

City and County of Honolulu
Storm Water-Wastewater Advisory Group (SW-WAG) Meeting #4

August 19, 2024, 4:00-6:30 pm

In-Person | Hawaii Suites, Neal Blaisdell Center

ATTENDEES

SW-WAG Advisory Group Members

American Council of Engineering Companies - Hawai'i (June Nakamura)
Building Owners & Managers Association (Melissa Pavlicek)
Castle & Cooke – Developer Representative (Kapiolani Street)
Chamber of Commerce Hawai'i (Gwen Yamamoto Lau)
City Council District 1 – Neighborhood Board 24 (Philip Ganban)
City Council District 6 – Neighborhood Board 16 (Simeon Rojas; Leialoha Tumbaga [Alternate Rep])
City Council District 7 – Neighborhood Board 15 (Susan Domingo/Susan Ybanez)
City Council District 7 – Neighborhood Board 20 (Lawrence Higa)
Fresh Water Initiative (Mark Fox)
Hawai'i Community Foundation (Dana Okano)
Hawai'i Reserves, Inc. (Jeff Tyau)
Hawaiiiana (Jon McKenna)
Honolulu Board of Water Supply (BWS) (Barry Usagawa)
Kamehameha Schools (Calvin P. Mann)
Kyo-Ya Hotels & Resorts (Harzali Hashim)
Roman Catholic Church Diocese of Honolulu (Frank Doyle)
State of Hawai'i, Department of Hawaiian Home Lands (DHHL) (Cherie-Noelle Kaanana)
Sustainable Coastlines (Rafael Bergstrom)
University of Hawai'i (Sheri Ching)
Wai'anae Mountains Watershed Partnership (Yumi Miyata)

City & County of Honolulu Staff

Roger Babcock (Director and Chief Engineer, Department of Environmental Services (ENV))
Mike O'Keefe (Deputy Director, ENV)
Gene Albano (Director and Chief Engineer, Department of Facility Maintenance (DFM))
Randall Wakumoto (Program Administrator, DFM, Storm Water Quality Division (SWQ))

Consultant Team

Joan Isaacson (Kearns & West)
Dave Ebersold (CDM Smith)
Rhea Quezon (CDM Smith)
Cami Kloster (G70)
Evelyn Navas-Aron (G70)
Juli Beth (JB) Hinds (Birchline Planning LLC)
Laurens van der Tak (Jacobs)
Ming Ding (AECOM)

Agency Representatives and Project Partners:

Megan Muramatsu (BWS)
Tyler Law (Ikehu Utility Solutions)
Samuel Littlefield

1. Welcome and Agenda Overview

Joan Isaacson (Kearns & West), as meeting facilitator, welcomed attendees and reviewed the meeting agenda and guide for productive meetings.

See *slides 1 to 4* of the presentation materials provided at StormWaterUtilityOahu.org.

2. Public Comment

Joan opened the floor to members of the public, agency representatives and project partners to introduce themselves and/or provide comment.

Tyler Law, General Manager of Ikehu Utility Solutions (Ikehu), introduced himself. Tyler shared that Ikehu is a utility sub-metering and billing company based in downtown Honolulu and provides services to the entire state. Through his work with Ikehu, Tyler engages with various new and existing developments and has knowledge of how utility costs are billed to tenants.

See *slides 5 and 6* of the presentation materials.

3. Storm Water

Storm Water: Potential to Include Storm Water Charge

Juli Beth (JB) Hinds (Birchline Planning LLC) discussed the value of effective storm water management. Maintaining storm drainage infrastructure prevents the occurrence of issues such as sinkholes and brown water. The goal in managing storm water is to protect and improve water quality and enhance blue water resources (e.g. fresh surface and groundwater).

Storm water utility values were established by the SW-WAG as part of the earlier studies and they continue to provide guidance. Those values include managing storm water runoff to promote clean water, having a healthy and safe environment, promoting community involvement, and shared responsibility.

“Compare and Contrast” Storm Water & Wastewater Services – JB shared a comparison between the structure, management, and financing of storm water and wastewater/sewer services on O’ahu. The Storm Water Program is managed by the Department of Facility Maintenance (DFM) Storm Water Quality Division, which shares responsibilities with nine other City departments. In contrast, wastewater services are solely provided by the Department of Environmental Services (ENV).

DFM’s current annual operating budget is roughly \$56 million and its typical annual capital costs total \$45 million. The Storm Water Program is largely funded (approximately 80 percent) by real property taxes, with the remainder from the Highway Fund (i.e., gas tax). The real property tax monies require an annual appropriation by City Council; therefore, the Storm Water Program does not have the ability to make a multi-year budget, and DFM does not have the ability to issue revenue bonds for storm water capital projects. The highway funds available also vary from year to year.

ENV’s current annual operating budget for wastewater services is approximately \$201 million, and its typical annual capital costs total approximately \$488 million. These wastewater services are approximately 98 percent funded by rate payers. ENV has a dedicated multi-year budget and therefore is able to issue revenue bonds for capital projects.

What is a Storm Water “Utility”? – A Storm Water “utility” is a dedicated, fee-based method of funding the services and investments needed to maintain O’ahu’s storm water system and protect its water resources. More information regarding analysis of the potential adoption of a Storm Water utility for the Island of O’ahu is available at www.StormWaterUtilityOahu.org.

