Performance Evaluation Report

Executive Director and Chief Executive Officer

Honolulu Authority for Rapid Transportation

April 2014 – March 2015

Introduction

Appointed by the Board of Directors (Board) of the Honolulu Authority for Rapid Transportation (HART), the Executive Director and Chief Executive Officer (Executive Director) receives policy direction from the Board and is responsible for planning, directing, and administering all of the affairs of HART, including running the day-to-day operations of the Authority. The Executive Director makes recommendations to the Board on budgets, policies, plans, and rules, and reports regularly on the performance of the agency.

Pursuant to Section 17-103.3(d) of the Revised Charter of the City and County of Honolulu 1973 (2000 ed.), the Board shall "[e]valuate the performance of the executive director at least annually; and submit a report thereon to the mayor and council."

Daniel A. Grabauskas was appointed by the Board as Executive Director and Chief Executive Officer of HART and began service on April 9, 2012. This is the third annual evaluation of Executive Director Grabauskas.

Methodology

In evaluating the Executive Director, the Board considered the following performance factors: Leadership Qualities (effectiveness and competence; positive attitude and morale; personal and agency integrity; creativity; relationships; and openness and transparency) and Managerial Skills (organizational structure; delegation; personnel and staffing; budget and fiscal matters; communication skills; training and development; and community relations).

The following evaluation components were then applied to the performance factors:

FAILS TO MEET EXPECTATIONS	-	Results achieved do not meet required expectations and objectives
IMPROVEMENT REQUIRED	-	Results achieved do not meet required expectations and require improvement
MEETS EXPECTATIONS	-	Results achieved meet required expectations and objectives
EXCEEDS EXPECTATIONS	-	Results achieved exceed required expectations and objectives consistently
EXEMPLARY	-	Results achieved surpass required expectations and objectives without exception

The Board also considered the Executive Director's performance in meeting the annual performance objectives agreed to by the Board and the Executive Director for his third year in office.

Evaluation

Overall, the Board was very favorable in its evaluation of the Executive Director. Members noted his exceptional leadership skills, as well as his diligence and educational efforts with policymakers during the fiscal challenges faced by the agency this past year.

The Board's evaluation of the Executive Director for the period April 2014 to March 2015 is as follows:

A. Leadership Qualities. The leadership qualities assessed by the Board are Effectiveness and Competence; Positive Attitude and Morale; Personal and Agency Integrity; Creativity; Relationships; and Openness and Transparency.

The Board scored Executive Director Grabauskas very high in each of these leadership qualities, with most Board members rating the Executive Director's performance as achieving either "exceeds expectation" or "exemplary." Board members noted Executive Director Grabauskas' strengths in this category, remarking upon his dedication, tenacity, and integrity. Members described him as an "effective leader," a "great cheerleader," and having a "perfect" positive attitude. Under his leadership, progress has been made in the areas of the General Excise Tax (GET) surcharge extension, construction, and changes in key partners, i.e., a key leadership

change at Kiewit, the AECOM/URS conflict of interest, and a change in Ansaldo Breda and AnsaldoSTS ownership. One member stated that Mr. Grabauskas' request to decline his annual bonus was an example of his outstanding leadership. All believe Mr. Grabauskas is working very hard to advance the project in a responsible manner.

Many members noted his sincerity, skill and effectiveness in interfacing with members of the Honolulu City Council and State Legislature, particularly during the current legislative session with regards to the GET surcharge extension, and with the current City budget cycle. Members also observed that Mr. Grabauskas displayed exceptional skill in communicating project information to the media and the community.

While there was ample praise for Mr. Grabauskas' communication skills and transparency, one member pointed out that this was also an area requiring improvement, and that the general reaction to the announcement about major concerns regarding project finances demonstrated a need for even more effective and clear communication with the public and project stakeholders. Many other members rated Mr. Grabauskas as "exemplary" or "exceeds expectations" in this category, underscored by the voluminous materials provided to lawmakers and the public in the past several months. Another suggestion for improved communication was to refocus and adapt public communication efforts so that potential areas of concerns are more easily identified.

Another area in which the Board felt there could be improvement was in communication with Board members, particularly regarding potential problems, and thereby engaging the Board sooner in issue resolution. In this regard, one Board member commented that "If appropriate Board members know about the problems early, we can help HART staff come up with more solutions... [t]he Board is there to help." Another member noted that communications with the Board, as well as presentations to the Board, should be re-focused on future challenges, instead of primarily emphasizing current matters such as change orders and delays.

B. Managerial Skills. The managerial skills assessed by the Board are as follows: Organizational Structure; Goals and Objectives; Delegation; Personnel and Staffing; Budget and Fiscal Matters; Communication Skills; Training and Development; and Community Relations.

As was the case with leadership qualities, Executive Director Grabauskas received high ratings from the Board for his managerial skills. Board members generally rated his performance in this area as "exceeds expectation." Board members noted that the good work done by the HART staff was reflective of the managerial skill displayed by Mr. Grabauskas. One member observed that "Dan hires

good people and gives them the necessary freedom and authority to do their job." Another member commented that staff had "great respect for his fairness and managerial skills."

Members also noted Mr. Grabauskas' proficiency in maintaining positive relationships, and his knowledge of community concerns.

However, it was noted by a few members that financial oversight could be improved upon, and that budget increases should have been anticipated. In the category "budget and fiscal matters," one member commented that Mr. Grabauskas needs improvement, and that priority should be given to providing a greater degree of transparency and clarity to the complex financials of the project. Another member indicated that the Executive Director could have a better sense of construction costs and change orders.

In the area of personnel and staffing, one member noted that more HART staff should be converted to civil service. Another member commented that operational staffing plan updates are needed.

One member pointed out that the Board could use more training and development.

C. Performance Objectives. As noted previously, the Board and Executive Director Grabauskas agreed to annual performance objectives for his third year in office. These objectives, attached to this report as Exhibit A, encompassed numerous specific items in the categories of organizational development, project delivery, project finances, stakeholder interactions and community leadership, and Board interaction.

On March 31, 2015, the Executive Director submitted his self-evaluation report on his efforts over the past year to meet the agreed-to annual performance objectives for the 2014-2015 time period. (See Exhibit B.) The Executive Director had previously submitted a semi-annual report to the Board on October 31, 2014, as specified in the performance objectives. (See Exhibit C.) The Executive Director's assessment clearly explains how he met the objectives articulated for his third year on the job. Through the Executive Director's efforts, and the dedicated efforts of his entire HART team, to whom he gives well-deserved credit, great accomplishments have been achieved in the past year, despite numerous challenges.

In his self-evaluation report, Mr. Grabauskas clearly identifies HART's anticipated budget shortfall as his chief area of focus in the previous year, which came in the form of both revenue shortfalls and rising costs. However, he goes on to

outline the various steps taken to mitigate those impacts, which include cost containment as well as pursuing a secure and reliable revenue source going forward. In addition, Mr. Grabauskas outlined other achievements in the defined areas outlined in the performance objectives.

Lastly, Mr. Grabauskas identified areas of focus for the coming year. These include continuing to make project safety a top priority. Also, a concerted effort will be made to ensure adequate project revenues – federal, state, and debt financing – as well as to closely monitor project expenditures. Mr. Grabauskas also included a goal of maintaining transparency, and providing financial details. Other goals include working to lessen the impacts of construction, resetting the master project schedule according to the new contract packaging plans, and continuing fare policy development and bus-rail integration, along with TOD efforts.

Conclusion

The past evaluation period has been a challenging one, but Executive Director Grabauskas has continued to demonstrate that he is a capable, hard-working, effective, and responsive leader. Although many of the challenges will continue into the next evaluation period, an improved degree of communication with greater clarity will ensure the continued success of both Mr. Grabauskas and the Honolulu rail project. For the next review period, the Board will base its evaluation in part upon the new annual performance objectives agreed upon by the Board and the Executive Director.

