



HONOLULU AUTHORITY for RAPID TRANSPORTATION

Daniel A. Grabauskas
EXECUTIVE DIRECTOR AND CEO

May 3, 2012

BOARD OF DIRECTORS
Carrie K. S. Okinaga, Esq.
CHAIR

The Honorable Ann Kobayashi
and Members of the Budget Committee
Honolulu City Council
530 South King Street, Room 202
Honolulu, Hawaii 96813

Ivan M. Lui-Kwan, Esq.
VICE CHAIR
Robert Bunda
William "Buzz" Hong
Donald G. Horner
Kestlie W. K. Hui
Damien T. K. Kim
Glenn M. Okimoto, Ph.D.
David K. Tanoue
Wayne Y. Yoshioka

Dear Councilmember Kobayashi and Councilmembers:

Having heard the concerns of your committee following my inaugural appearance before the April 12, 2012, Budget Committee meeting, I have reviewed the Honolulu Authority for Rapid Transportation's (HART) budget with staff and am recommending amendments to Bill 31 (2012) in an amount of \$1,577,142.

I presented these recommendations to the members of the HART Finance Committee at their May 3, 2012, hearing and with their concurrence, HART recommends the following:

| Expense Description | Proposed Reduction | Description |
|--|--------------------|---|
| 1. Regular Pay | \$300,000 | Additional lag in hiring. |
| 2. Fringe Benefits | \$128,250 | Fringe benefit expense associated with \$300,000 reduction of Regular Pay. (42.75% employer contribution rate for Social Security (FICA), Retirement System, Workers' Compensation, Unemployment Compensation, and Health Fund) |
| 3. Travel Expense | \$21,790 | Budget at FY 2012 level of \$82,475 |
| 4. Debt Service | \$1,052,000 | Issuance costs related to Grant Anticipation Notes (GANs) in the September 2011 Draft Financial Plan for Entry into Final Design (Plan). The Plan assumed (1) the issuance of GANs would take place in late FY 2013; (2) issuance costs would be incurred in FY 2013; and (3) debt service payments would not occur until FY 2014. HART has since learned from BFS that issuance costs are generally "rolled-in" to the bond amount and are incorporated in the annual debt service amount. |
| Subtotal of #1 to #4, above | \$1,502,040 | |
| 5. Professional Services - Direct Reimbursement & CASE | \$75,102 | CASE reduction = 5% of \$1,502,040 |
| TOTAL OF #1 TO #5, ABOVE | \$1,577,142 | Represents 6.9% reduction of initial \$22,880,946 operating budget request submitted HART Board's Finance Committee |

The Honorable Ann Kobayashi
and Members of the Budget Committee
Page 2
May 3, 2012

If you should have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read 'D. Grabauskas', with a long horizontal flourish extending to the right.

Daniel A. Grabauskas
Executive Director and CEO

cc: All Councilmembers
Douglas S. Chin, Managing Director
Michael R. Hansen, Director
Budget and Fiscal Services
HART Board of Directors