



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
House Committee on Higher Education
February 13, 2018 at 2:10 p.m.

by
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Vice President for Budget and Finance/Chief Financial Officer
University of Hawai'i

HB 2172 HD1 – RELATING TO UNIVERSITY OF HAWAII PUBLIC-PRIVATE PARTNERSHIPS

Chair McKelvey, Vice Chair Hashem and members of the committee:

The University of the Hawai'i is in support of HB 2172 HD1, Relating to University of Hawaii Public-Private Partnerships.

The purpose of this bill is to authorize the University of Hawai'i (UH) to allow the University to enter into public-private partnerships (P3) and establishes an Office of Strategic Partnerships and Development to evaluate and manage P3 that would benefit UH. The original draft of the bill also appropriated \$500,000 from the State general fund for four FTE positions to staff the Office.

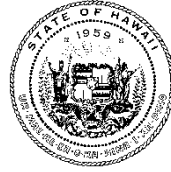
The goal of P3 is to capitalize on the strengths and assets of each sector (public and private) to help deliver a project or service more efficiently and effectively for the benefit of the general public. P3 are increasingly found in the higher education sector, and examples include campus redevelopment and expansion, student housing development, physical plant infrastructure, and facility maintenance.

The Office of Strategic Planning and Development will:

- a) help ensure that P3 opportunities are properly analyzed, evaluated, coordinate, overseen, and managed;
- b) allow UH to become a recognized educational and research resource on P3 to provide opportunities for faculty and students to learn and participate in management and oversight; and
- c) foster innovation and increase revenue generating opportunities together with exploring ways to maximize efficiency and reduce costs.

Thank you for this opportunity to testify.

DAVID Y. IGE
GOVERNOR



RODERICK K. BECKER
Comptroller

AUDREY HIDANO
Deputy Comptroller

STATE OF HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES

P.O. BOX 119, HONOLULU, HAWAII 96810-0119

TESTIMONY OF
RODERICK K. BECKER, COMPTROLLER
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
TO THE
HOUSE COMMITTEE ON HIGHER EDUCATION
ON
TUESDAY, FEBRUARY 13, 2018
2:10 P.M.
CONFERENCE ROOM 309

H.B. 2172, H.D. 1

RELATING TO PUBLIC-PRIVATE PARTNERSHIPS.

Chair McKelvey, Vice Chair Hashem, and Members of the Committee, thank you for the opportunity to submit testimony on H.B. 2172, H.D. 1.

The Department of Accounting and General Services (DAGS) offers the following comments for the committee's consideration.

While the intent to allow the University of Hawaii (UH) to enter into public-private partnerships and create an Office of Strategic Partnerships and Development to specifically coordinate and manage public-private partnerships would benefit the University, the language in the measure may not limit consideration only to lands controlled by UH. It is unclear whether other agencies may enter into agreements and implement projects on lands controlled by non-UH entities, including other state agencies who are now authorized to own, manage, and develop state properties.

The Department recommends the following revisions to H.B. 2172, H.D. 1 that may help provide more clarity of purpose:

- Page 2, line 20 to page 3, line 4 – revised to read, “The office of strategic developments and improvements would...be responsible for coordinating and managing all contracts, proposals, and negotiations associated with the university’s public-private partnerships on lands controlled by the University of Hawaii.”
- Page 4, lines 1 to 3 – revised to read, “Identification of potential public-private partnership projects on lands controlled by the University of Hawaii that meet the office’s objectives and goals;”

Thank you for the opportunity to submit testimony on this matter.



Email: communications@ulupono.com

HOUSE COMMITTEE ON HIGHER EDUCATION
Tuesday, February 13, 2018 — 2:10 p.m. — Room 309

Ulupono Initiative Strongly Supports HB 2712 HD 1, Relating to University of Hawaii Public-Private Partnerships

Dear Chair McKelvey, Vice Chair Hashem, and Members of the Committee:

My name is Murray Clay and I am Managing Partner of the Ulupono Initiative, a Hawai'i-based impact investment firm that strives to improve the quality of life for the people of Hawai'i by working toward solutions that create more locally produced food; increase affordable, clean, renewable energy; and better management of waste and fresh water. Ulupono believes that self-sufficiency is essential to our future prosperity and will help shape a future where economic progress and mission-focused impact can work hand in hand.

Ulupono strongly supports HB 2712 HD 1, which authorizes the University of Hawai'i to enter into public-private Partnerships (P3) and establishes an Office of Strategic Partnerships and Development, because it aligns with our goals.

The University of Hawai'i has many infrastructure needs, yet often finds itself faced with complex projects that are over budget, not on time, or not built or maintained in a quality manner. One solution is to work with the private sector on planning, building, financing, operating, and maintaining projects. Yet, these complex deals require expertise in bridging workable and financially appropriate structures for the benefit of all parties. The funding for an Office of Strategic Partnerships and Development and staff is vital if the University of Hawai'i wants to participate in public-private partnerships.

At conferences and thru our consultants, we have heard that private sector financiers often want to work with a local dedicated P3 office that can assist them in navigating that locale's needs, laws, and politics. Dedicated staff would provide an important liaison in attracting private sector financing interest while also encouraging consistent out of the box thinking from within the university bureaucracy.

In late 2016, Ulupono became interested in P3s as federal funding for the rail project was threatened to be revoked. As we learned more about public-private partnerships and subsequently commissioned a study conducted by Jones Lang LaSalle to look for alternative

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financing solutions for the rail project. After reviewing the analysis, we became a proponent of P3 structures as being a more effective way to conduct business for certain large-scale infrastructure projects. For example, we believe if the Honolulu rail project used a P3 structure such as design-build-finance-operate-maintain at the project's beginnings, the City and County of Honolulu would have significantly reduced its financial exposure and likely improved project delivery and accountability. In addition, according to the study's findings, the total cost for the rail project increases by \$114 million for every year of delay. The City would have been able to lock in many of their costs, which greatly assists lawmakers for future budget planning purposes. Currently, the Honolulu Area for Rapid Transit board is supportive of P3s and has hired Ernst and Young to further look into P3 solutions for the rail project.

As costs in Hawai'i continue to rise at a rapid rate, existing infrastructure continues to age, and the University continues to fall behind in maintaining and building infrastructure, it seems logical that the University would want to setup structures and personnel to support alternative delivery methods such as P3.

Thank you for this opportunity to testify.

Respectfully,

Murray Clay
Managing Partner