



HONOLULU AUTHORITY for RAPID TRANSPORTATION

Daniel A. Grabauskas
EXECUTIVE DIRECTOR AND CEO

FINANCE
COMMITTEE MEMBERS

Ivan M. Lui-Kwan, Esq.
CHAIR

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**

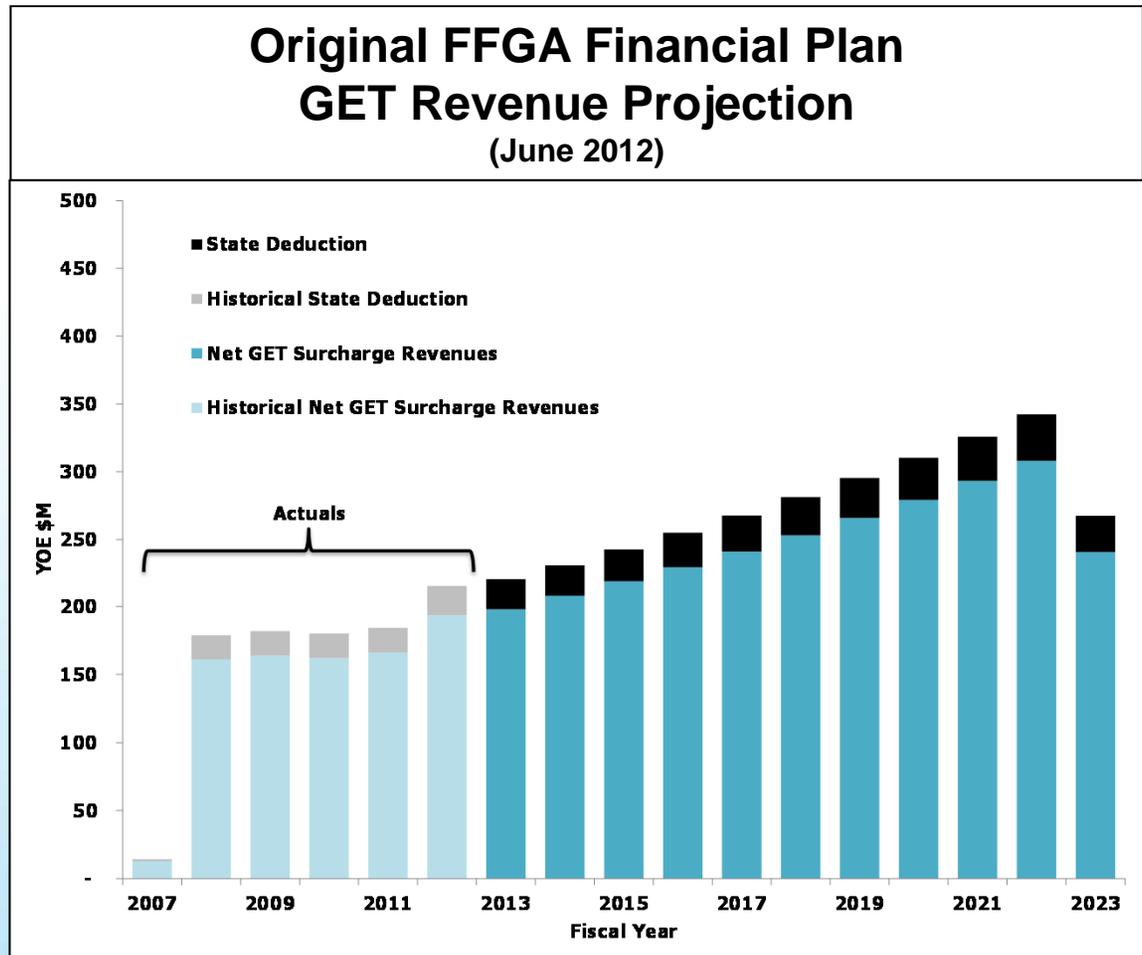
**Michael McGrane
Budget & Finance**

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

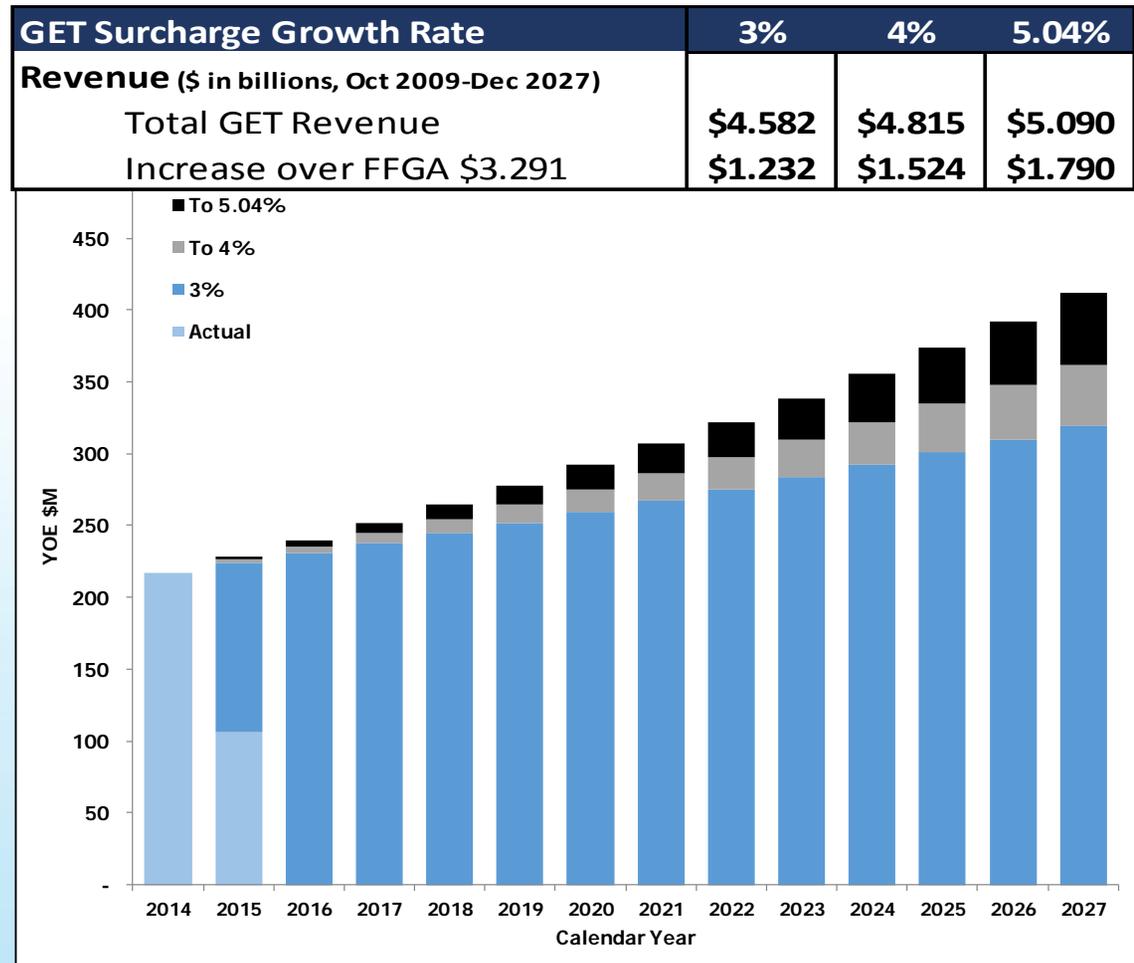


Source: Final Financial Plan for Full Funding Grant Agreement (June 2012), page 2-7.

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”)**

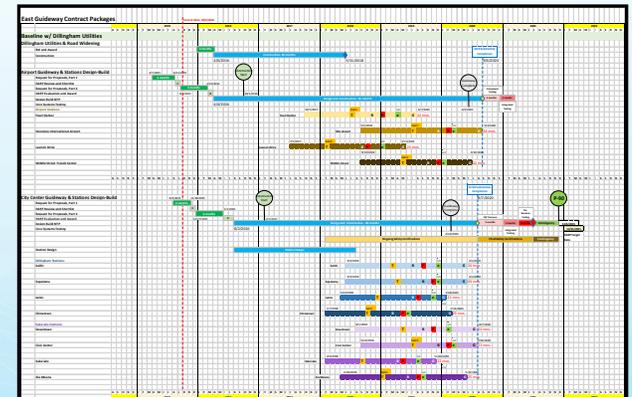
- **Phase 2 (East Segments)**
 - **Airport Guideway (AGS)**
 - **City Center Guideway (CCGS)**
 - **Pearl Harbor to Ala Moana Center (12 Stations)**
 - **6 Milestone Dates (“A” & “B”)**

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)

