

Honolulu Authority for Rapid Transportation

RESOLUTION NO. 2011-1

RELATING TO THE RULES AND OPERATING PROCEDURES FOR THE BOARD OF THE HONOLULU AUTHORITY FOR RAPID TRANSPORTATION

WHEREAS, the Honolulu Authority for Rapid Transportation (HART) has been established pursuant to Article XVII of the Revised Charter of the City & County of Honolulu 1973, as amended (Charter); and

WHEREAS, the Board finds that to carry out its duties it is necessary to adopt rules and operating procedures for the Board;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of HART as follows:

1. That the Rules and Operating Procedures of the Board of Directors of the Honolulu Authority for Rapid Transportation, shown in Exhibit A attached hereto and made a part hereof by reference, be and hereby are adopted as the rules of this Board; and
2. That this Resolution shall take effect immediately upon its adoption.

ADOPTED by the Board of the Honolulu Authority for Rapid Transportation on

_____.

Exhibit A - RULES AND OPERATING PROCEDURES OF THE BOARD OF DIRECTORS OF THE HONOLULU AUTHORITY FOR RAPID TRANSPORTATION

Board Chair

ATTEST:

Board Administrator

Exhibit A

RULES AND OPERATING PROCEDURES OF THE BOARD OF DIRECTORS OF THE HONOLULU AUTHORITY FOR RAPID TRANSPORTATION

Table of Contents

| | <u>Page</u> |
|--|-------------|
| Rule 1 General Provisions | 3 |
| Section 1.1 Definitions | |
| Rule 2 Board of Directors | 4 |
| Section 2.1 Expectations of the Board of Directors | |
| Section 2.2 Officers and Their Duties | |
| Rule 3 Board/Executive Director Relationship | 5 |
| Section 3.1 Board/Executive Director Relationship | |
| Rule 4 Board Meetings | 5 |
| Section 4.1 Regular Meetings | |
| Section 4.2 Special Meetings | |
| Section 4.3 Public Hearings | |
| Section 4.4 Executive Sessions | |
| Rule 5 Board Rules of Order | 6 |
| Section 5.1 Order and Decorum | |
| Section 5.2 Board Rules of Order | |
| Section 5.3 When Rules are Silent | |
| Rule 6 Procedure for Board of Directors Actions | 7 |
| Section 6.1 Quorum and Majority Vote | |
| Section 6.2 Voting | |
| Section 6.3 Disclosure of Interest | |
| Rule 7 Minutes of a Board Meeting | 7 |
| Section 7.1 Minutes of Board Meetings | |
| Rule 8 Committees and Subcommittees | 8 |
| Section 8.1 Permanent Committees | |
| Section 8.2 Committee Chairs, Vice Chairs and Members | |
| Section 8.3 Permitted Interaction Groups | |

| | | |
|--------------|---|---|
| Rule 9 | Public Hearings and Meetings | 8 |
| Section 9.1 | Compliance with Sunshine Law | |
| Section 9.2 | Public Hearings and Meetings | |
| Section 9.3 | Presentation of Testimony at Board and Committee Meetings | |
| Rule 10 | Rules Changes | 9 |
| Section 10.1 | Rules Changes | |
| Rule 11 | Rules Suspension | 9 |
| Section 11.1 | Rules Suspension | |
| Section 11.2 | Rules in Conflict with Charter | |
| Rule 12 | Responsibilities of the Board Administrator | 9 |
| Section 12.1 | Responsibilities of the Board Administrator | |

RULE 1

GENERAL PROVISIONS

Section 1.1. Definitions. For the purposes of these Rules and Operating Procedures the following definitions shall apply:

"Agenda" shall refer to a list and/or summary of proposed items to be considered at the forthcoming meeting of the Board and shall include the date, time, and place of the meeting. In the case of an executive meeting the purpose shall be stated.

"Authority" shall mean the Honolulu Authority for Rapid Transportation created pursuant to Article XVII of the Charter, with the powers, duties, and functions enumerated in RCH Section 17-103.2.

"Board of Directors" or "Board" shall mean the governing board of the Authority with the powers, duties, and functions enumerated in RCH Section 17-103.3.

"Board Administrator" shall mean the clerk and secretary of the Board.

"Board Chair" shall mean the Board Member confirmed by motion of the HART Board to serve as Chairperson of the Board.

"Board Member" or "Member" shall mean the ex-officio Members and the Members appointed to serve on the Board as provided in RCH Section 17-105. Designees or alternates shall not be allowed.

"Charter" or "RCH" shall mean the Revised Charter of the City and County of Honolulu 1973, as amended.

"Committee" shall refer to a permanent Committee of the Authority established by resolution from time to time to advise and assist the Board and the Executive Director of the Authority in the performance of their respective duties. Such Committees shall be composed of Board Members appointed thereto as hereinafter provided in Rule 8.

"Committee chair" shall mean a Board Member appointed by the Board Chair as chairperson of any Committee as hereinafter provided in Rule 8.

"Emergency" shall refer to situations involving the risk or likelihood of injury or damage to persons or property, of financial loss to the Authority or of impairment of public service, and to situations involving legal necessity, wherein the customary or established procedures of the Board reasonably cannot be followed or are not applicable.

"Executive Director" shall mean the Executive Director of the Authority as provided for in RCH Section 17-104.

"HRS" shall mean the Hawai`i Revised Statutes, as amended.

"Vice Chair" shall mean the Board Member confirmed by motion of the Board to serve in an assistant capacity to the chairperson of the Board.

