

Finance Committee Meeting

February 4, 2014
1:30 p.m.

Committee Members Present: Larry Dill, *Chair* and Hugh Strom answered present at Roll Call.
Randall Nishimura (*entered meeting @ 1:59 p.m.*)

Staff Present: Kirk Saiki, Kim Tamaoka, Regina Flores, Mary-jane Garasi, Dustin Moises, Keith Aoki, Deputy County Attorney Andrea Suzuki

At 1:46 p.m., Chair Dill called the Finance Committee meeting to order.

AGENDA

Chair Dill accepted the agenda as circulated; with no objections.

OLD BUSINESS

1. Manager's Report 14-16 – Part 4 Section VII Facilities Reserve Charge, Proposed Rule Amendments

BACKGROUND:

Acting Manager Kirk Saiki presented Drafts A & B for Part 4 Section VII that were Received for the Record.

RECEIVED FOR THE RECORD

PART 4
FIXING RATES FOR THE FURNISHING OF WATER SERVICE IN THE
COUNTY OF KAUAI

FEB 4 - 2014

(DRAFT A)

SECTION VII - FACILITIES RESERVE CHARGE

1. The water system facilities reserve charge shall be assessed against all new developments and subdivisions requiring supply of water from the County of Kauai, Department of Water, and existing developments requiring additional supply of water from the Department's system. The facilities reserve charge must be paid before water services are made available to the new or existing development.
2. The water system facilities reserve charge shall be paid by all applicants for water service, including but not limited to the following:
 - a. All irrigation services and/or meters.
 - b. Additional buildings to be connected to existing services where additional demands or supplies are indicated. The charges shall be based on the meter sizes required if maximum day demand of the additional buildings were metered separately.
 - c. Additional units connected to existing services and meters under the categories of single family and multi-family residential units. The charges will be based on the established schedule of charges for the respective categories maximum day demand of the additional units.

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3. The Facilities Reserve Charge was adopted in accordance with the report prepared by an independent consultant retained by the Kauai Board of Water Supply to assess and study water facilities. The report calculated the cost associated with the water development needs laid out in the Board approved Department facilities needs assessment study entitled "Water Plan 2020" as amended. The breakdown of those costs per gallon is laid out in Schedule 1:

Schedule 1

	Cost per gallon
Source	\$ 4.04
Storage	\$ 7.72
Transmission	\$ 7.12
TOTAL	\$ 18.88

4. The Facilities Reserve Charge shall be computed as follows:

Maximum Day Demand x Cost per gallon of water facilities

The maximum day demand shall be based on the Domestic Consumption Guidelines set forth in the Water System Standards of the DOW as amended or as will be amended.

5. The water system facilities reserve charges shall apply to all applicants for water service as follows:

- a. For each residential parcel created by subdivision, including the first lot created; and for every new single family residential dwelling unit not yet metered and a facilities reserve charge has not yet been paid, the charge shall be \$4,600.00/14,160.
- b. For each unit or hotel room in a multi-family residential development and/or resort development, which applies to each unit or hotel room, the charge shall be \$4,600.00/912.
- c. For new parcel created by subdivision (not within a residential district) and all other uses, the facilities reserve charge shall be determined by the size of the meter as follows:

Comment [r1]: Need Procedure: Zoning Permit for Commercial

Meter Size	Amount
5/8"	\$ 4,600.00
3/4"	\$ 14,300.00
1"	\$ 26,400.00
1 1/4"	\$ 53,200.00
2"	\$ 90,700.00
3"	\$ 170,000.00
4"	\$ 283,400.00
6"	\$ 566,800.00
8"	\$ 907,000.00

Zoning Designation	Cost per Area
Commercial	\$ 84,960 / acre
Commercial / Industrial Mix	\$ 141,600 / acre
Commercial / Residential Mix	\$ 84,960 / acre
Light Industry	\$ 113,280 / acre
Schools, Parks	\$ 113,280 / acre
Agriculture	\$ 70,800 / acre

Comment [r2]: Need procedure for: existing commercial / school building permits

Comment [r3]: Not sure if Building Area or Lot area...

Comment [r4]: All AG rate customers?

