County of Maui Water Supply

DEPARTMENT OF WATER SUPPLY

COUNTY OF MAUI

PUBLIC HEARING

2003 FISCAL YEAR OVERVIEW

Held at the Maui Community College Skybridge, Ka'aki Building, Room 107, Kahului, Maui, Hawaii, commencing at 6:00 p.m., on June 13, 2002.

REPORTED BY: JEANNETTE W. IWADO, RPR/CSR #135

IWADO COURT REPORTERS, INC.

A T T E N D A N C E

CHAIRPERSON:

PETER RICE

BOARD MEMBERS:

ADOLPH HELM (By teleconferencing)

KENT HIRANAGA

HOWARD NAKAMURA

GINNY PARSONS

MIKE VICTORINO

DIRECTOR:

DAVID CRADDICK

DEPUTY CORPORATION COUNSEL:

EDWARD KUSHI, JR.

FISCAL:

HOLLY PERDIDO

WATER RESOURCES:

ELLEN KRAFTSOW

TRANSCRIPT OF PROCEEDINGS

DEPARTMENT OF WATER SUPPLY PUBLIC HEARING

2003 FISCAL YEAR OVERVIEW

JUNE 13, 2002, 6:00 P.M.

CHAIRMAN RICE: The public hearing is now in session. This public hearing has been called to obtain public input for the proposed fiscal year 2002-2003 Operating and Capital Improvement Project budgets for the Department of Water Supply, County of Maui.

I want to greet everyone, recognize the Board Members who are present here, Kent Hiranaga, Mike Victorino, Ginny Parsons, Howard Nakamura, myself, Director David Craddick, Corp Counsel Ed Kushi, Junior. And members of the public who are here, thank you for coming.

The notice was published in the Maui News. Copies of the budgets are available. And at this point is there any written testimony to be presented?

(No response).

I see no written testimony. At this point I am going to turn the presentation over to Holly Perdido, who will be making the presentation on the operating expense side of the budget. Holly?

MS. PERDIDO: Good evening, Chairman, Board Members, and members of the community. We are pleased to present to you our fiscal year 2003 budget.

Our budget reflects our mission statement: To provide clean water efficiently. The budget is an estimate of what we project for our revenues and expenses for the year. The proposed budget for Fiscal Year 2003 consists of two parts, the Operating Budget and the Capital Improvements Program Budget, which we will be referring to as the CIP budget. Approximately 34 percent of the budget, or $14.4 million is for capital expenditures, and 66 percent, or $27.6 million is for operations.

Generally, the Operating Budget provides for continuing service to our customers by funding operations, maintenance, and equipment expenses. In addition, the Operating Budget provides for debt service payments and revenue transfers for system replacement due to the depreciation of the existing water system.

The Capital Improvement Program portion of the budget outlines the projects for system replacement and system expansion or additions. Expansions and operating revenues are

accounted for separately. The Operating Budget will be covered first.

The proposed budget projects total receipts to be $30.2 million, which is an increase of approximately $500,000, or 2 percent over the estimated current fiscal year total receipts. Direct operating expenditures, excluding equipment, are projected to be $27.6 million, which is $2 million, or 8 percent over the estimated current year-end expenses.

Total operating revenues for fiscal year 2003 will be about $30.2 million. Operating revenues are primarily derived from water sales. Revenue from water sales are a function of water consumption and water rates. Water deliveries comprise about 96 percent of total operating revenue.

We are projecting an increase in revenue of about $500,000 over our year-end estimated revenues. This is only about a 2 percent increase. Other revenues come from monthly charges, fire protection service, installation and jobbing, interest income, and other miscellaneous charges.

This money is spent on operations, maintenance, equipment, debt service, and system replacement. When funds allow, we set up to 15 percent of our revenue aside for system

replacement. That shows up in the CIP program.

Fiscal year 2003 water rates will be the same as the current year's rates. Therefore, we will not realize the effect of an increase in water rates, which has been about 5 percent annually over the past five years.

Interest income is projected to be about $900,000, which is the same as this year's estimate. Interest income is directly affected by the spend-down of our cash balances on CIP projects. We also anticipate continued lower returns on our investments due to the current market interest rate environment.

