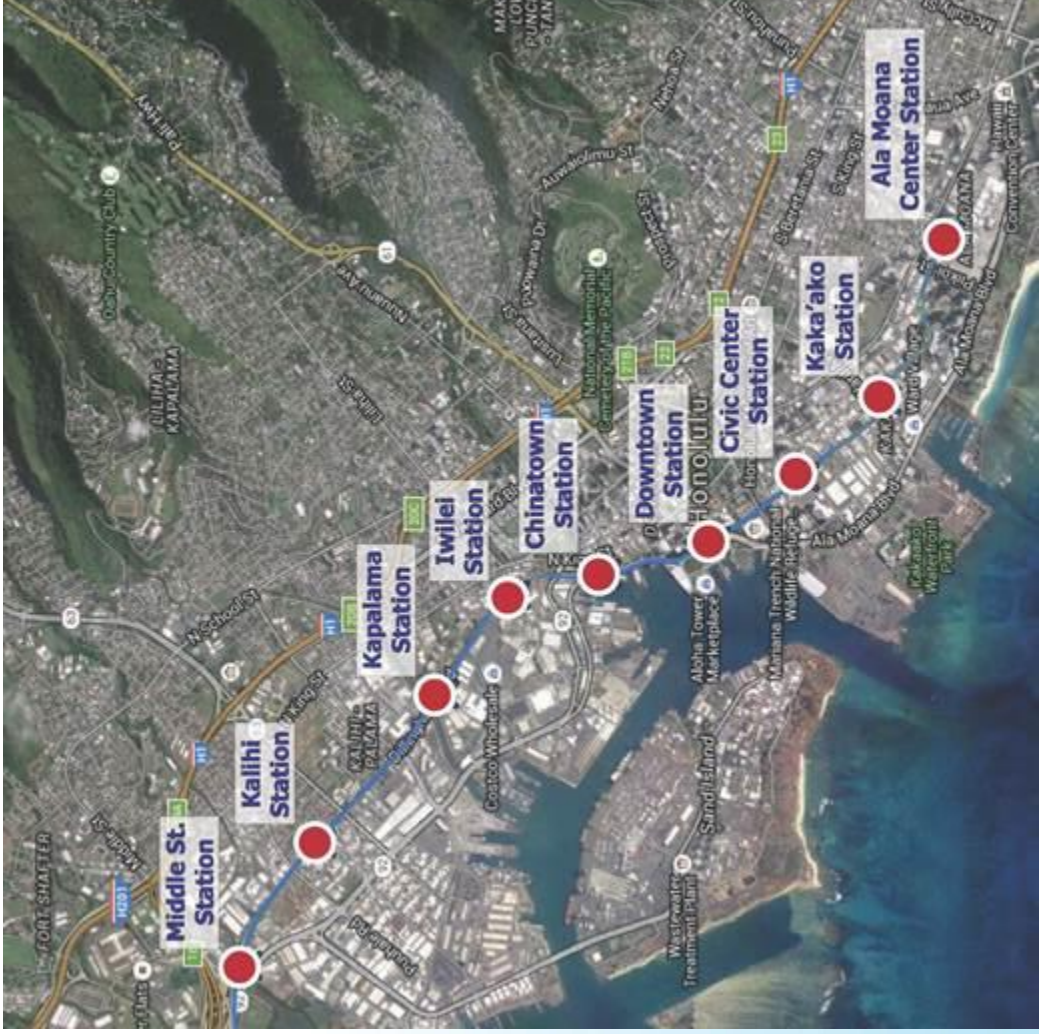
Issue Public-Private Partnerships (P3)

Solicitations for All Stations

- In an effort to reduce initial HART capital investments and get more buy-in by developers, issue P3 solicitations for all 21 stations.
- Decision would require change orders to existing contracts deleting nine stations; work has already begun on some of the contracts.