Current Storm Water Funding Source – the Highway Fund – JB explained the Storm Water Program receives approximately \$29 million from the Highway Fund, but this fund continues to decline with advancements in vehicle electrification and fuel efficiency. Additionally, the Program’s heavy reliance on real property tax funding puts added pressure on property owners and renters, especially since tax-exempt institutions (including the state and federal governments) do not contribute to property taxes but benefit from the storm water system.

General Funding Financing: Emergencies Take Priority, Maintenance Backlog Gets Worse – Reliance on the City’s General Fund greatly impacts the provision of storm water management services. Storm water funding from the General Fund is annually appropriated by the City Council. Once funds for the year are budgeted, there is no room to move among multi-year budgets or draw on a reserve fund. As a result, storm water-related emergencies like sinkholes often take precedence over other activities, resulting in reductions in the allocation for needed actions like green infrastructure projects or watershed partnerships. Both the maintenance backlog and green infrastructure projects thus are delayed due to a persistent lack of funding. The financial impact is amplified by DFM’s inability to bond for capital projects, which further hinders long-term planning and implementation of storm water projects.

A Storm Water Fee Would Change How the City & County Funds Storm Water Services – Laurens van der Tak (Jacobs) explained how a storm water utility would change how storm water programs and projects are funded. The fee would apply to all properties regardless of whether they are taxable or non-taxable, including government-owned properties. Monies collected from the fee would be placed into a special (enterprise) fund. However, it is important to note that a storm water fee would not establish a new entity (e.g. department). Additionally, a storm water fee is a mechanism for funding; it does not affect land use regulations (zoning) or allowed density on a site.

Storm Water Utility/Enterprise Fund – A storm water Utility would provide customers with credit opportunities that would allow them to reduce their bills for actions taken to capture or reduce runoff. The fee is equitable because it is based on the actual amount of storm water runoff a property generates; the more impervious surface a property has the more a customer pays. The fee is also tied to the total cost of service, or the total program cost. This cost of service is used to generate the rate customers pay. There are more than 2,000 storm water fee programs across the nation, and establishing one for O’ahu would build on those precedents.

Current and Fully Funded Storm Water Program – Currently, in fiscal year (FY) 24 the entire Storm Water Program budget was approximately \$110 million, but its annual budgetary needs are projected to increase to an average of approximately \$162 million from FY27 to FY32 (six-year average). This increase in revenue requirements will cover additional maintenance and cleanup costs, green infrastructure, inspections, and an additional \$25 million per year for asset renewal programs. This increased funding level would allow the City to be proactive in addressing these needs.

Storm Water Program Costs – The Storm Water Program presently is directed by the Storm Water Quality Division, housed within DFM, but as previously mentioned, storm water related activities are spread across the DFM and nine other City departments. The projected fully funded program would require an additional \$50 million, and among other things would fund a new urban forestry program, as well as management of the fee and an associated credit program.

Estimated Rates – Based on budget projections and analyses, the estimated rate is calculated at approximately \$7 per 1,000 square feet of impervious surface per month. A typical single-family household would pay approximately \$23 per month, while a typical shopping center would pay between \$1,200 and \$1,600 per month. Proposed credits would allow customers to reduce their bills by up to 60 percent per month. Proposed hardship programs have been discussed by the Advisory Group and incorporated into recommended policies; the recommendations are to provide relief for low-income households, small non-profits, and kūpuna homeowners who meet specific criteria, as discussed in more detail below.

Transportation System – Based on similar programs’ structures, public and quasi-public roads, including airport runways, harbor docks, and harbor facilities’ internal roadways, would be exempt from storm water fees. However, the Hawai’i State Department of Transportation (HIDOT) will pay up to \$1.5 million towards the impervious area fee for its other impervious surfaces, and officials have expressed that they will support a storm water fee when one is introduced to City Council.

Current Effort: Draft Storm Water Fee Adjustments and Credit Manual – A Storm Water Fee Adjustments and Incentives Manual is currently being developed. The manual will provide information regarding available credit mechanisms and will outline practices, procedures, and policies that would take effect along with a storm water fee. Customers who install or have an existing cistern, rain garden, or other forms of eligible green infrastructure that reduce impervious area or capture and treat runoff, will be able to apply for credits to reduce their monthly storm water fee. Rebates would also be available as one-time only payments towards installation of eligible green infrastructure and runoff reduction practices; an allowance for rebates is incorporated into the prospective storm water program budget.

Affordability: Storm Water Fee Customer Assistance – JB explained that a storm water fee would include customer assistance for low-income households to limit their bills, similar to proposed programs for ENV wastewater services. Some previously discussed options include allowing households enrolled in Hawai’i’s Low Income Home Energy Assistance Program (LIHEAP) (residents who fall below 150 percent of the State poverty level), and qualified kūpuna homeowners, to pay a “Tier 1” fee (e.g. half of the base rate, or approximately \$5 per month). Through previous discussions, the Advisory Group also endorsed support for setting fee limits for small non-profit organizations (e.g. small museums, churches), prospectively limiting the fee to approximately 0.5 percent of their revenue. Other affordability considerations include integrating the application and qualification process with ENV wastewater affordability programs.

