

WATER RESOURCES COMMITTEE

Council of the County of Maui

MINUTES

March 18, 2015

Council Chamber, 8th Floor

CONVENE: 9:05 a.m.

PRESENT: VOTING MEMBERS:
Councilmember Gladys C. Baisa, Chair
Councilmember Michael P. Victorino, Vice-Chair
Councilmember Robert Carroll
Councilmember Elle Cochran
Councilmember Stacy Crivello

EXCUSED: VOTING MEMBERS:
Councilmember Don Couch
Councilmember Mike White

STAFF: Kimberley Willenbrink, Legislative Analyst
Clarita Balala, Committee Secretary

Ella Alcon, Council Aide, 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)

Morris Haole, Executive Assistant to Councilmember Robert Carroll

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

Seated in the gallery:

Paul Meyer, Deputy Director, Department of Water Supply
Jeffrey Pearson, Head Engineer, CIP Division, Department of Water Supply

John A. Linder, Water Treatment Plants Division Chief, Department of Water Supply

Helene Kau, Assistant Fiscal Officer, Department of Water Supply

Pamela Pogue, Planning Program Administrator, Department of Planning

OTHERS: Rosemary Robbins

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(5) additional attendees

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

ITEM 6(1): DEPARTMENT OF WATER SUPPLY PRESENTATION

CHAIR BAISA: . . . (*gavel*). . . Good morning, everyone. Will the meeting of the Water Resources Committee please come to order. It is now five minutes after 9:00 and today is Wednesday, March 18. I'd like to remind everyone who has a cell phone if you would please put it on the silent mode so that we won't be interrupted. The Chair would really appreciate that. I'd like to introduce the Members that are here this morning. I'd like to introduce my Vice-Chair of this Committee, Mike Victorino.

VICE-CHAIR VICTORINO: Aloha madam Chair, good morning.

CHAIR BAISA: Aloha. Mr. Carroll, from East Maui.

COUNCILMEMBER CARROLL: Good morning, Chair.

CHAIR BAISA: Good morning. Also, Ms. Cochran, from West Maui.

COUNCILMEMBER COCHRAN: Aloha and good morning, Chair.

CHAIR BAISA: Good morning. And Ms. Crivello, from Molokai.

COUNCILMEMBER CRIVELLO: Good morning, Chair.

CHAIR BAISA: Good morning. Excused this morning is Council Chair Mike White. From the Administration this morning we--

VICE-CHAIR VICTORINO: Madam Chair.

CHAIR BAISA: Yes?

VICE-CHAIR VICTORINO: We have also one Member out, excused, Mr. Couch.

CHAIR BAISA: Oh yes, thank you very much, I'm sorry. I'm getting used to Mr. Couch unfortunately being on the mainland.

VICE-CHAIR VICTORINO: He'll be back tomorrow.

CHAIR BAISA: Thank you. He's also excused and would not forgive me if I didn't say that. Mr. Couch has been away on a personal leave helping with a family emergency and we wish him our best and he'll be back soon. Also with us from Administration we have Dave Taylor, the Director of Water Supply.

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MR. TAYLOR: Good morning.

CHAIR BAISA: Good morning. And we have Ed Kushi, our Deputy Corporation Council.

MR. KUSHI: Good morning.

CHAIR BAISA: Good morning, Mr. Kushi. And of course our Committee Staff we have Kimberly Willenbrink, our Legislative Analyst.

MS. WILLENBRINK: Good morning, Chair.

CHAIR BAISA: Good morning. And we have Clarita Balala, our Committee Secretary. And in our District Offices we have, Dawn Lono in our Hana Office, Denise Fernandez in our Lanai Office, and Ella Alcon in our Molokai Office and we will be checking in with them later. They already know that we're going to be doing what we're doing this morning. Members, we have one important item on our agenda today and that is WR-6(1), a Department of Water Supply Presentation. The County, the Council's annual Budget Session is set to begin on March 27, 2015. Each year for the past three years just before the Budget Session begins, Mr. Taylor has delivered a comprehensive presentation regarding the Department's projected budgetary needs and we'll be doing that today. The Council has found Mr. Taylor's presentation to be extremely helpful in preparing us to address the Department needs during the Budget Session. We're very happy to welcome here today and thank him for doing this for us. So, Members, if there is no objection I would like to have the presentation prior to receiving public testimony.

COUNCILMEMBERS: No objections.

CHAIR BAISA: Thank you very much. We are going to go into recess and set up the big screen. Mr. Taylor thought it would work better than the little screen there. So we're going to take a short recess. . . . *(gavel)*. . .

RECESS: 9:08 a.m.

RECONVENE: 9:11 a.m.

CHAIR BAISA: . . . *(gavel)*. . . Will the meeting please come back to order. Members, we all have copies of the slides if you want to follow along. Otherwise, please...it's on the screen. Mr. Taylor, would you proceed.

MR. TAYLOR: ...*(PowerPoint Presentation)*... Thank you, Madam Chair, and thank you, Members, members of the public, to watch this. As the Chair mentioned earlier, every year right before Budget we like to give a management update to give you some insight into what we're doing and how it relates to the Budget. I think as you all know, Budget is sort of a frenzied time. It's hard to look at the big picture. So what we're going to try to do today is do a quick review of our system and the efforts to date. This is these presentations you've seen before. But I'm going to go through it kind of

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quickly because you've seen it before. We're going to get into the highlights of the FY '16 Budget proposal so we can try to put them into context with the big picture. We're going to focus on some cost implications with the rates and fees and then look at our big policy issues and look, and talk about how they tie together. So the efforts to date over the past four years we've come up with a long-term plan, we've started implementation, had some different discussions; I know you can't see it in the red, but it doesn't come out very good on the screen, but in red it says Funding Policy Crossroads. So this year in Budget, the big issues are about funding policy with some very specific dollar values that I think are going to be a little bit controversial and need to be discussed and ultimately voted on. We're going to get to those just in a little bit. So the big issues this year; maximum meter fees, an issue we talk about every year, and drought tolerance versus water for new users, especially about Upcountry. We're going to get back to these and these are the big issues this year as far as policy goes. Our system, we've been through this before, we've got a mix of groundwater and surface water. We cover these areas that I think everyone is familiar with at this point. So what we've done is we've done a very detailed supply and demand analysis for all the areas. For Central Maui we used the General Plan growth projections, projected water demand out 20 years and the two blue lines are with a 5 percent and 10 percent conservation. We also looked at what projects we could actually build to add more reliable capacity and we put them in a supply-demand format and we've been moving forward with this plan. What you're going to see this year is...the big thing in our budget is the Iao Treatment Plant expansion which will make the green line which is supply go one and a half million gallons higher. Simultaneously what you won't see in the budget is in Ms. Cochran's Committee we've just sent a well development deal which would add another 500,000 gallons approximately to the Central Maui system. So just these two projects will raise the green line two million gallons. This emphasizes how this plan we've been following the last few years is not just an academic exercise. We've laid out our needs and we very strategically taken specific actions to raise the green line and lower the red line. Last year we had a lot of talk about leak detection, we're getting that program started to try to lower the red line. Bottom line with the water utility, we're trying to keep the gap between the green and the red, as much as we can get it to be, by either raising supply or lowering demand, or both simultaneously. So Central Maui although it looks kind of tight, we can manage it over the next 20 years if we stay on track. So again we've got some things coming up just this year in Budget that are going to start making some headway. There's always a lot of talk about the aquifer, Iao Aquifer, I always like to show this, this is the Iao aquifer limits with the actual pumping. So a lot of people in the public tend to say that Iao Aquifer is being over pumped. It is not being over pumped. This is according to State Water Commission, the pumping limits versus the 12-month moving average. So all of this is taken into account in the supply-demand analysis. West Maui is a little tighter. We've done again supply-demand analysis, here's the projections for 20 years, here's what we could, here's our plan of what we would build to increase reliable capacity. I mean you put them on top of each other, we're a little bit behind right now. That became evident over Christmas time when we had some facility failures and we barely managed to keep up. We've got a half a million gallon improvement coming online relatively soon, some treatment plant upgrades. We've got a well that's in the testing phase. Unfortunately when we drilled

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this well it looks like we hit some sort of strange geologic formation that even the hydrologists are not really sure what it is and the yield of that is not what we expected. We are doing some cost benefit analysis to decide whether it's worth building a well, developing this at a slightly lower output than we thought, or moving this next one up further. Either way, West Maui has long-term stability meaning we have enough reliable capacity we can develop to meet needs but in the short term it's going to be pretty tight for a few years to come. So more to come as we see how this well turns out. We did not do, we do not have these for Hana and Molokai because the growth projections in Hana and Molokai are not that great. So basically we can eyeball it and know that as long as we keep doing what we're doing we can meet the General Plan growth projections for those areas. Upcountry is a little more complicated, that's why there's a little more complicated outlook here. I'm not going to restart my computer because it's Council's, it's Council's computer and I'll get in trouble. Okay, oops, okay. So what you see here is this red, this lower red line right around ten million gallons, this is the General Plan population projections for Upcountry with 5 and 10 percent population. This upper line is the complete meter list and this middle line is half the meter list. So this is something, again I like to point out that's vital is the General Plan population projections and the meter list are completely incompatible. So either we solve the meter list, in which case growth Upcountry is much, much more than the General Plan calls for, or we say look this is the growth we want Upcountry and there's no point developing so much water because then all of a sudden all the growth plans and the need for other infrastructures, schools, and parks, Police, Fire, isn't going to keep up. This ends up being a big issue that you know I'm sure is going to be talked about more. So we developed, so here's the current meter list, or the current giving out of meters is going to be limited to about right here based on the system we have. We've got some future plans we could do to develop more and when you put that on top of each other this is a plan that we could get to maybe half the meter list in a reasonable timeframe if funding is adequate. We're going to look at that in just a little bit. Upcountry's really tough because of these issues, it's very, very expensive plus we've got these issues with the General Plan and overall growth and other utilities that have to be discussed. Okay so when we look at all of these, all of these different plans; I know you can't read this, this is about half of our 20 year plan. There's a whole another sheet that's about the same size. We've laid out over 20 years all the projects you just saw are in green, the yellow projects that are scattered are the projects we have to do even if we don't grow. Those are replacement of aging infrastructure. When you add all that up, this is what our CIP projections look like over roughly the next 20 years; about 200 million for replacement, and about 200 million for growth, rough numbers. Also I want to point out that we didn't upgrade these, the last time I gave this presentation was about a year ago, we haven't updated any of these graphics or numbers since then. They're still close enough although what you'll find is they're not all precisely on the same timeline, they're plus or minus a couple of years but nothing major has changed with the plan. Maybe next year or the year after we'll redo the whole effort to bring it all back inline. But they're so close enough that it doesn't change our budget. So anyway, long term 20 million in CIP a year, or I'm sorry about 200 million in CIP to do replacement of aging infrastructure, another 200 million for growth. That's the basis of the plan. Alright, I think most of you know we don't have any cash reserves, maybe a couple of million dollars. The

