



HONOLULU AUTHORITY for RAPID TRANSPORTATION

MINUTES

**Board of Directors Meeting
Mission Memorial Annex Conference Room
550 South King Street, Honolulu, Hawaii
Thursday, November 21, 2013 9:30 A.M.**

PRESENT:

Ivan Lui-Kwan
Don Horner
Mike Formby
Robert "Bobby" Bunda
Glenn Okimoto

Carrie Okinaga
Keslie Hui
Damien Kim
William "Buzz" Hong
George Atta

**ALSO IN ATTENDANCE:
(Sign-In Sheet and Staff)**

Russell Honma
Dwayne Takeno
Charles Goodin
Joe Magaldi
Lori Hiraoka
Matt Caires
John White
Harrison Rue
Shannon Wood
Doug Chun
Henry Oviedo
Allison Gammel

Dan Grabauskas
Diane Arakaki
Jeanne Mariani-Belding
Michael McGrane
Lorenzo Garrido
Akira Fujita
Matt Scanlon
Karley Halsted
Gary Takeuchi
Joyce Oliveira
Andrea Tantoco
Cindy Matsushita

I. Call to Order by Chair

Honolulu Authority for Rapid Transportation (HART) Board of Directors Chair Ivan Lui-Kwan called the meeting to order at 9:57 a.m.

II. Public Testimony on All Agenda Items

Mr. Lui-Kwan called for public testimony and there was none.

III. Approval of Minutes of the September 26, 2013 Board of Directors Meeting

Mr. Lui-Kwan called for the approval of the September 26, 2013 Board of Directors Meeting minutes. There being no objections, the minutes were unanimously approved.

HART Board of Directors Meeting Minutes
November 21, 2013

IV. Committee Reports

A. November 21, 2013 Government Affairs/Audit/Legal Matters Committee Meeting

HART Government Affairs/Audit/Legal Matters Committee Chair Robert Bunda provided a report on the meeting. Mr. Bunda stated that for the second year, HART received an unqualified financial audit. The only finding, which did not impact HART's financial position, related to the timeliness in recording a portion of the Federal grant funds. Mr. Bunda stated that going forward HART will have an employee dedicated to grants to ensure Federal funds are more timely recorded. Mr. Bunda congratulated HART staff. Mr. Lui-Kwan congratulated the Government Affairs/Audit/Legal Matters Committee and HART staff on working with the auditor on a smooth and transparent audit process.

B. November 21, 2013 Transit Oriented Development Committee Meeting

HART Transit Oriented Development (TOD) Committee Chair William "Buzz" Hong provided the committee report. The TOD Committee heard a presentation by John White of Pacific Resource Partnership on TOD. Mr. Lui-Kwan suggested sharing the presentation with the members of the HART Board who are not members of the TOD Committee and Board member Don Horner suggested making it available on HART's website.

V. Report on the Financial Audit by PKF Pacific Hawaii LLP

HART Chief Financial Officer Diane Arakaki, Dwayne Takeno and Charles Goodin of PKF Pacific Hawaii LLP (PKF) provided the report on the financial audit by PKF, which is attached hereto as Attachment A. Ms. Arakaki summarized, stating that 2013 is the second year HART has received an unqualified financial audit. The only finding in the audit is that HART did not record a portion of the Federal funds received in a timely manner, and this does not have an adverse effect to the agency's financial position. HART plans to hire a dedicated grants manager to ensure that funds are promptly recovered and recorded. Ms. Arakaki stated she will provide the Board with a timeline and action plan to address the financial audit finding over the next several months.

Mr. Lui-Kwan asked Mr. Takeno to provide highlights of the audit report. Mr. Takeno stated that PKF's unqualified opinion can be found on page 4 of the packet. PKF's report on internal control of financial reporting includes the finding, and attaches HART management's response. Mr. Takeno stated this year's audit went much smoother as compared to 2012, due to increased HART Budget and Finance Division staffing. This allowed PKF to complete the audit two weeks earlier than in 2012. Mr. Takeno thanked HART management in their efforts to assist in completing the audit.

Mr. Lui-Kwan asked if members of the Board had any questions. Mr. Horner pointed out in the balance sheet the \$1.25 billion in net equity which did not exist a few years prior, and on which HART will not have any debt. Mr. Horner observed that HART has fiduciary duties over this asset, which is owned by the taxpayers of the City & County of Honolulu. HART Executive Director and CEO Daniel Grabauskas stated the Honolulu rail project is the most conservatively financed project he has seen in the country.

HART Board of Directors Meeting Minutes
November 21, 2013

Mr. Lui-Kwan called for a motion to accept PKF's financial audit report. Mr. Kim so moved and Mr. Horner seconded the motion. The motion carried unanimously.

Mr. Grabauskas thanked PKF, Ms. Arakaki, and her staff. He pointed out that HART is a new organization, and one of the findings in the 2012 audit was a lack of financial staff. He commended Ms. Arakaki for remedying this situation so as to allow the smooth audit. Ms. Arakaki thanked the Board, Mr. Grabauskas, and HART Accounting Manager Bruce Sakihama for their support, and thanked the PKF auditors.

VI. FY2015 Operating and Capital Budgets

HART Finance Committee Chair Keslie Hui provided the Board members with a summary of the Fiscal Year (FY) 2015 Operating and Capital Budgets, attached hereto as Attachment B. The budgets were reviewed at the October 17, 2013, Joint Project Oversight and Finance Committee Meeting.

The FY2015 Capital Budget as submitted by staff amounted to \$1.56 billion, broken down into several major categories of appropriation which include: \$991 million for construction, \$74 million for design, inspection, and other consultants, \$138 million for right-of-way acquisitions and relocations, \$95 million for utility work, and \$261 million for allowances for contingency and recertifications. This reflects a reappropriation of funds from FY2014 of \$226 million, which is primarily a repackaging of contracts and a reappropriation of funds from 2014 that were not encumbered due to the project's construction delay.

The budget amount of \$1.56 billion was compared to the previous year's 6-year Capital Improvement Program. The amount proposed for FY2015 is \$448 million more, part of which includes the \$226 million previously mentioned. The contingency fund stands at \$643 million, up from an initial amount of \$637 million for allocated contingency. The approved change orders have come out of known contingency, which was separately allocated.

The proposed Operating Budget for FY2015 amounts to \$21,481,000, which is a 2.7% or \$564,000 increase from the FY2014 Operating Budget. Labor and labor-related costs constitute over 60% of the proposed budget. All the other costs combined are projected to decrease this year versus what was allocated for FY2014, primarily due to lower anticipated legal costs. Total labor costs are projected to increase by 6%, of which 4% is due to wage increase for City and County of Honolulu employees generally, and is consistent with current City increases for staff. The number of Total Full Time Equivalent staff stands at 139, which is the same as in FY2014.

Mr. Hui informed the Board that a public hearing on HART's budgets was held during the Finance Committee Meeting, which approved the recommendation that the Board transmit the proposed FY2015 Operating and Capital Budgets to the Mayor and Honolulu City Council for their consideration and feedback.

HART Board of Directors Meeting Minutes
November 21, 2013

Mr. Lui-Kwan thanked Mr. Hui for his report on HART's FY2015 Operating and Capital Budgets, and asked if members of the Board had any questions. Mr. Hui clarified that per HART Board policy, the HART Board is not required to take action and the budgets should be referred back to the Finance Committee for conveyance to the Mayor and City Council.

Board member Carrie Okinaga thanked HART staff for providing responses to questions raised during the October 17, 2013, Joint Finance and Project Oversight Committees meeting. Ms. Okinaga asked about the difference in the Hawai'i Department of Transportation (HDOT) consultant appropriation estimate, specifically the response from staff which stated that last year's HDOT consultant appropriation estimate totaled \$9,645,700 compared to the amount in the current proposed FY2015 capital budget of \$10,856,500, amounting to a difference of \$1,210,800. She asked for clarification on the response which stated "The difference is attributable to updating the estimate to actual contract language relative to the amounts..." HART Budget Analyst Michael McGrane explained this was not an actual increase in the total contract package; rather it is a matter of the contracts having been signed and the timing of the appropriations, which may give the appearance of an increase in the HDOT contract package. Ms. Okinaga asked if the HDOT appropriations would remain constant, and Mr. McGrane confirmed they would, in the original contract package.

Mr. Hui moved that the Board refer the FY2015 Operating and Capital Budgets back to the Finance Committee for transmittal to the Mayor's Administration and the City Council for their further feedback, and after gathering that input to re-refer the budgets back to the HART Board for approval. Mr. Kim seconded the motion. Mr. Horner asked Corporation Counsel if this was consistent with the HART Board's financial policies and Deputy Corporation Counsel Gary Takeuchi confirmed that it was. The motion carried unanimously.

VII. Six-Year Capital Program

Mr. Hui stated the Six-Year Capital Program was reviewed at the Joint Project Oversight and Finance Committee Meeting on October 17, 2013. The Six-Year Capital Program is attached hereto as Attachment C. There were several changes to the Six-Year Capital Program primarily related to the repackaging of contracts which brought some appropriations that were previously anticipated later for larger contracts, and the reappropriation of FY2014 funds that were not encumbered due to the construction delay.

Mr. Lui-Kwan asked for a motion to accept the Six-Year Capital Program, and HART Board member Damien Kim so moved. Mr. Hong seconded the motion. The motion was carried unanimously. Mr. Horner asked for clarification if this was an action item. Mr. Takeuchi stated that the Board could take action if it wished to do so, although a decision at this meeting was not required. Mr. Hui suggested deferring further action on the matter until the Finance Committee receives feedback from the City Administration on the FY2015 Operating and Capital Budgets, after which the budgets and Six-Year Capital Program can be brought before the full Board for approval. Action on the Six-Year Capital program was deferred.

Mr. Grabauskas thanked Ms. Arakaki and Mr. McGrane on their work on the FY2015 Operating and Capital Budgets and Six-Year Capital Program, and thanked Mr. Hui for his work as Finance Chair.

VIII. Construction Update

HART Director of Design and Construction Lorenzo Garrido provided the Board with a construction update. The presentation is attached hereto as Attachment D. Mr. Garrido introduced Akira Fujita, Project Manager of the Maintenance and Storage Facility (MSF) contract and Karley Halsted, Project Manager for the West Oahu/Farrington Highway (WOFH) Guideway contract. Mr. Garrido reported that work is continuing on WOFH, the Kamehameha Guideway contract, and the MSF.

HART contractor Kiewit Infrastructure West Co. (Kiewit) is setting up a precast yard site on West Kalaeloa Boulevard near Barbers Point. Columns are being raised in the Ho'opili area, and utility work continues on Farrington Highway, near Waipahu High School, the Fort Weaver Road interchange area, and near Leoku Street. Mass grading on the MSF site is progressing rapidly and set up for test foundation shaft work is being done along Kamehameha Highway to wrap up design. Work is being done near Aloha Stadium, and to set up for traffic control at several sites. At the MSF site, the orientation of the buildings has been changed from prior depictions of the area; the operations center will be facing makai.

