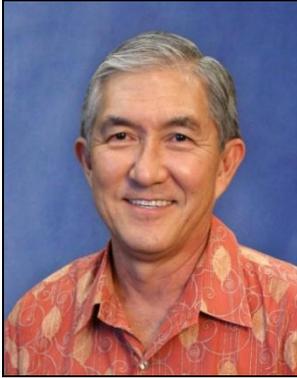


DEPARTMENT OF TRANSPORTATION
REPORT TO THE GOVERNOR
FISCAL YEAR 2012

Glenn Okimoto
Director

DIRECTOR'S MESSAGE



It is my pleasure to submit the Hawaii State Department of Transportation's annual report for the Fiscal Year ending June 30, 2012.

Throughout the year, the Department carried out a significant number of improvements projects towards providing a safe and efficient transportation system for the people of Hawaii. We continue to develop new ideas that will improve travel and commerce in the air and on our oceans and roads.

Our Airports Division began work on a joint project with Hawaiian Electric Co. to construct an Emergency Power Facility at the Honolulu International Airport to ensure that flight operations can continue in an emergency. Looking ahead to the future, the Airports Division successfully sold nearly \$301 million in revenue bonds that will provide over \$27 million in present value savings and reduce annual debt service payments by up to \$19.6 million each year through 2020. This loan restructuring gives the Airports Division greater flexibility to proceed with its on-going capital improvements program.

Our Harbors Division worked hard to improve the aesthetics of one of our busiest cruise ship terminals with the Pier 2 Passenger Terminal Enhancements project at Honolulu Harbor. We also made cargo yard improvements in our Kawaihae Harbor Modernization project on the Big Island which increased cargo capacity by 11-percent.

Our Highways Division continues its work to maintain our aging infrastructure and to improve traffic congestion. On-going projects include viaduct deck repairs on the H-1 Freeway from Pearl City to Waipahu, the beautification of Ala Moana Boulevard and Nimitz Highway, from Downtown Honolulu to Waikiki, and the restriping of the H-1 Freeway, which will add an extra lane in both directions from Punahou Street to Pali Highway. Other major projects are also underway on Kauai, Maui, and the Big Island.

Each of these projects completed and those still in progress this fiscal year will help to maintain and enhance our transportation system statewide, thus improving the quality of life for all of our residents and visitors.

Sincerely,

A handwritten signature in black ink, appearing to read "Gerrit Owen". The signature is fluid and cursive.

Director

Hawaii State Department of Transportation

AIRPORTS DIVISION

The Airports Division continues to excel with a growing industry and modern facilities. The statewide airport system consists of eleven airports serving commercial airlines and general aviation flights and four airports serving general aviation flights only. In Fiscal Year (FY) 2012, airports statewide handled 31,232,157 passenger embarkations, a 2% increase compared to the previous fiscal year. Work is underway on several modernization projects at Honolulu International Airport as a part of a multi-year plan to modernize airport facilities statewide.

Security issues remain a primary concern in this post-9/11 era. The Transportation Security Administration (TSA) and the Airports Division continue their partnership to improve passenger checkpoint and baggage screening processes without adversely impacting passenger flows. There are plans to reconfigure baggage screening at the Hilo International and Lihue Airports. Construction is ongoing for baggage screening improvements at the Overseas Terminal ticket lobbies at Honolulu International Airport. Much of the baggage screening and explosives detection equipment, located on the ticket lobby floors, was relocated behind ticket lobby walls and integrated with conveyor belt systems. This relieves the congestion in the ticket lobbies and the baggage screening portion of the check-in process appears seamless to passengers. Future security projects include new statewide access badge control systems and closed-circuit video monitoring systems.



Relocated baggage screening equipment, as seen here at Kahului Airport, removes conveyor belts and other hindrances from ticket lobby floors and public areas.

The Airports Division ended FY 2012 with increases in total passenger activity, revenue landed weights, revenue passenger landings and deplaning international passengers of 2.1%, 3%, 10%, and 13%, respectively, as compared to FY 2011. Aircraft operations in FY 2012 decreased by 0.4% compared to FY 2011. Increasing passenger traffic, in addition to airline carriers maximizing passenger load factors, are reasons for such changes. Although oversea carriers account for a higher percentage (59% of revenue landed weights), the overall carrier mix remains diverse.

Honolulu International Airport continues to be the dominant airport, although a portion of the market share shifted to the Kahului Airport, Kona International Airport at Keahole,

and Lihue Airport, as a result of increased direct flights to these destinations. The majority of operating revenues at the Airports Division is activity-based and directly related to the number of passengers and aircraft operations.



Honolulu International Airport continues to be the state's busiest airport with a passenger traffic count of 18,556,491 in FY 2012, an increase of 1.2% compared to FY 2011.

In FY 2012, Hawaiian Airlines, Inc., and United Airlines, Inc., accounted for 38% and 10% of the total landed weights, respectively. Hawaiian Airlines, Inc., United Airlines, Inc., and Delta Airlines, Inc., accounted for 18%, 17%, and 13% of the overseas landed weights, respectively. Hawaiian Airlines, Inc., and Mesa Airlines, Inc., accounted for 66% and 7% of the interisland landed weights, respectively. Hawaiian Airlines, Inc., accounted for 45% of the revenue passenger landings and Japan Airlines International Company, Ltd., accounted for 24% of the deplaned passengers.

The Airports Division utilizes a residual cost system to calculate the annual signatory airlines requirement. In FY 2011, the Airports Division imposed a fixed signatory airline requirement instead of utilizing the reconciliation calculation per the Airport-Airline Signatory Lease Agreement. As a result, operating revenues remained stable while operating expenses increased by \$8.3 million or 2.7%. Total net non-operating revenues decreased by \$55.5 million, mainly due to the suspension of rental car Customer Facility Charges (\$44.5 million) and changes in fair value relating to Airports Division investments (\$14.4 million) held by the State Treasury in FY 2012. It should be noted that airport revenue bond interest expense decreased by \$10.5 million as a result of the 2011 Bond Series refunding. In summary, the financial results for FY 2012 remained strong and reflected an increase in net assets amounting to \$41.6 million.

