



HONOLULU AUTHORITY for RAPID TRANSPORTATION

Daniel A. Grabauskas
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FINANCE
COMMITTEE MEMBERS

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Terri Fujii
VICE CHAIR

George I. Atta
Michael D. Formby
Ford N. Fuchigami
Donald G. Horner
Terrence M. Lee

**Joint Meeting of
Finance Committee and
Project Oversight Committee
Kapolei Hale, Conference Room B
1000 Uluohia Street, Kapolei, Hawaii
Thursday, November 12, 2015 9:00 am**

Agenda

- | | | |
|-------|--|--|
| I. | <u>Call to Order by Chair</u> | PROJECT OVERSIGHT
COMMITTEE MEMBERS |
| II. | <u>Public Testimony on all Agenda Items</u> | Colleen Hanabusa
CHAIR |
| III. | <u>Approval of the October 24, 2015 Minutes of the Joint Meeting of the Finance Committee and Project Oversight Committee</u> | Damien T.K. Kim
VICE CHAIR |
| IV. | <u>Discussion on Budget and Schedule Update</u> | Michael D. Formby
William "Buzz" Hong
Donald G. Horner
Ivan M. Lui-Kwan, Esq. |
| V. | <u>Public Involvement Contract Provisions</u> | |
| VI. | <u>Resolution No. 2015-85 Relating to the Honolulu Authority for Rapid Transportation's Request to the Honolulu City Council for Approval of the Issuance and Sale of Commercial Paper</u> | |
| VII. | <u>Executive Session</u>
Pursuant to Hawaii Revised Statutes Section 92-4 and Section 92-5(a)(4), the Committee may enter into Executive Session to consult with its attorneys on questions and issues on matters pertaining to the Committee's powers, duties, privileges, immunities and liabilities. | |
| VIII. | <u>Adjournment</u> | |

Note: Persons wishing to testify on items listed on the agenda are requested to register by completing a speaker registration form at the meeting or online on the HART section of the www.honolulustransit.org website. Each speaker is limited to a **two-minute** presentation.

Persons who have not registered to speak in advance should raise their hands at the time designated for public testimony and they will be given an opportunity to speak following oral testimonies of the registered speakers.

Any physically challenged person requiring special assistance should call (808) 768-6258 for details at least three days prior to the meeting date.