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only way to pay for this is to borrow money. SRF loans, General Obligation Bonds; currently our debt service payments per year are just about five million dollars. So this blue portion down here that's decreasing this is what our annual debt payments, mortgage payments, however you want to look at it would be, if we never borrowed any more money we'd pay it off. But if we follow this plan, our annual debt payments are going to go up at this rate every year, more and more right? It's about five now, it's going to get towards 40 by 2034. Again because of the rates, the cash we're bringing in does not anywhere near cover this construction budget. So the only way to pay this off is to have some combination of rates and fees. Starting to get a little bit into our FY '16 proposed budget, you're going to see a total budget of \$91.3 million, the debt service is just under 6 million, CIP, electrical the normal stuff. Okay but think about this piece of pie and if we follow this plan you can see right now it's \$5.8 million, as I showed you earlier that's going to raise more and more and more up past 20 and higher. So just imagine this pie every year where this piece goes from six up past 20, but the other sections don't shrink. So the whole pie is going to get bigger. So the only way to pay for this is to have rates and fees that cover that. So we've previously shown you a rate-fee projection over that same time period that covers those costs and that shows rates going up at around 5 or 8 percent a year with meter fees would have to go up to about \$20,000 a meter; right now at the present time they're \$6,000 ; this would generate enough revenue to pay for everything you saw. This year we have a relatively small rate increase in the range of 2 to 3 percent because we had some Carryover/Savings, we had a savings of electricity, we had one Capital Improvement Project that we bumped. So we were able to keep, although this is still our rate, long-term rate projection, it's a little lower this year. But the big issue is going to be these meter fees because that's where the bulk of the money for the growth projects, the one shown in green, is supposed to come from. We're going to get back into that a little bit later. Okay, so my big point every year is that these are not separate issues. Supply-demand of water, supply-demand of money all have to be balanced with our plan. Saying we're going to do all this stuff and saying we're going to borrow all this money is fine, but we've got to have the rates and fees to pay for it. And if we want to take these projects, this is the Upcountry plan, and we're going to move this forward, well what happens? We move the funding forward, we move the projects forward, but we've got to increase the rates. If we don't like these rates and we want to flatten these so we don't charge as much, the revenue comes down, projects get cut, funding gets cut, and this stuff gets moved back. Upcountry's especially important right now as we speak, the East Maui Instream flow standards hearings, contested case hearings are happening. So we're part of that, so is HC&S, and some other entities. There's a push from some of the entities representing cultural and traditional practitioners in East Maui to put more water in the streams. That could take water away from the Department of Water Supply. If we lose surface water in East Maui, some of these projects for Upcountry that were meant to increase capacity may have to be moved forward just to replace lost capacity. Now that's going to have to be absorbed by rate increases, not by meter fees because there'd be no new meters associated with it but that shows what a big deal the surface water is in East Maui, if we lose some of that, we're going to have to make up for it. Also, at the last Water Resources Committee we had a brief discussion on the well head protection ordinance. The purpose of the well head protection ordinance is to keep our existing sources from disappearing. You can

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see in all of these graphics how tight we are between supply and demand. We can't afford any of our existing sources to be lost due to contamination or these future things that were going to be for growth would have to be accelerated for replacement. That's going to drive our costs up, that's going to drive rates and fees up. So although we tend to look at projects differently than borrowing, differently than rates and fees; these are all integrally related. I don't think I pronounced that right. Mike Victorino's laughing as if he's Mr. Grammar.

VICE-CHAIR VICTORINO: I apologize.

MR. TAYLOR: Anyway, so we took all these, we took all of these costs and we also looked at them geographically. We said how much does it cost to do these improvements for growth in each of the different areas? This slide is the key to understanding why Upcountry has always been a problem and why it's still a challenge. Central South, to handle all the growth there, it would cost about a 100, a little over \$100 million and these are rough numbers. You look at how many meters that would be, a 5/8 inch meter would have to be about \$9,000 to bring in that money. For Upcountry, we need almost about the same amount of infrastructure but it serves so few people that the cost is \$75,000 per meter. These are not the rates we're saying we should charge, we're saying this is full cost recovery; this is what it costs to provide service. West Maui don't need as much infrastructure because it's a tighter area so it comes out about \$17,000 so you average all of this out which you can't do just from adding these numbers, it gets in to how many there are; but it comes out to around 250 million of expenses where the average 5/8-inch meter fee would have to be about \$20,000. That would pay for all of this. Okay, so when you look at this you realize the only area above average is Upcountry. It's Upcountry that's driving this 21,000 or 20,000 dollar meter fee. So if we don't have enough money and we say okay what can we do, what do we have to cut, the only thing you can cut is Upcountry because everything else makes money and Upcountry loses money. This is the reason that Upcountry has been such a difficult thorn for decades because it's so much more per capita that it just becomes a, it becomes a revenue problem. We can't cut the other areas and just do Upcountry because the other areas are what pays for it all. So Council really needs to update their software it looks like. So this is key to understanding what the dilemma is and why the water system development fees are so critical to any future actions we take. So again, it's all tied together. You start seeing when you look at this altogether why this pink line, this water system development fee, if we don't raise that, we don't have enough money to do these projects and when we look for something to cut, the only thing there is to cut is the future Upcountry projects. They're the, that's what we need the money for. So we're going to come back to that in just a little bit. Okay, so with that background of the big picture, let's look specifically at some of the major issues that are going to be in the 2016 Budget that you get next week. Mostly it's the normal budget you're used to, personnel and replacements of vehicles, and this normal CIP stuff. So we just wanted to highlight some of the major things so you could talk about them perhaps today, not in the middle of budget when it's so hectic. Okay, we're going to be asking for a million dollars to start our billing system replacement project. In Policy and Intergovernmental Affairs meeting a couple of months ago there was an item where with the Honolulu Board of Water Supply is

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contracted to do our billing. And we mentioned this project in that meeting. Currently, Honolulu Board of Water Supply does our billing, we have a six-year contract I think to continue that or a ten-year contract and we expressed to you that we want to make our own system. Honolulu wants us to do the same. We want to get started with that. So we're asking for a million dollars for both consulting, outside consultant, project implementation, and we're also asking for five Limited Term Appointment unfunded positions which we would pay for out of this million dollars. The point of the limited term positions is that they are essentially temps because our staff is going to have to help build this new system, we want to bring in about five people to handle normal billing and customer service operations while our staff probably has to move out of the building, you know we're thinking about maybe renting some space in One Main Plaza which is hooked up to the County computer system so that they can build the system. This is going to continue through FY '16 and '17. By the time we get to FY '18 we will no longer need the temps, we'll have the new system operational, and we'll lose those LTAs. So we want to use these Limited Term Appointment positions probably for two fiscal years as temps while our people build and implement and test the new system. Next we're asking for \$250,000 for improvements to our fifth floor. What we want to do is something similar to how some of the other floors look, move the customer service area just to the front, right in front of the elevators, knock down some of the interior walls to grab all of that walkway space, put in cubicles and fit some more room in for some more people. We also are going to be asking for one expansion position, permanent expansion position this year in our Building Permit section. We've done an analysis of our Building Permit processing, very similar to the water supply demand analysis we've done about what it takes to process Building Permits. And some of you may remember a couple of years ago you changed some legislation that Building Permits have to be processed within 30 days at the first pass. We have historically been, had a difficult time meeting that. We've done an analysis of man hours per permit and this kind of thing. Even during the slow construction times we've barely been able to keep up and as things seem to be heating up, there's no way we're going to be able to keep up with that. We have a reorganization in with HGEA, we've found the bottlenecks, but we need one more body to make this efficient so that we can ramp up our production a little and not only clear the backlog but get ready for the increase in permits we're about to see. Without that all I can tell you is without both of these things, first we don't have any room for more people, and once the billing system comes online we're probably going to need another couple of people because we won't be outsourcing that to Honolulu. Between that and Building Permits, we need a little more room on our floor, that's what this is for. So it's sort of a long-term internal infrastructure. Getting back on track with water system development fees, we're going to talk about that in a minute and the water shortage rates we're going to talk about that in a minute. The other really big thing in our budget this year is a \$15 million capital improvement budget for the Iao Treatment Plant upgrade. Iao Treatment Plant is just a stone's throw up the road from here. It takes surface water from the Na Wai Eha area. This includes a replacement of the existing system, that's about half the money, which is at the end of its useful life, plus an improvement of 1.5 million gallons per day of additional capacity, that's where the 15 million comes from. This project, we're really proud of this project because it shows how being a little patient and working on a long-term plan works. This was

