



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
Senate Committee on Ways and Means
April 4, 2018 at 10:30 a.m.

by
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Vice President for Budget and Finance/Chief Financial Officer
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HB 2172 HD2 SD1 – RELATING TO UNIVERSITY OF HAWAII PUBLIC-PRIVATE PARTNERSHIPS

Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the committee:

The University of the Hawai'i (UH) is in support of HB 2172 HD2 SD1, Relating to University of Hawai'i Public-Private Partnerships.

The purpose of this bill is to authorize the 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.



Email: communications@ulupono.com

SENATE COMMITTEE ON WAYS & MEANS
Wednesday, April 4, 2018 — 10:30 a.m. — Room 211

Ulupono Initiative Strongly Supports HB 2712 HD 2 SD 1, Relating to University of Hawaii Public-Private Partnerships

Dear Chair Dela Cruz, Vice Chair Keith-Agaran, 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 2 SD 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

HB-2172-SD-1

Submitted on: 4/3/2018 3:37:10 AM

Testimony for WAM on 4/4/2018 10:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	Testifying for Oahu County Committee on Legislative Priorities of the Democratic Party of Hawai'i	Oppose	No

Comments:

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Submitted on: 4/2/2018 8:49:25 PM

Testimony for WAM on 4/4/2018 10:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
De MONT R. D. CONNER	Testifying for Ho'omanapono Political Action Committee (HPAC)	Support	Yes

Comments:

We continue to STRONGLY SUPPORT THIS UNION BUSTING BILL! THE HAWAII VOTERS NEED TO KNOW THAT THERE IS NO LANGUAGE IN THIS BILL THAT: 1.) ENSURES THAT ALL CONTRACTS THAT ARE NEGOTIATED BETWEEN UH & THE PRIVATE ENTITY, WILL ALSO HAVE THE PRESENCE OF AN AFFECTED UNION REPRESENTATIVE TO ENSURE THAT THE SAID CONTRACT IS NEGOTIATED IN GOOD FAITH, PURSUANT TO THE KONNO DECISION; & 2.) THAT NO PROJECT IS BUILT WITHOUT THE USE OF UNION WORKERS, SINCE IT HAS BEEN THE CUSTOMARY & HISTORIC PROVIDENCE OF UNION WORKERS IN HAWAII WHO BUILT UH & ALL ITS FACILITIES. SEE THE KONNO DECISION.

WITHOUT LANGUAGE THAT SPECIFICALLY PROTECTS THE RIGHTS OF UNION WORKERS, THIS IS A UNION BUSTING BILL, WHICH THE VOTERS IN THIS 2018 ELECTION SHALL BE MADE AWARE OF ITS ADVERSE EFFECTS TO UNION WORKERS. Mahalo.

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Submitted on: 4/2/2018 1:01:26 AM

Testimony for WAM on 4/4/2018 10:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Sarah Toole	Individual	Comments	No

Comments:

My name is Sarah Toole, my address is 1128 Ala Napunani St. 96818, and I am a political science student at UH Manoa.

The bill is not specific enough as to how it would limit the partnerships. What's the point of a committee that's overseeing UH's relations if the only thing their ensuring are the 'goals of UH'.