FFGA Financial Plan Update: **GET Revenue Growth Rate Discussion**

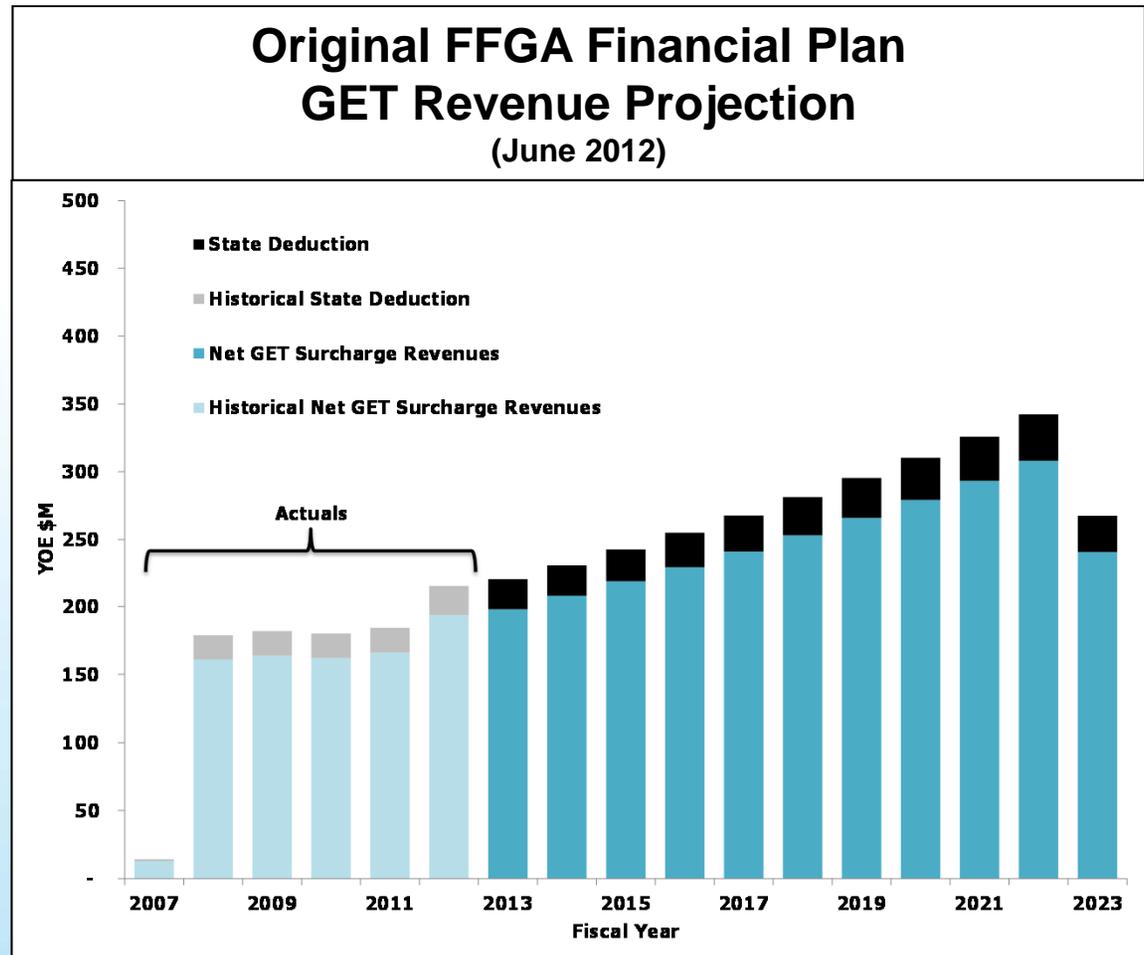
**Michael McGrane
Budget & Finance**

October 15, 2015

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GET Growth Assumptions in Original FFGA Financial Plan

- Original Financial Plan assumes GET Surcharge revenues to grow at the 30 year historical average
 - 5.04% Compounded Annual Growth Rate
- In the original plan, the GET expires on 12/31/2022
- Total FFGA Financial Plan GET revenue totals \$3.291billion
- Actual to Date: \$39 million under plan

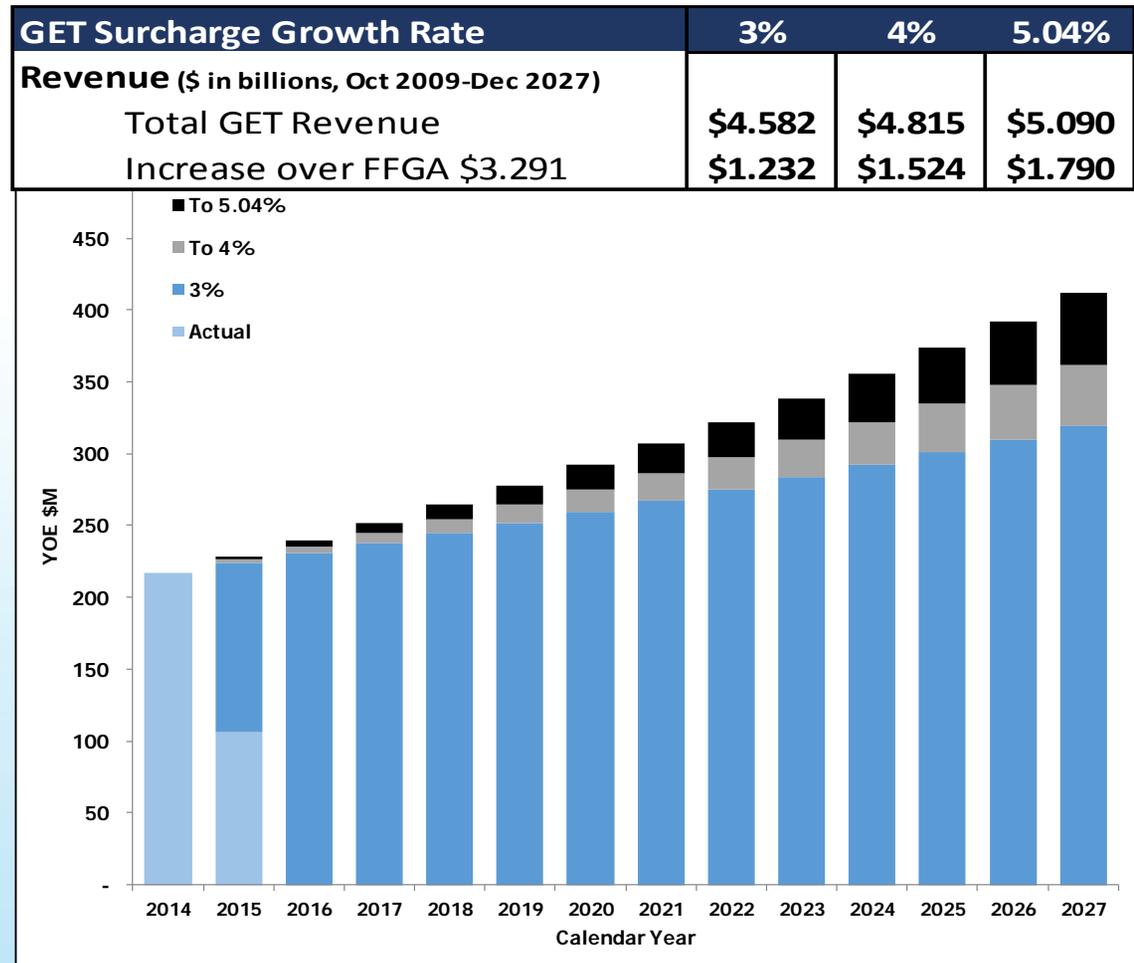


Source: Final Financial Plan for Full Funding Grant Agreement (June 2012), page 2-7.