~~Meter sizes shall be determined by the Department and not by the Developer or Applicant.~~

~~Meter sizes shall be determined by the Department and not by the Developer or Applicant. The facilities reserve charge for multi-family and/or resort development will be determined by the approved meter size or the number of units, whichever number is larger.~~

~~Facilities reserve charges are periodically adjusted by the Department. These adjustments may increase or decrease existing facilities reserve charge amounts. Where adjustments to facilities reserve charges result in decreases of such charges, no refund will be made of the difference between the higher, pre-existing charges and the lower, adjusted charges.~~

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4. _____
6. _____ FRC Offsets.

- a. Definitions and construction of words. As used in this paragraph 4, the following definitions shall apply:

"Applicant" means any person, individual, corporation, partnership, business, organization, association, or other entity whatsoever that applies for water service from the Department.

"Consumer" has the meaning ascribed to it under Section I of Part 2 of the Department's Rules and Regulations.

"FRC" means the facilities reserve charges described in section VII of Part 4 and Section III of Part 3 of the Department's rules.

"Offset" means reduced or reduction.

"Subdivider" has the meaning ascribed to it under section I of Part 3 of the Department's Rules and Regulations.

"Subdivision" has the meaning ascribed to it under section I of Part 3 of the Department's Rules and Regulations.

"Water transmission main" or "main" means a main extension under Paragraph 2.d [2.a.(4)] of Section II of Part 2 of the Department's Rules and Regulations.

As used in this Paragraph 4, the following rules of construction shall apply:

Number. Words in the singular or plural number signify both the singular and plural number.

"Or", "and". Each of the terms "or" and "and", has the meaning of the other or of both.

- b. When an applicant, consumer, or subdivider is required to construct and dedicate water source or water storage facilities, or water transmission mains, to the Department, the following rules shall apply.

Subject to the provisions of this Paragraph 4, the applicable FRC liability of such applicants, consumers, or subdividers shall be offset in accordance with an amount not to exceed those percentages laid out in Schedule 2; by up to 33% each where water source or water storage improvements are constructed, and up to 60% where water transmission mains are constructed; provided that the total amount of all offsets that an applicant, consumer, or subdivider receives shall not exceed 100% of the applicant's, consumer's, or subdivider's FRC liability, and provided further that the offset for any source or storage improvement or transmission main shall not exceed the actual cost of the source or storage improvement or transmission main.

Schedule 2

	Maximum Offset Percentage
<u>Source</u>	<u>21%</u>
<u>Storage</u>	<u>41%</u>
<u>Transmission</u>	<u>38%</u>
<u>Total</u>	<u>100%</u>

The Department, and not the applicant, consumer, or subdivider, shall calculate and determine the total amount of an applicant's, consumers, or subdivider's FRC offset in any given case. The Department may require the applicant, consumer, or subdivider to submit

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documentation verifying the actual cost of a source or storage improvement or water transmission main.

- c. The offsets described in this Paragraph 4 "FRC Offsets" shall not apply to water transmission mains constructed by a subdivider, applicant or consumer which are within or adjacent to a subdivision or lands either 1) owned by the applicant or consumer, or 2) developed by the applicant or consumer for uses such as, but not limited to, residential, agricultural, commercial, resort, industrial, governmental, religious, or educational uses. Where water transmission mains are constructed within, adjacent to, or outside of such subdivisions or lands, the offsets shall apply only to mains constructed outside of and off-site from such subdivisions or lands."

6. The meter size shall be determined by water supply fixture unit as defined in the Uniform Plumbing Code, Chapter 14 of the Kauai County Code 1987, as amended and engineering principles and standards. Meter sizes shall be determined by the Department and not by the Developer or Applicant. Developer or Applicant shall provide a schedule of existing and new water supply fixture units, and water demand calculations, signed and stamped by a Professional Engineer registered in the State of Hawaii, at the time of application.

7. Facilities reserve charges are periodically adjusted by the Department. These adjustments may increase or decrease existing facilities reserve charge amounts. Where adjustments to facilities reserve charges result in decreases of such charges, no refund will be made of the difference between the higher, pre-existing charges and the lower, adjusted charges.

8. There shall be an administrative charge assessed for review of all water requests and building permit applications. The amount of the administrative charge shall be established by Board resolution.

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The proposed rule in Draft A is a method of determining the rate for MDD flow.

