



HONOLULU AUTHORITY for RAPID TRANSPORTATION

MINUTES

**Finance Committee Meeting
October 6, 2011, 8:00 AM
Mission Memorial Annex Conference Room
550 South King Street
Honolulu, Hawaii**

PRESENT:

Don Horner
Keslie Hui
Carrie Okinaga
Robert Bunda

Ivan Lui-Kwan
David Tanoue
Wayne Yoshioka

ALSO IN ATTENDANCE:

Toru Hamayasu
Phyllis Kurio
Paul Romaine
Gary Takeuchi
Wes Mott
Joyce Oliveira
Frank Doyle

Councilmember Breene Harimoto
Al Lardizabal
Joe Magaldi
William Spiegelberg
Paul Migliorato
Russell Honma
Barbara Tanabe

EXCUSED:

Glenn Okimoto

I. Call to Order

At 8:04 A.M., the meeting of the Finance Committee was called to order by Committee Chair Don Horner.

II. Public Testimony

Mr. Horner called for public testimony. No public testimony was offered.

III. Approval of Minutes

A. August 11, 2011 Finance Committee Meeting

Deputy Corporation Counsel Gary Takeuchi stated that neither the Board Rules nor Robert's Rules of Order prohibit a member who was not present at a meeting from voting to approve the minutes of that meeting, and recommended that the Board may want to establish a policy on the adoption of minutes. Mr. Takeuchi further stated that minutes do not need to be approved by motion, and may be approved instead by unanimous consent.

Mr. Horner and Board Member Ivan Lui-Kwan stated their preference that minutes be approved by motion, as the HART Board is a public body. Board Chair Carrie Okinaga recommended following the procedure set forth in Robert's Rules of Order for approving meeting minutes, in which the Chair asks if there are any objections or changes, and, if there are none, the minutes stand as approved.

Mr. Horner called for the approval of the minutes of the August 11, 2011 Finance Committee meeting. There being no objections, the minutes were unanimously approved.

B. September 8, 2011 Joint Project Oversight/Finance Committee Meeting

Mr. Horner stated that the purpose of the September 8, 2011 Joint Project Oversight/Finance Committee meeting was to present Ansaldo Honolulu JV with questions and gain information, and stated that the purpose of the minutes is to reflect what transpired at the meeting.

Board Member Robert Bunda asked if additional information had been provided by Ansaldo Honolulu JV to in response to questions raised by the HART Board, and asked whether any follow-up had been done subsequent to the meeting. Mr. Horner replied that BFS is following up on pending questions from the meeting. Ms. Okinaga stated that follow-up is occurring under established procurement processes.

Mr. Horner stated that he is not aware of and has not been contacted by BNP Paribas, the parent company of his employer, regarding any banking relationship with Finmeccanica, AnsaldoBreda, or Ansaldo STS.

Mr. Horner called for the approval of the minutes of the September 8, 2011 Joint Project Oversight/Finance Committee Meeting. There being no objections, the minutes were unanimously approved.

IV. Discussion of FY2013 Operating and Capital Budgets

A. FY2013 Operating Budget

Interim Executive Director Toru Hamayasu introduced Administrative Services Officer Paul Romaine to speak about the proposed FY2013 Operating Budget, attached hereto as Attachment A of these minutes, and Planner Phyllis Kurio to speak about the proposed FY2013 Capital Budget, attached hereto as Attachment B of these minutes.

Mr. Romaine began a brief presentation on the FY2013 Operating Budget, pointing out that it would total \$22,880,946, an increase of just under \$2.3 million from FY2012, and further pointing out that the expenses fall within three general categories: personnel, current expenses, and equipment/software.

Mr. Romaine explained that changes within the personnel category reflected the proposed addition of six new positions, of which four came from the City Charter (Executive Director, Deputy Executive Director, and secretaries for each), and two were recommended by the PMOC (Chief Financial Officer and a Contract Manager for the

GEC and PMSC contracts). He noted that the increase in the salary line item is not the same as the increase that would be required by the addition of the six new positions, as savings had been encountered in other areas of salary (e.g. hiring on the low end of the pay scale). He explained that current expenses in the FY2013 Operating Budget will increase due to the addition of debt servicing, and repairs to buildings/structures, and due to added rent costs and reimbursements to the City. He explained that monies in the equipment and software category would go toward the purchase of three copies of AutoCAD software.