Ms. Halsted provided the details on the precast yard. Kiewit has set up the bridge crane and precast beds, where the segments for the foundation will be cast. There is roadwork being done in the area to extend water service to the site, and electrical service was installed this week. Utility work is being done in three locations, one of which is near the Kahi Mohala Behavioral Center, where existing fiber optic is being relocated. In response to questions from Mr. Hong, Mr. Garrido added that more information on the casting yard for other phases will be provided to the Board. The site covers 34 acres, and Kiewit will be casting over 5,200 precast segments.

Ms. Halsted reported that to date, there are 53 shafts and 29 columns in the Ho'opili area.

IX. Travel Report on Rail-Volution 2013

Mr. Hong reported that he had traveled to Seattle, Washington the previous month to attend the Rail-Volution conference. He attended a mobile workshop to Bainbridge Island, which was an example of TOD that retains the local flavor of the community. He noted the applicability of this concept to some of the Honolulu rail project stations.

Mr. Formby, who also attended the Rail-Volution conference, provided a written report, a copy of which is attached as Attachment E. He reported that prior to the conference, he took a tour of the SkyTrain in Vancouver, British Columbia, which is the only driverless elevated rail system in North America, and very similar to what will be built in Honolulu. At the conference, he attended seminars and workshops on such topics as TOD, parking, and biking issues. He thanked the Board for the opportunity to attend the conference.

Mr. Hong added that next year's Rail-Volution conference would be held in Minneapolis/St. Paul, Minnesota. He commended Mr. Grabauskas for his role as moderator at the

Rail~Volution 101 event, and also complimented John White of Pacific Resource Partnership on his presentation on the role of labor in the Honolulu rail project.

X. Executive Director and CEO's Report

Mr. Grabauskas also reported on his attendance at Rail~Volution, noting participation by not only HART Board members, but also from other representatives of the City & County of Honolulu and other Hawaii organizations, who totaled over 40 people. He said that the trip to Vancouver was particularly valuable because he was able to observe the construction of the Evergreen line, which is approximately eight months ahead of where the Honolulu rail project is.

Mr. Grabauskas also reported on his attendance at the American Public Transportation Association (APTA) conference in Chicago in late September. He attended with Mayor Kirk Caldwell and Jennifer Sabas, the late Senator Daniel Inouye's former Chief of Staff. The senator was posthumously awarded APTA's Distinguished Service Award, and Mr. Grabauskas, Mayor Caldwell, and Ms. Sabas accepted the award together. He also reported much interest in the industry about the Honolulu rail project.

Mr. Grabauskas recognized that traffic challenges would occur while the project was in construction. He introduced HART Information Specialist Scott Ishikawa and Kiewit Public Information Officer Allison Andrade, who reported on their traffic outreach efforts. Mr. Ishikawa reported that HART and Kiewit issue weekly traffic advisories and e-Blasts. He said that he and Ms. Andrade began briefing personnel at the Traffic Control Center the previous week. The goal is to provide the public with sufficient notice of work affecting traffic, so it can plan accordingly.

Mr. Ishikawa noted that Old Farrington Highway would be closed 24/7 starting the following week between Kualaka'i Parkway and Kahi Mohala Behavioral Health for utility relocation and column work. The contractor has done all the work it can with the road open, but must now close the road in both directions. Motorists will be detoured onto the H-1 freeway. Ms. Andrade added that the work requires the entire width of the road. She said the work would be completed by April 2014.

Mr. Ishikawa indicated that various methods were employed to get the message out, including press releases, an announcement on the HART website, social media, and Traffic Management Center briefings. Ms. Andrade said that HART and Kiewit also plan to partner with lawmakers from affected areas to disseminate the information. Mr. Ishikawa noted that HART was also coordinating with the Department of Transportation Services on traffic signal timing on Farrington Highway. In response to an inquiry from Mr. Hong about complaints to the State Department of Transportation about prior closure of Farrington Highway, Mr. Ishikawa noted that the first closure coincided with the back-to-school traffic, and this time there would be more public notice, so it is hoped there will be more public awareness.

Mr. Grabauskas continued his report by saying that, conservatively, 919 people were currently employed because of the rail project. He said that the high point in direct jobs created by the project will come in 18 – 20 months.

HART Board of Directors Meeting Minutes
November 21, 2013

Mr. Grabauskas said that HART was continuing its station design community outreach. That evening, the Pearl Harbor, Lagoon Drive, and Middle Street stations would be discussed at a community meeting. The community meetings have been drawing good attendance and positive feedback.

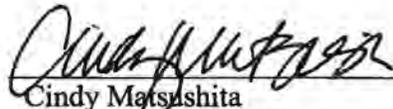
XI. Executive Session

There was no reason for executive session.

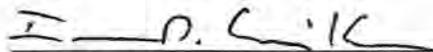
XII. Adjournment

There being no further business before the Board, Mr. Lui-Kwan adjourned the meeting at 11:06 a.m.

Respectfully Submitted,


Cindy Matsushita
Board Administrator

Approved:


Ivan Lui-Kwan
Chair, Board of Directors

DEC 19 2013
Date

ATTACHMENT A

Financial Statements and Independent Auditor's Report

Honolulu Authority for Rapid Transportation
(a component unit of the City and County of Honolulu)

June 30, 2013 and 2012

November 15, 2013

To the Board of Directors
Honolulu Authority for Rapid Transportation
City and County of Honolulu

Ladies and Gentlemen:

We have completed our financial audit of the Honolulu Authority for Rapid Transportation, a component unit of the City and County of Honolulu, (HART) as of and for the fiscal year ended June 30, 2013. The audit was performed in accordance with our agreement dated April 17, 2012.

Objective of the audit

The primary purpose of our audit was to form an opinion on the fairness of the presentation of HART's financial statements as of and for the fiscal year ended June 30, 2013.

Scope of the audit

Our audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The scope of our audit included an examination of the transactions and accounting records of HART for the fiscal year ended June 30, 2013.

Organization of the report

This report is organized into five parts:

- PART I FINANCIAL STATEMENTS
- PART II SUPPLEMENTARY INFORMATION
- PART III REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
- PART IV SCHEDULE OF FINDINGS
- PART V RESPONSE OF THE AFFECTED AGENCY

At this time, we wish to thank HART's personnel for their cooperation and assistance extended to us. We will be happy to respond to any questions that you may have on this report.

Very truly yours,

PKF PACIFIC HAWAII LLP

Contents

	Page
PART I	FINANCIAL STATEMENTS
	Independent Auditor's Report 4
	Management's Discussion and Analysis 6
	Basic Financial Statements
	Statements of Net Position 12
	Statements of Revenues, Expenses and Changes in Net Position 13
	Statements of Cash Flows 14
	Notes to Financial Statements 16
PART II	SUPPLEMENTARY INFORMATION
	Schedule of Funding Progress 30
PART III	REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
	Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> 32
PART IV	SCHEDULE OF FINDINGS 35
PART V	RESPONSE OF THE AFFECTED AGENCY 37

PART I
FINANCIAL STATEMENTS

Independent Auditor's Report

To the Board of Directors
Honolulu Authority for Rapid Transportation
City and County of Honolulu

Report on the Financial Statements

We have audited the accompanying financial statements of the Honolulu Authority for Rapid Transportation (HART), a component unit of the City and County of Honolulu, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise HART's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

HART's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HART as of June 30, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 6-11 and the schedule of funding progress on page 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2013 on our consideration of HART's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering HART's internal control over financial reporting and compliance.

PKF PACIFIC HAWAII LLP

Honolulu, Hawaii
November 15, 2013

Honolulu Authority for Rapid Transportation
(a component unit of the City and County of Honolulu)

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013 and 2012

The Honolulu Authority for Rapid Transportation (HART) is a semi-autonomous government unit of the City and County of Honolulu (City), which came into being on July 1, 2011 pursuant to a 2010 amendment to the Revised Charter of the City and County of Honolulu (RCH). HART consists of a board of directors (Board), executive director, and staff. HART is authorized under the RCH to “develop, operate, maintain and expand the city fixed guideway system...”

The Honolulu Rail Transit Project (the Project) consists of design and construction of a 20-mile, grade-separated fixed rail system from East Kapolei to the Ala Moana Center in Honolulu, Hawaii. The Project begins in East Kapolei, proceeds to the University of Hawaii at West Oahu, then turns east to Pearl Harbor and the Honolulu International Airport, and ends at Kona Street adjacent to the Ala Moana Center. The Project will operate in an exclusive right-of-way and will be elevated except for a 0.6-mile, at-grade section near Leeward Community College. The Project includes 21 transit stations; a maintenance and storage facility; 80 light metro fully automated (driverless) rail vehicles and associated core systems; and four park-and-ride facilities at several locations.

This section presents the management's discussion and analysis of HART's financial condition and activities for the fiscal years ended June 30, 2013 and 2012. This summary is designed to provide an introduction to the financial statements and the financial condition of HART. This information should be read in conjunction with the financial statements. Prior to July 1, 2011, the financial position and results of operations of the Project were reported as a governmental fund in the City's Comprehensive Annual Financial Reports.

Overview of the Financial Statements

The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred.

The basic financial statements include statements of net position, statements of revenues, expenses and changes in net position, statements of cash flows, and notes to the financial statements. The statements of net position present the resources and obligations of HART at June 30, 2013 and 2012 respectively. The statements of revenues, expenses and changes in net position present information showing how HART's net position changed during the past two fiscal years.

The statements of cash flows present changes in cash and cash equivalents resulting from operating, investing, capital and related financing activities, and non-capital financing activities.

The notes to the financial statements provide required disclosures and other information necessary for the fair presentation of the financial statements. The notes detail information about HART's significant accounting policies, account balances, related party transactions, employee benefit plans, commitments, contingencies, and other significant events. Supplementary information on post-employment benefits is also included.