Customers would also be allowed to ‘stack’ rebates and/or credits. Customers who are eligible to receive rebates (one-time payments) for installation of qualifying green infrastructure would also then receive ongoing credits for capturing storm water or reducing runoff. Non-structural credits would also be extended to organizations that host storm water related programs, or for stewarding efforts such as tree planting. Hardship or customer assistance programs would be based on a household’s financial circumstances and eligible households could stack these with the above. All of these options are being fleshed out and input from the Advisory Group is welcomed.

See *slides 7 and 25* of the presentation materials.

Joan opened the floor for questions and/or comments from the Advisory Group.

Q&A

Please note: For all Q&A/Discussion sections, the notes with dashes (-) represent comments and questions from SW-WAG and the notes with open points (o) represent the project team's responses.

- Wai'anae does not have many storm water drains available in the neighborhood. Is there a plan to set fees for specific neighborhoods, or will the same rate apply to all neighborhoods?
 - o JB shared that this question has been asked by many communities across the island when introducing plans for a storm water fee. Although some neighborhoods have more storm drainage infrastructure than others, it would be very difficult to determine differences across neighborhoods and bill them separately based on their existing infrastructure. The financial benefit to individual neighborhoods is unlikely to be enough to outweigh the significant cost of determining rates for each specific neighborhood. Credits and rebates can address some of these differences. Importantly, storm water programs serve the roadway network, which everyone uses, and have positive effects on the entire island.
- Storm water programs and projects are currently funded on annual basis by approximately \$80 million from the General Fund and \$29 million from the highway/gas tax and the Storm Water Program's annual revenue requirements are expected to increase to approximately \$160 million. If there's a storm water fee to cover the \$160 million, then residents would still continue to pay the same property tax. Could a hybrid option be considered, where \$80 million from the General Fund and the \$29 million from the Highway Fund continue to cover operational costs, and the Storm Water Utility only collects the additional \$80 million to cover capital improvement projects (CIP) in an effort to not add additional burden the general public.
 - o Laurens responded that this issue was explored by analyzing an equivalent to property tax funding. Different funding sources are available, but it is up to elected officials to decide funding apportionment to the various sources.
- Why consider a credit and rebate program? Is this worthwhile given the amount of administrative effort involved?
 - o JB responded that credit and rebate programs tend to be a good return on investment, spurring a great deal of community participation in green infrastructure and water stewardship.
 - o Laurens added that a credit program is important to give customers a way to control their costs; one of the elements of the credit program would allow customers to reduce their fee by increasing green spaces and/or implementing green infrastructure on their property. It is also important as a mechanism to ensure that those who reduce their impact on the system can have their costs reduced, keeping the nexus between impact and fees.
- Where do we stand with the numbers and data? Is the Advisory Group looking at the latest report? And when will this information be provided to City Council?
 - o Laurens responded that it is up to DFM to determine when the City Council will receive the information. The project team has received updated impervious surface data and can now look at costs. Once the data has been analyzed, the rates will be presented to the SW-WAG for further discussion and feedback.
 - o Randall shared that the intent of September's SW-WAG meeting is to introduce rate samples. DFM is currently running calculations to update the 2020 data. The City will also be doing community outreach to present the updated information. The initial plan was to introduce the

rate to City Council in early 2025, but there is a potential for earlier introduction pending further plan development.

- The City held discussions with the Department of Transportation; does the City plan to involve large landowners with mauka lands in this discussion? To meet the objectives, many of the problems the Storm Water Program is trying to mitigate stem from these larger properties. How are they being addressed?
 - o Laurens responded that large properties will be treated like everyone else. Their rate will be based on their total existing impervious surface; the rate is intended to be equitable. The idea of the Storm Water Utility is to address what goes above and beyond natural runoff levels.
- The State Department of Transportation went to the Legislature and was granted a cap on their payment of storm water fees. What has this group done to preemptively address this for the storm water fee? Is there a process for making the case that they have large areas of impervious surface and for analyzing their future contribution?
 - o JB responded that the HIDOT's total contribution for all counties is \$1.5 million. Currently, the HIDOT's total impact on the Oahu system is well below the cap and therefore, the Department would be paying its full storm water bill. The City and County of Honolulu is currently the only county in Hawaii that is considering a Storm Water Utility.
- In the credit manual is there a difference between what has been done and what will be done in the future?
 - o The credit manual will not make a distinction between existing and new measures. Both will be eligible for credits.
- What is included in the \$50 million that is needed for storm water operational and CIP costs? How will private roads in communities be treated?
 - o Randall responded that the additional funding will cover additional services for stream maintenance, storm drainage cleaning, as well as for asset renewal and replacement which is currently lacking due to emergency repair work and deferred maintenance.
 - o JB shared that the proposed storm water fee ordinance specifies that roads that are not open to public access would be subject to the fee. Conversely, private roads that are accessible to public travel (called "quasi-public roads") would be treated as public roads and would not be subject to the fee.
- How will storm water fees apply to large landowners who own preservation lands and have surface drainage ditches?
 - o JB responded that impervious surface is calculated using satellite imagery. If there is tree coverage or other pervious surface on a property, then that area is not charged.
 - o Laurens responded that if a property owner is managing runoff and has green infrastructure, that landowner can receive a credit for their water management efforts.
- Is there a study that can be shared with the Advisory Group showing how different types of land use contribute to non-point source pollution? There are studies that show runoff and sediments may stem from upper lands. Could funds be used to enforce stricter pollutant control?
 - o Laurens responded that some storm water funds can be used to address these types of issues. There are funds available in the budget.