RULE 2

BOARD OF DIRECTORS

Section 2.1 Expectations of the Board of Directors. The Board of Directors shall strive to achieve best practices in governance, policy direction, and oversight. The Board acts as a body in making and announcing its decisions. When speaking on behalf of the Board of Directors, Board Members' statements shall be consistent with official actions taken by the Board of Directors.

Regular attendance by Board Members at Board and Committee meetings is important for full participation in the decision-making process. Regular attendance promotes the commitment to responsible representation and preserves the public trust.

The Board acting as a body is responsible for employment decisions about and direction of its employee – the Executive Director. Only those decisions of the Board acting as a body shall be binding upon the Executive Director consistent with the Charter of the City and County of Honolulu and State law.

Board Members shall keep confidential all written materials and verbal information provided to them during executive sessions, to ensure that the Authority's position is not compromised. Confidentiality also includes information provided to the Board Members outside of executive session when the information is considered to be exempt from disclosure under exemptions as set forth in HRS Section 92F-13.

Newly appointed Board Members are encouraged to take advantage of information opportunities in order to be knowledgeable of the Authority, the Board's rules and operating procedures and significant Board actions.

Section 2.2 Officers and Their Duties.

(a) The officers of the Board shall consist of the Chairperson of the Board (Board Chair) and the Vice Chair. Each shall be elected annually by an affirmative vote of a majority of the entire membership. The officers can be removed from office by affirmative vote of a majority of the entire membership.

(b) Role of Board Chair. The Board Chair shall preside at all meetings of the Board and shall be a voting Member. The Board Chair is responsible for the integrity of the Board's processes. The Board Chair is the interface between the Board and the Executive Director and/or Board Administrator.

(c) Role of Vice Chair. The Vice Chair shall preside at meetings and otherwise perform the responsibilities of the Board Chair upon motion of the Board or in the event of the absence or inability to act of the Board Chair.

(d) Duties of the Board Chair. It shall be the duty of the Board Chair:

- (1) To open all meetings of the Board at the appointed hour by calling the Board to order.
 - (2) To maintain order and proper decorum.
 - (3) To authenticate by signature all acts of the Board as may be required by law.
 - (4) Except as otherwise provided in these rules, to preside at all official executive sessions of the Board.
 - (5) To cause preparation of the agenda for meetings of the Board.
 - (6) To perform other such duties as may be required by law or such as may properly pertain to such office.
- (e) Vacancy. In the event of the absence or inability to act of the Board Chair and the Board Vice Chair, a quorum of the Board shall select one of its Members by an affirmative vote of a majority of the Board Members in attendance to act as Board Chair Pro Tem.

RULE 3

BOARD/EXECUTIVE DIRECTOR RELATIONSHIP

Section 3.1 Board/Executive Director Relationship. The Board is responsible for policy-making and oversight on the planning, construction, operation, maintenance and expansion of the fixed guideway system. The Executive Director serves as the chief executive officer of the Authority and is responsible for running the administrative affairs of the Authority and is accountable to the full Board of Directors for the Authority's overall performance in carrying out the Authority's Mission. Unless the Board has authorized such exercise of authority, decisions or instructions of individual Board Members or committees shall not be binding on the Executive Director. The Board and Board Members will not interfere in the administrative affairs of the Authority and for purpose of inquiry or information gathering, shall work through the Executive Director to advance particular requests to Authority staff.

RULE 4

BOARD MEETINGS

Section 4.1 Regular Meetings. Regular meetings of the Board shall be held monthly unless otherwise designated by the Board Chair upon delivering written notice in accordance with HRS Section 92-7. Regular meetings of the Board shall be held at such location as may be designated by the Board Chair.

A Board Member shall notify the Board Chair or the Board Administrator prior to any regular meeting of the Board if such Board Member will be unable to attend the meeting.

Section 4.2 Special Meetings. Special meetings of the Board may be called at any time by the Board Chair or by a majority of the Board Members; subject, however, to the notice requirements under HRS Chapter 92.

Section 4.3 Public Hearings. The Board Chair shall be authorized to schedule or reschedule the time, date, and/or subject matter of public hearings and to provide notice thereof consistent with the notice requirements under HRS Chapter 92 for meetings of the Board. The Board Chair shall promptly notify all Board Members and the Board Administrator by written memorandum or electronic mail as to the scheduling or rescheduling of public hearings.

Section 4.4 Executive Session.

(a) The Board may hold an executive meeting closed to the public pursuant to HRS Section 92-4 upon an affirmative vote of two-thirds of the Board Members present; provided that the affirmative vote constitutes a majority of the Board Members, that the meeting is for any of the purposes provided for in HRS Section 92-5 and provided that the purpose is stated publicly prior to the executive session

(b) If a Board Member possesses or acquires interests that might reasonably tend to create a conflict with the public interest, the Board Member shall recuse himself/herself from participating in an executive session for the matter(s) creating the conflict of interest.

RULE 5

BOARD RULES OF ORDER

Section 5.1 Order and Decorum.

a. When a Board Member or other person properly before the Board wishes to speak, the speaker shall address the Board Chair, be recognized before proceeding, and shall confine remarks to the question under discussion, avoiding personalities or abusive language.

b. All persons attending Board meetings, including Authority employees, witnesses, members of the media and the general public, are expected to respect the dignity of the Board in the use of decorum and civility.

Section 5.2 Board Rules of Order. *Robert's Rules of Order, Newly Revised, 10th Edition* ("*Robert's Rules of Order*"), shall guide the conduct of the Board and Committee meetings except where in conflict with the provisions of these Rules and Operating Procedures. No action of the Board or a Committee or a Subcommittee shall be invalid or ineffective by reason of noncompliance with *Robert's Rules of Order*.

