



Project Risks Update

December 18, 2014

Construction Snapshot

- More than a mile of guideway completed and track work commenced

- 136 columns;
- 181 shafts;
- 1,797 segments cast
- 56 spans constructed



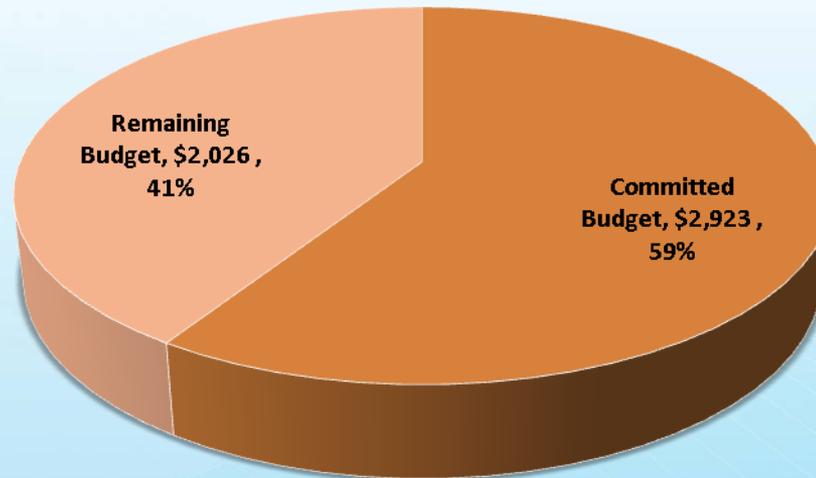
- Rail Operations Center construction on target
- Train car manufacturing underway

Current as of 12/18/2014

Financial Snapshot

- Nearly 60% of contracts are in; 40% remaining to bid
- Value engineering underway
- Repackaging and recalibrating contracts
- Exploring additional revenue sources

HRTP Budget Summary (\$M's)



* \$4,949

* HRTP Budget excludes \$215M of budgeted Finance charges

Current as of 12/18/2014

Positive Financial Factors

- Cash on hand of about \$360M
- Federal monies on budget vs our FFGA target
 - Congress has just fully funded the New Starts Program for the next year assuring another \$250M for Honolulu
- Favorable borrowing climate with low interest rates
- Property acquisitions currently coming in under budget

Current as of 12/18/2014

Project Financial Risks Update

- The bulk of delay claims arising from the lawsuits and the Notice to Proceed (NTP) issues are settled.
 - Total impact to budget can now be reasonably estimated.
- GET revenue collected is at \$1.3B
 - To date GET revenue is under budget by 3% or \$41M
 - The cumulative deficit as of 3rdQ is largest to date.
- West Side Station Bids were significantly higher than budgeted.
 - This is a market trend that is expected to impact future contracts.

Current as of 12/18/2014

Notice to Proceed (NTP) Delays

NTP Delays	Contract Award Date	Original Construction NTP Date	Actual Construction Start Date	Total Time Delay
Contract 1. WOFH	November 2009	March 2010	March 2012	23.5 months
Contract 2. KHG	June 2011	October 2011	July 2012	7.5 months
Contract 3. ROC (MSF)	June 2010	December 2010	February 2012	22 months
Contract 4. Ansaldo	November 2011	April 2012	January 2013	9 months

Current as of 12/18/2014

NTP Delay Costs

Change Order		Initial Request	Final Settlement
WOFH			
CO-6	NTP Delay	\$ 16,310,435	15,000,000
CO-15	NTP Direct Cost	137,500	134,500
CO-12	Design Management	7,733,284	7,200,000
CO-35	CMC Impacts	3,489,395	2,850,000
CO-44	Delay Impacts	28,485,292	20,855,423
CO-34	Traditional Cultural Properties Suspension	<u>1,306,228</u>	<u>1,195,094</u>
	Subtotal	57,462,134	\$ 47,235,017
KHG			
CO-10	NTP Delay	\$ 3,656,417	1,828,208
ROC (MSF)			
CO-2	Track material	\$ 24,592,003	15,910,959
CO-22	Non rail delay escalator	17,822,058	10,087,325
CO-21	NTP Delay	3,182,192	1,591,096
CO-27	NTP Delay	<u>1,145,447</u>	<u>473,593</u>
	Subtotal	46,741,700	28,062,973
	Total	\$ <u>107,860,251</u>	\$ <u>77,126,198</u>

Current as of 12/18/2014

Lawsuits Delay Costs

2 Legal Challenges:	
Federal Case	
Filed	May 12, 2011
Decision/Resolved	February 18, 2014
Additional ROW Costs	
Expedited Efforts	\$ 3,300,000
Litigation costs (attys, experts)	\$ 3,021,002
Federal Lawsuit Total Cost	\$ 6,321,002
State Case	
Filed	January 31, 2011
Decision/Resolved	September 16, 2013
\$ Impacts	\$ 39,039,250
Litigation costs	\$ 495,331
State Lawsuit Total Cost	\$ 39,534,581
Other Legal Advice	\$ 47,335
TOTAL COST	\$ 45,902,918

