HONOLULU AUTHORITY for RAPID TRANSPORTATION

Joint Meeting of
Finance Committee and Project Oversight Committee
Ali'i Place, Suite 150
1099 Alakea Street, Honolulu, Hawaii
Thursday, October 15, 2015 9:00

MINUTES

PRESENT:	Colleen Hanabusa Ivan Lui-Kwan Damien Kim Terrence Lee	Michael Formby William "Buzz" Hong Donald G. Horner Terri Fujii
ALSO IN ATTENDANCE: (Sign-In Sheet and Staff)	Dan Grabauskas Brennon Morioka Diane Arakaki Michael McGrane Jeff Mack Corey Ellis Justin Garrod Nicole Chapman Rose Pou Barbra Armentrout	Kimberly Ribellia April Coloretti Shannon Wood Paul Migliorato Nelson Koyanagi Gary Takeuchi Joyce Oliveira Cindy Matsushita Andrea Tantoco
EXCUSED:	Ford Fuchigami	George Atta

I. <u>Call to Order by Chair</u>

Project Oversight Committee Chair Colleen Hanabusa called the meeting to order at 9:01 a.m.

Deputy City Clerk Kimberly Ribellia administered the oath of office to new Board member Terri Fujii.

II. <u>Public Testimony on all Agenda Items</u>

Ms. Hanabusa called for public testimony.

Barbra Armentrout testified that there were no documents available for the public prior to the meeting.

III. Approval of the September 24, 2015 Minutes of the Joint Meeting of the Finance Committee and Project Oversight Committee

Ms. Hanabusa asked whether there were any comments, questions or corrections regarding the minutes of the September 24, 2015 joint meeting of the Finance Committee and Project Oversight Committee. There being none, she called for a motion to approve the minutes. Committee member Donald G. Horner so moved, and Finance Committee chair Ivan Lui-Kwan seconded the motion. The motion carried and the minutes were unanimously approved.

IV. Update on Budget and Schedule Pursuant to Resolution 2015-86

Mr. Lui-Kwan said that Resolution 2015-86, having been approved at the Board's last meeting, staff would be making a presentation regarding the budget and schedule refresh pursuant to the resolution and the Full Funding Grant Agreement. A copy of the presentation is attached hereto as Attachment A.

HART Executive Director and CEO Daniel Grabauskas reminded Board member that he had made a presentation on costs for the remaining portion of project in December 2014, and gave a brief history of the project budget and schedule. He said that a financial plan had been developed as part of HART's Full Funding Grant Agreement (FFGA) application in 2012, which was approved by the federal government. The financial plan provided for 70% of funding from the General Excise Tax (GET) surcharge, and 30% from the federal grant of $1.55 billion, and contained a contingency amount of $643 million. The FFGA was signed in December 2012, at which time the project faced two lawsuits. The state Supreme Court ruling shut down construction in August 2012, following a construction start in April. The federal court lawsuit enjoined HART from real estate activities in the City Center section.

Mr. Grabauskas recounted that in 2014, HART received bids for nine stations that greatly exceeded the budget; as a result, HART canceled the solicitation for the station group. After an analysis by staff, Mr. Grabauskas had reported to the Board in December 2014 that construction costs would exceed the FFGA Financial Plan by 35–45%, even with cost mitigating measures. He said that several of the contracts in the first ten miles of the alignment that had been let in 2010 were under budget. The presentation being made to the Board would be regarding the second half of the alignment, and provide an update from December 2014 to the present. He said that the presentation had been requested by both the Board and the FTA.

Mr. Grabauskas said that the State Legislature had approved a five-year extension of the GET surcharge, the approval of which was before the City Council. HART was in the process of refining budget, schedule and income to complete the project. He said that staff would present their best estimates on income, cost, and schedule. The full opening date, due to various delays, will be 2021. Mr. Grabauskas said that the presentation would subsequently be shared with the FTA.

Mr. Grabauskas introduced HART's Deputy Executive Director Brennon Morioka, Budget Analyst Mike McGrane, Deputy Director of Project Controls Corey Ellis, and CH2MHill's Jeff Mack.

Mr. McGrane said that the original Financial Plan contained an annual growth rate of 5.04%, which was derived from 30 years of GET revenues. This figure was based on the total 4% excise tax statewide. He pointed out that the 5.04% includes the high inflation period of the 1980s. Utilization of the 5.04% rate in the financial plan yielded $3.291 billion during the plan period of October 2009 to December 31, 2022 when the original GET surcharge authorization expires.

Mr. Lui-Kwan pointed out that the project income is currently $39 million under plan due to a shortfall in GET surcharge receipts, resulting in the projected $100 million GET shortfall identified in December 2014.

Mr. McGrane said that GET growth rate assumptions ranging from three to five percent were evaluated. The original 5.04% assumption would yield approximately $1.8 billion in revenue, but adds financial risk. A 4% growth rate would yield about $1.5 billion, which closely mirrors the actual 4.07% GET growth rate since 2007, which includes the recent recession, a period of low inflation. Mr. McGrane said that the refresh financial plan accordingly employs the more solid 4% growth rate.

Mr. Lui-Kwan clarified the reading of the GET growth assumption table, which includes data through December 2027, at the end of the five-year GET surcharge extension.

Ms. Fujii asked whether a rate of 4% was being used, as opposed to the actual growth rate of 4.07%. Mr. McGrane confirmed 4% was being utilized.

Ms. Hanabusa said that the original rate of 5.04% was based on historical data. She asked about the basis of the 4% growth rate, and whether he considered the effect of the changes in GET revenues during the Cayetano administration in the analysis of the 5.04% growth rate. She said she was concerned that the calculation had been made by taking the $100 million figure and working backward. Mr. McGrane said that the original plan takes into consideration GET revenues over a long period of time, which smooths out the effects of any changes such as inflation, changes in GET revenues, etc.

Mr. Horner said that the calculation involves annual increases with no adjustments, which was fairly simplistic. He said that the 4% growth rate is based on actual data from the past seven years, which is more prudent than the 5%. Mr. McGrane added that growth rates of the past 5, 10 and 15 years were also found to be comparable to 4%, and that the calculation was not made by working backwards.

Mr. Mack of CH2MHill gave a brief background of his 30 years of experience in construction and engineering. He said that the update on the master project schedule had been requested by the Board and the FTA.

Mr. Mack explained that he would refer to the two phases of the alignment, as follows: Phase I refers to the western segments now under construction. This includes WOFH, KHG, the nine stations from east Kapolei to the Stadium, and the ROC. Phase II refers to the eastern segments, including the Airport guideway, City Center guideway, and the 12 stations from Pearl Harbor to Ala Moana.

Milestone dates are referred to as "A Dates" and "B Dates." A dates are when fixed facilities will be substantially complete, civil and roadway work will be complete, maintenance of traffic measures will be removed, when there will be limited impacts on vehicular and pedestrian traffic; it establishes the "new normal" conditions along corridor. B dates are when facilities will be open for intended use and passenger service.

Activities between A and B dates include vehicle delivery and systems installation, completion of systems installation, systems and vehicle testing, completion of fire and life safety approval, and system certification. Mr. Grabauskas noted that the A dates would be of most interest to the public, because it would mean the end of traffic impacts.

Mr. Mack outlined the Phase I milestones, which include the arrival of the first car trains in the first quarter of 2016. Committee member William "Buzz" Hong asked how many vehicles, and Mr. Mack responded that the first train would be comprised of four cars. Mr. Mack reported that Phase I A dates include the ROC in the second quarter of 2016, the WOFH guideway in the third quarter of 2016, the KHG guideway in the 2nd quarter of 2017, WOFH stations in the 4th quarter of 2017, Farrington Highway (FHY) stations in the first quarter of 2018, KHG stations in the third quarter of 2018, and systems certification and testing in the third quarter of 2018.

The Phase I milestone B date is when the system will be ready for revenue service to Aloha Stadium in the third quarter of 2018.

Mr. Lui-Kwan asked about the contract award period in 2016, when costs will be identified. Mr. Grabauskas replied that by June 2016, the costs for the two largest outstanding contracts will be known when the bids are opened.

Mr. Formby asked about the assumptions, citing the FTA's letter from the day prior, which requests realistic dates. Mr. Mack said that the Phase I dates carry a 90% probability, and Mr. Grabauskas concurred.

Mr. Formby asked about components that are not contained in the presentation, such as the Pearl Highlands Parking Garage and Transit Center (PHGT). Mr. Mack said that the PHGT was not in the presentation because it was currently under study as a public-private partnership (PPP). Mr. Formby asked about the procurement timeframe for the parking garage. Mr. Mack said that preliminary engineering took a year, and the procurement would take six to nine months, and that it was ready to advertise. It is currently 30% designed, and a design-builder would complete the design and construct it. Mr. Formby noted his concern that without the off-ramp from the H-2 freeway and the parking garage, central Oahu will be cut off; he advocated the inclusion of the parking garage in the project.