Section 5.3 When Rules are Silent. The Board Chair shall rule on any matter not covered by these Rules and Operating Procedures, RCH, or ROH. The Board Chair may consult the rules of parliamentary practice as set forth by *Robert's Rules of Order* prior to making a ruling.

RULE 6

PROCEDURE FOR BOARD OF DIRECTORS ACTIONS

Section 6.1 Quorum and Majority Vote.

- (a) Quorum. A majority of the entire membership of the Board shall constitute a quorum.
- (b) Majority Vote. An affirmative vote of six (6) Members, which constitutes a majority of the entire membership, shall be necessary to take any action.

Section 6.2 Voting.

- (a) A Board Member having a direct personal financial interest in the subject matter of the motion may abstain, but only by performing both the following:
 - (a) By responding, "I abstain due to conflict of interest;" and
 - (b) By having filed in accordance with Section 6.3 a written disclosure of interest on the subject matter of the measure. This Section 6.2(a) shall not be construed as imposing a duty or requirement on a Board Member to abstain from voting on a matter on which the Board Member has filed a written disclosure.
- (b). There shall be no voting by proxy.

Section 6.3 Disclosure of Interest.

- (a) When a Board Member has made a disclosure in writing, as required by law, of a personal or private interest in any proposal pending before the Board and its Committees, as provided by RCH Section 11-103, such disclosure shall be recorded in the minutes of the meeting of the Board and its Committees and shall be made a matter of public record prior to the taking of any vote on such proposal. Such written disclosures shall be applicable to all subsequent actions relating to the same subject matter.
- (b) Prior to any vote by the Board or a Committee on a proposal for which a Board Member has made a written disclosure of a personal or private interest, the Board Member also shall orally disclose the interest to the Board or Committee. When an oral disclosure is required under this subsection, the Board Member shall make the disclosure after each motion and second on the proposal, but before the commencement of debate on the motion or, if there is no debate, before the calling of the question on the motion.

RULE 7

MINUTES OF A BOARD MEETING

Section 7.1 Minutes of Board Meetings. Summary minutes of Board meetings shall be prepared by the Board Administrator or by designated staff of the Authority.

The minutes shall be mailed, delivered, or otherwise distributed to each Board Member following said Board meeting.

The official copy of each Board meeting minutes shall be signed by the Board Chair and by the Board Administrator. The Board Administrator shall make such minutes available to the public pursuant to HRS Section 92-9 and retain the notes or recordings used to prepare the minutes for such period of time as may be required by law or by agency policy.

RULE 8

COMMITTEES AND SUBCOMMITTEES

Section 8.1 Permanent Committees.

(a) The following Committees of the Board are hereby established:

Finance Committee
Human Resources Committee
Project Oversight Committee
Transit Oriented Development Committee
Audit/Legal Matters Committee

(b) The Board may establish additional or abolish permanent Committees by resolution if and when it is determined by the Board to be reasonably necessary for the conduct of business or for the development of policy by the Authority.

(c) The Board may also by motion, from time-to-time, appoint subcommittees or task forces, their chairs and members, to serve for a specified period or to study and report on particular tasks or programs as may be deemed helpful to assist the Board and its Committees.

Section 8.2 Committee Chairs, Vice Chairs and Members. The Board Chair shall appoint the chair and vice chair of each Committee. Any Board member may serve on any committee. No Board Member shall serve as a chair of more than one permanent Committee.

Section 8.3 Permitted Interaction Groups. In accordance with state law, the Board may create Permitted Interaction Groups (PIGs) to handle specific tasks.

RULE 9

PUBLIC HEARINGS AND MEETINGS

Section 9.1 Compliance with Sunshine Law. The Board shall ensure that its actions conform at all times with the Sunshine Law, HRS Chapter 92.

Section 9.2 Public Hearings and Meetings. The Board and each Committee may conduct public meetings, hearings or joint meetings and hearings with other public agencies for and on behalf of the Board in order to meet any requirements of federal,

state or local laws or regulations and to enable the Authority to perform its functions. For any such meeting or hearing at least one Board Member must be in attendance.

Section 9.3 Presentation of Testimony at Board and Committee Meetings.

(a) **Board Meetings.** The Board Chair shall recognize members of the public who wish to present oral testimony on an Agenda item at a meeting. Such oral testimony shall be limited to two (2) minutes. The time allotted shall be specified on the applicable posted Board meeting agenda. The time for the public to speak may be extended at the discretion of the Board Chair. Written testimony may be submitted on agenda item(s) by filing the same with the Board Administrator or designated staff of the Authority.

(b) **Committee Meetings.** The Committee chair shall recognize members of the public who wish to present oral testimony on an Agenda item at a meeting. The time allotted to members of the public to present oral testimony on an agenda item shall be set by the Committee chair. The time allotted shall be specified on the applicable posted committee meeting agenda. Written testimony may be submitted on agenda item(s) by filing the same with the Board Administrator or designated staff of the Authority.

RULE 10

RULES CHANGES

Section 10.1 Rules Changes. These Rules and Operating Procedures may be supplemented or amended by an affirmative vote of at least seven (7) Members.

RULE 11

RULES SUSPENSION

Section 11.1 Rules Suspension. These Rules and Operating Procedures may be temporarily suspended by an affirmative vote of at least seven (7) Members to facilitate consideration of an action by the Board in the event of emergencies or other special circumstances, provided that no rule and operating procedure required by law shall be suspended.