Option #4

Issue P3 Solicitations for All Stations



Option #4

Issue P3 Solicitations for All Stations

Pros

1) P3 Solicitations might result in lower costs for some stations

Cons

- 1) Requires stopping construction of nine west side stations, causing defaults for convenience by HART and high penalties
- 2) Impacts timing for new solicitations
- 3) Uncertainties on timing of availability of operational stations
- 4) Over \$900M in private capital would be needed to construct 21 stations

Option #5

Change Alignment to Nimitz Highway

- Instead of guideway alignment proceeding down Dillingham, alignment proceeds from Middle Street Station down Nimitz Highway to Downtown Station.
- Significant environmental and ridership studies would need to be performed before design work could begin.
- Station selections would need to be evaluated .

Option #5

Change Alignment to Nimitz Highway



Option #5

Change Alignment to Nimitz Highway

Pros

- 1) Costs could potentially be less because of fewer stations
- 2) Continues access to downtown area without same utility issues along Dillingham

Cons

- 1) Potential seven to ten year delay due to FTA review and approval including EIS
- 2) Possible ridership impacts
- 3) New station location and right-of-way acquisition
- 4) Introduces new unknown utility and superfund challenges
- 5) HDOT jurisdiction

Next Steps

- HART will take the feedback from today's presentation and update the presentation to be shared with the Mayor's Office and City Council. HART will refine the cost for the overall program as well as the analysis for any options the Board chooses.
- A Working Group will be formed to develop a plan for completing the Project in a manner that is in the best interest and benefit of the public.
- Advise current CCGS Priority-Listed Offerors of current status and potential timeline for remaining procurement.

Mahalo!



HONOLULU RAIL TRANSIT

HONOLULU RAIL TRANSIT PROJECT

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HART

HONOLULU AUTHORITY FOR RAPID TRANSPORTATION

ATTACHMENT B

TO: Board of Directors, HART

FROM: Natalie Iwasa
808-395-3233

MEETING: Wednesday, June 8, 2016

SUBJECT: Discussion on Options to HART's Current Full Funding Grant Agreement Scope

Aloha Members of the Board of Directors of HART,

Thank you for this opportunity to provide testimony and starting the discussion on this very important topic. **In order to make a good decision about the future of this rail project, you must be provided with good information.** As you know, for over a year I have raised questions and concerns about numbers provided by HART.

While I appreciate the corrections that have been made to date, e.g., no longer double counting \$298 million in "beginning balance" revenue, which was corrected in Fig. 7 of the August 2015 Monthly Progress Report, and neighborhood board meetings that had been credited to HART even though they were prior to its formation (see "Community Outreach" in the January and February 2016 Monthly Progress Reports), there are still significant errors that need to be corrected.

My focus today is only on revenue, but I have similar concerns about reported amounts for expenditures. In my May 12, 2016, testimony (attached for reference), I indicated federal grant revenue appeared to be overstated.

In the attached federal grant revenue reconciliation, Michael McGrane indicated the \$20 million difference that I had asked about was due to federal funds received prior to HART's formation. I was unable to find the \$20 million he referred to in the audited statements and therefore put together a spreadsheet of revenues per the audits and a report that HART had given to the legislature. The spreadsheet shows all cash basis revenues from 2007 through June 30, 2015.

The total of interest and other income from 2007 through FY 2011 was approximately \$20 million and appears may have been miscategorized as federal revenue. If that is the case, it explains why interest and other income are also not correctly shown in the cash flow projection.

Why is this important (aside from the fact that taxpayers are paying for this project and expect the numbers to be correct)? The Honolulu City Council included caps of \$6.831 billion in Bills 18 and 19, HART's operating and CIP budgets. Had correct and clear information been provided to the council, the cap might be \$80 million higher (\$378 million - \$298 million).

It is imperative that these numbers be corrected in all reports going forward.

	Federal Grants Revenue per Financial Statement	Grant Receivable JVA Net of Pr. Yr. Accrual Reversal	Cash Reimbursement Received
FY2012	42,662,749	0	42,662,749
FY2013	164,053,218	83,783,523	80,269,695
FY2014	107,116,948	(5,005,614)	112,122,562
FY2015	158,034,519	2,487,914	155,546,605
	471,867,434	81,265,823	390,601,611
PRE - FY2012 REIMBURSEMENTS (recvd from 3/30/11 to 6/20/11)			20,905,022
TOTAL GRANT REIMBURSEMENTS RECEIVED FROM FY2011 TO FY2015			411,506,633

Comments by Natalie Iwasa 6/8/16:

Document is from Michael McGrane 6/2/16 in response to questions about why 6/30/15 cash basis FTA Sec. 5309 calculated revenue (based on audited financial statements) does not agree with the FTA TEAM website, which is what is used as the basis for Table A-1 Capital Plan Cash Flow reports.