MDD flow are shown in the DOW standards:

- Commercial 3,000 gpd/per acre and access \$18.88 per gallon per day
- Flat rate – Single family residential
- Flat rate per room/unit - Multi-family residential / Resort

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PART 4
FIXING RATES FOR THE FURNISHING OF WATER SERVICE IN THE
COUNTY OF KAUAI

FEB 4 - 2014

(DRAFT B)

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3. The Facilities Reserve Charge was adopted in accordance with the report prepared by an independent consultant retained by the Kawai Board of Water Supply to assess and study water facilities. The report calculated the cost associated with the water development needs laid out in the Board approved Department facilities needs assessment study entitled "Water Plan 2020" as amended. The breakdown of those costs per gallon is laid out in Schedule 1:

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The Facilities Reserve Charge shall be computed as follows:

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The maximum day demand shall be based on the Domestic Consumption Guidelines set forth on the Water System Standards of the DOW as amended or as will be amended.

4. The water system facilities reserve charges shall apply to all applicants for water service as follows:

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Page 1 of 4

Effective: December 25, 2011

- a. For each residential parcel created by subdivision, including the first lot created; and for every new single family residential dwelling unit not yet metered and a facilities reserve charge has not yet been paid, the charge shall be \$4,600.00 14,180.
- b. For each unit or hotel room in a multi-family residential development and/or resort development, which applies to each unit or hotel room, the charge shall be \$4,600.00 912.
- c. For new parcel created by subdivision (not within a residential district) and all other uses, the facilities reserve charge shall be computed determined by the size of the meter as follows:

Comment [r1]: Need Procedure: Zoning Permit for Commercial

Maximum Day Demand x Cost per gallon of water facilities

Meter Size	Amount
5/8"	\$ 4,600.00
3/4"	\$ 14,300.00
1"	\$ 26,400.00
1 1/4"	\$ 53,200.00
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8"	\$ 907,000.00

Zoning Designation	Cost per Acre
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Comment [r2]: Need procedure for: existing commercial / school building permits
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- b. When an applicant, consumer, or subdivider is required to construct and dedicate water source or water storage facilities, or water transmission mains, to the Department, the following rules shall apply.

Subject to the provisions of this Paragraph 4, the applicable FRC liability of such applicants, consumers, or subdividers shall be offset in accordance with an amount not to exceed those percentages laid out in Schedule 2; by up to 33% each where water source or water storage improvements are constructed, and up to 50% where water transmission mains are constructed; provided that the total amount of all offsets that an applicant, consumer, or subdivider receives shall not exceed 100% of the applicant's, consumer's, or subdivider's FRC liability, and provided further that the offset for any source or storage improvement or transmission main shall not exceed the actual cost of the source or storage improvement or transmission main.

Schedule 2

	<u>Maximum Offset Percentage</u>
<u>Source</u>	21%
<u>Storage</u>	41%
<u>Transmission</u>	38%
<u>Total</u>	100%

The Department, and not the applicant, consumer, or subdivider, shall calculate and determine the total amount of an applicant's, consumer's, or subdivider's FRC offset in any given case. The Department may require the applicant, consumer, or subdivider to submit documentation verifying the actual cost of a source or storage improvement or water transmission main.

- c. The offsets described in this Paragraph 4 "FRC Offsets" shall not apply to water transmission mains constructed by a subdivider, applicant or consumer which are within or adjacent to a subdivision or lands either 1) owned by the applicant or consumer, or 2) developed by the applicant or consumer for uses such as, but not limited to, residential, agricultural, commercial, resort, industrial, governmental, religious, or educational uses. Where water transmission mains are constructed within, adjacent to, or outside of such subdivisions or lands, the offsets shall apply only to mains constructed outside of and off-site from such subdivisions or lands.*

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6. The meter size shall be determined by water supply fixture unit as defined in the Uniform Plumbing Code, Chapter 14 of the Kauai County Code 1987, as amended and engineering principles and standards. Meter sizes shall be determined by the Department and not by the Developer or Applicant. Maximum Day Water Demand shall be determined by the Department and not by the Developer or Applicant. Developer or Applicant shall provide a schedule of existing and new water supply fixture units, and water demand calculations, signed and stamped by a Professional Engineer registered in the State of Hawaii, at the time of application.
7. Facilities reserve charges are periodically adjusted by the Department. These adjustments may increase or decrease existing facilities reserve charge amounts. Where adjustments to facilities reserve charges result in decreases of such charges, no refund will be made of the difference between the higher, pre-existing charges and the lower, adjusted charges.
8. There shall be an administrative charge assessed for review of all water requests and building permit applications. The amount of the administrative charge shall be established by Board resolution.