Honolulu Authority for Rapid Transportation
(a component unit of the City and County of Honolulu)

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

June 30, 2013 and 2012

Financial Highlights

Condensed Statements of Revenues, Expenses and Changes in Net Position

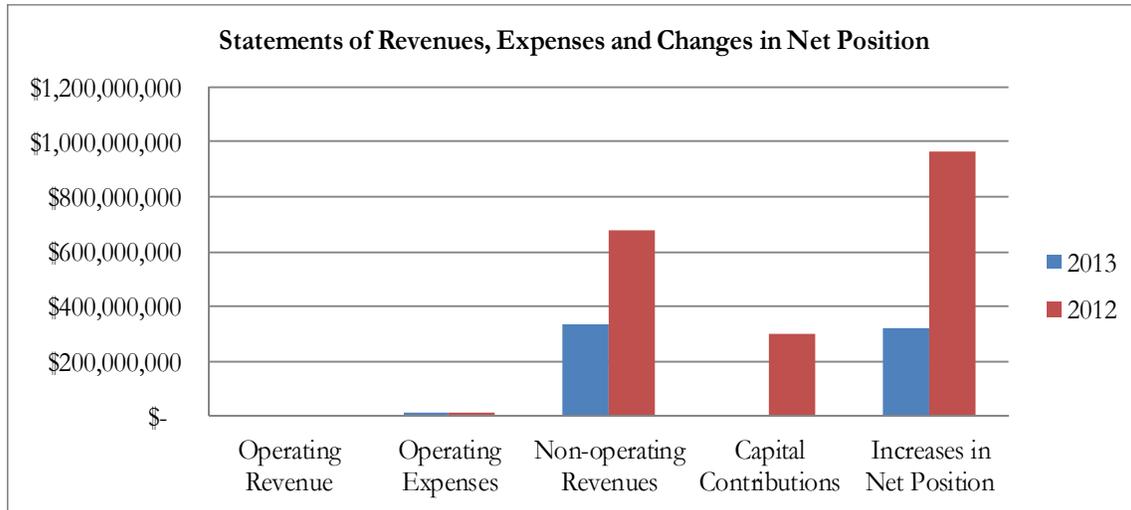
	2013	2012	Increase (decrease)	% Change
Operating expenses				
Administration and general	\$ 8,491,401	\$ 9,248,406	\$ (757,005)	-8%
Fringe benefits	2,927,337	3,554,872	(627,535)	-18%
Contractual services	1,943,572	2,501,403	(557,831)	-22%
Insurance	1,864,032	326,600	1,537,432	471%
Other operating expense	197,990	273,152	(75,162)	-28%
Total operating expenses	<u>15,424,332</u>	<u>15,904,433</u>	<u>(480,101)</u>	-3%
Operating loss	(15,424,332)	(15,904,433)	480,101	-3%
Non-operating revenues and expenses				
Intergovernmental revenues	173,822,505	631,760,417	(457,937,912)	-72%
Federal grants	164,053,218	42,662,749	121,390,469	285%
Net interest income and other	359,875	487,724	(127,849)	-26%
Total non-operating revenues	<u>338,235,598</u>	<u>674,910,890</u>	<u>(336,675,292)</u>	-50%
Income before operating transfers	322,811,266	659,006,457	(336,195,191)	-51%
Capital contributions	-	303,390,475	(303,390,475)	-100%
INCREASE IN NET POSITION	322,811,266	962,396,932	(639,585,666)	-66%
Net position at beginning of year	<u>962,396,932</u>	-	<u>962,396,932</u>	N/A
Net position at end of year	<u>\$ 1,285,208,198</u>	<u>\$ 962,396,932</u>	<u>\$ 322,811,266</u>	<u>34%</u>

Honolulu Authority for Rapid Transportation
(a component unit of the City and County of Honolulu)

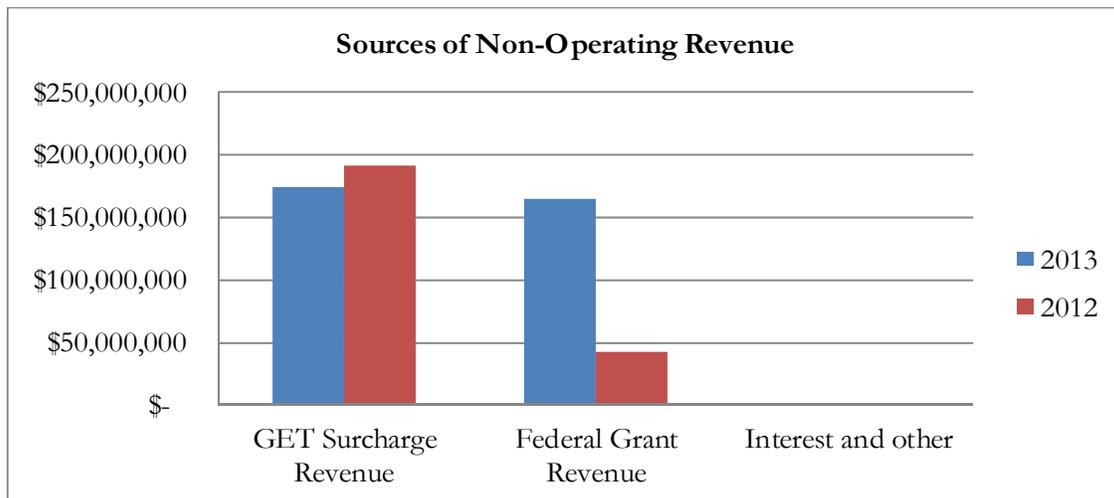
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

June 30, 2013 and 2012

Financial Highlights (continued)



HART's primary non-operating revenue sources are the 0.5% county surcharge on the State of Hawaii's General Excise Tax (GET) and grant assistance from the U.S. Department of Transportation's Federal Transit Administration (FTA). Pursuant to Section 248-2.6 of the Hawaii Revised Statutes, the State Department of Taxation remits 90% of the surcharge to the City on a quarterly basis. During FY 2013 and FY 2012, HART recognized \$173,822,505 and \$190,664,993, respectively from the GET county surcharge. In FY 2013 and FY 2012 HART also recognized \$164,053,218 and \$42,662,749, respectively in FTA grant assistance. During FY 2012, HART recognized additional intergovernmental revenues consisting of \$447,284,489 of net assets of the City's Transit Fund, less certain other City liabilities as of June 30, 2011 of \$6,189,065. Additional non-operating revenue sources include interest income and property rental income.



Honolulu Authority for Rapid Transportation
(a component unit of the City and County of Honolulu)

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

June 30, 2013 and 2012

Financial Highlights (continued)

The Project has executed \$2,104,631,696 in contracts since October 2009 to date for the planning, design, and construction of the Project. This amounts to 49.5% of the anticipated cost of the total project.

Condensed Statements of Net Position

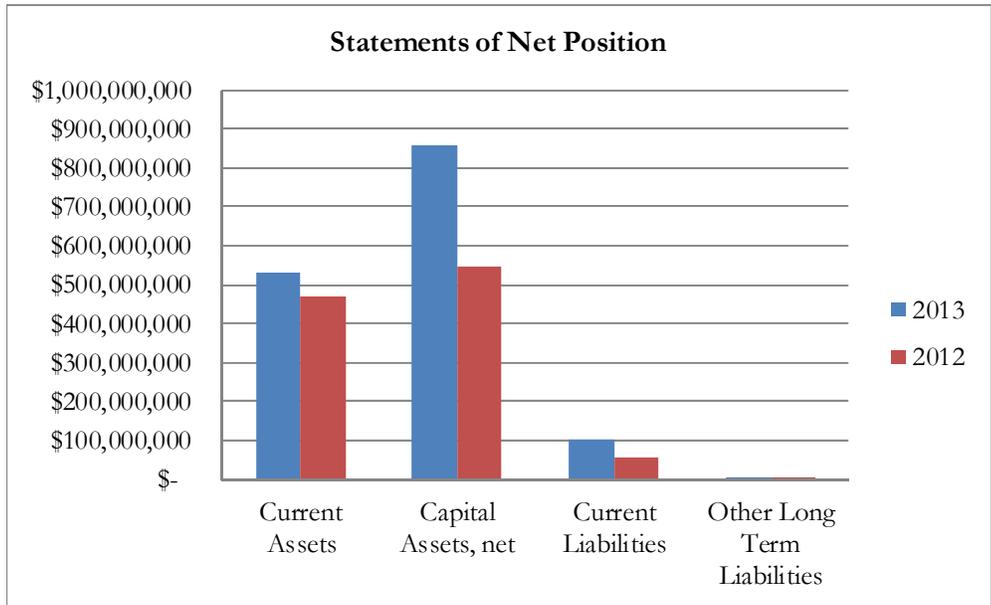
	2013	2012	Increase (decrease)	% Change
Assets				
Current assets				
Cash and cash equivalents	\$ 393,709,711	\$ 417,956,751	\$ (24,247,040)	-6%
Receivables	134,269,096	48,614,490	85,654,606	176%
Prepaid expenses	3,066,374	4,906,695	(1,840,321)	-38%
Capital assets, net	857,964,509	548,631,678	309,332,831	56%
Total assets	<u>\$ 1,389,009,690</u>	<u>\$ 1,020,109,614</u>	<u>\$ 368,900,076</u>	<u>36%</u>
Liabilities				
Current liabilities	\$ 101,472,751	\$ 55,843,585	\$ 45,629,166	82%
Other long-term liabilities - noncurrent	2,328,741	1,869,097	459,644	25%
Total liabilities	103,801,492	57,712,682	46,088,810	80%
Net position	1,285,208,198	962,396,932	322,811,266	34%
Total liabilities and net position	<u>\$ 1,389,009,690</u>	<u>\$ 1,020,109,614</u>	<u>\$ 368,900,076</u>	<u>36%</u>

Honolulu Authority for Rapid Transportation
(a component unit of the City and County of Honolulu)

MANAGEMENT’S DISCUSSION AND ANALYSIS (continued)

June 30, 2013 and 2012

Financial Highlights (continued)



Total assets at year-end FY 2013 and FY 2012 were \$1,389,009,690 and \$1,020,109,614, respectively. Total liabilities at year-end FY 2013 and FY 2012 were \$103,801,492 and \$57,712,682, respectively. Net position increased by \$322,811,266 primarily due to intergovernmental revenues and federal grants.

Construction on the Project was suspended on August 24, 2012 after a ruling by the Hawaii Supreme Court requiring the completion of the Archaeological Inventory Survey (AIS) in the Kaleikini v. Formby et. al. litigation. During the suspension period final design work continued on all contracts that were awarded prior to the Supreme Court ruling. HART has completed the AIS requirements and construction was restarted on September 16, 2013.

The Project will affect an estimated 170 parcels of real property. As of June 30, 2013, HART has acquired title to or use of 35 parcels of real property.

As of June 30, 2013, 4.9% of the utilities have been relocated. Utility relocations are performed by the respective companies owning the equipment.

The design work of the guideway structure continues. The first segment, from Kapolei to Waipahu, is 96% completed. The second segment, from Waipahu to Pearlridge is 95% completed, and design on the third segment from Pearlridge to Aloha Stadium is 94% completed. The design work on the maintenance and storage facility is 90% completed.

Honolulu Authority for Rapid Transportation
(a component unit of the City and County of Honolulu)

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

June 30, 2013 and 2012

Capital Assets and Long-Term Liabilities

As of the end of FY 2013, HART had \$858 million invested in capital assets. This amount represents an increase (including additions and deductions) of just over \$309 million, or 56%, over last year.

	<u>2013</u>	<u>2012</u>
Equipment and machinery	\$ 96,151	\$ 128,064
Land	50,163,534	31,882,014
Construction in progress	<u>807,704,824</u>	<u>516,621,600</u>
Total	<u>\$ 857,964,509</u>	<u>\$ 548,631,678</u>

HART has not issued any long-term bonds. Additional information on HART's capital assets and long-term liabilities can be found in notes D and F to the financial statements.

Risks

On June 29, 2012, HART submitted the City's request to the FTA for a Full Funding Grant Agreement (FFGA) which was awarded on December 19, 2012. The maximum Federal New Starts financial contribution under the FFGA is \$1.55 billion for the Project, however the annual appropriation amounts may be reduced and appropriated over a longer period than planned.

The project faces the normal risks associated with a multi-year, major construction project that includes unanticipated construction delays, cost inflation over the period of construction, and economic downturns that impact revenues.

HART is party to various legal proceedings arising in the normal course of business. Further information regarding these legal proceedings can be found in note I to the financial statements.