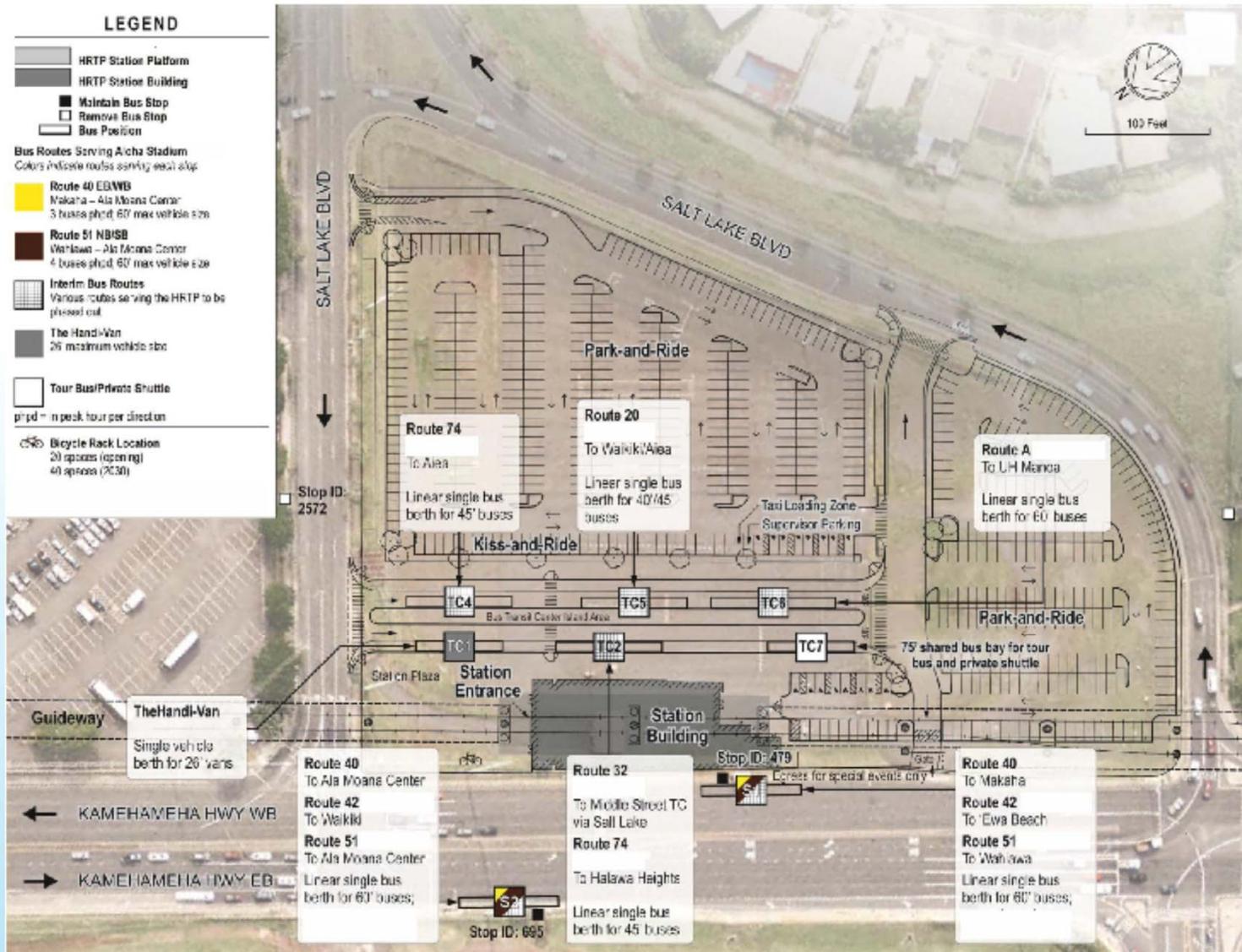
- 1st Vehicles Arrive: **1st Quarter 2016**
- Rail Operations Center: **2nd Quarter 2016**
- West Oahu/Farrington Guideway (6.8 miles): **3rd Quarter 2016**
- Kamehameha Highway Guideway (3.9 miles): **2nd Quarter 2017**
- West Oahu Stations: **4th Quarter 2017**
 - East Kapolei; University of Hawaii/West 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)

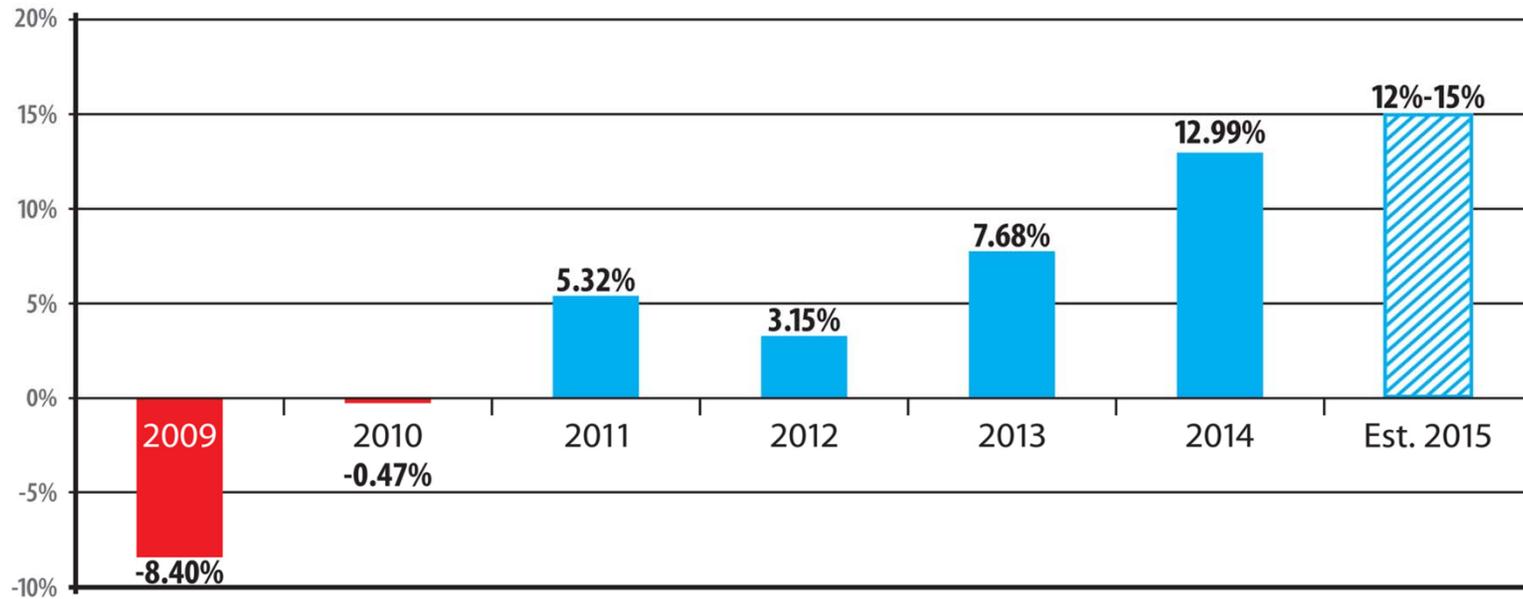
Cost Escalation – Projected \$240M

- 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.

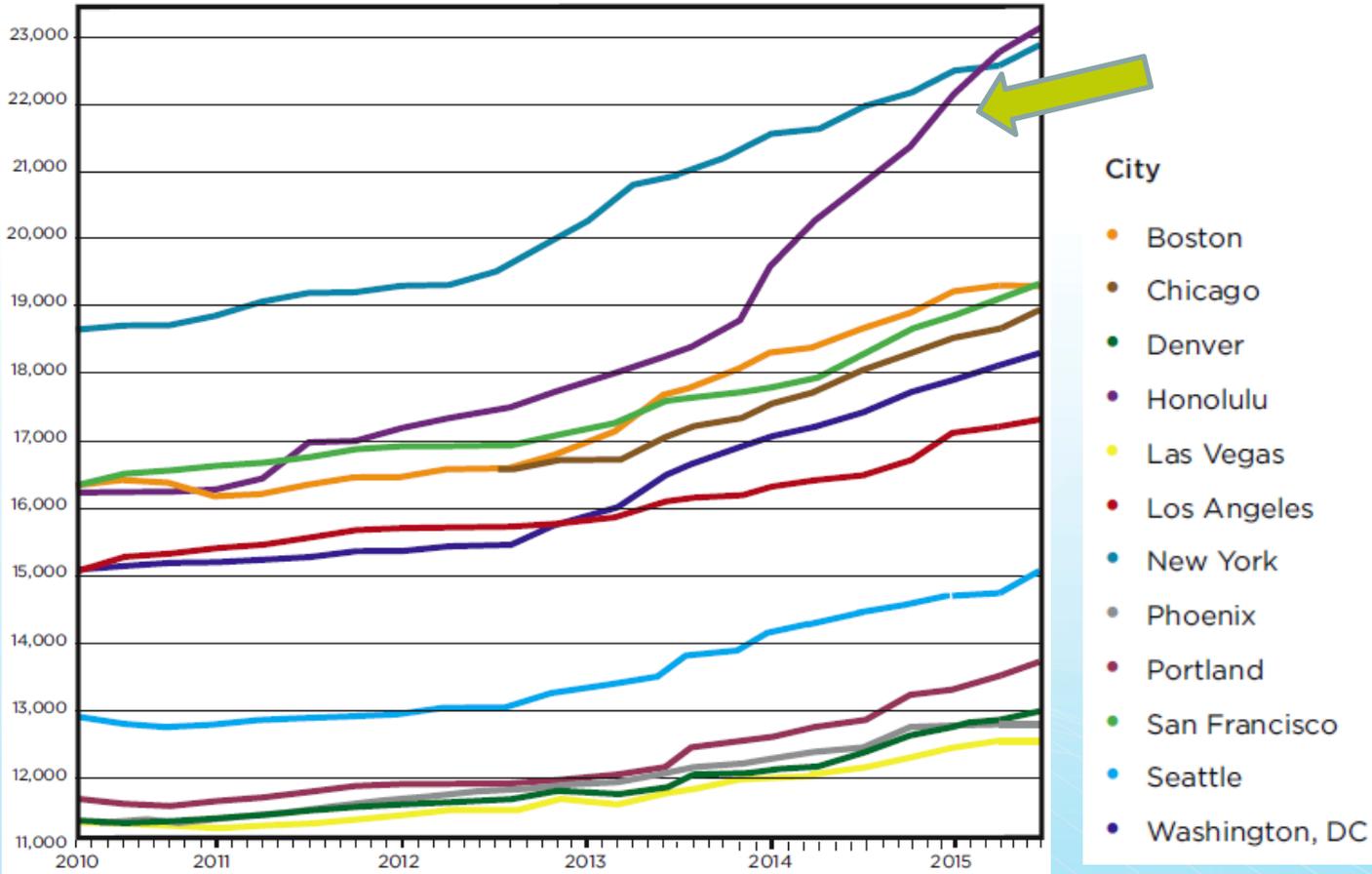
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24-Hour Project Hotline (808) 566-2299

