



COMMUNICATIONS PACIFIC

September 1, 2005

The Honorable Mufi Hannemann
Mayor
City and County of Honolulu
Honolulu Hale
530 South King Street
Honolulu, Hawaii 96813

Dear Mayor Hannemann:

My company, Communications Pacific, was asked by Parsons Brinkerhoff Quade & Douglas, Inc. (Parsons) to participate on its team to respond to the City and County of Honolulu's RFQ for the Alternatives Analysis/Draft Environmental Impact Statement to be prepared for the transit project. Specifically, we were asked to lead and manage the public involvement efforts. We have worked very successfully with Parsons in the past, and we were delighted to be asked to participate as one of its subcontractors if it was selected for the project.

All of us who choose to respond to any RFQ know that it will involve an investment of time and resources. That was true in this case – our company assisted in developing the RFQ response for submission. Parsons structured the submission so that the public involvement work, including community outreach and media relations, would be conducted by several companies. It was clear in the RFQ response that Communications Pacific would head up the work and would be supported by The Limtiaco Company.

We were gratified to learn that the Parsons team had been selected through the procurement process. We have been in constant communication with Dick Page, Project Director for Parsons, and up until last Friday afternoon we were actively beginning to work with them to initiate this project. Based on the RFQ submittal, and various verbal communications with Parsons we fully believed we would have substantial roles in the project. Ruth Limtiaco had even hired additional staff to work on this.

On Friday, August 26, I received a call from Ruth Limtiaco who said that she had just learned from Dick Page that the scope of work of Communications Pacific and The Limtiaco Company had been severely reduced, and a new company had been inserted. She called me back a short time later to say, "Parsons is trying to work it out, so hold tight. I'll call you back when I hear something."

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I didn't hear anything further until this past Monday when my company received word from Dick Page that our scope of work and that of The Limtiaco Company had been drastically reduced and that he had tried to get that decision by the city changed, but was not successful. After receiving this news from a member of my staff, I called Dick Page directly and learned further that when Parsons went in to sign the contract with the city they were informed by Toru Hamayasu, the city's manager for this project and Acting Deputy Director of the Department of Transportation, that four small subcontractors that had been on the Parsons team had been completely removed and replaced with four contractors chosen by the city. In addition, the work that was to be done by my company and The Limtiaco Company had been given to Joe Pickard and Vicki Gaynor. I asked Dick Page if Pickard and Gaynor's company had submitted a bid to Parsons or proposals on how they planned to implement the work they were being given. Dick said they had done neither. Dick said that Parsons had really wanted to work with our company because they know our qualifications and capabilities.

Immediately after speaking with Dick Page, I called an attorney who specializes in procurement law and described the situation. He basically told me that if the work was awarded to the new sub-contractors based on their relationship with you and/or the city and not on their qualifications, I could file a complaint with the ethics commission under HRS Chapter 84, Section 13. He said that as a subcontractor I have no real legal standing with the city, but the prime contractor (Parsons) has standing and can demand that the city implement the contract it has been awarded using the team Parsons selected. He further added that if this project is to receive federal funds, those funds could be at risk if a government entity is directing who is going to get the work after the contract has been awarded. He cited the situation where HUD demanded that federal funds be returned by the Housing and Community Development Corporation of Hawaii after the former director was found to have given too many contracts to her ex-husband's construction company. Finally he suggested that I contact the prime contractor and officially let them know that the law is on their side if they want to insist that the team they selected to do the work be left intact. He said, however, that if the contract is fairly large, I should not be surprised if the prime contractor does not stand up for the subcontractors and that, if confronted, it might even say that it had been its idea to make the switch.

Next I called Joe Pickard to ask him how he happened to have been awarded a very significant amount of work on a project he hadn't even bid on. I also asked how his environmental engineering firm would handle the media and community outreach for this project. In general he told me that he had someone on staff with experience in this area and that he had called up Tad Ono of Parsons right after the contract selection had been made (but not yet made public) and asked if his company could assist. He said that Tad Ono said he would see what he could do.

I put in a call to your office and later in the day, your managing director called me back. His only comment after hearing about my problems with this process was to say he would make you aware of it.