- Randall shared that the United States Geological Survey has done a lot of research on this topic and found that conservation and agricultural lands do contribute to sediment runoff. However, larger storms cause 90 percent of sediment runoff when compared to typical rainstorm events.
- An Advisory Group member added that there is a Tom Giambelluca study looking at the effects of invasive strawberry guava cover in the upper watershed.

4. Wastewater

Recap of Previous Meetings and Today's Objectives

July SW-WAG Meeting Overview – Dave Ebersold (CDM Smith) provided a brief recap of the previous (July 22nd) meeting's discussions. The meeting included an overview of ENV and established the purpose and objectives of the SW-WAG meetings.

Dave explained that in this meeting, the project team specifically sought the SW-WAG's input about both the need and options for increases to ENV's sewer rates. The overarching objective of rate design is to design and implement changes to sewer rates in balance with the financial needs of the utility and rate payer affordability.

Honouliuli Treatment Plant Tour – August 3rd, 2024 – The SW-WAG members were invited to attend a second tour of Honouliuli Wastewater Treatment Plant (WWTP) in 'Ewa to learn more about the wastewater system and recent improvements. Both the first (July 22nd) and second tour were led by Roger Babcock, ENV Director and Chief Engineer.

The SW-WAG members who participated in the second tour were invited to share highlights and new perspectives gained from the tour. Examples of their observations included:

- It was interesting to see the facility in person and to understand the different revenue streams.
- We learned about how solid waste is dealt with, especially the secondary treatment. Would like to see secondary treatment built at the Wai'anae Wastewater Treat Plant.
- I was struck by the size and scale of the WWTP. Seeing it in person is vastly different than looking at it through images in a presentation.
- The tour was a great experience, and you can tell a lot of money was invested in the facility. Population growth also contributes to the need to expand the plant's capacity, and it is clear the expansion must be done.

Rates Need to Fund the Entire Wastewater Program – Dave reiterated that the goal of the wastewater rates is to ensure the wastewater enterprise is managed to be self-sufficient. Funding for the program is directly connected to the sewer fee rates.

During the last meeting, the SW-WAG discussed the Wastewater rate structure and how each customer type is charged to meet the revenue requirement. Additionally, it was shared that approximately 71 percent of ENV's current bill is a fixed charge while approximately 29 percent is a volumetric charge. The percentage of the charge that is fixed and the percentage that is volumetric can be changed. At the most extreme ends of the spectrum, a rate could be entirely fixed or entirely volumetric. The volumetric portion of the bill can either be uniform volumetric (i.e., the same rate is charged per specified volume of water) or tiered volumetric (i.e., the rate per specific volume of water increases with the amount of water used). ENV's current volumetric rate is uniform while BWS uses a tiered volumetric rate. A comparison of the rate objectives and their relation to the various rate structures was discussed.

Stable and Predictable – Dave shared that in past meetings SW-WAG members emphasized the importance of avoiding “rate shock.” Rates must be stable and predictable in order to avoid rate shock.

Rate Structure Feedback from Meeting 3 – Feedback received during the July SW-WAG meeting generally indicated that ENV should not have an entirely fixed charge. Additionally, feedback indicated that the percent of fixed charge should be reduced (e.g., reduced to 50 percent) in order to give customers more control over their bill. Many Advisory Group members favored a tiered volumetric charge over a uniform volumetric charge. Some SW-WAG members also commented on the importance of the rate structure supporting water conservation, while also avoiding “rate shock” and meeting operating expenses. Other feedback received included keeping billing combined with BWS to avoid increasing ENV’s administrative costs and providing public education materials on the rate structure.

See slides 26-38 of the presentation materials.

Affordability Programs

Considerations for Affordability in Rate Structure and Customer Assistance Programs – Changes to the rate structure require City Council authorization. There is no flexibility once a determination is enacted; it becomes ordinance. However, customer assistance programs can be adjusted along the way and can be further targeted to assist specific social groups by requiring verification of participation eligibility. The customer assistance programs can also be collaborative by partnering with other community assistance organizations and leveraging existing programs.

What Does Low-Income Mean? – According to the US Environmental Protection Agency (EPA), low-income households earn 200 percent or less of the Federal Poverty Level. The federal poverty level is used by both the US Department of Health and US Department of Health & Human Services to determine eligibility for low-income programs and benefits. *This is just one of the many metrics that can be used to identify low-income households.*

Considerations for Assistance – Households that earn more than the Federal Poverty Level but cannot afford the state’s basic cost of living are considered “Asset Limited Income Constrained Employed” (ALICE) households. These households often do not qualify for public assistance but still struggle to make ends meet. According to the [ALICE in Hawai’i: 2022 Facts and Figures](#) report, 29 percent of households in Hawai’i were recognized as ALICE and 15 percent were below the Federal Poverty Level, for a total of 44 percent of households falling below the ALICE threshold. Based on feedback received from a SW-WAG member, it is noted that the [2024 Update of ALICE in the Crosscurrents](#) report reflects 33 percent of Hawai’i households are ALICE and 11 percent are below the Federal Poverty Level, for a total of 44 percent of households below the ALICE threshold.

