

BOARD OF WATER SUPPLY
COUNTY OF MAUI

REGULAR BOARD MEETING
MINUTES OF MAY 20, 2021

The regular meeting of the Maui County Board of Water Supply was held online via BlueJeans, on Thursday, May 20, 2021.

I. CALL TO ORDER

The meeting was called to order by Chair Dean Frampton at 1:30 p.m.

II. ROLL CALL

Members present: Dean Frampton, Chair
Nalani Kaninau, Vice Chair
Norman Franco
Joseph Aquino
Buddy James Nobriga
Johanna Amorin

Members excused: Antonette Eaton

Staff present: Jeffrey Pearson, P.E., Director
Keola Whittaker, Deputy Corporation Counsel
Sherilyn Otsubo, Commission Support Clerk

Cablecast: Video conferenced live via BlueJeans and recording viewable at <https://www.akaku.org/boards-commissions/>.

III. APPROVAL OF MINUTES

Member Franco moved to approve the minutes of April 15, 2021.

Member Aquino seconded the motion.

The motion passed unanimously.

IV. TESTIMONY FROM THE PUBLIC

Councilmember Keani Rawlins-Fernandez testified that her water rates proposal was submitted to the Budget, Finance and Economic Development committee. It was to create a rate structure that would include single-family residential, multi-unit residential and non-residential categories and follows Honolulu's rate structure. Single-family residential would be water service charges to single-family and duplex residences with RPT classifications that have homeowner exemptions,

long-term rental exemptions, or is classified as commercialized residential. Multi-family residential would refer to multi-unit residences, including apartments, condominiums and town houses with RPT classifications that have homeowner or long-term rental exemptions or is classified as a commercialized residential. She also stated that she came up with this proposal because the Board recently said that one of their highest priorities is to conserve more water from the egregious water users, and because the county is making an effort to consolidate payments. She will continue to speak to Honolulu's Board of Water Supply, as well as our Department of Water Supply, to develop a rate structure that would be more conducive to water conservation and charging the egregious user more appropriately.

Vice Chair Kaninau asked why we don't move those who use over 35,000 gallons into tier 4 and charge them the same rates that homeowners are paying.

Councilmember Rawlins-Fernandez replied that right now there are two categories, single-family and all other general users, which includes multi-family residential, so they would end up spending the same amount as resorts and hotels. We need to first remove them from the category so that we safeguard our residents from paying the tier 4 rates.

Member Nobriga stated that the sewer and water bills are combined so the public thinks that the departments are raising rates. How do you recommend we communicate this better to the public?

Councilmember Rawlins-Fernandez replied that she would be willing to work with the department to figure out an educational outreach campaign so residents understand the sewer and water charges.

V. UNFINISHED BUSINESS

A. Discussion of water rates and rate structure and presentation from Ann Hajnosz of Harris & Associates.

Ms. Hajnosz stated that the purpose of her presentation is to address the questions around the water rate structure. The rate making process begins with getting data from the department to understand the financial and operational characteristics which sets the foundation for a projection of how much revenue is needed going into the next five years. Next, the determination of the revenue requirement sets the level of revenue that is needed. Cost allocation determines how you collect that revenue from the customers. When you've determined how much you need to collect from the customer classes, you go into the mechanics of the rate design. Rate making needs to ensure that the department is financially stable. The department needs to have enough reserve, enough financial flexibility and a financial robustness so that there is enough revenue for the department to carry out its mission. Some of the goals that are considered when setting rates are

financial stability, conservation and efficiency, transparency and simplicity, fairness and equity, and affordability.

The different customer classes are single-family residential, multi-family residential, commercial and industrial, irrigation and agriculture, and non-potable use class. Each class requires a different type of analysis of how the rates are determined and they are designed around a homogeneous usage pattern.

The history of Maui's rate design considerations was that in 2007 the department tried to change to the single-family customer class, but it didn't pass. In 2012 they tried again and it passed and was changed to the single-family rates.

For single-family residential it's a 4-block tiered system. The first block was designed to address affordability and the 4th block was designed to set a strong conservation message to the highest water users and targets 5-10% of the customers. For commercial water rates, it's a 3-block tier. The first two blocks are exactly like the residential. The 3rd block is where the majority of commercial or non-residential users are. They're on a uniform rate and includes everyone from small retail shops to hotels. It's difficult to set blocks in this class because of the non-homogenous water usage patterns. An alternate would be to put a certain group of customers that have a more homogenous water usage in one category and set a separate rate for them.

