

PUBLIC HEARING MEETING MINUTES  
BOARD OF WATER SUPPLY  
Tuesday, November 10, 2015

The Board of Water Supply, County of Kaua'i, met in Public Hearing at the Kaua'i County Council Chambers in Lihu'e on Tuesday, November 10, 2015. Chairperson, Sherman Shiraishi called the meeting to order at 5:00 p.m. On roll call, the following answered present:

BOARD: Mr. Sherman Shiraishi, *Chairperson*  
Mr. Clyde Nakaya, *Vice Chair*  
Ms. Laurie Ho  
Mr. Michael Dahilig  
Mr. Wallace Rezentos, Jr.

ABSENT/EXCUSED: Mr. Larry Dill

Quorum was achieved with 5 members present at the time of roll call.

STAFF: Mr. Kirk Saiki  
Mr. Keith Aoki  
Mr. Eddie Doi  
Ms. Marites Yano  
Ms. Regina Flores  
Mr. Dustin Moises  
Ms. Peggy Yoshioka  
Ms. Kim Tamaoka  
Ms. Jonell Kaohelaulii  
Ms. Sandi Nadatani-Mendez  
Ms. Mj Akuna  
Deputy County Attorney Andrea Suzuki

GUESTS: Mr. Ken Taylor Mr. Bill Bow  
Mr. Jerry Ornellas Mr. Elliott T. Yamamoto  
\*Mr. Tom Shigemoto Ms. Nancy Kanna  
Mr. Bryan Davidson Mr. Robert Smith  
\*Ms. June Araki Ms. Rachel Spain  
Mr. Sinclair Salas-Ferguson \*Mr. Jesse Fukushima  
Mr. Gary Siracuse Mr. Matt Bernabe  
Deputy County Attorney, Teresa Tumbaga  
*\*Testimonies are attached at the end of these minutes*

*Chair Shiraishi read the following at the start of the public hearing: "A public hearing will be held today, Tuesday, November 10, 2015 regarding Proposed Amendments to the Rules and Regulations of the Board of Water Supply, County of Kaua'i, State of Hawai'i. The Department of Water is recommending the deletion of Part 4, Section VII (detailing the Facilities Reserve Charge) and the creation of a new Part 5 to be added to the Board of Water's Rules and Regulations. This new Part 5 will deal solely with Facilities Reserve Charge. Copies of the proposed rules are available at the Department's website at [www.kauaiwater.org](http://www.kauaiwater.org)."*

*The Secretary read the following:*

## PART 5 – FACILITIES RESERVE CHARGE

### a. Modification of Facilities Reserve Charge (FRC)

The proposed rule modifies the charges that apply to all new developments and subdivisions requiring water supply, and to existing developments requiring new or additional water supply from the DOW. The proposed FRC for the typical residential 5/8-inch water meter is increased by approximately 300%, from \$4,600 to \$14,115. For larger meters, from 3/4-inch to 8-inch, the fee increase declines progressively from 48% to 24%. The proposed FRC for single family, multi-family and resort is also modified based on Hawai'i's Water System Standards.

### b. Establishment of Time Period to Install Water Meter

The proposed rule change also applies to applicants who have paid the FRC fee prior to the enactment of these new rules, but have *not yet* installed their water meter. The new rule would allow these "prior applicants" to install their meter within three (3) years following the enactment of the new rules, at no additional FRC charge. If a prior applicant's water meter is not installed after three (3) years, the prior applicant will be required to pay the difference between the FRC they paid and the FRC in effect at the time their meter is installed.

### c. Modification of FRC Offset

Another proposed change modifies the percentage of FRC offsets that are applicable for specific source, storage or off-site transmission facilities constructed by developers. The proposed rule change modifies the FRC offset percentages up to 22% where water source improvements are constructed, up to 41% where water storage improvements are constructed, and up to 37% where off-site transmission facilities are constructed.

### d. Establishment of Total FRC Offsets

The proposed rule change also allows an applicant who is required to provide 100% of the source or storage or off-site transmission facilities, to receive the total FRC offset for the entire FRC liability amount per category of source or storage or offsite transmission improvements.

### e. Establishment of Grant Funds Offset

The proposed rule change allows an applicant to use a project's Grant Funds to offset the project's FRC liability associated with development. Grant Fund offsets can only apply to the identified grant beneficiaries.

f. The proposed rule change deletes Part 4, Section VII in its entirety and applicable portions of Part 4, Section VII relating to the FRC have been included in Part 5.

g. Also included in the proposed rule change are requirements mandated by Hawaii Revised Statute §46-141 to §46-148.