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originally laid out in our long-term plan a few years ago but it wasn't ripe for construction funding, mostly because of the legal issues surrounding the Na Wai Eha contested case hearing. Because we had a positive settlement last year where the County was allocated an extra one and a half million gallons, we are now ready to move to the next phase of this. This is the kind of project what I've talked about before we can't just throw money at something before it's ready, it would've just lapsed last year. But now that we've got all the legal hurdles done we're ready. And there's some other projects in the pipeline that are similar. So this is something I've mentioned a number of times, sticking to the plan, working on the pieces and then asking for the construction funding when we're ready is a way to make sure these projects move forward. Putting that construction money in early doesn't really help and it's almost for sure that that money is going to lapse. So this project we hope we'll have your support on and this directly addresses what we've heard from many members of the public that the Department doesn't build new source; here's 1.5 million gallons a day for Central Maui new source combined with the well development deal that's in Ms. Cochran's Committee, that's 2 million gallons a day. That's just under 10 percent increase in the total source for Central South Maui. So we are moving forward with these according to this plan. Okay, water system development fees; we are proposing this year in budget the exact same proposal we made last year and that is \$14,000 for a 5/8 inch meter and the other fees with the same percentage increase. I'm sure everyone will remember that two years ago we raised this fee from 6,000 to 12,000; our plan was to eventually get it to 20 as you've seen presented. Last year it was lowered by the Council to six. I think we've shown earlier in this presentation how at \$6,000 for these fees we will never generate enough revenue to do these projects. So this year the plan would've been to raise this to 16,000, we're not asking for that. This is the exact proposal we made last year I believe to get them back on track, essentially lose one year but get it back to 14,000. We've also changed, the water system development fee is broken up into three parts; source, transmission, storage. For most people they never see these internal numbers but there are some larger developers who might build either some source or transmission or storage so they don't pay all of this, they just pay the portion that they didn't build and dedicate. We have changed the percentages to match the 20-year plan. We basically look forward in the 20-year plan, everything we have to build, which of those are source, which are transmission, which are storage, redid the math and that's the new ratios to split these. So these are done on a strict percentage increase from last year but the ratio between these three sections, that's new and we feel that all of these rates and fees represent what it takes to move forward with the plan. Again that's this pink line, right now these are down at \$6,000. If we cannot get these up to this level we're going to have to drastically cut the growth portion of the capital improvement plan because there is just no way to pay for it. So I'm sure that's going to be one of the controversial issues this year, I'm sure we're going to hear people come in and say look this is going to affect affordable housing and these other kinds of things, all I can say is if we don't generate enough revenue to pay these expenses we will not be able to increase our ability to provide water. So again any solution has to be all of these things. If we can't get these, this revenue up we've got to cut projects and I've already said there's really only one place to cut projects and that's ones that cost more than they bring in. Okay, water shortage rates, we've had a

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lot of discussion over this in the past couple of years. The Council passed an ordinance that set up three stages of water shortage rates; Stage 1, Stage 2, Stage 3. Stage 1 is a projected shortage up to 15 percent, Stage 2 is a projected shortage, these are short-term shortages you know several months something like that, 15 to 30 percent, and Stage 3 is 30 percent or more. So the Stage 1 shortage rates what we're proposing is no increase in Stage 1. So up to 15 percent so these are actually the rates, the general rates we're going to be proposing in the budget for all the different categories for Single Family, for General, and for Ag. And we're saying when it's a Stage 1 water shortage, we want to do that just with warnings and please conserve and that kind of thing. So no increases for stage one. For Stage 2 what we're proposing is the first two tiers for each of the categories, no changes. We think this is much better than these general everyone needs to cut 10 percent. If you're down and you're using water, if you're Single Family and you've been using water below 15,000 gallons a month, we're saying hey we don't need you to cut at all, you're already doing great. We want to try to force all the conservation in the upper tiers. So what we're proposing is a 25 percent and 50 percent rate increase for these Stage 2 and Stage 3 shortage rates for all the categories, or for 5/8 inch and General for Stage 2 and Stage 3. I want to point again as I've noted previous meetings. We don't want the money, we want to send a strong message - please conserve. They're not penalties, they are strong conservation messages and I can also tell you that in the past decade or even longer there has never been a situation where the Stage 2 or Stage 3 would've been implemented. There's never been more than a 15 percent shortage. So these are what I'd like to call just an emergency plan. We want to have it ready, we hope to never need it, but it's better to have it and not need it than vice versa. What you'll see in California right now is they are struggling to throw something like this together while they're in the middle of their drought because they didn't do it beforehand and so we're seeing what's happening is they're not able to get their conservation down and they're under duress trying to force these systems. We just want to have it ready. Okay the controversy that's going to happen in shortage rates is going to be these two numbers right here at the bottom. Ag rates we're proposing again this year one dollar per thousand for the Stage 1 no increase, for Stage 2 and Stage 3 recognizing that it's harder for Ag to cut back but also recognizing that especially Upcountry where we know these shortages happen if Ag is 40 or 50 percent of the use, if during a Stage 2 or Stage 3 when we are 15 or 30 percent short of water, they're going to have to cut back. There's no other way to make it through. So balancing those two, instead of a 25 and 50 percent increase, we will be proposing a 10 percent and 20 percent increase. A couple of years ago when we went through our plan to address the Upcountry meter list, one of the keys was we looked at our supply is in yellow of Upcountry water with surface water, it goes up and down, the demand in red goes up and down, it's just these short duration time periods where we can't make it that we said we want to limit the peaks with regulations. This has always been our plan as part of Upcountry meter issuance. I think you all know Upcountry meter issuance has started based on the capacity of the H'poko wells and some of the other system improvements. But in order to keep that going, we need to have the ability to make, to limit these peaks with regulations. Okay and those regulations are these shortage rates, especially these two numbers. Just from a sort of math basis I can tell you that at this point if these aren't approved, if we just say no you know if the people come in

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and we know what the Ag community is going to say that they can't afford this, if we leave these as one dollar one dollar, no increase, and we're basically saying no matter how bad the drought gets Ag does not have to cut. This will never work and the only thing I can see to do in reaction to that is to stop meter issuance Upcountry because it's only this ability to lower this in the short duration events that allows us to use, to issue meters Upcountry. Otherwise we're going to need to save the rest of the H'poko capacity to get through this. So I don't mean this as a threat but it's just a mathematical reality. It's always been part of the problem if we're not willing to force cuts during these deep overlaps we should not continue issuance of meters Upcountry. So that's going to be another controversial issue. So the priority policy issues, maximum meter fees you can see why that is key to the whole future of the program. Drought tolerance versus new users, that's this issue of the shortage rates. I think I made clear, you know, there are cause and effects. It's not just these numbers that we're going to vote on. They have implications to the whole system. So in today's presentation we looked at a quick review of the system, the efforts to date, hopefully put that into perspective. The highlights from the FY '16 Budget you can see how they meet those system requirements and planning requirements and why we're doing what we're doing, cost implications of rates and fees are the big issue and how they all tie together I think we've talked about. So with that we'll be more than happy to answer any questions and I hope this gives some big picture insight into what we're doing in budget this year and why and again as we go in budget I'm sure we'll go line by line and we'll be ready to talk about that. These are the big issues that are not normal that I think it's best to try to talk about a little more depth outside of the budget meetings. So with that I appreciate everyone's attention and will be more than happy to answer whatever questions you have.

CHAIR BAISA: Thank you very much, Mr. Taylor. Members, we're going to take a very brief recess to reset the Chamber and then we'll come back and talk about what we've seen. The meeting is now in recess. . . . *(gavel)*. . .

RECESS: 9:44 a.m.

RECONVENE: 9:47 a.m.

CHAIR BAISA: . . . *(gavel)*. . . Will the meeting please come back to order. Thank you very much, Mr. Taylor. We are now, Members, going to proceed with public testimony on the item on our agenda today. If you wish to testify please sign up at the desk located in the eighth floor lobby or at one of the District Offices listed on the agenda. Testimony is limited to three minutes and upon request up to one minute to conclude. At three minutes the light will turn yellow and at four minutes the light will blink red. If you are still talking at the four minute mark I will kindly ask you to stop. When testifying please state your name and who you are representing and especially if you're representing a group we'd like to know that. We have established a connection to the District Offices and to be fair we will rotate through each of the sites. Ms. Willenbrink, if you could please check in with the District Offices?

MS. WILLENBRINK: Ah yes, thank you, Chair. Hana Office, are you there?

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MS. LONO: Yes good morning. This is Dawn Lono at the Hana Office.

MS. WILLENBRINK: Good morning, Dawn. Lanai Office, are you there?

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

MS. WILLENBRINK: Good morning, Denise. And Molokai Office, are you there?

MS. ALCON: Good morning, Chair. This is Ella Alcon on Molokai.

MS. WILLENBRINK: Good morning, Ella. Chair, we have established a connection.

CHAIR BAISA: Thank you very much and thank you, ladies in the District Offices.
Ms. Willenbrink, let's proceed with anybody that's here in the chamber.

MS. WILLENBRINK: Thank you, Chair. The only person signed up to testify this morning is Rosemary Robbins.

. . .BEGIN PUBLIC TESTIMONY. . .

CHAIR BAISA: Good morning. Please proceed.

MS. ROBBINS: Good morning, everybody. Wow, the concern is so huge and I sat here and listened and the folks who are, whoever they are and listening otherwise the whole presentation was about money. Didn't hear a word about the health and wellbeing of the people who are affected, mal-affected by what has happened with this water system. I don't need a water meter. But I just saw a third column in that presentation that said that some of the people, excuse me, who've been on that water meter list forever are just not going to get them, we're going to cut the list. Whoa, are not the Upcountry people part of the County? Are Lanai and Molokai not part of the County? Something is terribly wrong with that and I just want to say a good word about what's been happening at the MACC over the weekend. There was a wonderful presentation and it was about soil and about how water whether or not it's coming from surface water or from wells that it affects, ripple effect out there. What we can see and fail to see because the water isn't there and what's underground that is seeping out and causing all sorts of havoc, huge health havoc. So, it was great and there were some people from the County who were there, I recognized that, and last night in Kihei which is not where I live, there was a presentation from the Kihei Community Association, all volunteers, both the Water Director and I were there, neither of us said anything during that time but at the end I spoke with him afterwards before hearing this god-awful presentation; not that the presentation was bad but the data and the fact that they would be clearing that up after the people who were the decision makers now will no longer be in office. Message there, that's what I keep hearing. And so I would like to just remind ourselves that in the history of the Upcountry water contamination including but not limited to the Hamakuapoko Wells

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back in the early 2000s, the County hired an outfit called Royal Engineering from Florida to do the work that the County didn't feel they had the ability to do at the time. Those of us who served on that were volunteers, we got a half a million dollars, we were not a 501(c)(3), we gave that money, we didn't get it, it was assigned to the County to administer, the administration of that left all sorts of holes. And one of the big things that was in there including in the executive summary is that chlorine and chloramine cannot be mixed without dire problems. Now we got on Saturday when the offices were closed, a letter in the mail, I don't know if the rest of the County got this, but a number of people from Upcountry called and said what the heck is this? It's saying that if you have any trouble with your health, call your doctor. If you're having any trouble with your koi ponds, and we went through this in the early 2000s with the koi all ended up lying on their sides dead. Okay huge, this is a problem. So here we are now more than a dozen years later facing some of these same issues and the idea of the well head thing that went on in 2004.

MS. WILLENBRINK: Four minutes.

MS. ROBBINS: So huge, huge concerns here and I'm just asking that people who are coming up with these presentations the only thing we can do, there is a recommendation from concerned citizens and it says do it right to begin with. Thank you.