Mr. Horner clarified that while the parking garage was not included, the off ramp and transit station were included in the presentation. However, he said the issue was whether it could be completed in time for the opening of Phase I in the third quarter of 2018. Mr. Mack said that the garage was originally intended to support the full opening.

Mr. Formby voiced his desire to have the ramps and bus transit center included, and Mr. Mack confirmed that the budget included $130 million for that purpose. Mr. Formby said that he could not recall the Board being informed of the procurement cancellation of the garage, and asked the reason why. Mr. Grabauskas said that the Pearl Highlands parking garage solicitation was canceled following the cancellation of the nine station package, as HART was unsure whether it would go forward with the facility in whole or in part. HART sought to preserve future relationships with potential bidders by saving them the considerable time and expense it takes to put together a bid. He acknowledged that although the facility was originally planned to be ready by the full revenue service date, that it may be possible to have it ready in 2018.

Mr. Formby asked about engineering estimates for the off-ramp and transit center. Mr. Horner said that the budget for the facility was $130 million, plus an estimated $110 million from PPPs, for a total of $240 million. Mr. Formby asked about whether the off-ramp and transit center could be built for $130 million. Mr. Mack said there are many variables due to the complex nature of the site: the facility would be located over the Waiawa stream, on eight foot diameter stilts. He said that HART had looked at many different alternatives on how to proceed with procurement.

Mr. Formby voiced his concern over the cost of Hawaiian Electric Co. (HECO) utility relocation, and asked about the contingency based on an estimate. Mr. Mack said that any estimated HECO relocation costs are in a bucket.

Ms. Hanabusa said that she would appreciate knowing the history of the PHGT, as she was concerned about contractors' goodwill. Mr. Grabauskas said that the procurement had been in active solicitation, so contractors had incurred the costs of pursuing a bid based on the concept of the garage, ramps, and transit center. HART canceled the solicitation with the thought of reopening the bid again in the future, as it did not want contractors to waste money. Ms. Hanabusa said that whether to start and stop were Board policy decisions.

Mr. Horner said that the presentation was intended to be a comprehensive refresh on revenue assumptions, milestone dates, and the elements of the FFGA. He asked for confirmation that HART was 90% certain that the west side construction would be completed by the third quarter of 2018, and Mr. Mack confirmed.

Mr. Horner clarified that the Pearl Highlands facility was not included in the third quarter 2018 date. Mr. Mack confirmed that was correct. Mr. Formby asked that the Board be informed in the future when solicitations are canceled. Mr. Horner said that the presentation on milestone dates was designed to provide clarity on issues such as those.

Mr. Mack said that the Aloha Stadium bus transit station will service riders from the west side. Mr. Horner asked whether buses would transport riders from that rail station to their jobs, and Mr. Mack said they would.

Mr. Mack said that Phase I would be ready for revenue service in the third quarter of 2018. He outlined other options in phase I, which include a delayed or deferred interim opening, and a potential additional mile of rail to Pearl Harbor.

Mr. Grabauskas said that the Airport and City Center guideway packages would include multiple steps. HART would issue a request for qualifications, the responses to which HART would review and score. Three bidders would be selected from that pool to submit bids. The Airport package was in the second step; asking them to provide alternative bids for the additional mile to Pearl Harbor would be more costly. However, asking bidders to make such modifications at the first step would be less costly.

Mr. Lui-Kwan suggested that the presentations be made, and that a subsequent discussion be held at a later date. Ms. Hanabusa had no objections, but asked whether any such action would affect the schedule. Mr. Grabauskas said that a policy decision by the Board had the potential to affect the schedule. He said that the FTA would also review any actions and give their feedback on it.

Mr. Mack reported on the Phase 2 milestones. The A dates were the Airport utilities contract, expected to be complete in the third quarter of 2016; the Dillingham Boulevard Advance Utilities, scheduled for completion in the third quarter of 2018; the Airport Guideway and Stations contract, which should be complete by the third quarter of 2020; and the City Center Guideway and Stations contract, which should be complete in the third quarter of 2020.

Phase 2 B dates include systems certification and testing in the third quarter of 2021, and the ready for revenue service date in the fourth quarter of 2021. Mr. Mack reminded that these dates were subject to review by the Board and the FTA.

Mr. Mack outlined possible opportunities for earlier opening, based on a Master Project Schedule that was compiled from current information, historical events, and lessons learned from ongoing construction operations. He said that the design-build contractors may have different approaches to work that could lead to an earlier opening. However, factors limiting that possibility include the systems contractor's capability to do concurrent work on installation, impacts on businesses and traffic, and third party access and utility relocations.

Assistant Project Controls Manager Corey Ellis next presented the cost estimates for completion of the project. He gave an overview of the project balance, comparing figures from the FFGA Financial Plan of June 2012 to those from the December 2014 update, to the current figures. He highlighted that the FFGA revenue does not include the $193 million ending cash balance. He also noted that the figures reflect $110 million in net revenue from the PHGT PPP. And lastly, that these figures were dependent on receipt of the GET surcharge extension. Mr. Grabauskas pointed out that project was estimated to retain the ending balance of $193 million originally provided for in the FFGA Financial Plan.

Mr. Ellis said that HART plans to remove the $210 million in FTA Section 5307 funds from its updated Financial Plan, pursuant to City Council Resolution 15-18. Those funds will be replenished from revenues from the pending GET surcharge extension.

Project Delays, which included legal delay costs, other delay costs, and escalation, were projected to total $190 million.

Utility relocations and upgrades were projected to cost $120 million. Between the FFGA Financial Plan and the December 2014 update, $50 million had been added, comprised of $25 million in HECO relocation costs, $5 million in service connection costs for permanent power, and $20 million for clearance conflicts with HECO power lines. Since the December 2014 update, $70 million had been added to address HART's share of relocating utilities underground along Dillingham Boulevard.

Project enhancements were projected to total $130 million, and included platform safety gates, additional train seats, fare collection systems, emergency backup generators, public highway improvements, and additional escalators.

Committee member Damien Kim asked whether the utility upgrade costs were based on HECO's estimates. Mr. Ellis responded that HECO's estimates were being examined by HART. Mr. Horner added that the figures represented HART's estimate of its contribution, which needed to be negotiated with HECO.

Mr. Formby stated that the $90 million for utility relocation did not include the west side. Mr. Ellis agreed that the cost was primarily for Dillingham Boulevard and Airport section. Mr. Horner reiterated Ms. Hanabusa's point regarding any Public Utilities Commission (PUC) implications, and emphasized the importance of a future conversation on the topic.

Mr. Hong asked if HECO could and would complete the work themselves, and asked about schedule implications. Mr. Mack said that the relocations would be performed by HECO and its subcontractors, while clearance-related work would be done by HART, with the connections made by HECO.

Ms. Hanabusa said that the PUC would be involved if the lines were relocated underground. She understood that the company that creates the line would be considered the contractor. She asked that staff speak to these issues in the future discussion, as it would have a substantial impact on the schedule.

Mr. Ellis went on to detail the impacts of cost escalations, which were projected to total \$240 million. The FFGA had utilized a 4.5% escalation rate, but the actual rate in 2013-2014 was 10.3%. In 2015, escalation is estimated to be 12-15%. Mr. Grabauskas added that Honolulu is now the most expensive city in which to do construction. Mr. Ellis reported that other market indices reflect home prices and property tax revenues increasing sharply in 2012-2013.

Mr. Ellis said that additional debt financing would cost \$95 million. He said that the December 2014 update did not include additional financing costs for the \$910 million deficit. However, the present update assumes projected cost increases will be financed over the proposed five-year GET extension. Ms. Fujii asked how much was being financed. Mr. Ellis replied that HART was financing a total of \$350 million. Mr. Horner said that HART would realize \$60 million in savings on financing costs over the original FFGA Financial Plan due to the hard work and collaboration of the Department of Budget and Fiscal Services, the City administration, and the Council. He pointed out that there will be no debt at end of project.

Mr. Ellis said that the updated Financial Plan proposes to replenish contingency by \$240 million in allocated contingency and \$299 million in unallocated contingency. The FTA recommends that a project carry 13% of the project cost in contingency; the updated plan would yield 14%. He said that the plan assumes the PHGT, freeway off ramp and bus transit facility at a cost of \$240 million, \$110 million of which will be funded by PPP.

Ms. Hanabusa noted that PPP must have revenue, and requested a further explanation as to how PPP would yield \$110 million. Mr. Grabauskas said that HART was putting together a proposal to hire a PPP expert. An eight-story parking garage with an additional two stories for other use was being contemplated. More information will be available in approximately six to nine months, around the time of the final bid opening, when costs were more certain. Mr. Hong requested that staff make a presentation at the next Transit Oriented Development Committee meeting.