Note: GET surcharge implemented 1/1/2007. FFGA Financial Plan GET revenues begin with the grant's preliminary engineering date October 16, 2009. 2

GET Growth Assumptions from 3% to 5% through 12/31/2027

- Evaluated growth rates from 3%, 4%, & 5.04%
- Additional GET revenues range from approximately \$1.2 billion to \$1.8 billion
- Actual GET revenue compounded annual growth rate totals 4.07%



Note: Actual to date figure reflects GET receipts in first full Fiscal Year 2007-8 through the latest GET receipt (July 2015)

Refresh Plan at a 4% Growth Rate

- **Refresh uses 4% growth rate in the financial plan that we will submit to the FTA**
 - **Corrects for the \$100 million GET shortfall identified in the December 14, 2014 Board Meeting**
 - **Reflects actual growth rate to date**
 - **Adds \$1.524 billion through the 5 year extension (12/31/2027)**

FFGA Financial Plan Update: Master Project Schedule

**Jeff Mack, P.E.
Project Controls**

FFGA (Full Funding Grant Agreement with the Federal Transit Administration)

Master Project Schedule

- **Update provides information in response to HART Board request and FTA/PMOC refresh**

- **Phase 1 (West Segments)**
 - **West Oahu / Farrington Highway Guideway (WOFH)**
 - **Kamehameha Highway Guideway (KHG)**
 - **East Kapolei to Aloha Stadium (9 Stations)**
 - **Rail Operations Center**
 - **9 Milestone Dates (“A” & “B”)**

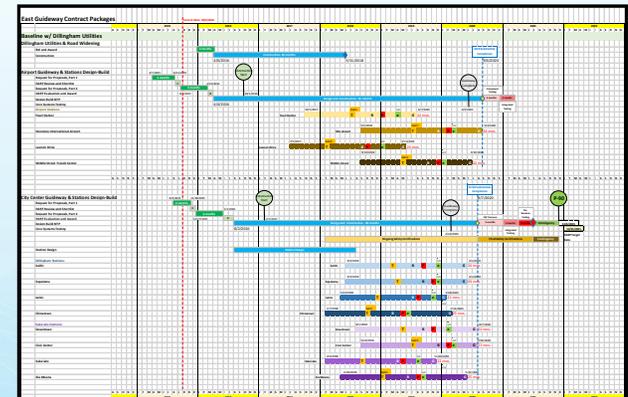
- **Phase 2 (East Segments)**
 - **Airport Guideway (AGS)**
 - **City Center Guideway (CCGS)**
 - **Pearl Harbor to Ala Moana Center (12 Stations)**
 - **6 Milestone Dates (“A” & “B”)**

Subject to review and discussion with the FTA

Master Project Schedule Definitions

Milestone Dates

- **“A” Dates**
 - Substantial Completion of fixed facilities (guideway, stations, etc.)
 - Civil and roadway work complete
 - Major Maintenance of Traffic (MOT) measures are removed
 - Limited impacts on vehicular and pedestrian traffic
 - Establishes the new “normal conditions” along the corridor
- **“B” Dates**
 - Facilities are open for intended use
 - Passenger service
- **Activities between “A” and “B” Dates**
 - Vehicle delivery and systems installation
 - Completion of systems installation
 - Systems and vehicle testing
 - Completion of fire and life safety approval
 - System Certification



Phase 1 (West Segments)



Phase 1 Milestone Dates*

Facilities; guideway; systems (“A” Dates)