According to Michael, the difference between the audited financial statements and FTA TEAM amounts is the \$20,905,022 that was received prior to HART's formation. This amount, however, is not in the audited statements, but it appears to be the combination of interest and other income.

It should be noted that this reconciliation does not properly show the 6/30/12 federal receivable of \$1,551,907 -- it should be a reduction for FY 2012 and an addition for FY 2013.

TESTIMONY OF NATALIE IWASA
HART BOD Meeting 6/8/16
REVENUES TO DATE - 6/30/15

HART Letter
10/20/2015
DC720 Attch A
Beg. Bal.

Per Audits & "Revenues From January 1, 2007 to December 31, 2014"

	GET Surcharge	FTA 5309	Interest 1	Other
FY 2007	\$ 48,424,383	\$ -	\$ 18,000	\$ -
FY 2008	169,113,552	-	3,724,229	-
FY 2009	160,855,727	-	3,595,915	30,000
GET surcharge subtotal	378,393,662			
Expenditures through FY 2009	(80,478,167)			
HART beginning balance	\$ 297,915,495			
FY 2010 - per audit	157,555,320		246,603	17,000
FY 2011	179,108,573		329,693	13,020,000 2
FY 2012	190,664,993	42,662,749	240,233	247,491
FY 2013	173,822,505	164,053,218	310,597	501,384
FY 2014	218,390,853	107,116,948	298,748	776,206
FY 2015	223,666,342	158,034,519	208,245	364,872
Subtotals	1,521,602,248	471,867,434	8,972,263	14,956,953
Receivables per audited statements 6/30/15	(52,330,383)	(81,265,823)	-	(75,902) 3
Cash Basis through 6/30/15	\$ 1,469,271,865	\$ 390,601,611	\$ 8,972,263	\$ 14,881,051
Rounded	\$ 1,470,000,000	\$ 391,000,000	\$ 9,000,000	\$ 15,000,000

NOTE 1: Interest income FY 2012 - 2015 is from audits - some years do not agree with the revenue report.

NOTE 2: Other revenue is not detailed in the audit and may be part of federal funding.

NOTE 3: Receivable details not provided in audited statement.

**TESTIMONY OF NATALIE IWASA
HART BOD Meeting 6/8/16
REVENUES PRIOR TO INCEPTION OF HART**

	Beg. Bal.	GET Surcharge	Interest	Other	FTA Total Prior to 7/1/11
FY 2007	48,424,383	48,424,383	18,000	-	
FY 2008	169,113,552	169,113,552	3,724,229	-	
FY 2009	160,855,727	160,855,727	3,595,915	30,000	
GET surcharge subtotal	378,393,662				
Expenditures through FY 2009	(80,478,167)				
HART beginning balance	297,915,495				
FY 2010			246,603	17,000	
FY 2011			329,693	13,020,000	
			<u>7,914,440</u>	<u>13,067,000</u>	20,981,440
					<u>(76,418) ??</u>
					<u>20,905,022</u>

Federal revenue received 3/30/11 - 6/30/11 per Michael McGrane

NOTE: The Table A-1, Capital Plan Cash Flows report as of March 31, 2016, showed cash flows from FTA Sec. 5309 funding of \$411 million and appears may include interest and other income noted above. The \$411 million is about \$20.4 million higher than cash basis FTA revenue per audits. (See separate page showing that calculation.)

