



HONOLULU AUTHORITY for RAPID TRANSPORTATION

MINUTES

**Finance Committee Meeting
May 3, 2012, 8:00 AM
Mission Memorial Annex Conference Room
550 South King Street, Honolulu, Hawaii**

PRESENT: Don Horner Robert "Bobby" Bunda
Ivan Lui-Kwan Wayne Yoshioka
Carrie Okinaga David Tanoue
Glenn Okimoto William "Buzz" Hong

ALSO IN ATTENDANCE: Brian Gibson Maurice Morita
(Sign-In Sheet and Staff) Doug Chun Rachelle Nobriga
Lori Hiraoka Wes Mott
Joe Magaldi Jan Mulvey
Aukai Reynolds Edwina Tabata
Kristy Shiraishi Russell Honma
Dan Grabauskas Gary Takeuchi
Toru Hamayasu Andrea Tantoco
Joyce Oliveira Cindy Matsushita
Phyllis Kurio

EXCUSED: Carrie Okinaga Glenn Okimoto

I. Call to Order

At 8:03 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 testimony was offered.

III. Approval of Minutes

Mr. Horner called for the approval of the minutes of the March 16, 2012 Finance Committee Meeting. There being no objections, the minutes were unanimously approved.

IV. Financial Update

Transportation Planner Phyllis Kurio gave an update on the project finances, which is attached as Attachment A. She detailed the cash on hand, to include an ending balance on April 30 of \$445.4 M. The Operating Subsidiary Account contains \$177 M, the Capital Subsidiary Account has \$266 M, and the Federal Grant Subsidiary Account has \$1.7 M.

Committee Chair Don Horner confirmed with Ms. Kurio that HART has received a total of \$858 million in GET funds to date, including the \$49 million received a few days prior to the meeting. Mr. Horner asked how much of that amount is left, to which Ms. Kurio responded that \$443 million remains. The approximate amount of GET revenue invested in the project to date is about \$415 million.

Mr. Horner stated and Ms. Kurio confirmed, that in the future, cash expenditures will accelerate as the project moves from soft costs to hard costs. Mr. Horner expressed his concern over when HART will be out of cash, and have to borrow money. Deputy Executive Director Toru Hamayasu stated that HART's schedule forecasts that to occur in the summer of 2013. Mr. Horner stressed that the Board and the public need to understand the acceleration of cash expenditures, because there is a sense that the project is being rushed. He also pointed out that the General Excise Tax (GET) has been levied since 2007, which results in an average expenditure of less than \$100 million per year. The project has been going on for five years, and half of the cash is still remaining.

Mr. Horner also stated that in the future, he would like to see the amount invested on rail cars, the Maintenance and Storage Facility, and the Control Center. Mr. Hamayasu advised that under the Core Systems contract, \$25 million has been invested so far on soft costs, or design elements.

Board member Ivan Lui-Kwan asked for a summary to clarify the figures being discussed.

\$858 million	GET revenues received to date
<u>+ \$65 million</u>	federal monies received
\$923 million	total monies received
<u>-- \$478 million</u>	expended (includes \$415m GET, \$63m federal funds)
\$445 million	cash remaining

Board member Robert "Bobby" Bunda requested a report detailing the calculations in writing. Board member Carrie Okinaga requested that the expenditure report be made on a "to date" basis, and not by fiscal year, to provide an "apples to apples" comparison.

Mr. Horner stated that he is asking for cash expenditures to show the public that HART has been prudent, despite the perception that the project is rushed and the money doesn't balance. Ms. Kurio pointed out that the appropriation amounts take into account carryover cash balances.

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Regarding revenue sources, Ms. Kurio stated that the reporting period is February 29, 2012 through April 30, 2012. Board member David Tanoue asked where the rental income comes from. Ms. Kurio replied that HART has acquired property, and the rental income represents rent backs by the property owners until they are relocated.

Mr. Horner asked, and Ms. Kurio confirmed, that the FTA Grant Reimbursement line item shows that HART has drawn down much of the \$65 million this fiscal year. Mr. Horner asked when the next draw down request would occur, and how much it would be. Ms. Kurio stated that the answer is complicated, implicating retainage amounts that could not be drawn down until HART pays for Kiewit's soft cost design work.

Mr. Horner asked whether the columns being built by Kiewit are being paid for by federal money. Ms. Kurio stated that all the contracts that have been let for the project have been "federalized," meaning that whether they are paid for with federal funds directly, or HART is reimbursed with federal funds, federal monies are implicated. Mr. Horner stated that it would be helpful to know what percentage of Kiewit's design costs are being paid for with federal funds, \$42 million of which has been received this fiscal year.

Mr. Bunda asked whether the GET revenue and federal money goes into the same fund. Ms. Kurio advised that they go into the transit fund. Mr. Bunda asked whether there is a percentage allocated to each project when the money is spent. Ms. Kurio stated that because the Full Funding Grant Agreement (FFGA) has not been issued yet, HART is statutorily allowed to have as much as 80% of costs to be shared by the federal government. However, once the FFGA is received, the federal share of the draw down will be 30%. Ms. Kurio explained that HART is currently proceeding under a Letter of No Prejudice (LONP), and the funds being expended will be deemed eligible costs if the FFGA is issued. HART is allowed to use one hundred percent of those costs for the project. There is also a matching share requirement of approximately 50/50 for a discrete program of projects, but not the entire Kiewit contract.

Mr. Bunda asked whether, once the FFGA is issued, federal funds can be allocated freely. Ms. Kurio stated that the pre-award authority given via the LONP allows HART to incur costs for preliminary and final design using federal grant monies. Mr. Horner noted that to date, for every dollar HART has spent, 12% has been federal dollars.

Mr. Lui-Kwan asked Ms. Kurio to detail the process to obtain federal funds, what has been appropriated, and what the status is. Mr. Horner stated that \$120 million has been appropriated by the federal government, and \$65 million has been spent to date. He asked how long it would take to draw down the remaining \$55 million. Ms. Kurio replied that the grants are awarded on a reimbursement basis. Mr. Horner opined that as \$45 million was spent this fiscal year, the "burn rate" is accelerating, and the remainder of the federal funds would likely be spent within the next 12 months.

