



HONOLULU AUTHORITY for RAPID TRANSPORTATION

MINUTES

**Project Oversight Committee Meeting
Thursday, January 5, 2012, 8:30 A.M.
Mission Memorial Annex Conference Room
550 South King Street, Honolulu, Hawaii**

PRESENT:	Damien Kim	Carrie Okinaga
	Wayne Yoshioka	Ivan Lui-Kwan
ALSO IN ATTENDANCE: (Sign-In Sheet and Staff)	Frank Doyle	Dana Nishitomi
	John Burns	Joe Magaldi
	Lisa Hirahara	Doug Chun
	Don Kitaoka	Paul Migliorato
	Joyce Oliveira	Shannon Wood
	Jeanne Mariani-Belding	Charles Carole
	Kevin Dayton	Brian Gibson
	Russell Honma	

I. Call to Order by Committee Chair

At 8:35 A.M., the meeting of the Project Oversight Committee was called to order by Committee Chair Damien Kim.

II. Public Testimony

Mr. Kim called for public testimony. None was offered.

III. Approval of Minutes of December 8, 2011 Committee Meeting

Mr. Kim called for the approval of the minutes of the December 8, 2011 Project Oversight Committee Meeting. There being no objections, the minutes were unanimously approved as circulated.

IV. Presentation on Activities Associated with Entry into Final Design and Receipt of Letter of No Prejudice

Deputy Project Officer Frank Doyle distributed to the committee members a December 27, 2011 letter from the FTA to HART indicating federal approval for entry into final design, and a December 29, 2011 letter from HART to the FTA requesting a Letter of No Prejudice (LONP) to commence limited construction activities. The letters are attached hereto as Attachment A of these minutes.

Mr. Doyle explained that these letters are milestones toward receipt of a FFGA by September or October 2012. He also explained the status of future items which still need to be completed before receiving an FFGA, including refining and updating the project schedules, cost estimates, risk assessments, and Project Management Plan (PMP). He also affirmed that many of the FTA's comments are typical of all projects as they move forward..

Board Member Wayne Yoshioka noted that the last version of the PMP references the organizational structure of the project as it stood under RTD, and stated that the revised PMP will have to reflect the current structure under HART. Board Chair Carrie Okinaga asked whether Board members will have the opportunity to provide input into the new PMP. Mr. Doyle replied that Board members will have such an opportunity in January or February, after HART staff submits comments.

Mr. Doyle noted that the FTA's letter spent more than half a page discussing Civil Rights and the Disadvantaged Business Enterprise program, and explained that HART has been working on developing a project goal in regard to the DBE program. Mr. Yoshioka noted that the requirement to update the DBE program is a requirement for the whole city.

Mr. Kim asked whether there was anything out of the ordinary or unexpected in the final design approval letter from the FTA. Mr. Doyle replied that the letter had no surprises.

Board Member Ivan Lui-Kwan thanked Interim Executive Director Toru Hamayasu and HART staff for their professionalism and composure under the public microscope during this process, and congratulated them for their work in receiving approval for entry into final design. Mr. Doyle stated that much of the project's success is due to the Interim Executive Director's relationships with the FTA in their regional and Washington offices.

Mr. Doyle explained that HART is in the process of finalizing their request for a second LONP, which would allow HART to proceed with construction activities beyond those permitted under the first LONP, such as utility relocation. Such activities authorized under a second LONP include procurement of rails, components for the cars, and above-ground construction.

Mr. Lui-Kwan asked about the relationship between the FTA regional office and its headquarters in DC, and asked who HART primarily interfaces with. Mr. Doyle replied that HART works with officials in both offices, depending on the area of responsibility. Ms. Okinaga asked whether entry into final design permits HART any preferred access to FTA staff. Mr. Doyle explained that FTA staff is already very familiar with the project, however, as the project progresses toward a FFGA, there will be additional scrutiny.

Ms. Okinaga observed that the FTA letter to HART recommended that HDOT accelerate its hiring process. Mr. Doyle assured the committee that HART would meet with HDOT in the next week to discuss this topic.

V. Review of Monthly Progress Report

Mr. Doyle stated that the November monthly report is nearly ready and that the December report will be released by the third week in January. Mr. Doyle also reported that in the future, the monthly reports will be condensed to slides to be presented at committee meetings. Ms. Okinaga requested that the reports be circulated to Board members earlier, and not just at committee meetings.