www.HonoluluTransit.org

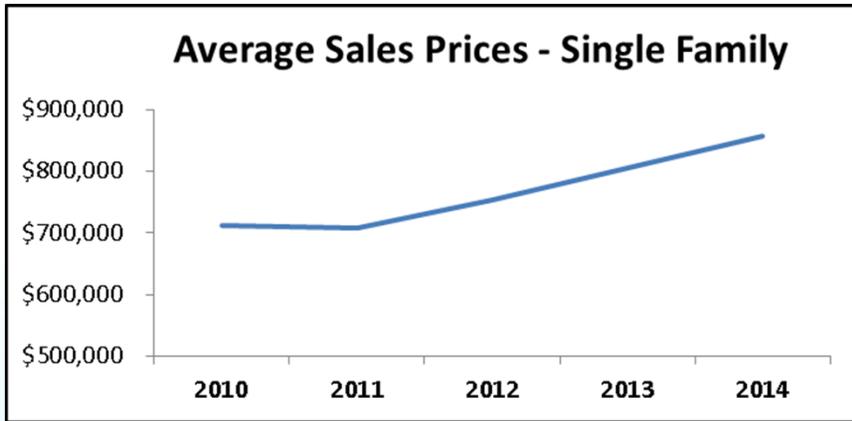
Extraordinary Market Conditions

COMPARATIVE COST INDEX

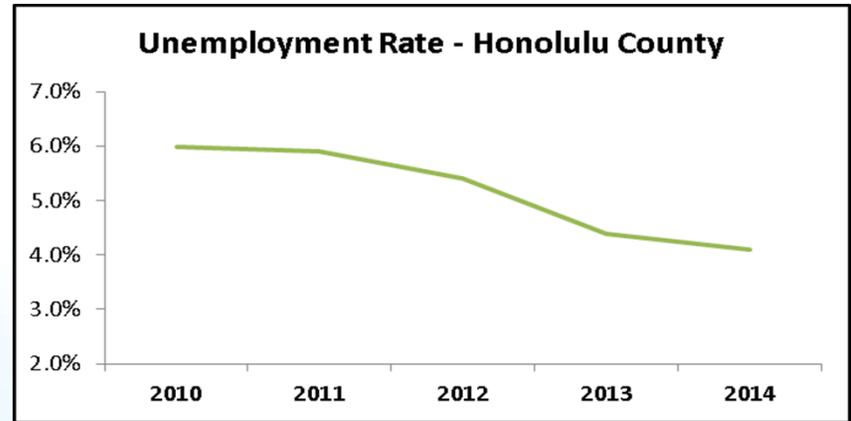


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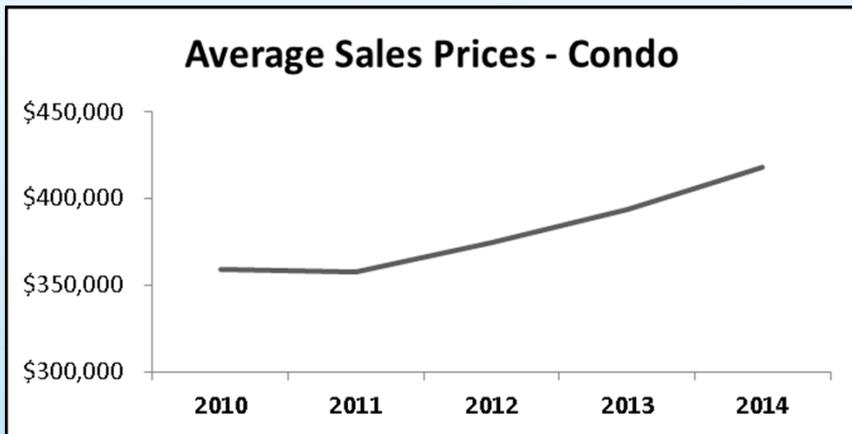
Extraordinary Market Conditions



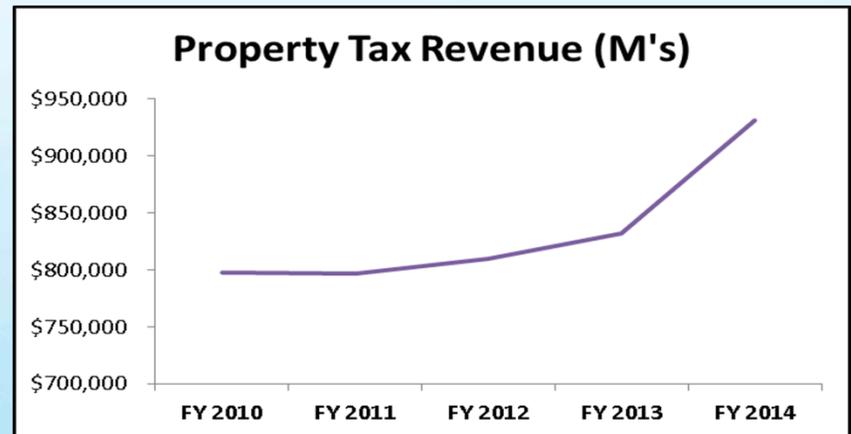
Source: Honolulu Board of Realtors



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

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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 Plan's 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

Summary

General Condition 7.24 has been modified to provide a robust Public Awareness and Community Relations contract requirement which will support:

- HART's Project Management team in improving community relations
- HART's Construction Engineering & Inspection Team's ability to help ensure a successful PA/CR Program through enforcement
- HART's Public Involvement (PI) team in furthering Community Outreach in partnership with the contractor's PI team.
- Will provide a 'spring board' for future discussions revolving around financial outreach to the Business Community.

Mahalo!



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HART

HONOLULU AUTHORITY for RAPID TRANSPORTATION

Honolulu Authority for Rapid Transportation

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

WHEREAS, pursuant to Section 17-109 of Article XVII of the Revised Charter of the City and County of Honolulu 1973, as amended ("Charter"), and at the request of the Honolulu Authority for Rapid Transportation ("HART"), the Honolulu City Council ("Council") may by resolution approve the issuance and sale of bonds for the construction of the Honolulu High Capacity Transit Corridor Project ("HHCTCP"), now known as the Honolulu Rail Transit Project; and

WHEREAS, Ordinance 01-28, as amended by Ordinance 04-36, Ordinance 10-15 and upon its approval Bill 73 (2015), CD1 and as may be further amended ("CP Ordinance"), sets forth the authority of the City and County of Honolulu (the "City") to issue and sell general obligation commercial paper pursuant to certain specified terms; and

WHEREAS, the CP Ordinance increases the maximum amount of such commercial paper permitted to be issued and sold, and expands the purposes for which proceeds of such commercial paper may be applied to include public improvements, including equipment, relating to the HHCTCP; and

WHEREAS, HART is required under Charter Section 17-109 and the CP Ordinance to make a request to the Council for the issuance and sale of bonds and other forms of indebtedness, which can currently take the form of general obligation bonds, general obligation commercial paper notes, general obligation bond anticipation notes and other forms of general obligation indebtedness, which proceeds will be used for the HHCTCP (the "HHCTCP Commercial Paper"); and

WHEREAS, the CP Ordinance requires HART and the City to have entered into a memorandum of understanding subject to the provisions of the CP Ordinance; and

WHEREAS, the memorandum of understanding sets forth the obligations of HART to the City concerning HHCTCP Commercial Paper and providing for HART's reimbursement to the City for any payments of principal and interest and any other costs incurred by the City relating to the issuance of HHCTCP Commercial Paper; and

WHEREAS, HART and the City have entered into the memorandum of understanding pursuant to resolution adopted by or to be adopted by the Council, approving or reapproving the memorandum of understanding and authorizing its execution by the Director of the Department of Budget and Fiscal Services, as well as

the execution of any incidental or related agreements, amendments and documents in furtherance of the memorandum of understanding so long as such agreements, amendments and documents do not incur additional obligations on the part of the City; and

WHEREAS, the CP Ordinance requires the Council to adopt an ordinance or resolution, approved by an affirmative vote of at least two-thirds of the members of the Council, (a) authorizing the issuance, sale and use of proceeds of General Obligation Bonds (including General Obligation Commercial Paper Notes) for the payment of the costs of public improvements, including equipment, relating to the HHCTCP, as well as the payment, refunding or refinancing of the HHCTCP Commercial Paper, and (b) determining the maximum principal amount of such General Obligation Bonds (including General Obligation Commercial Paper Notes) to be issued for such issue;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of HART as follows:

1. That HART hereby requests approval and authorization from the Honolulu City Council for the issuance and sale of HHCTCP Commercial Paper, including renewals and extensions thereof, in one or more issuances, in an aggregate principal amount outstanding at any one time of up to but not to exceed \$350,000,000, relating to the issue currently identified as Issue B (which designation may change from time to time at the discretion of the City).
2. That the issue of HHCTCP Commercial Paper being requested for approval above shall have such further details as shall be determined by the Director of the Department of Budget and Fiscal Services consistent with the provisions of Chapter 47, Hawaii Revised Statutes, and the CP Ordinance.
3. That copies of this Resolution be transmitted to the Honolulu City Council and the Director of the Department of Budget and Fiscal Services.

ADOPTED by the Board of the Honolulu Authority for Rapid Transportation on

_____.

Board Chair

ATTEST:

Board Administrator

Honolulu Authority for Rapid Transportation

STAFF SUMMARY

TITLE: 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

STAFF CONTACT:
Diane Arakaki

DATE:
November 12, 2015

Type:	Goal	Focus Area	Reference Notes
<input checked="" type="checkbox"/> Action/Approval	<input checked="" type="checkbox"/> Project Delivery	<input type="checkbox"/> Livability/Land Use	
<input type="checkbox"/> Information	<input type="checkbox"/> Service Delivery	<input type="checkbox"/> Partnerships	
<input type="checkbox"/> Follow-up	<input checked="" type="checkbox"/> Resource Stewardship	<input type="checkbox"/> Agency Admin.	