*"Board will follow the following procedure as laid out in the Department of Water, County of Kaua'i Rules and Regulations in holding this public hearing for rule making."*

1. First, there will be a presentation by Department on its findings related to the Proposed Amendment to the Rules and Regulations of the Board of Water supply, Section IV and V, as they relate to the Facilities Reserve Charge.
2. Department will then answer any questions Board may have regarding Department's presentation.
3. Board will then take public testimony.

If you wish to testify, please fill out the request to testify signature list. Anyone testifying is entitled to the floor only when recognized by the Chair. The presiding officer shall then grant to persons who have not registered time to speak following the registered speakers.

Regarding your testimony:

- Please state your name, address, and organization you're representing and if you are registered lobbyist.
- Please limit your comments to subject matter of today's public hearing.
- Anyone testifying shall refrain from direct questioning of the Board and shall direct any remarks or questions to the Chair.
- Anyone speaking may be subsequently subject to questioning by the Board. Questions by the Board shall be permitted only at the discretion of the Chair.

#### 4. Regarding Public Testimony

##### a. Three minute rule:

Please limit your initial testimony to three minutes. This will give everyone who wants to say something an opportunity to testify. If you don't complete your testimony within three minutes, you will be given another opportunity to complete what you want to say after everyone has had a chance to testify.

- ##### b.
- The Board shall not be bound by technical rules of evidence.

*The Chairperson read the following.* "The public hearing is now open. The purpose of this hearing is for the Board of Water Supply to hear testimony on the *Proposed Amendments to Parts IV and V of the Rules and Regulations of the Board of Water Supply, County of Kaua'i dealing with Facilities Reserve Charges.*

*The Chairperson asked the Department to make its presentation on its findings, and allow questions of Staff Findings by the Board.*

Chief of Water Resources and Planning, Mr. Eddie Doi introduced Manager and Chief Engineering, Mr. Kirk Saiki and consultant, Mr. Andy Baker. The proposed rule amendment is related to the Facility Reserve Charge (FRC). Mr. Doi gave an PowerPoint overview of the FRC, Impact Fees, Needs Assessment Study, Proposed Rule Amendments, and how the Department and the Board will proceed going forward.

Mr. Andy Baker of Hawksley Consulting, Inc. a professional Utility Finance Consultant was the prime person working on the study from start to finish. He presented the Needs Assessment Study and FRC Update, Study Update Methodology.

Chief of Water Resources and Planning, Mr. Doi explained "**What Happens after today's Public Hearing?**" After the public hearing, the Board could decide to adopt new rules. If the new rules are adopted they will be filed with the County Clerk; these new rules would take in effect 10 days after filing. Or the Board could review the comments provided at the November 19<sup>th</sup> Regular Board meeting, the Board could review the rules, then send it back to the Department to make changes. The Department would work on the changes and proceed with the process again. If at the November 19<sup>th</sup> Board meeting, the Board approves the rules, the new rules would be filed with the County Clerk and the new rules would take effect 10 days after filing.

**DISCUSSION:**

Mr. Dahilig asked Deputy County Attorney, Andrea Suzuki to repeat HRS §46-143 as it related to how the fees are proportioned to the actual development and what the state could require for the Department.

Deputy County Attorney, Andrea Suzuki explained a Needs Assessment Study would be released and pass the methodology which Mr. Baker previously explained.

- Be a prorata amount of the benefit that the payor could incur; cannot be more than that but not less than prorata amount.
- Identify deficiencies in public facilities other than the impact fees those deficiencies that would be eliminated in a reasonable amount of time. Additional anticipated demand fees are placed on an unspecified facilities by the development.
- Give credit that the payor's will pay in their rate fees over the next 20 years, per HRS.
- Take into account what a developer contributed in the previous (5) years.
- Other parts of HRS that do not apply to HRS §46-143 are offsets which were discussed and will reflect the actual proportionate share for each section of the facility.
- The Board approved the finding of no Benefit Zones in 2013 required under HRS which Mr. Baker covered.

Mr. Dahilig clarified for the public that the Board accepted a study at a public meeting that concurred with the methodology used by the consultant to determine and meet the needs, pursuant to HRS §46-143 on the breakdown by proportionate share. This information is in the preamble to the rules presented before the Board. It is also in the Needs Assessment Study and in the HRS requirements which were incorporated into the Needs Assessment Study by Mr. Baker.