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Then I called Dick Page back to tell him that I had spoken with Joe Pickard and that Joe confirmed that he had approached Parsons and that Tad Ono had suggested there might be some work for his company on this project. I said that I didn't understand this because Dick had been meeting and communicating with my company and The Limtiaco Company regularly through the previous Thursday with every indication that things were ready to move forward as planned with us. I asked Dick if Tad had been the one to suggest giving our work to Joe Pickard's company and he said Tad had not initiated the changes and that the first they had heard of this was when they went to sign the contract with the City and Toru Hamayasu told him they were making changes to the subcontractors list. I then told Dick that I had spoken with an attorney specializing in procurement law and he said Parsons has full legal standing to insist that the city implement the contract with the team originally selected and named in the response to the RFQ. At that point, having been assured by Dick that Parsons would have much preferred to work with us, I asked that Parsons take a stand on this issue and insist on using its original team. Dick was noncommittal about this, and I said that if Parsons was not willing to do this, I did not want to have any role in this project and that I wanted my company eliminated from the contract. Dick said he would not take us off at this time and that it was possible that as the project moved forward he could direct additional work our way. I told him that the only reason I ever got involved in politics was to stop this kind of bullshit and that it was a matter of integrity for me and I did not want to participate in something that was starting off without integrity. Dick insisted he would leave us in the contract for a small amount of work; at the time I didn't realize that it might put Parsons' contract at risk to take us out. Nevertheless, Mayor, I am officially asking that my company be removed from the contract.

Next, Joe Pickard called me back to tell me that he was not going to pursue this project until Parsons had straightened out its issues with my company and The Limtiaco Company. He also told me that Tad Ono had approached him and asked him to do the work. (A change from the previous conversation when he said he had approached Tad Ono.)

I called Dick Page back one more time and confirmed once again that Tad Ono had not initiated these changes and that it was Toru Hamayasu at the city who had initiated these changes. I also told him about the call I had received from Joe Pickard about backing off on the work. Dick indicated that the message to him from Joe had been more along the lines of getting me and Ruth under control before he would move forward.

I called Joe back and left him a voicemail message saying that I had confirmed that Tad Ono hadn't approached him to do the work and that the directive had come from the city. I said at this point I was going to pursue looking into an ethics complaint and possibly other options.

So, Mayor, the purpose of this letter is to do several things:

- To officially ask you to take my company off of the Alternatives Analysis/Environmental Impact Statement contract.
- To tell you how extraordinarily disappointed I am to learn that you are not, after all, concerned with transparency and doing things differently.



Mayor Mufi Hannemann

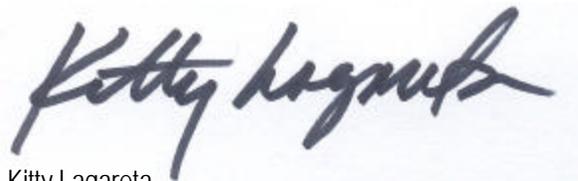
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- To shine light on the issue, since that is one of the more powerful tools that we public relations people have when confronted with something that is simply not right.
- To specifically request information regarding your selection process for the Alternatives Analysis/ Environmental Impact Statement contract.

It is my sincere hope that the actions of your administration have not jeopardized the federal funding and viability of this important project that will benefit all the citizens of the City and County of Honolulu.

Sincerely,



Kitty Lagareta

Chairman and Chief Executive Officer

KL:co

c: Daniel K. Inouye, United States Senate
Daniel K. Akaka, United States Senate
Neil Abercrombie, United States Representative
Ed Case, United States Representative
Jeff Coelho, Managing Director, City and County of Honolulu
Donovan Dela Cruz, Chair, Honolulu City Council
Ann Kobayashi, Vice Chair, Honolulu City Council
Todd Kala Apo, Councilmember, Honolulu City Council
Romy Cachola, Councilmember, Honolulu City Council
Charles Djou, Councilmember, Honolulu City Council
Nestor Garcia, Councilmember, Honolulu City Council
Barbara Marshall, Councilmember, Honolulu City Council
Gary Okino, Councilmember, Honolulu City Council
Rod Tam, Councilmember, Honolulu City Council
Edward H. Kubo, Jr., United States Attorney, District of Hawaii
Tadahiko Ono, Vice President, Parsons Brinkerhoff Quade & Douglas
Richard S. Page, Project Director, Parsons Brinkerhoff Quade & Douglas
Ruth Limtiaco, The Limtiaco Company
Charles W. Tutto, Executive Director and Legal Counsel, Honolulu City and County Ethics Commission
Gordon Lum, Executive Director, Oahu Metropolitan Planning Organization



September 16, 2005

Ms. Catherine Lagareta
Communications Pacific
745 Fort Street, Penthouse
Honolulu, Hawaii 96813

Dear Ms. Lagareta:

I am responding to your letter of September 1, 2005, informing me and an array of public and private individuals and organizations about your deep disappointment regarding the procurement of professional services for the Honolulu High-Capacity Transit Corridor Project. I have known you personally for years and respected the work of you, your firm and your colleagues. That is why I was taken aback by your tone and choice of descriptive words.