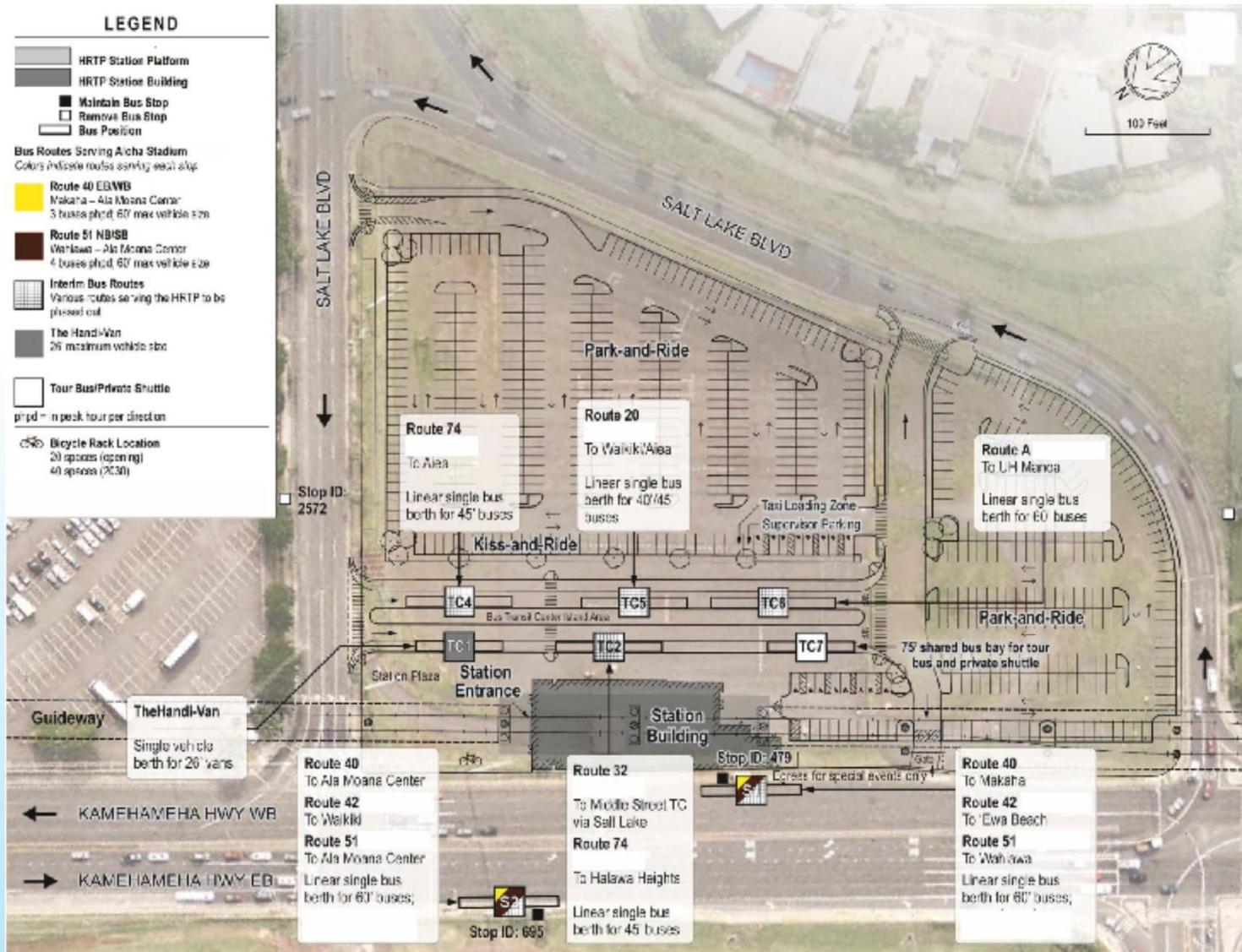
- 1st Vehicles Arrive: **1st Quarter 2016**
- Rail Operations Center: **2nd Quarter 2016**
- West Oahu/Farrington Guideway (6.8 miles): **3rd Quarter 2016**
- Kamehameha Highway Guideway (3.9 miles): **2nd Quarter 2017**
- West Oahu Stations: **4th Quarter 2017**
 - East Kapolei; University of Hawaii/West Oahu; Ho’opili
- Farrington Highway Stations: **1st Quarter 2018**
 - West Loch; Waipahu Transit Center; Leeward Community College
- Kamehameha Highway Stations: **3rd Quarter 2018**
 - Pearl Highlands; Pearlridge; Aloha Stadium
- Systems Certification & Testing: **3rd Quarter 2018**

Phase 1 Milestone (“B” Date)

- Ready for Revenue Service to Aloha Stadium: **3rd Quarter 2018**

*Dates are consistent with Monthly Report dates

Aloha Stadium Station



Phase 1 Milestone Dates

East Kapolei Station to Aloha Stadium Station

- Ready for Revenue Service : **3rd Quarter 2018**

Other Options:

1. Delayed or Deferred Interim Opening

System Operations is beneficial for adding Phase 2 segments

2. East Kapolei to Pearl Harbor

1 additional mile to Pearl Harbor and the Pearl Harbor Station is not in the current scope and would need to be added as a new requirement in the current Airport Segment solicitation

3. East Kapolei to Middle Street (adds Airport Segment)

According to the current contracting plan, this segment will be complete about the same time as the City Center Segment
(3rd Quarter 2020)

Phase 2 (East Segments)



Phase 2 Milestones

Facilities; guideway; systems (“A” Dates)

- Airport Utilities: **3rd Quarter 2016**
- Dillingham Boulevard Advance Utilities: **3rd Quarter 2018**
- Airport Guideway (5.2 miles) & Stations: **3rd Quarter 2020**
 - Pearl Harbor; Honolulu International Airport
 - Lagoon Drive; Middle Street Transit Center
- City Center Guideway (4.2 miles) & Stations: **3rd Quarter 2020**
 - Kalihi; Kapalama; Iwilei; Chinatown
 - Downtown; Civic Center; Kaka’ako; Ala Moana

Phase 2 Milestone (“B” Dates)

- Systems Certification & Testing: **3rd Quarter 2021**
- Ready for Revenue Service: **4th Quarter 2021**

Subject to review and approval by the FTA

Opportunities for Earlier Opening

- **HART Master Project Schedule is based on:**
 - **Current information**
 - **Historical events**
 - **Lessons from ongoing construction operations**
- **Design/Build contractors may have different approaches to the work, such as:**
 - **More resources**
 - **More work zones (headings)**
 - **More efficient way of performing the work**
- **Potential limiting factors:**
 - **Systems installation capability to do concurrent work**
 - **Impact on businesses and traffic**
 - **Third Party access and utility relocations**

