

Finance Committee Meeting

January 22, 2014
3:10 p.m.

Committee Members Present: Larry Dill, *Chair*, Clyde Nakaya and Hugh Strom answered present at Roll Call. Randall Nishimura (*entered meeting @ 3:19 p.m.*)

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

At 3:10 p.m., Chair Dill called the Finance Committee meeting to order.

OLD BUSINESS

1. Manager's Report 14-16 – Part 4 Fixing Rates for Water Service, Section VII Facilities Reserve Charge (10-15-13), i. Part 4, Section VII (10-15-13)

BACKGROUND:

Acting Manager, Kirk Saiki followed up on two discussion items from the January 15th Finance Committee meeting on the following:

- 1) To have Leidos give the Board their draft language for FRC rules which is reflected in Mr. Andrew Baker's January 20th email
- 2) To review and compare larger meters for multi-family units and resort areas to design values

The following documents were Received for the Record:

RECEIVED FOR THE RECORD
JAN 22 2014

Saiki, Kirk

From: Baker, Andrew S. <ANDREW.S.BAKER@leidos.com>
Sent: Monday, January 20, 2014 9:25 PM
To: Saiki, Kirk
Subject: Draft Rule Language

Kirk-

Here is my draft for proposed rule language:

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

- a. Fixture Units are as defined by the Uniform Plumbing Code, latest edition. Adjustments to Uniform Plumbing Code for low flow devices are subject to Department review. [Do you have a schedule of allowable adjustments that could be included?? Policy decision as to whether to allow this adjustment at all, or perhaps only for certain devices that aren't easily changed out]. Determination of the number of fixture units is subject to Department review.

Finance Committee Meeting January 22, 2014

- b. For each parcel created by subdivision, including the first lot created; and for every new single family residential dwelling unit not yet metered and for which a facilities reserve charge has not yet been paid, the charge shall be based on the number of fixture units, times \$472.
- c. For each multi-family residential development and/or resort development not yet metered and for which a facilities reserve charge has not yet been paid, the charge shall be based on the number of fixture units, times \$472.
- d. For all other uses, the facilities reserve charge shall be determined by the size of the meter as follows:

<u>Meter Size</u>	<u>Amount</u>
5/8"	\$14,160
3/4"	\$21,240
1"	\$35,400
1 1/2"	\$70,800
2"	\$113,280

For meter sizes greater than 2 inches, the charge shall be determined on an individual basis by DOW based on the designed demand in max day gallons per day, times \$18.83/gpd. [I recognize this leaves you with a scenario of having to come up with a calculated value for commercial properties larger than 2" in diameter, but any commercial/industrial development of that size would be doing something specialized enough to require a real calculation, regardless.]

I believe I mentioned to you, I will be travelling during the day on Tuesday, but I should have email access in the afternoon.

Andy Baker | Leidos

Utility Analyst | Civil Infrastructure
 phone: 206.695.4486
 mobile: 206.569.8486
andrew.s.baker@leidos.com | leidos.com/engineering

SAIC's engineering business is now...

RECEIVED FOR THE RECORD

JAN 22 2014

Development	Meter Size, in	Flow, gals/yr	Calculated Ave Day Flow, gpd	Calculated Max Day Flow, gpd	Number of Units	Calculated Ave Day Flow per Unit	Calculated Max Day Flow per Unit
Marriott Hotel/Kauai Lagoons	6, 6, 4	205,253,200	560,801	841,202	927	605	907
Regency at Poipu Kai	3	10,024,400	27,389	41,084	73	375	563
Koloa Landing at Poipu	6	8,745,300	23,894	35,841	329	73	109
Waiohai Beach Club	3, 3	42,626,400	116,474	174,711	241	483	725
Lihue Townhouse Apartments	3	3,245,800	8,888	13,302	64	139	208
Sun Village	4	18,771,600	51,289	76,933	143	359	538
Kapea Beach Resort	3	7,752,800	21,183	31,774	81	262	392
Islander on the Beach	4	14,021,700	38,311	57,466	208	184	276
Waipouli Beach Resort	4	28,532,100	77,957	116,935	204	382	573
Kauai Coast Resort at Beach Boy	3	16,987,200	46,413	69,620	112	414	622
Pono Kai Resort	4	22,789,500	62,266	93,400	244	255	383
Total			1,034,844	1,552,266	2,626	394	591