Project Controls Manager John Burns explained several pages of the October report, including page 4, which ties to the latest financial plan; page 7, which shows overall project progress; page 8, which shows key contracts; and page 10, which shows the “horse blanket” schedule.

Mr. Kim asked how the issuance of LONP2 will affect the construction schedule. Mr. Doyle responded that if there is any way to accelerate construction without costing too much more money, HART will do so.

Mr. Lui-Kwan asked what the benchmarks are for a LONP2 to be issued. Mr. Doyle responded that the project must be in final design, must demonstrate funding ability, and must demonstrate necessity, all of which are spelled out in the December 27 letter.

Ms. Okinaga asked whether there have been any changes in the schedule for the issuance of general obligation bonds. Mr. Doyle responded that there are no changes from what has previously reported; HART intends to request the issuance of general obligation bonds after receiving a FFGA for cash flow purposes.

Ms. Okinaga asked whether the \$15.5M shown on page 5 of the monthly report is a savings from value engineering. Mr. Burns replied that it is indeed a savings, and indicated that future reports will provide further updates.

VI. Adjournment

Mr. Kim called for any further public testimony. Russell Honma offered testimony in which he urged the Project Oversight Committee to look into the status of the prime contractors and to work with the TOD Committee to ensure that development in station areas will stimulate the economy.

Mr. Kim invited Mr. Doyle to speak about some of the issues brought up by the testifier. Mr. Doyle responded that many of the prime contractors' activities will first require receipt of a LONP from the Federal government before such activities can commence. As for the testifier's question on local economic impact, Mr. Doyle indicated that HART is currently evaluating how to reduce costs, increase the number of components which are built locally, and further encourage participation by local consultants and contractors.

Having no other pending business, Mr. Kim called for the meeting to be adjourned. There being no objections, the meeting was adjourned at 9:22 A.M.

Respectfully Submitted,



Tyler Dos Santos-Tam
Board Administrator

Approved:



Damien T.K. Kim
Project Oversight Committee Chair

3/1/12

Date

[ATTACHMENT A]



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

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

Dear Mr. ^{Toru}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



HONOLULU AUTHORITY for RAPID TRANSPORTATION

Kenneth Toru Hamayasu, P.E.
INTERIM EXECUTIVE DIRECTOR AND CEO

December 27, 2011

BOARD OF DIRECTORS
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Mr. Leslie T. Rogers, Regional Administrator
Federal Transit Administration, Region IX
U. S. Department of Transportation
201 Mission Street, Suite 1650
San Francisco, California 94105

Attention: Ms. Catherine Luu, General Engineer

Dear Mr. Rogers:

Subject: Honolulu Rail Transit Project, Request for a Letter of No Prejudice
To Commence Limited Construction Activities

The City and County of Honolulu's Honolulu Authority for Rapid Transportation (HART) requests the Federal Transit Administration's (FTA's) issuance of a Letter of No Prejudice to allow HART to incur costs up to \$206,500,000 for limited construction activities associated with the West Oahu/Farrington Highway Guideway Design-Build Contract, Kamehameha Highway Guideway Design-Build Contract, Maintenance and Storage Facility Design-Build Contract, and Farrington Highway Stations Group Design-Bid-Build Contract. The information supporting our request is attached.

HART understands that the costs incurred subsequent to the issuance of a Letter of No Prejudice may be reimbursable as eligible expenses or eligible as credit toward the local match only if FTA approves a Full Funding Grant Agreement for the Honolulu Rail Transit Project at a later date. Furthermore, HART fully understands that federal funding is not implied or guaranteed by receipt of a Letter of No Prejudice.

Your timely attention to this request is appreciated. If you have any questions, please contact me at (808) 768-8344 or thamayasu@honolulu.gov.

Sincerely,


Kenneth Toru Hamayasu
Interim Executive Director and CEO

Attachment

cc by email: Mr. Joel Washington, FTA TPE
Ms. Kim Nguyen, FTA TPM
Ms. Robin Sinquefield, FTA TPE
Mr. Ted Matley, FTA Region IX
Mr. Timothy Mantych, Jacobs Engineering Group, Inc.