CHAIR BAISA: Thank you very much. Members, any need to clarify the testimony? Seeing none, thank you very much.

MS. ROBBINS: You're welcome.

CHAIR BAISA: Ms. Willenbrink.

MS. WILLENBRINK: Thank you, Chair. Hana Office, is there anyone wishing to testify?

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

MS. WILLENBRINK: Thank you, Dawn. Molokai, I mean Lanai Office, is there anyone wishing to testify?

MS. FERNANDEZ: There is no one waiting to testify at the Lanai Office.

MS. WILLENBRINK: Thank you, Denise. And Molokai Office, is there anyone wishing to testify?

MS. ALCON: There is no one here on Molokai waiting to testify.

MS. WILLENBRINK: Thank you, Ella. Chair, there is no one else waiting to testify.

CHAIR BAISA: Is there anyone else in the Chamber who would like to testify who has not already testified? Well, seeing no one is in the District Offices and that there's no one

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in the Chamber that would like to testify, Members, without objections I'm going to close public testimony.

COUNCILMEMBERS: No objections.

CHAIR BAISA: Thank you very much. So ordered. And thank you, Ms. Willenbrink, and folks in the District Offices.

. . .END OF PUBLIC TESTIMONY. . .

CHAIR BAISA: Members, that was a very, very sobering, in my opinion, presentation. We have a good idea now of what we're going to be looking forward to when we get to Budget. I know you may have many questions about what you saw. Mr. Taylor, any further remarks you'd like to make before I open it to the Members?

MR. TAYLOR: Thank you, Madam Chair, just one. Just to respond to the concerns that the testifier brought up about water quality and public health; I think she's right I didn't mention that and I probably should have. I think even without, going without saying, the total mission of our department is to provide water that meets all Federal and State public health requirements. In the audience, there are only four members of the Department of Water Supply, all the rest of them, of the roughly 200 people that work for us are out right now making sure that the water people are getting is safe and meets standards. Although the presentation was all about cost, that cost is to make sure that happens. So although I did not mention it explicitly, I want to take this opportunity to say that is always the number one concern of everything we're doing, provide the volume of water that's necessary, and provide that quality that's necessary. So although I never mentioned the word quality, that is underlying in everything that was put on in that presentation. So I appreciate the testifier bringing that up so I had the opportunity to add that. Thank you.

CHAIR BAISA: Thank you very much, Mr. Taylor. Members, I'm going to give each of you an opportunity to ask your questions and let's be aware that we're not making decisions today, we're just trying to discuss and clarify so we'll be ready when we do get to budget. And I'm going to start with my Vice-Chair who of course is probably our resident expert having Chaired this Committee for many, many years so, Mr. Victorino, would you like to lead off?

VICE-CHAIR VICTORINO: Well thank you, Madam Chair, and you know today because of what we've seen I'd really rather defer to my Members and to you, Madam Chair, because your district is the most adversely affected district. I mean we can talk and talk and talk. It doesn't make a difference. The fact of the matter is, and Mr. Taylor, you correct me if I'm wrong, the majority of what's needed to get our systems to where they need to be both with quality and quantity, Upcountry is the most daunting task of all the systems.

MR. TAYLOR: I would agree it's most daunting. . .

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VICE-CHAIR VICTORINO: That's not the only one. Wait, wait now. That daunting, leave it at that. Yes or no?

MR. TAYLOR: Technology's the same.

VICE-CHAIR VICTORINO: Yeah.

MR. TAYLOR: The efforts are the same, but it's such a large, widespread area with so few people that it's really the financial issues that make it daunting, not the technical issues.

VICE-CHAIR VICTORINO: Yeah no, I didn't say that. And unless we're talking fiscal at this point yeah? And I think, Madam Chair, I'd like to defer to you because that's your area and let the other Members go and then when everything is said and done, then I'll bring up any questions that haven't been answered to be fair to everybody. Okay go ahead, Madam Chair.

CHAIR BAISA: Thank you very much, Mr. Victorino. The Chair is going to wait a little while here and obviously everybody knows that I represent Upcountry, everybody knows I'm on the meter list, everybody knows I have a very serious, you know, concern about the water situation because the people Upcountry have waited for a very long time and we are very concerned about affordable housing Upcountry, we're concerned about the legacy of passing on agricultural lands and keeping Upcountry, Upcountry. And so you know I feel a tremendous responsibility and I can't tell you how scary it is to be the Chair of this Committee when we look at things like this because the facts are the facts. You know we can't alter the facts; that it is expensive to do what we want to do Upcountry and it's going to take all of the people of Maui County to support making that happen or it's just not going to happen. So I'll be quiet for now and ask the Members if they have their questions. Ms. Crivello, anything?

COUNCILMEMBER CRIVELLO: I have a couple, Chair.

CHAIR BAISA: Sure, go right ahead.

COUNCILMEMBER CRIVELLO: Mr. Taylor, thank you for your presentation and for being here. You made mention that you know the return of the stream intakes will actually be taking water away from the Department of Water Supply, can you kind of elaborate more on that on how that is identified as such?

MR. TAYLOR: There has been no decision made. What there is is there's a what's called a contested case hearing in front of the State Water Commission about what's called Instream flow standards for the East Maui streams. So right now all these 27 East Maui streams that there's a number of diversions with, go in to EMI's ditches which that water goes to HC&S and to us. So the contested case hearing is about whether that can continue, whether those diversions need to be lessened, increased, et cetera, and who has the most rights to that water. So that process is going on now, the

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contested case hearing, I have no idea how it will end. It could end I mean this is all public information 'cause it's all been presented publicly. Some of the petitioners have asked for 100 percent restoration of the streams, zero diversions. So we take on average, let's say six million gallons a day from there, it's about 80 percent of our water. If that's ultimately how this is ruled and we have, you know, 10 years to make that true, we'll need to develop six million gallons of alternative water source like right away. If on the other hand the end of this result says we can keep our allocation, then everything we do is in addition to that. What gets especially complicated is that EMI primarily serves HC&S. If for whatever reason HC&S EMI and we just ___ a very small portion of the EMI operations, if they become non-economically viable, even though we have allocations to that water, we need their ditch system to deliver that to us. So this thing becomes very, very complicated and there's too many permutations to go through what may or may not happen. But the bottom line is we are relying on East Maui surface water, a lot of it, not nearly as much as HC&S, and if our allocation or our ability to get that water is diminished, then our existing service is going to be diminished and it will, we would basically have to develop groundwater to make up for the lost water.

COUNCILMEMBER CRIVELLO: Such a--

CHAIR BAISA: Go right ahead.

COUNCILMEMBER CRIVELLO: So with your anticipation of what may or may not be and you know if you, if we look at what's going on and listen to what CWRM is saying as far as what judgment may come out, you say you have a small allocation and at the same time you're saying six million gallons a day. So what is it that you will actually, what will be taken away? Is it the six million? Is it the small allocation?

MR. TAYLOR: It could be the entire six million and it could be that we're left with all of it and we just went through a very similar process with the Na Wai Eha, four streams in Na Wai Eha, we ended up getting one-and-a-half million gallons more out of that. So the same thing could happen here, we could end up getting an extra million gallons which means we could expand surface water. So it is far too, it is premature for me to try to guess what may happen, what's most likely to happen is this contested case hearing the Commission will rule at some time in the next year or two; no one's going to like their decision, it will be appealed to the Supreme Court and years later we'll come back to the Commission and maybe that will happen again. This is going to bounce back and forth between the Commission and the Supreme Court most likely for many, many years to come. But how exactly it ends up I have no idea. I know the Na Wai Eha case took about 10 years before it was finally resolved. This is so much bigger and so much more complex--

CHAIR BAISA: Right.

MR. TAYLOR: --our guess would be it's probably going to be even longer.

COUNCILMEMBER CRIVELLO: Okay--

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MR. TAYLOR: But I just wanted to give you...

COUNCILMEMBER CRIVELLO: But I only asked that because of your comments.

MR. TAYLOR: I just wanted to give you some foresight in that this is going on; it's something beyond our control that could have great implications to our operation.

COUNCILMEMBER CRIVELLO: Thank you. May I ask one more?

CHAIR BAISA: Yes please, go right ahead.

COUNCILMEMBER CRIVELLO: Last night I was back home attending the CWRM workshop meeting or workshop that they held on the island and though this is not part of your presentation it has to do with water resource, in the workshop one particular Molokai resident had mentioned that he has been in contact with the Department of Water Supply and there are plans or actually or I guess I should just ask, are you in the process, is the Department in the process of looking for a well site or do you already have a well site that you're trying to develop new water resources? And I did not get the name as to who the party was in conversation with, with our Department of Water Supply. So I guess it's just asking, are you in that process?

MR. TAYLOR: We do not have a current site.

COUNCILMEMBER CRIVELLO: Okay.

MR. TAYLOR: But we are working with State Water Commission, you'll notice in the audience a lot of the long-range planning folks are here, we're working with them to try to tie in the Molokai situation to the Molokai Community Plan that they're working on with some of these issues at the State Water Commission and trying to have, we're having this major interagency coordination to try to say that whatever we're doing is coordinated and that includes actually the Department of Hawaiian Home Lands who we also had meetings with in the past few weeks. So we don't have an actual site or project but we are trying to work out an overall scheme that meets everybody's needs.

COUNCILMEMBER CRIVELLO: So are you looking for another well site at this time?

MR. TAYLOR: We would like to have a backup well, what's most important is the DHHL reservation of the groundwater that is currently not being utilized in the Kualapuu Aquifer.

COUNCILMEMBER CRIVELLO: Right.

MR. TAYLOR: That's really the key to everything. What are the needs, what's going to happen with that water, because that aquifer is only being pumped at around 30 percent of its capacity and what we need to do is largely reliant on what ends up happening with whether or not DHHL is going to use that water, whether or not we

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can use some of that water instead. Our existing well is capable already of tapping that water. So if we have to go somewhere else that's a new well site, if we can get some of that allocation well we can get that water without any new infrastructure. So this whole thing is in flux and we're trying to work with all the parties simultaneously to work something out. But I don't have any solid implementation plans to report to you at this time.

COUNCILMEMBER CRIVELLO: Okay well that's good to hear and clarification because the individual actually you know was just precise as to the information he got from the Department of Water Supply, precise where it was going to be, the new well was going to be ...(*inaudible*)... I don't have that information.