Effective October 1, 2004, the Federal Aviation Administration (FAA) granted authority to the Airports Division to impose and collect Passenger Facility Charges (PFC) at the Honolulu International Airport, Kahului Airport, Kona International Airport at Keahole, and Lihue Airport through January 31, 2007. During this period, the Airports Division was able to collect the maximum approved PFC revenue, including interest earned, amounting to \$42,632,466. The PFC collections are currently utilized to fund flight information display and public address system improvements, air conditioning system improvements, South Ramp environmental compliance measures, runway safety area

improvements, perimeter road improvements and fencing, and general aviation lighting projects.

Effective February 1, 2007, the FAA approved the Airports Division's second application to impose a \$3 PFC at the airports mentioned above, with the addition of Hilo International Airport. The maximum approved PFC revenue, including interest earned, collected between February 1, 2007, and July 1, 2011, from the five principal airports was \$49,560,000. The collections will be utilized for aircraft rescue and fire-fighting facility improvements, elevator and escalator improvements, loading bridge replacements, international arrivals building ceiling replacements, and air conditioning system improvements.



Revenue from Passenger Facility Charges will fund Aircraft Rescue & Fire-Fighting (ARFF) improvements at airports statewide, helping to maintain peak readiness for emergency responses.

Effective December 1, 2008, the FAA approved the Airports Division's third application to impose an increased PFC from \$3 to \$4.50 at Honolulu International Airport, Kahului Airport, Kona International Airport at Keahole, Lihue Airport, and Hilo International Airport. This application, combined with the second application, increased the maximum approved PFC revenue to \$76,138,332, including interest earned, during the collection period of December 1, 2008, through January 1, 2010. The collections were utilized for the same improvements as the second application, in addition to widening Taxiways G and L at the Honolulu International Airport.

Effective January 1, 2010, the FAA approved the Airports Division's fourth application to impose a \$4.50 PFC at Honolulu International Airport, Kahului Airport, Kona International Airport at Keahole, and Lihue Airport. The application was approved for a collection of \$105,909,130, including interest earned, during the collection from January 1, 2010, through February 1, 2014. The PFC collections will be utilized to fund taxiway and apron pavement improvements, electrical improvements, and new hardstands.

PFC revenues are utilized for construction and construction management of FAA-approved projects which must be implemented within two years of FAA approval. The terms of the PFC approval do not permit the use of PFC revenues to pay debt service on any new or outstanding bonds issued to finance other-than-approved PFC projects.

Since the inception of this program through June 30, 2012, the total PFC revenues including interest earned, generated a total of \$200.8 million, with expenditures of \$113.6 million.

Operating expenses before depreciation for FY 2012 increased by 5.7% or \$12.3 million as compared to FY 2011, mainly due to increases in salaries and wages, repair and maintenance, State of Hawaii surcharges on gross receipts offset by decreases in other personnel services and special maintenance.

Total non-operating expenses for FY 2012 decreased by 16.7% or \$7.5 million as compared to FY 2011, mainly due to decreased interest expenses relating to airports system revenue bonds issued in FYs 2011 and 2012, offset by increased loss on disposal of capital assets and a loss on amounts held in the State Treasury. As a result, net assets increased by \$41.6 million for FY 2012.

In summary, Airports Division continues to generate operating income before depreciation, as well as positive cash flows from operating activities. The Airports Division continues to obtain its revenues from a diverse mix of sources. The Airports Division also continues to monitor signatory airline requirements and adjust rates and charges accordingly to assure financial stability and ensure that bond certificate requirements are met on a semi-annual and annual basis. In addition, the continued implementation of cost-saving measures by management relating to personnel, security, and utility costs has sustained the Airports Division's main objective, which is to adequately serve the traveling public and airport tenants.



Improvements are on-going at Hilo International Airport to maintain runway and taxiway pavement surfaces.

For FY 2012, construction has begun on the Strengthen 2nd Level Diamond Head & Ewa Turnaround project, which will provide additional structural support to the existing roadway structural members at Honolulu International Airport to support new Wiki-Wiki shuttle buses. Work is on-going on the Taxiways & Thresholds Pavement Improvement project at Hilo International Airport, Taxiway RA Pavement Improvements project at Honolulu International Airport, Runway 35 Approach Improvements project at Lihue Airport,

Electric Distributed Generation Systems, Phase 2, project at Honolulu International Airport, Overseas Terminal Chiller Plant Replacement project at Honolulu International

Airport, South Terminal Baggage Claim Improvement project at Kona International Airport, and Access Control & CCTV Systems projects at Honolulu International Airport, Kahului Airport, and Lihue Airport. In addition, ten projects at Hilo International Airport, Molokai Airport, Lihue Airport, Honolulu International Airport, Kahului Airport, Kapalua Airport, and Kona International Airport went out to bid during FY 2012 with construction anticipated to begin in the upcoming FY.

In advance of the Asia-Pacific Economic Cooperation (APEC) summit in November 2011, repair and maintenance of the multi-cultural gardens, graphic murals, flight information displays, and electrical lighting were completed at Honolulu International Airport. In addition, walkway canopies and drain downspouts at the group tour area were replaced.



The multi-cultural garden near the Overseas Terminal at Honolulu International Airport continues to be a favorite location for air travelers seeking a relaxing respite.

Honolulu International Airport continues to be the state's busiest airport with a passenger traffic count of 18,556,491 embarkations, an increase of 1.2% in FY 2012, compared to FY 2011.

Honolulu International Airport

FY	Passengers	Change
2012	18,556,491	1.2%
2011	18,338,140	0.5%
2010	18,238,865	2.4%
2009	17,806,225	-14.4%
2008	20,808,383	-0.5%

Kahului Airport is the second busiest airport in the state with 5,707,645 passenger embarkations in FY 2012, an increase of 3.8% when compared to FY 2011.

Kahului Airport

FY	Passengers	Change
2012	5,707,645	3.8%
2011	5,499,218	6%
2010	5,186,585	1.9%
2009	5,089,997	-18.2%
2008	6,219,640	4.4%

Traffic at Kona International Airport at Keahole increased 12.3% to 2,738,937 embarkations in FY 2012 when compared to the previous fiscal year. This makes Kona International Airport at Keahole the third busiest airport in the state.

