

WATER RESOURCES COMMITTEE

Council of the County of Maui

MINUTES

March 19, 2014

Council Chamber, 8th Floor

CONVENE: 9:06 a.m.

PRESENT: VOTING MEMBERS:

Councilmember Michael P. Victorino, Chair
Councilmember Mike White, Vice-Chair (Out 10:50 a.m.)
Councilmember Donald G. Couch, Jr. (In 9:12 a.m.)
Councilmember Stacy Crivello
Councilmember Don S. Guzman

EXCUSED: VOTING MEMBERS:

Councilmember Gladys C. Baisa
Councilmember Robert Carroll

STAFF:

Kimberley Willenbrink, Legislative Analyst
Tammy M. Frias, Committee Secretary
Raynette M. Yap, Committee Secretary
Tina Thompson, Executive Assistant to Councilmember Crivello, assisting at Molokai
Council Office (via telephone conference bridge)
Denise Fernandez, Council Aide, Lanai Council Office (via telephone conference bridge)
Dawn Lono, Council Aide, Hana Council Office (via telephone conference bridge)

Seated in the gallery:

Sharon Brooks, Legislative Attorney

ADMIN.:

David S. Taylor, Director, Department of Water Supply
Edward S. Kushi, Jr., First Deputy Corporation Counsel, Department of the Corporation
Counsel

Seated in the gallery:

William R. Spence, Director, Department of Planning
Michele N. McLean, Deputy Director, Department of Planning
Approximately 15 employees from the Department of Water Supply
Approximately five (5) Members from the Board of Water Supply

OTHERS:

Maui testifiers:

Rosemary Robbins (Items WR-6(1) and -1)

Audrey J. Moniz (Item WR-1)

William Jacintho, President, Maui Cattlemen's Association (Item WR-6(1))

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Molokai testifiers (via telephone conference bridge):

Darlene Johns (Item WR-1)

Raymond B. Kalilikane, Sr. (Item WR-1)

Robert Stephenson, President, Molokai Chamber of Commerce (Item WR-1)

Luigi Manera (Item WR-1)

PRESS: *Akaku--Maui County Community Television, Inc.*

CHAIR VICTORINO: . . .(*gavel*). . . Good morning. The meeting of the Water Resources Committee for March 19, 2014 will convene. At this time, Members, I will also remind everyone that we have bare quorum so if you need to leave you need to let me know before you leave the chambers, okay? I have to make that announcement. Also, before we start, all cellphones, if you would please put them on silent mode or turn 'em off completely. Decorum will be conducted in the Chamber at all times. This morning, I'd like to introduce the Members who are here with us. Our Vice-Chair, Mike White.

VICE-CHAIR WHITE: Good morning, Chair.

CHAIR VICTORINO: Good morning, Chair. Excused today and, you know, hopefully she'll be back very soon, our best wishes to our Chair, Gladys Baisa and also Robert Carroll. To be joining us soon is Don Couch. Also the young lady from Molokai, Stacy Crivello.

COUNCILMEMBER CRIVELLO: Good morning, Chair.

CHAIR VICTORINO: Good morning. And the young man from Kahului, Central Maui, Don Guzman.

COUNCILMEMBER GUZMAN: Good morning, Chair.

CHAIR VICTORINO: Good morning. I don't seen any of the non-voting Members here at this time. If they do appear, I will introduce them at that time. I have here...oh, and by the way, I'm Mike Victorino, the Chair of the Committee, just in case somebody missed that one. From the Administration, we have the Director of Water Supply, Mr. Dave Taylor.

MR. TAYLOR: Good morning.

CHAIR VICTORINO: Good morning. From the Corporation Counsel, First Deputy Corporation Counsel, Ed Kushi.

MR. KUSHI: Good morning.

CHAIR VICTORINO: Good morning. Our Committee Staff, we have our Legislative Analyst, Ms. Kim Willenbrink.

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MS. WILLENBRINK: Good morning, Chair.

CHAIR VICTORINO: Good morning. And, of course, we have Tammy Frias, our Committee Secretary.

MS. FRIAS: Good morning.

CHAIR VICTORINO: And the young lady, nobody gave me her name and so I would like to introduce, because I know she's here learning and I'd like to recognize her, okay. Yeah, can you introduce her please, Ms. Willenbrink?

MS. WILLENBRINK: Raynette Yap. She's our newest Committee Secretary.

CHAIR VICTORINO: Okay. Good morning, Ms. Yap. Welcome to the family and after today you may not want to...never mind. Don't scare her. Okay, I won't. At this time, I'd like to check with our District Offices and see if they're...alright, now I'll check with my District Offices. The Hana Office, Dawn Lono, are you there?

MS. LONO: Good morning, Chair. This is Dawn Lono at the Hana office.

CHAIR VICTORINO: Thank you. At our Lanai Office, Denise Fernandez. Are you there, Denise?

MS. FERNANDEZ: Good morning, Chair. This is Denise Fernandez on Lanai.

CHAIR VICTORINO: Thank you. And our Molokai Office, we have substituting for Ella Alcon, Ms. Tina Thompson. Tina, are you there?

MS. THOMPSON: Good morning, Chair. This is Tina Thompson at the Molokai office.

CHAIR VICTORINO: Thank you and safe travels when you come back. We have just two items today. We have...excuse me, I lost my paper...okay. WR-6(1), Committee's Priorities and Procedures; Presentations from the County Administrative Agencies. Mr. Taylor has an extensive report today talking about Capital Improvement Projects, funding requirements, water supply and demand, and other management goals, and right after we take public testimony we'll proceed into the presentation by the Department of Water Supply. And then secondly, we have WR-1, Amending Title 14, County Code, Relating to Exemptions from Water System Development Fees. And we'll do that secondly. So, at this time, I'd like to proceed with public testimony with no objections?

COUNCIL MEMBERS: No objections.

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...BEGIN PUBLIC TESTIMONY...

CHAIR VICTORINO: Okay, thank you. We have one testifier signed up, but let me check with the District Offices. Hana, do you have anyone wanting to testify from the Hana Office?

MS. LONO: The Hana Office has no one waiting to testify.

CHAIR VICTORINO: Thank you, Dawn. Denise, from Lanai, anyone waiting to testify?

MS. FERNANDEZ: There is no one waiting on Lanai to testify.

CHAIR VICTORINO: Thank you, and Molokai, Tina, is there anyone wanting to testify?

MS. THOMPSON: I have four testifiers here waiting to testify.

CHAIR VICTORINO: Okay. Since we got four and I will defer to Molokai, if I may, and...okay. Okay, so Molokai, I'm going to start with you and let you do your four because we just have one here in the Chambers. So please, if you don't mind, would you proceed. And please introduce the individual and if they're representing any particular group, please.

MS. JOHNS: Yes, hello. My name is Darlene Johns. Good morning, everyone. I'm here in support of the bill, the ordinance amending Chapter 14.07 and I am in agreement with this bill and support it totally and I do have a first-hand experience with this economic imbalance for Molokai because I am employed and I have been employed for almost three years at minimum wage with no increase to my wage and my husband has employed for two years and he just recently received a 3 percent increase. So when we learned that the water meter was doubling, it's just not consistent with the economic situation here on Molokai. So therefore, I am in support of this bill to provide relief for the Molokai residents and others of the Maui County in similar situations.

CHAIR VICTORINO: Thank you, Ms. Johns. Any questions to the testifier from the Committee members? Seeing none, thank you. Tina, your next testifier, please?

MS. JOHNS: Oh, one other thing, I'm sorry.

CHAIR VICTORINO: Fine. Yes, Ms....?

MS. JOHNS: I just wanted to let you know that I am building on the east end and so I cannot get my permit approved until I get the Water Department to sign off on this, and all of the expenses involved with the water is preventing me from building my home on my own 'aina. Thank you.

CHAIR VICTORINO: Thank you, Ms. Johns. Moving right along, Tina.

MS. THOMPSON: The second testifier is Raymond Kalilikane. Go ahead, Raymond.

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MR. KALILIKANE: Yes. My name is Raymond Kalilikane. Aloha.

CHAIR VICTORINO: Aloha.

MR. KALILIKANE: Now, I wanted to know, because they disconnected my meter and just to put back the meter, the meter gonna cost me \$12,000 and that's what the situation I'm facing right now. So I like know what the reason for all that, because putting back the meter doesn't even take even four hours to put back the meter so I don't think that thing would cost \$12,000. So with this amendment, I think it's, if you guys exempt everybody and how it was like before, I think you guys, you people not ripping off the people, you guys being straight with the people. So actually I'm talking from my own experience and I'm a construction worker. I'm retired right now so my income is just _____ one place and that's it. So as much as possible I like see my, instead of go \$12,000 they was telling me, I like go back what they was paying before because my nephew was staying over there and he wasn't taking care of the water bills so they disconnected so that's why. Now I'm taking over. Now I want things to be right. So with this, to me, I think it's ridiculous. So with these exemptions, I would think it would be very good. Thank you.

CHAIR VICTORINO: Thank you, Mr. Kalilikane. One question I have for you real quick, and I'll open it up to the testifiers. How long ago was your water meter removed, do you know?

MR. KALILIKANE: Oh, when I tried to get it on, they told me was three years.

CHAIR VICTORINO: Three years? Okay, okay. Okay, I appreciate that. Thank you for that information. Any questions for the testifier? Seeing none, thank you very much, sir. Tina, your next testifier please?

MS. THOMPSON: Next testifier is Robert Stephenson and he's speaking on WR-1.

MR. STEPHENSON: Aloha, Chair and Committee Members. My name is Robert Stephenson and I'm here representing the Molokai Chamber of Commerce today. I wanted to testify on Item WR-1 and testify in support. Over here on Molokai, the building industry, the construction industry is slowed down considerably and one of the reasons that we see for this is the increase in the cost of the water meters. And this increase in the cost of water meters is not only affecting landowners and the homeowners from getting their building permits, but it's affecting the entire construction industry from construction workers, suppliers, and the general building economy. So with this exemption would provide some well needed relief for the homeowners to have an affordable water solution and also an increase in the amount of construction activity here on the island.

CHAIR VICTORINO: Okay, thank you. Any questions for the testifier? Seeing none, thank you very much.

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MR. STEPHENSON: Thank you.

CHAIR VICTORINO: Tina, your next testifier, please?

MS. THOMPSON: My last testifier is Luigi Manera and he'll be speaking on WR-1.

MR. MANERA: Aloha, Chair and Committee members. I'm speaking today in favor, of course, of Item WR-1 and I'm representing six families today. They have a permit pending with the Water Department before obtaining the building permit for their house. And the reason why it's delayed is not as much because they're waiting for the permit to be signed, it's just due to the increase of the cost of the water meter from 7,000 to 12,500. I hope that during today, you guys' meeting maybe you'll solve this decision in regards to the increase of the water meter. Thank you very much.

CHAIR VICTORINO: Thank you very much. Any questions for the testifier? Seeing none, Tina, is there anyone else wanting to testify in Molokai.

MS. THOMPSON: The Molokai Office has no one waiting to testify.

CHAIR VICTORINO: Okay, Tina. And I'll come back to you ladies after we finish the testimony in the Chamber. We have one testifier signed up is Ms. Rosemary Robbins. Ms. Robbins, please?