How to get the per gallon cost is based on the assumption on the growth projection and the plan of what projects would meet the growth projection.

Mr. Dahilig gave an example if a person were to build a house that was restricted based on the one of the three (3) elements, he could not do that now. Deputy County Attorney, Andrea Suzuki clarified that if a person is in a meter restricted zone, you could not get water from this Department of Water.

To accommodate more housing growth, Mr. Dahilig mentioned the system needs to be expanded which is the purpose behind what is not to pay back debt. Deputy County Attorney, Andrea Suzuki added under the law, FRC can only pay for expansion costs; FRC cannot pay for operation or maintenance. If a person goes to a system where a meter can be added, FRC will go back to pay back the cost the Department spends to build the system that allows you to come on that system.

*After the report and questions the Chairperson read the following: "If you are testifying, please state your name, address, organization, and if you are a registered lobbyist."*

*Mr. Ken Taylor, private citizen from Kapa'a provided his testimony.*

Mr. Taylor agreed with the Department's proposal and said for the most part it is good. He referred to a couple of items:

- 1) Under the Establishment of Time Period to Install Water Meter, the three (3) years following enactment, he felt it should be one (1) year; after one (1) year, give money back. He understood that there are some people who asked for meters and can't get them. To tie up a

meter is not fair which needs to be looked at. Mr. Taylor did not know the new fee structure and if the Department would continue to deny individual water meters. Under the new fee structure, he asked if it is tied into available water supply but to raise fees?

- 2) Affordable housing - The affordable housing built by Līhu'e Industrial Park for Kaua'i Lagoons was not sold until after two (2) years ended up being changed to market rate. If people can get a special deal to get meters under affordable housing and gets changed to market rate, what is the mechanism to increase water meter fees?
- 3) Workforce housing – An example was given if Mr. Taylor was a local boy and his family gives him a house, would he pay \$14,000 for the meter? Or would he get a workforce housing brake?
- 4) If Mr. Taylor had a current 5/8-inch meter with a \$14,000 meter value and if he wants to change to a 1- inch meter, would he pay the difference between the \$14,000 and the \$4,600 fee?

Chair Shiraishi requested Mr. Taylor to submit his testimony in writing to the Board. His concerns will be addressed.

***Mr. Jerry Ornellas from Kapa'a, Kaua'i Farm Bureau provided his testimony.***

Mr. Ornellas mentioned there are 300 members of the Kaua'i Farm Bureau who are alarmed on the proposed changes. A Food Safety Modernization Act (FSMA) will be enacted soon which is an unfunded mandate from the Federal government. The FSMA would require:

- 1) Stepped up post-harvest treatment requirements of fruits and vegetables - Most farmers are on non-potable systems. This law will require farmers to hook up to potable systems.
- 2) Growing protocols with leafy vegetables will no longer have growth with irrigation water that is not chlorinated. This would require additional high standards and demands on the potable water systems. There are some provisions for small farms driven by Safeway and Foodland for people who purchase vegetables.

Mr. Ornellas has not heard anything about agriculture only about single family dwellings and resort entities. He asked if the Department had a record of agricultural water users that have a meter. What happens to them? Manager Saiki will be meeting with Mr. Ornellas soon regarding his concerns.

***Mr. Tom Shigemoto from Līlu'e, employed at a residential development company provided his testimony.***

*(Refer to written testimony attached.)*

Mr. Dahilig will look into the Feasibility Study whether there should be priorities for the fees. During the Board's deliberations on the fee study amounts, they would see if it is disagreeable to potential projects in the future based on priorities or non-priorities. Mr. Shigemoto would review at the Water Rate Study.

***Ms. Nancy Kanna from Hanapēpē, Government Affairs Advocate for Kauai Board of Realtors, Registered Lobbyist provided her testimony.***

Ms. Kanna commented that the Kaua'i Board of Realtors (KBR) are a membership of 552 professional realtor affiliates understands the rising cost of the DOW is facing. Their concern is the

lack of concern for affordable housing projects relating to the steep cost of the FRC. The KBR would like an FRC for the 5/8-inch meter reduced by 50% for affordable housing projects.

Ms. Kanna needs to review the Water Rate Study regarding the expansion relating to the KBR concerns.

*Mr. Robert Smith from Kapa'a, private citizen provided his testimony.*

Mr. Smith is running permits through the process for three people for additional dwelling units. Permits are stuck in the Planning Department. He would like to pay for the permits which Planning won't accept.

