

The Senate

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The Honorable Shan S. Tsutsui
President of the Senate
Twenty-Sixth State Legislature
Regular Session of 2011
State of Hawaii

Dear Sir:

The attached is a report I prepared as the Chair of the Senate Ways and Means Committee of the Twenty-Fifth State Legislature, Regular Session of 2010 following extensive informational briefings that were authorized by the Senate in 2009 and 2010, on matters involving the Committee's subject matter responsibility as to overall state financing policies, cash and debt management, statewide implementation of planning, programming, budgeting and evaluation, and government structure and finance. These responsibilities are set forth in Rule 17(14) of the 2009-2010 Senate Rules (Rule 16(14) of the 2011-2012 Senate Rules).

Due to editorial work on and review of the report, changing circumstances during the 2010 interim between regular sessions, the passage of time, and reorganization of the Senate of the Twenty-Sixth Legislature, this report by the Chair is submitted to the Senate of the Twenty-Sixth Legislature, Regular Session of 2011, and is submitted without the acknowledgement or prior approval of the Senate Ways and Means Committee of the Twenty-Fifth State Legislature, Regular Session of 2010.

Very truly yours,

A handwritten signature in black ink, appearing to read "Donna Mercado Kim".

Donna Mercado Kim
Senator

Encs.

Honorable Shan S. Tsutsui
President of the Senate
Twenty-Sixth State Legislature
Regular Session of 2011
State of Hawaii

Mr. President:

The Chair of the Twenty-Fifth State Legislature, Regular Session of 2010 Senate Ways and Means Committee begs leave to report as follows:

The purpose of this report by the Chair is to set forth the summary of the information obtained and the Chair's conclusions during the Committee's informational briefings on the operation and management of the Department of Transportation's (DOT) Airports Division and the Department of Human Resources Development's (DHRD) establishment of and recruitment for the DOT's Airports Administrator position.

**Report of the Chair of the Senate Ways and Means Committee on
Informational Briefings Concerning the Mismanagement of the
Department of Transportation's Airports Division and Operations at
the Department of Human Resources Development**

I. INTRODUCTION

Over the past sixteen months the Senate Ways and Means Committee has held a series of informational briefings to address concerns regarding:

- (1) The management and operation of the DOT's Airports Division, focusing on the mismanagement of the Airports Division by its Deputy Director, Brian Sekiguchi (Sekiguchi); and
- (2) The establishment of and recruitment for the Airport Administrator position by DHRD, focusing on establishment, classification, and repricing issues.

The informational briefings were held on April 8, 2009, June 30, 2009, September 15, 2009, June 29, 2010, July 7, 2010, July 15, 2010, July 19, 2010, August 31, 2010, and October 11, 2010.



Based on careful review of the information, documents, and testimony received for these informational briefings, your Committee Chair concludes that there has been a series of critical errors and oversights by the DOT's Airports Division in the management and operation of the Division, its personnel matters, and its business acumen in negotiating contracts with private third parties. Specifically, there has been an extensive display of mismanagement and gross inefficiency by Mr. Sekiguchi. Your Committee Chair also concludes that DHRD has committed numerous operational errors, inefficiencies, and procedural violations during its recent establishment of and recruitment for the legislatively abolished and defunded Airports Administrator position.

II. BACKGROUND

A. Organizational Structure of the Airports Division

The primary role of the DOT's Airports Division is to operate and oversee fifteen airports within the State of Hawaii. For a complete list of the fifteen airports see <http://hawaii.gov/dot/airports>.

In 2006, a Management Organization Study was completed at the cost of \$97,000, which found that the existence of both a Deputy Director and an Airports Administrator within the Airports Division created management and operational inefficiencies. Consequently, in October of 2007, a Settlement Agreement was reached between the State and then-Airports Administrator Davis Yogi, under which Mr. Yogi left the Airports Administrator position and became the Harbors Administrator of the DOT's Harbors Division. This enabled the restructuring of the Airports Division in February 2008, and the creation of three Airports Assistant Administrators from the existing Airports Administrator position and two other vacant positions.

As of June 30, 2009, the Airports Division was headed by the Deputy Director of the Airports Division. Appointed by Governor Lingle to serve as Deputy Director of the Airports Division, Mr. Sekiguchi has been in that position since 2003.

On July 15, 2009, the Director of Finance, Georgina Kawamura, approved a proposed organizational change within the Airports Division to have it headed by one excluded position titled



"Airports Administrator" and two Airports Assistant Administrators. According to the DOT website, the role of the Airports Administrator is to direct the management, operation, maintenance and construction of all state airports and aviation facilities; encourage, foster, and assist in the development of aeronautics in the State of Hawaii; and provide airport facilities that accommodate the safe orderly and efficient movement of aircraft and air travelers. See <http://hawaii.gov/dot/airports/about>. Although the Lingle Administration had worked to abolish the Airports Administrator position prior to 2008, the Administration is now in concurrence with the proposed organizational change to reinstate the position.

In reinstating the Airports Administrator position, DHRD classed and repriced the position from an EM-08 civil service position to an ES-01 civil service position to apparently fall in line with the scope of responsibilities, supervisory duties, and level of complexity within the Airports Division. From the testimony of DOT Director Brennon Morioka, at the July 19, 2010, informational briefing, it is evident that the appointed Deputy Director of the Airports Division would still take an overall position of leadership of that Division, above the reinstated excluded from collective bargaining but included in civil service Airports Administrator position.

Additionally, the reinstatement of the Airports Administrator position necessitated an Account Clerk II position variance, which DHRD obliged. This variance essentially utilized a civil service Account Clerk II position that was previously authorized by the Legislature and upgraded that position to create a new Airports Administrator position. However, on June 18, 2010, the Hawaii Government Employees Union (HGEA) stated that it would not give its concurrence to DOT and DHRD for establishing the excluded from collective bargaining position of Airports Administrator with the included in collective bargaining Account Clerk II position.

Meanwhile, because the original Airports Administrator position has been vacant for the past three years and the management and operation of the fifteen different airports in Hawaii have been borne by Mr. Sekiguchi, in his role as Deputy Director of the Airports Division, the 2010 Legislature abolished and defunded the Airports Administrator position. The 2010 Legislature also abolished three positions and defunded the two Airports Assistant Administrator positions that have never been filled since their establishment.



Despite the actions of the Legislature and the HGEA's non-concurrence with DOT and DHRD's establishment of the excluded Airports Administrator position with the included Account Clerk II position, on February 10, 2010, DHRD reinstated the Airports Administrator class and repriced it from an EM-08 to an ES-01 position.

B. Internal and External Recruitment of an Airports Administrator

On May 26, 2010, the DOT requested that DHRD amend the minimum qualifications (MQs) for the Airports Administrator class to require three years of experience in "managing airport operations and/or facilities." The amended MQs appear to significantly narrow the potential pool of qualified candidates, so much so that even airport employees with an excess of thirty years of experience at the airport would be unqualified for the Airports Administrator position.

On June 1, 2010, at the request of DOT, DHRD commenced the recruitment period process for the Airports Administrator position. However, your Committee is aware that at the request of DOT, the *external* recruitment period commenced first, starting on June 4, 2010 and closing on June 13, 2010, while the *internal* recruitment period commenced second, starting on June 10, 2010, and closing on June 29, 2010. At the informational briefing held on July 7, 2010, the Deputy Director of DHRD, Cindy Inouye, stated that for certain included positions the request from a department for an external recruitment before an internal recruitment would be unusual.

**III. FINDINGS OF THE CHAIR OF THE SENATE WAYS
AND MEANS COMMITTEE**

**Mismanagement and Operational Inefficiencies of the Airports
Division and Questionable Ethical Conduct
by DOT Senior Staff**

A. Negotiation and Management of Contracts

Your Committee Chair finds that Deputy Director Sekiguchi has not made sound business decisions that are in the best interests of the State of Hawaii and has also taken an inactive role in



enforcing and providing proper oversight on specific airport contracts with outside vendors.

In its review of Mr. Sekiguchi's conduct, your Committee, among other things, is mindful of the policy underlying the Legislature's passage of Hawaii's Public Procurement Code:

It is the policy of the State to ensure the fair and equitable treatment of all persons who deal with the procurement system of the State and counties. Because public employment is a public trust, public employees must discharge their duties impartially to assure fair competitive access to governmental procurement by responsible contractors. Public employees shall conduct themselves in a manner that fosters public confidence in the integrity of the State procurement process. No comptroller, chief procurement officer, purchasing agency head, procurement officer, or employee whose duties include purchasing shall use or attempt to use one's official position to secure or grant unwarranted privileges, exemptions, or advantages, or exhibit any favoritism or prejudice to any prospective bidder or contractor.

It is the policy of the State to foster broad-based competition. Full and open competition shall be encouraged. With competition, the State and counties will benefit economically with lowered costs. Therefore, it is the legislature's intent to maintain the integrity of the competitive bidding and contracting process by discouraging the State and counties from making changes to contracts once the contracts are awarded. If any contract needs to be amended, compelling reasons must exist for making the changes.

It is the policy of the State to ensure fiscal integrity, responsibility, and efficiency in the procurement process. Goods, services, and construction shall be purchased at fair and reasonable prices. However, if there are any disputes regarding the bidding and awarding of contracts, it is the legislature's intent to encourage all parties to settle their differences



quickly through established administrative procedures. See Act 8, 1993 Special Session Laws of Hawaii.

1. AVI - Automated Vehicle Identification System

In 2000, a Request for Proposals (RFP) was put out to bid for an Automated Vehicle Identification (AVI) system that would enable the DOT to accurately collect fees from taxi pickups. Ted's Wiring Service (Ted's Wiring) was awarded the contract at a cost of \$1,495,000 and with a completion date of August 13, 2003. Because Ted's Wiring was not able to complete the contracted work on time, several extensions of time were granted. Because these extended deadlines were also not met, on September 1, 2006, the DOT, with the concurrence of Mr. Sekiguchi, sent a demand letter to Ted's Wiring that set a September 18, 2006 deadline for completing the contracted work. When Ted's Wiring failed to meet this deadline, the DOT granted an additional extension of time until October 16, 2006. Once in 2007 and twice in 2008 the DOT gave Ted's Wiring additional extensions of time to complete the contract executed under the RFP in 2000, with the final contract extension date being April 30, 2009. Ted's Wiring did not meet any of these deadlines.

During most of the foregoing period of time, Mr. Sekiguchi was in charge of the Airports Division, having been retained as its Deputy Director since 2003. However, he did not take any action to enforce the contract against Ted's Wiring or pursue legal claims or monetary compensation for the extensive delays caused by Ted's Wiring. Finally, on October 13, 2009, over six years after the original contract deadline, a surety company, Seaboard Surety Company, was forced to take control of the project.

Your Committee Chair finds that the DOT went out of its way to accommodate Ted's Wiring with terms that were one-sided in favor of Ted's Wiring and terms which were not included in the original contract. Even with the preferential treatment received from the DOT and Mr. Sekiguchi, Ted's Wiring could not complete the contract by the original or subsequent deadlines. The DOT informed your Committee on June 29, 2010, that with the leadership of Seaboard Surety Company using Ted's Wiring as the completion contractor, the project was completed and working as intended.



On April 8, 2009, your Committee held an informational briefing on Senate Concurrent Resolution No. 98, Regular Session of 2009, to address concerns with the AVI system and the contract with Ted's Wiring. Mr. Sekiguchi's attendance at the hearing was requested but he did not attend. Mr. Sekiguchi later admitted that he was on vacation at The Masters golf tournament in Augusta, Georgia, but Mr. Sekiguchi's personnel records show that he did not take any vacation leave on the day of the informational briefing.

In addition, during the informational briefing on June 30, 2009, the DOT confirmed that it had paid a total of \$21,000 in December of 2004 and July of 2005 to Ted's Wiring for work that was originally completed in 1986. The DOT explained that Ted's Wiring forgot to bill the State for the work so it requested that all remaining bills be submitted and paid in 2005, nineteen years after the work was completed. (See a video of the June 30, 2009, informational briefing on Olelo's web site: www.olelo.org, under "OleloNet on Demand," and then "Senate on Demand").

2. Securitas Contracts

a. DOT Contracts with Securitas Security Services USA, Inc. (Securitas)

From October 18, 2004, to October 15, 2007, the State operated under the DOT contract #DOT-05-007 for security at its airports in Hawaii. Securitas operated the security contract for Oahu and Hawaii, while Wackenhut of Hawaii (Wackenhut) operated the security contracts for Maui and Kauai. The Securitas contract allowed for two 12-month options to extend the contract. The actual cost to the State under the Securitas contract significantly exceeded Securitas' estimates during the contract period, yet Mr. Sekiguchi was content with additional extensions at the higher cost.

In October of 2007, Securitas exercised its option to extend the existing contract for twelve months. Meanwhile, Wackenhut filed a protest and was subsequently given an extension to bid on the security contracts for Maui and Kauai until February 14, 2008. On February 15, 2008, Securitas was awarded a two-year contract (#DOT-08-001) for security at the Maui and Kauai airports for an estimated annual cost of \$5,600,000 for Maui and \$1,750,000 for Kauai. The contracts also included an option for Securitas to extend the contracts for three additional 12-month periods.



On October 18, 2008, Securitas exercised its second and final contract extension for Oahu and Hawaii. However, when the extension expired twelve months later, Securitas received a six-month extension for Oahu and Hawaii at a DOT estimated cost to the State of \$14,635,273. Furthermore, when that six-month extension expired Securitas received an additional six-month extension to April 1, 2010, at a DOT estimated cost to the State of \$15,370,000.

On February 11, 2010, Securitas exercised its first 12-month extension under the security contracts for Maui and Kauai.

Your Committee Chair finds that rather than putting out bids for new security contractors at the airports, Mr. Sekiguchi blatantly ignored the contract deadlines and ultimately cost the State millions of dollars through continued extensions that were not stipulated in the original security contracts with Securitas and Wackenhut.

Specifically, the term for contract #DOT-05-007 ended on October 18, 2007. Due to Mr. Sekiguchi's inability to be proactive in resolving the airports expiring security contracts, the State had no other reasonable alternative than to allow Securitas to utilize the two 12-month extension clauses. During that two-year extension period, Mr. Sekiguchi should have been seeking new security contract proposals for the airports in order to provide the State with cost-effective alternatives for security services at the airports. Unfortunately, Mr. Sekiguchi and his staff only began working on the new contract at the beginning of 2009 (ten months before the two-year extension period with Securitas was to end). From 2004 through March of 2010, the total cost to the State for security at the airports under Securitas alone was over \$137 million. See the DOT testimony from July 7, 2010.

The additional costs to the State for the contract extensions with Securitas apparently totaled almost \$10,000,000. According to State invoices for the payment of security services for the Oahu and Hawaii airports on contract #DOT-05-007, \$17,038,456 was paid in 2005, but \$27,028,764 was paid in 2009. According to Mr. Sekiguchi, the additional \$10,000,000 was to enable Mr. Sekiguchi time to "get a better solicitation" for security services at the State's airports. See the Securitas Invoice Data



spreadsheet submitted at the informational briefing on July 7, 2010.

b. Subsequent Extension of the Securitas Contract

Because there was no RFP or other security contract or service provider in place when the security service extension contracts with Securitas expired on October 18, 2009, the DOT and Mr. Sekiguchi conveniently extended the original DOT contract (#DOT-05-007) with Securitas for two additional six-month periods to run concurrently. Resulting in the following additional costs to the State, this "convenient" response clearly constitutes poor decision making and mismanagement by Mr. Sekiguchi:

- (1) \$14,635,273 for the six-month extension from October 18, 2009, to April 1, 2010, which resulted in a two per cent price increase from the original contract; and
- (2) \$15,370,000 for the six-month extension from April 1, 2010, to October 1, 2010, which resulted in a five per cent price increase from the original contract. See the DOT letter to your Committee dated June 10, 2010.

c. Securitas' Hiring of Airports Security Consultant

Mr. Sekiguchi was the forerunner in advocating that the Airports Division needed a special security consultant to assist in managing security issues at the State's airports. It was Mr. Sekiguchi who created the Airports Security Consultant position and approved the retention of Lowrey Leong, a former Transportation Security Administration (TSA) Federal Director. Leong was retained by Securitas via the change order process, thus circumventing applicable procurement laws and rules that ensure fair and competitive access to governmental procurement by responsible contractors. He was paid a salary of \$81,500 by Securitas, but the cost to the State was \$121,500, which included \$40,000 in fringe benefits.

Apparently, Mr. Sekiguchi and the attorney for Securitas, William McCorriston, believe that the #DOT 05-007 contract gives Mr. Sekiguchi broad authority to bypass the normal contractor hiring processes to allow for the hiring of Securitas consultants. It is important to note that DOT subsequently acknowledged that the contract provisions that Mr. Sekiguchi was relying upon did not exist and DOT is in the process of drafting a contract



amendment to give DOT that authority. See the provisions in sections: 1.8, 4.5, 4.7, and 10.3 of the original contract (#DOT-05-007).

Furthermore, upon your Committee Chair's request, the State Procurement Office (SPO) investigated Securitas' hiring of the security consultants and determined that the consultants were not allowed under the contracts with Securitas. DOT was required to complete a procurement violations form (SPO-016) to resolve the matter as a result of the unauthorized hirings. See letter from SPO Administrator, Aaron Fujioka, to DOT Director Morioka dated July 27, 2010.

Your Committee Chair also finds that payment for Mr. Leong's services under the Securitas contract was made from the Oahu airport, even though all of Mr. Leong's consulting services were performed on Kauai. See DOT letter to the Senate Committee on Ways and Means and subsequent testimony. The DOT later tried to correct the problem through interdepartmental invoicing. Your Committee has invoices showing that after the Oahu contract paid Mr. Leong his periodic salary, the Oahu airport would invoice the Kauai airport for the same amount paid to Mr. Leong.

Mr. Leong became a familiar face to decision makers in the Airports Division and Securitas through monthly breakfast meetings between the two parties which Mr. Leong regularly attended at the invitation of Mr. Sekiguchi. Mr. Leong attended these meetings for a year or two prior to his retiring from TSA, and his contributions included explaining the shortcomings of the airport's security.

Mr. Sekiguchi misrepresented to your Committee that the current TSA Federal Director, Stanford Miyamoto, was also privy to the monthly breakfast meetings with Securitas. However, your Committee Chair confirmed with Mr. Sanj Sappal, Securitas Area Vice President, and Mr. Miyamoto himself that Mr. Miyamoto has never attended any such meetings.

Furthermore, the initial motivation in hiring an Airports Security Consultant was to prevent and mitigate TSA fines at the airports. However, there is no information readily available to your Committee that indicates that the hiring of an Airports Security Consultant had any positive or beneficial impact on the Kauai or Oahu airports. Your Committee Chair finds that TSA's records of fines indicate that there was no benefit from a



reduction or mitigation in TSA fines during Mr. Leong's employment as Airports Security Consultant. Rather, the amount of fines and the number of offenses during Mr. Leong's tenure actually increased and the number of mitigated fines decreased. In addition, said TSA fines were paid by the State, not Securitas. There is also no evidence that Mr. Leong compiled any data or information on airport security issues or filed any reports with TSA. There also is no evidence of Mr. Leong having attended any TSA Fine Mitigation meetings or having participated in any training or educational exercises on fine prevention or mitigation. See testimony of Mr. Sappal at July 7, 2010, informational briefing. See also TSA Fines spreadsheet.

3. Ualena Street Lease

Mr. Sekiguchi also made a series of poor business decisions concerning the State's ownership and subleasing of the property located on Ualena Street. During the 1990s, the State purchased the real property located at 3239 Ualena Street from Loyalty Development Company. Warehousing, Inc. has held the master lease on the building located at 3239 Ualena Street since 1967, under which Warehousing, Inc. pays the State \$16,000 per month through December 31, 2012. Mr. Sekiguchi failed to negotiate an increase in rent from Warehousing, Inc. even though there is a provision in the master lease that would have allowed the rent to be negotiated before the start of the current lease term. See Indenture of Lease dated May 1967, pg. 1a.

On July 1, 2007, the State assumed the sublease on 3239 Ualena Street from Hawaiian Telcom. As a result, the State was both landlord and sublessee, paying \$73,000 per month to lease the former Hawaiian Telcom space, which the State itself owned.

The State assumed the sublease at Ualena Street with the intent of using the space for a seventh car rental concession area. Unfortunately, the sublease was assumed and the subsequent lease payments of \$73,000 per month were made prior to Mr. Sekiguchi ever obtaining a prior agreement or at least a memorandum of understanding from any car rental company that would have been willing to occupy the seventh car rental concession area. In the midst of the economic downturn in the summer of 2008, the car rental companies had no aspiration of ever using the potential seventh car rental concession area. Thus, the space is not being fully utilized and will cost the State \$4,818,000 before



the assumed sublease expires on December 31, 2012. See the DOT testimony from July 7, 2010.

In 2006 the State contracted with Parsons Consulting (Parsons) for the Airport Modernization Plan at a cost of \$90,000,000 over a twelve-year period ending in 2018. In February of 2008, the DOT allowed Parsons, the master consultant for the Airport Modernization Plan, to use approximately one-half of the Ualena Street property rent-free. In addition, the DOT reimbursed Parsons for improvements and renovations that Parsons made to this rent-free space. While also spending money to setup second offices for several DOT airport staff. On August 2, 2010, your Committee Chair requested that the SPO investigate as to whether the DOT violated procurement laws by reimbursing Parsons for the renovation costs, particularly for renovations to the second floor, which is used primarily by DOT employees. See the DOT testimony from July 7, 2010.

On October 7, 2010, the SPO determined that Parsons' contract for professional services for the improvements and modifications to the Ualena Street property was in violation of section 103D-304, Hawaii Revised Statutes, in that it was inappropriate and a misuse of the professional services procurement process. Furthermore, the SPO determined that DOT failed to properly disclose the length and magnitude of the contract they awarded to Parsons, thereby limiting the pool of qualified providers. The SPO also determined that the "cost plus basis," allowed for under the contract by DOT for reimbursable costs, is not permitted without chief procurement officer approval. See SPO Letter dated October 7, 2010.

The only other tenant currently on the Ualena Street property is Tropical Fish Company, which is paying approximately \$12,400 per month to lease a portion of the property from the State.

In summary, the Ualena Street property, which the State owns, is currently costing the State approximately \$44,600 per month. Unless mitigating actions are taken by the DOT, the expense incurred by the State from the Ualena Street sublease will extend to December 31, 2012, for a total cost of \$4,818,000, and the rent-free status for Parsons will continue until 2018. The State is incurring all of these costs even though the property, according to DOT's Deputy Director of Administration, Francis Keeno, is a "dump" and the DOT is "embarrassed that our master consultants are housed there." Despite all of the foregoing, the



DOT has no current or future plans to attempt to lease out the property to reduce or eliminate the State's costs. There is also no urgency or even consideration by the DOT to require Parsons to pay for its use of one-half of the property. Rather, the DOT is content with continuing to pay what will amount to \$4,818,000 in costs until December 31, 2012, and forgoing any potential revenue stream through 2018. See the DOT testimony from July 7, 2010.

4. Grove Farm Purchase

The Airports Division entered into an unfavorable land Purchase Agreement with Visionary LLC to purchase real property located near the airport in Lihue, Kauai (Grove Farm Property). See Request from Mr. Sekiguchi for Permission to Negotiate Land Acquisition and Request from Mr. Sekiguchi to Purchase Land Acquisition.

The terms of the Purchase Agreement appeared to be so unfavorable to the DOT that on March 30, 2009, Deputy Attorney General Jeffrey Kato wrote a memorandum to Mr. Sekiguchi, advising the DOT not to go through with the Purchase Agreement. Jeffrey Kato's memorandum stated many objections to the Purchase Agreement, including the following:

- (1) Rather than the DOT acquiring the real property through the Purchase Agreement it would be preferable to the State for the DOT to acquire the land by way of a condemnation;
- (2) The conditions placed on the transaction by Visionary LLC are one-sided in favor of Visionary LLC;
- (3) The real property is not being conveyed by a full warranty deed, which has been a long-standing requirement by the Attorney General when the State is acquiring a significant amount of land other than through a gift or devise to the State; and
- (4) The subject real property in this transaction is being conveyed in an "As Is, Where Is" manner, which is not typical or beneficial to the State.

Further, poor business judgment was displayed by the DOT and Mr. Sekiguchi through their agreement with Visionary LLC to share in the costs of Visionary's building of utility infrastructure on



the land. As a practical matter, it appears to your Committee Chair that the utility infrastructure was not necessary because the subject parcels are adjacent to the Lihue Airport, which already has sufficient utility infrastructure in place to allow for the sharing of utility infrastructure with adjacent lands.

Additionally, Mr. Sekiguchi agreed to assist Visionary LLC in establishing new access points along Kapule Highway by helping Visionary obtain permit approvals from the Highways Division of the DOT that included new access points on Ahukini Road. Your Committee Chair finds that it is uncommon, and unethical at the least, for one division of the State to use leverage against another state division on behalf of a private seller. Despite these legitimate concerns, the final signed and executed Purchase Agreement includes the obligation of the DOT to assist Visionary LLC with establishing new access points.

The State's original purpose in acquiring the Grove Farm Property was to add another helipad to alleviate congestion for helicopter operators at the Lihue Airport. Allegedly, if the helipad is included in the plans for this property, the Federal Aviation Administration (FAA) would fund up to ninety-five per cent of the purchase price.

In your Committee's informational briefing held on July 7, 2010, the DOT testified that the helipad was still in the plans for the purchased land and that the FAA would be reimbursing the funds to the State. However, a follow-up call by your Committee Chair to the FAA revealed that the FAA is not aware of any plans for the development of an additional helipad in Lihue, Kauai, or federal reimbursement to Hawaii for the costs of the purchase. Moreover, in your Committee's August 31, 2010, informational briefing, Director Morioka stated that the expansion of the helipad is more on the 10-15 year outlook, and that the more immediate plans are for the car rental facility, which means that as a practical matter, any federal reimbursement or participation in the project will not be realized by the State in the near term.

A review of the budget description for the project shows a real estate purchase of 173 acres at a cost of \$17,100,000. Funding for the purchase was to consist of \$1,100,000 in special funds and \$16,000,000 in federal funds. Notwithstanding the specific legislative intent, the final Purchase Agreement provides for the purchase of only thirty-eight acres at a cost of \$16,587,000, of which \$15,567,000 in special funds has been paid.



The sources for the funding represent to your Committee that the DOT clearly intended to circumvent the legislative budgeting process. Furthermore, the DOT failed to inform the Legislature of a change in the appropriation amount and corresponding reduction in acreage when DOT was made aware of those contract changes through a Memorandum of Understanding in January 2009. In addition, DOT failed to inform the Legislature of the change in funding sources when more than \$15,000,000 was to be paid from special funds, without any guarantee that the special funds would be reimbursed by federal funds. See Allotment Advices dated May 17, 2006, August 28, 2006, and May 6, 2010.

5. Parking Contracts

In or around the year 2000, the parking contracts with each of the State's airports lapsed, with the exception of the Kahului contract which lapsed in 2003. Ever since that time, the parking contracts at each airport in Hawaii have been one year contracts with a thirty-day exit clause. That exit clause essentially allows each of the parking contracts to operate on a month-to-month basis. Fortunately, the Legislature has assisted the DOT with obtaining a long-term parking contract at Honolulu International Airport that will begin on August 1, 2010.

According to testimony at the June 29, 2010, informational briefing, a DOT property manager stated that long-term parking contract negotiations for each of the neighbor island airports are ongoing and that in 2003, he had a draft for a long-term parking contract that was two-thirds completed, but it was put aside to take care of other contracts that were "more important."

6. Bus Contracts

Roberts Hawaii has operated the bus contracts at the airports since 1993, which was when the previous bus contract provider filed for bankruptcy protection. It was not until earlier this year that a Request for Information (RFI) was issued to gauge the interest of potential providers for providing a new bus contract. At the recommendation of the potential providers, the RFI was pulled back upon concluding that it would be more beneficial to put out a best value Request for Proposals (RFP) in which the providers could propose their own specifics and details, such as vehicles used and pickup points. The RFP is currently pending legal review and the DOT hopes to put out the RFP upon completion of the legal review. Meanwhile, Roberts Hawaii, which is in its



sixteenth year of operating the bus contracts, continues to provide bus services.

B. Poor Administration and Management of Personnel Issues

Your Committee Chair finds that Mr. Sekiguchi showed poor managerial and ethical judgment when dealing with administrative and personnel issues within the Airports Division.

1. Airports Administrator Recruitment

Your Committee Chair finds that recruitment for the prospective Airports Administrator position appears to have been conducted under suspicious circumstances. Your Committee Chair believes that the minimum qualifications (MQs) for the position were amended in May 2010 to effectively preclude most applicants from meeting the MQs for the position.

Specifically, one of the MQs for the position is that the applicant had to manage airport operations or facilities for three years. That MQ requirement effectively eliminated a large number of applicants who would have likely met all of the other MQs. In fact, this one MQ meant that persons who had thirty or forty years of experience working at airports in Hawaii were unqualified for the Airports Administrator position because they did not in fact manage airport operations or facilities for three years. Your Committee Chair further believes that the MQs for the Airports Administrator position were specifically amended to match the skills set and experiences of Mr. Sekiguchi.

Aside from the suspicious circumstances surrounding the amended MQs for the Airports Administrator position, it appears to your Committee Chair that there were several instances of procedural irregularities at DHRD during the recruitment process for the Airports Administrator position, including:

- (1) Starting the open, or external, recruitment process prior to the internal recruitment process at the request of the DOT when it would appear that the most experienced pool of applicants would be found actually working within the Airports Division through the internal recruitment process;
- (2) Listing erroneous contact information on notices mailed to applicants that were found not to have met the MQs of



the Airports Administrator position. The DHRD notices were reissued only after your Committee brought the erroneous contact information to DHRD's attention;

- (3) On February 10, 2010, DHRD reinstated the Airports Administrator position to an ES-03 classification, then immediately changed it to an EM-08 position, but then repriced the position from an EM-08 to an ES-01;
- (4) That ES classifications are intended and primarily meant to classify distinguished individuals in their field of expertise, either through the individual's work experience, education, or training; and
- (5) The DHRD recruitment process proceeded without HGEA's concurrence to take an included Account Clerk II position to establish an excluded Airports Administrator position.

The foregoing suspicious circumstances and irregularities involving DOT and DHRD demonstrate to your Committee Chair that DOT circumvented the legislative intent found in section 138 of Act 162, Session Laws of Hawaii of 2009, otherwise known as the General Appropriations Act of 2009.

Specifically, the DOT's requested Airports Administrator position was abolished and defunded by the Legislature during the 2010 Regular Session. Your Committee Chair believes that when the DOT used the Account Clerk II position appropriation to establish and fill an abolished Airports Administrator position, the DOT did not conform to the legislative intent of the following laws:

- (1) Section 138 of Act 162, Session Laws of Hawaii 2009, pertaining to the requirement to consider legislative intent when releasing funds for operating program appropriations;
- (2) Section 134 of Act 162, Session Laws of Hawaii 2009, pertaining to the prohibition against expending funds for positions that are not authorized by the Legislature;
- (3) Section 89C-5, Hawaii Revised Statutes, pertaining to the requirement that any adjustments requiring appropriations be submitted to the Legislature. This



section also provides that no adjustments shall be made and no funds shall be used unless the Legislature has appropriated funds to implement the adjustment; and

- (4) Section 37-32, Hawaii Revised Statutes, pertaining to disallowing expenditures for purposes not specifically authorized.

The timing and urgency of the DOT's efforts to fill the Airports Administrator position also raise red flags. It is difficult to understand the reasoning behind a rush to establish and fill an Airports Administrator position with only a few months left in the Lingle Administration's term. If there was such a strong need for an Airports Administrator position, why was the position left unfilled for almost three years up to this point in time? Now, with less than four months before the end of the Lingle Administration's term, there appears to be a desperate and concerted effort to slot the current appointed Deputy Director Sekiguchi into a civil service Airports Administrator position. To enable this, DOT has reorganized its organizational chart just six months before the next administration takes over. Moreover, Mr. Sekiguchi admitted in the June 29, 2010, informational briefing that he had, in fact, applied for the position.

In early 2003, the Lingle Administration criticized the Cayetano Administration for transferring several state department heads into high paying civil service positions just months before Cayetano left office. Now, it appears that by means of a similar process and for a similar motive, the Lingle Administration is employing the very tactics that it had previously criticized.

In addition, your Committee Chair believes upon information received that several special interest groups were asked by Mr. Sekiguchi to support his quest for obtaining the Airports Administrator position. DOT Administration Deputy Director, Francis Keeno, stated that nothing was wrong with Mr. Sekiguchi asking for the support of special interest groups at the airport. However, what Deputy Director Keeno fails to consider is that at the time Mr. Sekiguchi requested their support, he was in a position of authority and oversight, which directly affected the special interest groups and could have imposed an undue influence over them. See three separate but similarly construed letters from the special interest groups to support Mr. Sekiguchi as an Airports Administrator.



2. Airports Division Personnel Office Issues

Your Committee Chair finds that Mr. Sekiguchi failed to provide meaningful administrative oversight and supervision to the employees of the DOT Airports Personnel Office (Office). Harlo Stanley, a former employee of the Office, testified to the following facts surrounding the operational and administrative practices at the Office:

- (1) Harlo Stanley was employed as a Personnel Management Specialist at the Office from February 2008 through April 2010. Mr. Stanley stated that he felt forced to retire from the position in April 2010 due to concerns regarding retaliatory acts and palpable threats of physical harm from the office supervisor;
- (2) There were a number of confrontational events that occurred between the supervisor of the Office and its employees, including legitimate threats of harm to the employees by the supervisor that resulted in the supervisor taking a leave of absence from the Office. Although such confrontations were explicitly reported by the employees to Mr. Sekiguchi, Mr. Sekiguchi sought to reinstate the supervisor to the Office without any sincere consideration for the risk of harm to employees or the stressfulness in the working environment caused by the reinstated individual;
- (3) In June 2008 an incident occurred involving an employees of the Office and the supervisor, which resulted in a temporary restraining order being issued against the supervisor and the supervisor being relocated to another office;
- (4) As a result of the June 2008 incident the employees of the Office and the supervisor were not functioning as an effective or efficient unit from the period of June 2008 through April 2010;
- (5) In the course of Mr. Stanley's employment, the supervisor had retaliated against him by bringing unsubstantiated claims against him under the administrative complaints process;



- (6) Although Mr. Stanley admits that the supervisor did not physically harm him, the supervisor's violent fits of anger and visible frustration with trying to maintain physical restraint, gave Mr. Stanley credible concerns regarding the potential of physical harm to himself by the supervisor. Mr. Stanley further testified that the supervisor's loss of self-control was also witnessed by Mr. Sidney Hayakawa, Airports Administrative Services Officer (ASO). See letter from Mr. Stanley to Senator Sam Slom;
- (7) Although the supervisor was relocated to another workplace office, the efforts to reinstate the individual at the Office prevailed; however, shortly after the individual's return to the Office, another incident occurred between the supervisor and the employees of the Office that resulted in the supervisor's reinstatement to the Office being cancelled;
- (8) Subsequent to the second incident between the supervisor and employees, a settlement meeting was held between five employees of the Office, Director Morioka, ASO Hayakawa, the supervisor and the supervisor's attorney, and union-employee representatives. At the settlement meeting, the supervisor's attorney presented a Professional Commitment Agreement which stated that the five employees and the supervisor agreed that they were equally responsible for the incidents that had occurred in the Office. Although the supervisor signed the Professional Commitment Agreement, Mr. Stanley and the four other Office employees refused to sign it. Director Morioka stated that he would not sign the agreement, and that it was not endorsed by the department. However, notwithstanding DOT's concerns with the agreement, its presentation of the agreement to the employees for consideration raises questions as to DOT's role as an impartial participant since the agreement was prepared by the supervisor's private attorney. See Professional Commitment Agreement;
- (9) The Office employees offered other alternatives at the settlement meeting to resolve the differences between the supervisor and employees, but those alternatives were ignored by management;



- (10) Subsequent to the settlement meeting, the original concern for the employees regarding the credible threat of physical harm to them by the supervisor remained. In addition, the Office employees had another concern relating to Mr. Sekiguchi's biased actions against them and in favor of the supervisor. Mr. Stanley estimated that during the entire period of the issues between the Office employees and the supervisor, Mr. Sekiguchi individually met with the supervisor between one hundred and two hundred times, without ever once meeting individually with the five employees of the Office;
- (11) In response to the Professional Commitment Agreement prepared by the supervisor's private attorney, the five employees of the Office signed and sent a joint memorandum to Director Morioka stating their future service in the Office would be predicated on two conditions: (1) the supervisor was to receive a professional evaluation for anger and potential for violence in order to assure the safety of the five employees in their workplace environment; and (2) that the five employees would be granted access to speak with Mr. Sekiguchi individually in the future if other incidences with the supervisor occurred;
- (12) Mr. Stanley testified that no action was taken by Mr. Sekiguchi or the DOT on the foregoing memorandum and none of the alternatives or suggestions were discussed or instituted by Mr. Sekiguchi or the DOT;
- (13) On April 21, 2010, ASO Hayakawa met with the five employees and they were advised that the supervisor would be returning to the Office, and that if any of them wanted to leave they would be able to transfer out to any vacant position in the DOT as long as they were qualified. In addition, the employees would be allowed to retain their current positions and pay for six months while DOT recruited for the other vacant positions in the DOT. Within a week, Mr. Sekiguchi sent a memorandum with additional conditions for any transfer that would take place, limiting any transfer to within the DOT Airports Division, which was contrary to ASO Hayakawa's representations. The next day, a further clarification was issued by Mr. Sekiguchi, which stated that any of



the conditions of the transfer and any of the decisions made could be reversed at any time as needed. As a result of the conditions added after the original offer from ASO Hayakawa, the Office employees felt that they could be forced to return to the Office and be subjected to the same treatment by the supervisor upon the supervisor's return;

- (14) As a result of the return of the supervisor to the Office, two of the five employees left the Office, and of the remaining three employees, two stayed but were out on sick leave under workers' compensation due to stress, and the other employee retired since he did not qualify for any other vacant position within the DOT. Consequently, in Mr. Stanley's opinion, the Office lost all expertise and experience and the quality of service in the Office deteriorated significantly; and
- (15) Mr. Sekiguchi and Director Morioka were extensively and intimately aware of the problems at the Office, including the supervisor's propensity to engage in actions of an erratic and violent nature at the Office; yet neither Mr. Sekiguchi nor Director Morioka were able to resolve this turbulent situation at the Office.

In addition to these findings, Maui Division Airport Fire Chief Eugene Perry testified at your Committee's October 11, 2010, informational briefing that his division's high overtime costs is due to being severely undermanned, and that the unfilled vacancies are attributable to the dysfunctional and inept Airports Personnel Office. See testimony of Chief Perry.

C. Questionable Ethical Conduct of DOT Senior Staff

On April 8, 2009, your Committee held an informational briefing on Senate Concurrent Resolution No. 98, Regular Session of 2009, to address concerns with the AVI system and the contract with Ted's Wiring. Mr. Sekiguchi's attendance at the hearing was requested but he did not attend. Mr. Sekiguchi later admitted that he was traveling on personal vacation to attend The Masters golf tournament in Augusta, Georgia, but Mr. Sekiguchi's personnel records show that he did not take any vacation leave on the day of the informational briefing. Mr. Sekiguchi further contended in your Committee's July 19, 2010, informational briefing that while en route to The Masters, he had met with airline officials, paid



for his own travel costs, and did not receive any gifts from the airline vendors.

However, based on information your Committee received subsequent to the July 19, 2010, informational briefing and as confirmed in your Committee's August 31, 2010, informational briefing, Mr. Sekiguchi's purported meeting with airline officials was a 7:00 p.m. dinner with an airline vendor in Las Vegas that was paid for by the vendor. Director Morioka stated that he was not aware of the dinner meeting in Las Vegas, and does not think that it would have been an appropriate venue for official business. Director Morioka had advised your Committee by letter subsequent to the July 19, 2010, informational briefing that Mr. Sekiguchi was considered to be on official business. See Director Morioka letter to Senator Kim dated August 25, 2010.

Mr. Sekiguchi's claims that he had paid for his own travel costs and did not receive gifts from the airline vendor have not been substantiated due to Mr. Sekiguchi's refusal to provide travel and expense documents.

However, testimony received by your Committee at the October 11, 2010, informational briefing from Mr. Gene Matsushige, an airports senior engineer who had attended The Masters golf tournament in Augusta, Georgia, with Mr. Sekiguchi, contradicts Mr. Sekiguchi's claims that he paid for his own travel costs and did not receive any gifts. Mr. Matsushige stated that he and Mr. Sekiguchi received a free room from contractor Russell Figueiroa of R.M. Towill and free Masters golf tickets from Chevron. (See a video of the October 11, 2010, informational briefing on Olelo's web site: www.olelo.org, under "OleloNet on Demand," and then "Senate on Demand." See also KITV news report posted October 11, 2010, at <http://www.kitv.com/news/25361814/detail.html>)

DOT reports that in both cases, Mr. Sekiguchi and Mr. Matsushige did not timely file vacation leave forms, but submitted the forms only recently this year. Furthermore, both have not filed gift disclosures as required by law, but have instead submitted the gift information to the State Ethics Commission.

Your Committee Chair finds that the Deputy Director's and senior staff engineer's receipt of state pay while on personal leave, attempt to cover their leave by filing vacation requests



after-the-fact, and failure to properly file gift disclosures as required by law are all indicative of departmental practices that are, at best simply neglectful, and at worst, intentionally deceitful.

Mr. Sekiguchi abruptly retired from the Deputy Director position effective as of August 6, 2010, after giving the department only five days notice.

D. Kauai District Office Concerns

Your Committee Chair notes that although the Lihue airport is the smallest of the main airports, throughout its hearings an inordinate amount of concerns and problems came to light regarding the poor management and operational problems within the Kauai District Office.

1. Embezzlement by Lihue Business Services Supervisor

On August 6, 2010, it was reported by a local television news station that a Lihue airport business services supervisor was under investigation in an embezzlement case, and had admitted to stealing over \$13,000 over several months before being discovered.

In your Committee's August 31, 2010, informational briefing it was determined that:

- (1) The department had preliminary information around February 2010 to April 2010 of the employee not handling money correctly;
- (2) The employee admitted to theft in July 2010;
- (3) The department did not terminate the employee even though the employee confessed to criminal conduct, but put the employee on leave with pay until the employee was terminated on August 26, 2010;
- (4) ASO Hayakawa, in consultation with Mr. Sekiguchi, approved of the disposition of the employee; and
- (5) The Attorney General's office was not consulted on whether the employee was entitled to leave with pay.