Kona International Airport at Keahole

FY	Passengers	Change
2012	2,738,937	12.3%
2011	2,438,089	-7.6%
2010	2,639,967	-1%
2009	2,667,591	-14.8%
2008	3,131,118	0%

Lihue Airport is the fourth busiest airport in the state, serving 2,567,325 passenger embarkations in FY 2012, a decrease of 5% compared to the previous FY.

Lihue Airport

FY	Passengers	Change
2012	2,567,325	-5%
2011	2,702,460	10.6%
2010	2,443,178	-0.8%
2009	2,464,024	-14.6%
2008	2,884,600	10.2%

Hilo International Airport traffic increased to 1,310,128 passenger embarkations in FY 2012, an increase of 4.2% compared to FY 2011.

Hilo International Airport

FY	Passengers	Change
2012	1,310,128	4.2%
2011	1,257,487	-5.3%
2010	1,328,000	3.4%
2009	1,284,420	-17.8%
2008	1,562,813	-3.3%

Traffic at other airports (including Molokai, Kapalua, and Lanai Airports) decreased to 351,631 passenger embarkations in FY 2012, a decrease of 1% compared to FY 2011.

All Other Airports

FY	Passengers	Change
2012	351,631	-1%
2011	355,133	1.9%
2010	348,386	-14.5%
2009	407,622	-16.5%
2008	488,147	2.1%



Honolulu International Airport held its triennial emergency response exercise in October 2011. 260 students from the University of Hawaii at Manoa, Hawaii Pacific University and Chaminade University took part in the realistic exercise playing as casualties, seen here in the medical triage area. Over a dozen federal, state and county emergency response agencies took part to maintain the highest levels of disaster response preparedness.

AIRPORT	CARGO (Tons)			MAIL (Tons)			AIRCRAFT OPERATIONS		
	FY2012	FY2011	% CHANGE	FY2012	FY2011	% CHANGE	FY2012	FY2011	% CHANGE
Honolulu International (HNL)	361,645	364,071	-0.7	68,998	108,955	-36.7	266,326	267,967	-0.6
Kahului (OGG)	25,024	25,253	-0.9	9,826	13,744	-28.5%	124,519	123,041	1.2
Hilo International (ITO)	21,947	25,563	-14.1	3,234	3,120	3.7	75,367	82,499	-8.6
Kona International at Keahole (KOA)	17,945	18,246	-1.6	8,103	8,386	-3.4	110,324	113,516	-2.8
Lihue (LIH)	13,835	13,927	-0.7	3	0	0.0	102,505	106,033	3.3
Lanai (LNY)	723	588	23.0	0	0	0	0	0	0
Molokai (MKK)	823	765	7.6	0	0	0	33,830	27,703	22.1
Waimea-Kohala (MUE)	0	0	0	0	0	0	0	0	0
Hana (HNM)	0	27	-100.0	0	0	0	0	0	0
Kalaupapa (LUP)	184	163	12.9	0	0	0	0	0	0
Kapalua (JHM)	759	845	-10.2	0	0	0	6,431	6,094	5.5
Totals	442,885	449,448	-1.5	90,164	134,205	-32.8	880,868	891,862	-1.2

HARBORS DIVISION

Hawaii's system of commercial harbors, consisting of ten harbors on six islands, is vital to the State's economy as ocean transportation serves as our lifeline. More than 80% of all consumer goods are imported into the state and, of that amount, nearly all goods enter through the commercial harbors.

In FY 2012, approximately 1.15 million passengers (inbound and outbound) passed through our commercial harbors, compared to 1.2 million in FY 2011. Passenger fee revenue increased by \$2.9 million, up from \$2.8 million in FY 2011, to \$5.7 million in FY 2012, due primarily to changes in the passenger fee rate structure that took effect on July 1, 2011.

Total operating revenues for FY 2012 were \$103.9 million compared to \$85.9 million for FY 2011, due primarily to increases in tariff rates that took effect on July 1, 2011.



Cruise ships docked at Honolulu Harbor over 120 times in FY 2012, bringing thousands of visitors to Oahu and Downtown Honolulu.

The Harbors Division continues to build upon its partnership with the Hawaii Harbor Users Group (HHUG), a non-profit Hawaii maritime transportation industry group comprised of key harbor users including Matson, Inc.; Horizon Lines, Inc.; Young Brothers, Ltd. and Moana Paakai, Inc. dba Hawaiian Tug & Barge; Norwegian Cruise Line Corp. Ltd; Sause Bros., Inc., and others. Concerns regarding inadequate harbor facilities and the need for a more comprehensive approach to improve harbor facilities resulted in a collaboration between HHUG and key State officials on a system-wide modernization plan to address projected increases in ocean transportation of cargo and passengers through the year 2030. These projects have been integrated into Governor Neil Abercrombie's New Day Work Projects, a capital improvements program comprised of priority public works projects critical to create jobs and jumpstart the state economy.

The New Day Work Projects, estimated at \$618 million, will be financed by proceeds from the phased issuance of Harbor System Revenue Bonds. In November 2010, the Harbors Division issued \$164.2 million in Series A 2010 Revenue Bonds to fund the first phase of projects.

The Harbors Division also continues to pursue federal funds through the Port Security Grant Program, under the U.S. Department of Homeland Security, to assist in the

financing of various security-related improvements and equipment at the commercial harbors. Federal grant funds were used to fund equipment purchases such as Transportation Workers Identification Credential (TWIC) readers, generator light towers, communication radios and the installation of a maritime surveillance system for Kahului Harbor on Maui.

Honolulu Harbor

Honolulu Harbor is the hub of the State's commercial harbors system where most domestic and foreign cargo is received and the transshipment point to move cargo to the neighbor islands. The harbor is also the dominant driver of revenues for the system and generated approximately 75% of total operating revenues in FY 2012.

The Oahu Commercial Harbors 2020 Master Plan forecasts that berth acreage requirements by the year 2020 will require two double-berth container modules. To address future needs, work continues on a New Day Work Project to redevelop the 90-acre Kapalama Military Reservation (KMR) property at Honolulu Harbor into a new container terminal.

The Draft EIS for the Kapalama Container Facility is also in-process and the Harbors Division is preparing for the design of the pier and container facility. To make way for the move, emergency response operations are in-design to be consolidated at Piers 12 through 15; University of Hawaii research facilities are in the process of being relocated to Pier 35; and Piers 24 through 28 are being developed to accommodate future growth. A portion of KMR was owned by the Airports Division and, due to the importance of the KMR site in serving maritime interests, the Harbors Division paid \$9.6 million to acquire the subject property.