Request for Information

This financial report is designed to provide a general overview of HART's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Honolulu Authority for Rapid Transportation, 1099 Alakea Street, Suite 1700, Honolulu, Hawaii 96813.

Honolulu Authority for Rapid Transportation
(a component unit of the City and County of Honolulu)

STATEMENTS OF NET POSITION

June 30,

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 393,709,711	\$ 417,956,751
Receivables	134,269,096	48,614,490
Prepaid expenses	3,066,374	4,906,695
Total current assets	531,045,181	471,477,936
Capital assets		
Equipment and machinery	144,569	171,540
Accumulated depreciation	(48,418)	(43,476)
	96,151	128,064
Land	50,163,534	31,882,014
Construction work in progress	807,704,824	516,621,600
Capital assets, net	857,964,509	548,631,678
TOTAL ASSETS	\$ 1,389,009,690	\$ 1,020,109,614
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 52,131,044	\$ 54,835,171
Accrued liabilities	49,296,717	997,492
Other long-term liabilities - current portion	44,990	10,922
Total current liabilities	101,472,751	55,843,585
Other long-term liabilities - noncurrent portion	2,328,741	1,869,097
Total liabilities	103,801,492	57,712,682
NET POSITION		
Net investment in capital assets	806,171,143	494,516,557
Unrestricted	479,037,055	467,880,375
Total net position	1,285,208,198	962,396,932
TOTAL LIABILITIES AND NET POSITION	\$ 1,389,009,690	\$ 1,020,109,614

The accompanying notes are an integral part of these statements.

Honolulu Authority for Rapid Transportation
(a component unit of the City and County of Honolulu)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years ended June 30,

	2013	2012
Operating expenses		
Administration and general	\$ 8,491,401	\$ 9,248,406
Fringe benefits	2,927,337	3,554,872
Contractual services	1,943,572	2,501,403
Insurance	1,864,032	326,600
Utilities	89,990	15,840
Materials and supplies	77,703	231,840
Depreciation	18,529	18,069
Maintenance	11,768	7,403
Total operating expenses	15,424,332	15,904,433
Operating loss	(15,424,332)	(15,904,433)
Non-operating revenues and expenses		
Intergovernmental revenues	173,822,505	631,760,417
Federal grants	164,053,218	42,662,749
Interest income	310,597	240,233
Interest expense	(452,106)	-
Other revenue	501,384	247,491
Total non-operating revenues	338,235,598	674,910,890
Income before operating transfers	322,811,266	659,006,457
Capital contributions	-	303,390,475
INCREASE IN NET POSITION	322,811,266	962,396,932
Net position at beginning of year	962,396,932	-
Net position at end of year	\$ 1,285,208,198	\$ 962,396,932

The accompanying notes are an integral part of these statements.

Honolulu Authority for Rapid Transportation
(a component unit of the City and County of Honolulu)

STATEMENTS OF CASH FLOWS

Years ended June 30,

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Cash payments to suppliers for goods and services	\$ (4,217,842)	\$ (8,474,929)
Cash payments to employees	<u>(9,927,965)</u>	<u>(8,794,366)</u>
Net cash used in operating activities	(14,145,807)	(17,269,295)
Cash flows from noncapital financing activities		
Intergovernmental revenues	<u>252,391,530</u>	<u>626,133,498</u>
Net cash provided by noncapital financing activities	252,391,530	626,133,498
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	<u>(262,737,816)</u>	<u>(191,144,151)</u>
Net cash used in capital and related financing activities	(262,737,816)	(191,144,151)
Cash flows from investing activities		
Interest on cash and cash equivalents	<u>245,053</u>	<u>236,699</u>
Net cash provided by investing activities	<u>245,053</u>	<u>236,699</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(24,247,040)	417,956,751
Cash and cash equivalents at beginning of year	<u>417,956,751</u>	<u>-</u>
Cash and cash equivalents at end of year	<u><u>\$ 393,709,711</u></u>	<u><u>\$ 417,956,751</u></u>

The accompanying notes are an integral part of these statements.

Honolulu Authority for Rapid Transportation
(a component unit of the City and County of Honolulu)

STATEMENTS OF CASH FLOWS (continued)

Years ended June 30,

	2013	2012
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (15,424,332)	\$ (15,904,433)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	18,529	18,069
Changes in assets and liabilities		
Increase in receivables	(55,591)	(73,797)
Decrease (increase) in prepaid expenses	1,840,321	(4,906,695)
(Decrease) increase in accounts payable	(382,372)	720,050
(Decrease) increase in accrued liabilities	(602,006)	1,008,414
Increase in other long-term liabilities	459,644	1,869,097
Total adjustments	1,278,525	(1,364,862)
Net cash used in operating activities	\$ (14,145,807)	\$ (17,269,295)

Non-cash capital and related financing activities

During the years ended June 30, 2013 and 2012, HART accrued additional costs as construction in progress of \$46,613,544 and \$54,115,121, respectively.

During the year ended June 30, 2012, HART received capital contributions of \$303,390,475.

The accompanying notes are an integral part of these statements.

Honolulu Authority for Rapid Transportation
(a component unit of the City and County of Honolulu)

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Operations

The Revised Charter of the City and County of Honolulu authorizes the Honolulu Authority for Rapid Transportation (HART) to develop, operate, maintain and expand the city fixed guideway system. HART is a semi-autonomous government unit of the City and County of Honolulu (City). It is a component unit of the City. HART is in the process of developing the rail transit system and has not begun revenue operations. As of July 1, 2011, the net position of the City's Transit Fund was recognized as intergovernmental revenues to HART as discussed in note H to the financial statements.

2. Financial Statement Presentation

The accounting policies of HART conform to accounting principles generally accepted in the United States of America as applicable to enterprise activities of governmental units, as promulgated by the Government Accounting Standards Board (GASB).

In December 2010, the GASB issued Statement No. 62 (GASBS 62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASBS 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants (AICPA) Committee on Accounting Procedures.

In June 2011, the GASB issued Statement No. 63 (GASBS 63), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASBS 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. GASBS 63 also amends the net asset reporting requirements by incorporating the deferred outflows and deferred inflows of resources into the definitions of the requirement components of the residual measure and by remaining that measure as net position, rather than net assets.

These statements are effective for periods beginning after December 15, 2011. The adoption of GASBS 62 and GASBS 63 did not have a material impact on HART's financial statements.

3. Basis of Accounting

The accompanying financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Honolulu Authority for Rapid Transportation
(a component unit of the City and County of Honolulu)

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013 and 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Basis of Accounting (continued)

The operating revenues of HART are the result of providing services in connection with the delivery of transportation services of the rail system, which is not yet operational. The operating expenses of HART include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

4. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Specifically, management has made estimates based on assumptions for intergovernmental receivables and construction delay claims. Actual results could differ from those estimates.

5. Revenue Recognition

Revenue sources that are considered susceptible to accrual when earned include a county surcharge on the State of Hawaii's General Excise Tax (GET) and grant assistance from the U.S. Department of Transportation's Federal Transit Administration (FTA). GET revenue is recognized when earned. Revenues on cost reimbursement contracts are recognized when allowable and reimbursable expenses are incurred, and upon meeting the legal and contractual requirements of the funding source. No allowance for doubtful accounts was recorded as of June 30, 2013 and 2012.

6. Cash and Cash Equivalents

HART considers all cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition to be cash and cash equivalents.

7. Capital Assets

Capital assets are generally those assets with an individual price in excess of \$5,000 for equipment and machinery and \$100,000 for infrastructure, buildings, and structures with a useful life of more than one year. Capital assets are stated at cost and include contributions by governmental agencies at cost or estimated value. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs related to repairs and maintenance are expensed as incurred.

Assets are depreciated over the individual asset's estimated useful life using the straight-line method. Depreciation on both purchased and contributed assets is charged against operations.

Honolulu Authority for Rapid Transportation
(a component unit of the City and County of Honolulu)

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013 and 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Capital Assets (continued)

Depreciation on all assets is provided for on the straight-line basis over the following estimated useful lives:

	<u>Years</u>
Infrastructure	50-75
Buildings and improvements	30-50
Equipment and machinery	5-25
Rail vehicles	25-35

8. Compensated Absences

HART accrues accumulated vacation when earned by the employee. Vacation benefits accrue at a rate of one and three-quarters working days per month. Each employee is allowed to accumulate a maximum of 90 days of accrued vacation as of the end of the calendar year.

Sick leave accumulates at the rate of one and three-quarters working days for each month. Sick leave is taken only in the event of illness and is not convertible to pay; accordingly, sick leave is not accrued in the accompanying financial statements. Employees who retire or leave government service in good standing with 60 or more unused sick leave days are entitled to an additional service credit in the retirement system. At June 30, 2013 and 2012, accumulated sick leave amounted to \$2,078,026 and \$2,604,787, respectively.

9. Deferred Compensation Plan

All full-time employees of HART are eligible to participate in the City and County of Honolulu's Public Employees' Deferred Compensation Program (Plan), adopted pursuant to Internal Revenue Code Section 457. The Plan permits eligible employees to defer a portion of their salary until future years by contributing to a fund managed by a plan administrator. The deferred compensation amounts are not available to employees until termination, retirement, death, or unforeseeable emergency.

A trust fund was established to protect Plan assets from claims of general creditors and from diversion to any uses other than paying benefits to participants and beneficiaries. Plan assets of \$2,748,290 and \$2,168,873 are not reported in the accompanying financial statements at June 30, 2013 and 2012, respectively.

Honolulu Authority for Rapid Transportation
(a component unit of the City and County of Honolulu)

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013 and 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Net Position

Net position comprises the various net earnings (losses) from operating and non-operating revenues, expenses and contributed capital. Net position is classified in the following two components: net investment in capital assets or unrestricted net position. Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction, or improvement of those assets. Unrestricted net position consists of all other net position not included in net investment in capital assets.

11. Risk Management

HART is exposed to various risks for losses related to torts; theft of or damage to, or destruction of assets; errors or omissions; natural disasters; and injuries to employees. A liability for a claim for a risk of loss is established if the information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable.

12. Reclassifications

Certain reclassifications have been made to the 2012 financial statements to conform to the 2013 presentation.

NOTE B - CASH AND CASH EQUIVALENTS

Cash deposited with the City is maintained by the Department of Budget and Fiscal Services of the City. The City maintains a cash and investment pool that is used by all of the City's funds and HART. Information pertaining to credit risk and interest rate risk is available for only the total cash and investment pool, which is disclosed in the City's Comprehensive Annual Financial Report (CAFR) available at the City's website: <http://www1.honolulu.gov/budget/cafr.htm>.

The respective portion of this pool is displayed in the accompanying financial statements as cash and cash equivalents. The Hawaii Revised Statutes (HRS) provide for the City's Director of Budget and Fiscal Services to deposit the cash with any national or state bank or federally insured financial institution authorized to do business in the State of Hawaii, provided that all deposits are fully insured or collateralized with securities held by the City or its agents in the City's name.

State statutes also authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, obligations of other states, cities and counties, mutual funds and bank repurchase agreements. Investments in repurchase agreements are primarily U.S. government or federal agency securities. The City does not have a policy relative to interest rate risk. Maturity date for all investments is less than one year.

