



MINUTES

**Finance Committee Meeting
November 17, 2011, 9:30 AM
Mission Memorial Annex Conference Room
550 South King Street, Honolulu, Hawaii**

PRESENT:

Don Horner	Ivan Lui-Kwan
Keslie Hui	David Tanoue
Carrie Okinaga	Wayne Yoshioka
Robert Bunda	Glenn Okimoto

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

Toru Hamayasu	Amy Kondo
Phyllis Kurio	Jesse Souki
Paul Romaine	Bob Nakata
Gary Takeuchi	Maurice Morita
Joyce Oliveira	William Spiegelberg
Paul Romaine	C. Mike Kido
Gregg Moser	

I. Call to Order

At 9:42 A.M., the meeting of the Finance Committee was called to order by Committee Chair Don Horner. Mr. Horner made an opening statement clarifying that the Finance Committee will be meeting in the near future to ensure that the procurement process for the Core Systems Contract was done properly, and to seek additional financial information from the selected Offeror.

II. Public Testimony

Mr. Horner called for public testimony. Bob Nakata provided testimony in support of the rail project, citing quality of life issues and the need to build upward in urban Honolulu. C. Mike Kido summarized the written testimony he submitted in support of the project, which is attached hereto as Attachment A. Russell Honma provided testimony in which he expressed concerns about Italy's finances and public debt and expressed a desire to have the vehicles built locally.

III. Approval of Minutes of October 6, 2011 Committee Meeting

Mr. Horner called for the approval of the minutes of the October 6, 2011 Finance Committee Meeting. There being no objections, the minutes were unanimously approved.

IV. Presentation of Proposed FY2013 Operating and Capital Budgets

A. FY2013 Operating Budget

HART Administrative Services Officer Paul Romaine explained that some were made to the Operating Budget since it was last presented to the Finance Committee, to wit: "Attorney Fees" were separated from "Professional Services - Direct Reimbursement & CASE," and "Debt Service & Issuance" was separated from "Other Fixed Charges." Mr. Romaine informed the committee that the total request (\$22,880,946) remained the same. The revised FY2013 Operating Budget proposal is attached hereto as Attachment B of these minutes.

Board Member Keslie Hui asked what the salary assumption was for the permanent Executive Director/CEO. Mr. Romaine replied \$250-300K per year, plus 42% allotted for benefits, which is the standard City rate. Board Member Robert "Bobby" Bunda asked how that salary range was determined, and cautioned against "giving away the store" on the salary. Mr. Romaine stated that HART staff asked members of the community, looked at other agencies, and asked the search consultant. Mr. Horner noted that there is some room in the budget, as not all new hires will begin with the new fiscal year.

Ms. Okinaga asked for more information on the reimbursements to the City. Mr. Romaine replied that reimbursements in CASE are estimated at \$1,089,000, and direct reimbursements to other departments such as BFS, COR, and DDC for their efforts on the project are estimated at \$1,065,000. Mr. Romaine stated that HART receives bills from other departments on a quarterly basis.

Mr. Horner stated that a lot of work went into producing this budget proposal, and reminded the committee that the goal is to incorporate public input, then take the budget for submittal to the Mayor and City Council for their consideration. Mr. Horner also stated that once the budget is approved by the committee, the intent is that it not be changed, if the train is to be built on time and on budget.

B. FY2013 Capital Budget

Planner Phyllis Kurio stated that the FY2013 Capital Budget proposal, attached hereto as Attachment C of these minutes, was not changed since it was presented to the committee on October 6.

Ms. Okinaga asked for confirmation that the OCIP premium has not changed for budget purposes. Ms. Kurio stated the OCIP premium has been budgeted, in case HART has to pay the premium. Ms. Kurio stated that HART will still be procuring OCIP management services.

Ms. Okinaga asked when HART anticipates seeking bond approval from the City Council. Ms. Kurio stated that HART will begin processing a bond request with the City Council in FY2012, but will not need the funds until FY2013; she also noted that the City Council has made statements that they will not consider authorizing bonds until HART receives a FFGA.