Committee member Terrence Lee asked about the project cost utilized in the contingency calculation. Mr. Ellis replied that he utilized the estimated completion cost less the expenses incurred to date.

Mr. Ellis provided next steps, which were to provide the updated Financial Plan to the FTA for review, and then to the City administration and City Council.

Mr. Formby asked if the \$539 million contingency captured HECO costs on the west side of the alignment, and Mr. Ellis confirmed that it did. Mr. Formby noted that the 1,600 parking stalls in the PHGT would have to be relocated if the parking garage was not built, triggering the need for a ridership study. He requested that staff report to the Board on the matter.

Mr. Lui-Kwan thanked Mr. Grabauskas and staff for the presentation.

Barbra Armentrout requested large copies of documents provided to the public. She asked how many parking stalls will be taken from Aloha Stadium. Mr. Grabauskas replied that some stalls would be taken up by the station, but that approximately 600 stalls would remain in the Kamehameha Highway parking lot. Mr. Horner added that he was hopeful that Aloha Stadium would look for revenue opportunities.

V. Discussion on the Issuance and Sale of Commercial Paper

Mr. Grabauskas said that HART was making a formal request for borrowing for cash flow purposes, as there will be a time when spending outpaces the transfer of GET revenues to HART. He said that the City and County would borrow on HART's behalf.

Mr. Lui-Kwan invited the Director of Budget and Fiscal Services (BFS) Nelson Koyanagi to restate his testimony on the pending legislation that he had delivered to the City Council Budget Committee.

Mr. Koyanagi said that the previous day, the City Council had held a hearing on Bill 73, the purpose of which was to replace Ordinance 12-17. A copy of the bill is attached hereto as Attachment B. He said that Ordinance 12-17 increased the amount of tax exempt commercial paper (TECP) the City is authorized to borrow from $350 million to $450 million and allowed the City to borrow on HART's behalf. Mr. Koyanagi said that BFS was working to set up a TECP program to increase from $100 million to $450 million to accommodate HART's cash flow needs.

However, the recently filed Kawananakoa lawsuit challenges certain Council votes, including that which approved the measure that became Ordinance 12-17. In order for the TECP program to be set up, an offering memorandum is necessary. A component of that memorandum is an opinion from Corporation Counsel stating that there is no pending litigation calling into question the right of the City to issue evidence of indebtedness, which would include TECP. Because of the Kawananakoa lawsuit, Corporation Counsel cannot issue that opinion. Accordingly, the City's bond counsel cannot issue an opinion supporting the issuance of TECP. The City Council was in the process of attempting to replace Ordinance12-17 with another ordinance.

Mr. Horner said that TECP was a working capital line. Mr. Koyanagi added that it was considered a general obligation bond. Mr. Horner said that HART would have a cash flow shortage as early as the first quarter in 2016, so that TECP needed to be in place presently.

Mr. Lui-Kwan added that the process to access general obligation bonds involved evaluation by many different parties.

Mr. Grabauskas asked Deputy Corporation Counsel Gary Takeuchi whether the recent rulings by the City Ethics Commission had any effect on the lawsuit. Mr. Takeuchi said that it would be premature to say that the matter is entirely resolved. The lawsuit remains pending in court, and still calls Ordinance 12-17 into question. He noted that at least one other related matter is pending with the Ethics Commission.

Mr. Lui-Kwan said that the process was a good example of collaboration among the City administration, BFS, Corporation Counsel, and the City Council, all of whom acted promptly to address the situation.

VI. Executive Session

There was no need for executive session.

VII. Change Order Approval – Core Systems Contract Nine Month Delay Claim Resolution

Mr. Grabauskas introduced Deputy Director of Core Systems Justin Garrod who would make a presentation on the change order. A copy of the materials is attached hereto as Attachment C.

Mr. Garrod said that he was requesting approval to settle the change order with Ansaldo Honolulu Joint Venture for a nine-month delay claim in the amount of $8.7 million. He reported that HART had issued a notice to proceed (NTP) in March 2011, but there was a delay of 277 days due to bid protests that placed a stay on the award of the contract, which was outside of HART's control.

Mr. Garrod said that Ansaldo had worked on a schedule, and submitted its claim for delay, which was evaluated and rejected by HART. The matter was submitted to mediation, and after HART's evaluation of the information provided by Ansaldo, the parties entered into settlement negotiations. Mr. Garrod outlined the methodology employed in formulating HART's independent cost estimate for the delay, which ranged from $7.2 million to $9.4 million. He detailed the breakdown of escalation for labor and materials. Mr. Garrod reported on the line items of the contractor proposed cost estimate, which totaled $16.48 million, most of which were rejected except for escalation. The settlement amount was $8.7 million, which includes full reconciliation of the schedule.

Mr. Lui-Kwan sought clarification on the facts surrounding the change order. The best and final offer was issued on February 24, 2011. The contract award date was March 3, 2011. The anticipated NTP date and notice of stay was April 11, 2011; the NTP was issued on January 13, 2012. The Department of Commerce and Consumer Affairs' Administrative Hearing Officer's opinion was issued on August 5, 2011. The contract was signed on November 28, 2011. HART approved the project schedule on November 30, 2012. Ansaldo's position was it were not aware it was damaged until November 30, 2012. The total delay was 277 days, or 9.2 months. Director of Procurement and Contracts Nicole

Chapman confirmed Mr. Lui-Kwan's understanding. Mr. Lui-Kwan asked whether the legal question was whether Ansaldo was entitled to damages. Ms. Chapman agreed.

Mr. Lui-Kwan said that the Committee was weighing the risks of denying the claim and going to court, or settling. Ms. Chapman explained that the settlement was really a change order analysis on an activity by activity basis. Mr. Lui-Kwan said that the proposed settlement represents a negotiation down of about 48% of the original claim.

Mr. Lui-Kwan asked whether the claim would go to litigation if not settled. Ms. Chapman said it was likely. Mr. Lui-Kwan quantified the risk of litigation as a judgment of $16.48 million, interest from the date of the lawsuit, legal costs, and potential plaintiff's attorney fees.

Mr. Formby asked whether the matter was a claim or a change order. Ms. Chapman said that the matter became a claim when HART disputed it and the matter went to mediation. When the mediator required Ansaldo to provide more supporting documentation, the documentation triggered the treatment as a change order. She explained that the analysis was performed as a change order analysis. Mr. Formby said that the matter appeared to be a claim, as the discussion involved quantifying damages.

Mr. Horner made a motion to approve the change order, expressing his confidence in the work of staff. He asked whether the cost of the change order was in the Financial Plan. Mr. Grabauskas said it was.

Mr. Lee seconded the motion. He said that it was a claim for a change order under the contract.

Ms. Hanabusa said that she would vote no; although she respected the work done by staff, she questioned whether the Board was conducting the proper legal analysis. She said that Ansaldo knew there was a notice to be filed.

Mr. Lui-Kwan said he would vote yes because it was clear that Ansaldo suffered damages of nine months, and cited the risks of litigation.

Mr. Horner voiced his confidence in management. He said he would vote in favor of approving the change order.

Mr. Hong asked whether there was language in the contract that allows HART to claim damages in the case of a frivolous protest. Mr. Takeuchi said that he was unaware of a provision that spoke to frivolous claims, but that HART could argue against claims it deemed frivolous.

Mr. Lee asked whether HART has outside counsel, and Mr. Takeuchi said it did. Mr. Lee said that he was also confident in staff and counsel's examination of the issue, and that he would vote in support of the change order.

Mr. Kim voiced his concern that there would be protests from other contractors.

Mr. Lui-Kwan called for the vote. Ms. Fujii, Mr. Lee, Mr. Horner, Mr. Lui-Kwan, and Mr. Kim voted aye. Ms. Hanabusa, Mr. Formby, and Mr. Hong voted nay. The motion carried.

VIII. Adjournment

There being no further business before the joint committee, Mr. Lui-Kwan adjourned the meeting at 12:00 p.m.