Affordability Guidelines – The EPA guidelines suggest that wastewater services are considered affordable if they account for less than two percent of a household’s income relative to the metropolitan area’s income structure. According to the American Water Works Association, when wastewater, water and storm water are combined, affordability for those services is evaluated as whether the total cost of those services is no more than 4.5 percent of the median household income.

Affordability Program Examples – Examples of affordability programs include bill discounts, crisis vouchers, bill forgiveness and goodwill adjustments, payment plans, social assistance programs, tiered rate structure and lifeline rate, and water conservation device rebates.

- **Bill Discount** – A bill is reduced by a specified flat amount or fixed percentage for eligible customers.

- Crisis Vouchers – A customer receives a fixed dollar amount to pay their bill; eligibility criteria are generally tied to a specific event. This can be based on income or demonstration of an extraordinary circumstance (e.g. divorce, medical expenses, etc.).
- Bill Forgiveness and Goodwill Adjustments – Households can have a portion of, or their entire bill written off in special circumstances. This type of program typically has eligibility requirements and limits the frequency with which customers can apply.
- Payment Plans – Payment plans for re-paying past due bills can be established. These provide households with more control over their financial situation and increase the odds customers will pay their bill.
- Social Assistance Programs – Utilities can establish voluntary funds and encourage other customers to contribute, with the funds used to help pay bills for community members who are in need. Those funds are typically administered by the utility or an external social organization or charity program. Social assistance programs can provide opportunities to connect those in need with other available programs.
- Tiered Rate Structure and Lifeline Rate – A subsidized lifeline rate is tied to a fixed amount of water usage. This is intended to ensure a low, manageable rate to provide sufficient water for basic needs. Water bills then increase as a household's amount of water usage increases. This program rewards those who conserve water.
- Water Conservation Device Rebates – Rebate programs provide cash back to customers who install water conservation devices (e.g. water efficient dishwashers or washing machines).

ENV's Current Affordability Programs – ENV presently has some affordability measures in place:

1. ENV moved to a monthly billing cycle to stabilize the utility and make billing more predictable.
2. ENV offers zero interest or case-by-case payment plans based on eligibility.
3. ENV provides bill adjustments for detected underground leaks,
4. ENV provides water conservation device rebates, and
5. ENV extends referrals to community social-service support (e.g. Helping Hands, Catholic Charities, etc.).

Dave provided the SW-WAG an overview of how wastewater affordability programs have been implemented across various cities in the United States:

- Detroit Water and Sewerage Department Lifeline Plan – The City of Detroit has struggled with an approximately 50 percent delinquency rate. In comparison, a recent analysis for BWS indicated its delinquency rate was less than one percent. To address the delinquency problem, the City of Detroit launched the Lifeline Plan. Under the Lifeline Plan, customers may qualify for reduced monthly bills based on their income (e.g., the monthly bill for customers earning less than or equal to 125 percent of the Federal Poverty Level is \$18.00 per month). Additionally, past due amounts are erased upon enrollment into the program and high-water users (those using more than 4,500 gallons per month) are eligible for minor plumbing repair assistance. Of the 26,386 eligible households that applied, 92 percent have been enrolled. The City of Detroit has invested approximately \$54 million in the implementation of this program however, the delinquency rate remains high. Of the affordability program examples provided earlier, the Detroit Water and Sewerage Department Lifeline Plan encompasses bill discounts and bill forgiveness and goodwill adjustments.

- Portland (OR) Utility Safety Net Assistance Program – Portland’s assistance program encompasses both water and wastewater. There are four basic components to the Program: deferred water shut-off, waiver of any recent delinquency charges, interest-free payment plans, and financial assistance. Eligibility is based on meeting any three of the following requirements: extraordinary medical expenses, recent adverse changes in employment status, or recent change in household status (e.g., divorce, separation, or death). Of the affordability program examples provided earlier, the Portland Utility Safety Net Assistant Program includes bill discounts, crisis vouchers, bill forgiveness and goodwill adjustments, and payment plans.
- Chicago Utility Billing Relief Program – Chicago’s program (which includes both water and wastewater) provides a 50 percent bill reduction, no late payment penalties or debt collection activity, and debt forgiveness after successfully completing one year with no past due balance. To qualify, applicants must own and reside in a single-family, 2-unit, or 3-unit property, and must earn 200 percent or less than the Federal Poverty Level. Of the affordability program examples provided earlier, the Chicago Utility Billing Relief Program encompasses bill discounts and bill forgiveness and goodwill adjustments.
- Midway (WA) Sewer District Program – The Midway program was founded in 2005 and provides customer assistance to those who need help paying their bill. This program is strictly funded by donations from customers. Donations are collected by Midway Sewer District, but the program and application process are administered by The Salvation Army. Of the affordability program examples provided earlier, the Midway Sewer District Program is an example of a social assistance program.
- Cambridge (MA) Senior Discount Water/Sewer Program – The Senior Discount Water/Sewer Program provides a 15 percent reduction on water/sewer charges (up to \$90 per year) to eligible senior citizens. To qualify, applicants must be at least 65 years old on July 1st of the current year and must own and occupy a single-family, 2-unit, or 3-unit property. An automatic 30 percent discount on water and sewer charges are also provided to residents with a Clause 41C elderly exemption on real estate taxes (up to \$180 per year). Of the 16,000 total accounts there are approximately 2,600 seniors enrolled. Of the affordability program examples provided earlier, the Cambridge Senior Discount Water/Sewer Program exemplifies bill discounts.

