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COUNTY COUNCIL
COUNTY OF MAUI
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793
www.MauiCounty.us

July 3, 2017

Honorable Alan M. Arakawa, Mayor
Office of the Mayor
County of Maui
Wailuku, Hawaii 96793

Dear Mayor Arakawa:

**SUBJECT: AMENDING FISCAL YEAR 2017 BUDGET:
DEPARTMENT OF WATER SUPPLY (WAILUKU
WATER COMPANY ACQUISITION) (BF-21)**

At its meeting of June 13, 2017, the Budget and Finance Committee discussed the proposed budget amendment to fund an appraisal of the Wailuku Water Company.

Further, by correspondence dated June 1, 2017, you indicated that Wailuku Water Company LLC would be open to providing documentation as part of the County's due diligence process upon execution of a confidentiality agreement by the County of Maui. A copy of the correspondence without attachments is provided for your reference.

As a result of the meeting, the Budget and Finance Committee is requesting an agreement be executed to allow the Administration to obtain copies of the documents referenced in the correspondence.

Upon execution of the agreement and receipt of the confidential documents, please notify the Budget and Finance Committee staff. Upon notification, I will consider scheduling the item, including executive session pursuant to Section 92-5(a)(3), Hawaii Revised Statutes.

The Administration will then be allowed to distribute copies of the confidentiality agreement and confidential documents to the Committee members to review and discuss in executive session. Once the session is over,

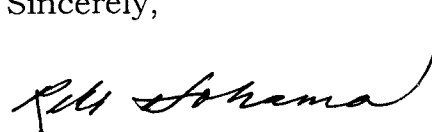
Honorable Alan M. Arakawa, Mayor
July 3, 2017
Page 2

the documents will be retrieved from the Members and remain with the Administration.

To ensure efficient processing, please include the relevant Committee item number in the subject line of your response.

Should you have any questions, please contact me or the Committee staff (Michele Yoshimura at ext. 7663, or Yvette Bouthillier at ext. 7758).

Sincerely,

A handwritten signature in black ink, appearing to read "Riki Hokama", with a long, sweeping flourish extending to the right.

RIKI HOKAMA, Chair
Budget and Finance Committee

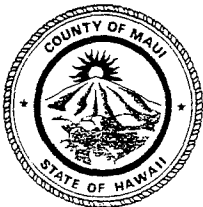
bf:ltr:021aom02

Attachment

cc:

Corporation Counsel
Budget Director

ALAN M. ARAKAWA
MAYOR



KEITH A. REGAN
MANAGING DIRECTOR

OFFICE OF THE MAYOR

Ke'ena O Ka Meia
COUNTY OF MAUI - Kalana O Maui

June 1, 2017

RECEIVED
2017 JUN -5 PM 3:16
OFFICE OF THE
COUNTY COUNCIL

Honorable Riki Hokama, Chair
Budget & Finance Committee
200 South High Street
Wailuku, Hawaii 96793

Dear Chair Hokama:

SUBJECT: AMENDING FISCAL YEAR 2017 BUDGET: DEPARTMENT OF WATER SUPPLY (WAILUKU WATER COMPANY ACQUISITION) (BF-21)

Please find below our responses to your various requests for information:

1. Profit and loss statements from Wailuku Water Company LLC for the past ten years.

Wailuku Water Company LLC would be open to providing such documentation as part of the County's due diligence upon a confidentiality agreement being executed by the County of Maui. Please advise if your committee would like the administration to move forward with such a confidentiality agreement.

2. A current business operation analysis on the viability of Wailuku Water Company, LLC.

The information requested presently does not exist and is not obtainable from Wailuku Water Company LLC.

3. A report on the condition of the Surface Water Conveyance System and all improvements, including projections or estimates for costs of future maintenance, repair, and improvement of the water system both short and long-term.

The information requested presently does not exist and is not obtainable from Wailuku Water Company LLC.

4. A report summarizing and evaluating the sufficiency of the maintenance, including a maintenance schedule, equipment replacement schedule, and manpower requirements of the Surface Water Conveyance System.

The information requested presently does not exist and is not obtainable from Wailuku Water Company LLC.