DOT's treatment of the employee again shows poor management practices at the Lihue airport, and poor oversight under Mr. Sekiguchi.

2. P-Card Charges at Lihue Airport

At your Committee's October 11, 2010, informational briefing, we reviewed an audit report that was prepared by the Audit Section of the Financial Management Staff, Airports Division, dated September 30, 2010. The report details glaring abuses of P-cards, petty cash funds, and collections related to Fingerprints, Badges, and Permits within the Kauai District Office, Airport Business Office. In particular, the report found that there had been unauthorized P-card transactions totaling \$2,857.82, including purchases for interisland flights for persons not employed by the Kauai Airports Division, and purchases of shoes, Bluetooth headsets and a mini-computer. Your Committee Chair also noted that a significant amount of the P-card statements that detailed these unauthorized charges were signed by the Business Services Supervisor and the Airport District Manager and paid by the airports fiscal office even though proper documentation was not provided. In addition, the Business Services Supervisor who had admitted to the theft of over \$13,000 was one of the two P-card holders audited.

In the October 11, 2010, briefing, Ross Higashi, Fiscal Management Officer for DOT, disclosed that the Kauai Airport Business Office had failed to provide proper documentation for the P-cards for two years despite Mr. Higashi having sent memos to management noting the severe deficiencies in supporting documentation. Your Committee Chair is concerned with the severe lack of oversight and control over the Kauai District Office because of the egregious misuse of the P-card by supervisors and managers, and the blatant failure of the DOT fiscal office and management to take immediate corrective action after having discovered the questionable charges and lack of documentation. Your Committee Chair finds that this inaction is indicative of the severe mismanagement and the lack of oversight and control of the Kauai District Office by the DOT fiscal office and ASO Hayakawa.

3. Security Breach at Lihue Airport

TSA reported an airport breach involving the Kauai District Office Airport Manager, George Crabbe, when Mr. Crabbe was specifically escorting two adult guests through the Lihue airport.



Your Committee has learned through testimony that Mr. Crabbe lost track of the two guests, which resulted in an airport security breach. Mr. Crabbe reported that in order to ensure airport security and flight safety, the airport had to be shut down and evacuated, the facilities were searched and passengers were rescreened. Such incompetence has contributed to an increase in operational costs at the Lihue airport and procedural inefficiencies.

4. Settlement Agreement for Reinstatement

A person employed in the Kauai District Office, Airports Operations Controller II position, was considered by DOT to have resigned on or about December 4, 2008, for walking off the job and ceasing to show up at work for an undetermined period of months. DOT reported at your Committee's August 31, 2010, informational briefing that although the individual appears to have resigned, that individual could have instead pursued available legal remedies against the State for a wrongful termination claim. A Settlement Agreement was reached between DOT and the individual, which required the individual to officially resign from the position effective December 4, 2008, in exchange for the individual's waiver of a wrongful termination claim against the State.

On February 10, 2010, the State courted the same individual who resigned on December 4, 2008, to take the then-existing vacant Airports Operations Controller I position, and if the individual passed certain probationary periods he would be promoted back to his original Airports Operations Controller II position. The individual accepted the DOT's offer to return under the following conditions:

- (1) Allowing the individual to receive an uninterrupted term of service with the State dating back to the individual's prior resignation date of December 4, 2008, to February 10, 2010;
- (2) Permitting the individual to receive all foregone benefits during his absence, including retirement benefits and sick leave; and
- (3) Requiring the State to waive any claim to a \$5,000 overpayment previously made by the State to the individual.



At your Committee's August 31, 2010, informational briefing DOT admitted to operational deficiencies in failing to determine when the individual had stopped reporting for work and continuing to pay the individual while he was not working.

5. Lihue Photovoltaic Project

The Kauai Island Utility Cooperative (KIUC) has a Power Purchase Agreement (PPA) in place with the State to generate and sell electricity. Currently, the State is being charged by KIUC at the highest kilowatt rate for the power KIUC generates. While the State is reimbursed a certain amount pursuant to the PPA, the State currently pays \$16,000 per month to KIUC, which includes installation costs for a photovoltaic project.

Your Committee Chair's primary concern was that Lihue airport was not utilizing a similar cost-sharing plan that had been implemented on Maui. At your Committee's August 31, 2010, informational briefing DOT confirmed that it had finally begun the cost-sharing program at the Lihue airport using a blended rate that incorporates KIUC's and the solar vendor's rates. However, DOT also acknowledged upon questioning that before the blended rate was applied, tenants were paying the lower KIUC rate and that the State paid the difference, which totaled to about \$4,000 in electrical costs.

E. Other Concerns

1. Organization Charts

Your Committee Chair finds that the organizational structure of the Airports Division currently allows for a secretary position for each of the three vacant Assistant Airports Administrator positions below Mr. Sekiguchi. In addition, the Airports Administrator position includes a Secretary IV position, which was occupied even though there was no Airports Administrator hired. Also, Mr. Sekiguchi had an appointed secretary working for him during this time when he could have been utilizing the existing Secretary IV person to assist with his administrative duties. However, DOT reports that instead the Secretary IV position is being used to provide secretarial and clerical support for ASO Hayakawa.



Essentially, the June 30, 2010, Organization Chart for the Airports Division is reverting back to the organizational structure that was in place over five years ago, which included an Airports Administrator. Ironically, that organizational structure was heavily criticized by the Lingle Administration when the Governor initially came into office, but yet the Lingle Administration now seems to have a burning desire to revert back to that same organizational structure that includes an Airports Administrator position in the Airports Division. In addition, under such an organizational structure, Mr. Sekiguchi, or a subsequently-appointed Deputy Director of the Airports Division would still serve as the leader of the Airports Division and be responsible for overseeing and supervising the Airports Administrator.

2. Excessive Overtime Costs

As noted earlier, your Committee received testimony at its October 11, 2010, informational briefing from Maui Division Airport Fire Chief Perry stating that his division has been severely undermanned for several years due to unfilled vacancies, and has been forced to incur high overtime costs. From January 2009 to August 2010, the division incurred an estimated 19,770 hours of overtime, which amounted to an estimated \$870,492 in overtime costs.

Chief Perry attributes the unfilled vacancies to the dysfunctional and inept Airports Personnel Office, which had failed to administer the admissions test since 2007 despite Chief Perry's many telephone calls and e-mails to the Personnel Office requesting that the vacancies be filled. Moreover, the Personnel Office's failure to act is even more unfathomable given the fact that all of these vacant positions have been fully funded, with some having been vacant for as long as five years. See testimony of Chief Perry.

Your Committee Chair finds that the high overtime costs incurred by the Maui district could have been avoided if the Airport Personnel Office had simply done its job, and that the Personnel Office's deficiencies are indicative of DOT's pervasive failure to properly administer and manage its support services and operations.



Your Committee Chair further finds that, with certain maintenance and baseyard employees having as much as 25% of their salaries coming from overtime, there are serious concerns that the department's policy that allows employees a maximum of ten hours of overtime per month, without proper monitoring and enforcement, encourages employees to incur unnecessary overtime costs. Moreover, the department's lax enforcement of its overtime policies further encourages employees such as Mr. Matsushige, who claimed to have thousands of hours of uncompensated time, to either take-off early from work under the belief that they are simply entitled to, or file for overtime after-the-fact instead of having it pre-approved, as is required by departmental policy.

3. 89-Day Hire Appointments

Your Committee Chair has serious concerns with DOT's excessive use of the 89-day hire appointments throughout its department. In response to a request prior to the October 11, 2010, informational briefing, your Committee received a list of seventeen employees who had been assigned three or more 89-day appointments. Of these employees, one employee received as many as eighteen 89-day appointments. See 89-Day Hire List.

Your Committee Chair has concerns as to the impact 89-day hires have on employee morale since it institutionalizes favoritism. We are also concerned if whether DOT is using 89-day hires to circumvent statewide policies such as the Governor's hiring freeze and circumvent minimum qualification requirements by enabling selected persons to gain experience through repeated appointments. Furthermore, your Committee Chair questions whether DOT, in its use of multiple 89-day hire appointments, is in compliance with administrative rules that require the Director to first determine that there are no interested and available eligibles on an appropriate eligible list to fill the vacancy for a position before an 89-day hire is granted multiple, consecutive appointments. See section 14-3.05-2, Hawaii Administrative Rules.

Your Committee Chair finds that the excessive use of 89-day hires undermines efficient and responsible hiring practices, promotes low employee morale by institutionalizing favoritism, and shows an untenable willingness to manipulate rules that are intended to prevent such practices.



4. Speedi Shuttle at Kona Airport

DOT reports that it is in the process of valuing the Kona airport shuttle concession based on levels of service and gross receipts. The shuttle service has only recently begun to show consistent service and gross receipts. In its first two years of operation (Fiscal Year 2004 and Fiscal Year 2005), service was inconsistent and gross receipts fell to below \$500 for two of the months. In Fiscal Year 2006, the shuttle operated for the full 12 months, with total gross receipts at \$42,600. For Fiscal Year 2007 and Fiscal Year 2008, gross receipts increased to \$90,400 and \$140,400, respectively. However, receipts dropped to \$131,900 in Fiscal Year 2009 following the departure of Aloha and American Trans Air Airlines at the end of Fiscal Year 2008. Fiscal Year 2010 ended with gross receipts reaching approximately \$150,000; however, Japan Airlines has announced that it will cease direct service to Kona in November 2010. DOT plans to continue tracking service and receipts through Spring 2011 to gauge the impact and provide a base for valuing the concession in order to determine what is a reasonable upset bid amount and percentage fee for potential operators. See Director Morioka letter to Senator Kim dated July 29, 2010.

F. DOT Airports Division Management Action Plan

On September 16, 2010, it was announced that Mr. Brennon Morioka resigned from his position as Director of Transportation. Mr. Michael D. Formby was appointed Interim Director of the department.

Interim Director Formby acknowledges that while your Committee's hearings over the past year have been an uncomfortable process for the department, it has been constructive, and he supports the process to the extent that it has uncovered any mismanagement, negligence and/or corruption in the Airports Division.

Interim Director Formby presented, at your Committee's October 11, 2010, informational briefing, DOT's action plan for addressing the concerns raised by your Committee Chair. The department's renewed commitment to better accountability and management includes the department's own comprehensive reviews, investigations and policy reaffirmations at Airports Division. The heart of DOT's Action Plan includes:



- (1) Reaffirming existing policies and implementing new policies, where none exists, that demonstrate our commitment to transparency, good ethics, and strict compliance with established laws, rules, policies, and procedures;
- (2) Putting in place systems that promote efficient and effective operations; and
- (3) Emphasizing personal accountability, both on-the-job and off-the-job to the extent it affects our public service.

See Airports Division Management Action Plan.

IV. CONCLUSIONS

- (1) Your Committee Chair is disappointed and concerned with the gross mismanagement and poor business acumen used by Mr. Sekiguchi in negotiating airport contracts involving transportation, parking, security, and real estate leases and acquisitions;
- (2) Mr. Sekiguchi's execution of contracts for the airports on behalf of the State has resulted in unfavorable terms for the State that are currently a strain on the State's financial resources and will continue to be a strain for many more years to come;
- (3) DOT Airports Division failed to comply with and essentially circumvented the State's procurement laws in the hiring of specialized security personnel and in the contracting for renovations for the Ualena Street property by allowing its vendors to hire and contract for these services which are regulated by the State procurement code;
- (4) DOT Airports Division failed to have personnel who are properly trained and certified under the State Procurement Code assigned to administer and manage its contracts;
- (5) Your Committee Chair is concerned about the Lingle Administration's urgency and timing at attempting to establish and fill an Airports Administrator position;



- (6) The timeline of the internal and external recruitment processes the changing of the classification, pricing, and MQs for the Airports Administrator position appear to be aimed at benefitting one person, Mr. Sekiguchi, who applied for the position opening;
- (7) DOT and DHRD appear to have circumvented the 2010 legislative budget by establishing an Airports Administrator position by using a vacant Account Clerk II position to fund the Airports Administrator position after the 2010 Legislature specifically abolished and defunded the Airports Administrator position. These actions clearly violated the legislative intent behind section 138 of Act 162, Session Laws of Hawaii of 2009;
- (8) DHRD repriced a vacant Airports Administrator position as an ES-01 class, without a specific individual filling the position;
- (9) The HGEA did not give DHRD its concurrence with taking an included Account Clerk II position to establish an excluded Airports Administrator position;
- (10) Mr. Sekiguchi's handling of the personnel issues at the Airports Personnel Office was unprofessional and unethical because he exhibited a severe bias in favor of the supervisor and failed to meet with and hear the employees' side of the dispute, which led to all five employees no longer working in the office;
- (11) Mr. Sekiguchi's failure to appear at your Committee's April 8, 2009, informational briefing and his subsequent attempt to validate his omission as qualified personal vacation raises serious questions regarding the ethical conduct of the Deputy Director and the administrative practices of the department;
- (12) Mr. Sekiguchi's and Mr. Matsushige's receipt of state pay while on personal leave, attempt to cover their leave by filing vacation requests after-the-fact, and failure to properly file gift disclosures as required by law are indicative of departmental practices that are, at best simply neglectful, and at worst, intentionally deceitful;



- (13) DOT's failure to catch and prevent the embezzlement, ASO Hayakawa's decision, made in consultation with Mr. Sekiguchi, approving of the business services supervisor's leave with pay after the employee had confessed to theft, and the decision not to seek Attorney General guidance shows poor procedural checks and controls over supervisory personnel and poor personnel management practices;
- (14) The egregious misuse of P-cards by supervisors and managers at the Kauai District Office and the blatant failure of the DOT fiscal office and management to take immediate corrective action after having discovered the questionable charges is indicative of the severe mismanagement and the lack of oversight and control of the Kauai District Office by the DOT fiscal office and ASO Hayakawa;
- (15) Mr. Keeno's brokering of a Settlement Agreement with a former employee of the State who pursued a wrongful termination claim against the State was unprecedented for that position and resulted in the State waiving its right to seek a monetary reimbursement from the employee;
- (16) The high overtime costs incurred by the Maui District Office, Air Firefighters division, could have been avoided if the Airport Personnel Office had simply done its job, and the Personnel Office's deficiencies are indicative of DOT's pervasive failure to properly administer and manage its support services and operations;
- (17) With certain maintenance and baseyard employees having as much as 25% of their salaries coming from overtime, there are serious concerns that the department's policy that allows employees a maximum of ten hours of overtime per month, without proper monitoring and enforcement, encourages employees to incur unnecessary overtime costs;
- (18) The department's lax enforcement of its overtime policies further encourages employees such as Mr. Matsushige, who claimed to have thousands of hours of uncompensated time, to either take-off early from



work under the belief that they are simply entitled to, or file for overtime after-the-fact instead of having it pre-approved, as is required by departmental policy; and

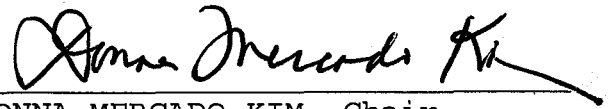
- (19) DOT's excessive use of 89-day hires undermines efficient and responsible hiring practices, promotes low employee morale by institutionalizing favoritism, and shows an untenable willingness of the department to manipulate rules that are intended to prevent such practices.

V. LIST OF APPENDICES

- A. Securitas Invoice Data spreadsheet;
- B. DOT letter to your Committee dated June 10, 2010;
- C. Contract #DOT-05-007;
- D. Letter from SPO Administrator, Aaron Fujioka, to DOT Director Morioka dated July 27, 2010;
- E. TSA Fines spreadsheet;
- F. Indenture of Lease dated May 1967;
- G. Letter from SPO Administrator, Aaron Fujioka, to DOT Acting Director Formby dated October 7, 2010;
- H. Request from Mr. Sekiguchi for Permission to Negotiate Land Acquisition;
- I. Request from Mr. Sekiguchi to Purchase Land Acquisition;
- J. Allotment Advices dated May 17, 2006, August 28, 2006, and May 6, 2010;
- K. Letters of support for Mr. Sekiguchi from special interest groups;
- L. Letter from Mr. Harlo Stanley to Senator Sam Slom;
- M. Professional Commitment Agreement;
- N. Testimony of Maui Division Airport Fire Chief Eugene Perry;
- O. Director Morioka letter to Senator Kim dated August 25, 2010;
- P. 89-Day Hire List;
- Q. Section 14-3.05-2, Hawaii Administrative Rules;
- R. Letter from Director Morioka to Senator Kim dated July 29, 2010;
- S. DOT Airports Division Action Plan; and
- T. Reply Letter from the DHRD for an Informational Request from your Committee dated July 6, 2010.



Respectfully submitted,

A handwritten signature in black ink, appearing to read "Donna Mercado Kim", written over a horizontal line.

DONNA MERCADO KIM, Chair
Committee on Ways and Means
Twenty-Fifth State Legislature
Regular Session of 2010
State of Hawaii



APPENDIX A

Securitas Invoice Data Spreadsheet

Invoice MM-YY	Year	Airport	Invoice Amount	Vendor Name
01-05	2004	HNL	\$ 943,741.89	SECURITAS SECURITY SERVICES
01-05	2004	HNL	\$ 46,784.73	SECURITAS SECURITY SERVICES
02-05	2005	HNL	\$ 853,755.73	SECURITAS SECURITY SERVICES
02-05	2005	HNL	\$ 42,298.96	SECURITAS SECURITY SERVICES
03-05	2005	HNL	\$ 992,512.24	SECURITAS SECURITY SERVICES
04-05	2005	HNL	\$ 978,771.58	SECURITAS SECURITY SERVICES
05-05	2005	HNL	\$ 1,020,441.18	SECURITAS SECURITY SERVICES
06-05	2005	HNL	\$ 983,652.24	SECURITAS SECURITY SERVICES
07-05	2005	HNL	\$ 1,085,737.26	SECURITAS SECURITY SERVICES
08-05	2005	HNL	\$ 1,054,476.82	SECURITAS SECURITY SERVICES
09-05	2005	HNL	\$ 964,068.73	SECURITAS SECURITY SERVICES
10-05	2005	HNL	\$ 1,032,188.10	SECURITAS SECURITY SERVICES
11-05	2005	HNL	\$ 1,010,044.59	SECURITAS SECURITY SERVICES
12-05	2005	HNL	\$ 1,050,712.15	SECURITAS SECURITY SERVICES
01-06	2005	HNL	\$ 1,135,763.38	SECURITAS SECURITY SERVICES
02-06	2006	HNL	\$ 1,025,874.60	SECURITAS SECURITY SERVICES
03-06	2006	HNL	\$ 1,128,120.66	SECURITAS SECURITY SERVICES
04-06	2006	HNL	\$ 1,089,270.66	SECURITAS SECURITY SERVICES
05-06	2006	HNL	\$ 1,126,978.63	SECURITAS SECURITY SERVICES
06-06	2006	HNL	\$ 1,104,341.34	SECURITAS SECURITY SERVICES
07-06	2006	HNL	\$ 1,206,753.97	SECURITAS SECURITY SERVICES
08-06	2006	HNL	\$ 1,313,785.67	SECURITAS SECURITY SERVICES
09-06	2006	HNL	\$ 1,302,712.03	SECURITAS SECURITY SERVICES
10-06	2006	HNL	\$ 1,389,764.07	SECURITAS SECURITY SERVICES
11-06	2006	HNL	\$ 1,350,268.93	SECURITAS SECURITY SERVICES
12-06	2006	HNL	\$ 1,437,371.33	SECURITAS SECURITY SERVICES
01-07	2006	HNL	\$ 1,473,973.08	SECURITAS SECURITY SERVICES
02-07	2007	HNL	\$ 1,331,663.11	SECURITAS SECURITY SERVICES
03-07	2007	HNL	\$ 1,469,586.80	SECURITAS SECURITY SERVICES
04-07	2007	HNL	\$ 1,386,828.10	SECURITAS SECURITY SERVICES
05-07	2007	HNL	\$ 1,434,825.23	SECURITAS SECURITY SERVICES
06-07	2007	HNL	\$ 1,390,293.14	SECURITAS SECURITY SERVICES
07-07	2007	HNL	\$ 1,496,442.84	SECURITAS SECURITY SERVICES
08-07	2007	HNL	\$ 1,509,271.15	SECURITAS SECURITY SERVICES
09-07	2007	HNL	\$ 1,445,151.73	SECURITAS SECURITY SERVICES
10-07	2007	HNL	\$ 1,537,146.12	SECURITAS SECURITY SERVICES
11-07	2007	HNL	\$ 1,529,684.40	SECURITAS SECURITY SERVICES
12-07	2007	HNL	\$ 1,584,101.07	SECURITAS SECURITY SERVICES
01-08	2007	HNL	\$ 1,588,282.67	SECURITAS SECURITY SERVICES
02-08	2008	HNL	\$ 1,483,594.29	SECURITAS SECURITY SERVICES
03-08	2008	HNL	\$ 1,583,536.45	SECURITAS SECURITY SERVICES
04-08	2008	HNL	\$ 1,531,478.86	SECURITAS SECURITY SERVICES
05-08	2008	HNL	\$ 1,580,378.94	SECURITAS SECURITY SERVICES
06-08	2008	HNL	\$ 1,528,060.33	SECURITAS SECURITY SERVICES
07-08	2008	HNL	\$ 1,648,063.08	SECURITAS SECURITY SERVICES
08-08	2008	HNL	\$ 1,639,755.23	SECURITAS SECURITY SERVICES
09-08	2008	HNL	\$ 1,590,165.18	SECURITAS SECURITY SERVICES
10-08	2008	HNL	\$ 1,661,794.54	SECURITAS SECURITY SERVICES
11-08	2008	HNL	\$ 1,622,682.07	SECURITAS SECURITY SERVICES
12-08	2008	HNL	\$ 1,679,208.05	SECURITAS SECURITY SERVICES
01-09	2008	HNL	\$ 1,674,088.18	SECURITAS SECURITY SERVICES
02-09	2009	HNL	\$ 1,508,714.43	SECURITAS SECURITY SERVICES
03-09	2009	HNL	\$ 1,677,056.83	SECURITAS SECURITY SERVICES
04-09	2009	HNL	\$ 1,622,634.12	SECURITAS SECURITY SERVICES
05-09	2009	HNL	\$ 1,665,928.43	SECURITAS SECURITY SERVICES
06-09	2009	HNL	\$ 1,582,883.74	SECURITAS SECURITY SERVICES
07-09	2009	HNL	\$ 1,647,674.11	SECURITAS SECURITY SERVICES
08-09	2009	HNL	\$ 1,642,456.45	SECURITAS SECURITY SERVICES
09-09	2009	HNL	\$ 1,598,786.98	SECURITAS SECURITY SERVICES
10-09	2009	HNL	\$ 1,688,968.61	SECURITAS SECURITY SERVICES

11-09	2009	HNL	\$	1,654,946.22	SECURITAS SECURITY SERVICES
12-09	2009	HNL	\$	1,721,565.57	SECURITAS SECURITY SERVICES
01-10	2009	HNL	\$	1,668,999.78	SECURITAS SECURITY SERVICES
02-10	2010	HNL	\$	1,501,704.34	SECURITAS SECURITY SERVICES
02-08	2008	KAH	\$	117,290.79	SECURITAS SECURITY SERVICES
03-08	2008	KAH	\$	29,590.89	SECURITAS SECURITY SERVICES
04-08	2008	KAH	\$	10,866.63	SECURITAS SECURITY SERVICES
05-08	2008	KAH	\$	13,593.33	SECURITAS SECURITY SERVICES
06-08	2008	KAH	\$	11,410.55	SECURITAS SECURITY SERVICES
07-08	2008	KAH	\$	5,166.97	SECURITAS SECURITY SERVICES
08-08	2008	KAH	\$	27,186.66	SECURITAS SECURITY SERVICES
09-08	2008	KAH	\$	1,780.77	SECURITAS SECURITY SERVICES
10-08	2008	KAH	\$	180,622.79	SECURITAS SECURITY SERVICES
11-08	2008	KAH	\$	115,528.28	SECURITAS SECURITY SERVICES
12-08	2008	KAH	\$	23,848.93	SECURITAS SECURITY SERVICES
04-08	2008	KAH	\$	360,797.87	SECURITAS SECURITY SERVICES
05-08	2008	KAH	\$	5,756.74	SECURITAS SECURITY SERVICES
05-08	2008	KAH	\$	365,000.00	SECURITAS SECURITY SERVICES
06-08	2008	KAH	\$	362,820.48	SECURITAS SECURITY SERVICES
07-08	2008	KAH	\$	402,417.86	SECURITAS SECURITY SERVICES
08-08	2008	KAH	\$	397,016.41	SECURITAS SECURITY SERVICES
09-08	2008	KAH	\$	377,532.82	SECURITAS SECURITY SERVICES
10-08	2008	KAH	\$	391,967.74	SECURITAS SECURITY SERVICES
11-08	2008	KAH	\$	378,288.07	SECURITAS SECURITY SERVICES
12-08	2008	KAH	\$	392,196.00	SECURITAS SECURITY SERVICES
01-09	2008	KAH	\$	395,716.16	SECURITAS SECURITY SERVICES
02-09	2009	KAH	\$	338,007.41	SECURITAS SECURITY SERVICES
03-09	2009	KAH	\$	371,679.33	SECURITAS SECURITY SERVICES
04-09	2009	KAH	\$	359,564.28	SECURITAS SECURITY SERVICES
05-09	2009	KAH	\$	366,404.37	SECURITAS SECURITY SERVICES
06-09	2009	KAH	\$	357,020.12	SECURITAS SECURITY SERVICES
07-09	2009	KAH	\$	366,913.37	SECURITAS SECURITY SERVICES
08-09	2009	KAH	\$	366,654.52	SECURITAS SECURITY SERVICES
09-09	2009	KAH	\$	358,253.04	SECURITAS SECURITY SERVICES
10-09	2009	KAH	\$	373,539.14	SECURITAS SECURITY SERVICES
11-09	2009	KAH	\$	364,307.02	SECURITAS SECURITY SERVICES
12-09	2009	KAH	\$	362,153.84	SECURITAS SECURITY SERVICES
12-09	2009	KAH	\$	15,450.01	SECURITAS SECURITY SERVICES
01-10	2009	KAH	\$	361,820.87	SECURITAS SECURITY SERVICES
02-10	2010	KAH	\$	308,791.59	SECURITAS SECURITY SERVICES
02-10	2010	KAH	\$	7,218.48	SECURITAS SECURITY SERVICES
03-10	2010	KAH	\$	356,461.73	SECURITAS SECURITY SERVICES
04-10	2010	KAH	\$	345,052.55	SECURITAS SECURITY SERVICES
02-08	2008	LIH	\$	108,042.83	SECURITAS SECURITY SERVICES
03-08	2008	LIH	\$	233,328.26	SECURITAS SECURITY SERVICES
04-08	2008	LIH	\$	243,589.49	SECURITAS SECURITY SERVICES
05-08	2008	LIH	\$	223,207.16	SECURITAS SECURITY SERVICES
06-08	2008	LIH	\$	214,498.34	SECURITAS SECURITY SERVICES
07-08	2008	LIH	\$	233,613.46	SECURITAS SECURITY SERVICES
08-08	2008	LIH	\$	233,265.09	SECURITAS SECURITY SERVICES
09-08	2008	LIH	\$	223,630.68	SECURITAS SECURITY SERVICES
10-08	2008	LIH	\$	232,185.50	SECURITAS SECURITY SERVICES
11-08	2008	LIH	\$	227,988.07	SECURITAS SECURITY SERVICES
12-08	2008	LIH	\$	237,806.93	SECURITAS SECURITY SERVICES
01-10	2009	LIH	\$	239,346.32	SECURITAS SECURITY SERVICES
02-10	2010	LIH	\$	212,930.64	SECURITAS SECURITY SERVICES
03-10	2010	LIH	\$	232,277.82	SECURITAS SECURITY SERVICES
04-09	2009	LIH	\$	222,307.54	SECURITAS SECURITY SERVICES
05-09	2009	LIH	\$	229,715.47	SECURITAS SECURITY SERVICES
06-09	2009	LIH	\$	226,610.62	SECURITAS SECURITY SERVICES
07-09	2009	LIH	\$	236,215.24	SECURITAS SECURITY SERVICES

08-09	2009	LIH	\$	235,624.87	SECURITAS SECURITY SERVICES
09-09	2009	LIH	\$	218,159.89	SECURITAS SECURITY SERVICES
10-09	2009	LIH	\$	26,467.33	SECURITAS SECURITY SERVICES
10-09	2009	LIH	\$	266,360.54	SECURITAS SECURITY SERVICES
11-09	2009	LIH	\$	260,276.80	SECURITAS SECURITY SERVICES
12-09	2009	LIH	\$	256,237.85	SECURITAS SECURITY SERVICES
02-08	2008	LIH	\$	141,371.66	SECURITAS SECURITY SERVICES
01-08	2007	LIH	\$	120,801.93	SECURITAS SECURITY SERVICES
01-08	2007	LIH	\$	238,719.94	SECURITAS SECURITY SERVICES
03-08	2008	LIH	\$	286,381.92	SECURITAS SECURITY SERVICES
04-08	2008	LIH	\$	290,180.29	SECURITAS SECURITY SERVICES
04-08	2008	LIH	\$	6,751.05	SECURITAS SECURITY SERVICES
01-05	2004	KONA	\$	208,663.96	SECURITAS SECURITY SERVICES
01-05	2004	KONA	\$	10,288.80	SECURITAS SECURITY SERVICES
02-05	2005	KONA	\$	189,339.03	SECURITAS SECURITY SERVICES
02-05	2005	KONA	\$	9,318.92	SECURITAS SECURITY SERVICES
03-05	2005	KONA	\$	224,925.58	SECURITAS SECURITY SERVICES
04-05	2005	KONA	\$	218,363.24	SECURITAS SECURITY SERVICES
05-05	2005	KONA	\$	218,435.14	SECURITAS SECURITY SERVICES
06-05	2005	KONA	\$	216,216.88	SECURITAS SECURITY SERVICES
07-05	2005	KONA	\$	217,377.51	SECURITAS SECURITY SERVICES
08-05	2005	KONA	\$	223,407.75	SECURITAS SECURITY SERVICES
09-05	2005	KONA	\$	209,923.38	SECURITAS SECURITY SERVICES
10-05	2005	KONA	\$	234,429.59	SECURITAS SECURITY SERVICES
11-05	2005	KONA	\$	234,375.73	SECURITAS SECURITY SERVICES
12-05	2005	KONA	\$	250,576.49	SECURITAS SECURITY SERVICES
01-06	2005	KONA	\$	248,118.70	SECURITAS SECURITY SERVICES
02-06	2006	KONA	\$	219,362.84	SECURITAS SECURITY SERVICES
03-06	2006	KONA	\$	249,129.05	SECURITAS SECURITY SERVICES
04-06	2006	KONA	\$	239,881.15	SECURITAS SECURITY SERVICES
05-06	2006	KONA	\$	246,804.82	SECURITAS SECURITY SERVICES
06-06	2006	KONA	\$	164,252.99	SECURITAS SECURITY SERVICES
06-06	2006	KONA	\$	77,707.14	SECURITAS SECURITY SERVICES
07-06	2006	KONA	\$	245,244.02	SECURITAS SECURITY SERVICES
08-06	2006	KONA	\$	267,162.35	SECURITAS SECURITY SERVICES
09-06	2006	KONA	\$	106,811.63	SECURITAS SECURITY SERVICES
09-06	2006	KONA	\$	154,537.74	SECURITAS SECURITY SERVICES
10-06	2006	KONA	\$	283,481.08	SECURITAS SECURITY SERVICES
11-06	2006	KONA	\$	282,957.04	SECURITAS SECURITY SERVICES
12-06	2006	KONA	\$	299,733.27	SECURITAS SECURITY SERVICES
01-07	2006	KONA	\$	304,484.61	SECURITAS SECURITY SERVICES
02-07	2007	KONA	\$	288,925.56	SECURITAS SECURITY SERVICES
03-07	2007	KONA	\$	318,878.97	SECURITAS SECURITY SERVICES
04-07	2007	KONA	\$	297,682.50	SECURITAS SECURITY SERVICES
05-07	2007	KONA	\$	315,429.56	SECURITAS SECURITY SERVICES
06-07	2007	KONA	\$	307,151.62	SECURITAS SECURITY SERVICES
07-07	2007	KONA	\$	332,147.36	SECURITAS SECURITY SERVICES
08-07	2007	KONA	\$	246,325.02	SECURITAS SECURITY SERVICES
08-07	2007	KONA	\$	90,689.38	SECURITAS SECURITY SERVICES
09-07	2007	KONA	\$	317,935.41	SECURITAS SECURITY SERVICES
10-07	2007	KONA	\$	320,000.00	SECURITAS SECURITY SERVICES
10-07	2007	KONA	\$	13,319.88	SECURITAS SECURITY SERVICES
11-07	2007	KONA	\$	349,679.51	SECURITAS SECURITY SERVICES
12-07	2007	KONA	\$	365,721.66	SECURITAS SECURITY SERVICES
01-08	2007	KONA	\$	344,719.05	SECURITAS SECURITY SERVICES
02-08	2008	KONA	\$	310,285.18	SECURITAS SECURITY SERVICES
03-08	2008	KONA	\$	322,021.42	SECURITAS SECURITY SERVICES
04-08	2008	KONA	\$	308,490.47	SECURITAS SECURITY SERVICES
05-08	2008	KONA	\$	301,639.52	SECURITAS SECURITY SERVICES
06-08	2008	KONA	\$	286,173.41	SECURITAS SECURITY SERVICES
07-08	2008	KONA	\$	325,506.02	SECURITAS SECURITY SERVICES

08-08	2008	KONA	\$	315,587.91	SECURITAS SECURITY SERVICES
09-08	2008	KONA	\$	299,091.07	SECURITAS SECURITY SERVICES
09-08	2008	KONA	\$	3,433.26	SECURITAS SECURITY SERVICES
10-08	2008	KONA	\$	314,987.29	SECURITAS SECURITY SERVICES
11-08	2008	KONA	\$	310,842.66	SECURITAS SECURITY SERVICES
12-08	2008	KONA	\$	322,861.48	SECURITAS SECURITY SERVICES
01-09	2008	KONA	\$	325,135.39	SECURITAS SECURITY SERVICES
02-09	2009	KONA	\$	269,003.13	SECURITAS SECURITY SERVICES
02-09	2009	KONA	\$	29,754.59	SECURITAS SECURITY SERVICES
03-09	2009	KONA	\$	329,644.04	SECURITAS SECURITY SERVICES
04-09	2009	KONA	\$	297,145.96	SECURITAS SECURITY SERVICES
04-09	2009	KONA	\$	24,461.89	SECURITAS SECURITY SERVICES
05-09	2009	KONA	\$	324,576.85	SECURITAS SECURITY SERVICES
06-09	2009	KONA	\$	5,423.15	SECURITAS SECURITY SERVICES
06-09	2009	KONA	\$	312,525.60	SECURITAS SECURITY SERVICES
07-09	2009	KONA	\$	334,896.66	SECURITAS SECURITY SERVICES
08-09	2009	KONA	\$	336,833.42	SECURITAS SECURITY SERVICES
09-09	2009	KONA	\$	98,531.74	SECURITAS SECURITY SERVICES
09-09	2009	KONA	\$	222,815.14	SECURITAS SECURITY SERVICES
10-09	2009	KONA	\$	335,330.11	SECURITAS SECURITY SERVICES
11-09	2009	KONA	\$	264,640.33	SECURITAS SECURITY SERVICES
11-09	2009	KONA	\$	61,266.75	SECURITAS SECURITY SERVICES
12-09	2009	KONA	\$	340,028.62	SECURITAS SECURITY SERVICES
01-10	2009	KONA	\$	346,671.33	SECURITAS SECURITY SERVICES
02-10	2010	KONA	\$	289,504.85	SECURITAS SECURITY SERVICES
03-10	2010	KONA	\$	333,310.81	SECURITAS SECURITY SERVICES
01-05	2004	HILO	\$	184,393.59	SECURITAS SECURITY SERVICES
01-05	2004	HILO	\$	9,241.85	SECURITAS SECURITY SERVICES
02-05	2005	HILO	\$	166,901.55	SECURITAS SECURITY SERVICES
02-05	2005	HILO	\$	8,365.49	SECURITAS SECURITY SERVICES
03-05	2005	HILO	\$	195,051.99	SECURITAS SECURITY SERVICES
04-05	2005	HILO	\$	188,246.64	SECURITAS SECURITY SERVICES
05-05	2005	HILO	\$	194,477.23	SECURITAS SECURITY SERVICES
06-05	2005	HILO	\$	188,069.61	SECURITAS SECURITY SERVICES
07-05	2005	HILO	\$	194,215.45	SECURITAS SECURITY SERVICES
08-05	2005	HILO	\$	194,910.92	SECURITAS SECURITY SERVICES
09-05	2005	HILO	\$	189,108.15	SECURITAS SECURITY SERVICES
10-05	2005	HILO	\$	202,518.83	SECURITAS SECURITY SERVICES
11-05	2005	HILO	\$	196,133.02	SECURITAS SECURITY SERVICES
12-05	2005	HILO	\$	201,993.54	SECURITAS SECURITY SERVICES
01-06	2005	HILO	\$	212,770.60	SECURITAS SECURITY SERVICES
02-06	2006	HILO	\$	197,733.30	SECURITAS SECURITY SERVICES
03-06	2006	HILO	\$	221,097.04	SECURITAS SECURITY SERVICES
04-06	2006	HILO	\$	217,517.33	SECURITAS SECURITY SERVICES
05-06	2006	HILO	\$	239,646.53	SECURITAS SECURITY SERVICES
06-06	2006	HILO	\$	26,802.25	SECURITAS SECURITY SERVICES
06-06	2006	HILO	\$	200,517.33	SECURITAS SECURITY SERVICES
07-06	2006	HILO	\$	242,421.98	SECURITAS SECURITY SERVICES
08-06	2006	HILO	\$	245,065.67	SECURITAS SECURITY SERVICES
09-06	2006	HILO	\$	246,505.52	SECURITAS SECURITY SERVICES
10-06	2006	HILO	\$	264,489.25	SECURITAS SECURITY SERVICES
11-06	2006	HILO	\$	262,202.84	SECURITAS SECURITY SERVICES
12-06	2006	HILO	\$	272,530.28	SECURITAS SECURITY SERVICES
01-07	2006	HILO	\$	265,397.50	SECURITAS SECURITY SERVICES
02-07	2007	HILO	\$	239,377.88	SECURITAS SECURITY SERVICES
03-07	2007	HILO	\$	265,068.60	SECURITAS SECURITY SERVICES
04-07	2007	HILO	\$	266,407.65	SECURITAS SECURITY SERVICES
05-07	2007	HILO	\$	213,426.09	SECURITAS SECURITY SERVICES
05-07	2007	HILO	\$	71,300.00	SECURITAS SECURITY SERVICES
06-07	2007	HILO	\$	269,849.09	SECURITAS SECURITY SERVICES
07-07	2007	HILO	\$	285,105.53	SECURITAS SECURITY SERVICES

08-07	2007	HILO	\$	290,860.56	SECURITAS SECURITY SERVICES
09-07	2007	HILO	\$	280,602.83	SECURITAS SECURITY SERVICES
10-07	2007	HILO	\$	298,450.79	SECURITAS SECURITY SERVICES
11-07	2007	HILO	\$	294,254.54	SECURITAS SECURITY SERVICES
12-07	2007	HILO	\$	297,263.53	SECURITAS SECURITY SERVICES
01-08	2007	HILO	\$	298,002.35	SECURITAS SECURITY SERVICES
02-08	2008	HILO	\$	276,005.90	SECURITAS SECURITY SERVICES
03-08	2008	HILO	\$	294,277.12	SECURITAS SECURITY SERVICES
04-08	2008	HILO	\$	301,736.31	SECURITAS SECURITY SERVICES
05-08	2008	HILO	\$	311,146.64	SECURITAS SECURITY SERVICES
06-08	2008	HILO	\$	294,182.43	SECURITAS SECURITY SERVICES
07-08	2008	HILO	\$	4,019.52	SECURITAS SECURITY SERVICES
07-08	2008	HILO	\$	316,878.64	SECURITAS SECURITY SERVICES
08-08	2008	HILO	\$	309,177.52	SECURITAS SECURITY SERVICES
09-08	2008	HILO	\$	276,351.43	SECURITAS SECURITY SERVICES
10-08	2008	HILO	\$	289,903.27	SECURITAS SECURITY SERVICES
11-08	2008	HILO	\$	281,161.14	SECURITAS SECURITY SERVICES
12-08	2008	HILO	\$	297,455.11	SECURITAS SECURITY SERVICES
01-09	2008	HILO	\$	290,784.81	SECURITAS SECURITY SERVICES
02-09	2009	HILO	\$	264,740.09	SECURITAS SECURITY SERVICES
03-09	2009	HILO	\$	291,473.38	SECURITAS SECURITY SERVICES
04-09	2009	HILO	\$	287,196.08	SECURITAS SECURITY SERVICES
05-09	2009	HILO	\$	304,785.87	SECURITAS SECURITY SERVICES
06-09	2009	HILO	\$	297,718.02	SECURITAS SECURITY SERVICES
07-09	2009	HILO	\$	303,184.22	SECURITAS SECURITY SERVICES
08-09	2009	HILO	\$	300,039.07	SECURITAS SECURITY SERVICES
09-09	2009	HILO	\$	292,484.75	SECURITAS SECURITY SERVICES
10-09	2009	HILO	\$	291,545.07	SECURITAS SECURITY SERVICES
11-09	2009	HILO	\$	248,972.97	SECURITAS SECURITY SERVICES
12-09	2009	HILO	\$	258,122.18	SECURITAS SECURITY SERVICES
01-10	2009	HILO	\$	250,641.99	SECURITAS SECURITY SERVICES
01-10	2009	HILO	\$	12,545.08	SECURITAS SECURITY SERVICES
02-10	2010	HILO	\$	224,019.72	SECURITAS SECURITY SERVICES
02-10	2010	HILO	\$	11,210.90	SECURITAS SECURITY SERVICES
03-10	2010	HILO	\$	260,956.32	SECURITAS SECURITY SERVICES
04-10	2010	HILO	\$	224,019.72	SECURITAS SECURITY SERVICES
04-10	2010	HILO	\$	28,643.27	SECURITAS SECURITY SERVICES

\$ 1,463,948.69

\$ 73,197.43

Sum of Amount	Column Labels					
Row Labels	HILO	HON	KAH	KONA	LIH	Grand Total
2005	\$2,332,763	\$12,204,423		\$2,694,808		\$17,231,994
2006	\$2,901,927	\$14,949,215		\$3,141,550		\$20,992,692
2007	\$3,369,969	\$17,703,276		\$3,908,605	\$359,522	\$25,341,373
2008	\$3,543,080	\$19,222,805	\$4,366,397	\$3,746,055	\$3,135,841	\$34,014,178
2009	\$3,403,449	\$19,680,615	\$4,361,767	\$3,933,549	\$2,417,322	\$33,796,703
2010	\$748,850	\$1,501,704	\$1,017,524	\$622,816	\$445,208	\$4,336,103
2004	\$193,635	\$990,527		\$218,953		\$1,403,115
Grand Total	\$16,493,673	\$86,252,566	\$9,745,688	\$18,266,336	\$6,357,894	\$137,116,157

Airport						
Year	HILO	HON	KAH	KONA	LIH	Grand Total
2004	\$ 193,635	\$ 990,527		\$ 218,953		\$ 1,403,115
2005	\$ 2,332,763	\$ 12,204,423		\$ 2,694,808		\$ 17,231,994
2006	\$ 2,901,927	\$ 14,949,215		\$ 3,141,550		\$ 20,992,692
2007	\$ 3,369,969	\$ 17,703,276		\$ 3,908,605	\$ 359,522	\$ 25,341,373
2008	\$ 3,543,080	\$ 19,222,805	\$ 4,366,397	\$ 3,746,055	\$ 3,135,841	\$ 34,014,178
2009	\$ 3,403,449	\$ 19,680,615	\$ 4,361,767	\$ 3,933,549	\$ 2,417,322	\$ 33,796,703
2010	\$ 748,850	\$ 1,501,704	\$ 1,017,524	\$ 622,816	\$ 445,208	\$ 4,336,103
Grand Total	\$ 16,493,673	\$ 86,252,566	\$ 9,745,688	\$ 18,266,336	\$ 6,357,894	\$ 137,116,157

Contract 05-007 Airport					
Year	HILO	HON	KONA	Grand Total	Increase from 2005
2004	\$ 193,635	\$ 990,527	\$ 218,953	\$ 1,403,115	
2005	\$ 2,332,763	\$ 12,204,423	\$ 2,694,808	\$ 17,231,994	\$ -
2006	\$ 2,901,927	\$ 14,949,215	\$ 3,141,550	\$ 20,992,692	\$ 3,760,698
2007	\$ 3,369,969	\$ 17,703,276	\$ 3,908,605	\$ 24,981,851	\$ 7,749,857
2008	\$ 3,543,080	\$ 19,222,805	\$ 3,746,055	\$ 26,511,940	\$ 9,279,946
2009	\$ 3,403,449	\$ 19,680,615	\$ 3,933,549	\$ 27,017,613	\$ 9,785,619
2010	\$ 748,850	\$ 1,501,704	\$ 622,816	\$ 2,873,370	
Grand Total	\$ 16,493,673	\$ 86,252,566	\$ 18,266,336	\$ 121,012,575	\$ 30,576,121

Contract #DOT-05-007 Invoice Data

Airport					
Year	HILO	HON	KONA	Grand Total	Increase from 2005
2004	\$ 193,635	\$ 990,527	\$ 218,953	\$ 1,403,115	
2005	\$ 2,332,763	\$ 12,204,423	\$ 2,694,808	\$ 17,231,994	\$ -
2006	\$ 2,901,927	\$ 14,949,215	\$ 3,141,550	\$ 20,992,692	\$ 3,760,698
2007	\$ 3,369,969	\$ 17,703,276	\$ 3,908,605	\$ 24,981,851	\$ 7,749,857
2008	\$ 3,543,080	\$ 19,222,805	\$ 3,746,055	\$ 26,511,940	\$ 9,279,946
2009	\$ 3,403,449	\$ 19,680,615	\$ 3,933,549	\$ 27,017,613	\$ 9,785,619
2010	\$ 748,850	\$ 1,501,704	\$ 622,816	\$ 2,873,370	
Grand Total	\$ 16,493,673	\$ 86,252,566	\$ 18,266,336	\$ 121,012,575	\$ 30,576,121

APPENDIX B

DOT letter to your Committee dated June 10,
2010

LINDA LINGLE
GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

BRENNON T. MORIOKA
DIRECTOR

Deputy Directors
MICHAEL D. FORMBY
FRANCIS PAUL KEENO
BRIAN H. SEKIGUCHI
JIRO A. SUMADA

IN REPLY REFER TO:

AIR-A
10.0156

June 10, 2010

The Honorable Donna Mercado Kim
Chair, Senate Committee on Ways and Means
State Capitol, Room 210
Honolulu, Hawaii 96813

Dear Chair Mercado Kim:

In response to recent inquiries relating to the security services at the airports, we would like to take this opportunity to provide you with additional information and documentation of the contract for security services at our airports.