Respectfully Submitted,

Cindy Matsushita
Board Administrator

Approved:

Ivan Lui-Kwan
Chair, Finance Committee

Colleen Hanabusa
Chair, Project Oversight Committee

NOV 12 2015
Date

ATTACHMENT A

FFGA Financial Plan Update:

GET Revenue Growth Rate Discussion

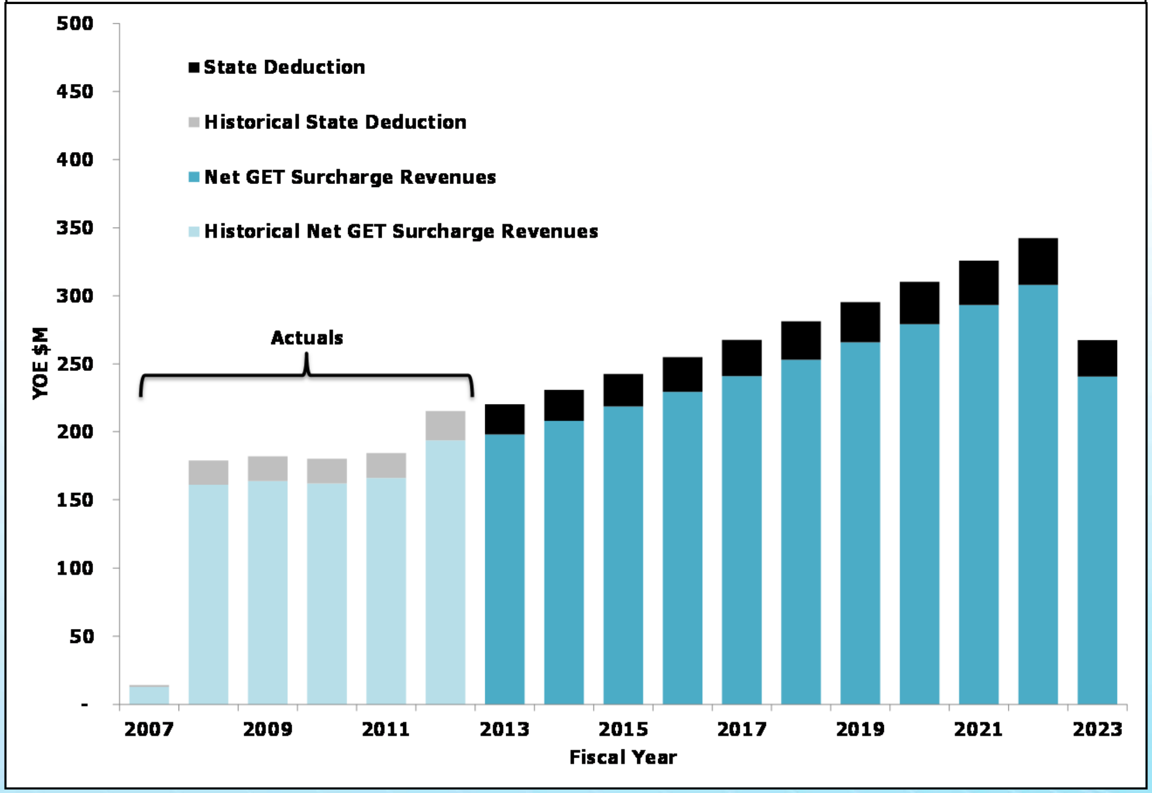
Michael McGrane
Budget & Finance

October 15, 2015

GET Growth Assumptions in Original FFGA Financial Plan

- **Original Financial Plan assumes GET Surcharge revenues to grow at the 30 year historical average**
  - **5.04% Compounded Annual Growth Rate**
- **In the original plan, the GET expires on 12/31/2022**
- **Total FFGA Financial Plan GET revenue totals $3.291billion**
- **Actual to Date: $39 million under plan**

Original FFGA Financial Plan
GET Revenue Projection
(June 2012)

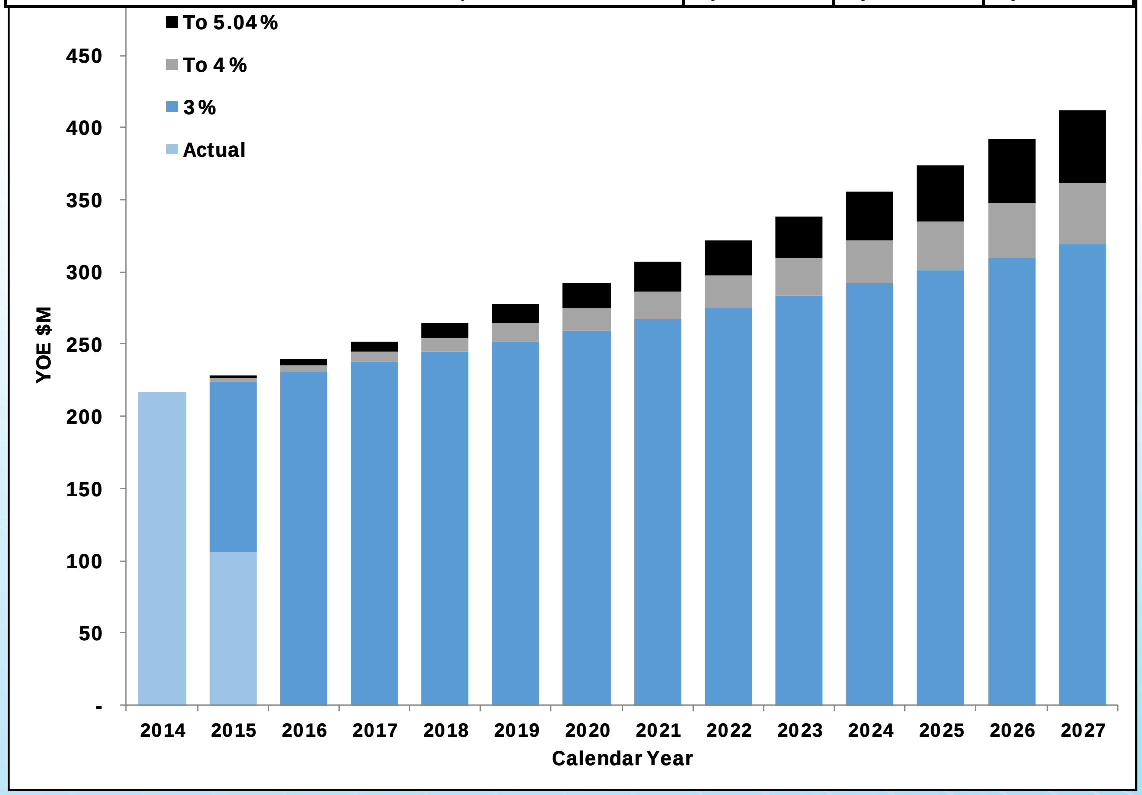


Source: Final Financial Plan for Full Funding Grant Agreement (June 2012), page 2-7.
Note: GET surcharge implemented 1/1/2007. FFGA Financial Plan GET revenues begin with the grant's preliminary engineering date October 16, 2009.

GET Growth Assumptions from 3% to 5% through 12/31/2027

- **Evaluated growth rates from 3%, 4%, & 5.04%**
- **Additional GET revenues range from approximately $1.2 billion to $1.8 billion**
- **Actual GET revenue compounded annual growth rate totals 4.07%**

GET Surcharge Growth Rate	3%	4%	5.04%
Revenue ($ in billions, Oct 2009-Dec 2027)			
Total GET Revenue	$4.582	$4.815	$5.090
Increase over FFGA $3.291	$1.232	$1.524	$1.790



Note: Actual to date figure reflects GET receipts in first full Fiscal Year 2007-8 through the latest GET receipt (July 2015)

Refresh Plan at a 4% Growth Rate

- Refresh uses 4% growth rate in the financial plan that we will submit to the FTA
  - Corrects for the $100 million GET shortfall identified in the December 14, 2014 Board Meeting
  - Reflects actual growth rate to date
  - Adds $1.524 billion through the 5 year extension (12/31/2027)

FFGA Financial Plan Update:
Master Project Schedule

Jeff Mack, P.E.
Project Controls

FFGA (Full Funding Grant Agreement with the Federal Transit Administration)

Master Project Schedule

- **Update provides information in response to HART Board request and FTA/PMOC refresh**

- **Phase 1 (West Segments)**
  - **West Oahu / Farrington Highway Guideway (WOFH)**
  - **Kamehameha Highway Guideway (KHG)**
  - **East Kapolei to Aloha Stadium (9 Stations)**
  - **Rail Operations Center**
  - **9 Milestone Dates ("A" & "B")**

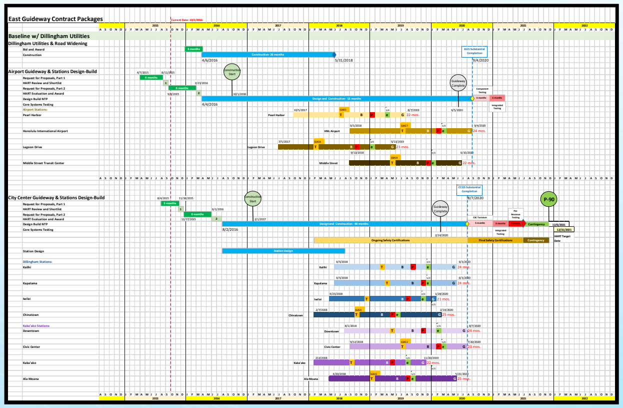
- **Phase 2 (East Segments)**
  - **Airport Guideway (AGS)**
  - **City Center Guideway (CCGS)**
  - **Pearl Harbor to Ala Moana Center (12 Stations)**
  - **6 Milestone Dates ("A" & "B")**