Finance Committee Meeting
January 22, 2014

RECEIVED FOR THE RECORD

JAN 22 2014

Meter	Ratio to	Ratio		calc max	calc max	SAIC	SAIC			
Size, in	5/8" Meter	Meter	Cost	day flow	day flow	Max. Cont.	Fixture	SAIC	UPC	UPC
			\$/gal	gpd	gpm	Q. gpm	Units	\$/FU	FU	\$/FU
5/8	1	\$14,160	18.88	750	0.52	20	30	\$472	30	\$472
3/4	1.5	\$21,240	18.88	1,125	0.78	30	45	\$472	52	\$408
1	2.5	\$35,400	18.88	1,875	1.30	50	75	\$472	125	\$283
1 1/2	5	\$70,800	18.88	3,750	2.60	100	150	\$472	375	\$189
2	8	\$113,280	18.88	6,000	4.17	180	240	\$472	700	\$162
3	16	\$226,560	18.88	12,000	8.33	320	480	\$472	1950	\$116
4	25	\$354,000	18.88	18,750	13.02	500	750	\$472	3000	\$118
6	50	\$708,000	18.88	37,500	26.04	1,000	1,500	\$472		
8	80	\$1,132,800	18.88	60,000	41.67	1,600	2,400	\$472		

The number of units in each of the developments and the annual flow were from the Department's records. The calculation of the Average Day Flow and the Max Day Demand (MDD) with the 1.5 factor divided by the number of units vary from 73 to 605 Average Day Flow/day. The Design Standard is 350 gallons per day (gpd) per unit x 1.5 = 525 gpd per unit. Running totals are reflected at the bottom of the chart at 394 Calculated Average Day Flow per Unit.

DISCUSSION:

Chair Dill was concerned about billing multi-family projects according to the meter size or the number of units x 5/8" meter cost.

Acting Manager Kirk Saiki commented that the Department's practice is to size the meter for fixture unit (FU) and to charge a flat rate.

Chair Dill referenced the January 15th email from Leidos consultant Mr. Andrew Baker. The FU count was the same concept that *Acting* Manager Kirk Saiki calculated. Based on Mr. Baker's latest rule, anything above a 2" meter would be MDD.

Acting Manager Kirk Saiki *recommended* flat rate but would size the meter using FU and not MDD.

The FU was a concern for Chair Dill but agreed it is appropriate to size the meter because the FU represents the peak flow. MDD is better represented on the customer's demand on water infrastructure. It would be appropriate to use FU to size the meter but questioned the assessment of the Facilities Reserve Charge (FRC). There may be variations on peak flow. One short peak during the day on a large meter may not be an accurate assessment. The chart did not represent peak day only average MDD.

Acting Manager Kirk Saiki stated the chart represented the meters and Kōloa Landing at Po'ipū could be over sized. Chair Dill mentioned that Kōloa Landing could have a very high peak which is not represented on the chart.

Mr. Strom commented that Kōloa Landing at Po'ipū and the Marriott Hotel/Kaua'i Lagoons should be taken off the chart.

Chair Dill stated the information on the chart represented customer's demands on the water infrastructure. The chart does not indicate sizing the water meters.

Finance Committee Meeting
January 22, 2014

Acting Manager Kirk Saiki mentioned there are common questions that arise when using MDD or FU and asked what happens if the flow is actually higher.

Chair Dill indicated the Department could use FU for multi-family resort. If the Department goes with flat rate, it could be a potential problem for the Department.

Item b – (January 20th email from Mr. Baker) – “*For each parcel created by subdivision, including the first lot created;*” currently the Department charges subdivision x FRC. If a developer is developing residential lots but not building houses, how are FU charged?

The Department would charge flat rate for single family houses (5/8” meter, charge \$14,160 even with ½ FU) as indicated by *Acting* Manager Kirk Saiki. 95% of meters are 5/8” meters and FU are not counted for single family homes.

At 3:27 p.m., Chair Dill called for a recess to clarify if the Building Division calculates FU for the plumbing permit fee.

At 3:33 p.m., Chair Dill called the meeting back to order.

Acting Manager Kirk Saiki noted that part of the rule is to grandfather in old meters with FU. The rule would apply now and currently the \$14,160 FRC charge equals 30 FU.

Mr. Nishimura inquired on how is the system planning process based? Is it based on MDD that can run through the meter? If you are not working on FU now, how are you establishing when the Department would use source, storage and transmission?

At 3:37 p.m., Mr. Strom called for a recess. (*Chair Dill exited the meeting*)

At 3:39 p.m., Chair Dill called the meeting back to order.