MR. TAYLOR: Was that in the Kawela area?

COUNCILMEMBER CRIVELLO: No, it's coming out from the aquifer and still going further up in the Kualapuu area. So just trying to clarify for my own information so I can get back to the Molokai residents, and DHHL reservations, I wouldn't touch it. Thank you.

CHAIR BAISA: Thank you, Ms. Crivello. Ms. Cochran?

COUNCILMEMBER COCHRAN: Thank you, Chair. And very wonderful to be back on the Water Resources Committee and having here with Director Taylor once again and thank you for your presentation, nice to be brought back up to speed on all this stuff too. And thank you, I think your presentation this time either I've been hearing it so much that it's finally sinking in or you've made it a lot more clearer to understand exactly what you're trying to portray to us. And so for me I guess following up quickly on Ms. Crivello's comments with the EMI contested case hearing in the process right now, how and we don't know which way it's going to go up or down, more water, less water, but our Waikamoi flume is it probably, is it getting wrapped up right now?

MR. TAYLOR: That project's being wrapped up. It's actually fully functional from a water standpoint. I think they're still building handrails and this other kind of stuff. But it is my understanding is it is 100 percent functional from a water capture standpoint.

COUNCILMEMBER COCHRAN: Okay and so I mean we have been, we put a lot of money into that and awesome job up there. So that in the end may, if we get cut completely then obviously that is not going to ever be used. Is that something I mean there's a potential for something like that to occur with that flume?

MR. TAYLOR: If 100 percent stream restoration, zero diversions is the decision of the Commission that's ultimately upheld, then yes, there would be, we would not be able to take any water into that flume or our two lower systems which also use surface water. That's... I don't find it very likely that's going to happen. But I mean that is what a 100 percent or a 0 percent diversion scenario would look like.

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COUNCILMEMBER COCHRAN: Right and I too believe that it's highly unlikely that all every single diversion would be taken away. But nevertheless it could be cut down and so in the meantime has the Department looked at to alternatives if, I mean worst case scenario, I mean we've all got to think if that day does come; storage, catchment, you know all these other ways and you said wells perhaps. But we know there's not much up in that mountainside.

MR. TAYLOR: This issue came up in the contested case hearings in that you know it is all public testimony I've already given in those hearings. Storage is only valuable if you have diversions. It just balances the highs versus the lows if there's zero diversions you can build all the reservoirs you want, they will be empty all the time. So the only way to make up for lost diversion really is either large reservoirs that you can fill during the short high-flow times or groundwater wells. So one of the reasons we put together our long range plan in the format you see we sort of...steps. It's not to say this is exactly the year we're building them but to recognize the gap between supply and demand and say regardless of what affects that gap, we just move the next project forward. So for Upcountry for example, I showed those steps out you know past the year 2020 of additional source capacity, we would have to move those projects up so it'd be the same projects, it would be wells somewhere in the East Maui region that would pump water up to the Upcountry region. But they might have to be done sooner rather than later and because those would be to replace existing source, the water system development fees can't be used for that. That would just have to be rate increases. So we have contingency plans. We've got enough sort of identified projects in the queue that you could essentially double the population of Maui and we'd know what we'd have to do. We would just have to move those projects up in the timeline. So we've got enough projects lined up that we could meet almost any realistic demand forecast, it's just a matter of when's the right time to start them. You don't want to start them too early if you don't need them because then you've got to raise rates to pay for them and you also don't want to wait too late. So we've got enough ideas. We've sorted out which are the low-hanging fruit in order and that's what those step graphs show. It just comes down to when do you commit and initiate and some of these outside influences are a little beyond our control so we just watch and we're waiting with readiness.

COUNCILMEMBER COCHRAN: Okay thank you, Director and if I can.

CHAIR BAISA: Yes, please go right ahead.

COUNCILMEMBER COCHRAN: And so you said that we, outside influences that we have no control over, are we the County not, and maybe you can't answer this, but not involved in these hearings or at least go to testify and say hey I mean if there's some type of cut, can it be fairly cut across the board regardless if these diversions and the infrastructure is built by EMI, here we are, we're County and part of community and unfortunately we rely on their transmission to get us the water. So just...

MR. TAYLOR: We are a party. We are one of the four parties in this case. As we speak, two of Corporation Counsel's attorneys are there right now. I'm there whenever I'm

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basically not here. We have consultants we've hired. We've written extensive briefs and counter briefs and all this kind of stuff. We are, it's basically almost like a court case and we are absolutely a party so we are saying exactly those things and in our briefs that's exactly the case we're making.

COUNCILMEMBER COCHRAN: Oh okay, thank you. And Chair, can I continue?

CHAIR BAISA: Yes please.

COUNCILMEMBER COCHRAN: And then going to your leak detection squad, remember I guess we dubbed the leak detection squad for Central Maui and I think you mentioned that you're going to start it or you are just starting it? What's the status on that?

MR. TAYLOR: The equipment has been purchased, we have it, and the manufacturer is ready to train us. The positions are being advertised for as we speak. It got slowed down a little bit because the way City and County of Honolulu does it is they have HGEA white collar people doing this work. We wanted that in our blue collar pipefitter group so that when there's, so they can turn valves and they have access to traffic control with cones and if there's not work for them to do they can be on a pipefitter crew. So we had to create some new position description job classification things from scratch that took a little longer than usual because we didn't follow the existing model City and County did so it took a little longer. They are, they're either being advertised now or we just closed them. I remember a couple of weeks ago they were being advertised. So we should have those filled relatively soon. Again we already have the equipment. The manufacturer is ready to train us; we'll be getting started with that relatively soon.

COUNCILMEMBER COCHRAN: Okay thank you. Was there ever a guestimate on what perhaps could be captured in determining these leakage areas and things?

MR. TAYLOR: We know there's a pretty large discrepancy between what we put in the system and what we bill for. The three reasons you may get those discrepancies are metering that's, small errors in meters that add up, people stealing water from fire hydrants and illegal connections, or leaks. We just don't have any way to quantify how much of those there are. We're guessing between the numbers we've seen and the age of the system and the construction methods, the old construction methods of some of the older portions that we would hope in each of the three systems there's at least a million gallons of leaks to be found and fixed. I think that's a reasonable estimate. Frankly it's one of those things I hope there to be more, I hope there's lots of leaks that we can find, I hope they're big leaks, that means we can attack them. If what we find is that each...pipes usually come in 20-foot sections, if each one is just seeping a tiny little bit they're not fixable and there's nothing you can do about that. So I'm hoping that what we find is some large leaks that we can start making, you know, big cuts very quickly. But we'll know over the next six months to a year how that's going.

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COUNCILMEMBER COCHRAN: Okay thank you and then I guess looking at the Na Wai Eha case here and the IFS numbers that have come down and you stated positively for us the County we were given additional 1.5?

MR. TAYLOR: We were allocated 1.5; we still have to get a water use permit for that. But the allocation at that level was allocated to us so it's very likely now we'll get the actual water use permit. There's a whole other process going through the Water Commission for each of the individual people having to file water use permits. But again the big push was this overall statement by the Commission that in their big sort of pie chart allocating the water an extra 1.5 was allocated to the County of Maui.

COUNCILMEMBER COCHRAN: Okay and so in reference to say with the leak detection you capture and additional 1 mil. I guess that would be leaking out anyway so it's something that's taken but we're not utilizing it. I'm just trying to add up all the numbers with the wells...

MR. TAYLOR: I can add up the numbers for you.

COUNCILMEMBER COCHRAN: Okay.

MR. TAYLOR: One point five from the treatment plant, another half a million from this well is two, if we can get a million gallons from leaks/repairs that's three, we've got another water well development agreement in the works that's going to be two and that would be five. So essentially what we're looking at is we've got our eyes on five million gallons a day which is about 20 percent of the current usage of the Central South system. Even if 80 percent of that comes to pass, you know we're looking at being able to manage the Central/South system for you know roughly a decade depending on growth rates and being able to meet that demand. You tie that in to a little bit of conservation and that can definitely give us some breathing room until we look at the next thing which is going to be monumentally more expensive than any of these other things. But that's really our goal is to establish some breathing room while we're working on these bigger, longer-term things and that's what all of these projects, although 1.5 sounds like a lot, to me you know we can go through that in a few years. So we're not just sort of claiming success and victory, 1.5 is nice breathing room, another half is some more breathing room while we're still not giving up on some of the bigger, longer-term things that are going to have to be done for the long timeframe.

COUNCILMEMBER COCHRAN: Which would be the Iao Treatment upgrade, the 15 mil?

MR. TAYLOR: I'm considering that a short timeframe breathing room thing. I'm considering that you know looking out 20 or 30 years, I don't know what the needs are of this community are going to be. I'm assuming that we're going to need another 10 million gallons for something and so we're not saying that 5 million is going to meet us for you know the rest of everyone's lives. So at some point we're going to have to do something bigger, whether it's moving out to a different area, or desalination, or something like that. There's going to have to be something more but again we

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probably won't need that something more for a decade. This give us time to work on these more complicated longer term solutions.

COUNCILMEMBER COCHRAN: Okay thank you. And Chair lastly for West Maui question.

CHAIR BAISA: Okay, go ahead.

COUNCILMEMBER COCHRAN: In regards to the Mahinahina treatment you said you hit some hurdle or something unexpected I guess at this point so and you were thinking maybe jumping to your plan Honokohua plan C Well, when will you determine that? I mean and that I don't think we've ever really talked about Honokohua Well in detail because we've been focusing more on this Mahinahina one. So just a status and figuring out where, what Department's going to plan because that's another big chunk of change that we've forked in to this one?

MR. TAYLOR: Honokohua's actually number three. Mahinahina one is the one we're working on now. Mahinahina two is the one we're looking at sighting right now. And Honokohua is even further in the future. And then there's the Mahinahina treatment plant. The upgrades at the Mahinahina treatment plant to reduce the algae which is limiting the capacity of that plant we already have a construction contract for that. That'll be done soon, hopefully that all works out and we have an extra half a million gallons a day that we can process from that plant. Okay hopefully that'll be later this year. Mahinahina one Well which is up in the same region above there, that's where drilling, we hit some sort of unforeseen local geology is what the hydro-geologists think that is limiting the capacity of that well. We are running some cost benefit numbers to say is it worth developing a slightly smaller well than we otherwise would have 'cause we ran all our numbers thinking, and I don't know the numbers off the top of my head, thinking we're going to put this money in and get a one million gallon well let's say. So maybe this is only 750,000 gallons, again I'm making up numbers, I don't remember what they are. Is it still worth developing it for 750,000? Maybe the piping can be shared with the next well which means hey maybe we should do it, we've already drilled the hole. We have more than a million dollars into that cased hole. The question is, over its 30 year, over a 30-year time period, including electricity and all the other things, is it worth developing a slightly smaller well, or do you just call it a dud and throw your money into the next one. We need to do a very detailed cost benefit analysis of two different scenarios and we'll figure out which one is best. It's...at this point you know we've finished the hydro geology and now we just have to do just really the civil mechanical engineering to figure out what the right answer is. But we'll make that decision in the next few months.