*Mr. Jesse Fukushima from Kapa'a, private citizen provided his testimony.  
(Refer to attached written testimony.)*

Mr. Dahilig added what the Board is required to do under HRS §46-143. When looking at different types of affordability on how the proportional share is calculated, he noted the elements of affordability cannot be considered as part of the proportional share calculations under the state law.

*Mr. Matthew Bernabe from Kapa'a, private citizen provided his testimony.*

Mr. Bernabe was not familiar with the Public Hearing matter but was curious on the increase of 48% to 24% but did not know the monetary correlation of the calculations. The 5/8-inch to 1-inch had different rates and the 3/4-inch to 8-inch meter had fluctuating ratios. He asked if the \$14,115 fee is a person's right to put in a meter or do you have to purchase a meter? Mr. Bernabe said it sounded like the Department is taking a pro-active step in having individuals connect to the system instead of people being on their own in finding a source.

Chair Shiraishi encouraged Mr. Bernabe to speak to the DOW staff if he had more questions.

*Deputy County Attorney, Andrea Suzuki and Private Secretary, Ms. Mj Akuna read written testimonies* that were received before the deadline from Ms. June Araki, Ms. Shelly Teraoka, Mr. Edward McVeagh, Mr. & Mrs. T. Abbene, Ms. Lanell Miyamoto (Contractor's Association of Kaua'i), and Mr. Kurt Bossard.

Chair Shiraishi asked if anyone wanted to give public testimony or submit written testimony?

*Mr. Tom Shigemoto added a question to his testimony.*

Mr. Shigemoto asked what happens after the public hearing? Chair Shiraishi replied that at the November 19<sup>th</sup> Regular Board meeting, the Board may act on the proposed rules or possibly defer a decision. Chair Shiraishi would first review the written and public testimony brought up at this public hearing and not make a decision at this time. Deliberations will be made at the November 19<sup>th</sup> Board meeting.

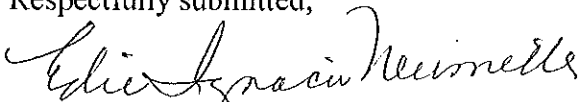
*At 6:16 p.m., all public testimony was taken, Chairperson closed the hearing and said "There being no further testimony, I will close the public testimony portion of the public hearing regarding Proposed Amendments to the Rules and Regulations of the Board of Water Supply, County of*

*Kaua'i, State of Hawai'i. The Department of Water is recommending the deletion of Part 4, Section VII (detailing the Facilities Reserve Charge) and the creation of a new Part 5 to be added to the Board of Water's Rules and Regulations. This new Part 5 will deal solely with Facilities Reserve Charges."*

The Board will fully consider all written and oral testimony submissions made. The Board intends to make a decision regarding the proposed rules at the Regular Board meeting, Thursday, November 19th at 10:00 a.m. That meeting is open to the public and is held at the DOW Board Room. If there is no further business, the public hearing is now closed.

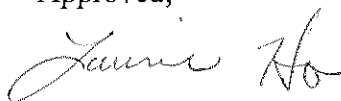
(Note: Written testimonies are attached.)

Respectfully submitted,



Edie Ignacio Neumiller  
Commission Support Clerk

Approved,



Laurie Ho  
Secretary – Board of Water

KURT R. BOSSHARD

ATTORNEY AT LAW  
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October 8, 2015

15 OCT 12 A8:47

Kirk Saiki, P.E.  
Manager and Chief Engineer  
Department of Water  
P. O. Box 1706  
Lihue, HI 96766

via EMAIL

DEPT. OF WATER  
COUNTY OF KAUAI

RE: Proposed Amendments (FRC)

Dear Mr. Saiki:

Thank you for including me on your mailing list as to the Proposed Amendments (FRC).

I guess I have more of a question than a comment. My question pertains to section d of the Department's Notice of Public Hearing.  
d. Establishment of Total FRC Offsets

This section provides that a developer receives certain offsets for providing its own water system (or parts thereof). As to a developer providing its own source of water, let's say by drilling a well for a development in excess of twenty residences, how will the County of Kauai Department of Water enforce its responsibilities under the Public Trust Doctrine. How will the Department of Water make sure that the developer's proposal meets the public interest analysis required by the County of Kauai vs. Kauai Springs case? Has the Department of Water developed a written protocol for its supervision of the foregoing. Or, does the Department believe it can delegate meeting such concerns exclusively to the developer of such source?

