

RICHARD T. BISSEN, JR.
Mayor

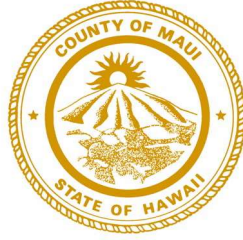
SHAYNE R. AGAWA, P.E.
Director

MICHAEL D. PETERSEN
Deputy Director

MICHAEL KEHANO, P.E.
Solid Waste Division

ERIC A. NAKAGAWA, P.E.
Wastewater Reclamation Division

CECILE POWELL, Acting Manager
Environmental Protection &
Sustainability Division



**COUNTY OF MAUI
DEPARTMENT OF
ENVIRONMENTAL MANAGEMENT**
2145 KAOHU STREET, SUITE 102
WAILUKU, MAUI, HAWAII 96793

June 27, 2025

Honorable Richard T. Bissen, Jr.
Mayor, County of Maui
200 South High Street
Wailuku, HI 96793

For Transmittal to:

Honorable Yuki Lei K. Sugimura, Chair
Budget, Finance, and Economic Development Committee
200 South High Street
Wailuku, HI 96793

Dear Council Chair Sugimura:

**SUBJECT: FISCAL YEAR 2025 ESTIMATED REVENUE SHORTFALL FOR THE
SEWER FUND (BFED-20(10))**

In response to your June 24, 2025 request regarding Fiscal Year 2025 estimated revenue shortfall for the Sewer Fund, the Department of Environmental Management (DEM) provides the following response:

1. *Attached County Communication 101-25 states that reduced wastewater revenue is due to water usage (flows). What is the cause of the reduced flows and are they tied to specific geographic areas, customer classes, seasonal changes, or other reasons? Please explain.*

Most sewer bills are based on water consumption, typically comprising a fixed charge and a variable charge based on usage (in 1,000-gallon increments). Therefore, reductions in water use directly lead to reduced sewer revenue.

Key contributors to reduced flows include:

- 1) Fewer active sewer accounts (e.g., due to vacant properties or demolished structures, etc.);
- 2) Declines in residential population;
- 3) Decreased tourism activity;
- 4) Implementation of water conservation measures (e.g., low-flow fixtures);
- 5) Drought-related restrictions and rising water costs;
- 6) Increased use of irrigation meters, which are not subject to sewer billing;
- 7) Improved accuracy and timeliness in billing, reducing estimated or understated usage.

These factors are not isolated to any specific geographic region or season and tend to affect the system broadly.

2. ***Have service levels, staffing plans, or project schedules been adjusted in response to the revenue shortfalls in FY 2025 or FY 2026? Please explain.***

Service levels, staffing plans, and project schedules have not been formally adjusted due to the revenue shortfalls. However, starting in January, when the shortfall became apparent, we adopted a more conservative spending approach. This included deferring non-essential purchases and making temporary repairs ("band-aid fixes") to extend asset life.

Additionally, project timelines were impacted by the aftermath of the Lahaina disaster, as many contractors were either overextended or understaffed. As a result, while schedules were not intentionally changed due to the shortfall, they changed as we worked to catch up with infrastructure project timelines.

3. ***How is the Department achieving the planned expenditure savings in salaries, fringe benefits, administrative overhead, and operational costs to offset the FY 2025 Sewer Fund revenue shortfall?***

Expenditure savings in these categories were not specifically planned. However, a significant number of vacant positions resulted in unintentional savings in salaries, fringe benefits, and related expenses.

Note that despite the decline in revenue, our expenditure controls led to a year-end budget surplus of approximately \$2.9 million in FY 2025.

4. ***The revenue shortfall was \$4.2 million last year and is projected to be \$2.8 million this year. Does the Department anticipate a similar revenue shortfall in FY 2026, and what is the long-term plan for addressing these recurring losses and maintaining the Sewer Fund's financial stability?***

The \$4.2 million shortfall in FY 2024 was driven by the unforeseen Lahaina fire, which significantly impacted a key revenue area. In response, we immediately implemented spending reductions and project deferrals.

For FY 2025, our revenue estimates were based on five months of post-fire data from FY 2024, plus the 2% rate increase. While the year began strong, additional challenges such as drought restrictions and other usage reductions caused us to fall short again.

Looking ahead to FY 2026, we are cautiously optimistic. Factors such as ongoing rebuilding in Lahaina, new residential construction throughout the County, a rebound in tourism, and anticipated population growth position us well to meet our revenue targets.

For long-term stability, we may conduct a new rate study to ensure rates remain aligned with system needs, debt service repayment and cost recovery.

5. ***Please identify any mid-year Budget amendments, proposed fee changes, or policy proposals the Council should anticipate receiving to address any shortfall for FY 2026.***

Currently, we do not anticipate a shortfall for FY 2026 and therefore do not expect to submit mid-year budget amendments or fee changes. If a shortfall does occur, we will continue our existing practice of strategic spending adjustments based on actual revenue. This approach was successfully used during the pandemic and post-FY 2024 fire.

6. ***Will the trend in reduced wastewater flows influence how future sewer rates are set? Why or why not***

We do not anticipate a long-term downward trend in wastewater flows. With new housing construction, population growth, and a modest rebound in tourism, we expect flows to stabilize or gradually increase.

Reduced flows do factor into rate setting, but they are considered alongside many other elements. Sewer rates are reviewed annually and determined based on multiple factors, including:

- Water usage and number of accounts,
- Operating and maintenance expenditures,
- Revenues and carryover balances,
- Capital Improvement Project (CIP) needs,
- Debt service obligations.