COUNCILMEMBER COCHRAN: Okay, very good. Thank you, looking forward to hearing that outcome. Chair, that's all I have for now. Thank you.

CHAIR BAISA: Thank you very much, Ms. Cochran. Those are good questions. Mr. Carroll?

COUNCILMEMBER CARROLL: Thank you, Chair. On Page 16 you have the 2016 water rates and fees for a 5/8 inch meter which is standard for a house, you have storage

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6,749, transmission 4,499, storage 2,812, and for a fee to put in that meter because of these figures \$14,080. I have no problems with the first three figures. But it's the fourth figure that I think we need to work on. If you would go with this rationale to highways and cars, can you imagine what you would charge a person that bought a new car because that fee goes toward when you register the car to maintaining our roads and every year what they would pay instead of a water rate every year what they would pay. You wouldn't have many cars on the road and you would never be able to keep the roads in the condition that we need. To think that we can charge that fee and still have a viable economy is questionable. We are stuck in this while the water user has to pay for this. Are the car users paying for all these improvements out here on our roads? Are they paving the roads? No, they contribute some but they are not doing the whole road. If they were, we would have dirt roads right now. We need to really look at what we're doing and how we're paying for this. We use other funds for our highways, we don't just depend on the wheel or the weight tax and you could equate that with how your bigger meters, heavier cars. We try to make it fair to where people have more stress on our road system where they pay more. In the water system where they use more, bigger meters they pay more. But we subsidize our roads because we realize that if we did use the rationale we're using for water it would be bad. Bad for our economy, bad for everyone. A lot of times we say well eh, what about the poor guy? Coming up with 14 grand right now is hard enough. But with the projections that we've seen that you've supplied, you know what the additional costs will be over the years it's really astronomical what we're going to end up having to charge a person to put in a meter none for standing to the per gallon charge for delivery. It's not the way I feel that we need to go. We need to start looking at other ways to go over there whether it's General Fund money which is probably the only one that's really out there or some other way to keep the cost of putting in a meter within a reasonable rate. If we really want to have equity for our people it can't be to where we're charging so much that certain people aren't going to be able to go over there and put in a meter and have a home. I heard one time on this floor said well you're only going to add \$20,000 to a loan, you know that's not much yeah. Well not in my world. In my world it's huge. I don't know about anybody else over here but right now as a Councilmember I'm making more money than I've ever made in my life. Most of my life I was making \$20,000, \$30,000. When I got hurt I was making \$36,000, when I first came on this Council I was making 34. And to think that a \$14,000 or \$20,000 hit for trying to build a home when you're starting a family is ridiculous. We need to think of our people, we need to think of the services that we can give them. We have to use General Funds; we have to use General Funds. We cannot ___ with the rationale we're looking now, the charge to put in a meter to cover all of this. It is not going to work. In the end we're biting ourselves. So I would hope that, and I realize that a lot of that is out of your hands. Like I said the first three figures I appreciate it, very professional, it's the cost, it lets us know where we're at, it lets us know what we have to deal with. But we need to start dealing with it in a different way. We have to start looking at it in a different way. We cannot continue to look at over there the actual cost that the person is going to pay; it's not going to work. Eventually we're hamstringing our people, not just our economy, our actual individual people. And I would hope that we can start considering this, I'd hope we can really look at it and

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look what we can do to reduce that last figure cost to something that is, our people are willing and able to handle. Thank you.

CHAIR BAISA: Thank you, Mr. Carroll. Mr. Taylor.

MR. TAYLOR: Thank you, Mr. Carroll, and I think that that's exactly the kind of discussion we were hoping for today to have some feedback from the Council as far as the ideology of how to fund. Just one technical correction and I looked back to my presentation. This is my fault for not explaining it. You see four numbers across the row that Mr. Carroll referred to. The final one labeled fee is actually the total of the first three. It's not in addition to the first three--

COUNCILMEMBER CARROLL: I realize that.

MR. TAYLOR: --it's the total of the first three.

COUNCILMEMBER CARROLL: That's what I said. The first three figures I don't have a problem with. But I disagree when you add them all up and you're charging the person that final figure--

MR. TAYLOR: I see.

COUNCILMEMBER CARROLL: --the total of that.

MR. TAYLOR: Thank you.

CHAIR BAISA: Mr. Carroll, anything else?

COUNCILMEMBER CARROLL: Just that I think this is something that really needs to be a front burner item. It's bad for everybody, even the person that has no problem paying this right now it's bad for them too because it affects our way of life, it affects the way of our, it affects the way we do things. Thank you.

CHAIR BAISA: Thank you very much. Chair has a comment and of course Mr. Taylor and I have a few philosophical differences and that comes to a position pretty similar to what Member Carroll was talking about. You know I understand there is, it is clear in our budget process we're going to have a very difficult bunch of decisions to make. We need to decide, we're going to have to deal with rates, we cannot kick the can down the road, we saw the financial reality of it, we've got to deal with meter fees, the water development fees, that's another thing. You know we rolled them back, we went from \$14,000 down to what is it seven, six, or something like that you know. And we know we have to deal with that. We also dealt with water shortage and we passed the bill but we kicked the can down the road and said well, we're going to talk about this when we get to budget. Well you know what the day has arrived. We are going into budget and we're going to have to put some numbers in those pukas that we left and that is not going to be easy because you just got a sample of how we feel right here. It's very difficult, it's hard to ask people for more money and we all know that when we

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do, the reaction we get is not good. We've tried asking for pennies and we have a horrible time. Now we're not asking about pennies, we're asking about thousands, and thousands, and thousands. So it politically it's difficult, emotionally it's difficult. There's really big implications on both sides of the decisions we make. I kind of feel like Mr. Carroll that because water is our number one issue that I would like to see more County resources put into the Water Department. I just feel that way, I'm sorry. And I think everybody should help pay for it because if we don't have adequate water systems it affects everything. It affects our ability to run this community, to build housing, to have businesses so that it affects economic development. It affects affordable housing and we're in a crisis right now with homelessness and people not being able to get homes and so to me, water is a good investment of tax money. I'm sorry, it's just the way I feel and we're a Council of nine members and we're all going to have our ideas and we're all going to have our opinions and there will be a majority decision whatever it is we're all going to live with it. But I think reality has to set in and the public needs to understand that our water is cheap. You know yesterday, Mr. Victorino and I had an opportunity to attend a little meeting at the college with the folks that are here to talk about catchment and the expert that was here made it very clear to us that we have the cheapest water that he's ever seen and he thinks we're crazy for giving it away for what we do give it away. And you know because we've always been here, Maui expects this and we don't think it's unusual. Of course I'm not speaking for Molokai where I understand things are different. You know they don't have the opportunity to have the cheap water rates that we do, they pay more. But I think you know let's talk about basic math. Two and two do not make six unfortunately. Water's expensive, development's expensive, maintaining and growing our system is expensive and if the rate payers and the people who get the benefit don't feel that they want to pay whatever Mr. Taylor needs to do his job, we've got to get that money from somewhere. And where does the County get money? The County gets money from taxes. So I think decision time is right around the corner. I'm really glad that we had the opportunity to listen to Mr. Taylor today and see reality.

VICE-CHAIR VICTORINO: Yeah.

CHAIR BAISA: And so we are going to have to deal with this very soon and I'm hoping that people will watch this replay of this meeting today and see what the reality is and come prepared when we do discuss the budget to talk about how they feel and to bring their suggestions to us. It's a decision that's going to take this whole community, where we get the money, who pays, do we charge different rates in different areas? Do we stop serving the meter list? These are big, big decisions that are going to have to be made. As Chair of this Committee, I welcome comments and input from everybody because we want to make the best decision. But again as far as I'm concerned, having enough water is number one and we've got to do whatever we have to do in order to get there. Mr. Victorino?

VICE-CHAIR VICTORINO: Thank you, Madam Chair, and thank you, fellow Members, because you've kind of summed it all up and déjà vu, it's back. I sat there for six years and we tried in the last four and hit many brick walls, Mr. Taylor, and it's not anyone's particular fault, it is what the reality of politics is. Let's put the first part of

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this on the table. Let's get the real crux of the matter and the political where-all to do things, it's not just here in this Chamber. I go back to the days on the Board of Water Supply and your husband has told me stories of days even before I became active in 2002. I've been a part of this, and I just want to make one correction, Madam Chair, I am no expert. I may have more knowledge than some people in this room but I'm not an expert. There is maybe your husband might qualify in that respect, but experts are really not too many of us because there's so many facets you cannot know all the nuances. Even Mr. Taylor at times turns to whom, his staff for information. Is that correct, Mr. Taylor?

MR. TAYLOR: That's correct.