1. Purpose:
To request approval and authorization from the Honolulu City Council for the issuance and sale of HHCTCP Commercial Paper.

2. Background/Justification
Interim debt financing is needed to fund the cash flow needs of the project during the peak years of construction. The most efficient, economical and effective way to meet this need is for the City to issue all debt financing for the project; and for HART to pay the cost of issuance, principal, interest and related fees. All costs of the debt for this project will be repaid with the General Excise Tax Surcharge (GET) revenue specifically dedicated to the project and the federal New Starts project grant of \$1.55 billion. HART has entered into a Memorandum of Understanding with the City regarding how the debt financing will be conducted.

3. Procurement Background
The City has conducted procurements, and is in the process of securing access to the necessary debt instruments to meet HART's financing needs.

4. Financial/Budget Impact
The cost of debt financing is included in the project and agency budgets.

5. Policy Impact
N/A

6. Public Involvement
N/A

7. Alternatives
None

8. Exhibits
Memorandum of Understanding between the City and County of Honolulu and the Honolulu Authority for Rapid Transportation Regarding the General Obligation Bonds

Certified and Recommended by:

Executive Director and CEO

11/9/15

Date



A BILL FOR AN ORDINANCE

AMENDING ORDINANCE NO. 01-28.

BE IT ORDAINED BY THE PEOPLE OF THE CITY AND COUNTY OF HONOLULU:

SECTION 1. Purpose. The purpose of this ordinance is to amend the authorization for the City and County of Honolulu (the "City and County") to issue general obligation commercial paper in order to clarify and facilitate the use of such debt.

SECTION 2. Findings and Determinations.

Pursuant to Section 237-8.6 of the Hawaii Revised Statutes ("HRS"), counties are permitted to establish a 0.5% surcharge (to be collected and distributed by the State) (the "County Surcharge") on the existing 4.0% State general excise tax (the "State Excise Tax") in order to fund transportation projects. On August 15, 2005, the Council of the City and County of Honolulu (the "Council") adopted Ordinance 05-027 establishing the County Surcharge, the receipts of which must be spent on either: (a) operating or capital costs of a locally preferred alternative for a mass transit project, or (b) expenses in complying with the Americans with Disabilities Act of 1990 with respect to (a). The Council subsequently adopted Ordinance 07-001 to, among other matters, select a fixed guideway system between Kapolei and the University of Hawaii at Manoa as the local preferred alternative for the Honolulu High Capacity Transit Project (the "HHCTP"), and other actions relating thereto. In addition, on December 16, 2009, the Council adopted Resolution 09-252, CD1, to initiate amendments to the Revised Charter of the City and County of Honolulu 1973, as amended ("Charter"), to create the Honolulu Authority for Rapid Transportation ("HART"), a public transit authority responsible for the planning, construction, operation, maintenance and expansion of the HHCTP.

On July 14, 2010, the Council adopted Ordinance 10-15 amending Ordinance 01-28 to expand the purposes for which proceeds from the City's general obligation commercial paper may be applied to include public improvements to the City and County's wastewater system and the water system managed by the Board of Water Supply of the City and County (the "Board of Water Supply"). Both the City and County and the Board of Water Supply are bound by their revenue bond covenants with respect to the issuance of wastewater system revenue bonds and water system revenue bonds, respectively, that mandate that they each (a) fix, charge and collect rates and other charges that produce revenues sufficient to pay debt service and related obligations; (b) satisfy coverage requirements prior to issuing any additional bonds secured by their respective revenue streams; and (c) maintain reserves for debt service. In addition, both the City and County (with respect to its wastewater system) and the Board of



A BILL FOR AN ORDINANCE

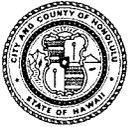
Water Supply have proven credit histories with respect to the timely payments of debt service and both have demonstrated the self-sustainability of their respective systems.

The Council believes that it is necessary to establish certain conditions through a Memorandum of Understanding in connection with the issuance of general obligation commercial paper by the City in connection with the HHCTP to assure that HART reimburses the City and County for any payments of principal and interest and any costs incurred by the City and County relating to the issuance of general obligation commercial paper and other forms of general obligation indebtedness for public improvements, including equipment, relating to the HHCTP.

Therefore, the City Council of the City and County of Honolulu (the "Council") hereby finds and determines: (1) the Council has heretofore adopted Ordinance 01-28, as amended by Ordinance 04-36 and Ordinance 10-15, authorizing the issuance and sale and specifying certain terms of general obligation commercial paper of the City and County, and authorizing and providing for certain related matters; and (2) it is advisable, expedient and in the best interests of the City and County to increase the amount of such commercial paper to be issued and expand the purposes for which proceeds of such commercial paper may be applied to include public improvements relating to the Honolulu High Capacity Transit Project managed by the Honolulu Authority for Rapid Transportation.

SECTION 3. Ordinance 01-28 is amended by amending Section 2 to read as follows:

"SECTION 2. Authorization of Commercial Paper. Pursuant to Chapter 47, Hawaii Revised Statutes, as amended, and the Revised Charter of the City and County, there are hereby authorized for issuance and sale from time to time general obligation notes (the "Commercial Paper" and each a "Commercial Paper note") of the City and County, including renewals and extensions thereof, in an aggregate principal amount at any one time outstanding not to exceed [Three Hundred Fifty Million Dollars (\$350,000,000)] Four Hundred Fifty Million Dollars (\$450,000,000), for the purpose of (a) refunding all or a part of any General Obligation Bonds and any Commercial Paper and any reimbursement obligations to the provider of any credit or liquidity facility as the Director of Budget and Fiscal Services shall determine to be in the best interest of the City and County; (b) paying the cost of any public improvements, including equipment, (1) for which an appropriation is made in a capital budget ordinance, including public improvements relating to the wastewater system of the City and County, [or] (2) public improvements relating to the water system managed by the Board of Water Supply, or (3) if not included in (1) above, public improvements, including equipment, relating to the HHCTP, and for which General Obligation Bonds or Revenue Bonds are authorized to be issued, in advance of the issuance of such General Obligation Bonds or Revenue



A BILL FOR AN ORDINANCE

Bonds, or, in the case of equipment, instead of the issuance of General Obligation Bonds or Revenue Bonds; and (c) paying all costs incurred in the issuance of such Commercial Paper and the refunding of any General Obligation Bonds. The proceeds of the Commercial Paper shall be applied as provided in Section 8 hereof."

SECTION 4. Ordinance 01-28 is amended by amending Section 8 to read as follows:

"SECTION 8. Application of Proceeds. The proceeds of the Commercial Paper are hereby irrevocably appropriated for the purposes set forth herein, and such proceeds, together with any other funds of the City and County which are legally available therefor, shall be deposited as determined by the Director of Budget and Fiscal Services and applied as directed by the Director of Budget and Fiscal Services:

(1) to the payment of costs of public improvements, including equipment, (a) authorized pursuant to any capital budget ordinance of the City and County, including public improvements relating to the wastewater system of the City and County, to the extent the appropriation for such costs has not lapsed or been satisfied, [or] (b) public improvements relating to the water system managed by the Board of Water, for which the Board of Water Supply has submitted a request by resolution of the Board of Directors of the Board of Water Supply to the Council of the City and County to issue general obligation commercial paper for such improvements, or (c) if not included in (a) above, public improvements, including equipment, relating to HHCTP;

(2) to pay the principal of, premium (if any) and interest on any General Obligation Bonds or Commercial Paper or obligations to the provider of any credit or liquidity facility to be refunded; and

(3) to pay costs of issuance of the Commercial Paper and any related refunding, including without limitation, the initial fees of any issuing and paying agents or registrars, the fees of any dealers, financial consultants and bond counsel, rating agency fees, escrow agent fees, fees for verification of refunding escrow calculations, fees and expenses for any liquidity or credit enhancement, the cost of preparation of any documentation relating to the Commercial Paper, including any offering document and definitive Commercial Paper, and any cost of publications required by law.

Pending the time the proceeds of the Commercial Paper are required to pay any General Obligation Bonds to be refunded as provided in (2) above, the proceeds of such Commercial Paper, together with any other funds of the City and County which are legally available therefor, may be held by the Director of Budget and Fiscal Services in trust for such purposes or may be held by a financial institution selected by the Director of Budget and Fiscal Services to serve as escrow agent under an escrow agreement,



A BILL FOR AN ORDINANCE

such agreement to be in such form and containing such terms and provisions as the Director of Budget and Fiscal Services deems appropriate, and, in either case, invested as permitted by law. The Director of Budget and Fiscal Services is hereby authorized and directed to serve as such escrow agent or to select a qualified financial institution to serve in such capacity, and to determine the form and terms of any such escrow agreement and any fee agreement to be entered into with such financial institution. The Director of Budget and Fiscal Services is hereby further authorized and directed to determine the date or dates upon which the General Obligation Bonds or portions thereof are to be redeemed and to give or cause to be given any appropriate notices of such redemption."

SECTION 5. Ordinance 01-28 is amended by adding a new Section 14 to read as follows:

"SECTION 14. HHCTP Commercial Paper. Notwithstanding anything to the contrary contained herein, each issue of Commercial Paper by the City and County, the proceeds of which will be applied to fund the payment of costs of public improvements, including equipment, relating to the HHCTP (the "HHCTP Commercial Paper"), shall be subject to the following conditions precedent:

(1) the Council shall have adopted an ordinance or resolution, whichever is required, approved by affirmative vote of at least two-thirds of the members of the Council (a) authorizing the issuance, sale and use of proceeds of General Obligation Bonds for the payment of the costs of public improvements, including equipment, relating to the HHCTP, as well as the payment, refunding or refinancing of the HHCTP Commercial Paper, and (b) determining the maximum principal amount of such General Obligation Bonds to be issued for such issue;

(2) HART shall submit a request in writing to the Council in the form of a resolution adopted by the Board of Directors of HART setting forth the details of such request and issue of HHCTP Commercial Paper; and

(3) the City and HART shall enter into a memorandum of understanding subject to the provisions of Section 15.