Subject to review and discussion with the FTA

Master Project Schedule Definitions

Milestone Dates

- **"A" Dates**
  - ➢ **Substantial Completion of fixed facilities (guideway, stations, etc.)**
  - ➢ **Civil and roadway work complete**
  - ➢ **Major Maintenance of Traffic (MOT) measures are removed**
  - ➢ **Limited impacts on vehicular and pedestrian traffic**
  - ➢ **Establishes the new "normal conditions" along the corridor**
- **"B" Dates**
  - ➢ **Facilities are open for intended use**
  - ➢ **Passenger service**



- **Activities between "A" and "B" Dates**
  - ➢ **Vehicle delivery and systems installation**
  - ➢ **Completion of systems installation**
  - ➢ **Systems and vehicle testing**
  - ➢ **Completion of fire and life safety approval**
  - ➢ **System Certification**

Phase 1 (West Segments)

Phase 1 Milestone Dates*

Facilities; guideway; systems ("A" Dates)

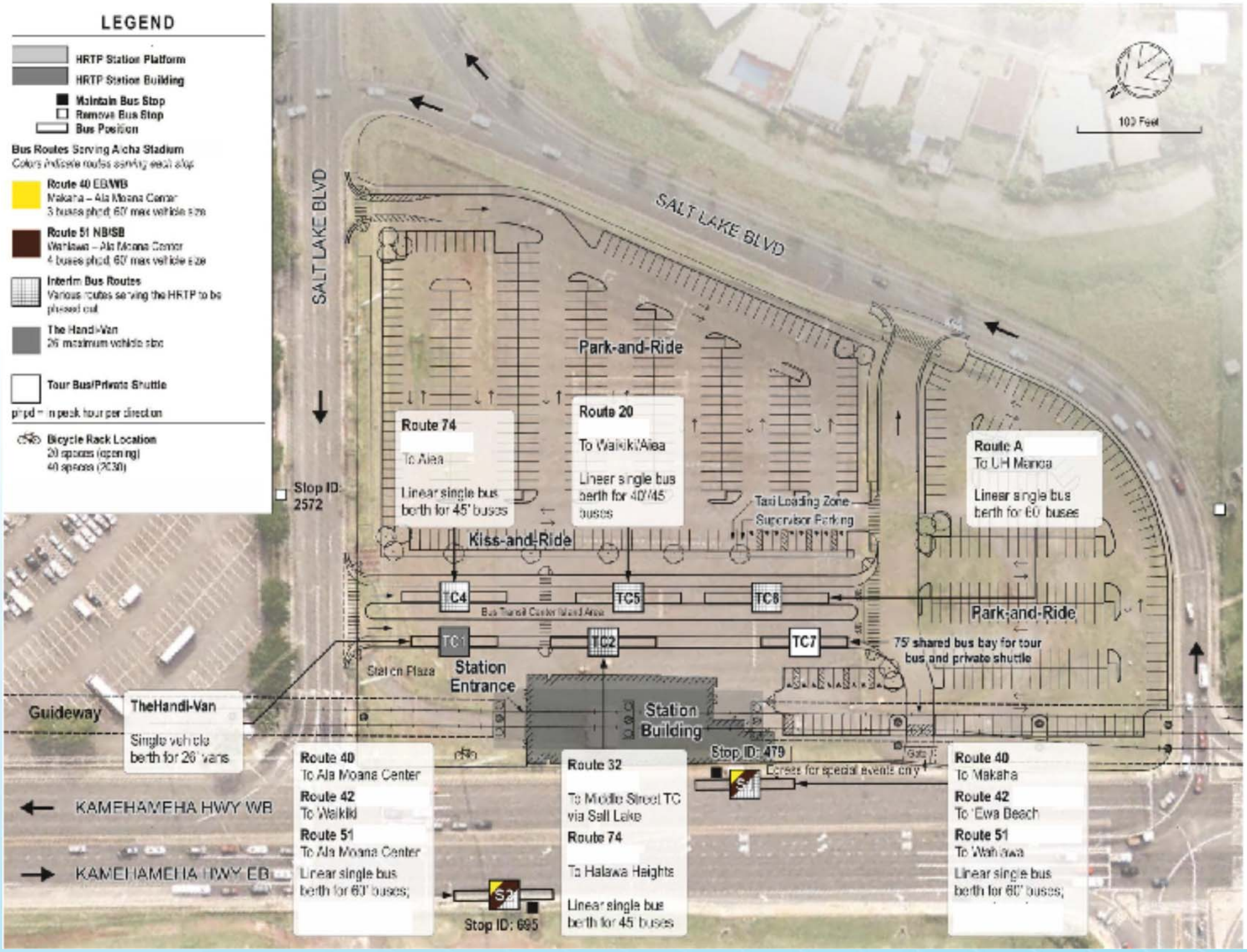
- 1st Vehicles Arrive: 1st Quarter 2016
- Rail Operations Center: 2nd Quarter 2016
- West Oahu/Farrington Guideway (6.8 miles): 3rd Quarter 2016
- Kamehameha Highway Guideway (3.9 miles): 2nd Quarter 2017
- West Oahu Stations: 4th Quarter 2017
  - East Kapolei; University of Hawaii/West Oahu; Ho'opili
- Farrington Highway Stations: 1st Quarter 2018
  - West Loch; Waipahu Transit Center; Leeward Community College
- Kamehameha Highway Stations: 3rd Quarter 2018
  - Pearl Highlands; Pearlridge; Aloha Stadium
- Systems Certification & Testing: 3rd Quarter 2018

Phase 1 Milestone ("B" Date)

- Ready for Revenue Service to Aloha Stadium: 3rd Quarter 2018

*Dates are consistent with Monthly Report dates

Aloha Stadium Station



Phase 1 Milestone Dates

East Kapolei Station to Aloha Stadium Station

- Ready for Revenue Service : 3rd Quarter 2018

Other Options:

1. Delayed or Deferred Interim Opening

System Operations is beneficial for adding Phase 2 segments

2. East Kapolei to Pearl Harbor

1 additional mile to Pearl Harbor and the Pearl Harbor Station is not in the current scope and would need to be added as a new requirement in the current Airport Segment solicitation

3. East Kapolei to Middle Street (adds Airport Segment)

According to the current contracting plan, this segment will be complete about the same time as the City Center Segment (3rd Quarter 2020)

Phase 2 (East Segments)

Phase 2 Milestones

Facilities; guideway; systems ("A" Dates)

- **Airport Utilities: 3rd Quarter 2016**
- **Dillingham Boulevard Advance Utilities: 3rd Quarter 2018**
- **Airport Guideway (5.2 miles) & Stations: 3rd Quarter 2020**
  - Pearl Harbor; Honolulu International Airport
  - Lagoon Drive; Middle Street Transit Center
- **City Center Guideway (4.2 miles) & Stations: 3rd Quarter 2020**
  - Kalihi; Kapalama; Iwilei; Chinatown
  - Downtown; Civic Center; Kaka'ako; Ala Moana

Phase 2 Milestone ("B" Dates)

- **Systems Certification & Testing: 3rd Quarter 2021**
- **Ready for Revenue Service: 4th Quarter 2021**

Subject to review and approval by the FTA

Opportunities for Earlier Opening

- **HART Master Project Schedule is based on:**
  - ➢ **Current information**
  - ➢ **Historical events**
  - ➢ **Lessons from ongoing construction operations**
- **Design/Build contractors may have different approaches to the work, such as:**
  - ➢ **More resources**
  - ➢ **More work zones (headings)**
  - ➢ **More efficient way of performing the work**
- **Potential limiting factors:**
  - ➢ **Systems installation capability to do concurrent work**
  - ➢ **Impact on businesses and traffic**
  - ➢ **Third Party access and utility relocations**

Subject to review and approval by the FTA

FFGA Financial Plan Update:

Project Cost Update

Corey Ellis, MBA
Project Controls

Objectives

- Provide FFGA Financial Plan update based upon current cost escalation and Project schedule forecast
- Compare original FFGA Financial Plan dated June 2012 with refreshed cost and revised revenue and escalation growth percentage
- Next Steps

Project Balance

FFGA: June 2012 [A]

Project Finances	Value (M's)
Net FFGA Revenue Total[1]	$5,163
Project Capital Cost	($4,948)
Debt Financing Costs	($215)
Total Project Cost	($5,163)
Project Balance	**$0**

[1] Net FFGA Revenue is net of $193M Project Cash Balance.

