



City and County of Honolulu Storm Water Utility Study Stakeholder Advisory Group

October 11, 2021, 4:00-6:30 pm

Conducted Virtually

ATTENDEES

AARP (Kealii Lopez)
Hawaii Reserves, Inc. (Jeffrey Tyau)
'Iolani School (Jaron Kawamura)
Kamehameha Schools (Gary Evora)
NAIOP (Darian Chun)
Neighborhood Board #4 (Sharon Schneider)
Neighborhood Board #8 (Tim Streitz)
Neighborhood Board #25 (Bernie Marcos)
Neighborhood Board #31 (Levani Lipton)
Oahu Resource Conservation and Development Council (Megan Gonsalves)
Roman Catholic Archdiocese of Hawaii (Frank Doyle)
Sustainable Coastlines (Rafael Bergstrom)
The Nature Conservancy of Hawaii (Kim Falinski)
Waikiki Business Improvement District (Jennifer Nakayama)
Wai'anae Mountains Watershed Partnership (Yumi Miyata)

Public Agency Staff

Randall Wakumoto (Program Administrator, Storm Water Quality Division, City and County of Honolulu Department of Facility Maintenance (DFM))
Roger Babcock (Director, City and County of Honolulu DFM)
Dawn Szewczyk (Deputy Director, City and County of Honolulu DFM)
Matt Gonser (City and County of Honolulu Office of Climate Change, Sustainability and Resiliency)

Consultant Team

Juli Beth (JB) Hinds (Birchline Planning LLC)
Joan Isaacson (Kearns & West)
Jack Hughes (Kearns & West)
Laurens van der Tak (Jacobs)
Keith Bishton (Jacobs)
Ming Ding (AECOM)
Cami Kloster (G70)
Janice Jensen (G70)
Jessica Chiam (AECOM)
Dana Butler (Hastings & Pleadwell)

Members of the Public

ENDOA



1. Welcome and Agenda Overview

Joan Isaacson (Kearns & West) welcomed everyone, introduced a new Stakeholder Advisory Group member, Megan Gonslaves, representing the Oahu Resource Conservation and Development Council), and provided orientation of the agenda.

Juli Beth (JB) Hinds (Birchline Planning) announced that the City SWQ Division received a gold award for best program management and silver award for innovation for the WEF Stormwater Institute. The Advisory Group and project team congratulated Randall and then he thanked everyone for the team effort.

See slides 1 to 7 of the presentation materials provided at <https://www.stormwaterutilityoahu.org/>.

2. Public Comment (see additional information at the bottom of this agenda)

There were no public comments. See slides 8 and 9 of the presentation materials.

3. Financial Analysis Update

Laurens van der Tak (Jacobs) went over some definitions of financial terms to help Stakeholder Advisory Group members understand the analysis. He then reviewed the revised baseline budget which shifts the preferred program scenario start date from Fiscal Year (FY) 2022 to 2024, and factors in additional estimated capital improvement program (CIP) investment and related operating costs. Shifting the start date, which is needed to reflect the updated start date for a fee, escalates the base budget values to reflect inflation as well as hiring achieved over the past two years since original estimates were prepared. The baseline budget also increases the City's CIP investment from its current typical level (approximately \$45 million/year) to a higher level (approximately \$75 million/year) in Year 3, instead of Year 4 as originally projected. This change is based on discussions with the Administration and Department of Facility Maintenance, reflecting a commitment to greater capital improvement investment and response to the needs for asset renewal/replacement and green storm water infrastructure installation. Taken together this is the new program cost starting point.

Laurens outlined five different financing scenarios: Four that assume 100% CIP bond funding, and one that assumes 50/50 bonds and cash CIP funding (slide 15). The operating and capital costs (i.e., total budget) for each scenario, as well as the expected monthly rates, were then illustrated.

Laurens explained how the potential exemption of certain lands owned by Hawaii Department of Transportation - Airports and Harbors would function. The logic of these exemptions is similar to the basis for exempting public and quasi-public rights-of-way (streets). The Airports exemption would include only the runways, taxi ways and tarmac directly used for movement of aircraft; the Harbors exemption would include dock area within 250 feet of the water's edge and quasi-public roads (i.e., lands that enable movement of people and goods to Oahu's transportation system).

He also walked through Scenarios #4 and #5 to explain how the cash balance scenario (#5) would work with 180 days of cash on hand. He stressed that there are multiple permutations of these scenarios, but the point is to demonstrate the potential range of rates with a shifted start year, greater and earlier degree of CIP spending, exemption of some DOT Airport and Harbors lands, and different mixes of cash and bond financing for CIP.



See slides 10-31 of the presentation materials.