Section 11.2 Rules in Conflict with Charter. If any rule and operating procedure in these Rules and Operating Procedures is in conflict with the provisions of the Charter or the HRS, such rule and operating procedure shall be deemed invalid. Such invalidity shall not affect other rules contained herein, which can be given effect without the invalid rule, and to this end these Rules and Operating Procedures are severable.

RULE 12

RESPONSIBILITIES OF THE BOARD ADMINISTRATOR

Section 12.1 Responsibilities of the Board Administrator. The Board Administrator is responsible for the integrity of Board documents. The Board Administrator shall be responsible for the certification and filing of acts of the Board; the keeping of the minutes of Board proceedings; the maintenance of Board attendance

records; the verification of a Board Member's appointment to the Board, compliance with the provisions of the Charter, the HRS, these Rules and Operating Procedures and any other responsibilities assigned by the Board.

In cooperation with the Board Chair and Committee chairs, the Board Administrator shall prepare meeting Agendas and follow the notice provisions of HRS Chapter 92. The Board Administrator shall keep copies of all Board Agendas on file for public review and inspection. Information packets for Board and Committee meetings will be distributed electronically to Board Members by the Board Administrator except that a Board Member can choose to receive written documents in lieu of or in addition to electronic copies of the documents.

The Board Administrator shall have the authority to accept service of legal process on behalf of any Member of the Board, except that during the absence of the Board Administrator said authority shall be vested in the person designated to serve as the Board Administrator during such time.

ADOPTED by the Board of the Honolulu Authority for Rapid Transportation on the _____.

Board Chair

ATTEST:

Board Administrator

Honolulu Authority for Rapid Transportation

RESOLUTION NO. 2011- 2

RELATING TO THE FINANCIAL POLICIES OF THE BOARD OF DIRECTORS OF THE HONOLULU AUTHORITY FOR RAPID TRANSPORTATION

WHEREAS, the Honolulu Authority for Rapid Transportation (HART) has been established pursuant to Article XVII of the Revised Charter of the City & County of Honolulu 1973, as amended (Charter); and

WHEREAS, it is in the public interest to ensure that the tax dollars and other income that support HART's business activities are utilized as efficiently and effectively as possible in the conduct of the Authority's business activities; and

WHEREAS, the Board desires to maintain compliance with applicable federal and state laws and applicable provisions of the Revised Charter of the City and County of Honolulu and applicable ordinances of the Revised Ordinances of Honolulu, if any; and

WHEREAS, the Board desires to utilize sound business and accounting practices in managing the Authority's financial affairs; and

WHEREAS, the Board desires to ensure accountability and transparency in the conduct of Authority's financial affairs;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of HART as follows:

1. That the Financial Policies, shown in Exhibit A attached hereto and made a part hereof by reference, be and hereby are, adopted as the policy of HART; and
2. That the Executive Director is authorized to implement the policies described in Exhibit A and to ensure that Authority staff and contractors, as appropriate, adhere to these policies
3. That this Resolution shall take effect immediately upon its adoption.

ADOPTED by the Board of the Honolulu Authority for Rapid Transportation on

_____.

Exhibit A – Financial Policies of the Honolulu Authority for Rapid Transportation

Board Chair

ATTEST:

Board Administrator

Exhibit A

FINANCIAL POLICIES OF THE HONOLULU AUTHORITY FOR RAPID TRANSPORTATION

I. PURPOSE

The Financial Policies described herein are designed to provide a comprehensive framework for the management and oversight of the financial resources of the Honolulu Authority for Rapid Transportation (HART). The policies provide guidelines for decision-making by the Board of Directors and management staff on how HART's financial resources shall be utilized to fulfill the agency's mission.

A. Policy Objectives

1. Ensure the cost-effective allocation and use of HART's financial resources.
2. Comply with applicable federal and state laws, applicable provisions of the Revised Charter of the City and County of Honolulu, and applicable ordinances of the Revised Ordinances of Honolulu, if any.
3. Utilize sound business and accounting practices in managing HART's financial affairs.
4. Ensure accountability and transparency in the conduct of HART's financial affairs.

B. Legal Authority

1. Article XVII, Revised Charter of Honolulu.
2. Federal Transit Administration grant requirements.
3. Act 247 (2005), State of Hawaii.

II. DEFINITIONS

| | |
|-------------------------|---|
| Appropriation | Approval to incur expenses and obligations for specific purposes |
| BANs | Bond Anticipation Notes; repaid from the issuance of longer term debt |
| Baseline Budget | Approved budget benchmark for a capital project; equivalent to the Baseline Cost Estimate (BCE) |
| BFS | Department of Budget & Fiscal Services, City & County of Honolulu |
| Board | Board of Directors, the policy-making body of HART |
| Budget Transfer | A shift of expense authority from one organizational unit to another or from one expense category to another subsequent to adoption of a final budget by the Board |
| CAFR | Comprehensive Annual Financial Report |
| Capital Expenses | Items costing \$5,000 or more and having a service life of more than one year that includes non-recurring costs for equipment purchased for HART's use, or that are required to construct a transit facility or system including costs of land acquisition and relocation; planning |