Mr. Hamayasu reminded the Board that there is a current national appropriation of \$510 million, a substantial portion of which is meant for HART. The White House proposed that \$250 million be set aside for Honolulu in the next fiscal year, and the Senate

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Appropriations Committee has kept the same national total of \$1.99 billion, including the \$250 million for Honolulu. However, the \$120 million has already been appropriated. Mr. Hamayasu stated that the remaining \$55 million will likely be drawn down this calendar year.

Mr. Lui-Kwan asked when HART could expect to have the cash in hand from next year's anticipated federal appropriation of \$250 million. Mr. Hamayasu responded that the appropriation must first be made by Congress. Because no earmark has been made for the \$2 billion national appropriation, HART must then negotiate with the federal government regarding the FFGA and the draw down schedule. Mr. Hamayasu stated that determining when that would occur is difficult. However, it is predicted that the current appropriation would be received in the first half of 2013.

Board member Wayne Yoshioka arrived at 8:36 a.m.

Mr. Kurio went on to detail the expenditures against the current budget. Ms. Okinaga requested that the Board receive a "to date" total, and wondered whether that would be included in the balanced scorecard.

Mr. Bunda asked how the monies are allocated under each account. Ms. Kurio stated that under the Capital side of things, there is an appropriation for cash, and another for the bond fund. When procurements are processed, HART identifies the cash need until bonds are issued and bond fund proceeds are received.

V. Discussion of City Council Bill 37

Executive Director Daniel Grabauskas gave an update on Honolulu City Council Bill 37 regarding the authorization of commercial paper, a copy of which is attached as Attachment B. He explained that in December 2011, HART received a letter from the Federal Transit Administration (FTA) requiring a contingency on top of a contingency. Although the City and County of Honolulu already had the ability to tap into commercial paper as needed, HART was not specifically designated in the ordinance as having that ability. Bill 37 would therefore address 1) the potential need for short term cash flow (30 to 270 days) during construction, and 2) the FTA's requirement for an additional percentage of funding for unforeseen circumstances. The City and County of Honolulu, as the FTA grantee, would float the commercial paper in a very cost effective manner, and pledge to finish the project.

Mr. Horner pointed out that although the bill does not currently specify as such, it will make the City Council's written approval a requirement to tap into commercial paper. The bill would put HART on the list as being able to request funds in the future, upon City Council approval.

Mr. Grabauskas stated that the bill is advancing through the City Council. The current Floor Draft 1 contains a condition that would not allow funds for the project to be accessed via commercial paper until the FFGA is executed. The subsequent Committee

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Draft 1 contains some items of concern to the FTA, which have been communicated to Council.

Mr. Horner stated that there is no mention of this \$450 million commercial paper in the Financial Plan. Mr. Bunda asked whether it would be included in the Financial Plan. Mr. Hamayasu stated that it would not be included as a baseline, which is \$100 million in short term loans. The remaining \$350 million will be identified as a stress test. Mr. Grabauskas added that the goal is that the \$350 million will not be needed, but the FTA is requiring it.

Mr. Bunda stated that the newspaper reported that the project would cost over \$7 billion if the City had to tap into commercial paper. He wondered if accessing commercial paper funds would put the project over budget. He stressed that it should be made clear so people can understand it. Mr. Grabauskas agreed, and stated that he has been trying to explain commercial paper in clear terms.

Mr. Horner stated that the Financial Plan of September 2011 calls for debt. The FTA is asking the City to make sure that if something happened to that plan, there is a "cookie jar" to tap into. But he emphasized that HART would only go to the City Council to approve the request to access that cookie jar after it had looked at other resources, such as adjusting the project costs, leasing trains vs. purchasing trains, etc. The FTA is requiring the City to provide this assurance in an abundance of caution because the City has a substantial balance sheet. He emphasized that no debt would be advanced without prior Council approval. Mr. Horner also stated that HART must discuss a debt plan.

Mr. Lui-Kwan stated that it must be clear that there is a good reason that the City and County of Honolulu is the grantee, and that HART is the City's agent. He asked Deputy Corporation Counsel Gary Takeuchi whether, in the interaction between the FTA and the City and County, the activities undertaken are ministerial or discretionary in nature. Mr. Takeuchi replied that the FFGA clearly sets forth the permitted uses for the funds, so the interaction is not discretionary. Mr. Grabauskas added that the FTA Administrator made it very clear that if the \$550 million is not spent on rail in Honolulu, it will go to another transit project.

Board member Glenn Okimoto sought clarification on the nature of commercial paper by asking if it addresses a cash flow management issue. Mr. Horner responded in the negative, stating that it is the City's response to an FTA requirement. Mr. Okimoto asked whether commercial paper funds could be used if HART's computers broke down and there wasn't enough GET revenue. Mr. Horner replied that HART would have to discuss with the City Council and mayor what the needs are. Mr. Grabauskas stated that the decision is not HART's. The purpose of commercial paper is to satisfy the last requirement for the FFGA application.

Mr. Bunda asked for clarification on unforeseen circumstances. Mr. Grabauskas stated that in unforeseen circumstances, HART would go to the City Council for approval of use of the funds. Mr. Horner pointed out that there is currently no credit facility, and the City

is seeking to obtain the credit facility, with HART as the beneficiary. Mr. Grabauskas pointed out that HART has a finance plan that will enable the authority to be self sufficient, and meet its obligations in building the train. He stated that HART would manage the project day to day in terms of revenue and expenses, so there will not be a \$350 million spike in expenses, unless there is an unforeseen circumstance. Mr. Horner added that, because the City and County of Honolulu is the grantee of the federal monies, any commercial paper expenditures would be subject to the Council's authorization.

Ms. Okinaga pointed out that the Council is currently considering an amendment to Bill 37 that only makes commercial paper funds available after the issuance of the Full Funding Grant Agreement by the FTA.

VI. Executive Director's Review of HART Budget FY13

Mr. Grabauskas then provided a review of the fiscal year 2013 budget. He reported that at the last City Council Budget Committee meeting, there was a discussion regarding examining the budget for reduction opportunities. HART staff identified four areas for potential reduction: 1) regular pay to be reduced by \$300,000; 2) fringe benefits to be reduced by \$128,000 (to be accomplished by postponing hiring); 3) travel expenses would be "level funded" for FY2013; and 4) professional services to be reduced by \$75,000, which represents 5% paid to the City and County of Honolulu for general expenses. The total proposed reduction is approximately \$400,000. Additionally, he proposed retaining \$1 million of debt in the GET account, as the City would be rolling the cost of City-issued debt service into the debt itself. These proposals are detailed in Attachment C.