Q&A/Discussion

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

- Will the revenue bonds need to be voted on by the general public or is this a City Council decision?
 - o Revenue bonds are based on repayment with user fees and do not require public vote.
- What was the inflation factor used to project the costs and revenue numbers and what was that based on?
 - o The costs are presented in 2021 dollars and escalated assuming 3% annual inflation
- Don't agree with the logic that past debt incurred by the City and County to fund storm water-related capital projects should be paid by the storm water utility but am open to hearing why it should.
 - o This is a challenging question. The Department of Budget and Fiscal Services has suggested the fee pay back outstanding debt on storm water projects. However, there are definitely concerns about the total fee being less palatable to Council and the community with these added costs. JB noted that she is familiar with a new storm water utility that did pay back the costs directly related to getting the utility established, but that only covered about a three-year period before fees were charged. Another option is to limit capital improvement debt pay-back to costs incurred within the last Municipal Separate Storm Sewer System (MS4) permit cycle.
- Does the 50% debt include or assume a certain interest rate on the debt amount?
 - o For debt funding, Years 1-3 assume General Obligation Bonds with 20-year term and 3% interest rate. Years 4-6 assume revenue bonds with a 20-year term and 4% interest rate. Revenue bonds can only be issued once there is a sufficient balance accrued of fee-based revenue.
 - o In the early stages of storm water utilities, bonds were not typically used, but lately many storm water utilities have been issuing revenue bonds, especially for projects where the useful life of the capital assets is more than 20 years. For those assets with a useful life of less than 20 years, typically a utility would look at cash or at least shorter-term funding.
- Do the possible DOT exemptions include the state's tenants in those locations?
 - o The intent was to narrowly exclude state-owned and operated areas directly related to the movement of people and goods. For the Airports Division, none of the leased properties would be exempted; exemptions would be for taxiways and aprons for active aviation only.
 - o There is a valid argument to be made for exempting infrastructure used to move public goods and people. The area outlined to date could encompass some leased land and would need some refinement.
- Do the costs and exemptions for the airfields take into account the improvements needed on the storm drainage systems? I have walked these airfields during a storm and during a rise in the tide swells during the storm. In these instances, the storm runoff actual flows OUT of the drainage grills. All this to say that there is actually no drainage on these airfields during big



storms. Infrastructure improvements may need to be considered for these areas. Based on that, not sure that an exemption is in order for airfields.

- Throwing airports in as a “public good” neglects some of the issues of these areas producing lots of contaminants (i.e., microplastics, oils). I understand that one of the issues is simply moving costs from the City to the State, but I hope this may push forward some consideration of whether some portion of these costs should be passed on to tourists and visitors coming in through airports and harbors.
- I don’t feel that the airport should be exempt from fees. It is a major source of pollution near waterways and the ocean. I like the idea of having visitors pay into the Storm Water Utility fee. I wonder if Hawaii Tourism Authority considered this in their new master plan.
- What is the total revenue reduction annually if some Department of Transportation Airports and Harbors areas are exempted? We saw the monthly rate difference, but it would help to know the projected loss.
 - o The project team didn’t have those numbers but can take a look and report back. The projected budget was structured so that the revenue requirements stay the same.
- If this debt financing goes through, will it cover projects retroactively? For example, storm drain covers that should have been implemented, but were put off because of lack of funding. Will these types of projects now get covered with this new financing?
 - o Projects that were not implemented historically can definitely be funded through a storm water utility. That is a different question than paying for projects that were implemented in the past.
- Covering past debt service with the new utility funding doesn’t make sense.
- For Airports and Harbors should pay for their storm water issues. It makes sense that large airports, like roadways, would be public items that are reasonable to exempt.
 - o The project team set up the scenarios sequentially to see the cumulative effects, but there is no reason why there could not be different combinations of these scenarios.
- Is the project team suggesting these exemptions or are the government entities asking for these exemptions?
 - o The State attempted last summer to exempt itself (i.e., all State-owned properties) altogether. This limited exemption scenario was developed as a possible compromise that could be put on the table instead of saying that any exemption was unacceptable. This has not been discussed with the Department of Transportation Airports and Harbors yet.
- For Airports, is there a way to use a percentage of utilization based on cargo/commercial product/delivery and exempt a percentage of the total fee by that percent. Therefore, utilization based on "human" travel would not be exempted.
 - o It may be worth taking a more nuanced look at this. This is really helpful feedback.
- Is exempting the runways and docks with this logic better than the State passing an exemption for all State properties?
 - o Yes, this is better than the state exempting all of its properties.
- The Hickam area had problems with flooding, and these exemptions need to be looked at. The airport storm drain design is backwards, so they need to be held responsible for the flooding.



4. Draft Storm Water Utility Ordinance Walkthrough, including Hardship Provisions

JB shared that there is a working draft of the ordinance document, and the project team wanted to review some of the key provisions and hardship provisions with the group.

She recapped that the City Council will need to take two actions: one to set up the special fund, separating storm water fees and expenses from the general fund; and one to establish the utility and charge the fees. In the draft ordinance, new articles would be added to Chapter 14 of the Revised Ordinances of Honolulu (ROH) which covers public works. The fee schedule would be set in appendices to Chapter 14 with a charge schedule, which is the same approach for all public works-related fees that the City charges. The fee schedule can be updated/and modified by Council without changing the articles establishing the utility and special fund.

The ordinance documents must be reviewed for form by Corporation Counsel. City Council has to adopt the ordinances that give DFM administrative authority and to set the rate.