5. A report concluding whether or not acquisition will result in the County of Maui having more water for distribution.

Wailuku Water Company LLC would be open to providing such documentation as part of the County's due diligence upon a confidentiality agreement being executed by the County of Maui.

6. A current hydrology report.

The information requested presently does not exist and is not obtainable from Wailuku Water Company LLC.

7. Copies of all water service agreements, supply agreements, or other water delivery agreements, wherein Wailuku Water Company, LLC is obligated to supply water to third parties or end users, including the total gallons of water per day the company is obligated to provide under these agreements.

Such information is a public record and is available at:

<https://dms.puc.hawaii.gov/dms/DocketSearch>

In the top left hand corner, below "Docket Quick Link," type "2008-0025" to access all of the pertinent documents.

8. Copies of any other contracts, agreements, or obligations that the County will be assuming as a result of the proposed purchase of the Wailuku Water Company, LLC's water system.

Such information is a public record and is available at:

<https://dms.puc.hawaii.gov/dms/DocketSearch>

In the top left hand corner, below "Docket Quick Link," type "2008-0025" to access all of the pertinent documents.

9. A report on Wailuku Water Company, LLC's status as a public utility, investigations by the Public Utility Commission, and whether the company has applied for and received a Certificate of Public Convenience and Necessity.

Such information is a public record and is available for the County. I have attached the copies per your request.

10. Copies of any studies, memoranda, reports, or documents showing the Wailuku Water Company LLC's capacity to supply water and projections of future water availability.

Wailuku Water Company LLC would be open to providing such documentation as part of the County's due diligence upon a confidentiality agreement being executed by the County of Maui.

11. Copy of the current water supply agreement between the Wailuku Water Company LLC and the County.

Such information is a public record and is available for the County. I have attached the copies per your request.

12. Identification of the regulatory or other legal requirements that apply to the operation of the Wailuku Water Company LLC.

Such information is a public record and is available for the County. I have attached the copies per your request.

13. A report on the status of Wailuku Water Company, LLC's involvement in the Na Wai Eha litigation, including, but not limited to, the company's obligations, liabilities, agreements, or other risks associated with the case. Include how the County will be protected against liability in making the purchase and identify what legal obligations, if any, the County will assume from the proposed purchase.

Wailuku Water Company LLC would be open to providing such documentation as part of the County's due diligence upon a confidentiality agreement being executed by the County of Maui.

14. Explain, or provide a report that addresses how the designation of the lao as a groundwater management area by the State Commission on Water Resources Management affects Wailuku Water Company, LLC's rights and ability to deliver water and what duties, liabilities, and obligations the County can expect if it acquires property and infrastructure from Wailuku Water Company, LLC.

Wailuku Water Company LLC would be open to providing such documentation as part of the County's due diligence upon a confidentiality agreement being executed by the County of Maui.

15. Copies of any reports, memoranda, correspondence or other documents between the Wailuku Water Company, LLC, its predecessors, or principals, and the County relating to the offer to purchase Wailuku Agribusiness's 13,167 acres of watershed on or about the year 2000 and the decision by the County not to proceed with the purchase.

Such information is a public record and is available for the County. I have attached the copies per your request.

16. Please provide an explanation of how the decision was made to purchase only part of the water system, what facts were considered, the pros and cons of purchasing the entire system, and associated opportunities, advantages, disadvantages, and liabilities.

There was a land sales contract in place and in escrow for a portion of the fee simple land when the County expressed an interest in the watershed property and the conveyance system. Thus, such property was not available at the time the County advanced its interest in the property. The land sales contract does not include the water delivery system and, under the proposal, the County would obtain the delivery system within such property.

Thank you for your attention to this matter. Should you have any questions, please feel free to contact me at Ext. 7855.

Sincerely,



ALAN M. ARAKAWA
Mayor

cc: Danilo Agsalog, Director of Finance
Lynn Araki-Regan, Budget Director
Kaala Buenconsejo, Director of Parks and Recreation
David Goode, Director of Public Works
Stewart Stant, Director of Environmental Management
David Taylor, Director of Water Supply
Jeffrey Ueoka, Deputy Corporation Counsel