MS. ROBBINS: Good morning, everybody. E malama i ka wai. If you haven't been down to the Maui Mall to see the 900 submissions from our children in all the schools around as to taking care of the water. Just so exciting to see what those kids have done and some real artistic stuff that's done there and some real environmental appreciation from our youth, who are going to be living longer than we are to live with whatever we're doing. So thank you for the opportunity to say that and a special welcome to the people who testified from Molokai. We waited a long time for that. That's good progress. We had a presentation made by one of the chief engineers in our last Water Committee meeting and that was wonderful, Jeff Pearson, and when I got back home, people were asking me in addition to doing that wide application of what's been going on, they would love to be able to have such an application for regional areas, because some places are having lots of attention given to them and some other places are feeling left out. So if that were a possibility of doing that as per has been done for the three islands, folks would appreciate that. So that's on WR-1, excuse me, 6. And then on WR-1, everybody who has spoken before me today has been very much in favor of making sure that those sky-high costs don't...become what people think is reasonable. So thank you for having put that in. And having worked with some of the people, including you, and the folks from the EPA ten years ago in '04, about the Upcountry water problems from lead and other contaminants and the half-million dollars that, may he rest in peace, came through Dan Inouye to be able to address that. We learned, those of us who are concerned citizens involved in that, learned that the State Drinking Water Revolving Fund deals with both management, which is number one on our agenda today, and with the Capital Improvement deals so when those monies are sought, they are available for both of those categories of relief for Maui. And so I certainly recommend that we go after those funds and I

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know there's been an improvement in going after those in the last few years. And we need to remember that those monies come from the Fed through the State to the Council and when the Council applies for that, Council needs to be able to say starting date, that's not date and starting to plan. That's shovel-ready. And so there needs to be a lot of preplan before we could ever actually enact the shovels. So encouraging you to do that too. So thank you for the progress that has been done. Go enjoy the art fair and hug those kids. They did a wonderful job on that.

CHAIR VICTORINO: Thank you, Ms. Robbins. Ms. Robbins, before I open to questions for the other members, you understand that WR-1 is for the County.

MS. ROBBINS: Uh-huh.

CHAIR VICTORINO: Not...Molokai probably has more impact than other areas, but this would be inclusive of Upcountry, any area that needs to get water meters based upon certain criteria, we could exempt them and put them back at the pre-level 6,000 instead of the 12,000 going up to 14 and all that.

MS. ROBBINS: Feel free.

CHAIR VICTORINO: You understand how that works, right?

MS. ROBBINS: Uh-huh.

CHAIR VICTORINO: It's not just for Molokai even though Molokai is the one that testified the most, it is for the entire County and I think sometimes people get confused when they look at the item and see some of the, what they call, the prefects [*sic*] and then you start thinking oh, it's only for this area. But it's really for the entire County. Any County water system, of course.

MS. ROBBINS: I'll give your speech to the people who have asked that.

CHAIR VICTORINO: Yeah. So this would, you know, this is my way of trying to help them get some relief and it's not falling on very favorably in the past, but hopefully this time people will see the need because now they can actually see the resulting impact that has occurred because of it.

MS. ROBBINS: Thank you for affirming that.

CHAIR VICTORINO: Questions for the testifier? Okay, seeing none, thank you, Ms. Rosemary Robbins. I will give anyone in the gallery an opportunity to come up and speak and once that's done, you can please fill out the form at the back in the eighth floor. I have Ms. Moniz raising her hand so come on down and then William, if you sign in the back, yeah. Yeah, please. Okay. And I would like to take this moment, before you start please, Audrey, I'd like to recognize the attendance of Mr. Don Couch.

COUNCILMEMBER COUCH: Thank you, Mr. Chair, and I apologize for being late.

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CHAIR VICTORINO: That's okay. When I have bare quorum, it's really hard.

COUNCILMEMBER COUCH: Yeah, I know. I know.

CHAIR VICTORINO: You know. You know how that works, right? And then also in the gallery we have the Planning Director and his assistant, Will Spence and Michele McLean. And before I go on, we have a lot of water people in the gallery today so thank you, all of you, for being here from the Department and concerned citizens. Whether you're farmers or just regular citizens, no make difference. This is so important. Thank you for being here. Ms. Moniz, go ahead.

MS. MONIZ: Good morning, everyone. Well, I've...

CHAIR VICTORINO: Please introduce yourself.

MS. MONIZ: Well, I'm Audrey Moniz and I'm a real estate agent. And I'm speaking in behalf of the other realtors who have incurred the same problems that I have. And this problem is specifically exemption, it's 14-07 and this is concerning water meters that have been removed for properties that have been foreclosed beyond 36 months. And going through this situation with one of my clients, this has been a real burden, because usually houses that have had water meters removed are in disrepair to begin with and they need tons and tons of work. So this is really more of a hardship and particularly because this seems to be such an unfair ordinance where if a house is beyond 36 months, you pay \$160, the minute it goes a day over that, you're paying 12,000. So I have made, you know, a request that the exemption should go beyond the 36 months and more so for foreclosed homes that has been vacant for a number of, you know, from the time. So that is my request.

CHAIR VICTORINO: Ms. Moniz, do you have that in writing that you would like to submit to us? Do you have that in writing?

MS. MONIZ: Oh yes.

CHAIR VICTORINO: Yeah.

MS. MONIZ: I think I e-mailed it to you.

CHAIR VICTORINO: Okay. If you would give it to the staff and then they can make copies for the rest of the Members, please?

MS. MONIZ: Well, personally I have the ordinance in the way that --

CHAIR VICTORINO: Uh-huh.

MS. MONIZ: --I desired it to be --

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CHAIR VICTORINO: Okay.

MS. MONIZ: --presented.

CHAIR VICTORINO: Yeah, okay. Yeah, go ahead and we'll just take that as just information, please. Thank you, Ms. Moniz. Before you go, questions to the testifier? Seeing none, thank you very much, Audrey.

MS. MONIZ: Okay.

CHAIR VICTORINO: Thank you.

MS. MONIZ: Let me make one more comment.

CHAIR VICTORINO: Quickly now.

MS. MONIZ: Very quickly. It's just a fact that this is bettering the neighborhood because houses that's been foreclosed is totally a blight to the community so relieving the burden of an additional \$12,000 would help tremendously to bring the neighborhood up to par. Okay.

CHAIR VICTORINO: Thank you very much.

MS. MONIZ: Thank you.

CHAIR VICTORINO: Okay, any other testifiers? William Jacintho, I think you raised your hand. Come on down. And if you'd bring the forms up, please? And would you make sure that Ms. Moniz gets a form to be filled out, please? William, come forward. Okay, this is Mr. William Jacintho and he's with the Cattlemen's Association testifying on WR-6(1). Mr. Jacintho, go ahead.

MR. JACINTHO: Thank you, Chair. I wasn't planning to testify so I have nothing prepared, but I do have something that's been digging in me for a while and it is in regards to water and the use of water from ag. And there seems to be a lot of draw from the ag sectors to go to development and some of it is in Kihei. What I see happening is water that was used for irrigating crops in the past is dwindling down to where it's becoming less and less. So to make a long story short, if that continues then there won't be water left for that ag land either to go back into farming or whatever. Some of it is just kind of fallow for now and, you know, owners are trying to figure out what to do with it. So if you can incorporate some kind of, you know, thing in your water plan that creates water for the developments. I don't think we're against development. More like we surely support smart growth but at the same time, you know, keeping the ag water on ag lands so that it doesn't go away forever. So that, I think, is very important. The other thing is lot of that soils we're talking about, that water is being diverted from is Class A soils, farmlands, and those are hard to find. The other point that Kahakapao on the east side's water system was built

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with USDA funds as far as I know the story and basically for farming and, you know, we'd like to kind of have that for that reason. So that's all I have to share and hope you can incorporate something in your plan. Thank you.

CHAIR VICTORINO: Thank you, Mr. Jacintho, and you bring up some...and we will be looking forward to Mr. Taylor's presentation to see what and if some of that has been incorporated and if not then maybe it's up to us to try to put something in, so.

MR. JACINTHO: Yeah, it would be good if we get some dialogue amongst farmers and, you know, I know it's usually not a done deal. Usually it's a presentation and then a template to work from, which is great. The process is good.

CHAIR VICTORINO: Okay, thank you.

MR. JACINTHO: Thank you.

CHAIR VICTORINO: Other questions for the testifier? Seeing none, thank you, William, for coming down.

MR. JACINTHO: Thank you.

CHAIR VICTORINO: I know you're a busy man and you have to come flying down the hill.

MR. JACINTHO: And parking is horrendous, too.

CHAIR VICTORINO: Okay, thank you.

MR. JACINTHO: Thank you. Bye-bye.

CHAIR VICTORINO: Thank you very much for being here. I will give one more opportunity, anybody in the gallery who hasn't testified and wishes to testify, please come forward. In the meantime, I will call upon our District Offices. Molokai, do you have anyone wanting to testify?

MS. THOMPSON: The Molokai Office has no one waiting to testify.

CHAIR VICTORINO: Mahalo, Tina. Lanai, do you have anyone wanting to testify?

MS. FERNANDEZ: There is no one waiting to testify on Lanai.

CHAIR VICTORINO: Mahalo, Denise. And finally, Hana, do you have anyone wanting to testify?

MS. LONO: There is no one waiting to testify in Hana.

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CHAIR VICTORINO: Thank you, Dawn, I appreciate that. And seeing no one rushing to the podium, with no objections, I will close public testimony.

COUNCIL MEMBERS: No objections.

CHAIR VICTORINO: Thank you very much. Okay. We won't make mistakes on that, yeah?

...END OF PUBLIC TESTIMONY...

ITEM WR-6(1): COMMITTEE'S PRIORITIES AND PROCEDURES; PRESENTATIONS FROM COUNTY ADMINISTRATIVE AGENCIES (DEPARTMENT OF WATER SUPPLY PRESENTATION)

CHAIR VICTORINO: Okay, why don't we start by, first of all, we have two items today and we're going to start with WR-6(1), Committee's Priorities and Procedures; Presentations from the County Administrative Agencies. This would be from the Department of Water Supply. Today, Mr. Taylor will be giving us a presentation on his long-term projections of the water, Department of Water Supply Capital Improvement Projects, funding requirements, water supply and demand, and other management goals. So at this time, Mr. Taylor, would you like to give us a quick overview or would you just rather just go right into the presentation?

MR. TAYLOR: I'll make that during the presentation, Mr. Chair.

CHAIR VICTORINO: You'll make it during the presentation?

MR. TAYLOR: Yeah.

CHAIR VICTORINO: So with no objections, I'm going to take a few-minute recess. Please don't leave the Chambers, gang, 'cause we're just going to lower the screen and get started. By the way, just to inform the Committee, my intention is to try to finish by 11:30, because I have to fly down to the Capitol this afternoon to give testimony on the TAT on behalf of the Council and Ms. Baisa, so I'm going to ask your indulgence. Lot of this will be covered in the Budget itself but just for your information is what this is all about, and if you have real burning questions well I'll cover them, but I do want to cover the other Item WR-1, Amending Title 14. So that, too, is something that we want to try to complete by 11:30. So time is against us and I'll quit talking. This meeting stands in recess. ...*(gavel)*...

RECESS: 9:32 a.m.

