



HONOLULU AUTHORITY for RAPID TRANSPORTATION

## MINUTES

**Finance Committee Meeting  
Mission Memorial Annex Conference Room  
550 South King Street, Honolulu, Hawaii  
Thursday, August 9, 2012, 9:00 A.M.**

PRESENT:	Don Horner Keslie Hui Glenn Okimoto Wayne Yoshioka	Carrie Okinaga David Tanoue Robert "Bobby" Bunda Ivan Lui-Kwan
ALSO IN ATTENDANCE: (Sign-In Sheet and Staff)	Maurice Morita Roger Morton Duane Sayers Dan Grabauskas Diane Arakaki	Lisa Hirahara Don Kitaoka Joyce Oliveira Jeanne Mariani-Belding Cindy Matsushita Andrea Tantoco

I. Call to Order by Chair

Finance Committee Chair Don Horner called the meeting to order at 9:33 a.m.

II. Public Testimony on All Agenda Items

Mr. Horner called for public testimony. There was none.

III. Approval of July 5, 2012 Finance Committee Minutes

Mr. Horner called for the approval of the July 5, 2012 minutes of the Finance Committee. The minutes were unanimously approved as circulated.

IV. Discussion on Financial Plan's Operating Budget

Mr. Horner asked the committee members for permission to defer discussion of the Financial Plan's Operating Budget discussion to later in meeting. There being no objections, the discussion was thereby deferred.

V. Discussion on Fare Gates

Chief Executive Officer and Executive Director Dan Grabauskas stated that the train stations had been designed for the option to install fare gates. There have been ongoing discussions on whether the system should be “open,” with potentially armed personnel checking passengers for proof of fare, or “closed,” with barriers that require tokens or cards for access.

Mr. Grabauskas strongly recommended the closed system with fare gates. He cited less lost revenue through “leakage,” or fare evasion, as one of the reasons for a closed system over an open system. As an example, the transit authority in Los Angeles, which is converting from an open to a closed system, had a study done before and after the installation of fare gates, which showed a 20-40% leakage rate. He stated that the return on investment for fare gates has been proven in his own experience: when the Massachusetts Bay Transit Authority in Boston went from tokens and turnstiles to smart card technology with fare gates, they saw an 8-10% increase in revenue. Additionally, the capital investment reduces the number of staff needed, thereby decreasing operations costs in the long run. By contrast, an open system can be confrontational, as fare inspectors must ask riders for proof of fare. A closed system renders the platform safer, and allows for better control and policing of the platform.

Mr. Horner stated that as HART’s fare model is currently very simplistic, smart cards would assist in providing the needed data regarding ridership and revenue. Mr. Grabauskas agreed, and said that the data would facilitate the merger of bus and rail fares. Mr. Horner stated that the buses should drive the conversion to smart cards, and Mr. Grabauskas agreed.

Mr. Horner asked what the capital costs for fare gates were. Mr. Grabauskas stated that the cost would not be known until a request for bids is put out. However, he invited the Board to direct him to explore the capital costs, and emphasized that the investment will be more than justified, as the stations are already being designed to accommodate fare gates. Mr. Horner said that the fare gates could be leased, and the savings used elsewhere. Mr. Grabauskas acknowledged that there are many creative opportunities for savings, such as advertising on the fare gates themselves.

Board member Wayne Yoshioka agreed that fare gates and smart cards would be efficient, and shared that the buses are currently dealing with a transfer leakage problem. He also stated that having more data, such that smart cards would provide, in the recent bus route reorganization would have been very helpful. He stated that they are working towards a seamless system between bus and rail, and that both would benefit from the technology. Mr. Horner also pointed out the opportunity for quantity discounts.

Mr. Grabauskas stated that fare gates should result in a significant reduction in the usage of cash. He also stated that he looks forward to discussing opportunities for synergies with the bus to collaborate in cost effectiveness.

Board member David Tanoue asked whether there would be a significant benefit from fare gates, given the fact that a high number of bus riders use monthly passes. Mr. Grabauskas replied that there would be significant benefits because the gates instill a sense of fairness and reduce evasion. He added that because of the large number of tourists in Honolulu, HART would also look at daily or weekly passes. Mr. Horner stated that the data supplied by the fare gates would enable HART to staff appropriately at different times and locations.

Board member Keslie Hui stated that he has been an advocate for fare gates, and said that the Board needs to set fare policy based on the data provided by the fare gates. Board member Carrie Okinaga asked what the federal government's position is on fare gates. Mr. Grabauskas stated that, to his knowledge, they do not have an opinion, but want HART to be efficient, robust and consistent. He said that a lot of open systems are now converting to closed systems, such as Los Angeles and Vancouver.

#### VII. Discussion on Bus/Rail Synergies

Mr. Horner requested that the discussion on bus/rail synergies be taken out of order, and there were no objections.

Mr. Horner asked Mr. Grabauskas to update the committee on his discussions with Oahu Transit Services (OTS), or TheBus. He explained the need for more detail on revenues and expenses, as the numbers in the June 2012 Financial Plan (Plan) were conservative. Mr. Grabauskas stated that he has been examining the Full Funding Grant Agreement (FFGA) pro forma budget, which looks seven years ahead, to look at synergies between the bus and rail. Mr. Horner emphasized the importance of achieving clarity and transparency in the numbers now, so the public can rely on and have confidence in them. Mr. Grabauskas stated that the Plan assumes lots of things that have yet to be decided, such as zero dollars for advertising and non-fare revenue. It also does not include revenue opportunities such as leases for businesses and amenities within the stations.