Dave shared that amongst the 109 U.S. sewer service providers surveyed by the National Association of Clean Water Agencies for their 2020 Financial Survey report, approximately 43 percent of providers offered payment plans and approximately 41 percent issued referrals to other community assistance programs. Additionally, about 13 percent of sewer service providers had bill discounts, 15 percent had funding collection and distribution programs, and 5 percent offered lifeline rates. Another 9 percent of sewer service providers offered other types of assistance programs such as leak relief, bill credits, emergency assistance, and homestead/affordability/crisis assistance.

Dave asked the Advisory Group to consider whether ENV should do more than the current ENV efforts to support customer affordability, and why or why not? If more, what specifically would you recommend?

Q&A

- The affordability program is important. The cost of living continues to rise, and residents are being priced out of the island. Neighborhoods with multi-generational households should be considered. We do not want people reverting to cesspools to cut back on costs.

- A significant portion of the population falls under ALICE limits. One of the key definitions of ALICE is that these households are essentially one major incident away from actual poverty or houselessness. The affordability program should include “Major Crisis Event” as one of the eligibility requirements for emergency assistance.
- It seems that the more the rates incorporate affordability programs, the more someone else has to pay for it.
 - o Dave confirmed that other ratepayers would support the affordability program.
- Affordability is the only way to get a rate increase passed. If there is a subsidy, then the rest pay for it. Have we thought to ask those who would be paying if they are willing to pay more to support others?
- For condos and associations that specifically cater to kūpuna, could the affordability program cover the entire property and its residents?
 - o Dave responded he has never seen this done; however, considerations for properties designated as affordable housing could be considered.
- The affordability program should consider accepting Section 8 and SNAP benefits.
- Can the rate be kept in measure to a household’s total income and be capped?
 - o Dave and JB responded that this is a possibility.
- To the extent possible, is there way to partner with another agency that is verifying people as needing support?
 - o Yes
- Incorporating a social assistance program should be considered. Is there an opportunity to extend a tax write-off to incentivize participation and support for the program?
 - o JB believes there are some examples of this type of incentive, which is done in partnership with qualified non-profits; she agreed that a social assistance program could incentivize participation and support.
- Individuals receiving disability benefits should be included in the affordability discussion.
- An income-based rate cap should be considered for kūpuna.

See *slides 39-64* of the presentation materials.

Rate Structure Discussion, continued

Rate Payer Revenue Requirement by Fiscal Year – Dave shared that ENV’s average annual rate percent increase (2009-2024) has been approximately 6.8 percent. To meet its future revenue requirements, the average annual percent increase (2024-2040) is approximately 8 percent. This increase represents what is necessary to replace aging infrastructure, continue to safely operate and maintain the program, continue to meet the Consent Decree requirements. ENV minimizes the impact on customers of paying for large capital investments from these requirements by borrowing money and then spreading out the cost of repayment over a longer term.

What flexibility (levers) do we have in rate setting process? – There is little to no flexibility in meeting consent decree requirements, regulatory requirements, safety and efficiently operating and maintaining the system, and rehabilitating and replacing aging infrastructure. There is moderate flexibility in

developing a financing strategy, and much greater flexibility in developing the rate structure and affordability programs.

*Please note: All mention of **uniform** volumetric rate will be completed in orange text while all mention of **tiered** volumetric rate will be completed in purple text.*

*Exploring Changes in the Percentage Fixed Charge **Uniform** Volume Rate* – An analysis was conducted that looked at how the monthly ENV bill would be altered by changing the rate structure. **Note that the calculations were based on the 2024 budget and DO NOT include necessary increases in revenue requirement.** The monthly bill was calculated for a single-family residence at different water usage levels (2,000 gallons, 6,000 gallons, 9,000 gallons, and 35,000 gallons) and at different combinations of fixed and **uniform** volumetric charges (0 percent fixed and 100 percent **uniform** volumetric to 100 percent fixed and 0 percent **uniform** volumetric).

The current ENV sewer bill for a single-family residence at 9,000 gallons of water use is comprised of approximately a 71 percent fixed charge and 29 percent **uniform** volumetric charge. If the entire monthly bill was a fixed charge (no volumetric charge), all customers would pay approximately \$105.57 per month regardless of water use. If the entire bill was a **uniform** volumetric charge (no fixed charge), the monthly bill for a single-family residence would be: \$27.91 per month for 2,000-gallons of water of water use, \$125.59 per month for 9,000 gallons of water use, and \$488.41 for 35,000 gallons of water use. Essentially, the monthly bill for lower water users would decrease as the percentage of the bill that is a **uniform** volumetric charge increases. On the other hand, the monthly bill for high water users would significantly increase as the percent of the bill that is **uniform** volumetric increases.