RECONVENE: 9:34 a.m.

CHAIR VICTORINO: ...*(gavel)*... The Water Resource Committee will reconvene. Mr. Taylor, go ahead with your presentation, please.

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Note: Computer-generated presentation.

MR. TAYLOR: Thank you, Mr. Chair.

CHAIR VICTORINO: And I would ask the gallery if you could keep the noise down because it's very important that we all hear what is going on. Thank you very much.

MR. TAYLOR: One second, Chair.

CHAIR VICTORINO: Okay.

MR. TAYLOR: Okay, so today we're going to continue from some previous presentations about how we've been changing management within the Department of Water Supply. In today's presentation, we'll do a quick review and some efforts to date. If you see some things that you've seen before, we're going through those relatively quickly. Something new today is you'll see some detailed water supply demand forecasts for each area. Basically over the next 20 years how much water we need versus how much we can supply. Some cost implications to rates and fees because of the plan. We're going to get into some risk and benefit issues, "Show me the Water" and "Water Shortage" ordinances. Then we'll wrap all this into the policy issues that we've been talking about, about how all of these things fit together. So by the end, I think it'll be really clear how all this fits together, and also the Mayor will be proposing his Budget, transmitting his Budget to you in a week and we'll also touch on how some of the things in the Budget relate to this overall plan. Okay, so to date, when we started, when we came into office in 2011, we did a replacement needs analysis, we got into budget trying to get replacement CIP going, then we started analyzing the systems and growth needs. In the FY '14 Budget, we started changing long-term rates and fees to cover this expansion. And the FY '15 Budget, which you're going to get in a week, continued implementation. So we've been focusing on these priority policy issues about rates and fees and who we serve. I'll get back to these in a second. And we've had a couple of votes on them in Budget especially where the Council has discussed these items and made some decisions. So where we're headed based on the decisions Council's made, now in red are not what I think we should do. This is my interpretation of how the Council's been voting over the past couple of years on these policy issues. Maximum annual debt allocation 20 to 30 million. It seems there's been support for raising how much money the Department's allowed to spend as long as we can get results. Maximum annual rate increases. It appears there's been support for a 5-to-10 percent annual rate increase to support this expenditure if we get results. Maximum meter fees. It looks like there's been support to raise these up towards \$20,000, again to fund this if we can get results. So the plan you're going to see is based on these constraints that are in red. Something to keep in mind, we're going to come back to this slide at the very end, if you feel the results that you're seeing aren't what you want, then we can change these answers and we'll get something different. So keep in mind these are the constraints that we're basing our decision-making on. Should meter fees vary by location? What the Council said a number of times is that they want to keep meter fees the same across specific areas. We'll see later some implications of that decision. Should current customers

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subsidize new users or should growth pay for growth? What the Council said is it's fair that everyone shares some of growth, but what we've been basing our projections on is meter fees covering about 70 percent of growth and regular water rates that everyone's paying, paying the other 30. You'll see some projections that fit into those constraints a little later. Subsidizing rates for competing user groups. This is primarily about agriculture and we're looking at continuing agricultural subsidies at the same level. That's what our rates and fees projections are based on. Desired growth rates for various areas. We are following the Maui Island Plan growth projections. You're going to see that a little later. Prioritization of water infrastructure for given areas versus others. We're trying to treat all areas equally. We've had some discussions about should we use new wells and things for drought tolerance or for new users. This is an ongoing discussion we're going to talk about a little later. And finally, how much reliable capacity do we need to get rid of or change "Show me the Water"? We're going to talk about that a little later. We're going to come back to this slide at the very end to take a look back at where we're heading and whether or not we think these are the right constraints. So very quickly, system. We have a mix of groundwater and surface water, 750 miles of pipeline. We supply a little over 30 million gallons a day daily. We have this large system. Here's the extent of the system. The Upcountry system is vast over area, the Hana system, Central and South Maui are one system, West Maui and Molokai has a couple of different pieces to it. Okay, so the cornerstone of our plan is this 20 year plan that you've seen before. Very quickly I'll go through it. We've listed the years, you're not supposed to be able to read all the details, don't worry. There are hundreds of projects. Last week we saw about 30 or 40 projects that we're working on. There's hundreds of projects that we've identified needs for. So each column is a year all the way out to 2030. It's meant to coincide with the General Plan, the Maui Island Plan. Listing down here are all the projects we need to do. This is just the first sheet of two. This is actually twice as long as it looks. So we've listed all the projects we need to do and some of them are grouped in categories like West Maui line improvements, things like that. Okay, so each project in the year it needs to be done has a block with a number, which is what its cost is. So the yellow, and if you look and you see, oh, there's a lot of yellow. Yellow are projects to replace existing infrastructure so that existing services can be maintained. One of the first things we did in the first year that we started this process is we had operational staff look at everything we had operating and say when do we need to replace it. We did some cost estimating and came up with this yellow-based template. The yellow projects are what has to be done to keep existing service. The green projects that you see scattered through are for new water capacity to deal with growing water demands. We're going to get into these in detail what they are a little bit later in the presentation. So they're spread. The orange are basically placeholders for line improvements. You've heard from a lot of your constituents. They come in and they say, look, if the Water Department wants us as a citizen to get our water meter, to upgrade the lines in the road. We would love to do more of that ourselves. It's really limited by funding. So we'd like to do at least a little every year. It's primarily focusing on dense areas where we can get a lot of bang for the buck. So this 20 year forecast, 20 year projection of CIP Plans, CIP Projects is the centerpiece of our efforts. Everything you're going to see is on the same timeline and what we're going to see in this presentation is what can we expect if we implement this? How much is it going to cost? How much water will we have? Who will be served, who won't, et cetera? So first thing we do is we add up the numbers vertically to look at the costs as they spread through the years. So here's just

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a little piece of it and you can see what we do, this green project is a large water source capacity development project. You see it's spread through the years. We're doing little pieces as we go. The yellow project shown is a replacement, which is broken up into phases, usually a preliminary engineering, final engineering, and permitting, skip a year because we were working on it for two years, land acquisition, and construction. By scheduling projects, by identifying things five or six years before we need them, we won't be lapsing money. But we're not going to ask for all this money at once, we've, this project schedule is detailed enough that it lays out step-by-step how to do things. One of the big themes of this entire presentation is these are not year-by-year decisions. We have to make these decisions over the long term. All of these projects are too large to do in any one year and the way they fit together can't be done overnight. So the 20-year plan is the basis of what we're doing. It was developed from staff expertise within the Department and it's used to direct staff what our priorities are. For example, staff might find out from this that we can't replace this thing 'til that year, so you guys need to maintain it until then. So this is a way to bind what the Council's big-picture decisions making are with our technical staff and their actions. It drives all of our decisions, including equipment, staffing, et cetera, and a little bit later we'll see what the results are from this overall effort. Okay, so when you look at these costs spread over 20 years, this is how much we'll have to spend in order to accomplish this. So again, yellow is replacement, green is new source development, new capacity development, and this red is fire protection improvements. First thing to note is historically the Department has done only about 10 million a year in CIP. We ramped that up to about 30 million already. So we're operating and we're capable of doing about this range and that's about where we'll need to be, little more some years, little less some other years. When we were here in, I think it was in Planning Committee a few weeks ago, we talked about the General Plan, Implementation Chapter. We had some numbers about how much it would cost for growth. We got that right from here. That was the green. We also told you during that meeting that replacement CIP was about equal. That also came from here. So this isn't just something that we're keeping in our back pocket. We're using this to make decisions, using this to coordinate with the General Plan. Trying to read my notes and it's dark. What we can also see is if we want to do more earlier, we can move projects up but then the costs go up and if we don't have enough money, we have to move these things back. So that's always going to be something through the presentation to keep in mind. This is all tied to the same time scale as the big picture 20 year plan. So we'll get into a little bit about, little bit later about what to expect from this plan. This is last year's budget, the 2014 Budget. You see CIP was about 30 million and Debt Service just under 5. Now, it's important to note that the Department is self-funded. We use rates and fees to pay for 100 percent of our operating costs. We don't make profit like Apple or IBM or one of these companies so we don't have a pot of cash. What we do to do these projects is we borrow money and then pay it back. In each budget year, this Debt Service is basically how much we're paying back. So you can see last year our Debt Service payments were just under \$5 million. So the question, of course, we want to ask here is if we do all this, if we borrow a lot of, all this money, most of this money, how are those Debt Service payments, this yellow piece, going to go up and how are rates and fees going to have to go up to pay for it? So if we follow the plan and if we spend this much money, this is some graphs of what our Debt Service payments look like. Let me explain what this is before anyone, you know, faints. So the existing debt in light blue, just under 5 million was our...this isn't the total debt.

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These are annual payments. Just under 5 million this year. If we don't borrow any more money, these in blue will be how our debt payments will go down as we pay off our existing debt. That's if we don't borrow any more money. If we follow this plan, our debt payments will go up at this rate. That's basically how this piece of the pie will grow. The others stay constant so obviously the overall budget will have to get larger. Rates and fees will have to go up to pay for that. This isn't separate than the 20 year plan, this is how we would finance that 20 year plan. So what would rates and fees have to look like in order to do this? On the right, our current monthly water charges for an average single-family home, on the left are the water system development fees for a 5/8 inch meter. It's what was talked about during the testimony a little bit. So current water rates are just about \$70 a month for an average household. Current, the current 5/8 meter fee is \$12,000. Okay. So in order to pay off the projected costs to implement the plan, rates, monthly rates would have to go up at this rate between 5 and 10 percent a year. You can see basically it doubling by about 2030. Meter fees would go up 2,000 a year to 20,000 and stay constant. This is what it would take to pay back that money to implement this plan. We heard some testimony earlier saying people would rather not pay this amount. We know the items later in today's agenda are about maybe not charging some people this amount. That's fine. But remember, these are not penalties. They are not fines. This is a revenue stream to pay the actual costs to provide the service. So if we lower something, something else has to go up to make up that money. So what I would urge the Council is if you are going to take up the idea of taking some certain segments of the community and giving them a break on their fees, probably need to identify where you want to make up that money. Do you want a General Fund subsidy? Do you want to raise rates? Do you want to raise fees on other people? Any way we look at it, this is the revenue necessary to pay for the plan. Because it's taking a little while to ramp these up, this would end up with about 70 percent of growth being paid for by the meter fees and about the other 30 percent subsidized from monthly fees on everybody. So, and then larger meters and things have higher costs but we're just showing the 5/8 but everything else goes up proportionately. So that's the financial look. So now I want to switch a little bit. We're going to come back and link up to finances a little later, talk quickly about reliable capacity and getting into what to expect, how much water we'll need in each area, and how much we'll be able to provide. First, just a couple of definitions. Source versus reliable capacity. Most people have been using the word "source" for many years. We're trying to switch that to "reliable capacity". Source is what's in the ground. Reliable capacity is what we can give to people. So reliable capacity is a mixture, it's kind of the weak link in the chain, between what we get from the environment, either streams or the aquifers through our infrastructure system, through wells, tanks and pipes. So any bottlenecks in our system reduce the raw source to reliable capacity. So it's reliable capacity, how much we could, is about how many meters we can give. Source is a piece of that but reliable capacity is really what we're interested in. How many meters can we give? So how do we implement this concept? I went through this before probably about a year and a half ago, but I'm going to go very quickly just a little academic treatment of this so you can understand the actual graphs when we get to them. What we do is looking at reliable capacity, we look at number of years in the future. This is a 10 year hypothetical situation. And we look at water demand in red. Or if we conserve water, if we can add 5 percent conservation, water demand goes up yellow. Right, water demand is growing either very quickly or a little slower. We look at existing reliable capacity. How much water can we provide today. And we