DATED THIS 25th DAY OF JUNE, 2015.

HART Board Chair

JUN 25 2015
Date

HART Human Resources Committee Chair

JUN 25 2015
Date

MEMORANDUM

TO: Board of Directors,
Honolulu Authority for Rapid Transportation (HART)

Carrie Okinaga,
Chair, Human Resources Committee

FROM: Daniel A. Grabauskas,
Executive Director and CEO

SUBJECT: Annual Performance Objectives Review
April 2014 –March 2015

DATE: March 31, 2015

EXECUTIVE SUMMARY

On December 18th of last year, I reported to the HART Board and to the public that the remaining 40% of our construction contracts, comprising chiefly the final 10 miles of the guideway and all 21 stations, are projected to exceed our available budget by $550M to $700M. In addition, I informed the board that a substitute revenue source for the 5307 federal formula funds that are in the project financial plan but have been used for TheBus should be part of the overall discussion of the financial challenges facing the project.

I highlighted the fact that the costs of past delays and delay claims can now be estimated at approximately $190M; that costs for the remaining construction contracts will likely exceed the FFGA budget amounts by at least 35% to 45%; that General Excise and Use Tax (GET) surcharge revenues are lagging by approximately $40M, the greatest cumulative amount since we entered into the Full Funding Grant Agreement (FFGA); and that $210M of project income, which was expected to be derived through 5307 funds, must either be available to the project to close the projected gap or be substituted with another revenue source.

Since that time, we have been working diligently on cost reduction and solutions to these financial challenges. As directed by the HART Board, and as advocated by Mayor and the City Council, we have begun the discussion with State Legislators and the Governor about extending the GET surcharge as the best way to complete the project as planned, begin planning and building the extensions to complete the Locally Preferred Alternative route further into downtown Kapolei and to UH Manoa, and as a possible source of long-term funding for operations and capital maintenance of the system.

In light of these challenges our first order of business has been cost containment. To immediately address the issue, we announced an Action Plan at the December HART Board meeting that included:

- Repackaging the solicitation for the first 9 stations into three packages
- Reducing projected costs of future contracts through value engineering and scope reductions
- Providing contractors more time to complete their work and relieve schedule compression to further reduce costs, and delaying interim opening of the project to 2018
- Repackaging the remaining 12 stations
- Cancellation of the solicitation for the final 10-miles of guideway to repackage and refine it to further reduce costs

- Utilizing the design-build (DB) method in appropriate circumstances, in addition to the design-bid-build (DBB) method, in response to industry feedback and analyzing the impact of this change on the project schedule
- Taking advantage of low interest rates and an improved borrowing plan to save an estimated $60M to $75M in borrowing costs
- Exploring alternative financing options for project components, such as the Pearl Highlands Parking Garage
- Using the extra time to market this desirable property and examine additional public-private partnerships
- Exploring new partnerships with private and public entities, such as the Hawaii State Department of Transportation, for federal monies
- Leveraging transit-oriented development opportunities to offset costs and/or obtain the benefits of value capture mechanisms

We are working hard to achieve these goals. We are also working hard throughout this legislative session to supply lawmakers with all the information they require to assess HART's financial situation and make decisions regarding tax policy and the future of the rail project.

As I reported to the Board last year, HART comprises an exceptional group of talented people who are creating a brighter future for generations of Honolulu's citizens through construction of a safe, reliable and efficient transit system that will serve our community for 100 years and more. They are up to the challenges we are facing and are working together to build the project as quickly and safely as possible, and with the highest quality. We are focused on cost containment and establishing new budget benchmarks based on the fiscal realities brought on by lawsuits, delays, and now a construction market that is rapidly escalating construction costs beyond our current budget. You have my pledge that I am working diligently along with our HART team to address the issues we face and successfully manage these challenges in cooperation with all of our partners and stakeholders.

As directed by the HART Board's Human Resources Committee, this document serves as a yearly report on the goals, milestones, and achievements *vis-à-vis* the evaluation criteria established by the Board. I describe the status of ongoing construction-related activities, completed tasks, and significant accomplishments during the past 12 months that have advanced the mission of the organization and that address the specific goals I was given by the Board of Directors in July 2014.

I look forward again to a dialogue with the Human Resources Committee and the Board of Directors regarding my performance this past year and setting goals and priorities for next year.

Mahalo.

STATUS OF MAJOR GOALS, MILESTONES AND ACHIEVEMENTS

"Now that construction has fully resumed, of course, priorities for the HRTP overall include safety as well as keeping the project on-time and within budget. In addition…the priorities for the HRTP now include updating the financial plans, and developing a sound fare policy in concert with the Board, the Mayor, and the City Council… continuing priority will be to maintain transparency and communication with the public and key stakeholders…"

This past year was a very busy year and one of the most challenging for the project. After successfully weathering political and legal challenges that beset the first several years of the project and mobilizing the significant efforts required to resume construction in the fall of 2013, a series of events came together at the end of 2014 that brought forward a new fiscal reality for the project. These events have required a reassessment of our schedule for the interim opening, a repackaging of plans for the remaining construction contracts, a thorough review of the project's scope, implementation of aggressive value engineering of our station designs, and ultimately a reassessment of our overall project budget.

At the same time we are encouraged by the excellent progress we have made this past year on the design and manufacturing of the first rail cars and look forward to the delivery of the first rail car on island next year. Our construction of the new Rail Operations Center (formerly known as the Maintenance and Storage Facility) is progressing well and is now more than 65 percent complete. And we also celebrated the completion of more than two-and-a-half miles of guideway in West Oahu.

In last year's self-assessment, the Board proposed a number of project delivery milestones. Reviewing these goals, I am highlighting for you the following specific areas of progress:

WE REDEDICATED OURSELVES TO SAFETY AS OUR #1 PRIORITY

With the increasing amount of construction now taking place in ever more densely populated areas and in our busiest roadways, safety is the #1 priority for all HART staff and our contractors. Safety for our workers and for the traveling public as our workers perform heavy, complex construction is our daily concern. Since the first days when we resumed construction, I have personally visited worksites numerous times and always talk about safety with our contractors' staff, and our own staff. Our public outreach team worked with our contractors and other stakeholders on a series of public safety awareness announcements, alerting motorists of key traffic changes related to our Balanced Cantilever work as the elevated guideway crosses the freeway. Our safety and security officer, Henry Miranda, and I continue to meet weekly at a minimum, focusing on a safe workplace and how we can build a safe and secure transit system, along with our partners Kiewit and Kiewit/Kobayashi Joint Venture, Nan Inc., Royal Contracting Co. Ltd., Hawaiian Dredging/Condon Johnson JV and Ansaldo Honolulu Joint Venture (AHJV).

I am proud of our safety record: We continue to be an extremely safe workplace. A project of our size and complexity could typically expect upwards of 3.8 injuries per 100,000 hours worked. Our current rate of injuries is .6 injuries per 100,000 hours worked with 1.3 million reported man hours worked.

WE WORKED TO MITIGATE TRAFFIC IMPACTS FROM CONSTRUCTION

This past year HART worked collaboratively with the State of Hawaii Department of Transportation (HDOT) and the City and County of Honolulu Department of Transportation Services (DTS), as well as with private companies doing work along the rail corridor, to better coordinate our construction activities to reduce traffic impacts. While we made good progress in many areas, we acknowledge

that we have much more to do to address the public's dissatisfaction with the interim condition of many roads where we are relocating utilities and the nightly impact to traffic congestion at key intersections and along the business parts of Farrington and Kamehameha Highways. We issue weekly traffic advisories to the media, meet regularly with traffic reporters to provide an early look at what traffic changes are ahead, and issue traffic notifications as part of our weekly eBlast newsletters to the public. Based on feedback from the public, we also push out key traffic notifications on social media through Facebook and Twitter. In addition, we also hold media construction site tours to help the media to better understand the type of work we are doing and the reasons behind the lane closures and traffic changes. We pledge to re-double our efforts in this area, while recognizing, that there will be limits on meeting the public's expectations due to the fact that we must maintain a steady pace of work if we are to achieve our strict schedule for completion.

