



# STAKEHOLDER ADVISORY GROUP

Board of Water Supply, City & County of Honolulu  
January 19, 2023  
Meeting 45 - Virtual

# WELCOME & INTRODUCTIONS


DAVE EBERSOLD, FACILITATOR

STAKEHOLDER ADVISORY GROUP MEETING 45

JANUARY 19, 2023



# VIRTUAL MEETING BEST PRACTICES

- Please stay muted unless you are speaking
- Use  or meeting chat to let us know you want to ask a question
- If you don't have the “raise hand” function or meeting chat, unmute your mic/phone and speak
- Speak one person at a time
- Expect something to go wrong



# MEETING OBJECTIVES

- Provide update on fee waivers for affordable and homeless projects
- Provide update on financial assistance for water consumers
- Accept notes from meeting #45
- Seek input on Cost of Service and Water Rate Study
- Provide BWS updates



# PUBLIC COMMENT ON AGENDA ITEMS





# UPDATE ON FEE WAIVERS FOR AFFORDABLE AND HOMELESS PROJECTS

Jennifer Elflein  
Program Administrator, Customer Care Division

January 19, 2023  
[www.boardofwatersupply.com](http://www.boardofwatersupply.com)

# WAIVER OF FEES FOR AFFORDABLE AND HOMELESS PROJECTS

## **Waiver of Water System Facilities Charge for Qualified Affordable and Homeless Dwelling Units**

The Board of Water Supply may waive the Water Systems Facilities Charges and new meter cost for qualified on-site affordable and homeless dwelling units, up to 500 dwelling units per year. The waivers will be granted when the building permit is submitted for approval. To qualify, the dwelling units must be certified as either affordable or homeless dwelling units by the appropriate agency of the City and County of Honolulu. Waiver of the Water System Facilities Charge will apply only to fixture units associated with the certified dwelling units. The amount of the meter waiver shall be calculated as a percentage of the number of certified dwelling units to the total number of dwelling units in the project. If the annual cap of 500 dwelling units has not been reached and a project is proposed that would qualify for more than the remaining number of dwelling units in that year, the Manager and Chief Engineer has the discretion to increase that year's limit. This waiver provision shall expire on June 30, 2023.

## **Waiver of Meter Charges for Residential Fire Sprinkler Retrofits**

The Board of Water Supply may waive the new meter charges for high rise multi-unit residential fire sprinkler retrofits. This waiver provision shall expire on June 30, 2023.



## FEE WAIVERS – ADDITIONAL INFORMATION

- To be eligible for the fee waivers, the developer must obtain a letter from the City certifying that the project is an affordable housing or homeless project.
- Eligible fees will be waived when the building permits are submitted for review and approval.
- Fee waivers will not be retroactive. Only projects submitting building permits on or after the effective date will be considered unless the project obtained prior approval from BWS for the fee waiver.
- Fee waivers will apply only to fixture units associated with the affordable housing and homeless dwelling units.
- Only costs associated with the one-time charge for the fire sprinkler meter will be waived for the residential fire sprinkler retrofit projects.
- The BWS will report annually on the amount of dwelling units and all fee waivers approved by BWS.
- The effective date of the fee waiver program is September 15, 2018 Revision to the Schedule of Rates and Charges for the Furnishing of Water Service, amended by Resolution No. 889, 2018
- Unless extended by the Board the fee waiver program will expire on June 30, 2023.





# BWS WAIVED \$2M+ IN WSFC FOR AFFORDABLE & HOMELESS PROJECTS BETWEEN FY 2019 – 2023 YTD

## Waiver of Fees for Affordable and Homeless Projects - Summary

Fiscal Year	# Affordable Dwelling Units	# Homeless Dwelling Units	# Total Qualified Units	\$ Waived WFSC	\$ Waived Meter Costs	\$ Annual Fees Waived
FY 2018 – 2019	76	102	178	\$103,432.03	\$10,332.00	\$113,764.03
FY 2019 – 2020	302	0	302	\$489,770.41	\$14,608.00	\$504,378.41
FY 2020 – 2021	578	0	578	\$789,665.47	\$10,675.00	\$800,340.47
FY 2021 – 2022	514	0	514	\$648,266.54	\$3,024.00	\$651,290.54
FY 2022 – 2023	62	1	63	\$88,559.84		\$88,559.84
<b>TOTALS</b>	<b>1532</b>	<b>103</b>	<b>1,635</b>	<b>\$2,119,294.29</b>	<b>\$38,639.00</b>	<b>\$2,158,333.29</b>



# WAIVER OF FEES FOR AFFORDABLE AND HOMELESS PROJECTS FY 2022-2023 YTD

Project Name	Type	# Qualified Units	\$ WSFC Fees Waived	\$ Meter Fees Waived	\$ Total Fees Waived
HONU Program	Homeless	1	\$12,417.00		\$12,417.00
840 Pumehana Street	Affordable	25	\$35,688.56		\$35,688.56
2051 Young Street	Affordable	37	\$40,454.28		\$40,454.28
<b>TOTALS</b>		<b>63</b>	<b>\$88,559.84</b>		<b>\$88,559.84</b>



# WAIVER OF FEES FOR AFFORDABLE AND HOMELESS PROJECTS FY 2021-2022

Project Name	Type	# Qualified Units	\$ WSFC Fees Waived	\$ Meter Fees Waived	\$ Total Fees Waived
Hale Makana O Mo'ili'ili	Affordable	104	\$117,990.64	\$1,324.00	\$119,314.64
Kokua Elderly Housing	Affordable	222	\$249,230.52	\$1,324.00	\$250,554.52
Ililani	Affordable	32	\$83,158.50		\$83,158.50
806/818 Iwilei Road	Affordable	27	\$30,311.83	\$376.00	\$30,687.83
Malina at Koa Ridge Phase 4	Affordable	34	\$43,710.81		\$43,710.81
Malina at Koa Ridge Phase 5	Affordable	26	\$32,936.05		\$32,936.05
Wailepo Hale	Affordable	36	\$41,939.39		\$41,939.39
CoolMetro Apartments	Affordable	33	\$48,988.80		\$48,988.80
<b>TOTALS</b>		<b>514</b>	<b>\$648,266.54</b>	<b>\$3,024.00</b>	<b>\$651,290.54</b>



# WAIVER OF FEES FOR AFFORDABLE AND HOMELESS PROJECTS FY 2020-2021

Project Name	Type	# Qualified Units	\$ WSFC Fees Waived	\$ Meter Fees Waived	\$ Total Fees Waived
Halewaiolu Senior Residences	Affordable	155	\$174,012.31	\$7,304.00	\$181,316.31
902 Alder Street Project	Affordable	200	\$237,958.00		\$237,958.00
West Loch Modular Housing Project	Affordable	58	\$87,620.21	\$376.00	\$87,996.21
Ililani	Affordable	165	\$290,074.95	\$2,995.00	\$293,069.95
<b>TOTALS</b>		<b>578</b>	<b>\$789,665.47</b>	<b>\$10,675.00</b>	<b>\$800,340.47</b>



# WAIVER OF FEES FOR AFFORDABLE AND HOMELESS PROJECTS FY 2019-2020

Project Name	Type	# Qualified Units	\$ WSFC Fees Waived	\$ Meter Fees Waived	\$ Total Fees Waived
Queen Emma Building	Affordable	71	\$79,708.87		\$79,708.87
Azure	Affordable	78	\$87,567.48		\$87,567.48
Maunakea Marketplace	Affordable	38	\$46,069.90		\$46,069.90
Hale Makana O Maili	Affordable	51	\$106,934.65	\$7,304.00	\$114,238.65
The Elemental (Phase 1)	Affordable	42	\$112,794.08	\$7,304.00	\$120,098.08
The Elemental (Phase 2)	Affordable	22	\$56,695.43		\$56,695.43
<b>TOTALS</b>		<b>302</b>	<b>\$489,770.41</b>	<b>\$14,608.00</b>	<b>\$504,378.41</b>



# WAIVER OF FEES FOR AFFORDABLE AND HOMELESS PROJECTS FY 2018-2019

Project Name	Type	# Qualified Units	\$ WSFC Fees Waived	\$ Meter Fees Waived	\$ Total Fees Waived
Kauhale Kamaile Modular Homes	Affordable	16	\$14,455.74		\$14,455.74
1902 Young Street Multi-Family Housing	Affordable	30	\$35,543.55	\$1,702.00	\$37,245.55
Kahauiki Village	Homeless	24	\$35,583.36	\$7,304.00	\$42,887.36
Hale Mauiola	Homeless	78	\$7,357.61		\$7,357.61
1936 Citron Street	Affordable	30	\$10,491.77	\$1,326.00	\$11,817.77
<b>TOTALS</b>		<b>178</b>	<b>\$103,432.03</b>	<b>\$10,332.00</b>	<b>\$113,764.03</b>



QUESTIONS?





# FINANCIAL ASSISTANCE FOR WATER CONSUMERS

Jennifer Elflein  
Program Administrator, Customer Care Division

January 19, 2023  
[www.boardofwatersupply.com](http://www.boardofwatersupply.com)



# **BWS RECEIVED \$2,093,882**

## **IN PAYMENTS FROM VARIOUS PROGRAMS**

### **2020 - 2022**

- Good coordination and support from City Office of Economic Resiliency, Catholic Charities, Council for Native Hawaiian Advancement, Department of Human Services, Hawaiian Electric, Aloha United Way and other charitable organizations.
- Customers were proactively informed about financial aid programs via BWS' website, on-hold messaging, and during conversations with staff.
- Payments were sent to BWS directly from the programs and were manually posted to the water/sewer accounts (some were done electronically). Cashiers worked overtime to process them.
- Collection activities were deferred while waiting for receipt of funds.