Additionally, uncollectible sewer fees impact revenue. As of May 31, 2025, delinquent sewer accounts (120+ days past due) total \$1.59 million, primarily from residential customers. The Department is actively working with the Department of Water Supply to address collections.

To reduce reliance on sewer rates as the sole funding source, we are also exploring alternative revenue streams such as:

- Plan check fees,
- Capacity upgrade assessments,
- Sewer connection fees for new users.

Thank you for the opportunity to provide you with information on this matter. Should you have any questions or concerns, please feel free to transmit them to the Department of Environmental Management via transmittal through the Office of the Mayor.

Sincerely,



DN: cn=Shayne R. Agawa,
o=Director of Dept. of Environmental
Management, ou=County of Maui,
email=shayne.agawa@co.maui.hi.us,
c=US
Date: 2025.06.27 16:07:50 -10'00'

SHAYNE R. AGAWA, P.E.
Director of Environmental Management

BFED Committee

From: Shayne R. Agawa <Shayne.Agawa@co.maui.hi.us>
Sent: Tuesday, July 15, 2025 11:44 AM
To: BFED Committee
Cc: Nadine C. Orikasa; Michael Petersen
Subject: FW: FISCAL YEAR 2025 ESTIMATED REVENUE SHORTFALL FOR THE SEWER FUND (BFED-20(10))
Attachments: DEM's Response to BFED-20(10)

Dear BFED Committee,

I was told by the Mayor's office that there was an oversight on getting DEM's response to BFED-20(10) and sent to your office on time. I just noticed that the date of DEM's response letter was changed to July 17, 2025 by the Mayor's office. I wanted to clarify that DEM sent our response letter to BFED Committee via the Mayor's office on 6/27/25 which was three (3) days prior to the due date of 6/30/25. Please see the attached email string and .PDF file of our original response letter dated 6/27/25.

Thank you,
Shayne

Shayne R. Agawa, P.E.
Director

County of Maui
Dept. of Environmental Management
2145 Kaohu St., Suite 102
Wailuku, HI 96793
Ph. (808) 270-8230
Fax. (808) 270-8234

From: Nadine C. Orikasa <Nadine.Orikasa@co.maui.hi.us>
Sent: Tuesday, July 15, 2025 8:09 AM
To: Shayne R. Agawa <Shayne.Agawa@co.maui.hi.us>
Subject: RE: FISCAL YEAR 2025 ESTIMATED REVENUE SHORTFALL FOR THE SEWER FUND (BFED-20(10))

Please see attached.

From: Shayne R. Agawa <Shayne.Agawa@co.maui.hi.us>
Sent: Tuesday, July 15, 2025 8:05 AM
To: Nadine C. Orikasa <Nadine.Orikasa@co.maui.hi.us>
Subject: FW: FISCAL YEAR 2025 ESTIMATED REVENUE SHORTFALL FOR THE SEWER FUND (BFED-20(10))

Can you please check if we submitted a response to BFED-20(10)? I'm certain that I saw a draft response but not sure if it was sent to BFED. LMK. Thx, SA.

Shayne R. Agawa, P.E.
Director

County of Maui
Dept. of Environmental Management
2145 Kaohu St., Suite 102
Wailuku, HI 96793
Ph. (808) 270-8230
Fax. (808) 270-8234

From: BFED Committee <BFED.Committee@mauicounty.us>
Sent: Monday, July 14, 2025 5:51 PM
To: Shayne R. Agawa <Shayne.Agawa@co.maui.hi.us>
Cc: Ezekiel I. Kalua <Zeke.Kalua@co.maui.hi.us>; Michelle L. Santos <Michelle.Santos@co.maui.hi.us>; BFED Committee <BFED.Committee@mauicounty.us>
Subject: FW: FISCAL YEAR 2025 ESTIMATED REVENUE SHORTFALL FOR THE SEWER FUND (BFED-20(10))

Aloha Director Agawa,

I hope this message finds you well. I am following up on a letter dated June 24, 2025, titled *"Fiscal Year 2025 Estimated Revenue Shortfall for the Sewer Fund (BFED-20(10))."* We are currently reviewing materials related to the BFED item and would like to confirm whether a response to that letter has been transmitted.

If it has already been sent, we would appreciate it if you would please resend a copy for our records. If not, could you kindly provide a status update or anticipated timeframe?

Regards,
BFED Staff

From: BFED Committee
Sent: Tuesday, June 24, 2025 3:58 PM
To: 'Shayne.Agawa@co.maui.hi.us' <Shayne.Agawa@co.maui.hi.us>
Cc: 'Michelle Santos' <Michelle.Santos@co.maui.hi.us>; 'Zeke Kalua' <Zeke.Kalua@co.maui.hi.us>
Subject: FISCAL YEAR 2025 ESTIMATED REVENUE SHORTFALL FOR THE SEWER FUND (BFED-20(10))

BFED Committee

From: Nadine C. Orikasa <Nadine.Orikasa@co.maui.hi.us>
Sent: Friday, June 27, 2025 4:40 PM
To: Michelle L. Santos
Cc: Shayne R. Agawa; Michael Petersen; Ezekiel I. Kalua
Subject: DEM's Response to BFED-20(10)
Attachments: 2025.06.27 Revenue Shortfall BFED-20 response.pdf; Correspondence to Environmental Management 06-24-2025.pdf

Hi Michelle,

Attached for Mayor's review/approval is DEM's response to BFED Committee Chair's correspondence regarding Fiscal Year 2025 Estimated Revenue Shortfall for the Sewer Fund (BFED-20(10)).

Once approved, please forward to bfed.committee@mauicounty.us

Please feel free to contact our office, should you have any questions.

Thank you,
Nadine