Subject to review and approval by the FTA

FFGA Financial Plan Update:

Project Cost Update

Corey Ellis, MBA
Project Controls

10/15/15

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Objectives

- **Provide FFGA Financial Plan update based upon current cost escalation and Project schedule forecast**
- **Compare original FFGA Financial Plan dated June 2012 with refreshed cost and revised revenue and escalation growth percentage**
- **Next Steps**

Project Balance

FFGA:
June 2012
[A]

Project Finances	Value (M's)
Net FFGA Revenue Total ¹	\$5,163
Project Capital Cost	(\$4,948)
Debt Financing Costs	(\$215)
Total Project Cost	(\$5,163)
Project Balance	\$0

¹ Net FFGA Revenue is net of \$193M Project Cash Balance.

Presentation Made:
December 18, 2014
[B]

Project Finances	Value (M's)
Net FFGA Revenue Total ¹	\$5,163
Project Capital Cost	(\$4,948)
Debt Financing Costs	(\$215)
GET Projected shortfall	(\$100)
FTA 5307 Funds Reduction	(\$210)
Lawsuits and Delay Claims	(\$190)
Utility Relocations	(\$50)
Project Enhancements	(\$75)
Construction Cost Escalation	(\$45)
Allocated Contingency	(\$240)
Total Project Cost	(\$5,763)
Project Balance Adjustment	(\$910)

¹ Net FFGA Revenue is net of \$193M Project Cash Balance.

Current Update:
October 15, 2015
[C]

Project Finances	Value (M's)	Slide Ref:
Net FFGA Revenue Total ¹	\$5,163	
Project Capital Cost	(\$4,948)	
Debt Financing Costs	(\$215)	
GET Revenue from Extension ²	\$1,524	
FTA 5307 Funds Reduction	(\$210)	Slide 4
Lawsuits and Delay Claims	(\$190)	Slide 5
Utility Relocations	(\$120)	Slide 6
Project Enhancements	(\$130)	Slide 7
Construction Cost Escalation	(\$240)	Slide 8
Additional Debt Financing Cost	(\$95)	Slide 12
Allocated Contingency	(\$240)	Slide 13
Total Project Cost	(\$6,158)	
Unallocated Contingency	(\$299)	Slide 13
Project Balance	\$0	

¹ Net FFGA Revenue is net of \$193M Project Cash Balance and net of \$110M in added revenue for Public/Private contributions for Pearl Highlands Transit Garage.

² GET Revenue from Extension. Pending City Council Consideration.

FTA Section 5307 Funds – **\$210M**

- **The updated FFGA Financial Plan recommends the \$210M be deleted from Revenue/Contingency funding per Honolulu City Council Resolution No. 15-18.**
- **The Plan update assumes these 5307 funds will be replenished from the pending GET extension.**

Project Delays – Projected \$190M

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

(Data provided to HART Board Dec 18, 2014)

Utility Relocations/Upgrades - Projected \$120M

- The difference between the 6/12 FFGA Financial Plan and 12/14 Plan update (**\$50M**) is primarily due to:
 - 1) Additional cost projected for HEI utility relocations in the City Center segment - **\$25M**
 - 2) Service connection costs for permanent power - **\$5M**
 - 3) Cost to address clearance conflicts with HEI high voltage lines - **\$20M**
- The difference between the 12/14 and 10/15 cost update (**\$70M**) is primarily due to HART's estimated share to underground utilities (Dillingham Blvd)
- The investment in relocation and replacement of utilities along the guideway should improve aging island infrastructure (water, sewage, cable, gas, power, and etc.)

Project Enhancements – Projected \$130M

- Platform Safety Gates - **\$28M** (12/14)
- Additional Seats - **\$2M** (12/14)
- Fare Collection Systems - **\$15M** (12/14)
 - Includes \$10M credit from Ansaldo
- Emergency Backup Generators - **\$15M** (12/14)
- Public Highway Improvements - **\$15M** (12/14) / **\$35M** (10/15)
- Additional Escalators - **\$20M** (10/15)