Name	2020		2021		2022		TOTAL	
	# of Pmts	\$ Recv'd	# of Pmts	\$ Recv'd	# of Pmts	\$ Recv'd	# of Pmts	\$ Recv'd
Rental & Utility Relief Program					1,278	\$1,604,979	1,278	\$1,604,979
Hawaii Utility Bill Assistance Program			565	\$233,945			565	\$233,945
Low-Income Household Water Assistance Program					152	\$136,771	152	\$136,771
Catholic Charities	2	\$1,334	65	\$61,190			67	\$62,524
Council for Native Hawaiian Advancement - DHHL			28	\$25,416			28	\$25,416
Hawaii Community Lending			13	\$10,490			13	\$10,490
Aloha United Way	20	\$6,983					20	\$6,983
HCAP			7	\$4,658			7	\$4,658
Helping Hands	4	\$2,162	3	\$2,024			7	\$4,186
US Veterans	1	\$731	1	\$739			2	\$1,470
Council for Native Hawaiian Advancement	3	\$1,285					3	\$1,285
Unite Here Local 5			1	\$550			1	\$550
Institute for Human Services	1	\$395					1	\$395
Hawaii Children's Cancer Foundation			2	\$120			2	\$120
Wichita & Affiliated Tribes			1	\$111			1	\$111
<b>TOTAL</b>	<b>31</b>	<b>\$12,890</b>	<b>686</b>	<b>\$339,242</b>	<b>1,430</b>	<b>\$1,741,750</b>	<b>2,147</b>	<b>\$2,093,882</b>

Manually tracked. Number of payments is not the same as the number of accountholders who received benefit.



QUESTIONS?

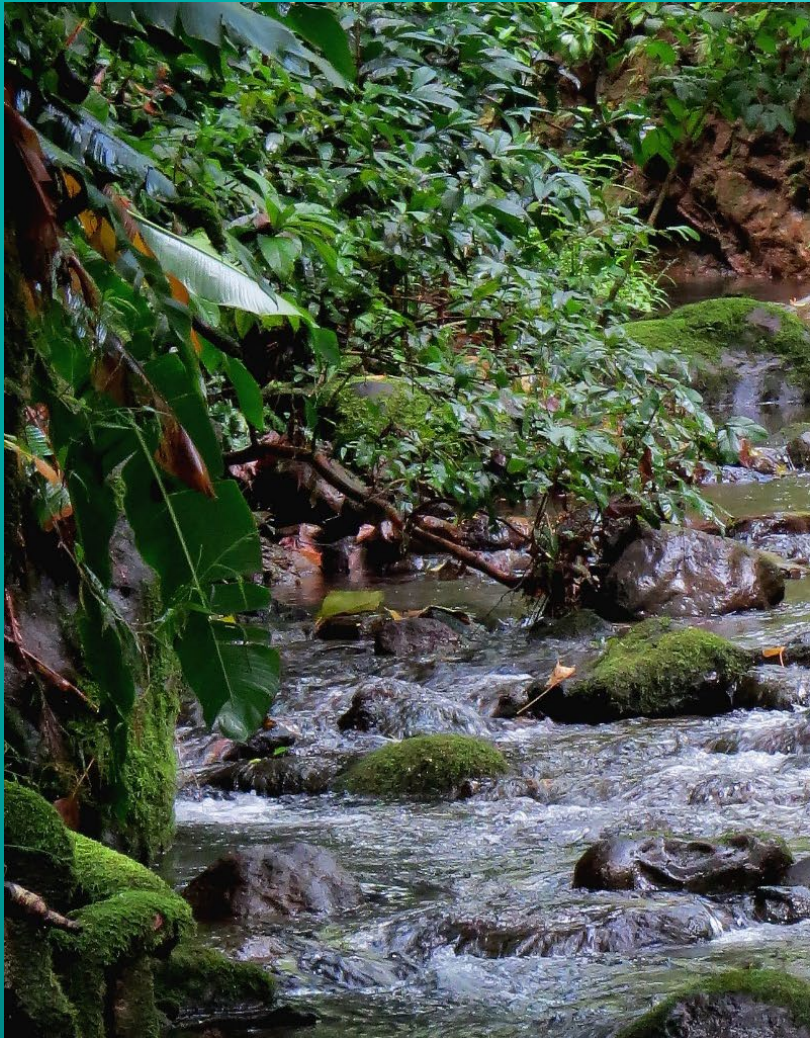




# Mahalo!

BOARD OF  
WATER SUPPLY

Providing safe, dependable, and affordable  
drinking water, now and into the future.



# WATER RATES UPDATE

Joe Cooper  
Waterworks Controller

David Ebersold  
Vice President, CDM Smith

January 19, 2023  
[boardofwatersupply.com](http://boardofwatersupply.com)

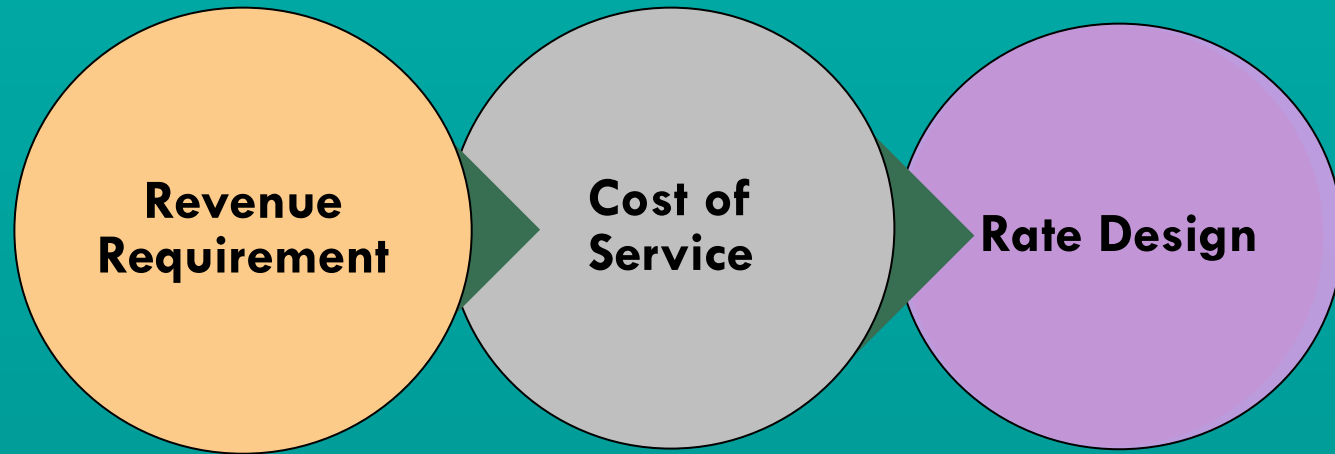


# OBJECTIVES

- Review Stakeholder Advisory Group input from October 2022 meeting
  - External drivers of revenue requirement
  - Cost of service allocations
- Review the Long Range Financial Plan
- Discuss water demand trends
- Seek your initial input on potential rate increase scenarios



# THREE PRIMARY STEPS OF RATE MAKING



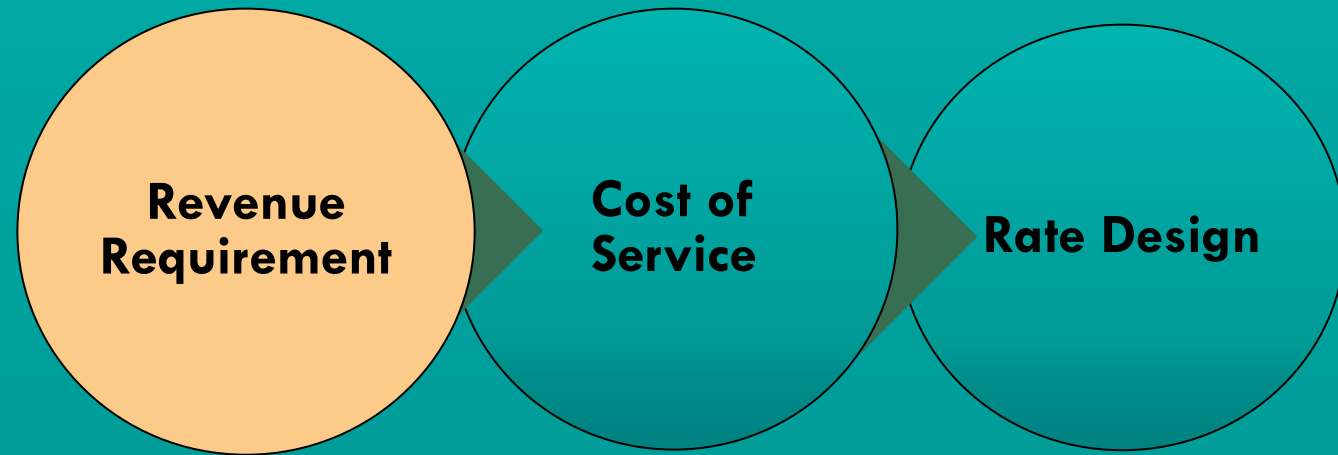
Compare revenue with operating and capital costs

