

Finance Committee Meeting

May 28, 2015
1:00 p.m.

Committee Members Present: Chair Larry Dill called the Finance Committee meeting to order at 1:13 p.m. Chair Dill, Laurie Ho and Hugh Strom answered present at Roll Call. Chair Sherman Shiraishi was also present (*entered meeting at 1:14 p.m.*).

Staff Present: Kirk Saiki, Deputy County Attorney Andrea Suzuki, Marites Yano, Keith Aoki, Kim Tamaoka, Jonell Kaohelaulii, Mary-Jane Akuna, Eddie Doi, Marites Yano, Anne Parrott

Guests: Carlos Rivera, SVD; Hall Parrott, Private Citizen; Bill Eddy, Grove Farm Company Representative

AGENDA

Mr. Strom moved to accept the agenda as circulated; seconded by Ms. Ho; with no objections, motion carried with 3 ayes.

MINUTES

None.

OLD BUSINESS

1. Manager's Report No. 14-16 – Part 4 Section VII, Facilities Reserve Charge, Proposed Rule Amendments

BACKGROUND:

Manager Saiki recommended that the Finance Committee approve Part 4, Section VII of the DOW's Rules and Regulations and move forward with the recommendations to the full Board.

DISCUSSION:

Deputy County Attorney, Andrea Suzuki commented that the recommendation is to delete the FRC Section VII out of Part 4 and to move it to into Part 5.

Acting Chief of Water Resources and Planning, Mr. Eddie Doi commented the Department is recommending the Board allow the Department to stop considering the alternative of developing rates using fixture units and implement a flat rate for the meter, which is the basis for the current Facilities Reserve Charge (FRC) charge.

The FRC charge is based on the level of service that is provided to the customer such as a 5/8" meter is based on 750 gallons per day (gpd). The larger meter size is based on the American Water Works Association (AWWA) manual established on flow per meter. With the established size of the 5/8" meter, the volume capacity size of the meter is first prorated for the rest of the meters compared to the 5/8" meter. This would include multiples of the max flow per meter.

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Mr. Dill referred to Section VII 3d regarding the proposal of *inactive water service*. Deputy County Attorney, Andrea Suzuki recommended to take this out for water meters that have been inactive for more than one (1) year. There was a previous concern with the Board that with the service charge being implemented, people would come in to pay the lower FRC charge to activate their account and remove the meter to avoid service charges if the meter was not going to be used. It was believed that they would have to pay whatever FRC was applicable at the time they come in to reactive the meter. Deputy County Attorney, Andrea Suzuki was not comfortable with the legality of this and suggested to properly create an equitable/burden for reactivation of those meters. (Example – The reactivation fee could be the service charge per year.) An impact fee would not appropriately address the problem.

Mr. Strom asked what would the proposal be if a commercial speculator could come in to tie up the capacity for an indefinite time? Deputy County Attorney, Andrea Suzuki replied that the Department is saying impact fees are not the solution to that problem.

Chair Dill acknowledged there may not be an answer to the problem because a person could tie up the system capacity indefinitely with a cheaper rate without an impact on the system.

- Chair Dill recommended hearing the Deputy Attorney's concerns regarding inactive meters be stricken from the proposal today and to move forward with the FRC and to work on the inactive meters as a separate matter.

Mr. Strom wanted to leave it in the proposal but Deputy County Attorney, Andrea Suzuki commented that legally this cannot be done. Mr. Strom asked how are other islands handling inactive meters with timelines?

- Chair Dill requested the Department to look into how other islands handle inactive meters.

An option was provided by Mr. Doi regarding people who apply for the meter to assess the fees that were built up during that time. This would not be the impact fee; it would be fees that would help maintain the system as if they had the meter in but not using the water. This idea was from what other utilities are doing across the country through Deputy County Attorney, Andrea Suzuki's research.

Mr. Strom mentioned that the Department is not generating revenue through water sales and there may be something missing. Mr. Doi explained that if there is a vacant lot with a meter and the person is paying a service charge (to maintain the system), they may decide not to build. But if a person comes in later, because capacity is already spoken for, they would be responsible for developing water facilities.

The concern was, at the time, about the service charge. Water fees are based on service charge and service use which fund the overall operations. The concern was that the service charge was what people try to avoid when they come in to activate their account without putting in the meter. The service charge is the flat monthly rate regardless if water is used or not. There are a variety of ways of dealing with this but she did not think double charging with an impact fee is the appropriate way

Mr. Strom commented that this was a loop hole.

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Deputy County Attorney, Andrea Suzuki commented that this would be an incentive for the Board and the Department to address this matter in an appropriate rule (in Part 2 – Reactivation).

Items 3d and 4d were deleted in the red-lined proposal handout. The proposal for FRC Section VII Part 4 out and to move it to into Part 5. Part 5 was a new part that the Rules Committee passed and came up to speed with HRS 146, 141 – Impact Fees. Part 4 had the methodology.

- The Board Chair could put inactive meters on the agenda which would be addressed to the Rules Committee.

Chair Shiraishi commented on the red-line copy that was posted with the agenda. Deputy County Attorney, Andrea Suzuki summarized what the Department was proposing with the current FRC rules which had no substantive change other than the numbers.

The four (4) substantive changes were highlighted in yellow in Section III: Applicability:

Section III 2c – Department is already doing this.

Changes in service that require an increase in meter size.

Section III 2e – Deputy County Attorney mentioned that the Rules Committee wrote this section to fully reference Part V. Requirement: If you have a meter box, you have to put it in now (grace period).