HONOLULU RAIL TRANSIT PROJECT¹
LETTER OF NO PREJUDICE REQUEST No. 2

The City and County of Honolulu's Honolulu Authority for Rapid Transportation (HART) is requesting the Federal Transit Administration (FTA) to issue a Letter of No Prejudice No. 2 (LONP 2) to allow HART to incur costs up to \$206,500,000 for limited construction activities occurring between entry into Final Design (FD) and award of a Full Funding Grant Agreement (FFGA) for the Honolulu Rail Transit Project (Project).

HART understands that the costs incurred subsequent to the issuance of an LONP 2 may be reimbursable as eligible expenses or eligible as credit toward the local matching share only if FTA awards an FFGA for the Project at a later date. Furthermore, HART fully understands that federal funding is not implied or guaranteed by receipt of an LONP 2.

A. Background

The Project is an approximately 20-mile rail transit system extending from East Kapolei in the west to the Ala Moana Center in the east and is shown in **Figure 1**. The entire electrified (third rail) fixed guideway will be elevated except for a 0.6 mile at-grade section at the Leeward Community College Station. As presently configured, the Project also includes 21 passenger stations, four park-and-ride facilities with 4,100 total spaces, one maintenance and storage facility, and 80 "light metro" rail vehicles. Rail service would extend over 20 hours each day with automated trains running every three minutes in the weekday peak periods and six minutes during most off-peak hours. The Project is expected to serve 116,300 average weekday boardings in 2030. Additionally, the Project will provide an economic stimulus by creating an estimated 17,270 direct, indirect and induced jobs during the construction period.

B. Resolution of any readiness issues that would affect the Project

FTA and its Project Management Oversight Contractor (PMOC) have completed the FD risk assessment and the technical capability and capacity assessment, which found no major issues to be resolved. The following requirements have also been met:

1. FTA issued a Record of Decision (ROD) on January 18, 2011.
2. The FTA and its PMOC conducted two risk workshops between April 6, 2011 and April 27, 2011, and a Risk and Contingency Management plan workshop was completed on August 2, 2011. The PMOC's report on its risk and contingency review of the Project was finalized in October 2011.
3. The Project received an overall "Medium" project rating in FTA's FY 2012 *Annual Report on Funding Recommendations*.
4. On May 24, 2011 FTA provided a Letter of No Prejudice No. 1 (LONP 1) for limited FD activities, including obtaining plan approvals and permits for the West O'ahu/Farrington Highway Guideway Design-Build Contract, and associated administrative activities by HART staff and consultants. HART is authorized by LONP 1 to incur costs associated with these activities up to \$4,720,000.

¹ Also referred to as Honolulu High-Capacity Transit Corridor Project

FIGURE 1: HONOLULU RAIL TRANSIT PROJECT MAP



5. The FTA's Financial Management Oversight Contractor has completed the Financial Capacity Assessment (FCA) for FD. The FCA is expected to conclude that the City and County of Honolulu has the financial capacity to build, operate, and maintain the Project, as well as maintain the existing transit system.
6. HART submitted the request for authorization to enter into FD to FTA on November 2, 2011. HART anticipates receiving FD approval in December 2011. HART has completed all items required to advance to FD and the PMOC has recommended that FTA accept these items.

C. Adequacy of the Project Management Plan (PMP)

The final PMOC report (October 2011) on OP-20 (Project Management Plan Review), OP-21 (Technical Capacity and Capability Review), and OP-24 (QA/QC Review) recommended to the FTA that the Project's Project Management Plan Revision 4 dated April 2011 "be approved as a deliverable for entering Final Design." All HART procedures and sub-plans that support the PMP have also been accepted by the PMOC for entry into FD including:

- Quality Management Plan;
- Risk & Contingency Management Plan (RCMP);
- Real Estate Acquisition and Management Plan;
- Rail and Bus Fleet Management Plans;
- Safety & Security Management Plan;
- Operating and Maintenance Plan;
- Compendium of Design Criteria and Standards & Specifications; and
- Procedures.

HART has completed and submitted to FTA all of the required elements on the New Starts project planning and development checklist to enter FD, which includes the Financial Plan for the Project, and the required annual New Starts Standard Cost Category (SCC) Workbook and Templates (December 2011).