| | |
|----------------------------|---|
| | and design services; construction and construction management; equipment; and furnishing the facility or system |
| Debt Service | Payment of principal and interest on any debt obligation |
| Director | The Executive Director of HART or his/her designee |
| Fares | Operating income derived from the passengers using a transit facility or system whether in cash or electronic form |
| Fiscal Year | July 1st thru June 30th annually |
| FFGA | Full Funding Grant Agreement between the FTA and a major investment project sponsor |
| FTA | Federal Transit Administration of the U.S. Dept. of Transportation |
| FTE | Full Time Equivalent; the fractional equivalent of one full time employee working a forty-hour work week for one calendar year |
| GANs | Grant Anticipation Notes; to be repaid from FTA grant funding |
| GET | State of Hawaii General Excise Tax |
| HHCTCP | Honolulu High-Capacity Transit Corridor Project |
| Operating Expenses | Recurring costs associated with the day-to-day operation of HART including the costs of agency operations, the delivery of transit service, debt service, administrative overhead expenses, direct reimbursements and non-recurring equipment costs of less than \$5,000. |
| Operating Income | Revenue from all sources, including farebox revenues, property rentals, advertisements, parking fees and concession revenues |
| Operating Ratio | Operating Income from all sources divided by Operating Expenses |
| Reserve | An account used to segregate a portion of revenues for future use |
| Organizational Unit | Department, division or office responsible for a specific function or activity within the agency |

III. BUDGETING AND FINANCIAL PLANNING

A. Financial Plan

In order to ensure the financial integrity and stability of HART, the Director will prepare and periodically update a long range Financial Plan for implementing and eventually operating the HHCTCP. The Financial Plan will include both capital and operating components. The purpose of preparing and updating the Plan is to demonstrate the financial capacity to implement and operate the HHCTCP. The Plan will include updated forecasts of income from the County GET surcharge; federal and state grants; private sources; contributions from other public entities; agency operations; and operating subsidies and General Obligation bond proceeds from the City and County of Honolulu. The Plan will also include updated information on HHCTCP capital costs and projections of future operating costs. Finally, the Plan will project cash flow needs for the agency and the extent and timing of debt financing needed to pay capital expenses.

B. Business Plan

The Director shall prepare an annual Business Plan which will provide information for the upcoming fiscal year on: activities, projects and contracts; key economic and work program assumptions; performance targets and results; staff and organizational plans; and operating and capital financial information. The annual Business Plan will include a projection of key financial and operating information for a two-year period beyond the subject fiscal year. A preliminary annual Business Plan will form the basis for the Operating and Capital Budgets proposed for the fiscal year as described in sections III.C and D below. A final Business Plan for a fiscal year based upon the final Operating and Capital Budgets adopted by the Board will be issued by the Director each July.

C. Operating Budget

The Director shall prepare and submit to the Board by September 15th a proposed Operating Budget for the upcoming fiscal year. The proposed Operating Budget will include all operating expenses and non-capital expenditures listed by organizational unit as well as sources of income to cover these expenses. The proposed Operating Budget will include income and expense information including actual information for the preceding fiscal year; projections for the current year; the proposal for the budget year; and projections for following two years. It will also delineate the number of FTEs proposed for the budget year in comparison to the current approved staffing level. The Board will review this submission, make modifications as it deems appropriate, and approve a proposed Operating Budget by November 1st. If the Board-approved proposed Operating Budget includes revenues from the City and County of Honolulu, the Director shall submit a line-item appropriation request, in the amount of such revenues, for the upcoming fiscal year to the City Council through the office of the Mayor of the City and County of Honolulu by December 1st. The Board will review, and if necessary, revise, the proposed Operating Budget and, following a public hearing, shall adopt a final Operating Budget for the upcoming fiscal year by June 30th.

D. Capital Budget and Six-Year Capital Program

The Director shall prepare and submit to the Board by September 15th a proposed six-year Capital Program and a proposed Capital Budget for the upcoming fiscal year. The proposed Capital Program will include a projection of all capital projects and contractual obligations for the ensuing six year period. The proposed Capital Budget will include all capital expenses and sources of income to cover these expenses in the upcoming fiscal year. The proposed Capital Budget will include at minimum information on the status of the budget for all capital projects being implemented by HART reflecting expenditures to date, contractual obligations outstanding, remaining budget, percent of project completion and schedule information. The Board will review this submission, make modifications as it deems appropriate, and approve a proposed Capital Budget by November 1st. If the Board-approved proposed Capital Budget includes revenues from the City and County of Honolulu, the Director shall submit a line-item appropriation request, in the amount of such revenues, for the upcoming fiscal year to the City Council through the office of the Mayor of the City and County of Honolulu by December 1st. The Board will review, and if necessary, revise, the proposed Capital Budget and, following a public hearing, shall adopt a final Capital Budget for the upcoming fiscal year by June 30th.

E. Budget Control and Amendments

The Director is responsible for ensuring that the Operating and Capital Budgets adopted by the Board are properly managed and adhered to by HART staff and consultants. The Director shall submit to the Board a budget amendment request for any expense or outlay that causes total expenses and outlays to exceed the amounts provided for (1) in either

the annual Operating and Capital Budgets adopted by the Board or (2) in the approved Baseline Budget for the HHCTCP or (3) a capital project included in the Six-Year Capital Program.

Within the Operating Budget adopted by the Board, the Director will have the following authority during the fiscal year:

1. Transfer expense budget authority from one organizational unit to another;
2. Transfer expense budget authority from one expense category to another; and
3. Transfer FTE authority from one organizational unit to another provided the total number of FTEs approved by the Board is not exceeded.

Budget or FTE transfers that would result in the adopted Operating Budget being exceeded must be submitted in the form of a budget amendment to the Board for prior approval. The Director shall report to the Board at least quarterly on any budget or FTE transfers he/she has authorized.