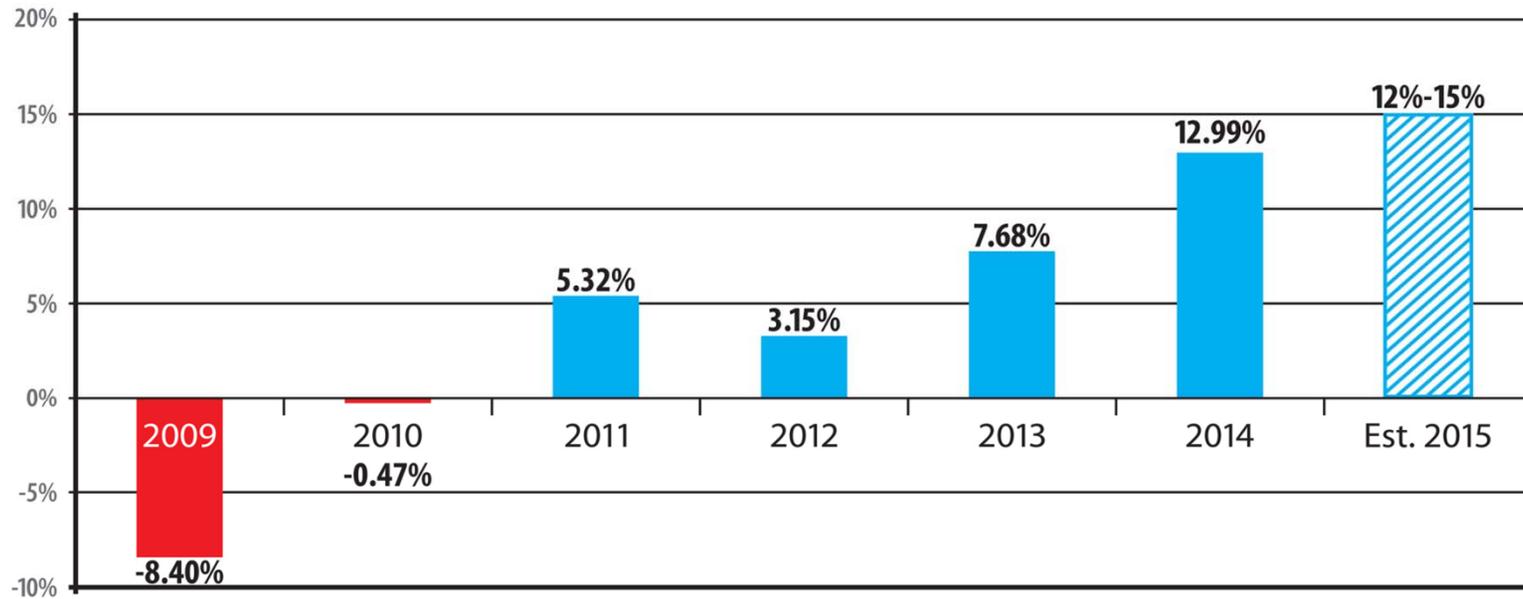
Cost Escalation – Projected \$240M

- The 6/12 FFGA budget utilized an average 4.5% per year rate of cost escalation.
- The actual construction cost escalation for Oahu for years 2013 and 2014 has averaged 10.3% per year, more than double the FFGA estimate.
- Based on most recent cost data*, the estimated construction escalations for Oahu are projected to be 12%-15% for 2015.

*Rider Levett Bucknall

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CONSTRUCTION COST % CHANGE FOR HONOLULU



Reference: Rider Levett Bucknall, Quarterly Construction Cost Reports 2009-2014.
The 2015 projection is based on discussions with Rider Levett Bucknall.

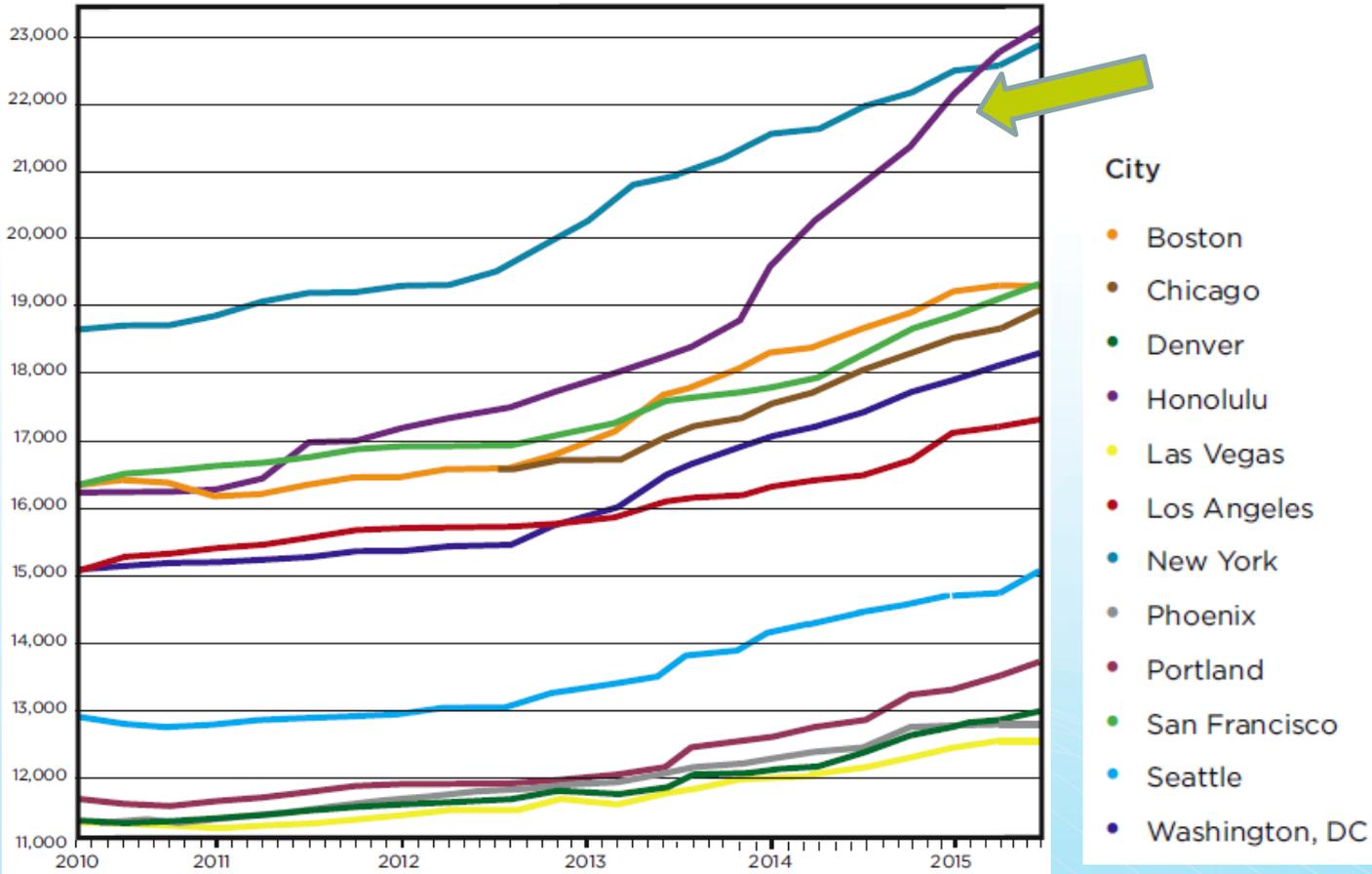
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24-Hour Project Hotline (808) 566-2299