Identify differences in costs to serve each of the customer classes

Consider level and structure of rate design for each class of service



# THREE PRIMARY STEPS OF RATE MAKING



Compare revenue with operating and capital costs

Identify differences in costs to serve each of the customer classes

Consider level and structure of rate design for each class of service





## 4 MAJOR DRIVERS OF REVENUE REQUIREMENT AND RATES

Operations & Maintenance

Operations and maintenance costs

Capital Expenses Paid in  
Cash vs. Debt

How the Capital Improvement Program  
is financed

Reserves and Working  
Capital

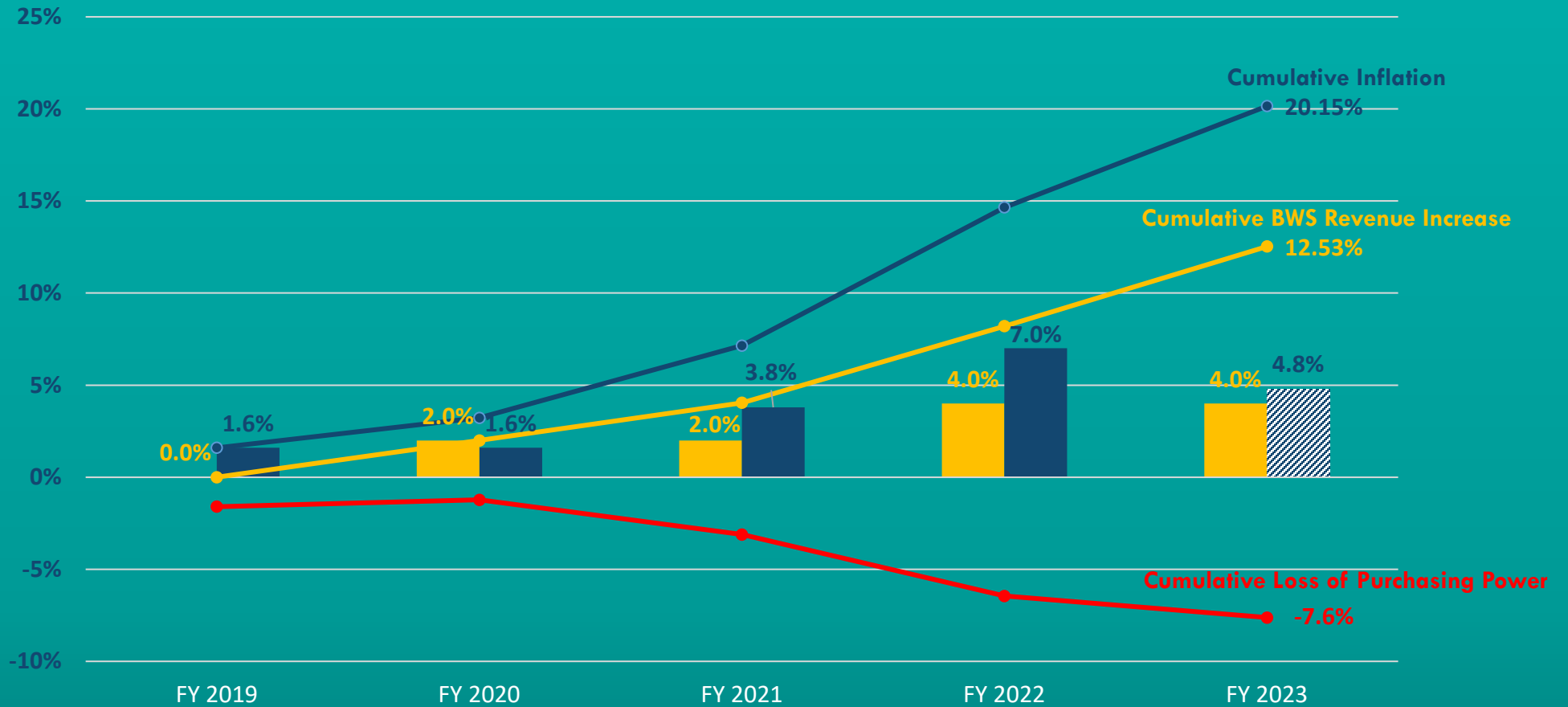
Financial policies for credit ratings  
and stability

Trends and Risks

Preparedness to respond to changing  
trends and risks



# INFLATION'S IMPACT ON PURCHASING POWER



■ Annual Inflation Rate  
■ BWS Annual Revenue Increase  
Inflation data/projections from UHERO, Sept. 2022



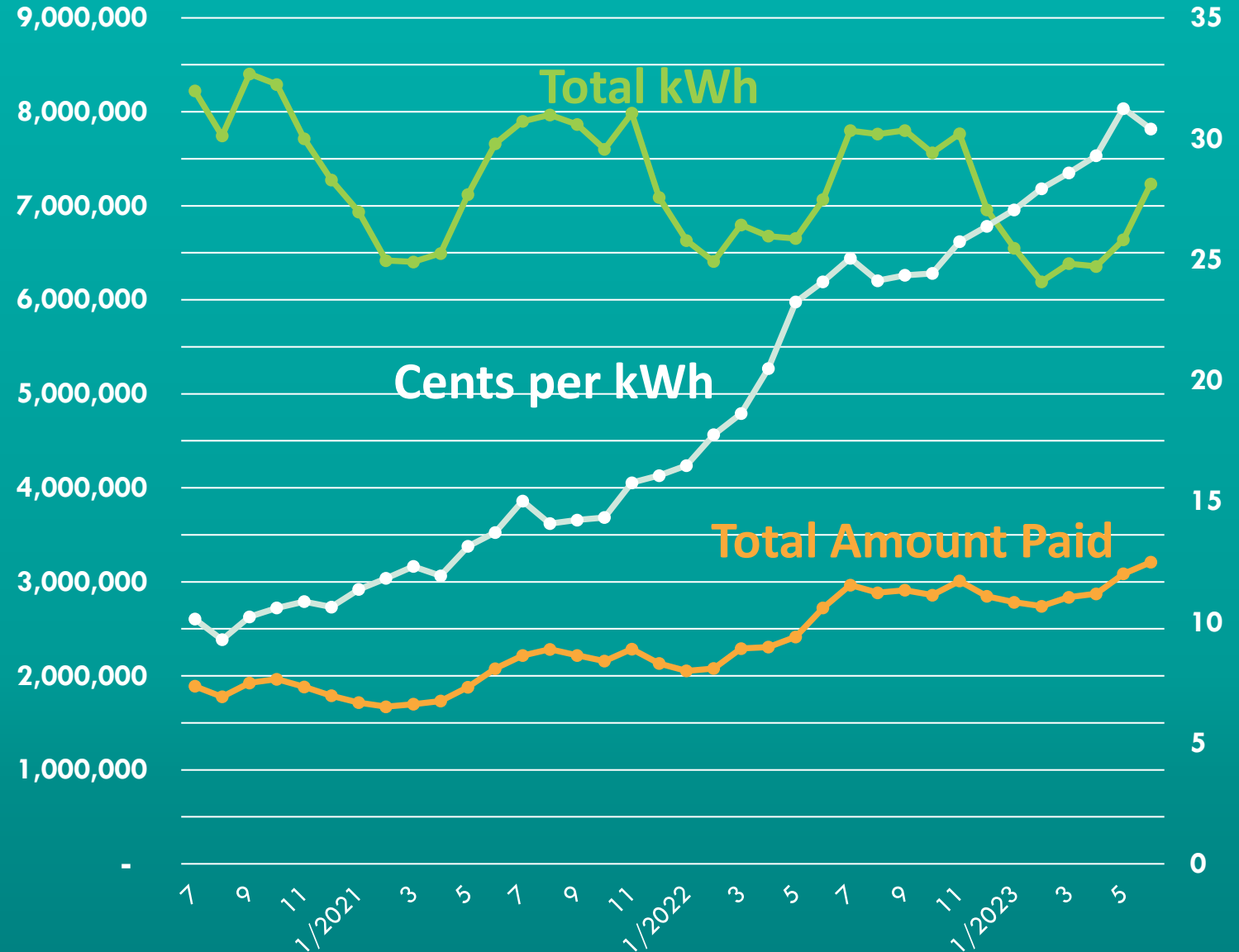
# RED HILL RESPONSE REQUIRES INVESTMENTS IN NEW BWS FACILITIES IN EXCESS OF \$200 MILLION

- Monitoring wells for information on how the contamination is moving and exploratory wells to find new sources outside of its path - \$30 million
- Replace 17.5 million gallons per day of potable water well pumping capacity - \$195 million
- Potential additional capital costs yet to be determined
- Does not include any potential increases to Operations & Maintenance costs
- Cost recovery from Navy is undetermined
- BWS has requested assistance from Hawaii Congressional Delegation