You state in your opening paragraph, “We have worked very successfully with Parsons in the past and we were delighted to be asked to participate as one of the subcontractors if it was selected for the project.” We note that your firm only participated on one project with Parsons, Brinckerhoff, Quade & Douglas, Inc. – on the ill-fated Bus Rapid Transit system.

You must know from your past experience with Parsons Brinckerhoff and other firms that nothing is official, including the participation of subcontractors, until a contract is finalized. In fact, Parsons Brinckerhoff informed potential subconsultants for the alternatives analysis/draft environmental impact statement for the Honolulu High-Capacity Transit Corridor project on July 29 that nothing was “official” until the contract was signed. That contract was signed on August 26, and it includes your firm.

After discussing your letter with the Department of Transportation Services, I am satisfied that no breach of procurement laws or rules occurred during the procurement process. Further, I am satisfied that my administration’s emphasis on transparency was upheld throughout the process.

As you should have known, Parsons Brinckerhoff was selected, as state law requires, by a committee that consisted of civil service City employees. Procurement authority for the project was delegated to the Department of Transportation Services in compliance with Section 3-121-16 of the Hawaii Administrative Rules for Chapter 103D, Hawaii Revised Statutes. Parsons Brinckerhoff was one of two firms to respond to the request for qualifications. The selection committee identified PBQD as the more qualified firm based on criteria required by HRS Section 103D-304(e) (Supp. 2004). The process

then calls for negotiations between Parsons Brinckerhoff and the Department of Transportation Services on the final terms of the contract. These discussions and negotiations with the Department of Transportation Services led Parsons Brinckerhoff to conclude that some proposed subconsultants would not be included or would have reduced roles in the project. After an agreement was reached, my administration, through the Department of Budget and Fiscal Services, signed off on the contract on August 26.

All along I had made it clear publicly as well as in discussions with the City Council and DTS that no agreement would be finalized on the alternatives analysis until Bill 40 was passed into law. I can assure you I would have recommended that the City not proceed with the alternatives analysis if either the Council or the Governor, for that matter, had failed to agree to a local funding mechanism for Honolulu's transit needs. Had that been the case, there would have been no purpose, in my mind, to spend \$10 million of local and federal funds on the study.

I suppose I can appreciate your disappointment as well as Ruth Limtiaco's in not receiving what both of you felt was going to be a substantial contract for your firms in this project. It is my understanding that what was being proposed by Parsons Brinckerhoff and DTS is a reduced role, which is unacceptable to you. The bottom line, therefore, is that it is clear to me that both of you either misinterpreted or were not briefed honestly about the City's role and the negotiations with Parsons Brinckerhoff regarding this project.

Yours truly,

Mufi Hannemann
Mayor

Attachments

Cc: U.S. Senator Daniel Inouye
U.S. Senator Daniel Akaka
U.S. Rep. Neil Abercrombie
U.S. Rep. Ed Case

City Council Chair Donovan Dela Cruz
City Council Vice Chair Ann Kobayashi
City Council member Todd Apo
City Council member Romy Cachola
City Council member Charles Djou
City Council member Nestor Garcia
City Council member Barbara Marshall
City Council member Gary Okino
City Council member Rod Tam
Governor Linda Lingle
Hawaii Senate President Robert Bunda
Hawaii Senate Vice President Donna Mercado Kim
Hawaii House Speaker Calvin Say
Hawaii House Vice Speaker K. Mark Takai
U.S. District Attorney Edward Kubo
Charles W. Toto, Honolulu Ethics Commission
Gordon Lum, Oahu Metropolitan Planning Organization
Tadahiko Ono, vice president, Parsons, Brinckerhoff, Quade & Douglas
Richard S. Page, project manager, Parsons, Brinckerhoff, Quade & Douglas
Ruth Limtiaco, The Limtiaco Company