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just look at when these lines intersect and that's when we would run out of water. If we implement conservation, the yellow line, you can push that out, you know, a couple of years. As you add some new improvements, you look at where the lines intersect. It pushes it out further. You do something else, it pushes it out further. It's basic supply-and-demand type of graphics applied to water supply and water demand. We can use that to project the projects of when we need to implement them. We can use the project schedules to look at how much we have to spend and what rates and fees are. Alright. So the big 20 year plan looked like this. It just had hundreds of projects. The rate and fee projections look like that. What we're about to get into now is what are the supply/demand forecasts that match these. They're all on the same timeline. They're not different projects. Essentially a dashboard of what we're going to be getting if we follow the plan. Now, there are a little bit of final academia before we move into the actual graphs. What you're going to see is the graphs that look like steps for reliable capacity. If this is how much we can provide today, and then we put in a new well, let's say, you don't put that in over time. It goes in. It wasn't working yesterday. Tomorrow it's working and it bumps up. Then you build another one, it bumps up. Then you build another one, it bumps up. So the ability to supply and the projects of that look like steps in all the graphs. The demand actually goes up and down. Sometimes it's raining a lot, demand is low. Sometimes it's really dry, demand is high. If this is 20 years, this ups and downs are actually going to be up and down, sort of like an earthquake seismograph. They're going to be very fast. But this is a simplification to represent that only during these periods where supply is, where demand is above supply, do we, is the supply inadequate. The supply versus demand gap...and I'm going to be using this term supply/demand gap or gap a lot in the presentation...this gap is not constant. Probably the single biggest question that's been asked, there's been answers, people say why is the answer always different? Because there is no single answer to how much water do we need. Here you're sure. Just before that you've got plenty. So this becomes sort of a risk analysis of how likely or unlikely are these events, how long are they, how deep are they. There is no easy answer to how much water do we need. We simplified this drawing for what you're going to see for the real systems to make a straight line. You realize it isn't really a straight line. It really looks like ups and downs but it's too hard to graph these or project them so we basically take these high points, put a line through them, and we're going to be showing you some graphs that look like this. So what does this mean? This means, when you have a gap here, it means your demand is below your reliable capacity so you're fine. These areas, or I'll call that a negative gap, means there's a chance, a greater chance of these events happening where you don't have enough. It doesn't mean the system collapses. It doesn't mean that you're completely out of water or you're over pumping the aquifers. It means that during some time periods, there's a greater chance that these events will happen. What we're going to see as we get into the details of the areas, we've got some areas that have been in negative gap for a long time and nothing bad has ever happened. So we'll take a little look at this later. Okay, so with that we're going to move into the actual systems now that we know how to read them. So first I'm going to start with Central, which is the most complicated. Once we get through this, the rest of the presentation will go by really quickly. So what we did is we took existing water use right here, just under 20 million gallons a day, and we used the Maui Island Plan population projection increases and we said let's just assume that water use goes up at exactly the same rate as population increases in the Maui Island Plan. Okay, this is how we're tying what we're doing with the Maui Island Plan. Then we also

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graphed, well what if we can force conservation or get conservation of 5 percent and 10 percent. So these are the projections. Next, we looked at what is our reliable capacity. So right now we can produce reliably about this much water. Now that's not our maximum. If everything's running we can do more than that. This is our estimate of what we can reliably do day-in and day-out every single day. And then based off the 20 year plan, we looked at the actual projects on there and said when will they come online and what are the bump ups. So we've got some extra allocation that we're trying to work out a well development deal with somebody, some local improvements. Then, until the future, we're going to need some major water source improvements. These are called, we've called these East Maui Wells. I want to be clear that this does not necessarily mean that these wells would be in the East Maui Community Plan area. Doesn't mean that they would be in the East Maui Consent Decree area. It means they're somewhere under, they're tapping the water under Haleakala. All the groundwater on Maui is either West Maui groundwater or East Maui groundwater. It either hits the West Maui Mountains or hits Haleakala and it's in the ground. So even a well in Kihei, even a well in Makawao, is for this purpose considered East Maui Wells because it is tapping that water that's somewhere under Haleakala. Exactly where they would be, that's, we'll have to decide that a little bit later. These could also end up being increased surface water or desalination but the 20 year plan has...and Councilmember Couch's light is fading but I have a backup. Okay, so good thing I brought mine too. Alright, so the 20 year plan will have this. We're going to get back to this in a second. So we put these on top of each other and what do we see? We see projected demand increasing. We see that we have some gap. We see we're going to enter, we're likely to enter into an area of negative gap, and then basically be able to manage it. So I'm going to leave this up and talk you through how to read this and what...okay, thank you. Now I have three laser pointers. So, the first thing I'd like everybody to look at, and we're going to leave this up for a few minutes while I walk you through how to read these. First, notice this starts at 10 million gallons. It goes to 25. Alright. But it really starts at zero, which is way down here somewhere. So first get a sense of the scale. You see from zero to here is all the water we're using. So growth is not an enormous amount. We're not talking about 50 percent growth or doubling growth. Growth is generally along the top edge. And also we can see that if we have 5 or 10 percent conservation, that's about the same scale as the growth. A lot of cities, including City and County of Honolulu, are basically implementing conservation measures to match their growth to keep their demand flat. And you can see that's not, that's not really out of the realm of possibility because they're about the same order of magnitude. Also we can see that even in an area of negative gap...remember, this just means that you have a greater likelihood of this happening...just with a 5 percent voluntary or 10 percent mandatory conservation during that time period as the proposed water shortage bill would do, you can get through this. Remember because this would be short-term impacts. So it's relatively, you can see right now it's manageable. Now, a lot of people see this negative gap and say, oh, the aquifer is being over pumped. Let me explain why that isn't the case. We look at the aquifer through this other methodology. This is the last three years. This green line, I know you can't read the numbers, is about just over, I think it's right around 20 million. I can't even read that number. This is how much the State Water Commission says the sustainable yield of 'Iao Aquifer is in green. In pink is how much we have permits, the Department of Water Supply has permits from 'Iao Aquifer and this is our 12 month moving average of our pumpage. As long as we keep this below the green line, then by definition the

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aquifer is not being over pumped. So even if this happens and we have to do cutbacks, that doesn't mean we're over pumping the aquifer. This is how we look at aquifer sustainable yield. You'll notice at the end here the last few months it's been going down. That's not an accident. Once we started tracking this carefully, we realized we can change our operations a little to try to keep this low. So again, this is a simplification of these ups and downs of a supply/demand. This is how we look at aquifers. Not ready for that one yet. Okay, so little bit more for Central Conservation. You may have noticed on the radio the Water Department has always run ads about conserving water. You may have noticed recently that context had changed where we're talking more about saving money. We've changed the rates with Council approvals over the past couple of years to have a conservation-based rate structure. Now we're starting this advertising campaign to basically teach people look, if you want to save money, try to save some water. So hopefully this will push usage down from the red projection down to one of the blue projections. So that's something we can do because it's the gap that matters not necessarily increasing capacity or decreasing demand but the gap between the two. So whether we increase capacity or decrease demand, getting more gap is what our goal is. And you can see it's manageable. Some comments on growth. As I noted earlier, the growth projection is out of the Maui Island Plan but not everything in the Maui Island Plan Central and South Area is going to be served by Department of Water Supply. For example, the _____ Project in South Maui, they're building their own water source. So although that growth can happen, we're not going to provide that. So this is probably a little bit conservative. A&B was here just a few weeks ago in one of the other Committees talking that they would develop a well to serve their Waiale Project and their South Maui Project. If they develop a well and give that to the County, what would happen is this green line, when they did that, would go up by that well amount. It's not on here because we're not paying for it but at the same time if they don't do that, it's very unlikely this growth will happen at this rate. So that's something that sort of can take care of itself if a large developer is going to dedicate a water source to the County and that growth comes along with it, they can balance. So there are some things that aren't shown that can give some insight into what should our policies be on zoning conditions. You know, do we need developers to bring something to the table or can we make it without them? In the Nā Wai 'Ehā process that's going through, it is public information that the County requested an extra one-and-a-half million gallons for 'Iao Treatment Plant, which would bump this up a million-and-a-half gallons if we were successful in that. It's not in our financial plan because we haven't gotten that yet, but there's something else that could bump this up and create more of a gap. Something that's gonna, you're going to see in the Budget is a water audit. We have identified that the amount of water that we're producing versus the amount that we're billing for that's coming out of customer meters is off by a couple million gallons, meaning we're putting two million gallons or so more into the system than we're billing for. There's basically three reasons this could be happening. Could be people are stealing water. Could be there's a big problem with meters. It's most likely that there are some significant leaks somewhere in the system. Our hope is that there are some significant leaks that are able to be found and fixed. If every 20 feet there's a little joint that's just seeping, we'll never find them. But if we can find 20 or 30 major leaks that equal a million gallons, that would lower the red line and the blue lines by a million gallons, creating a gap. What you're going to see in the Budget is a significant investment in a water audit, which is an AWWA methodology to, in a very logical method, track that down starting with desktop,

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looking at data, then getting out to the field, finding, fixing it. I think you'll agree that if we're willing to spend \$5 or \$10 million to develop a well to get a million gallons, certainly worth spending a million or two million dollars to find a million gallons of leaks and get exactly the same benefit. Anything that creates this gap ends up having the same benefit. Watershed grants, continued watershed grants. The purpose of watershed grants is to keep the existing green line where it is. If a watershed stopped producing, the green line can start dropping narrowing the gap. We don't fund watershed protection because it cleans the ocean or because people like the forest. We fund it, the Department funds it because we need this green to stay productive. Finally, the Wellhead Protection Ordinance. You may have heard some buzz about this. It went through the Board of Water Supply. There was a lot of controversy. Hopefully it will come to Council before too long. What the Wellhead Protection Ordinance does is it says look, we don't have a whole lot of gap, we don't want to take chances with it, let's take some zoning restrictions to try to make sure that these wells aren't contaminated so the green line doesn't go down. So this gap, the gap for now, the gap for the future, the gap between supply and demand is how we have to look at our future. How much gap do we need? How much do we have? How do we increase it and what's the best way to do that? So that's the basis of these and again, these timelines exactly match the 20 year plan, are consistent with the General Plan, they're consistent with all the rates and fees projections you're seeing. So moving on to West Maui. West Maui, we did the same basic methodology. We took existing water source and we projected it growing with Maui Island Plan population projections, 5 and 10 percent conservation. Then we looked at reliable capacity. We looked at reliable capacity at our current level, then we looked at what we have plans, planning to bump it up. One thing to note is this project, Mahinahina Raw Water Reservoir Cover. We did not just look at source reservoirs and wells. We looked at what the bottlenecks in providing water was and in the case of the Mahinahina Plant what we found is that the plant would be able to produce more water, but there was so much algae in the raw water that the system wasn't operating optimally. So we said look, if we can get rid of the algae, we can bump up production from that plant half a million gallons. We have a consultant onboard whose evaluating some different ways to get rid of the algae and we have funds that the Council allocated last year to implement that. We expect to implement that relatively soon and get this bump-up. Not the kind of sexy project that people like to talk about, wells and reservoirs, but it does just as good. It raises half a million dollars of production. The rest of the projects are a series of wells. So we look at reliable capacity on top of demand projections and we get this. Now the first thing you'll notice is demand is way above reliable capacity. So when staff gave this to me, I looked at it and said you must be wrong because we've never even had a 5 percent voluntary reduction in West Maui, so how can this be right? We went back and looked at the numbers and here's what we found. We found that the staff has become so good at keeping everything working that we've been able to produce water at this level far more than we really have a right to think is reliable. Kind of like you have a trucking company that you have 100 trucks and you've managed to keep 98 on the road every single day for the past five years. Well, that's not going to happen forever. So what we see is even though we have a negative gap, it didn't just happen yesterday. It's probably existed for, you know, a decade. We haven't actually seen anything bad happen. We're not over pumping the aquifer. No one's even been asked to conserve. So it shows that this gap/negative gap is a little bit subjective. It's a little bit nebulous because you have to take into account likelihood of multiple things going wrong. But

