

**MEMORANDUM OF UNDERSTANDING
BETWEEN THE CITY AND COUNTY OF HONOLULU AND
THE HONOLULU AUTHORITY FOR RAPID TRANSPORTATION
REGARDING REIMBURSEMENT TO THE CITY FOR COSTS RELATED TO THE
HONOLULU AUTHORITY FOR RAPID TRANSPORTATION**

This MEMORANDUM OF UNDERSTANDING ("MOU") is entered into and effective as of July 1, 2011, by and between the CITY AND COUNTY OF HONOLULU ("City"), whose mailing address is 530 South King Street, Honolulu, Hawaii 96813, and the HONOLULU AUTHORITY FOR RAPID TRANSPORTATION ("HART"), City and County of Honolulu, whose mailing address is 1099 Alakea Street, Suite 1700, Honolulu, Hawaii 96813. The City and HART are collectively referred to as the "Parties."

WHEREAS, on December 16, 2009, the Honolulu City Council (the "Council") adopted Resolution 09-252, CD1, to initiate amendments to the Revised Charter of the City and County of Honolulu 1973, as amended ("Charter"), to create HART, a public transit authority responsible for the planning, construction, operation, maintenance and expansion of the City's 20-mile grade-separated fixed guideway rail system from East Kapolei to Ala Moana Center (the "Rail Project");

WHEREAS, at the 2010 general election, the voters approved revising the Charter as proposed by the Council to create HART;

WHEREAS, the Charter amendments established HART effective July 1, 2011;

WHEREAS, on and before June 30, 2011, the City provided certain services to and incurred certain expenses and costs on behalf of the Rapid Transit Division ("RTD") of Department of Transportation Services; and

WHEREAS, to ensure the smooth transition from RTD to HART on July 1, 2011, and to facilitate HART's efficient operation, the Parties have agreed that the City will continue providing certain services to HART ("Services and Benefits") which, if memorialized, are more fully described in separate memoranda of understanding between HART and various City agencies and that, on behalf of HART, the City will continue to incur certain direct and indirect expenses and costs for such Services and Benefits; and

WHEREAS, the Parties have further agreed that HART will, on and after July 1, 2011, reimburse the City for these Services and Benefits which, together with the total costs, will be identified and mutually agreed to by the Parties;

NOW, THEREFORE, the Parties hereto agree as follows:

1. Services and Benefits to HART. HART will reimburse the City on a quarterly basis for actual costs incurred by the City for direct costs and central administrative services expense (CASE). The elements of direct costs and the amounts budgeted for each element and CASE for Fiscal Year (FY) 2012 are detailed in Schedule A, FY 2012 Transit-Related City Costs to be Reimbursed by HART (Schedule A), which is attached hereto. In addition, HART will reimburse the City for costs that are incurred by the City for HART that were unanticipated or have otherwise not been included in Schedule "A" upon mutual agreement by the Parties. On or before September 1 of each year, the City and HART will agree to a Revised Schedule A, which will be effective for the following fiscal year.

2. Cooperation. The Parties enter into this MOU with the common goal of ensuring the smooth transition from RTD to HART on July 1, 2011, and ensuring HART's ability to fulfill its responsibilities under Article XVII of the Revised Charter of City and County of Honolulu (2000 Edition), as amended, pertaining to the Rail Project. In furtherance of this goal, the Parties agree to make every reasonable effort to cooperate with, and assist, each another.

3. Modification; Duration; Termination. This MOU is to take effect on July 1, 2011, and shall terminate on June 30, 2016, unless extended by the Parties. During the term of the MOU, this MOU may be amended by mutual written agreement of the Parties.

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

APPROVED:

DEPARTMENT OF BUDGET AND FISCAL SERVICES

By 
MICHAEL R. HANSEN
Director

HONOLULU AUTHORITY FOR RAPID TRANSPORTATION

By 
KENNETH T. HAMAYASU
Interim Executive Director

SCHEDULE A

FY 2012 Transit-Related City Costs to be Reimbursed by HART

Direct Costs

Budget & Fiscal Svcs	Salaries	\$61,946
Corporation Counsel	Salaries	\$331,763
Corporation Counsel	Curr Exp	\$1,239,854
Design & Construction	Salaries	\$151,017
Contribution for Other Post Employment Benefits (OPEB)	Curr Exp	\$19,823
Fringe Benefits for Above Salary Costs	Curr Exp	\$231,074
Total Direct Costs		<u>\$2,035,477</u>

Central Administrative Services Expense (CASE) (Based on 5% of HART's operating budget) \$992,068

Total Transit-Related Costs in City Operating Budget \$3,027,545

The reimbursement for actual costs shall be based on the following:

- a. Direct labor salary costs shall be substantiated by timesheets pursuant to Title 2 Code of Federal Regulations, Subtitle A, Chapter II, part 225.
- b. Current expenses incurred by the Department of the Corporation Counsel shall be substantiated by invoices or a report acceptable to HART.
- c. Contributions for Other Post Employment Benefits shall be made at 3.639% of actual direct labor salary costs substantiated in item a, above.
- d. Contributions for Fringe benefits shall be made at 42.42% of actual direct labor salary costs substantiated in item a, above.
- e. CASE shall be based on 5% of HART's actual operating expenditures, exclusive of the amounts associated with the elements identified in this Schedule A.