



RESOLUTION

REQUESTING THE CITY AUDITOR TO CONDUCT A PERFORMANCE AUDIT OF THE HONOLULU RAIL TRANSIT PROJECT.

WHEREAS, at a cost of \$5.2 billion and rising, the Honolulu Rail Transit project ("project") represents the largest and most expensive capital project in the history of the City and County of Honolulu; and

WHEREAS, on July 1, 2011, the Honolulu Authority for Rapid Transportation ("HART") was established through an amendment to the Revised Charter of the City and County of Honolulu and is authorized to develop, operate, maintain and expand the project; and

WHEREAS, the plan to pay for this project has always centered on federal funding of \$1.55 billion that is being awarded to HART in phases over time, as well as a half-percent general excise tax ("GET") surcharge for rail that has been collected since 2007; and

WHEREAS, with construction underway, budgetary, financial, funding and cost concerns threaten the continued viability of the rail transit project, reflected in a growing shortfall of almost \$1 billion due to reported factors such as project delay costs, contract bid escalations, and low GET surcharge revenues, as well as the need to cover future operating and maintenance costs, and extend the rail line to areas such as Manoa and West Kapolei; and

WHEREAS, these budgetary, financial, funding and cost concerns have resulted in HART appealing to both the City Council and the State Legislature for financial assistance, including asking the City Council to adopt Resolution 15-7, which would authorize the issuance of City general obligation bonds and notes up to \$1.9 billion, and asking the State Legislature to extend the GET surcharge in perpetuity; and

WHEREAS, both City councilmembers and State legislators have expressed continuing frustration over the lack of detailed financial information, definitive construction costs, and solid financial plans with which to base decision-making for a project with the size, projected growth and uncertain final funding needs that the rail project represents; and

WHEREAS, the Council finds that, given the scope of the project and the unknown magnitude of the funding needed in the future, a performance audit is warranted in order to provide accountability and public transparency, particularly at a time when public and government discussion, deliberation, and decision-making are



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focused on the soundness and continued viability of the project and its impact upon the residents of Honolulu; now, therefore,

BE IT RESOLVED by the Council of the City and County of Honolulu that the City Auditor is requested to investigate and conduct a performance audit of the Rail Project to determine the adequacy of its processes to ensure the Rail Project is constructed and completed economically, effectively and efficiently; and

BE IT FURTHER RESOLVED that with an audit objective of providing government decision-makers with sufficient information to form the basis for legislative decisions that provide appropriate and justified funding, while also remaining careful stewards of taxpayer dollars, the Council requests the City Auditor to examine, at a minimum, the following:

- (1) HART's financial plan, including any and all contingency financial plans and updates filed subsequent to the establishment of the initial financial plan;
- (2) Contract awards and associated expenditures (including subcontractor costs), as well as details regarding what the expenditures are being used for;
- (3) The amount of cost increases, over and above projections in financial plans, and details on cost containment measures and the effectiveness of these measures to mitigate increasing costs and growing shortfalls;
- (4) A detailed accounting of all revenues and expenditures for the rail project from 2007 through the end of 2014;
- (5) The point at which HART should have known or became aware of the potential shortfall;
- (6) The likelihood and potential for additional cost overruns exceeding the current shortfall being reported by HART; and
- (7) The potential continuing costs after construction is completed and the Rail Project is operational;

and



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BE IT FURTHER RESOLVED that the City Auditor is requested to meet with, and coordinate audit efforts with, the State Auditor, should the 2015 State Legislature pass a measure or measures requesting a similar State audit to ensure that both City and State audits are not duplicative, but act synergistically to maximize resources, findings and recommendations; and

BE IT FINALLY RESOLVED that copies of this Resolution be sent to the Mayor, the Managing Director, the Executive Director of the Honolulu Authority for Rapid Transportation, and the City Auditor.

C & C OF HONOLULU
CITY CLERK
RECEIVED
MAR 31 11:52 AM

INTRODUCED BY:

[Handwritten signature]

DATE OF INTRODUCTION:

MAR 31 2015
Honolulu, Hawaii

Councilmembers

CITY COUNCIL
CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAII
CERTIFICATE

RESOLUTION 15-90

Introduced: 03/31/15 By: ERNEST MARTIN

Committee: TRANSPORTATION

Title: RESOLUTION REQUESTING THE CITY AUDITOR TO CONDUCT A PERFORMANCE AUDIT OF THE HONOLULU RAIL TRANSIT PROJECT.

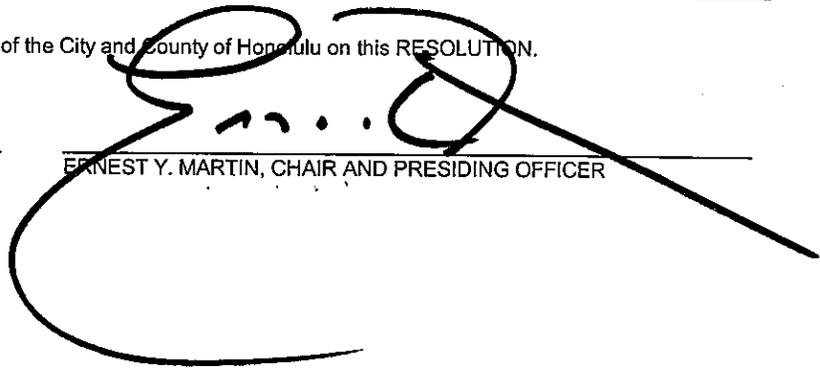
Voting Legend: * = Aye w/Reservations

04/30/15	TRANSPORTATION	CR-159 – RESOLUTION REPORTED OUT OF COMMITTEE FOR ADOPTION.
05/06/15	COUNCIL	CR-159 AND RESOLUTION 15-90 WERE ADOPTED. 7 AYES: ANDERSON, ELEFANTE, FUKUNAGA, KOBAYASHI, MARTIN, MENOR, OZAWA. 2 ABSENT: MANAHAN, PINE.

I hereby certify that the above is a true record of action by the Council of the City and County of Honolulu on this RESOLUTION.



GLEN TAKAHASHI, ACTING CITY CLERK



ERNEST Y. MARTIN, CHAIR AND PRESIDING OFFICER