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Chairperson
SANDRA PFUND
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ALOHA TOWER DEVELOPMENT CORPORATION

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BOARD MEETING ALOHA TOWER DEVELOPMENT CORPORATION

April 30, 2008

**No. 1 Capitol District
250 S. Hotel Street
DBEDT Conference Room 436
Honolulu, Hawaii 96813**

MINUTES OF MEETING

BOARD MEMBERS PRESENT: Melissa Pavlicek – Chairperson
Sidney Quintal - Vice-Chairperson, C & C of Honolulu
Neal Otani (arrived at 12:07 p.m.)
Russell Tsuji – DLNR (arrived at 12:02 p.m.)
Jason Okuhama
Michael Formby - DOT
Ted Liu – DBEDT (arrived at 12:12 p.m.)

ATDC STAFF PRESENT: Sandra Pfund (arrived at 12:09 p.m.), Tom Otake,
Deidre Harrison

OTHERS PRESENT: Sumner Howard, Kirt Pruyn, Kip Jones, Carol Hopkins

LEGAL COUNSEL PRESENT: Gregg Kinkley, Deputy Attorney General

A. CALL TO ORDER

Chair Pavlicek called the meeting to order at 12:00 p.m. Chair Pavlicek welcomed everyone to the meeting.

B. APPROVAL OF MINUTES

Regular Meeting of April 2, 2008

Chair Pavlicek asked if there were any comments or changes to the minutes, there were none.

Director Formby made a motion to adopt the Meeting Minutes for the meeting held on April 2, 2008, and Director Okuhama seconded the motion. A vote was taken and the motion passed unanimously.

There was a brief recess at 12:01 p.m. due to a malfunction with the audio recorder. The meeting resumed at 12:02 p.m. (Director Tsuji arrived at 12:02 p.m.)

AGENDA ITEM OUT-OF-ORDER

Chair Pavlicek asked to delay the Report of the Chief Executive Officer and move to Executive Session.

D. EXECUTIVE SESSION

A motion to move into Executive Session was made by Director Quintal, and seconded by Director Okuhama. A vote was taken and the motion passed unanimously.

Mr. Kinkley, Mr. Otake, and Ms. Harrison were requested to be present for the Executive Session.

- 1. Discussion and Deliberation Regarding ATDC’s Rights and Responsibilities Under the Development Agreement Relative to the Proposed UC Urban Project, Pursuant to Section 92-5(a)(4), Hawaii Revised Statutes**
- 2. Discussion and Deliberation Regarding the Status of Negotiations Under the Mediation Proceedings with AHI ALOHA ASSOCIATES, LLC Pursuant to Section 92-5(a)(3) and 92-5(a)(4), Hawaii Revised Statutes**

The Board entered into Executive Session at 12:03 p.m. and reconvened at 12:33 p.m.

Director Otani arrived at 12:07 p.m.; Ms. Pfund arrived at 12:09 p.m.; Director Liu arrived at 12:12 p.m.

Director Liu departed at 12:28 p.m.

The public returned to the meeting.

RETURN TO AGENDA ITEMS

C. REPORT OF THE CHIEF EXECUTIVE OFFICER

Ms. Pfund referred to her report in the Board packet and highlighted key matters of concern.

1. Legislative Update

a. **SB3227 – Harbors Modernization Bill**

Ms. Pfund reported that the legislative session ends tomorrow, May 1, 2008. She reported that the Harbors Modernization Bill has passed. Director Formby commented that DOT is happy to participate with ATDC on this project and to have the association formally recognized.

b. **HCR245 – Audit of ATDC**

Ms. Pfund reported that SCR45, “Requesting an Audit of ATDC with Regard to Lawsuits” was not heard by the House and failed as a concurrent resolution. The Senate then gutted another resolution, HCR245 relating to the cruise ship industry and inserted language requesting an ATDC audit, substantively in the form of SCR45. The Senate Committee on Tourism and Government Operations held a public hearing on the bill on April 11, 2008 and passed the resolution with amendments. The resolution was quietly adopted by vote of the full House on April 23, 2008.

c. **GM425 – Reappointment of Melissa Pavlicek to the ATDC Board**

Ms. Pfund reported that Chair Pavlicek was confirmed for another term.

Ms. Pfund reported that HB2500 (Budget Bill) passed. Funding and position counts for ATDC vacant positions were restored, so ATDC will proceed with hiring for those positions. A total of \$1.5 million in “U” funds (transfer funds) was provided in the ATDC budget by the Legislature.