Mr. Grabauskas summarized by stating that he was recommending to the Finance Committee and the Board to reduce the budget by 6.9%, or approximately \$1.6 million. Mr. Grabauskas stated that, as the Finance Chair agreed with this revised budget, Mr. Grabauskas was requesting the Committee and Board's concurrence to present it to the City Council.

Mr. Lui-Kwan moved to approve the amended HART budget, and Board member Wayne Yoshioka seconded. The motion passed unanimously.

Mr. Horner expressed his opinion that the debt issuance cost in the budget is extremely expensive, and stated that he would be working to bring down that expense. Mr. Horner also reported on his experience at the City Council Budget Committee meeting regarding advertising publications and trinkets, and urged HART to examine its expenditures in this matter. He stated that he agrees with the Council that it is not HART's place to give out trinkets, but to communicate the facts to the public about the project.

Mr. Lui-Kwan stated that the possible adjustments as presented are reasonable. He commended Mr. Grabauskas on a job well done.

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Board member Glenn Okimoto expressed his concern over the employee relocation expenses in the budget. Mr. Grabauskas stated that he would take that into consideration, and look at it on a regular basis.

Mr. Bunda asked whether Owner Controlled Insurance Program (OCIP) had been implemented yet. Mr. Hamayasu stated it had not, and advised that HART contractors are currently insuring themselves. However, OCIP has been budgeted for in the capital budget.

Mr. Bunda asked if the rail car bonds were collateralized with Ansaldo. Mr. Takeuchi stated that he would look into and get back to Mr. Bunda on the matter.

Mr. Horner asked whether HART had Directors and Officers (D&O) liability insurance in fiscal year 2012. Ms. Okinaga confirmed coverage last year, but advised that D&O was not a line item in last year's budget, as the Board was not in existence at that time. She confirmed that there is current D&O coverage.

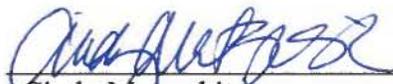
VII. Executive Session

The Committee Chair inquired if there was any reason to enter into Executive Session, and there was none.

VIII. Adjournment

Having completed all Committee business, Mr. Horner adjourned the meeting of the Finance Committee at 9:20 A.M.

Respectfully Submitted,



Cindy Matsushita
Board Administrator

Approved:



Don Horner
Chair, Finance Committee

JUN 28 2012

Date

ATTACHMENT A

Honolulu Authority for Rapid Transportation
Finance Committee Meeting
Thursday, May 3, 2012
Agenda Item #IV. Financial Update

CASH ON HAND - TRANSIT OPERATING SUBSIDIARY ACCOUNT

Beginning Balance @ 2/28/2012	\$ 131,908,434
Transactions	<u>\$ 45,327,194</u>
Ending Balance @ 4/30/2012	\$ 177,235,628

CASH ON HAND - TRANSIT CAPITAL SUBSIDIARY ACCOUNT

Beginning Balance @ 2/28/2012	\$ 318,454,265
Transactions	<u>\$ (52,018,302)</u>
Ending Balance @ 4/30/2012	\$ 266,435,963

CASH ON HAND - TRANSIT FEDERAL GRANT SUBSIDIARY ACCOUNT

Beginning Balance @ 2/28/2012	\$ 1,169,416
Transactions	<u>\$ 546,008</u>
Ending Balance @ 4/30/2012	\$ 1,715,424

CASH ON HAND - TRANSIT IMPROVEMENT BOND SUBSIDIARY ACCOUNT

Beginning Balance @ 2/28/2012	\$ -
Transactions	<u>\$ -</u>
Ending Balance @ 4/30/2012	\$ -

Transit Fund Ending Balance @ 4/30/2012	<u>\$ 445,387,016</u>
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REVENUE SOURCES - TRANSIT OPERATING & CAPITAL SUBSIDIARY ACCOUNTS

	FY 2012 to Date		
	At 2/28/2012	At 4/30/2012	2/29 to 4/30/2012
GET Surcharge	\$ 95,422,236	\$ 143,676,207	\$ 48,253,971
Interest	\$ 122,629	\$ 165,806	\$ 43,177
FTA Grant Reimbursement	\$ 41,838,416	\$ 42,384,424	\$ 546,008
Rental Income	\$ 42,975	\$ 56,225	\$ 13,250
Trust Receipts (Security Deposit)	\$ -	\$ 40,467	\$ 40,467
Miscellaneous			\$ -
Vacation Transfers	\$ 12,850	\$ 12,850	\$ -
Duplicate Copy	\$ 2,964	\$ 2,964	\$ -
Witness Fees	\$ 5	\$ 5	\$ -
GRAND TOTAL	<u>\$ 137,442,074</u>	<u>\$ 186,338,949</u>	<u>\$ 48,896,874</u>

 Status of Net GET Surcharge Revenues (Cash Basis YOY \$M)

	FY 2010	FY 2011	FY 2012
Actual Revenues ¹	121	166	194
September 2011 Draft Financial Plan ²	<u>121</u>	<u>166</u>	<u>186</u>
Difference [1-2]	<u>-</u>	<u>-</u>	<u>8</u>

Honolulu Authority for Rapid Transportation
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 Agenda Item #IV. Financial Update

EXPENDITURE/ENCUMBRANCE - TRANSIT OPERATING SUBSIDIARY ACCOUNT

	Budget	Exp/Enc	Balance
Personnel @ 2/28/2012	\$ 13,302,491	\$ (4,758,474)	\$ 8,544,017
Personnel @ 4/30/2012	\$ 13,302,491	\$ (5,779,007)	\$ 7,523,484
Current Expenses @ 2/28/2012	\$ 7,280,135	\$ (2,280,317)	\$ 4,999,818
Current Expenses @ 4/30/2012	\$ 7,280,135	\$ (3,323,459)	\$ 3,956,676
TOTAL OPERATING @ 2/28/2012	\$ 20,582,626	\$ (7,038,791)	\$ 13,543,835
TOTAL OPERATING @ 4/30/2012	\$ 20,582,626	\$ (9,102,466)	\$ 11,480,160

