

BF Committee

From: Aaron Kimura <Aaron.Kimura@robertshawaii.com>
Sent: Friday, April 22, 2016 11:47 AM
To: BF Committee; Michele Yoshimura; Steve R. Selee; Shelly K. Espeleta; Yvette Bouthillier
Cc: Riki Hokama; 'dawn.fukutoni@mauicounty.us'; Susanne Matayoshi; John Min
Subject: FISCAL YEAR ("FY") 2017 BUDGET (TD-2) (BF-1)
Attachments: 160422_Budget and Finance Committee and DOT Letter from Roberts Hawaii INC.pdf

To the Budget and Finance Committee:

Please see attached.

Aloha!

Aaron H. Kimura | Vice President
Contract Management
Robert's Hawaii, Inc.
680 Iwilei Road, Suite 700
Honolulu, Hawaii 96817
(808) 539-9477
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April 22, 2016

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Roberts Hawaii, Inc.
680 Iwilei Road
Suite 700
Honolulu, Hawaii 96817

County of Maui
Budget and Finance Committee
Wailuku, HI 96793

TO THE HONORABLE RIKI HOKAMA AND MIKE WHITE, CHAIRS, AND MEMBERS
OF THE COMMITTEE:

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Attached to this cover letter is our response to an inquiry addressed by your committee (Dated April 20, 2016) to Mr. Don Medeiros, Director of the Department of Transportation (DOT).

Since our response for Mr. Medeiros was not included with the DOT's letter that was forwarded to the Mayor's office, we were instructed to provide a copy of our response directly to your committee.

If you have any questions regarding our response letter, please contact me at (808) 523-7750.

Regards,

Percy Higashi
President

April 21, 2016

phone 808 523 7750
fax 808 522 7866

Roberts Hawaii, Inc.
680 Iwilei Road
Suite 700
Honolulu, Hawaii 96817

Mr. Don Medeiros, Director
Department of Transportation
County of Maui
Wailuku, HI 96793

Dear Mr. Medeiros,

This letter is in response to an inquiry by the County's Budget and Finance Committee requesting information on fuel costs included in contracts for public transit, paratransit, and commuter routes.

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Multiple variables and elements were considered in calculating our proposed rates per route and fuel cost is just one of many factors. These are some of the factors in determining our proposed rates:

- Administration (management, accounting, HR, etc.)
- Facility and associated expenditures
- Fuel Costs
- Insurance (liability and property)
- Parking
- Repair & Maintenance (including parts and supplies)
- Supplies
- Wage & Benefits
- All other related costs

Elements in determining our fuel costs included bulk fuel rates, market fuel rates, labor and equipment use associated in fueling each vehicle, and estimated miles driven per route. If the purpose of the inquiry is to obtain the price we pay our supplier per gallon of fuel, the rate is considered proprietary company information. However, to compare the savings we've realized just from the reduction in price per gallon for FY14 and FY15 to the losses we've incurred from prevailing wage increases for the same period, the following is exhibited:

Price per gallon fuel savings	FY14-FY15:	\$97,859
Unrecovered prevailing wage increases	FY14:	\$70,818
	FY15:	\$217,426

The savings in the reduction in price per gallon only offset expenditures in prevailing wage increases by 34% for the applicable period.

Although the price per gallon of diesel fuel has decreased approximately 7-8% (7/1/13: \$4.91, 7/1/14: \$4.86, 7/1/15: \$4.51 based on AAA Fuel Gauge Report for State of Hawaii) to date since the effective date of our contracts, it is only temporary as an upward change in fuel prices restarted in February 2016 and current events within OPEC will likely result in a drastic rebound in oil prices in the near future.



We've expected the receipt of the 5% annual increases when we've calculated our competitive bid rates per route however we did not expect the drastic increases in prevailing wage rates as our proposal was submitted prior to the execution of a new contract between UPW and the State. Furthermore, we are impacted by an increase in operating hours as a result of changes in traffic, deadhead travel to/from route points for shifts, and other transportation related demands associated in servicing your programs. The estimated increase in operating hours is 9,000 hours per year or approximately \$272,790 of unrecovered costs based on current driver wage rate and benefits.

In addition to the impact incurred by increases in prevailing wage rates that is estimated to total \$660,000 by the end of this contract year and totaling \$1.37 million for the duration of our contracts, the following areas were impacted by cost increases:

- Administration (management, accounting, HR, etc.)
- Employee benefits
- Equipment and Facilities
- Fuel
- HR related (processing, training, drug tests, background checks, physicals, etc.)
- Insurance (medical, property, liability, equipment, work comp, etc.)
- Registration
- Repair and Maintenance
- Supplies
- Technology (administrative and operations)
- Taxes
- All other associated costs
- *Queen Ka'ahumanu Center Security Services (not required by contract)*

We hope that the members of the County's Budget and Finance Committee will have a clearer picture of the financial impact we've endured since the beginning of our contract and approve an increase to both of our contract budgets (transit and commuter) that will offset the unexpected expenses we've incurred and will continue to incur through the duration of our contracts.

If you have any questions, please do not hesitate to contact me at (808) 523-7750.

Regards,

A handwritten signature in black ink, appearing to read 'Percy Higashi', written in a cursive style.

Percy Higashi
President