WE RE-EVALUATED AND CHANGED OUR CONTRACT PACKAGING PLANS

We have revamped our contract packaging plans for the remaining construction contracts primarily in response to extensive outreach we have conducted with the construction industry as we examined ways reduce costs in this new, aggressive construction market. Deputy Executive Director Brennon Morioka, Project Director Sam Carnaggio, Director of Design and Construction Lorenzo Garrido and Deputy Director of Design and Construction Dave Conover did an excellent job of reaching out to the construction industry and refining our contract packaging plans. The most significant changes to our contract packaging plans include shifting the final 10 miles of guideway construction from design-bid-build to design-build. We have also decided to package guideway segments and their associated stations into a single package, rather than as separate contracts, in order to reduce the contractor's site risk and consequently further reduce costs. We have also elected to break the large 10-mile final guideway segment into two smaller segments to foster greater competition and to offer better opportunities for local on-island prime and sub-contractors to compete for the work. Finally, we have carved out utility relocations into their own contracts as advance work so that utilities can be removed or relocated ahead of the construction activities. This is meant to reduce the risk to contractors who indicated they are wary of unknown subsurface conditions and undocumented utilities, particularly in the city center.

WE MADE PROGRESS IN RIGHT-OF-WAY AND REMAIN UNDER BUDGET

With access to nearly 90 percent of all land needed for the project secured, we remain approximately $10M under budget in this critical area. To date we have successfully negotiated with owners to mutual satisfaction in all but a handful of cases. The progress here continues to be a hallmark of excellent work, with HART working with, not against, property owners as we advance the project. Our Director of Planning, Permitting and Right-of-Way Liz Scanlon and Deputy Director of Right-of-Way Morris Atta and their team did an excellent job in this regard.

OUR RAIL CAR MANUFACTURING REMAINS ON SCHEDULE

After achieving the significant milestone of completion of interim design in June of last year, extrusions of the first parts of our rail car began according to schedule. Last November, assembly of those parts to form the first car body shell began. Then in December, our HART team toured the various facilities manufacturing the first rail cars for our project to ensure production was on schedule and manufacturing was being done to meet HART's quality standards.

Our overall findings were:

- AnsaldoBreda is utilizing processes and procedures in compliance with their approved Quality Assurance Plan.
- The carshell assembly has started on schedule and is progressing towards meeting key milestones.
- The audit team found high quality workmanship at each of the 3 facilities we visited.
- We are on target to deliver the first completed rail cars on island in the first quarter of 2016.

Deputy Director of Systems Justin Garrod in partnership with our Director of Operations and Maintenance Duane Sayers is working hard to ensure production remains on schedule.

WE ARE MANAGING THE CORE SYSTEMS CONTRACTAND THE OWNERSHIP TRANSITION

Last year, as speculation over the sale of Finmeccanica's interests in AnsaldoBreda and AnsaldoSTS intensified, I reminded the companies involved that HART would take firm and proactive steps to protect its interests on behalf of Honolulu's citizens. We received strong written assurances from Finmeccanica's top executives that they stood behind our project and that any sale would be directed at strengthening these two company's positions.

In late February it was announced that Finmeccanica had entered into an agreement that would result in the sale of AnsaldoBreda and Ansaldo STS to Hitachi. Given Hitachi's world-recognized position in transportation generally, and in rail specifically, we are hopeful that this will indeed solidify HART's position. I have reached out to Hitachi asking them to provide concrete assurances of commitment to Honolulu's rail project as soon as the sale is finalized. I have also requested a meeting with the company's new leadership as it pertains to our project. I will report back to the Board once the sale is completed.

WE HAVE NO NEW LEGAL CHALLENGES

Oftentimes the absence of things can be as important as the presence of things. I am pleased to report that there are no new legal challenges to the project at this time. We have continued to maintain positive working relationships with Native Hawaiian organizations and interest groups, the Oahu Island Burial Council (OIBC), the State Historic Preservation Division (SHPD), numerous consulting parties who are signatories to the comprehensive Programmatic Agreement, among others at the local, state, and federal levels. These positive relationships do not imply that we have no disagreements, but rather that concerns are addressed face-to-face amicably and forthrightly at community meetings in open dialogue rather than through litigation. We have an excellent team from Corporation Counsel in Gary Takeuchi, Reid Yamashiro, Lisa Hirahara and most recently, Ivan Torigoe.

I would add as an update that we have finalized the burial treatment plans for the remains found during the Archeological Inventory Survey and Data Recovery efforts. Those plans have been presented to OIBC and SHPD for review and approval.

WE RECEIVED AN ANNUAL FINANCIAL AUDIT WITH NO FINDINGS

The Board's audit contract with PKF was assigned seamlessly to the KMH firm in June 2014. This transition was required when PKF informed HART that it could no longer perform the audit functions as required under their contract. KMH's independent financial audit of HART for FY 2014 resulted in another unqualified opinion, as in the two previous fiscal years of HART's existence. Of particular note, there were no findings of any kind for FY 2014 audit. That success was due to our finance

team, including Chief Financial Officer Diane Arakaki, Budget and Grants Planner Mike McGrane and Fiscal Officer Bruce Sakihama.

WE RECEIVED A POSITIVE FIRST TRIENNIAL REVIEW BY THE FTA

In February 2015 the Federal Transit Administration (FTA) conducted its first Triennial Review of HART. This comprehensive review evaluates grantees in 17 different subject areas, including procurement, financial capacity, Americans with Disabilities Act (ADA) compliance, operations and maintenance, planning, and more. For HART, the review largely focused on technical capacity, financial capacity, and procurement. HART spent two full days with the federal review team. I am pleased to report we did extremely well.

FEDERAL FINANCIAL COMMITMENT CONTINUES AS PER PLAN

In September 2013, the FTA recommended $250M be allotted to the project. Due to Sequestration, in early 2014 the Congress passed a budget including $236M for Honolulu. While it was less than FTA's recommended amount, it was the largest single amount appropriated for any project in the United States. The FTA recommended the full $250M per the FFGA for federal fiscal years 2014 and 2015, which Congress has enacted. These significant milestones bring the federal allocation to our project to $1.056B—approximately two-thirds of the $1.55B committed to the project in our FFGA. The federal fiscal year 2016 budget includes another $250M increment, which is pending enactment by Congress.

We want to thank our Congressional Delegation, once again, for their support and for succeeding in this vital effort.

PERMITTED INTERACTION GROUPS WORKING TO SET FARE POLICY

In order to effectively implement a fare policy for the rail system and to proceed with the acquisition of a fare media system, including fare gates and fare vending machines, we hired Whitney Birch as fare system manager. She comes to Honolulu with an impressive background in the establishment of fare systems in the United States and Canada over the past 22 years in transit planning and policy. She is charged with working with HART, DTS, OTS and our Ansaldo Honolulu Joint Venture partners to implement a system that will be utilized by TheBus, HandiVan, and rail customers in a way that is seamless and simple to use. She is also staffing the Board's fare policy permitted interaction groups. Joining her in making this effort a success this past year is HART's Director of Special Projects Alex Cross.

