HONOLULU AUTHORITY for RAPID TRANSPORTATION

MINUTES

Finance Committee Meeting
August 11, 2011, 8:00 AM
Mission Memorial Annex Conference Room
550 South King Street
Honolulu, Hawaii

PRESENT:	Don Horner	Ivan Lui-Kwan
	Keslie Hui	David Tanoue
	Carrie Okinaga	Wayne Yoshioka
	Glenn Okimoto	
ALSO IN ATTENDANCE:	Toru Hamayasu	Kekoa McClellan
	Gary Takeuchi	Mike Levine
	Joyce Oliveira	Russell Honma
	Mark Scheibe	Paul Migliorato

I. Call to Order

At 8:01 A.M., the meeting of the Finance Committee was called to order by Committee Chair Don Horner.

II. Public Testimony

Mr. Horner called for public testimony. No public testimony was offered.

III. Approval of July 7, 2011 Finance Committee Minutes

Mr. Horner called for the approval of the minutes of the July 7, 2011 Finance Committee meeting. There being no objections, the minutes were unanimously approved.

IV. Review of FY2012 Operating and Capital Budgets

Mr. Horner observed that the Finance Committee will begin work on the FY2013 budgets soon, and requested that those budgets be as detailed and specific as possible.

Board Member Ivan Lui-Kwan asked how many FTEs the project currently has. Interim Executive Director Toru Hamayasu affirmed that the project currently has 82 FTEs, as was stated in the last monthly report, but has planned for 136 FTEs by the end of FY2012. Mr. Hamayasu noted that since there are currently fewer FTEs than was budgeted, savings have already been incurred.

Board Member Keslie Hui asked whether savings from salaries could be applied to the professional services contract for an Executive Search firm. Mr. Hamayasu replied that such a transfer would not typically be allowed by City processes. Mr. Horner asked where the funds for the Executive Search firm's professional services contract might come from. Mr. Hamayasu replied that the stipend money for nonselected bidders might be an option.

Mr. Horner requested information comparing projected revenue with quarterly net GET receipts. Mr. Hamayasu distributed a document entitled "GET Revenues YOE $millions." Mr. Horner requested that the Board receive updates to this document quarterly.

Mr. Horner asked how much of the total GET revenue raised since 2007 has been encumbered and how much remains in cash. Mr. Hamayasu stated that he would find out and report the information back to the Board.

Mr. Horner observed that current GET revenues are $15M above the April 2011 projections, and asked where that $15M might be applied. Mr. Hamayasu stated that one option would be to reduce the Section 5307 funds the City might use. Mr. Horner advised Mr. Hamayasu to seek Board approval before utilizing the $15M from the GET surcharge.

Board Chair Carrie Okinaga asked when the next Financial Plan might be prepared. Mr. Hamayasu replied that it should be ready by early next year.

Mr. Horner asked for more information on Federal appropriations for the project. Mr. Hamayasu replied that $30M was appropriated in FY2010, $55M was appropriated in FY11, and $125M is anticipated in FY2012. GEC Deputy Project Manager Mark Scheibe noted that while the President's FY2012 Budget set out $250M for the project, the final amount is subject to Congressional amendment, and so $125M was estimated to be the amount that Honolulu would receive.

Mr. Horner noted the "3,591,653" figure at the bottom of the "Base Year Dollars w/o Contingency (x000)" column of page C-2 of the April 2011 Financial Plan, and stated that this figure would henceforth be known as the "Base Year Project Cost without Contingency," or "BYP" figure.

Mr. Hamayasu noted that the numbers found on Page C-2 of the April 2011 Financial Plan had been reviewed closely by the PMOC, which did not require the City to add any additional costs when they performed their most recent risk assessment.

V. <u>Review of Financial Policies of the Board of Directors of the Honolulu Authority for Rapid Transportation, as adopted in Resolution 2011-2</u>

Mr. Horner moved that the "3,591,653" figure at the bottom of the "Base Year Dollars w/o Contingency (x000)" column of page C-2 of the April 2011 Financial Plan be defined in the Financial Policies as "Base Year Dollars without contingency, as identified in the April 2011 Financial Plan, Page C-2." There were no objections.