2016 JUN -1 AM 8:51

Daniel A. Grabauskas
EXECUTIVE DIRECTOR AND CEO

BOARD OF DIRECTORS

Colleen Hanabusa
CHAIR

Damien T.K. Kim
VICE CHAIR

George I. Atta
Michael D. Formby
Ford N. Fuchigami
Terri Fujii
William "Buzz" Hong
Terrence M. Lee
Ivan M. Lui-Kwan
Colbert M. Matsumoto

June 1, 2016

The Honorable Ernest Y. Martin, Chair
and Members of the Honolulu City Council
530 South King Street, Room 202
Honolulu, Hawaii 96813

Dear Chair Martin and Councilmembers:

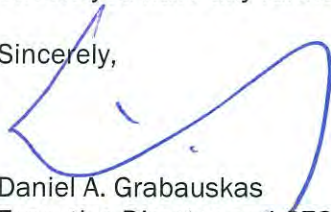
Subject: Bill 19 (2016), CD1, Proposed FD1 (Martin)

Section 6 in Bill 19 (2016), CD1, FD1 states that "no more than \$6.533 billion in total revenues may be expended for the mass transit project". The \$6.533 billion figure represents the total estimated revenue figure during the Full Funding Grant Agreement (FFGA) time period from October 16, 2009, to June 30, 2028. Therefore, this figure excludes general excise tax surcharge (GET) revenues and interest income from the start of the surcharge revenue (January 1, 2007) through the start of the FFGA (October 16, 2009). GET surcharge revenues before the start of the grant totaled \$378 million, of which \$298 million remained at the start of the FFGA period. The beginning balance resources, whose source was GET revenues, are an integral part of the funding of the FFGA Financial Plan.

The Honolulu Authority for Rapid Transportation requests the total revenue figure of \$6.533 billion be revised or eliminated in order to utilize revenues that are contained in the beginning balance of the FFGA (Financial Plan for the Full Funding Grant Agreement, June 2012, Table A-1, Capital Plan Cash Flows, page A-2).

Should you have any further questions, please do not hesitate to contact our office.

Sincerely,



Daniel A. Grabauskas
Executive Director and CEO

cc: HART Board of Directors
Mr. Roy K. Amemiya, Jr., Managing Director
Office of the City Clerk

DEPT. COM. 388

TO: Board of Directors, HART

FROM: Natalie Iwasa
Honolulu, HI 96825
808-395-3233

MEETING: Thursday, May 12, 2016

SUBJECT: Permitted Interaction Group to Investigate Board of Directors Policies and Governance

Aloha Members of the Board of Directors of HART,

Thank you for this opportunity to provide testimony. Attached is testimony I submitted to the Budget Committee of the Honolulu City Council.

As you know, I have expressed concerns about the financial information that has been provided to the legislature, council and the public. During meetings of this particular group, I hope you will discuss the issue of presentation of HART's financial information.

TO: Budget Committee of the Honolulu City Council

FROM: Natalie Iwasa, CPA, CFE
808-395-3233

SPECIAL

MEETING: Tuesday, November 9, 2015

SUBJECT: Bill 18 HART's Operating Budget - **OPPOSE**
HART's Numbers Are Not Reliable

Aloha Councilmembers,

Thank you for considering my testimony on Bill 18, HART's operating budget. I noted that once again, some of HART's numbers are not correct. In a letter to the council from HART dated May 2, 2016 (DC304), Attachment D has some of the same errors as a similar cash flow worksheet presented to the council last November.

In HART's letter, Mr. Grabauskas states that the capital plan cash flows "reflects the most current project information." Following are comments I have about this report (attached):

- **Projected and actual revenues are incorrect.** In the "Project Total" and "Project to 2015" columns, "All Other" revenue is shown as \$6 and \$5 (million), respectively. Total other revenue includes the following through June 2015:
 - \$10 million - interest income;
 - \$4 million - American Recovery and Reinvested Act federal funds; and
 - \$1 million - miscellaneous income, e.g., rent, excluding \$13 million from the 2011 audit that does not appear to be in other HART reports and is not detailed in the audited statements.

Therefore, the "Project Total" and "Project to 2015" amounts for other revenue should be at least \$15 million.

- **Federal Grant revenue for Project to 2015 appears to be overstated.** The "Federal Grant" amount of \$411 million does not agree with the total federal revenue per HART's audited statements, less the related receivable as of June 30, 2015. Total federal funding under the new starts program was \$471,867,434 through June 30, 2015, and the receivable balance as of that date was \$81,265,823. That leaves cash basis revenue of \$390,601,611. The difference is over \$20 million. (See attached calculation.)
- **Total project costs, or expenditures, to 2015 appear to be incorrect.** The amount is shown as \$1,512 million, but given errors in the revenue received, the amount is likely not correct. The amount reported in HART's letter to the council dated October 20, 2015, (DC720, attached with notes), was \$1,637 million, and the amount reported to the

public in the HART Facts – August 2015 ad was \$1,581. Of all of these numbers, it looks like the \$1,581 is closest to being correct.