Section 17-103.2(e) of the Revised Charter of the City and County of Honolulu (RCH) empowers the Honolulu Authority for Rapid Transportation (HART) to establish all fares, fees, and charges for the fixed guideway rail system. HART's Board of Directors is tasked by RCH Section 17-106 to fix and adjust reasonable rates and charges for the rail system. Therefore, to allow the Board of Directors to guide and inform the work of the project steering committee, on December 19, 2013, at a duly noticed meeting of the Board of Directors, the Board established a Permitted Interaction Group (PIG) pursuant to Section 92-2.5(b) of the Hawaii Revised Statutes, consisting of the Human Resources (HR) Committee Chair (Carrie Okinaga), the HR Committee Vice Chair (Don Horner), the Finance Committee Chair (Keslie Hui), the Government Affairs, Audit and Legal Matters Committee Chair (Bobby Bunda), and ex-officio Board member and Department of Transportation Services Director (Mike Formby). The purpose of the Group was to investigate the fare policies of other transit

agencies, bus and rail farebox recovery ratios, possible alternative revenue sources, and fare collection and associated technologies.

PIG I (Recommendations to the HART Board)
PIG recommendations to the Board on October 9, 2014, which were subsequently confirmed by the Board on November 13, 2014, included:

- Design of the fare collection system should plan for operations that maximize use of existing expertise and capacity at the City, OTS and HART
- HART's fare collection system should include use of fare gates
- Recommendations are intended to provide general direction, and are subject to further appropriation and budgeting decisions by the City and HART

PIG II (Establishment)
On December 18, 2014 the HART Board created a new Permitted Interaction Group (PIG) with a scope of work that includes matters remaining for investigation and action after the report of the first PIG, including but not limited to:

- Farebox recovery ratios
- Possible alternative sources of revenue

WE CONTINUED THE PROJECT'S ENHANCED TRANSPARENCY

HART continued our efforts to be the most transparent public works project in the State. These efforts, led by Communications Director Jeanne Mariani-Belding and our public outreach team, continue to disburse timely, accurate, useful information to the public and to our key stakeholders.

Among the major efforts designed to provide timely project information are:

- Monthly "HART FACTS" published in the *Star-Advertiser* and *Pacific Business News*.
- Comprehensive Monthly Reports issued to the FTA and the Board of Directors, and made available to the media and the public on HART's website
- Weekly e-Blast with project updates and traffic information
- Frequent website updates with news and pertinent project information in an easy-to-find, easy-to-read format
- Monthly 'Olelo broadcasts discussing key project topics and construction information
- Our Balanced Scorecard, distributed quarterly, with key metrics regarding every aspect of our project's progress
- Nearly 80 press releases, media advisories, construction notices, and community updates

From January 2014 to date, we participated in more than 200presentations, workshops and events plus more than 140 Neighborhood Board meetings to provide project information and address public questions and concerns.

HART organized more than several dozen significant media events, construction site tours, and press conferences to keep the public informed of project construction activities and progress as well as to engage businesses and citizens in our decision-making process. Highlights include:

- *Star-Advertiser* Editorial Board to provide a construction and financial update (Feb. 5, 2014)
- Unveiling of train car model at Kapolei Hale (Feb. 13, 2014)
- News conference on federal court ruling (Feb. 18, 2014)
- Hawaii News Now Sunrise morning show interview (Feb. 28, 2014)

- Tour of casting yard in Kalaeloa to explain how segments are cast (April 16, 2014)
- Industry Day (May 5, 2014)
- *Star-Advertiser* editorial board tour of casting yard to discuss upcoming construction work (May 14, 2014)
- Anti-graffiti community painting project at future Pearlridge station (May 17, 2014)
- Media tour of guideway construction in East Kapolei (June 5, 2014)
- Airport station news conference with project stakeholders to unveil station renderings and public meeting schedule (July 16, 2014)
- Press conference to discuss West Side Station contracts coming in over budget (Sept. 9, 2014)
- Hawaii News Now Sunrise morning show to talk about contracts and progress (Sept. 16, 2014)
- KITV This Morning show to talk about contracts and construction progress (Sept. 16, 2014)
- Media tour of Rail Operations Center to provide construction information (Sept. 25, 2014)
- Rail Operations Center news conference with APTA president to provide construction update (Oct. 28, 2014)
- News conference on balanced cantilever work (November 25, 2014)
- Media Tour on top of elevated guideway in East Kapolei to provide project update (Dec. 3, 2014)
- Hawaii Public Radio "Town Square" appearance with Mayor Caldwell to provide project update and discuss finances(Jan. 15, 2015)
- Hawaii News Now Sunrise morning show filmed live on top of the guideway to discuss construction and the project's finances (Jan.29, 2015)
- Hawaii News Now Sunrise interview to discuss the project's construction, traffic and general update (Feb. 26, 2015)
- *Star-Advertiser* editorial board to provide updated information on the project's finances (March 5, 2015)

With construction in full swing, HART's outreach team has organized more than a dozen meetings specifically designed for businesses along the rail alignment that are impacted by the project's construction work. This provides opportunities for businesses to share their concerns about the impact of our construction work, and partner with us to find solutions where possible. It also allows business owners and managers to ask specific questions of our construction, design and traffic engineering team — all of whom participate in these business meetings with our outreach team. In addition HART has created several programs to assist businesses throughout the construction process, and has partnered with agencies such as the Mayor's Office of Economic Development, the Small Business Administration, the Mink Center for Business Leadership and the Hawaii Small Business Development Center to provide additional resources for businesses along the route to help lessen the impact of our construction work.

A very high priority is placed on enhanced transparency and communication with the general public and key stakeholders in order to build and to maintain confidence in the management of and support for the rail project. I can say confidently that HART's enhanced transparency continues to be one of the hallmarks the project. As I stated last year, I remain fully cognizant that the Board pronounced transparency a top priority when I was hired, and I have worked diligently and creatively with our staff to make HART a more open and accessible organization to elected officials, to the media, and ultimately to the people of the City and County of Honolulu.

WE HIRED A RAPID TRANSIT STABILIZATION AGREEMENT ADMINISTRATOR

Following extensive outreach and many discussions with unions represented on our project, HART reached out nationally to find a firm to manage our project labor agreement, also known as the rapid transit stabilization agreement (RTSA). We selected the Solis Group. This company started working on with us in January 2015 and has completed its initial outreach to our contractors and labor unions.

WE CONTINUED CREATING JOBS

Last year I reported that the project employed just over 1,000 people. This year the number has climbed to nearly 1,400 people directly working on the project. About 63% of those jobs are local jobs. The trajectory is on track to achieve the goal of 4,000 direct jobs during what will be the height of construction in 2016-2018.

WE CONTINUED RAIL-BUS COLLABORATION EFFORTS

Once again during the past year, in close collaboration with DTS, OTS, HART, AHJV and our City and County partners we tackled such issues as fare collections system selection and fare policy development.

HART's Planning staff participates in regular coordination meetings with our DTS partners. Our monthly HART, DTS, and OTS stakeholder coordination meetings address our efforts in Honolulu to ensure an integrated transit system with seamless connections between bus, rail, and paratransit. In these meetings, we address the customer experience with fare collection and website information access. Communication links between HART and DTS, as well as their operations and maintenance contractors OTS and AHJV, are strengthened and developed in these meetings.

HART and DTS also meet quarterly to plan efficient and effective bus-rail connections. This Bus-Rail Integration Planning meeting contemplates providing the best service during the construction of rail moving forward into the full implementation scenario of rail upon completion of the 20-mile line.

HART and DTS also meet monthly in a bus-focused Service Review Committee. This committee addresses operations and planning concerns related to the current service with a look-ahead to potential future changes to bus routes.

WE EXPANDED OUR DISADVANTAGED BUSINESS ENTERPRISE (DBE) OUTREACH AND REPORTING ACCOUNTABILITY

Our DBE program, under the leadership of Civil Rights Officer Chuck Bayne, continues to progress. Some highlights this past year include:

- Successful DBE and small business forums in May 2014 and March of 2015, with more than 200 participants each
- DBE participation has increased from $12.9M, or 5.93% on total disbursed FTA funds in January of 2014 to $20.4M, or 6.46% as of December 2014.