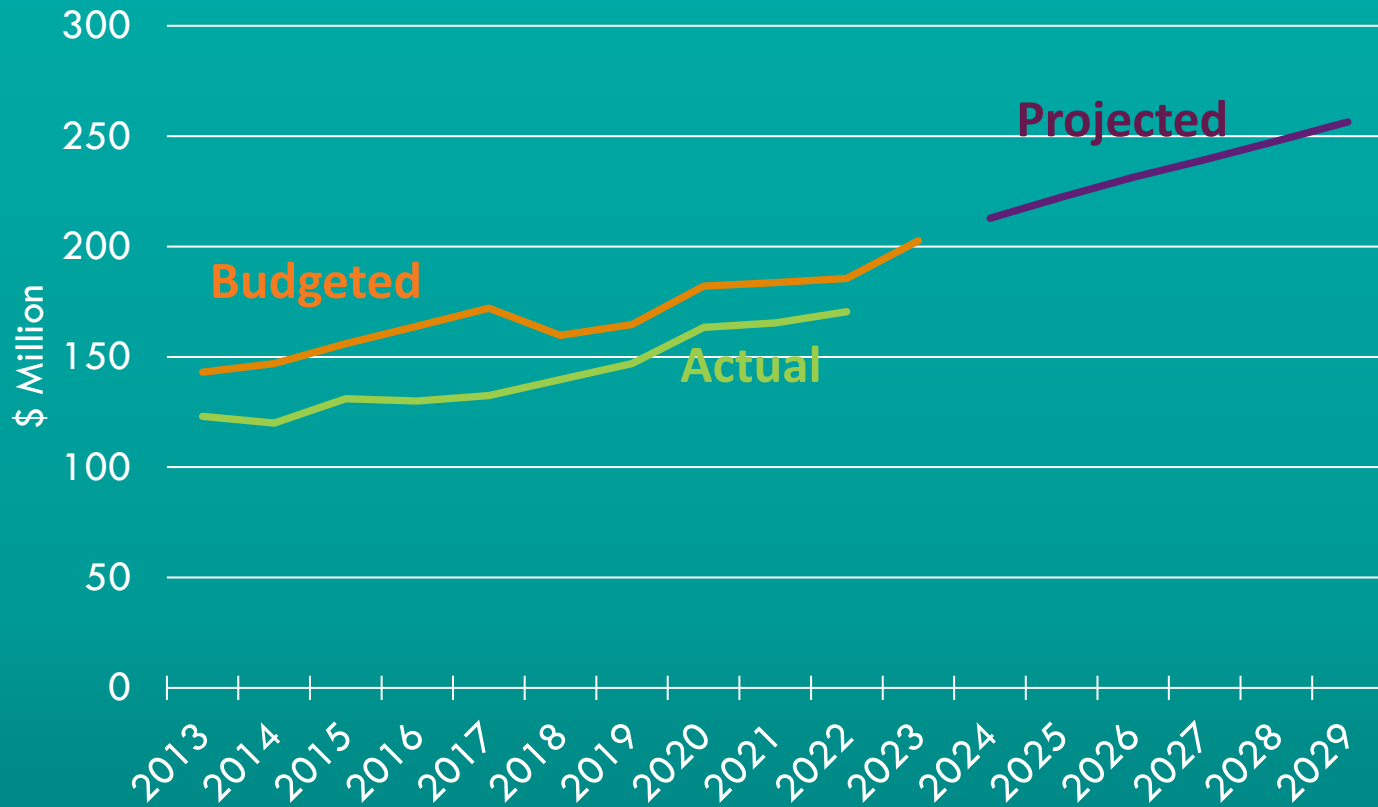


# POWER COSTS TRENDING SHARPLY UPWARD

- Power costs have risen dramatically
- Remain high and volatile
- Estimates for FY 2023 range from \$30.6 to 39.8 million



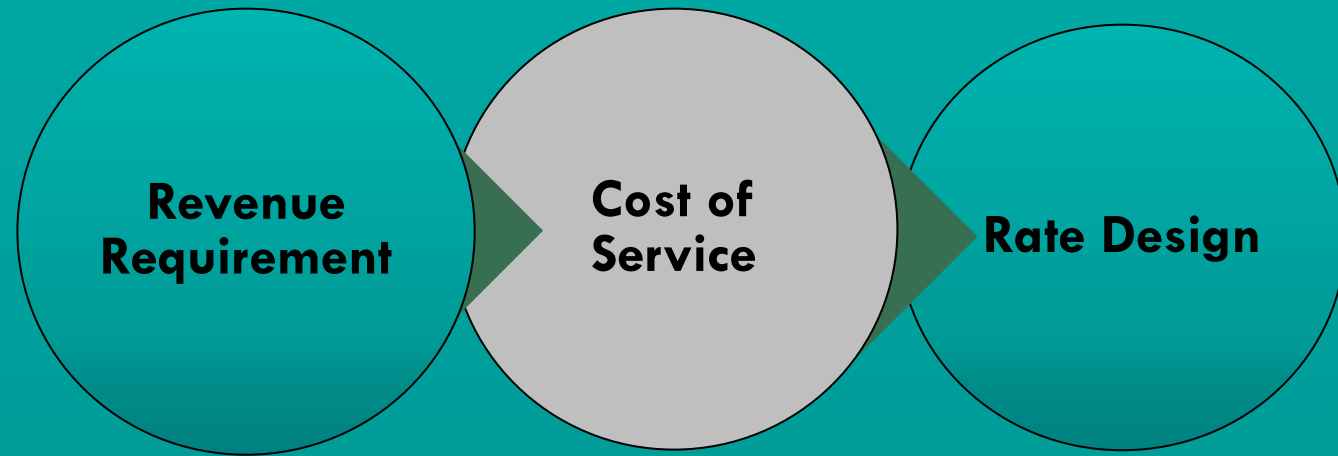
# ACTUAL AND PROJECTED OPERATIONS & MAINTENANCE COSTS (\$ MILLION)



- **3.85% ACTUAL** 10-year average increase
- **3.78% BUDGETED** 10-year average increase



# THREE PRIMARY STEPS OF RATE MAKING



Compare revenue with operating and capital costs

Identify differences in costs to serve each of the customer classes

Consider level and structure of rate design for each class of service



# COST OF SERVICE DEFINED

A Cost of Service (COS) analysis determines the cost of providing water service to each distinct customer class, following guidelines from the AWWA Manual M1: *Principles of Water Rates, Fees and Charges*.



Single-family



Multi-family



Commercial/Industrial

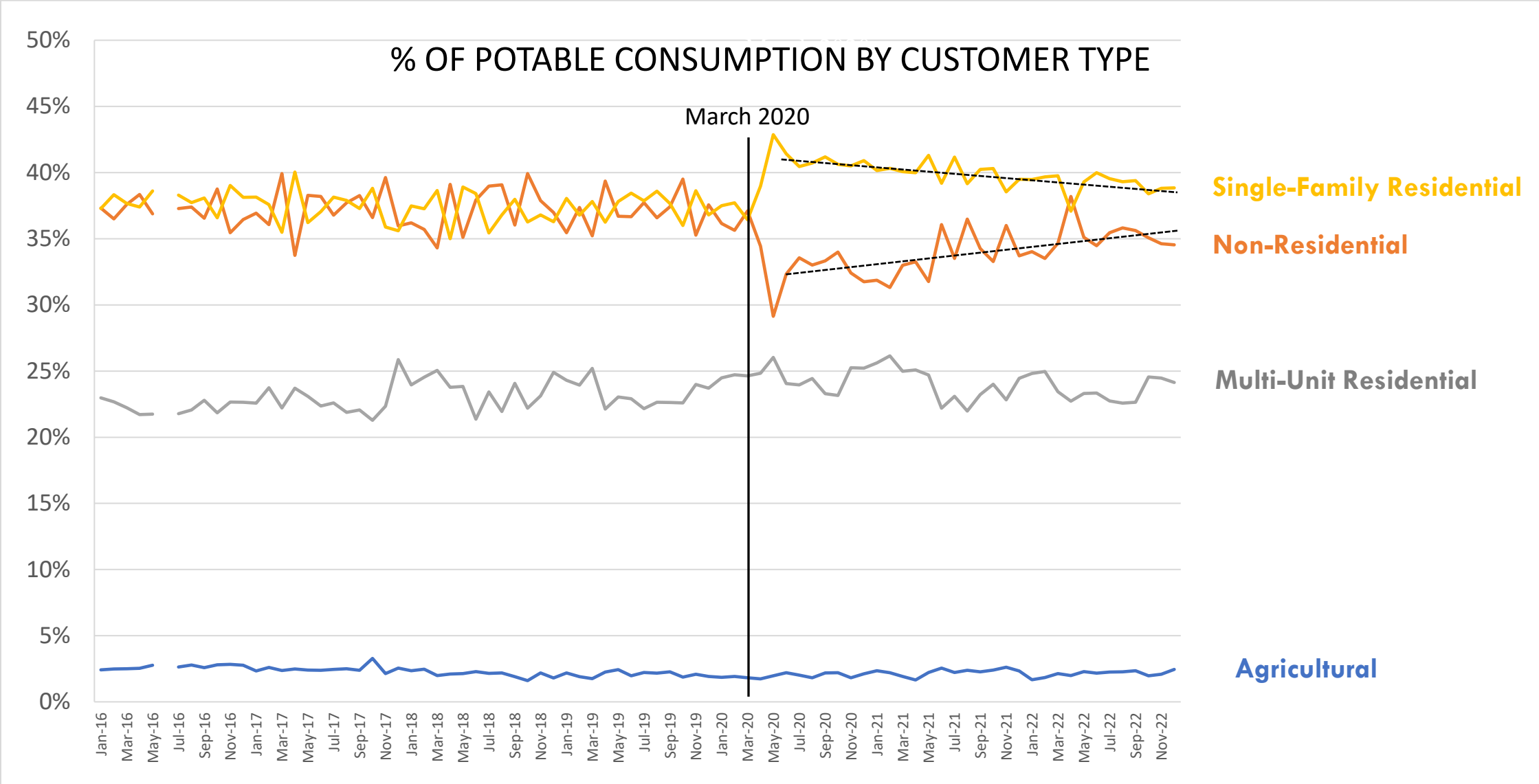


Agricultural

- Compare costs to rate-based revenue
- Show the impact of the rate structure on varied customer classes
- Inform rate policies and decisions about the rate structure