- **Project uses for ROW / Utilities is higher than budgeted in October 2015.** The total ROW / Utilities amount projected is now \$485 million. This is \$143 million higher than it was estimated last October. Per the Full Funding Grant Agreement and the Right-of-Way Status Update dated April 21, 2016, the budget for ROW is \$222 million. Utilities were budgeted at \$120 million according to the “Project Balance” spreadsheet current update for October 15, 2015, that was presented to the council last fall.

What is this \$143 million for? I suggest that the ROW and utilities costs be separated, so it is easier to track changes.

- **Footing (adding) errors in second column.** The “Project Costs” and “Total Project Costs” in the “Project to 2015” column are off by \$1 million. The adding error results in a \$1 million error that continues to the last line in the column. The Ending Cash Balance adds up to \$292 but is shown as \$293. (Note, however, the \$293 does agree with the cash balance per the audited statements as of 6/30/15.)
- It’s important to note that the \$298 million of beginning cash balance is all related to the surcharge for 2007 – 2009. To make this clear, I would suggest that the beginning cash balance include the gross surcharge and expenditures, i.e., \$378 million surcharge revenue less \$80 million expenditures equals the beginning cash balance. Presenting this information will allow people to see the total tax from inception.

During my testimony, I also mentioned that the current cash position is better than had been projected last year and asked that the budget for the \$10 million in interest expense be cut. Projected interest per the cash flow for next fiscal year is only \$1.2 million.

If you have any questions on these calculations or sources I used, please feel free to contact me.