D. Status of Procurement Progress

In 2009, a local decision was made to procure and award the West O'ahu/Farrington Highway Guideway Design-Build Contract (WOHF DB Contract) for two important reasons. The first reason was to demonstrate to the public that tangible progress was being made with the revenues from the one-half percent (0.5 percent) surcharge on the State of Hawai'i's General Excise Tax (GET) levied since January 1, 2007. The second reason was to advance preliminary engineering to support the ongoing EIS process through multiple notices to proceed. At the time, it was anticipated that the ROD and subsequent FD approval were achievable in early 2010. In addition, after very favorable bid prices were received on the WOFH Guideway DB contract, a decision was made to revise the contract packaging method for the Kamehameha Highway Guideway (KHG) from design-bid-build to design-build in order to leverage the favorable construction bidding climate and realize significant project cost savings. Similarly, the Maintenance and Storage Facility (MSF) DB contract procurement was advanced and it was

expected that the contract award would occur in late spring/early summer of 2010, after the ROD and FD.

Table 1 describes the current status and progress of procurement of the contracts affected by this LONP 2 request.

TABLE 1: PROCUREMENT STATUS

DESIGN- BUILD (DB) CONTRACTS:		
West O'ahu/Farrington Highway (WOFH) Guideway	Contractor:	Kiewit Infrastructure West Company (KIWC)
	Status:	<ul style="list-style-type: none"> ➤ Contract executed on November 11, 2009. ➤ NTP 1 issued on December 1, 2009 for preliminary engineering to support the Final EIS and ROD ➤ NTP 1A issued on March 11, 2010 for geotechnical investigations ➤ NTP 1B issued on March 23, 2010 for interim design activities ➤ NTP 1C issued on June 4, 2010 for method and load test shaft work ➤ NTP 2 issued on March 11, 2011 for utility relocation ➤ NTP 3 issued on May 24, 2011, subsequent to receipt of LONP 1, for preparation of final design documents and obtaining agency approvals and permits
	Total Contract Value ² :	\$501,969,230
	Current Authorization ³ :	\$168,876,619
	Amount Incurred ⁴ :	\$120,993,094
Kamehameha Highway Guideway (KHG)	Contractor:	KIWC
	Status:	<ul style="list-style-type: none"> ➤ Contract executed on June 30, 2011 ➤ NTP 1 issued on July 12, 2011 authorizing work activities related to preliminary engineering, including geotechnical investigations and relocation of utilities
	Total Contract Value ² :	\$372,150,000
	Current Authorization ³ :	\$101,917,243
	Amount Incurred ⁴ :	\$45,770,288
Maintenance and Storage Facility (MSF)	Contractor:	Kiewit-Kobayashi Joint Venture (KKJV)
	Status:	<ul style="list-style-type: none"> ➤ Contract executed on June 30, 2011 ➤ NTP 1 issued on July 25, 2011 for preliminary engineering, including associated site investigation
	Total Contract Value ² :	\$195,258,000
	Current Authorization ³ :	\$16,886,751
	Amount Incurred ⁴ :	\$7,077,339

² Base contract amount plus executed change order amounts as of November 1, 2011

³ Includes all authorizations given via Notices to Proceed to date

⁴ Reflects cumulative pay requests submitted to HART through period ending November 30, 2011.

Table 1: Continued

DESIGN CONTRACT		
Farrington Highway Station Group (FHSG)	Designer:	HDR Engineering
	Status:	<ul style="list-style-type: none"> ➤ Contract executed on January 12, 2011 ➤ NTPs 1-a, 1-b, and 2 issued between January 12, 2011 and July 29, 2011 for PE work described in Section 3 of the Agreement.
	Total Contract Value ² :	\$5,500,696
	Current Authorization ³ :	\$4,380,136
	Amount Incurred ⁴ :	\$2,679,015
DESIGN-BID-BUILD (DBB) CONTRACT (CONSTRUCTION)		
Farrington Highway Station Group (FHSG)	Construction Contractor:	Construction contractor will be selected in August 2012 and construction NTP is scheduled for October 2012

E. Pre-Award Authority and LONP 1

The Project received FTA approval to enter Preliminary Engineering (PE) in October 2009 and the NEPA process was completed in January 2011 with the issuance of a ROD. In accordance with FTA guidance published in the *Federal Register* in September 2009, these milestones authorized automatic pre-award authority to incur costs for the following activities:

- PE;
- Acquisition of real property and real property rights;
- Utility relocations; and
- Procurement of vehicles (it should be noted that while FTA extended pre-award authority to procure vehicles, vehicle costs will be incurred during FD).

