

Committee Meetings

September 17, 2009

Board present: Chair Leland Kahawai, Ian Costa, Dee Crowell, Donald Fujimoto, and Randall Nishimura. Absent & excused: Raymond McCormick and Roy Oyama.

Staff present: David Craddick, Paul Ganaden, Gregg Fujikawa, William Eddy, Keith Fujimoto, Bruce Inouye, Faith Shiramizu, and Deputy County Attorney Amy Esaki.

FINANCE COMMITTEE MEETING:

Pro-Tem Finance Committee Chair Dee Crowell called the meeting to order at 11:05 a.m. Finance Chair Randall Nishimura recused himself as there were bill payments due to his company in this batch of Claims Payables.

Re: Claims Payable (as of August 31, 2009):

WATER UTILITY FUND:	\$1,037,555.00
BOND FUND:	\$ 155,463.73
FRC FUND:	\$ 162,782.21
STATE FUND:	\$ -0-
TOTAL	<u>\$1,355,800.94</u>

Mr. Costa moved that the claims be approved for payment, seconded by Mr. D. Fujimoto; by a unanimous vote; motion was carried.

Re: Water Rates Study

Manager Craddick reported that he is not done yet on the Water Rates Study; however, he wanted concurrence from the Board on his plan of action.

Manager Craddick reported that this item is on the agenda because the various Board committees will be reviewing water rates. Revenue for the first two years after the bond issuance are sufficient to provide coverage primarily due to income from the SRF program reimbursing DOW for funds already paid out. We will be proposing block changes and service charge changes for customers tying up water without using it. He gave the Board historical information from 2007 – 2009.

There is some analysis whether the block rates functioned as expected. In other words did the customers conserve? The 1-inch and 2-inch meter customers showed some reduction in high end use. The 5/8-inch and 3-inch meters showed small increase in the low end. The 3/4-inch, 4-inch and 6-inch meters showed poor to very poor response to block lowering that occurred in 2006. 8" and agricultural customers had no opportunity to conserve as all consumption occurred in the first block.

As the process goes forward, Manager Craddick stated that he would need some understanding of two customers each using 30,000 gallons per day. Should they pay the

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same if one has a 1½-inch service line and the other has a 4-inch service line? This can also be expanded to the customer needing 100,000 gallons per day one needs a 2½-inch service line to take the water over the full day the other needs an 8-inch service line to deliver the water in five hours. The question involves the percent use of the system for the different use patterns and the fact that one receives the water over a long period and the other uses the water over a very short period.

The other issue to deal with is customers that have meters and are not using them and whether they should be tying up water that could produce revenue.

To be presented are usage patterns and proposed block and service charge changes. There are no increases to the blocks proposed.

Manager Craddick submitted more information to Board at the meeting, which gave some historical information on water use per meter sizes.

Discussion:

Manager Craddick discussed that last year the water meters were changed; whereby, the previous water meters may not have been as accurate as the new water meters, which may have affected the total water use data for various water meter sizes.

Manager Craddick also discussed that based on his study so far, he has found that for the first couple of years a rate increase is not necessary as there are sufficient monies; however, from the third year, a big rate increase is necessary. Then it would be up to the Board to decide on the timeliness and the application of the rate increase implementation.

Manager Craddick, therefore, suggested that there be no rate increase for the first couple of years but instead to shift the rate blocks.

Manager Craddick stated that the ideal would be to get our customers who have large meters but are not using it to downsize to a more meter more applicable to their situation and also to get our customers who have too small meters to get a larger meter to align with their water usage.

Manager Craddick also suggested that level of water usage be adjusted for each block to be lower than it is now, which would result in an indirect rate increase, more so if you are in the higher blocks; however, more importantly and hopefully, it will motivate our customers to conserve water.

On query by Mr. D. Fujimoto, Manager Craddick stated that he did not have a chance to complete his entire water rate study but hoped that this concept would be for all meter sizes.

Manager Craddick explained that another circumstance that needed to be addressed is when there are situations of 'water camping'; whereby, the customer holds onto a large meter that is

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not being used or minimally being used, is to include the first 100,000 gallons into the service charge so the first block would reflect that your first 100,000 gallons usage has no charge. For example, the use charge would be 100 x the present service charge for Block 1, which would be \$320 that is added to the existing service charge. The new service charge would be \$680. This would affect only the customers that are not using the water, so they can make a choice to choose a smaller meter.

Also, to encourage water conservation, a 4th block would also be added to the rate structure.

Mr. Nishimura was concerned that there was a mixed message and probably a harder sell to the customers as we are both advocating water conservation as well as encouraging water usage for those who are not using their meters as generally prescribed.

Manager Craddick stated that the customers that are not using water are not necessarily conserving water but they are tying up water allocations that cannot be used by others.

Manager Craddick discussed that because there are not too many of these customers who have larger meters that are oversized for their situation; the Department could write a letter to them ahead of time to explain the situation and work with them to discuss the proposed changes to the service charge and assist them in getting a more appropriate sized meter for their lot.

Mr. Nishimura asked what would happen if one of our customers agreed to downsize and in the future needs a larger sized meter again. Mr. Fujikawa explained that based on our current rules, our customer would have to pay the FRC again to get a bigger meter but does not get a refund if they downsize their meter. Manager Craddick stated that the facilities reserve charge (FRC) would be the next item to address and could change the rules to say possibly that for a certain period of time that the customer, subject to water availability, could upsize their meter to what they originally had at no charge or if they want a larger meter then it could be possible that they pay the difference between their original FRC charge that they paid and the present FRC charge.

Manager Craddick added that if this is what the Board wanted to implement, it would be handled as a separate matter.

On query by Chair Kahawai, Manager Craddick stated that the bottom line for this water rate study is to conserve water and to make more water available for our customers by evaluating our large meter consumers to see if their meter size is not oversized for their actual needs.

Manager Craddick added that another area that needs to be researched further to be corrected is our customers' use of firelines for domestic use.

Manager Craddick summarized that he was looking for Board concurrence that his philosophy was on the right track then he would proceed to finish the water rate study. He felt that the

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selling point of this concept is that it is a 'no increase' type of increase as the block rates would not be changed but the blocks would move. As the next scheduled rate increase will take effect on January 1, 2010, he would propose that this new block rate concept would take effect July 1, 2010.

Mr. D. Fujimoto stated that based on what Manager Craddick reported on so far that he felt confident with proceeding with the upcoming bond float.

Mr. D. Fujimoto suggested that Manager Craddick work with the staff to simplify the public presentations to ensure that anyone could understand what is being proposed as it took some effort for him to understand this concept.

Mr. Crowell requested that there be a timeline of events as he felt that there should not be any type of rate increase during these hard economic times.

Mr. D. Fujimoto discussed that what Manager Craddick has proposed would affect the consumers that have high water usage and they would need to reassess and conserve water in order to reduce their water bill. The regular consumer who uses minimal water would not be affected.

Mr. Costa moved to authorize Manager Craddick to continue his efforts in researching his strategy and report back to the Board by the November, 2009 Board Meeting, seconded by Mr. D. Fujimoto.

Mr. Nishimura moved to amend that motion to also include a timetable as recommended by Mr. Crowell in relation to the upcoming bond issue, seconded by Mr. D. Fujimoto.

Manager Craddick thanked his staff of Paul Ganaden, Keith Fujimoto and Jeff Mendez for their valued assistance, especially when our annual audit is also being done at the same time.

By unanimous votes, both motions were carried.

There was no Rules Committee Meeting.

ADJOURNMENT:

There being no other business, the Finance Committee Meeting was duly adjourned at 11:50 a.m.

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