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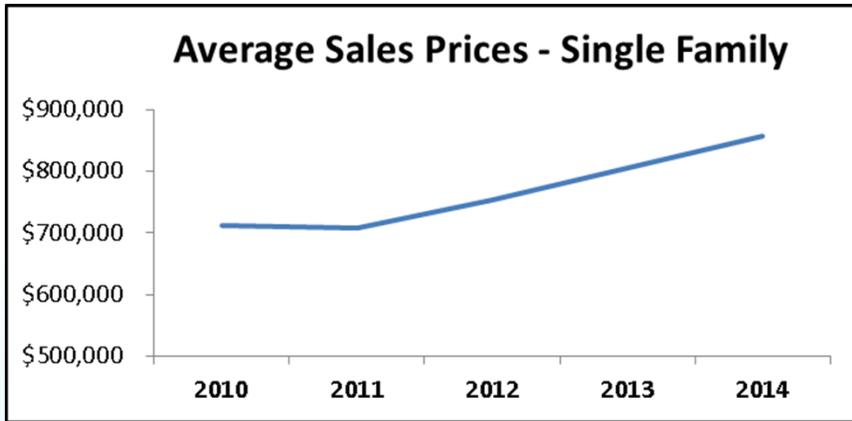
Extraordinary Market Conditions

COMPARATIVE COST INDEX

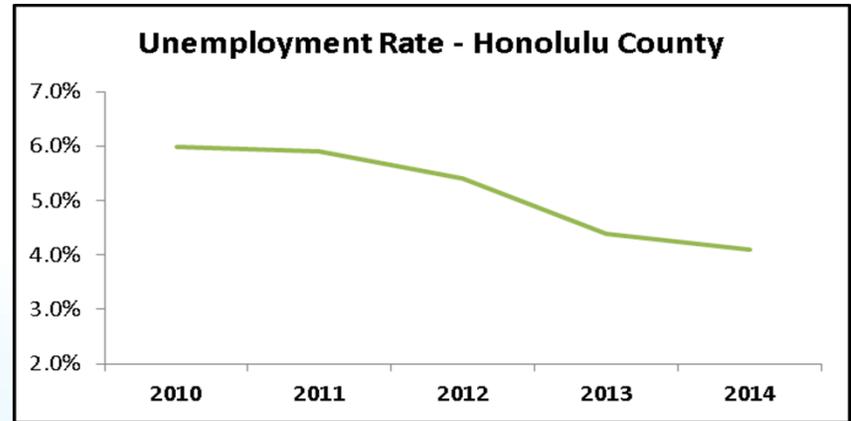


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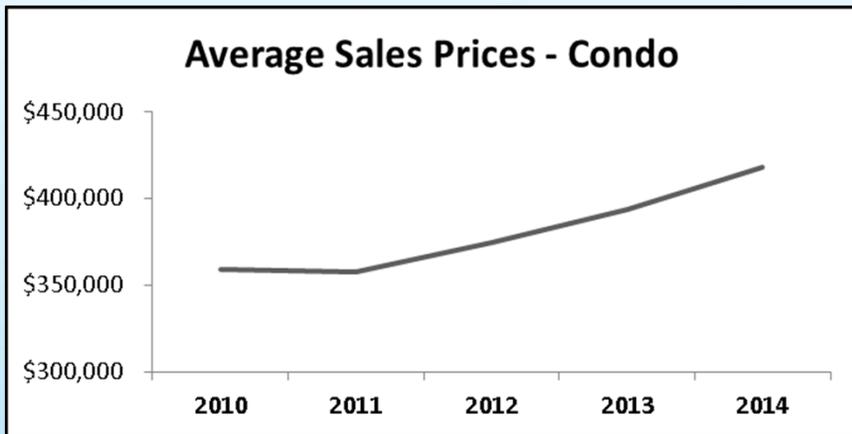
Extraordinary Market Conditions