The completed Kapalama Military Reservation redevelopment will create berthing space for larger vessels, improve operational efficiency and increase usable space in the 70-acre cargo yard, as seen in this artist's rendering.

The Harbors Division also received a \$24.5 million grant under the Transportation Investment Generating Economic Recovery (TIGER) grant program, authorized by the American Recovery and Reinvestment Act (ARRA). This grant award was the first harbor project nationally to receive TIGER grant funds and the funds were used for the reconstruction of Pier 29 at Honolulu Harbor, which had suffered structural failures that displaced cargo activity. The Pier 29 reconstruction was completed in May 2012.



Aesthetic enhancements were made at the Pier 2 Cruise Ship Terminal, including new artwork depicting the traditions and history of Hawaiian culture, culminating in a renewed and vibrant experience for visitors.

The Harbors Division received over \$1.8 million in federal funds from the Hawaii Port Infrastructure Expansion Program administered by the Maritime Administration (MARAD). In partnership with MARAD, the Pier 2 Passenger Terminal was renewed with a historical Hawaiian theme. Permanent exhibits were constructed and large-scale original Hawaiian artwork placed in the terminal's public spaces. The terminal was fitted with a series of Hawaiian storyboards conveying Hawaii's rich cultural heritage to the thousands of cruise ship passengers that visit the terminal every year.

\$6,858,892 was also encumbered in FY 2012 for special maintenance projects at Honolulu Harbor. Projects included pier and building structure repairs, repaving distressed asphalt pavement surfaces, and maintenance of harbor security systems.

Kalaeloa Barbers Point Harbor

Kalaeloa Barbers Point Harbor is located at Kalaeloa, Oahu, approximately 20 miles west of Downtown Honolulu and adjacent to the privately-owned Campbell Industrial Park. The harbor was constructed to provide port facilities for Kapolei, the industrial and commercial development on the Ewa Plain, which is presently being developed as Oahu's "Second City."

Ninety-percent of the cargo that is shipped through the Kalaeloa area flows through the privately-operated off-shore mooring and fuel shipment facilities near the Kalaeloa Barbers Point Harbor. This cargo consists primarily of crude oil products shipped into refineries and refined fuel being shipped to neighbor island ports and out of the state. The Harbors Division completed the acquisition of approximately 54 acres of land for \$20.7 million to expand the harbor in December 2012. The Oahu



Completed in 1990, Kalaeloa quickly became the second busiest port statewide, handling liquid, dry-bulk, and cargo and providing ship maintenance facilities.

Commercial 2020 Master Plan has identified Kalaeloa Barbers Point Harbor's important role in supporting the rapid growth of the Central and Leeward communities of Oahu.

\$507,300 was encumbered in FY 2012 for special maintenance projects at Kalaeloa Barbers Point Harbor. Projects included repairs to concrete pier structures and shed roll-up doors.

Hilo Harbor

Hilo Harbor is located on the east coast of the Big Island of Hawaii, the largest island in the state, at the island's commercial center. A \$65 million construction project has begun to expand the inter-island barge terminal at Pier 4. Dredging has been completed for a new entrance basin for the future Pier 4 and construction of a new cargo area to accommodate inter-island cargo operations is underway. Design is almost complete for construction of a new reinforced concrete Pier 4. To support the cargo movement at Pier 4, the Harbors Division is also about to start construction on the bordering Kumau Street to provide a third access into the harbor complex.



State and county officials broke ground for the Inter-Island Cargo Terminal Facility at Hilo Harbor in August 2011. The project will increase the total amount of harbor space and improve operational safety and efficiency for all harbor users.

The Harbors Division also completed construction to improve traffic circulation within the harbor, as well as to improve the separation between disembarking and embarking cruise ship passengers looking for ground transportation, day tours and shopping experiences, from commercial cargo operations.

\$569,516 was encumbered in FY 2012 for special maintenance projects at Hilo Harbor. Projects included pier structure repairs and maintenance of harbor security systems.

Kawaihae Harbor

Kawaihae Harbor is located on the northwest coast of the Big Island of Hawaii and receives regularly-scheduled tug and barge service from Matson and Young Brothers. Design for a Pier 2 container facility, which will pave 3.1 acres of backland area at Pier 2A and provide a modernized container facility, is almost complete.

\$392,600 was encumbered in FY 2012 for special maintenance projects at Kawaihae Harbor. Projects included building repairs to sheds, lighting maintenance and concrete pavement repairs to the container yard.

Kahului Harbor

Kahului Harbor is the only commercial harbor on the Island of Maui and is located along its northern shore, near the commercial centers of Kahului and Wailuku towns. To accommodate anticipated growth in container cargo operations, the Harbors Division completed the Kahului Development Plan based on growth projections from the 2030



Land acquisition is planned to expand Kahului Harbor in order to meet Maui's future cargo and shipping needs.

Kahului Master Plan. It was determined that land acquisition was the top priority. As recommended by the master plan, the Harbors Division is in the process of acquiring approximately 10 acres of land adjacent to Kahului Harbor.

In addition, the Harbors Division is preparing to start design of demolition of the Old Kahului Store and renovation of the former Kahului Railroad Building to make way for the relocation of Hawaiian Cement to improve cargo handling efficiencies.

\$1,225,845 was encumbered in FY 2012 for special maintenance projects at Kahului Harbor. Projects included pier and building structure repairs, repaving of distressed asphalt pavement surfaces, repairing perimeter security fencing, and maintenance of harbor security systems.

Hana Harbor

A development plan for Hana Harbor on the Island of Maui was completed and considered a range of alternatives for the Hana community. Due to the risk of possible long-term isolation as the result of a future natural disaster and Hana town's remote location 50 miles from Kahului Harbor, the development plan determined a community need for future improvements. Based on the plan, the Harbors Division has begun planning for future wharf improvements at Hana Harbor.

Nawiliwili Harbor

\$753,700 was encumbered in FY 2012 for special maintenance projects at Nawiliwili Harbor on the Island of Kauai. Projects included security fence repairs, various utility repairs, and maintenance of harbor security systems.