She summarized that there are a lot of different rate structures that can be considered and not one rate structure will fulfill all of the objectives. There needs to be a balance of financial stability while sending the message of conservation and making sure that high water users are paying for what they use.

Member Aquino asked if the rate structure is also for private purveyors and if the county receives any revenue from them.

Ms. Hajnosz replied that the rate structure is only for the County and there are no customers from private water utilities.

Chair Frampton asked where we are currently with the budget process.

Director Pearson responded that the budget has been set with no increases and council is scheduled to pass the proposed budget on first reading tomorrow.

Member Amarin asked if depending on the economy, after 2022, is the forecast a 3% increase?

Director Pearson said yes, based on the study that was finalized, the proposed rate increase would be 3.5%, subject to the administration agreeing with it.

Member Franco stated that the cost of any commodity is based on supply and demand. With Mahi Pono, EMI and Maui Land & Pine, is there stability with the cost of supply and resources of water?

Director Pearson replied that there is stability on the West side with the agreement that was finalized with Maui Land & Pine. There is stability in East Maui as long

as they have a revocable permit. When they move to a long-term lease, they're going to renegotiate the rates.

Ms. Hajnosz added that the rate studies are typically from a three to five-year outlook, which is not very long. Therefore, if you're looking at a 20-50-year supply, you need to look at it from a rate and revenue requirement standpoint of how much of a rate increase you would need to accommodate for all that future growth.

Member Nobriga asked when was the last time we had a rate increase, and if the department is being impacted by customers who cannot pay due to the pandemic and what percentage of our budget has been impacted by the three years where there hasn't been an increase.

Director Pearson responded that we had a 3% increase two years ago, and the department has been impacted and there has been some reduction of expenses for issues out of their control. Revenue and expenses have been pretty steady even during the pandemic.

Holly Ho, Department of Water Supply Fiscal Officer, added that receivables 121 days and older have been increasing. February was much higher than normal and they've dropped down in April. Payments are coming in now and locking meters for delinquent accounts have been on hold.

Ms. Hajnosz said that assuming there is a zero percent increase this year, they are expecting a 3.5% increase in 2023, 2024, 2025, and 2026.

Deputy Director Kau said that from a fiscal perspective, they work very carefully to adjust the budget to accommodate the lack of increased revenue. They are always analyzing revenue and expenses because the budget is a best guess of what they think will happen.

Vice Chair Kaninau would like more data on a fourth block for commercial and what the difference in revenue would be.

Chair Frampton deferred this item.

B. Request for Submittal of Proposed Charter Amendments and/or Recommendations.

Member Franco stated that we should go back to being a semi-autonomous board who had the power to hire and fire and take the politics out. Since we are a self-sustaining agency and we're not taking any taxpayer's money, we should have certain powers like setting the rates.

Deputy Corporation Counsel Whittaker mentioned that in 2002, the Charter was changed because there were issues because council still had the ultimate authority over a lot of the budget and it created friction between the council and the board.

He provided examples of Hawaii County and Kauai County's Charters and said that if these are models that the board would like to follow then a possibility would be to tell the Charter Commission that you think the board should be semi-autonomous and here are two examples that may help to achieve that, because ultimately, it's the Charter Commission who will come up with the specific language.

Chair Frampton suggested that the board discuss this in a big picture and make a recommendation to the Charter Commission because they are more equipped to vet the details.

Member Franco asked if there is a deadline to submit a proposal.

Deputy Corporation Counsel Whittaker said that the deadline is set for the end of May but he doesn't think it's a hard deadline. You can communicate to them that you'd like additional time.

Member Nobriga said that looking at the two examples, it seems like it comes with a lot of responsibilities and added workload. His opinion is to combine both proposals and have more discussion on this at the next meeting.

Deputy Corporation Counsel Whittaker also suggested that since this will be a major change, make the effective date a year after it's voted on to allow lead time for the change.

Member Franco suggested that the chair of Hawaii or Kauai's Board of Water Supply be invited to the next meeting.

Director Pearson said that it's obvious that a semi-autonomous or totally autonomous board does work, but it will be a controversial issue. He is a resource for the board and if they go through with it, he'll support the board and help them move forward.

Member Nobriga made a motion to defer the item to the next meeting and to submit a letter of intent to the Charter Commission before the May 28th deadline.