Honolulu Authority for Rapid Transportation
(a component unit of the City and County of Honolulu)

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013 and 2012

NOTE C – RECEIVABLES

Receivables as of June 30, 2013 and 2012 were comprised of the following amounts:

	2013	2012
Intergovernmental		
General excise tax	\$ 50,356,185	\$ 46,988,786
Federal grants	83,783,523	1,551,907
	134,139,708	48,540,693
Other	129,388	73,797
Total receivables	\$ 134,269,096	\$ 48,614,490

NOTE D - CAPITAL ASSETS

Capital assets activity during 2013 and 2012 were as follows:

	Balance July 1, 2012	Contributions	Additions	Deletions	Balance June 30, 2013
Equipment and machinery	\$ 171,540	\$ -	\$ -	\$ (26,971)	\$ 144,569
Less accumulated depreciation	(43,476)	-	(18,529)	13,587	(48,418)
	128,064	-	(18,529)	(13,384)	96,151
Land	31,882,014	-	18,281,520	-	50,163,534
Construction in progress	516,621,600	-	291,083,224	-	807,704,824
Capital assets, net	\$ 548,631,678	\$ -	\$ 309,346,215	\$ (13,384)	\$ 857,964,509
	Balance July 1, 2011	Contributions	Additions	Deletions	Balance June 30, 2012
Equipment and machinery	\$ -	\$ 75,103	\$ 96,437	\$ -	\$ 171,540
Less accumulated depreciation	-	(25,407)	(18,069)	-	(43,476)
	-	49,696	78,368	-	128,064
Land	-	17,673,908	14,208,106	-	31,882,014
Construction in progress	-	285,666,871	230,954,729	-	516,621,600
Capital assets, net	\$ -	\$ 303,390,475	\$ 245,241,203	\$ -	\$ 548,631,678

Honolulu Authority for Rapid Transportation
(a component unit of the City and County of Honolulu)

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013 and 2012

NOTE E - COMMITMENTS

Leases

HART leases office space and equipment under operating leases expiring through fiscal year 2021. The future minimum rental payments for operating leases at June 30, 2013 are as follows:

Year ended June 30,	
2014	\$ 1,182,000
2015	1,219,000
2016	1,252,000
2017	1,138,000
2018	751,000
2019 to 2021	<u>1,907,000</u>
Total minimum payments	<u><u>\$ 7,449,000</u></u>

Additionally, these leases provide for payment of common area charges. Office and equipment rental expenses were \$2,226,747 and \$1,490,148 for the years ended June 30, 2013 and 2012, respectively.

Other Commitments

HART has contractual commitments at June 30, 2013 of \$2,414,397,326. These include contracts for construction, design, and professional services.

NOTE F – OTHER LONG-TERM LIABILITIES

The following is a summary of changes in other long-term liabilities during the fiscal years ended June 30, 2013 and 2012:

	Balance <u>July 1, 2012</u>	Transfers	Additions	Reductions	Balance <u>June 30, 2013</u>	Current portion
Accrued vacation	\$ 808,538	\$ -	\$ 425,644	\$ 213,932	\$ 1,020,250	\$ 44,990
Other postemployment benefits	1,071,481	-	282,000	-	1,353,481	-
	<u>\$ 1,880,019</u>	<u>\$ -</u>	<u>\$ 707,644</u>	<u>\$ 213,932</u>	<u>\$ 2,373,731</u>	<u>\$ 44,990</u>
	Balance <u>July 1, 2011</u>	Transfers	Additions	Reductions	Balance <u>June 30, 2012</u>	Current portion
Accrued vacation	\$ -	\$ -	\$ 808,538	\$ -	\$ 808,538	\$ 10,922
Other postemployment benefits	-	863,481	208,000	-	1,071,481	-
	<u>\$ -</u>	<u>\$ 863,481</u>	<u>\$ 1,016,538</u>	<u>\$ -</u>	<u>\$ 1,880,019</u>	<u>\$ 10,922</u>

Honolulu Authority for Rapid Transportation
(a component unit of the City and County of Honolulu)

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013 and 2012

NOTE G - EMPLOYEE BENEFIT PLANS

Defined Benefit Pension Plan

Substantially all employees of HART are members of the Employees' Retirement System of the State of Hawaii (ERS), a cost-sharing multiple-employer defined benefit public employee retirement plan. The ERS provides retirement benefits as well as death and disability benefits and is governed by a Board of Trustees. All contributions, benefits, and eligibility requirements are established by HRS Chapter 88 and can be amended by legislative action.

The ERS is composed of a contributory and hybrid contributory retirement plan. Prior to June 30, 1984, the plan consisted of only a contributory option. Effective July 1, 1984, legislation was enacted to create a noncontributory plan for members of the ERS who are also covered under Social Security. Persons employed in positions not covered by Social Security are precluded from the noncontributory plan. The noncontributory plan provides for reduced benefits and covers most eligible employees hired after June 30, 1984. Employees hired before that date were allowed to continue under the contributory plan or to elect the noncontributory plan and receive a refund of employee contributions.

All benefits vest after five and ten years of credited service under the contributory and noncontributory plans, respectively. Both plans provide a monthly retirement allowance based on the employee's age, years of credited service, and average final compensation (AFC). The AFC is the average salary earned during the five highest paid years of service, including the vacation payment, if the employee became a member prior to January 1, 1971. The AFC for members hired on or after that date and prior to January 1, 2003, is based on the three highest years of service, excluding the vacation payment. Effective January 1, 2003, the AFC is the highest three calendar years or highest five calendar years plus lump sum vacation payment, or last 36 credited months or last 60 credited months plus lump sum vacation payment.

Most covered employees under the contributory plan are required to contribute 7.8% of their salary. Prior to July 1, 2005, the funding method used to calculate the total employer contribution requirement was the Entry Age Normal Actuarial Cost Method. Under this method, employer contributions to the ERS were comprised of normal cost plus level annual payments required to liquidate the unfunded actuarial liability over the remaining period of 29 years from July 1, 2000. Effective July 1, 2008, employer contribution rates are a fixed percentage of compensation, generally 15% for most covered employees. Effective July 1, 2012, employer contribution rates are a fixed percentage of compensation, generally 15.5% for most covered employees. HART's contribution to the ERS for the years ended June 30, 2013 and 2012 was \$1,049,223 and \$809,516, respectively.

The 2004 State of Hawaii legislative sessions approved a hybrid retirement plan, which took effect on July 1, 2006. Employees who choose to be under this plan are required to contribute 6% of their salary and will receive pensions based on a 2% benefit formula instead of a 1.25% benefit formula under the current noncontributory plan. The hybrid plan does not affect HART's contributions to the ERS.

Honolulu Authority for Rapid Transportation
(a component unit of the City and County of Honolulu)

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013 and 2012

NOTE G - EMPLOYEE BENEFIT PLANS (continued)

Defined Benefit Pension Plan (continued)

The ERS issues a Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information, which may be obtained at the following address: Employees' Retirement System of the State of Hawaii, 201 Merchant Street, Suite 1400, Honolulu, Hawaii 96813.

Post-Retirement Health Care and Life Insurance Benefits

In addition to providing pension benefits, the State of Hawaii Employer-Union Health Benefits Trust Fund (EUTF), an agent multiple-employer plan provides certain health care (medical, prescription, vision, and dental) and life insurance benefits for retired City employees. Act 88 established the EUTF during the 2001 legislative session and is codified in HRS 87A. Contributions are based on negotiated collective bargaining agreements and are limited by State statute to the actual cost of benefit coverage.

For employees hired before July 1, 1996, the City pays 100% of the monthly health care premium for employees retiring with 10 or more years of credited service, and 50% of the monthly premium for employees retiring with fewer than 10 years of credited service.

For employees hired after June 30, 1996 and retiring with 25 years or more of service, the City pays the entire health care premium. For employees retiring with at least 15 years of service but fewer than 25 years of service, the City pays 75% of the monthly Medicare or non-Medicare premium. For those retiring with at least 10 years but less than 15 years of service, the City pays 50% of the retired employees' monthly Medicare or non-Medicare premium. For those retiring with less than 10 years of service, the City makes no contributions.

For employees hired after June 30, 2001 and retiring with over 25 years of service, the City will pay 100% of the monthly premium based on the self plan. For those who retire with at least 15 years but fewer than 25 years of service, the City will pay 75% of the retired employees' monthly Medicare or non-Medicare premium based on the self plan. For those retiring with at least 10 years but fewer than 15 years of service, the City pays 50% of the retired employees' monthly Medicare or non-Medicare premium based on the self plan. For those with fewer than 10 years of service, the City makes no contributions.

The City also reimburses 100% of Medicare premium costs for retirees and qualified dependents (through the State), who are at least 65 years of age and have at least 10 years of service.

Annual Other Postemployment Benefits (OPEB) Cost and Net OPEB Obligation

HART is required to contribute the annual required contribution (ARC) of the employer, an actuarially determined amount. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

Honolulu Authority for Rapid Transportation
(a component unit of the City and County of Honolulu)

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013 and 2012

NOTE G - EMPLOYEE BENEFIT PLANS (continued)

Annual Other Postemployment Benefits (OPEB) Cost and Net OPEB Obligation (continued)

The following table displays for the years ended June 30, 2013 and 2012, the components of the annual OPEB cost, the amount contributed to the plan, the changes to the net OPEB obligation, and the percentage of annual OPEB cost contributed:

	<u>2013</u>	<u>2012</u>
Annual required contribution	\$ 282,000	\$ 208,000
Interest on net OPEB obligation	-	-
Adjustment to annual required contribution	<u>-</u>	<u>-</u>
Annual OPEB cost	282,000	208,000
Contribution made	<u>-</u>	<u>-</u>
Increase in net OPEB obligation	282,000	208,000
Net OPEB obligation at beginning of fiscal year	<u>208,000</u>	<u>-</u>
Net OPEB obligation at end of fiscal year	<u><u>\$ 490,000</u></u>	<u><u>\$ 208,000</u></u>
Percentage of annual OPEB cost contributed	0%	0%

Funded Status and Funding Progress

The following is the schedule of the funded status and funding progress of the plan as of the most recent actuarial valuation date, that is, July 1, 2011:

Actuarial accrued liability	\$ 1,964,000
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 1,964,000</u></u>
Funded ratio	0.0%
Covered payroll (active plan members)	\$ 5,385,000
UAAL as a percentage of covered payroll	36.5%

Honolulu Authority for Rapid Transportation
(a component unit of the City and County of Honolulu)

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013 and 2012

NOTE G - EMPLOYEE BENEFIT PLANS (continued)

Annual Other Postemployment Benefits (OPEB) Cost and Net OPEB Obligation (continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the most recent actuarial valuation, dated as of July 1, 2011, the entry age normal actuarial cost method was used. The actuarial assumptions included a discount rate of 7.0%, which was based on EUTF's anticipated asset investment return and the HART's anticipated funding level. Actuarial assumptions also included an annual health cost trend rate of 9.25% for 2012, reduced by decrements to an ultimate rate of 5% after 8 years, expected payroll increases of 3.5% to amortize unfunded liabilities, projected salary increases based on the ERS July 1, 2011 assumptions to determine the actuarial accrued liability, and an inflation rate of 3.0%. The unfunded actuarial accrued liability is being amortized over a 30 year closed period as a level percentage of projected payrolls.