This will undoubtedly arise as an issues as developers seek to make use of the credit. I believe that the Department should be prepared to address it.

Thank you for your response.

Sincerely,



Kurt Bosshard

KB:rsnh



Honorable Sherman Shiraishi  
Chairperson of Water Board Commission

One will question the process of which the rate increase on the Facilities Reserve Charge is being implemented.

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Informational meetings were held to inform the public of the FRC increases. However the public was informed by the Water Department that these informational meetings were the means to present information on so called 'Development Fees' and not the true intent of increasing the fees for the Facility Reserve Charge.

The question is whether the due process by the Water Department were all within the appropriate notice to the public towards the increase of the FRC fees or possible deception on behalf of the Water Department to disguise the increase of the FRC fees by giving another name (Development Fees).

Another question is; the recommended increase, where is the PUC? And what were the preventions from this being a PUC review.

The concern of the FRC increasing with no support services of installation by the Water Department need to be looked into. Why should the second meter of a property be penalized? Why the difference for installation between 1 or 2 or 3 meters to a property? For the amount that Water Department is asking on the new FRC increase, that fee should also cover installation of the meter regardless of the numbers to the same trnk parcel.

The tremendous increase will have a definite impact on 'Affordable Housing' . Just to give you an idea of the estimated upfront cost before the building of a single family home; septic system (\$15,000), solar system (\$6,000), engineering and survey plans \$3000, new FRC fee (\$14,000) and finally second home construction cost for meter installation (\$12,000) estimated total upfront cost before the blue print of a home is approved: \$51,000.

The Water Department need to be proactive to aid the public. The Department of Water should revisit the practice of installing the second or so meters. The Department should also include their engineering cost, I am of the belief that it would be less expensive than the private sector for installation of a second meter with all of the engineering drawings required.

Water is everyone's business, the present water rates should be revisited and considerations for possible increase should be seriously considered to help offset some of the new FRC charge.

Thank you for the opportunity to present this testimony to the Water Commission.

Jesse Fukushima

## **Ignacio-Neumiller, Edith**

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**From:** Tamaoka, Kimberly  
**Sent:** Sunday, November 08, 2015 9:50 AM  
**To:** Ignacio-Neumiller, Edith  
**Subject:** FW: Water meter

Hi Edle,

Please see the below comments and forward to the Board. I believe this is in regards to the FRC public hearing.

Thanks,  
Kim

-----Original Message-----

**From:** Margaret Abbene [mailto:tmabbene@yahoo.com]  
**Sent:** Saturday, November 07, 2015 9:55 AM  
**To:** Tamaoka, Kimberly  
**Subject:** Water meter

Aloha

As a Kalaheo resident who first hand experience the disturbing water pipe or pump break down this year , I support the needed increase . The water department has been Talking an talking about infer structure needs. , for a very long time . Want some action ! Please move forward the island an community demand it.

Thank you  
Looking forward to results.  
Mr Mrs T Abbene  
POBox 309 Kalaheo  
96741.

NOV 10 2015

TESTIMONY TO THE KAUAI COUNTY  
BOARD OF WATER SUPPLY  
November 9, 2015

Good evening Chair and members of the Kauai County Board of Water Supply,

For the record, my name is Tom Shigemoto and I am here tonight as an employee of a residential development company, a member of the Chamber of Commerce, a member of a non-profit affordable housing corporation, and a father.

Perhaps in your minds the 307% increase is justifiable, but I do appreciate the opportunity to provide some comments and to register my opposition to such a huge incremental increase.

I sent comments to the State's Small Business Regulatory Review Board about a month or so ago, which I believe the Department has in their possession and which I wish to reference and include as part of my testimony this evening. Since time is limited, I am focusing primarily on the proposed FRC increases.

1. I hope it is clear to you board members on what the Department's fiscal and financial situation is before imposing the increase. If not, I believe this is or should be a bigger part of determining the need and the amount of the FRC. When the water rates were increased in 2001, the stated purpose was to improve the aging infrastructure. What happened to those revenues?
2. What other sources of funding does the Department seek for its CIP? How much in state and federal grants does the Department receive for these capital improvements?
3. What are the top three – five priorities over the next two years and is there enough in the reserves to cover these without an increase?
4. Will the money you anticipate collecting cover these project costs? If not, what will happen to these priorities?