The DOT-Harbors was granted \$124 million in appropriations to proceed with the HMP in FY09. Additionally, \$20 million was approved for Hana Harbor in SB3227.

Ms. Pfund asked if there were any questions. Chair Pavlicek responded and asked if Ms. Pfund and Director Formby could repeat the PowerPoint presentation that was given on

an overview of the HMP. Chair Pavlicek suggested holding the presentation in July when the new Board members will be present.

Chair Pavlicek asked who appoints the new Board members. Ms. Pfund replied that there will be (6) six new members, with (2) appointed by the Governor as maritime members. The remaining members are the mayors or their designees from Kaua'i, Maui, and Hawai'i counties; and the director of Budget and Finance. The ATDC Board members alone handle ATDC matters, and will combine with the HMP Board members to handle HMP matters.

Chair Pavlicek commented that the refresher session on HMP should include the scope of the Board's responsibilities. Chair Pavlicek asked if the refresher session should be held before or after the new Board members begin, and Director Formby suggested it be held at both times.

Chair Pavlicek asked who will fill the staff positions. Director Formby replied that the positions would be under ATDC. Ms. Pfund responded that for budgeting purposes, (15) fifteen professional staff and (3) three clerical staff were described for HMP. She noted that while the establishment of positions is in the discussion stage at this time, it is envisioned that the professional staff will include project managers, a contract specialist and a business management officer. Ms. Pfund will update information on staff structure with the Board as it is developed.

Director Tsuji asked if these positions have been approved yet. Ms. Pfund and Director Formby replied that a budget has been approved and funded but is subject to establishment of the actual positions.

Chair Pavlicek inquired as to the Board's responsibilities regarding establishing increases in harbor fees to pay for HMP, and she noted that at the appropriate time, Board members may need to make disclosures on other business interests; there may be instances when Board members will have to recuse themselves due to conflicts of interest.

Director Formby responded that increases to harbor fees, or tariffs, will be the sole responsibility of DOT-Harbors through its administrative rule making process. He noted that although the HMP task force has been assisting on the schedule of proposed tariff increases, DOT-Harbors will be responsible for this as opposed to the ATDC Board.

Director Tsuji inquired about the positions that will be created, and Director Formby replied that they will be funded by DOT. Ms. Pfund reported that ATDC will establish the positions.

Director Formby commented that Ms. Kawamura, Director of Budget and Finance has a good way of describing ATDC and DOT's collaboration on the HMP, which is as if DOT hired ATDC to perform as their development contractor. Chair Pavlicek commented that

the Board is given oversight responsibility for HMP and we need to develop how this is to be done. Director Formby commented that we are all learning about the process as we move along.

Chair Pavlicek inquired about the MOU and the amount of staff time being credited to the ground rent to DOT, and whether any changes need to be made to it. Ms. Pfund responded that from the onset the salary costs for (2) two HHP managers are applied as credit to the ground rent. Discussions have been held with DOT to credit 50% of the CEO's staff time to HMP effective FY08.

Chair Pavlicek asked if Director Otani had any questions, and he replied no. Director Okuhama asked if the HMP projects are specialized projects, or are they similar to standard construction/developer type projects. Ms. Pfund replied that the key is project management, and then hiring specific experience in the area as required. ATDC would be looking to DOT-Harbors for their staff experience and expertise. In any construction project there are certain set steps to follow that are common to each project, but there are certain skill sets that will be needed for expertise on the project.

Chair Pavlicek remarked that she thought DOT was not able to handle this function. Ms. Pfund replied that DOT engineering branch and the team there has the experience and expertise, and there are those in the private sector with that expertise as well. The project managers will pull all of these sources together.

Director Okuhama inquired if project managers will be from the island the project is on, or will they be located in Honolulu in an overview capacity. Ms. Pfund responded that she would like the managers to be on-site. Director Formby remarked that the communities were very vocal with their desire for on-site managers.

Chair Pavlicek inquired about environmental concerns. Director Formby remarked that HMP is on an aggressive schedule, and that obstacles will invariably occur that may extend the (6) six-year timeframe.

Chair Pavlicek asked Director Quintal if he had any questions, and he replied that he will wait for the HMP briefing to put things in better perspective. Director Tsuji inquired about the HMP Board, whether there will be a need for a majority of HMP and ATDC members to be present to proceed. Ms. Pfund responded in the affirmative and noted that the HMP group will be a sub-group of ATDC, modeled after HCDA and the Kalaeloa segment of their Board.

Chair Pavlicek asked if Neighbor Island Board members will communicate via telephone during Board meetings. Director Tsuji replied no, that due to Sunshine Laws they will need to be present or communicate via video-conferencing.