Activities are underway to support this LONP 2 request and include preliminary design; geotechnical and site investigations; method and load test shafts; utility relocations and associated maintenance of traffic; and public involvement and environmental compliance oversight for the WOFH Guideway, KHG and MSF DB Contracts. As noted in Section C, the PMP and all required elements for entry into FD have been completed.

As noted in Section B.4 above, FTA approved LONP 1 to commence FD under the WOFH Guideway DB Contract. FD activities for the KHG DB, MSF DB and FHSG DBB contracts will not be authorized until FTA approves the Project for entry into FD. Upon entry into FD, HART will have automatic pre-award authority to incur costs for the following activities, which are not part of this LONP 2 request:

- FD, including obtaining all agency approvals and permits;
- Procurement of rails, ties, and other specialized equipment;
- Procurement of commodities; and
- Demolition.

F. Description of the activities to be covered by LONP 2

HART is requesting this LONP 2 for costs associated with limited construction activities identified in the Master Project Schedule (MPS) for the WOFH Guideway; KHG and MSF DB contracts; and the FHSG construction contract occurring after entry into FD and prior to award of the FFGA. The duration for this LONP 2 request is for a 12-month period, which assumes 9 months from entry into FD plus a 3-month schedule contingency period. The construction activities will be monitored with the monthly contractor pay requests and will be reviewed against the accomplished schedule of milestones so that the authorized LONP 2 activities and funding limits are appropriately managed. Table 2 provides a summary of the activities that are included in this LONP 2 request.

TABLE 2: LONP 2 PLANNED ACTIVITIES

Contract	Activity Description
WOFH Guideway DB	<ul style="list-style-type: none">➤ Work includes construction mobilization, drilled shaft foundations, columns, pier caps, segment fabrication and erection, installation of trackwork, third rail, roadway and drainage improvements, traffic signals and lighting, and maintenance of traffic.➤ Estimated start of construction related activities (SCC 40) is January 2012
KHG DB	<ul style="list-style-type: none">➤ Work includes construction mobilization, drilled shaft foundations, columns, roadway widening, retaining walls, drainage improvements, traffic signals and lighting, and maintenance of traffic.➤ Estimated start of construction related activities (SCC 40) is March 2012
MSF DB	<ul style="list-style-type: none">➤ Work activities include construction mobilization, site preparation, clearing and grubbing, grading, drainage, utilities, retaining walls, foundations for the Operations and Storage building and Maintenance of Way building.➤ Estimated start of construction related activities (SCC 40) is March 2012
FHSG DBB - Construction	<ul style="list-style-type: none">➤ Work activities include construction mobilization, foundations, columns and site work for the at-grade station at Leeward Community College and two elevated rail transit stations (West Loch and Waipahu) along Farrington Highway.➤ Estimate start of construction (SCC 20) is October 2012

G. Justification for advancing LONP 2 Activities

HART has conducted an analysis of the Master Project Schedule (MPS) and Baseline Budget to assess the specific need for this LONP 2 request. HART believes that the approval of this LONP 2 for limited construction activities associated with the WOFH Guideway, KHG and MSF DB Contracts and FHSG DBB Construction Contract is necessary to:

1. Avoid incurring additional delay costs from active DB contracts (e.g. inefficiency, extended overhead, direct costs and subcontractor costs);
2. Optimize Project construction sequencing and minimize public impacts;
3. Optimize production efficiency of segment fabrication;
4. Provide oversight staffing efficiency;
5. Avoid negative impacts to the cost and schedule contingency levels; and

6. Continue assurance to the taxpayers that the approximately \$761.5 million in GET Surcharge collected to date is being utilized to advance the Project and create urgently needed jobs.

Authorization of LONP 2 is critical to avoid impact to the project budget and contingency. Should the LONP 2 request not be approved, start of construction would be delayed until after award of the FFGA. This results in incurring additional delay costs to the active contracts, which would reduce project cost contingencies significantly. LONP 2 is necessary to continue forward progress on the active DB contracts, and minimize impact to the future FHSG construction contract in order to maintain the overall viability of the Project budget, and to provide maximum schedule efficiency.