Background Summary of Security Services at Hawaii State Airports

On September 30, 2003, the Invitation for Bids (IFBs) for Security Services was advertised and covered all of the airports statewide.

- The bid was for a three year term with an option to extend for two years.
- The award was to be made by the individual Districts (Oahu, Hawaii, Maui and Kauai) to the lowest responsive and responsible bidder.
- The bid was based on an estimated amount of hours for the various categories of workers to be employed by the Contractor.
- The Contractor would be paid based on the actual number of hours worked.

Summary on Oahu and Hawaii Security Services (DOT-05-007)

On August 31, 2004 – Securitas was awarded the contract for Oahu based on a low bid of \$35,967,019.17

On August 31, 2004 – Securitas was awarded the contract for Hawaii based on a low bid of \$12,566,682.08

On October 18, 2004 – Notice to proceed was issued to Securitas for Oahu and Hawaii airports.

Note: Contracts have a price escalation clause that states that whenever the HGEA, Unit 3, receives a salary increase the Contractor's bid prices, which is the amount it pays the individuals providing security, will be increased by the same percentage. The Contractor must pay their employees at least the same amount as a State employee in the same classification.

On March 2, 2005 – Securitas received an authorized 5% increase in bid prices to match the increase given to HGEA, Unit 3 in accordance with Section 10.13 (Price Escalation) effective January 1, 2005. Amendment #1.

On September 1, 2005 – Securitas received an authorized 3.5% increase in bid prices to match the increase given to HGEA, Unit 3 in accordance with Section 10.13 (Price Escalation) effective October 1, 2005 and effective October 1, 2006 an authorized 3.5% increase in bid prices to match the increase given to HGEA, Unit 3. Amendment #2.

On December 29, 2006 – Securitas replaces surety performance Bond because the bond is time sensitive and covers a specific time period. Amendment #3.

On August 8, 2007 – Securitas received an authorized 4% increase in bid prices to match the increase given to HGEA, Unit 3 in accordance with Section 10.13 (Price Escalation) effective July 1, 2007. Amendment #4.

On October 15, 2007 – the first extension year of the contract is executed and Securitas is authorized a 5% escalation in bid prices based on job performance, in accordance with Section 10.9 (Contract Extension). Amendment #5.

On September 30, 2008 – the contract is extended for the second and last extension year, and Securitas received an authorized 4% increase in bid prices to match the increase given to HGEA, Unit 3 in accordance with Section 10.13 (Price Escalation) effective July 1, 2008 and on October 18, 2008, an authorized 2% increase in bid prices in accordance with Section 10.9 (Contract Extension). Amendment #6.

On November 18, 2009 – the contract is extended for six (6) months (October 18, 2009 to April 1, 2010) and Securitas is given an authorized 2% escalation in bid price based on job performance, in accordance with Section 4.5 (Price Adjustment) effective October 18, 2009. Amendment #7.

Backup Document for First Extension Request and Approval

1. Reference is made to Attachment # 8, a copy of a letter dated August 20, 2009 from Deputy Director Sekiguchi to Mr. Sanj Sappal, Area Vice President of Securitas requesting his (Sappal's) approval in extending the period of the contract for HNL and KOA for an additional six (6) months from October 18, 2009 to April 1, 2010.
2. Reference is made to Attachment #8, the same letter with the signature of Mr. Sappal agreeing to extend the contact on August 31, 2009.

3. Reference is made to Attachment #9, a copy of the State Procurement Office-Request for Extension of Time of Contract, approved by the Chief Procurement Officer on October 27, 2009 with an extension cost of \$14, 635, 273.00 from October 18, 2009 to April 1, 2010.
4. Reference is made to Amendment #7 dated November 18, 2009 signed by Deputy Director Keeno, on behalf of Director Morioka, and Mr. Sappal.

Back up Documents for the Second Extension Request and Approval

On May 10, 2010 – the contract is extended for six (6) months (4/1/10 to 10/1/10) and Securitas is given a 5% escalation in bid prices, in accordance with Section 4.5 (Price Adjustment) effective January 1, 2010 (see Attachment 11). Amendment #8.

1. Reference is made to Attachment #10, a copy of a letter dated January 29, 2010 from Mr. Sappal to Deputy Director Sekiguchi requesting a rate increase retroactive from January 1, 2010 due to substantial costs beyond their (Securitas') control for the State mandated increases of the State Unemployment Insurance and the increase in medical costs. This was approved by Deputy Director Sekiguchi on February 10, 2010, as reasonable and unanticipated recovery costs due to request of the extension of time of the contract for HNL, KOA as well as OGG and LIH.
2. Reference is made to Attachment #12, a copy of a letter dated February 23, 2010 from Deputy Director Sekiguchi to Mr. Sanj Sappal, Area Vice Present of Securitas requesting his (Sappal's) approval in extending the period of the contract for HNL and KOA for an additional six (6) months from April 2, 2010 to October 1, 2010.
3. Reference is made to Attachment #13, a copy of the State Procurement Office-Request for Extension of Time of Contract, approved by the Chief Procurement Officer on April 10, 2010 with an extension cost of \$15,370,000.00 from April 2, 2010 to October 1, 2010.

Background Summary of Security Services at Maui and Kauai Airports

On August 31, 2004, Wackenhut was awarded the contract for Maui based on a bid of \$13,413,279.28, and Kauai based on a bid of \$4,270,708.12 (October 18, 2004 to October 17, 2007; DOT-05-006.) Wackenhut's contract for security services on Maui and Kauai was not extended after the three years.

On May 15, 2007 an Invitation for Bids (lowest responsive and responsible bidder) for security services was announced for Maui and Kauai.

- The contract was for two years with an option to extend for three years.
- The award was made by individual District to the lowest responsive and responsible bidder.

- The bid was based on an estimated amount of hours for the various categories of workers to be employed by the Contractor.
- The Contractor would be paid based on the actual number of hours worked

Wackenhut filed a protest over the new bid so they were given an extension from October 18, 2007 to February 14, 2008, while the protest was being litigated.

Summary on Maui and Kauai Security Services (DOT-08-001)

On August 29, 2007 – Securitas was awarded the contract for Maui based on a low bid of \$11,101,635.93.

On August 29, 2007 – Securitas was awarded the contract for Kauai based on a low bid of \$3,501,698.16

On February 15, 2008 – Notice to proceed was issued to Securitas.

On January 15, 2008 – Securitas received an authorized 4% increase in bid prices to match the increase given to HGEA, Unit 3 in accordance with Section 10.13 (Price Escalation) effective July 1, 2007, and on July 1, 2008, an authorized 4% increase in bid prices to match the increase given to HGEA, Unit 3. Amendment #1. (Attachment #14).

On April 28, 2010 – the first extension year of the contract is exercised, effective February 11, 2010 to February 15, 2011, and Securitas is authorized a 5% escalation in bid prices in accordance with Section 10.13 (Price Escalation). Amendment #2. The 5% escalation is based on the request by Securitas due to mandated increases in State Unemployment Insurance and medical costs – Attachment #15.

Cost Savings Initiative

Reference is made to Attachment #16 a copy of a memorandum dated January 6, 2010 from Deputy Director Sekiguchi to the Airport District Managers directing them to reduce security costs.

Attachment #17, memorandum dated March 17, 2009 (2010) from Branch Manager Frederick Robello as well as a spreadsheet depicting the billable hours reduced at each airport which equates to an approximate total of 1,570 hours or \$1,393,872.08 in savings.

Hiring of Lowrey Leong and Bobby Aiu as Special Consultants under Securitas Contract

1. Contract provisions Section 2.10 allows for the hiring of additional security personnel.

On June 24, 2009, Mr. Lowrey Leong was offered a position with Securitas as a Security Consultant with a bi-weekly salary of \$3,138.46 (\$81,600 per annum) effective June 30, 2009 and reports directly to Area Vice President Sanj Sappal and is the Liaison between Securitas, DOTA and TSA statewide.

On March 15, 2010, Mr. Aiu was offered a position with Securitas as an Airport Security Consultant with a bi-weekly salary of \$2,400 (\$62,400 per annum) effective March 15, 2010 and reports directly to Branch Manager Fred Robello and has been tasked to review and implement corrective actions on the operations at LIH.

2. As a measurement of his progress, we understand Mr. Aiu is submitting reports directly to Mr. Sappal documenting weaknesses uncovered and corrective actions taken for all operational matters, including training sessions conducted. Conversely, we understand Mr. Leong is not required to submit reports and his progress is being monitored directly by Mr. Sappal by the positive working relationship being established between the Federal Security Directors and DOTA personnel. One of the measurements is the lack or reduction of Letters of Investigations or civil penalties.

Subsequently, we ascertained that there are no provisions in the Oahu contract for either a Security Consultant and/or an Airport Security Consultant; therefore, effective June 1, 2010, a change order was issued for Mr. Aiu to become the Contract Service Supervisor (CSS)/Consultant at a reduced salary under the Kauai contact (Refer to Attachment #18). At this time, Mr. Leong decided not to accept our offer as a Contract Service Supervisor/Consultant and has been removed from the Oahu contract (Refer to Attachment #19).

Very truly yours,

Francis Paul Keene

for BRENNON T. MORIOKA, Ph.D., P.E.
Director of Transportation

Attach

APPENDIX C

Contract #DOT-05-007

STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
AIRPORTS DIVISION

SPECIAL PROVISIONS, SPECIFICATIONS, PROPOSAL,
CONTRACT AND BONDS

FOR

FURNISHING SECURITY SERVICES

AT

HAWAII STATE AIRPORTS

OAHU DISTRICT

EO1649-04 HONOLULU INTERNATIONAL AIRPORT

EO4650-04 KALAELOA AIRPORT

EO2651-04 DILLINGHAM AIRFIELD

HAWAII DISTRICT

EH1398-04 HILO INTERNATIONAL AIRPORT

EH2399-04 KONA INTERNATIONAL AIRPORT AT KEAHOLE

EM3400-04 WAIMEA-KOHALA AIRPORT

MAUI DISTRICT

EM1352-04 KAHULUI AIRPORT

EM6353-04 KAPALUA AIRPORT

EM4354-04 LANAI AIRPORT

EM2355-04 MOLOKAI AIRPORT

KAUAI DISTRICT

EK1467-04 LIHUE AIRPORT

The State will make the final determination of the certification of all personnel submitted and has the right to reject any and all applicants. Failure to provide any of these documents may result in cancellation of the award of the contract and, if the Director deems appropriate, the contract may be awarded to the next lowest responsible bidder.

Failure of the awardee(s) to submit the above listed post-award requirements within the prescribed times set forth herein shall result in bidder disqualification and subsequent rescission of the Notice of Award."

In the event the contract is awarded to the next lowest responsible bidder, this bidder shall have fourteen (14) calendar days from the award of the contract to provide all of the above listed requirements."

IV. SECTION 4 - SCOPE OF WORK - shall be amended as follows:

- A. Subsection 4.2 - PERFORMANCE OF WORK is amended by adding the following:

"Enforcement of laws shall be done in a professional, courteous manner in the Spirit of Aloha. The Contractor shall cooperate and work with all other Contractors and government agencies at all times. The Contractor will keep records of all complaints and resolutions for inspection by the State."

- B. Add the following subsection to the end of SECTION 4:

"4.7 CONTRACT TO BE OPEN-END - The requirement for services to be furnished by the Contractor will be on a "as-needed" basis as called for in these Specifications at the applicable unit price bid during the term of this contract and in such numbers as may be required by the State. The unit price bid shall be applicable and binding under the terms of this contract."

V. SECTION 7 - LEGAL RELATIONS AND RESPONSIBILITY - shall be amended as follows:

- A. Subsection 7.8 LABOR AND COMPENSATION REQUIREMENTS - shall be amended by adding the following:

"There are fourteen (14) State holidays in an election year and thirteen (13) State holidays in a non-election year.

The State will not pay in excess of the contract rate for holiday security services furnished by the Contractor. Holiday, vacation and sick leave will

SECTION 1 - DEFINITION AND TERMS

Whenever the following pronouns are used in these specifications, or in any documents or instruments where these specifications govern, the intent and meaning shall be interpreted as follows:

1.1 ADDENDA - A written document which may be issued by the Director during the bidding period involving changes to the specifications and plans, if any, which shall be considered and made a part of the contract.

1.2 AIRPORTS DIVISION - Airports Division, Department of Transportation, State of Hawaii.

1.3 AWARD - The written acceptance of a proposal by the State.

1.4 BIDDER - Any individual, partnership, corporation or other legal entity, or combination thereof, submitting a proposal for the work contemplated, acting either directly or through a duly authorized representative.

1.5 CALENDAR DAY - Every day shown on the calendar. If no designation of calendar or working day is made, "day" shall mean calendar day.

1.6 CONTRACT - The written agreement between the State and the Contractor setting forth the obligations of the parties thereunder, including, but not limited to, the performance of the work, the furnishing of labor and materials, and the basis of payment.

The contract includes the (1) notice to bidders, (2) instructions to bidders, (3) proposal, (4) contract form and contract bond, (5) specifications, (6) special provisions and plans, if any, (7) addenda, (8) notice to proceed, and (9) change orders and agreements that are required to complete the work, all of which constitute one instrument.

1.7 CONTRACT BOND - The approved form of security, executed by the Contractor and its Surety or Sureties, guaranteeing the completion of the work in accordance with the terms of the contract, and guaranteeing full payment of all claims for labor, materials, and supplies used or incorporated in the work.

1.8 CHANGE ORDER - A written order issued by the Director to the Contractor requiring the contract work to be performed in accordance with a change or changes that may involve an adjustment in contract time and price or requiring performance of any unforeseen work essential to complete the contract.

adjustment shall not excuse the contractor from proceeding with the contract as changed, provided that the procurement officer promptly and duly make the provisional adjustments in payment or time for performance as may be reasonable. By proceeding with the work, the contractor shall not be deemed to have prejudiced any claim for additional compensation, or an extension of time for completion.

(c) Time period for claim. Within thirty (30) days after receipt of a written change order under subsection (a) unless the period is extended by the procurement officer in writing; the contractor shall file notice of intent to assert a claim for an adjustment. Later notification shall not bar the contractor's claim unless the State or county is prejudiced by the delay in notification.

(d) Claim barred after final payment. No claim by the contractor for an adjustment hereunder shall be allowed if notice is not given prior to final payment under this contract.

(e) Other claims not barred. In the absence of a change order, nothing in this clause shall be deemed to restrict the contractor's right to pursue a claim as under the contract or for breach of contract.

4.5 PRICE ADJUSTMENT

Any adjustment in contract price pursuant to a clause in this contract shall be made in one or more of the following ways:

(a) By agreement on a fixed price adjustment before commencement of the pertinent performance or as soon thereafter as practicable;

(b) By unit prices specified in the contract or subsequently agreed upon;

(c) By the costs attributable to the event or situation covered by the clause, plus appropriate profit or fee, all as specified in the contract or subsequently agreed upon;

(d) In such other manner as the parties may mutually agree;
or

(e) In the absence of agreement between the parties, by a unilateral determination by the procurement officer of the costs attributable to the event or situation covered by the clause, plus appropriate profit or fee, all as computed by the procurement officer in accordance with generally accepted accounting principles and applicable sections of chapters 3-123

and 3-126 of the Hawaii Administrative Rules.

4.6 VARIATION IN QUANTITY

Upon agreement of the parties, the quantity of goods or services or both specified in this contract may be increased by a maximum of ten (10) percent provided (1) the unit prices will remain the same except for any price adjustments otherwise applicable and (2) the procurement officer makes a written determination that such an increase will either be more economical than awarding another contract or that it would not be practical to award another contract.

- c. The Contractor will provide Traffic Control Officers (TCO) with equivalent traffic management and enforcement training taught by the County Police in the jurisdiction in which the airport is located. Contractor will insure each TCO is knowledgeable of State, County and Airport motor vehicle laws, rules and regulations.
- d. Airport rules, regulations and operating procedures.
- e. State, County and Airport motor vehicle traffic laws, rules and regulations.
- f. Report and citation writing.
- g. Crowd control.

D. Powers of Arrest and Law Enforcement Authority
 The Director shall commission qualified security officers so that they will be vested with the proper authority to carry out the law enforcement duties assigned by the ADM or ADSM/S under this contract.

E. Special Training - The Contractor shall be paid at the regular unit cost rates for any additional training attendance by Contractor employees as required in writing by the ADSM.

10.3 SCOPE OF WORK - The Contractor shall furnish the necessary management, labor, supervision, security officers, uniforms, arms/weapons, vehicles, communication equipment, office telephones, office furniture, supplies, materials, incidentals, office fax/copy equipment and equipment necessary to provide security and law enforcement services for the Airports Division, Department of Transportation, State of Hawaii, at the following airport(s) throughout the State:

OAHU DISTRICT

Honolulu International Airport, Honolulu, Oahu;
 Kalaeloa Airport, Kapolei, Oahu;
 Dillingham Airfield, Mokuleia, Oahu;

HAWAII DISTRICT

Hilo International Airport, Hilo, Hawaii;

Kona International Airport at Keahole, Keahole, Hawaii;
Waimea-Kohala Airport, Waimea, Hawaii

MAUI DISTRICT

Kahului Airport, Kahului, Maui;
Kapalua Airport, Lahaina, Maui;
Lanai Airport, Lanai City, Lanai;
Molokai Airport, Kaunakakai, Molokai;

KAUAI DISTRICT

Lihue Airport, Lihue, Kauai;

The security services provided under this contract shall fulfill the requirements specified in Transportation Security Administration's (TSA) 49 CFR Part 1542, as amended, and such other security related tasks as described in these specifications. Security services will be performed only within the appropriate airport boundaries. The Contractor shall at all times employ sufficient personnel and equipment for executing the work in the manner and time required by these specifications.

The law enforcement authority delegated to security officers by the Director will only be used as part of this contract. Armed security officers (CSS/LEO) are only authorized to carry a weapon while performing work under this contract and only within airport boundaries. LEO authority may not be used for private work, including, but not limited to, guarding VIP aircraft and construction sites/gates.

Any person employed by the Contractor who, in the opinion of the Director, does not perform that person's work in a proper and skillful manner, is under the influence of drugs or alcohol, is disorderly, is abusive, or does not demonstrate tact and diplomacy in dealing with the public shall, at the request of the Director, be removed forthwith by the Contractor and shall not be employed in any portion of this work.

If a person loses his/her security clearance or certification, that person shall not be employed in any portion of work. Current access control and law enforcement ID cards must be on the person at all times while performing work. Contract security personnel may not begin work until they are commissioned as law enforcement officers as represented by the ID card.

The Contractor shall provide professional and quality service at all times that insures the safety and security of everyone at the airport.

AIR-LC will provide the ADSM with administrative guidance and contract interpretations.

The Airports District Manager (ADM), through the ADSM, will be responsible for directing the Contractor to perform under the requirements of this contract, to include providing general direction and guidance on policies and procedures which the Contractor must adhere to or enact on behalf of the State. The ADSM will provide the Contractor with current Security Service Orders and determine Contractor compliance with the service order. The Contractor through its managers and supervisors will be responsible for directing and controlling the work of its employees to include providing guidance, direction, incentives and any disciplinary measures. The ADSM may increase or decrease the hours of service to be rendered by the Contractor at the applicable bid rate provided the Contractor is given written notice, a minimum of seven (7) calendar days prior to the change.

In the event of an emergency or with the concurrence of the CSM, the ADSM or his/her designated representative may verbally request a modification of Contractor employee assignments to meet the needs of various urgent situations.

The Contractor will institute the change in assignments subject to the following:

- A. No additional charges will be assessed to the State unless additional hours of work shall be required by the change or overtime is required in urgent situations when additional personnel have not been recruited and/or certified.
- B. The Contractor will be compensated at the unit bid price rate for the category of security officer for which the change is required.
- C. No adjustment to the Security Service Order will be needed unless the change will continue for a period in excess of forty eight (48) hours from the time when the change is implemented.

Employee hours have been predicated on current and projected security and safety activities at the various airports. Payment shall be made only for actual working hours of security services furnished by the Contractor in accordance with the executed Security Service Order or other written orders of the ADSM. Hours of service as shown may be adjusted by the ADSM to meet

daily schedule changes, seasonal demands, changing TSA requirements and budgetary changes.

Security Services: The Contractor will provide:

- A. LEO's in support of the Airport Security Program (ASP) as specified by TSA's 49 CFR, Part 1542 - Airport Security.
- B. Ancillary unarmed security services, directed by the ADSM, to include but not be limited to:
 - 1. Airfield and terminal security patrols (ASO)
 - 2. Access control check booths (ASO)
 - 3. Traffic and parking control (TCO)
 - 4. Pass/identification control (ASO)
 - 5. Dispatch and CCTV monitor duties (ASO)
 - 6. Ramp licensing duties (ASO)
 - 7. Lost and found duties (ASO or TCO)
- C. The District Security Manager will work with the Contract Security Manager to develop Post Orders for every post listed on the Security Service Order. The Post Orders describe the duties and responsibilities for each security post.
- D. While on duty, officers will be alert and attentive, and shall not use personal wireless devices, make personal phone calls or conduct personal business. There will be no smoking or eating while on duty.
- E. Security officers may not discuss their duty assignments and sensitive security information to anyone who does not have an official need to know. Individuals assigned to CCTV monitor duties will require computer security systems knowledge or computer systems skills.

Contractor's personnel who, in the performance of their official duties, become knowledgeable or aware of the details of an act of air piracy, terrorist activity, or unauthorized access, shall report it immediately to

airport authorities and not divulge security sensitive information to unauthorized personnel:

1. Any information about the incident or efforts to resolve the incident, or disclosure which may jeopardize the safety of any persons involved.
2. Any information identified by officials of an agency of the U. S. Government which concerns techniques and procedures used for resolving acts of air piracy, the disclosure of which is likely to jeopardize the safety of domestic and international civil aviation.
3. Any information about the security systems and procedures in operation at State Airports. This includes personnel information, shift schedules, computer access codes, personnel access procedures, and other security and safety information.

Management - The Contractor shall provide five (5) full-time Contract Security Managers, one in each of the following airports listed below, to manage airport security operations in the county or airport district to which he/she is assigned throughout the term of the contract.

- One (1) for Honolulu International Airport
- One (1) for Hilo International Airport
- One (1) for Kona International Airport at Keahole
- One (1) for Kahului Airport
- One (1) for Lihue Airport

The managers must have the authority to act on behalf of the Contractor on all the terms and conditions of the Contract with the exception of executing contract changes for new and unforeseen work as described in Section 4.3 EXTRA WORK in the Specifications as amended by the Special Provisions. Contract Security Managers will closely follow the directions given by the Airports District Security Manager.

Managers shall not be scheduled to perform CSS, LEO, ASO or TCO security services described herein. Managers must be available to attend all airport and airline security committee meetings, State and TSA security meetings, inspections, and other activities which relate to security services.

Managers shall possess a pager or cellular phone in order to be

contacted by and respond to airport management 24 hours a day, 7 days a week.

The manager will attend and participate in airport designated security meetings and be able to deal effectively with the public, airline management, tenants, concessionaires, airport user groups and airport management.

The Contractor will develop and the manager will keep current Contractor emergency response plans to be consistent with State Airport Emergency Response Plans in conjunction with the requirements prescribed by the FAA/TSA. The manager will train Contractor personnel to be fully knowledgeable of the plan and its execution. The Contractor and manager will do the same for the Airport Security Plan.

The manager will investigate and resolve all complaints made against security personnel, keep detailed logs of all actions taken, and send a written report to AIR-LC and to the ADSM monthly on all complaint activities.

The manager's regular hours of work will be 0745 to 1630 or as designated by the ADSM.

Supervision - If required by the ADSM, a minimum of one Supervisor shall be on duty at each airport whenever security services are being provided by three or more officers at the same time. One additional supervisor shall be on duty if fifteen (15) security officers are on duty at an airport at the same time.

Supervisors shall not be scheduled to perform CSS, LEO, ASO or TCO security services described herein, but may briefly relieve other personnel when specifically authorized by the ADSM. Supervisors must be qualified as an LEO and shall be armed and in uniform while on duty. Supervisors will advise the ADSM of their location and availability when on duty.

At Honolulu International, Kahului and Lihue Airports, the Contractor will provide a dispatcher to coordinate the security operations. The dispatcher shall be capable of direct communications with the Contract Security Manager, Supervisors, and each security officer on duty.

10.4 UNIFORMS AND EQUIPMENT - The Contractor shall provide uniforms and equipment to fulfill the terms of this contract. The State will be the sole judge of the adequacy of the uniforms and equipment provided by the Contractor.

APPENDIX D

Letter from SPO Administrator, Aaron
Fujioka, to DOT Director Morioka dated July
27, 2010

LINDA LINGLE
GOVERNOR



PROCUREMENT POLICY BOARD
LESLIE S. CHINEN
DARYLE ANN HO
KEITH T. MATSUMOTO
RUSS K. SAITO
PAMELA A. TORRES

AARON S. FUJIOKA
ADMINISTRATOR

**STATE OF HAWAII
STATE PROCUREMENT OFFICE**

P.O. Box 119
Honolulu, Hawaii 96810-0119
Tel: (808) 587-4700 Fax: (808) 587-4703
<http://hawaii.gov/spo>

SPO 11-006

July 27, 2010

TO: The Honorable Brennon T. Morioka, Director
Department of Transportation

FROM: Aaron S. Fujioka 

SUBJECT: Procurement Investigation Request by Senator Donna Mercado Kim

In response to Senator Donna Mercado Kim's June 15, 2010 e-mail regarding subject request on contracts managed by the Department of Transportation (DOT) for airport security services with Securitas Security Services USA, Inc., the State Procurement Office (SPO) has completed a preliminary review. Based on the documents provided by your department for Contract #DOT 05-007 and #DOT 08-001, the following findings and determinations are submitted.

Contract #DOT 05-007, Security Services for Oahu and Hawaii Airports

FINDINGS:

Contract Term: 10/18/04 to 10/17/07 (3 years)
10/18/07 to 10/17/08 - Supplement #1
10/18/08 to 10/17/09 - Supplement #2
10/18/09 to 4/1/2010 - Contract Extension (CE#10-017-K)
4/2/2010 to 10/1/2010 - Contract Extension (CE#10-017-K amend1)

Contract contains specific provisions as it relates to scope of work or payment such as:

- SECTION 1 Definitions and Terms (page SP-1, 6/5/04)
There are no definitions for a Security Consultant or Airport Security Consultant that clearly defines the duties and responsibilities of the services.
- SECTION 2.10 Certificate for Performance of Services (page SP-4 as amended 6/5/04)
relates to HRS §103-55 which requires contractor to pay its employees comparable wages as that of equivalent state employees for similar work. For example, contractor's employee working as a Security Attendant shall not be paid less than a state worker Security Attendant I paid at \$9.36/hr.
This Section 2.10 is not applicable to authorize additional services such as for Security Consultant or Airport Security Consultant.
- SECTION 4.3 Extra work states, "*New and unforeseen items of work will be classed as extra work when they cannot be covered by any of the various items for which there is a bid price.*" (page 4-1, Mtls. & Serv. 12/15/94)
This provision does not provide clear detail on applicability to amend contract.

- SECTION 4.4 Changes and Claims for Adjustment, states, "(a) *Change order...within the general scope of this contract... 4. Changes in the work within the scope of the contract...*" and "*Any adjustment in contract price ... shall be determined in accordance with the price adjustment clause of this contract.*" (page 4-1, Mtls. & Serv. 12/15/94)
This provision requires any change would need to be in accordance with the 'Price Adjustment' provision.
- SECTION 4.5 Price Adjustment states, "*Any adjustment in contract price pursuant to a clause in this contract may be made in one or more of the following ways: A. By agreement on a fixed price adjustment....C. By the costs attributable to the event or situation covered by the clause, ... D. In such other manner as the parties may mutually agree...*" (page 4-2, Mtls. & Serv. 12/15/94)
This provision does not provide clear detail on applicability to amend contract. In accordance with a competitive sealed bidding (known as IFB) procurement, award is to the lowest responsive responsible bidder, based on the scope of work, terms and conditions, and at unit bid prices offered at bid opening. Price adjustment provisions should clearly provide allowable cost adjustment, and are not subject to negotiation.
- SECTION 10.7 Payment. Contract is limited to specified security services at "*hourly rates (unit bid prices) shall be inclusive of all costs incurred or to be incurred by the Contractor.....*". and "*Requirements for which there is no specific pay item shall be considered to be incidental to the security services, and will not be paid for separately.*" (page 10-22 as amended 6/5/04).
This section allows only costs attributed to the contract rates (unit bid prices), and not for additional services.

DETERMINATION:

Our review of Contract #DOT 05-007 scope of work and provisions does not substantiate DOT-AIR actions of amending the contract to add services for Security Consultant or Airport Security Consultant. DOT-AIR shall complete form SPO-016, *Procurement Violation: Report of Findings and Corrective Action* to address the following:

- Services provided that are not allowed in this contract for:
 - Security Consultant (L. Leong) for the period 6/30/09 to 5/31/2010 charged to Project Order No. EO1649-04 (HNL) for total payments of \$112,531.20.
 - Airport Security Consultant (B. Aiu) for the period 3/15/2010 to 5/31/2010 charged to PO# EK-1495-07 (Lihue) for invoices totaling \$21,016.38. Although these services were assigned to this contract it is not clear whether Mr. Aiu actually worked under this contract as the only reference is to PO# EK-1495-07 (Lihue) under Contract #DOT 08-00. Regardless of where services were provided, neither contract allows for these services.

- DOT-AIR personnel (S. Hayakawa) has delegated procurement authority, however:
 - Lacks required procurement training for contracts under his management such as Workshop #100 - Competitive Sealed Bidding;
 - Lacks appropriate training for contract administration duties and responsibilities, and will be directed to attend Workshop #135 - Contract Administration.

Contract #DOT 08-001, Security Services for Maui and Kauai Airports

FINDINGS:

Contract Term: 2/15/08 to 2/14/2010 (2 years)
2/11/2010 to 2/15/2011 Supplement #1

Contract contains specific provisions as it relates to scope of work or payment such as:

- SECTION 1.42 CSS - Contract Service Supervisor (CSS) is defined as "*an armed uniformed officer commissioned solely under this contract by the Director (DOT) with police powers, including the authority to arrest, and charged with the enforcement of laws, rules and regulations of the State and local jurisdiction (county) in which the airport is located. Supervises other Law Enforcement Officers. To be referred to as "AIRPORT POLICE".*" (page SP-1 dated 4/20/07)
- SECTION 1.6 Change Order is defined as "*... may involve an adjustment in contract time and price or requiring performance of any unforeseen work essential to complete the contract.*" (page 1-1 Mtls. & Serv. 1/22/04)
This section includes a definition for change order.
- SECTION 4.3 Extra Work states "*New and unforeseen items of work will be classed as extra work when they cannot be covered by any of the various items for which there is a bid price.*" (page 4-1, Mtls. & Serv. 1/22/04)
This provision does not provide clarity on allowance and applicability to amend contract. This section does not provide sufficient language for contract amendment for "extra work" and places the extra work outside of the contract.
- SECTION 4.4 Changes and Claims for Adjustment, states, "*A. Change order...within the general scope of this contract.... 4. Changes in the work within the scope of the contract...*" and "*Any adjustment in contract price ... shall be determined in accordance with the price adjustment clause of this contract.*" (page 4-1, Mtls. & Serv. 1/22/04)
Any change would need to be in accordance with the 'Price Adjustment' provision.
- SECTION 4.5 Price Adjustment states, "*Any adjustment in contract price pursuant to a clause in this contract may be made in one or more of the following ways: A. By agreement on a fixed price adjustment....C. By the costs attributable to the event or situation covered by the clause,D. In such other manner as the parties may mutually agree...*" (page 4-2, Mtls. & Serv. 1/22/04)

This provision does not provide clear detail on applicability to amend contract. In accordance with a competitive sealed bidding (known as IFB) procurement, award is to the lowest responsive responsible bidder, based on the scope of work, terms and conditions, and at unit bid prices offered at bid opening. Price adjustment provisions should clearly provide allowable cost adjustment, and are not subject to negotiation.

- SECTION 9.1 Scope of payment states, "...bid price shall be inclusive of all costs, direct or indirect, ..." (page 9-1, Serv. 1/22/04)
This section allows for only contractual costs (bid price) and does not allow for additional services for an Airport Security Consultant.
- SECTION 9.2, Progress Payment states, "...for the type and amount of services provided at the contract unit prices ..." (page SP-11, 4/20/07)
This provision only allows for contractual services (unit bid price) to be paid.
- SECTION 10.7 Payment states, "A. All management services provided or performed by the Contractor shall be considered incidental to the law enforcement services ... will not be paid for separately." "B. Requirements for which there is no specific pay item shall be considered to be incidental to the law enforcement services and will not be paid for separately." (page 10-19-20, 4/24/07)
These provisions only allows for contractual services (unit bid price) to be paid.
- Invoices for Airport Security Consultant (B. Aiu) for the period 3/15/2010 to 5/31/2010 totaling \$21,016.38, were charged to PO# EK-1495-07 (Lihue), Contract #DOT 08-001. Pursuant to DOT memo AIR-A10.0156 dated June 10, 2010, page 5 "... there are no provisions in the Oahu contract for either a Security Consultant and/or an Airport Security Consultant; ... effective June 1, 2010, a change order was issued for Mr. Aiu to become the Contract Service Supervisor (CSS)/Consultant at a reduced salary ...".

DETERMINATION:

Our review of Contract #DOT 08-001 scope of work and provisions do not substantiate DOT-AIR actions of amending the contract to add services for Airport Security Consultant. DOT-AIR will be directed to complete form SPO-016, *Procurement Violation: Report of Findings and Corrective Action* to address the following:

- Services provided that are not allowed in this contract for:
 - Airport Security Consultant (B. Aiu) for the period 3/15/2010 to 5/31/2010, reflected in invoices totaling \$21,016.38 charged to PO# EK-1495-07 (Lihue) under Contract #DOT 08-001. These services were assigned to Contract #DOT-05-007 (Oahu), however, invoices reflects reference to PO# EK-1495-07 (Lihue) under Contract #DOT 08-001.

- Contract Services Supervisor (CSS)/Consultant change order pursuant to DOT memo AIR-A10.0156 dated June 10, 2010, page 5, states, ". . . *there are no provisions in the Oahu contract for either a Security Consultant and/or an Airport Security Consultant; therefore, effective June 1, 2010, a change order was issued for Mr. Aiu to become the Contract Services Supervisor (CSS)/Consultant, at a reduced salary under the Kauai contract.*" The definition for CSS cannot be expanded to include 'consultant' services.
- DOT-AIR personnel (S. Hayakawa) has delegated procurement authority, however:
 - Lacks required procurement training for contracts under his management such as Workshop #100 - Competitive Sealed Bidding;
 - Lacks appropriate training for contract administration duties and responsibilities, and will be directed to attend Workshop #135 - Contract Administration.