Current as of 12/18/2014

NTP/Legal Delays Cost Summary

Current as of 12/07/2014

CPP Number	CPP Name	CCO/CA No.	Change Description	Delay Classification	Status	Executed date or Anticipated Date	Change Value
DB-200	Maintenance & Storage Facility DB	CO 00005	AIS Provisional Part I	AIS Delay	Executed	11/30/2012	\$4,100,000
DB-120	West Oahu Farrington Hwy Guideway DB	CO 00025	AIS Provisional Part I	AIS Delay	Executed	12/13/2012	\$17,600,000
DB-320	Kamehameha Hwy Guideway DB	CO 00004	AIS Provisional Part I	AIS Delay	Executed	1/23/2013	\$4,200,000
DB-200	Maintenance & Storage Facility DB	CO 00007	AIS Provisional Part II	AIS Delay	Executed	7/19/2013	\$3,000,000
DB-320	Kamehameha Hwy Guideway DB	CO 00006	AIS Provisional Part II	AIS Delay	Executed	8/30/2013	\$1,500,000
DB-120	West Oahu Farrington Hwy Guideway DB	CO 00030	AIS Provisional Part II	AIS Delay	Executed	8/30/2013	\$5,800,000
FD-530	City Center Guideway/Utilities FD	CA 00001	AIS Suspension	AIS Delay	Executed	10/28/2013	\$532,800
FD-430	Airport Section Guideway/Utilities FD	CA 00006	AIS Suspension	AIS Delay	Executed	12/19/2013	\$2,306,450
Total AIS Suspension Changes							\$39,039,250
CPP Number	CPP Name	CCO/CA No.	Change Description	Delay Classification	Status	Executed date or Anticipated Date	Change Value
DB-200	Maintenance & Storage Facility DB	CO 00002	Systemwide - No. 115 Track material	NTP Delay	Executed	11/2/2012	\$15,910,959
DB-120	West Oahu Farrington Hwy Guideway DB	CO 00006	NTP Delay	NTP Delay	Executed	10/5/2011	\$15,000,000
DB-120	West Oahu Farrington Hwy Guideway DB	CO 00015	Delay of NTP 2,3,4 & Direct Cost	NTP Delay	Executed	7/11/2012	\$134,500
DB-120	West Oahu Farrington Hwy Guideway DB	CO 00012	Design Management payment	NTP Delay	Executed	8/30/2012	\$7,200,000
DB-120	West Oahu Farrington Hwy Guideway DB	CO 00039	Delay of NTP 2,3,4 CMC Impacts	NTP Delay	Executed	10/28/2013	\$2,850,000
DB-320	Kamehameha Hwy Guideway DB	CO 00010	Delay of Issuance of NTP 2 & 3	NTP Delay	Executed	7/31/2014	\$1,828,208
DB-120	West Oahu Farrington Hwy Guideway DB	CO 00044	Delay of NTP 2,3,4, DB Impact Pre Sept 2012	NTP Delay	Executed	6/27/2014	\$20,855,423
DB-200	Maintenance & Storage Facility DB	CO 00022	Amendment 1 non-rail Escalation	NTP Delay	Executed	6/6/2014	\$10,087,325
DB-200	Maintenance & Storage Facility DB	CO 00021	Amendment 1 Part A Markup only	NTP Delay	Executed	6/6/2014	\$1,591,096
Total NTP Delay Changes							\$75,457,511
CPP Number	CPP Name	CCO/CA No.	Change Description	Delay Classification	Status	Executed date or Anticipated Date	Change Value
DB-120	West Oahu Farrington Hwy Guideway DB	CO 00034	TCP Construction Partial Suspension	TCP	Executed	8/12/2013	\$1,195,094
DB-200	Maintenance & Storage Facility DB	CO 00027	Suspension TCP	TCP	Executed	8/29/2014	\$473,593
Total TCP Suspension Changes							\$1,668,687
CPP Number	CPP Name	CCO/CA No.	Change Description	Delay Classification	Status	Executed date or Anticipated Date	Change Value
DB-200	Maintenance & Storage Facility DB	CO 00028	Escalation due to Schedule Impact	Delay Escalation	Executed	10/23/2014	\$8,500,000
DB-200	Maintenance & Storage Facility DB	N/A	Amendment 1 Part A Escalation	Delay Escalation	In Negotiations	N/A	\$825,000
DB-120	West Oahu Farrington Hwy Guideway DB	N/A	Delay of NTP 2,3,4 CMC Impacts Post Aug 2012	Delay Escalation	In Negotiations	12/31/2014	\$8,071,403
DB-320	Kamehameha Hwy Guideway DB	N/A	Provisional Sum pt. 1: Escalation due to AIS Suspension	Delay Escalation	Settled	11/28/2014	\$3,500,000
DB-320	Kamehameha Hwy Guideway DB	N/A	Provisional Sum pt. 2: Escalation due to AIS Suspension	Delay Escalation	Settled	6/30/2015	\$3,500,000
DB-120	West Oahu Farrington Hwy Guideway DB	N/A	Escalation impacts to WOFH subs	Delay Escalation	Settled	11/28/2014	\$2,210,000
DB-120	West Oahu Farrington Hwy Guideway DB	N/A	Provisional Sum pt. 1: Escalation due to AIS Suspension	Delay Escalation	Settled	11/28/2014	\$15,000,000
DB-120	West Oahu Farrington Hwy Guideway DB	N/A	Provisional Sum pt. 2: Escalation due to AIS Suspension	Delay Escalation	Settled	6/30/2015	\$7,500,000
Delay Changes (Escalation)							\$49,106,403