EXPENDITURE/ENCUMBRANCE - TRANSIT CAPITAL SUBSIDIARY ACCOUNT

	Budget	Exp/Enc	Balance
As of 2/28/2012	\$ 200,000,000	\$ (152,100,362)	\$ 47,899,638
As of 4/30/2012	\$ 200,000,000	\$ (173,388,749)	\$ 26,611,251

EXPENDITURE - FEDERAL GRANT SUBSIDIARY ACCOUNT

	Budget	Expenditures	Balance
As of 2/28/2012	\$ 50,000,000	\$ (12,169,000)	\$ 37,831,000
As of 4/30/2012	\$ 50,000,000	\$ (12,169,000)	\$ 37,831,000

ENCUMBRANCE - CAPITAL IMPROVEMENT BOND SUBSIDIARY ACCOUNT

	Budget	Encumbrances	Balance
As of 2/28/2012	\$ 104,736,280	\$ (36,610,130)	\$ 68,126,150
As of 4/30/2012	\$ 104,736,280	\$ (48,122,630)	\$ 56,613,650
TOTAL CAPITAL @ 2/28/2012	\$ 354,736,280	\$ (200,879,492)	\$ 153,856,788
TOTAL CAPITAL @ 4/30/2012	\$ 354,736,280	\$ (233,680,379)	\$ 121,055,901

ATTACHMENT B



A BILL FOR AN ORDINANCE

AMENDING ORDINANCE NO. 01-28

BE IT ORDAINED BY THE PEOPLE OF THE CITY AND COUNTY OF HONOLULU:

SECTION 1. Purpose, Findings and Determinations. The purpose of this ordinance is to amend the authorization for the City and County of Honolulu (the "City and County") to issue general obligation commercial paper in order to clarify and facilitate the use of such debt. Furthermore, the City Council of the City and County of Honolulu (the "Council") hereby finds and determines: (1) the Council has heretofore adopted Ordinance No. 01-28, as amended by Ordinance No. 04-36 and Ordinance 10-15, authorizing the issuance and sale and specifying certain terms of general obligation commercial paper of the City and County, and authorizing and providing for certain related matters; and (2) it is advisable, expedient and in the best interests of the City and County to increase the amount of such commercial paper to be issued and expand the purposes for which proceeds of such commercial paper may be applied to include public improvements relating to the Honolulu High Capacity Transit Project ("HHCTP") managed by the Honolulu Authority for Rapid Transportation ("HART").

SECTION 2. Ordinance 01-28 is amended by amending Section 2 to read as follows:

"SECTION 2. Authorization of Commercial Paper. Pursuant to Chapter 47, Hawaii Revised Statutes, as amended, and the Revised Charter of the City and County, there are hereby authorized for issuance and sale from time to time general obligation notes (the "Commercial Paper" and each a "Commercial Paper note") of the City and County, including renewals and extensions thereof, in an aggregate principal amount at any one time outstanding not to exceed [Three Hundred Fifty Million Dollars (\$350,000,000)] Four Hundred Fifty Million Dollars (\$450,000,000), for the purpose of (a) refunding all or a part of any General Obligation Bonds and any Commercial Paper and any reimbursement obligations to the provider of any credit or liquidity facility as the Director of Budget and Fiscal Services shall determine to be in the best interest of the City and County; (b) paying the cost of any public improvements, including equipment, (1) for which an appropriation is made in a capital budget ordinance, including public improvements relating to the wastewater system of the City and County, [or] (2) public improvements relating to the water system managed by the Board of Water Supply, or (3) if not included in (1) above, public improvements, including equipment, relating to the HHCTP, and for which General Obligation Bonds or Revenue Bonds are authorized to be issued, in advance of the issuance of such General Obligation Bonds or Revenue Bonds, or, in the case of equipment, instead of the issuance of General Obligation Bonds or Revenue Bonds; and (c) paying all costs



A BILL FOR AN ORDINANCE

incurred in the issuance of such Commercial Paper and the refunding of any General Obligation Bonds. The proceeds of the Commercial Paper shall be applied as provided in Section 8 hereof."

SECTION 3. Ordinance 01-28 is amended by amending Section 8 to read as follows:

"SECTION 8. Application of Proceeds. The proceeds of the Commercial Paper are hereby irrevocably appropriated for the purposes set forth herein, and such proceeds, together with any other funds of the City and County which are legally available therefor, shall be deposited as determined by the Director of Budget and Fiscal Services and applied as directed by the Director of Budget and Fiscal Services:

(1) to the payment of costs of public improvements, including equipment, (a) authorized pursuant to any capital budget ordinance of the City and County, including public improvements relating to the wastewater system of the City and County, to the extent the appropriation for such costs has not lapsed or been satisfied, [or] (b) public improvements relating to the water system managed by the Board of Water, for which the Board of Water Supply has submitted a request by resolution of the Board of Directors of the Board of Water Supply to the Council of the City and County to issue general obligation commercial paper for such improvements, or (c) if not included in (a) above, public improvements, including equipment, relating to HHCTP;

(2) to pay the principal of, premium (if any) and interest on any General Obligation Bonds or Commercial Paper or obligations to the provider of any credit or liquidity facility to be refunded; and

(3) to pay costs of issuance of the Commercial Paper and any related refunding, including without limitation, the initial fees of any issuing and paying agents or registrars, the fees of any dealers, financial consultants and bond counsel, rating agency fees, escrow agent fees, fees for verification of refunding escrow calculations, fees and expenses for any liquidity or credit enhancement, the cost of preparation of any documentation relating to the Commercial Paper, including any offering document and definitive Commercial Paper, and any cost of publications required by law.

Pending the time the proceeds of the Commercial Paper are required to pay any General Obligation Bonds to be refunded as provided in (2) above, the proceeds of such Commercial Paper, together with any other funds of the City and County which are legally available therefor, may be held by the Director of Budget and Fiscal Services in trust for such purposes or may be held by a financial institution selected by the Director of Budget and Fiscal Services to serve as escrow agent under



A BILL FOR AN ORDINANCE

an escrow agreement, such agreement to be in such form and containing such terms and provisions as the Director of Budget and Fiscal Services deems appropriate, and, in either case, invested as permitted by law. The Director of Budget and Fiscal Services is hereby authorized and directed to serve as such escrow agent or to select a qualified financial institution to serve in such capacity, and to determine the form and terms of any such escrow agreement and any fee agreement to be entered into with such financial institution. The Director of Budget and Fiscal Services is hereby further authorized and directed to determine the date or dates upon which the General Obligation Bonds or portions thereof are to be redeemed and to give or cause to be given any appropriate notices of such redemption."