The Director will have the following authority in managing the Capital Budget during the fiscal year:

1. Award contracts in accordance with applicable laws and policy provided that the contract award does not result in the exceedance of the approved Baseline Budget for a capital project;
2. Transfer budget authority from one project element or contract to another provided that the approved annual Capital Budget appropriation and the approved Baseline Budget for the project are not exceeded; and
3. Manage material contract changes in accordance with established procedures for configuration control, change order disposition, risk or contingency management.

IV. ACCOUNTING/FUNDS MANAGEMENT

A. Major Fund Structure

All revenues shall be deposited with the BFS Treasury Division in the Transit Fund which is dedicated for use exclusively by HART, and described in Section 17-114 of the Charter.

There will be four types of subsidiary fund accounts within this Transit Fund as follows:

1. Transit Operating Fund (#290) will pay for operating expenses authorized by the adopted Operating Budget.
2. Transit Capital Fund (#690) will pay for capital expenditures authorized by the adopted Capital Budget.
3. Capital Improvement Bond Fund (#695) will pay for capital expenditures authorized by the adopted Capital Budget.
4. Grants Fund (#693) will pay for capital expenditures authorized by the adopted Capital Budget.

B. Use of City Financial Systems

Until otherwise determined, HART will utilize the financial systems and processes used by the City and County of Honolulu to manage cash receipts, investing, payroll, accounts payable and receivable, and general accounting. The Director will be responsible for exploring the feasibility and advisability of HART obtaining its own financial system in the future to handle these business activities. HART's financial system must interface with the City's accounting system.

C. Cash Management

The Director or his/her designee shall determine the timing of cash flow necessary to pay HART's legal obligations. Excess cash shall be invested by the BFS Treasury Division in interest-bearing securities. The Director or his/her designee will work with BFS representatives to determine the types and timing of investments that will minimize credit risk while maintaining a competitive yield.

V. REVENUE AND OTHER INCOME

A. County GET Surcharge

The County GET Surcharge of 0.5% has been in place since January 1, 2007. It is scheduled to expire on December 31, 2022. The BFS Treasury Division reports quarterly to HART the dollar amounts transferred to the City and County of Honolulu's bank account by the State Department of Taxation.

B. Fare Policy

The Board, following a public hearing, shall fix and adjust the rates and charges for the HHCTCP. Fares are required to generate revenue to cover a portion of HART's operating expenses, such that fares, in conjunction with all other revenues received for the HHCTCP, are sufficient or nearly sufficient as possible to support the HHCTCP and HART. Fare types and levels must be rational, understandable and explainable to achieve customer acceptance. They also must be set to help achieve and maintain an Operating Ratio that is consistent with the Financial Plan. Current plans call for fares charged on the rapid transit line being implemented under the HHCTCP to be the same as fares charged on services provided by The Bus. In addition, transfers between train and bus services will be free. More specific policy in this area will be developed in the future.

C. Fare Revenue Handling

Policy in this area will be developed in the future.

D. Advertising and Concessions

Policy in this area will be developed in the future.

E. Use and Rental of Property

Policy in this area will be developed in the future.

F. Debt Financing

In accordance with section VI.B below and upon approval of the Board, the Director may seek City Council approval to issue debt instruments to provide cash as needed to meet HART's obligations related to the implementation of the HHCTCP.

G. Federal Assistance

HART will seek federal financial assistance in the funding of the HHCTCP, other capital projects and its operations. The City and County of Honolulu will be the designated grant recipient for any funds HART receives from the FTA under an FFGA, by specific appropriation or formula or discretionary grant programs (collectively, "FTA funds"). Until otherwise determined, BFS will process drawdown requests for FTA funds, the proceeds of which will be deposited in the appropriate Transit Fund subsidiary fund account.

H. Contributions from Private Sources or Other Public Entities

HART will pursue opportunities with private and public sector interests that will benefit from the implementation of the HHCTCP and HART's capital projects. Such contributions could take the form of direct cash contributions, donation of rights-of-way, structured payments over time or the actual construction of project elements as examples.

VI. ASSET AND LIABILITY MANAGEMENT

A. Investment Policy

In the event that it is decided that HART will manage its own investments, the agency shall follow the investment policy of the City & County of Honolulu except that the investment maturity shall not exceed three years, and investments in financial derivatives are expressly prohibited.

B. Debt Management Policy

HART will utilize a mixture of long-term general obligation bonds and medium- and short-term debt to help finance construction of the HHCTCP. The medium- and short-term debt will be used to bridge the gap between the timing of capital expenditures and the receipt of revenues. The medium term debt will take the form of BANs or GANs. The short-term debt will be in the form of Tax Exempt Commercial Paper. All debt will be issued by the Treasury Division of BFS. All debt shall be retired by fiscal year 2023. The issuance of Certificates of Participation (COPS) is not available to HART under its current financial structure.

C. Real Property and Structures

All real property acquired by HART and all structures constructed or acquired by HART shall be held in the name of the City and County of Honolulu. HART shall be responsible for the use and condition of the real property acquired for the HHCTCP. Property records shall be kept in accordance with FTA requirements for capital assets.

D. Equipment

All equipment acquired by HART shall be properly maintained and records kept in accordance with FTA requirements. Annual reports to the Board shall include all equipment inventories and their condition. If equipment is lost or stolen, a police report shall be prepared.

E. Lease Financing of Assets

HART will consider the desirability of entering into a lease financing arrangement through private placement with a bank or financial institution for assets it acquires such as the rail vehicles being acquired for the HHCTCP. Such an arrangement must provide clear financial advantages to HART in the form of cash management or leveraging of resources, and must result in HART owning the asset at the end of the lease period.

