

BOARD OF WATER SUPPLY

CITY AND COUNTY OF HONOLULU
630 SOUTH BERETANIA STREET
HONOLULU, HI 96843



March 17, 2016

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FORD N. FUCHIGAMI, Ex-Officio

ERNEST Y. W. LAU, P.E.
Manager and Chief Engineer

ELLEN E. KITAMURA, P.E.
Deputy Manager and Chief Engineer

The Honorable David W. Rae, Chair
and Members
2015 – 2016 Charter Commission
City and County of Honolulu
Honolulu Hale
530 South King Street, Room 501
Honolulu, Hawaii 96813

Dear Chair Rae and Members:

Subject: Proposed Charter Amendment No. 20

The Board of Water Supply (BWS) strongly opposes proposed Charter Amendment No. 20, which, among other things, transfers major components of the BWS's semi-autonomous governance to the City Council, including decision-making authority over the BWS Capital Improvement Program, Operating Budget, and related responsibilities, in addition to, the authority to delete, add, or change projects and budget line-items. We strongly oppose this measure for the following reasons:

- **Responsibility for the BWS's budget is established under State law and Proposal 20 conflicts with Chapter 54, Hawaii Revised Statutes (HRS).**
 - Section 54-15, HRS, relating to "powers and duties of board" clearly indicates that "The board of water supply shall manage, control, and operate the waterworks of the county and all property thereof, for the purpose of supplying water to the public in the county, and shall collect, receive, expend, and account for all sums of money derived from the operation thereof and all other moneys provided for the use or benefit of the waterworks and all property used for or held in connection therewith";
 - State law requires that "The board of water supply shall locate and determine the character and type of all construction and additions, extensions, increases, betterments, and improvements to the waterworks, and shall determine the policy for construction or the making of additions, extensions, increases, betterments and improvements out of any public funds under its jurisdiction." [HRS 54-19];
 - The major policy vehicle for the Board to "manage, control, and operate the waterworks" is its operating and capital improvement program budgets. This responsibility for these policy decisions is vested with the BWS Board under State law [HRS 54-19]; and
 - Changes to the authority of the BWS also require amendments to HRS Chapter 54 relating to eminent domain provisions [HRS 54-27].
- **This proposed Charter Amendment seeks to end 85 years of BWS semi-autonomous governance by a single-purpose Board focused solely on water, and transfer a major part of its authority to the City Council.**

- City Council would have direct control over the BWS Capital Improvement Program, Operating Budget, and other responsibilities;
 - Council members could delete, add, or amend projects and budget line-items based on short-term interests;
 - Water funds could be diverted to other City programs and services unrelated to water. Currently, water revenues can be applied ONLY to the BWS's water programs and projects;
 - The BWS currently is entirely financially self-sufficient, receiving no tax revenue to maintain water services and systems;
 - In 1929, the Territorial Government established the BWS as a semi-autonomous agency to minimize politics in decision-making about O'ahu's precious water supply and providing this vital service to the people of O'ahu;
 - Desirability of semi-autonomous governance was reaffirmed by another Charter Commission in 1958, which found that politics and political expedience do not have a place in operations of a water department; and
 - Since 2013 when similar governance changes were being proposed, at the request of Council the City Auditor completed a Management and Performance Audit of the BWS, with special attention to *"whether the status and powers of the BWS as a semi-autonomous agency should be maintained."* The auditor concluded: *"while there are areas for BWS improvement, citizens are unlikely to realize a significant benefit with a transfer to city management...A charter amendment to place BWS under the city's direct authority is unlikely to improve BWS's effectiveness or efficiency.."*
- **There are important advantages to maintaining semi-autonomous governance: financial strength, stability, and ability to serve.**
 - Supports long-term resource and financial planning which are critical to sustaining water quality and reliability;
 - Longer, overlapping Board terms provide necessary stability and foster the ability to build familiarity with the complexity and challenges of water services;
 - Credit rating agencies pay particular attention to a utility's ability to implement timely rate increases and capital improvement programs independently. Good credit rating reduces costs to BWS's customers. Bond rating agencies that provide financing for capital projects also value stability; and
 - The BWS, without exception, has received clean financial audits annually (i.e. "unqualified opinions") for at least the past 20 years;
- **The BWS is taking broad actions and making significant strides in continuous improvement for the organization, its management and operations.**
 - The BWS is nearing completion of a comprehensive assessment of our water system, as part of a long-range Water Master Plan (WMP). This plan will lay out a 30-year strategy for repair, renewal and replacement of the BWS's vast water infrastructure. The WMP will also include a financial analysis and rates study and serve as a foundation for the BWS 6-Year Capital Improvement Program and associated budgets;

- Last year, the BWS also completed a comprehensive Strategic Plan, engaging all departments to develop a roadmap for managing water services over the next three years; and
 - The BWS is in the process of executing an Energy Savings Performance Contract to implement energy efficiency and operational improvements over the next 20-years.
- **The BWS is working collaboratively with the community to strengthen public awareness of BWS activities and actively pursues opportunities to improve customer service.**
 - The BWS holds public meetings on its annual Operating and Capital budgets prior to presentation to the Board for approval and adoption;
 - The BWS established a Stakeholder Advisory Group to increase transparency of management and operations, listen to community perspectives and ideas, and more actively engage constituents in long-range planning;
 - The BWS has developed multiple publications that explain BWS's services and operations, including a regularly published newsletter;
 - Last year, a customer survey and focus group revealed:
 - The BWS is the second most trusted source for information about fresh water in Hawaii. Scientists were most trusted; and
 - Over 75 percent of respondents have high confidence in the BWS's ability to provide safe and dependable water.
- **The BWS does not object to the proposed amendment requiring compliance with the provisions of Article XI of the City Charter, relating to standards of conduct, because the BWS is already subject to Article XI.**

Thank you for the opportunity to testify on this matter.

Very truly yours,


ERNEST Y.W. LAU, P.E.
Manager and Chief Engineer