V. Six Year Capital Program

Mr. Horner requested that the Six Year Capital Program be moved up earlier in the agenda. There were no objections to the request.

Ms. Kurio distributed a proposal for a Six Year Capital Program, which is attached hereto as Attachment C, and also distributed a sheet showing the Reconciliation of Appropriations to Total Estimated Project Cost, which is attached hereto as Attachment D. Ms. Kurio proceeded to explain how the numbers on the sheets were developed and what the numbers represent.

Ms. Kurio also distributed another sheet, produced per the request of Mr. Hui, which shows the capital budget status organized by FTA cost categories. This sheet is attached hereto as Attachment E.

Mr. Hui asked what happens to lapsed amounts. Ms. Kurio replied that those amounts must be reappropriated. Board Member Wayne Yoshioka explained that lapsed funds go back into the pot, and are taken back out of the pot in the next year's budget.

Board Member Glenn Okimoto asked how much money has been generated through the bond sales. Interim Executive Director Toru Hamayasu stated that cash is being used before bonds. Mr. Horner stated that compared to the size of the project, the amount of debts needed is relatively small. Mr. Horner noted that the debts are to be paid off by the time the surcharge sunsets.

Mr. Bunda asked whether bonds will be required, even after the GET revenues. Mr. Hamayasu stated that bonds will be required. Mr. Horner observed that the issuance of bonds is under the purview of the City Council. Mr. Yoshioka reminded the Board that it was always planned that bond revenues would be needed near this time frame.

Mr. Horner asked for information to be provided at later date on HART's peak bond exposure during the lifetime of the project.

Board Member Ivan Lui-Kwan asked for the recertification process to be explained. Ms. Kurio explained that due to the City Council's position that it will not issue bonds before receipt of a FFGA, contracts needed to be recertified so bond funds and encumbrances can be reduced and replaced with cash.

Mr. Hui asked what percentage of the capital budget would be considered an allocated or unallocated contingency. Ms. Kurio stated that her estimates were based on the contract packaging plan, which already includes allocated contingency. Mr. Hui requested that this information be provided at a later date.

Mr. Lui-Kwan asked about the timeline under which HART would submit requests to City Council. Mr. Hamayasu stated that the exact details would have to be worked out with the City Council and City Administration, however, he anticipates needing bond money by mid-FY2013.

VI. Public Hearing on the Proposed FY13 Operating and Capital Budgets

Mr. Horner called for a public hearing, and asked if any members of the public would like to testify on the Proposed FY13 Operating and Capital Budgets. No testimony was offered.

VII. Approval by Finance Committee of Proposed FY13 Operating and Capital Budgets

Mr. Yoshioka moved that the Finance Committee approve the Proposed FY13 Operating and Capital Budgets. Ms. Okinaga seconded the motion. The motion passed with seven votes in the affirmative, and none in the negative.

VIII. Discussion of Balanced Scorecard

Mr. Horner recommended that discussion on the Balanced Scorecard be continued at a future meeting, and that he and Vice Chair Hui work with staff on the Scorecard. Mr. Hui requested that the Capital Budget Status sheet be updated on a regular basis. Mr. Horner suggested that the sheet be included in a financial scorecard and updated on a monthly basis.

IX. Adjournment

Having completed all Committee business, Mr. Horner called for the meeting of the Finance Committee to be adjourned. There being no objections, the meeting was adjourned at 10:42 A.M.

Respectfully Submitted,



Tyler Dos Santos-Tam
Board Administrator

Approved:



Don Horner
Chair, Finance Committee

DEC - 8 2011
Date

[ATTACHMENT A]



Testimony of:
C. Mike Kido, External Affairs
The Pacific Resource Partnership

City & County of Honolulu
Members of the Honolulu Authority for Rapid Transportation
Finance Committee

Thursday, November 17, 2011
Mission Memorial Annex Conference Room
9:30 AM

Aloha Chair Horner and Members of the HART Finance Committee:

My name is C. Mike Kido, External Affairs of the Pacific Resource Partnership (PRP). PRP is a joint partnership of the Hawaii Carpenters Union and their 240 signatory contractors. Our goal is to provide economic growth and jobs for our contractors and members of the Hawai'i Carpenters Union.