Impact to Budget and Contingency if LONP 2 Is Not Approved

The consequences of LONP 2 not being approved will have serious impacts to the overall project budget, and in particular, poses the most significant impact on the project contingency. HART analysis indicates that the total delay impact could be at least \$110.2 million if LONP 2 is not authorized in January 2012 for the four contracts. This estimated delay cost is comprised of approximately \$30.2 million if the limited construction activities do not start within the LONP 2 period, and an additional \$79.9 million for delay to the contracts' remaining activities outside the LONP 2 period. Each month, the cost of delaying the start of the LONP 2 activities is approximately \$9.2 million. This essentially is the cost of the contractors remaining mobilized and not working, as well as the escalation in the cost of materials. The \$110.2 million addresses only costs associated with the contracts affected by the LONP 2 request listed in Table 1 and Figure 2.

Figure 2 provides supporting calculation for the \$206,500,000 authorization requested under LONP 2. Figure 2 presents the major construction activities by contract and (SCC) format.

- Column A is the contract and SCC activity description;
- Column B is the construction value of the activities;
- Column C is the total duration for the LONP 2-related activities;
- Column D is the schedule for those activities in the LONP 2 period;
- Column E is the total activity duration during LONP 2 period ;
- Column F is the estimated costs during the 12-month LONP 2 period;
- Column G is the estimated cost if the LONP 2 request is not approved
- Column H shows the increased costs for other activities outside the LONP 2 period for these four contracts that would be impacted by extending the start of construction 12 months; and
- Column I shows the total increased costs resulting from not receiving LONP 2 authorization in January 2012.

The projected LONP 2 costs are based on contractor schedules for activities planned from January 2012 through September 2012, and include a three month buffer from October 2012 to December 2012. The basis of LONP 2 costs is described below.

- Costs associated with each SCC major activity were derived by calculating the percentages of the activity duration and applying those percentages to the total contract activity value. For example, the total activity duration for SCC 10.04 under the WOFH Guideway DB Contract is 38 months. The LONP 2 duration for SCC 10.04 is 11 months or approximately 28.95% of the total activity duration (11 months divided by 38 months). The estimated cost for SCC 10.04 under the WOFH Guideway DB Contract during the LONP 2 period is approximately \$77.27 million (\$266.937 million construction value multiplied by 28.95%).
- The General Engineering Consultant's administrative cost is a percentage of the total value for LONP 2.
- The administrative costs for HART and its Project Management Consultant are based on a staffing plan (estimated labor hours and pay rates for specific employees) for LONP 2.
- The inspection costs for the Hawaii Department of Transportation (HDOT) and its support consultants are based on a staffing plan for specific classification of employees. HDOT staff and HDOT support consultants' levels of effort are only for activities during the LONP 2 period.
- LONP 2 estimate includes a contingency of 20% (of construction costs), which is a conservative percentage to accommodate the straight line estimating methodology used.

The Project's budget will be adversely affected further if the limited construction work contemplated by this LONP 2 request does not start until after the anticipated FFGA date of September 2012 because delaying the active DB contractors would result in demobilization and remobilization costs. The \$110.2 million delay impact in Figure 2 does not include costs of demobilization and remobilization or potential delay costs as a result of the sequencing and interface with other contracts becoming compressed. Allowing limited construction activities to proceed under an LONP will result in a more efficient spread of interface management with the Core Systems Contractor (CSC), as well as HART oversight staffing.

Impact to Project Scope if LONP 2 Is Not Approved

Significant impacts to the project budget and contingency may result in the need to redefine the Project's scope at some future time.

Impact to the Schedule if LONP 2 Is Not Approved

There are no impacts to the scheduled March 2019 revenue operations date. The MPS reflects construction planned to commence in January 2012 and completing in June 2018. This is followed up with the CSC performing integrated testing and demonstration of operations of the complete system in order to achieve HART's scheduled March 2019 revenue operations date.

There is substantial value to the schedule in advancing the four contracts through LONP 2. Most clearly, advancing the limited construction work would reduce or avoid float depletion and ease the effects of undue schedule compression. Schedule compression would result in additional stress points on resource demand, and inefficiencies due to excessive work concurrency. This would also increase the costs of administrative management needed for compressed interface.