SECTION 4. Ordinance 01-28 is amended by adding a new Section 14 to read as follows:

"SECTION 14. HHCTP Commercial Paper. Notwithstanding anything to the contrary contained herein, each issue of Commercial Paper by the City and County, the proceeds of which will be applied to fund the payment of costs of public improvements, including equipment, relating to the HHCTP (the "HHCTP Commercial Paper"), shall be subject to the following conditions precedent:

(1) the Council shall have adopted an ordinance or resolution, whichever is required, approved by affirmative vote of at least two-thirds of the members of the Council (a) authorizing the issuance, sale and use of proceeds of General Obligation Bonds for the payment of the costs of public improvements, including equipment, relating to the HHCTP, as well as the payment, refunding or refinancing of the HHCTP Commercial Paper, and (b) determining the maximum principal amount of such General Obligation Bonds to be issued for such issue;

(2) HART shall submit a request in writing to the Council in the form of a resolution adopted by the Board of Directors of HART setting forth the details of such request and issue of HHCTP Commercial Paper; and

(3) the City and HART shall enter into a memorandum of understanding subject to the provisions of Section 15.

SECTION 5. Ordinance 01-28 is amended by adding a new Section 15 to read as follows:

"SECTION 15. Memorandum of Understanding Relating to HART. Prior to the initial issuance of HHCTP Commercial Paper, the City and County shall submit to



A BILL FOR AN ORDINANCE

the Council a memorandum of understanding setting forth the obligations of HART to the City and County concerning the HHCTP Commercial Paper and other forms of general obligation indebtedness. The memorandum of understanding shall require that the City and County be reimbursed by HART for any payments of principal and interest and any other costs incurred by the City and County relating to the issuance of HHCTP Commercial Paper and other forms of general obligation indebtedness. HART shall not submit the request referenced in paragraph (2) of Section 14 unless the Council has approved such memorandum of understanding by resolution."

SECTION 6. Repeal of Conflicts. All ordinances and resolutions, and any portions of ordinances and resolutions, heretofore enacted or adopted by the Council which are in conflict or inconsistent with any provision of this ordinance shall be and are hereby repealed to the extent of such conflict or inconsistency. Except amended hereby and by Ordinance 04-36 and Ordinance 10-15, Ordinance 01-28 shall remain in full force and effect.

SECTION 7. In sections 2, 3, 4 and 5 of this ordinance, ordinance material to be deleted is bracketed and new ordinance material is underscored. In these sections, the titles of the sections are underscored because the titles were underscored in Ordinance 01-28.



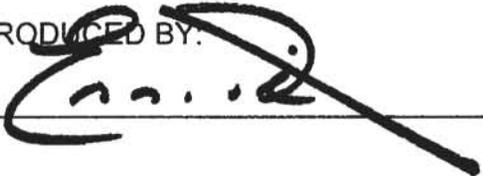
CITY COUNCIL
CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAII

ORDINANCE _____
BILL 37 (2012)

A BILL FOR AN ORDINANCE

SECTION 8. Effective Date. This ordinance shall take effect upon its approval.

INTRODUCED BY:



(br)

DATE OF INTRODUCTION:

APR 17 2012

Honolulu, Hawaii

Councilmembers

APPROVED AS TO FORM AND LEGALITY:

Deputy Corporation Counsel

APPROVED this _____ day of _____, 20__.

PETER B. CARLISLE, Mayor
City and County of Honolulu



A BILL FOR AN ORDINANCE

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SECTION 1. Purpose, Findings and Determinations. The purpose of this ordinance is to amend the authorization for the City and County of Honolulu (the "City and County") to issue general obligation commercial paper in order to clarify and facilitate the use of such debt. Furthermore, the City Council of the City and County of Honolulu (the "Council") hereby finds and determines: (1) the Council has heretofore adopted Ordinance No. 01-28, as amended by Ordinance No. 04-36 and Ordinance 10-15, authorizing the issuance and sale and specifying certain terms of general obligation commercial paper of the City and County, and authorizing and providing for certain related matters; and (2) it is advisable, expedient and in the best interests of the City and County to increase the amount of such commercial paper to be issued and expand the purposes for which proceeds of such commercial paper may be applied to include public improvements relating to the Honolulu High Capacity Transit Project ("HHCTP") managed by the Honolulu Authority for Rapid Transportation ("HART").

SECTION 2. Ordinance 01-28 is amended by amending Section 2 to read as follows:

"SECTION 2. Authorization of Commercial Paper. Pursuant to Chapter 47, Hawaii Revised Statutes, as amended, and the Revised Charter of the City and County, there are hereby authorized for issuance and sale from time to time general obligation notes (the "Commercial Paper" and each a "Commercial Paper note") of the City and County, including renewals and extensions thereof, in an aggregate principal amount at any one time outstanding not to exceed [Three Hundred Fifty Million Dollars (\$350,000,000)] Four Hundred Fifty Million Dollars (\$450,000,000), for the purpose of (a) refunding all or a part of any General Obligation Bonds and any Commercial Paper and any reimbursement obligations to the provider of any credit or liquidity facility as the Director of Budget and Fiscal Services shall determine to be in the best interest of the City and County; (b) paying the cost of any public improvements, including equipment, (1) for which an appropriation is made in a capital budget ordinance, including public improvements relating to the wastewater system of the City and County, [or] (2) public improvements relating to the water system managed by the Board of Water Supply, or (3) if not included in (1) above, public improvements, including equipment, relating to the HHCTP, and for which General Obligation Bonds or Revenue Bonds are authorized to be issued, in advance of the issuance of such General Obligation Bonds or Revenue Bonds, or, in the case of equipment, instead of the issuance of General Obligation Bonds or Revenue Bonds; and (c) paying all costs incurred in the issuance of such



A BILL FOR AN ORDINANCE

Commercial Paper and the refunding of any General Obligation Bonds. The proceeds of the Commercial Paper shall be applied as provided in Section 8 hereof."