Mr. Horner turned noted that there will be overlaps in resources and staffing between TheBus and rail, which can be eliminated if shared. Mr. Grabauskas stated that he had started discussions with the Department of Transportation Services and OTS on potential synergies and shared resources such as fare media and fare collections. Mr. Yoshioka agreed that there had been very collaborate discussions about synergies, and stated that DTS, OTS and HART are working toward full integration of their systems and continue to look for opportunities for efficiencies.

Mr. Horner stated that the rail system is equivalent to about 200 buses in terms of capacity, and stated that the pro forma reflects an increase in the number of buses. Mr.

Yoshioka stated that when rail begins service in 2019, the number of buses will be approximately the same as it is now. At that time, bus service will be reallocated from the urban corridor to outlying areas. By 2030, however, the number of buses will increase because of expected population growth.

Mr. Horner also pointed out that Section 5307 monies are calculated according to a formula based on passenger miles. Accordingly, once rail is operational, the amount of available 5307 funds will increase by \$10 million.

#### VI. Discussion on Train Seating

Mr. Grabauskas reported that Project Management Oversight Consultant Jacobs Engineering had recommended additional seats for the trains. A diagram of the train seating is attached hereto as Attachment A. HART has asked Ansaldo for cost estimates for additional seating without reducing the overall ridership capacity on the trains. HART is currently in negotiations with Ansaldo for 800 additional seats for the rail fleet, which represents a 26% increase. The final price is expected to be between \$1.5 million and \$1.9 million.

Mr. Horner asked whether there would be room on the trains for items such as surfboards. Mr. Grabauskas confirmed that would be locations on the trains for bikes, surfboards, luggage, and coolers.

The committee directed Mr. Grabauskas to pursue due diligence for seating and fare gates. Mr. Grabauskas thanked Mr. Yoshioka of DTS and Roger Morton of OTS for their assistance and guidance.

Mr. Horner stated that in his recent letter to the editor of the Star Advertiser regarding the efficiency of rail, he wanted to clarify that he was not suggesting that the bus is not efficient. However, because the trains will be driverless, the per-mile cost is less than the bus. Mr. Grabauskas agreed, and stated that the rail could not be at its maximum success without the bus.

#### IV. Financial Plan's Operating Budget

Mr. Horner called upon HART Chief Financial Officer Diane Arakaki, stating that in the future he would be looking for more detail in the operating budget, a copy of which is attached hereto as Attachment B. Referring to Table A-2, Operating Plan Cash Flows, which is the pro forma operating budget provided to the FTA, Mr. Horner stated that in 2020 there will be about \$35 million in revenue and about \$113 million in costs. He stated that this was a fairly large increase from the September 2011 Financial Plan. He also pointed out substantial increases in fuel costs and human resources costs.

Ms. Arakaki stated that the full time employee numbers went from two positions in the September 2011 Financial Plan to 86 positions in the June 2012 Financial Plan. She

stated that the numbers reflected in the Plan were more conservative than in the previous plan, and that she would be working to refine the numbers. Mr. Horner opined that some of the assumptions in the Plan were incorrect, such as the assumption that HART would need to maintain the same staffing levels after the system is built. He stated that the assumptions and formulas contained in the Plan needed revisiting, and Ms. Arakaki agreed.

Mr. Horner also voiced his concern about the assumptions for power consumption. As an example, the June 2012 Plan contains an improbable \$22,000 per month electricity cost for the Middle Street Station. Mr. Grabauskas stated that the FTA's conservatism is due to the fact that it has seen costs escalate on other projects. Mr. Horner stated that he wanted the public to know that HART has a handle on the operating costs after the system is built. Mr. Hui agreed that the level of staffing contained in the Plan is not appropriate for ongoing operations. Mr. Grabauskas emphasized that, to the extent that there may be future expansion of the system, staffing would be better addressed by a staffing plan instead of an operating budget.

#### VII. Full Funding Grant Agreement Update

Mr. Grabauskas stated he traveled to Washington, DC to meet with Hawaii's congressional delegation, the FTA, Secretary of Transportation Ray LaHood, other members of the House of Representatives, and the Transportation, Housing and Urban Development Appropriations Subcommittee. He reported that the FTA looks favorably upon HART's FFGA application. Secretary LaHood has also reiterated his commitment to the project. Mr. Grabauskas reported that he also met with Congressman Latham, Chair of the Transportation, Housing and Urban Development Appropriations Subcommittee, who was impressed with the fact that the City is providing 70% of the project funding, and that the project will be paid off two years after its opening. Congressman Latham stated that this was the most conservative approach to funding for a project he had seen. Mr. Grabauskas stated that Congressman John Olver, a ranking member of the subcommittee, also provided very positive feedback.

Board member Glenn Okimoto reported that the State Department of Transportation has hired a safety and security consultant to oversee the rail project. The contract was recently signed, and Mr. Okimoto met with Leslie Rodgers of FTA Region 9 to discuss the Airport Station. Mr. Grabauskas stated that state safety oversight is an FTA requirement in obtaining an FFGA. Mr. Horner expressed his interest in hearing a presentation on the Airport Station when appropriate.

#### VIII. Executive Session

Executive Session was not needed.

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IX. Adjournment

All business before the committee having concluded, Mr. Horner adjourned the meeting at 10:31 am.

Respectfully Submitted,

  
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Cindy Matsushita  
Board Administrator

Approved:

  
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Don Horner  
Chair, Finance Committee

SEP 13 2012

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Date

# ATTACHMENT A