Port Allen Harbor

\$126,000 was encumbered in FY 2012 for special maintenance projects at Port Allen Harbor, also on the Island of Kauai, primarily focusing on shed structure repairs.

Kaunakakai Harbor

\$214,000 was encumbered in FY 2012 for special maintenance repairs at Kaunakakai Harbor on the Island of Molokai, primarily focusing on pier structure repairs.

Kaumalapau Harbor

\$54,000 was encumbered in FY 2012 for special maintenance repairs at Kaumalapau Harbor on the Island of Lanai. Projects included the demolition of a derelict Quonset hut. In addition, the Harbors Division worked with the new private owner of the Island of Lanai to determine the feasibility of establishing a base at the harbor for Oracle Corporation's TEAM USA, as a training site for the America's Cup yacht race. Oracle subsequently canceled its plans to train in Hawaii.



State and federal officials dedicated the Pier 29 Improvements at Honolulu Harbor. As the first harbor project nationally to receive federal TIGER grant funding, the project restored twelve acres of upgraded cargo space which will increase efficiency and workplace safety.

HIGHWAYS DIVISION

To meet program objectives, the Highways Division's major activities are to plan, design, construct and maintain highway facilities on the State Highway System, which consists of 948.53 centerline miles and approximately 2,493.1 lane-miles of highway. Funds for these activities are provided by State sources in the form of Highways Special Funds, revenue bonds, etc., which are appropriated by the State Legislature and Federal Funds. In FY 2012, the Division undertook and continued various programs and projects to improve the efficiency, effectiveness, and safety of the highway transportation system.

Oahu District

Phase 1 of the H-1 Freeway Kapolei Interchange is expected to improve traffic operations at the Makakilo and Palailai Interchanges and to lessen traffic congestion in the Kapolei area. Construction for this project was started in July 2009, and was completed in November 2011.

The design-build contract for the H-1 Freeway P.M. (Afternoon) Contraflow, Phase 2, project, was executed on June 23, 2011. Design began in December 2011. This project will provide additional westbound capacity to address rush-hour traffic congestion. The construction has been combined with the H-1 Pearl City and Waimalu Viaduct Improvements, Phase 1, project, under a single contract in order to better coordinate traffic control services and minimize disruption to H-1 commuters.



New H-1 Freeway entrance and exit ramps help balance traffic flow through the growing Makakilo and Kapolei areas. The new Wakea Street Extension seen here connects the area's main thoroughfares.

Continuing development and deployment of a Freeway Management System (FMS) will maximize efficiency and improve safety along our freeways by using intelligent transportation systems technologies. The FMS includes the deployment of closed-circuit television (CCTV) cameras, vehicle detectors, and dynamic message signs; dissemination of traveler information; the Freeway Service Patrol; Traffic Operations Center enhancements, and other traffic management strategies.

Highlights of this program include:

- The popular Freeway Service Patrol (FSP) program: Launched in 2009, the FSP provides free emergency vehicle repairs and towing services to keep the busiest segments of the H-1 and H-2 Freeways clear. FSP expanded its coverage zone on the H-1 to include an additional 3.8 miles eastward to University Avenue in October 2011.
- The GoAkamai Traveler Information Website: Launched in 2010, the website includes images from over 200 traffic cameras from around Oahu, as well as a dynamic freeway congestion map that is continually updated using speed sensor data.
- Development of systems to obtain and disseminate freeway travel time information. Replacement of existing H-1 Freeway Dynamic Message Signs at the Kaimakani Street and Liliha Street Overpasses with new state-of-the-art signs was substantially completed in April 2012. New projects to install additional traffic cameras and improve the existing communication network are in-progress in various phases.



New pick-up trucks were added to the FSP tow truck fleet to assist vehicles that do not require towing. FSP has assisted over 20,000 motorists since its launch in 2009.



Replacement of the South Punaluu Stream Bridge cost \$15.3 million and was 100-percent federally-funded by the American Recovery & Reinvestment Act. Work was substantially completed in April 2012.

To address pedestrian safety concerns on lower Liliha Street in Kalihi, a project was initiated to install a traffic signal system at the intersection of Liliha and Kukui Streets, along with pavement marking improvements on Liliha Street. Bids were opened in October 2011 and construction began in January 2012.

The 83-year-old South Punaluu Stream Bridge, located along Kamehameha Highway on Oahu's east shore, was replaced with a new structure that meets modern vehicular load, safety and seismic standards.

Hawaii District

Planning and preparation continues on several major highway projects on the Big Island. Among the largest is the Queen Kaahumanu Highway Widening Project, Phase II, which will continue the completed Phase I project. The existing two lanes will be widened to a four-lane divided highway from Kealakehe Parkway to Keahole Airport Access Road. Consultations to meet the requirements of the National Historic Preservation Act, Section 106, are continuing with the State Historic Preservation Division and cultural groups to address archaeological sites which may be impacted by the project.

Bids for the Keaau-Pahoa Road Shoulder Lane Conversion project, from Keaau Bypass Road to Shower Drive, are being processed. The conversion work will construct an additional lane in the northbound (Hilo-bound) direction and provide a shoulder that pedestrians and bicyclists can utilize. The southbound (Pahoa-bound) shoulder will be widened to provide a 10-foot-wide shoulder lane to be used as a traffic lane during the afternoon peak traffic hours. The project will be constructed in two phases. The first will mainly address the shoulder lanes and the second will construct improvements at the intersection of Keaau-Pahoa Road and Shower Drive.

Work also continues on a Draft Environmental Assessment for the Kawa Flats Flood Mitigation project. This project plans to increase the surface elevation of Hawaii Belt Road to mitigate flooding during instances of severe weather between Naalehu and Pahala, south of Punaluu County Beach Park, to improve safety and enable emergency evacuations along this route during natural disasters or civil emergencies.



The Kawa Flats Flood Mitigation project will help to address flooding on a low-lying section of Hawaii Belt Road.

Other highway projects around the Big Island are in various stages of development. Drainage improvements near the intersection of Volcano Road and Kulani Road in Mountain View are currently under construction. Drainage improvements are being designed for Mamalahoa Highway in the vicinity of Puu Waawaa Ranch Road in Kona. Bids are also in-process for guardrail and shoulder improvements on Hawaii Belt Road from Papalele Road to the Kaumoali Stream Bridge in Honokaa.