If you concur with our preliminary findings and determination, the contract services supervisor/consultant services being provided by Mr. Aiu should be suspended until a final determination is made and the form SPO-016 submitted for resolution of this matter. If you disagree, provide clarification and submit any additional information for SPO to consider. Please respond by August 4, 2010 accordingly. Your staff may contact Ruth Yamaguchi at 586-0554, if they have any questions or you may call me at 587-4700.

c: The Honorable Donna Mercado Kim
Senator

APPENDIX E

TSA Fines spreadsheet

DOT-A: TSA Fines (Amounts by FY)

AIRPORT	Date DOT Notified of Violation	Date of Violation (specify dates of all incidents)	Violation-(Please specify in detail or summarize important facts as appropriate)	Date & (indicate-DOT/Contractor) took action to resolve	Describe actions to resolve violation	Fined? (Y/N) Specify Who-DOT/Contractor	Fine Amount (\$) by FY				Amount Paid					Comments-Please note if pending or reason TSA mitigated or other comments	
							Date Fined	FY08	FY09	FY10	Date Paid	State	Contractor (eg.Securitas)	Date Mitigated	Mitigated Amount		
HNL	02/12/08	11/02/07-02/06/08	AOA badge violation	02/10/09 - DOTA	Audited badging system	Y- DOTA	09/22/08		\$20,000			N/A			03/04/09	\$20,000	Resolution accomplished; Fine amount forgiven by TSA
	07/25/08	06/30/08	Access to Secured Area Violation	11/14/08- Contractor (Securitas)	CCTV Supervisor suspended and CCTV personnel received additional training	Y- DOTA	02/24/09	\$5,000				N/A			06/10/09	\$5,000	Resolution accomplished; Fine amount forgiven by TSA
OGG	07/18/06	06/26/09	Failure to secure baggage belt door, failure to notify TSA	12/31/2007 - DOTA	Wackenhut reprimanded LEO and reiterated need to notify ASC so TSA would be notified in a timely manner.	Y - DOTA	07/27/07	\$5,000				12/31/07	\$5,000				
	03/26/07	03/11/07	Officer abandoned post	03/16/2007 - Contractor	ASO was removed from post and given a 3 day suspension.	Y- Wackenhut	09/10/07	\$10,000					\$5,000	10/01/07	\$5,000	Resolution accomplished; Portion of fine amount waived by TSA	
	05/21/07	05/17/07	Failure to have two guards and current stop list at AOA access point	06/18/2007 - DOTA	Training was reinforced by Wackenhut. Stop lists were explained and shared with all officers. Wackenhut learned how to retrieve stop list.	Y - DOTA	09/10/07	\$10,000				10/01/07	\$5,000	10/01/07	\$5,000	Resolution accomplished; Portion of fine amount waived by TSA	
	03/17/08	08/10/07 - 08/12/07	Cipher lock combination written on public side of fence	08/28/2007 - DOTA	8/10 - numbers were removed, increased checks. 8/12 chain & lock added to gate. - Wackenhut	No	02/24/09	\$10,000							03/15/09	\$10,000	Resolution accomplished; Fine amount forgiven by TSA
	03/10/08	01/25/08	Failure to check ID	05/27/2008 - DOTA	Wackenhut ASO was terminated.	No	N/A	None					None				Minor violation; no monetary fines imposed
	03/17/08	02/22/08	Lost AOA key, failure to notify TSA	02/29/2008 - DOTA	TSA notified when DOT was notified by Securitas. Locks were changed.	No	03/17/08	\$6,000							04/01/08	\$6,000	Resolution accomplished; Fine amount forgiven by TSA
	04/07/08	02/15/05 - 03/15/08	Staffing issues, failure to notify TSA	04/21/2008 - DOTA	Officers brought in from HNL and hired as quickly as circumstances would allow. TSA notified after DOT was notified.	No	04/07/08	\$21,000							05/01/08	\$21,000	Resolution accomplished; Fine amount forgiven by TSA
	11/16/09	09/14/09	Piggybacking	11/30/2009 - DOTA	Added guards at baggage claim and posted "STOP - No Public Access" signs to doors.	No	09/29/09		None				None				Minor violation; no monetary fines imposed
LIH	06/29/09	06/21/09	2009LIH 0051 Failure to secure baggage door	06/21/09 - DOT recognizes need for more secure and reliable baggage handling system	Security sweep, identification of last user	Y- DOTA	03/05/10			\$7,000.00		Pending	\$3,000.00		05/20/10	\$4,000.00	mitigated down after informal conference with TSA LEGAL COUNSEL should be passed to Securitas
	12/10/09 as they occurred	12/03/09, 12/07/09, 12/08/09, 12/09/09, 12/11/09	2010LIH 0003 Various failures from strike inspection	12/3 - 12/11/09 - DOT took immediate, decisive positive action in all cases to correct, this aided in the mitigation.	DOT took immediate, decisive positive action in all cases to correct, this aided in the mitigation.	Y- DOTA	03/05/10			#####		Pending	\$16,000.00		05/20/10	\$9,000.00	mitigated down after informal conference with TSA LEGAL COUNSEL
	06/12/09	07/03/08	2008LIH0044 Failure to conduct proper post ops inspection of terminal	7/4/08 - DOT investigated and counseled officers	Retraining and enforcement	Y- DOTA	08/19/09	\$5,000.00				11/03/09	\$5,000.00			none	Closed 8/19/09
	07/14/08	7/5/08, 7/6/08	2008LIH0045 Failure to conduct constant patrol of perimeter fence line	7/15/08 DOT/Securitas determined need for more staff	hired additional officers assigned to perimeter patrol	Y- DOTA	08/19/09	\$5,000.00					none		10/29/09	\$5,000.00	Resolution accomplished; Fine amount forgiven by TSA

DOT-A: TSA Fines (Amounts by FY)

AIRPORT	Date DOT Notified of Violation	Date of Violation (specify dates of all incidents)	Violation-(Please specify in detail or summarize important facts as appropriate)	Date & (indicate- DOT/Contractor) took action to resolve	Describe actions to resolve violation	Fined? (Y/N) Specify Who- DOT/Contractor	Fine Amount (\$) by FY				Amount Paid					Comments-Please note if pending or reason TSA mitigated or other comments	
							Date Fined	FY08	FY09	FY10	Date Paid	State	Contractor (eg.Securitas)	Date Mitigated	Mitigated Amount		
	02/27/09	04/18/08	2008LIH0029 Allowing bypass of center checkpoint	? - investigated involved employee	Retraining and enforcement	Y- DOTA	02/27/09	\$7,500.00				11/03/09	\$5,000.00		10/29/09	\$2,500.00	Resolution accomplished; Portion of fine amount waived by TSA
	08/19/09	09/05/08	2008LIH0051 Failure to properly escort	09/05/08 - investigation conducted	reassigned oofficer	Y- DOTA	08/19/09	\$6,000.00				11/03/09	\$5,000.00		08/19/09	\$1,000.00	Resolution accomplished; Portion of fine amount waived by TSA
	08/19/09	12/13/08	2009LIH0008 Failure to secure gate	12/13/08 - investigation conducted	counseled AOC	Y- DOTA	08/19/09		\$5,000.00			11/03/09	\$5,000.00		08/19/09	none	
	01/12/09	01/05/09	2009LIH0009 Failure to secure gate	1/6/09 - DOT conducted investigation	re-write policy and procedure/ASP	Y- DOTA	08/19/09		\$2,000.00			11/03/09	\$1,000.00		08/19/09	\$1,000.00	Resolution accomplished; Portion of fine amount waived by TSA
	08/19/09	01/22/08, 02/04/09, 02/06/09, 02/08/09,	2009LIH0042 Failure to prevent unauthorized entry	8/19/09 - LIH reviewed Airport Security Plan & reiterated and reinforced to all security officers the proper enforcement of this directive	Retraining and enforcement	Y- DOTA	08/19/09		\$10,000.00			Pending	\$8,000.00		08/19/09	\$2,000.00	Resolution accomplished; Portion of fine amount waived by TSA
	02/05/09	01/30/09	2009LIH0011 Failure to properly escort Love'sVehicle and driver	2/6/09 - investigation revealed poor training.	Retraining and enforcement	Y- DOTA	08/19/09		\$7,000.00			11/03/09	\$7,000.00			none	
	04/01/09	02/27/09	2009LIH0024 Failure to complete vehicle inspection & contents	4/2/09 - investigation revealed poor training.	Retraining and enforcement	Y- DOTA	08/19/09		\$3,000.00			Pending	\$3,000.00			none	
	04/03/09	03/16/09	2009LIH0033 Failure to verify media	4/4/09 - investigation revealed need for more training and enforcement	Retraining and enforcement	Y- DOTA	08/19/09		\$6,000.00			11/03/09	\$6,000.00			none	
	04/14/09	04/06/09	2009LIH0035 Unsecured/unattended gate	4/14/09 - investigation reveals need for more effective access control system	Retraining and enforcement, & identified need for new card reader system	Y- DOTA	08/19/09		\$5,000.00			Pending	\$1,000.00		10/29/09	\$4,000.00	Resolution accomplished; Portion of fine amount waived by TSA
	04/14/09	04/06/09 - 04/08/09	2009LIHJ0038 Failure to restrict SIDA access	4/15/09 - investigation reveals lack of supervision of pass & Id office	Retraining and enforcement, & identified need for new card reader system	Y- DOTA	08/19/09		\$3,000.00			Pending	\$3,000.00			none	
	04/14/09	04/11/09	2009LIH0037 Unattended/unsecured gate	4/15/09 - investigation reveals need for more effective access control system	Retraining and enforcement, & identified need for new card reader system	Y- DOTA	08/19/09		\$8,000.00			Pending	\$2,000.00		10/29/10	\$6,000.00	Resolution accomplished; Portion of fine amount waived by TSA
	03/17/09	01/26/09	2009LIH0012 Failure to restrict access	3/18/09 - all involved personnel retrained	Retraining and enforcement, & identified need for training	Y- DOTA	06/12/09		\$5,000.00			Pending	\$5,000.00			none	closed should pass this fine to Securitas
ITO	10/23/07	10/23/07	Airport Security Officer left exit point door unsecured & unattended	Internal corrective action done on 11/23/07 and 11/28/07, Memo to Securitas requesting corrective action. Memo from Securitas to ITO indicating corrective action. Memo to TSA from ITO on corrective action.	12/18/07, Memo from TSA closing investigation.	NO		None					None	None		None	Minor violation; no monetary fines imposed

DOT-A: TSA Fines (Amounts by FY)

AIRPORT	Date DOT Notified of Violation	Date of Violation (specify dates of all incidents)	Violation-(Please specify in detail or summarize important facts as appropriate)	Date & (indicate-DOT/Contractor) took action to resolve	Describe actions to resolve violation	Fined? (Y/N) Specify Who-DOT/Contractor	Fine Amount (\$) by FY				Amount Paid					Comments-Please note if pending or reason TSA mitigated or other comments
							Date Fined	FY08	FY09	FY10	Date Paid	State	Contractor (eg.Securitas)	Date Mitigated	Mitigated Amount	
	03/21/08	03/08/08	Helicopters landing in secured area.	Corrective action done on 03/21/08 and on 04/23/08, Memo sent to TSA from ITO completing investigation and noting corrective action.	07/22/08, Memo from TSA closing investigation.	NO		None					None	None	None	Minor violation; no monetary fines imposed
	03/31/08	03/21/08	Passenger entered an emergency exit.	Internal corrective action done on 03/21/08 and on 07/14/08, ITO memo to TSA on corrective action.	07/28/08, Memo from TSA closing investigation.	NO		None					None	None	None	Minor violation; no monetary fines imposed
	07/30/08	06/26/08	Pedestrian access point alarm was activated from the sterile area to secured area.	Internal corrective done on 06/26/08. Incident report conducted. Memo sent to Air Service for incident. Air Service takes corrective action.	07/21/08, Memo from TSA closing investigation.	NO		None								Minor violation; no monetary fines imposed
	06/11/09	05/27/09	Mokulele passenger remained undetected in the sterial area after airport closed, caused access point alarm to activate.	05/27/2009, Memo to securitas for corrective action. 07/18/09, memo to TSA for corrective action.	06/22/09, Memo from TSA closing investigation.	NO		None	None				None	None	None	Minor violation; no monetary fines imposed
	06/15/09	06/03/09	Go Airlines left unattended and unsecured their baggage make-up door which leads to the secured area.	06/03/09, Internal corrections completed. 09/09/09, memo sent to Go Airlines manager. 09/14/09, memo sent to TSA for corrections.	09/28/09, Memo from TSA closing investigation.	NO		None	None				None	None	None	Minor violation; no monetary fines imposed
KOA	06/19/08	05/30/08	Improper access to sterile area	05/30/08 - DOT	Deactivate badge, retrain.	No	NA	\$0	\$0	\$0	NA	\$0	\$0		\$0	Letter of Correction only; no penalties imposed
	02/06/09	09/29/08	Improper access to sterile area	10/02/08, 12/01/08, 01/13/09 - DOT	Verbal warning, retrain, initiated new procedure & policy.	No	NA	\$0	\$0	\$0	NA	\$0	\$0		\$0	Letter of Correction only; no penalties imposed
	12/22/08	12/05/08	Improper escort to SIDA	12/05/08 - DOT	Review application, training process & classroom environment.	No	NA	\$0	\$0	\$0	NA	\$0	\$0		\$0	Letter of Correction only; no penalties imposed
	05/18/10	04/29/10	Improper access to sterile area	05/10/10 - DOT	Suspension, retrain, retest.	No	NA	\$0	\$0	\$0	NA	\$0	\$0		\$0	Letter of Correction only; no penalties imposed
MKK	03/17/08	02/21/08 - 03/07/08	LEO left post unattended	02/24/09 - DOT	DOT worked with TSA and MPD to ensure security at the airport. Securitas sent manpower to MKK. Securitas was able to hire enough LEO's to cover MKK airport.	No		\$5,000							\$5,000	Resolution accomplished; Fine amount forgiven by TSA
LNY	None															
JHM	None															

APPENDIX F

Indenture of Lease dated May 1967

Doc # 418592
418593

THIS INDENTURE OF LEASE, made this 15th day of May, 1967 by and between LOYALTY DEVELOPMENT COMPANY, LTD., a Hawaii corporation whose place of business and post-office address is 32 Merchant Street, Honolulu, Hawaii, hereinafter called the "Lessor," and WAREHOUSING, INC., a Hawaii corporation,

whose principal place of business and post-office address is 3339 Helena Street, Honolulu aforesaid,

hereinafter called the "Lessee," WITNESSETH:

That the Lessor, in consideration of the rent hereinafter reserved and of the covenants by the Lessee herein contained, does hereby demise and lease unto the Lessee, and the Lessee does hereby accept and rent:

All those certain premises situate at Moanalua, Honolulu, City and County of Honolulu, State of Hawaii, as shown on the map filed with Land Court Application 1074 and described in the certificate of title issued therefor as follows:

Lot 3944 Area 52,204 square feet
Map 377 Certificate 27878

Being part of the land demised to the Lessor by Kan Jung Luke and Lillian Tom Loo, formerly copartners doing business as Loyalty Investments and presently General Partners of Loyalty Investments, a registered limited partnership, hereinafter called the "Owners", by lease (hereinafter called the "Prime Lease") filed in the Office of the Assistant Registrar of the Land Court of Hawaii as Document No. 266391, as amended.

Together with a right of way appurtenant to the premises described hereinafter for roadway purposes to be used in common with all others entitled thereto over and across roadway Lot 940 as shown on Map 196 and Lots 1082 and 1038 as shown on Map 215, both maps filed with Land Court Application 1074; provided, however, whenever either all or any part of said roadway lots or lot are conveyed or dedicated to and accepted by the State of Hawaii or other governmental authority for use as public roadways, the said right of way over and across said lots or lot or part thereof dedicated and accepted shall automatically terminate.

EXCEPTING AND RESERVING therefrom all such rights and easements as the Lessor in its sole discretion may from time to time require for overhead wire lines and poles or underground lines, pipes and appurtenances thereto for drains, sewers, water, utilities and any other purposes, services and substances whatsoever over, across and under any portions of said premises lying between a street boundary thereof and any setback line along such boundary as shown on said map (herein called the "service area") or any easement shown on said map, said reserved rights to be exercised in such manner as to cause the least practicable interference with the use and occupancy of said premises.

SUBJECT also to all encumbrances noted on said certificate of title as affecting said premises.

TO HAVE AND TO HOLD the same, together with all rights, easements, privileges and appurtenances thereunto belonging or appertaining, unto the Lessee from the 1st day of May, 1967 for the term to and including December 30, 2012, the Lessee YIELDING AND PAYING therefor unto the Lessor in equal monthly installments each in advance on the first day of each and every month during said term, net over and above all taxes, assessments and other charges hereunder payable by the Lessee, rent as follows:

(a) The sum of ~~_____~~ per annum for and during the first period of said term from the commencement thereof to and including December 31, 1972.

(b) Such net annual rent for and during the next three successive ten-year periods and the remaining period of said term, commencing respectively on the 1st day of January in 1973, 1983, 1993 and 2003, as shall be determined for each of said periods by written agreement of the Lessor and Lessee or, if they fail to reach such agreement prior to such date which is ninety (90) days before the commencement of such period, the higher of the following two sums:

(i) The product of the then prevailing rate of interest, charged by responsible lending institutions in the community for private loans on the security of real estate, and the then market value of the demised land, exclusive of improvements thereon, as determined by appraisal; or

(ii) The net rent hereunder payable for the year preceding such period; provided, however, that such net annual rent for the ten-year period commencing in 1973 shall not exceed twice the net annual rent hereunder payable for the year preceding such period. Monthly installments of rent at the same rate payable for the preceding year shall be paid on account

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(a) The sum of \$13,051.00 per annum for and during the first period of said term from the commencement thereof to and including December 31, 1972.

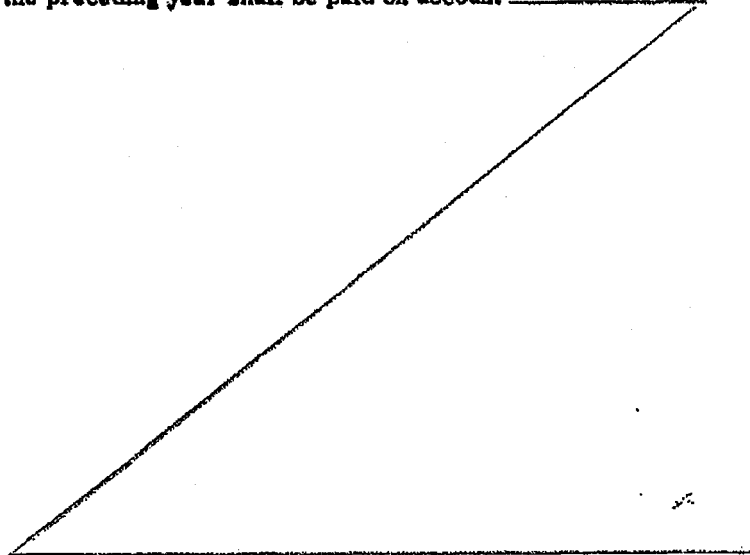
(b) The sum of \$18,271.40 per annum for and during the second period of said term commencing January 1, 1973, to and including December 31, 1982.

(c) Such net annual rent for and during the next two successive ten-year periods and the remaining period of said term, commencing respectively on the 1st day of January in 1983, 1993 and 2003, as shall be determined for each of said periods by written agreement of the Lessor and Lessee or, if they fail to reach such agreement prior to such date which is ninety (90) days before the commencement of such period, the higher of the following two sums:

(i) The product of the then prevailing rate of interest charged by responsible lending institutions in the community for private loans on the security of real estate, and the then market value of the demised land, exclusive of improvements thereon, as determined by appraisal; or

(ii) The net rent hereunder payable for the year preceding such period.

Monthly installments of rent at the same rate payable for the preceding year shall be paid on account _____



of the rent for each such period until the determination thereof as herein provided. Lessee shall also deposit with the Lessor with the first monthly payment of rent hereunder an additional sum equal to such first monthly payment of rent, which sum shall not bear interest and shall be applied to the payment of rent hereunder for the last month of said term; provided, however, that in the event of default by the Lessee in any of its obligations hereunder, the Lessor may at its election apply all or any part of said deposit toward the satisfaction of any such obligation.

AND THE LESSOR hereby covenants with the Lessee that upon payment by the Lessee of the rent as aforesaid and upon observance and performance of the covenants by the Lessee herein contained, the Lessee shall peaceably hold and enjoy said premises for the term hereby demised without hindrance or interruption by the Lessor or any other person or persons lawfully claiming by, through or under it except as herein expressly provided.

AND THE LESSEE hereby covenants with the Lessor as follows:

Payment of Rent.

1. Lessee will pay said rent in lawful money of the United States of America at the times and in the manner aforesaid, without any deduction and without any notice or demand, at the office of the Lessor in Honolulu. All delinquent rent shall bear interest at the rate of ten per cent (10%) per annum until paid.

Taxes and Assessments.

2. Lessee will also pay to the Lessor at least ten (10) days before the same become delinquent all taxes and assessments of every description to which said premises or any part thereof or improvement thereon, or the Lessor or Lessee in respect thereof, are now or may during said term be assessed or become liable, whether assessed to or payable by the Lessor or Lessee, and also the amount of all federal, state and municipal excises and other taxes on gross income payable by the Lessor with respect to said rent and with respect to all other sums required to be paid to the Lessor by the Lessee hereunder; provided, however, that with respect to any assessment made under any betterment or improvement law which may be payable in installments, the Lessee shall be required to pay only such installments of principal together with interest on unpaid balances thereof as shall become due and payable during said term, and that real property taxes shall be prorated between the Lessor and Lessee as of the dates of commencement and expiration respectively of said term.

Rates and Other Charges.

3. Lessee will pay directly before the same become delinquent all rates, charges and other outgoings of every description to which said premises or any part thereof or improvement thereon, or the Lessor or Lessee in respect thereof, may during said term be assessed or become liable for electricity, gas, refuse collection, telephone, sewage disposal, water and any other utilities or services and any connections or meters therefor.

Improvements Required by Law.

4. Lessee will at its own expense during said term make, build, maintain and repair all fences, sewers, drains, roads, curbs, sidewalks and parking areas which may be required by law to be made, built, maintained or repaired upon or adjoining or in connection with or for the use of said premises or any part thereof; provided, however, that all such improvements required for the subdivision containing said premises as shown on said map shall be constructed by the Lessor at its own expense and the Lessee shall not be required to maintain and repair any of said facilities constructed by the Lessor, other than sidewalks abutting the premises.

Observance of Laws.

5. Lessee will at all times during said term keep said premises in good order and a strictly sanitary condition and observe and perform all laws, ordinances, rules and regulations now or hereafter made by any governmental authority for the time being applicable to said premises or any improvement thereon or use thereof.

Repair and Maintenance.

6. Lessee will at its own expense at all times during said term well and substantially repair, maintain, amend and keep all buildings and other improvements now or hereafter built on the demised land with all necessary reparations and amendments whatsoever in good order and condition, except for reasonable wear and tear and destruction by unavoidable casualty not herein required to be insured against, and also landscape with suitable trees and shrubs according to plans approved by the Lessor all unpaved parts of the service area and any adjacent land between the street boundary of said premises and the established street or curb line along such boundary and maintain and keep the same in a neat and attractive condition of good cultivation.

Inspection.

7. Lessee will permit the Lessor and its agents at all reasonable times during said term to enter said premises and examine the state of repair and condition thereof, and will repair and make good at its own expense all defects required by the terms of this lease to be repaired by the Lessee of which notice shall be given by the Lessor or its agents within thirty (30) days after the giving of such notice.

Use of Premises.

8. Lessee will use and allow the use of said premises only for purposes permitted by the zoning ordinances for the time being applicable thereto, and will not make or suffer any strip or waste or unlawful, improper or offensive use

of said premises or any part thereof. Lessee will use the service area only for access and landscaping and its underground lines, pipes and appurtenances located according to plans first approved by the Lessor; provided, however, that the Lessor may in its sole discretion waive any provision of this lease for the use or maintenance of any service area. Lessee will not erect, place or maintain any building or structure whatsoever except approved fences and walls, nor store any materials or equipment whatsoever, on the service area; provided, however, with and subject to the consent of the proper governmental authority having jurisdiction thereof, the Lessee may construct, install, and maintain within and upon the said service area a driveway ramp for vehicular traffic to the upper floors of any building constructed by the Lessee within the demised premises, and the right of the Lessee to construct and maintain such ramp is expressly subject to the understanding, conditions, and covenant of the Lessee that it will not thereby cause to be disturbed, destroyed or damaged any utility lines presently situated within said service area; that if at any time in the future the Lessor or any person authorized by the Lessor shall install any underground lines or pipes for utility purposes such installation may be made without regard to the right of the Lessee hereunder to construct and maintain said ramp within said service area, and, further, if in the course of such installation the Lessee's structure shall be damaged thereby the Lessee will at its cost and expense repair the same and shall not make any claim or demand against the Lessor or any person performing such installation; and that if at any time any governmental authority shall declare that the Lessee shall be in violation of any statute, ordinance or regulation on account of the construction and maintenance of said driveway structure within the said service area, the Lessee shall at its cost make whatever amendments as may be required to conform to any such statute, ordinance or regulation, and the Lessee shall indemnify and hold harmless the Lessor and Owners hereunder; and for any default of the Lessee's obligations as described in this paragraph, such default shall be deemed to be a substantial breach of this agreement and shall be cause for termination of this lease as herein provided.

~~of said premises or any part thereof. Lessee will use the service area only for access and landscaping and its underground lines, pipes and appurtenances located according to plans first approved by the Lessor; provided, however, that the Lessor may in its sole discretion waive any provision of this lease for the use or maintenance of any service area. Lessee will not erect, place or maintain any building or structure whatsoever except approved fences and walls, nor store any materials or equipment whatsoever on the service area.~~

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Indemnity.

9. Lessee will indemnify and hold the Lessor and Owners harmless from and against all claims and demands for loss or damage, including property damage, personal injury and wrongful death, arising out of or in connection with the use or occupancy of said premises and appurtenances by the Lessee or any other person under it, or any accident or fire on said premises or any nuisance made or suffered thereon, or any failure by the Lessee to keep said premises including adjacent sidewalks in a safe condition or faithfully to observe and perform any of the other covenants of the Lessee herein contained, except for such loss or damage caused solely by the installation, maintenance or operation of or other exercise of rights in connection with the facilities of others in the service area, and will reimburse the Lessor for all its costs and expenses including reasonable attorneys' fees incurred in connection with the defense of any such claims. Lessee will at its own risk ascertain the location of all underground facilities in the service area before making any excavations therein and shall be solely liable for all loss or damage caused by its work therein notwithstanding any improper or lack of marking of such facilities. Lessee will hold all goods, materials, furniture, fixtures, equipment, machinery and other property whatsoever on said premises at its sole risk and save the Lessor harmless from any loss or damage thereto by any cause whatsoever.

Liability Insurance.

10. Lessee will at its own expense effect and maintain during the whole of said term comprehensive general liability insurance with respect to said premises in a responsible insurance company approved by the Lessor naming the Lessor and Owners as joint assureds with minimum limits of not less than \$100,000 for injury to one person and \$500,000 for injury to more than one person in any one accident or occurrence and also insurance in a sum not less than \$50,000 against claims for property damage, and will from time to time upon receipt thereof deposit promptly with the Lessor in duplicate current certificates of such insurance.

Fire Insurance.

11. Lessee will at its own expense at all times during said term keep all buildings now or hereafter erected on the demised land insured against loss or damage by fire with extended coverage in a responsible insurance company approved by the Lessor in an amount as near as practicable to the full insurable replacement cost thereof, in the joint names of the Owners, Lessor, Lessee and any mortgagee as their interests may appear, payable in case of loss to any trust company qualified under the laws of Hawaii and having its principal office in Honolulu as trustee for the custody and disposition as herein provided of all proceeds of such insurance, and will pay all premiums on such insurance when due and all fees and expenses of such trustee in connection with its services, and will from time to time upon receipt thereof deposit promptly with the Lessor in duplicate true copies of such insurance policies or current certificates thereof, which the Lessor may deposit with said Owners. In every case of loss or damage to said buildings all proceeds of such insurance (excluding the proceeds of any rental value or use and occupancy insurance of the Lessee) shall be used as soon as practicable by the Lessee for rebuilding, repairing or otherwise reinstating the same buildings in a good and substantial manner according to the original plan and elevation thereof or such modified plans conforming to laws and regulations then in effect as shall be first approved in writing by the Lessor, and the Lessee will make up from its own funds any deficiency in the insurance proceeds; provided, however, that if the main building on said premises shall during the last ten (10) years of said term be destroyed or damaged to an extent exceeding half of its actual cash value immediately prior to such casualty, and the insurance proceeds are insufficient for restoring such building as herein provided, the Lessee in lieu of such restoration may at its option within sixty (60) days after such casualty surrender to the Lessor this lease and all interest of the Lessee and any mortgagee in the insurance proceeds and thereby be relieved of any further obligations hereunder.

Development of Premises.

12. Lessee will at its own expense during the first three (3) years of said term construct and complete on the demised land a new building or buildings costing at least \$ ~~50,000.00~~ in accordance with minimum building standards established for the subdivision by the Owners thereof and complete plans, specifications and plot plan therefor prepared for the Lessee by a licensed architect or engineer and approved in writing by the Lessor, which approval shall not be unreasonably withheld if such design is functionally sound and visually attractive; provided, however, that if such construction shall be delayed by war, flood or similar disaster, or by general or industry-wide strike in The City and County of Honolulu or governmental regulation which without fault of the Lessee renders unobtainable any substantial amount of labor, mate-

rials or equipment necessary therefor, the time for such construction shall be extended according to the duration and nature of such delay. Lessee will furnish to the Lessor promptly upon completion of any such building a certificate by the supervising architect or engineer of the total cost thereof and substantial compliance of such construction with the approved plans and specifications therefor, and will upon request furnish for examination and audit by the Lessor or its agents all accounts, contracts and records relating to such construction. Lessee will not at any time erect or place on said premises any building or structure whatsoever, nor make any exterior or structural alterations or additions costing more than \$5,000 to any building or structure thereon, nor maintain thereon any signs visible outside of said premises, except in accordance with such approved plans and specifications.

Bonds.

13. Lessee will before commencing construction of any improvement on said premises deposit with the Lessor a bond or certificate thereof, in form and amount and with surety satisfactory to the Lessor, guaranteeing the completion of such construction free and clear of all mechanics' and materialmen's liens.

Liens.

14. Lessee will not commit or suffer any act or neglect whereby said premises or any improvement thereon or the estate of the Lessee therein shall at any time during said term become subject to any attachment, judgment, lien, charge or encumbrance whatsoever, other than any authorized mortgages and subleases, and will indemnify and hold the Lessor and Owners harmless from all loss, cost and expense with respect thereto.

Assignments and Subleases.

15. Lessee will not without the written consent of the Lessor except as herein expressly provided assign or mortgage this lease nor sublet or part with possession of said premises in whole or in part; provided, however, that the Lessor shall not withhold such consent unreasonably nor require the payment of any moneys therefor other than reasonable expenses incurred by the Lessor in connection with such consent.

Expenses of Lessor.

16. Lessee will pay to the Lessor on demand all costs and expenses including reasonable attorneys' fees incurred by the Lessor in enforcing any of the Lessee's covenants herein contained, in remedying any breach thereof, in recovering possession of said premises or any part thereof, in collecting any delinquent rent, taxes or other charges hereunder payable by the Lessee, or in connection with any litigation (other than condemnation proceedings) commenced by or against the Lessee to which the Lessor shall without fault be made party. If Lessor shall pay and discharge any of Lessee's obligations, on account of Lessee's failure or refusal so to do, including the payment of real property taxes and other charges required to be paid by Lessee hereunder, Lessee will pay to Lessor, upon demand, all amounts so paid or advanced by Lessor with interest thereon at the rate of ten per cent (10%) per annum from the date of such payment by Lessor. Lessee will pay all costs for the preparation of this lease, notary fees, and all filing or recording fees.

Surrender.

17. At the end of said term or other sooner determination of this lease the Lessee will peaceably deliver up to the Lessor possession of the land hereby demised, together with all buildings and other improvements upon or belonging to the same, by whomsoever made, in good repair, order and condition except as otherwise expressly provided herein; provided, however, that if not then in default hereunder, the Lessee may, or if the Lessor shall require by notice thereof given not less than sixty (60) days prior to the end of the term hereof the Lessee shall remove all trade fixtures placed upon the demised premises, and the Lessee shall replace and repair all damage to said premises caused by or resulting from such removal and leave the premises in a clean and orderly condition to the Lessor's satisfaction. In the event the Lessee shall fail to perform such removal or restoration in accordance with the requirements hereof, the Lessor may do so, and the Lessee upon demand will pay to the Lessor the cost thereof plus interest at the rate of ten per cent (10%) per annum; provided, further, that if the Lessee shall fail to remove all of its goods and trade fixtures within ten (10) days after the end of said term or sooner determination of this lease, such goods and trade fixtures may at the Lessor's sole option be deemed conclusively to have been abandoned by the Lessee.

PROVIDED HOWEVER, and this demise is upon the express condition, that if the Lessee shall fail to pay said rent or any part thereof within thirty (30) days after the same becomes due, whether the same shall or shall not have been legally demanded, or shall fail faithfully to observe or perform any of the other covenants by the Lessee herein contained and such default shall continue for thirty (30) days after written notice thereof given to the Lessee, or if the Lessee then owning this lease shall become bankrupt or make any assignment for the benefit of creditors or abandon said premises, or if this lease or any estate or interest of the Lessee hereunder shall be sold under any attachment or execution, the Lessor may in any such case at once re-enter said premises or any part thereof in the name of the whole and, upon or without such entry, at its option terminate this lease without service of notice or legal process, and may expel and remove from said premises the Lessee and all persons claiming under it and their effects without being deemed guilty of any trespass or becoming liable for any loss or damage occasioned thereby, and may bring an action for summary possession of said premises, all without prejudice to any other remedy or right of action which the Lessor may have for arrears of rent or for any preceding

or other breach of contract. Such termination may but need not necessarily be made effective by filing in the Office of the Assistant Registrar of the Land Court of Hawaii an affidavit thereof by the Lessor or an order by said court cancelling this lease, which order may be issued upon petition of the Lessor *ex parte* without service of notice or summons.

AND IT IS HEREBY MUTUALLY AGREED by and between the parties hereto as follows:

Appraisal.

A. Whenever this lease provides that the market value of the demised land shall be determined by appraisal for computation of any rent hereunder, said market value shall be determined by three impartial real estate appraisers, one to be appointed by each of the parties hereto, and the Lessor and Lessee each shall promptly name one such appraiser and give written notice thereof to the other party, and in case either party shall fail so to do within ten (10) days after such notice of the appointment of the first appraiser, the party naming the first appraiser may apply to any person then sitting as judge of the Circuit Court of the First Circuit of the State of Hawaii for appointment of a second appraiser, and the two appraisers thus appointed in either manner shall appoint a third appraiser, and in case of their failure so to do within ten (10) days after appointment of the second appraiser, either party may have the third appraiser appointed by such judge, and the three appraisers so appointed shall proceed to determine the matters in question, and the decision of said appraisers or a majority of them shall be final, conclusive and binding on both parties hereto. Each party shall pay the fee of the appraiser selected by or for it and the fee for its own attorneys and one-half of all other proper expense of such appraisal.

Condemnation.

B. In case at any time or times during said term the demised premises or any part thereof shall be required, taken or condemned by any authority having the power of eminent domain, then and in every such case the estate and interest of the Lessee in the premises so required, taken or condemned shall at once cease and determine, and the Lessee shall not by reason thereof be entitled to any claim against the Lessor or others for compensation or indemnity for leasehold interest, and all compensation and damages payable for or on account of any land (including access rights) or improvements thereon except improvements erected on the demised land during said term shall be payable to and be the sole property of the Lessor and Owners as their interests may appear, and all compensation and damages payable for or on account of any improvements erected on the demised land during said term shall be divided between the Owners and Lessee as of the date when the Lessee loses the right to possession thereof according to the ratios that the then expired and unexpired portions respectively of said term after the date of original completion of such improvements bear to the sum of said portions, and all such compensation and damages payable for or on account of such improvements shall be payable to any trust company qualified under the laws of Hawaii and having its principal office in Honolulu as trustee for the custody and disposition as herein provided of all such compensation and damages, and the Lessee will pay all fees and expenses of such trustee in connection with its services; provided, however, that in case only part of said premises shall be so required, taken or condemned, the rent payable for the remainder of said term shall be reduced in the ratio that the land area of such part bears to the total area of demised land immediately prior to such event, and all compensation and damages payable for or on account of any improvements erected on the demised land during said term shall be used promptly by the Lessee to the extent necessary for restoring or replacing such improvements on the remaining land according to plans and specifications therefor first approved by the Lessor; provided, further, that if only part of the main building erected on the demised land during said term or more than half of the demised land shall be so required, taken or condemned and in either case the remaining premises shall thereby be rendered unsuitable for the Lessee's purposes, the Lessee in any such case may at its option surrender to the Lessor this lease and all interest of the Lessee and any mortgagee in the compensation and damages payable on account of any improvements on the remaining premises so surrendered and thereby be relieved of any further obligations hereunder, such surrender in any case to be made not later than thirty (30) days after the Lessee loses the right to possession of the premises so required, taken or condemned and in sufficient time for the Lessor to claim from the condemning authority its damages therefor. Condemnation of any leasehold interest in said premises or any part thereof shall not terminate this lease nor excuse the Lessee from full performance of its covenants for the payment of money or any other obligations hereunder capable of performance by the Lessee, but in such case the Lessee may claim and recover from the condemning authority all compensation and damages payable on account of its leasehold interest.

Consent to Mortgage.

C. Lessee may from time to time without further consent of the Lessor and Owners assign this lease by way of mortgage to any bank, insurance company or other established lending institution as mortgagee, provided that the Lessee shall upon execution of such mortgage promptly deliver a true copy thereof to

the Lessor. The mortgagee or its assigns may enforce such mortgage and acquire title to the leasehold estate in any lawful way, and pending foreclosure of such mortgage may take possession of and rent said premises, and upon foreclosure thereof may without further consent of the Lessor sell and assign the leasehold estate by assignment in which the assignee shall expressly assume and agree to observe and perform all the covenants of the Lessee herein contained, and such assignee may make a purchase money mortgage of this lease to the assignor, provided that upon execution of any such assignment or mortgage a true copy thereof shall be delivered promptly to the Lessor and that no other or further assignment of this lease or sublease of said premises for which any provision hereof requires the written consent of the Lessor shall be made without such consent. The mortgagee or its assigns of such mortgage shall be liable to perform the obligations herein imposed on the Lessee only during the period such person has possession or ownership of the leasehold estate. Nothing contained in such mortgage shall release or be deemed to relieve the Lessee from the full and faithful observance and performance of its covenants herein contained or from any liability for the nonobservance or nonperformance thereof, nor be deemed to constitute a waiver of any rights of the Lessor hereunder, and the terms, covenants and conditions of this lease shall control in case of any conflict with the provisions of such mortgage.

Protection of Mortgage.

D. During the continuance in effect of any authorized mortgage of this lease the Lessor will not terminate this lease because of any default on the part of the Lessee to observe or perform any of the covenants or conditions herein contained if the mortgagee or its assigns, within sixty (60) days after the Lessor has mailed to the mortgagee or its assigns at the last known address thereof a written notice of intention to terminate this lease for such cause, shall cure such default, if the same can be cured by the payment of money, or, if such is not the case, shall undertake in writing to perform and shall thereafter perform all the covenants of this lease capable of performance by the mortgagee or its assigns until such time as this lease shall be sold upon foreclosure of such mortgage, and any default consisting of the Lessee's failure promptly to discharge any lien, charge or encumbrance against said premises junior in priority to such mortgage shall be deemed to be duly cured if such mortgage shall be foreclosed by appropriate action instituted within said sixty-day period and thereafter prosecuted in diligent and timely manner.

Nonwaiver.

E. Acceptance of rent by the Lessor or its agent shall not be deemed to be a waiver by it of any breach by the Lessee of any covenants herein contained or of the Lessor's right to re-enter for breach of condition. Waiver by the Lessor of any breach by the Lessee shall not operate to extinguish the term, covenant or condition the breach whereof has been waived nor be deemed to be a waiver of the Lessor's right to declare a forfeiture for any other breach thereof.

Notices.

F. Any notice or demand to the Lessor or Lessee or any other person provided for or permitted by this lease may be given sufficiently for all purposes in writing mailed as registered or certified mail, addressed to such party at its post-office address herein specified or the last known address of such party or person, or delivered personally within the City and County of Honolulu to any corporate officer or agent of or individual comprising such party or person, and shall be deemed conclusively to have been given on the date of such mailing or personal delivery.

Definitions.

G. The term "premises" herein shall be deemed or taken to include (except where such meaning would be clearly repugnant to the context) all buildings and other improvements now or at any time hereafter built on the land hereby demised. The term "Lessor" herein shall mean and include the Lessor, its successors and assigns. The term "Lessee" herein and any pronoun used in place thereof shall mean and include the masculine or feminine, the singular or plural number, and jointly and severally individuals, firms or corporations, and their and each of their respective successors, executors, administrators and permitted assigns, according to the context hereof. The term "Owners" herein shall mean and include the Owners and their respective heirs, executors, administrators, successors in interest and assigns. The headings of paragraphs herein are inserted only for convenience and reference and shall in no way define or limit the scope or intent of any provision of this lease.

AND THE LESSEE, LESSOR AND OWNERS hereby covenant and agree for the benefit of themselves and Great Southern Life Insurance Company, whose post office address is P. O. Box 1972, Houston 1, Texas (herein, with its successors and assigns, sometimes called "Great Southern"), or any person, firm, corporation or lending institution (their respective heirs, successors or assigns, herein with Great Southern sometimes collectively called "mortgagee") as follows:

Consent to Lease:

(a) Owners consent to this lease on the express condition that such consent shall not be deemed or construed to be a waiver of any term, covenant or condition of or right under the Prime Lease, which is now in full force and effect according to its terms and not in default in any respect.

Subordination of Lease.

(b) This lease and the leasehold interest of the Lessee in said premises shall be subject and subordinate to the lien of any mortgage (and each such mortgage if more than one) made by the Owners, as mortgagors, in favor of Great Southern, as mortgagee, or any other mortgagee, irrespective of the amount of indebtedness or other obligation secured thereby or the time, whether heretofore or hereafter, when such indebtedness or obligation shall have been or shall be incurred, and each such mortgage shall have such priority and shall be given effect as though it had been duly executed, delivered and filed of record in said Office of the Assistant Registrar, and all indebtedness and other obligation of the Owners secured thereby had been incurred and subsisting, prior to the earliest date of the execution, delivery and filing of record in said Office of the Assistant Registrar of the Prime Lease and this lease; provided, however, that the foreclosure of any such mortgage, or the voluntary conveyance of said premises in lieu of foreclosure, or the pursuit of any other remedy of such mortgagee for any default by the Owners under such mortgage, shall not terminate or otherwise affect this lease or any rights of the Lessee hereunder if the Lessee shall at all times faithfully observe and perform its covenants herein contained.

Maintenance of Lease.

(c) During the continuance in effect of any such mortgage the parties hereto will not without the prior written consent of such mortgagee:

- (i) Cancel this lease;
- (ii) Surrender or accept a surrender of this lease;
- (iii) Reduce the rent payable by the Lessee to the Lessor under this lease;
- (iv) Modify this lease in any way, either orally or in writing;
- (v) Grant or accept any concession in connection with this lease, either orally or in writing; or
- (vi) Collect, accept payment of or pay any rent under this lease in advance, except as required to be paid in advance by the terms hereof.

Any of said acts, if done without the written consent of such mortgagee, shall be null and void.

Consent of Great Southern or other Mortgagee.

(d) Whenever the terms of this lease require the consent of the Lessor, the Lessor during the continuance in effect of any such mortgage will not give or be deemed to have given such consent unless the prior specific consent of such mortgagee thereto shall also have been given.

Payment of Rent to Great Southern or other Mortgagee.

(e) Upon receipt of any written notice by such mortgagee of the existence of a default under any such mortgage or any note thereby secured, the Lessee shall pay to such mortgagee from time to time at such place as may be designated by such mortgagee all rent payable under this lease, as the same becomes due, until receipt by the Lessee of written notice by such mortgagee that all such defaults have been cured. Lessee shall have the right to rely upon any such notice and to pay such rent to such mortgagee without any obligation or right to inquire into the actual existence of such default or application of such payments, notwithstanding any notice or claim by the Lessor or Owners to the contrary, and the Lessor and Owners shall have no right or claim against the Lessee for any such rent so paid by the Lessee to such mortgagee.

Acquisition of Lessor's Interest.

(f) During the continuance in effect of any such mortgage the Lessee shall have no right to acquire the Lessor's interest in said premises without the prior written consent of such mortgagee.

Termination by Lessee.

(g) Lessee will not terminate this lease for or because of any default by the Lessor under any of its covenants and conditions herein contained unless the Owners, and also Great Southern or any other mortgagee during the continuance in effect of any such mortgage, within sixty (60) days after the Lessee has given to the Owners and Great Southern or such mortgagee written notice of intention to terminate this lease for such cause, shall fail to cure such default or cause the same to be cured.

Termination of Prime Lease.

