

**OFFICE OF THE MAYOR
CITY AND COUNTY OF HONOLULU**

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KIRK CALDWELL
MAYOR

ROY K. AMEMIYA, JR.
MANAGING DIRECTOR
GEORGETTE T. DEEMER
DEPUTY MANAGING DIRECTOR

September 23, 2015

Mr. Donald G. Horner
HART Board Chair
1099 Alakea Street, 17th Floor
Honolulu, Hawaii 96813

Mr. Daniel A. Grabauskas
HART Executive Director and CEO
1099 Alakea Street, 17th Floor
Honolulu, Hawaii 96813

Dear Chair Horner and Executive Director Grabauskas:

I am in receipt of the Honolulu Authority for Rapid Transportation's (HART) quarterly report dated September 14, 2015 and thank you for providing general key project status information in a format that is both transparent and forward-looking. I am pleased to see that you plan to publish this Executive Summary update quarterly, providing elected officials, the HART Board, stakeholders and the public with current information on the status of this project.

I acknowledge the project milestones highlighted in your update and share your enthusiasm for passing the four mile mark in guideway construction and approaching 80 percent completion of the 43-acre Rail Operations Center (ROC), both significant given rail car delivery to the ROC in the first quarter of 2016.

The report does, however, raise concerns which I have discussed publicly since receiving the letter. The purpose of this letter is to highlight those concerns and request further clarification from HART.

As you know, on several occasions, the 2015 Legislature was provided detailed construction budget, schedule and procurement estimates during session. That session concluded in May 2015. All substantive project information provided to the Legislature was supplied by HART. As key information in your September 14, 2015

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letter differs from the information provided during the 2015 session, please address the following:

1. What information was obtained by HART subsequent to May 2015 that serves as the financial basis for HART potentially revising its construction budget estimate upward by an additional \$200 million dollars?
2. Since the \$594 million "over-budget" number was provided in the 4th quarter 2014, what project costs or elements, if any, are no longer included in the baseline assumptions that support the budget numbers in your September 14, 2015 letter?
3. What information was obtained by HART subsequent to May 2015 that caused HART to revise its scheduled final Milestone date from January 2020 to the "more likely" 2021? Please distinguish between various dates: Construction period, testing period, beginning of revenue operations.
4. What mitigative steps could HART take to maintain the current Full Funding Grant Agreement completion date versus the "more likely" 2021 date? What are the potential costs and/or other impacts, if any, associated with those mitigative steps?
5. Regarding the possibility of an interim phase opening (revenue operation) with 15 miles of guideway and 13 stations from East Kapolei to Middle Street, what is the expected completion date of the Middle Street interim phase versus the full minimum operable segment (MOS)? Please provide HART's projected operating costs and revenue for the interim phase to Middle Street contrasted with the projected operating costs and revenue for the MOS.
6. With respect to HART having acquired 73 percent of the square footage of land needed for the entire project, what percentage of properties needed for construction of the MOS have been acquired to date?

I continue to strongly encourage the HART Board and staff to explore all alternatives and do everything within their power to control project costs and maintain project schedule. To that end, I urge the HART Board to consider the observations and suggestions of Michael Burns, the City's transportation consultant. Best practices need not come from lessons learned on this project, but may come from those projects that have gone before us as well.

I also encourage the HART Board and staff to hold a Board workshop, as an open public meeting, to discuss the October 15, 2015 plan for revising the project phasing, budget and schedule as described in your letter.

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In closing, as Mayor of the City and County of Honolulu, I remain firmly committed to rail as Oahu's most important transportation infrastructure project adding significant capacity to our multimodal transportation system.

I look forward to your responses and further updates and I thank you in advance for your hard work.

Sincerely,

A handwritten signature in black ink, appearing to read "Kirk Caldwell". The signature is fluid and cursive, with a long horizontal stroke at the end.

Kirk Caldwell
Mayor