WE COLLABORATED ON TRANSIT-ORIENTED DEVELOPMENT (TOD) PLANS

Working with the Mayor's point person on TOD, Harrison Rue, we participate weekly in the TOD sub-cabinet meetings. Our participation is led by Deputy Executive Director Brennon Morioka; Planning, Permitting and Right-of-Way Director Liz Scanlon; and Sustainability Coordinator Aki Marceau. In addition, I participate regularly in various state and City and County TOD forums, and HART's public outreach team also staffs an informational booth at all TOD community meetings and workshops, to answer questions and provide information about the rail project.

HART continues to be a key player in deliberations concerning TOD around our stations and places a high priority on maximizing future smart development along the rail corridor.

HART PREPARED FOR INITIAL INTERIM BORROWING ALONG WITH BUDGET AND FISCAL SERVICES (BFS) AND THE CITY COUNCIL BUDGET COMMITTEE

We have made several debt financing improvements including taking advantage of current low variable interest rates; minimizing total borrowing by interest only payments during construction(paying principal payments during construction exacerbates cash flow needs); increased debt flexibility with the use of commercial paper that allows for quick access to funds at lowest cost; and improved debt coverage ratios.

We are taking advantage of low interest rates and an improved borrowing plan to borrow less and save on principal, interest and other borrowing costs over the original debt financing plan.

We also worked with the City's Budget and Fiscal Services Department on drafting a Memorandum of Understanding (MOU) that incorporates these debt financing improvements. All of these efforts position HART well for future borrowing in accordance with our Financial Plan.

In the coming year, we will work closely with the City as the project moves forward with its initial borrowing as outlined in the Financial Plan.

EVALUATION PRIORITY AREAS UPDATE

"To assess whether or not the Executive Director & CEO has accomplished these goals and successfully executed the duties and responsibilities of his position, the Board will evaluate performance in the following high priority areas…"

In October 2014, as directed by the Board, I submitted a semiannual progress report. Below please find that report on organizational development, project delivery, project finances, stakeholder interactions and community leadership, and board interaction, which I have updated for the full year.

I. ORGANIZATIONAL DEVELOPMENT

HART has made significant strides in our organizational development. We have hired several new key staff members, including:

- Change Order Manager
- Director of Procurement
- Project Director [New Position]
- Transit Grants Manager

- Deputy Director of Planning
- Deputy Director of Construction
- Assistant Deputy Director of Construction
- Transit Contracts Manager
- Director of Special Projects
- Fare System Project Manager

Director of Administrative Services Paul Romaine and his staff continue to facilitate hiring and our IT efforts and do an excellent job.

Last October we hired Sam Carnaggio as Project Director. This position was discussed with the FTA as a proven method to break down silos so that large construction programs can be more efficient and effective. In his new role, Sam has management responsibility for design and construction, procurement, change management, project controls, and environmental and right-of-way activities. He comes to our project with extensive experience as a professional engineer and senior construction manager, including working for the last 10 years as project director of Washington, D.C.'s recently opened Dulles Metro extension. Prior to that, he served as chief engineer for the Federal Transit Administration (FTA) and worked on numerous construction projects around the country.

A draft Human Resources staffing plan was presented in December and we will continue to work with the Board and Human Resources Committee of the Board to refine the plan as we approach revenue service.

Staff training continues with this year's emphasis on ethics awareness. And staff continues, as it did last year, with training on our Contract Management System (CMS), various computer-related trainings, and construction site safety. Specific training is made available (or in some cases required) for more specialized work in departments such as procurement, quality assurance and quality controls, safety and security, civil rights, environmental planning, and human resources.

Weekly senior staff meetings for enhanced communication and coordination continued this past year. We also continue to hold All-Staff Meetings. These meetings are designed to bring everyone working on the project together to provide accurate and timely information, highlight the project's progress and discuss some of the challenges we face as a team. Once again this past year HART took solid, positive strides forward as an integrated, highly functioning organization.

In addition, the HART business strategy was adopted this past year by the Board through the business plan, which is currently being updated for fiscal year 2016. The business plan strategy continues to guide our overall approach to the organization's management and mission definition.

II. PROJECT DELIVERY

HART conducted a Risk Refresh in partnership with the Federal Transit Administration (FTA) and the results were presented to the Board in July. Areas of risk were identified, along with mitigation strategies. We continue to proactively track and mitigate project risks and outline them in the Monthly Progress Report. The Risk and Contingency Management Plan is also being updated.

We continue to emphasize safety by partnering with our contractors and subcontractors, including partnering with Kiewit on a public safety awareness campaign to keep both the public and our workers safe in our construction zones.

Since resuming construction, we have made significant progress. As of mid-March 2015, we have constructed:

- More than 145 columns
- More than 210 foundations
- More than 2,400 segments cast
- 100 spans erected, which is equivalent to more than 2.5 miles of guideway
- First rail installed on guideway and at the Rail Operations Center

The Rail Operations Center made tremendous progress this past year. The main buildings on site have rapidly taken shape, with more than 4 miles of utilities in place to prepare the facility for operations testing next year.

After receiving bids for the Westside Station Group that exceeded estimates, we canceled the solicitation and conducted an analysis to determine how we could reduce costs, while maintaining the project's 2019 opening date. Accordingly, we have suspended procurement for the Pearl Highlands Parking Garage, which is currently under review for further action. Extensive contractor interviews have taken place and after issuing the solicitation for the first three stations in the Westside group, we recently received five bids. The lowest bid was within the neighborhood of our revised estimates and the fact that we had five bidders indicates a positive response to our strategy to break up the larger contract into three smaller ones.

We are also repackaging construction contract packages and re-evaluating our schedule for all the project's remaining construction contracts. Solicitations for those contracts will be issued by the end of the year and are expected to be executed by mid-2016. Key remaining construction contracts include:

- Airport Guideway and Stations
- City Center Guideway and Stations
- City Center Utilities and Civil Work
- West Oahu Station Group
- Kamehameha Highway Station Group
- Ramp H2R2

HART continues to develop bus-rail integration plans in coordination with DTS and OTS, including working on the request for information (RFI) and request for proposals (RFP) for the procurement of a joint bus-rail smart card fare system. In addition, we worked with the Board of Directors' Permitted Interaction Group on fare policy to conclude the initial policy direction for this effort.

HART has continued to communicate frequently and effectively with Core Systems contractor AHJV. The contractor is currently on schedule with design and initial manufacturing of our rail vehicles. The first rail car is scheduled for delivery as planned in 2016. HART also continues its proactive approach regarding ownership changes to ensure accountability.

We continue to facilitate efforts being made by the State and City and County governments in partnership with developers and landowners to advance TOD that maximizes ridership and generates the highest return on investment to further the project and the City's development plans. In particular, we continue to develop and execute Memorandums of Understanding (MOU) and Memorandums of Agreement (MOA) with public and/or private landowners within close proximity of each planned transit station to access the station from their proposed development.

Over the past year our team has negotiated hard, settling changes and claims when we received favorable and fair offers. Where we have not, we have held the line on firm language to protect the agency, and held out the prospects of unilateral change orders and prepared for legal action, if necessary.

Despite being previously enjoined from construction for nearly 13 months, we have made good, steady progress in a number of key program areas. Key metrics we track and report to the Board and to the public on a monthly basis are:

Overall:

- Percentage of overall project completed in April 2013 = 11.9%
- Percentage of overall project completed in February 2014 = 21.8%
- **Percentage of overall project completed in February 2015 = 32.0%**

Design:

- Percentage of design completed in April 2013 = 42.0%
- Percentage of design completed in February 2014 = 63.0%
- **Percentage of overall project completed in February 2015 = 83.4%**

Construction:

- Percentage construction completed in April 2013 = 7.8%
- Percentage construction completed in February 2014 = 9.8%
- **Percentage of overall project completed in February 2015 = 24.1%**

Utilities:

- Percentage of utilities progress completed in April 2013 = 4.9%
- Percentage of utilities progress completed in February 2014 = 5.5%
- **Percentage of overall project completed in February 2015 = 12.2%**

HART's Quality Assurance team, led by Director of Quality Assurance and Quality Control Alberto Bonifacio, continues to hold Kiewit, AHJV and all of our contractors accountable to meet the agency's high quality standards.