SECTION 3. Ordinance 01-28 is amended by amending Section 8 to read as follows:

"SECTION 8. Application of Proceeds. The proceeds of the Commercial Paper are hereby irrevocably appropriated for the purposes set forth herein, and such proceeds, together with any other funds of the City and County which are legally available therefor, shall be deposited as determined by the Director of Budget and Fiscal Services and applied as directed by the Director of Budget and Fiscal Services:

(1) to the payment of costs of public improvements, including equipment, (a) authorized pursuant to any capital budget ordinance of the City and County, including public improvements relating to the wastewater system of the City and County, to the extent the appropriation for such costs has not lapsed or been satisfied, [or] (b) public improvements relating to the water system managed by the Board of Water, for which the Board of Water Supply has submitted a request by resolution of the Board of Directors of the Board of Water Supply to the Council of the City and County to issue general obligation commercial paper for such improvements, or (c) if not included in (a) above, public improvements, including equipment, relating to HHCTP;

(2) to pay the principal of, premium (if any) and interest on any General Obligation Bonds or Commercial Paper or obligations to the provider of any credit or liquidity facility to be refunded; and

(3) to pay costs of issuance of the Commercial Paper and any related refunding, including without limitation, the initial fees of any issuing and paying agents or registrars, the fees of any dealers, financial consultants and bond counsel, rating agency fees, escrow agent fees, fees for verification of refunding escrow calculations, fees and expenses for any liquidity or credit enhancement, the cost of preparation of any documentation relating to the Commercial Paper, including any offering document and definitive Commercial Paper, and any cost of publications required by law.

Pending the time the proceeds of the Commercial Paper are required to pay any General Obligation Bonds to be refunded as provided in (2) above, the proceeds of such Commercial Paper, together with any other funds of the City and County which are legally available therefor, may be held by the Director of Budget and Fiscal Services in trust for such purposes or may be held by a financial institution selected by the Director of Budget and Fiscal Services to serve as escrow agent under an escrow agreement, such agreement to be in such form and containing such terms and provisions as the Director of Budget and Fiscal Services deems appropriate, and, in either case, invested



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as permitted by law. The Director of Budget and Fiscal Services is hereby authorized and directed to serve as such escrow agent or to select a qualified financial institution to serve in such capacity, and to determine the form and terms of any such escrow agreement and any fee agreement to be entered into with such financial institution. The Director of Budget and Fiscal Services is hereby further authorized and directed to determine the date or dates upon which the General Obligation Bonds or portions thereof are to be redeemed and to give or cause to be given any appropriate notices of such redemption.”

SECTION 4. Ordinance 01-28 is amended by adding a new Section 14 to read as follows:

“SECTION 14. HHCTP Commercial Paper. Notwithstanding anything to the contrary contained herein, each issue of Commercial Paper by the City and County, the proceeds of which will be applied to fund the payment of costs of public improvements, including equipment, relating to the HHCTP (the “HHCTP Commercial Paper”), shall be subject to the following conditions precedent:

(1) the Council shall have adopted an ordinance or resolution, whichever is required, approved by affirmative vote of at least two-thirds of the members of the Council (a) authorizing the issuance, sale and use of proceeds of General Obligation Bonds for the payment of the costs of public improvements, including equipment, relating to the HHCTP, as well as the payment, refunding or refinancing of the HHCTP Commercial Paper, and (b) determining the maximum principal amount of such General Obligation Bonds to be issued for such issue;

(2) HART shall submit a request in writing to the Council in the form of a resolution adopted by the Board of Directors of HART setting forth the details of such request and issue of HHCTP Commercial Paper; and

(3) the City and HART shall enter into a memorandum of understanding subject to the provisions of Section 15.

SECTION 5. Ordinance 01-28 is amended by adding a new Section 15 to read as follows:

“SECTION 15. Memorandum of Understanding Relating to HART. Prior to the initial issuance of HHCTP Commercial Paper, the City and County shall submit to the Council a memorandum of understanding setting forth the obligations of HART to the City and County concerning the HHCTP Commercial Paper and other forms of general obligation indebtedness. The memorandum of understanding shall require that the City



A BILL FOR AN ORDINANCE

and County be reimbursed by HART for any payments of principal and interest and any other costs incurred by the City and County relating to the issuance of HHCTP Commercial Paper and other forms of general obligation indebtedness. HART shall not submit the request referenced in paragraph (2) of Section 14 unless the Council has approved such memorandum of understanding by resolution."

SECTION 6. Repeal of Conflicts. All ordinances and resolutions, and any portions of ordinances and resolutions, heretofore enacted or adopted by the Council which are in conflict or inconsistent with any provision of this ordinance shall be and are hereby repealed to the extent of such conflict or inconsistency. Except amended hereby and by Ordinance 04-36 and Ordinance 10-15, Ordinance 01-28 shall remain in full force and effect.

SECTION 7. In sections 2, 3, 4 and 5 of this ordinance, ordinance material to be deleted is bracketed and new ordinance material is underscored. In these sections, the titles of the sections are underscored because the titles were underscored in Ordinance 01-28.



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SECTION 8. Effective Date. This ordinance shall take effect upon the execution of the Full Funding Grant Agreement for the HHCTP.

INTRODUCED BY:

Ernest Martin (BR)

DATE OF INTRODUCTION:

April 17, 2012
Honolulu, Hawaii

Councilmembers

APPROVED AS TO FORM AND LEGALITY:

Deputy Corporation Counsel

APPROVED this _____ day of _____, 20__.

PETER B. CARLISLE, Mayor
City and County of Honolulu



U.S. Department
of Transportation
**Federal Transit
Administration**

HART

12 JAN -5 P. 32

REGION IX
Arizona, California,
Hawaii, Nevada, Guam
American Samoa,
Northern Mariana Islands

201 Mission Street
Suite 1650
San Francisco, CA 94105-1839
415-744-3133
415-744-2726 (fax)

DEC 29 2011

Mr. Kenneth Toru Hamayasu
Interim Executive Director and CEO
Honolulu Authority for Rapid Transportation
Alii Place, Suite 1700
1099 Alakea Street
Honolulu, HI 96813

Re: Approval to Enter Final Design
Honolulu High Capacity Transit Corridor Project

Toru
Dear Mr. Hamayasu:

The Federal Transit Administration (FTA) is pleased to inform you that the Honolulu Authority for Rapid Transportation's (HART) and the City and County of Honolulu's (the City) request to enter final design for the Honolulu High Capacity Transit Corridor Project (the Project) is approved. This approval to initiate final design is a requirement of Federal transit laws governing the New Starts Program (49 U.S.C. Section 5309(e)(6)).