VICE-CHAIR VICTORINO: Yeah, so I mean, nobody's an expert so let me make that one clarification. I may have more knowledge but that doesn't make me an expert. But what has really hit the table yesterday when we were meeting with this gentleman, he gave us some figures, in San Francisco they're paying \$6.20 a thousand gallons okay. In San Juan where he comes out there was \$19 a thousand gallons, okay just to give you some variables just to keep water systems existing. And those are in San Juan its catchment systems that they use up there. They don't use County system. The Big Island, all of East and South, all predominantly South and East Hawaii is catchment and that goes back to the days when I was a kid there was never any potable water, it was all catchment. This County has about 2-3,000 catchment systems. The vast majority of which are done for fire purposes, for fire flow protection okay. So and again I don't have a firm number but these are the numbers that those that are out there that take care of these systems have given to me. I agree with you, Mr. Carroll, it's going to become an issue either we all pay because no one can pay. Do we pay through water, do we pay through real property tax, do we pay a special assessment? There's a number of items that can be put on the table. I have suggested remember a couple of years back everybody paying \$25 a month for the next 10 years as a special assessment to get our water systems caught up. I don't think that would meet every one of your needs but I can tell you, you do the math and we get a lot closer, a lot quicker. But again who's all of us? Who's all of us? All water rate users or water meter users, or all taxpayer users, real properties yeah? Or everybody that lives in Maui County? And don't answer that question because it's just hypothetical, you know everything I'm throwing out there is hypothetical. But there's been discussion right, Mr. Taylor? We've discussed this back and forth, back and forth. So we're back to where we were two years ago, two years ago. And I understand Molokai and Lanai, well Molokai, leave Lanai out of the question because they're a private system, but Molokai is really another, and Hana has very unique dynamics out in Hana you know. I know you want to, you're chomping at the bit to say something, Mr. Taylor, but let me finish and then I'll go let you go on. I believe we've come, like you mentioned, Madam Chair, the day of reckoning has arrived. No more ifs, buts, either we do what is right or we're going to play the political game and continue on the same track, it's our decision. But somewhere along the line like you said we can't keep kicking the can down the road, it's got to come to a head. And I would hope in all the years I've been here and you and I have 21 months more to get this job done. I'm counting the months down, Madam Chair, I truly believe today is the day we need to look, I mean

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not today but this year, this year we really need to look at the fiscal where all and how we're going to pay for this you know. Do the people in Central Maui want to pay more? I know they don't want to, we all understand we're one County. Our taxation if we went in that respect, we know what would happen there, fees if we went in that respect, we saw our park fees yesterday, what is generated by area, and again some of the areas do a lot more than others and yet you would've thought certain areas would've been higher. Again I'm going off track but it really has relevance to what we're discussing here.

CHAIR BAISA: Yes it does.

VICE-CHAIR VICTORINO: Either we work as a united County and work and fix the problems or else you know, and like Mr. Kushi said, time out, I'm watching it, everything I watch, Ed, no problem. I don't want to go any further. I'm just saying we have arrived to this point and we're really going to have to make some hard decisions this year and this year for sure. And I stand ready to do it because enough talk, let's get the job done. So I'll let Mr. Kushi or Mr. Taylor or whoever else wants to comment. But again I apologize I went off a little more on a tangent, I truly apologize, Madam Chair.

CHAIR BAISA: No. Thank you, Mr. Victorino, I think you've earned the right to say what you say you've, you know you've been in this trench for a long, long time. Mr. Taylor.

MR. TAYLOR: Thank you, Madam Chair. And you know that in our presentations we've tried to give you options and I've been attacked a little bit for you know not trying to push in any particular direction. In this case, I'm going to push in a particular direction. And let me just say that the Administration has had these same debates internally and we believe that the best way to do this is through water rates and fees and let me just make a couple of points why we came to this. It's taken a lot of work to get the special funds to be self-sufficient, water, sewer. You folks can look at solid waste to see what happens when I know Mr. Victorino you were on the Integrated Solid Waste Plan Advisory Committee or whatever that was called and there's a plan that called for all these things to be done, that called for moving to self-funding, but you see what happens when that Division is only 50 percent funded is nothing ever gets done because General Fund is not flushed with cash. So in a case of water, it's important to know a couple numbers, about 85 percent of all the potable domestic water used in Maui County comes from us, and about 15 percent comes from other private providers. Just imagine if everybody was on the Department of Water Supply system and you needed to charge everybody an extra \$100 a year. Well whether you put it on their property taxes or put it on their water bill what's the difference right? We each kick in a \$100. But in this case, you've got these 15 percent of these users that the County has said, you write your check to someone else and now you're going to add their fee on to their taxes. But they're already paying their water fee to someone else, and who I'm talking about is really in every one of your areas; the people who are served by the Hana Ranch Water System, they write a check to the Hana Ranch Water System. So you're going to raise their property taxes to pay for a water system that they don't even get access to. Kaanapali and Kapalua the single biggest ones, in Molokai the Kawela system and the Molokai Ranch system, even in

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Wailuku-Kahului, you've got Kahakuloa. The biggest example is the whole island of Lanai. So we're talking about essentially raising their property taxes for something that not only do they never get access to, and we're not talking about a park that I choose not to go to, we're talking about a water system that they never get access to and they're actually having to write a check to somebody else for that service. We just think that that is so inherently unfair to charge property taxes to people that already have to pay someone else for the service that there's already 85 percent of the people who pay water bills that somehow they should pay for that water service. And again I'll just look at, look at the General Fund systems, or the General Fund departments that have these long-term plans that sit on the shelf and they sit on the shelf because every year they come in and there's always a tax crunch and they never get funded. Water, sewer, power, airports, highways, harbors, these things have all been determined to have their own funding sources that don't go through the ups and downs of property taxes, don't go through the ups and downs of income taxes because they're long-term infrastructure that they just can't be involved in the politics of how much money do we have this year. For all of those reasons I can tell you the Administration thinks it's taken a lot of work to get water and sewer to be special funds and to go backwards really just because it's sort of easier to hide increases in property taxes than it is in this smaller funds is a very, very, very bad idea. So end to my message.

VICE-CHAIR VICTORINO: Madam Chair.

CHAIR BAISA: Thank you very much, Mr. Taylor. I told you we have philosophical differences.

VICE-CHAIR VICTORINO: Yeah, and...

CHAIR BAISA: Mr. Victorino.

VICE-CHAIR VICTORINO: Yeah and real quickly. Although I'm not disagreeing with Mr. Taylor's--

CHAIR BAISA: No.

VICE-CHAIR VICTORINO: --analogy.

CHAIR BAISA: We understand.

VICE-CHAIR VICTORINO: Yeah we understand that. But I also say water is a public trust and they are drawing out of the same straws, and same aquifers, and sometimes the same stream, and sometimes the same sources. But because their delivery system is different, they charge for their delivery right? And that's our whole predication, deliver right? But also they are taking away from water resources from the general public. They are a part of this whole community and I'll make the sales right here saying that without water whether they have it, we have it, or nobody has it, you don't have life. Your famous saying, water is life right?

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MR. TAYLOR: That saying existed before I started here.

CHAIR BAISA: Gentlemen.

VICE-CHAIR VICTORINO: Okay but anyhow, finally I'll say this, you know again it's a philosophical difference. But I am saying that there comes a day, and the special fee I was referring to covers everybody so water would become more available for everybody. I don't know, I don't know the answers and I'm not getting into that. Mr. Kushi's head is getting really, really sore and I don't want him to get a headache. I'll stop here and say just differences of philosophical needs in the community.

CHAIR BAISA: I think it's important that we've had you know the conversation we've had because we need to like I said get ready. The decisions are going to have to be made and we will need good justification so it's good to hear both sides. But of course we're not going to make any decisions today. But I'm more than happy to put it on the table. Ms. Crivello.

COUNCILMEMBER CRIVELLO: Thank you, Chair. Thank you to my colleagues Victorino and Carroll for their most eloquent presentations and I applaud their presentation. I have some; I have a question or trying to understand with Upcountry. You said Upcountry has a cost and it's difficult to provide for Upcountry and you know you're concerned about the future of Upcountry as far as providing the water resources. So my question for understanding is I don't, I don't know how far back the Community Plan goes in that particular region but I'm sure as we get out into the regions or the districts from the Community Plan, some sort of determination will be based on the water demand. So in today's scenario, what is the supply capacity for Upcountry in regards to surface water and groundwater?

MR. TAYLOR: On an annual basis about 80 percent of the water comes from surface water and about 20 percent from groundwater. On any given day that can be different depending on the conditions but those are annual averages.

COUNCILMEMBER CRIVELLO: So do you have like what's capacity is actually on the average available and for you to make the determination is it based on the existing Community Plan or is it based on some General Plan? Because I would think whatever discussion comes out with the Community Plan is how the measurable demand will be determined.

MR. TAYLOR: This is, and thank you for bringing this up because this is one of the most difficult issues I think this Council has to deal with. From our standpoint it's just standard operations. We know how much water we can provide and we don't look at the General Plan to know that. We don't look at the General Plan to decide whether or not to give meters. Our infrastructure and our analysis of our infrastructure and operations determines how much water we can give and the Upcountry meter issuance ordinance says when we have capacity we make those offers. If through this body we get the resources to develop more water capacity, we're going to keep doing that. My

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point is that, that I try to make about bringing in the General Plan is we use the General Plan to do population projections and especially I want to point out and I'm glad some of the Long Range Planning folks are here, everybody on the Upcountry meter list doesn't need any entitlements. They already have all their entitlements. They need no actions from the Council, no actions from the Planning Commission. They just need water and they can go get their building permits and subdivisions. So there's no more subjective actions. So as soon as there's enough water, essentially all those houses are going to get built. I bring in the General Plan to say that because the meter list is so much more than the General Plan growth requirements and all the other infrastructure groups, whether it's Department of Education, or Police, and Fire, or Parks, or whatever; they all look at the General Plan to say okay what should we be ready for. And I'm just concerned that if we fund all this water improvements Upcountry, no one will ever come to this Council and ask oh you know should we grow more? That growth is just going to happen and none of the other infrastructure groups are being told to prepare for it because the General Plan has this low growth rate, but the meter list has this high growth rate. And I am just worried not for Water, but for the other infrastructure groups who are sort of being told to follow the General Plan, but in this whole other conversation we're saying hey let's follow the meter list. And I'm just foreseeing problems in all of the other infrastructure groups when all of a sudden we solve Water, and there's not enough school capacity, or parks, or you know the sewage becomes too dense, the highways, Police, Fire, and so that is my concern of why I always bring up the incompatibility between the meter list and the Community Plan.

COUNCILMEMBER CRIVELLO: Thank you, Mr. Taylor. You know last night I heard someone's major issue was land and water goes together and that's all part of the planning. I cannot help but agree that in the Community Planning process land and water you know go together and hopefully we'll you know I know on Maui there's been a lot of hard, hard work for the General Plan and then everyone's waiting to start their district plans. I certainly hope that the Department of Water Supply will be right there in all of the discussions so that we wouldn't be hearing such you know dire remarks that the future of Upcountry and Upcountry, the cost; before I even got to the Council that's always been the mantra, they need their meters. So I'm just trying to see how...I believe it goes hand in hand you know and I hope that you do not feel that you do not need to look at the said General/Community Plans. But thank you, Mr. Taylor.