III. PROJECT FINANCES

The project's overall fiscal situation has previously been discussed in great detail. In addition to the current challenges, the following are important milestones or factors that affect the project's financial well-being:

- Our staff-proposed operating budget for the next year is 1.5% less than last year despite all of the increasing work as the project grows to full activity across the entire corridor.

- We successfully procured an owner-controlled insurance program (OCIP) for the project through completion of the program. This establishes a good business practice that assists in controlling costs.

- GET surcharge revenues are being closely tracked and monitored. Since 2007, $1.346 billion has been collected, with a current cash balance of

$391.6 million. As of the most recent reporting by the State Department of Taxation, disbursements are approximately $40M behind projections.

- The project's contingency balance is at $550 million and remains within the buffer zone for existing contracts.

- Change orders continue to be monitored closely; this was identified as a risk in FTA's Risk Refresh report.

- We successfully resolved all significant delay claims, including negotiation of claims arising from notice-to-proceed delays and lawsuits with Kiewit and Kiewit-Kobayashi for the West Oahu/Farrington Highway, Kamehameha Highway, and Maintenance and Storage Facility construction contracts.

- We continued to develop an updated financial plan (expected to be required by FTA around July of 2015). The plan will include updated information on areas of cost reductions as well as debt financing.

- We continued to effectively manage the FFGA process and continued to push for full federal funding as per the FFGA through communications and meetings with congressional leadership and staff.

- We have worked collaboratively with the Board Vice Chairman, the Mayor, BFS, and the City Council to develop a debt financing plan that is both fiscally prudent and meets the project's needs.

- In addition, we worked with government officials, commercial and residential real estate developers, other businesses, and the public to develop initiatives for new revenue sources and minimize use of real property taxes for operation of the mass transit system in the future.

IV. STAKEHOLDER INTERACTIONS & COMMUNITY LEADERSHIP

"Work effectively and persuasively with elected officials, local, state and federal agencies, the U.S. House of Representatives, the U.S. Senate, U.S. DOT/FTA, Transportation Security Administration (TSA), the governments of City and County of Honolulu and State of Hawaii and the local business community, organized labor, public constituencies, NGOs, the press and other stakeholders—develop an understanding, appreciation, sensitivity and commitment to the social, cultural, economic, political and environmental needs of HART and the unique city it serves."

We continued to build and maintain relationships with City, State and Federal elected officials and agencies through written communications and in-person meetings. *Mahalo* to Mayor Kirk Caldwell, for championing this project and pushing us to do better, and to his team from various departments, my sincere gratitude for the cooperation and unwavering collaboration and assistance. And *mahalo* for the support of Honolulu City Council Chair Ernie Martin and the members of the City Council, it is a privilege to work with them. Along with our congressional delegation, our support from Washington, D.C. continues to stand firm and we thank U.S. Senators Schatz and Hirono, and U.S. Representatives Hanabusa and Gabbard for their continued highly successful efforts on behalf of the project. We look forward to working closely with U.S. Representative Mark Takai in the coming year as well. Government Relations Director Joyce Oliveira and her staff are doing an outstanding job of providing accurate information to our stakeholders in a timely manner.

With negotiations led by Deputy Executive Director Morioka, we have been working collaboratively with the University of Hawaii system to conclude negotiations on rights of entry for construction at various campus and university-controlled locations. We also recently hosted a symposium with university officials who presented to the UH Board of Regents Committee on Planning and Facilities on their universities' experiences with rail.

We continued to engage the local business community through community briefings, presentations and meetings. We are also meeting with businesses in the City Center area, in advance of our upcoming construction work to proactively address some of their concerns. We understand that the construction work will be disruptive, but we are committed to reducing the impact of construction where possible.

We continue to keep the community informed through construction outreach meetings, station design community meetings, Neighborhood Board meetings, regular media traffic briefings, weekly e-blasts, news releases and social media updates. HART also sponsors a monthly "HART Facts" ad published in two local newspapers to provide a transparent look at the project's finances.

We enhanced our transparency efforts by keeping the public informed and engaged through several media and community events, including: a tour of the casting yard; an anti-graffiti community mural-painting project; a media tour of the installation of our first guideway segments; a public unveiling of our Airport station designs; and a tour of our Rail Operations Center. These events keep the public updated on our progress and enhance accountability.

Regular communication is ongoing with City, State, and Federal agencies and elected officials. HART continues to host a weekly maintenance of traffic meeting to coordinate construction activities among City, State, and other significant entities in order to mitigate potential impacts to traffic and promote public safety.

We are fostering sustainability efforts throughout the Authority, including working on a power purchase agreement for photovoltaics at the Rail Operations Center. Also, HART has signed the American Public Transportation Association's (APTA's) sustainability commitment to position itself at the forefront of sustainability efforts among transit systems in the United States.

We maintain ongoing communication with HDOT and DTS regarding the alignment of the fixed guideway system as it relates to crossings and intensive construction phases.

V. BOARD INTERACTION

We continued to foster a productive and positive working relationship with our 10-member Board of Directors through frequent communication and providing relevant, timely information to help inform the Board's policy-making decisions. Leading our efforts is Board Administrator Cindy Matsushita, who continues to do excellent work.

We provided opportunities for Board involvement, including collaborative efforts with stakeholders and outreach events. And we continue to provide detailed construction updates monthly to the Board, as well as our detailed project monthly report.

On behalf of our staff, let me also thank the Board for your continued support and service to HART and to the community through the many hours of volunteer time you give to our project. A very special *mahalo nui loa* to Board Chairman Ivan Lui-Kwan for his dedication and hard work in his

second year of attending dozens of evening and weekend community meetings, City Council and legislative meetings and formal sessions. Also, congratulations on the re-appointment of William "Buzz" Hong and Damien Kim to the Board of Directors and welcome back to Ford Fuchigami, HDOT Director who returns to his ex-officio seat on the Board.

Finally, my sincere *mahalo* to Human Resources Committee Chair Carrie Okinaga for leading this review process.

Daniel A. Grabauskas
Executive Director & CEO

Proposed Goals for 2015-2016

- Maintain the safest workplace, work zones, and construction sites
- Continue to push for full federal funding per project plan
- Continue to work with state Department of Taxation to improve state GET surcharge disbursements
- Assist in providing information and financial details in order to help secure additional revenue to meet the project's current financial challenges
- Continue to monitor project budget with a careful eye on contingency drawdowns and change orders
- Review and reset master project schedule milestones for design and construction based upon new contract packaging plans
- Develop recommendation for fare policies to be presented to the Board of Directors, Mayor, and City Council
- Maintain project transparency
- Work closely with businesses and communities along the alignment to provide information regarding construction work and to collaboratively to help lessen the impact of construction and traffic disruptions
- Facilitate with CFO the first City and County borrowings, and develop a cost-effective borrowing plan working collaboratively with BFS and City Council
- Keep on schedule to have six miles of guideway completed by the end of 2015
- Work with contractors to achieve 300 columns constructed by end of 2015
- Maintain schedule for the new contract packaging plans and work to enhance competition and interest in bidding for work on our project
- Continue to foster TOD-related efforts
- Foster and maintain excellent Board-Staff relationships
- Continue Bus-Rail integration and cooperation

ANNUAL PERFORMANCE OBJECTIVES
for
Daniel A. Grabauskas, Executive Director & CEO
Honolulu Authority for Rapid Transportation (HART)
Evaluation Period: April 2014 - March 2015