FTA is required by law to evaluate proposed New Starts projects against a number of criteria and ensure prospective grant recipients demonstrate the technical, legal and financial capability to implement the project. As a result of FTA's evaluation of the Project, an overall project rating of "Medium-High" was assigned.

With this final design approval, HART has automatic pre-award authority to incur costs for final design activities, demolition, and other non-construction activities such as the procurement of rails, ties, commodities, and other specialized equipment. HART should contact the FTA Region IX office for a determination of whether any other proposed non-construction activity falls within the automatic pre-award authority granted with final design approval.

In addition, in accordance with FTA's Final Policy Guidance on New and Small Starts, published September 2, 2009, HART has automatic pre-award authority to procure vehicles and perform utility relocation since the National Environmental Policy Act process has previously been completed. FTA reminds HART that the procurement of vehicles must comply with all Federal requirements including, but not limited to, competitive procurement practices, the Americans with Disabilities Act, Buy America, and Ship America. FTA encourages HART to discuss the procurement of vehicles with FTA prior to exercising the pre-award authority.

This pre-award authority does not constitute any FTA commitment that future Federal funds will be approved for this Project or any element of the Project. As with all pre-award authority, all Federal requirements must be met prior to incurring costs in order to retain eligibility for future FTA grant assistance. This approval also does not constitute approval to start any physical construction activity other than those highlighted above without the issuance of a Letter of No Prejudice.

Financial Capacity Assessment

The current capital cost estimate for the project is \$5,125.96 million in Year of Expenditure dollars, which includes \$246.98 million in finance charges. HART is seeking \$1,550.00 million in New Starts funds (30.2 percent). Please be advised that, consistent with FTA's established policy, the amount of New Starts funding is fixed at the time of entry into final design. Thus, \$1,550.00 million represents the maximum amount of New Starts funds that will be provided by FTA for the Project, should a Full Funding Grant Agreement (FFGA) be approved.

Regarding the Financial Capacity Assessment, FTA notes that the financial plan HART submitted is sufficient to advance the project into final design. However, it must be further strengthened before FTA will consider awarding an FFGA.

Specifically, the financial plan states that additional revenues may be obtained from an extension of the General Excise Tax or implementation of value capture mechanisms. However, these revenue sources require actions by the State of Hawaii and/or the City that have not been taken and which are beyond HART's ability to control. Prior to the Project's consideration for an FFGA, HART should demonstrate the availability of additional revenue sources that could be tapped should unexpected events such as cost increases or funding shortfalls occur.

Additionally, HART made assumptions in three areas that require further justification or amendment: (1) the containment of bus and HandiVan operating expenses; (2) the increasing share of the City's annual budget required to fund the transit system; and (3) the diversion of Section 5307 funds from preventive maintenance to the Project. Prior to the Project's consideration for an FFGA, HART should either provide further documentation justifying the reasonableness of these assumptions or consider revising these assumptions to more closely follow historical patterns.

Scope, Cost, Schedule, Risk and Technical Capacity

In July 2011, HART was established to oversee the Project, replacing the City as the project sponsor. At present HART is the project sponsor for the Project and the City is the direct recipient of FTA grant funds. It has not yet been decided if the grantee responsibilities will transition from the City to HART. Early in final design, the City and HART will need to notify FTA of a final decision regarding grantee responsibility so that any necessary preparations can be made in advance of the Project's consideration for an FFGA.

FTA has determined that HART and the City have the technical capacity and capability to effectively manage the final design phase of project development. FTA's Project Management Oversight Contractor (PMOC) found that the current cost estimate for the Project is fair and reasonable for the present stage of project development. The PMOC also found that Project scope development is sufficient for entry in final design.

During final design, HART must address the following items noted in the PMOC report, which represent risks to the Project cost and schedule:

- **Project Scope:** resolve the Ala Moana Station design and the location of the pre-cast yard and ensure that all contractors meet Buy America and Ship America requirements.
- **Project Management Plan (PMP):** update the PMP to address the creation of HART; expand staff as planned, revise the staffing plan, and update the final design organization chart to include the positions identified in the PMOC report; expand the sections on construction management and testing and start up; and update and develop the Design-Bid-Build Resident Engineer and Inspection Manual.
- **Technical Capacity and Capability:** develop a succession plan to ensure knowledge transfer for key management positions considered short term and hire a real estate acquisition consultant knowledgeable about the requirements of the Uniform Relocation Act and FTA real estate requirements.
- **Real Estate Acquisition and Management Plan (RAMP):** ensure that all real estate activities comply with the Record of Decision and update the RAMP to reflect the creation of HART.

The Project capital cost of \$5,125.96 million assumes \$104 million in cost savings from eight proposed cost reduction measures. FTA has accepted the cost reduction measures for purposes of moving forward with final design approval. However, additional supporting documentation regarding these cost reduction measures will need to be provided to FTA for review and validation. Within six months of final design approval, HART should provide the following to FTA:

1. Documentation to support the cost and schedule impacts of the cost reduction measures.
2. Information to verify that other aspects of the Project are not degraded as a result of implementing the cost reduction measures, such as safety and security, transit capacity, operations, maintainability, and service to the community.

HART must ensure that the project design changes comply with the Americans with Disabilities Act and provide for appropriate emergency evacuation. FTA and HART will work together to determine if any environmental impacts resulting from the Project changes related to the cost reduction measures need to be addressed.

Safety and Security

The Hawaii Department of Transportation (HDOT) should accelerate the hiring process and select a qualified State Safety Oversight Agency (SSOA) project manager by February 2012. In addition, no later than the first quarter of calendar year 2012, HDOT and HART should execute a memorandum of agreement, and HDOT should identify internal staff or select an SSOA consultant to work on SSOA issues.

Specifically regarding the safety and security of the proposed cost reduction measures, HART should conduct hazard and threat/vulnerability analyses to ensure that the design criteria, as well as the design, construction, safety and security certification, and start-up of the Project, conform to local, state and national codes and standards.