(h) In case the Prime Lease shall terminate before expiration of the term thereof for any reason whatsoever, including but not limited to acquisition of the ownership in fee simple of said premises by Great Southern or any other mortgagee or any other person through foreclosure of any such mortgage, voluntary conveyance in lieu of foreclosure or any judicial sale, this lease if then in full force and effect shall continue with the same force and effect as if the then owner in fee simple of said premises, as lessor, and the Lessee, as lessee, had entered into a lease of said premises for a term equal to the then unexpired term of this lease as of the date of such termination of the Prime Lease on the same terms, covenants and conditions as contained in this lease. Upon and after such termination of the Prime Lease: (i) Lessee will attorn as lessee to the owner in fee simple of said premises, and said owner shall accept such attornment; (ii) the owner in fee simple of said premises shall have the same remedies by entry, action or otherwise for the breach of any covenant or condition herein contained as the Lessor had or would have had if the Prime Lease had not been terminated; and (iii) Lessee shall have the same remedies against the owner in fee simple of said premises for the breach of any covenant or condition herein contained as the Lessee had or would have had against the Lessor if the Prime Lease had not

been terminated, provided that said owner shall not be liable for any act or omission of the Lessor, or subject to any offsets or defenses which the Lessee might have against the Lessor, or bound by any rent which the Lessee might have paid in advance to the Lessor except to the extent required to be paid in advance by the terms of this lease.

Statements of Lessee.

(i) Whenever requested so to do, the Lessee will promptly sign and deliver to the Owners or Great Southern or any other mortgagee, according to the terms of such request, a written statement certifying whether or not there has been any modification of this lease either orally or in writing, setting forth in full any such modification, whether or not this lease is then in full force and effect according to its original terms, subject to any such modification, and whether or not there is any default hereunder then existing on the part of the Lessor.

IN WITNESS WHEREOF the parties hereto have executed these presents on the day and year first above written.

LOYALTY DEVELOPMENT COMPANY, LTD.

By [Signature]
Its **President**

By [Signature]
Its **Secretary** Lessor.

[Signature]
KAN JUNG LUE

[Signature]
LILLIAN TOM LOO

APPROVED AS TO FORM
HONG & WAI

BY [Signature]

General Partners of Loyalty Investments, a registered limited partnership. Owners

WAREHOUSING, INC.

By [Signature]
Its **President**

By [Signature]
Its **Vice-President** Lessee.

STATE OF HAWAII
CITY AND COUNTY OF HONOLULU } SS.

On this 15th day of May, 1967, before me appeared
~~xxx~~ CLARENCE T. C. CHING and GEORGE S. W. HONG
both to me personally known, who, being by me duly sworn, did say that they are respectively

~~xxx~~ President and Secretary

of LOYALTY DEVELOPMENT COMPANY, LTD., the corporation named in the foregoing instrument, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said
CLARENCE T. C. CHING and GEORGE S. W. HONG ~~xxx~~

severally acknowledged said instrument to be the free act and deed of said corporation.

[Signature]
Notary Public, First Judicial Circuit
State of Hawaii

My commission expires: 7/3/69

STATE OF HAWAII }
CITY AND COUNTY } SS.
OF HONOLULU }

On this 15th day of May, 1967, before me appeared KAN JUNG LUKE and ELLIAN TOM LOO, to me personally known to be the persons described in and who executed the foregoing instrument, and severally acknowledged that they executed the same as their free act and deed.

Selma H. Look
Notary Public, First Judicial Circuit
State of Hawaii

My commission expires: 3/9/70

STATE OF HAWAII }
CITY AND COUNTY } SS.
OF HONOLULU }

On this 2nd day of May, 1967, before me appeared EDGAR BISHOP STANKE and FRANKLIN TUNSTALL OPPENHEIM, both to me personally known, who, being by me duly sworn, did say that they are respectively PRESIDENT and VICE PRESIDENT of WAREHOUSING, INC.,

the corporation named in the foregoing instrument, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said EDGAR BISHOP STANKE and FRANKLIN TUNSTALL OPPENHEIM severally acknowledged said instrument to be the free act and deed of said corporation.

Douglas G. Mangano
Notary Public, First Judicial Circuit
State of Hawaii

My commission expires: MAR 4 1971

STATE OF HAWAII }
CITY AND COUNTY } SS.
OF HONOLULU }

On this _____ day of _____, 19____, before me appeared _____

to me personally known to be the persons described in and who executed the foregoing instrument, and severally acknowledged that they executed the same as their free act and deed.

Notary Public, First Judicial Circuit
State of Hawaii

My commission expires: _____

APPENDIX G

Letter from SPO Administrator, Aaron
Fujioka, to DOT Acting Director Formby
dated October 7, 2010



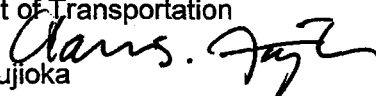
**STATE OF HAWAII
STATE PROCUREMENT OFFICE**

P.O. Box 119
Honolulu, Hawaii 96810-0119
Tel: (808) 587-4700 Fax: (808) 587-4703
www.hawaii.gov/spo

SPO 11-052

October 7, 2010

TO: The Honorable Michael D. Formby, Acting Director
Department of Transportation

FROM: Aaron S. Fujioka 

SUBJECT: Procurement Investigation of the Department of Transportation,
Airports Division Compliance with HRS Chapter 103D Requirements
Related to Ualena Street Property for Project No. AO1030-13

An investigation was conducted in response to Senator Donna Mercado Kim's August 3, 2010 email regarding subject contract. At the request of the State Procurement Office (SPO), the Department of Transportation (DOT) provided copies of documents initially provided to Senator Kim. Subsequently, by memo to DOT dated September 2, 2010 the SPO requested for additional information and documents.

The SPO conducted a review of the various documents to determine compliance with HRS chapter 103D, the Hawaii public procurement code (Code), specifically HRS §103D-304 and HAR chapter 3-122, Subchapter 7 applicable to the procurement of professional services. This preliminary review summarizes the SPO findings and determination of the procurement practices for subject project.

FINDINGS:

1. Pursuant to HAR §3-122-16.03, Public Notice, the DOT placed a notice on the SPO Procurement Notices System on June 30, 2005, "...for qualified firms to provide professional architectural, engineering, land surveying, planning, and construction management services during the fiscal year 2006 (July 1, 2005 to June 30, 2006)." The notice further stated, "Since the DOT does not have sufficient information regarding the specific projects which may require professional services at this time, the DOT will be posting additional notices as the need arises ...".
Reference: Notice with Statement of Attestation for Internet Posting (form SPO-020)

The DOT procurement notice for professional services listed 'construction management services', which is not a professional service as defined by the Code or statute, but rather a description of the scope of work or tasking. The SPO issued Procurement Circular 2002-07 dated September 27, 2002, and subsequently Procurement Circular 2009-06 dated July 19, 2009 as an update and guidance on procurement of professional services.

2. Award posting on the SPO webpage dated August 23, 2006 for *Design Services for Terminal Modernization Program Manager, Honolulu International Airport, Project No. AO1030-13* listed four names submitted for selection with award to Parsons Transportation Group for \$8.4 million.
Reference: SPO Awards posting, Record Number 5308

Professional awards posting listed four qualified names submitted for selection consideration. The scope of this procurement was not a routine design project, but involved award of a 12-year contract and included the scope of work to manage and oversee an estimated \$90 million project. As stated in the initial annual notice, "Since the DOT does not have sufficient information regarding the specific projects which may require professional services at this time, the DOT will be posting additional notices as the need arises ...". The contract documents did not reflect that an additional notice was issued.

3. Contract for Professional Services, effective April 25, 2007 awarded to PARSONS TRANSPORTATION GROUP, INC. pursuant to HRS §103D-304.
Reference: AG-001 *Contract for Professional Services*, Contract No. 55840
 - Attachment S1 - Scope of Services for "... program management services for the Honolulu International Airport (HNL) Terminal Modernization Program, Project No. AO1030-13..." (hereafter the "Program"), and states:
 - Page 1, "The Terminal Modernization Program is 12-years, from September 1, 2006 to December 31, 2018...."
 - Page 1, "The total contract amount is estimated to be \$90 million dollars.... contract amount includes funding for the Automated People Mover consultant (Lea+Elliott, Inc.) and an Airline Liaison Office who are subconsultants to PARSONS."
 - Page 2, "PARSONS shall manage all of the firms working on the PROGRAM...."
 - Page 2, "Office Space. The State...at no charge, shall provide office space(s) to be used by the PMT [Parson's program management team]."
 - Page 3, "The State will reimburse PARSONS for improvements or modifications to the space(s)...."
 - Page 7, "PARSONS shall be responsible for the professional quality, technical accuracy and coordination of all services in accordance with the standards customarily provided by an experience and competent professional architectural/engineering organization....."

Reference: AG-011 *Scope of Services*, Attachment - S1

Contract term for 12-years shall be in compliance with HAR §3-122-149(e) for multi-term contract which requires written department head determination to enter into a contract deemed to be in the best interest of the State. The determination for a multi-term contract is to provide uninterrupted services over more than one fiscal period and results in favorable contract terms and prices rather than several shorter term contracts for the same service.

Services includes "...the Automated People Mover consultant (Lea+Elliott, Inc.) and an Airline Liaison Office who are sub-consultants to PARSONS." The contract does not specify how the DOT determines what is appropriate and or allowable costs for these sub-consultants, and should require the contractor to provide cost or pricing data or both, in accordance with HRS §103D-312 and HAR chapter 3-122, Subchapter 15 on cost or pricing data, to support and ensure the negotiated contract amounts are fair and reasonable for contracts involving increases in costs exceeding \$100,000.00.

Contract allows for office space provided by the DOT for use by PMT, and will reimburse Parsons "...for improvements or modifications to the space(s)....", however, contract was awarded to provide professional services, not construction services. Parsons may provide the design work and consult on the improvements or modifications, but was inappropriate to conduct the construction work. This is a misuse of the professional services procurement process pursuant to HRS §103D-304, which states, "... awarded on the basis of demonstrated competence and qualification for the type of [professional] services required, and at fair and reasonable prices." Additionally the contract states the professional services to be provided is "... for the professional quality, technical accuracy and coordination of all services in accordance with the standard customarily provided by an experience and competent professional architectural/ engineering organization....."; which does not include construction.

4. Contract for Professional Services, effective April 25, 2007 awarded to PARSONS TRANSPORTATION GROUP, INC. pursuant to HRS §103D-304.
Reference: AG-001 *Contract for Professional Services*, Contract No. 55840
 - Attachment S2 - Compensation and Payment Schedule
 - Page 1, Section 2.2 Task Orders states, "... The State shall negotiate lump sum Task Orders with Parsons..." The section on Reimbursable Costs states, "... Task Orders may be approved on a Cost Plus basis with a Not to Exceed allowance."
 - Page 4, Section 2.8 Progress Payment states "... For Task Orders negotiated on a cost plus basis, progress payment requests shall include the number of hours expended, by task by each employee, and the employee's name and classification."
- Reference: AG-011 *Compensation and Payment Schedule*, Attachment - S2

The section on Task Orders states, "... The State shall negotiate lump sum Task Orders with Parsons..."; the section on Reimbursable Costs states, "... Task Orders may be approved on a Cost Plus basis with a Not to Exceed allowance."; and the section on Progress Payment states "... For Task Orders negotiated on a cost plus basis, progress payment requests shall include the number of hours expended, by task by each employee, and the employee's name and classification." Professional service contracts, when award is not based on adequate price competition, the provisions of HRS §103D-601, and HAR chapter 3-123, on cost principles provides

for reimbursement of costs. Contract provisions determine the appropriate, allowable, and allocable costs, including unallowable costs.

Additionally, 'cost plus basis' contracts are not permitted unless chief procurement officer approval, pursuant to HRS §103D-313 on types of contracts, is obtained.

5. Supplemental Contract No. 1, effective June 12, 2008 for:
 - Scope of Services: Attachment S1-C Program Schedule, November 27, 2007
 - Compensation and Payment Schedule, states in the amount of \$19.1 million (contract certification for \$10.7 million), and page 4 further states, "... shall not exceed ...(\$1,000,000.00), during the PROGRAM SCHEDULE, not including the cost associated with the renovation of the 2nd and 3rd floors of the Program Management Team offices at 3239 Ualena Street,..."
 - Time of Performance through June 30, 2009.

Reference: AG-005 Supplemental Contract No. 1

The supplemental contract does not include details to verify price adjustment to ensure costs and pricing are appropriate and or allowable costs for the additional work, and should require the contractor to provide cost or pricing data or both, in accordance with HAR chapter 3-122, Subchapter 15 on cost or pricing data, to support price adjustments to a contract involving increases in costs exceeding \$100,000.00.

6. Supplemental Contract No. 2, effective May 25, 2010 for:
 - Scope of Services: Attachment S1-C Program Schedule, October 20, 2009
 - Compensation and Payment Schedule in the amount of \$37,667,000.00 (contract certification for \$18,567,000.00).
 - Time of Performance through December 31, 2010.

Reference: AG-005 Supplemental Contract No. 2

The supplemental contract does not include details to verify price adjustment to ensure costs and pricing are appropriate and or allowable costs for the additional work, and should require the contractor to provide cost or pricing data or both, in accordance with HAR chapter 3-122, Subchapter 15 on cost or pricing data, to support price adjustments to a contract involving increases in costs exceeding \$100,000.00.

DETERMINATION:

Based on the preceding Findings to verify compliance with the Code, specifically HRS §103D-304 and HAR chapter 3-122, Subchapter 7 on procurement of professional services, the following is provided:

1. Future procurement notices to persons interested in providing professional services shall identify the professional class or category as specified in the statutes and rules, and as necessary, additional notices issued to provide project details to ensure providers are allowed the opportunity to submit statements of qualifications.

2. The DOT should have issued an additional notice to ensure disclosure of the 12 year contract and magnitude of the project and seek a larger pool of qualified providers.
3. The DOT shall provide documentation to the SPO that ensures contract:
 - Files are in compliance with HAR §3-122-149(e) for multi-term contract;
 - Amounts are fair and reasonable, such as use of HRS §103D-312 and HAR chapter 3-122, Subchapter 15 on cost or pricing data; and
 - Details on compliance with the provisions of HRS §103D-601, and HAR chapter 3-123 on cost principles, to determine the allowability of incurred costs for the purpose of reimbursing costs pursuant to contract provisions.
4. Supplement 1 was to extend the contract beyond the initial term of December 31, 2007 to reflect the new period to June 30, 2009, and add funds of \$10.7 million. The DOT shall provide documentation that price adjustments are fair and reasonable, such as using the provisions of HRS §103D-312 and HAR chapter 3-122, Subchapter 15 on cost or pricing data for contract cost expected to exceed \$100,000.00.
5. Supplement 2 was to extend the contract beyond the term June 30, 2009 to reflect the new period to December 31, 2010, and add funds of \$18,567,000.00. The DOT shall provide documentation that price adjustments are fair and reasonable, such as using the provisions of HRS §103D-312 and HAR chapter 3-122, Subchapter 15 on cost or pricing data for contract cost expected to exceed \$100,000.00.
6. The contract with PARSONS for professional services is in violation of HRS §103D-304, in that the portion of the contract in which construction work was provided for the 'improvements or modifications' to the Ualena Street property was inappropriate and a misuse of the professional services procurement process.

Please provide by October 26, 2010 the documentation requested above for clarification of these findings and determinations. The form SPO-016, Procurement Violation: Report of Findings and Corrective Action, shall be submitted for any documents that DOT is unable to provide and for DETERMINATION item #6, the portion of contract in which construction work was provided. An extension of time may be requested if your search is extensive.

Your staff may contact Ruth Yamaguchi at 586-0554 if there are any questions, or you may call me at 587-4700.

c: The Honorable Donna Mercado Kim
Senator

APPENDIX H

Request from Mr. Sekiguchi for Permission
to Negotiate Land Acquisition

LINDA LINGLE
GOVERNOR



DIRECTOR'S OFFICE
DEPT. OF
TRANSPORTATION

RODNEY K. HARAGA
DIRECTOR

Deputy Directors
BARRY FUKUNAGA
BRENNON T. MORIOKA
BRIAN H. SEKIGUCHI

STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
AIRPORTS DIVISION
400 Rodgers Boulevard, Suite 700
Honolulu, Hawaii 96819-1880

2006 MAY 24 1 A 9:48

IN REPLY REFER TO:

AIR-EPC
06.0058

May 10, 2006

TO: THE HONORABLE LINDA LINGLE
GOVERNOR OF HAWAII

THROUGH: THE HONORABLE GEORGINA KAWAMURA
DIRECTOR OF FINANCE

FROM: BRIAN H. SEKIGUCHI *Brian H. Sekiguchi*
✓ DEPUTY DIRECTOR OF TRANSPORTATION, AIRPORTS DIVISION

SUBJECT: REQUEST PERMISSION TO NEGOTIATE LAND PURCHASE AND
RELEASE OF LAND ACQUISITION FUNDS FOR LIHUE AIRPORT LAND
ACQUISITION, KAUAI, STATE PROJECT NO. AK1021-06, AS
AUTHORIZED BY ACT 178, SLH 2005, ITEM C-30

Permission is requested for the Department of Transportation, Airports Division (DOT-A), to release land acquisition funds in the amount of \$462,550 in Airport Special Funds.

1. **This request consists of:** An allotment of \$460,050 for land acquisition costs and \$2,500 for non-labor staff costs to finance the subject project.
2. **Additional information or comments:** This project includes the acquisition of approximately 140 acres of land northwest of Lihue Airport.

It has been determined that Lihue Airport requires additional land in order to support its safety, and legal commitments. The Federal Aviation Administration (FAA) is supportive of land acquisition within the Day Night Level (DNL) 65 decibel (dB) noise contour to ensure that no incompatible land use is developed within the DNL 65 dB and higher noise contour. By purchasing the land, the DOT-A can ensure that future noise mitigation costs will not be incurred due to the development of this property with incompatible land uses. The FAA has indicated that funds from the Noise Set-Aside portion of the Airport Improvement Program will be available for the purchase of this land. Additional land is also required to establish a permanent heliport. This will allow ample space to create a safe environment to conduct consolidated rotor wing operations away from fixed wing operations.

The Honorable Linda Lingle
May 10, 2006
Page 2

AIR-EPC
06.0058

The estimated land cost is based on a recent State funded appraisal of the land.

The total estimated land acquisition cost for the subject project is \$9,203,500. Of this amount, \$8,740,950 is from federal funds. The estimated breakdown for this request is as follows:

	<u>State</u>	<u>Federal</u>	<u>Total</u>
Land Acquisition Costs:	\$460,050	\$8,740,950	\$9,201,000
Non-labor Staff Costs:	<u>2,500</u>	<u>0</u>	<u>2,500</u>
TOTAL:	\$462,550	\$8,740,950	\$9,203,500

If the negotiated land cost is within the State appraised land value and available appropriation, permission is requested to purchase the land. If the negotiated land cost is higher than the State appraised land value and available appropriation, we will not purchase the land and notify you immediately to recommend suitable funding alternatives.

The Honorable Linda Lingle
May 10, 2006
Page 3

AIR-EPC
06.0058

3. The Engineering Program Manager certifies that this project will meet all applicable building codes and there are adequate funds currently appropriated for this project.

Department contact: Dennis T. Higa, 838-8835

RECOMMEND:

APPROVAL DISAPPROVAL




GEORGINA KAWAMURA
Director of Finance

5/18/06

DATE

APPROVED DISAPPROVED



LINDA LINGLE
Governor, State of Hawaii

5/19/06

DATE

Attachments

C.I.P. PROJECT SUMMARY OF PROPOSED EXPENDITURES
 PROJECT: Airport Land Acquisition
 TITLE: AK1021-06

DATE: 03/31/06
 DEPARTMENTAL PRIORITY NO. _____
 CAPITAL PROJECT NO. _____

COST ELEMENTS	SOURCE OF FUNDS (ACT/ITEM, ACCOUNT NUMBER, FEDERAL, COUNTY, PRIVATE)							TOTAL	DATE
	Act 178, SLH 2005, Item C-30, MOF B	Federal	Act 178, SLH 2005, Item C-30, MOF B						
LAND ACQUISITION	45,000	8,740,950	462,550					9,248,500	LAND
Land		8,740,950	460,050					9,201,000	Begin: 09/26/05
Consultant Services								0	Ends: 09/01/06
Staff Services	45,000		2,500					47,500	
Plans								0	PLAN
Consultant Services								0	Begin: N/A
Staff Services								0	Ends:
Design								0	DESIGN
Consultant Services								0	Begin:
Staff Services								0	Ends:
Construction/Equipment								0	CONSTRUCTION
Basic Bid								0	
Alternates								0	Award:
Contingency								0	
Consultant Services								0	Begin:
Staff Services								0	End:
Other Costs								0	
WORKS OF ART								0	
TOTAL PROJECT COST	45,000	8,740,950	462,550	0	0	0	0	9,248,500	
ALLOTTED TO DATE*	45,000	8,740,950	0	0	0	0	0	8,785,950	
ALLOTMENT REQUEST	0	0	462,550	0	0	0	0	462,550	
BALANCE								0	
FUNDS APPROPRIATED								0	
*(AA# & DATE)	Completion Date		COMMENTS:						
PLANS:									
LAND:	06-0284 (12/09/05)								
DESIGN:									
CONST:									
EQUIP:									

TABLE R (5/97)

CAPITAL PROJECT INFORMATION AND JUSTIFICATION SHEET

EXPENDING AGENCY:		
USER PROGRAM ID		CAPITAL PROJECT
DEPT	NUMBER	NUMBER
TRN	161	E02A

ISLAND
4

SEN DIST
7

REP DIST
13

PRIORITY NO.

PREV PRIO NO.

PROJ. SCOPE
N

SCOPE CODES

N - NEW
I - RENOVATION
A - ADDITION
R - REPLACEMENT
O - ONGOING

DATE
04/07/2006

PROJECT TITLE: Lihue Airport
Airport Land Acquisition

PROJECT DESCRIPTION: To purchase approximately 140 acres of land Northwest of the airport to continue to provide services/protections for the public.

TOTAL ESTIMATED PROJECT COST (In Thousands of Dollars)

COST ELEMENT	PRIOR APPROPRIATIONS (Including MOF)						APPROPRIATIONS (Including MOF)			TOTAL PROJECT COST
	ACT YR ITEM 178 2005 C-30	ACT YR ITEM	ACT YR ITEM	ACT YR ITEM	ACT YR ITEM	ACT YR ITEM	FY 2006	FY 2007	FUTURE YEARS	
PLANS										
LAND	45						463			508
DESIGN										
CONSTRUCT										
EQUIPMENT										
TOTALS	45						463			508

PROJECT INFORMATION AND JUSTIFICATION (use back if necessary):

a. Total Scope of Project.

This project will purchase approximately 140 acres of adjacent land northwest of Lihue Airport to support safety, operational and legal requirements for the airport.

b. Identification of Need and Evaluation of Existing Situation.

To satisfy noise mitigation measures, a buffer zone is required between adjacent developments. Additional land is also required to establish a permanent heliport.

c. Alternatives Considered and Impact if Project is Deferred.

Existing spaces were evaluated for acceptability, however, due to strict locational requirements, such as size, access to traffic, air space requirements, the intended uses could not be satisfied within the existing spaces. If the project is deferred, all other projects intended to be built on this land will not be completed and the airport will not be able to provide an optimally safe environment for travel, and satisfy its legal requirements as an airports sponsor and State entity to the public.

d. Discuss What Improvements Will Take Place When Project Completed (including benefits to be derived and/or deficiencies this project intends to correct).

With the additional land, Lihue Airport will be able to implement aspects of its master plan to comply will our requirements as an airport sponsor, as well as, provide a safe environment for passengers.

e. Impact Upon Future Operating Requirements (show initial and ongoing funding requirements by cost element, including position count, means of financing, fiscal year).

Upon satisfactory completion of this project a firm program is intended to be developed.

f. Additional Information:

This request is for the actual purchase of land based upon a State contracted appraisal.

CIP REQUEST FOR ALLOTMENT

Project Title: Lihue Airport Land Acquisition

Lihue Airport

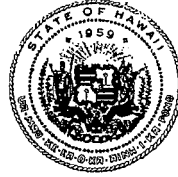
Project No: AK1021-06

Project Manager: Tad Nakayama

Date: 04/11/06

Purpose of	Prior Allotments	Requested Amount	Project No.	Activity Code
PLANNING				
Contract Consultant				
		\$460,050.00	AK1021-06	051
AIR-E Labor, Admin. Costs	\$45,000.00	\$2,500.00	AK1021-06	054-057
Others				
LAND ACQUISITION				
Appraisal Contract Consultant				
				061
Purchase Costs				062
AIR-E Labor, Admin. Costs				064-067
Others				
DESIGN				
Design/Mgmt. Contract Consultant				
				071
Other Design Costs				072
AIR-E Labor, Admin. Costs				074-077
HWY Charges				078-079
CONSTRUCTION				
Construction Contract Contractor				
*TBD				081
Other Construction Costs				082
Const. Mgmt./Insp. Contract Consultant				
*TBD				083
AIR-E Labor, Admin. Costs				084-087
HWY Charges				088-089
Other Purposes: Works of Art				
Total Requested Amount:	\$45,000.00	\$462,550.00	AK1021-06	

LINDA LINGLE
GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
AIRPORTS DIVISION
400 Rodgers Boulevard, Suite 700
Honolulu, Hawaii 96819-1880

RODNEY K. HARAGA
DIRECTOR

Deputy Directors
FRANCIS PAUL KEENO
BARRY FUKUNAGA
BRENNON T. MORIOKA
BRIAN H. SEKIGUCHI
IN REPLY REFER TO:

AUG 22 2006

AIR-EPC
06.0122

August 21, 2006

TO: THE HONORABLE LINDA LINGLE
GOVERNOR OF HAWAII

THROUGH: THE HONORABLE GEORGINA KAWAMURA
DIRECTOR OF FINANCE

FROM: BRIAN H. SEKIGUCHI *Brian H. Sekiguchi*
DEPUTY DIRECTOR OF TRANSPORTATION, AIRPORTS DIVISION

SUBJECT: REQUEST PERMISSION TO NEGOTIATE LAND PURCHASE, PURCHASE
LAND AND RELEASE ADDITIONAL LAND ACQUISITION FUNDS FOR
LIHUE AIRPORT LAND ACQUISITION, KAUAI, STATE PROJECT NO.
AK1021-06, AS AUTHORIZED BY ACT 178, SLH 2005, AS AMENDED BY
ACT 160, SLH 2006, ITEM C-30

Permission is requested for the Department of Transportation, Airports Division (DOT-A), to release land acquisition funds in the amount of \$537,450 in Airport Special Funds.

1. **This request consists of:** An allotment of \$537,450 for land acquisition costs to finance the subject project.
2. **Additional information or comments:** This project includes the acquisition of approximately 140 acres of land northwest of Lihue Airport.

An appraisal on which a past allotment request was based has been determined to have used comparable properties that is not consistent with the land use (residential, commercial, light industrial, etc.). Therefore an offer price based on this appraisal could be questioned by the landowner and jeopardize negotiations. Based on this uncertainty, it was decided to seek another appraisal to substantiate the State's offer. However, based upon new information, current estimates place the property value upwards of \$17 million. In order to position the State into a favorable bargaining position, it has been decided to seek funding for this estimated amount now.

The Honorable Linda Lingle
August 21, 2006
Page 2

AIR-EPC
06.0122

The Federal Aviation Administration (FAA) is supportive of the land acquisition. This land acquisition will ensure compatible land use at Lihue Airport, thus reducing the disturbances within the community and possible developers in the adjacent areas.

The total estimated land acquisition cost for the subject project is \$17,045,000. Of this amount, \$16,000,000 is anticipated to be financed from federal funds. The estimated breakdown for this request is as follows:

	<u>This Request</u>	<u>Previous Allotments</u>	<u>Total</u>
State:	\$ 537,450	\$ 507,550	\$ 1,045,000
Federal:	<u>7,259,050</u>	<u>8,740,950</u>	<u>16,000,000</u>
TOTAL:	\$7,796,500	\$9,248,500	\$17,045,000

If the negotiated land cost is within the State appraised land value and available appropriation, permission is requested to purchase the land. If the negotiated land cost is higher than the State appraised land value and available appropriation, we will not purchase the land and notify you immediately to recommend suitable funding alternatives.

The Honorable Linda Lingle
August 21, 2006
Page 3

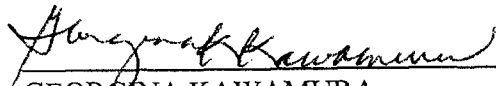
AIR-EPC
06.0122

3. The Engineering Program Manager certifies that this project will meet all applicable building codes and there are adequate funds currently appropriated for this project.

Department contact: Dennis T. Higa, 838-8835

RECOMMEND:

APPROVAL DISAPPROVAL




GEORGINA KAWAMURA
Director of Finance

9/15/06

DATE

APPROVED DISAPPROVED



LINDA LINGLE
Governor, State of Hawaii

9/17/06

DATE

Attachments

C.I.P. PROJECT SUMMARY OF PROPOSED EXPENDITURES

PROJECT: Lihue Airport Land Acquisition

TITLE: AK1021-06

DATE: _____

03/31/06

DEPARTMENTAL PRIORITY NO. _____

CAPITAL PROJECT NO. _____

COST ELEMENTS	SOURCE OF FUNDS (ACT/ITEM, ACCOUNT NUMBER, FEDERAL, COUNTY, PRIVATE)						TOTAL	DATE
	Act 178, SLH 2005, Item C-30, MOF B	Federal	Act 178, SLH 2005, Item C-30, MOF B	Federal	Act 178, SLH 2005, Item C-30, MOF B			
LAND ACQUISITION	45,000	8,740,950	462,550	7,259,050	537,450		17,045,000	LAND
Land		8,740,950	460,050	7,259,050	537,450		16,997,500	Begin: 09/26/05 Ends: 09/01/06
Consultant Services								
Staff Services	45,000		2,500				47,500	
Plans								PLAN
Consultant Services								Begin: N/A
Staff Services								Ends:
Design							0	DESIGN
Consultant Services							0	Begin:
Staff Services							0	Ends:
Construction/Equipment							0	CONSTRUCTION
Basic Bid							0	
Alternates							0	Award:
Contingency							0	
Consultant Services							0	Begin:
Staff Services							0	End:
Other Costs								
WORKS OF ART							0	
TOTAL PROJECT COST	45,000	8,740,950	462,550	7,259,050	537,450	0	0	17,045,000
ALLOTTED TO DATE*	45,000	8,740,950	462,550	7,259,050	0	0	0	16,507,550
ALLOTMENT REQUEST	0	0	0	0	537,450	0	0	537,450
BALANCE								0
FUNDS APPROPRIATED								0
*(AA# & DATE)	Completion Date		COMMENTS:					
PLANS:								
LAND:	06-0284	12/09/2005	Allotment request for purchase of land.					
	06-0543	05/17/2006						
IGN:								
CONST:								
EQUIP:								

CAPITAL PROJECT INFORMATION AND JUSTIFICATION SHEET

EXPENDING AGENCY:		
USER PROGRAM ID		CAPITAL PROJECT
DEPT	NUMBER	NUMBER
TRN	161	E02A

ISLAND
4

SEN DIST
7

REP DIST
13

PRIORITY NO.

PREV PRIO NO.

PROJ. SCOPE
N

SCOPE CODES
 N - NEW
 I - RENOVATION
 A - ADDITION
 R - REPLACEMENT
 O - ONGOING

DATE
09/26/2005

PROJECT TITLE: Lihue Airport Land Acquisition

PROJECT DESCRIPTION: To purchase approximately 140 acres of land Northwest of the airport to continue to provide services/protections for the public.

TOTAL ESTIMATED PROJECT COST (In Thousands of Dollars)

COST ELEMENT	PRIOR APPROPRIATIONS (Including MOF)						APPROPRIATIONS (including MOF)			TOTAL PROJECT COST
	ACT YR ITEM 178 2005 C-30	ACT YR ITEM 178 2005 C-30	ACT YR ITEM	ACT YR ITEM	ACT YR ITEM	ACT YR ITEM	FY 2006	FY 2007	FUTURE YEARS	
PLANS										
LAND	45,000	462,550						537,450		
DESIGN										0
CONSTRUCT										0
EQUIPMENT										
TOTALS	45,000	462,550	0	0				537,450		0

PROJECT INFORMATION AND JUSTIFICATION (use back if necessary):

a. Total Scope of Project.

This project will purchase approximately 140 acres of adjacent land northwest of Lihue Airport to support safety, operational and legal requirements for the airport.

b. Identification of Need and Evaluation of Existing Situation.

To insure compatible land use at Lihue Airport and to satisfy noise mitigation measures, a buffer zone is required between adjacent developments. Additional land is also required to establish a permanent heliport.

c. Alternatives Considered and Impact if Project is Deferred.

Existing spaces were evaluated for acceptability, however, due to strict locational requirements, such as size, access to traffic, air space requirements, the intended uses could not be satisfied within the existing spaces. If the project is deferred, all other projects intended to be built on this land will not be completed and the airport will not be able to provide an optimally safe environment for travel, and satisfy its legal requirements as an airports sponsor and State entity to the public.

d. Discuss What Improvements Will Take Place When Project Completed (including benefits to be derived and/or deficiencies this project intends to correct).

With the additional land, Lihue Airport will be able to implement aspects of its master plan to comply will our requirements as an airport sponsor, as well as, provide a safe environment for passengers and insure compatible land use with adjacent land at the airport.

e. Impact Upon Future Operating Requirements (show initial and ongoing funding requirements by cost element, including position count, means of financing, fiscal year).

Upon satisfactory completion of this project a firm program is intended to be developed.

f. Additional Information:

CIP REQUEST FOR ALLOTMENT

Project Title: Lihue Airport Land Acquisition

Lihue Airport

Project No: AK1021-06

Project Manager: Tad Nakayama

Date: 07/24/06

Purpose of	Prior Allotments	Requested Amount	Project No.	Activity Code
PLANNING				
Contract Consultant				
				051
AIR-E Labor, Admin. Costs				054-057
Others				
LAND ACQUISITION				
Appraisal Contract Consultant				
				061
Purchase Costs	\$460,050.00	\$537,450.00	AK1021-06	062
AIR-E Labor, Admin. Costs	\$47,500.00		AK1021-06	064-067
Others				
DESIGN				
Design/Mgmt. Contract Consultant				
*TBD				071
Other Design Costs				072
AIR-E Labor, Admin. Costs				074-077
HWY Charges				078-079
CONSTRUCTION				
Construction Contract Contractor				
*TBD				281
Other Construction Costs				082
Const. Mgmt./Insp. Contract Consultant				
*TBD				083
AIR-E Labor, Admin. Costs				084-087
HWY Charges				088-089
Other Purposes:				
Total Requested Amount:	\$507,550.00	\$537,450.00		

APPENDIX I

Request from Mr. Sekiguchi to Purchase Land
Acquisition

LINDA LINGLE
GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
AIRPORTS DIVISION
400 Rodgers Boulevard, Suite 700
Honolulu, Hawaii 96819-1880

BRENNON T. MORIOKA
DIRECTOR


Deputy Directors
MICHAEL D. FORMBY
FRANCIS PAUL KEENO
BRIAN H. SEKIGUCHI
JIRO A. SUMADA

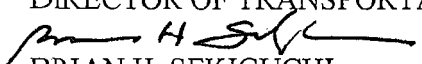
IN REPLY REFER TO:
AIR-ER
10.0068

May 13, 2010

TO: THE HONORABLE LINDA LINGLE
GOVERNOR OF HAWAII

THROUGH: THE HONORABLE GEORGINA KAWAMURA
DIRECTOR OF FINANCE

THROUGH: BRENNON T. MORIOKA, Ph.D., P.E. 
DIRECTOR OF TRANSPORTATION

FROM: 
BRIAN H. SEKIGUCHI
DEPUTY DIRECTOR OF TRANSPORTATION, AIRPORTS DIVISION

SUBJECT: REQUEST PERMISSION TO PURCHASE LAND AND RELEASE
ADDITIONAL LAND ACQUISITION FUNDS FOR LIHUE AIRPORT LAND
ACQUISITION, KAUAI, STATE PROJECT NO. AK1021-06, AS
AUTHORIZED BY ACT 178, SLH 2005, AS AMENDED BY ACT 160,
SLH 2006, ITEM C-30

2010 MAY 14 A 8:44
DIRECTOR'S OFFICE
DEPT. OF
TRANSPORTATION

Permission is requested for the Department of Transportation, Airports Division (DOT-A), to release land acquisition funds in the amount of \$15,567,000 in Airport Special Funds for the subject project. This project was not funded in the upcoming Fiscal Year 2010 Airports Division CIP Implementation Plan, however due to favorable economic conditions, DOT-A requests to fund this project.

1. **This request consists of:** An allotment of \$15,567,000 for additional land acquisition costs to finance the subject project.
2. **Additional information or comments:** This project includes the acquisition of Lots 3 and 5, located within the Ahukini Makai portion of the Wailani (Lihue-Hanamaulu) Master Plan in Lihue, Kauai from Visionary LLC.

The DOT-A identifies the land purchase as an opportunity to avoid the development of land adjacent to the airport for activities that are not compatible with the airport. Such development could result in noise complaints and additional costs to the Airports Division. This land acquisition will help to ensure compatible land use near Lihue Airport.

Previous allotments were to purchase 140 acres of unimproved land adjacent to Lihue Airport. The previous negotiations were unsuccessful, however, this new agreement is to purchase certain subdivided lots within the same area with infrastructure improvements already in place. We request that the funds from previous allotments also be used for the purchase of the lots under this new agreement. Current negotiations with the seller require that the funds be available by mid June 2010 for the first closing.

The total estimated land acquisition cost for the subject project is \$16,607,000. The \$16,000,000 in federal funds appropriated in 2006 is no longer available. The estimated breakdown for this request is as follows:

THIS REQUEST:

	<u>Special Funds</u>	<u>Federal Funds</u>	<u>Total</u>
Land Acquisition:			
Land Acquisition Costs:	\$15,567,000	\$0	\$15,567,000
TOTAL:	\$15,567,000	\$0	\$15,567,000

PREVIOUS REQUESTS:

	<u>Special Funds</u>	<u>Federal Funds</u>	<u>Total</u>
+Land Acquisition:			
Land Acquisition Costs:	\$537,450	\$7,259,050*	\$7,796,500
Non-Labor Staff Costs:	0	0	0
TOTAL:	\$537,450	\$7,259,050	\$7,796,500

+Land Acquisition provided by Project No. AK1021-06:
AA#06-0284 12/09/05 Act 178, SLH 2005 Item C-30 S05-736D \$537,450 MOF B

*Note: The federal funds from federal fiscal year 2006 are no longer available for this project.

	<u>Special Funds</u>	<u>Federal Funds</u>	<u>Total</u>
++Land Acquisition:			
Land Acquisition Costs:	\$460,050	\$8,740,950*	\$9,201,000
Non-Labor Staff Costs:	<u>2,500</u>	<u>0</u>	<u>2,500</u>
TOTAL:	\$462,550	\$8,740,950	\$9,203,500

++Land Acquisition provided by Project No. AK1021-06:
AA#06-0543 05/17/06 Act 178, SLH 2005 Item C-30 S05-736D \$462,550 MOF B

*Note: The federal funds from federal fiscal year 2006 are no longer available for this project.

	<u>Special Funds</u>	<u>Federal Funds</u>	<u>Total</u>
+++Land Acquisition:			
Land Acquisition Costs:	\$ 0	\$0	\$ 0
Non-Labor Staff Costs:	<u>45,000</u>	<u>0</u>	<u>45,000</u>
TOTAL:	\$45,000	\$0	\$45,000

+++Land Acquisition provided by Project No. AK1021-06:
AA#07-0084 08/28/06 Act 178, SLH 2005 Item C-30 S05-736D \$45,000 MOF B

Note: \$2,500 is needed for non-labor staff costs. The remaining \$42,500 will be used for the purchase of land.

The Honorable Linda Lingle
May 13, 2010
Page 4

AIR-ER
10.0068

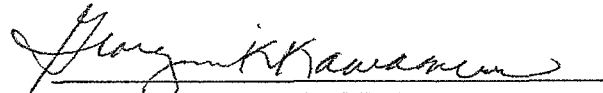
3. The Engineering Program Manager certifies that this project meets all applicable building codes and there are adequate funds currently appropriated for this project.

Department contact: Jeffrey Chang, 838-8835

If the negotiated land cost is within the State appraised land value and available appropriation, permission is requested to purchase the land. If the negotiated land cost is higher than the State appraised land value and available appropriation, we will not purchase the land and notify you immediately to recommend suitable funding alternatives.

RECOMMEND:

APPROVAL DISAPPROVAL




GEORGINA KAWAMURA
Director of Finance

5/7/10

DATE

APPROVED DISAPPROVED



LINDA LINGLE
Governor, State of Hawaii

5/7/10

DATE

Attachments

C.I.P. PROJECT SUMMARY OF PROPOSED EXPENDITURES

PROJECT: Lihue Airport Land Acquisition
 TITLE: AK1021-06

DATE: 05/05/10
 DEPARTMENTAL PRIORITY NO. _____
 CAPITAL PROJECT NO. E02A

COST ELEMENTS	SOURCE OF FUNDS (ACT/ITEM, ACCOUNT NUMBER, FEDERAL, COUNTY, PRIVATE)							TOTAL	DATE
	Act 178, SLH 2005, Item C-30, MOF B	Federal	Act 178, SLH 2005, Item C-30, MOF B	Federal	Act 178, SLH 2005, Item C-30, MOF B	Act 178, SLH 2005, Item C-30, MOF B	Federal (Unavailable)		
LAND ACQUISITION	45,000	8,740,950	462,550	7,259,050	537,450	15,567,000	(16,000,000)	16,612,000	LAND
Land		8,740,950	460,050	7,259,050	537,450	15,609,500	(16,000,000)	16,607,000	Begin: 09/26/05
Consultant Services									Ends: 09/01/10
Staff Services	45,000		2,500			(42,500)		5,000	
Plans									PLAN
Consultant Services									Begin:
Staff Services									Ends:
Design									DESIGN
Consultant Services									Begin:
Staff Services									Ends:
Construction/Equipment									CONSTRUCTION
Basic Bid									Award:
Alternates									
Contingency									
Consultant Services									Begin:
Staff Services									End:
Other Costs									
WORKS OF ART									
TOTAL PROJECT COST	45,000	8,740,950	462,550	7,259,050	537,450	15,567,000	(16,000,000)	16,612,000	
ALLOTTED TO DATE*	45,000		462,550		537,450	0		1,045,000	
ALLOTMENT REQUEST	0		0		0	15,567,000		15,567,000	
BALANCE								0	
FUNDS APPROPRIATED									
*(AA# & DATE)	Completion Date		COMMENTS:						
PLANS:									
LAND: AA#06-0284 (12/09/05)			Note: The federal funds that were available in 2006 are no longer available.						
AA#06-0543 (5/17/06)									
AA#07-0084 (8/28/06)									
DESIGN:									
CONST:									
EQUIP:									

CAPITAL PROJECT INFORMATION AND JUSTIFICATION SHEET

EXPENDING AGENCY:		
USER PROGRAM ID	CAPITAL PROJECT	
DEPT	NUMBER	NUMBER
TRN	161	E02A

ISLAND
4

SEN DIST
7

REP DIST
13

PRIORITY NO.