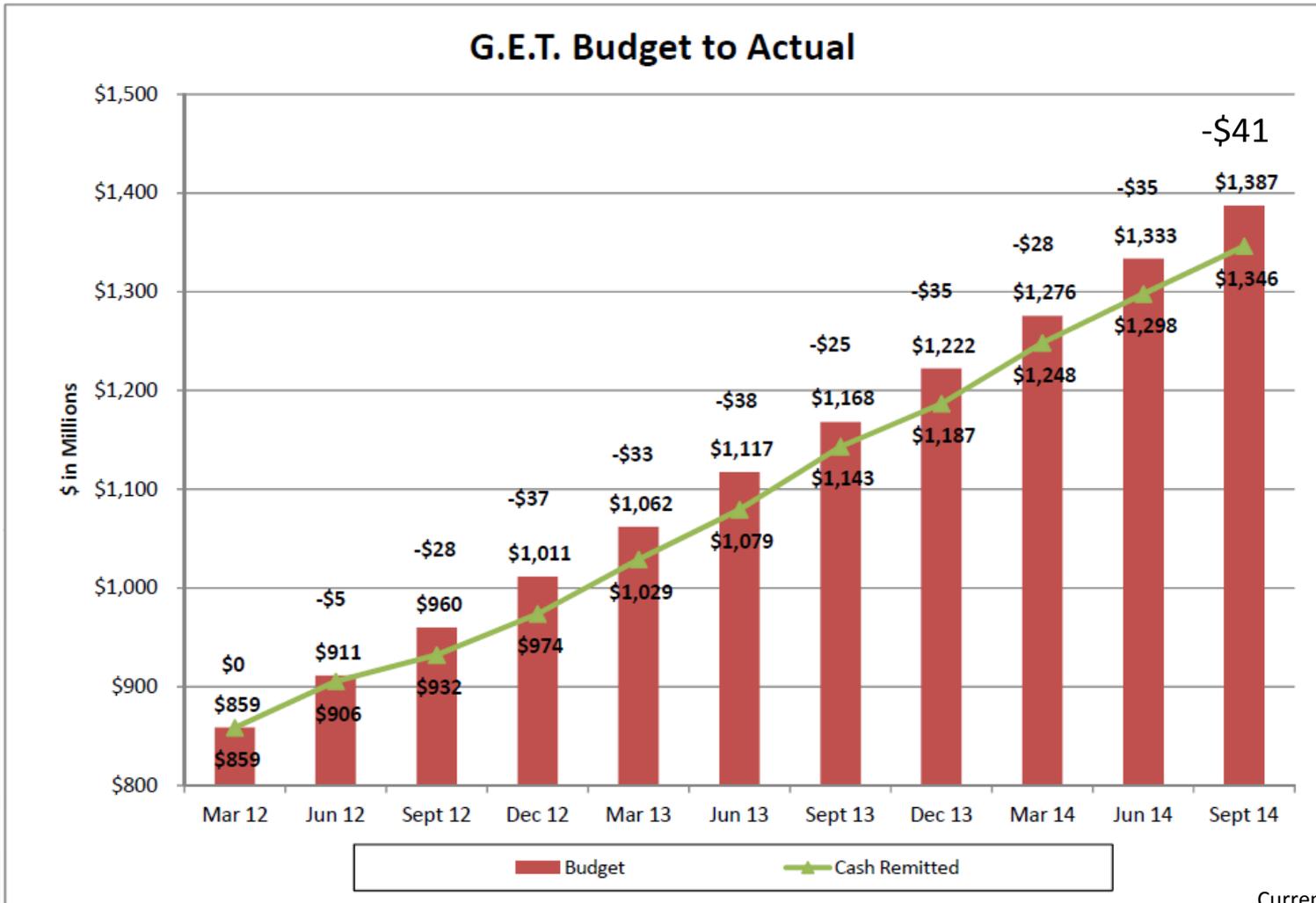
Current as of 12/18/2014

NTP and Legal Delay Costs: Total Direct Financial Impact

Total Legal Delay Costs	\$ 45,902,918
Total Other Delay Costs	\$ 77,126,198
Escalation (combination of NTP & Legal)	\$ 49,106,403
Total Delay Claims Cost	\$ 172,135,519
<u>Plus</u> several remaining claims and escalation actuals	\$ 10 - 20M
Estimated total impact up to	\$ <u>190M</u>

Current as of 12/18/2014

GET Cumulative Deficits from Plan Now Equals **\$41M**



Current as of 12/18/2014

West Side Station Bids

- The nine West Side Stations package came in 63% over engineers' estimates, including contingency.
- Market indicators suggest this trend will carry through to future contracts.

Current as of 12/18/2014

West Side Station Bids: Timeline

May 20, 2014	Request for Bids issued
August 13, 2014	Bid Due Date; Opening of Bids; 3 timely bids submitted
September 9, 2014	Notice of cancellation of solicitation issued
September 15, 2014	Protest of the cancellation
September 30, 2014	Final determination denying the protest
October 9, 2014	Withdrawal of protest Only then was staff able to conduct interviews with construction industry.

Current as of 12/18/2014

West Side Station Bids Recalibrated

- Reductions in scope have been made.
- Smaller-sized station groupings.
- Best case scenario: We believe we can reduce the current 63% increase down to 35%-45% above original FFGA estimates.
- Adverse market trends expected to continue.

Current as of 12/18/2014

Summary Overview:

Total project cost could be 10%-15% Higher

NTP/Lawsuits Delay Claims

With the recent escalation claims resolved with Kiewit, totaling nearly \$50M more, we can now reasonably estimate that these costs will top out at \$190M.

Cost for delays now total an expected \$190M

West Side Station Bids – Opened August 13th

Bids came in 63% over engineers' estimates, including contingency. Actions are being taken to mitigate, but likely costs will exceed these estimates by 35% -45% in the best case.

Using realistic scenarios, the cost for all stations construction and the remaining guideway will exceed contingency available by several hundreds of millions of dollars net of contingency and positive off-sets.

3rd Q GET – DoTax notified HART October 20th

Recent Cumulative GET Deficits:

March 2014 (\$28M)

June 2014 (\$35M)

September 2014 (\$41M)