Mr. Lui-Kwan asked how many positions have been filled to date at HART. Mr. Romaine replied that 75 positions were filled as of October 6, 2011, and that, as HART is constantly hiring, 3 more positions will be filled during the following week. Ms. Okinaga asked about FTA oversight over staffing levels. Mr. Romaine stated that the FTA exercises extreme scrutiny over staffing levels. Board Member Wayne Yoshioka added that the FTA wants to ensure that the project has sufficient staff.

Mr. Horner requested more information on projected long-term staffing levels, whether hires would be on a permanent or temporary basis, and whether HART hiring will have direct effects on staffing levels within other departments of the City. He also requested more specifics on the Executive Director's position, in particular, her/his membership in ERS and the government workers' union. Mr. Horner also requested to see an organizational chart illustrating the 142 positions envisioned in the FY2013 Operating Budget.

Mr. Bunda asked for further details on the insurance costs proposed in the FY2013 Operating Budget, specifically how the costs were calculated, the effective dates on the policy, and what types of equipment would be covered. Mr. Romaine replied that the costs were calculated by risk managers at HART and BFS, that he believed the policies began on July 1, and that workstation items such as furniture and computers would be covered. Board Member David Tanoue asked whether Directors & Officers Liability Insurance was a required expense. Mr. Romaine replied that since HART is no longer centrally covered by the City, HART is required to get this insurance itself.

Mr. Lui-Kwan asked for more details on the increases proposed in repairs/maintenance, professional services, and other fixed charges. Mr. Romaine clarified that repairs/maintenance costs would be for safety/security improvements to buildings acquired for right-of-way; professional services would include costs for the retention of outside counsel; and fixed charges would include stipends for unsuccessful bidders, as well as debt service. Mr. Lui-Kwan asked how stipend costs are calculated. Mr. Hamayasu replied that stipends are based on the amounts paid for similar projects on the mainland, and noted that not all bid documents include stipends.

Mr. Hui asked for an estimate for the principal for the debt service. Ms. Kurio replied that the estimate was based on the issuance of short-term commercial paper, as envisioned in the April 2011 Draft Financial Plan. Ms. Kurio also noted that the estimate may be revisited based on the September 2011 Revised Financial Plan. Mr. Hamayasu estimated

that \$170M in loans might be required around September 2012. Mr. Horner requested a detailed calendar of dates relating to the budgets.

Mr. Horner asked about the assumptions HART made about interest rates for the \$170M in loans. Ms. Okinaga noted that Pages 2-10 and 2-11 of the September 2011 Financial Plan discusses debt structure. Mr. Horner noted that the interest rates assumed by the market are lower than those assumed in the September 2011 Financial Plan, which is good for the project. Mr. Horner requested more information on the connection between the September 2011 Financial Plan and the FY2013 Operating Budget.

Ms. Okinaga asked whether the FY2013 Operating Budget envisions HART moving off of City accounting systems. Deputy Project Officer Frank Doyle stated that the option is being explored, and staff will approach the Board before such a decision is made.

Mr. Horner stated that he envisions the process for approving the budget to be the following: the Finance Committee will approve the budgets and hold public hearings, then the budgets will be sent to the Mayor and City Council, and then will return to the full Board for approval. Mr. Horner stated that he would like the process to be as transparent as possible, and would like to work with the City Council, the Mayor, and the public in developing the budgets.

B. FY2013 Capital Budget

Ms. Kurio reviewed the proposed FY2013 Capital Budget, which totals \$491,584,960 in seven categories: Programmatic Agreement – Kako‘o, Consultant Services, Design – Station and Guideway, Utility Relocation, Construction, Equipment – Railcars/Core Systems, and Land Acquisition & Relocation. Ms. Kurio explained that these numbers were based on a “bottom-up cost estimate,” and includes allocated contingency.

Mr. Horner requested information on what percentage of each contract is contained in the FY2013 budget, and, for the contracts which have not been let, what is the total estimated cost. Board Member Keslie Hui also requested information relating the FY2013 Capital Budget to the April 2011 Financial Plan.