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we're sticking with our numbers because they think they give a good indication of what we need to do. So as you can see, there's a plan to get out of the negative gap into a positive gap by following the 20 year plan. Let's talk about growth a little bit. In West Maui, as I mentioned, we used the population projections from the Maui Island Plan. When you look at the West Maui Urban Growth Boundaries, it includes Olowalu, Kapalua, Kaanapali. Those three areas are not served by the Department of Water Supply. So this is a graphic that indicates where we'll be if all the growth in West Maui happens in our service area. Very unlikely. It's very much more likely that some significant portion of that growth will happen either in Kaanapali, Kapalua, or Olowalu. So probably this red line won't go up as quickly as projected. And again, if we run into problems having a strong water shortage bill could lower that down to get through any short-term difficulties. And we have enough plans, enough projects on the schedule that we can create a positive gap. What we would probably do if growth didn't happen this quickly is push these last projects back. There's no need creating a huge gap where that money can be shifted to other areas. So this also demonstrates that this is not a plan that you nail down in concrete and absolutely implement. It's sort of proactively reactive. You've got a plan of what you're going to do but you've got to adjust it every year based on what's actually happened. Back to Maui Island Plan implementation, this is why the infrastructure people have been telling you that we can't make a list with a prioritization and say these are absolutely the projects we're going to do. It depends on what the needs are. But this sort of step mechanism allows us to be ready, start projects with the preliminary engineering, land acquisition, and then put them on hold until we need them. So this methodology allows us to have a plan but wait until we actually need certain things to implement them. So West Maui, manageable. We do not have graphs like this for Molokai and Hana because the growth projections in those areas are so small that it's not even within the margin of error of the width of these lines. But there are projects in the 20 year plan for Molokai and Hana. And so basically if we implement those projects, we can meet the growth demands. Though there may always be people who are not in the regional area that have trouble with their localized infrastructure. Also important to note that most everything we're showing is major infrastructure. The onus for local improvements would still be on the developers and/or the applicants because as I think you've seen, this is so expensive that getting down to that point of being able to upsize every line for every applicant is not feasible within these budget constraints. If we want to do more than is shown here, that's going to need either increased revenues or General Fund subsidy. Okay, moving on to Upcountry, which looks a little different because Upcountry has so many unique challenges that it takes a little different approach. So basically we followed the same approach. Here's the existing demand Upcountry and we projected it growing with the Maui Island Plan growth projections, 5 and 10 percent conservation. That's how much water we'd need through 2030 but we also have the Upcountry Meter List. So if right away everyone in the Upcountry Meter List got a meter and were using that water, this would be the demand. So it's under 10 now, it would jump up to over 17. So this is what filling the list would do to demand, 5 and 10 percent conservation. Assuming that half the people on the list declined because they couldn't afford their site improvements or their share, here's half the list. So a little over 13 million gallons. So this points out a big policy issue is that the General Plan says Upcountry should grow at this rate but the meter list says look, we want this much growth. I want to point this out. I have no opinion on it. I know the Planning Director is in the audience so at some point he can comment on whether or not he thinks, you

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know, developing water and allowing growth far in excess of what the other infrastructure groups are planning is a good idea, bad idea, et cetera, but it's certainly something that has to be kept in mind. In most of the areas, we're focusing on General Plan. Upcountry with this list, there are some very different issues that are inconsistent with the General Plan. Something just to keep in mind. Okay, so what's our ability to supply water? Right now, we can supply this much water, just under 10. Once the H-Poko wells are operational, we can supply this much and we intend to begin Upcountry meter issuance based on the H-Poko Wells the end of this week or next week. So that is eminent. We're doing the last dotting i's and crossing t's. Probably by next week we'll start sending those letters out. So here's how much water we'd be able to support with that. In between here, we have a number of projects we're working on we've talked to you about before. The Waikamoi flume improvements, the Upcountry reservoir improvements, and the Olinda disinfection improvements, which should increase reliable capacity somewhat in this timeframe, but exactly how much we don't know so we're not showing the bump yet. We're going to have to see. Once those things are finished, the next increase in water supply, reliable capacity, will have to come from East Maui pumped water from groundwater. Again, this does not mean the wells would be in the East Maui Community Plan area or in the East Maui Consent Decree area. Somewhere under Haleakala. Even the Piihola South Well I'm considering East Maui water even though it would be in Makawao, it goes straight down, it's tapping basal aquifer that is below Haleakala, which is still considered, you know, East Maui water, or that can be some other source but it's most likely be those. So this is what would have to be done to bump that up even more. So looking at supply/demand together, here's what we see. This next meter issuance should be able to satisfy General Plan demand out towards 2020 even if we get a little bump from our Upcountry improvements, we should be able to satisfy General Plan growth, you know, into the early 2020's. But in order to satisfy even half the list, you need to build a substantial amount of pumped water. And you notice this is pushed back. We're going to get into why that is in just a second. It's basically finances. Okay. So as I've noted a couple of times, these projections are not separate from the 20 year plan, the overall financial plan, or the rates and fees. If we are going to implement this plan and spend this money out of these rates and fees, this is all we can do and this is what we get. If we were to try to move these projects forward, we have to take these costs and move them forward, move these projects and move them forward, these rates and fees are not enough. We'd have to raise them substantially or get General Fund subsidy. So that's why, that's one of the reasons why these projects are bumped to the end. For a little more explanation of why, let me show you the next phase of analysis we did to try to work out the finances. We took all the green projects, the projects needed for growth, the projects needed to increase reliable capacity. We looked at how much were in each area, how much water that would produce, how many meters could be sold, and how much we would sell those meters for. So what this chart is is approximate meter fees to recover capital costs for increased demand. So this is basically how much we'd have to charge for meter fees in order to pay for that growth, those projects. It's based on borrowing the money, either SRF loans or GO bonds and paying them back with interest. I want to emphasize, these are not proposed fees. These are simply the fees that would allow full cost recovery. They're meant to be order of magnitude to show you where we sort of make money, where we lose money because this affects what we can implement. So the Central-South Maui projects total a little over \$100 million but there are so many people being served that the cost for a 5/8 inch

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meter could be \$9,000. Upcountry, we're spending almost as much, we'd need to spend almost as much money in the 20 year plan, about \$94 million but there are so few people being served the cost per 5/8 inch meter comes out to \$75,000. West Maui somewhere in between, \$36 million of expenditures, median number of people comes out to 17,000. Molokai spending \$6 million, there are so few people we didn't even calculate this but it would be very, very high. Hana, the costs basically is reliability improvements. There isn't a lot of growth. So we don't have these numbers. Because even Molokai is so small it doesn't affect the total. So total we're looking at about \$250 million for these growth increased water demand projects at an average cost of \$21,000 for a 5/8 inch meter. Now you'll never be able to calculate 21,000 from these numbers. There's a whole spreadsheet behind this with all the different meter sizes and how much water each one uses. This is just a quick summary. So if we're going to keep meter fees the same throughout the County, they're going to have to go up to about somewhere in the neighborhood of \$20,000. But what you see is we're basically putting money away, pocketing money for Central and West but we're losing a lot of money for each application Upcountry. Again, we're not looking at charging for this but this gets right back to why we, it's so difficult to move these projects up. If you take the Upcountry wells and you force them forward, you're spending all this money but there's no revenue to pay back the debt. The only way to pay back the debt is basically to have this growth in Central, South, and West build up the funds, either do more projects with cash and then later either have cash saved up to do these projects or we don't have a lot of debt 'cause we used all that to do cash projects and then we can use the increased fees to pay for this. A lot of people come and they talk about Upcountry water as just build a well, just build this. The difficulty is the expenditures so outpace the revenue that there's almost no way to balance the business end of this. So not only are we looking at supply/demand of water but we also have to look at supply/demand of money. That's, it's these numbers that make Upcountry such a difficult endeavor. So that's why those projects got pushed back on the 20 year plan. Okay, so finally I want to talk a little bit about risk and decision-making and then I'll tie it all up together. We looked at these supply/demand gap curves through the whole thing. What do we mean by risk? By risk, I mean we don't know how demand is going to go up and down. We don't know how often these spikes will happen or how long it will be, but we get the sense that if we spend more money and raise the green lines, well those things will happen less, but let's look at the implications of that. Okay, managing risk through water shortage measures. If here is our ability to supply in yellow and here's demand, goes up and down with rain, so when it's drought, there's a high demand, you get these gaps. It's during these times if we can have a water shortage bill that can force people to cut back or we don't need to build our way out of it. If we're unwilling to have an aggressive water shortage bill, well the only way to deal with it is to spend a lot of money to raise this yellow curve much, much higher. Have wells and reservoirs and things sitting idle for months and months or maybe years at a time just to avoid these short duration events, it's a risk management tool. We either spend a lot of money and reduce our risk, or we don't spend a lot of money and have to manage through the risk. We're going to need to have some more discussion on the water shortage bill because it directly impacts our Capital Improvement and overall plan. The other half of risk management is the water availability or "Show Me The Water" ordinance. Now I've said previously that I thought we've somehow failed as a community by needing this. I'm going to take that back and after doing all this analysis, I realized we're going to need some sort of water availability ordinance and I'm

