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HONOLULU AUTHORITY for RAPID TRANSPORTATION

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August 15, 2016

The Honorable Ernest Y. Martin, Chair
Honolulu City Council
530 South King Street, Room 202
Honolulu, Hawaii 96813

Dear Chair Martin:

In response to your letter dated August 1, 2016, regarding the Airport Guideway and Stations Design-Build Contract to Shimmick/Traylor/Granite, JV (STG) in the amount of \$874,750,000, the Honolulu Authority for Rapid Transportation (HART) responds as follows:

- 1. Was there any in depth analysis of the disparity or the level of confidence in the ability of the low bidder, STG, to complete the job according to the terms of the contract?**

Response: The solicitation process was conducted in strict accordance with the Hawaii Public Procurement Code and applicable Federal Transit Administration requirements. The solicitation commenced on April 7, 2015 with the issuance of a Request for Proposals (RFP) Part 1. Four offerors responded to RFP Part 1 and following a rigorous evaluation process, three offerors were deemed to be qualified and eligible to be placed on the priority-list (Priority-Listed Offerors). One of the primary objectives of RFP Part 1 was to identify offerors with demonstrated capability to undertake the financial responsibilities associated with a projected \$750 million to \$875 million design-build project (whether locally or federally funded), including bonding and guaranty requirements.

RFP Part 2 was issued on September 1, 2015, and Priority-Listed Offerors were invited to submit technical and price proposals. The Priority-Listed Offerors submitted their price proposals using Exhibit 16, Schedule of Prices Form, which was organized to facilitate a comparison of the prices by total, on a price item basis, and in relation to HART's independent Cost Estimate (ICE). Upon receipt of the RFP Part 2 proposals, HART observed that one of the price proposals was significantly higher than the other two price proposals and the ICE. HART subsequently conducted discussions with the Priority-Listed Offerors to review price observations for clarification purposes. Following these discussions, a call for a Best and Final Offer (BAFO) was issued. Although the BAFO prices were all lower than the prices previously submitted, the price ranking among Priority-Listed Offerors did not change.

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After a thorough analysis of the STG BAFO price, which was 1.1% above HART's ICE, STG's price was determined to be fair and reasonable. HART's evaluation of STG's ability to perform the work under the contract was conducted in accordance with the evaluation factors specified in the solicitation documents. STG's technical proposal received the highest evaluation score of the three technical proposals indicating the Evaluation Committee had the highest level of confidence in STG's ability to perform the work under the contract.

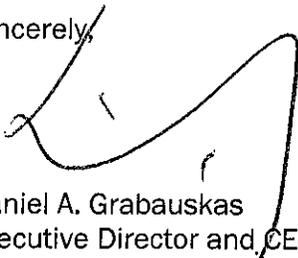
2. Provide precise measures that HART will undertake to hold STG to the agreed upon contract price of \$874,750,000.

Response: Cost control measures after award of a contract comes primarily from contract change orders. As HART has implemented a change order process that parallels strict federal procedures, HART is comfortable that all change orders will go through the scrutiny necessary for merit that we believe will minimize cost/price increases. HART will also take necessary measures to hold the line on any owner initiated change orders unless such change requests can be clearly demonstrated to have detrimental impacts to the long-term quality or safety of the rail transit system or would result in significantly higher than anticipated operational costs.

3. Provide comments regarding the request to "hold the line and not count on the use of any unallocated contingency funds."

Response: HART's recently updated risk management program is intended to flag future contract risks and seek mitigation at the earliest stages possible to minimize possible contract changes during construction. Execution of the risk management program will, in turn, drive down the number of change orders and/or the costs/prices of them, to keep them within planned contract contingency allocations. HART agrees with and shares the desire to "hold the line" with the goal of minimizing the use of unallocated contingency funds. However, it should be noted that it is not uncommon for construction projects to encounter unforeseen conditions that would necessitate the need to use contingency funds to pay for these unanticipated costs.

Sincerely,



Daniel A. Grabauskas
Executive Director and CEO

cc: HART Board of Directors
All Councilmembers
Mayor Kirk Caldwell
✓ Office of the City Clerk