Chair Dill clarified that whenever the Building Division issues a building permit for every single family residence, the FU are tallied to determine the plumbing permit fee. The plumbing permit and electrical permits are the last permits issued and are not seen by the DOW.

Chair Dill suggested that the Department should be charging a customer MDD. He would like to see if this could be incorporated into the rule on how it could be applied.

If there are affordable housing being built, should the Department consider FU? Mr. Strom recommended a caveat be looked at on a case-by-cases basis. Non profits groups could be credited 50% and developers could be priced on each meter.

Deputy County Attorney Andrea Suzuki thought that the recommendation was to accommodate for affordable housing but not on the rate payers. The Department needs to be cautious when charging less for someone and to look for another way to make up on the financial short comings. Affordable Housing Director Mr. Kamuela Cobb-Adams previous agreed to assess FU for multi-family units.

Finance Committee Meeting
January 22, 2014

Acting Manager Kirk Saiki commented that single family homes would be charged a flat rate and there should be a caveat for FU.

Mr. Nishimura noted that FU for multi-family residence are different if using \$18.88 for a 3” meter (by using MDD, as a potential demand).

Chair Dill agreed with using flat rate for single family dwelling.

In the rules, *Acting* Manager Kirk Saiki commented that everyone could take advantage of putting in less fixtures. Chair Dill agreed with FU. Single family homes (or a renovation) would be a flat rate. Multi-family residence would bring calculations for MDD compared to the Department’s water standards. Meters are sized by FU to determine a larger meter. Once meter size is determined the change would be \$472.

Chair Dill recommended the flat rate amount for meter sizes from 5/8” to 2” meters. Meter sizes greater size by 2” would be determined by the Department on an individual bases based on the design and demand on maximum calculations at \$18.83. There would be a provision for multi-family residence that the applicant would pay the greater of the meter size vs. MDD.

Acting Manager Kirk Saiki added that unit cost would be easier on FU count. MDD would be a negotiated amount.

Civil Engineer III, Ms. Flores stated in the current rules, there is an option to use the 525 gpd x \$18.83. A multi-family hotel would be \$9,912 (MDD x amount per gallon instead of using \$14,160). If the rules are revised to adopt the existing rules, 525 gpd x \$18.83 could be added. Current practice for multi-family are compared to the FRC for the meter size whichever is larger.

Acting Manager Kirk Saiki considered flat rate for single family homes and all other uses (except single family) would go with FU instead. MDD would be based on the standard.

Chair Dill suggested using MDD to calculate the FRC.

Mr. Strom suggested flat rate for single family based on MDD would be easy to adopt.

Commercial would use FU, multi-family is 525 gpd x \$18.88 x No. of units. (Note: 750 gpd corresponds to the \$14,160, 525 gpd is single family and multi-family has a greater demand.)

Mr. Nishimura asked if the MDD for the 5/8” and 2” meters correspond with the dollar amount?

Chair Dill commented that 5/8” meters are based on MDD for single family by the water system standards. The rest of the meters are based on a ratio of meter capacities.

Ms. Flores confirmed that anything over 2” for multi-family, resort or commercial would use FU.

Mr. Nishimura suggests using \$18.88 for the multi-family dwelling. The difference is not 1/3.
\$18.88 x 750 gpd = \$14,160 - MDD for single family residence
\$18.88 x 525 gpd = \$9,912 - multi-family has a smaller MDD than a single family residence.

Finance Committee Meeting
January 22, 2014

750 gpd, MDD is the established standard for Kaua'i.
525 gpd is an Average Day Standard.
5/8" is based on MDD

Ms. Flores recommended to keep the old rules but to change the FRC amounts.

The Finance Committee agreed on no options.

Deputy County Attorney Andrea Suzuki could justify flat rate for single family.

At 4:33 p.m., Mr. Nakaya exited the meeting.

Mr. Nishimura had a concern with Mr. Baker's January 20th email, Item b and asked would \$472 x FU be dependable? He recommended that the user come in with MDD plans based on \$18.88. Also, subdivisions with MDD would be consistent.

\$14,160 for 5/8" single family is 750 gpd MDD. All other applicant requests must submit a MDD calculation to the Department to review and approve.

Acting Manager Kirk Saiki will revise the proposed rules to include \$14,160 and \$18.88. Options will be left off which will be reviewed by Deputy County Attorney Andrea Suzuki and Mr. Baker.

All applicants will submit MDD calculations to the Department to review and approve.

Chair Dill adjourned the Finance Committee meeting at 4:55 p.m. which will be rescheduled in two weeks (February 4th or February 6th); with no objections.

ein