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going to show you why. The water availability or “Show Me The Water” bill says it requires that the Director provide verification of a long-term reliable supply of water before applicable subdivisions are approved. Verification of long-term reliable supply. Well that sounds an awful lot like what we’ve been talking about. Long-term reliable supply. It’s talking about this gap clearly. So what’s the intention of this ordinance? It seems to be talking about having enough gap in the future. And why are subdivisions included but not large projects requiring meters? That’s a question I don’t know the answer to. Looking at the language of “Show Me The Water”, we started asking questions. Now that we’ve done these gap analyses, I start looking at, okay, how does “Show Me The Water” apply in West Maui, Upcountry, Molokai, Central? What is long term? Right. If these are 20 year projections we’ve been looking at, is it one year? Is it five years? Is it 20 years? What does long term mean? What is reliable? If you’ve got a 50 year drought event and no customer impacts, do you need it to be that reliable? In this case, you know, we’ve got to raise these green lines way, way, way up. What about a 10 year drought where we have four weeks of 10 percent cutbacks, is that reliable? Well, that’s much easier. How do we even define reliable supply? Does reliable supply mean that there’s water in the environment, meaning we have some plan to tap it, that there’s a current project underway to tap it, or that DWS currently has the capacity in their system right now? The gap exists right now. What does it really mean? Does reliable supply relate to protection of public health and safety or protection of lawns and landscaping? When you look at the projections we showed earlier, what you’ll see is that even in a pretty bad drought, public health and safety is not going to be jeopardized. What could be jeopardized is lawns and expensive landscaping, and in the case of Upcountry agricultural businesses. So are we asking that the Director of Water Supply making these decisions, trying to protect us, trying to protect lawns or try and protect health? It’s a little bit unclear. It’s a lot unclear. And the reason it’s so important is, just think about this, just think if the current Water Director says, look, I’m going to say as long as there’s a plan for the long term to deal with this and as long as we can get through whatever little events happen with 10 percent cutbacks, everything’s fine. I’m going to say there’s enough reliable capacity. So there’s no problem. Then a new Water Director comes in and says no, no, no. We have to have the water in the system right now to make sure that even in the worst drought we’re okay. There’d be an immediate moratorium. This ordinance puts so much authority to basically decide the risk for the entire community of how much risk of water supply we’re going to have. It puts it on one person, the Director of Water Supply with no guidance. I think we can all agree that we need to do a little better than this. So we intend to provide a new draft of the bill to address some of these issues. It’s primarily a risk analysis bill. We really need some upfront input from the Council because it could look a lot of different ways and it needs to be viewed in context with the supply/demand projections, not just with politics because all the areas are different. Essentially, what I’m sort of imagining is something that says look, as the gap’s really small, you want to cut back what we’ll approve. As the gap gets bigger, you want to free it up but at the same time you also want to say hey, big developers, you can’t take all the gap. You’ve got to provide some capacity to us. So there’s a lot of nuances to this but I think you can agree that it’s very nebulous now and we need, we’re going to need to do better and we’ll take the lead on it, but I imagine this is going to end up being more controversial than the water shortage bill because it’s basically trying to put some numbers to an uncertain future. But somehow we’re going to have to do this. So wrapping all of this together, you see that any set of solutions for the

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future must take all of these things into account. We need a long-term plan, not just year-by-year projects with long-term financing, long-term revenue streams. We need to look at these bills and how we're going to allocate risk. Ideally, we would set our willingness to accept risk first, then come up with all these. But I think you can see that if we're going to spend, if we want to spend more money, we can raise these green lines and have almost no risk, but if we want to spend less money, then we're going to have to find some ways to manage through the chances that these things happen. Although we tend to talk about individual projects in certain meetings, we talk about rates and fees in different meetings. We talk about debt in different meetings. We talk about ordinances like "Show Me The Water" in different meetings. The primary thing I want everyone to take away from today's presentation is these are inexorably linked. These are not separate issues and every time we're talking about one, we need to talk about the others because these are not separate things. They're all parts of the same puzzle. So closing up, back to our policy issues. You saw what to expect if we follow the plan. Some of you are probably thinking, wow, that's way too expensive. Some are thinking look, we have to do this faster and do more. Obviously those two things are mutually exclusive so where we're looking at and I think where the Council has given us guidance is a happy middle ground, or maybe an unhappy middle ground. It's basically maximum annual debt allocation, try to do CIP of 20 or 30 million a year with rates of 5 and 10 percent increases to pay for that and meter fees at 20,000 to pay for that. Okay, that would allow this project to happen. If we want more, these are going to have to go up or we'll need General Fund subsidy. Should meter fees vary by location? The Council has spoken very clearly. You want these to be constant across the areas. You've seen the implications of this decision. It means that the areas that we take a loss on have to wait. There is just no way to finance large projects Upcountry when we lose money on every single meter. On the next item of your agenda, I think you need to keep that in mind too. I know we all want to give a break. We heard some of the testifiers say look, you know, we need a break. These aren't fines. They're not penalties. We need a revenue stream to pay for these. If we give somebody a break, then somebody else has to subsidize that. Current users subsidizing new users, how much? You can see how the rates and fees are calculated based on trying to hit the sweet spot. All of this is based on continuing the same agricultural rate subsidy where ag users pay about a quarter of what everyone else does. If we keep that the same, that's what this is based on. We're trying to follow the Maui Island Plan growth projections and treat all areas equally trying to stay just ahead. What you can see is if we had lots and lots and lots of money or even more money, we could get even more ahead. So what we're trying to do is use the Maui Island Plan growth projections as a guide and say our role is try to enable that to happen with water. So each area is manageable, none of the areas are way ahead of that, none of the areas are way behind that. Drought tolerance versus new users, this is about the water shortage bill. If we are going to reduce, increase our risk or reduce our risk, however you want to look at that, this bill is giving strong indication of how many meters we can give in a certain area. If we have a very strong water shortage bill, well, we can give more meters. If we're saying no, no, no, you've got to save a bunch of your capacity for drought or we can give less meters. It is a philosophical and policy discussion. There is no absolute right and wrong answer but you can see the water shortage bill and how strong or weak it is has a direct impact on how much water use we can support in an area. Very similar with reliable capacity to "Show Me The Water". We need to take a look at this from the long term. What message, what policy are we trying to implement

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with “Show Me The Water” based on the gap analyses. So in today’s presentation, we did a quick review of the system, we did a detailed look of water supply/demand forecast and cost implications. We talked about risk. We talked about the policy issues and how all of this ties together. So that is the big message that all these are part of the same puzzle. When you see the FY ’15 Budget a week from, was that a week from yesterday? What you will see is no surprises. You will see implementation of this plan, CIP, rates and fees, staffing, trucks, et cetera. We are not, we are sticking to try to follow this plan. Everything in the Budget is built to try to implement this. So I appreciate your patience for another of my sort of engineering seminars. I hope this gave some line of sight into what we’re doing and what to expect from us. I will be more than happy to answer any questions in the next session. Thank you.

CHAIR VICTORINO: Thank you, Mr. Taylor. What we’ll do is I’ll take a morning recess and we will reconvene at 10:40. This Committee meeting is in recesses. . . .(*gavel*). . .

RECESS: 10:31 a.m.

RECONVENE: 10:42 a.m.

CHAIR VICTORINO: . . .(*gavel*). . . Yes, starting. First of all, I’d like to say thank you very, very much...oh, first of all, the Water Resources Committee meeting of March 19, 2014 will reconvene. I want to thank everybody, especially the Department and all the Department personnel for all their hard work putting this together because I know it wasn’t Mr. Taylor himself. He may take the credit but I know where the credit is due, so thank you very much, Department, because it was a tremendous insight. What I want to ask now, again, Members, since we don’t have a lot of time and we need to discuss the other one because that’s, and I’ll cover that a little bit more when we get there, but that needs to be also worked on today or else we’re going to have a problem when it comes to Budget. But right now, Mr. Taylor, you brought a great presentation and I know a lot of this, when it comes to Budget, we will discuss in more details. Is there any burning questions from the Members that we could, that we need to cover today because, again, that was so much to absorb that even for myself it’s like wow. So, you know, I’ll, one question and, you know, and then I want to move on, you know. I mean, please. I’m sorry that I’m pressing today but I must and again, this is going to be discussed in actual detail, what the monies, what the new budget will retain, the rates for the 2015 Fiscal Year. He will be bringing that next week. We will have that in our hands. So I will start with the Vice-Chair, Mr. White, and go to Mr. Guzman and finish right down.

VICE-CHAIR WHITE: Thank you, Mr. Chair. I guess my first question is on the graph showing the increase in Debt Service and I’m not finding it as quickly as I thought I would.

CHAIR VICTORINO: That’s the big gray, the big purple one, yeah?

VICE-CHAIR WHITE: The big purple one.

CHAIR VICTORINO: Yeah, yeah. That was page...

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VICE-CHAIR WHITE: The question that I would have for the Director and it may be something that he needs to get back to us on is if we, you know, based on the fees that we have already put in place, what would the line look at, or look like if we continue to do the \$10 million a year each year versus \$20 million a year versus \$30 million a year, because the Debt Service line would certainly change. And during the break you mentioned that the blue, the diminishing blue line is accurate but I still feel that if we were at 4.4 million at \$10 million of CIP per year, that it's likely that blue line would continue rather than diminish to zero. But that's just a question that maybe his staff is going to have to take a look at.

CHAIR VICTORINO: Mr. Taylor, would...I guess that would be something you would have to come back for but...

MR. TAYLOR: I'm actually prepared to answer that.

CHAIR VICTORINO: Okay.

MR. TAYLOR: Because I spoke to --

CHAIR VICTORINO: Go ahead.

MR. TAYLOR: --my staff about this and also the Budget Director. We talked about this graph and we looked at the numbers and basically trying to speak for the Budget Director and how he explained it to me. The way we finance our bonds, your payments for the bond get less every year. So if you don't borrow any more money, your payments don't stay the same until you're finished, they get less every year until you've paid it off. So that's why the blue degrades to zero even if we don't borrow any more money is how it was explained to me by our finance folks. We could, I know our finance people put a lot of effort into this and they ran it through our rate model, which was built by SAIC, our rate analysis consultant to put in the actual expenditures, how much we're borrowing, and then it projects these. So this is consistent with a computer model that our rate consultant built for us to do these things. We can take another look at it but to the best of my knowledge, our staff has high reliability that it's correct.

VICE-CHAIR WHITE: Yeah, I would agree with the way you stated it. I think it's correct. But I was taking this as was this is showing us that the increase in Debt Service whereas with your explanation it's the, it's just showing new Debt Service with the old Debt Service declining. So I guess I'm looking at if we were to continue at that same \$10 million level and we had to borrow a good portion of it, we would be generating new Debt Service and new Debt Service payments. So maybe I'm looking at the graph incorrectly but anyway I can follow up with the staff. I've got a flight to catch just like you do, Chair. I think mine's a little earlier.

CHAIR VICTORINO: Alrighty. Yeah, and if you put that in writing and that way we can have that as part of the record I'd appreciate it.

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VICE-CHAIR WHITE: Yeah. Oh, and if you allow me just one more question. The other graph I had a question on, the Upcountry water meter system projections where you've got the ascending lines for growth and then the flat lines for half the water meters being taken care of and all the water meters being taken care of, my question was why are these lines not ascending in a similar way as opposed to being flat?

MR. TAYLOR: What we did, and this is just what I directed staff to do just to compare these, is we said look, because even half of the meter list is far, far more than General Plan growth, there's assumption that if we took care of the meter list tomorrow, which we can't, all of it, then there would be no more growth after that because we're already way beyond growth demands. So it's just a way to compare slow growth of the General Plan versus immediate overnight growth of the water meter list.

VICE-CHAIR WHITE: Okay. It would seem those lines should be a little more ascending than flat but...

MR. TAYLOR: In reality, you know, because we can't give meters away overnight, those would be ascending. But again it's just to show the relative magnitudes of them not the actual implementation.

VICE-CHAIR WHITE: Okay. It's just that you're usually more precise than this.