MR. TAYLOR: Thank you.

CHAIR BAISA: Ms. Crivello, thank you very much for your comment. The Chair needs to ask the Members. Do we need a break here or do we want to keep powering ahead here?

COUNCILMEMBER COCHRAN: No, I'm good.

CHAIR BAISA: Everybody's okay?

COUNCILMEMBER COCHRAN: I mean I just, and I had a...

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CHAIR BAISA: How about the Staff, can you guys handle it? Need a break? Everybody okay? Alright well then we'll just, go ahead. Mr. Taylor, you were trying to respond to that and then I'll get to Ms. Cochran.

MR. TAYLOR: I just wanted to say in response to what Ms. Crivello said. We completely agree. We have an incredibly good working relationship with the Planning Department. In fact our ex-head of our Water Resources Planning Division is now the head of Long Range Planning. So she knows all this and we always consider ourselves, you know I've said before just the plumbers of the Community Plan. We follow that lead, we tell them here's what we can do, here's what it's going to cost. But we don't have our own Department ideology about growth or lack of growth. So we look to the General Plan, we want to be part of it to give our input before it's done, and we're certainly willing to implement whatever it calls for.

CHAIR BAISA: Okay, and thank you, Ms. Crivello. Those were very good remarks and we'll make sure that we watch the development of the Community Plans and make sure that Water is taken into consideration. Ms. Cochran.

COUNCILMEMBER COCHRAN: Thank you, Chair, and I think it's already been happening with the Lanai Community Plan in regards to water although it's not County related. So I'm trying to look at this mountain of debt service in your slide on Page 10 and in the following slides if we do get up to that \$20,000 meter fee, this will decrease this mountain of debt to I mean say if everyone agrees and hey no problem we will pay this 20, is it just level it off down to that blue again? Or how would that affect it?

MR. TAYLOR: It doesn't decrease the debt; it allows us to pay the debt. I mean the analogy would be if you want to put more on your credit card and your monthly payment's higher but you go get a second job. It doesn't decrease your monthly payment, but now you have a way to cover those monthly payments. So that's essentially what this is. It's a way to continue using borrowed money as a methodology but some plan that we have enough revenue coming in that when the bills come we can pay them. The other way it could be done is you could avoid that mountain of debt by raising cash now upfront by raising rates, shift more of our capital improvement to cash rather than General Obligation Bonds or SRF loans, keep that debt low but now your revenue is higher. So a lot of semi-autonomous or autonomous Water Departments, they have Revenue Bonds versus General Obligation Bonds but you need a revenue coming in that's high enough to qualify for those. And they also have slightly higher interest rates. So it's really just a financing mechanism. You can either pay earlier with cash, or pay later with cash and use that financing mechanism to spread it out. So it won't decrease, these rates will not decrease the debt, it will give us a way to pay the debt over time.

COUNCILMEMBER COCHRAN: Okay, well because I'm thinking in order to put out the meters that's increasing, it costs us so we're trying to retrieve the money to pay, offset the costs.

MR. TAYLOR: That's correct.

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COUNCILMEMBER COCHRAN: Yeah so the debt I mean if, alright, and then so the Revenue Bonds that you just mentioned in these autonomous type Board of Water Supplies or whatever, do we reach that quota, I mean could we get to that level or is that just not even a really good option to turn to?

MR. TAYLOR: I remember we looked at it a few years ago and there's some rules. I'm sure the Budget Director understands this much better than I do 'because he's explained it to me. Your ratio of revenue to debt has to be high enough to qualify and I seem to remember that ours isn't and also the interest rates are higher. So if you, so it doesn't change anything from the sense that you do SRF loans first 'cause they're cheapest, then General Obligation Bonds because they're next cheapest, and then if you have to you can go to Revenue Bonds but they're even more expensive. So if you don't have to, why would you want to? So but they are an option to even more separate the Department of Water Supply from the County from a financial standpoint and have us do Revenue Bonds. That's going to drive rates up even faster and if we can still borrow General Obligation Bonds why would we want to do that? But again City and County of Honolulu, they I believe just do Revenue Bonds because they're not part, because they're semi-autonomous and autonomous from a financial standpoint I believe they only do Revenue Bonds and cash and SRF loans, they don't have any General Obligation Bonds because they're not financially tied to the City and County of Honolulu County.

COUNCILMEMBER COCHRAN: Okay and again you know bouncing off of the whole philosophical differences and what have you, that's a difficult one, Chair. But I think this is for me a core of, County core service with this community; water, police, fire, you know all these services that we expect in a, you know, well run government entity, you know, community. And so I understand the subsidy, the reasoning for it and would like to figure out a way that yes is somehow fairly distributed around. But I understand your point where you're private and you already pay a source and all this. But then Mr. Victorino made a good point that the source is a public trust and everyone taps in to it somewhere, somehow and how you get it is the differences in transmission and what have you. And so like myself I'm not tied to any County service and I would be paying for other people's and depending on the price I could be okay with that you know. Because I believe in quality of life for all and it's one of those things, you know, I take from the source and rain and everything else to make my world go around and I think everyone else deserves it also. But anyhow, Chair, as you say, the day has come and we will be dealing with this in the next couple weeks and we shall see where it all flows. So thank you.

CHAIR BAISA: Thank you very much, Ms. Cochran. Mr. Carroll

COUNCILMEMBER CARROLL: Thank you, Chair. I'll be brief. Section 8-11.7, the revenues of the Department of Water Supply shall be kept in a separate fund and shall be used, shall be such as to make the Department of Water Supply self-supporting and then it goes on about bonds and what we can issue. It is the only Department in the County that has this restriction, the only one. We had talked about the different parks, and

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trash, and lifeguards, and police, and everybody else and nobody has the expectations that they're going to be self-supporting. And back to what I said first time, to think that we can have a viable economy with having Water Supply self-supporting is unrealistic. Mr. Taylor has done his job. He's come up with the figures; he's come up with what's necessary. It's out of his ballpark already. It's this Council's job, and I think we really need to look at this section in our Charter as we proceed in the future, thank you.

CHAIR BAISA: Thank you, Mr. Carroll. Yes, who pays and how we do this is the 800-pound gorilla sitting here on the floor. We all know that we need to take care of Water and Mr. Taylor has worked very hard at giving us the information we need in order to make the decisions. But like he says, you're the policy makers and so we can't dodge it. It's going to be sitting right here and we're going to have to deal with it. So I was hoping that you know we'd be able to look at this today. I want to thank Mr. Taylor for bringing all the information to us and doing the presentation. And I want to thank the Members that are here today because you know we've talked about important things to help us when we get to that moment of decision and I want to thank the public you know for being a part of it. I know that Mr. Taylor and the Department staff will be ready to help us with any additional information we need and I know that the budget staff will definitely be here to help us with during budget as we try to make decisions. But again this is a community decision that has to be made and we have to listen to everybody but everybody needs to have information in order to make good decisions and I like the discussion. I think it's healthy when we have different viewpoints because it helps us all learn and understand and change our thinking and be receptive to well this is probably the best thing for us to do. And you know we're going to as a Council I know try to make the very best decision for everybody. But I'm going to say it again, Water is number one and it deserves the attention and it deserves the money. I'm sorry because without it, nothing else goes. Any other remarks from the Members? Mr. Taylor, we'll give you one last shot, I saw that hand.

MR. TAYLOR: Thank you, Madam Chair, and I just wanted to thank you and the Members for this opportunity today. Most of the departments I don't think get this opportunity right before budget to have this sort of philosophical discussion. We get into budget and we start into you know Xerox machines and trucks and this kind of stuff and I hope, I know this discussion was helpful for me and I hope it was helpful for you so that when we get into budget and we get sort of dragged into that thing we do, going through line by line that you'll realize that there's really just these couple of numbers that are key to everything this year. And we tend to get to those last at 11:30 at night on the last day and I hope that all the Members will remember this discussion during budget and if we start getting sucked into too much of the detail to realize that we've got some really big decisions. My staff will be here to go through either little details or big picture stuff. But I think this was really helpful. I think to me and hopefully to yourselves and the community about what the real core issues are this year in budget and hopefully we can deal with those while everyone's fresh and not at you know Friday night at 11:30 when we're not. So I really appreciate it, Madam Chair, your opportunities today.

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CHAIR BAISA: Thank you very much, Mr. Taylor. Members, it appears that we have you know discussed...Mr. Victorino.

VICE-CHAIR VICTORINO: One more thing, thank you, Madam Chair. And I want to thank Mr. Taylor you know four years ago when you started, this was one of our dreams to have this kind of session each and every year and it has come true. Now the key is the public's informed, the Council is informed, the Administration is informed. No more excuses, we've got to come up to some decisions, gang, that's it. You know this is no more excuses, I guess that's the way I'm looking at, no more excuses. We need to find solutions and they need to come out now. This is the year we need to implement whatever and I think that's exactly what you're saying, Mr. Taylor, implementation starts this year or else we'll never get caught up. Am I correct in my analysis?

MR. TAYLOR: I think we've been implementing for the past few years, but we're at a crossroads.

VICE-CHAIR VICTORINO: Yeah. Thank you. Thank you, Madam Chair.

CHAIR BAISA: It's fish or cut bait time.

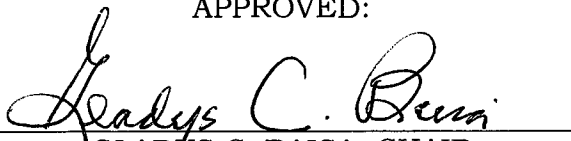
VICE-CHAIR VICTORINO: Yeah.

CHAIR BAISA: Okay. Members, again, thank you very much for your input. Thank you, Mr. Taylor, for a great presentation. Thank you, Staff, for your assistance. And thank you to the public. And I'd like to thank the Water Department staff—thank you for all the hard work that you guys have put into getting this stuff together today. And without any further need to prolong the meeting, the meeting is adjourned. . . .(gavel). . .

ACTION: DEFER PENDING FURTHER DISCUSSION.

ADJOURN: 11:04 a.m.

APPROVED:



GLADYS C. BAISA, CHAIR
Water Resources Committee

wr:min:150318

Transcribed by: Marie Tesoro

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CERTIFICATE

I, Marie Tesoro, 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 the 10th of April 2015, in Wailuku, Hawaii

A handwritten signature in cursive script, appearing to read "Marie Tesoro", is written over a horizontal line.

Marie Tesoro