Powers, Duties and Functions of the Executive Director:
As defined in the Revised Charter of the City and County of Honolulu Section 17-104, the Executive Director shall:

a) *Administer all affairs of the authority, including rules, regulations and standards adopted by the board.*
b) *Have at least five years of fixed guideway system experience.*
c) *Sign all necessary contracts for the authority, unless otherwise provided by this article.*
d) *Recommend to the board the creation or abolishment of positions.*
e) *Enforce the collection of fares, tolls, rentals, rates, charges, and other fees.*
f) *Prepare payrolls and pension rolls.*
g) *Maintain proper accounts in such manner as to show the true and complete financial status of the authority and the results of management and operation thereof.*
h) *Prepare annual operating and capital budgets.*
i) *Prepare and maintain a six-year capital program.*
j) *Prescribe rules and regulations as are necessary for the organization and internal management of the authority.*
k) *Recommend rules and regulations for adoption by the board.*
l) *Request, and accept appropriations from the city, and request and accept grants, loans and gifts from other persons and entities.*
m) *Administer programs promoting appropriate developments near transit stations, including compilation of city incentive programs.*
n) *Review development projects having significant impact on the operation of the fixed guideway system.*
o) *Plan, administer and coordinate programs and projects of the fixed guideway system that are proposed to be funded, wholly or partially, under federal or state law and required to be transmitted to the Oahu metropolitan planning organization.*
p) *Attend all meetings of the Board unless excused.*
q) *In addition to the general powers under this section, other general or specific powers may be conferred upon the executive director by ordinance, so long as the powers are consistent with the article of this Charter.*

OVERALL PRIORITIES FOR THE COMING YEAR

Mr. Grabauskas demonstrated again during his second year as Executive Director and CEO that he is capable of and focused on keeping the Honolulu Rail Transit Project (HRTP) on track; the Board continues to have high expectations.

Now that project construction has fully resumed, of course, priorities for the HRTP overall include safety as well as keeping the project on-time and within budget. In addition, we are a year closer to the Q2 2017 interim revenue service date, and the priorities for the HRTP now include updating financial plans, and developing a sound fare policy in concert with the Board, the Mayor, and the City Council, and more detailed operational plans, including staffing plans. A continuing priority will be to maintain transparency and communication with the public and key stakeholders to build and to maintain the public's confidence in the management of and support for the HRTP. To assess whether or not the Executive Director and CEO has accomplished these goals and successfully executed the duties and responsibilities of his position, the Board will evaluate performance in the following high priority areas.

ORGANIZATIONAL DEVELOPMENT

- Develop and implement a Human Resources staffing plan, which shall include projections for the years of operation starting in 2017, and present to the Board by the end of 2014;
- Ensure successful succession and employee development plans across all functions of the Authority, including continuing to identify current opportunities for training of our employees by experienced consultants, and encouraging employees to take initiative and develop within the organization;
- Coach, train, and motivate staff; manage employee relations; manage the workflow and prioritization of projects and measure the performance of the agency and direct staff and take appropriate corrective action when necessary; review the work of staff and make positive suggestions and recommendations; recommend and implement corrective actions, discipline and termination procedures as appropriate/necessary;
- Ensure that processes, policies and practices are interpreted and applied consistently and effectively and that the Authority is accountable and compliant with all current and applicable HART, City, state and federal policies;
- Manage a capital project-oriented organization with an emphasis on financial management, safety, security, and public awareness as to the impacts that construction will have on residents, visitors, the environment and other stakeholders;
- Empower senior management and employees to lead their departments and functions effectively and efficiently; encourage senior management and employees to work together and across all functions of the organization, avoiding "stove-piping" and “choke points”; provide an environment where managers from each department are encouraged to work together and present directly to executive leadership;
- Ensure that effective cost-control measures are in place at all levels of the Authority; and
- Invite and encourage Board member participation in community and stakeholder meetings and events and senior staff meetings as appropriate.

PROJECT DELIVERY – CONSTRUCTION AND OPERATIONS

- Implement the HART business strategy adopted by its Board and in accordance with HART's mission to achieve the vision for the HRTP through the successful accomplishment of HART's goals, including construction of the entire fixed guideway system on time and within budget;
- Maintain strong safety records within workplaces, work zones and construction sites;
- Responsibly schedule, authorize, and manage the physical development of the HRTP, including,
    - Meet schedule to place first pre-cast segment on the columns in 2014,
    - Construct 220+columns by the end of 2014, and
    - Release RFPs and award 4 major contracts for construction by the end of 2014:
        (1) Guideway and utility relocations for second 10 miles
        (2) West Station Group (9 stations)
        (3) Airport Station Group (4 stations)
        (4) Pearl Highlands Parking Garage and H2 Off-Ramp;
- Develop recommendations for fare policies, including fare gates, to be presented to the Board, the Mayor and the City Council;
- Develop plans for bus-rail integration in continued cooperation with the Department of Transportation Services and Oahu Transit Services;
- Facilitate efforts being made by the State and City and County governments in partnership with developers and landowners to advance transit oriented development that maximizes ridership and generates the highest return on investment, in furtherance of the HRTP and the City's development plans. In particular, develop and execute MOUs and MOAs with public and/or private land owners within close proximity of each planned transit station to access the station from their proposed development;
- Make satisfactory progress in the Disadvantaged Business Enterprise program;
- Maintain strong and consistent communication with and oversight over the DBOM contractor; and
- Balance the focus on on-time/within-budget construction milestones, with the long term vision of delivering future operation and maintenance of the system in a safe, clean, courteous, timely, dependable, and cost-effective manner.

PROJECT FINANCES

- Responsibly manage HART's assets and budget, keeping a close eye on contingency drawdowns and change orders;
- Identify areas for cost reduction and increased efficiencies and communicate those recommendations and creative solutions effectively to the Board and management via updated financial plans;

- Continue to effectively manage the FFGA process and continue to push for full federal funding as per the FFGA;
- Continue to work with State of Hawaii Department of Taxation to improve State GET surcharge disbursements;
- Facilitate with the Chief Financial Officer, working collaboratively with the Mayor, the Department of Budget and Fiscal Services, and the City Council, the first City and County borrowings, and develop a cost-effective borrowing plan;
- Work with government officials, commercial and residential real estate developers and other businesses, and the public to develop initiatives to develop new revenue sources and minimize use of real property taxes for operation of the mass transit system in the future; and
- Identify and proactively manage areas of risk, including developing and implementing an action plan.

STAKEHOLDER INTERACTIONS & COMMUNITY LEADERSHIP

- Continue to listen to, and work effectively and persuasively with elected officials, local, state and federal agencies, the U.S. House of Representatives, the U.S. Senate, U.S. DOT/FTA, Transportation Security Administration (TSA), the governments of City and County of Honolulu and State of Hawaii, the University of Hawaii system, and the local business community, organized labor, public constituencies, NGOs, the media and other stakeholders;
- Remain ever vigilant regarding the effectiveness of communications with the public and other stakeholders regarding traffic impacts due to HART design and construction activities.
- Attend and/or participate in professional group meetings and maintain awareness of new trends and developments impacting the agency's business activities;
- Further develop an understanding, appreciation, sensitivity and commitment to the social, cultural, economic, political and environmental needs of HART and the unique city it serves;
- Advocate for sustainable development and economic growth for the City and County of Honolulu and increased revenue for HART, government and local businesses;
- Maintain on-going communication with the State of Hawaii's Department of Transportation and the City and County of Honolulu's Department of Transportation Services regarding the alignment of the fixed guideway system as it relates to crossings and intensive construction phases;

BOARD INTERACTION

- Further develop a strong collaborative working relationship with an engaged 10-member Board of Directors; assist the Board in its policy-making duties by

providing relevant information in a timely manner; assist the Board in short and long-term planning objectives; furnish information to include options and potential consequences, enabling the Board and its Committees to make informed decisions;

- Provide a semi-annual report to the Board and/or its Committees regarding progress made towards meeting these goals.
- Ensure materials for Board meetings are provided in a timely manner and in advance of Board meetings, and where possible, posted for public review; and
- Communicate regularly with the Board of Directors about internal operations, reports and external stakeholder communications, updating the "balanced scorecard" and "HART Facts" every three (3) months.