MR. TAYLOR: Accuracy without precision, Chair.

VICE-CHAIR WHITE: Thank you. Thank you, Chair.

CHAIR VICTORINO: Okay, thank you, Mr. White. Safe travels. Mr. Guzman?

COUNCILMEMBER GUZMAN: Thank you, Chair. I know that we're under time constraints and you also need to catch a flight, so I will put my questions in writing --

CHAIR VICTORINO: Please.

COUNCILMEMBER GUZMAN: --directly to the Water Department. I just have a statement in terms of, I know in the presentation they were talking about subsidizing certain groups and therefore that would cause, I guess, the majority of customers to increase in their water rates and the Director mentioned agriculture, ag subsidies. I question that. I think it's more of a County-sponsored ag incentives that it should be allowed for the agriculture groups or industry. They're struggling in terms of economy and we need new farmers out there to start getting involved and recruiting them to farm, so I would call it rather a County-sponsored ag incentives instead of a subsidy. I'm just going to put that down on the record. Thank you, Chair.

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CHAIR VICTORINO: I think it's semantic but I get the point and I think, you know, it'll be more palatable if it's said in that manner versus, you know, than a subsidy. So, you know, Ms. Crivello?

COUNCILMEMBER CRIVELLO: I, too, want us to address the WR-1. So, real quick, I would, you know, you've said something about having it at the water meter costs at all locations, but I recall you also saying that water meter fees are restricted for source development. Also too if there's any consideration in your plan to look at reservoirs for repairs or existing. I don't need a comment right now, thank you.

CHAIR VICTORINO: And these questions, you know, if I would ask all of you to forward them to the Committee and that way we'll get an answer and I can disseminate to everybody, because if you do it direct then I won't be able to give it to Mr. Couch or Ms. Crivello. So if you'd send it through the Committee and then that way I make sure everybody gets all the questions, that the answers come too. Everybody gets those if you don't mind, please. Okay, thank you, Ms. Crivello. Mr. Couch?

COUNCILMEMBER COUCH: Thank you, Mr. Chair. Just one quick question and then we can go on to the other one. You know, you had your 5 percent conservation and 10 percent...5 percent voluntary, 10 percent mandatory. Where are we on the voluntary conservation right now? Are we somewhere below your red line or are we at your red line?

MR. TAYLOR: Okay, the dotted blue lines showing water, projected water demand with 5 percent and 10 percent conservation, those are just calculations, projections based on General Plan population growth minus 5 percent minus 10 percent. Whether or not our conservation measures, especially through rates and fees are going to get people to voluntarily drop their usage, it's going to take us a few years to find out if that happens and it holds. We can also look at those numbers as what would it take if we ran into trouble and we had to reduce usage, you know, for 10 percent, how much would that be? So those dotted lines serves two purposes on these graphs. It shows where are we from the stable usage, if people just all start conserving, and what would happen if people don't conserve and we have water shortage ordinance that we can force a quick reduction of 10 percent. What people are actually going to do, we don't know. Water conservation is a very difficult thing to look at in real time because people's needs are changing, the weather is changing. You really need to look back at it after several years and say look, in average, is average usage down? Is average usage up? It's really difficult to look from this year to last year and just make any conclusions from that. So it's just something where these are projections and we continue to track it. We only changed the rate structure two years ago and so the weather's been pretty sporadic in those times, so I don't think we have enough data to really know are people changing their habits. Like I also mentioned in my presentation, we've only recently changed our advertising to change our radio ads to be more focused on look, if you want to save money, you know, you should save water. There used to be a little more sort of an environmentally conscious, like oh, if you want to do the right thing, you should save water. We've really just shifted to sort of this look, the rates have changed, it's up to you now sort of

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message. So I don't have any conclusions yet and it's probably going to take a couple of years until we see if average usage is down or not.

COUNCILMEMBER COUCH: Okay, thank you. Thank you, Chair.

CHAIR VICTORINO: Thank you. And again, any more questions you want answers to please feel, forward to, forward to Kim and we'll make one letter, try to get all the answers, and disseminate it to all of you especially during budget time, because I think this will play a real deep part in how we do our budget process, yeah? But I want to thank you...

MR. TAYLOR: And I'd ask the Council members to bring this when we're here for Budget, because really this is probably, this presentation is probably most of the answers why are we doing things in budget are sort of answered in here. So I would just urge everyone to bring this presentation when we're here to discuss our budget because it will probably make it easier to explain things.

CHAIR VICTORINO: And I want to thank Mr. Taylor and again all of the members from the Department of Water Supply that was here. Many of them have gone back to work. I want to also recognize if they would pan the gallery, some of the members of the Board of Water Supply are here today. Thank you for being here and, you know, some of the very interesting and people that are interested in Nā Wai `Ehā and other issues Upcountry, everybody that's here today. This wasn't the answers to all your questions, but it's a prelude to what we need to do and work on coming up very quickly and that's the budget. And unless the money is there and the next item we're going to work on is enabling us to do something, again we fall one more year behind and we're hoping not to fall behind any further. But there is a price tag and the public has to understand we're all in this together. Incentives, subsidies, whatever word you want to use, we have always been one County with one mandate to work together and that's always been my premise and I'm going to continue that premise and I think everyone in this Council feels the same way. So, with no objection, I'd like to defer this matter.

COUNCIL MEMBERS: No objections.

COUNCIL MEMBERS VOICED NO OBJECTIONS (excused: MW, GCB, RC).

CHAIR VICTORINO: Thank you very, very much.

ACTION: DEFER pending further discussion.

ITEM WR-1: AMENDING TITLE 14, MAUI COUNTY CODE, RELATING TO EXEMPTIONS FROM WATER SYSTEM DEVELOPMENT FEES (CC 13-175)

CHAIR VICTORINO: Moving right along, let's go to WR-1, Amending Title 14, Maui County Code, Relating to Exemptions from the Water System Development Fees. Members, we are not, today we will not be considering County Communication 13-175. Instead, I have transmitted a

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correspondence that's dated February 26, 2014, attaching a revised proposed bill entitled, A Bill for an Ordinance Amending Chapter 14.07, Maui County Code, Relating to Water System Development Fees. The revised proposed bill exempts certain applicants from water meter, from paying the full amount of the water system development fee and specifically set forth in the annual budget. Members, also you may recall that the water system development fee doubled in the Budget 2014 from 3,000...I mean, \$6,030 to \$12,060. Originally, my intent was to grandfather applicants in the Upcountry Water Meter List to the \$6,030 figure. Councilmember Crivello all had brought further concerns about the economic situation on the island of Molokai. So, at this point before I get to asking the Members for more discussion, I would like to ask Mr. Kushi, does this bill have to be passed in order for the amendments to the water system development fees so it can be inserted? In other words, can we, without passing this, could we discuss it and insert it during the Budget Session? Was that a trick question?

MR. KUSHI: Well, if I understand your question...

CHAIR VICTORINO: Yes.

MR. KUSHI: My answer is yes. If I don't understand your question, my answer will be maybe.

CHAIR VICTORINO: Okay.

MR. KUSHI: But um...

CHAIR VICTORINO: So understand my question.

MR. KUSHI: Right. You know, in every budget you look at your rates and fees.

CHAIR VICTORINO: Right.

MR. KUSHI: So this is nothing, I mean, it's part of the responsibility of the Budget Committee and this body to come up with the budget including rates and fees. To date, you've always looked at rates and fees on uniform basis. This bill would enable you to differentiate those fees based on whatever you deem appropriate and it may be for Molokai people. It may be for Hana people. It may be for Upcountry people, et cetera, based on the Water Department's system standards or system areas. But it will be clear in our minds and the budget office's minds that this bill would enable you to differentiate that. Not to say that you will but at least enables you to do it. As you know, in all your rates and fees in the budget, it makes reference to the authority and it cites either a Charter section or an HRS section or a Maui County Code section and if you pass this, it would be cited as authority.

CHAIR VICTORINO: Thank you. So to put it in a simple term, by passing this, this gives us an opportunity to discuss it in Budget and because it will be clearly stated as the precedence for ordinance that we'd be looking at.

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MR. KUSHI: Yes, and I add it will be defensible.

CHAIR VICTORINO: And it will be defensible. Thank you very, very much. At this time, I'd like to call on Ms. Crivello, because I know Molokai was a big issue and they had four testifiers and boy, that's the most I had from Molokai in a long time.

COUNCILMEMBER CRIVELLO: No, that's not. You had more for other issues. But thank you, Chair.

CHAIR VICTORINO: No, for me.

COUNCILMEMBER CRIVELLO: Okay.

CHAIR VICTORINO: For a long time.

COUNCILMEMBER CRIVELLO: Thank you. I appreciate you bringing this forth and I, seriously, and, you know, when, if you look at Molokai, if any kind of development would take place, it would be the utilization of private water service and not necessarily County, and when you look at the, when I hear it's restricted for water, that the meter fees are restricted. Restricted means it's just for source development, and I haven't heard anything coming forth for any kind of source development for the island, at this time, anyway. And I've sent inquiries and haven't had anything definitive from the Department. So at this stage, it's the kama'āina who's looking for the relief, who needless to say, we do have economic challenges but also if we start having homes built, we are also opening the door for some other revenues to come in to the County. So I would appreciate my colleagues to take this into consideration, because it's not only Molokai that we may be able to look into but it's other areas. And again, if the time comes that development of water resources necessitates the increase of fees, I don't even know where the funds are separated to begin with, if each location or each segment have their own. So hopefully the Department can support this and first of all, Mr. Victorino, I really appreciate you bringing this forth. And it reminds me that there is empathy for everybody that needs some sort of relief for their lifestyle and basically the end result is having their home. Because it's not only the meter that's going to cost, it's all the infrastructure that comes with it, you know. So, thank you.

CHAIR VICTORINO: And thank you. And I'm going to let, and Mr. Taylor, I'm holding you back right now because I know you want to...but can I have them and if they have specific questions, I'll ask you. And may I add that, you know, Molokai was one of many parts of our community that I felt, and you felt, and others feel, that may, you know, benefit from having something like this. You know, Upcountry, I mean, you know, the meter list. Those who have been waiting 15, 10, 15, maybe close to 20 years, they may be able to benefit a little. The problem comes up is like Mr. Taylor has said, if we give a break here, then somebody else has to pay over there. You know, if David gets a break, Peter or Mike has to pay the difference. Well again, as I've stated in the past, this is one County. We work together to solve our issues. The moment we become divisive as far as areas are concerned, then I become very concerned and this is why my whole take on this and now we saw the numbers. And Central, you saw that, Mr. Guzman. Central, we

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would pay 9,000 because we have such a large population base. And I would hate to think what Molokai would pay if you're talking just what they had to pay on the six million, the exponential amount that would be...I have no idea and he didn't put the numbers there. But I think it's very important to understand that this, today, really, more than anything else, is not to get into numbers, because I, we don't have the numbers. This is really to give us an opportunity in Budget to really look at this very closely, to make this an enabling legislation so that when Budget rolls around, we can discuss the matter. We can make appropriate changes. Without it, we'll be stuck in the mud. In other words, we really can't. So with that being said, I'll ask Mr. Couch. Mr. Couch? And you and I are in the same area, Central and South.