Mr. Lui-Kwan asked why, in the Design category, there are large cost differences between certain line items within the same category, e.g. between the guideway contracts, and between the station contract. Ms. Kurio responded that the first three contracts listed (WOFH Guideway, MSF, and Kamehameha Highway Guideway) have been let, and the amounts requested in the FY2013 budget are part of the already-encumbered allocated contingency for the contracts. The other contracts listed, however, have not been let. Ms. Kurio indicated that some differences in the other contracts are also due to engineering considerations within each contract. Mr. Hui requested a comparison between assumed amounts for each station and amounts spent so far for each station. Mr. Horner indicated that such a comparison should be included in the Board’s Balanced Scorecard.

Mr. Bunda asked how many people are monitoring the project's finances. Mr. Doyle replied that half a dozen people are dedicated to monitoring the project's finances, and additionally, there are many other staff members monitoring the project schedule and change orders.

Mr. Horner requested that the Chair and Vice Chair of the Finance Committee be permitted to meet with HART staff to discuss the formatting of the budgets before the next Finance Committee meeting.

V. Discussion of Balanced Scorecard

Mr. Hui requested that the Board's other committees provide input into what items and metrics should be included on the Balanced Scorecard, and further recommended that the Balanced Scorecard include a calendar for tracking purposes. Mr. Horner indicated that he would like the Balanced Scorecard to be like a "heat sheet," with red, yellow, and green categories to indicate how the project is progressing in terms of construction and delivery. Mr. Horner also indicated that he would like all pending items, such as platform screen gates, to be listed on the Balanced Scorecard.

Mr. Horner requested that a draft Balanced Scorecard be prepared and circulated before the next meeting of the Finance Committee, and that the Executive Director report quarterly on the Balanced Scorecard to help the Board track the project's progress.

VI. Adjournment

Having completed all Committee business, Mr. Horner called for any further public testimony or comments. Russell Honma offered testimony suggesting that the Core Systems Contractor attempt to construct their railcars in Hawaii.

At 10:01 A.M., Mr. Horner called for the meeting of the Finance Committee to be adjourned. There being no objections, the meeting was adjourned.

Respectfully Submitted,



Tyler Dos Santos-Tam
Board Administrator

Approved:



Don Horner
Chair, Finance Committee

NOV 17 2011

Date

[ATTACHMENT A]

**HONOLULU AUTHORITY FOR RAPID TRANSPORTATION
PROPOSED OPERATING EXPENSE BUDGET
FOR FISCAL YEAR 2013**

Expense Category	FY2012 Budget	FY2013 Budget
<u>Personnel</u>		
Regular Pay	\$ 9,302,490	\$ 9,535,699
Overtime, Night Shift, Temp Assign Pay	\$ 38,000	\$ 53,000
Fringe Benefits (ERS, FICA, EUTF, Unemp, & Workers Comp)	\$ 3,961,601	\$ 4,045,044
Service Or Merit Awards	\$ 400	\$ 800
Personnel Expense Subtotal	\$ 13,302,491	\$ 13,634,543
<u>Current Expenses</u>		
Office & Computer Supplies	\$ 78,000	\$ 128,000
Meals and Food	\$ 2,400	\$ 2,700
Safety & Miscellaneous Supplies	\$ 3,750	\$ 5,900
Parts/Equip (Comm, Furn, Comp, A/V)	\$ 204,000	\$ 230,700
Professional Services - Direct Reimbursement & CASE	\$ 3,027,545	\$ 3,357,325
Professional Services - Other (Audit & Accounting Svcs)	\$ 353,300	\$ 364,400
Postage & Shipping	\$ 6,000	\$ 6,000
Telephone	\$ 9,300	\$ 21,600
Communication Services (Web Hosting & Webex Video Teleconf)	\$ 88,160	\$ 164,580
Relocation - New hires	\$ 30,000	\$ 30,000
Travel Expense - Out-Of-State (Staff & Board)	\$ 82,475	\$ 104,265
Advertising, Publication Of Notices, & Photo Services	\$ 6,800	\$ 10,100
Insurance on Equipment & General Liability	\$ -	\$ 8,000
Liability Insurance (Directors & Officers)	\$ -	\$ 53,000
Printing and Binding	\$ 1,500	\$ 1,500
Other Repairs to Buildings and Structures	\$ -	\$ 300,000
Repairs/Maintenance - Office Furniture & Equipment	\$ 2,800	\$ 2,800
Rentals (Office Equip, Office Space, Land, Other)	\$ 1,830,355	\$ 2,299,704
Fees (Memberships, Registration & Parking)	\$ 53,750	\$ 48,180
Computer Software Maint. Agreements	\$ -	\$ 39,649
Other Fixed Charges (Stipend & Debt Service)	<u>\$ 1,500,000</u>	<u>\$ 2,052,000</u>
Current Expenses Subtotal	\$ 7,280,135	\$ 9,230,403
<u>Equipment & Software</u>	\$ -	\$ 16,000.00
TOTAL	\$ 20,582,626	\$ 22,880,946