The HART budget keeps the rail transit project moving forward with many positive impacts and economic benefits to the county and its residents.

Rail transit is not a stand- alone project as it has many benefits from transportation efficiency to job creation.

Rail will be the states' single largest job creator which will bring increased income and with that, will bring increased spending and increased tax revenue.

Construction of the rail transit line will employ about 10,000 people per year on average and 4,000 of that will come from the construction industry. With approximately 50% of our union members statewide on the bench, this project will help put the construction industry and our members back to work.

Rail would reduce traffic delays and commute times and improve our quality of life. These benefits are not easily quantified in dollars and cents.

Ultimately, Honolulu's rail system and resulting transit oriented development, new commercial and residential development around transit stations, would provide the keys to reducing the price of paradise for all local residents. In effect, we're building new and desired transportation infrastructure for the city and county of Honolulu as an investment for our future generations.

PRP appreciates this opportunity to express our views regarding the Honolulu Rail Transit Project.

[ATTACHMENT B]

**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	\$ 2,154,971
Professional Services - Other (Audit, Accounting Svcs, VE, Safety, Peer)	\$ 353,300	\$ 364,400
Attorney Fees	\$ -	\$ 1,202,354
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)	\$ 1,500,000	\$ 1,000,000
Debt Service & Issuance	\$ -	\$ 1,052,000
Current Expenses Subtotal	\$ 7,280,135	\$ 9,230,403
<u>Equipment & Software</u>	\$ -	\$ 16,000
TOTAL	\$ 20,582,626	\$ 22,880,946

Total Full-time Equivalent Positions

136

142

[ATTACHMENT C]

**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

[ATTACHMENT D]

Honolulu Authority for Rapid Transportation
Six-Year CIP and Budget FY 2013 - 2018

Phase	Appropriated 2010	Appropriated 2011	Appropriated 2012	2013	2014	2015	2016	2017	2018	Total 6 Years	Future Years
LAND	\$ 31,280,000	\$ 41,322,000	\$ 63,546,105	\$ 34,651,200	\$ 86,029,400	\$ 34,573,800	\$ -	\$ -	\$ -	\$ 155,254,400	
PLAN	\$ 20,002,000	\$ 3,751,000	\$ 6,906,800	\$ 8,054,800	\$ 847,800	\$ 547,800	\$ 547,800	\$ 100,000	\$ 100,000	\$ 10,198,200	\$ 300,000
DGN	\$ 186,037,000	\$ 77,774,000	\$ 117,093,904	\$ 113,395,885	\$ 42,960,400	\$ 12,927,800	\$ 11,404,300	\$ 5,803,100	\$ 5,803,100	\$ 192,294,585	
CONST	\$ 769,074,000	\$ 673,795,000	\$ 135,177,953	\$ 225,981,770	\$ 671,011,600	\$ 651,114,700	\$ 255,320,400	\$ 15,137,500	\$ 15,137,500	\$ 1,833,703,470	\$ 116,000,000
INSP	\$ 56,966,000	\$ 13,170,000	\$ 19,101,000	\$ 50,647,920	\$ 28,059,400	\$ 6,771,100	\$ 19,062,300	\$ -	\$ -	\$ 104,540,720	
EQUIP	\$ 10,487,000	\$ 501,680,000	\$ 10,558,000	\$ 55,556,510	\$ 129,906,800	\$ 97,763,300	\$ 66,397,100	\$ 66,397,100	\$ 66,397,100	\$ 482,417,910	
RELOC	\$ 3,477,000	\$ 4,592,000	\$ 2,352,518	\$ 3,296,869	\$ 1,233,200	\$ 4,241,500	\$ 500,000	\$ -	\$ -	\$ 9,271,569	
TOTAL	\$ 1,077,323,000	\$ 1,316,084,000	\$ 354,736,280	\$ 491,584,954	\$ 960,048,600	\$ 807,940,000	\$ 353,231,900	\$ 87,437,700	\$ 87,437,700	\$ 2,787,680,854	\$ 116,300,000