The EUTF issues a stand-alone financial report that includes financial statements and required supplementary information, which may be obtained at the following address: State of Hawaii Employer-Union Health Benefits Trust Fund, 201 Merchant Street, Suite 1520, Honolulu, Hawaii 96813.

NOTE H - RELATED PARTY TRANSACTIONS

Intergovernmental Revenues and Federal Grants

During the year ended June 30, 2013, HART recognized intergovernmental revenues of \$173,822,505 from the GET county surcharge and \$164,053,218 in FTA grant assistance.

Honolulu Authority for Rapid Transportation
(a component unit of the City and County of Honolulu)

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013 and 2012

NOTE H - RELATED PARTY TRANSACTIONS (continued)

Intergovernmental Revenues and Federal Grants (continued)

During the year ended June 30, 2012, HART recognized intergovernmental revenues of \$631,760,417 which was comprised of \$447,284,489 of net assets of the City's Transit Fund as of June 30, 2011, less certain other City liabilities of \$6,189,065, as well as \$190,664,993 from the GET county surcharge and \$42,662,749 in FTA grant assistance.

Central Administrative Services Expense Fee

HART has an agreement with the City to pay a Central Administrative Services Expense (CASE) fee for treasury, personnel, purchasing, legal, and other services that the City provides to HART on an on-going basis. CASE fees totaled \$1,065,418 and \$602,212 for the years ended June 30, 2013 and 2012, respectively, and is included as part of administration and general expense in the statements of revenues, expenses and changes in net position.

NOTE I – LITIGATION AND SUBSEQUENT EVENTS

HART is party to various legal proceedings arising in the normal course of business. The outcome of individual matters is not predictable. However, management believes that the ultimate resolution of all such matters will not have a material adverse effect on HART's financial position, results of operations, or liquidity.

HonoluluTraffic.com, et. al. v. Federal Transit Administration, et. al.

In May 2011, a lawsuit was filed against the FTA and the City alleging violations of federal law in approving the City's rail transit project. Among other claims, the allegations were that the defendants improperly studied only the first 20 miles of the project and not the full route, that alternatives to the project were not properly considered, that potential native Hawaiian burial sites were not studied prior to the approval of the project and that defendants failed to comply with the federal Department of Transportation Act.

On November 1, 2012, the District Court ruled in favor of the plaintiffs with regard to three matters, and ruled in favor of the defendants in all other respects. The three matters were that the defendants did not adequately analyze above ground traditional cultural properties (TCP), did not adequately support their rejection of an alternative route involving a tunnel underneath Beretania Street and did not adequately support their determinations regarding the impact of the Project on Mother Waldron Park.

Honolulu Authority for Rapid Transportation
(a component unit of the City and County of Honolulu)

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013 and 2012

NOTE I – LITIGATION AND SUBSEQUENT EVENTS (continued)

HonoluluTraffic.com, et. al. v. Federal Transit Administration, et. al. (continued)

On December 27, 2012, the court issued a Judgment and Partial Injunction, remanding the matter to the FTA for additional studies and analyses consistent with its findings in the November 2012 order, and enjoining construction and real estate acquisition activities in Section 4 of the project until completion of the additional studies regarding the three matters described above. A study of above-ground TCP is complete, and the FTA has obtained the concurrence of the State Historic Preservation Officer (SHPO) that there are no previously unidentified eligible TCP that would be adversely affected by the project. With respect to the other two matters, on October 8, 2013, the City defendants filed a Notice of Compliance with the District Court, informing the court and all parties that a Final Supplemental Environmental Impact Statement (FSEIS) and amended Record of Decision had been completed for the Mother Waldron Park and Beretania Street Tunnel alternative issues, and that the TCP studies (which were incorporated into the FSEIS) had been approved by the SHPO. On November 7, 2013, the Plaintiffs filed their objection to the sufficiency of the additional studies for the Beretania Street Tunnel alternative only. The District Court will now have to decide if the Summary Judgment Order has been satisfied, at which point any dissatisfied party could appeal to the 9th Circuit.

Separately, the plaintiffs filed an appeal of the District Court's Judgment and Partial Injunction and other prior rulings in the case to the Ninth Circuit Court of Appeals. The appeal was fully briefed, and oral argument was held in San Francisco on August 15, 2013. The parties are awaiting a decision by the court.

Bombardier v. Department of Budget and Fiscal Services, et. al.

Following the disqualification of its Core Systems Design-Build-Operate-Maintain Contract proposal as nonresponsive, Bombardier filed a bid protest with the City Chief Procurement Officer. This bid protest was denied, and Bombardier then appealed to the Office of Administrative Hearings, State Department of Commerce and Consumer Affairs. The Hearings Officer ruled against Bombardier, which then appealed to the First Circuit Court, where the Circuit Court judge affirmed the decision of the Hearings Officer.

Bombardier then appealed to the Intermediate Court of Appeals (ICA). On October 17, 2012, the ICA issued a decision affirming the decisions of the Circuit Court and the Hearings Officer in their entirety. Bombardier did not seek any further appeals.

Honolulu Authority for Rapid Transportation
(a component unit of the City and County of Honolulu)

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013 and 2012

NOTE I – LITIGATION AND SUBSEQUENT EVENTS (continued)

Kaleikini v. Formby et. al.

On January 31, 2011, Plaintiff filed a lawsuit in the First Circuit Court of the State of Hawaii, challenging the approval of the Final Environmental Impact Statement (FEIS) as well as other approvals for the City's rail transit project that HART is now responsible for developing, operating, maintaining and expanding. Plaintiff alleged various State law violations but primarily alleged that an archaeological inventory survey (AIS) had not first been completed for the entire 20-mile project alignment, in violation of State law. Instead, the project was proposed to be built in four sections, with an AIS to be completed for each section prior to any construction taking place in that section. The case involves both City and State of Hawaii defendants.

The Circuit Court granted the City defendants' Motion to Dismiss Complaint and/or for Summary Judgment, and denied the Plaintiff's Motion for Preliminary Injunction and Motion for Reconsideration. In doing so, the Circuit Court determined that the phased approach for AIS completion proposed for the rail project met applicable State law requirements.

Plaintiff then filed an appeal with the ICA, where the matter was fully briefed by all parties. The case was then transferred to the Hawaii Supreme Court. Shortly after the transfer, the Plaintiff-Appellant filed a motion for injunctive relief pending appeal, which the court denied. Oral argument before the Hawaii Supreme Court occurred on May 24, 2012.

On August 24, 2012, the Supreme Court of the State of Hawaii vacated the Circuit Court's judgment in favor of the City and State, ruling that the administrative rules implementing HRS §§ 6E-8 and 6E-42 do not permit the State Historic Preservation Division (SHPD) of the Department of Land and Natural Resources to concur in the rail project absent a complete AIS for the entire project. The project had received SHPD approval to conduct separate AISs for each of the four construction phases, with construction proceeding in each phase after completion of the AIS for that phase. Based on the Hawaii Supreme Court's decision, ground disturbing construction activities related to the project were halted pending completion of all AIS work. HART continued with property acquisitions, AIS work and other non-ground disturbing activities. HART completed the AIS work and received SHPD's determination letter concurring in the project on August 29, 2013.

While the additional AIS work was being undertaken, the Supreme Court ruled that Plaintiff was entitled to certain fees and costs for the appeal portion of the litigation, and remanded the case to the Circuit Court for further proceedings. The parties entered into a stipulated agreement to resolve remaining issues, and this was approved by the Circuit Court on June 19, 2013. The Circuit's Court's final judgment is pending.

HART estimates that the delay expenses associated with the above litigation and other delays will cost the Project approximately \$64 - \$120 million.

PART II
SUPPLEMENTARY INFORMATION

Honolulu Authority for Rapid Transportation
(a component unit of the City and County of Honolulu)

SCHEDULE OF FUNDING PROGRESS

June 30, 2013

<u>Actuarial valuation date</u>	<u>Actuarial value of assets</u>	<u>Actuarial accrued liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded ratio</u>	<u>Covered payroll</u>	<u>UAAL as a percentage of covered payroll</u>
July 1, 2011	-	\$ 1,964,000	\$ 1,964,000	0.0%	\$ 5,385,000	36.5%

PART III
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Board of Directors
Honolulu Authority for Rapid Transportation
City and County of Honolulu

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Honolulu Authority for Rapid Transportation (HART) as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise HART's basic financial statements, and have issued our report thereon dated November 15, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered HART's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of HART's internal control. Accordingly, we do not express an opinion on the effectiveness of HART's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified a deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detect and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings as 2013-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether HART's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

HART's Response to Findings

HART's response to the findings identified in our audit is described in the accompanying Response of the Affected Agency. HART's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF PACIFIC HAWAII LLP

Honolulu, Hawaii
November 15, 2013

PART IV
SCHEDULE OF FINDINGS

Honolulu Authority for Rapid Transportation
(a component unit of the City and County of Honolulu)

SCHEDULE OF FINDINGS

June 30, 2013

FINDING 2013-01 – FEDERAL GRANT REIMBURSEMENTS

Criteria

In accordance with accounting principles generally accepted in the United States of America, governments should recognize revenues and intergovernmental receivables from intergovernmental transactions that are either government-mandated or voluntary nonexchange transactions when all eligibility requirements, including time requirements, have been met.

Condition

Certain unbilled amounts for reimbursement of costs from the federal government related to the construction of the Project were discovered by us during the audit.

Cause

The above finding was caused primarily by lack of policies and procedures to ensure that reimbursable expenses are billed in a timely manner.

Effect

An adjustment was proposed by us, which management recorded, to record unbilled receivables of \$83,783,523 as of June 30, 2013.

Recommendation

We recommend that management of HART consider implementing policies and procedures to ensure billings related to reimbursable federal expenses are completed in a timely manner. We also recommend that management evaluate the resources required to perform this function.

PART V
RESPONSE OF THE AFFECTED AGENCY

Honolulu Authority for Rapid Transportation
(a component unit of the City and County of Honolulu)

RESPONSE OF THE AFFECTED AGENCY

FINDING 2013-01 – FEDERAL GRANT REIMBURSEMENTS

Response of Management

Management is presently recruiting for a full-time federal grants manager who will be responsible to ensure that all FTA eligible reimbursable costs are submitted in a timely manner.

Policies and procedures will be put in place that will require monthly submissions of reimbursable costs to the FTA as well as monthly reconciliations of expenditures versus reimbursements to date. At year-end, an annual reconciliation will also be performed comparing total actual and accrued expenditures to reimbursement amounts to determine the annual accrual of unreimbursed FTA grant revenue.

ATTACHMENT B



IN REPLY REFER TO:
CMS-AP00-00564

HONOLULU AUTHORITY for RAPID TRANSPORTATION

Daniel A. Grabauskas
EXECUTIVE DIRECTOR AND CEO

BOARD OF DIRECTORS

Ivan M. Lui-Kwan, Esq.
CHAIR

Donald G. Horner
VICE CHAIR

George I. Atta
Robert Bunda
Michael D. Formby
William "Buzz" Hong
Kestie W.K. Hui
Damien T.K. Kim
Glenn M. Okimoto, Ph.D.
Carrie K.S. Okinaga, Esq.