# COVID-19 CAUSED CHANGES IN CUSTOMER WATER USE PATTERNS



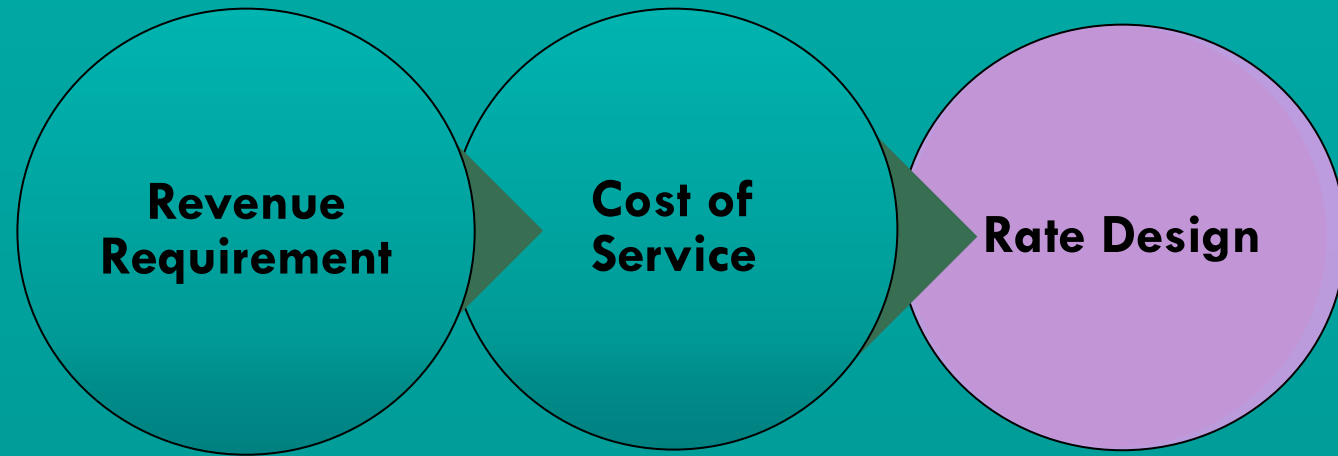


# ADJUSTMENTS TO COST OF SERVICE FROM PREVIOUS RATE STUDY

Customer Class	Cost of Service Recovery FY 2019	Implemented Recommendation
Single-Family Residential	90%	About 95% recovery by FY 2023
Multi-Unit Residential	109%	Bring down to 100% by FY 2023
Agricultural	60%	Maintain 60%
Non-Potable	77%	Bring to 80%
R-1	70%	Maintain about 70%
RO	55%	Bring to about 63%
Non-Residential	120%	Balance downward and provide source of funds for community values



# THREE PRIMARY STEPS OF RATE MAKING



Compare revenue with operating and capital costs

Identify differences in costs to serve each of the customer classes

Consider level and structure of rate design for each class of service



# TIERED RESIDENTIAL WATER RATES



## Single-Family

Tier	Gallons/du/month	Current Rate
1 - EssN	0 to 2,000	\$4.46
2	2,001 to 6,000	\$5.25
3	6,001 to 30,000	\$5.85
4	More than 30,000	\$9.25

## Multi-Unit



Tier	Gallons/du/month	Current Rate
1 - EssN	0 to 2,000	\$3.77
2	2,001 to 4,000	\$4.43
3	4,001 to 10,000	\$5.03
4	More than 10,000	\$5.98

EssN – Essential needs  
Rates are in \$ per thousand gallons  
du – dwelling unit



# NON-RESIDENTIAL WATER RATES



<b>Flat Rate</b>
<b>\$5.27</b>

Examples: hotels, restaurants,  
government, shopping centers,  
hospitals, retail

# AGRICULTURAL WATER RATES

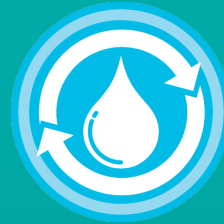


Tier	Gallons/ du/month	Current Rate
1 - EssN	0 to 2,000	\$4.46
2	2,001 to 6,000	\$5.25
3	More than 6,000	\$2.12

EssN – Essential needs  
Rates are in \$ per thousand gallons  
du – dwelling unit