Member Franco seconded the motion.

The motion passed with 6 ayes.

MEMBER AQUINO LEFT THE MEETING AT 3:00 P.M.

VI. OTHER BUSINESS

A. Presentation by Eva Blumenstein, Department of Water Supply Planning Program Manager, on Molokai's Water Use and Development Plan update.

Ms. Blumenstein stated that they just launched the update for the 1990 Molokai Water Use and Development Plan (WUDP) with their consultant, Townscape from Oahu. The county's WUDPs are part of the statewide Hawaii Water Plan, and under that umbrella there are policies set by the Commission on Water Resource Management and the Department of Health. All the policies and state needs are set into an integrated plan and these plans have to be consistent with our land use policies. The requirements for the plan are set forth in the State Water Code and the Maui County Code, and it should be the primary guide to our council, to the department, and to all other agencies of the County in approving or recommending use and commitment of water resources and using public funds to meet future demands on the public water system. The overall goal is to develop a plan that will provide a balance between the preservation management of Molokai's water resources and sustainable groundwater and surface water use and development to serve present use and future generations.

For the approval process, first CWRM approves the project description. Then the board and the department review the draft, and then the board holds one or more public hearings on the update. Then the board transmits its findings and recommendations to the department within 180 days of the receipt of the update. The department reviews the recommendations and if deemed necessary by the director, revise the proposed update accordingly. The director then transmits the proposed update to council within 60 days of receipt from the board and the council shall pass the proposed update within 180 days. Finally, the County Clerk transmits the ordinance to CWRM for review, acceptance and incorporation into the Hawaii Water Plan.

Member Franco asked Bruce Tsuchida, Principal Planner with Townscape, about their method of community outreach.

Mr. Tsuchida recognizes that continuous communication with a lot of people, community leaders, and organizations on Molokai is essential for this plan. Many have strong feelings and opinions about their island and its culture, resources, and water, so they have designed a thorough community consultation process. Currently, they are meeting with individuals and small groups and they are planning to have an online general community meeting in the next month.

Member Franco asked if it's true that there is a huge Hawaiian Homes community on Molokai that have their own water system.

Mr. Tsuchida said it's a fairly large water system and they are currently doing some major upgrades and repairs. Funds for the repairs are from DHHL and they also received a major grant and loan from the USDA. They set their own rates which are heavily subsidized by the department.

He also stated that in the early stages of this plan, they have seen several different water systems, including DHHL, the county's system, and Molokai Ranch. Part of the planning effort is to coordinate these systems so they work better for the community and consumers and the different water providers seem to be willing to discuss how they can work better together.

Vice Chair Kaninau said that Townscape did the proposal in December 2020. Is the project's timeline for the update still 30-40 months?

Mr. Tsuchida responded that it is still their timeline and this is a complex issue with the community raising concerns with the link between water resources and land use restoration and how it all affects the water plan.

Member Nobriga asked how many users are on the county's water line on Molokai.

Ms. Blumenstein responded that there are 1,695 users.

B. Discussion of Six-Month Priorities List.

The item was deferred.

VII. DIVISION REPORTS

Director Pearson stated that we're moving into the dry season. For the board's information, the Mahinahina Treatment plant will be shutting down for more than 30 days because the DOH is requiring them to install ultraviolet disinfection. Mandatory conservation notices for the West side will be going out in a few weeks.

Chair Frampton asked about the in-stream flow standards on the West side.

Director Pearson said the state water commission established the interim in-stream flow standards for Honokohau, Honolua and Kaluanui streams. This will not impact the department in the near future, but the bigger issue is the commission's decision on the Na Wai Eha contested case.

Member Nobriga asked for an update on the new board members.

Ipo Mossman, Community Liaison to the Mayor, said that Leinaala Perry, from East Maui, has been approved. The mayor intends to nominate another person, probably from Molokai.

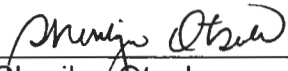
X. NEXT MEETING DATE AND TIME

June 17, 2021 at 1:30 p.m.

XI. ADJOURNMENT

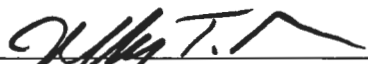
There being no further business, the regular meeting was adjourned at 3:55 p.m.

Prepared by:



Sherilyn Otsubo
Commission Support Clerk

Approved for distribution:



Jeffrey T. Pearson, P.E.
Director