*Exploring Changes in the Percentage Fixed Charge **Tiered** Volume Rate* – An analysis was conducted that evaluated what the ENV monthly bill would look like under a **tiered** volumetric charge instead of a **uniform** volumetric charge. **Note that the calculations were based on the 2024 budget and DO NOT include necessary increases in revenue requirement.** Purely as an example of the type of tiering that could be done, the current BWS tiers were used for this analysis: Tier 1 (first 2,000 gallons of water use per month), Tier 2 (2001 to 6,000 gallons of water use per month), Tier 3 (6,001 to 30,000 gallons of water use per month), and Tier 4 (30,000 gallons or more of water use per month). For this analysis, the current ENV **uniform** rate was applied to Tier 3, 90 percent of the **uniform** rate was applied to Tier 2, and 70 percent of the **uniform** rate was applied to Tier 1. Any additional funds required to meet the revenue requirement would then be allocated to Tier 4 (this tier “floats”). Dave showcased how changing the volumetric rate from **uniform** to **tiered** would impact the monthly bill at different water consumption levels (2,000 gallons of water usage, 9,000 gallons of water usage, and 35,000 gallons of water usage).

At 100 percent fixed and 0 percent **tiered** volumetric, the total monthly bill would be the same as the bill under a 100 percent fixed charge and 0 percent **uniform** volumetric charge since none of the bill is volumetric based. However, at 0 percent fixed and 100 percent **tiered** volumetric, the total monthly bill for 2,000 gallons of water use would be 30 percent (\$8.37) LESS than a 100 percent **uniform** volumetric charge. At a 0 percent fixed and 100 percent **tiered** volumetric charge, the total monthly bill for 9,000 gallons of water use would be 11.1 percent (\$13.95) LESS than a 100 percent **uniform** volumetric charge. Conversely, at a 0 percent fixed and 100 percent **tiered** volumetric charge, the total monthly bill for 35,000 gallons of water use would be 21.4 percent (\$104.70) MORE than a 100 percent **uniform** volumetric charge. Therefore, under a **tiered** volumetric charge lower water users would pay less than they would under a **uniform** volumetric charge. However, higher water users would pay significantly more under a **tiered** volumetric charge than they would under a **uniform** volumetric charge.

Exploring Differences Between Uniform and Tiered Rates at 70 percent Fixed Charge – Currently, the monthly bill for a single-family residence at 9,000 gallons of water use is approximately 71 percent and 29 percent uniform volumetric. Dave presented the results of an analysis which looked at what happens to the monthly bill if the rate structure was changed to a 70 percent fixed charge and 30 percent tiered volumetric charge. **Note that the calculations were based on the 2024 budget and DO NOT include necessary increases in revenue requirement.** Based on the analysis, customers who use up to about 30,000 gallons of water would pay equal to or less than the monthly bill under a 30 percent uniform volumetric charge. Conversely, customers who use more than about 30,000 gallons would have a higher monthly bill under a tiered volumetric charge than a uniform volumetric charge. For example, the monthly bill for a single-family residence using 35,000 gallons of water per month would be approximately 14.2 percent more under a tiered volumetric charge than under a uniform volumetric charge.

Exploring Changes in Uniform Volume Rate from 70 percent Fixed Charge – Dave also presented an analysis that evaluated what would happen to the monthly bill if ENV lowered the percentage of the bill that is a fixed charge and increased the percentage of the bill that is a uniform volumetric charge. **Note that the calculations were based on the 2024 budget and DO NOT include necessary increases in revenue requirement.** If the fixed charge is reduced from approximately 70 percent of the monthly bill to 60 percent of the monthly bill (uniform volumetric charge increases from 30 percent to 40 percent), customers who use 2,000 gallons of water would see about a 9 percent DECREASE in their monthly bill. The monthly bill for customers who use 6,000 gallons of water per month (median water user) would DECREASE by about 2 percent. However, the bill for customers using 9,000 gallons per month (average water user) would INCREASE by 2 percent and the bill for customers using 35,000 gallons per month would INCREASE by about 17 percent.

If the percent of fixed charge was decreased to 50 percent, customers at 2,000 gallons and 6,000 gallons of water use would see a DECREASE of 19 percent and 4 percent, respectively. Additionally, customers at 9,000 gallons and 35,000 gallons of water use would see an INCREASE of 4 percent and 35 percent respectively. Increasing the percent of the bill that is a uniform volumetric charge would provide customers with more control over their bill and may help to promote water conservation. However, higher water users may see an increase in their water bill relative to their water usage.

Incremental Change Per Year if Fixed Charge is Reduced from 70 to 50 Percent Over Four Years – At the July SW-WAG meeting, one Advisory Member shared that it would be helpful to consider ENV's cost of service when determining a rate structure. Based on this feedback, Dave shared that through the rate setting period, approximately 50 percent of ENV's total operating expenditures will be used for debt service. Dave also presented what would happen if the fixed charge is reduced from 70 percent to 50 percent of the monthly bill over four years. **Note that the calculations were based on the 2024 budget and DO NOT include necessary increases in revenue requirement.** If this rate schedule was implemented, the monthly bill for customers at 2,000 gallons and 6,000 gallons of water use would DECREASE by about 5 percent and 1 percent per year, respectively. However, the monthly bill for customers at 9,000 and 35,000 gallons of water use would INCREASE by about 1 percent and 7 to 9 percent per year, respectively. Incrementally dropping the percent of fixed charge per year may help to mitigate rate shock.

Q&A

- Based on the calculations provided, commercial customers would see their bill skyrocket.
 - o Dave responded that when calculations are done to shift the percentage of the total charge that is fixed, the volumetric charge must then go up to compensate for that shift. Therefore, high water users would in fact pay significantly more.