# NON-POTABLE AND RECYCLED WATER RATES

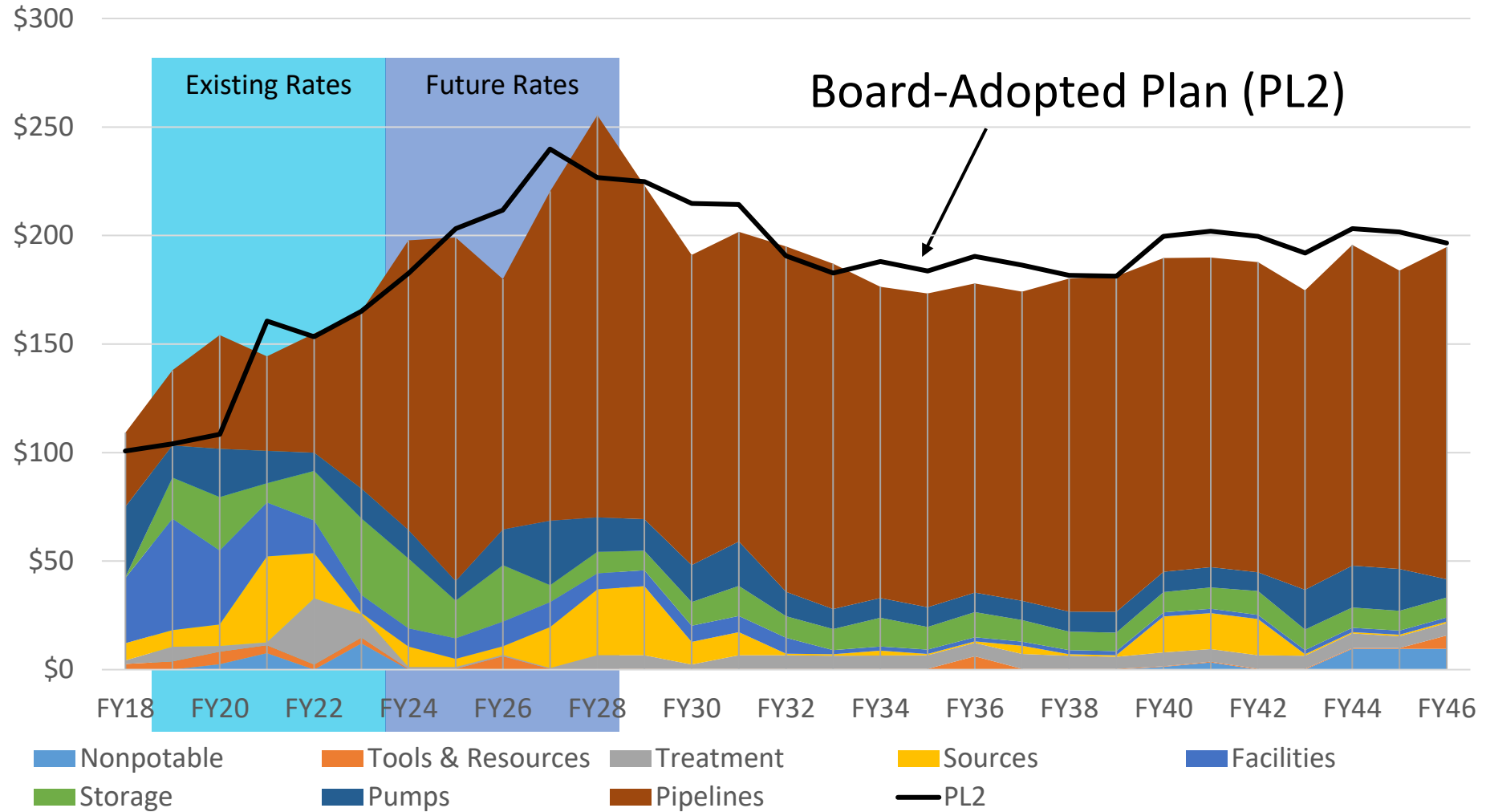


Type	Current Rate
Non-Potable	\$2.90
R-1 Golf	\$0.65
R-1 Other	\$1.96
RO	\$6.36

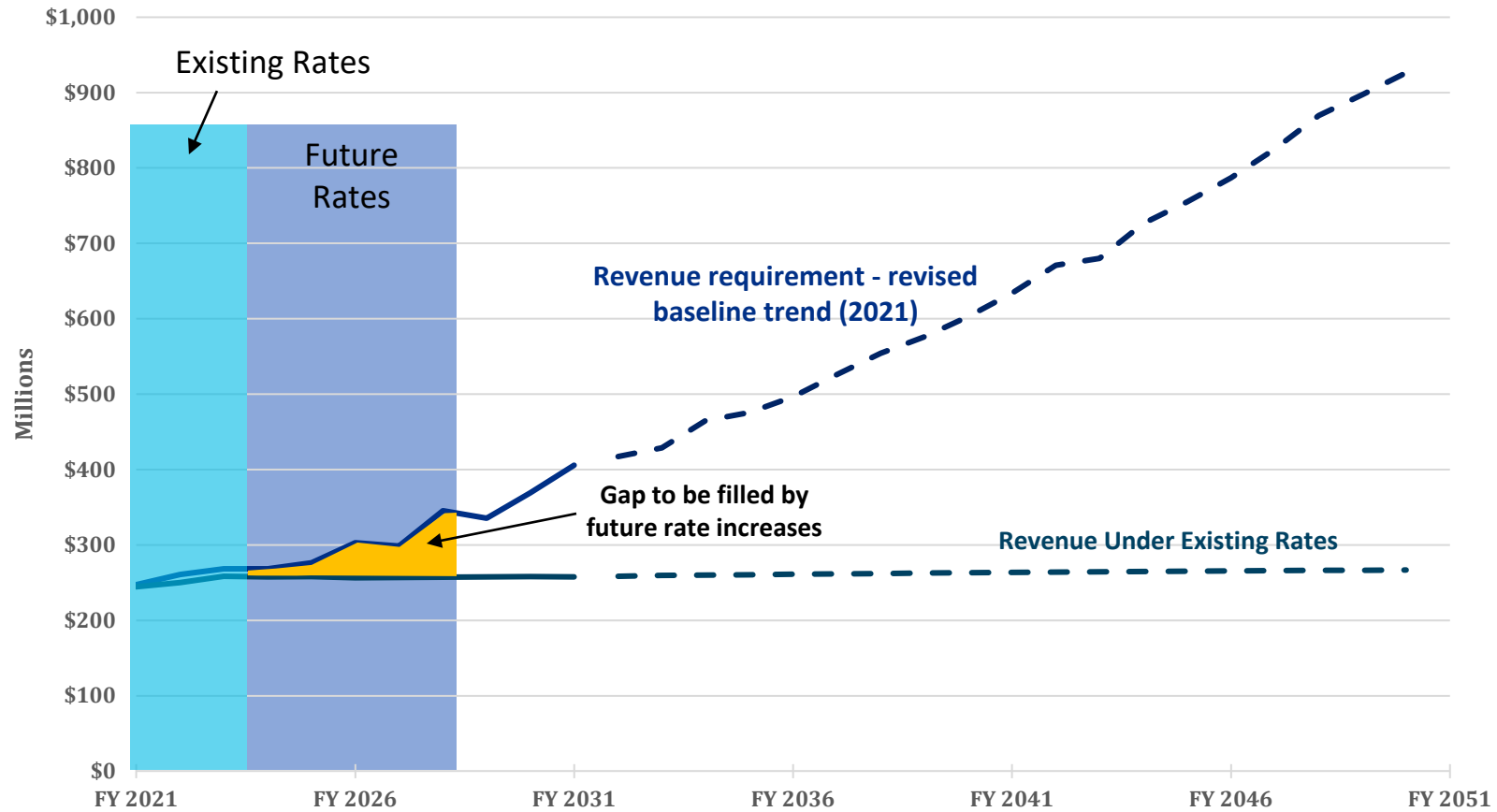
Rates are in \$ per thousand gallons



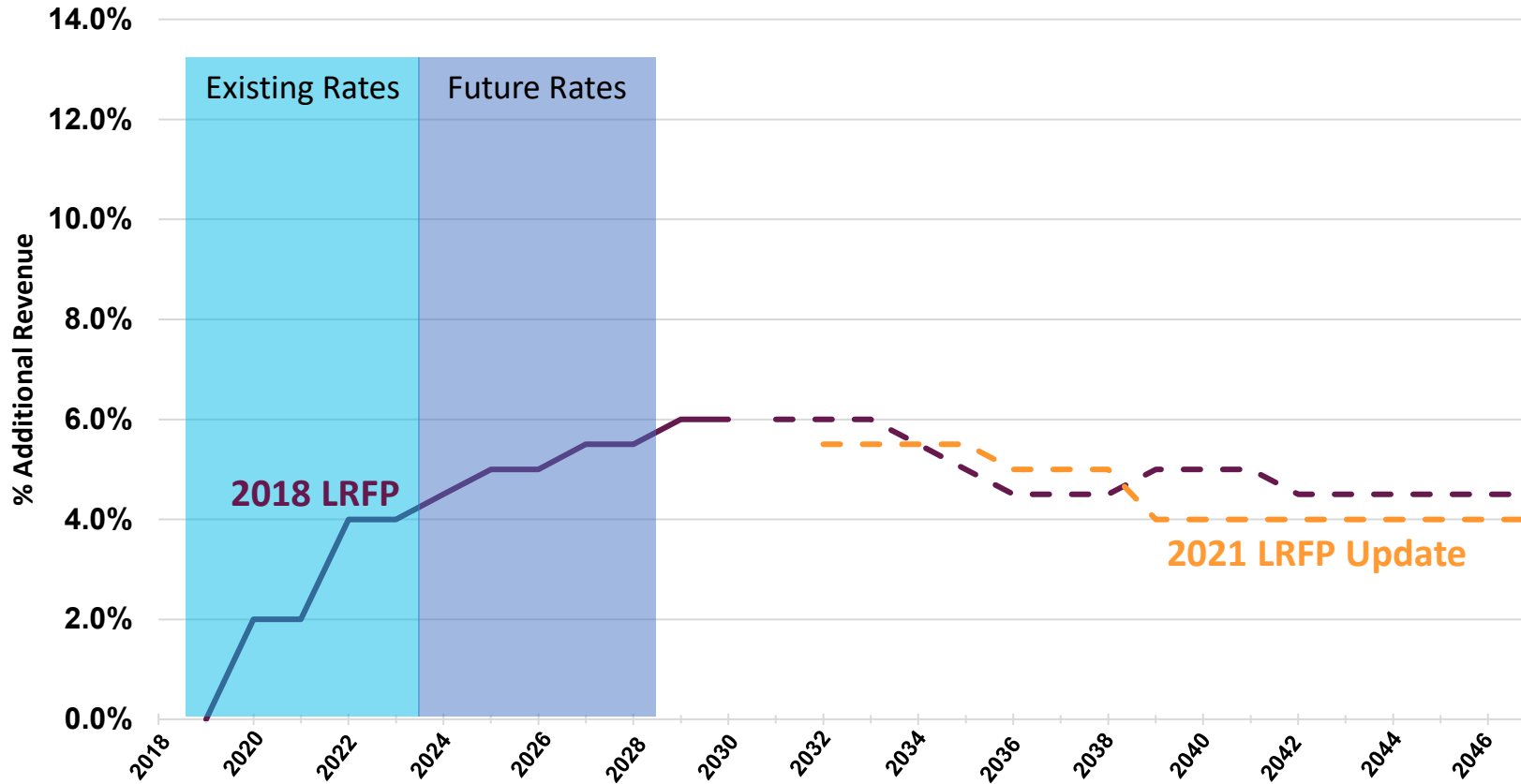
# 30-YEAR CAPITAL IMPROVEMENT PROGRAM (\$ MILLION 2016)



# REVENUE REQUIREMENT FROM UPDATED LRF 2021 (\$ MILLION 2020)



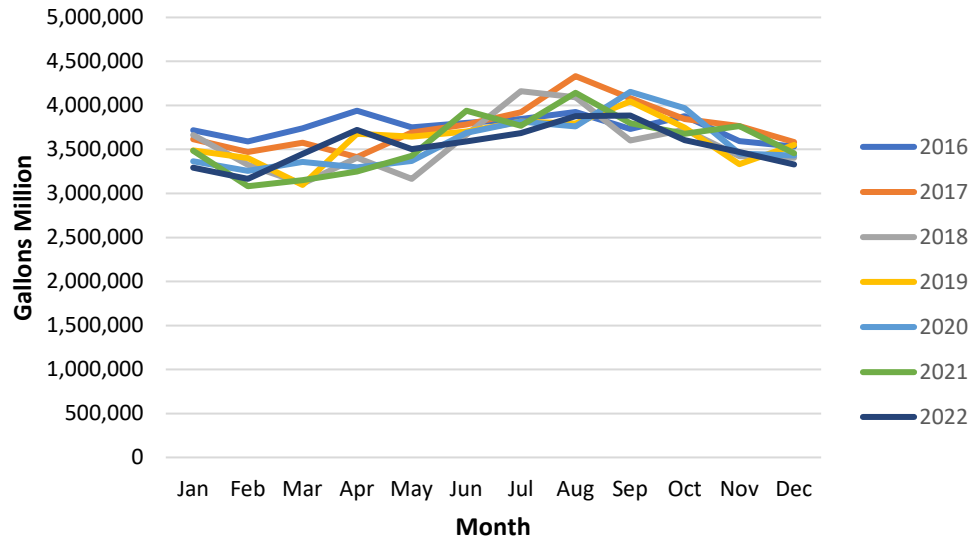
# ADDITIONAL REVENUE NEEDS (PERCENT OF EXISTING RATE-BASED REVENUE)





# ASSESSMENT OF WATER CONSUMPTION TRENDS

## Monthly Consumption



## Annual Consumption

Calendar Year	Amount (gallons millions)	Deviation from Average
2016	45,045,131	3.5%
2017	45,079,503	3.6%
2018	42,746,303	-1.8%
2019	43,297,289	-0.5%
2020	42,912,706	-1.4%
2021	42,933,541	-1.3%
2022	42,568,222	-2.2%

# RATE-MAKING ASSUMPTIONS

- No growth in water demands
- Inflation applied to Operations & Maintenance and CIP

Fiscal Year	2024	2025	2026	2027	2028	2029
Inflation Rate %	5.00	4.50	4.00	3.50	3.50	3.50

- \$50 million in American Rescue Plan Act (ARPA) grants
- Cost of money market-based debt 5% (up from 3.5%)
- Capital projects to address Red Hill delay other CIP projects



# PRELIMINARY SCENARIOS OF GIVEN CURRENT CONDITIONS

- What revenue increases would be required to stay on plan?
- What would be the impacts of not raising rates now?
- What are some more moderate options?