November 21, 2013

The Honorable Kirk Caldwell, Mayor
City and County of Honolulu
530 South King Street, Room 300
Honolulu, Hawaii 96813

and

The Honorable Ernest Y. Martin, Chair
and Members
Honolulu City Council
530 South King Street, Room 202
Honolulu, Hawaii 96813

Dear Mayor Caldwell, Chair Martin, and Councilmembers:

On behalf of the Finance Committee of the Honolulu Authority for Rapid Transportation (HART), I transmit for your consideration and input HART's proposed Fiscal Year (FY) 2015 Operating and Capital Budgets in the amounts delineated below, and Exhibits A and B with explanations for these amounts (as attached).

Total FY 2015 Operating Budget.....\$21,481,029
Total FY 2015 Capital Budget..... \$1,560,404,400

HART's proposed FY 2015 budgets do not include any request of City general fund monies. However, the proposed Operating Budget includes \$2,044,307 as direct reimbursement to general fund and central administrative services expense, and the Capital Budget includes monies for HART's Capital Improvement Bond Fund subsidiary account.

Please note that HART anticipates requesting General Obligation Bond authorization from the City Council in FY 2015, which will be transmitted separately. The HART organization looks forward to working with the City Council in this regard.

Sincerely,

Daniel A. Grabauskas
Executive Director and CEO

Attachments

cc: HART Board of Directors

HONOLULU AUTHORITY FOR RAPID TRANSPORTATION
Proposed Operating Expense Budget
For Fiscal Year 2015

<u>Budget Description</u>	<u>2014 Budget</u>	<u>2015 Budget</u>
<u>Personnel</u>		
Regular Pay	9,052,649	9,414,755
Overtime, Night Shift, Temp Assign Pay	84,480	95,000
Fringe Benefits	3,892,237	4,332,670
Service or Merit Awards	1,000	1,000
Personnel Expense Subtotal	13,030,366	13,843,425
<u>Current Expenses</u>		
Office & Computer Supplies	147,000	147,000
Meals & Foods	2,300	6,500
Safety & Misc Supplies	9,300	9,300
Parts / Equip	210,000	210,000
Legal Services	1,702,354	1,202,354
Professional Svcs. Direct Reimb	1,982,031	2,044,307
Professional Svcs. Other	280,000	250,000
Postage & Shipping	9,000	9,000
Telephone	32,000	40,000
Communication Svcs	170,000	170,000
Relocation - New hires	30,000	30,000
Travel Expense - Out-of-State	82,475	95,000
Advertising, Publication of Notices	14,474	45,000
Insurance on Equip. & Gen. Liab.	12,000	18,000
Liability Insurance (Dir. & Off)	62,000	55,000
Printing & Binding	1,500	1,500
Other Repairs to Bldgs & structures	300,000	300,000
R&M - office furniture & equip	5,000	12,000
Rentals	2,230,959	2,378,643
Fees (memberships, Registration & parking)	50,000	50,000
Computer Software maintenance agreements	48,500	58,000
Other Fixed Charges	500,000	500,000
Current Expenses Subtotal	7,880,893	7,631,604
<u>Equipment & Software</u>		
	6,000	6,000
Totals	20,917,259	21,481,029
Total Full-time Equivalent Positions	139	139

Honolulu Authority for Rapid Transportation
Proposed Capital Improvement Budget for Fiscal Year Ending June 30, 2015
FY 2015

	Planning	Design	Construction	Inspection	Land	Relocation	Equipment	Grand Total
Construction								
Pearl Highlands Parking Structure/Bus Transit Center			\$155,591,300					\$155,591,300
Airport Station Group Construction			\$63,346,900					\$63,346,900
City Center Section Utilities Construction			\$63,025,100					\$63,025,100
Airport and City Center Sections Guideway			\$682,463,200					\$682,463,200
Elevators and Escalators			\$6,148,000					\$6,148,000
On-Call Hazardous Materials Removal Contractor			\$1,000,000					\$1,000,000
Owner-Controlled Insurance Program (OCIP)			\$20,000,000					\$20,000,000
Construction Total			\$991,574,500					\$991,574,500
Design								
Pearl Highlands Parking Structure/Bus Transit Ctr		\$17,916,100						\$17,916,100
UH West Oahu Park-and-Ride and Ho'opili Station		\$2,465,900						\$2,465,900
Design Total		\$20,382,000						\$20,382,000
Inspection								
Pearl Highlands Parking Structure/Bus Transit Center				\$9,568,600				\$9,568,600
Airport SG, Dillingham/Kaka'ako SG CE&I Services				\$16,533,200				\$16,533,200
Inspection Total				\$26,101,800				\$26,101,800
Programmatic Agreements								
Kako'o Consultant	\$200,000							\$200,000
Historic Preservation Committee (HPC)			\$900,000					\$900,000
Programmatic Agreements Total	\$200,000		\$900,000					\$1,100,000
Consultants								
Program Management Support Consultant (PMSC-2)		\$6,696,100						\$6,696,100
Gen Engineering Consultant FD-Construction			\$8,851,400					\$8,851,400
HDOT Traffic Management Consultant		\$200,000						\$200,000
HDOT Coordination Consultant - West Oahu/Farrington		\$1,750,000						\$1,750,000
HDOT Coordination Consultant – Kamehameha		\$2,000,000						\$2,000,000
HDOT Coordination Consultant - Airport Section		\$2,000,000						\$2,000,000
HDOT Coordination Consultant - City Center Section		\$4,314,800						\$4,314,800
HDOT State Safety Oversight Agency (SOA)	\$591,700							\$591,700
Real Estate Consultant					\$188,700	\$188,700		\$377,400
Owner-Controlled Insurance Program (OCIP) Consultant			\$208,100					\$208,100
Consultants Total	\$591,700	\$16,960,900	\$9,059,500		\$188,700	\$188,700		\$26,989,500
Right of Way					\$126,700,000	\$11,500,000		\$138,200,000
Utility Work by Private Utility Owners			\$95,000,000					\$95,000,000
Quality Audits		\$56,600						\$56,600
Grand Total	\$791,700	\$37,399,500	\$1,096,534,000	\$26,101,800	\$126,888,700	\$11,688,700		\$1,299,404,400
Allowance for Contingencies								\$161,000,000
Allowance for Recertification								\$100,000,000
Grand Total with Contingencies	\$791,700	\$37,399,500	\$1,096,534,000	\$26,101,800	\$126,888,700	\$11,688,700	\$0	\$1,560,404,400

ATTACHMENT C

**Honolulu Authority for Rapid Transportation
Proposed Capital Improvement Budget for Fiscal Year 2015 Through 2020**

Phase	Proposed FY 2015	Proposed FY 2016	Proposed FY 2017	Proposed FY 2018	Proposed FY 2019	Proposed FY 2020	Proposed 6 Yr Total
Planning	\$791,700	\$606,500	\$50,000	\$50,000	\$50,000	\$25,000	\$1,573,200
Design	\$37,399,500	\$1,020,000	\$20,000	\$20,000	\$0	\$0	\$38,459,500
Construction	\$1,096,534,000	\$178,054,200	\$31,153,500	\$25,405,400	\$9,918,800	\$0	\$1,341,065,900
Inspection	\$26,101,800	\$1,099,400	\$0	\$0	\$0	\$0	\$27,201,200
Land	\$126,888,700	\$0	\$0	\$0	\$0	\$0	\$126,888,700
Relocation	\$11,688,700	\$226,300	\$151,000	\$0	\$0	\$0	\$12,066,000
Equipment	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Grand Total	\$1,299,404,400	\$181,006,400	\$31,374,500	\$25,475,400	\$9,968,800	\$25,000	\$1,547,254,500
Contingencies	\$161,000,000	\$88,000,000	\$53,000,000	\$36,000,000	\$86,000,000	\$0	\$424,000,000
Recertification	\$100,000,000	\$0	\$0	\$0	\$0	\$0	\$100,000,000
Total	\$1,560,404,400	\$269,006,400	\$84,374,500	\$61,475,400	\$95,968,800	\$25,000	\$2,071,254,500