Table A-1, Capital Plan Cash Flows

Project	Project To 2015	Fiscal Years:																		
		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028						
Beginning Cash Balance	\$298	\$293.0	\$67.2	\$74.6	\$50.0	\$50.0	\$50.0	\$50.0	\$50.0	\$50.0	\$50.0	\$50.0	\$50.0	\$50.0	\$50.0	\$50.0	\$25.0	\$25.0	\$25.0	
Project Funding Sources:																				
G.E.T.	\$4,977	\$234.0	\$246.0	\$256.6	\$267.7	\$279.2	\$291.2	\$303.7	\$316.8	\$330.4	\$344.6	\$359.4	\$374.8	\$281.8						
Federal Grant	\$1,550	\$170.1	\$263.9	\$269.9	\$230.4	\$204.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Federal 5307	\$0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
All Other	\$6	\$0.7	\$0.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Revenue	\$6,533	\$404.9	\$510.2	\$526.5	\$498.0	\$483.7	\$291.2	\$303.7	\$316.8	\$330.4	\$344.6	\$359.4	\$374.8	\$281.8						
Debt Proceeds																				
TECP (net) Max \$350 m	(\$0)	\$0.0	\$0.0	\$92.7	\$48.4	(\$35.4)	\$27.0	\$116.2	\$46.9	(\$32.6)	(\$47.6)	(\$63.7)	(\$80.3)	(\$71.6)						
G.O Bonds:																				
Variable Bonds	\$0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Fixed Rate Bonds	\$1,651	\$0.0	\$377.2	\$402.3	\$226.6	\$291.9	\$251.7	\$101.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Less Issuance Costs	(\$11)	\$0.0	(\$2.2)	(\$2.3)	(\$1.6)	(\$1.9)	(\$1.7)	(\$1.1)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Debt Proceeds	\$1,640	\$0.0	\$375.0	\$492.7	\$273.4	\$254.6	\$277.0	\$216.2	\$46.9	(\$32.6)	(\$47.6)	(\$63.7)	(\$80.3)	(\$71.6)						
Total Project Sources	\$8,173	\$404.9	\$885.2	\$1,019.2	\$771.4	\$738.3	\$568.2	\$519.9	\$363.7	\$297.8	\$297.0	\$295.7	\$294.5	\$210.2						
Project Uses:																				
Construction	\$4,954	\$491.6	\$704.0	\$770.1	\$673.1	\$637.2	\$474.8	\$232.7	\$70.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Design	\$185	\$18.8	\$18.6	\$4.1	\$0.3	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
ROW / Utilities	\$485	\$76.2	\$115.2	\$81.8	\$41.8	\$41.3	\$24.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Program-Wide	\$352	\$23.0	\$18.7	\$18.2	\$16.0	\$15.8	\$15.8	\$15.8	\$10.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
HART / City	\$197	\$18.7	\$18.5	\$18.5	\$17.8	\$14.8	\$14.8	\$14.8	\$9.9	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Planning	\$81	\$2.3	\$1.7	\$0.4	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Project Costs	\$6,254	\$630.7	\$876.6	\$893.1	\$749.2	\$709.1	\$529.5	\$263.3	\$90.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Unallocated Contingency	\$180	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$180.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Project Costs	\$6,434	\$630.7	\$876.6	\$893.1	\$749.2	\$709.1	\$529.5	\$443.3	\$90.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Debt Svcs Principal	\$1,651	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$32.8	\$252.0	\$258.8	\$265.8	\$273.0	\$280.4	\$287.9						
Debt Service Interest	\$305	\$0.0	\$1.2	\$10.8	\$22.2	\$29.2	\$38.7	\$43.8	\$46.1	\$39.0	\$31.1	\$22.7	\$14.2	\$5.8						
Transfer to Reserve	\$140	\$0.0	\$0.0	\$140.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0						
Transfer from Reserve	(\$140)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	(\$140.0)						
Other Debt Service Fees	\$0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0						
Debt Service	\$1,956	\$0.0	\$1.2	\$150.8	\$22.2	\$29.2	\$38.7	\$76.6	\$298.2	\$297.8	\$296.9	\$295.7	\$294.5	\$153.8						
Total Project Uses	\$8,390	\$630.7	\$877.8	\$1,043.8	\$771.4	\$738.3	\$568.2	\$520.0	\$388.6	\$297.8	\$296.9	\$295.7	\$294.5	\$153.8						
Net Current Change	(\$217)	(\$5)	\$7.4	(\$24.6)	(\$0.0)	\$0.0	\$0.0	(\$0.1)	(\$25.0)	(\$0.0)	\$0.1	(\$0.0)	\$0.0	\$56.4						
Ending Cash Balance	\$81	\$293	\$67	\$75	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$25	\$25	\$25	\$25	\$25	\$25	\$81

For Discussion Purposes Only

Actuals through March 31, 2016

TESTIMONY BILL 18

TABLE A-1, Capital Plan Cash Flows

As of March 31, 2016

Project To 2015 Column

	FTA 5309
	Per Audited Statements
FY 2010	\$ -
FY 2011	-
FY 2012	42,662,749
FY 2013	164,053,218
FY 2014	107,116,948
FY 2015	158,034,519
	Subtotal 471,867,434
Receivable 6/30/15	(81,265,823)
	Cash Basis through 6/30/15 390,601,611
Amount per Table A-1 Cash Flow	411,000,000
	Variance \$ 20,398,389



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HONOLULU AUTHORITY for RAPID TRANSPORTATION

Daniel A. Grabauskas
EXECUTIVE DIRECTOR AND CEO

October 20, 2015

BOARD OF DIRECTORS

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VICE CHAIR

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Michael D. Formby
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Colleen Hanabusa
William "Buzz" Hong
Terrence M. Lee
Ivan M. Lui-Kwan

The Honorable Ernest Y. Martin, Chair
and Members
Honolulu City Council
530 South King Street, Room 202
Honolulu, Hawaii 96813

Dear Chair Martin and Councilmembers:

Subject: Resolution 12-188, CD1, Requesting Information Relating to the Deposit and Short-Term Investment of General Excise Tax Surcharge Revenues

Pursuant to the City Council Resolution 12-188, CD1, the following is the Honolulu Authority for Rapid Transportation's (HART) quarterly report to the City Council for the quarter ending June 30, 2015:

1. Interest earned on deposits and investments of County Surcharge revenue (see Attachment A);
2. The total amount of County Surcharge revenue collected from January 2007 to date, the total amount of County Surcharge revenue expended to date, and the total County Surcharge cash balance on hand (see Attachment A); and
- 3 and 4. All of the County Surcharge revenue received by HART are collectively invested through the City's investment program. As such, the information requested in Items 3 and 4 of Resolution 12-188, CD1, is included in the Cash Count Report for the Quarter Ended June 30, 2015, submitted by the City Auditor and the Director of Budget and Fiscal Services. Please see attached Departmental Communication 655 (2015).