PREV PRIO NO.

PROJ. SCOPE
O

SCOPE CODES
 N - NEW
 I - RENOVATION
 A - ADDITION
 R - REPLACEMENT
 O - ONGOING

DATE
05/05/2010

PROJECT TITLE:	Lihue Airport Land Acquisition Project No. AK1021-06
----------------	---

PROJECT DESCRIPTION:	To purchase Lots 3 and 5 located within the Ahukini Makai portion of the Wailani (Lihue-Hanamaulu) Master Plan northwest of Lihue Airport for future airport development.
----------------------	---

TOTAL ESTIMATED PROJECT COST (In Thousands of Dollars)

COST ELEMENT	PRIOR APPROPRIATIONS (Including MOF)						APPROPRIATIONS (including MOF)			TOTAL PROJECT COST
	ACT YR ITEM 178 05 C-30	ACT YR ITEM 178 05 C-30	ACT YR ITEM 178 05 C-30	ACT YR ITEM	ACT YR ITEM	ACT YR ITEM	FY 2010	FY 2011	FUTURE YEARS	
PLANS										
LAND	45	463	537				15,567			16,612
DESIGN										
CONSTRUCT										
EQUIPMENT										
TOTALS	45	463	537				15,567			16,612
	45 B	463 B	537 B				15,567 B			16,612 B
		8,741 N	7,259 N				(16,000) N			0 N

PROJECT INFORMATION AND JUSTIFICATION (use back if necessary):

a. Total Scope of Project.

This project will purchase approximately 40 acres of adjacent land northwest of Lihue Airport to support safety, operational and legal requirements for the airport.

b. Identification of Need and Evaluation of Existing Situation.

To insure compatible land use at Lihue Airport and to satisfy noise mitigation measures, a buffer zone is required between adjacent developments.

c. Alternatives Considered and Impact if Project is Deferred.

Existing spaces were evaluated for acceptability, however, due to strict locational requirements, such as size, access to traffic, air space requirements, the intended uses could not be satisfied within the existing spaces. If the project is deferred, all other projects intended to be built on this land will not be completed and the airport will not be able to provide an optimally safe environment for travel, and satisfy its legal requirements as an airports sponsor and State entity to the public.

d. Discuss What Improvements Will Take Place When Project Completed (including benefits to be derived and/or deficiencies this project intends to correct).

With the additional land, Lihue Airport will be able to implement aspects of its master plan to comply will our requirements as an airport sponsor, as well as, provide a safe environment for passengers and insure compatible land use with adjacent land at the airport.

e. Impact Upon Future Operating Requirements (show initial and ongoing funding requirements by cost element, including position count, means of financing, fiscal year).

Upon satisfactory completion of this project a firm program is intended to be developed.

f. Additional Information:

None.

APPENDIX J

Allotment Advices dated May 17, 2006,
August 28, 2006, and May 6, 2010

[ORIGINAL]

STATE OF HAWAII
ALLOTMENT ADVICE

06-44
DOT-A
Page 1 of 2

TO: The Honorable Rodney K. Haraga, Director ADVICE NO. 06-0543
Department of Transportation COMPTRROLLER'S NO. xxxxxxxx

I have this day approved the following allotments from Airports Special
 Fund appropriations authorized by Section 85 of Act 178, SLH 2005,
 for the purposes indicated:

TC	F	YR	APP	D	ALLOT CAT	SOURCE/ OBJECT	ITEM	TITLE AND PURPOSE OF ALLOTMENT	M O F	AMOUNT	
xxx	x	xx	xxx	xx	xx	xxxx	xxxxxx	(20 x)	x	xxxxxxxxxxxx	xx
531	S	05	736	D	20		C-30	Lihue Airport Noise Land Acquisition, Kauai (Land) Land acquisition of a 173 acre parcel north of Ahukini Road. This project is deemed necessary to qualify for federal aid financing and/or reimbursement. CASH TRANSFER	B	462,550	00
972	S	06	366	D				Reserve for Future Cash CIP	W	462,550	00
971	S	05	736	D			C-30	Lihue Airport Noise Land Acquisition, Kauai (Land) Project Allotment: \$462,550.00	B	462,550	00
								(AK1021-06)			

STATE OF HAWAII
ALLOTMENT ADVICE

06-44
DOT-A
Page 2 of 2

TO: The Honorable Rodney K. Haraga, Director
Department of Transportation

ADVICE NO. 06-0543

COMPTROLLER'S NO. XXXXXXXX
XXXXXXXX

TC	F	YR	APP	D	ALLOT CAT	SOURCE/ OBJECT	ITEM	TITLE AND PURPOSE OF ALLOTMENT	M O F	AMOUNT
XXX	X	XX	XXX	XX	XX	XXXX	XXXXXX	(20 x)	X	XXXXXXXXXXXX
								Purpose: To finance land acquisition costs at Lihue Airport, Kauai Statewide Project No. 161F02A00 Airports Project No. AK1021-06		

Alongina Kawano
DIRECTOR OF BUDGET AND FINANCE

R. Z. Lee
GOVERNOR, STATE OF HAWAII

DATE: May 17, 2006

5/25/06: Air-LPM
PBB-M
Cw-0

ORIGINAL

STATE OF HAWAII ALLOTMENT ADVICE

07-05
DOT-A
Page 1 of 2

TO: The Honorable Rodney K. Haraga, Director ADVICE NO. 07-0084
Department of Transportation COMPROLLER'S NO. XXXXXXXX

I have this day approved the following allotments from Airports Special
Fund appropriations authorized by Section 85 of Act 178, SLH 2005, as
amended by Act 160, SLH 2006, for the purposes indicated:

TC	F	YR	APP	D	ALLOT CAT	SOURCE/ OBJECT	ITEM	TITLE AND PURPOSE OF ALLOTMENT	M O F	AMOUNT
XXX	X	XX	XXX	XX	XX	XXXX	XXXXXX	(20 x)	X	XXXXXXXXXXXX XX
531	S	05	736	D	20		C-30	Lihue Airport Noise Land Acquisition, Kauai (Land) Land acquisition of a 173 acre parcel north of Ahukini Road. This project is deemed necessary to qualify for federal aid financing and/or reimbursement. CASH TRANSFER	B	537,450 00
972	S	07	366	D				Reserve for Future Cash CIP	W	537,450 00
971	S	05	736	D			C-30	Lihue Airport Noise Land Acquisition, Kauai (Land) Project Allotment: \$537,450.00	B	537,450 00


(AK1021-06)

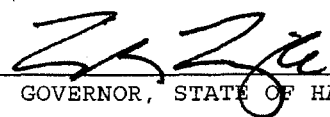
STATE OF HAWAII
ALLOTMENT ADVICE

07-05
DOT-A
Page 2 of 2

TO: The Honorable Rodney K. Haraga, Director ADVICE NO. 07-0084
Department of Transportation COMPTRROLLER'S NO. XXXXXXXX

TC	F	YR	APP	D	ALLOT CAT	SOURCE/ OBJECT	ITEM	TITLE AND PURPOSE OF ALLOTMENT	M O F	AMOUNT
XXX	X	XX	XXX	XX	XX	XXXX	XXXXXX	(20 x)	X	XXXXXXXXXXXX XX
								Purpose: To finance land acquisition costs at Lihue Airport, Kauai Statewide Project No. 161F02A00 Airports Project No. AK1021-06		


 DIRECTOR OF BUDGET AND FINANCE


 GOVERNOR, STATE OF HAWAII

DATE: August 28, 2006

9/18/06 - AIR-ER
PPB-M

AK1021-06

STATE OF HAWAII
ALLOTMENT ADVICE

10-30
DOT-A
Page 1 of 2

TO: The Honorable Brennon T. Morioka, Director

ADVICE NO. 10-0351

Department of Transportation

COMPROLLER'S NO. _____

xxxxxxx

xxxxxxx

I have this day approved the following allotments from Airport Special
fund appropriations authorized by Sections 85 and 112 of Act 178, SLH 2005,
as amended by Act 160, SLH 2006, for the purposes indicated:

TC	F	YR	APP	D	ALLOT CAT	SOURCE/ OBJECT	ITEM	TITLE AND PURPOSE OF ALLOTMENT	M O F	AMOUNT	
xxx	x	xx	xxx	xx	xx	xxxx	xxxxxx	(20 x)	x	xxxxxxxxxxx	xx
531	S	05	736	D	20		C-30	Lihue Airport Noise Land Acquisition, Kauai (Land) Land acquisition of a 173 acre parcel north of Ahukini Road. This project is deemed necessary to qualify for federal aid financing and/or reimbursement. SUPPLEMENTAL ALLOTMENT	B	55,000	00
411	S	05	736	D			C-30	Lihue Airport Noise Land Acquisition, Kauai (Land)	B	15,512,000	00
531	S	05	736	D	20		C-30	Lihue Airport Noise Land Acquisition, Kauai (Land)	B	15,512,000	00

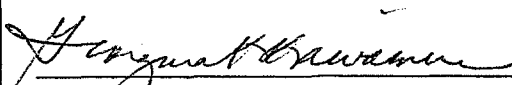
STATE OF HAWAII
ALLOTMENT ADVICE

10-30
DOT-A
Page 2 of 2

TO: The Honorable Brennon T. Morioka, Director
Department of Transportation

ADVICE NO. 10-0351
XXXXXXXXXX
COMPTROLLER'S NO. _____
XXXXXXXXXX

TC	F	YR	APP	D	ALLOT CAT	SOURCE/ OBJECT	ITEM	TITLE AND PURPOSE OF ALLOTMENT	M O F	AMOUNT	
XXX	X	XX	XXX	XX	XX	XXXX	XXXXXX	(20 x)	X	XXXXXXXXXXXX	XX
								Project Allotment: \$15,567,000.00 Purpose: To finance the additional land acquisition costs at Lihue Airport, Kauai Statewide Project No. 161F02A00 Airports Project No. AK1021-06			



DIRECTOR OF BUDGET AND FINANCE



GOVERNOR, STATE OF HAWAII

DATE: May 6, 2010

APPENDIX K

Letters of support for Mr. Sekiguchi from
special interest groups

AIRLINES COMMITTEE OF HAWAII



Honolulu International Airport
300 Rodgers Blvd., #62
Honolulu, Hawaii 96819-1832
Phone (808) 838-0011
Fax (808) 838-0231

April 2, 2010

The Honorable Linda Lingle
Governor, State of Hawaii
Executive Chambers
State Capitol
Honolulu, Hawaii 96813

Subject: Implementation of Airports Modernization Program

Dear Governor Lingle:

Since 2003, the ACH has had the pleasure of working with Deputy Director Brian Sekiguchi. Under Mr. Sekiguchi's leadership, the DOT-A and ACH have been able to collaboratively develop the Airports Modernization Program (Program) that is anticipated to be implemented over the next 15 years. This Program was unanimously supported by our members, and will improve the passenger experience and provide additional capacity to support growth in Hawaii air travel for several decades to come.

However, since the Program is still in its infancy, the ACH does have concerns related to continuity with the next administration. The ACH understands that Mr. Sekiguchi is currently serving in an appointed position, with no assurance that he will be reappointed. Thus the ACH, if Mr. Sekiguchi is willing, requests your support for transitioning Mr. Sekiguchi to a position that will provide him the opportunity to complete this Program. The ACH strongly believes that his leadership and institutional knowledge will be critical to the continuity, and ultimately successful implementation of this Program.

The Airlines Committee of Hawaii appreciates your support and consideration.

Sincerely,

ACH Executive Committee Members

Alan Ogawa
Lori Peters
Steve Holt
Blaine Miyasato



Air Cargo Association of Hawaii

P. O. Box 30021 * Honolulu, Hawaii 96820
Web site: www.aircargohawaii.org

June 9, 2010

Honorable Linda Lingle, Governor
State of Hawaii
Executive Chambers, 5th Floor
State Capitol Building
Honolulu, HI 96813

Re: Airport Modernization Program

Dear Governor Lingle,

Our group represents all of the Airline Carriers in and out of Hawaii, as well as Freight Forwarders, Truckers, and representatives in the Tourism, Construction, and Related industries. We are writing to you, in support of the Airport Modernization Program and Mr. Brian Sekiguchi's role and hand in its movement. We are asking for your support to have Mr. Sekiguchi continue to remain in the Program in his leadership role.

Air Cargo Association of Hawaii (Soon to be changed to: Air Cargo Alliance of Hawaii) has been a group for many years conducting monthly informational meetings, seminars, cargo conferences, fundraising events for educational scholarships and charitable groups' contributions. We provide current transportation information that affects all citizens of Hawaii, on all islands in the cargo transportation area as well as passenger transportation. Our membership is a diverse group of individuals and companies that adversely and directly affect the livelihood and economy of the State of Hawaii.

We have worked closely in the past as well as currently with Brian Sekiguchi and have been confident in his ability to be a leader in the future of our airports in the State, and especially one here, Honolulu International Airport. He out of many in the chain of command has been one that took the time to address our group's concerns for the changes at our airports, as well as keeping us abreast to current issues and information. Information that we require and is necessary for our future, moving forward. He has and continues to take the time to listen to what we have to say, something that is almost obsolete in our ever changing, busy lives and community.

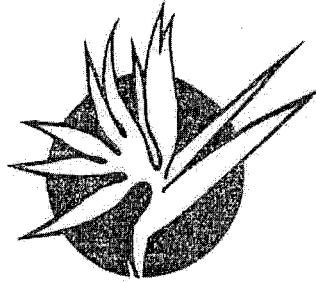
By copy of this letter to legislators listed below, we respectfully submit this letter for their support in encouraging Mr. Brian Sekiguchi to remain in his position for amore brighter future for our airports and the Program. As a group, we would welcome your comments and should you want to further discuss this matter, please have you staff contact me at (808) 833-0043.

Respectfully and Mahalo Nui Loa,

Norma D. Acob
President/Air Cargo Association of Hawaii (Air Cargo Alliance of Hawaii)

cc: Senate President Colleen Hanabusa
 Senator J. Kalani English, Chair
 Senator Donna Mercado Kim, Chair
 All Senators
 House Speaker Calvin Say
 Rep. Joseph Souki, Chair
 Rep. Marcus Oshiro, Chair
 All Representatives
 Director Brennon Morioka
 Deputy Director Brian Sekiguchi

JUN 17 2010



Master

AIRPORT CONCESSIONAIRES COMMITTEE

Via Hand Delivery

Honorable Linda Lingle, Governor
State of Hawaii
Executive Chambers, 5th Floor
State Capitol Building
Honolulu, HI 96813

June 10, 2010

Re: Airport Modernization Program

Dear Governor Lingle:

As you may know, our Committee represents the major concessions at Hawaii's public airports. We write in support of the Airport Modernization Program (Program) and Deputy Director Brian Sekiguchi's leadership of the Program. We seek your support in urging Mr. Sekiguchi to continue to remain with the Program in a leadership capacity.

For over 30 years airport concessions have provided more than 50% --- and at times as much as 75%---of airport operating revenues. As past Airports' Administrator Owen Miyamoto reports, the neighbor island airports would not be what they are today without the funding and support provided by airport concessions.

While some work has been done in the past years on airport improvements, much of these improvements have been primarily to support airline activities with a much lesser focus in our opinion on providing concession improvements and enhanced passenger experiences. Being an Island State heavily dependent on tourism it is critically important that our public airports --- being the first and last impression that visitors have of Hawaii --- provide services and concession opportunities travelers would expect of a premiere tourist destination such as Hawaii.

The Program started during your Administration is long overdue in addressing these needs. In addition to enhanced concession opportunities, we are particularly impressed with the Program's plans to create a "Hawaii sense of place" at our public airports. This critical element for too long has been simply missing at Hawaii's public airports. Thus Hawaii's airports to most visitors are no different than travelling through any other airport. This simply should not be happening in our view. We know Mr. Sekiguchi shares our views on these many important issues.

We have been very impressed with Mr. Sekiguchi's leadership in maintaining support for the Program and keeping the Program moving forward especially during these difficult economic times. In spite of the bureaucratic and many obstacles leaders often face with many public-work projects, Mr. Sekiguchi has effectively maintained and communicated to the various stakeholders the benefits and importance of the Program. Without his steadfast vision, leadership and credibility with stakeholders, in our opinion the Program would not be where it is today and unfortunately would have been just another dead-airport project.

Being a public-service leader is no easy task and there will often be critics especially for a leader like Mr. Sekiguchi who is result oriented and open to new ideas. It's a thankless job full of critics. While Mr. Sekiguchi likely has better-paying financial opportunities in the private sector that would be of greater personal benefit to him and his family, we selfishly urge you to ask him to remain as a leader with our public airports and for the Program. We need his continued passion, vision and leadership skills. While we note he is often a man of few words, he is highly respected in Hawaii's airport community and elsewhere.

By copy of this letter to legislators we respectfully share our views and ask for their support. We likewise again urge Mr. Sekiguchi to remain a leader at our public airports and for the Program.

Governor, please urge Mr. Sekiguchi to remain. To ensure continuity of administration, knowledge and implementation of the Program, it is very important in our view that he remain in a leadership role at our public airports.

Please let us know if you would like to further discuss matters. If so, please have someone with your office contact Fred Alvarado at telephone number 694-6802.

Very truly yours,



By

Fred Alvarado, Committee Chair

cc: Senate President Colleen Hanabusa
Senator J. Kalani English, Chair
Senator Donna Mercado Kim, Chair
All Senators

House Speaker Calvin Say
Representative Joseph Souki, Chair
Representative Marcus Oshiro, Chair
All Representatives

Director Brennon Morioka
Deputy Director Brian Sekiguchi

APPENDIX L

Letter from Mr. Harlo Stanley to Senator
Sam Slom

July 12, 2010

The Honorable Sam Slom
Hawaii Senate
State Capitol Building
Honolulu, Hawaii 96813

Reference: Senate Way and Means Hearing, July 7, 2010

Dear Senator Slom,

During the hearing when I was testifying, you had asked if the Personnel Officer and voiced any threats of physical violence against the Personnel Office members, other than body language.

I had just started to relate as second incident that was directed at Mr. Sidney Hayakawa, the Airports Division Administrative Services Officer. Unfortunately, I was unable to finish my statement due to time limits. However, I believe it is important that you are provided the rest of the statement, which

Late one afternoon, after the Personnel Officer had been removed from her supervisory duties, she came to the Personnel Office. She was accompanied by her Acting Supervisor, Airports Division Chief, Martinez Jacobs. She said she was there to pick up her personal files. However, she started removing files from an entire four drawer filing cabinet and stacking them on a push cart. I told her she could not take the files until I reviewed them to ensure no Personnel Office files were being removed. She refused to stop, loaded the files on the cart, and began pushing it toward the exit door.

Someone had informed Mr. Hayakawa and he came to see what was happening. He arrived just before the Personnel Officer left the area. He agreed with me that the files must be reviewed to ensure no Personnel Office files were removed. As he was reviewing documents in a large binder, the Personnel Officer suddenly rushed forward, angrily yelling that they were her personal files. She grabbed the binder and attempted to physically wrestle it from Mr. Hayakawa. To me, she again appeared to have totally lost control of herself and to be in a state of mind in which she was unaware of what she was doing. She only controlled herself when Mr. Hayakawa threatened to call the Sheriff Department (Note: The Sheriff Department, not the Honolulu Police Department, has jurisdiction at the Honolulu

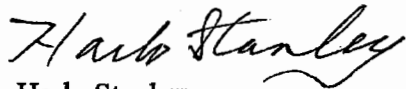
I am not an attorney. However, I believe the Personnel Officer's met the legal definition of assault.

This was the second time that I witnessed the Personnel Officer showing no hesitation in confronting her supervisor in a loud, angry manner in which she appeared to have lost total control of herself and of her surroundings.

I believe the five members of the Personnel Office, including me, who have experienced this two year ordeal, have a reasonable basis for believing the Personnel Officer is capable of inflicting physical harm on any one of us.

I further believe management failed to pursue due diligence in ensuring we had a safe and secure workplace. Instead, management "hoped" for the best and stated they would take action in the event one of us was subjected to workplace violence in the future.

Sincerely,

A handwritten signature in cursive script that reads "Harlo Stanley".

Harlo Stanley

cc: ~~Senator Donna Mercado Kim~~

APPENDIX M

Professional Commitment Agreement

PROFESSIONAL COMMITMENT AGREEMENT
(Department of Transportation, Airports Division)

THIS AGREEMENT IS MADE AND EFFECTIVE, February 1, 2010, by and between the State of Hawaii, Department of Transportation, Airports Division (Employer), and all Program Employees within the Department of Transportation, Airports Division, Staff Services Office, Personnel Management Staff (Program) with its primary office located at 400 Rodgers Boulevard, 7th Floor, Honolulu International Airport, for the purpose of encouraging all program employees to more effectively work together.

WHEREAS, it is the policy of the Department to continuously develop an orderly, constructive and mutually beneficial relationship between supervisors and staff in the interest of effective personnel management and the efficient operation of the Department; and

WHEREAS, Each employee regardless of rank, position or seniority, is expected to perform his/her job conscientiously and effectively and to conduct himself/herself at all times in a manner which reflects credit to the department and the State of Hawaii; and

WHEREAS, All employees of the Department of Transportation are covered by Chapter 84, Hawaii Revised Statutes, Standards of Conduct; and

WHEREAS, Conduct which does not conform to these rules may be the basis for departmental disciplinary actions up to and

including dismissal being taken against the employee(s) concerned;
and

WHEREAS, Employees are expected to perform their duties, and are required to respond readily to the direction of their supervisors, to cooperate with their fellow employees and all properly constituted authority, and to perform their assigned work;
and

WHEREAS, Employees are expected to conduct themselves in a manner which will be conducive to achieving the goals of the Program, the Division, and the Department, which include having a civil and collaborative interpersonal working relationship with fellow co-workers. Employees must be courteous, businesslike, and tactful at all times. They must perform their duties in an impartial manner; and

WHEREAS, the Program is beset by inter-personal, professional, dysfunctional and problematic disputes that have resulted in the imposition of Mutual Restraining Orders, by the District Court of the First Circuit Court, Honolulu Division; and

WHEREAS, since the imposition of said Mutual Restraining Orders, the Program has not been functioning appropriately, and efficiently, even with implementation of certain reassignments; and

WHEREAS, the Program's dysfunction and inefficiency, resulting from the Program Employees' inability to work effectively and respectfully together, has caused the Employer great distress and

concern; and

WHEREAS, the Programs' workload and timely response has suffered, stalling other matters within the Division; and

WHEREAS, the Employer is obligated to oversee, monitor, manage its employees, including the Program Employees, in a manner commensurate with the expressed goals of the Departmental Staff Manual; and

WHEREAS, it is in the best interests of the Department, the Airports Division, the Program and all Program Employees, and necessary for the efficient and productive operation of the Program that all Parties hereto comply with the Departmental Staff Manual, Airport Division Procedures and Directives, and that all conflicts, disagreements, unprofessional, and alleged misconduct asserted against each other cease, as being counter productive to the efficiency of the Program operation; and

NOW THEREFORE, be it resolved that the Parties Agree to resolve their differences on the following basis:

1. All Parties recognize that the Program is not functioning properly and efficiently, as a result, in part, to the environment that has been created by a plethora of charges and counter charges of Workplace Violence, misconduct, unprofessional behavior, finger pointing, and other misdeeds.
2. Said charges have divided the Program Employees, caused the Employer to initiate investigations that cost time and money, and detract from the Program's official business.
3. The Program's operational efficiency has suffered.

4. The Parties recognize that the Program must move beyond said charges and allegations in order to regain operational efficiency and the Parties must learn to work with each other in a manner that is conducive to and consistent with the goals of the Department and Division.
5. The Parties also recognize that in order to regain its operational integrity, the Department cannot enforce or require compliance with the Temporary Restraining Orders.
6. The Parties must also agree to set aside their differences and conduct themselves in a manner consistent with professional conduct stated within appropriate section of the Departmental Staff Manual and Airport Division Procedures and Directives.
7. The Parties agree that this Professional Commitment Agreement is not disciplinary in nature and will not be used in a manner to justify future disciplinary action against anyone.
8. The Parties Agree that this Professional Commitment Agreement is only an expression of each Parties willingness, desire and commitment to better work together for the benefit of the Program.
9. The Parties do hereby personally and in good faith commit to working civilly and collaboratively with the other Program Employees and to treat the other Program Employees with respect. To this extent, the Parties do hereby agree to refrain from yelling or talking to other Program Employees in a harassing, intimidating, or otherwise condescending manner.

AGREED TO AND executed by the following Parties:

Kim Stronken

*Received
April 12, 2010.
JPK*

APPENDIX N

Testimony of Maui Division Airport Fire
Chief Eugene Perry

Reduced minimum manning to 5,not enough firefighters to keep minimum at 6 per operational readiness ARFF procedure 8.14. Cause was the failure to recruit firefighters and announce position vacancies in a timely fashion.Overtime was a costly factor due to the lack of personnel. OT was questioned by administration and what was being done to reduce it.Cost saving suggestions were made to include:

- 1.Further reduce minimum manning to 4.I refused due to life safety factors for firefighters and the traveling public reduction would greatly hamper our ability to respond to medicals and properly treat patients and maintain our index.Outlying stations within district reduced manning to 1 after 6pm,cutting OT cost by almost 30%
2. Utilize other districts to back fill.Problem is other districts also under manned and facing the same man shortages.
3. Emphasis shift substitutions and the prudent use of EL and SL.
4. Some OT is CBA RFR and is justifief under the BU-11 Agreement Section 27.

Problem lies with in that personnel dept. prior to this new management back in 2007/2008 no problem existed recruitment /promotion was left with the State Airports Fire Chief and was always held in a timely fashion,the personnel at that time were helpful and assisted in helping not only Fire Admin but employees who had questions, they would steer individuals in the right direction and help them. The current personnel are dysfunctional at best and need to be managed better.

Statements were made but not substantiated that the HFFA recommended the personnel officer take over ARFF hiring,promotional functions due to grievances.I talked with Bobby Lee HFFA president and according to him and the best of his knowledge none were filed.Some complaints were verbally presented but no formal grievances.So why is it all ARFF testing has to be facilitated by Airport personnel officer,when we have people in each district more than capable of conducting testing and interviews.

I must say the current Acting Director and Deputy Director have been very proactive in addressing the ARFF dept.concerns and we have moved forward on several fronts to hire throughout the state ARFF departments.They have some how motivated the personnel department into accomplishing their job functions. Addressing the ARFF OT issue,hiring,and promotional opportunities will continue to be a issue until changes are made within the Airport personnel office,our taxpayers deserve better,displacing the competent personnel that once served that department was derelict ,mishandled and very shortsighted. My only concern is when the current Acting Director and Deputy depart do we again fall in a dysfunctional,inept,and disorganized system,costing us taxpayers money in OT and hiring of EH personnel.



Maui District ARFF Overtime

Martinez Jacobs to: Eugene Perry

10/07/2010 02:56 PM

Cc: Marvin A Moniz, Brian Y Kamimoto, Roy Sakata

TRN 131	Kahului	2007-2008	2008-2009	2009-2010
Object Code 2688		\$227,783.08	\$293,280.48	\$249,757.98
TRN 135	Kapalua	2007-2008	2008-2009	2009-2010
Object Code 2388		\$64,381.30	\$15,342.62	\$20,285.77
TRN 141	Molokai	2007-2008	2008-2009	2009-2010
Object Code 2888		\$142,048.05	\$138,054.07	\$96,968.62
TRN 151	Lanai	2007-2008	2008-2009	2009-2010
Object Code 3088		\$93,768.96	\$79,159.33	\$58,641.87



Maui District Overtime & Active ARFF Position Status as of 10/07/10

Martinez Jacobs to: Jiro A Sumada, Michael Formby, Roy Sakata 10/07/2010 03:58 PM

Cc: Eugene Perry, Marvin A Moniz, Brian Y Kamimoto, Sidney A Hayakawa, Lisa Matsuoka

KAHULUI AIRPORT

POSITIONS	SALARY RATING	POSITION NOS.	POSITION STATUS	RECRUITMENT STATUS
Airport Fire Chief	SR-26	29235	Filled	
Red Platoon				
1 Airport Fire Captain	SR-25	29227	Filled	
2 Airport Fire Lieutenant	SR-23	29226	Filled	
3 Airport Fire Equipment Operator	SR-21	25431	Filled	
4 Airport Fire Equipment Operator	SR-21	27708	Filled	
5 Airport Fire Equipment Operator	SR-21	25429	Filled	
6 Airport Firefighter	SR-17	27718	Filled	
7 Airport Firefighter	SR-17	26498	Filled	
8 Airport Firefighter	SR-17	27716	Filled	
Blue Platoon				
1 Airport Fire Captain	SR-25	29231	Filled	
2 Airport Fire Lieutenant	SR-23	29228	Filled	
3 Airport Fire Equipment Operator	SR-21	27707	Filled	
4 Airport Fire Equipment Operator	SR-21	27711	Filled	
5 Airport Fire Equipment Operator	SR-21	27710	Filled	
6 Airport Firefighter	SR-17	27714	Filled	
7 Airport Firefighter	SR-17	27712	Filled	
Green Platoon				
1 Airport Fire Captain	SR-25	29229	Filled	
2 Airport Fire Lieutenant	SR-23	29230	Filled	
3 Airport Fire Equipment Operator	SR-21	26497	Filled	
4 Airport Fire Equipment Operator	SR-21	25430	Filled	
5 Airport Fire Equipment Operator	SR-21	27709	Filled	
6 Airport Firefighter	SR-17	25428	Filled	
7 Airport Firefighter	SR-17	27717	Vacant	DHRD Recruitment
8 Airport Firefighter	SR-17	27713	Filled	

TRN 131	Kahului	2007-2008	2008-2009	2009-2010
Object Code 2688		\$227,783.08	\$293,280.48	\$249,757.98

MOLOKAI AIRPORT

POSITIONS	SALARY RATING	POSITION NOS.	POSITION STATUS	RECRUITMENT STATUS
1 Airport Fire Captain	SR-25	47855	Filed	Dep onte's request pendin
2 Airport Fire Lieutenant	SR-23	29232	Vacant	
3 Airport Fire Equipment Operator	SR-21	29224	Filed	DHRD Recruitment
4 Airport Fire Equipment Operator	SR-21	29225	Filed	
5 Airport Firefighter	SR-17	47851	Vacant	
6 Airport Firefighter	SR-17	47853	Filed	

TRN 141	Molokai	2007-2008	2008-2009	2009-2010
Object Code 2888		\$142,048.05	\$138,054.07	\$96,968.62

LANAI AIRPORT

POSITIONS	SALARY RATING	POSITION NOS.	POSITION STATUS	RECRUITMENT STATUS
1 Airport Fire Captain	SR-25	45243	Filed	DHRD Recruitment
2 Airport Fire Equipment Operator	SR-21	29232	Filed	
3 Airport Fire Equipment Operator	SR-21	40462	Filed	
4 Airport Firefighter	SR-17	47852	Vacant	

TRN 151	Lanai	2007-2008	2008-2009	2009-2010
Object Code 3088		\$93,768.96	\$79,159.33	\$58,641.87

KAPALUA AIRPORT

POSITIONS	SALARY RATING	POSITION NOS.	POSITION STATUS	RECRUITMENT STATUS
1 Airport Fire Equipment Operator	SR-21	45607	Filed	
2 Airport Fire Equipment Operator	SR-21	45608	Filed	

TRN 135	Kapalua	2007-2008	2008-2009	2009-2010
Object Code 2388		\$64,381.30	\$15,342.62	\$20,285.77

APPENDIX O

Director Morioka letter to Senator Kim
dated August 25, 2010

LINDA LINGLE
GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

AUG 25 2010

BRENNON T. MORIOKA
DIRECTOR

Deputy Directors
MICHAEL D. FORMBY
FRANCIS PAUL KEENO
JIRO A. SUMADA

IN REPLY REFER TO:

AIR-A
10.0181

August 25, 2010

The Honorable Donna Mercado Kim
Chair, Senate Committee on Ways and Means
State Capitol, Room 210
Honolulu, Hawaii 96813

Dear Chair Mercado Kim:

In follow up to the Senate Ways and Means Committee's July 19, 2010, informational briefing and our letter dated July 29, 2010, as well as additional questions you asked, the following information is being submitted:

1. Since the information provided to the Committee to date establishes that Mr. Sekiguchi did not file for vacation for April 8, 2009, and therefore was paid by the State when he was traveling for personal vacation, please provide the following information:
 - a. Work related documentation. Since Mr. Sekiguchi claims that he might have met with persons on airport related matters during his vacation, please provide documentation to verify that claim, including the names of the entities or persons he met with, their contact information for verification; and the subject matter of the meetings. Please also provide any per diem requests for reimbursement of expenses for the work day.
 - b. Gift disclosure documentation. Since Mr. Sekiguchi asserts that no part of his trip was paid for by a third party, specifically an airport vendor or any work-related company, please provide any documentation that would verify that Mr. Sekiguchi personally paid for trip related expenses for travel, food, accommodations, the Masters entry ticket, etc.
 - c. The information requested in the Chair's July 22, 2010, letter relating to Mr. Sekiguchi's April 8, 2009, work documentation and gift disclosure documentation. Although your July 29, 2010, reply indicates that the information will be coming from Mr. Sekiguchi, given Mr. Sekiguchi's impending retirement, it is DOT's responsibility to either provide the information or obtain the information from Mr. Sekiguchi since he was within the DOT's employ on April 8, 2009, the date of the conduct in question.

Response: Mr. Sekiguchi had official business meetings with AvAirPros, Mr. Phil Strohm, CEO, and Mr. Rod Aoki, Managing Director; and it is our

understanding that an employee, even if traveling on vacation, is entitled to charge for the transit time to a meeting for official business, such as this one Mr. Sekiguchi attended during the layover between flights. However, Mr. Sekiguchi did subsequently submit a request for vacation that covers the day of April 8, 2009, in order to remove any uncertainty that he was in fact traveling as part of his original vacation request. Mr. Strohm's contact number is (239)262-0010 and Mr. Aoki's contact number is 838-0011.

It is also our understanding that Mr. Sekiguchi has been in contact with the State Ethics Commission in regards to the other issues related to his vacation.

2. With respect to access to the Grove Farm land, it is our understanding that Highways Division placed access restrictions along the boundary of the land when it was being used for agricultural purposes, and that the only current access is through a pre-existing cane haul road, and there is no other vehicular access along Kapule Highway. Given that Grove Farm wants DOT Airports to help pay for moving the access point, increasing its size, and changing the allowable use, all of which is tantamount to "enhancing" the land, please provide the following information:

Response: *As stated above, access from the referenced land owned by Grove Farm onto Kapule Highway is currently restricted to a single agricultural access that was previously used for sugar cane operations. The land was, however, rezoned to industrial. Such development on this land required the landowner to seek approval from the Highways Division for a modification in the access and a permit to work in the State Highway right-of-way to construct a properly designed driveway and/or intersection that meets current highway design standards. While access does enhance the value of land, the Department of Transportation is also prohibited from denying access that could "land lock" a parcel and rendering it useless.*

The subdivision proposed by Grove Farm creates a new roadway and intersection to Kapule Highway that would serve the property to be retained by Grove Farm and the properties to be acquired by the Airports Division.

For the Highways Division, this proposed new roadway connection (intersection) will require a modification to the existing agricultural access along Kapule Highway to a more urban use and increased size of access break and qualifies as a "disposition of a real property right" as referenced in 23 Code of Federal Regulations (CFR), Part 710.403 (d), which requires the HDOT to "charge current fair market value or rent for the use or disposal of real property interests, including access control".

Typically, costs for a new access and road system serving multiple parcels includes costs for intersection improvements, and requires traffic mitigation measures that would be proportionately spread among the entire development and all development stakeholders. However, in this case, the Airports Division will not be participating in any of the costs associated with the access modification or necessary access improvements as the Airports Division negotiated for the state to not be assessed any of these costs, as those costs will be borne solely by Grove Farm as outlined in Section 6.3 of the agreement.

As a note, although both the Airports Division and the Highways Division are under the Department of Transportation, these Divisions have very separate special funding sources and are both associated with independent governing federal requirements regarding the use of such funds (i.e., FAA and FHWA). As an example, assessments for access modifications fall under the disposition of real property rights in 23 CFR which is the federal regulations governing the Federal Highways Administration. As such, any assessment placed on a land owner would be paid into the highway special fund rather than the airport special fund.

- a. The value of the enhancement to the land as a result of the proposed changes to the access point.

Response: *The Highways Division is still working with Grove Farm on the detailed technical requirements of the access modification within their traffic study so no final agreements on access exist as of yet.*

- b. Whether any enhancement fee was negotiated as part of the overall compensation for the Grove Farm land, and if not, why it was not included in the compensation negotiations.

Response: *Enhancement fees for the access were a part of the land acquisition negotiations. The terms in the agreement relative to costs associated with the access modification are actually in the favor of the Airports Division. The Airports Division agreement for purchase of the land does not include the paying of "any enhancement fee" to be assessed by Highways Division for any break or modification in access as described in Section 6.3 of the agreement below.*

As it involves a separate Division with separate federal regulations and approval processes, it is more appropriate to address such requests for breaks in access as a separate matter. The Highways Division must also ensure that measures to mitigate project generated traffic impacts are properly identified and implemented with proposed new developments. This can be a rather involved technical review process and influences the size, location, and improvements that will be required by the

Highways Division. The processing of a request for access and assessment of any applicable "disposition of access rights" by the Highways Division would, therefore, typically take place after such technical review and identification of Highways Division requirements.

The Highways Division is still actively engaged in this process with Grove Farm that will establish the final location, width, and necessary improvements that must be implemented with this proposed new intersection to Kapule Highway.

Further, the fair market value that the Highways Division pays or assesses for breaks or modification in accesses are based on appraisal. While there may be some negotiation relating to the technical aspects of the access modification which can affect the appraised value, the actual value must still be reasonable, transparent and repeatable so differences in valuation for other requests are not typically significant in magnitude. The fair market value assessed by the Highways Division must also be used for highway purposes rather than airport related purposes and any monetary assessment for access modification is paid to the highway special fund rather than the airport special fund.

- c. The projected costs to DOT Airports for the proposed changes to the access point, which will be in favor of Grove Farm.

Response: *We are not aware of any costs that would be attributable to the Airports Division as a result of changes to the access point. The Airports Division is not responsible for any enhancement or other fees as outlined in Section 6.3 of the agreement.*

Section 6.3 Kapule Highway Access; Additional Access Points: states that DOTA shall use reasonable efforts to assist Visionary in establishing a new access point on Kapule Highway and a new access point on Ahukini Road in coordination with DOT-Highways Division. DOTA shall also use reasonable efforts to assist Visionary in establishing onto Kapule Highway for the existing asphalt batch plant currently license to Grace Pacific, as well as access points for the Reserved Land in locations to be agreed upon during the Due Diligence Period.

The Kapule Highway intersection and Additional Access points shall be reflected in the Final Large Lot Subdivision Map. Any enhancement or other access fees for the access points shall be at no cost to DOTA.

3. Given the problems reported of the Personnel Office Supervisor's travel and interaction with personnel on the island of Hawaii, please investigate and report on the following:
 - a. The purpose for which the Supervisor had traveled to the island of Hawaii unannounced;
 - b. The dispute that had arisen between the Supervisor and the Hawaii Island personnel;
 - c. The purpose for which the Supervisor had visited the big island firefighters' dormitory room.

Response: *We have performed an internal investigation and have also referred this matter to the Department of the Attorney General to review further.*

4. With respect to the security breach at the Lihue Airport on September 11, 2009, please provide a breakdown of the costs to the State, the airlines, and to travelers from shutting down the Lihue Airport for two hours due to the breach.

Response: *The enclosed Security Dispatch Log confirms that a terminal evacuation search at the Lihue Airport was initiated on September 11, 2009 at 10:50 a.m., due to the security breach. At 11:40 am, after a search of the terminal was conducted with negative results, the "all clear" was given and the terminal was operational. During the entire 50 minute period that the terminal was closed the following activity was conducted:*

1. *All passengers and tenants were escorted out of the terminals.*
2. *A sweep or search of the ramp area was conducted with negative results.*
3. *A sweep or search of hold rooms 7, 8, 9, and 10 was conducted with negative results.*
4. *A sweep or search of the south end of the ramp level was conducted and cleared.*
5. *A sweep or search of the north end of the ramp level was conducted and cleared.*
6. *Search of the elevators conducted with negative results.*
7. *Two (2) people remained in the Starbucks coffee shop were escorted outside of the terminal.*
8. *A sweep or search of the checkpoint was conducted and cleared.*

During the 50 minutes from closing to re-opening, the following numbers of security and LIH personnel were involved in the sweep:

- 3 Securitas Airport Security Officers*
- 1 Securitas Contract Security Manager*
- 4 Securitas Law Enforcement Officers*
- 2 Securitas Traffic Control Officer*
- 1 LIH Airport Operations Controller*

All security personnel listed above were on duty and therefore no additional security personnel or LIH staff was recalled to assist in conducting the searches. As such, no additional costs were incurred by the Airports Division or the security contractor.

Concessionaires' costs are estimated at \$850.00 of lost sales during the search and re-screening efforts.

Based on the involvement of the above-mentioned personnel it is estimated the costs to be approximately \$850 to evacuate the terminal of all passengers and tenants, conduct the appropriate searches and re-open the terminal.

Hawaiian Airlines

The enclosed Hawaiian Airlines Lihue Station Incident Report indicates the following two (2) departing flights were delayed:

- 1. Hawaiian Flight #140 with an incoming passenger load of 101 and outgoing passenger load of 123 and there was a 41 minutes delay attributed to a security breach.*
- 2. Hawaiian Flight #144 with an incoming passenger load of 107 and outgoing passenger load of 106 and there was a 13 minutes delay attributed to a security breach.*

According to Hawaiian Airlines, all flights arriving and departing from LIH have a 28 minute "turn around time", which means that when a flight lands at LIH it has 28 minutes to depart. Therefore, Flight #140 departed LIH 41 minutes late and Flight #144 departed 13 minutes late.