The key provisions for the Special Fund section would include provisions that the City cannot use these funds for past expenses paid through the general fund; however, debt service could be paid back for storm water related debt only. The draft ordinance explicitly provides that the utility could also continue to receive other sources of funds, including the highway fund transfer and external grants.

The key provisions for the Utility implementing ordinance in Chapter 14 include: authority to adopt storm water charges, applicability of charges and exemptions, language stating that updates to rates must be related to the cost of service, billing system and appeals, credits, financial hardship, language explicitly allowing a grant and rebate program from SWU fees, and a limitation of liability clause for problems that occur within the storm water system not due to City negligence.

JB emphasized that the stakeholder group had a direct impact on many of the key provisions for implementation, including the purpose and scope, tiered rate structure, exemptions, credits, and hardship provisions.

JB went over the findings and intent language from the draft ordinance. She outlined the things that remain to be determined with City Corporation Counsel and Council such as the appeals procedure, enforcement, and the impact of non-payment.

She went over the proposed hardship provisions for households enrolled in Hawaii Low-Income Home Energy Assistance Program (LIHEAP) as well as for small non-profits and homeowners meeting certain specified criteria. LIHEAP data showed ~4,100 households approved in 2020 and ~4,500 households approved in 2021 due to a dual enrollment program offered during the pandemic with the moratorium on utility disconnection. Budget assumptions show that even fairly extensive uses of hardship provisions would not affect revenue and the rate. The appropriate upper income limit for folks considered to be “house rich, cash poor” is still to be determined.

See slides 31-43 of the presentation materials.



Q&A/Discussion

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- Will you be sending the draft ordinance for review and comment when ready? It would be nice to provide input before it is finalized.
 - o It is not clear the extent to which Corporation Counsel will make revisions. Hopefully when it is ready to go to City Council it can be circulated.
 - o There will be a chance for input during the public comment periods. The Stakeholder Advisory Group has been involved throughout that whole process, and the continued support of the group will be needed going forward.
- I like the concepts you presented, especially in addressing the kupuna which are house rich and cash poor.
- I really appreciate seeing so much of the collective feedback represented in this draft.
- Once it goes to Corporation Counsel, you will have a hard time changing anything. This might necessitate a more detailed review of the ordinance with the group. A review without input might be okay. We should be prepared to answer any questions that may arise.
- It is a done deal once it goes to Corporation Counsel. There will be changes, but this group will have little to no influence.
 - o The project team will discuss Stakeholder Advisory Group review options at the team meeting tomorrow.

5. Upcoming Community Outreach

Cami Kloster (G70) provided an update on upcoming community outreach efforts, including the schedule for Neighborhood Board meeting storm water utility update presentations.

The last round of Neighborhood Board meeting presentations in April and May of this year was a joint effort of the Department of Facility Maintenance with the consultants delivering the presentations. In this round of meetings Department of Facility Maintenance staff will be delivering them. Roger Babcock (Department of Facility Maintenance) delivered the Neighborhood Board presentation to the Stakeholder Advisory Group for group feedback.

See slides 46 to 67 of the presentation materials.

Q&A/Discussion

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- If I was a total novice to this sitting in my first Neighborhood Board meeting, I would want to see storm water and impervious service defined and give more insight into the problem of runoff from our landscape.



6. Outreach with Business Community Organizations

Cami went over a list of targeted organizations for upcoming presentations, and the list includes General Contractors Association, AARP, and Rotary Clubs. She asked for contacts from the group to help with introductions to the various organizations listed – as well as additional organizations.

An update was also provided on the Strategic Plan process that will be available for review by the Stakeholder Advisory Group by early 2022.

See slides 65 to 67 of the presentation materials.

7. Federal Funding Opportunities for Storm Water Utility Activities and Programs

Randall Wakumoto shared that the Department of Facility Maintenance had a mini workshop with Department of Budget and Fiscal Services to show funding opportunities and for their feedback as future fiscal administrators.

Laurens gave a brief run through of the range of funding opportunities for activities and programs, especially federal and state programs.

The federal infrastructure bill (passed by the Senate and waiting for House approval) has a provision for wastewater has an element available for funding storm water programs. The expected increase for this program is ~44%. Another opportunity is the Water Infrastructure Finance and Innovation Act (WIFIA) program. In addition to the infrastructure bill, federal grant program opportunities for the storm water utility exist under Federal Emergency Management Agency (FEMA), U.S. Department of Transportation (DOT), and National Oceanic and Atmospheric Administration (NOAA).

See slides 68 to 73 of the presentation materials.

Q&A/Discussion

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- What could a grant submission package contain to make it more competitive?
 - o Social equity is a focus of the Biden administration, as well as climate resilience actions/elements in projects and partnerships. Elected officials writing letters to demonstrate political support is also helpful.
 - o The City has a handful of projects proposed for use of American Rescue Plan Act (ARPA) funding that may pass through City Council and could go out for construction next year.

8. Wrap-up

Next Meeting: Monday, January 10, 2022, 4:00 - 6:30 pm (planning for virtual)

Joan took a poll to see whether SAG members would prefer a meeting or a e-newsletter update. Majority of members in attendance voted to meet.

See slides 74 to 76 of the presentation materials.