Here we have the operating expenditures. The proposed budget projects $28.2 million for operating expenditures, including equipment expenses. This represents a 7 percent increase over the estimated expenses for the current year. Payroll totals $7.8 million, material and supplies are $2.5 million, services total $8.6 million, debt service is $5.9 million, equipment is $600,000, and other costs which include overhead and benefits total $2.8 million.

The major expenditure categories are payroll at $7.8 million. Of this, $800,000 is for funded vacant positions

which will be tracked separately, and $7 million is for currently filled positions. The department is not funding any expansion positions. Electricity represents $6.4 million, and debt service is $5.9 million. The total for these three categories is $20.1, or 73 percent of our operating expenditures.

Electricity expense has been between $4 million in 1998 to $6.3 million as our estimate for fiscal year 2002. Electricity expense is estimated to be $6.4 million for fiscal year 2003. The department is looking for ways to reduce and save on electricity. In the professional services line item of our budget we have $100,000 budgeted for alternate energy sources and $120,000 for an energy study for Kamole/Hamakuapoko wells.

Resource protection has been a continuous commitment from the Board. In 1998 we spent $148,300, in 1999 we spent $107,000, and continuing on to our proposed 2003 estimate would be $465,000.

We have budgeted $465,000 for fiscal year 2003, which includes Miconia removal, West Maui Mountains and East Maui Mountains, and East Molokai Watershed partnerships, North Waihee/Iao Aquifer monitoring, a stream monitoring study, and a

wellhead protection program.

In the past five years we have transferred from $1 million up to $4 million for our aging infrastructure. We plan to transfer to the CIP fund $3 million for fiscal year 2003. Our infrastructure replacement needs are substantial. And even with the past rate increases, we were not able to generate sufficient revenues to cover our depreciation expenses, which are on the order of $9 million for the prior year. We will continue to face the very real challenge of funding for replacement of an aging infrastructure.

This concludes our Operating portion of the budget, and now we will take a moment's break so Ellen can get the CIP program going. Thank you.

CHAIRMAN RICE: Thank you, Holly.

(Whereupon a brief recess was had).

MS. KRAFTSOW: My name is Ellen Kraftsow and I will be presenting the Capital Improvement section of tonight's program. I will be telling you about this year's capital

improvement, a little bit about how we choose projects, how this year's program breaks down with the community plan, community plan areas, and a little bit about how we hope to continue to improve the budget program.

Our capital improvement program is funded by a one year allocation one year at a time, but we do maintain a five year schedule on a longer term project list. This year's capital budget funding totals $14.385 million. Funding comes from the replacement fund, from operating, the operating replacement fund, bond funds, development fees, source and storage funds, and sometimes we get federal, state or county funds. The money is used for system replacement, system expansion, regulatory compliance, efficiency, and facilities maintenance.

This year's breakdown of funding involves $6.16 million from the replacement fund, $1.2 million from the GO bond fund, $6.03 million from the water system development fund, $0.6 million from the source fund, and $0.4 million from the storage fund.

We serve water in five major system areas. Molokai with about 1500 meters, Lahaina with about 3,000 meters, Central Maui with about 16,000 meters, Upcountry with about

9,000 meters, and East Maui with about 506 meters.

Our Capital Improvement Programs break down with 4.2 -- excuse me. Our Capital Improvement Projects break down $1.06 million for projects that can affect all systems, $4.97 million for projects affecting the Central Maui system, $8.72 million for projects that can affect the Upcountry system, $0.97 million for projects in the Hana area, $1.84 million for West Maui, and $0.66 million for Molokai.

Okay, we also break down our projects by Board priorities, which are Safe Drinking Water Act compliance at $4.2 million, distributing withdraws out of the Iao Aquifer at the $3.225 million, source projects at $50,000, drought relief projects at $150,000, storage projects at $2.1 million, pipeline replacement projects at $5.7 million, pump replacement projects at about $160,000, reliability at $1.8 million, facilities at $.5 million, and efficiency projects at $.24 million.

This is an example of how our system is divided between maintenance and expansion projects. We have $6.81 million for system maintenance projects, although we're only transferring $3 million from the replacement fund, and $7.53

million for expansion projects.