- a. Water service laterals that have failed to install a water meter on the subject property for which the FRC was paid or where water meter has not been in place for a period greater than one year will be required to pay the difference of the original FRC paid and the FRC in effect at the time the water meter is installed as described in Part 5, Section 5 (5) of these Rules.

Section III 3b: Grammatical correction:

- b. The Facilities Reserve Charge for multi-family and/or resort development will be the cost of the approved meter size or the cost of \$9,880.00 per unit or hotel room, whichever number is larger.

Section V 4: General practice:

4. No FRC refund shall be made for existing meters requiring a decrease in water demand, decrease in meter size, or decrease in existing water supply fixture units; or requests to change service categories.

Chair Shiraishi referred to the redlined copy, Section III, 2d - “Additional units connected to existing services and meters under the categories of single family and multi-family residential units.” He asked if “unit” was defined. The Department can define “unit” as Mr. Doi explained. Another question Chair Shiraishi asked was if he had a single family residence, how would an **additional** unit be attached to the residence?"

Deputy County Attorney, Andrea Suzuki clarified that this would be an additional dwelling which is not defined in the current rules. Mr. Doi added that the rules could say “additional single family dwelling” or “additional multi-family residential dwelling.” After checking with Planning, he could not find a definition of “unit” either.

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Mr. Hall Parrott provided his testimony.

Mr. Parrott provided his suggestions to housekeeping items in the Leidos proposal:

1. The Department's amount was \$14,160 but the updated amount is \$14,115 – the amount should be the same.
 2. Add “new” to Section VII, 2 (i.e., additional new buildings, additional new units, new service). Chair Dill mentioned this may apply to existing applicants that require additional water.
- Deputy County Attorney, Andrea Suzuki noted the Department can add “new” ‘and/or additional” as a qualifier.
3. The proposed change is a 307% increase – the optics needs to be considered.
 4. The Leidos analysis was based on a \$670M proposed project built out between now and 2030 when looking at assessing every customer at \$44,000 to build the system out.
 5. Consider looking at what the Department can actually do since the Department has the BAB fund.
 6. AWWA cautions water boards to be careful when introducing changes to the community and development; fees are rolled into loans.
- Deputy County Attorney, Andrea Suzuki advised that these comments and edits can be moved to the full Board for consideration.

Chair Dill moved to proceed with the changes to Part 5 and Part 4 as discussed and presented by the Department by addressing the definition of “units” and quantify “new” & “and/or additional” to service.

Chair Shiraishi provided some non-substantive changes and housekeeping items for a lay person to understand. Refer to Section III, 2b - “Additional buildings to be connected to existing services where additional demands or supplies are indicates...” He asked what is the “additional supply?” Should “supplies be stricken?” For the FRC and an additional demand, why should a person pay if there is an additional supply? Mr. Doi mentioned that the intent of Item b is “additional service” or “additional demands.”

- The Finance Committee agreed to delete “supplies” and that grammatical and housekeeping items would to be corrected by the Department.

Mr. Strom amended Chair Dill's motion to add an additional edit in Part 5, Section III, 2b to strike “supplies” and to correct non-substantive housekeeping grammatical changes supplied by Chair Shiraishi to the Department; seconded by Ms. Ho; with no objections, motion carried with 3 ayes.

- Deputy County Attorney, Andrea Suzuki clarified that when this appears at the Board meeting, it will appear as an amendment to Part 4 and Part 5.
- The Department had proposals to Part 5 that the Board previously approved which will be sorted out as well.

Civil Engineer, Mr. Keith Aoki was aware that the Department was going to delete the portion on impact fees for meters that have not been applied for (i.e., empty meter boxes).

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The Rules Committee approved a section in Part 5 that was included per Deputy County Attorney, Andrea Suzuki which is the grace period. Prior meter boxes were taken out that had a one year grace period to drop a meter. Inactive meters more than 365 days, under the previous proposal, was taken out. Manager Saiki commented this will be in Rules Part 4.

Chair Dill referred to Part 5:

a. Water service laterals that have failed to install a water meter on the subject property for which the FRC was paid or where water meter has not been in place for a period greater than one year will be required to pay the difference of the original FRC paid and the FRC in effect at the time the water meter is installed as described in Part 5, Section 5 (5) of these Rules.

Mr. Bill Eddy, Represented Grove Farm Company provided his testimony.

Mr. Eddy provided the following requests and comments:

1. To provide testimony on the FRC rule change.
2. To review the changes in the next draft.
3. To focus on the dollar amount.
4. How are the calculations determined?
5. How will the FRC impact the community?
6. FRC off sets rules & procedures applied and repaid

Chair Shiraishi welcomes comments from the public (community & developers) vs. a public hearing. Any changes could be considered and/or incorporated to the rule.

➤ Chair Dill requested the Department to provide the next draft to Grove Farm Company to review and comment for the Board to consider.

Ms. Ho moved to Receive for the Record the following three (3) documents: Part 4 – Fixing Rates for the Furnishing of water Service in the County of Kaua'i (COK) – showed brackets to be deleted from Section VII to move into Part 5. (This was what the Department sent with the Agenda to be put in Part 5.), Part 5 - Facilities Reserve Charge (within the COK) – redlined/track changes and Part 5 – Facilities Reserve Charge (within the COK) – non-color/with changes/Ramseyer format; seconded by Mr. Strom; with no objections, motion carried with 3 ayes.

At 1:56 p.m., Chair Dill adjourned the Finance Committee meeting with no objections.

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