SECTION 6. Ordinance 01-28 is amended by adding a new Section 15 to read as follows:

"SECTION 15. Memorandum of Understanding Relating to HART. Prior to the initial issuance of HHCTP Commercial Paper, the City and County shall submit to the Council a memorandum of understanding setting forth the obligations of HART to the City and County concerning the HHCTP Commercial Paper and other forms of general



A BILL FOR AN ORDINANCE

obligation indebtedness. The memorandum of understanding shall require that the City and County be reimbursed by HART for any payments of principal and interest and any other costs incurred by the City and County relating to the issuance of HHCTP Commercial Paper and other forms of general obligation indebtedness. HART shall not submit the request referenced in paragraph (2) of Section 14 unless the Council has approved such memorandum of understanding by resolution."

SECTION 7. Repeal of Conflicts. All ordinances and resolutions, and any portions of ordinances and resolutions, heretofore enacted or adopted by the Council which are in conflict or inconsistent with any provision of this ordinance shall be and are hereby repealed to the extent of such conflict or inconsistency. Except amended hereby and by Ordinance 04-36 and Ordinance 10-15, Ordinance 01-28 shall remain in full force and effect.

SECTION 8. In sections 3, 4, 5 and 6 of this ordinance, ordinance material to be deleted is bracketed and new ordinance material is underscored. In these sections, the titles of the sections are underscored because the titles were underscored in Ordinance 01-28.



A BILL FOR AN ORDINANCE

SECTION 9. Effective Date. This ordinance shall take effect upon the execution of the Full Funding Grant Agreement for the HHCTP.

INTRODUCED BY:

Ernest Martin (BR)

DATE OF INTRODUCTION:

April 17, 2012
Honolulu, Hawaii

Councilmembers

APPROVED AS TO FORM AND LEGALITY:

Angie K. Iwata
Deputy Corporation Counsel

APPROVED this 15TH day of June, 20 12.

Peter B. Carlisle
PETER B. CARLISLE, Mayor
City and County of Honolulu

CITY COUNCIL
CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAII
C E R T I F I C A T E

ORDINANCE **12-17**

BILL 37 (2012), FD1, CD1

Introduced: 04/17/12 By: ERNEST MARTIN (BR)

Committee: LEGISLATIVE MATTERS

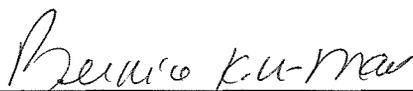
Title: A BILL FOR AN ORDINANCE AMENDING ORDINANCE NO. 01-28

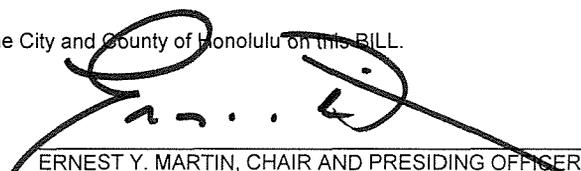
Links: [BILL 37 \(2012\)](#)
[BILL 37 \(2012\), FD1](#)
[BILL 37 \(2012\), FD1, CD1](#)
[CR-143](#)
[CR-196](#)

Voting Legend: Y= Aye, Y* = Aye w/Reservations, N = No, A = Absent, ABN = Abstain

COUNCIL	04/25/12	BILL AMENDED TO FD1.							
ANDERSON	Y	BERG	Y	CACHOLA	Y	CHANG	A	GABBARD	Y
GARCIA	Y	HARIMOTO	Y	KOBAYASHI	Y	MARTIN	Y		
		BILL PASSED FIRST READING AND REFERRED TO COMMITTEE ON LEGISLATIVE MATTERS.							
ANDERSON	Y	BERG	N	CACHOLA	Y*	CHANG	A	GABBARD	Y*
GARCIA	Y	HARIMOTO	Y	KOBAYASHI	N	MARTIN	Y		
PUBLISH	04/28/12	PUBLIC HEARING NOTICE PUBLISHED IN THE HONOLULU STAR-ADVERTISER.							
LEGISLATIVE MATTERS	04/30/12	CR-143 – BILL REPORTED OUT OF COMMITTEE FOR PASSAGE ON SECOND READING AND SCHEDULING OF A PUBLIC HEARING.							
COUNCIL/PUBLIC HEARING	05/09/12	CR-143 ADOPTED. BILL PASSED SECOND READING, PUBLIC HEARING CLOSED AND REFERRED TO COMMITTEE ON LEGISLATIVE MATTERS.							
ANDERSON	Y	BERG	N	CACHOLA	Y*	CHANG	A	GABBARD	Y*
GARCIA	Y	HARIMOTO	Y	KOBAYASHI	N	MARTIN	Y		
PUBLISH	05/21/12	SECOND READING NOTICE PUBLISHED IN THE HONOLULU STAR-ADVERTISER.							
LEGISLATIVE MATTERS	05/23/12	CR-196 – BILL REPORTED OUT OF COMMITTEE FOR PASSAGE ON THIRD READING AS AMENDED IN <u>FD1, CD1</u> FORM.							
COUNCIL	06/06/12	CR-196 ADOPTED AND BILL 37 (2012), FD1, CD1 PASSED THIRD READING AS AMENDED.							
ANDERSON	Y	BERG	N	CACHOLA	Y*	CHANG	Y	GABBARD	Y*
GARCIA	Y	HARIMOTO	Y	KOBAYASHI	N	MARTIN	Y		

I hereby certify that the above is a true record of action by the Council of the City and County of Honolulu on this BILL.


BERNICE K. N. MAU, CITY CLERK


ERNEST Y. MARTIN, CHAIR AND PRESIDING OFFICER



RESOLUTION

AUTHORIZING THE DIRECTOR OF THE DEPARTMENT OF BUDGET AND FISCAL SERVICES OF THE CITY AND COUNTY OF HONOLULU OR THE DIRECTOR'S DESIGNEE TO ENTER INTO A MEMORANDUM OF UNDERSTANDING WITH THE HONOLULU AUTHORITY FOR RAPID TRANSPORTATION HART REGARDING THE GENERAL OBLIGATION BONDS.

WHEREAS, pursuant to the Revised Charter of the City and County of Honolulu 1973, as amended, Section 17-109, the Honolulu City Council ("Council"), at the request of HART, may authorize the City and County of Honolulu ("City") to issue bonds, which can currently take the form of general obligation bonds, general obligation commercial paper notes, general obligation bond anticipation notes and other forms of general obligation indebtedness for the Honolulu High Capacity Transit Corridor Project ("HHCTCP"), now known as the Honolulu Rapid Transit Project; and

WHEREAS, the Council enacted Ordinance 12-17, which amended the authorization for the City to issue general obligation commercial paper to increase the amount of such commercial paper to be issued and to expand the purposes for which proceeds of such commercial paper may be applied to include public improvements, including equipment, relating to the HHCTCP; and

WHEREAS, Ordinance 12-17 amended Ordinance 01-28 to require that each issuance of commercial paper by the City, the proceeds of which will be applied to fund the payment of costs of public improvements, including equipment, relating to the HHCTCP (the "HHCTCP Commercial Paper"), shall be subject to the following conditions precedent:

- (1) the Council shall have adopted an ordinance or resolution, whichever is required, approved by affirmative vote of at least two-thirds of the members of the Council (a) authorizing the issuance, sale and use of proceeds of General Obligation Bonds for the payment of the costs of public improvements, including equipment, relating to the HHCTCP, as well as the payment, refunding or refinancing of the HHCTCP Commercial Paper, and (b) determining the maximum principal amount of such General Obligation Bonds to be issued for such issue;
- (2) HART shall submit a request in writing to the Council in the form of a resolution adopted by the Board of Directors of HART setting forth the details of such request and issue of HHCTCP Commercial Paper; and
- (3) the City and HART shall enter into a memorandum of understanding subject to the provisions of Ordinance 01-28, Section 15; and



RESOLUTION

WHEREAS, Section 15 of Ordinance 01-28, as amended by Ordinance 04-36, Ordinance 10-15 and Ordinance 12-17, requires that prior to the initial issuance of HHCTCP Commercial Paper, the City shall submit to the Council a memorandum of understanding (1) setting forth the obligations of HART to the City concerning the HHCTCP Commercial Paper and other forms of general obligation indebtedness and (2) requiring that the City be reimbursed by HART for any payments of principal and interest and any other costs incurred by the City relating to the issuance of HHCTCP Commercial Paper and other forms of general obligation indebtedness; and

WHEREAS, a copy of the proposed memorandum of understanding between the City and HART is attached hereto as "Exhibit A" and incorporated herein by this reference; now, therefore,

BE IT RESOLVED by the Council of the City and County of Honolulu that:

- (1) Pursuant to Ordinance 12-17 and Ordinance 01-28, as amended, the Council hereby consents to and approves of the memorandum of understanding between the City and HART, in the form attached hereto as Exhibit A;
- (2) The Director of the Department of Budget and Fiscal Services or the Director's designee is authorized to execute the memorandum of understanding with HART in the form attached hereto as Exhibit A; and
- (3) The Director of the Department of Budget and Fiscal Services or the Director's designee is authorized to execute any incidental or related agreements, amendments and documents in furtherance of the above agreement so long as such agreements, amendments and documents do not incur additional obligations on the part of the City; and



RESOLUTION

BE IT FINALLY RESOLVED that copies of this Resolution be transmitted to the Director of the Department of Budget and Fiscal Services, whose mailing address is 530 South King Street, Room 208, Honolulu, Hawaii 96813; and the Executive Director and Chief Executive Officer of HART, whose mailing address is 1099 Alakea Street, Suite 1700, Alii Place, Honolulu, Hawaii 96813.