Presentation Made: December 18, 2014 [B]

Project Finances	Value (M's)
Net FFGA Revenue Total[1]	$5,163
Project Capital Cost	($4,948)
Debt Financing Costs	($215)
GET Projected shortfall	($100)
FTA 5307 Funds Reduction	($210)
Lawsuits and Delay Claims	($190)
Utility Relocations	($50)
Project Enhancements	($75)
Construction Cost Escalation	($45)
Allocated Contingency	($240)
Total Project Cost	($5,763)
Project Balance Adjustment	**($910)**

[1] Net FFGA Revenue is net of $193M Project Cash Balance.

Current Update: October 15, 2015 [C]

Project Finances	Value (M's)	Slide Ref:
Net FFGA Revenue Total[1]	$5,163	
Project Capital Cost	($4,948)	
Debt Financing Costs	($215)	
GET Revenue from Extension[2]	$1,524	
FTA 5307 Funds Reduction	($210)	Slide 4
Lawsuits and Delay Claims	($190)	Slide 5
Utility Relocations	($120)	Slide 6
Project Enhancements	($130)	Slide 7
Construction Cost Escalation	($240)	Slide 8
Additional Debt Financing Cost	($95)	Slide 12
Allocated Contingency	($240)	Slide 13
Total Project Cost	($6,158)	
Unallocated Contingency	($299)	Slide 13
Project Balance	**$0**	

[1] Net FFGA Revenue is net of $193M Project Cash Balance and net of $110M in added revenue for Public/Private contributions for Pearl Highlands Transit Garage.
[2] GET Revenue from Extension. Pending City Council Consideration.

FTA Section 5307 Funds – $210M

- The updated FFGA Financial Plan recommends the $210M be deleted from Revenue/Contingency funding per Honolulu City Council Resolution No. 15-18.
- The Plan update assumes these 5307 funds will be replenished from the pending GET extension.

Project Delays – Projected $190M

Total Legal Delay Costs	$ 45,902,918
Total Other Delay Costs	$ 77,126,198
Escalation (combination of NTP & Legal)	$ 49,106,403
Total Delay Claims Cost	$ 172,135,519
Plus several remaining claims and escalation actuals	$ 10 - 20M
Estimated impact	**$ 190M**

(Data provided to HART Board Dec 18, 2014)

Utility Relocations/Upgrades - Projected $120M

- **The difference between the 6/12 FFGA Financial Plan and 12/14 Plan update ($50M) is primarily due to:**
  1) **Additional cost projected for HEI utility relocations in the City Center segment - $25M**
  2) **Service connection costs for permanent power - $5M**
  3) **Cost to address clearance conflicts with HEI high voltage lines - $20M**
- **The difference between the 12/14 and 10/15 cost update ($70M) is primarily due to HART's estimated share to underground utilities (Dillingham Blvd)**
- **The investment in relocation and replacement of utilities along the guideway should improve aging island infrastructure (water, sewage, cable, gas, power, and etc.)**

Project Enhancements – Projected $130M

- Platform Safety Gates - $28M (12/14)
- Additional Seats - $2M (12/14)
- Fare Collection Systems - $15M (12/14)
  - Includes $10M credit from Ansaldo
- Emergency Backup Generators - $15M (12/14)
- Public Highway Improvements - $15M (12/14) / $35M (10/15)
- Additional Escalators - $20M (10/15)

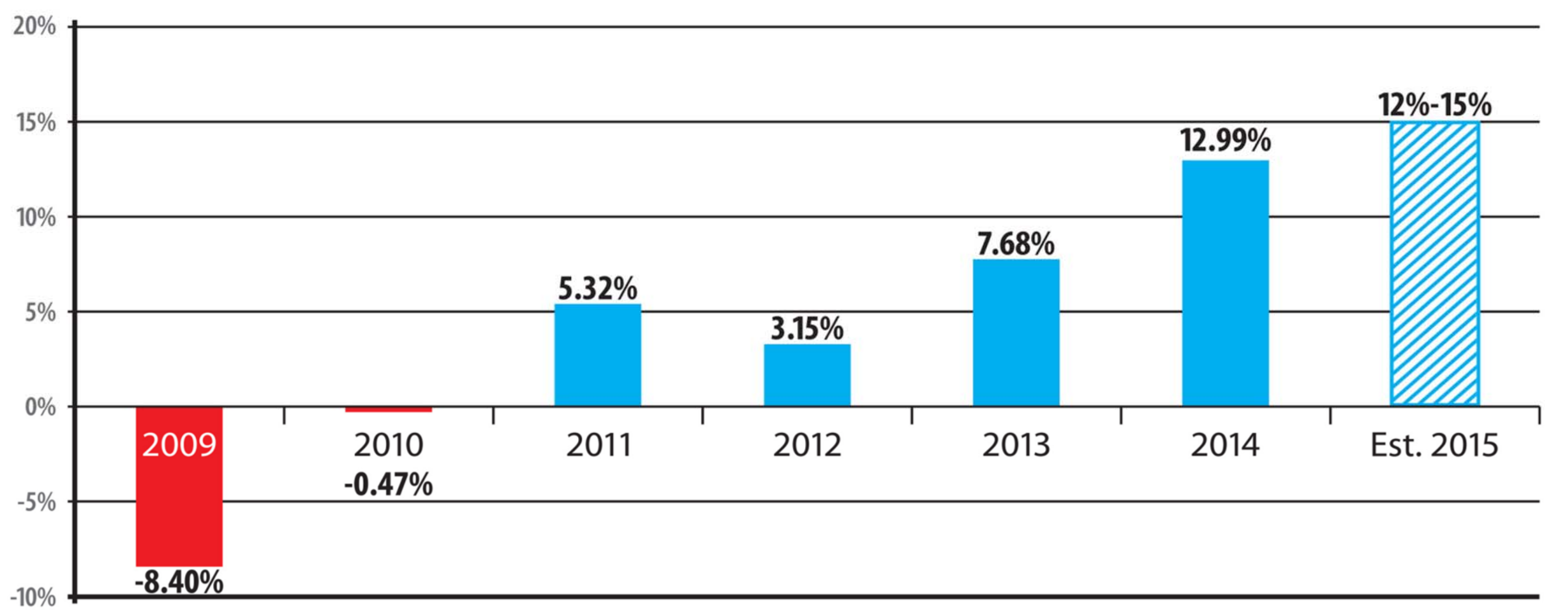
Cost Escalation – Projected $240M

- The 6/12 FFGA budget utilized an average 4.5% per year rate of cost escalation.
- The actual construction cost escalation for Oahu for years 2013 and 2014 has averaged 10.3% per year, more than double the FFGA estimate.
- Based on most recent cost data*, the estimated construction escalations for Oahu are projected to be 12%-15% for 2015.

*Rider Levett Bucknall

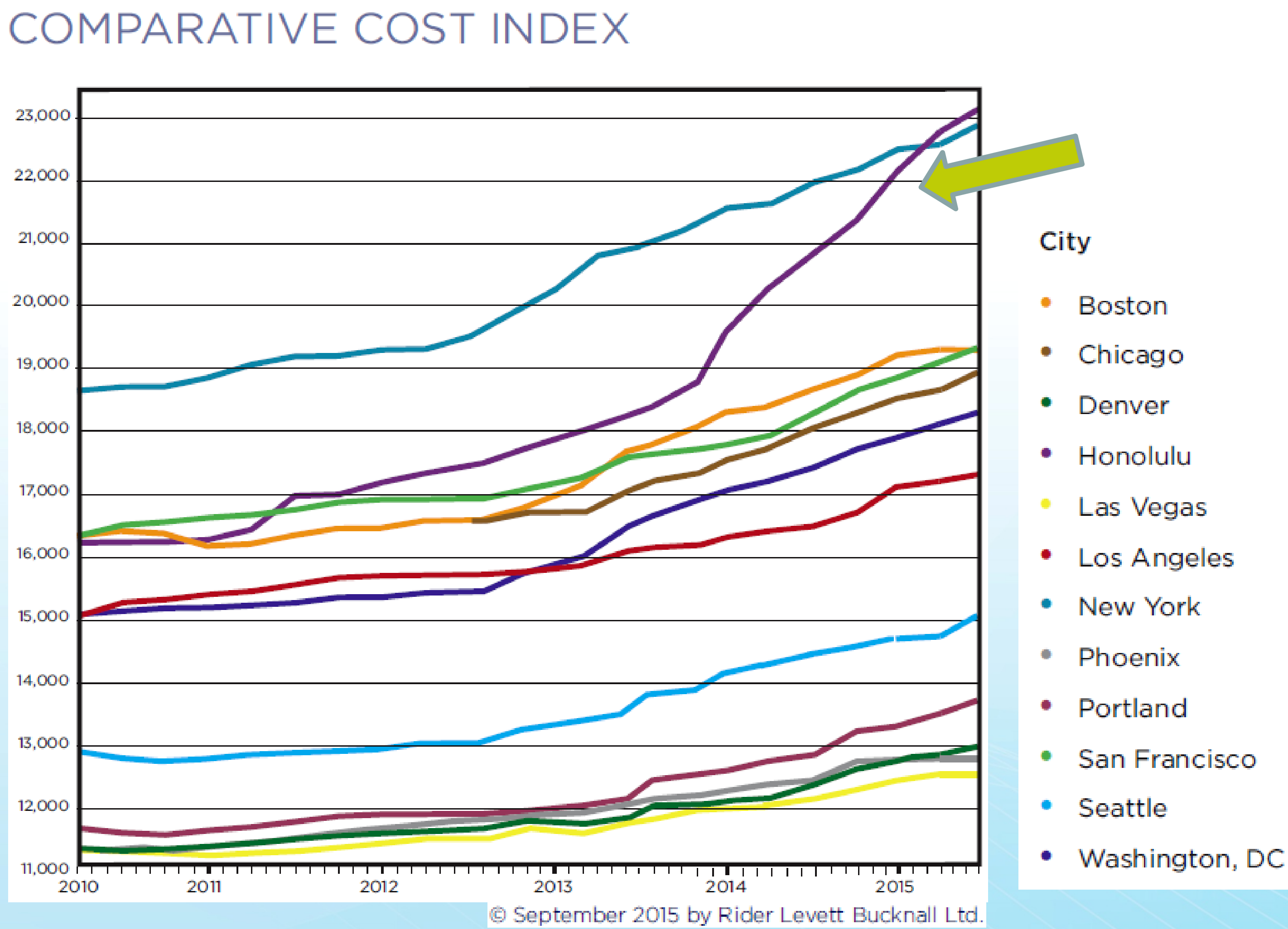
HONOLULU AUTHORITY for RAPID TRANSPORTATION