The proposed rule in Draft B assumes the same flat rates for single family and multi-family. Every other use is determined between by the Department based on the demand calculations by application. The Department will determine the max day flow to assess \$18.88 per gallon per day.

➤ Staff recommended Draft A because the Water Standards are straight forward.

Acting Manager Kirk Saiki and Mr. Nishimura agreed on either Draft A or B and pointed out that meters need to be sized properly. The Department does master planning and projected demands on vacant lots based on zoning.

DISCUSSION:

Chair Dill requested the Department provide language on Draft A so that an applicant can submit calculations to justify a different Max Day Demand (MDD) figure for the Department to review and approve. Upon applicant request, the second method (Draft B) could be considered.

Mr. Strom does not want to subject the Department of being unfair with their decision for an applicant. He suggested looking at the meter size based on potential service on MDD (Draft A) and on actual usage.

Chair Dill explained that so far the Department has used flat rate based on the water meter size. His goal would be to assess the customer fairly and protect the Department.

It was noted that changes cannot be made once the FRC was assessed unless the applicant comes in for a different size meter or a building permit.

Mr. Strom commented that if the land is zoned for commercial on whether to deliver potable water, the applicant could make demands on the Department. He asked where is the protection for the Department? Why pay for the additional storage demands of a 5/8 meter?

Chair Dill commented that the Department could access FRC if there is no increase in the meter size based on the proposed rule. This would apply if someone comes in with a small meter but expands their operations. Deputy County Attorney Andrea Suzuki added that additional FRC could be assessed with additional demands. For new commercial zoned subdivisions, the commercial FRC rate would be based on the acreage.

At 1:59 p.m., Mr. Nishimura entered the meeting.

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The developer could be charged for a commercial subdivision at \$84,960/acre. Chair Dill suggested charging \$14,160 for a subdivision, with a building permit. If an individual builds a lot, they could be charged incrementally based on water demand.

Mr. Strom would like to simplify the process and to justify staffing. If fees are flat, no enforcement action is needed. He also inquired if sewer fees are assessed for commercial & industrial.

Chair Dill questioned if it was fair for an applicant to pay for capacity that they would never use? The Department has a responsibility to build out for the standard. The Department could eliminate the smaller developer from being able to develop at \$84,960/acre for water they would never use.

Department would not be at risk and the cost per area for non-residential was based on the average day flow on the Water System Standards (3,000 gallons x 1.5 to get to MDD x \$18.88 gpd).

The Department has not charged FRC to the customer based on the infrastructure. The table is MDD based on the Water System Standards (i.e., Puhi Industrial are ½ acre lots which uses 1” meters could be charged \$43,000. By using a 5/8” meter, Puhi Industrial could be charged \$14,000.) The Department could review the subdivision plan and built it and charged the \$85,000 which would be an investment for the Department based on a 5/8” meter charge.

Civil Engineer IV Mr. Aoki clarified that subdivision calculations on irrigation are based on the standards. Other subdivisions not part of a master plan calculation are based on full density. Regardless of the zoning, 5/8” meters are used. Residential subdivisions would be assigned 750 MDD for single dwelling.

Based on the rules, each lot created by subdivision is charged \$4,600 (5/8” meter rate). The master plan (source, storage and transmission) are based on the MDD density. The FRC based at the time of subdivision is based on per lot which is in the current Part 4 rule. The Department would not be at risk since the developer pays for the source, storage and transmission. At the time of subdivision, charge \$14,160 (5/8” meter) and define the lots on the master plan. Ms. Flores indicated a master plan and non-master plan would require a 5/8” meter on every lot regardless of the size of the lot.

Mr. Aoki added that the overall fire flow and transmission are resized for the zoning requirements. The Department would of paid for the infrastructure for a 5/8” meter. In this case, the Department would not recover its costs.