INTRODUCED BY:

Ernest Martin (BR)

DATE OF INTRODUCTION:

January 8, 2015
Honolulu, Hawaii

Councilmembers

**MEMORANDUM OF UNDERSTANDING
BETWEEN THE CITY AND COUNTY OF HONOLULU AND
THE HONOLULU AUTHORITY FOR RAPID
TRANSPORTATION REGARDING THE GENERAL
OBLIGATION BONDS**

This MEMORANDUM OF UNDERSTANDING (“MOU”) is entered into and effective as of _____, 2015, by and between the City and County of Honolulu (“City”) whose mailing address is 530 South King Street, Room 208, Honolulu, Hawaii 96813, and the HONOLULU AUTHORITY FOR RAPID TRANSPORTATION (“HART”), City and County of Honolulu, whose mailing address is 1099 Alakea Street, Suite 1700, Honolulu, Hawaii 96813. The City and HART are collectively referred to as the “Parties.”

WHEREAS, pursuant to amendments to the Revised Charter of the City and County of Honolulu 1973, as amended (“Charter” or “RCH”), including Article XVII, HART was established, effective July 1, 2011, as a public transit authority responsible for the planning, construction, operation, maintenance and expansion of the Honolulu High Capacity Transit Corridor Project (now known as the Honolulu Rail Transit Project (“HRTTP”)); and

WHEREAS, by Act 247 (2005), codified at Hawaii Revised Statutes (“HRS”) Section 46-16.8, a county surcharge on the state general excise and use tax was authorized to fund public transportation systems; and

WHEREAS, by Ordinance 05-027, codified at Revised Ordinances of Honolulu 1990 (“ROH”) section 6-60.1, there was established a one-half percent general excise and use tax surcharge for funding the operating and capital costs of the HRTTP; and

WHEREAS, in the Charter amendments that created HART, there was established a special transit fund (the “Transit Fund”) pursuant to Article XVII, Section 17-114 of the Charter, into which shall be transferred the county surcharge on state tax (the “county surcharge”) and all revenues generated by the fixed guideway system; and

WHEREAS, pursuant to the Charter amendments that created HART, the Honolulu City Council (“Council”) when requested by HART may authorize the City to issue bonds, which can currently take the form of general obligation bonds, general obligation commercial paper notes, general obligation bond anticipation notes and other forms of general obligation indebtedness for the HRTTP; and

WHEREAS, on December 5, 2012, the Council adopted Resolution 12-322 authorizing the City to enter into a Full Funding Grant Agreement with the federal government for the HRTTP, providing grant funding in the amount of \$1.55 billion; and

WHEREAS, the Full Funding Grant Agreement, entered into on December 19, 2012 between the City and the Federal Transit Administration, references project capital cash flow schedules requiring debt financing; and

WHEREAS, such debt financing is to be used only for the completion of the H RTP; and

WHEREAS, the City and HART share the mutual objective of financing the H RTP in the most cost-efficient and effective manner by working together to ensure timely cash availability at the lowest possible cost to the taxpayers;

NOW, THEREFORE, in consideration of the foregoing, and of any general obligation bonds, general obligation bond anticipation notes, general obligation commercial paper notes, or any other form of general obligation indebtedness or obligation that constitutes a first charge on the General Fund of the City in accordance with the Constitution and other laws of the State of Hawaii issued by or entered with the City in whole or in part to finance the acquisition, construction, replacement, rehabilitation, approved extension or completion of the H RTP or related facilities or purposes (collectively, "Project Bonds"), HART and the City agree as follows:

ARTICLE I.

COVENANTS OF HART

Section 1.01 HART shall, at all times, (a) manage and control moneys made available to HART in the Transit Fund (and other funds under the control of HART) so that there will be sufficient moneys available to punctually pay or cause to be paid all amounts payable under this MOU and the Project Bonds and other related documents and (b) duly observe and perform all of the conditions, covenants and requirements set forth in this MOU and the Project Bonds and other related documents.

Section 1.02 So long as any Project Bonds are outstanding, HART shall not suffer or permit any change, restriction, impairment, modification or alteration to the receipt, collection, deposit, transfer or payment of HART revenues (as defined in Section 3.01 hereof) either hereunder or in any other manner in any material respect, without the written concurrence of the City.

Section 1.03 HART hereby grants to the City a first priority security interest in all amounts held or required to be deposited in the Transit Fund or other applicable accounts or funds, all HART revenues (as defined in Section 3.01 hereof), and all amounts of money held by HART derived from HART revenues including investment income thereon, in order to secure obligations of HART to the City under this MOU.

Section 1.04 HART shall (a) obtain the consent of the City prior to entering into or issuing any other forms of indebtedness (including, but not limited to, bonds, notes, leases, federal or state loans and bank lines of credit and letters of credit) either (i)

relating to the HRTP, or (ii) secured by HART funds (as defined in Section 3.01 hereof); and (b) prior to the issuance or execution thereof, provide to the City any agreement and other documents relating thereto.

Section 1.05 HART shall promptly notify the City Director of Budget and Fiscal Services and the Council of

- (a) the existence and status of any litigation, or the passage of any federal, state or local ordinance, law or rule not of general applicability to all persons, either of which could reasonably be expected to have a material adverse effect on (i) the financial condition or operations of HART, including, but not limited to, HART revenues (as defined in Section 3.01 hereof), (ii) the Project Bonds or (iii) the enforceability or validity of any of this MOU or any related documents;
- (b) any change in any material fact or circumstance represented or warranted in this MOU or in any other related documents; and
- (c) any communications, reports or financial statements delivered or received by it from any taxing authority or rating agency with respect to the transactions contemplated hereby (together with a copy of such communication, report, or statement).

Section 1.06 HART shall ensure that all data, certificates, reports, opinions of counsel, documents and other information furnished to the City and the Council, whether pursuant to this MOU, or in connection with or pursuant to an amendment or modification of, or waiver under, this MOU, shall, at the time the same are so furnished, (a) be complete and correct in all material respects to the extent necessary to give the City and the Council true and accurate knowledge of the subject matter thereof, and (b) not contain any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading, and the furnishing of the same to the City and the Council shall constitute a representation and warranty by HART to that effect. Each financial statement furnished to the City and the Council, whether pursuant to this MOU, or in connection with or pursuant to an amendment or modification of, or waiver under, this MOU, shall, at the time the same is so furnished, fairly present the financial condition and results of operations of HART.

ARTICLE II.

ISSUANCE AND SALE OF PROJECT BONDS

Section 2.01 The City shall be responsible for the issuance and sale of Project Bonds pursuant to HRS Chapter 47, County Bonds, to meet the project capital cash flow requirements as shown in Attachment A to this MOU, entitled "Updated Financing Plan: Table A-1, Capital Plan Cash Flows" (the "Plan"). Issuance will be a distinct series and not commingled with other City projects.

Section 2.02 The Plan may be modified by mutual agreement between the City and HART during the term of the MOU as needed based on updated project cash flow needs and financial market conditions.

Section 2.03 Pursuant to HRS Section 47-4 and RCH Section 17-109, HART will submit a request to the Council in the form of a resolution adopted by the Board of Directors of HART, requesting the issuance and sale of Project Bonds.

Section 2.04 The Project Bonds shall mature on a date not later than December 31, 2023.

Section 2.05 HART shall provide any information requested by the City in connection with obtaining or maintaining ratings on such Project Bonds, selling those bonds or complying with any continuing disclosure undertaking the City is required to make in connection with the sale of the Project Bonds.

Section 2.06 HART consents to the inclusion by the City of any or all of this MOU or reference to it in any of its documents comprising a contract with the holders of those Project Bonds or in its offering or disclosure documents relating to those bonds, and, whether or not so included, for this MOU to be enforceable against HART by the City or by or on behalf of the bondholders of Project Bonds.

Section 2.07 HART shall be a party to or otherwise bound by and responsible for compliance with any tax covenants, certificates or agreements entered into by the City in connection with the issuance of such Project Bonds, related to establishing and preserving the (A) exemption of interest on those bonds from federal income taxation; or (B) treatment of those bonds as tax credit or tax subsidy bonds.

Section 2.08 HART shall keep adequate records and books of account, in which complete entries will be made (including, but not limited to any applicable records of HART that relate to Project Bonds, expenditure of Project Bond proceeds and use of facilities financed with Project Bond proceeds) reflecting all financial transactions of HART; and at any reasonable time and from time to time, permit and otherwise provide access to the City or any agents or representatives thereof to examine and make copies of and abstracts from the records and books of account of, and visit the properties of, HART and to discuss the affairs, finances and accounts of HART with any of the HART's officers, trustees and independent auditors (and by this provision, allow HART's auditors to discuss with the City or its agents or representatives, the affairs, finances and accounts of HART).

Section 2.09 HART shall provide to the City Director of Budget and Fiscal Services and the Council, monthly cash flow schedules detailing and updating the financial requirements for the HRTP.

Section 2.10 The City shall provide HART with cost estimates of all financing costs prior to issuance of debt instruments including the cost of bond counsel, underwriters, consultants, agents, advisors or other counsel (collectively, "finance team members" and each individually a "finance team member") for any work undertaken in connection with

this MOU and the issuance of Project Bonds from proceeds of the next issue of general obligation bonds.

Section 2.11 Upon securing debt financing, the City shall provide HART with all actual financing costs to be charged to HART.

ARTICLE III.

PROVISIONS AS TO PAYMENT OF PRINCIPAL, INTEREST AND OTHER PROJECT BOND ASSOCIATED COSTS

Section 3.01 HART hereby consents to the transfer by the City of, moneys derived from the county surcharge on state tax (the "county surcharge"), lease revenues, concessionaire revenues, farebox revenues (to the extent necessary to pay debt service next coming due on Project Bonds), state or federal grant moneys (to the extent not restricted by the grantor to other purposes), and any other moneys that are deposited into the Transit Fund or other fund under the control of HART, including any investment income thereon ("HART revenues"),

(a) in the amounts of, and on or before the times as set forth in Section 3.02 hereof, any principal or interest or redemption premium that are from time to time due and payable on those Project Bonds, and

(b) in the amounts of, and at the time any costs are incurred by the City in connection with issuance of those Project Bonds, that are not paid from proceeds of those bonds, as well as any ongoing costs relating thereto, including but not limited to, costs relating to post-issuance compliance; tax compliance; rebate; continuing disclosure; bank, rating agencies, credit enhancement, paying agent, and remarketing fees; and costs in connection with any audits.