Civil Rights

Pursuant to the Civil Rights Act of 1964 and its implementing regulations, including FTA Circular 4702.1 (Title VI Program Guidelines for FTA Recipients, Part II, Section 114), FTA approved the City's Title VI program on November 18, 2011. FTA also informed the City that an update to the Title VI program must be submitted to FTA at least 30 calendar days prior to June 10, 2013, which is the expiration of the current Title VI approval. The City will need to perform a Title VI service and fare equity analysis six months prior to revenue operations of the Project.

FTA concurred with the City's Disadvantaged Business Enterprise (DBE) Program on April 29, 2002. Due to recent regulatory changes that became effective in February 2011, the City must update its DBE program. Specifically, the revised program must include a small business utilization program pursuant to 49 C.F.R. §26.39. In addition, under 49 CFR § 26.45(e)(3), the FTA Administrator can require an FTA recipient to set a Project goal. Pursuant to that authority, the Administrator is hereby requiring the City to establish a Project specific DBE goal. Because the City is subject to the Western State's Paving decision in the 9th Circuit, the City should examine the specific evidence it has of discrimination as appropriate, for example Hawaii's disparity study. The City should consider all direct, prime and sub contracting possibilities in the establishment of a Project goal. FTA can provide technical assistance since FTA is aware that some of the Project contracts have already been awarded. The draft goal must also be developed in consultation with minority, women's and general contractor groups, community organizations, and other officials and organizations that could be expected to have information concerning the availability of DBEs and non-disadvantaged business, the effects of discrimination on opportunities for DBEs, and the City's efforts to establish a level playing field for the participation of DBEs. The City must also publish a notice in a newspaper of general circulation announcing the revised DBE program and the Project goal to allow interested members of the public to comment. Please be advised that the Project specific goal must also take into consideration all available evidence of past discrimination and must cover the life of the Project from design to operation. The City is also required to establish a timeline for regular updates to this goal. This goal, and the participation that results from it, must be reported separately from the City's overall DBE goal. The City must submit the revised DBE program and draft Project goal to FTA's Office of Civil Rights within 60 days of receipt of this letter.

FTA looks forward to continuing to work with you on this important transit Project. If you have any questions, please call me at (415) 744-3133 or Catherine Luu at (415) 744-2730.

Sincerely,

A handwritten signature in black ink, appearing to read "Leslie T. Rogers". The signature is fluid and cursive, with the first name "Leslie" being larger and more prominent than the last name "Rogers".

Leslie T. Rogers
Regional Administrator

cc: Mr. Wayne Yoshioka, City and County of Honolulu Department of Transportation Services

ATTACHMENT C

**HONOLULU AUTHORITY FOR RAPID TRANSPORTATION
POSSIBLE ADJUSTMENTS TO FY 2013 OPERATING BUDGET**

Expense Category	FY2012 Budget	FY2013 Budget	Possible Adjustments	Adjusted FY2013 Budget
Personnel				
Total Full-time Equivalent Positions	136	142		
Regular Pay	\$ 9,302,490	\$ 9,535,699	\$ (300,000)	\$ 9,235,699
Overtime, Night Shift, Temp Assign Pay	\$ 38,000	\$ 53,000		\$ 53,000
Fringe Benefits (ERS, FICA, EUTF, Unemp, & Workers Comp)	\$ 3,961,601	\$ 4,045,044	\$ (128,250)	\$ 3,916,794
Service Or Merit Awards	\$ 400	\$ 800		\$ 800
Personnel Expense Subtotal	\$ 13,302,491	\$ 13,634,543	\$ (428,250) -3.14%	\$ 13,206,293
Current Expenses				
Office & Computer Supplies	\$ 78,000	\$ 128,000		\$ 128,000
Meals and Food	\$ 2,400	\$ 2,700		\$ 2,700
Safety & Miscellaneous Supplies	\$ 3,750	\$ 5,900		\$ 5,900
Parts/Equip (Comm, Furn, Comp, AV)	\$ 204,000	\$ 230,700		\$ 230,700
Legal Services		\$ 1,202,354		\$ 1,202,354
Professional Services - Direct Reimbursement & CASE	\$ 3,027,545	\$ 2,154,971	\$ (75,102)	\$ 2,079,869
Professional Services - Other (Audit, Accounting, Misc.)	\$ 353,300	\$ 364,400		\$ 364,400
Postage & Shipping	\$ 6,000	\$ 6,000		\$ 6,000
Telephone	\$ 9,300	\$ 21,600		\$ 21,600
Communication Services (Web Hosting & Webex Video Teleconf)	\$ 88,160	\$ 164,580		\$ 164,580
Relocation - New hires	\$ 30,000	\$ 30,000		\$ 30,000
Travel Expense - Out-Of-State (Staff & Board)	\$ 82,475	\$ 104,265	\$ (21,790)	\$ 82,475
Advertising, Publication Of Notices, & Photo Services	\$ 6,800	\$ 10,100		\$ 10,100
Insurance on Equipment & General Liability	\$ -	\$ 8,000		\$ 8,000
Liability Insurance (Directors & Officers)	\$ -	\$ 53,000		\$ 53,000
Printing and Binding	\$ 1,500	\$ 1,500		\$ 1,500
Other Repairs to Buildings and Structures	\$ -	\$ 300,000		\$ 300,000
Repairs/Maintenance - Office Furniture & Equipment	\$ 2,800	\$ 2,800		\$ 2,800
Rentals (Office Equip, Office Space, Land, Other)	\$ 1,830,355	\$ 2,299,704		\$ 2,299,704
Fees (Memberships, Registration & Parking)	\$ 53,750	\$ 48,180		\$ 48,180
Computer Software Maint. Agreements	\$ -	\$ 39,649		\$ 39,649
Debt Service	\$ -	\$ 1,052,000	\$ (1,052,000)	\$ -
Other Fixed Charges (Stipend)	\$ -	\$ 1,000,000		\$ 1,000,000
Other Fixed Charges (Stipend & Debt Service)	\$ 1,500,000	\$ -	\$ -	\$ -
Current Expenses Subtotal	\$ 7,280,135	\$ 9,230,403	\$ (1,148,892) -12.45%	\$ 8,081,511
Equipment & Software	\$ -	\$ 16,000	\$ -	\$ 16,000
TOTAL	\$ 20,582,626	\$ 22,880,946	\$ (1,577,142) -6.89%	\$ 21,303,804