



HONOLULU AUTHORITY for RAPID TRANSPORTATION

MINUTES

**Finance Committee Meeting
Ali'i Place, Suite 150
1099 Alakea Street, Honolulu, Hawaii
Thursday, March 12, 2015 9:00 A.M.**

PRESENT: Keslie W.K. Hui Carrie K.S. Okinaga
Donald G. Horner Ford N. Fuchigami
Ivan M. Lui-Kwan George I. Atta
Robert "Bobby" Bunda

ALSO IN ATTENDANCE: Daniel Grabauskas Tom Berg
(Sign-In Sheet and Staff) Diane Arakaki John Bond
Jeanne Mariani-Belding Barbra Armentrout
Michael McGrane Gary Takeuchi
Rose Pou Joyce Oliveira
Dion Mesta Andrea Tantoco
Cindy Matsushita

EXCUSED: Michael D. Formby

I. Call to Order by Chair

HART Finance Chair Keslie Hui called the meeting to order at 9:37 a.m.

II. Public Testimony on all Agenda Items

Mr. Hui called for public testimony.

John Bond said that he appreciated the opportunity to provide testimony, and would do so at the Board of Directors meeting.

Tom Berg testified urging the committee members to consider mag lev rail technology, which was being employed all over the world.

III. Approval of the October 23, 2014 Minutes of the Finance Committee Meeting

Mr. Hui called for a motion for the Finance Committee to add to the agenda the approval of the October 9, 2014 Finance Committee meeting minutes. Committee member Carrie Okinaga so moved, and member Donald Horner seconded the motion. All being in favor,

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the motion carried unanimously. There being no objections, the minutes to the October 9, 2014 and October 23, 2014 meetings of the Finance Committee were approved.

IV. FY2016 Operating Budget Update

HART Chief Financial Officer Diane Arakaki, Fiscal Officer Bruce Sakihama, and Budget and Grants Manager Michael McGrane made a presentation updating the committee on the FY16 Operating Budget, a copy of which is attached hereto as Attachment A.

Ms. Arakaki gave the background of events that had occurred since the Finance Committee approved the operating budget the previous October. She said that staff was requesting that the Personal Services line item be reduced by \$500,000, given updated staffing information since the budget was originally prepared. Ms. Arakaki said that staff was also requesting that \$500,000 be added to the Other Fixed Charges/Stipend line item due to a change in HART's procurement and contract packaging plan. The change was intended to control and contain the total cost of the project as a result of receiving higher bids in the rapidly rising construction market.

Ms. Arakaki explained that offering stipends of approximately \$125,000 to unsuccessful bidders was a common industry practice intended to ensure competition and demonstrate HART's commitment to moving forward with the rail project.

Ms. Arakaki said that this action would not change the total amount of the FY16 Operating Budget.

Mr. Hui said that he would prefer that capital items such as the stipend be included in the capital budget, and operating items be included in the operating budget. He requested that staff further review the operating budget, as large capital projects such as the rail project should have smaller operating budgets with items characterized appropriately and clearly.

Mr. Horner questioned the appropriateness of taking action on the changes requested by Ms. Arakaki, given how the matter was characterized on the agenda. Deputy Corporation Counsel Gary Takeuchi acknowledged there was some ambiguity in the wording of the agenda item, as "update" could mean an informational briefing only or refer to an action to approve a more current version of the operating budget. Mr. Lui-Kwan suggested that the update at this time include a request to approve changes at a later meeting. Mr. Hui agreed, and said that the action in a future committee meeting should occur in the current budget cycle, with the matter being forwarded on to the Board.

V. Executive Session

There was no need for executive session.

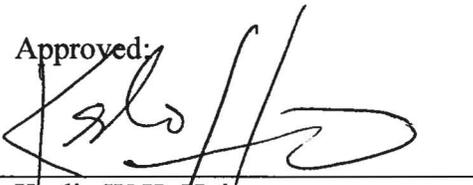
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VI. Adjournment

There being no further matters before the committee, Mr. Hui adjourned the meeting at 9:47 a.m.

Respectfully Submitted,


Cindy Matsushita
Board Administrator

Approved:

Kestlie W.K. Hui
Chair, Finance Committee

APR 23 2015
Date

ATTACHMENT A

Honolulu Authority for Rapid Transportation

FY 2016 Operating Budget Revision

March 12, 2015

HART Finance Committee

March 11, 2015

Purpose of Agenda Item:

Request shifting \$500,000 from the Personal Services section of the FY16 Operating Budget to the Stipend line item to fund stipends of unsuccessful bidders on two design-build contracts for the guideway and stations on the second 10 miles of the project.