COUNCILMEMBER COUCH: Thank you. Yeah. Thank you, Mr. Chair. So Mr. Kushi, you're basically saying if we don't have this language, we can't discuss any kind of exemptions in the budget during the Budget Session? Is that what you're saying?

MR. KUSHI: If I did, I'm wrong. I'm saying that this bill would clearly authorize you to do exemptions. Currently, you have, under Chapter 14.07.030, Water System Development Fee Schedule, fees shall be charged in the amounts as set forth in the annual Budget for the water system development fee. It doesn't say you cannot differentiate. It doesn't say you can differentiate.

COUNCILMEMBER COUCH: Uh, okay.

MR. KUSHI: But this way it's clear.

COUNCILMEMBER COUCH: Okay, it just makes it more clear. Okay.

MR. KUSHI: So again, you know, in the abundance of caution, it'll set forth in the ordinance, in the Code, that you can have these discussions in Budget. The other thing that just came to my mind is that we would hope that if there's any discussion of differentiations in the Budget, that discussions will be based on ability to pay, not merely geographical situations. Example, you guys don't like it, is the circuit breaker. So I think you need to get more involved in analyzing what's the justification.

COUNCILMEMBER COUCH: Right.

MR. KUSHI: But again, that's for you to, in Mr. White's Committee to discuss.

COUNCILMEMBER COUCH: Thank you, Mr. Chair. And one question for Mr. Taylor is your thoughts, I know he's kind of not wanting to hear your thoughts but I'm very interested in hearing if...

CHAIR VICTORINO: We're gonna wait 'til the very end. I'm not saying I'm not going to let him say anything.

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COUNCILMEMBER COUCH: Oh, okay.

CHAIR VICTORINO: Okay, but I'd like all the Council members to say what they want to say, then I'll let Mr. Taylor speak freely. I'm not holding anybody back.

COUNCILMEMBER COUCH: No, okay, Chair. Alright, sorry. Alright, so if you're going to do that --

CHAIR VICTORINO: Yes. Yeah.

COUNCILMEMBER COUCH: --then I would like to hear his thoughts at the end of this. Thank you.

CHAIR VICTORINO: Yes. Mr. Guzman?

COUNCILMEMBER GUZMAN: Thank you, Chair. Yeah, I basically understand where and appreciate Corporation Counsel's analysis. I believe that there does need to be that discussion in Budget for exemptions based on a justification of economic need, and there are provisions in here that allow any applicant and other residents of Maui County aside from Molokai to be able to utilize this type of enabling ordinance. So this could open the door for other exemptions for our agriculture community as well. I know I just passed out a bill that would provide three types of buildings, three different types of structures on Ag zoned lands. So that just passed out of my Committee last week. So this, this whole building permit portion here and structures could provide them a way to help that segment of the population, but I would like to hear from the --

CHAIR VICTORINO: The Director, yeah.

COUNCILMEMBER GUZMAN: --the Director of Water in terms of what his comments are on the ordinance itself.

CHAIR VICTORINO: Okay, Mr. Guzman. Mr. Taylor?

MR. TAYLOR: Hot seat. Well, I appreciate that all the Members seem to clearly understand the issue that, as I said it a couple of times in the presentation, they're not penalties. They're not fines. We need revenue to balance expenditures. If this body feels that certain groups through certain circumstances should get a break, as long as it's clear to us where to get the necessary revenue, it, from a business standpoint, from a management standpoint, it doesn't really matter to me. It's not my job to set social policy. So I don't have any great advice about whether you should do this or not. If you choose to do it as long as the numbers balance, it's okay with us. What I would throw out there is a possible idea, is that ask a question, is this really the most efficient way to try to manage social policy, through water rates or through sewer rates? What I would throw out there is if you wanted to do something like this, why wouldn't we keep the fees the same and establish a fund in either Office of Economic Development or Housing and Human Concerns that says if you're having problems developing a house, if you've got, having problems paying your water bill, you can come here and get a check. You can get a check to help with your utility bills. And that way you'll have a clear understanding of who you're helping and how

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much you're helping them rather than sort of losing what your intentions are in this weird tiering system in water rates or sewer rates or power rates. And so I would just throw that out as an alternative way to get exactly the same results is keep water fees the same and set up a program to help people that fit some criteria and have social service agencies, either Housing and Human Concerns, give money to nonprofits, Office of Economic Development, people who may be more equipped than the Department of Water Supply is to judge whether certain people fit a certain social circumstance and leave the Department as a utility saying look, here's how much water you used, here's your bill and if you need help, here's who to go to for their programs. I would just throw that out as a question and a suggestion about maybe that's a better way than trying to set social policy through water rates. But again, as long as our revenues match our expenditures, we'll certainly be able to manage.

CHAIR VICTORINO: You know, Mr. Taylor, and that brings some, you know, you bring up some what I call good points. However, at this point, you know, to discuss anything we need to first of all make sure this is done, and now we may have to go back to these various agencies to discuss something like that. Now I think it's, it has some merit. However, I'm always concerned when we get to a point that...and I think that's what entitlement programs become or develop into after a while, you know. I want some way that we can ensure that those who need the help get the help and those who might try to abuse the system are cut off right off the bat. And I'm not sure if this is the answer and I'm not sure, and we need more discussion in this area, but I like your ideas but at this point I don't have the time or energy, I mean the time or ability to put something forward in that area. I mean that's something we can think about in the future. But this would just give us the opportunity. Ms. Crivello, you have your hand up. Yes, go ahead.

COUNCILMEMBER CRIVELLO: Yeah, I don't think we're asking for entitlement or some sort of social welfare.

CHAIR VICTORINO: Yeah, thank you.

COUNCILMEMBER CRIVELLO: But I would like to have it addressed that what I've often heard was the payment for water meters are restricted, restricted for water resource development. Not reliability but resource development. That's my understanding that I've often heard from you as Director of Water Supply. So that being the basis, I don't, I haven't seen any kind of water resource development on the island, and if we were to look 10 years down the road in where the County provisions are for water resource development, I don't see that. So, and I'm saying, at the time when it should be addressed, you know, we're being penalized because the rest of our islands are, need, has the demand. And yes, we're of one County but it's unfair in my opinion that we should hold this charges of an additional \$6,000, which equals to 12,000-something dollars for us to have to pay this source. At the time when we can revisit, if your Department says we need to develop water resources for your island, for the island of Molokai, I don't see it now. I have not heard it and I don't foresee it at this time. So not basing on social entitlement or any kind of we're asking for the break on this, it's restricted for water resource development. There's nothing happening on the island. So where does it go? That's all I have to say. But I

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appreciate your consideration and looking into it. I know that it's all well intended and I can appreciate that.

CHAIR VICTORINO: Mr. Taylor?

MR. TAYLOR: Thank you, Member Crivello. This is something I probably should have addressed better in my presentation or at all in my presentation. Now I understand what your concern is. In my presentation I was talking about going forward but if you think about projecting backward, these people who are now coming in for meters today, well we developed source for them many years ago. We spent a lot of CIP money many years ago. We fronted that money, probably by borrowing it and now they're paying back their share for the Debt Service. So even if we never did another source development project, we still have debt from the last projects we did and that was always the financing plan. We pay first and as they come in we collect the money to pay the debt. So this isn't about just collecting money...so the fact that they can get a meter now would mean that sometime in the past we spent the money. So I think it's this time delay when we're doing projects, when we're collecting money that is causing confusion and I didn't explain this well enough. So for example, the people on Molokai, even if we don't do anything now, we used restricted funds before to build that system originally. Now they're getting the benefit of it. So that's why they're being asked to pay because we fronted the money, now we're getting their share, which I'm sure when we look at Molokai and see the numbers in the past, we spent a lot more on Molokai infrastructure than we collected in rates and fees from Molokai. So that is why, we're not saving this money to do something for them, we're collecting it because the money we previously fronted to build that infrastructure. So I apologize for not making that more clear, but that's part of our whole rate structure is when you're paying is not simultaneous to when we're paying. We're paying upfront and collecting the money after.

CHAIR VICTORINO: Okay. I don't want this to get much further than that. Thank you for that clarification. Any more discussion? If not, I'm going to make my recommendation.

COUNCIL MEMBERS: Recommendation.

CHAIR VICTORINO: Yeah, I going need seconds today and because my Vice-Chair is not here and I have bare quorum so I need your help. Members, with no further discussion, I would like to entertain a motion to recommend the passage of the proposed bill, A Bill for an Ordinance Amending Chapter 14.07, Maui County Code, Relating to the Water System Development Fees; including non-substantive revisions; and the filing of County Communication 13-175.

COUNCILMEMBER CRIVELLO: I so move.

COUNCILMEMBER COUCH: Second.

CHAIR VICTORINO: It's been moved by Ms. Crivello, seconded by Mr. Couch. Any more discussion? Seeing none, all those in favor, signify by saying "aye".

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COUNCIL MEMBERS: Aye.

CHAIR VICTORINO: All those opposed? Let the record show four ayes, three excused, no no's and three excused and that would be Mr. White, and Ms. Baisa, and Mr. Carroll.

VOTE: AYES: Chair Victorino and Councilmembers Couch, Crivello, and Guzman.

NOES: None.

EXC.: Vice-Chair White and Councilmembers Baisa and Carroll.

ABSENT: None.

ABSTAIN: None.

MOTION CARRIED

ACTION: Recommending FIRST READING of revised bill and FILING of communication.

CHAIR VICTORINO: Okay, thank you very, very much. That concludes our session today. But before I go, I want to again reiterate. I want to thank the Department and all your people, Mr. Taylor, for an exemplary job. Really, really detailed. You've given us the big picture, now it's up to us to make the policies to fit the picture and thank you for that, Mr. Taylor. And thank the Department. And to the Board of Water Supply and all those who are out there, you know, please help us conserve. Cut back and conserve wherever and whenever you can. That is the only thing we can ask you right up front and we'll continue to work on the problem, especially with the Upcountry people. With no further ado...yes, Ms. Willenbrink?

MS. WILLENBRINK: Just one clarification, Chair. It is a revised proposed bill. I apologize for that.

CHAIR VICTORINO: You wrote this for me. No, okay, a revised. So, then is it okay if I insert revised bill, yeah, okay. Alright. Okay.

COUNCIL MEMBERS: No objections.

COUNCIL MEMBERS VOICED NO OBJECTIONS (excused: MW, GCB, RC).

CHAIR VICTORINO: Okay, no objections. Thank you, thank you, thank you. Okay, then thank you very much and the meeting of the Water Resources Committee, March 19, 2014 is adjourned. . . .(gavel) . . .

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ADJOURN: 11:18 a.m.

APPROVED:



MICHAEL P. VICTORINO, Chair
Water Resources Committee

wr:min:140319

Transcribed by: Kekai Robinson

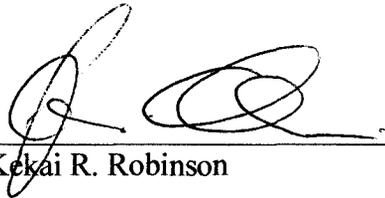
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CERTIFICATE

I, Kekai R. Robinson, hereby certify that the foregoing represents, to the best of my ability, a true and correct transcript of the proceedings. I further certify that I am not in any way concerned with the cause.

DATED this 11th day of April, 2014, Wailuku, Maui, Hawaii.



Kekai R. Robinson