Maintaining optimal sequencing of major construction activities, particularly segment fabrication, is critical. The Summary MPS indicates approximately three years to construct the WOFH and Kamehameha Highway guideways. It is currently assumed a single casting yard will be used to fabricate the pre-cast structural segments. If the schedule is compressed to two years due to not receiving the LONP 2 and construction starting in 2013 following the FFGA, the casting yard may not be able to support the required production rates for WOFH Guideway and KHG DB contracts.

Optimal construction sequencing is also important to HART in order to minimize traffic impacts to the public. Should this LONP 2 request not be approved, the work would require overlapping construction along major highways and arterials creating additional major traffic disruptions and putting public safety at risk along the already congested corridor.

Jobs Creation for the Local Economy

The Project is the City and County of Honolulu's largest public works undertaking and will provide needed relief to the future transportation congestion on the island of O'ahu. It is important for HART to continue demonstrate to the taxpayers that the approximately \$761.5 million in GET Surcharge collected to date is being utilized to advance the Project and create much needed jobs. HART continually receives feedback from the local business community about the urgent need for construction to begin in order to provide jobs to local workers, which stimulate the local economy. Testimony has been provided to the HART Board of Directors by the International Longshore & Warehouse Union (ILWU) Local 142, Hawai'i State American Federation of Labor and Congress of Industrial Organizations (AFL-CIO), and the Pacific Resource Partnership. Receipt of LONP 2 allows continued progress, and ultimately, creates jobs within the local community. The written testimonies are included in Appendix A.

H. LONP 2 Costs

The costs of the work under LONP 2 are based on actual contract activity values from the WOFH Guideway DB, KHG DB and MSF DB contractors' schedule of prices, and estimated costs for the FHSG DBB construction contract. **Table 3** summarizes the LONP 2 activities by FTA's SCC. Planned expenditures by contract package and shown in SCC are detailed in Figure 2, which is discussed in the *Impact to Budget and Contingency* component of Section G.

TABLE 3: SUMMARY OF PLANNED LONP 2 EXPENDITURES BY SCC

Standard Cost Category	LONP 2 Planned Expenditures
10 GUIDEWAY AND TRACK ELEMENTS	\$92,894,299
20 STATIONS, STOPS, TERMINALS	\$2,461,823
30 SUPPORT FACILITIES: YARD, SHOPS, ADMIN BLDGS	\$25,366,167
40 SITEWORK & SPECIAL CONDITIONS	\$32,445,657
Sub-Total – Limited Construction Costs	\$153,167,946
80 PROFESSIONAL SERVICES	\$22,639,658
Contingency (20.0% of Construction Costs)	\$30,633,589
Total LONP 2 Planned Expenditures	\$206,441,193
TOTAL LONP 2 AUTHORIZATION REQUESTED	\$206,500,000

Note: Totals may not add due to rounding.

I. Financial Capacity to Support LONP 2 Costs

HART has evaluated the overall programmatic affect of LONP 2 in order to characterize and to fully understand ripple affects through other contracts. While the focus and intent of this LONP 2 request is to advance limited construction activities for the three DB contracts and FHSG DBB contract, HART has considered existing and planned commitments in order to assess overall financial capacity to support the LONP 2 work until receipt of the FFGA.

HART submitted the *Draft Financial Plan for Entry into Final Design (September 2011)* for the Project. FTA’s Financial Management Oversight Contractor has completed the final Financial Capacity Assessment (FCA). HART anticipates that the FCA will conclude the City and County of Honolulu has the financial capacity to build, operate, and maintain the Project, as well as maintain the existing transit system. HART also anticipates a “Medium” overall project rating for Fiscal Year 2013.

HART has performed an analysis of the total project obligations and planned expenditures versus available cash balances and estimated revenues during the LONP 2 period in advance of the FFGA. This includes

- a. Planned expenditures on the four LONP 2 contracts;
- b. FD pre-award planned expenditures including rail procurement under the MSF contract, procurement of vehicles, and all final design activities;
- c. Other awarded contracts for support services;
- d. All administrative costs; and
- e. Contingency.