Maui District

Construction continues on the first two phases of the Honoapiilani Highway Realignment project, also known as the “Lahaina Bypass.” The entire project will be completed in a total of five phases, creating a new highway bypassing the busy town of Lahaina. The phases, which will be opened to traffic individually as work is completed, will help to alleviate traffic and improve circulation in the growing Lahaina and Lahainaluna communities. Subsequent segments of the project are currently in design and planning phases.



Segments of the Lahaina Bypass will be opened for use as construction is completed to provide the most immediate benefits to Maui motorists.

Planning is ongoing for the Honoapiilani Highway Widening/Realignment from Maalaea Harbor to Puamana. Improvements may involve widening portions of the existing highway and/or construction of a new highway along a different alignment in order to alleviate traffic congestion, protect the area from shoreline erosion, accommodate future travel demand, and improve the reliability of access to and from West Maui.

Design also continues on the Kahului Airport Access Road which will provide a direct, alternate route to the airport, bypassing the busy shopping district on Dairy Road. Bids are anticipated to open in mid-2013.

Several emergency projects were implemented in FY 2012 due to natural occurrences which necessitated immediate highway repairs.

- Emergency slope stabilization projects were initiated on Hana Highway on Maui’s northeast coastline near Mile Posts 10, 14, and 16, following severe storms on March 8, 2012. An Emergency Proclamation by Governor Abercrombie on March 22, 2012, allowed repairs to begin.



Significant soil oversaturation on both upper and lower embankments on Hana Highway required emergency repairs to keep the only route to the town of Hana passable and safe for motorists.

- A shoreline improvements project was initiated along Honoapiilani Highway in Ukumehame to repair wave erosion damage caused by an earthquake-generated tsunami that struck near Japan on March 10, 2011. Repairs to the highway soil foundation and installation of wave-energy dissipating structures are underway.
- Additional improvements along Honoapiilani Highway are also under construction in Launiupoko to repair shoreline erosion. This work, which includes a realignment of the highway path inland, was initiated under an Emergency Proclamation issued by Governor Abercrombie on June 8, 2012.

On Molokai, the Kawela Stream Bridge Replacement project on Kamehameha V Highway is underway. The \$6 million project will replace the existing 72-year-old bridge to meet modern seismic and hydraulic standards. The new bridge will be 21 feet longer and 19 feet wider than the current bridge and will provide 10-foot shoulders on either side for pedestrians and bicyclists. It will also be two feet higher, providing additional capacity for drainage flow. This project began construction in March 2012 and is scheduled to be completed in January 2014.

A drainage improvements project to relieve flooding along Kamehameha V Highway, from Mohala Street to the vicinity of Oki Place, was advertised in June 2012.

Kauai District

Short term improvements from Wailua to Kapaa include the widening of Kuhio Highway from South Leho Drive to Aleka Loop. Construction for an additional southbound lane on Kuhio Highway approaching the Mayor Bryan J. Baptiste Memorial Bridge, formerly the Wailua Cane Haul Bridge, is in the design phase.

Construction continues on the first segment of the Kaumualii Highway Widening project from Anonui Street to the vicinity of the Lihue Mill Bridge. A request for proposals for the second increment, a design-build contract to widen Kaumualii Highway from the Lihue Mill Bridge to Rice Street was issued in August 2011 and the project was issued design notice-to-proceed in April 2012. Future segments that will continue the highway widening to four lanes from Anonui Street west to the vicinity of the Haiku Airstrip are currently in design.



Widening continues over the first segment of Kaumualii Highway, covering a 1.8-mile stretch fronting Kauai's only shopping mall.

A design-build contract for Kuhio Highway intersection improvements near the Kauai Community Correctional Facility and the Wailua Golf Course was awarded in June 2012. Improvements at this intersection will be made to allow for better turning movements into and out of the existing driveways.

Construction for guardrail and shoulder improvements along Maalo Road from Mile Posts 0 to 3 was awarded in June 2012.

Several emergency projects were also implemented in FY 2012 due to severe weather which necessitated immediate repairs.

- Slope stabilization repairs on Kuhio Highway in Lumahai were authorized in an Emergency Proclamation by Governor Abercrombie on September 7, 2011 following heavy rains. At approximately \$4 million, work included grading of the upper hillside slope, removal of soil material, installation of a slope anchor system, and road reconstruction.



Soil erosion caused by prolonged heavy rainfall undermined pavement foundations in numerous locations around Kauai.

- Emergency repairs to a 15-foot-diameter culvert running beneath Kuhio Highway near Kilauea were needed following a partial collapse during heavy rains on February 25-26, 2012. The affected water flow resulted in erosion of the highway's soil foundation and required a temporary road realignment and pavement repairs.



Kuhio Highway was temporarily shut down and traffic rerouted to neighboring streets following the partial collapse of drainage culvert beneath the road in Kilauea..

- Additional pavement repair and slope stabilization work was also necessary on Kuhio Highway in Kalihiwai, Hanalei, Waikoko, Haena, Kapaa, and Lumahai, due to the severe rainfall on February 25-26, 2012.

Statewide

The DOT also continued numerous traffic safety countermeasure activities this fiscal year. Through its “Click It Or Ticket” (CIOT) campaign, Hawaii has one of the highest seatbelt usage rates nationwide at 93-percent. The success of the CIOT campaign can be attributed to the hard work of many highway safety partners, which include the four county police departments, the Department of Health, the Department of Education, the Federal Highway Administration, the Federal Motor Carrier Safety Association, local fire departments, religious leaders, military bases, and others, along with the DOT. Enforcement was supported by a strong media campaign that utilized television, radio, and movie theatre advertising aimed at key demographics, along with variable highway message boards reminding motorists to buckle up.



Walk Wise Hawaii (WWH), a pedestrian safety education program administered by DOT, continued its partnerships with various State and County agencies, private businesses, and community organizations to sponsor an annual education campaign to inform citizens about safe behaviors and laws for pedestrians and drivers. The campaign includes outreach to seniors groups, rotary clubs, neighborhood boards, hotels, and other community groups and events. Multi-language brochures, movie theatre ads, and bus ads have also been included in WWH's outreach.