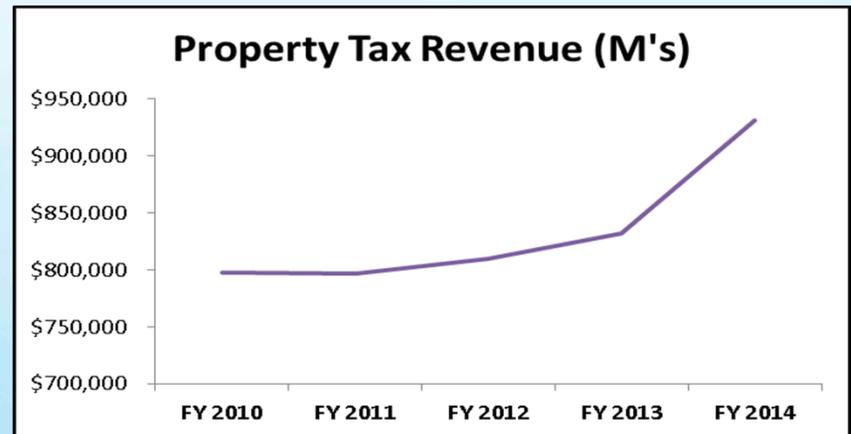
Source: Honolulu Board of Realtors



Source: UHERO Data Portal



Source: Honolulu Board of Realtors



Source: City and County of Honolulu CAFR

Additional Debt Financing - **\$95M**

- The 12/14 cost update did not include additional financing cost for the estimated “\$910M” project deficit.
- The 10/15 cost update assumes the projected cost increases will be financed over the length of the proposed 5 year extension.

Project Contingency - **\$539M**

- The 10/15/15 FFGA updated Financial Plan proposes to replenish contingency by \$240M in allocated and \$299M in unallocated (total \$539M)
- The FTA's most recent recommendation for Project contingency is 13% of Project cost; the updated plan would yield 14%.
- The updated Plan assumes the Pearl Highlands Garage, Freeway Off Ramp and new Bus Transit Facility will cost \$240M compared to \$173M in the 6/12 FFGA forecast. To offset these cost escalations, the Plan projects the garage (\$110mil) will be funded via a Public Private Partnership

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Next Steps

- **Provide updated Financial Plan to FTA Project Management Oversight for their analysis and review.**
- **Provide updated Financial Plan presentation to Administration and City Council.**



Public Involvement Contract Provisions

November 12, 2015

Purpose of Public Awareness and Community Relations Rewrite (GC7.24)

- Increase Contractors' Role and Responsibilities
- Raise public awareness
- Ensure meaningful communications between all affected parties
 - Early
 - Frequent
 - Continuous
- Build public support
- Enable contractor and HART to gain public understanding and perceived impacts
- Incorporate lessons learned from previous construction work
- Incorporate Public Involvement successes from other major municipalities such as Los Angeles

Communication

- Know who is being affected
- Meet with businesses and residents
- Explain the work and time frame
- Listen to the affected parties
 - Businesses
 - Residents
 - Traveling public (pedestrians, cyclists, vehicles)
 - Appointed and Elected officials
 - Stakeholders

Understanding the Impacts

Develop a Business and Residential Impact Mitigation Plan (mirror on Los Angeles success)

- What types of businesses affected?
- How do the businesses in the affected areas operate?
- How are the residential neighborhoods affected?
- Where are the first responders located?
- Where are the medical facilities located?
- Where are the schools and other industrial facilities located?
- What roads are used for commuting?

Maintenance of Traffic Plan Development

- Share with the public early in plan development
- Address meaningful feedback and use in plan development
- Address potential business impacts and business owners' concerns
- Address potential noise and dust impacts
- Address impacts to community traffic
- Build public support for the plan

Implementation of the Plan

- Provide daily public notification via:
 - Business access maps
 - Parking areas
 - Time of work
 - Clear identification of work zones
 - Canvassing
- Weekly reporting
- Establish database of public communications contacts
- Hotline – Respond to issues and work to mitigate

Assessing the Plans Success

- Continued public outreach
- Development and adoption of awareness programs via:
 - Canvassing
 - Business and residential surveys
 - Stakeholder communication
 - Public meetings
 - Hotline
- Obtaining input from public
- Modifying work zones to address local impacts
- Continue to look for solutions to specific impacts

Always Vigilant

- Continued public outreach
- Review actions
- Maintain hotline database
- Provide full-time day-to-day contact with affected project area residents and businesses
- Communicate early and often
- Listen – Learn – React

Mahalo!



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