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

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Mr. Wayne Yoshioka
Director, Department of Transportation Services
City and County of Honolulu
650 South King Street, 3rd Floor
Honolulu, HI 96813

Re: Approval of Preliminary Engineering
for the Honolulu High-Capacity
Transit Corridor Project

Dear Mr. Yoshioka:

The Federal Transit Administration (FTA) is pleased to inform you that FTA has approved the request by the City and County of Honolulu (the City) to advance the Honolulu High-Capacity Transit Corridor Project into Preliminary Engineering (PE). This approval is a requirement of Federal transit laws governing the New Starts program (49 U.S.C. Section 5309(e)(6)).

This PE approval is for an approximately 20-mile alignment extending from East Kapolei through the Airport to Ala Moana Center. The project includes 21 stations, 4 park-and ride facilities with 4100 total spaces, and approximately 76 rail vehicles. Nearly all of the rail line and its stations will be elevated structure. The total expected Full Funding Grant Agreement (FFGA) project cost including finance charges in Year of Expenditure (YOE) dollars is $5,348 million. The City is seeking $1,550 million in Section 5309 New Starts funds. The rail line is expected to carry 116,000 trips on the average weekday by 2030.

With this approval, the City has pre-award authority to incur costs prior to grant approval for PE activities while retaining eligibility for future FTA grant assistance for the incurred costs. As with any pre-award authority, all Federal requirements must be met prior to incurring costs in order to retain eligibility of the costs for future FTA grant assistance. This pre-award authority does not constitute an FTA commitment that federal funds will be approved for the project in the future. FTA's approval of PE is not a commitment to approve or fund any final design or construction activities. Such decisions must await the outcome of PE, including completion of the environmental process.

In addition, per FTA's Final Policy Guidance on New Starts and Small Starts published September 2, 2009, the City will have pre-award authority to procure vehicles, acquire real property and real property rights, and perform utility relocations upon completion of the National Environmental Policy Act (NEPA) process. FTA reminds the City that the

procurement of vehicles must comply with all Federal requirements including, but not limited to, competitive procurement practices, the American with Disabilities Act, and Buy America. FTA encourages the City to discuss the procurement of vehicles with FTA prior to exercising the pre-award authority.

FTA is required by law to evaluate a proposed project against a number of New Starts criteria and ensure that prospective grant recipients demonstrate the technical, legal, and financial capability to implement the project. Based on an evaluation of the project against these criteria, FTA has assigned to the project an overall rating of *Medium*. The project must maintain at least a *Medium* New Starts rating at the completion of PE for it to be eligible to advance into final design.

FTA has also conducted detailed reviews (1) of the project, with the help of project management oversight (PMO) contractors; (2) of the financial plan, with the help of a financial management oversight (FMO) contractor, and (3) of the environmental documents prepared in compliance with NEPA. Based on these reviews, FTA has identified a number of items that the City must address as part of PE. The City must work with FTA during PE to address these items as well as any other issues that may emerge in the course of PE. The objectives of this collaborative effort are to ensure that:

- All environmental impacts are identified and adequate provisions are made for their mitigation in accordance with the requirements of 49 U.S.C. 5324(b);
- All major and critical project elements are designed to a level that no significant unknown impacts remain in their costs; and
- All cost estimating is advanced to the level of confidence necessary for the City to implement the financial plan for the project before entry into final design.

Further, the City should be aware that FTA's standards for the financial rating are higher for entry into final design than for entry into PE. The higher standard for final design includes an assessment of the robustness of the financial plan against increases in costs, shortfalls in revenue streams, and competing demands on funding sources. Some elements of the current financial plan may not fare well in the stress tests that FTA will apply to evaluate robustness. These elements include the projected revenue stream from the General Excise Tax and the diversion of FTA Section 5307 funds from ongoing capital needs of the bus system. Continued development and strengthening of the financial plan will therefore be a crucial part of the PE effort.

Based on the reviews by FTA's PMO contractors, FTA has identified a number of items that the City must address as part of PE:

<u>Project Scope, Design, and Development</u>

- Identify any third party agreements necessary for project completion, including utility agreements with private and public owners and the military;
- Resolve the issue of proximity of the guideway to runways 22R/4L and 22L/4R at the Honolulu International Airport with the Hawaii Department of Transportation and the Federal Aviation Administration;

- Fully develop vehicle basis of design and functional sizing;
- Determine rail fleet size requirement;
- Fully develop scope for the administration building and operations control center;
- Determine the final location of the maintenance and storage facility;
- Finalize a contracting packaging plan which includes a source selection plan(s) and contract specific work plans;
- Develop strategies to streamline the City's process to award contracts and to enter into grant agreements, especially as applicable to FTA grants;
- Develop a preliminary operation plan; and
- Ensure the service velocity does not erode over the next course of design changes.

Project Schedule

- Provide a baseline of the Master Project Schedule (MPS) early in PE which will be used for monthly progress updates and tracking schedule variances;
- Address the utilization manpower and equipment resource loading and budget and cost loading;
- Include critical activities in the MPS: utility activities, real estate acquisitions, system integration, starting and testing, operational commissioning and training, vehicle procurement, major construction material procurements, FTA review and comment, detail activities for early construction packages;
- Develop a right-of-way schedule; and
- Modify the Work Breakdown Structure to cross over with the project budget and cost breakdown structure.

Project Cost

- Develop a detailed bottoms-up-style project cost estimate to Standard Cost Category format. The estimate should be detailed sufficiently to determine distributions of materials, labor, equipment and general conditions elements at a minimum. The soft cost estimates should be based on staffing plans, force account plans, contracts, and so forth rather than solely on percentages. The estimate should eliminate parametric-style values, cost estimating relationships, and lump sums as much as possible during PE;
- Escalate the cost estimate in accordance with the MPS; and
- Provide justification and backup documents to support the quantification and assumptions for the "soft costs" and related general conditions of the project.

Technical Capacity

- Update the Project Management Plan to bring it into full conformance with FTA requirements, and implement the configuration management and change control mechanism;
- Develop detailed staffing plans for all remaining phases of the project to ensure adequate technical capacity. The plans should include the dates by which the City will fill each key position. All key City management positions should be filled during PE;

- Work with the State of Hawaii to establish a State Safety Oversight Agency office to oversee the project;
- Submit a fully developed Rail Fleet Management Plan;
- Have quantifiable metrics for measuring the real status of work, both cost and schedule of all professional service contracts, and any inter-local agreements for participatory services;
- Develop a Contingency Management Plan which will indentify the specific risks, and implement the anticipated mitigation measures;
- Develop an Environmental Mitigation Plan that identifies required environmental mitigation actions and the party responsible for the mitigation, and that will eventually become the basis for quarterly mitigation monitoring and quarterly mitigation reports; and
- Update and implement the Real Estate and Acquisition Plan, the Bus Fleet Management Plan, the Safety and Security Management Plan, and the Quality Management Plan as the project progresses.

As PE proceeds, FTA may provide more detail to the City regarding other deliverables that should be completed prior to requesting approval to enter final design.

Finally, FTA is committed to working closely with the City to identify the next steps in the project development process and to establishing a timeline for achieving these steps based on the current status of the project. We look forward to working closely with the City during the development of the High-Capacity Transit Corridor Project. We are ready to work with you and your staff to achieve the milestones necessary for successful completion of PE. If you have any questions regarding this letter, please contact me at (415) 744-3133.

Sincerely,

Leslie T. Rogers
FTA Regional IX Administrator

cc: T. Hamayasu