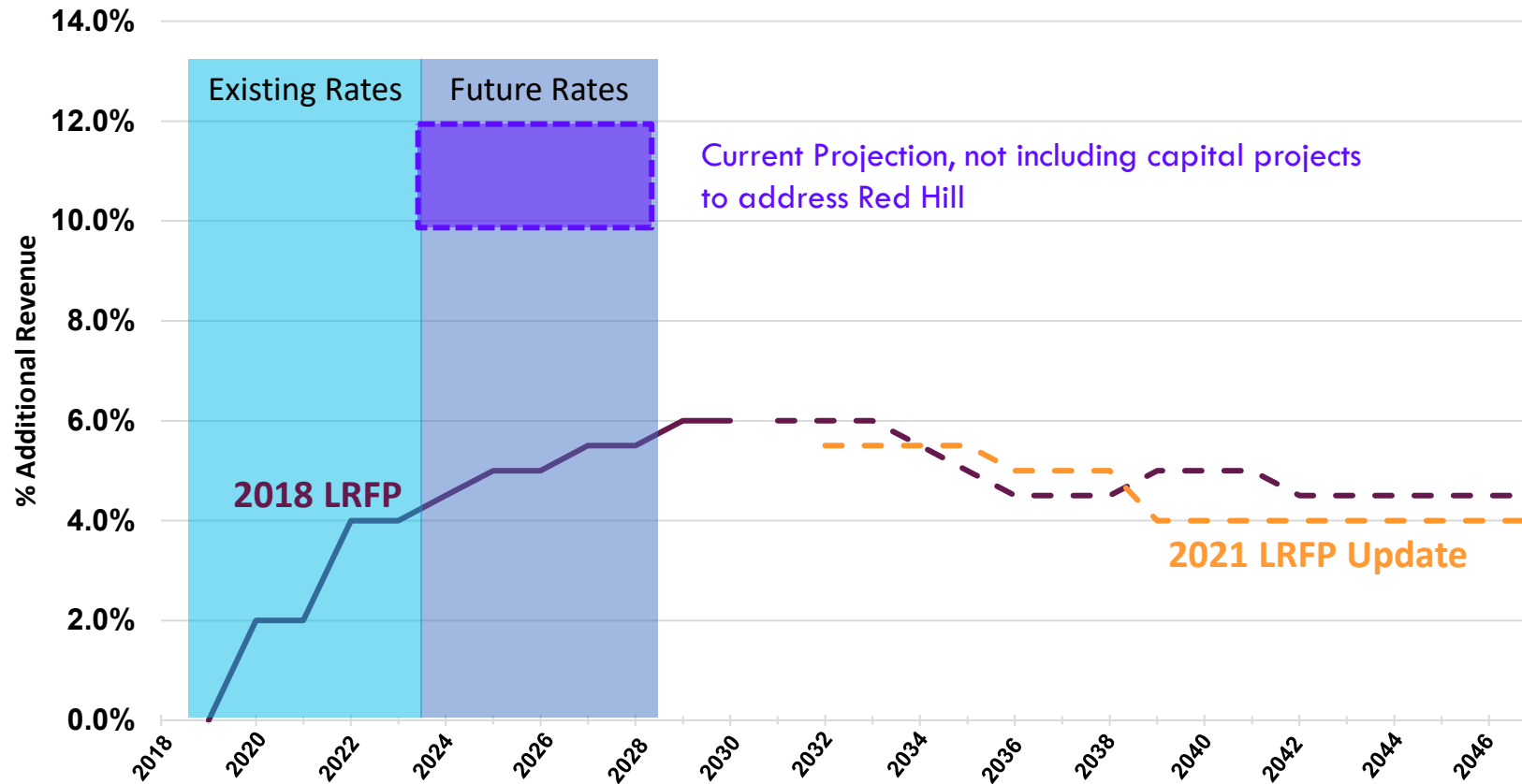
Note: Increases in revenue requirement don't necessarily equal the same increase in rates

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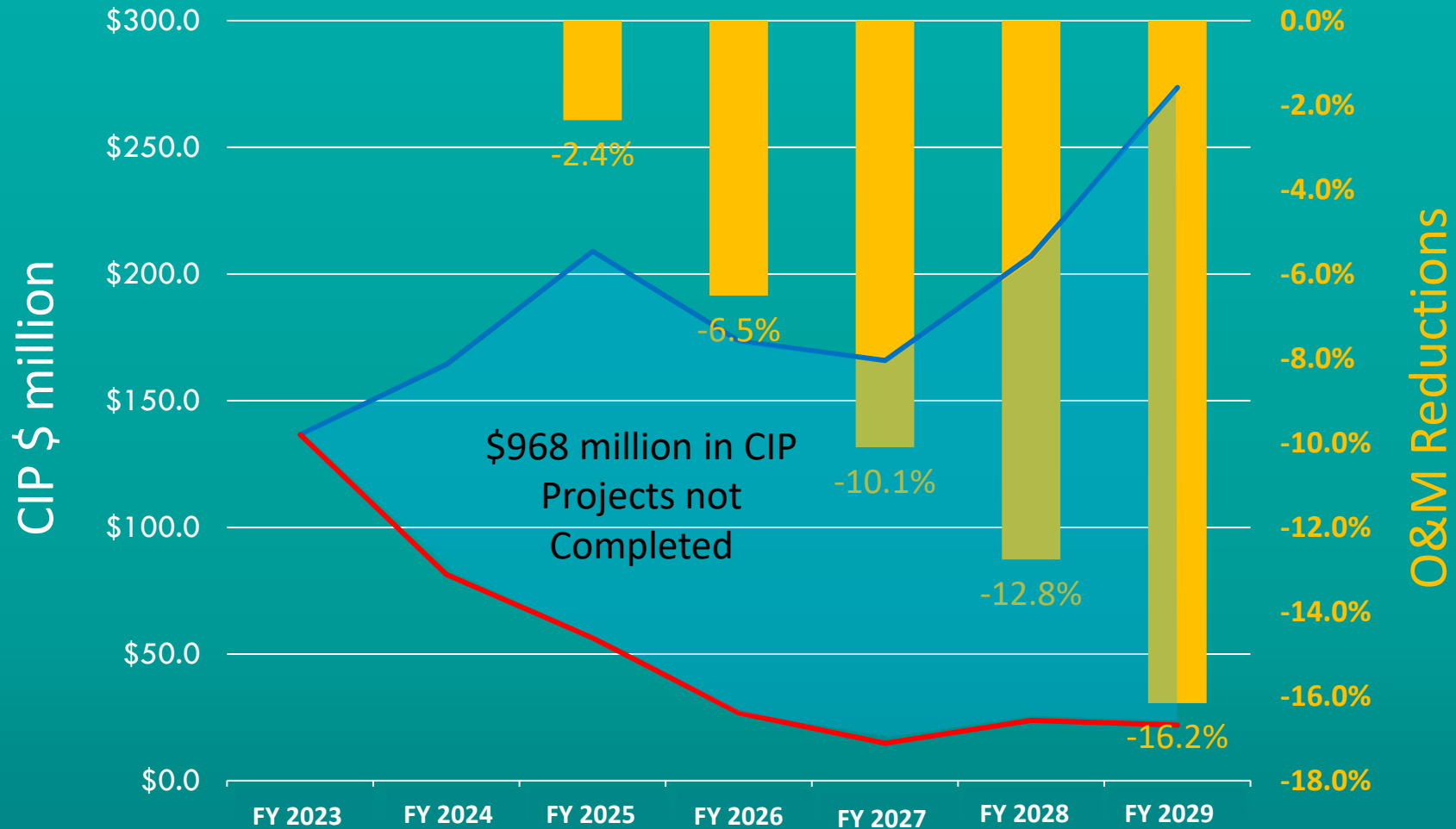