VII. FINANCIAL REPORTING AND AUDITING

A. Periodic and Annual Reporting

The Director shall present monthly and quarterly financial reports to the Board covering budget versus actual information for both the operating and capital budgets. In addition, the Director will provide monthly procurement reports to the Board covering contract awards, change order activity and capital project contingency usage. An audited annual financial report shall be presented to the Board, the Mayor and the City Council. HART financial statements shall be submitted to BFS for inclusion in the City and County of Honolulu's CAFR. Internal reports will be on a cash basis consistent with the City and County of Honolulu's system until such time as HART acquires its own financial system that would enable reporting on an accrual accounting basis.

B. FTA Reporting

The Director will submit all FTA-required progress reports and quarterly narrative grant reports on a timely basis.

C. External Audit

HART shall engage the services of an independent certified public accountant to conduct an annual financial audit. The independent auditor will prepare the information to be included in the City and County of Honolulu's CAFR. The audit results will be reported to the Board, the City Council and the Mayor.

As designated grant recipient, the City and County of Honolulu's independent auditor will perform the Single Audit in conformance with OMB A-133 requirements.

D. Internal Audit Function

Policy in this area will be developed in the future.

Honolulu Authority for Rapid Transportation

RESOLUTION NO. 2011- 3

RELATING TO THE PROCUREMENT POLICY OF THE BOARD OF DIRECTORS OF THE HONOLULU AUTHORITY FOR RAPID TRANSPORTATION

WHEREAS, the Honolulu Authority for Rapid Transportation (HART) has been established pursuant to Article XVII of the Revised Charter of the City and County of Honolulu 1973, as amended (Charter); and

WHEREAS, it is in the public interest to ensure that the tax dollars and other income that support HART's business activities are utilized as efficiently and effectively as possible in the procurement of goods, services, facilities and equipment that the agency needs to successfully undertake its mission; and

WHEREAS, procurement processes with open and full competition, pursuant to federal and state procurement law, are in the public's interest; and

WHEREAS, eligibility for federal funding requires HART to demonstrate its continuing compliance with federal and state procurement law, as applicable;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of HART as follows:

1. HART will comply with applicable procurement law, and conduct all procurement transactions in a manner that provides for full and open competition. Sole source and exemption procurements will be minimized and used only under certain limited circumstances as permitted under applicable procurement law.
2. The HART Executive Director will be responsible and accountable for administration of the agency's procurement processes. In accordance with State of Hawaii Act 131 (2011), the HART Executive Director will serve as HART's Chief Procurement Officer. In this capacity, his/her responsibilities will include but not be limited to:
 - a. ensuring that HART staff is familiar and complies with state procurement law and with the current procurement requirements of the U.S. Department of Transportation, particularly the Federal Transit Administration's third-party contracting requirements and its associated best practices;
 - b. issuing final approvals on contract awards following completion of a competitive procurement process;
 - c. determining if a sole source contract award is justified; and
 - d. executing all contracting actions for the Authority.
3. The Executive Director will report monthly to the Board of Directors on all contract awards, major contract changes and the justifications for any sole source or exemption procurements.

4. This Resolution shall take effect immediately upon its adoption.

ADOPTED by the Board of the Honolulu Authority for Rapid Transportation on _____.

Board Chair

ATTEST:

Board Administrator

DRAFT

Honolulu Authority for Rapid Transportation

RESOLUTION NO. 2011- 4

RELATING TO THE ETHICS POLICY FOR THE BOARD OF THE HONOLULU AUTHORITY FOR RAPID TRANSPORTATION

WHEREAS, the Honolulu Authority for Rapid Transportation (HART) has been established pursuant to Article XVII of the Revised Charter of the City & County of Honolulu 1973, as amended; and

WHEREAS, the Board finds that it is desirable to adopt a policy of ethical conduct for board members so that the public may be assured that the actions of the Board serve only the public's best interests; and

WHEREAS, the Board further determines that the proper development, operation, maintenance, and expansion of the Honolulu Rail Transit Project require that HART Board members be independent, impartial, and responsible only to the citizens of the City and County of Honolulu;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of HART as follows:

1. The Board of Directors of the Honolulu Authority for Rapid Transportation shall faithfully adhere to the Standards of Conduct set forth in Article XI of the Revised Charter of the City & County of Honolulu 1973, as amended; and
2. The Board adopts as its Declaration of Policy the statement that as members of the Board of HART, they shall demonstrate by example the highest standards of ethical conduct to the end that the public may justifiably have trust and confidence in the integrity of government, and as agents of public purpose, shall hold their positions for the benefit of the public, shall recognize that the public purpose is their primary concern, and shall faithfully discharge the duties of their position regardless of personal considerations; and
3. Board Members shall not solicit or accept any gift under circumstances in which it can reasonably be inferred that the gift is intended to influence the Member's performance of duties as a Member of the Board; and
4. Board Members shall not disclose confidential information gained as a Board Member or use such information for the personal gain or benefit of anyone; and
5. Board Members shall not engage in any business transaction or activity or have a financial interest which is incompatible with the proper discharge of their duties as a Member of the Board; and

6. Board Members shall not receive any compensation for their service as Board Members other than from HART except as may be provided by law; and
7. Board Members shall not represent private interests in any action or proceeding against the interest of HART or appear on behalf of private interests before HART except as otherwise provided by law; and
8. Board Members shall not use their positions to secure or grant special consideration, treatment, advantage, privilege or exemption to themselves or any person beyond that which is available to every other person; and
9. A Board Member who possesses or who acquires a personal or private interest in any proposal pending before the Board shall make a disclosure in writing to the Member's appointing authority and to the City's Ethics Commission at any time such conflict becomes apparent. In accordance with Rule 6.3 of the Rules and Operating Procedures for the Board, the written disclosure shall be recorded in the minutes of the Board and its Committees and shall be made a matter of public record prior to the taking of any vote on such proposal; and
10. That this Resolution shall take effect immediately upon its adoption.