ATTACHMENT D

HART

HONOLULU AUTHORITY for RAPID TRANSPORTATION

Construction Update

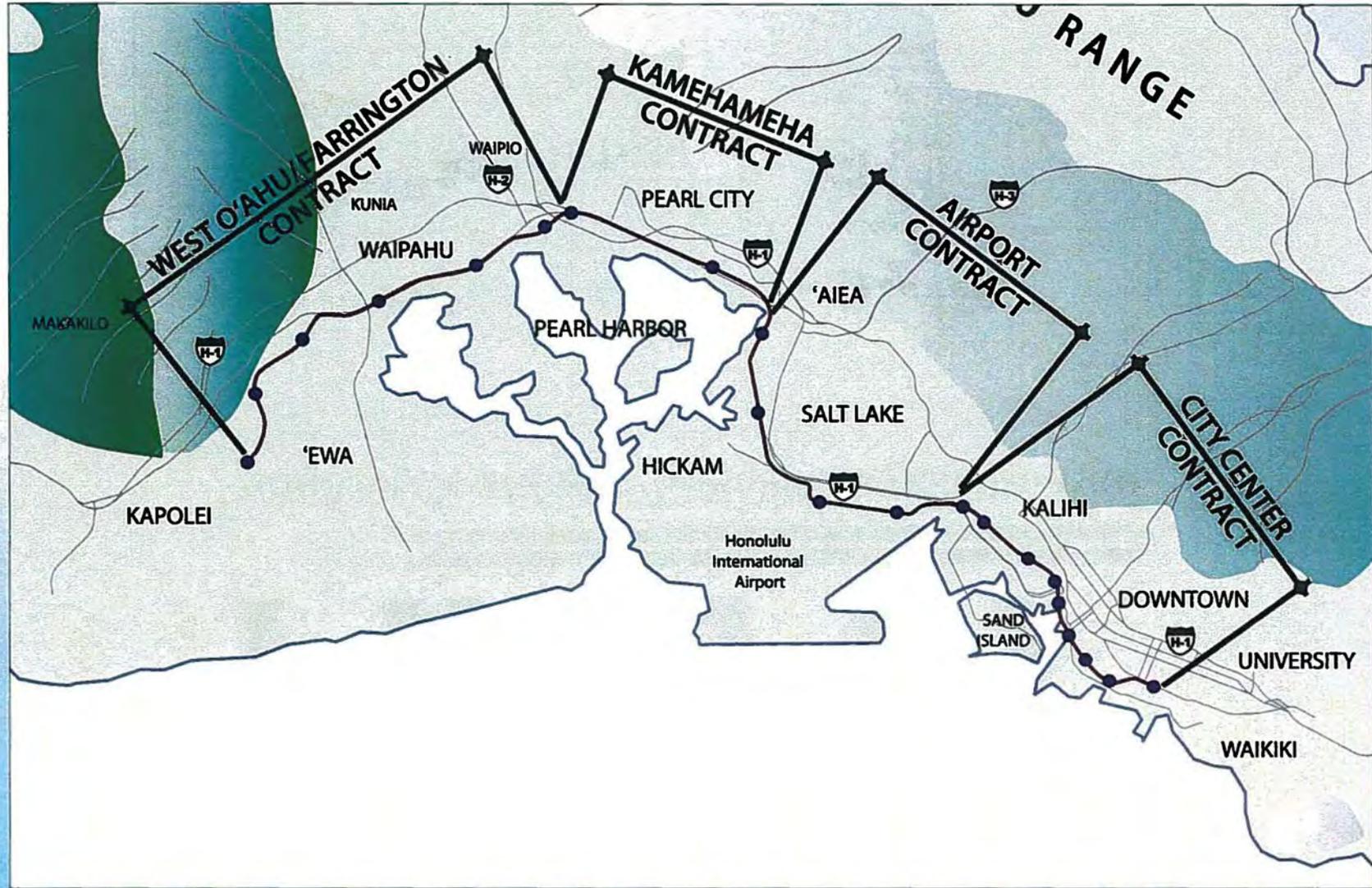
November 21, 2013

H O N O L U L U R A I L T R A N S I T P R O J E C T

WWW.HONOLULUTRANSIT.ORG

HART
HONOLULU AUTHORITY for RAPID TRANSPORTATION

Project Phases



H O N O L U L U R A I L T R A N S I T P R O J E C T

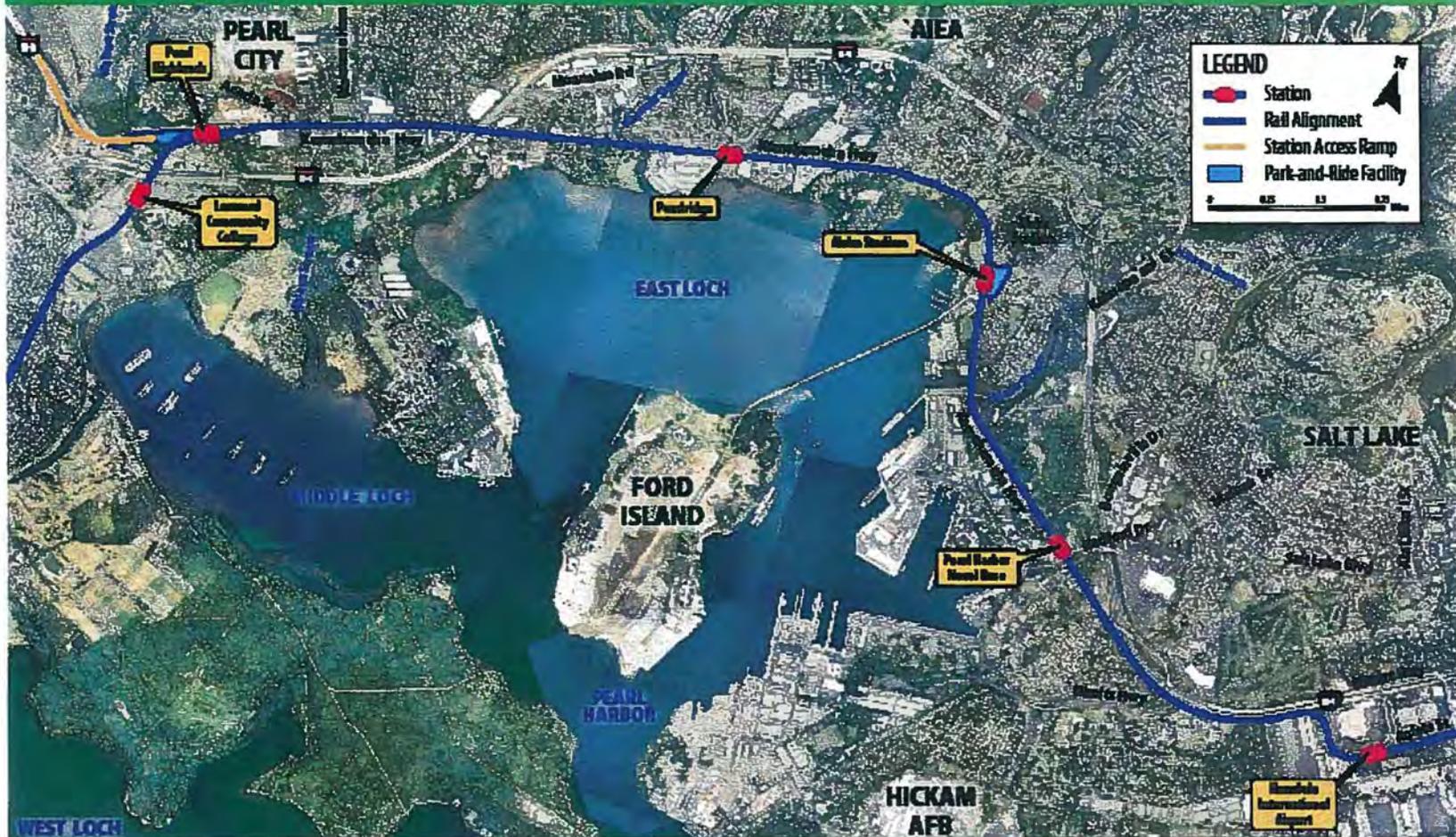
www.HONOLULUTRANSIT.ORG

HART

HONOLULU AUTHORITY FOR RAPID TRANSPORTATION

HONOLULU RAIL TRANSIT PROJECT

LEEWARD COMMUNITY COLLEGE to HONOLULU INTERNATIONAL AIRPORT



HONOLULU RAIL TRANSIT PROJECT

www.HONOLULUTRANSIT.ORG

HART

HONOLULU AUTHORITY FOR RAPID TRANSPORTATION

Guideway



H O N O L U L U R A I L T R A N S I T P R O J E C T

www.HONOLULUTRANSIT.ORG

HART

HONOLULU AUTHORITY FOR RAPID TRANSPORTATION

Precast Yard and Utility Relocation



***Precast Yard
Bridge Crane Structure and Casting Bed
Foundations***



***Farrington Highway
Utility Relocation for Fiber Optic Ductbank***

Column Construction



Ho'opili Area

Casting Bearing Pad Pedestals at Pier 105

Assembling Column Capital Rebar Cage

Completed Piers 102 through 110



H O N O L U L U R A I L T R A N S I T P R O J E C T

www.HONOLULUTRANSIT.ORG

HART
HONOLULU AUTHORITY FOR RAPID TRANSPORTATION

Maintenance & Storage Facility



H O N O L U L U R A I L T R A N S I T P R O J E C T

www.HONOLULUTRANSIT.ORG

HART

HONOLULU AUTHORITY FOR RAPID TRANSPORTATION

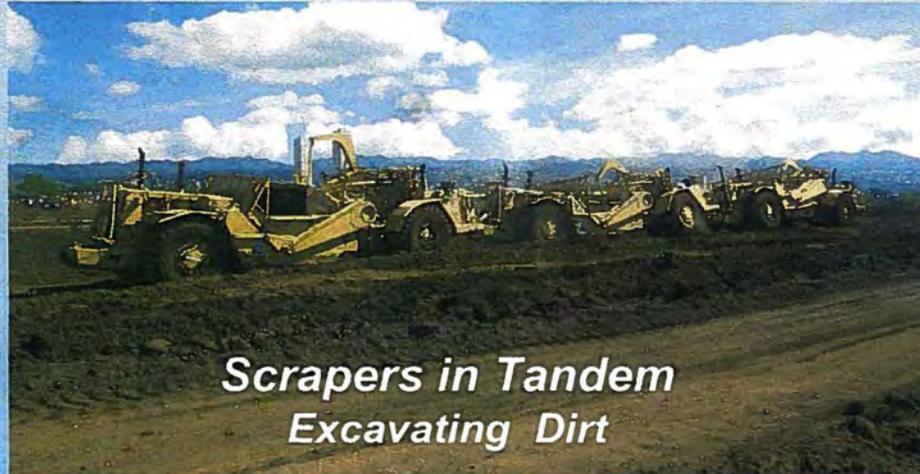
MSF Site Grading



Placing Dirt in Fill Areas



Excavating Drainage Detention Basin



***Scrapers in Tandem
Excavating Dirt***

MSF Utility Installation



*Installing Utility Lines and
Precast Manholes*

H O N O L U L U R A I L T R A N S I T P R O J E C T

www.HONOLULUTRANSIT.ORG

HART

HONOLULU AUTHORITY OF RAPID TRANSPORTATION

Mahalo!



HONOLULU RAIL TRANSIT

H O N O L U L U R A I L T R A N S I T P R O J E C T

www.HONOLULUTRANSIT.ORG

HART

HONOLULU AUTHORITY for RAPID TRANSPORTATION

ATTACHMENT E

Honolulu Authority for Rapid Transportation

Travel Report to the Board of Directors Board Member Michael Formby November 21, 2013

Purpose of Travel: Attend 19th Annual Rail~Volution Conference
Building Livable Communities with Transit

Dates of Conference: October 19-23, 2013

Place of Conference: Seattle, Washington/Vancouver, B.C.

Rail~Volution 2013 presented 80+ workshops in four days, and was attended by approximately 1,200 people committed to building livable communities with transit. Approximately 300 communities, towns and regions were represented in the various workshops, networking events, and plenary sessions.

Pre-Conference Tour

Exploring Vancouver's Urban Rails: Then and Now

Two day tour (Oct 19-20) from Seattle, Washington to Vancouver, British Columbia with CM Breene Harimoto, David Arakawa (LURF), Richard Lim (DBEDT) and Anthony Ching (HCDA). Rode the SkyTrain through metro Vancouver with stops at various stations and TOD developments. Received formal briefings from Chris Robertson, City of Vancouver, Strategic Transportation Planner, Gary Andrishak, Director IBI Group and Jeffrey Busby, Senior Manager, Infrastructure Planning, TransLink

Mobile Workshop

Bicycle Greenways: Community Values & Infrastructure

Learned about developing greenways, bicycle infrastructure, and bike parking at transit centers from community leaders, including those from Sound Transit.

Experienced the Chief Sealth Trail (light rail mitigation project) by bike, which goes through areas of housing redevelopment and community gardens.

Workshop

Monday Conference Workshops Attended:

- Mobility Hubs and Last-Mile Mobility
- Bikeshare Programs: Getting specific with metrics
- Parking: How Much is Enough
- MAP-21 Performance Measures: How Far (and Fast) to Push the Envelope

Tuesday Conference Workshops Attended:

- Brain Rules: Linking Brain to Healthy Livability
- Urban Circulators: The Key to Livable and Sustainable Communities
- Complete Streets: Balancing User Needs
- Right-Sized Parking Strategies
- First and Last Mile Strategies: Essential Components of the Complete Trip

Wednesday Conference Workshops Attended

- MAP-21 Implementation: Understanding the Changes
- Joint Development: How do you recruit the Right Developer
- Building a Regional Equity Strategy around Transportation
- Reality Show: The Real Issues and Challenges of TOD
- There's No TOD Without the T: Making Funding Sustainable