CONSTRUCTION COST % CHANGE FOR HONOLULU

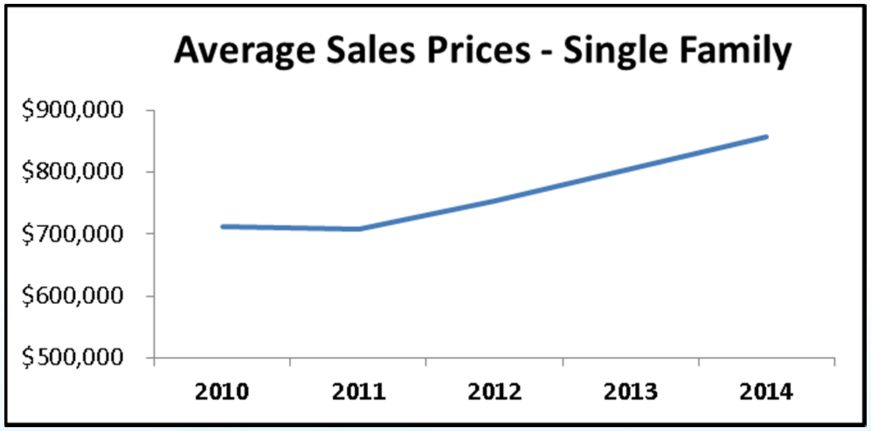


Reference: Rider Levett Bucknall, Quarterly Construction Cost Reports 2009-2014.
The 2015 projection is based on discussions with Rider Levett Bucknall.

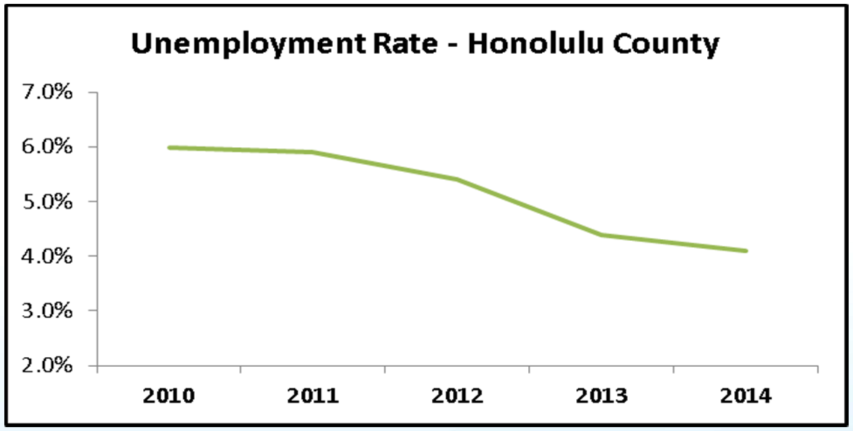
Extraordinary Market Conditions



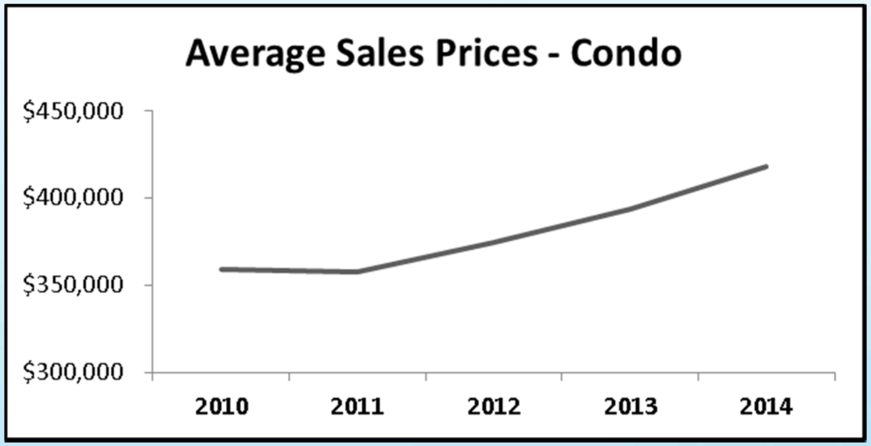
Extraordinary Market Conditions



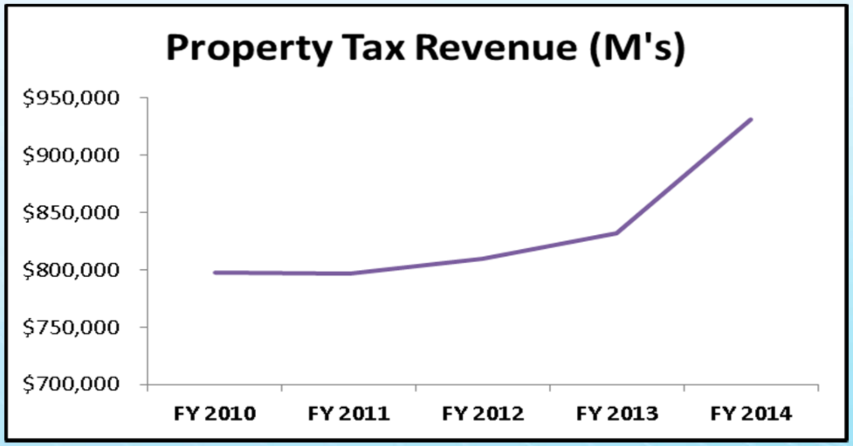
Source: Honolulu Board of Realtors



Source: UHERO Data Portal



Source: Honolulu Board of Realtors



Source: City and County of Honolulu CAFR

Additional Debt Financing - $95M

- The 12/14 cost update did not include additional financing cost for the estimated “$910M” project deficit.
- The 10/15 cost update assumes the projected cost increases will be financed over the length of the proposed 5 year extension.

Project Contingency - $539M

- **The 10/15/15 FFGA updated Financial Plan proposes to replenish contingency by $240M in allocated and $299M in unallocated (total $539M)**
- **The FTA's most recent recommendation for Project contingency is 13% of Project cost; the updated plan would yield 14%.**
- **The updated Plan assumes the Pearl Highlands Garage, Freeway Off Ramp and new Bus Transit Facility will cost $240M compared to $173M in the 6/12 FFGA forecast. To offset these cost escalations, the Plan projects the garage ($110mil) will be funded via a Public Private Partnership**

Next Steps

- Provide updated Financial Plan to FTA Project Management Oversight for their analysis and review.
- Provide updated Financial Plan presentation to Administration and City Council.

ATTACHMENT B

A BILL FOR AN ORDINANCE

AMENDING ORDINANCE NO. 01-28.

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

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

SECTION 2. Findings and Determinations.

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

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

CITY COUNCIL
CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAII

ORDINANCE ____________

BILL ____________

A BILL FOR AN ORDINANCE

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

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

On June 6, 2012, the Council adopted Ordinance 12-17 amending Ordinance 01-28. The Council hereby finds and determines that it is advisable, expedient and in the best interests of the City and County that the amendments to Ordinance 01-28 adopted under Ordinance 12-17, Sections 1 through 9, be repealed and replaced in their entirety with the following amendments to Ordinance 01-28.