ADOPTED by the Board of the Honolulu Authority for Rapid Transportation on _____.

Board Chair

ATTEST:

Board Administrator

Honolulu Authority for Rapid Transportation

RESOLUTION NO. 2011- 5

RELATING TO THE TRANSPARENCY POLICY FOR THE BOARD OF THE HONOLULU AUTHORITY FOR RAPID TRANSPORTATION

WHEREAS, the Honolulu Authority for Rapid Transportation (HART) has been established pursuant to Article XVII of the Revised Charter of the City and County of Honolulu 1973, as amended; and

WHEREAS, openness and transparency are fundamental to promoting efficiency and effectiveness in government and strengthening the democratic process; and

WHEREAS, the Board of Directors recognizes that public input and testimony are vital for the successful execution of the Honolulu Rail Transit Project; and

WHEREAS, the proper development, operation, maintenance, and expansion of the Honolulu Rail Transit Project requires that the Board of Directors conduct its business in a spirit of openness and transparency;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of HART as follows:

1. The Board shall adhere to the provisions of the Sunshine Law, codified at Part I of Chapter 92 of the Hawaii Revised Statutes (“HRS”); and
2. The Board shall file with the City Clerk a written public notice of any regular, special, or rescheduled meeting, or any executive meeting when anticipated in advance. The notice shall include an agenda which lists all items to be considered at the forthcoming meeting, the date, time, and place of the meeting, and in the case of an executive meeting the purpose shall be stated; and
3. Every meeting of the Board shall be open to the public and all persons shall be permitted to attend unless closed pursuant to HRS Sections 92-4 and 92-5; and
4. The Board shall afford all interested persons an opportunity to submit data, views, or arguments, in writing or orally, on any agenda item; and
5. The Board shall keep written minutes of all meetings, which shall be public records and be available within thirty days after the meeting, except where such disclosure would be inconsistent with HRS Section 92-5; and
6. The Board shall hold all meetings in public places, and shall endeavor to hold at least 25% of its meetings at Kapolei Hale or other suitable public places in West O’ahu; and

7. That this Resolution shall take effect immediately upon its adoption.

ADOPTED by the Board of the Honolulu Authority for Rapid Transportation on
_____.

Board Chair

ATTEST:

Board Administrator

DRAFT

Honolulu Authority for Rapid Transportation

RESOLUTION NO. 2011- 6

APPROVING OPERATING AND CAPITAL BUDGETS FOR FISCAL YEAR 2012 ENDING JUNE 30, 2012

WHEREAS, the Honolulu Authority for Rapid Transportation (HART) has been established pursuant to Article XVII of the Revised Charter of the City and County of Honolulu 1973, as amended (Charter); and

WHEREAS, the Charter empowers the Authority to prepare annual operating and capital budgets for the fixed guideway transit project and for the Authority's operations; and

WHEREAS, it is in the public interest that the Authority have spending plans for both operating and capital expenses to ensure that expenditures are properly controlled and accounted for in the fiscal year 2012; and

WHEREAS, the Rapid Transit Division of the Department of Transportation Services of the City and County of Honolulu prepared both operating and capital budgets for fiscal year 2012, the first year of the Authority's existence; and

WHEREAS, the Board has reviewed said operating and capital budgets for the Authority; and

WHEREAS, the said operating and capital budgets are fully funded by the Transit Fund and do not utilize a General Fund appropriation from the City and County of Honolulu; and

WHEREAS, the Board is empowered to review, modify as necessary, and adopt annual operating and capital budgets for the Authority;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of HART as follows:

1. Estimated revenues in the amount of \$20,582,626 from the Transit Fund's Transit Operating Fund (#290) subsidiary fund account are hereby appropriated for the Operating Budget for the fiscal year July 1, 2011 to June 30, 2012 to cover the following expenditures:

| | |
|--------------|------------------|
| \$13,302,491 | Personnel |
| \$ 7,280,135 | Current Expenses |
| \$ 0 | Equipment |

2. Estimated revenues in the amount of \$354,736,280 from the following Transit Fund subsidiary fund accounts are hereby appropriated for the Capital Improvement Budget for the fiscal year July 1, 2011 to June 30, 2012:

| | |
|---------------|--------------------------------------|
| \$200,000,000 | Transit Capital Fund (#690) |
| \$104,736,280 | Capital Improvement Bond Fund (#695) |
| \$ 50,000,000 | Federal Grants Fund (#693) |

3. The Interim Executive Director is hereby authorized to conduct the administrative affairs of the Authority in accordance with the Authority's Financial Policies utilizing the Operating and Capital Improvement Budgets established herein.
4. In the next sixty (60) days, the Finance Committee of the Board will be responsible for reviewing the line item detail of the Operating and Capital Improvement Budgets established herein and make recommendations, if any, regarding said Budgets and the process for establishing future budgets.
5. This Resolution shall take effect immediately upon its adoption.

ADOPTED by the Board of the Honolulu Authority for Rapid Transportation on

_____.

Board Chair

ATTEST:

Board Administrator