[ATTACHMENT E]

Reconciliation of Appropriations to Total Estimated Project Cost

	FY 2010	FY 2011	FY 2012	Total FYs 2010-2012
Appropriated Amt	\$ 1,077,323,000	\$ 1,316,084,000	\$ 354,736,280	\$ 2,748,143,280
Less: Lapse Amt	\$ (20,023,828)	\$ (1,020,207,564)	tbd	\$ (1,040,231,392)
Net CIP Appropriation	\$ 1,057,299,172	\$ 295,876,436	\$ 354,736,280	\$ 1,707,911,888 (1)
Appropriated Amt *	\$ 12,823,863	\$ 13,436,066	\$ 20,582,626	\$ 46,842,555
Less: Lapse Amt	\$ (11,454)	\$ (6,355,233)	tbd	\$ (6,366,688)
Net Operating Appn	\$ 12,812,409	\$ 7,080,833	\$ 20,582,626	\$ 40,475,867 (2)

*Note: Excludes funds appropriated to City Council and DPP; not part of FTA project cost

Total FYs 2010-2012 [(1)+(2)]	\$ 1,748,387,756
FYs 2013-2018 CIP	\$ 2,787,680,854
Future Years CIP	\$ 116,300,000
FYs 2013-2018 Operating (net CPP amount)	\$ 153,451,133
Subtotal	\$ 4,805,819,742
Unallocated Contingency	\$ 191,650,000
Finance Charges	\$ 246,981,000
	\$ 5,244,450,742
Less: Total Project Cost (Sept 2011, SCC 10-100 YOES)	\$ (5,125,955,000)
Difference due to amounts for contract recertifications	\$ 118,495,742

[ATTACHMENT F]

	BYP (Financial Plan April 2011)	\$ Committed (via executed contract) to Date	\$ Spent to Date	% Completed to Date	\$ Appropriated to Date	Approved Contingency to Date	Current Request (FY 2013)
10 GUIDEWAY & TRACK ELEMENTS	\$ 970,450	\$ 509,420	\$ -	-0-	Funds are budgeted using City CIP phases (Land, Planning, Design, Construction, Inspection, Equipment, & Relocation) instead of FTA Standard Cost Category Codes. See "Reconciliation of Appropriations to Total Estimated Project Cost".	\$ 164,873	Funds are budgeted using City CIP phases (Land, Planning, Design, Construction, Inspection, Equipment, & Relocation) instead of FTA Standard Cost Category Codes. See "Reconciliation of Appropriations to Total Estimated Project Cost".
20 STATIONS, STOPS, TERMINALS, INTERMODAL	\$ 413,494	\$ -	\$ -	-0-		\$ 89,012	
30 SUPPORT FACILITIES: YARDS, SHOPS, ADMIN. BLDGS	\$ 84,955	\$ 91,860	\$ -	-0-		\$ 11,492	
40 SITEWORK & SPECIAL CONDITIONS	\$ 769,739	\$ 340,550	\$ 82,910	8%		\$ 132,995	
50 SYSTEMS	\$ 184,135	\$ 18,520	\$ -	-0-		\$ 28,380	
Construction Subtotal (10-50)	\$ 2,422,773	\$ 960,350	\$ 82,910	3%		\$ 426,752	
60 ROW, LAND, EXISTING IMPROVEMENTS	\$ 172,750	\$ 15,360	\$ 15,360	7%		\$ 65,771	
70 VEHICLES	\$ 156,722	\$ -	\$ -	-0-		\$ 22,764	
80 PROFESSIONAL SERVICES (applies to Cats. 10-50)	\$ 839,408	\$ 385,950	\$ 138,460	13%		\$ 90,751	
Subtotal (10-80)	\$ 3,591,653	\$ 1,361,660	\$ 236,730	6%		\$ 606,038	