My questions and comments come from my regard to the impacts which the increase will have on the development of affordable and primary housing for those who need them. My company is in the real estate development and anything that drives up the cost of construction will ultimately be passed on. If these costs escalate to the point where prices are beyond what the market can bear, we may choose not to develop, which in turn affects contractors, vendors, suppliers and other businesses that rely on this sector of the economy to survive. Of course, such costs will also have a huge impact on the ability of young families who need or want homes to qualify for loans. Most of us sitting in this room today are fortunate to own our own homes. But many people who are not here tonight aren't as fortunate. It is an often discussed subject but there seems to be a huge disconnect between agencies of the County when it comes to assist in the production of homes via reductions in the laws, regulations, codes and

fees being assessed for housing developments. What I'm referring to are the laws requiring solar water heating, insulation, these water charges, a potential fire sprinkler regulation, in-lieu housing fees, in-lieu education fees, EIA fees, Park/Playground fees, etc. Add these costs to the escalating construction, labor and material costs you begin to realize what it will cost a new homeowner.

Subject to your review of the financial state of the DOW, if it is your conclusion that there is a need to increase the FRC, then consider what can be accomplished in the next two to three years and perhaps structure FRC increases accordingly on an incremental basis that would be perhaps more palatable to developers and new homeowners. Thank you.

September 15, 2015

Department of Commerce and Consumer Affairs  
Small Business Regulatory Review Board  
State of Hawaii

Dear Mr. Borge,

My name is Tom Shigemoto, Vice President of A&B Properties, Inc., Kauai. I am writing you to clarify some of the misconceptions and/or misrepresentations presented in the Kauai Department of Water's justification for its proposed rule amendments on the Facilities Reserve Charge (FRC).

Item 1. i. – Modification of FRC. DOW states, "Small businesses that are focused on land development will be impacted by the proposed rule. All new customers of the Department will bear the cost of the FRC..." Why do only new customers have to bear the brunt of the costs to upgrade the Department's failing water system. If improvements are necessary for a neighborhood, district or region, shouldn't all properties which stand to benefit from such improvements pay? When FRC funds are collected for new developments or from new customers irrespective of whether water improvements are installed, is there a methodology to ensure the money collected is used to improve the system in that area? Perhaps the DOW should explore community facilities districts to make assessments more equitable.

Page 2, Item 1. iii. – Modification of FRC Offset. The proposed rule change reduces the percentages of the offset for water source improvements, but increases the offsets for storage and transmission facilities. The current offsets are the same 33% each for source, storage and transmission. No detailed explanation is provided for the changes. Furthermore, source development is probably the costliest of the three. For anyone who is required to provide source, storage and/or transmission the offset should be guided by the rule below. The offsets should be 100 % and not a fraction of what it cost the developer/landowner put in for the benefit of not only his development but for others that are serviced by the improvements that are built.

Page 3, Item 1. iv. – Establishment of Total FRC Offsets. - This rule change is fair for any developer/landowner/small business owner to be able to get 100% back in the form of the FRC amounts.

Page 5, Item 2. c. i. – Modification of Facilities Reserve Charges. – The DOW uses A&B's Kukui'ula Development Company's project in south Kauai as an example of how it determined a FRC of \$17,300 per unit. What the Department doesn't mention is that the development chose to purposely keep densities well below levels of densities that could be built there. Yes at 1500 units, the FRC costs per unit is approximately \$17,000. But, if the project developed to it's full density potential of approximately 4000 units, the per unit FRC cost would amount to \$6500. Therefore, using the Kukui'ula Development to justify or rationalize a \$14,000 increase is misleading.

Finally, Page 8, item No. 7 of Exhibit 6, my name is mentioned as one of several members of the business community that provided input for the subject rule change. As best as I can recall the DOW did not meet individually or collectively with whom I will call large land owners/developers to discuss the ramifications of the proposed rule change. I know I attended a public informational meeting where the proposed changes were explained and the justification for the amendments about three years ago. At that time, as I recall, the increase was from \$4600 to \$17,000. The proposed increase is down to \$14,115, a 307% increase over the current FRC. I remember mentioning that I understand that the FRC could and should be increased but perhaps doing it in increments over several years would be more palatable

instead of the large increase. I also did express my opposition to such a huge increase as it will have a tremendous impact to all small businesses and consumers.

After the string of informational meetings I did not hear anything else about the increase nor was I a part of any meeting to discuss the matter. The Water Board may have held public hearings on the subject so I may have missed that opportunity to express my opposition to the increases.