Total Full-time Equivalent Positions

136

142

[ATTACHMENT B]

DRAFT - PRESENTED TO FINANCE COMMITTEE ON OCTOBER 6, 2011

**HONOLULU AUTHORITY FOR RAPID TRANSPORTATION
PROPOSED CAPITAL IMPROVEMENT BUDGET
FOR FISCAL YEAR ENDING 6/30/2013**

	Planning	Design	Construction	Equipment	Inspection	Land	Relocation	TOTAL
Programmatic Agreement Requirement - Kako`o Consultant Services	\$ 100,000							\$ 100,000
General Engineering Consultant	\$ 7,348,000	\$ 18,568,000			\$ 18,084,000	\$ -	\$ -	\$ 44,000,000
Project Management Support Consultant		\$ 10,370,710			\$ -	\$ -	\$ -	\$ 10,370,710
HDOT Support Consultants + HDOT Oversight	\$ 306,800	\$ 8,583,530			\$ -	\$ -	\$ -	\$ 8,890,330
Construction Engineering & Inspection Services					\$ 32,563,920	\$ -	\$ -	\$ 32,563,920
OCIP Management Services			\$ 437,500		\$ -	\$ -	\$ -	\$ 437,500
Right-of-Way Support Consultant					\$ -	\$ 470,000	\$ 125,000	\$ 595,000
Federal Government Liaison	\$ 300,000							\$ 300,000
Subtotal - Consultant Services	\$ 7,954,800	\$ 37,522,240	\$ 437,500	\$ -	\$ 50,647,920	\$ 470,000	\$ 125,000	\$ 97,157,460
Design - Stations and Guideway								
West Oahu/Farrington Highway Guideway		\$ 10,146,200						\$ 10,146,200
Maintenance & Storage Facility		\$ 7,296,190						\$ 7,296,190
Kamehameha Highway Guideway		\$ 10,385,540						\$ 10,385,540
Kakaako Stations		\$ 4,633,440						\$ 4,633,440
Airport Stations		\$ 3,817,100						\$ 3,817,100
West Oahu/Farrington Highway Stations		\$ 7,259,160						\$ 7,259,160
Airport Guideway		\$ 29,079,000						\$ 29,079,000
Quality Audit Expenses		\$ 56,600						\$ 56,600
Subtotal - Design		\$ 72,673,230						\$ 72,673,230
Utility Relocation		\$ 3,000,420	\$ 14,341,770					\$ 17,342,190
Construction								
OCIP Premium			\$ 14,700,000					\$ 14,700,000
West Oahu Station Group			\$ 76,014,630					\$ 76,014,630
Airport Guideway			\$ 32,758,540					\$ 32,758,540
Kamehameha Highway Station Group			\$ 71,729,330					\$ 71,729,330
WOFH Guideway			\$ 14,000,000					\$ 14,000,000
Maintenance & Storage Facility			\$ 1,200,000					\$ 1,200,000
HazMat Removal		\$ 200,000	\$ 800,000					\$ 1,000,000
Subtotal - Construction	\$ -	\$ 200,000	\$ 211,202,500	\$ -	\$ -	\$ -	\$ -	\$ 211,402,500
Equipment - Railcars/Core Systems				\$ 55,556,510				\$ 55,556,510
Land Acquisition & Relocation						\$ 34,181,200	\$ 3,171,870	\$ 37,353,070
	\$ 8,054,800	\$ 113,395,890	\$ 225,981,770	\$ 55,556,510	\$ 50,647,920	\$ 34,651,200	\$ 3,296,870	\$ 491,584,960