Hawaiian Airlines will need additional time to calculate the total costs of these delays, since they must quantify and consider various data points.

Go! Airlines are reported to have encountered a minor delay. Station management was unable to find their flight activity reports for this day and is still in the process of searching for additional information. Any additional information will be forwarded for your review.

Transportation Security Administration

The Transportation Security Administration at Lihue acknowledged that they were notified of the security breach and evacuation of the airport and has offered to develop a Security Breach Response Training and appreciated the timeliness in which the After Action Debriefing was coordinated. Finally, TSA deemed that no further action would be taken regarding the incident and considered the matter closed.

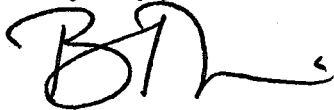
5. A copy of all contracts and agreements that Mr. Sekiguchi has worked on and finalized within the past several weeks through his last day of employment. It is our understanding that he has been involved in finalizing and completing a number of agreements since the announcement of his retirement

Response: *Enclosed are copies of contracts and agreements signed by Mr. Sekiguchi since the announcement of his resignation.*

6. Provide the status of Mr. Jon Kawamura as an 89-day hire and confirmation that he is Director Georgina Kawamura's son.

Response: *Mr. Jon Kawamura began his 89-day status with the Kahului Airport as a Visitor Information Program Assistant I on May 26, 2009, to the present time. He is the son of Budget Director Georgina Kawamura.*

Very truly yours,



BRENNON T. MORIOKA, Ph.D., P.E.
Director of Transportation

Enc.

APPENDIX P

89-Day Hire List

<u>Name</u>	<u>No. of 89day appts</u>	<u>Position</u>	<u>Term</u>
BELL, DAVID	1	Airport Oprns Controller	5/5/08-8/1/08
	2	Airport Oprns Controller	8/5/08-11/1/08
	3	Airport Oprns Controller	11/4/08-1/31/09
	4	Airport Oprns Controller	2/3/09-5/1/09
	5	Airport Oprns Controller	5/5/09-8/1/09
CHILLINGWORTH, JASON	1	Crash/Fire Equip Mech	8/6/08-10/17/08
	2	Automotive Tech	10/21/08-1/17/09
	3	Automotive Tech	2/7/09-5/5/09
	4	Automotive Tech	5/7/09-5/31/09
ISHIHIRO, LANCE	1	Engineer IV	11/17/08-2/13/09
	2	Engineer IV	2/18/09-5/16/09
	3	Engineer IV	5/19/09-7/13/09
ITAMURA, BARBARA	1	Clerk Typist II	2/7/08-3/31/08
	2	Clerk Typist II	5/15/08-8/11/08
	3	Clerk Typist II	8/13/08-08/30/08
KAUHI, GEORGE JR.	1	Janitor II	12/1/09-2/27/10
	2	Janitor II	3/4/10-5/31/10
	3	Janitor II	6/7/10-9/3/10
KAWAMURA, JON	1	VIPA I	5/26/09-8/22/09
	2	VIPA I	8/25/09-11/21/09
	3	VIPA I	11/24/09-2/20/10
	4	VIPA I	2/23/10-5/22/10
	5	VIPA I	5/25/10-8/21/10
	6	VIPA I	8/24/10-11/20/10
KEPAA, KERIJEAN	1	Office Asst III	10/15/08-1/11/09
	2	Office Asst III	1/13/09-4/10/09
	3	Office Asst III	4/15/09-7/12/09
	4	Office Asst III	7/15/09-10/11/09
	5	Office Asst III	10/13/09-1/8/10
KONO, JUNE	1	Property Mgr I	1/3/07-4/2/07
	2	Property Mgr I	4/4/07-7/2/07
	3	Property Mgr I	7/3/07-9/29/07
	4	Property Mgr I	10/2/07-11/18/07
	5	Auditor I	11/20/07-2/16/08
	6	Auditor I	2/20/08-5/18/08
	7	Auditor I	5/20/08-8/16/08
	8	Auditor I	8/19/08-11/16/08
	9	Auditor I	11/20/08-2/16/09
	10	Auditor I	2/18/09-4/14/09
	1	Mgmt Analyst I	2/23/10-5/22/10
	2	Mgmt Analyst I	5/25/10-8/21/10
	3	Pers Mgmt Spclt I	8/23/10-11/19/10

MAGPALI, LETICIA	1	Janitor II	4/3/06-6/30/06	
	2	Janitor II	7/2/06-9/28/06	
	3	Janitor II	10/6/06-1/2/07	
	4	Janitor II	1/6/07-2/13/07	
	5	Janitor II	2/16/07-3/18/07	
	6	Janitor II	3/20/07-6/15/07	
	7	Janitor II	6/18/07-9/14/07	
	8	Janitor II	9/16/07-12/13/07	
	9	Janitor II	12/15/07-1/28/08	
	10	Janitor II	1/29/08-4/13/08	
	11	Janitor II	7/18/08-10/14/08	
	12	Janitor II	10/18/08-1/14/09	
	13	Janitor II	1/17/09-4/15/09	
	14	Janitor II	4/17/09-7/14/09	
	15	Janitor II	7/18/09-10/14/09	
	16	Janitor II	10/17/09-1/13/10	
	17	Janitor II	12/28/09-3/25/10	
	18	Janitor II	3/28/10-4/4/10	
MARQUEZ, CHRISTOPHER	1	Carpet Cleaner I	11/30/08-1/30/09	
	2	Carpet Cleaner I	5/4/09-7/31/09	
	3	Carpet Cleaner I	8/4/09-10/31/09	
	4	Carpet Cleaner I	11/3/09-11/19/09	
	5	Carpet Cleaner I	12/28/09-3/26/10	
	6	Carpet Cleaner I	3/30/10-4/17/10	
NAGATOSHI, GERALDINE	1	Contracts Asst I	7/3/07-9/29/07	
	2	Contracts Asst I	10/2/07-12/29/07	
	3	Contracts Asst I	1/3/08-3/31/08	
	4	Contracts Asst I	4/2/08-5/15/08	
	1	Contracts Asst I	5/19/09-6/27/09	
	1	Contracts Asst I	2/1/10-4/30/10	
	2	Contracts Asst I	5/5/10-8/1/10	
	3	Contracts Asst I	8/3/10-8/13/10	
	4	Personnel Clerk	8/16/10-11/12/10	
	SAGUCIO, ALLAN	1	Carpet Cleaner I	9/8/08-12/5/08
		2	Carpet Cleaner I	12/9/08-3/7/09
		3	Carpet Cleaner I	3/11/09-4/6/09
SAGUM, SCOTT	1	Asst Arpt Supt	2/17/09-5/16/09	
	2	Asst Arpt Supt	6/1/09-8/28/09	
	3	Asst Arpt Supt	9/1/09-11/28/09	
	4	Asst Arpt Supt	12/1/09-2/27/10	
	5	Asst Arpt Supt	3/2/10-5/29/10	
	6	Asst Arpt Supt	6/2/10-7/20/10	
	7	Asst Arpt Supt	7/27/10-8/28/10	
	8	Asst Arpt Supt	9/7/10-9/8/10	
SANCHEZ, REYNALDO	1	Janitor II	7/16/07-10/11/07	

	2	Janitor II	10/14/07-1/10/08
	3	Janitor II	1/12/08-4/9/08
	4	Janitor II	4/11/08-7/8/08
	5	Janitor II	7/10/08-8/30/08
	6	Janitor II	9/3/08-11/28/08
	1	Janitor II	2/7/10-5/6/10
	2	Janitor II	6/1/10-8/28/10
SANTIAGO, STEVEN	1	Asst Arpt Supt	3/19/07-6/15/07
	2	Asst Arpt Supt	6/19/07-9/13/07
	3	Asst Arpt Supt	9/17/07-12/14/07
	4	Asst Arpt Supt	12/19/07-3/17/08
	5	Asst Arpt Supt	3/19/08-6/14/08
	6	Asst Arpt Supt	6/17/08-9/13/08
SOUZA, FARRIN	1	Arpt Info Optr I	6/23/08-9/20/08
	2	Arpt Info Optr I	9/23/08-12/21/08
	3	Arpt Info Optr I	12/23/08-1/18/09
	4	Arpt Info Optr I	1/30/09-4/28/09
	5	Arpt Info Optr I	4/30/09-7/17/09
WILLIS, CYNTHIA	1	Janitor II	2/11/08-5/9/08
	2	Janitor II	5/11/08-8/7/08
	3	Janitor II	8/11/08-11/07/08
	4	Janitor II	11/11/08-2/7/09

APPENDIX Q

Section 14-3.05-2, Hawaii Administrative
Rules

§14-3.05-2 Non-civil service appointment. (a)

The appointing authority may make a non-civil service appointment of not more than eighty-nine consecutive calendar days or of less than twenty hours a week for thirty-seven consecutive weeks in order to meet immediate operational needs, provided:

- (1) The appointing authority certifies that the employee will perform duties characteristic of the class; and
- (2) The employee has not received a non-civil service appointment in the same class of work and department within the last three months, unless this restriction is waived by the director or the director's authorized designee.

(b) A non-civil service appointment made under subsection (a) may be extended for a specific period without a break in service under the following conditions:

- (1) The director or the director's authorized designee determines that the period of extension makes it impracticable to fill the position by civil service recruitment procedures and allow for completion of an initial probation period; and
- (2) There are no interested and available eligibles on an appropriate eligible list to fill the vacancy or the appointing authority is unable to make a selection from an appropriate eligible list.

(c) When the director or the director's authorized designee determines that a position can be filled by civil service recruitment procedures, an employee serving a non-civil service appointment in the position may be extended without a break in service until the void date of the first certificate of eligibles for the position, unless this period is extended by the director or the director's authorized designee.

(d) When there is an anticipated need for temporary services beyond eighty-nine calendar days or less than twenty hours a week for thirty seven weeks, the appointing authority may make a non-civil service appointment for the specific period necessary to complete the work under the following conditions:

- (1) The director or the director's authorized designee determines that it is impracticable to fill the position by civil service recruitment procedures and allow for completion of an initial probation period;

- (2) There are no interested and available eligibles on an appropriate eligible list to fill the vacancy or the appointing authority is unable to make a selection from an appropriate eligible list;
- (3) The employee has not received a non-civil service appointment in the same class of work and department within the last three months, unless this restriction is waived by the director or the director's authorized designee; and
- (4) The appointing authority certifies that the employee will perform duties characteristic of the class.

(e) A non-civil service appointment may be made without regard to the minimum qualification requirements of the position, except that the employee must meet the public employment requirements under section 78-1, HRS, and possess the necessary occupational license, certification, or registration required by statute or regulation.

(f) Service acquired in a non-civil service appointment shall not be credited towards meeting the requirements of an initial probation period.

[Eff. 4/1/02; comp DEC 01 2003.] (Auth: HRS §§26-5, 76-17, SLH 2000, Act 253) (Imp: HRS §§ 26-5, 76-27, SLH 2000, Act 253)

APPENDIX R

Letter from Director Morioka to Senator Kim
dated July 29, 2010

LINDA LINGLE
GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

BRENNON T. MORIOKA
DIRECTOR

Deputy Directors
MICHAEL D. FORMBY
FRANCIS PAUL KEENO
BRIAN H. SEKIGUCHI
JIRO A. SUMADA

IN REPLY REFER TO:
AIR-A
10.0174

July 29, 2010

The Honorable Donna Mercado Kim
Chair, Senate Committee on Ways and Means
State Capitol, Room 210
Honolulu, Hawaii 96813

Dear Chair Mercado Kim:

In follow up to the Senate Ways and Means Committee's July 19, 2010, informational briefing, please provide the following information:

1. Since the information provided to the Committee to date establishes that Mr. Sekiguchi did not file for vacation for April 8, 2009, and therefore was paid by the State when he was traveling for personal vacation, please provide the following information:
 - a. Work related documentation. Since Mr. Sekiguchi claims that he might have met with persons on airport related matters during his vacation, please provide documentation to verify that claim, including the names of the entities or persons he met with, their contact information for verification, and the subject matter of the meetings. Please also provide any per diem requests for reimbursement of expenses for the work day.
 - b. Gift disclosure documentation. Since Mr. Sekiguchi asserts that no part of his trip was paid for by a third party, specifically an airport vendor or any work-related company, please provide any documentation that would verify that Mr. Sekiguchi personally paid for trip related expenses for travel, food, accommodations, the Masters entry ticket, etc.

RESPONSE: Deputy Director Brian H. Sekiguchi of the Airports Division (DOT-A) will be responding to your questions in a separate letter with appropriate attachments to you.

2. With respect to DOT Airport appropriations that are relying on federal reimbursements and which require the department to do all things "deemed necessary to qualify," please provide a list identifying all appropriations within the last three (3) years that are on the books and have not yet been implemented.

RESPONSE: Reference is made to Attachment #1, a two (2) page spreadsheet identifying all appropriations for FY 2008, FY 2009, and FY 2010 for projects that have not yet been implemented.

3. With respect to access to the Grove Farm land, it is our understanding that Highways Division placed access restrictions along the boundary of the land when it was being used for agricultural purposes, and that the only current access is through a pre-existing cane haul road, and there is no other vehicular access along Kapule Highway. Given that Grove Farm wants DOT Airports to help pay for moving the access point, increasing its size, and changing the allowable use, all of which is tantamount to “enhancing” the land, please provide the following information:
 - a. The value of the enhancement to the land as a result of the proposed changes to the access point.
 - b. Whether any enhancement fee was negotiated as part of the overall compensation for the Grove Farm land, and if not, why it was not included in the compensation negotiations.
 - c. The projected costs to DOT Airports for the proposed changes to the access point, which will be in favor of Grove Farm.

RESPONSE: We are in the process of acquiring the information for you.

4. Please provide all appraisals that were prepared for the Grove Farm land that were ordered by Grove Farm and DOT Airports.

RESPONSE:

Reference is made to Attachment 2, Summary Appraisal Report from Sanford D. Goto, Inc., on behalf of DOT-A dated July 9, 2009.

Reference is made to Attachment 3, Summary Appraisal Report from Stellmacher and Sadoyama, LTD., dated July 16, 2009, on behalf of Visionary LLC.

Reference is made to Attachment 4, Appraisal Review of Two Lihue Appraisal Reports for the State of Hawaii, Department of Transportation dated September 23, 2009.

Reference is made to Attachment #5, a report explaining why their valuation analysis has changed dated March 18, 2010, prepared by Stellmacher and Sadoyama, LTD., on behalf of Visionary LLC.

Reference is made to Attachment #6, a similar report dated March 19, 2010, prepared by Sanford D. Goto, Inc., on behalf of DOT-A.

5. With respect to Enterprise Rent-A-Car's cancellation of the lease of the corner of the Ualena Street property, please provide the documentation for the cancellation of the lease.

RESPONSE: Enterprise Rent-A-Car (ERAC) was a sub-tenant to Hawaiian Telcom on the corner parcel at Ualena and Paiea Streets, prior to the termination of the Hawaiian Telcom lease with DOT-A. On August 28, 2008, ERAC provided 30-day written notice to Hawaiian Telcom to terminate its tenancy and vacate the premises on September 30, 2008. Documents finalizing the surrender of the lease for the corner of property were executed by Hawaiian Telcom in October 2008, with the transfer of property being made retroactive to July 1, 2007. During the period from July 2007 to October 2008, Hawaiian Telcom collected rent from ERAC and forwarded the rents to DOT-A once the transfer was completed.

6. Please provide all bids for improvements made to the Ualena Street property.

RESPONSE: Reference is made to the letter dated July 29, 2010, from Deputy Director Francis Paul Keeno providing you with all bids for improvements made to the Ualena Street property. In addition, reference is made to Attachment #7, a Hawaiian Telcom building renovation support documentation prepared by the Modernization Team.

7. Given that the lease agreement excludes renovations of the Ualena Street property from the OFFICE DIRECT COSTS allowance of \$800,000 to \$1.0M (§2.4 of Attachment S2), and makes such renovations an additional cost to the State, please provide the following information:

- a. Whether the lease agreement was reviewed by the Attorney General's office prior to execution;

RESPONSE: The contract with Parsons under Section 1.4 calls for a Revocable Permit to be issued. The language in Revocable Permits is standardized and has been reviewed by the Attorney General's office. The first paragraph of question 7 cites Supplemental Contract No. 1, Attachment S2, page 4. Renovations to the Ualena Street Property were done, as allowed in Parson's original Contract for Professional Services, prior to the execution of Supplemental Contract No. 1.

- b. Provide a breakdown of the costs that have been paid to date under the following categories: i) normal reimbursable costs, ii) project direct costs, iii) office direct costs; and iv) renovation and repairs.

RESPONSE: Refer to Attachment #8.

- c. Provide a breakdown of how much is projected to be paid for the cost categories listed above, until the end of the lease term in 2012.

RESPONSE: Refer to Attachment #8.

8. Please confirm whether we reimburse Parsons for their maintenance costs. If so, please provide a breakdown of how much has been paid to date, and how much is projected to be paid until the end of the lease term in 2012.

RESPONSE: Yes, Parsons pays for maintenance costs for the area they occupy at Ualena Street. Refer to Attachment #9 for the break down of how much they have paid and how much they are projected to pay until the end of the lease in 2012.

9. Given the problems reported of the Personnel Office Supervisor's travel and interaction with personnel on the island of Hawaii, please investigate and report on the following:
 - a. The purpose for which the Supervisor had traveled to the island of Hawaii unannounced;
 - b. The dispute that had arisen between the Supervisor and the Hawaii island personnel;
 - c. The purpose for which the Supervisor had visited the big island firefighters' dormitory room.

RESPONSE: We will provide you with the results of our investigation, which will address questions 9a, 9b, and 9c.

10. With respect to Lihue Solar, please provide the timing for implementation of the cost sharing plan, and what is the end of the cycle period for payment. Please also provide a breakdown of the costs, showing the monthly costs, and provide any agreement regarding cost sharing with tenants.

RESPONSE: The cost sharing plan will be implemented in the next billing cycle which is monthly and ends at the middle of every month. The tenants pay for usage determined by electrical sub meters. The rate to be charged will be a blended rate of solar and utility power calculated each month by dividing a sum of the total cost of electricity paid to KIUC and HOKU Solar and dividing it by the total kilowatt-hours (KWH) used each month. A sample tenant billing summary is attached (Attachment #10, a one page report from February 10, 2010 to March 12, 2010 for Lihue Airport Electricity Usage). The column "KWH USED" is determined by sub meters. The column "COST PER KWH" will contain the calculated blended rate.

All occupancy agreements with tenants, whether leases or revocable permits, require tenants to pay for electrical usage. The payment is made directly to the utility if the tenant has its own utility meter. If the tenant receives electricity through a State meter the payment is made to the State.

The Photovoltaic Solar system at Lihue was installed under a Power Purchase Agreement where HOKU Solar installed the system at no cost to the State (or tenants) and sells the electricity produced to the State at a fixed rate.

11. With respect to the engineer on the island of Kauai that handles contracts, please explain why the position grade was lowered so as to not require a licensed individual. In particular, please explain whether the position had required a licensed individual when it was first created, and if so, why it has been changed.

RESPONSE: We have conducted a search of our Airports personnel files as well as contacting the Department of Human Resources Development (DHRD) for the recruitment records, and since the announcement of this particular position occurred in 1997 neither the Airport nor DHRD have recruitment records that go back to 1997; however, it is our understanding that a solicitation was issued for an Engineer IV position and there were no applicants, we then issued another solicitation at the Engineer III/IV level and received qualified applicants. This scenario is common for the neighbor islands and solicitations for the professional series positions result in minimal or no applicants with professional licenses for these positions. So in order to fill these positions, we commonly announce the position at a lower level to attract applicants. Director Brennon Morioka's testimony before you at the July 19, 2010, Information Briefing accurately explained the reason why we are able to downgrade an Engineer's position vis-à-vis an Engineering license.

12. With respect to the security breach at the Lihue Airport on September 11, 2009, please provide a breakdown of the costs to the State, the airlines, and to travelers from shutting down the Lihue Airport for two hours due to the breach.

RESPONSE: The Lihue Airport is in the process coordinating with the airlines in acquiring the information you requested regarding the details of the September 11, 2009 security breach and the information will be provided to you upon receipt.

13. With respect to the Speedi Shuttle pilot project in Kona, please provide an update of the project.

RESPONSE: When the DOT-A offers a concession opportunity it not only seeks to generate revenue, but to have the successful bidder operate the concession for the entire term of the contract, and to generate sufficient income to be able to provide the expected

level of service. In establishing the parameters for the bid, the DOT-A has to be able to determine what is a reasonable upset bid amount and percentage fee.

It also has to provide potential bidders with some reasonable understanding of the value of the concession, so they will be encouraged to submit a bid.

In both cases, the DOT-A use the history of the concessions gross receipts and the airports passenger numbers over a number of years. For this history to be of value, it needs some consistency in service and level of gross receipts. In the case of the shuttle bus at Kona International Airport at Keahole, it has only recently begun to show that consistency.

In the first two years of operation (FY04 and FY05), shuttle service was not provided during five months, and had two months in which gross receipts were less than \$500.

In the first year the shuttle operated in each month of the year (FY06), total gross receipts were \$42,600. At that level of gross receipts, the concession is not an attractive bidding opportunity to someone not already vested in making it a success.

Gross receipts in FY07 more than doubled, to \$90,400. In FY08, gross receipts increased again, this time by more than \$50,000. This type of increase appears not to be sustainable.

Indeed, in FY09 the shuttle operation showed a decline in gross receipts to \$131,900. This followed the departure of Aloha Airlines and ATA airlines toward the end of FY08. The impact is shown in that gross receipts were less than the same month in the prior year for seven months. The slowest month showed a drop of approximately \$1,800, while the highest month showed of a drop of approximately \$1,100.

The shuttle operation made a comeback in FY10, reaching gross receipts of approximately \$150,000. However, for five months of the year, the monthly gross receipts were lower than the same month of the preceding year.

The shuttle service appears to have rebounded from the loss of two airlines, but JAL has announced it will cease direct service to Kona in November. Tracking into spring should provide a reasonable gauge of any impact and allow potential operators, if any, to have an adequate base on which to value the concession.

14. With respect to the Secretary IV position in Airports administration, given that the Assistant Airport Administrator positions have never been filled, please confirm to whom the secretary reports to and provide services for?

RESPONSE: The Secretary IV position (#25844) was established to support the Airports Administrator. When Mr. Glenn Okimoto vacated the Airports Administrator's position on 2/14/08, the Secretary IV remained in her current location outside of the Airports Administrator's office. Since the Airports Division was being reorganized, Administrative Services Officer (ASO) Sidney A. Hayakawa was allowed to occupy the Airport Administrator's office. Additionally, the Secretary III position assigned to the ASO was abolished before the arrival of ASO Hayakawa; therefore, the Secretary IV provided him with secretarial and clerical support. Under the enclosed organizational chart (Attachment #11), the ASO has an Office Assistant III (#44377) assigned to the position. The Office Assistant III supports the ASO as well as the Budget Staff and Methods Standard and Evaluation Staff for the efficiency of the Staff Services Office.

Very truly yours,

Francis Paul Keeno

for BRENNON T. MORIOKA, Ph.D., P.E.
Director of Transportation

Attach.

APPENDIX S

DOT Airports Division Action Plan

Airports Division Management Action Plan

- Policy Reaffirmations
 - Leave/Vacation/Sick/Comp time procedures
 - Personnel Hires (DHRD compliance)
 - No Improprieties or Appearance of Improprieties
 - OT management/abuse prevention
- Operational Reviews
 - Procurement Compliance
 - P-Card Processing/Approval
 - Petty Cash/Fingerprinting/Badgeing
 - TSA Best Security Practices Workshops
 - Senior Management review
 - Property Management

Airports Division Management Action Plan

- Program Development
 - More autonomy and accountability for ADM's
 - Adequate resources
 - Security Managers
 - Property Managers
 - Plumbers/ARFF Mechanic (Maui)
 - Re-establish AIR Administrator position
 - Maintain organizational structure

- Staff Development
 - Discipline/Termination Training
 - ASO Boot Camp
 - Audit Procedures
 - Update Position Descriptions
 - Comprehensive Staff Training Plan

APPENDIX T

Reply Letter from the DHRD for an
Informational Request from your Committee
dated July 6, 2010

LINDA LINGLE
GOVERNOR OF HAWAII



MARIE C. LADERTA
DIRECTOR

CINDY S. INOUE
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT
235 S. BERETANIA STREET
HONOLULU, HAWAII 96813-2437

July 6, 2010

The Honorable Donna Mercado Kim
Chair, Senate Committee on Ways and Means
Twenty-Fifth State Legislature
State Capitol, Room 210
Honolulu, Hawaii 96813

Dear Chair Mercado Kim:

Pursuant to your request for information dated July 1, 2010, we provide our responses as follows:

1. **Can you explain what the terms "classification," "pricing," and "repricing" mean under the civil service law and how the Department of Human Resources Development ("DHRD") applies these terms?**

Classification means the process of establishing an occupational framework and grouping positions on the basis of the kind and level of work and knowledge, skills, competencies and qualifications required.

Pricing means determining the appropriate pay range and pay relationships for a class based on appropriate factors.

Repricing means changing an existing class from its present pay range to another pay range in the same salary schedule based on appropriate factors.

The following terms are also provided for clarity in the event they are used in further discussions of the classification process:

Class or class of work means a group of positions that reflect sufficiently similar duties and responsibilities such that the same title and the same pay range may apply to each position allocated to the class.

Position means a specific job, whether occupied or vacant, consisting of all the duties and responsibilities assigned or delegated by competent authority, requiring the full or part-time employment of one person.

Position description means an official written statement of the major duties and responsibilities assigned to the position by the appointing authority, the organizational relationships, the knowledge, skills and abilities required of the position and other pertinent information. Redescription is a term that may be used when there is a change in the position's duties and responsibilities.

Reclassification means a change in the class to which a position is allocated based on a change in the classification system.

Pay range means the group of salary rates from minimum to maximum authorized for a pay grade in a salary schedule. Pay grades are designated as SR-08, SR-24, SC-1, etc., for non-managerial classes of work and EM-05, EM-08, ES-02, etc., for managerial classes of work.

Pursuant to Section 76-13, Hawaii Revised Statutes (HRS), and Rule 14-1-3, Title 14, Hawaii Administrative Rules of the Department of Human Resources Development (DHRD), the Director of DHRD is responsible for developing and maintaining classification systems and developing and promulgating policies, rules, standards, guidelines and procedures designed to promote the efficiency of the state service governing such matters as classification and related systems to support sound utilization of human resources, recruitment of qualified personnel, and appropriate pay and pay relationships amongst personnel. This includes responsibility for ensuring that civil service classes of work are priced (assigned to a pay grade) appropriately in relation to the level of complexity and responsibility reflected in related classes of work. When a new class of work is established, it is assigned to a pay grade (initially priced). A class of work may be repriced if it is deemed warranted in order to maintain appropriate pay relationships. The following chart illustrates how the terms are applied.

Positions Allocated to Class	Class of Work	Pricing / Pay Grade Designation of Class	Pay Range of Pay Grade	Example IF Class is Repriced	Example of New Pay Range Resulting from Hypothetical Repricing of Class
#12345 #23232 #34343	Accountant II	SR-18	SR-18: \$38,988 to \$57,708	SR-19	SR-19: \$40,548 to \$60,024
#33333 #44444	Resource Allocation Systems Analyst VIII	SR-30	SR-30: \$67,488 to \$99,924	SR-31	SR-31: \$70,224 to \$103,944

Positions Allocated to Class	Class of Work	Pricing / Pay Grade Designation of Class	Pay Range of Pay Grade	Example IF Class is Repriced	Example of New Pay Range Resulting from Hypothetical Repricing of Class
#02605 #15142 #38784 #110530	Physician II (in PSD and DOH)	SC-01	SC-01: \$73,044 to 108,096	SC-02	SC-02: \$75,960 to \$112,404
#55555 #66666	Program & Budget Analysis Manager II	EM-07	EM-07: \$79,104 to \$112,596	EM-08	EM-08: \$83,040 to \$118,212
#119505	Airports Administrator	ES-01	ES-01: \$85,560 to \$121,752	ES-03	ES-03: \$90,792 to \$129,180

2. Is DHRD authorized under the law to reprice positions? If so, under what specific statute?

DHRD does not price or reprice positions. Classes of work are priced or repriced and positions are allocated to the classes. Pursuant to Section 76-13, Hawaii Revised Statutes (HRS), and Rule 14-1-3, Title 14, Hawaii Administrative Rules of DHRD, the Director is responsible for developing and maintaining classification systems and developing and promulgating policies, rules, standards, guidelines and procedures designed to promote the efficiency of the state service governing such matters as classification and related systems to support sound utilization of human resources, recruitment of qualified personnel, and appropriate pay and pay relationships amongst personnel. This includes responsibility for ensuring that civil service classes of work are priced (assigned to a pay grade) appropriately in relation to the level of complexity and responsibility reflected in related classes of work. When a new class of work is established, it is assigned to a pay grade (initially priced). A class of work may be repriced if it is deemed warranted in order to maintain appropriate pay relationships.

3. What do the acronyms EM and ES stand for?

EM and ES are pay range designations on the Excluded Managerial Compensation Plan (EMCP) salary schedule for excluded managerial occupations (e.g., division and branch chiefs).

ES is the pay range designation for the highest pay ranges on the EMCP salary schedule (ES-01, ES-02 and ES-03).

Pay ranges on the EMCP salary schedule are designated as EM-01 through EM-08, ES-01, ES-02 and ES-03. (Please see the attached EMCP salary schedule.)

4. What are the differences, if any, between an EM classification and an ES classification?

The Excluded Managerial Compensation Plan (EMCP) is a classification system for managerial jobs, such as division chiefs and branch chiefs. The EM and ES are both pay grades within the EMCP. As illustrated on the attached EMCP salary schedule, the salary ranges are EM-01 to ES-03. The ES-01, ES-02, and ES-03 pay grades follow EM-08 and are the highest pay grades in the EMCP.

Classes of work that fall under the Excluded Managerial Compensation Plan are priced or assigned to a pay grade designated EM-01 through EM-08 and ES-01, ES-02, or ES-03 based on the level of complexity and scope of responsibility of the work which is determined through the evaluation of: the complexity and the scope and effect of the work, knowledge and skills required, the nature and extent of supervisory controls exercised by the supervisor, the nature and extent of supervisory responsibility exercised, the nature of available guidelines and the judgment required to apply them, the nature and purpose of personal contacts, managerial responsibilities, physical demands and work environment.

ES pay grades are the highest levels in the EMCP and are designated as ES-01, ES-02, or ES-03. Assignment to an ES pay grade is usually reserved for managerial physician classes to recognize the profession's significant educational and licensure requirements and for certain EMCP classes in order to recognize and compensate individuals for special and unique attributes that they bring to their jobs, or for major contributions that the incumbent has made to the organization and/or to the State. A vacant position could also be assigned to the ES pay grade in order to ensure proper internal alignment of positions by their pricing.

Are the benefits or entitlements different (e.g., is one classification eligible for overtime while the other is not)?

Classes of work priced in the EM or ES pay grades are civil service and benefits are generally the same. However, classes of work priced at EM-08, ES-01, ES-02, and ES-03 are not eligible for overtime pay.

Is one classified as civil service while the other is not?

Classes of work under the EMCP are only for civil service positions.

5. According to the most recent DHRD Salary Schedule, effective October 1, 2008, the

EM and ES classifications for Bargaining Units 30, 31, 32, 33, 34, and 35 Excluded Management have hourly rates. Are employees at each of the EM and ES classifications eligible to receive overtime pay? If not, explain.

The BU13 collective bargaining agreement for included employees specifies that employees paid at SR-31 and above are not eligible for overtime pay. Similarly, in accordance with executive order that grants benefits to employees who are excluded from collective bargaining, employees paid at EM-08, ES-01, ES-02 and ES-03 are not eligible for overtime pay.

6. **Act 253, Session Laws of Hawaii 2000, made major changes to civil service and the way public employees are compensated. Act 253 also repealed a number of chapters and incorporated some of the laws that formerly resided in those repealed chapters into several chapters, including chapters 76 and 89, Hawaii Revised Statutes (HRS). Are there any administrative rules that DHRD is still utilizing that were based on the authority provided under the repealed laws?**

There are some administrative rules that DHRD continues to utilize in accordance with Section 149 of Act 253, SLH 2000, which states that the rights, benefits, and privileges currently enjoyed by civil servants under chapters 77, 79, 80, 81, 82, and 83 shall not be diminished or impaired, unless comparable rights, benefits, and privileges are either negotiated into collective bargaining agreements or established by executive order for civil servants.

Are there any public employment laws that were repealed that DHRD believes should be reinstated? If so, can you provide the committee with draft legislation that accomplishes this?

DHRD appreciates the Legislature's support in considering reinstatement of critical public employment laws. We will discuss with other stakeholders and respond accordingly.

8. **What statutory authority provides the Director of Human Resources Development ("Director") with the ability to create or reinstate an EM or ES position?**

DHRD does not create or reinstate any position without authority. Each department must obtain the necessary approvals to establish and/or fill positions. Following this, each department may establish or abolish positions for the efficient functioning of the department pursuant to Section 26-39, HRS, subject to available appropriations, budget execution policies, and other administrative requirements. Only after the decision to establish and/or fill a position is approved, then the department will initiate the classification process and seek DHRD's assistance as necessary.

What statutory authority or procedures are in place for the Director to determine a fair and equal classification and pricing level for a position?

DHRD is responsible for developing and maintaining classification systems in accordance with Section 76-13, HRS, and Rule 14-1-3, of Title 14, Hawaii Administrative Rules of DHRD. The Excluded Managerial Compensation Plan (EMCP) is a classification system for managerial jobs (e.g., division and branch chief) priced at EM and ES pay grades.

To maintain a fair and equal classification system, DHRD establishes civil service classes of work and assigns each class of work to a pay grade based on the level of complexity and scope of responsibility of the work which is determined through the evaluation of: the complexity and the scope and effect of the work, knowledge and skills required, the nature and extent of supervisory controls exercised by the supervisor, the nature and extent of supervisory responsibility exercised, the nature of available guidelines and the judgment required to apply them, the nature and purpose of personal contacts, managerial responsibilities, physical demands and work environment.

9. What is the position identification number for the Airports Administrator position?

DOT has assigned position number 119505 to the new Airports Administrator position.

10. What was the status of the Airports Administrator position immediately prior to February 10, 2010?

Position no. 6916 (which was previously classified as Airports Administrator) was reallocated to Airports Assistant Administrator, EM-08, effective Dec. 16, 2007. Position no. 6916 became vacant on Feb. 16, 2008 and remained at the Airports Assistant Administrator classification immediately prior to February 10, 2010.

If the Airports Administrator position was abolished, when was it abolished?

Position no. 6916 was abolished on July 1, 2010 in accordance with HB 2200 HD1, SD2, CD1.

11. On February 10, 2010, the position of Airport Administrator was reinstated as an ES-03 position, reverted to an EM-08 position, and then repriced to ES-01. What rationale was used by the Director to reinstate the Airports Administrator at an ES-03 classification and concurrently reprice the position from EM-08 to ES-01?

The following chronology of events is provided to illustrate the actions that were taken on both the class specifications and on the position:

10/1/07: The Airports Administrator class was repriced from EM-08 to ES-03 in recognition of the incumbent's background and credentials.

10/9/07: A reorganization was approved with 3 Airports Administrators (EM-08) reporting to the Airports Deputy Director.

12/16/07: The class Airports Assistant Administrator (EM-08) was established instead of amending the traditional single-position Airports Administrator (ES-03) class with multiple positions sharing the responsibilities.

Based on the reorganization approved on October 9, 2007, pos. no. 6916 was reallocated from the Airports Administrator (ES-03) class to Airports Assistant Administrator (EM-08) class. Incumbent of position no. 6916 retained his pay and status.

1/14/08: Airports Administrator (ES-03) class was abolished.

2/16/08: Incumbent of position no. 6916, Airports Assistant Administrator resigned and position became vacant.

7/15/09: A reorganization was approved with 2 Airports Assistant Administrators (EM-08) reporting to one Assistant Airport Administrator (EM-08) as the division chief.

2/10/10: Airports Administrator (ES-03) class was reinstated and reverted to its original pricing of EM-08 because it was vacant. It was repriced to ES-01 in consideration of job complexity and internal alignment).

7/1/10: Pos. no. 6916, Airports Assistant Administrator, was abolished in accordance with HB 2200 HD1, SD2, CD1.

As described above, the class specifications were adjusted and repriced to correspond to the approved reorganizations, changes in class specifications, and/or the incumbent's ES pay grade. Then position no. 6916 was allocated to the appropriate class. The pricing of the class dropped from ES-03 to EM-08 due to reversion; then raised from EM-08 to ES-01 due to reinstatement and consideration of job complexity and internal alignment factors. (See Organization Chart approved July 15, 2009.)

12. What is the justification for altering the compensation class for the Airports Administrator position three times in such a short period of time? Explain the process by which those changes were made.

Please see the chronological list of events in Q. 11 above. As described above, the class specifications were adjusted and repriced to correspond to the approved reorganizations, changes in class specifications, and/or the incumbent's ES pay grade during the period October 1, 2007 to February 10, 2010. On February 10, 2010, the pricing of the class dropped from ES-03 to EM-08 due to reversion; then raised from EM-08 to ES-01 due to reinstatement and consideration of job complexity and internal alignment factors. These

are actions to reflect the necessary steps to reinstate and appropriately price the Airports Administrator class.

13. **Besides the rationale that the proposed Airports Administrator may oversee EM-08, what other rationale was used to determine the classification and salary range for the Airports Administrator?**

The ES-01 pay grade was based on: the need to maintain an appropriate pay relationship with the position's subordinates; recognition of the important role our airports play in the State's tourism industry, as well as the magnitude of this position's responsibilities, including responsibility to oversee all of the airports under the jurisdiction of the State of Hawaii; responsibility to ensure the safety and security of the millions of travelers and other users of the airports; responsibility to manage and administer a very substantial budget; and responsibility for managing one of the largest divisions in the State Executive Branch (with approximately 1200 employees).

The Highways Administrator is EM-08, yet the minimum job qualifications for the Highways Administrator are much more extensive and technical than the Airports Administrator position. So, is the classification of ES-01 purely based on the classification of their subordinates?

The minimum qualification requirements for each class of work are developed based on the minimum level of essential prerequisite knowledge, skills and abilities required to perform the primary duties and responsibilities.

The Highways Administrator class requires engineering experience because it requires engineering knowledge, skills and abilities in order to effectively direct operations and meet program objectives. The Airports Administrator class requires a greater amount of administrative experience (3 years) than the Highways Administrator (1 year) due to the need for stronger administrative skills required to administer and manage the State's airports program.

The following chart illustrates the minimum qualification requirements for the two classes of work:

Class	Education	Experience	Duties & Responsibilities
Airports Administrator	Bachelor's Degree	<ul style="list-style-type: none"> ▪ 4 yrs professional work experience which demonstrated ability to deal effectively with fellow workers, business contacts and/or the general public and to recognize, analyze and 	<ul style="list-style-type: none"> ▪ Responsible for overall administration of all State airports and aviation facilities and properties under control of the DOT Airports Division.

Class	Education	Experience	Duties & Responsibilities
		resolve management and operational problems. ■ 3 yrs administrative experience which included active participation in and major responsibility for policy formulation and implementation; budget preparation and execution; and planning, developing, directing and managing airport operations and/or facilities.	
Highways Administrator	Bachelor's degree in engineering/ equivalent	■ 4 yrs engineering experience ■ 2 yrs supervisory engineering experience ■ 1 yr administrative engineering experience which included planning (including budget planning and justification), organizing, staffing, policy formulation and implementation, and directing a program providing staff services and/or assistance.	■ Responsible for the administration of the management, operation, construction and maintenance of all State highways and related facilities and properties under the jurisdiction of the DOT Highways Division.

Based on the respective duties and responsibilities and knowledge, skills and abilities required to perform those duties and responsibilities, the minimum qualification requirements for the classes are appropriate.

As for the repricing of the Highways Administrator class to an ES pay grade, the DOT may request for the repricing of the class from the current EM-08 pay grade to an ES pay grade.

Since, the Assistant Airports Administrator positions were vacant, (subsequently abolished), what was the immediate need to classify it as ES-01?

In February 2010 when the Airports Administrator class was reinstated to ES-01, it was DHRD's understanding that the Airports Administrator (position no. 6916) and the two Assistant Administrators (position nos. 118832 and 118831) were in the DOT budget.

After learning that the top leadership positions in the Airports Division were deleted from

the budget, the DOT made a decision that an Airports Administrator was needed, obtained the necessary approval from the Governor for position authorization through the position variance process, and requested DHRD's continued assistance with the classification process which had already been started prior to February 2010 to implement the July 15, 2009 reorganization.

It should be noted that notwithstanding the subsequent deletion of the positions by the Legislature, the organizational structure still remains with one division chief and two assistants, therefore, the bases (job complexity and internal alignment) for the class Airports Administrator, ES-01, continue to exist. The class specifications and pricing do not necessarily change when subordinate positions become vacant.

14. What is the basis for establishing an Airports Administrator position that has been specifically defunded and abolished by the Legislature?

Departments are responsible to comply with budget execution policies and any other administrative policies and requirements. DHRD's role in classifying the job duties and responsibilities begins after the position is approved by the Governor for establishment and filling. Therefore, we are not able to answer the question relating to the basis for a defunded and abolished position.

15. Why were a set of minimum qualifications established and distributed for an Airports Administrator position when that position was defunded and abolished by the Legislature?

After learning that the top leadership positions in the Airports Division were deleted from the budget, the DOT made a decision that an Airports Administrator was needed, obtained the necessary approval from the Governor for position authorization through the position variance process, and requested DHRD's continued assistance with the classification process which had already been started prior to February 2010 to implement the July 15, 2009 reorganization. The DOT reviewed the class specifications of the reinstated Airports Administrator class and requested that the minimum qualification requirements be amended to include experience in managing airport operations and/or facilities. Reviewing class specifications and minimum qualification requirements and informing DHRD of required changes is a responsibility of each department. Accordingly, because DOT had received the Governor's approval to establish the position and their request to amend the class specifications was not unreasonable and did not affect other positions, the amendments were made.