# ADDITIONAL REVENUE NEEDS

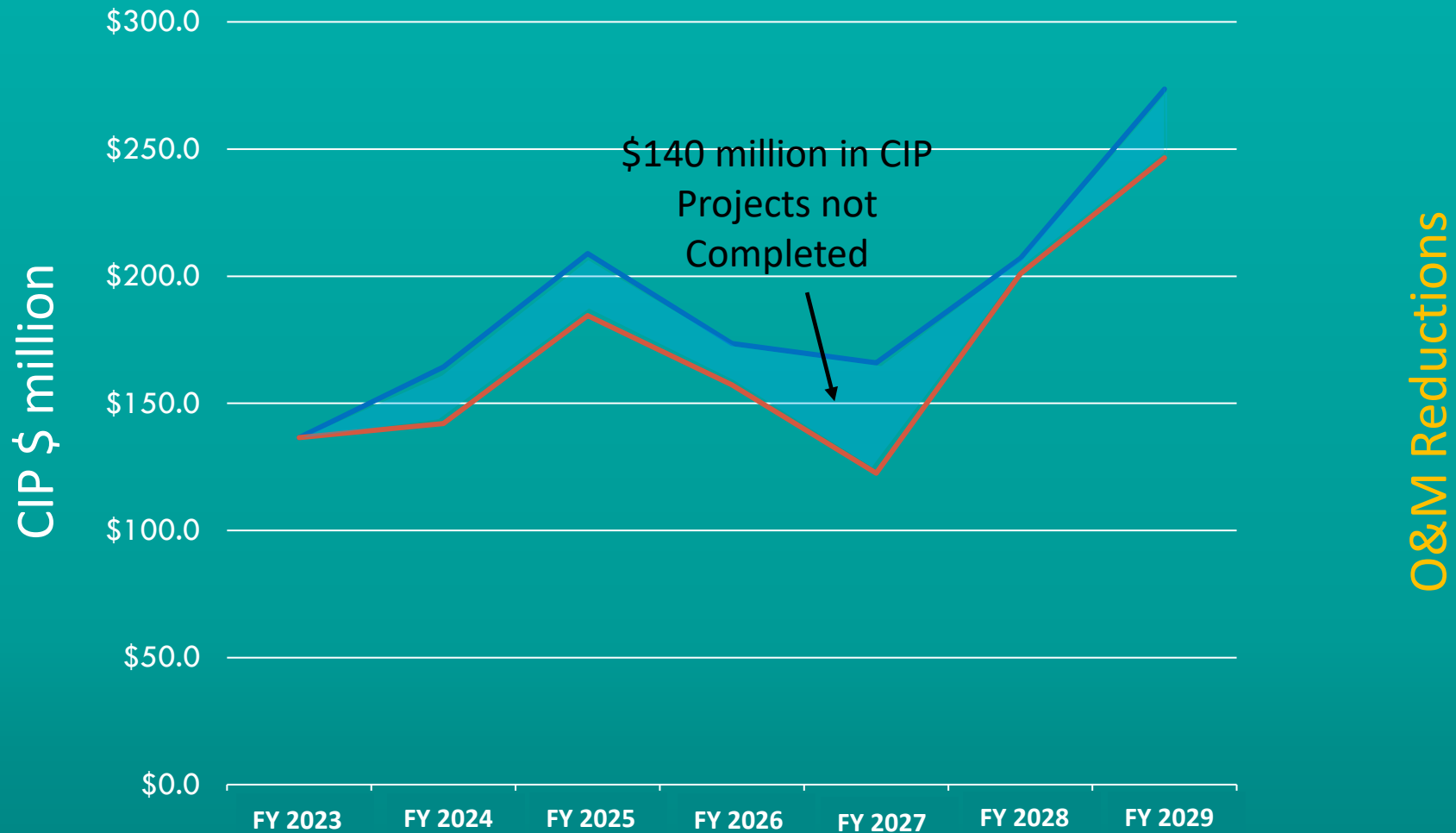
## (PERCENT OF EXISTING RATE-BASED REVENUE) TO STAY ON PLAN



# POTENTIAL SCENARIO – NO INCREASES FOR NOW



# POTENTIAL SCENARIO – “MODERATE” 8% PER YEAR



# RATE INCREASES WILL BE REQUIRED TO MAINTAIN CURRENT LEVELS OF SERVICE



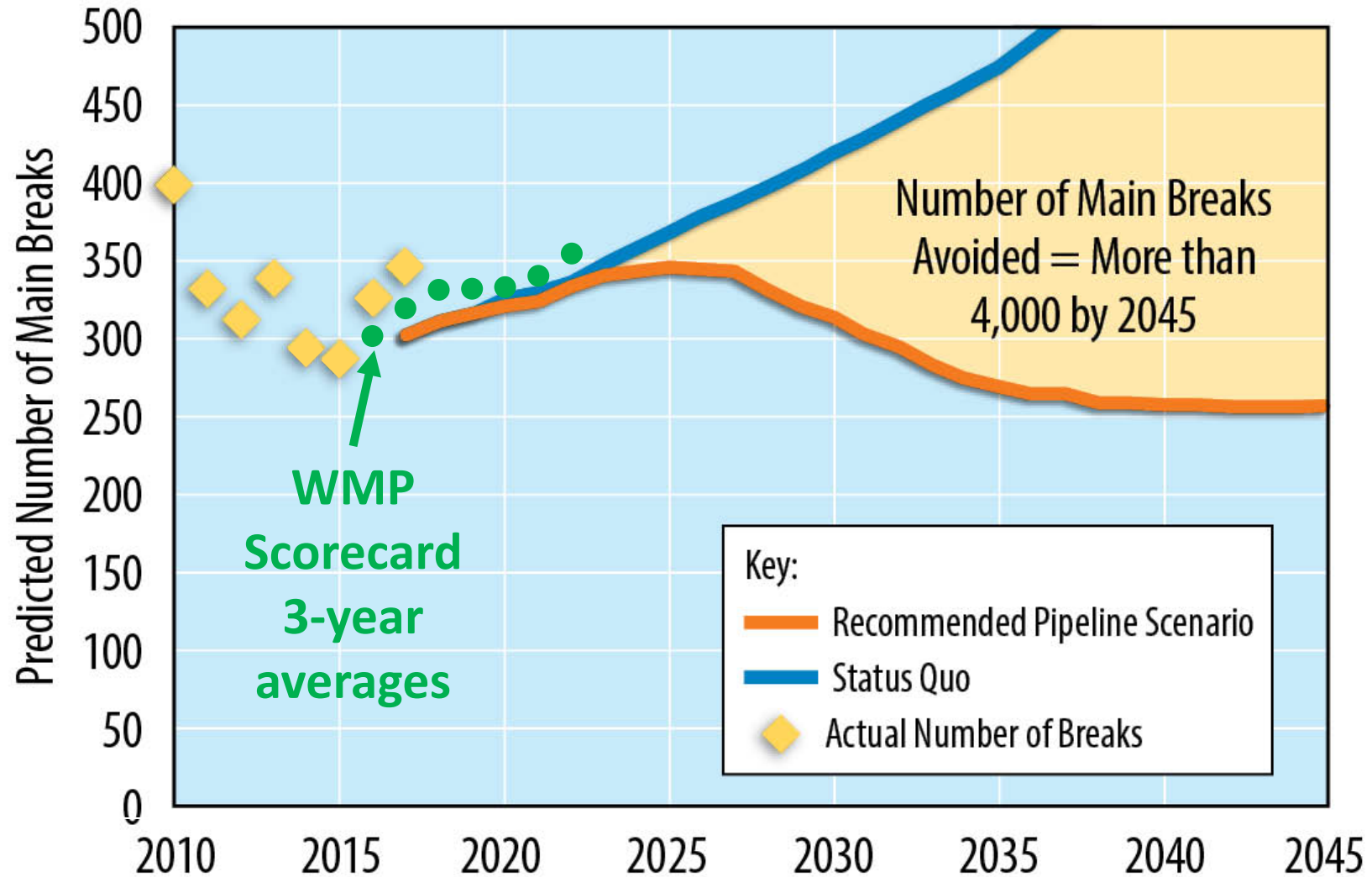
# WHAT'S AT RISK WITHOUT ADEQUATE RATE INCREASES?

- **Ability to implement the Capital Improvement Program**
- **Ability to Provide Alternate Water Sources due to Red Hill**
- **Resiliency**
  - Changing economic conditions
  - Natural disasters
  - Watershed protection
  - Climate change
- **High Bond Ratings** – BWS customers benefit from high bond ratings that reduce costs of borrowing
  - S&P Global Ratings: AAA, stable outlook
  - Fitch: AA+, positive outlook
  - Only agency in Hawaii to receive AAA
- **Compliance with Financial Policies**
  - Target 180 days working capital, and never less than 60 days
- **Infrastructure Reliability**





# IS AN INCREASE IN MAIN BREAKS AN ACCEPTABLE TRADEOFF?



# QUESTIONS / DISCUSSION





MAHALO!

THERE IS NO  
SUBSTITUTE FOR PURE  
WATER!

[boardofwatersupply.com](http://boardofwatersupply.com)



# BWS UPDATES

Ernest Lau  
Manager and Chief Engineer  
October 20, 2022  
[boardofwatersupply.com](http://boardofwatersupply.com)



# Mahalo!

Providing safe, dependable, and affordable drinking water, now and into the future.

# UPCOMING STAKEHOLDER ADVISORY GROUP MEETINGS

2023

- Thursday, April 20, 2023
- Thursday, July 20, 2023
- Thursday, October 19, 2023