As the DOW mentions in item 7, "The most prominent small businesses that will bear the direct impact of the changes in the FRC fee schedule will be land developers, more particularly those that deal with development of housing." I don't consider my company a small business but as a real estate development company, A&B Properties, Inc. does develop not only primary housing but affordable housing as well. In a situation where excess costs are levied on our projects, they will be passed on our consumers. This is the bigger impact of increasing the FRC, not only for people wishing to own their own homes and not being able to qualify, but for all consumers retail and wholesale who have to assume the costly increases. Units which have to be priced out of the market demand will force developers to reduce or even abandon projects, causing a trickling effect of secondary impacts to design consultants and construction workers reducing their purchasing power, which will affect wholesale and retail businesses on this island. We need an adequate supply of clean, safe, water resources. We understand the need to increase water rates and FRC charges. All we ask for is that increases are done with the consideration of the impacts such rate and charges will have on our very fragile island economy. Thank you.

# CONTRACTORS ASSOCIATION OF KAUAI

4231 Ahukini Road • Lihu'e, Kaua'i, Hawai'i 96766

Phone: (808) 246-2662 • Fax: (808) 246-8642

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November 10, 2015

DEPT. OF WATER  
COUNTY OF KAUAI

## *Testimony from the Contractors Association of Kaua'i (CAK): Department of Water Facilities Reserve Charge Increase*

Chair Shiraishi and Members of the Board of Water Supply, I am Lanell Miyamoto, President of the hundred member Contractors Association of Kaua'i (CAK). We are presenting this written testimony on behalf of the Board of Directors.

The CAK Board understands the need to increase the Facilities Reserve Charge (FRC), but we have grave concerns about a 307% increase, all at once, and the impact it will have on this community. CAK believes the segments of the community that will be negatively impacted by the proposed increase of FRC will be private affordable housing projects and working families. While statements from the Department of Water in public forums have noted that this increase is "only 2% of the median cost of a home on Kaua'i," there are those trying to buy or build homes way below the median price and the proposed \$14,115 can very well be the deal breaker on whether they can qualify for a loan to build or a mortgage to buy.

CAK would like to respectfully ask the Board of Water Supply to help this income gap group, if legally possible, so these families like you as Board members and Department of Water staff can realize the dream of home ownership.

The Contractors Association of Kaua'i would like to also encourage the Board of Water Supply and the manager to begin discussions, if it is not already ongoing, with your counterparts across the state to think of ways to address a growing problem that will not go away. If there are state laws that are prohibiting other revenue sources for the Department or even rate payers from contributing to, perhaps that discussion should take place with other Water Departments and Legislators to amend state law(s). The Department of Water cannot continue to use antiquated laws to address current and future needs of your constituents. The Department of Water is a monopoly and provides a service everyone needs. There needs to be a plan and system to provide that commodity and up-grade or build the needed infrastructure in the most cost efficient manner possible, for today and tomorrow. Along those lines, any County ordinances or charter issues relating to the Department of Water should also be reviewed and updated.



Testimony from the Contractors Association of Kaua'i (CAK)

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November 10, 2015

The CAK Board would like to strongly recommend that the Board of Water Supply appropriate funds and set a pre-determined date by which a Performance Audit must be done of the entire Department of Water. The results needs to be made transparent to the public; the Board and manager needs to use that information to better the department and services it provides and we hope that information will be useful in justifying future rate increases and FRC increases.

CAK is asking for a Performance Audit because the level of service for permitting is not acceptable. The Department of Water has a long history of serious lag time from when building plans are submitted and when permits are finally issued.

Finally, we hope the Board of Water Supply will look seriously at other means to justify increases, for example: by using inflation indexes. We believe you have some board members who have skills set to help you make those kinds of policy decisions and not continue to "kick the can down the road" and then pop a 307% increase, like for FRC's.

Thank you very much for allowing the Contractors Association of Kaua'i and its Board of Directors to provide these comments and testimony.



## Ignacio-Neumiller, Edith

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**From:** Ed Young <[ibisyoung@gmail.com](mailto:ibisyoung@gmail.com)>  
**Sent:** Tuesday, November 10, 2015 8:53 AM  
**To:** Ignacio-Neumiller, Edith  
**Subject:** Public comment for proposed new meter fee increases

To: the Kauai County Water Authority.

From: Edward S McVeagh ([ibisyoung@gmail.com](mailto:ibisyoung@gmail.com))

The following is my public comment related to the current proposal of an approximate 300% increase in new meter fees for new single family residents.

Members of the board.