Rate Structure Feedback and Potential Approach – Based on the feedback received during and after the July SW-WAG meeting, it appears that many Advisory Members would like to lower the current percentage of fixed charge, give customers more control over their bill, support water conservation, and avoid rate shock. Dave proposed one potential approach to addressing this feedback: keeping the volumetric charge **uniform** and dropping the fixed charge from 70 percent to 50 or 60 percent incrementally over time.

Q&A

- Customers already pay a connection fee on top of the monthly sewage fee. Can this connection fee be considered into what customers are already paying towards the wastewater?
 - o Dave responded that when a customer's property is first connected to the system, the connection fee is charged. It is a one-time fee and is not reflected in a customer's future monthly bills. An additional fee is only charged when there is a major change in the property (i.e. new construction).
- It's difficult to see how a **uniform** volumetric charge promotes conservation. Does this approach only consider what flows into the sewer system and not outdoor water usage?
 - o Dave responded that a **uniform** volumetric charge is still based on water usage. Higher water users will experience an increase in their bill, which may encourage customers to conserve water. When calculating monthly billing amounts, ENV factors in a 20 percent irrigation credit for outdoor water usage. For properties that have separate irrigation meter, their sewer bills reflect actual water meter readings.
- Yes, I would support this.
- For multi-generational households where water usage reflects the large number of people that live within the home, will the affordability programs be adequate to lessen the burden on them?
 - o Dave responded that affordability for multi-generational households is an important consideration and would need to be addressed with specific criteria for providing affordability assistance.
- For residential customers, a phased approach with a **tiered** structure could work, but it is not clear how this would burden commercial customers. An impact analysis for commercial customers must be done, as they do not have the same flexibility to reduce their usage. Another option could be to have a separate rate structure for commercial customers.
 - o Dave agreed that the impacts are important and responded that an analysis of bill impacts will be done and shared with the SW-WAG in the September meeting.
- Could an affordability program be developed for businesses/commercial customers? There should be an incentive for them as well.
 - o JB responded that the City of Milwaukee does have a small business affordability program, though less focused on water/wastewater, that can be analyzed and shared with the SW-WAG.

- I like the **tiered** structure, with affordability programs that do not penalize low-income households.
- Someone must advocate for the hotel industry on O'ahu. Our economy is dependent on the tourism and hospitality industry; the City must be mindful of how a rate increase would affect large commercial users like hotels and their labor forces. A hospitality representative should be included in the SW-WAG discussions.
 - o Joan noted that a hotel representative is present and participates as an active Advisory Group member.
- A 50 percent fixed charge makes sense and, when combined with the **uniform** volumetric charge, is the 'best of both worlds.'

See *slides 65-90* of the presentation materials.

5. ENV Updates

Roger shared with the SW-WAG that the difference between residential and commercial properties is important to understand. If we analyze the percentage of wastewater produced by land use category and compare it to the percentage of revenue from those land use categories, those should roughly match so that commercial customers are not subsidizing residential customers, or vice versa. At the next meeting, ENV will present a proposed rate package that will continue to cover future revenue requirements.

See *slide 91* of the presentation materials.

6. Wrap Up

Storm Water-Wastewater Advisory Group Roadmap – Dave shared an updated SW-WAG meeting roadmap. In September, rate modeling results and sample bill examples, as well as a draft rate proposal, will be explored. The sample bills will take current residential rate calculations and will layer on expected fee increases based on ENV's future revenue requirements. These will also show non-residential rate calculations. These examples will constitute a draft rate proposal for the Advisory Group's input. October's discussion will include the results of additional alternatives/rate modeling, and a revised rate proposal will be presented to the Advisory Group. With SW-WAG's feedback, the sample bills, and draft rate proposal will be revised again and layer on affordability programs.

Post-September Schedule – Dave presented a timeline of anticipated deadlines for the proposed wastewater rate increase. A first City Council reading of the rate proposal is expected to take place on October 9, 2024. After the first Council reading, the proposal is referred to the Budget Committee on October 22, 2024. A second City Council reading will take place on November 7, 2024. Then, a third City Council reading will take place on December 11, 2024. This schedule is not final, and dates are subject to change.

Q&A

- Is this schedule for wastewater/sewer, storm water, or both?
 - o Roger responded that while the current timeline could include a storm water fee, it is uncertain if it will be ultimately included in the final ENV rate proposal.
- Could storm water and wastewater rate calculations be layered and include affordability metrics to better understand the total anticipated impact on households?
 - o Dave responded that this will be part of the SW-WAG's October meeting discussion.

SW-WAG Members' Comments and Questions – Joan distributed blank 'index cards' for the SW-WAG members to use to provide feedback and/or write any questions based on the meeting's discussion. Input received from Advisory Group members has been transcribed and incorporated into the meeting summary as **Appendix A**.

Next Meeting – Randall notified SW-WAG members that in September the Blaisdell parking structure will be undergoing construction, and it is likely parking fees will be implemented. The coordination team will try to work out a solution so that the SW-WAG members are not charged for parking, but members should be aware that parking availability will be reduced due to the construction and Straub Hospital's use of the same parking structure.

The next SW-WW Advisory Group meeting will be held on Monday, September 23, 2024, and will be held in Blaisdell's **Pikake Room** (same location as the August meeting). The conference room change will be highlighted on the September agenda.

The meeting ended at 6:30 PM.

See *slides 92-96* of the presentation materials.