To combat the problem of drunk driving, DOT, in collaboration with the four county police departments, continued the “52/12 – You Drink, You Drive, You Lose” public safety campaign to increase the frequency of sobriety checkpoints to a minimum of one every week, all year-round. A strong media campaign using television, radio and movie theater ads also help to reach key demographics.

The Safe Routes to School (SRTS) program also continued its work to encourage elementary and middle school children to walk to and from school. Created in 2005, the federally-funded program is administered by the DOT and encourages elementary and middle school-aged children to be physically active; assists in making walking and bicycling to school a safe, routine activity; and facilitates planning, development, and implementation of projects and activities that will improve safety and reduce traffic, fuel consumption, and air pollution in the vicinity of schools.

Two new SRTS Infrastructure Grant Awards were awarded in March 2012. The County of Maui Public Works Department was awarded \$155,000 for the Princess Nahienaena Elementary School SRTS Project. The project will replace and construct new curb ramps, revise crosswalk striping and signage, and install pedestrian crossing signs with rectangular rapid flashing beacons (RRFB) at key intersections and crossings.

The County of Maui Public Works Department, in partnership with the Keonekai Neighborhood Association, was awarded \$459,000 for the Kamalii Elementary School SRTS Project. The project will construct a midblock crossing with an RRFB system, replace old and construct new sidewalks and curb ramps, and install radar feedback signs on three approaches to the school.



Students, teachers and parents at Kapaa Elementary School took part in International Walk to School Day to encourage students to be more active and to remind motorists to drive with caution near schools.

The Highways Division is in the process of establishing comprehensive environmental programs. An Environmental Management System (EMS) has been developed, specifically for maintenance activities. The EMS follows the federal Environmental Protection Agency's National Environmental Investigative Center EMS model, which incorporates ISO 14001 EMS standards. The coverage of the EMS includes Environmental Policy; Organization; Personnel and Oversight of EMS; Accountability and Responsibility; Environmental Requirements, Assessment, Prevention and Control; Environmental Incident and Noncompliance Investigations; Environmental Training, Awareness, and Competence; Environmental Planning and Decision-Making; Maintenance of Records and Documentation; Pollution Prevention and Best Management Practices Program; Continuing Program Evaluation and Improvement; and Public Involvement and Community Outreach.

Along with the EMS, the Highways Division developed and implemented its Hazardous Waste Management Program, Solid Waste Management Program, and Safety Program including Hazard Communications (HazCom). Other programs to be developed include the Petroleum, Oil and Lubricants Management Program, Lead-Based Paint Management Program, Asbestos Management program, and Universal Waste Program.

DOT Highways has prepared a Storm Water Pollution Control Plan for each baseyard with industrial activities on Neighbor Islands and all baseyards on Oahu. The Municipal Separate Storm Sewer System (MS4) ad hoc committee, comprised of a group of engineers, inspectors and clerical staff, continues to proactively address Clean Water issues. The Oahu Storm Water Management Program has been established to manage storm water discharges.

An update of the federally-required Statewide Long-Range Land Transportation Plan is on-going. The plan includes the analysis of the state's long term transportation needs with consideration of limited resources.



Area legislators, federal and state officials, and representatives of the Kapolei Property Development, LLC, untied a ceremonial maile lei, dedicating the completion of the H-1 Freeway Kapolei Interchange Complex project, Phase I. From left to right: Division Administrator Abraham Wong, Federal Highway Administration; Senior Vice-President David Rae, Kapolei Property Development, LLC; Ms. Jennifer Sabas, Chief of Staff to US Senator Daniel K. Inouye; Governor Neil Abercrombie; State Senator Will Espero; State Representative Sharon Har; State DOT Director Glenn Okimoto; and Kahu Kordell Kekoa, Kamehameha Schools.

AIRPORTS DIVISION**Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30,**

	2012	2011
Concession Fees	\$143,572,702	\$132,166,157
Aeronautical Rentals		
Non-Exclusive Joint-Use Premise Charges	\$47,052,075	\$49,935,035
Exclusive Use Premise Charges	\$41,663,309	\$42,528,929
Non-Aeronautical Rentals	\$13,416,559	\$13,349,655
Airport Landing Fees	\$59,639,904	\$60,096,929
Aviation Fuel Tax	\$4,337,860	\$4,140,882
Airports System Support Charges	\$420,531	\$711,319
Miscellaneous	\$1,991,020	\$9,023,480
Total Operating Revenues	\$312,093,960	\$311,952,386
Salaries & Wages	\$75,670,437	\$72,325,119
Other Personnel Services	\$48,682,998	\$50,532,511
Utilities	\$47,263,050	\$39,981,453
Bad Debt Expense	\$0	\$0
Special Maintenance	\$9,109,360	\$10,306,916
Repairs & Maintenance	\$16,695,881	\$14,721,969
State of Hawaii Surcharge on Gross Receipts	\$13,708,581	\$12,018,283
Materials & Supplies	\$5,040,236	\$4,143,224
Department of Transportation, General Administration Expenses	\$5,181,543	\$4,835,990
Insurance	\$3,168,668	\$3,209,770
Claims & Benefits	\$848,551	\$895,504
Communication	\$368,885	\$353,645
Travel	\$390,223	\$340,123
Disbursements Out of Major Maint., Renewal & Replacement Acct.	\$0	\$0
Rent	\$1,233,391	\$1,219,600
Dues & Subscriptions	\$169,329	\$146,561
Printing & Advertising	\$14,852	\$21,392
Freight & Delivery	\$16,079	\$16,963
Miscellaneous	\$116,593	\$308,370
Operating Expenses Other Than Depreciation	\$227,678,657	\$215,377,393
Depreciation	\$90,754,951	\$94,738,701
Total Operating Expenses	\$318,433,608	\$310,116,094