Section 3.02 HART agrees to the transfer by the City, on or before the 25th day in each month, from the Transit Fund to an account within the city treasury dedicated for the payment of Project Bonds (the "Project Bond Debt Service Account" in the General Obligation Bond and Interest Redemption Fund) a sum equal to (a) one-sixth (1/6) of the amount of interest becoming due and payable under all Project Bonds on the next succeeding interest payment date, plus (b) one-twelfth (1/12) of the amount of principal becoming due and payable under all Project Bonds on the next succeeding principal payment date, except that no such transfer need be made if there are then moneys in the Project Bond Debt Service Account equal to the amount of interest becoming due and payable under all Project Bonds on the next succeeding interest payment date plus the amount of principal becoming due and payable under all Project Bonds on the next succeeding principal payment date.

- (a) When the 25th day of a month falls on a Saturday, Sunday or legal holiday, the transfer shall be due the next succeeding day which is not a Saturday, Sunday or legal holiday.

Section 3.03 In the event that, at any time, amounts are not conveyed or transferred to the City as provided in Section 3.02 hereof:

- (a) The City shall immediately deduct from the Transit Fund (or other funds under the control of HART) the sum of the missed transfer; the amount of the next scheduled transfer; and any costs referenced in Section 3.01(b) remaining unpaid.
- (b) If the amount in the Transit Fund (and other funds under the control of HART) shall be less than the sum of the deductions referenced in Section 3.03(a), the City shall apply the amount in the Transit Fund in the following order of priority: (1) any costs referenced in Section 3.01(b) remaining unpaid; (2) the sum of the missed transfer; and (3) the amount of the next scheduled transfer.
- (c) The Project Bond Reserve Account as referenced in Section 3.06 hereof may be used to satisfy any deficiency resulting from the sum of the missed transfer and the amount of the next scheduled deposit or transfer.

Section 3.04 HART shall compensate bond counsel, underwriters, consultants, agents, advisors or other counsel (collectively, "finance team members" and each individually a "finance team member") for any work undertaken in connection with this MOU and the issuance of Project Bonds from proceeds of the next issue of general obligation bonds, whether or not such general obligation bonds are Project Bonds; provided, however, that:

- (a) If the next such series of general obligation bonds are Project Bonds, then such finance team members shall be compensated from proceeds of such Project Bonds, and HART shall be allocated a higher proportionate share of debt service of such Project Bonds to compensate for the work performed by such finance team members that is directly allocable to the HRTP; and
- (b) If the next such issue of general obligation bonds are not Project Bonds, any work performed by such finance team members shall be compensated from proceeds of such issue of general obligation bonds and either: (A) HART shall reimburse the City for the fees paid by the City to such finance team members from any legally available moneys of HART; or (B) HART shall be allocated a higher proportionate share of debt service of the next issue of Project Bonds to compensate for the work performed by the finance team members that should have been allocated to the prior bond issue had it been for work performed for Project Bonds that is directly allocable to the HRTP.

Section 3.05 HART shall pay its share of any rebatable arbitrage (as determined by the City) due with respect to any Project Bonds. The City shall provide HART with the documentation supporting the allocation of the rebatable arbitrage for its review and concurrence prior to any payment by HART.

Section 3.06 HART consents to the establishment by the City of a Project Bond reserve account in the city treasury (the "Project Bond Reserve Account" in the General Obligation Bond and Interest Redemption Fund).

- (a) From HART revenues as referenced in Section 3.01 hereof, HART shall convey or transfer to the Project Bond Reserve Account an amount such that the balance in the Project Bond Reserve Account shall be equal to the greater of (1) \$140 million by June 30, 2018 or (2) if required pursuant to Section 4.02(b) hereof, an amount up to the maximum annual debt service on outstanding Project Bonds ("required balance").
- (b) The Project Bond Reserve Account shall be applied solely to pay debt service on Project Bonds in the event that sufficient amounts in the Transit Fund (or other funds under the control of HART) are not available therefore.
- (c) If the amount in the Project Bond Reserve Account shall be less than the required balance as referenced in Section 3.06(a) above, the City shall deduct amounts from the Transit Fund (and other funds under the control of HART) upon the receipt of any HART revenues to satisfy the deficiency.

ARTICLE IV.

EVENTS AND REMEDIES

Section 4.01 Events. If one or more of the following events shall have occurred, then the City may institute any of the remedies described in Section 4.02. HART shall immediately notify the City Director of Budget and Fiscal Services and the Council of any event or events that have occurred.

- (a) Month-end cash balance in the Transit Fund falls below \$25 million for three (3) consecutive months.
- (b) The State of Hawaii Council on Revenues forecasts of General Excise Tax revenue for the forthcoming year declines by twenty (20) percent or more.
- (c) County surcharge revenue is less than project to date projected revenue by twenty (20) percent or more for two (2) consecutive calendar quarter(s) or more.
- (d) Receipt of federal grant reimbursement monies in the Transit Fund is delayed by three (3) month(s) or more.
- (e) H RTP Project actual or projected contingency amounts enter into the buffer zone. The buffer zone is the area which is 5% to 10% above the minimum contingency as established in HART's Risk and Contingency Management Plan (RCMP).

(f) The ending project cash balance per the quarterly Debt and Financial Plan provided in Section 5.05(a) is less than the average ending project cash balance in the prior two quarterly Debt and Financial Plans.

(g) HART fails to observe and perform any covenant, condition or agreement on its part to be observed or performed under this MOU other than as referred to in Section 3.02 hereof for a period of thirty (30) days.

(h) Any representation, warranty or statement made by or on behalf of HART herein or in any related document or in any certificate delivered pursuant hereto or thereto shall prove to be untrue in any material respect on the date made or deemed made; or the documents, certificates or statements of HART furnished to the City by or on behalf of HART in connection with the transactions contemplated hereby, when taken as a whole, are materially inaccurate in light of the circumstances under which they were made and as of the date on which they were made.

Section 4.02 Remedies. If one or more events in Section 4.01 shall have occurred, HART and the City shall meet to discuss the event(s) to gain a full understanding of the causes and to establish action items to address the issues. HART shall immediately notify the Council of any courses of action, action items or remedies agreed to by HART and the City. If HART and the City cannot agree on a course of action or acceptable action items cannot be identified then the City may institute any of the remedies described below.

(a) HART shall engage and pay for the cost of an independent consultant approved by the City having special skill, knowledge and experience in (a) analyzing the operations of transportation systems substantially similar to the H RTP, (b) preparing farebox revenue analyses, (c) forecasting the ridership and revenues of transportation systems substantially similar to the H RTP, (c) forecasting surcharges and taxes similar to the county surcharge, (d) preparing feasibility reports respecting the financing of such transportation systems and (e) advising on the operation of such transportation systems to audit and make recommendations on the operations and financial viability of HART.

(b) If a Project Bond Reserve Account has not been established, such an account shall immediately be established by the City and HART shall immediately convey and transfer an amount such that the sum in the Project Bond Reserve Account shall be equal to the required balance as referenced in Section 3.06(a) hereof.

- (c) The City, after consultation with the HART Board, shall appoint certain parties to monitor the financial administration and operations of HART. HART shall reimburse the City for any costs incurred.

ARTICLE V.

FINANCIAL AND OTHER BOOKS, RECORDS AND REPORTS

Section 5.01 The City shall keep adequate records and books of account, in which complete entries will be made reflecting all transactions related to the issuance and sale of Project Bonds by the City per ARTICLE II of this MOU, including but not limited to the principal amounts of each issuance; issuance cost; capitalized cost; annual amortization amounts; annual principal and interest payments; accrued interest amounts; long-term and current portions of each issuance; and estimated rebatable arbitrage amounts.

- (a) Such information shall be conveyed to HART as soon as available and in any event within ninety (90) days after the end of each fiscal year of the City for inclusion in HART's annual financial statements.

Section 5.02 HART shall keep adequate records and books of account, in which complete entries will be made, reflecting all financial transactions of HART; and at any reasonable time and from time to time, permit the City or any agents or representatives thereof to examine and make copies of and abstracts from the records and books of account of, and visit the properties of, HART and to discuss the affairs, finances and accounts of HART with any of HART's officers, trustees and independent auditors (and by this provision, HART authorizes said auditors to discuss with the City or its agents or representatives, the affairs, finances and accounts of HART).

Section 5.03 HART shall provide to the City Director of Budget and Fiscal Services and the Council a monthly accounting of the receipts, deposits, application and expenditure of the moneys referenced in Section 3.01 hereof.

Section 5.04 HART shall furnish to the City from time to time at HART's expense, all further instruments and documents, duly executed and delivered by HART, and take all further action that may be reasonably necessary, or that the City may reasonably request, in order to

- (a) protect any security interest or other right or interest assigned, or purported to be assigned, to the City under or in connection with this MOU or any related documents; or
- (b) enable the City to exercise or enforce its rights or remedies under or in connection with this MOU, or any related documents.

Section 5.05 HART shall provide the following reports to the City Director of Budget and Fiscal Services and the Council:

- (a) An updated Debt and Financial Plan with the actual revenues and expenditures to date to be provided quarterly within fifteen (15) calendar days after the end of the quarter.
- (b) As soon as available and in any event within one hundred-thirty (130) days after the end of each fiscal year of HART, the audited financial statements of HART, including a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flow of HART setting forth in comparative form to the budget for such fiscal year and the corresponding figures for the preceding fiscal year, all in reasonable detail and prepared in accordance with generally accepted accounting principles for state and local governments consistently applied;
- (c) Such additional information regarding the financial position or business of HART as the City may from time to time reasonably request; and
- (d) As soon as available, but in any event within fifteen (15) days of adoption by HART, a copy of the annual budget of HART.