If you have any questions regarding this matter, please do not hesitate to contact Ms. Diane Arakaki, Chief Financial Officer, at (808) 768-6156.

Sincerely,

Daniel A. Grabauskas
Executive Director and CEO

Attachments

cc: HART Board of Directors
Mr. Roy K. Amemiya, Jr., Managing Director
Office of the City Clerk

DEPT. COM. 720

HONOLULU AUTHORITY FOR RAPID TRANSPORTION
 QUARTERLY CASH AND COUNTY SURCHARGE REVENUE REPORT
 AS OF JUNE 30, 2015
 (Made Pursuant to City Council Resolution 12-188, CD1)

Interest Revenue			
	FY2007	\$	18,000
	FY2008		3,724,229
	FY2009		3,595,915 7,338,144
	FY2010		246,603
	FY2011		329,693
	FY2012		240,270
	FY2013		310,594
	FY2014		325,874
	FY2015		239,997
		\$	<u><u>9,031,175</u></u>
GET Surcharge Revenue			
	FY2007	\$	48,424,383
	FY2008		169,113,552
	FY2009		160,855,727 \$378,393,662
	FY2010		157,555,320
	FY2011		179,108,573
	FY2012		190,664,994
	FY2013		173,822,505
	FY2014		218,390,853
	FY2015		223,666,342
		\$	<u><u>1,521,602,249</u></u> Note 1

Note 1: This is on an accrual basis. Cash basis is ~ \$1,469 million. (Receivables = \$52 million 6/30/15.)

Expenditures to date			
	FY2007	\$	310,285
	FY2008		25,962,676
	FY2009		54,205,206 \$80,478,167
	FY2010		99,126,584
	FY2011		109,063,791
	FY2012		254,142,462
	FY2013		294,380,188
	FY2014		343,180,946
	FY2015		456,652,423
		\$	<u><u>1,637,024,561</u></u> Note 2

Cash & cash equivalents on hand at June 30, 2015 \$ 293,010,822 **Note 3**

Note 2: Appears to be on an accrual basis even though this is a calculation to arrive at cash balance. HART Facts - August 2015 ad for July 1, 2015, indicates "amount expended" of \$1,581 million. Difference between "Facts" and ca flow table is \$69 million.

Note 3: Agrees with audited financial statements.

largest capitol
expense in our history.

Here are a few things discovered (in no order):

- Ansaldo lied to the People of Hawaii on numerous occasions as to the costs of their products
- At least twice Ansaldo submitted fraudulent bids that were only a fraction of the true cost
- Within days of being awarded the contract Ansaldo said they would not provide all of the required stops (U.H., Waikiki, nor the airport) and the price tripled
- Never did the City Administration nor City Council members question this obvious deception and malfeasance.

The Ho'opili Train:

- The "Train" does not stop here!
- The Train starts at Ho'opili with two stops, not Kapolei or farther West where "local" people can make use of it
- HART's latest flyer proclaims up to 5,000 passengers per hour by 2030 with 80% standing, this against 60,000 new Ho'opili commuters
- Disney World's monorail moves 6,000 passengers per hour (built by Bombardier 40 years ago)
- Bombardier's Sao Paolo, Brazil monorail can transport over 48,000 passengers per hour
- Current projections by HART put their cost to tax payers at over \$100 per passenger per train ride (each way)
- Currently, annual upkeep is projected at half a billion dollars a year
- The Mayor has now revealed that he wants to raise property taxes to pay for blunders for the next 150 years
- There are reasons that no city on earth has built an elevated steel wheel on steel rail train into its center in 50 years
- The City wrote the RFP in such a way that it could disqualify anyone who was not Ansaldo.

Now we are told that \$100,000,000 has been "wasted" on planning and that they do not have to tell the public who was paid what or what for

If properly planned the project could be self-supporting and possibly make a profit for the city.