Background and Explanation:

Since the HART Finance Committee directed staff to transmit the FY16 Operating and Capital budgets to the Mayor and Council last year, much has occurred on the project, and staff recommends shifting \$500,000 from Personal Services to the Other Fixed Charges (Stipend) line item of the Operating Budget to defray costs of non-successful bidders on two design-build guideway and station procurements for the second half of the project.

This proposed revision to the budget is due to a change in our procurement and contract packaging plan intended to control and contain the total cost of the project as a result of receiving higher bids in the rapidly rising construction market.

Offering stipends (approximately \$125,000) to unsuccessful bidders on these types of contracts is a common practice used to attract a healthy number of bidders, increase the probability of receiving competitive bids, defray some of the preparation cost of bidders to prepare their proposals, and demonstrates to the contracting industry that HART is committed to moving forward with this project.

The total amount of the FY 16 Operating Budget request of \$21.2 million will not change (excludes \$8 million of interest on debt). Just shifting \$500,000 from one line item to another.

Action/Decision:

Shifting \$500,000 from Personal Services to Other Fixed Charges (Stipend) line item in FY16 Operating Budget.

Board Finance Committee Approves/Disapproves/Modifies Staff Request

FY 2016 Proposed Operating Budget

Budget Description	ORIGINAL 2016 Budget	REVISED Budget	Proposed Change
<u>Personnel</u>			
Regular Pay	\$9,744,000	\$9,401,600	(342,400)
Fringe Benefits	4,484,000	4,326,400	(157,600)
All Other Personnel Expenses	291,000	291,000	0
Personnel Expense Subtotal	14,519,000	14,019,000	(500,000)
<u>Current Expenses</u>			
Other Fixed Charges (Stipend)	0	500,000	500,000
All Other Current Expenses	6,687,800	6,687,800	0
Current Expenses Subtotal	6,687,800	7,187,800	500,000
<u>Equipment & Software</u>			
	6,000	6,000	0
Total Operating Costs	21,212,800	21,212,800	0

HONOLULU AUTHORITY FOR RAPID TRANSPORTATION
Requested Operating Expense Budget
For Fiscal Year 2016

Budget Description	2015 Budget	ORIGINAL 2016 Budget	REVISED 2016 Budget	Proposed Change
Personnel				
Regular Pay	\$9,414,755	\$9,744,000	\$9,401,600	(342,400)
Overtime, Night Shift, Temp Assign Pay	95,000	95,000	95,000	0
Fringe Benefits	4,332,670	4,484,000	4,326,400	(157,600)
OPEB Mandatory Payment	0	195,000	195,000	0
Service or Merit Awards	1,000	1,000	1,000	0
Personnel Expense Subtotal	13,843,425	14,519,000	14,019,000	(500,000)
Current Expenses				
Office & Computer Supplies	147,000	147,000	147,000	0
Meals & Foods	6,500	6,500	6,500	0
Safety & Misc Supplies	9,300	9,300	9,300	0
Parts / Equip	210,000	210,000	210,000	0
Legal Services	1,202,354	1,000,000	1,000,000	0
Professional Svcs. Direct Reimb	2,044,307	2,031,500	2,031,500	0
Professional Svcs. Other	250,000	250,000	250,000	0
Postage & Shipping	9,000	9,000	9,000	0
Telephone	40,000	40,000	40,000	0
Communication Svcs	170,000	128,000	128,000	0
Relocation - New hires	30,000	30,000	30,000	0
Travel Expense - Out-of-State	95,000	95,000	95,000	0
Advertising, Publication of Notices	45,000	45,000	45,000	0
Insurance on Equip. & Gen. Liab.	18,000	18,000	18,000	0
Liability Insurance (Dir. & Off)	55,000	55,000	55,000	0
Printing & Binding	1,500	1,500	1,500	0
Other Repairs to Bldgs & structures	300,000	5,000	5,000	0
R&M - office furniture & equip	12,000	12,000	12,000	0
Rentals	2,378,643	2,445,000	2,445,000	0
Fees (memberships, Registration & parking)	50,000	50,000	50,000	0
Computer Software maintenance agreements	58,000	100,000	100,000	0
Other Fixed Charges (Stipend)	500,000	0	500,000	500,000
Current Expenses Subtotal	7,631,604	6,687,800	7,187,800	500,000
Equipment & Software				
	6,000	6,000	6,000	0
Total Before Debt Service	21,481,029	21,212,800	21,212,800	0
Interest Expense	0	8,000,000	8,000,000	0
Total Budget	21,481,029	29,212,800	29,212,800	0
Total Full-time Equivalent Positions	139	139	139	0