SECTION 3. Ordinance 12-17 is repealed.

SECTION 4. Ordinance 01-28 is amended by amending Section 2 to read as follows:

"SECTION 2. Authorization of Commercial Paper. Pursuant to Chapter 47, Hawaii Revised Statutes, as amended, and the Revised Charter of the City and County, there are hereby authorized for issuance and sale from time to time general obligation notes (the "Commercial Paper" and each a "Commercial Paper note") of the City and County, including renewals and extensions thereof, in an aggregate principal amount at any one time outstanding not to exceed [Three Hundred Fifty Million Dollars ($350,000,000)] Four Hundred Fifty Million Dollars ($450,000,000), for the purpose of (a) refunding all or a part of any General Obligation Bonds and any Commercial Paper and any reimbursement obligations to the provider of any credit or liquidity facility as the Director of Budget and Fiscal Services shall determine to be in the best interest of the City and County; (b) paying the cost of any public improvements, including equipment, (1) for which an appropriation is made in a capital budget ordinance, including public improvements relating to the wastewater system of the City and County, [or] (2) public improvements relating to the water system managed by the Board of Water Supply, or (3) if not included in (1) above, public improvements, including equipment, relating to the HHCTCP, and for which General Obligation Bonds or Revenue Bonds are authorized to be issued, in advance of the issuance of such General Obligation Bonds or Revenue Bonds, or, in the case of equipment, instead of the issuance of General Obligation Bonds or Revenue Bonds; and (c) paying all costs incurred in the issuance of such Commercial Paper and the refunding of any General Obligation Bonds. The proceeds of the Commercial Paper shall be applied as provided in Section 8 hereof."

SECTION 5. Ordinance 01-28 is amended by amending Section 8 to read as follows:

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

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

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

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

Pending the time the proceeds of the Commercial Paper are required to pay any General Obligation Bonds to be refunded as provided in (2) above, the proceeds of such Commercial Paper, together with any other funds of the City and County which are legally available therefor, may be held by the Director of Budget and Fiscal Services in trust for such purposes or may be held by a financial institution selected by the Director of Budget and Fiscal Services to serve as escrow agent under an escrow agreement, such agreement to be in such form and containing such terms and provisions as the Director of Budget and Fiscal Services deems appropriate, and, in either case, invested as permitted by law. The Director of Budget and Fiscal Services is hereby authorized and directed to serve as such escrow agent or to select a qualified financial institution to serve in such capacity, and to determine the form and terms of any such escrow agreement and any fee agreement to be entered into with such financial institution. The Director of Budget and Fiscal Services is hereby further authorized and directed to determine the date or dates upon which the General Obligation Bonds or portions thereof are to be redeemed and to give or cause to be given any appropriate notices of such redemption."

SECTION 6. Ordinance 01-28 is amended by adding a new Section 14 to read as follows:

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

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

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

(3) the City and HART shall have entered into a memorandum of understanding as set forth in the provisions of Section 15.

SECTION 7. Ordinance 01-28 is amended by adding a new Section 15 to read as follows:

"SECTION 15. Memorandum of Understanding Relating to HART. The City and County and HART have entered into a memorandum of understanding, which has been approved by the Council by resolution, that sets forth the obligations of HART to the City and County concerning the HHCTCP Commercial Paper and other forms of general obligation indebtedness. The memorandum of understanding requires that the City and County be reimbursed by HART for any payments of principal and interest and any other costs incurred by the City and County relating to the issuance of HHCTCP Commercial Paper and other forms of general obligation indebtedness. "

SECTION 8. Repeal of Conflicts. All ordinances and resolutions, and any portions of ordinances and resolutions, heretofore enacted or adopted by the Council which are in conflict or inconsistent with any provision of this ordinance shall be and are hereby repealed to the extent of such conflict or inconsistency. Except amended hereby and by Ordinance 04-36 and Ordinance 10-15, Ordinance 01-28 shall remain in full force and effect.

SECTION 9. In sections 4, 5, 6 and 7 of this ordinance, ordinance material to be deleted is bracketed and new ordinance material is underscored. In these sections, the titles of the sections are underscored because the titles were underscored in Ordinance 01-28.

SECTION 10. Effective Date. This ordinance shall take effect upon its approval.

INTRODUCED BY:

____
____
____
____
____
____
____
____
____
Councilmembers

DATE OF INTRODUCTION:

____
Honolulu, Hawaii

APPROVED AS TO FORM AND LEGALITY:

____
Deputy Corporation Counsel

APPROVED this _____ day of _____________, 20___.

____
KIRK CALDWELL, Mayor
City and County of Honolulu

ATTACHMENT C

Honolulu Rail Transit Project
AHJV Nine Month Delay Claim

Justin Garrod

Deputy Director of Core Systems

Proposed Action

- **Authorizes the Chief Executive Officer to execute Change Order 00018 with Ansaldo Honolulu Joint Venture for the settlement of the Core Systems Contractor's nine (9) month delay claim and includes the full reconciliation of its Best and Final schedule (pre-Notice to Proceed [NTP]) and post-NTP baseline progress schedule in the amount of $8,700,000.**

Core Systems
Fiscal Information

Allocated Contingency	**$67,432,099**
Previously Executed Change Orders / Credits	- $21,280,893
Net Contingency Transfer(s) to/from Unallocated Contingency	+ $8,317,350
Available Contingency	**$54,468,556**
Cost of this Action	- $8,700,000
Remaining Contingency after Execution of this Action	**$45,768,556**

Nine-month Delay Claim

Key Feature Summary

- HART issued Notice of Award to Ansaldo Honolulu Joint Venture (AHJV) on March 11, 2011
- Notice to Proceed (NTP) expected and as identified in the contract documents, no later than April,11 2011
- NTP issued on January 13, 2012
- Total days delay in issuance of NTP, 277 days

Nine-month Delay Claim Justification

- The delay in issuance of NTP was due to bid protests filed by the unsuccessful Core Systems Offerors, for which a stay on the award of the contract was in effect until the DCCA Hearings Officer's decisions regarding the protests were issued.

- The delay was an event beyond the control of the Core Systems Contractor and HART.

Nine-month Delay Claim
Independent Cost Estimate (ICE)

- **HART ICE determined escalation costs based on a comparison of the delay in schedule activities between the Baseline Project Schedule (BPS) – Rev. G and the Best and Final Offer BPS**
  - **Activity mid-point dates from the two schedules are analyzed to determine the specific delay impact for each activity.**
  - **Escalation costs are then calculated on the prorated annual escalation rate based on the specific delay impact calculated for the activity.**
  - **The escalations rate utilized are shown on the next slide.**

- **ICE Low and High Range for Negotiations: $7,274,707 and $9,406,486**

Nine-month Delay Claim Escalation Index Evaluation

Cost Factor	ICE	PMOC Spot Report 2010 – 2019 *
Labor	2.88% (Low) 4.67% (High)	4.67%
Materials	3.30%	3.30%

*Escalation values from Table 5-7, Recommended Escalation Factors, FTA PMOC CLIN 0005: Spot Report, Dated July 2009. A review of both labor and material index performance from NTP to today indicate that the labor and material rates identified in the 2009 report are still valid.

** 2.88% Labor Escalation Rate was the rate utilized in AHJV bid proposal and found in their Escrow bid documents.

Nine-month Delay Claim

Contractor Proposed Cost (CPC) Estimate ($ million)

➢ Financial Impact Cost:	$ 2.03
➢ Delay Escalation Cost:	$12.14
➢ Financial Review Cost:	$ 0.03
➢ Expert Review Cost:	$ 0.04
➢ Preparation Cost:	$ 0.19
➢ G.E.T.:	$ 0.68
➢ Interest:	$ 1.32
➢ OH&P	$ 0.04
➢ TOTAL:	$16.48

Nine-month Delay Claim

- **Negotiations focused on:**

1. **Definition of acceptable elements that had merit for compensation. Items like financial impact, expert review, preparation costs and interest were not allowed.**
2. **Determination of time impact by activity. This was significant as HARTs determination of impact was different from AHJV.**
3. **Apply escalation factor to determine acceptable negotiation range.**

Nine-month Delay Claim

Summary of Negotiations

➢ CPC (Contractor Proposed Costs)	$16,478,561
➢ HART ICE Low	$ 7,274,707
➢ HART ICE High	$ 9,406,486
Settled Amount	$ 8,700,000

This Contract Change Order is for the settlement of the Core Systems Contract's nine (9) month delay claim and includes full reconciliation of its Best and Final schedule (pre-Notice to Proceed) and baseline progress schedule (post-NTP).

Mahalo!