Chair Pavlicek inquired that since HCR245 passed, how will the legislature proceed with the audit. Ms Pfund replied that the House Speaker and the Senate President will look at the audits approved this session and determine which of those will actually go forward based on time and funding available to the Legislative Auditor. Chair Pavlicek asked if there was any action needed to prepare for the audit, and if the Board minutes were on the website. Ms. Pfund replied that yes, the minutes were posted to the website.

Chair Pavlicek asked when OIP will present the Sunshine Law overview to the Board. Ms. Pfund replied possibly at the next meeting. Chair Pavlicek remarked that perhaps it should be deferred until the HMP Board members begin.

Mr. Kinkley commented that when the HMP Board begins, agendas should be planned so the HMP members can be present. Ms. Pfund remarked that when statewide Boards are involved, meetings are held with the Board traveling to each island at least once a year to afford the communities on the islands an opportunity to meet and present to the Board. Chair Pavlicek remarked that perhaps it should be discussed with the new Board members when they begin.

2. Media Reports

Ms. Pfund reported that Senator Kim's article contained the same arguments that she gave during her Senate Floor speech on April 29, 2008.

Chair Pavlicek inquired if ATDC should issue a response to Senator Kim's article. Director Tsuji commented that some state departments have a public information person (PIO) that handles this type of work. Ms. Pfund responded that procedure is for the agency to submit a response to the PIO, who then submits it to the Governor's office. Chair Pavlicek commented that ATDC should draft a response to the article. Ms. Pfund will draft a statement.

3. Administrative and Financial Reports

a. ATDC FY09 Budget

Director Formby inquired about the transfer of ATDC special funds in 2005 to the general funds, and a recent court decision on such actions. Mr. Kinkley responded that the Attorney General is reviewing the matter and will comment on it once a decision has been made by the Attorney General.

Chair Pavlicek would like to schedule an appointment to meet with Ms. Pfund to discuss financials and inquired if other directors would like to attend.

b. OIP Ruling regarding ATDC Minutes

Ms. Pfund reported that OIP's ruling to the complaint filed by Senator Kim was in affirmation of ATDC. She noted that OIP opined that it is not necessary to attach CEO reports and other matters to the minutes, as the minutes are a reflection of what was discussed at the meeting. Ms. Pfund noted that notwithstanding this ruling, the Board minutes and CEO reports are posted on the website, and will be posted each month. Chair Pavlicek commented that it is good to have these items posted.

4. Project Reports

Director Tsuji inquired about Exhibit K in the Board packet. Ms. Pfund responded that the projects listed are for HMP funding. KMR is currently being worked on as part of HHP, and they are soliciting on the state website for professional services. Procurement is currently through DOT, and as with HMP, the funds will come from DOT to ATDC.

Chair Pavlicek asked if the steps for procurement can be documented and reported to the Board.

Director Tsuji remarked that at the Land Division, they have very knowledgeable staff in that area. Ms. Pfund commented that the right staff will be needed to push the projects through to completion. She noted that she will be requesting establishment of a procurement specialist position for HMP.

Director Tsuji asked if the projects are encumbered. Director Formby and Ms. Pfund replied that they are in the process of encumbering funds that will lapse on June 30, 2008.

Chair Pavlicek asked if there were any comments from the Board, and there were none.

Chair Pavlicek asked if there were any comments from the public. Mr. Howard commented that there was an article on the HMP bill's passage in today's Honolulu Advertiser "\$842M upgrade to Hawaii harbors OK'd". Ms. Pfund distributed copies of the article to the Board members. Mr. Howard introduced Mr. Jones, a part of Government Efficiency Teams, Inc. Mr. Howard also congratulated Chair Pavlicek on her reconfirmation to the Board.

Ms. Pfund distributed information on the upcoming decision deadline for the Mass Transit Rail system on behalf of Ms. Michelle Matson, regarding the fixed

rail transit stops. Director Tsuji inquired where the stop in question would be, and Ms. Pfund replied the plan currently shows a stop at Topa Tower.

Chair Pavlicek commented that the New Opportunities Vision Committee that she and Director Quintal are chairing will discuss community outreach strategies with the assistance of ATDC's consultants, and will report on that to the Board.

E. ADJOURNMENT

There being no further business, Chair Pavlicek asked for a motion to adjourn the meeting. Director Otani moved and Director Quintal seconded the motion for adjournment. The motion passed unanimously and the meeting was adjourned at 1:21 p.m.

Respectfully submitted,

_____/Sandra Pfund/
Recorder