This is the first quarter ever to exceed \$41M. Action plans take into account the negative trend continuing.

Total estimated impact: \$550M - \$700M

Current as of 12/18/2014

5307 Funds - \$210M

- The FFGA Financial Plan calls for use of **\$210M** in 5307 funds.
- Because of our favorable cash position we have not needed to draw on these funds to date.
- Added costs of delays and litigation, higher costs of construction going forward, and the drop in GET revenue, necessitate identification of substitute funding or request for 5307 funds.
- To continue this policy, \$210M in substitute funding would need to be identified.

Current as of 12/18/2014

Action Plan Focus

- Continue to take steps to further reduce costs
- Identify revenue and savings to replenish the contingency fund

Current as of 12/18/2014

Action Plan

1. Repackage the bid for the first 9 stations into three packages
2. Reduce projected costs of future contracts where possible
 - Value engineering
 - Scope reduction
3. Provide contractors more time to complete to relieve schedule compression to further reduce costs.
 - Interim opening is now 2018

Current as of 12/18/2014

Action Plan

4. Repackage the remaining 12 stations and last 10 miles of guideway
 - Current solicitation for the final 10-miles of guideway canceled December 2, 2014

5. Utilize design-build (DB) method in appropriate circumstances, in addition to design-bid-build (DBB) method in response to industry feedback
 - Analysis on the schedule impacts of this change is underway

Current as of 12/18/2014

Action Plan

6. Take advantage of low interest rates and an improved borrowing plan to save an estimated \$60M-\$75M in borrowing costs
7. Explore alternative financing options for project components, such as the Pearl Highlands Parking Garage.
 - Use the extra time to market this desirable property
 - Examine additional public-private partnerships (PPPs)

Current as of 12/18/2014

Action Plan

8. Explore new partnerships with private and public entities, e.g., HDOT for federal monies
9. Leverage TOD opportunities to offset costs and/or value capture mechanisms
10. Discuss possible GET extension/elimination of sunset

Current as of 12/18/2014

Enhanced Partnerships

- Close collaboration and consultation with all of our partners will be required
 - City Council, Mayor
 - Legislature, Governor
 - Federal partners, FTA and Congress

Current as of 12/18/2014