This is how that would break down by system. The dark blue bars that you are seeing now are the maintenance, and the lighter blue bars at the top are the expansion projects. By community plan areas we have about $1.35 million for Molokai, $815,000 for West Maui, $4.5 million for Kahului/Wailuku, $1.1 million for projects that affect all areas, $2.005 for projects located in the Haiku/Paia community plan area, $3.95 for Makawao/Pukalani/Kula, $250,000 in Hana, and $350,000 in Kihei/Makena projects.

But that really makes more sense to present this way, which is by our systems, because some of the projects affect more than one community plan area. So again, for all systems about $1.1 million, for projects affecting the Central Maui System, about $4.98 million, Hana a quarter of a million dollars, Lahaina about $.815 million, Molokai $1.35 million, and Upcountry $5.877, with an improvement and expansion breakdown of $6.8 for maintenance projects and $7.527 for expansion with capacity.

When we go to prepare the CIP we review regulatory requirements and programs, we look at where lines are substandard, are they breaking, are they very old, or is the

material unacceptable. We inventory our equipment, our equipment statues, and make regular maintenance schedules, especially for system items like pumps and tanks. We consider capacities and forecasts for source and storage needs, and we look at existing plans that have been prepared for us by various consultants, and their capital and maintenance suggestions. All of this is discussed and reviewed in-house and considered with regard to Board priorities. Then we compile it all and do some mapping and analysis.

So in more simple terms, we look at regulatory requirements and resource protection, inventory and replacement history, breaks, flow and pressure problems, and other optimization issues, reliability considerations and status, system trends, community plan and zoning consistency, and the Board priorities and community input.

The Board's priorities are as follows: Safe Drinking Water Act compliance, the Iao Aquifer, to get withdraws out of the Iao Aquifer, drought mitigation, storage, source, pipeline replacement, pump replacement, facilities and reliability, and efficiency and automation.

I won't go much into regulatory requirements, but

the North Waihee Source Development Program and the building of the treatment plants are examples of those kinds of projects. We also like to reduce drought Upcountry. That would be with additional storage, backup well drilling, and sometimes pipelines, as in the dual ag line. Source and storage is another the important factor that we have been over before.

This is an example where you inventory the status and condition of your facilities. The pumps on the top are in very good condition. The old tank on the bottom, actually it's out of use, but that would be an example of a tank that would need replacement.

And our pipelines similarly need to be replaced regularly, but there are so many that we prioritize them in various ways. This map shows system breaks, particularly in the Central Maui and Upcountry sectors. And if you look at the cluster right in Central Maui, these blue dots show breaks there. Forgive me, but these blue dots show breaks and those areas have capital projects.

We also look at the installation date, and this is an example where you can see pipe diameter, CIP projects where the pipe diameter is small.

Pipe materials are shown here, and the pink areas

are asbestos concrete and translate, and you can see that that also plays a factor in our CIP selection. Here you see only a portion of the pipe materials here scheduled, the reason being that this is the age of the pipe materials.

We also look at system trends, and this is an example of how we would plan for storage based on anticipated demand. Finally, we look at community plan designation. So here is an example where we're looking at diameter and there's some lines, for instance, one on Honoapiilani Highway that would normally seem to be an adequate size, but because of the community plan designation, it needs to be upgraded because it's substandard for a commercial area. This is an example from Lower Kula Road, where the same thing happened.

Finally, we also look at how many customers or what size of an area might benefit, and this is an example where we went over with the Mokulele/Ohukai project, an area that might benefit from that project.

We're also developing some tools to improve, further improve our capital planning. One is an hydrolic model that should help us to identify pending flow and pressure problems, even forecasts, and the other is a supervisory control and data

acquisition system, which can help us identify tanks which are cycling and refilling too often.

And so in conclusion, we would like to continue to update our inventories and improve our mapping, improve the relationships between the different programs we are developing, and improve our prioritization procedures. Thank you.

CHAIRMAN RICE: Thank you, Ellen. Anything else to add? (No response).

Okay, is there any -- one more time, is there any testimony from the public before we close the public hearing? Anybody come in on Molokai, Adolph?

MR. HELM: No, Peter.

CHAIRMAN RICE: Anyone here? Questions?

Okay, that will end the public hearing. Thank you for all for your attendance, your comments, thank you the staff for the presentation.

(The proceedings were concluded at 6:25 p.m.)

"By Water All Things Find Life"

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