The revenue projection for the LONP 2 cash flow analysis is consistent with the historical 5.04% growth rate of GET Surcharge revenues and the schedule of federal grant monies assumed in the Financial Plan. The GET Surcharge projection was calculated by applying the 5.04% growth rate to the actual revenues received on October 31, 2011, which was approximately \$2.6 million more than estimated in the Financial Plan.

HART recognizes that there are variables that could affect the cash flow projections including actual GET collections and actual expenditure rates. Given all the components of the cash flow analysis, HART has estimated that the Project can maintain a positive cash balance through the end of December 2012.

J. Conclusion

In conclusion, HART believes there is adequate financial capacity to support the LONP 2 activities and the Project obligations until receipt of the FFGA in September 2012. It is imperative for successful project management of the schedule and budget, as well as for risk and contingency management, to continue to move the WOFH Guideway, KHG, and MSF DB contracts and FHSG DBB contract forward into limited construction activities. The limited construction activities authorized under LONP 2 will: Maintain the Project's forward momentum and preserve community support; continue to provide assurance to the local community that the GET Surcharge is being used appropriately; and stimulate the economy by creating jobs in Hawai'i and the U.S. Mainland.

APPENDIX A

**Written Testimony Submitted to
HART Board of Directors**



INTERNATIONAL LONGSHORE & WAREHOUSE UNION

LOCAL OFFICE • 451 ATKINSON DRIVE • HONOLULU, HAWAII 96814 • PHONE 949-416

HAWAII DIVISION: 100 West Lanikaula Street, Hilo, Hawaii 96720 • **OAHU DIVISION:** 451 Atkinson Drive, Honolulu, Hawaii 96814
MAUI COUNTY DIVISION: 896 Lower Main Street, Wailuku, Hawaii 96793 • **KAUAI DIVISION:** 4154 Hardy Street, Lihue, Hawaii 96766

LOCAL 142

June 30, 2011

Board of Directors
Honolulu Authority for Rapid Transportation
Mission Memorial Annex Conference Room
550 South King Street
Honolulu, HI

RE: Rail Transit

Dear Board of Directors:

The ILWU Local 142 strongly supports the rail transit project that the Honolulu Authority for Rapid Transportation is charged with implementing.

The ILWU is a labor union with 20,000 members statewide. Our members work in many industries--from agriculture to tourism to longshore to a host of general trades. Many of our members live on the west side of Oahu and are forced to tackle traffic gridlock on a daily basis. The rail transit project will help them get to work with less stress and cost and in a clean, environmentally friendly mode of transportation.

Furthermore, rail transit will spawn the development of new business and residential opportunities along the rail route. This is good for our economy as a whole. Most of our membership live on the neighbor islands, but we realize that the economic activity generated by rail transit will bring increased revenue to the State, which will, in turn, benefit everyone.

The sooner we can build a rail system, the sooner we can begin to ride it and stimulate our economy. Further delays will only increase the cost. The people have decided that mass transit by rail is what we want and need. We urge the Authority to push ahead and build the rail system as soon as possible.

Thank you for considering our views on this matter.

Sincerely,

Guy K. Fujimura
Secretary-Treasurer



Randy Perreira
President

HAWAII STATE AFL-CIO

320 Ward Avenue, Suite 209 • Honolulu, Hawaii 96814

Telephone: (808) 597-1441
Fax: (808) 593-2149

Honolulu Authority for Rapid Transportation

Testimony by
Hawaii State AFL-CIO
July 1, 2011

The Hawaii State AFL-CIO strongly supports the development of the Honolulu rail transit project.

The Honolulu rail transit project will provide thousands of jobs desperately needed in today's fragile economy. While the economy has shown signs of improving, rail will add an additional spark, ensuring Hawaii's unemployment rate does not reach an unhealthy level. Hawaii is fortunate to be at a six percent unemployment rate, but as we all know, that number could easily change for the worse. Rail will stimulate our local economy and provide an abundance of jobs for years to come. Furthermore, with transit-oriented development (TOD), the possibilities for job growth, as well as improvements to our community infrastructure are endless.

Thank you for the opportunity to testify.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "RPR", is written over the typed name and title.

Randy Perreira
President



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.

City and County of Honolulu
HART Finance Committee
November 17, 2011
Page 2 of 2

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.