Acknowledged
Daniel A. Grabauskas
Executive Director & CEO

8/1/14
Date

HONOLULU AUTHORITY for RAPID TRANSPORTATION

Board of Directors Semiannual Progress Report
Daniel A. Grabauskas, Executive Director & CEO
Honolulu Authority for Rapid Transportation (HART)
October 30, 2014

ORGANIZATIONAL DEVELOPMENT

- HART has made significant strides in our organizational development. We have hired several new key staff members, including:

  - Change Order Manager
  - Director of Procurement
  - Project Director
  - Transit Grants Manager
  - Deputy Director of Planning
  - Deputy Director of Construction
  - Assistant Deputy Director of Construction
  - Transit Contracts Manager
  - Director of Special Projects
  - Fare System Project Manager

- The development of our Human Resources staffing plan is underway and we are currently on target to present this plan to the Board at the end of 2014.

PROJECT DELIVERY: CONSTRUCTION AND OPERATIONS

- HART conducted a risk refresh in partnership with the Federal Transit Administration (FTA) and the results were presented to the Board in July. Areas of risk were identified, along with mitigation strategies. We continue to proactively track and mitigate project risks and outline them in the Monthly Progress Report. The Risk and Contingency Management Plan is also being updated.

- We continue to emphasize safety (.4 incidents per 100,000 hours of work) [1] by partnering with our contractors and subcontractors, including participating in a public safety awareness campaign with Kiewit.

- Since resuming construction, we have made significant progress. As of October 23, 2014, constructed:
  - More than 130 columns
  - More than 165 foundations
  - More than 1,485 segments cast
  - More than 37 spans put in place[2]

[1] September 11, 2014 Board of Directors meeting minutes, Executive Director/CEO's report
[2] October 23rd construction update presentation to Board of Directors

- After receiving bids for the Westside Station Group that exceeded estimates, we canceled the solicitation and conducted an analysis to determine how we could reduce costs, while maintaining the project's 2019 opening date. Extensive contractor interviews have taken place and repackaging efforts are underway for the first three stations in this group. It is expected that the bid package will go out in late November or early December.

- We are also repackaging construction contract packages and re-evaluating our schedule for the four major construction contracts scheduled for procurement by the end of 2014:

  (1) Guideway and utility relocations for second 10 miles (and 8 stations)
  (2) West Station Group (9 stations)
  (3) Airport Station Group (4 stations)
  (4) Pearl Highlands Parking Garage and H-2 Off-Ramp

- Accordingly, we have suspended procurement for the Pearl Highlands Parking Garage, which is currently under review for further action.

- HART continues to develop bus-rail integration plans in coordination with the Department of Transportation Services (DTS) and Oahu Transit Services (OTS), including working on the request for information (RFI) and request for proposals (RFP) for the procurement of a joint bus-rail smart card fare system. In addition, we worked with the Board of Directors' Fare Permitted Interaction Group (PIG) on fare policy to conclude the initial policy direction for this effort.

- DBE participation has increased from $15.8 million, or 6.41% on total disbursed FTA funds received to date, to $19.2 million, or 7.37%.[3]

- HART has continued to communicate frequently and effectively with DBOM contractor, Ansaldo Honolulu Joint Venture (AHJV). The contractor is currently on schedule with design and initial manufacturing of our rail vehicles. The first rail car is scheduled for delivery as planned in 2016.

- We continue to facilitate efforts being made by the State and City and County governments in partnership with developers and landowners to advance transit-oriented development (TOD) that maximizes ridership and generates the highest return on investment, to further the project and the City's development plans. In particular, we continue to develop and execute MOUs and MOAs with public and/or private land owners within close proximity of each planned transit station to access the station from their proposed development.

PROJECT FINANCES

- We successfully procured owner-controlled insurance program (OCIP) for the project through completion of the program.

[3] April and September 2014 Monthly Progress Reports

- GET surcharge revenues are being closely tracked and monitored. Since 2007, $1.346 billion has been collected, with cash balance of $391.6 million[4]. As of the most recent reporting by the State Department of Taxation, disbursements are approximately $40M behind projections.

- The project's contingency balance is at $559.4 million and remains within the buffer zone[5].

- Change orders continue to be monitored closely; this was identified as a risk in FTA's Risk Refresh report.

- Successfully resolved all known contingency changes, including negotiation of claims arising from notice-to-proceed delays and lawsuits with Kiewit and Kiewit-Kobayashi for the WOFH, KHG, and MSF construction contracts.

- We continued to develop an updated financial plan, with expected completion by the end of the calendar year. The plan will include updated information on areas of cost reductions as well as debt financing.

- We continued to effectively manage the FFGA process and continued to push for full federal funding as per the FFGA through communications and meetings with congressional leadership and staff.

- We have worked collaboratively with the Board Vice Chair, the Mayor, Budget and Fiscal Services (BFS), and the City Council to develop a debt financing plan that is both fiscally prudent and meets the project's needs.

- In addition, we worked with government officials, commercial and residential real estate developers, other businesses, and the public to develop initiatives for new revenue sources and minimize use of real property taxes for operation of the mass transit system in the future.

STAKEHOLDER INTERACTIONS & COMMUNITY LEADERSHIP.

- We continued to build and maintain relationships with City, State and Federal elected officials and agencies through written communications and in-person meetings.

- We have been working collaboratively with the University of Hawaii system to conclude negotiations on rights of entry for construction at various campus and university-controlled locations. We also recently hosted a symposium, with university officials who presented to the UH Board of Regents Committee on Planning and Facilities on their university's experiences with rail.

- We continued to engage the local business community via briefings, presentations and meetings.

[4] As of August 29, 2014 per September Monthly Progress Report
[5] As of August 29, 2014 per September Monthly Progress Report

- We continue to keep the community informed through construction outreach meetings, station design community meetings, Neighborhood Board meetings, regular media traffic briefings, weekly e-blasts, news releases and social media updates. HART also sponsors a monthly "HART Facts" ad published in two local newspapers to provide a transparent look at the project's finances.

- We continued our transparency efforts by keeping the public informed and engaged through several media and community events, including: a tour of the casting yard; an anti-graffiti community mural-painting project; a media tour of the installation of our first guideway segments; a public unveiling of our Airport station designs; and a tour of our Rail Operations Center. These events keep the public updated on our progress and enhance accountability.

- Regular communication is ongoing with City, State, and Federal agencies and elected officials. HART continues to host a weekly maintenance of traffic meeting to coordinate construction activities among city, county, state, and other significant entities in order to mitigate potential impacts to traffic and promote public safety.

- As the executive director and CEO, I continue to further develop an understanding, appreciation, sensitivity and commitment to the social, cultural, economic, political and environmental needs of HART and the unique city it serves.

- We are fostering sustainability efforts throughout the Authority, including working on a power purchasing agreement for photovoltaics at the Rail Operations Center (previously known as the Maintenance and Storage Facility). Also, HART has signed the American Public Transportation Association's (APTA's) sustainability commitment to position itself at the forefront of sustainability efforts among transit systems in the United States.

- We maintain ongoing communication with the State of Hawaii's Department of Transportation (HDOT) and the City and County of Honolulu's Department of Transportation Services (DTS) regarding the alignment of the fixed guideway system as it relates to crossings and intensive construction phases.

BOARD INTERACTION

- We continued to foster a productive and positive working relationship with our 10-member Board of Directors through frequent communication and providing relevant, timely information to help inform the Board's policy-making decisions.

- We provided opportunities for Board involvement, including collaborative efforts with stakeholders and outreach events.

- We continue to provide monthly reports at Board meetings.