➤ Mr. Aoki and Ms. Flores recommended flat rate per meter size.

Construction Project Management Officer Mr. Moises inquired if the Department could recoup the fees for infrastructure. He suggested using MDD with both options, and then choose whichever is higher. Language could be added to the rule that the Department may address ... (inaudible).

Chair Dill stated the Department builds on MDD and access FRC from customers.

Mr. Nishimura suggested writing in the rules (if legal): The Department will charge the customer less but if the consumption over X number of years shows shows average day demand is higher, the Department reserves the right to change for the remainder.

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Mr. Aoki confirmed the Water Plan 2020 expansion projects were based on the last General Plan of the county.

An inquiry from Mr. Nishimura regarding if the projects listed on the FRC study are going to be done within the time frame of the FRC rate? Based on a five (5) year horizon, the 25% of the projects would be done which Mr. Moises indicated. Not every project would be funded within five years. Mr. Moises felt the one year completion date would be unrealistic as mentioned by *Acting* Manager Kirk Saiki.

Mr. Nishimura commented on the dollar value to generate the FRC. Why would customers pay for a project that the Department is not able to do?

- Mr. Strom was in favor of the cost per acre.
- Mr. Nishimura was in favor of the cost per acre provided the numbers are reviewed for the projects

The rate study recommended including in the determination of the FRC cost of facilities done during a projected lifetime.

Deputy County Attorney Andrea Suzuki noted that the study is based on a 20 year life span. The six (6) year time frame for monies received would go to expansion projects. If the Department is collecting money but not putting out projects, the money needs to be refunded.

At a previous discussion, Mr. Moises stated if an applicant paid the \$14,160, even if the source, storage and transmission was not in, the Department would owe the applicant a meter. The Department has not been doing this. The other theory circulating is that once the rate goes up, the Department could start doing projects and Department would not have the meter restrictions. This would be difficult for the staff to do.

Mr. Nishimura posed a question to Ms. Flores on new parcels created by subdivision (based on acres) – would it work? By rezoning ag to commercial, how much would FRC be? Is this a problem using the methodology in Draft A? For parcels that are subdivisions, he agreed that the *flat rate meter size is simpler* way to work which is based on MDD (meter sizes based on the 750 MDD ratio to the 5/8” meter). Mr. Nishimura suggested a method that may work on new parcels created by subdivisions would be to use the zoning designation (i.e., If an applicant comes in for a subdivision lot, charge \$84,960/acre x sq. footage).

- Chair Dill felt comfortable with the meter size based on MDD/ratios which are capturing the Department’s cost giving more range.
- Mr. Nishimura agreed as long as the potential use is covered.

Acting Manager Kirk Saiki commented that the Department does ask the applicant to submit MDD calculations and existing fixture units to determine meter size. The Department would access FRC from the table based on the water demand or the Department would determine the MDD (by adding the hybrid system). The higher meter size protects the Department. *Acting* Manager Kirk Saiki will run the calculations on various scenarios using MDD schedule on the Draft B method that will be presented at the February Regular Board meeting.

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Draft A, Item No. 5b – Chair Dill inquired if \$9,912 FRC could be justified for a multi-family unit or hotel room with no kitchen. Ms. Flores pointed out that a hotel would have a large pool, restaurant/bar and irrigation.

Page 4, Item No. 6 – “*Developer or Applicant shall provide a schedule of existing and new water supply fixture units, and water demand calculations signed and stamped by a Professional Engineer.*” The Department should accept the stamp by a Professional Engineer.

Page 4, Item No. 6 (sizing the water meter) – “*The Developer or Applicant shall provide a schedule of the water fixture units and water demand calculations ...*” The water demand calculations determine the FRC. Chair Dill requested Deputy County Attorney Andrea Suzuki to work with the Department if that language should be in a different section.

Page 2, Item No. 6 – FRC Offsets - Mr. Nishimura inquired if definitions to the overall rule have special meaning.

Page 3 – Definitions for “or” “and” were a little confusing to the committee. *Acting* Manager Kirk Saiki did not want to change the existing rule but would review the language in Draft A.

Mr. Nishimura moved to adjourn the Finance Committee meeting at 3:20 pm; with no objections.

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