ARTICLE VI.

TERM AND MODIFICATION OF

MEMORANDUM OF UNDERSTANDING

Section 6.01 The term of this MOU expires with the later of the repayment of all HRTTP debt financing obligations and other obligations HART has to the City under this MOU or the expiration date of the county surcharge.

Section 6.02 The terms of the MOU may be modified by mutual written agreement of HART and the City with prior approval of the Council.

IN WITNESS WHEREOF, the Parties hereto have executed this Memorandum of Understanding on the date first above written.

APPROVED:

City and County of Honolulu

By _____
NELSON H. KOYANAGI, JR.
Director, Budget and Fiscal Services

Honolulu Authority for Rapid Transportation

By _____

DANIEL GRABAUSKAS
Executive Director and CEO

APPROVED AS TO FORM AND LEGALITY:

By _____
Deputy Corporation Counsel

Attachment A

UPDATED FINANCING PLAN:

TABLE A-1, CAPITAL PLAN CASH FLOWS

Updated Table A-1, Capital Plan Cash Flows

(Figures in \$ millions)	Prior to FY 2013	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Updated Total	FFGA Total	Change
Beginning Project Cash Balance	\$ 298	\$ 418	\$ 393	\$ 239	\$ 25	\$ 25	\$ 24	\$ 25	\$ 25	\$ 25	\$ 25	\$ 44	\$ 224	\$ 298	\$ 298	\$ -
Project Funding Sources																
Net GET Surcharge Revenues	\$ 481	\$ 170	\$ 216	\$ 227	\$ 238	\$ 250	\$ 263	\$ 276	\$ 290	\$ 305	\$ 325	\$ 251	-	\$ 3,291	\$ 3,291	\$ -
FTA Section 5309 New Starts Revenues	\$ 65	\$ 80	\$ 291	\$ 383	\$ 321	\$ 230	\$ 181	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,550	\$ 1,550	\$ -
FTA Section 5307 Formula Funds Used for the Project	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33	\$ 34	\$ 35	\$ 36	\$ 38	\$ -	\$ -	\$ -	\$ 176	\$ 210	\$ (33)
ARRA Funds Used for the Project	\$ 4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4	\$ 4	\$ -
Variable Rate Bond Proceeds (net of issuance cost)	\$ -	\$ -	\$ -	\$ 20	\$ 230	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 250	\$ -	\$ 250
Fixed Rate Bond Proceeds (net of issuance cost)	\$ -	\$ -	\$ -	\$ -	\$ 243	\$ 248	\$ 272	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 763	\$ 1,645	\$ (882)
Proceeds from Tax Exempt Commercial Paper (TECP)	\$ -	\$ -	\$ -	\$ 350	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 350	\$ 700	\$ (350)
Reserve Fund Release	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 140	\$ -	\$ 140	\$ 140	\$ -
Interest Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2	\$ (2)
Additional Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Project Sources of Funds	\$ 551	\$ 250	\$ 507	\$ 980	\$ 1,032	\$ 761	\$ 750	\$ 311	\$ 326	\$ 343	\$ 325	\$ 391	\$ -	\$ 6,526	\$ 7,543	\$ (1,018)
Project Capital Costs																
Total Capital Cost	\$ 431	\$ 275	\$ 661	\$ 1,194	\$ 1,024	\$ 730	\$ 572	\$ 61	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,949	\$ 4,949	\$ -
Debt Service and Transfers																
Principal Payment on Variable Rate Bonds for the Project (VAR)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48	\$ 49	\$ 50	\$ 51	\$ 53	\$ -	\$ 252	\$ -	\$ 252
Interest Payment and Fees on Variable Rate Bonds	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ 7	\$ 5	\$ 5	\$ 4	\$ 3	\$ 2	\$ 1	\$ -	\$ 26	\$ -	\$ 26
Fees on Variable Rate Bonds Issued for the Project (VAR)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2	\$ 2	\$ 1	\$ 1	\$ 1	\$ -	\$ -	\$ -	\$ 8	\$ -	\$ 8
Principal Payment on Fixed Rate Bonds Issued for the Project (FIXE)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 130	\$ 135	\$ 140	\$ 147	\$ 154	\$ -	\$ 707	\$ 1,798	\$ (1,091)
Interest Payment on Fixed Rate Bonds Issued for the Project (FIXE)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14	\$ 24	\$ 33	\$ 23	\$ 18	\$ 11	\$ 4	\$ -	\$ 128	\$ 191	\$ (64)
Principal Payment on TECP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25	\$ 107	\$ 126	\$ 92	\$ -	\$ -	\$ 350	\$ 700	\$ (350)
Interest Payment on TECP	\$ -	\$ -	\$ -	\$ -	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 3	\$ 1	\$ -	\$ -	\$ 32	\$ 10	\$ 22
Fees on TECP	\$ -	\$ -	\$ -	\$ -	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 1	\$ 1	\$ -	\$ -	\$ 11	\$ -	\$ 11
Transfer to Reserve Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 140	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 140	\$ 140	\$ -
Transfer from Project Cash Balance to Ongoing Rail Capital and O&M	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 224	\$ 224	\$ 193	\$ 31
Total Project Uses of Funds	\$ 431	\$ 275	\$ 661	\$ 1,194	\$ 1,032	\$ 761	\$ 750	\$ 311	\$ 326	\$ 342	\$ 306	\$ 211	\$ 224	\$ 6,824	\$ 7,841	\$ (1,017)
Total Finance Charges	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ -	\$ 5	\$ -	\$ -
FFGA Eligible Finance Charges	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2	\$ 1	\$ 1	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ 4	\$ -	\$ -
Net Cash	\$ 120	\$ (25)	\$ (154)	\$ (214)	\$ (0)	\$ (0)	\$ 0	\$ 0	\$ (0)	\$ 0	\$ 19	\$ 180	\$ (224)	\$ -	\$ -	\$ -
Ending Project Cash Balance	\$ 418	\$ 393	\$ 239	\$ 25	\$ 25	\$ 24	\$ 25	\$ 25	\$ 25	\$ 25	\$ 44	\$ 224	\$ -	\$ -	\$ -	\$ -
Reserve Fund Balance																
Beginning Reserve Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 140	\$ 140	\$ 140	\$ 140	\$ 140	\$ -	\$ -	\$ -	\$ -
Deposit to Reserve Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 140	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 140	\$ -	\$ -
Interest Income on Reserve Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserve Fund Release	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (140)	\$ -	\$ (140)	\$ -	\$ -
Ending Reserve Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 140	\$ 140	\$ 140	\$ 140	\$ 140	\$ -	\$ -	\$ -	\$ -	\$ -

* Maximum TECP outstanding totals \$350 m in the Updated Plan and \$100 m in FFGA

** Debt Reserve in FFGA is included in the \$1,798 Fixed Rate Bond Total but shown separately for comparison purposes

CITY COUNCIL
CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAII
CERTIFICATE

RESOLUTION 15-7, FD1

Introduced: 01/08/15

By: ERNEST MARTIN (BR)

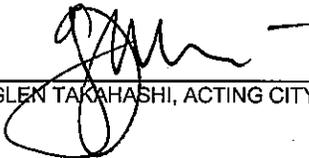
Committee: BUDGET

Title: RESOLUTION AUTHORIZING THE DIRECTOR OF THE DEPARTMENT OF BUDGET AND FISCAL SERVICES OF THE CITY AND COUNTY OF HONOLULU OR THE DIRECTOR'S DESIGNEE TO ENTER INTO A MEMORANDUM OF UNDERSTANDING WITH THE HONOLULU AUTHORITY FOR RAPID TRANSPORTATION (HART) REGARDING THE GENERAL OBLIGATION BONDS.

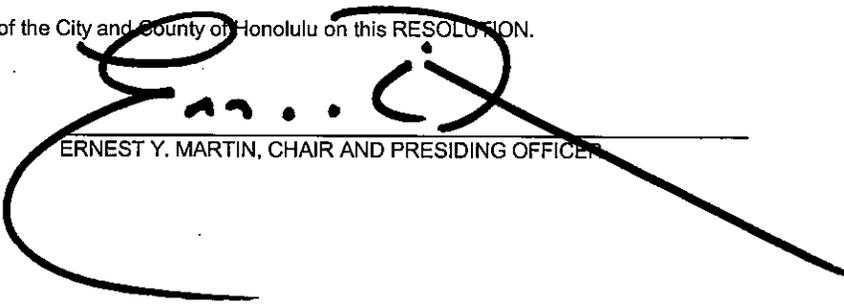
Voting Legend: * = Aye w/Reservations

01/14/15	BUDGET	RESOLUTION DEFERRED IN COMMITTEE.
02/11/15	BUDGET	RESOLUTION DEFERRED IN COMMITTEE.
04/01/15	BUDGET	CR-108 – RESOLUTION REPORTED OUT OF COMMITTEE FOR ADOPTION.
04/01/15	SPECIAL COUNCIL	RESOLUTION AMENDED TO FD1. 8 AYES: ANDERSON, ELEFANTE, FUKUNAGA, KOBAYASHI, MANAHAN, MARTIN, MENOR, OZAWA. 1 ABSENT: PINE. CR-108 AND RESOLUTION 15-7, FD1 WERE ADOPTED. 7 AYES: ANDERSON, ELEFANTE, FUKUNAGA*, MANAHAN, MARTIN, MENOR, OZAWA*. 1 NO: KOBAYASHI. 1 ABSENT: PINE.

I hereby certify that the above is a true record of action by the Council of the City and County of Honolulu on this RESOLUTION.



GLEN TAKAHASHI, ACTING CITY CLERK



ERNEST Y. MARTIN, CHAIR AND PRESIDING OFFICER