In principle, I feel that the proposed 300% or greater increase for a new single family water meter would significantly increase the cost burden associated with the development of affordable housing here on Kauai. The cost structure proposed appears to penalize individuals like myself who are in the planning phase of building an affordable home on the island. From the preliminary information obtained in relation to this increase, it appears that individuals and families building single family units will absorb the majority of these cost whereas developers will carry significantly less of the cost burden per unit through the proposed prorated cost reduction offered to them for utilizing multi-unit meters. My home development plan focuses on a small sustainable farm incorporated within the grounds of my single family homestead. There is year round irrigation to the site from a creek that flows through a corner of the property boundary. My plan incorporates irrigating the crops on the property from this natural supply and supplying potable water to the home from the county supply. My concern is that I initially budgeted \$5,500 for meter fees associated with the potable water supply. The 300% increase may require that I seek an alternative source for potable water for my home. I understand that cost do rise related to inflation and other factors. Wouldn't it make more sense to base the new meter cost on national inflation rate since the last adjustment? Upgrades to municipal potable water supply systems benefit all users, not just those individuals tying in to the system for the first time. I feel that it would be more equitable if all users share in these improvement cost as an alternative to new single family homeowners absorbing the majority of the burden. Thank you for the opportunity to provide comment.

Edward McVeagh

## Ignacio-Neumiller, Edith

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**From:** June Araki <junearaki@gmail.com>  
**Sent:** Tuesday, November 10, 2015 3:44 PM  
**To:** Ignacio-Neumiller, Edith  
**Subject:** Facilities Reserve Charge Public Hearing  
**Attachments:** facilities charge testimony 11-10-2015.pdf

Hi, Edith,

Thank you very much for sending me the agenda for the Department of Water meetings over the past months. I really appreciate it.

I'd like to submit my questions and opinions for the proposed public hearing today. I feel that the public has not been given a chance to learn more about this because we were not informed that the community input meetings under the guise of "development fee" was actually an opportunity to find out more about the Facilities Reserve Charge.

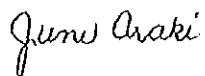
Mahalo nui loa,  
June

Public Hearing - Facilities Reserve Charge  
November 10, 2015

- 1) How do you justify a 300% increase in the Facilities Reserve Charge? Have they considered stepped up fees instead? Why is the individual, who is connecting to an existing water line, assessed the same amount as a brand new development (subdivision or project with many owners) which requires a new increased demand for water that is not already in existence? Have other avenues been pursued to raise the needed funds that the Department of Water is trying to generate? Is the Department of Water receptive to giving people a choice of having the Department of Water install the water meter again or having them hire private companies? The cost is prohibitively expensive with private companies which increases the cost to build for our local families. It makes more sense for the County to benefit from the increased cost instead of homeowners paying such exorbitant charges to outside vendors where prices differ considerably.
  
- 2) Affordable houses do not stay affordable forever so they should not have the benefit of a lower fee.  
In order to qualify as affordable, I realize that they need to keep the fees low, but it should not be at the expense of other people who have to pay the full proposed Facilities Reserve Charge. If the unit stays affordable, sold to another "qualifying affordable" family, then no adjustment is necessary, but if it is sold on the open market to the general public, I feel that they should have to pay the same fee that is being assessed others who are seeking a new water meter (no waiver of administrative fees). This ensures that there will always be affordable housing. It will also ensure that all affected parties pay their fair share. The balance of the Facilities Reserve Charge should be added upon sale to any "non-qualifying affordable" family.
  
- 3) I know there were past community meetings about Development Fees, when in reality it was for the Facilities Reserve Charge. I feel it was unfair of the Department of Water to not have been upfront with the general public. I feel that there would have been a better attendance if it was known that the Facilities Reserve Charge was being discussed. Have you really had adequate input from the public? This public hearing seems to be just a formality as I heard that this issue is already slated for a vote at the next meeting.

I look forward to hearing from you in regard to my questions.

Sincerely,



June Araki  
junearaki@gmail.com

## Ignacio-Neumiller, Edith

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**From:** shelley1@hawaii.rr.com  
**Sent:** Tuesday, November 10, 2015 3:43 PM  
**To:** Ignacio-Neumiller, Edith  
**Subject:** Testimony - Facilities Reserve Charge Increase

On behalf of my children, grandchildren and other future generations of local families, I object to the 300% increase in the facilities reserve charge. Local families are already having difficulty keeping up with the cost of Kauai living. This will be another factor in deterring local home ownership.

Please consider a more reasonable increase. Mahalo. Shelley Teraoka