Continued	2012	2011
Operating Income (Loss)	(\$6,339,648)	\$1,836,292
Interest Income:		
Cert. of Deposit, Repurchase Agreements & U.S. Gov't Securities	\$1,988,592	\$5,975,568
Investments in Direct Financing Leases	\$1,925,210	\$2,018,421
Interest Expense:		
Revenue Bonds:		
Airports System	(\$31,289,796)	(\$41,715,701)
Special Facility	(\$1,925,210)	(\$2,018,421)
General Obligation Bonds	\$0	\$0
Federal Operating Grants	\$3,315,401	\$5,033,709
Gain (Loss) on Disposal of Capital Assets	(\$1,889,939)	(\$517,884)
Passenger Facility Charges	\$31,730,836	\$31,374,492
Rental Car Customer Facility Charges	\$277,515	\$44,724,718
Amortization of Deferred Bond Issue Costs	(\$571,407)	(\$566,054)
Gain (Loss) on Amounts Held In State Treasury	(\$1,408,718)	\$13,085,548
Other	(\$254,202)	\$124
Non-Operating Revenues (Expenses) - Net	\$1,898,282	\$57,394,520
Gain (Loss) Before Capital Contributions & Transfers	(\$4,441,366)	\$59,230,812
Capital Contributions & Transfers		
Federal Capital Grants	\$36,869,413	\$16,873,585
Federal Stimulus Grants	\$9,191,233	\$11,787,177
Other Capital Contributions (Buildings & Land)	\$0	\$0
Total Capital Contributions & Transfers	\$46,060,646	\$28,660,762
Increase (Decrease) in Net Assets	\$41,619,280	\$87,891,574
Total Net Assets, Beginning of Year	\$1,734,924,479	\$1,647,032,905
Total Net Assets, End of Year	\$1,776,543,759	\$1,734,924,479

HARBORS DIVISION

Statements of Revenues, Expenses, and Changes in Net Assets Years Ended June 30

	2012	2011
Operating Revenues		
Services	\$71,951,223	\$58,654,791
Rentals	\$28,979,378	\$25,356,546
Others	\$2,946,213	\$1,908,042
	\$103,876,814	\$85,919,379
Operating Expenses Before Depreciation		
Harbor Operations	\$17,650,531	\$13,954,410
Personal Services	\$14,452,663	\$14,814,835
General Administration	\$3,545,347	\$2,040,387
State of Hawaii, Surcharge for Central Service Expenses	\$2,725,283	\$2,643,710
Fireboat operations	\$1,968,435	\$1,916,779
Maintenance	\$1,794,879	\$2,657,460
Department of Transportation, General Administration Expenses	\$1,032,804	\$1,539,065
	\$43,169,942	\$39,566,646
Income from Operations Before Depreciation	\$60,706,872	\$46,352,733
Depreciation	\$20,560,602	\$18,362,040
Income from Operations	\$40,146,270	\$27,990,693
Non-Operating Revenues (Expense)		
Interest Income		
Deposits in Investment Pool	\$800,808	\$2,098,049
(Decrease)/Increase in Fair Value of Amounts Held in State Treasury	(\$408,177)	\$3,791,542
Interest Expense		
Revenue Bonds	(\$18,864,979)	(\$16,581,690)
Airports Division	\$0	(\$1,398,210)
Reimbursable General Obligation Bonds	(\$1,751,971)	(\$1,803,777)
Other	(\$85,011)	(\$164,082)
Amortization of Bond Discount, Premium, Issue Costs, and Loss on Refunding	(\$390,445)	(\$355,624)
Loss on Disposal of Harbor Facilities	(\$3,147)	(\$2,123,406)
	(\$20,702,922)	(\$16,537,198)
Income Before Capital Contributions	\$19,443,348	\$11,453,495
Capital Contributions	\$19,357,003	\$9,426,073
Net Income/Increase in Net Assets	\$38,800,351	\$20,879,568

HIGHWAYS DIVISION

Combined Statement of Revenue, Expenditures and Changes in Fund Balance All Government Fund Types

Years Ended June 30	State Highway Fund	Debt Service Fund	Capital Projects Fund	Total
Revenues				
Intergovernmental				
Federal Grants-In-Aid	\$86,278,433		\$101,733,837	\$188,012,270
Taxes & Fees				
Fuel Taxes	\$86,980,157			\$86,980,157
Rental/Tour Vehicle Surcharge	\$44,987,347			\$44,987,347
Vehicle Weight Tax	\$62,039,785			\$62,039,785
Vehicle Registration Fees	\$36,126,961			\$36,126,961
Interest Income	\$315,935			\$315,935
Others	\$7,828,186			\$7,828,186
Total Revenues	\$324,556,804		\$101,733,837	\$426,290,641
Expenditures				
Operating & Maintenance				
Oahu Highways & Services	\$100,583,954			\$100,583,954
Hawaii Highways & Services	\$28,248,353			\$28,248,353
Maui Highways & Services	\$17,795,873			\$17,795,873
Molokai Highways & Services	\$759,269			\$759,269
Lanai Highways & Services	\$219,153			\$219,153
Kauai Highways & Services	\$11,611,964			\$11,611,964
Motor Vehicle Safety Office	\$10,791,209			\$10,791,209
Administration	\$35,424,064			\$35,424,064
Pass Through for County Highways and Services	\$42,168,004			\$42,168,004
Debt Service		\$41,371,097		\$41,371,097
Surcharge for Central Services Expenses	\$8,924,378			\$8,924,378
Capital Projects			\$163,292,577	\$163,292,577
Total Expenditures	\$256,526,221	\$41,371,097	\$163,292,577	\$461,189,895

<i>Continued</i>	State Highway Fund	Debt Service Fund	Capital Projects Fund	Total
Excess (deficiency) of revenues over expenditures before other financial sources (uses)	\$68,030,583	(\$41,371,097)	(\$61,558,740)	(\$34,899,254)
Other Financial Sources (Uses)				
Operating Transfers Out	(\$56,095,260)			(\$56,095,260)
Issuance of Revenue Bonds	\$5,095,000		\$112,270,000	\$117,365,000
Premium on Revenue Bond	\$466,702		\$13,152,124	\$13,618,826
Payments for Current Refunding of Revenue Bonds	(\$5,400,000)			(\$5,400,000)
Total Other Financial Sources (Uses)	(\$55,933,558)	\$41,371,097	\$131,979,812	\$117,417,351
Revenues and other financing sources over expenditures and other financing uses	\$12,097,025		\$70,421,072	\$82,518,097
Fund balance as of July 1, 2011	\$137,072,856		\$36,533,004	\$173,605,860
Fund balance as of June 30, 2012	\$149,169,881		\$106,954,076	\$256,123,957