Mr. Horner stated that the "Base Year Dollars without contingency" figure, plus adjustments for inflation, should be the number made available to HART staff to develop the project. He stated that the Board will safeguard contingency funds.

Mr. Hui expressed concerns about the use of the phrase "shall approve" on Page 4 of the Financial Policies, and recommended that the second sentence of Section IV (c) of the Financial Policies be amended to read "Excess cash shall be invested by the BFS Treasury Division in accordance with City Policies."

Ms. Okinaga recommended that "The Executive Director shall provide reports on GET surcharge revenue at least annually" be inserted into Section V (A) of the Financial Policies.

Mr. Hui proposed striking the words "from advertising" from Section V (D) of the Financial Policies and changing the section header to be more general.

Mr. Hui asked for a discussion on the operating ratio and fare policy. Board Member Wayne Yoshioka replied that these are complex topics, as the farebox recovery ratio for TheBus is set to be between 27-33% by City Council resolution. Mr. Horner asked whether it would be appropriate to apply the farebox recovery ratio for TheBus to rail. Mr. Yoshioka stated that intermodal transfers make it complicated to set out a single formula. Mr. Lui-Kwan asked what the typical farebox recovery ratio is for transit systems. Mr. Scheibe replied that it ranges from 20% to 60%. Ms. Okinaga expressed some concern with the Board removing language on free transfers in the Financial Policies, as the EIS states that intermodal transfers will be free. Mr. Yoshioka stated that even if the language were removed, the Board could still allow for free transfers.

Mr. Horner recommended that the Committee Vice Chair, Keslie Hui, work with HART staff to consider the discussions of the Committee and prepare further recommendations/revisions for the Financial Policies.

V. <u>FY2012 Business Plan – Draft Business Strategy</u>

Mr. Horner asked when the next Business Plan might be submitted. Mr. Hamayasu replied that the Board can adopt a new plan at any time.

Mr. Hui suggested that safety or financial sustainability be added as specific goals or vision statement items. Mr. Lui-Kwan concurred, stating that the Board should consider other factors in addition to those already found in the Business Plan.

Mr. Horner stated that the current Business Plan lacks references to how HART will interact with OTS, and requested more information on the relationship between HART and OTS. Mr. Yoshioka stated that DTS must be included on discussions about the relationship between HART and OTS. Mr. Horner expressed particular concern over the distribution and retention of farebox revenue between the rail and bus systems. Ms. Okinaga stated that this topic would be addressed in a future agenda.

Mr. Horner raised concerns about the necessity of LEED certification for the MSF facility. Mr. Hamayasu replied that LEED certification is not required by the Federal government, but a City ordinance requires the MSF to meet LEED specifications. Mr. Hamayasu also stated that a legal opinion from Corporation Counsel may be needed to resolve whether LEED certification is indeed required for the MSF.

Ms. Okinaga stated that she would recommend several minor changes to the Business Plan before the next meeting, and would recommend the adoption of a revised draft at the August 25 Board Meeting. Mr. Horner added that each committee will have an opportunity to provide input on the Business Plan before the FY2013 Business Plan is issued.

VI. Adjournment

Having completed all Committee business, Mr. Horner called for any further public testimony or comments.

Russell Honma offered testimony on the topics of transparency, land use, private-public partnerships, and the use of "green technology" in the rail system. He also stated that he had been attending the DCCA hearings on the Core Systems procurement, and stated that he believes the Core Systems Offerors should come to an amicable solution.

At 10:28 A.M., Mr. Horner called for the meeting of the Finance Committee to be adjourned. There being no objections, the meeting was adjourned.

Respectfully Submitted,

Tyler Dos Santos-Tam
Board Administrator

Approved:

Don Horner
Chair, Finance Committee

OCT - 6 2011
Date