16. What is a "super class" position? What is the classification code for super class positions (SC)?

SC is a pay range designation on salary schedules for Bargaining Units 3, 4 and 13. These

salary schedules were negotiated with the HGEA through the collective bargaining process. (See attached salary schedules.)

How many super class positions exist? Where are these positions situated? How does a person become designated as a super class employee? What are the salary ranges? Who occupies these positions?

Currently, all SC positions are allocated to physician classes and are occupied by physicians. There are 5 civil service classes (Physician II, TB Physician, Hansen's Disease Physician, Pediatrician and Medical Care Consultant), and they are all priced at SC-01. A total of 11 positions are allocated to these classes and are located in the Department of Public Safety (2) and the Department of Health (9).

STATE CLASSES/POSITIONS ASSIGNED TO SC RANGES as of 7/1/10

POS NO.	CLASS TITLE	PRICING	DEPT/DIV
2605	Physician II	SC-01	PSD/Health Care
15142	Physician II	SC-01	DOH/Disease Outbreak Control
38784	Physician II	SC-01	PSD/Health Care
110530	Physician II	SC-01	DOH/Family Health Services
3859	TB Physician	SC-01	DOH/TB Control Branch
22025	TB Physician	SC-01	DOH/TB Control Branch
23565	TB Physician	SC-01	DOH/TB Control Branch
19360	Hansen's Disease Physician	SC-01	DOH/Hansen's Disease Branch
35357	Hansen's Disease Physician	SC-01	DOH/Hansen's Disease Branch
37268	Hansen's Disease Physician	SC-01	DOH/Hansen's Disease Branch
110691	Pediatrician	SC-01	DOH/Immunization Branch
--	Medical Care Consultant	SC-01	N/A

Total: 5 classes/11 positions

The salary ranges for the SC pay grades on the BU-13 salary schedule are as follows:

- SC-01: \$73,044 to \$108,096
- SC-02: \$75,960 to \$112,404
- SC-03: \$78,984 to \$116,904

17. **SC salary ranges existed pursuant to §77-13(d), HRS, which was repealed by Act 253, as a result, the SC salary ranges are not specifically provided for in the existing law. What is the legal authority for continuing to use the SC salary ranges?**

Section 149 of Act 253, SLH 2000, provided comparable rights, benefits, and privileges for affected civil service employees through collective bargaining negotiations or executive

order following the repeal of Chapter 77. As such, the SC-01, SC-02 and SC-03 pay grades and pay ranges have been negotiated through the collective bargaining process for Bargaining Units 3, 4 and 13. (See attached salary schedules.)

- 18. Please confirm whether you need union concurrence to change a position from an included position to an excluded position. Have you gotten union concurrence in this instance in making the newly created Airports Administrator position an excluded position?**

The State is required to seek concurrence from the respective union on the exclusion of positions from collective bargaining. On June 7, 2010, DHRD sent a request to HGEA to exclude position no. 119505. Additional information was provided to HGEA and as requested by HGEA, a second request for exclusion was sent on June 21, 2010. We have not received their response to date.

- 19. In the event the union does not concur with changing the position to an excluded position, what would be the recourse of the employee? In particular, provide the steps that would be available for administrative review, and what would be the options for the affected employee. (Let chief know)**

The exclusion of a position from collective bargaining is based on the functions and duties and responsibilities that are assigned to the position. Criteria for excluding positions are specified in Section 89-6(g), HRS, which also states that if a controversy arises, the Hawaii Labor Relations Board (HLRB) shall investigate, conduct hearing, and make a final determination on the applicability of the provision. However, pursuant to Section 89-6, HRS, it is clear that the Airports Administrator position meets the criteria of "top-level managerial and administrative personnel, including the department head, deputy or assistant to a department head, administrative officer, director, or chief of a state or county agency or major division, and legal counsel." As such, we trust that the HGEA will concur and that HLRB intervention will not be necessary. The Airports Administrator position no. 119505 is vacant, so no employee will be affected.

- 20. Please provide your department's normal practice for recruitment. In particular, please set forth your department's standard operating procedures with respect to internal and external recruitment practices.**

Act 253, SLH 2000, provided flexibility and simplicity with accountability in civil service staffing. Therefore, each department has its own policy and procedures in filling its civil service positions. Each department head (appointing authority) through the guidance of its departmental personnel officer will determine their desired method of filling their civil service vacancies. DHRD does not conduct internal recruitments for departments.

As the central human resources agency, DHRD conducts competitive recruitments and examinations for the State executive departments who are part of the DHRD-administered

civil service system. Announcements are posted on the DHRD's NeoGov internet-based website, which is open 24 hours a day, 365 days a year, including all holidays. The general procedures are:

- All interested individuals from the general public, including our employees, may submit an application via the Internet for a recruitment posted.
- The open competitive examination process provides the State of Hawaii the ongoing opportunity to attract qualified and interested applicant pools, locally, nationally and internationally.
- The announcement postings are electronic, and nearly 100% of our application intake is achieved on-line through NeoGov Enterprises.
- Electronic applications are evaluated and processed on-line, including the production and printing of 'accept and reject' notices to all applicants.
- Qualified applicants are electronically established to general registers (certified lists of eligibles), including notices of eligibility.
- Requests for certified lists of eligibles sent by departments are electronically received by DHRD, and upon receipt, DHRD electronically issues certificates which are accompanied by applications for individuals referred (certified).

Which recruitment process is initiated first?

While there is no statutory requirement to conduct an internal recruitment first, since the passage of Act 253, SLH 2000, each department will administer its recruitment procedures through its own policy and procedures in filling civil service positions. Each department head (appointing authority) through the guidance of its departmental personnel officer will determine their desired method of filling their civil service vacancies. While weighing and balancing promotional opportunities for its competent and interested employees may be considered first, there are situations such as in most 'leadership' supervisory, management and administrative jobs, where the department head can conduct simultaneous internal recruitment with an open-competitive recruitment or a single open-competitive recruitment (where both employees and the general public are invited to apply) in the interest of efficiency.

Once an internal recruitment is conducted, however, departments are expected to keep their internal applicants fully informed as to whether they meet the minimum qualification requirements of the class and/or position as well as interview and consider all qualified employee applicants with written notification of final selection or non-selection.

Are there exceptions to the standard practice? If so, what criteria or factors would cause changes or adjustments to the standard practice?

In instances where a department has conducted a recent internal recruitment where there were no qualified and interested employees and is reasonably certain that another internal recruitment will produce the same or similar results, the department can bypass conducting the internal recruitment and request DHRD to conduct an open-competitive recruitment.

Additionally, in instances where a department has both civil service members and exempt employees for a difficult-to-fill civil service position, the better decision would be to conduct an open-competitive examination announcement so that it will be able to consider an adequate pool of qualified eligibles.

Another exception is when a recruitment above the minimum is conducted to attract a large pool of qualified applicants and provide the appointing authority with the flexibility to offer a competitive salary to an individual with outstanding credentials. In this instance, the department usually decides to forego conducting an internal recruitment.

Other instances where the department could waive the internal recruitment process include intra-departmental competitive promotional recruitments conducted by DHRD for law enforcement, public safety and firefighter recruitments where candidates are ranked through a multi-phased competitive examination process.

21. How many other airport position recruitments, are you processing at this time and when was the last recruitment posting? What was the average length of time to complete airport position recruitment?

There are approximately 12 airport-related classes currently being processed by DHRD or pending department's action at this time.

The dates of the recruitment posting varies as some classes have been on continuous recruitment to ensure a bank of qualified eligibles for immediate referral while others have had lengthy recruitment periods due to insufficient applicant interest:

Airport Operations & Maint Worker I – Continuous Recruitment opened on 6/11/10
Airports Administrator – Opened 6/4/10, closed 6/14/10
Airport Operations Controller II – Scheduled to open on 7/16/10
Architect V – Opened 3/22/09, closed 11/25/09; first list referred to department on 3/16/10
Assistant Airport Supt IV –
Kauai: Opened 8/9/09, closed 2/8/10

Honorable Donna Mercado Kim
July 6, 2010
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Maui: Continuous recruitment opened 2/27/10; list referred to department on 4/8/10
Engineer IV – Continuous recruitment opened on 5/22/09; first list referred to department on 2/19/10
Engineer V – Continuous recruitment opened on 5/22/09; first list referred to department on 2/19/10
Janitor II – Recall list is being used to refer eligibles
Janitor Supervisor I – Recall list is being used to refer eligibles
Management Analyst IV – Opened 4/2/10, closed 4/16/10; list referred to department 5/25/10
Visitor Info Prog Officer – Continuous recruitment opened on 2/11/10; list referred to department 5/13/10
Visitor Information Program Asst I – Opened 7/26/09, closed 8/10/09; list referred to department 5/13/10

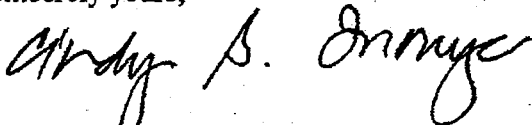
What was the average length of time to complete airport position recruitment?

The length of time to complete a recruitment (which involves posting a recruitment notice, reviewing applications, certifying eligibles) and refer a list of eligibles to the requesting department will vary depending on factors such as amount of applicant interest and response to the notice, number of applications that are received and reviewed, responding to inquiries, etc. The overall average number of days to post a recruitment and refer a list to the requesting department is approximately 23 to 30 days.

Note: Airport Fire Fighter, Airport Lieutenant, Captain, Airport Fire Equipment Operator – all recruitments are posted on DHRD website. DOT-Airport Personnel is responsible for processing all activities relating to the internal recruitment.

We hope the foregoing information is responsive to your needs. Should you require more information, we will be happy to assist.

Sincerely yours,



for MARIE C. LADERTA
Director of Human Resources Development

Attachments

State of Hawaii
 DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT
 SALARY SCHEDULE

Effective Date: 10/01/2008

Bargaining Unit: 30, 31, 32, 33, 34, 35 Excluded Managerial

		MIN	MAX			MIN	MAX
EM01	ANN	59,028	84,000	ES01	ANN	85,560	121,752
	MON	4,919	7,000		MON	7,130	10,146
	8HR	227.04	323.04		8HR	329.04	468.24
	HRLY	28.38	40.38		HRLY	41.13	58.53
EM02	ANN	61,956	88,236	ES02	ANN	88,128	125,436
	MON	5,163	7,353		MON	7,344	10,453
	8HR	238.32	339.36		8HR	338.96	482.48
	HRLY	29.79	42.42		HRLY	42.37	60.31
EM03	ANN	65,088	92,616	ES03	ANN	90,792	129,180
	MON	5,424	7,718		MON	7,566	10,765
	8HR	250.32	356.24		8HR	349.20	496.88
	HRLY	31.29	44.53		HRLY	43.65	62.11
EM04	ANN	68,328	97,272				
	MON	5,694	8,106				
	8HR	262.80	374.16				
	HRLY	32.85	46.77				
EM05	ANN	71,760	102,120				
	MON	5,980	8,510				
	8HR	276.00	392.80				
	HRLY	34.50	49.10				
EM06	ANN	75,336	107,256				
	MON	6,278	8,938				
	8HR	289.76	412.56				
	HRLY	36.22	51.57				
EM07	ANN	79,104	112,596				
	MON	6,592	9,383				
	8HR	304.24	433.04				
	HRLY	38.03	54.13				
EM08	ANN	83,040	118,212				
	MON	6,920	9,851				
	8HR	319.36	454.64				
	HRLY	39.92	56.83				

State of Hawaii
DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT
SALARY SCHEDULE

Effective Date: 07/01/2008

Bargaining Unit: 03 White Collar, Non-supervisor

04 White Collar, Supervisor

		Step A	Step B	Step C	Step D	Step E	Step F	Step G	Step H	Step I	Step J	Step K	Step L
SR04	ANN	21,948	22,776	23,688	24,648	25,668	26,700	27,756	28,836	30,036	31,212	32,424	33,756
	MON	1,829	1,898	1,974	2,054	2,139	2,225	2,313	2,403	2,503	2,601	2,702	2,813
	8HR	84.40	87.60	91.12	94.80	98.72	102.72	106.72	110.88	115.52	120.08	124.72	129.84
	HRLY	10.55	10.95	11.39	11.85	12.34	12.84	13.34	13.86	14.44	15.01	15.59	16.23
SR05	ANN	22,776	23,688	24,648	25,668	26,700	27,756	28,836	30,036	31,212	32,424	33,756	35,064
	MON	1,898	1,974	2,054	2,139	2,225	2,313	2,403	2,503	2,601	2,702	2,813	2,922
	8HR	87.60	91.12	94.80	98.72	102.72	106.72	110.88	115.52	120.08	124.72	129.84	134.88
	HRLY	10.95	11.39	11.85	12.34	12.84	13.34	13.86	14.44	15.01	15.59	16.23	16.86
SR06	ANN	23,688	24,648	25,668	26,700	27,756	28,836	30,036	31,212	32,424	33,756	35,064	36,516
	MON	1,974	2,054	2,139	2,225	2,313	2,403	2,503	2,601	2,702	2,813	2,922	3,043
	8HR	91.12	94.80	98.72	102.72	106.72	110.88	115.52	120.08	124.72	129.84	134.88	140.48
	HRLY	11.39	11.85	12.34	12.84	13.34	13.86	14.44	15.01	15.59	16.23	16.86	17.56
SR07	ANN	24,648	25,668	26,700	27,756	28,836	30,036	31,212	32,424	33,756	35,064	36,516	37,968
	MON	2,054	2,139	2,225	2,313	2,403	2,503	2,601	2,702	2,813	2,922	3,043	3,164
	8HR	94.80	98.72	102.72	106.72	110.88	115.52	120.08	124.72	129.84	134.88	140.48	146.00
	HRLY	11.85	12.34	12.84	13.34	13.86	14.44	15.01	15.59	16.23	16.86	17.56	18.25
SR08	ANN	25,668	26,700	27,756	28,836	30,036	31,212	32,424	33,756	35,064	36,516	37,968	39,480
	MON	2,139	2,225	2,313	2,403	2,503	2,601	2,702	2,813	2,922	3,043	3,164	3,290
	8HR	98.72	102.72	106.72	110.88	115.52	120.08	124.72	129.84	134.88	140.48	146.00	151.84
	HRLY	12.34	12.84	13.34	13.86	14.44	15.01	15.59	16.23	16.86	17.56	18.25	18.98
SR09	ANN	26,700	27,756	28,836	30,036	31,212	32,424	33,756	35,064	36,516	37,968	39,480	41,040
	MON	2,225	2,313	2,403	2,503	2,601	2,702	2,813	2,922	3,043	3,164	3,290	3,420
	8HR	102.72	106.72	110.88	115.52	120.08	124.72	129.84	134.88	140.48	146.00	151.84	157.84
	HRLY	12.84	13.34	13.86	14.44	15.01	15.59	16.23	16.86	17.56	18.25	18.98	19.73
SR10	ANN	27,756	28,836	30,036	31,212	32,424	33,756	35,064	36,516	37,968	39,480	41,040	42,684
	MON	2,313	2,403	2,503	2,601	2,702	2,813	2,922	3,043	3,164	3,290	3,420	3,557
	8HR	106.72	110.88	115.52	120.08	124.72	129.84	134.88	140.48	146.00	151.84	157.84	164.16
	HRLY	13.34	13.86	14.44	15.01	15.59	16.23	16.86	17.56	18.25	18.98	19.73	20.52
SR11	ANN	28,836	30,036	31,212	32,424	33,756	35,064	36,516	37,968	39,480	41,040	42,684	44,412
	MON	2,403	2,503	2,601	2,702	2,813	2,922	3,043	3,164	3,290	3,420	3,557	3,701
	8HR	110.88	115.52	120.08	124.72	129.84	134.88	140.48	146.00	151.84	157.84	164.16	170.80
	HRLY	13.86	14.44	15.01	15.59	16.23	16.86	17.56	18.25	18.98	19.73	20.52	21.35

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04 White Collar, Supervisor

		Step A	Step B	Step C	Step D	Step E	Step F	Step G	Step H	Step I	Step J	Step K	Step L
SR12	ANN	30,036	31,212	32,424	33,756	35,064	36,516	37,968	39,480	41,040	42,684	44,412	46,176
	MON	2,503	2,601	2,702	2,813	2,922	3,043	3,164	3,290	3,420	3,557	3,701	3,848
	8HR	115.52	120.08	124.72	129.84	134.88	140.48	146.00	151.84	157.84	164.16	170.80	177.60
	HRLY	14.44	15.01	15.59	16.23	16.86	17.56	18.25	18.98	19.73	20.52	21.35	22.20
SR13	ANN	31,212	32,424	33,756	35,064	36,516	37,968	39,480	41,040	42,684	44,412	46,176	48,048
	MON	2,601	2,702	2,813	2,922	3,043	3,164	3,290	3,420	3,557	3,701	3,848	4,004
	8HR	120.08	124.72	129.84	134.88	140.48	146.00	151.84	157.84	164.16	170.80	177.60	184.80
	HRLY	15.01	15.59	16.23	16.86	17.56	18.25	18.98	19.73	20.52	21.35	22.20	23.10
SR14	ANN	32,424	33,756	35,064	36,516	37,968	39,480	41,040	42,684	44,412	46,176	48,048	49,932
	MON	2,702	2,813	2,922	3,043	3,164	3,290	3,420	3,557	3,701	3,848	4,004	4,161
	8HR	124.72	129.84	134.88	140.48	146.00	151.84	157.84	164.16	170.80	177.60	184.80	192.08
	HRLY	15.59	16.23	16.86	17.56	18.25	18.98	19.73	20.52	21.35	22.20	23.10	24.01
SR15	ANN	33,756	35,064	36,516	37,968	39,480	41,040	42,684	44,412	46,176	48,048	49,932	51,936
	MON	2,813	2,922	3,043	3,164	3,290	3,420	3,557	3,701	3,848	4,004	4,161	4,328
	8HR	129.84	134.88	140.48	146.00	151.84	157.84	164.16	170.80	177.60	184.80	192.08	199.76
	HRLY	16.23	16.86	17.56	18.25	18.98	19.73	20.52	21.35	22.20	23.10	24.01	24.97
SR16	ANN	35,064	36,516	37,968	39,480	41,040	42,684	44,412	46,176	48,048	49,932	51,936	54,012
	MON	2,922	3,043	3,164	3,290	3,420	3,557	3,701	3,848	4,004	4,161	4,328	4,501
	8HR	134.88	140.48	146.00	151.84	157.84	164.16	170.80	177.60	184.80	192.08	199.76	207.76
	HRLY	16.86	17.56	18.25	18.98	19.73	20.52	21.35	22.20	23.10	24.01	24.97	25.97
SR17	ANN	36,516	37,968	39,480	41,040	42,684	44,412	46,176	48,048	49,932	51,936	54,012	56,172
	MON	3,043	3,164	3,290	3,420	3,557	3,701	3,848	4,004	4,161	4,328	4,501	4,681
	8HR	140.48	146.00	151.84	157.84	164.16	170.80	177.60	184.80	192.08	199.76	207.76	216.08
	HRLY	17.56	18.25	18.98	19.73	20.52	21.35	22.20	23.10	24.01	24.97	25.97	27.01
SR18	ANN	37,968	39,480	41,040	42,684	44,412	46,176	48,048	49,932	51,936	54,012	56,172	58,440
	MON	3,164	3,290	3,420	3,557	3,701	3,848	4,004	4,161	4,328	4,501	4,681	4,870
	8HR	146.00	151.84	157.84	164.16	170.80	177.60	184.80	192.08	199.76	207.76	216.08	224.80
	HRLY	18.25	18.98	19.73	20.52	21.35	22.20	23.10	24.01	24.97	25.97	27.01	28.10
SR19	ANN	39,480	41,040	42,684	44,412	46,176	48,048	49,932	51,936	54,012	56,172	58,440	60,744
	MON	3,290	3,420	3,557	3,701	3,848	4,004	4,161	4,328	4,501	4,681	4,870	5,062
	8HR	151.84	157.84	164.16	170.80	177.60	184.80	192.08	199.76	207.76	216.08	224.80	233.60
	HRLY	18.98	19.73	20.52	21.35	22.20	23.10	24.01	24.97	25.97	27.01	28.10	29.20

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		Step A	Step B	Step C	Step D	Step E	Step F	Step G	Step H	Step I	Step J	Step K	Step L
SR20	ANN	41,040	42,684	44,412	46,176	48,048	49,932	51,936	54,012	56,172	58,440	60,744	63,204
	MON	3,420	3,557	3,701	3,848	4,004	4,161	4,328	4,501	4,681	4,870	5,062	5,267
	8HR	157.84	164.16	170.80	177.60	184.80	192.08	199.76	207.76	216.08	224.80	233.60	243.12
	HRLY	19.73	20.52	21.35	22.20	23.10	24.01	24.97	25.97	27.01	28.10	29.20	30.39
SR21	ANN	42,684	44,412	46,176	48,048	49,932	51,936	54,012	56,172	58,440	60,744	63,204	65,784
	MON	3,557	3,701	3,848	4,004	4,161	4,328	4,501	4,681	4,870	5,062	5,267	5,482
	8HR	164.16	170.80	177.60	184.80	192.08	199.76	207.76	216.08	224.80	233.60	243.12	253.04
	HRLY	20.52	21.35	22.20	23.10	24.01	24.97	25.97	27.01	28.10	29.20	30.39	31.63
SR22	ANN	44,412	46,176	48,048	49,932	51,936	54,012	56,172	58,440	60,744	63,204	65,784	68,388
	MON	3,701	3,848	4,004	4,161	4,328	4,501	4,681	4,870	5,062	5,267	5,482	5,699
	8HR	170.80	177.60	184.80	192.08	199.76	207.76	216.08	224.80	233.60	243.12	253.04	263.04
	HRLY	21.35	22.20	23.10	24.01	24.97	25.97	27.01	28.10	29.20	30.39	31.63	32.88
SR23	ANN	46,176	48,048	49,932	51,936	54,012	56,172	58,440	60,744	63,204	65,784	68,388	71,112
	MON	3,848	4,004	4,161	4,328	4,501	4,681	4,870	5,062	5,267	5,482	5,699	5,926
	8HR	177.60	184.80	192.08	199.76	207.76	216.08	224.80	233.60	243.12	253.04	263.04	273.52
	HRLY	22.20	23.10	24.01	24.97	25.97	27.01	28.10	29.20	30.39	31.63	32.88	34.19
SR24	ANN	48,048	49,932	51,936	54,012	56,172	58,440	60,744	63,204	65,784	68,388	71,112	73,968
	MON	4,004	4,161	4,328	4,501	4,681	4,870	5,062	5,267	5,482	5,699	5,926	6,164
	8HR	184.80	192.08	199.76	207.76	216.08	224.80	233.60	243.12	253.04	263.04	273.52	284.48
	HRLY	23.10	24.01	24.97	25.97	27.01	28.10	29.20	30.39	31.63	32.88	34.19	35.56
SR25	ANN	49,932	51,936	54,012	56,172	58,440	60,744	63,204	65,784	68,388	71,112	73,968	76,944
	MON	4,161	4,328	4,501	4,681	4,870	5,062	5,267	5,482	5,699	5,926	6,164	6,412
	8HR	192.08	199.76	207.76	216.08	224.80	233.60	243.12	253.04	263.04	273.52	284.48	295.92
	HRLY	24.01	24.97	25.97	27.01	28.10	29.20	30.39	31.63	32.88	34.19	35.56	36.99
SR26	ANN	51,936	54,012	56,172	58,440	60,744	63,204	65,784	68,388	71,112	73,968	76,944	79,992
	MON	4,328	4,501	4,681	4,870	5,062	5,267	5,482	5,699	5,926	6,164	6,412	6,666
	8HR	199.76	207.76	216.08	224.80	233.60	243.12	253.04	263.04	273.52	284.48	295.92	307.68
	HRLY	24.97	25.97	27.01	28.10	29.20	30.39	31.63	32.88	34.19	35.56	36.99	38.46
SR27	ANN	54,012	56,172	58,440	60,744	63,204	65,784	68,388	71,112	73,968	76,944	79,992	83,184
	MON	4,501	4,681	4,870	5,062	5,267	5,482	5,699	5,926	6,164	6,412	6,666	6,932
	8HR	207.76	216.08	224.80	233.60	243.12	253.04	263.04	273.52	284.48	295.92	307.68	319.92
	HRLY	25.97	27.01	28.10	29.20	30.39	31.63	32.88	34.19	35.56	36.99	38.46	39.99

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		Step A	Step B	Step C	Step D	Step E	Step F	Step G	Step H	Step I	Step J	Step K	Step L
SR28	ANN	56,172	58,440	60,744	63,204	65,784	68,388	71,112	73,968	76,944	79,992	83,184	86,508
	MON	4,681	4,870	5,062	5,267	5,482	5,699	5,926	6,164	6,412	6,666	6,932	7,209
	8HR	216.08	224.80	233.60	243.12	253.04	263.04	273.52	284.48	295.92	307.68	319.92	332.72
	HRLY	27.01	28.10	29.20	30.39	31.63	32.88	34.19	35.56	36.99	38.46	39.99	41.59
SR29	ANN	58,440	60,744	63,204	65,784	68,388	71,112	73,968	76,944	79,992	83,184	86,508	90,024
	MON	4,870	5,062	5,267	5,482	5,699	5,926	6,164	6,412	6,666	6,932	7,209	7,502
	8HR	224.80	233.60	243.12	253.04	263.04	273.52	284.48	295.92	307.68	319.92	332.72	346.24
	HRLY	28.10	29.20	30.39	31.63	32.88	34.19	35.56	36.99	38.46	39.99	41.59	43.28
SR30	ANN	60,744	63,204	65,784	68,388	71,112	73,968	76,944	79,992	83,184	86,508	90,024	93,624
	MON	5,062	5,267	5,482	5,699	5,926	6,164	6,412	6,666	6,932	7,209	7,502	7,802
	8HR	233.60	243.12	253.04	263.04	273.52	284.48	295.92	307.68	319.92	332.72	346.24	360.08
	HRLY	29.20	30.39	31.63	32.88	34.19	35.56	36.99	38.46	39.99	41.59	43.28	45.01
SR31	ANN	63,204	65,784	68,388	71,112	73,968	76,944	79,992	83,184	86,508	90,024	93,624	97,284
	MON	5,267	5,482	5,699	5,926	6,164	6,412	6,666	6,932	7,209	7,502	7,802	8,107
	8HR	243.12	253.04	263.04	273.52	284.48	295.92	307.68	319.92	332.72	346.24	360.08	374.16
	HRLY	30.39	31.63	32.88	34.19	35.56	36.99	38.46	39.99	41.59	43.28	45.01	46.77
SC01	ANN	65,784	68,388	71,112	73,968	76,944	79,992	83,184	86,508	90,024	93,624	97,284	101,208
	MON	5,482	5,699	5,926	6,164	6,412	6,666	6,932	7,209	7,502	7,802	8,107	8,434
	8HR	253.04	263.04	273.52	284.48	295.92	307.68	319.92	332.72	346.24	360.08	374.16	389.28
	HRLY	31.63	32.88	34.19	35.56	36.99	38.46	39.99	41.59	43.28	45.01	46.77	48.66
SC02	ANN	68,388	71,112	73,968	76,944	79,992	83,184	86,508	90,024	93,624	97,284	101,208	105,252
	MON	5,699	5,926	6,164	6,412	6,666	6,932	7,209	7,502	7,802	8,107	8,434	8,771
	8HR	263.04	273.52	284.48	295.92	307.68	319.92	332.72	346.24	360.08	374.16	389.28	404.80
	HRLY	32.88	34.19	35.56	36.99	38.46	39.99	41.59	43.28	45.01	46.77	48.66	50.60
SC03	ANN	71,112	73,968	76,944	79,992	83,184	86,508	90,024	93,624	97,284	101,208	105,252	109,488
	MON	5,926	6,164	6,412	6,666	6,932	7,209	7,502	7,802	8,107	8,434	8,771	9,124
	8HR	273.52	284.48	295.92	307.68	319.92	332.72	346.24	360.08	374.16	389.28	404.80	421.12
	HRLY	34.19	35.56	36.99	38.46	39.99	41.59	43.28	45.01	46.77	48.66	50.60	52.64

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		Step C	Step D	Step E	Step F	Step G	Step H	Step I	Step J	Step K	Step L	Step M
SR12	ANN	30,780	32,064	33,360	34,656	36,024	37,452	38,988				
	MON	2,565	2,672	2,780	2,888	3,002	3,121	3,249				
	8HR	118.40	123.36	128.32	133.28	138.56	144.08	149.92				
	HRLY	14.80	15.42	16.04	16.66	17.32	18.01	18.74				
SR13	ANN	32,064	33,360	34,656	36,024	37,452	38,988	40,548				
	MON	2,672	2,780	2,888	3,002	3,121	3,249	3,379				
	8HR	123.36	128.32	133.28	138.56	144.08	149.92	155.92				
	HRLY	15.42	16.04	16.66	17.32	18.01	18.74	19.49				
SR14	ANN	33,360	34,656	36,024	37,452	38,988	40,548	42,132				
	MON	2,780	2,888	3,002	3,121	3,249	3,379	3,511				
	8HR	128.32	133.28	138.56	144.08	149.92	155.92	162.08				
	HRLY	16.04	16.66	17.32	18.01	18.74	19.49	20.26				
SR15	ANN	34,656	36,024	37,452	38,988	40,548	42,132	43,824	45,576			
	MON	2,888	3,002	3,121	3,249	3,379	3,511	3,652	3,798			
	8HR	133.28	138.56	144.08	149.92	155.92	162.08	168.56	175.28			
	HRLY	16.66	17.32	18.01	18.74	19.49	20.26	21.07	21.91			
SR16	ANN	36,024	37,452	38,988	40,548	42,132	43,824	45,576	47,412	49,332	51,312	53,352
	MON	3,002	3,121	3,249	3,379	3,511	3,652	3,798	3,951	4,111	4,276	4,446
	8HR	138.56	144.08	149.92	155.92	162.08	168.56	175.28	182.32	189.76	197.36	205.20
	HRLY	17.32	18.01	18.74	19.49	20.26	21.07	21.91	22.79	23.72	24.67	25.65
SR17	ANN	37,452	38,988	40,548	42,132	43,824	45,576	47,412	49,332	51,312	53,352	55,500
	MON	3,121	3,249	3,379	3,511	3,652	3,798	3,951	4,111	4,276	4,446	4,625
	8HR	144.08	149.92	155.92	162.08	168.56	175.28	182.32	189.76	197.36	205.20	213.44
	HRLY	18.01	18.74	19.49	20.26	21.07	21.91	22.79	23.72	24.67	25.65	26.68
SR18	ANN	38,988	40,548	42,132	43,824	45,576	47,412	49,332	51,312	53,352	55,500	57,708
	MON	3,249	3,379	3,511	3,652	3,798	3,951	4,111	4,276	4,446	4,625	4,809
	8HR	149.92	155.92	162.08	168.56	175.28	182.32	189.76	197.36	205.20	213.44	221.92
	HRLY	18.74	19.49	20.26	21.07	21.91	22.79	23.72	24.67	25.65	26.68	27.74
SR19	ANN	40,548	42,132	43,824	45,576	47,412	49,332	51,312	53,352	55,500	57,708	60,024
	MON	3,379	3,511	3,652	3,798	3,951	4,111	4,276	4,446	4,625	4,809	5,002
	8HR	155.92	162.08	168.56	175.28	182.32	189.76	197.36	205.20	213.44	221.92	230.88
	HRLY	19.49	20.26	21.07	21.91	22.79	23.72	24.67	25.65	26.68	27.74	28.86

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SR20	ANN	42,132	43,824	45,576	47,412	49,332	51,312	53,352	55,500	57,708	60,024	62,424
	MON	3,511	3,652	3,798	3,951	4,111	4,276	4,446	4,625	4,809	5,002	5,202
	8HR	162.08	168.56	175.28	182.32	189.76	197.36	205.20	213.44	221.92	230.88	240.08
	HRLY	20.26	21.07	21.91	22.79	23.72	24.67	25.65	26.68	27.74	28.86	30.01
SR21	ANN	43,824	45,576	47,412	49,332	51,312	53,352	55,500	57,708	60,024	62,424	64,920
	MON	3,652	3,798	3,951	4,111	4,276	4,446	4,625	4,809	5,002	5,202	5,410
	8HR	168.56	175.28	182.32	189.76	197.36	205.20	213.44	221.92	230.88	240.08	249.68
	HRLY	21.07	21.91	22.79	23.72	24.67	25.65	26.68	27.74	28.86	30.01	31.21
SR22	ANN	45,576	47,412	49,332	51,312	53,352	55,500	57,708	60,024	62,424	64,920	67,488
	MON	3,798	3,951	4,111	4,276	4,446	4,625	4,809	5,002	5,202	5,410	5,624
	8HR	175.28	182.32	189.76	197.36	205.20	213.44	221.92	230.88	240.08	249.68	259.60
	HRLY	21.91	22.79	23.72	24.67	25.65	26.68	27.74	28.86	30.01	31.21	32.45
SR23	ANN	47,412	49,332	51,312	53,352	55,500	57,708	60,024	62,424	64,920	67,488	70,224
	MON	3,951	4,111	4,276	4,446	4,625	4,809	5,002	5,202	5,410	5,624	5,852
	8HR	182.32	189.76	197.36	205.20	213.44	221.92	230.88	240.08	249.68	259.60	270.08
	HRLY	22.79	23.72	24.67	25.65	26.68	27.74	28.86	30.01	31.21	32.45	33.76
SR24	ANN	51,312	53,352	55,500	57,708	60,024	62,424	64,920	67,488	70,224	73,044	75,960
	MON	4,276	4,446	4,625	4,809	5,002	5,202	5,410	5,624	5,852	6,087	6,330
	8HR	197.36	205.20	213.44	221.92	230.88	240.08	249.68	259.60	270.08	280.96	292.16
	HRLY	24.67	25.65	26.68	27.74	28.86	30.01	31.21	32.45	33.76	35.12	36.52
SR25	ANN	53,352	55,500	57,708	60,024	62,424	64,920	67,488	70,224	73,044	75,960	78,984
	MON	4,446	4,625	4,809	5,002	5,202	5,410	5,624	5,852	6,087	6,330	6,582
	8HR	205.20	213.44	221.92	230.88	240.08	249.68	259.60	270.08	280.96	292.16	303.76
	HRLY	25.65	26.68	27.74	28.86	30.01	31.21	32.45	33.76	35.12	36.52	37.97
SR26	ANN	55,500	57,708	60,024	62,424	64,920	67,488	70,224	73,044	75,960	78,984	82,128
	MON	4,625	4,809	5,002	5,202	5,410	5,624	5,852	6,087	6,330	6,582	6,844
	8HR	213.44	221.92	230.88	240.08	249.68	259.60	270.08	280.96	292.16	303.76	315.84
	HRLY	26.68	27.74	28.86	30.01	31.21	32.45	33.76	35.12	36.52	37.97	39.48
SR27	ANN	57,708	60,024	62,424	64,920	67,488	70,224	73,044	75,960	78,984	82,128	85,428
	MON	4,809	5,002	5,202	5,410	5,624	5,852	6,087	6,330	6,582	6,844	7,119
	8HR	221.92	230.88	240.08	249.68	259.60	270.08	280.96	292.16	303.76	315.84	328.56
	HRLY	27.74	28.86	30.01	31.21	32.45	33.76	35.12	36.52	37.97	39.48	41.07

State of Hawaii
DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT
SALARY SCHEDULE

Effective Date: 10/01/2008

Bargaining Unit: 13 Prof Scientific, Non-Supv

		Step C	Step D	Step E	Step F	Step G	Step H	Step I	Step J	Step K	Step L	Step M
SR28	ANN	62,424	64,920	67,488	70,224	73,044	75,960	78,984	82,128	85,428	88,848	92,400
	MON	5,202	5,410	5,624	5,852	6,087	6,330	6,582	6,844	7,119	7,404	7,700
	8HR	240.08	249.68	259.60	270.08	280.96	292.16	303.76	315.84	328.56	341.76	355.36
	HRLY	30.01	31.21	32.45	33.76	35.12	36.52	37.97	39.48	41.07	42.72	44.42
SR29	ANN	64,920	67,488	70,224	73,044	75,960	78,984	82,128	85,428	88,848	92,400	96,108
	MON	5,410	5,624	5,852	6,087	6,330	6,582	6,844	7,119	7,404	7,700	8,009
	8HR	249.68	259.60	270.08	280.96	292.16	303.76	315.84	328.56	341.76	355.36	369.68
	HRLY	31.21	32.45	33.76	35.12	36.52	37.97	39.48	41.07	42.72	44.42	46.21
SR30	ANN	67,488	70,224	73,044	75,960	78,984	82,128	85,428	88,848	92,400	96,108	99,924
	MON	5,624	5,852	6,087	6,330	6,582	6,844	7,119	7,404	7,700	8,009	8,327
	8HR	259.60	270.08	280.96	292.16	303.76	315.84	328.56	341.76	355.36	369.68	384.32
	HRLY	32.45	33.76	35.12	36.52	37.97	39.48	41.07	42.72	44.42	46.21	48.04
SR31	ANN	70,224	73,044	75,960	78,984	82,128	85,428	88,848	92,400	96,108	99,924	103,944
	MON	5,852	6,087	6,330	6,582	6,844	7,119	7,404	7,700	8,009	8,327	8,662
	8HR	270.08	280.96	292.16	303.76	315.84	328.56	341.76	355.36	369.68	384.32	399.76
	HRLY	33.76	35.12	36.52	37.97	39.48	41.07	42.72	44.42	46.21	48.04	49.97
SC01	ANN	73,044	75,960	78,984	82,128	85,428	88,848	92,400	96,108	99,924	103,944	108,096
	MON	6,087	6,330	6,582	6,844	7,119	7,404	7,700	8,009	8,327	8,662	9,008
	8HR	280.96	292.16	303.76	315.84	328.56	341.76	355.36	369.68	384.32	399.76	415.76
	HRLY	35.12	36.52	37.97	39.48	41.07	42.72	44.42	46.21	48.04	49.97	51.97
SC02	ANN	75,960	78,984	82,128	85,428	88,848	92,400	96,108	99,924	103,944	108,096	112,404
	MON	6,330	6,582	6,844	7,119	7,404	7,700	8,009	8,327	8,662	9,008	9,367
	8HR	292.16	303.76	315.84	328.56	341.76	355.36	369.68	384.32	399.76	415.76	432.32
	HRLY	36.52	37.97	39.48	41.07	42.72	44.42	46.21	48.04	49.97	51.97	54.04
SC03	ANN	78,984	82,128	85,428	88,848	92,400	96,108	99,924	103,944	108,096	112,404	116,904
	MON	6,582	6,844	7,119	7,404	7,700	8,009	8,327	8,662	9,008	9,367	9,742
	8HR	303.76	315.84	328.56	341.76	355.36	369.68	384.32	399.76	415.76	432.32	449.60
	HRLY	37.97	39.48	41.07	42.72	44.42	46.21	48.04	49.97	51.97	54.04	56.20

ACKNOWLEDGED:

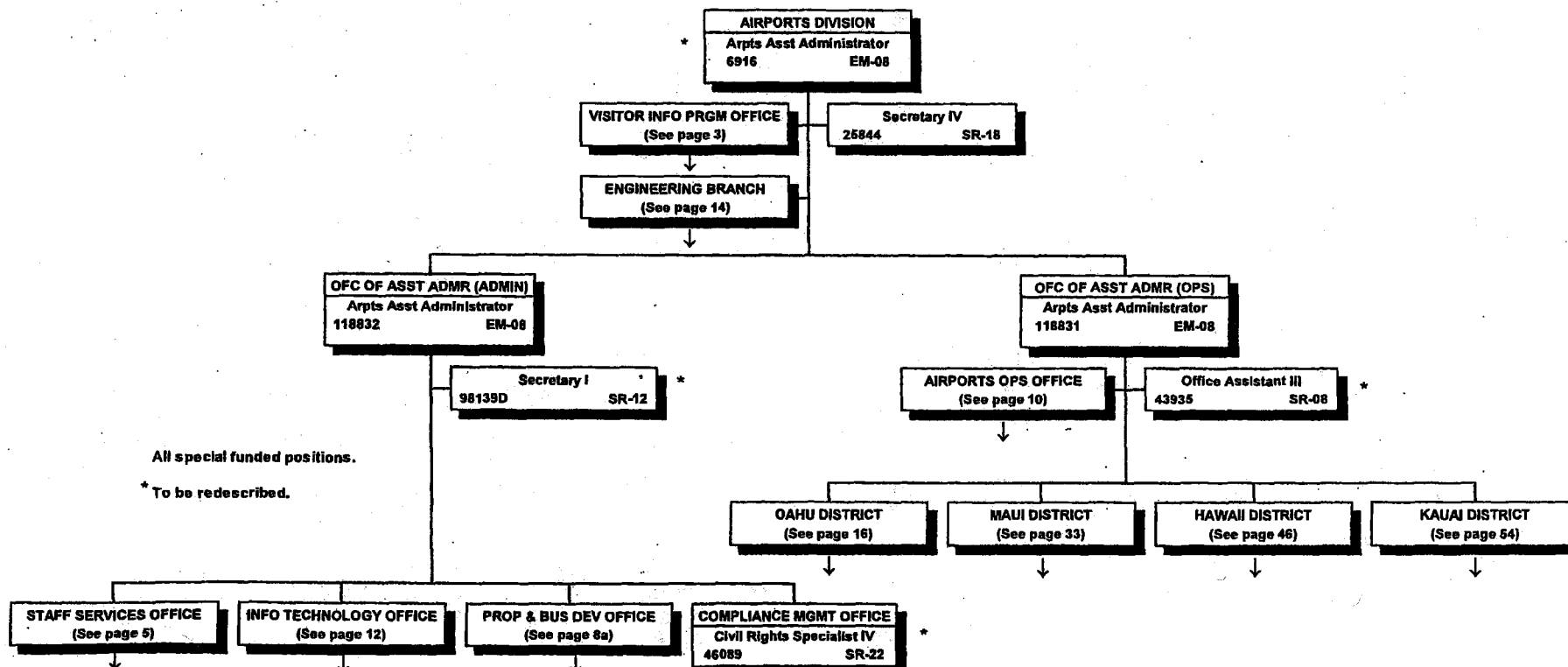
GEORGINA K. KAWAMURA
Director of Finance

Date: JUL 15 2009

STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
AIRPORTS DIVISION

POSITION ORGANIZATION CHART

PROPOSED



All special funded positions.
* To be redescribed.