



HONOLULU AUTHORITY for RAPID TRANSPORTATION

IN REPLY REFER TO:
CMS-AP00HART-00052

Daniel A. Grabauskas
EXECUTIVE DIRECTOR AND CEO
BOARD OF DIRECTORS

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Ivan M. Lui-Kwan

April 11, 2016

The Honorable Kirk W. Caldwell, Mayor
City and County of Honolulu
530 South King Street, Room 300
Honolulu, Hawaii 96813

Dear Mayor Caldwell:

I wish to inform you of my decision to resign from the Honolulu Authority for Rapid Transportation (HART) effective today. My enclosed letter to Council Chair Ernest Martin outlines the detailed considerations in coming to this decision. As you well know, the HART Board needs an effective and constructive working relationship with both the City Administration and with the City Council. Hopefully, by my departure, as the Council Chair promised, the communications and appreciation for the many accomplishments of the HART staff will indeed strengthen. Too often in politics, the focus becomes shooting the messenger of unpleasant news rather than collaboratively working on solutions. Thank you for your guidance and giving me the privilege to serve the people of our great City and your steadfast commitment to improve the lives of the citizens of the City and County of Honolulu.

Mahalo nui loa,

Donald G. Horner
HART Board Chair

Enclosure

cc: Honolulu City Council
HART Board of Directors
Mr. Daniel A. Grabauskas, HART Executive Director and CEO
Office of the City Clerk



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April 11, 2016

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

Dear Chair Martin and Councilmembers:

I have carefully reviewed your April 7, 2016 letter to Mayor Caldwell, requesting the resignation of Honolulu Authority for Rapid Transportation (HART) Executive Director Daniel A. Grabauskas and my resignation as a HART Board member. First, as you have stated, these are matters for the HART Board to consider. Director Grabauskas, like any City employee, deserves a fair and professional evaluation. His yearly performance evaluation is currently underway via the Human Resources Committee, under the able leadership of Chair Damien Kim. The Committee will conduct a proper review of his performance and a final report with employment recommendations is scheduled for the June 16th Board meeting. Dan has faithfully served our City for four years and has chosen to allow his evaluation results to be made public. The process examines how effectively Dan has performed in accordance with his specified duties dictated in the City Charter as well as thirty-six specific annual priorities that were Board assigned last year (April 27, 2015). Again, these are public documents. In the evaluation, the Committee has access to numerous audits/reports including the many comprehensive Federal government oversight reports as well as a professional independent full financial audit as required by the Charter, and additional reports from Michael Burns, a Rail consultant hired by the Administration.

Your letter referenced yet another report which has not been released, from the City auditor. This was cited as one of the rationales for Mr. Grabauskas' dismissal. The Board looks forward to receiving this Report and as with all City audits, an accompanying set of responses from HART as required by the Auditor on April 14, 2016. Your letter chose to cite specifics of this draft report which apparently implies an additional aggregate \$348 million is required to fund the Pearl Highland station complex and additional Hawaiian Electric Company, Inc (HECO) utilities. Respectfully, I would point out these costs were addressed in the October 15, 2015 Project Cost Update (October 2015 Update) which was formally presented to Council and discussed during the public deliberations of Bill 23. This October 2015 Update specifically allocated \$130 million for Pearl Highlands and offered a proposal that HART pursue a public private partnership for the balance to reduce project costs. In terms of utilities, the October 2015 Update included \$120 million for utilities relocation costs for the remaining two East segments including the undergrounding of utilities along the Dillingham corridor. The West side utilities as outlined in HART monthly progress reports and our Risk Reports have been an ongoing discussion between HART, the City, and partner HECO. The design locations of the Westside guideway were established prior to Mr. Grabauskas' arrival. Safety is a major priority for the Board and our Director. The Board has been assured that the guideway locations are in full compliance with all Federal and State safety requirements along the entire West guideway. As you referenced, HECO did inform HART in 2013 after the West guideways were designed, permitted, and contracts awarded, that they have internal safety guidelines that are more stringent than government safety requirements.

HART's Deputy Director Brennon Morioka is working closely with HECO and making progress to find an equitable solution that is in best interest of taxpayers and HECO. As was stated during the Bill 23 public discussion, HART's October Update had proposed the use of contingency funding for these future costs.

Lastly, your letter singled out my performance as a HART Board member and used the term "mismanagement." Frankly, the letter came as a surprise since we had met a few days earlier, and your concern was not discussed. Chair, I respect your difficult decision. However, the City Charter established the authority with ten Board members. As you well know, the majority are volunteer, non-paid members. The bylaws call for various committee heads and a chairperson and vice chairperson to be elected by the Board and to serve for a one year term. Nine members are equal in terms of voting, oversight, and policy responsibilities. The chair has no additional authority or leadership responsibilities above any other member and certainly has no managerial duties. The chair's primary job is to administratively conduct Board meetings.

My voting record and conduct as a Board member are a matter of public record and support the fact that I have fully performed my fiduciary Board responsibilities. You further cited a loss of faith in HART leadership because at a recent public Council meeting, I declined to "promise" that future projected funding is sufficient to cover all project costs. This was characterized as a reversal ("about face") of prior testimony during the Bill 23 discussion. A fact check of my testimonies, will confirm that I made no reference to any change to the October 2015 Update which was used during the Bill 23 deliberations. In my non-political, business background, there is a distinction between a projection and a personal promise. If that distinction was poorly communicated, I do apologize.

At the Council meeting, I also pointed out that the project's primary cost increase drivers are not coming from a lack of HART's management of cost controls, change orders, work in progress, or excessive administrative costs but, rather revisions to construction cost growth rates for the remaining 55% of future construction, as well as, reaching agreement with HECO on estimating the final costs of utilities relocations. I fully appreciate these upward growth rate revisions which are based solely upon construction market conditions have been frustrating for policy makers as well as the public. As was required in Bill 23, HART is working on an update to the Full Funding Grant Agreement financial plan that will be coordinated and submitted to the Federal Transit Administration. By then the first major bid packages should have been open and these estimates will be based upon actual bids verse forecasts. As the HART chair over the last eight months, I fully take responsibly for any shortfalls in communicating these realities.

Finally, I regret not having done a better job in communicating the remarkable hard work and accomplishments of the HART team. We have a highly talented staff. Soon the public will experience the grand opening of the Rail Operations Center which will be the most advanced in the USA. And, trains will soon be actually rolling. We should be proud of their efforts. Rail is happening because of their dedication and will prove to be a significant benefit to thousands of our island residents for many, many years by increased mobility, improved infrastructure, and better housing inventory.

The Honorable Ernest Martin, Chair
and Members of the City Council
Page 3
April 11, 2016

Chair Martin, thank you for your final paragraph that states "the Council is prepared for the hard road ahead and is more than willing to continue working closely with HART and the Administration to build rail better." That is a very encouraging promise and if by me stepping down will move the project in that direction, I am very pleased to oblige. Please note a copy of my resignation letter to the Mayor is attached. My days of "government service" have come to an end and it's been a learning journey and a privilege to serve. Hope to see you in the district on the North Shore.

Mahalo Nui Loa,

A handwritten signature in dark ink, appearing to read "Donald G. Horner", with a long, sweeping horizontal line extending to the right.

Donald G. Horner
HART Board Chair

Enclosure

cc: HART Board of Directors
Daniel A. Grabauskas, HART Executive Director and CEO
Office of the City Clerk