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CARY YAMASHITA, P.E.
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Highways Division

April 12, 2017

W
Ms. Lynn A.S. Araki-Regan
Budget Director, County of Maui
200 South High Street
Wailuku, Maui, Hawaii 96793

Alan Arakawa 4/13/17

Honorable Alan M. Arakawa
Mayor, County of Maui
200 South High Street
Wailuku, Maui, Hawaii 96793

For Transmittal to:

Honorable Riki Hokama, Chair
Budget and Finance Committee
Maui County Council
200 South High Street
Wailuku, Maui, Hawaii 96793

Dear Chair Hokama:

**SUBJECT: REQUESTS/QUESTIONS FROM THE APRIL 4, 2017
MEETING (BD-15) (BF-1)**

This is in response to your April 6, 2017 letter to Budget Director Lynn Araki-Regan regarding the above subject matter. Our Department offers the following response to Question No. 2:

2. *Provide the estimated cost to operate an asphalt plant. Include the advantages and disadvantages of the County having its own asphalt plant. (EC)*

DPW Administration, Highways and Engineering Divisions have considered this idea and have the following considerations and questions regarding the potential for a County-owned and -operated asphalt batch plant:

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- A. Operating Costs - Unknown. This is dependent on multiple factors. How big the plant is, how much we would need to produce, how much product we would use, how quickly we would be able to complete jobs, etc. In order to answer these questions, we need to understand the purpose or intent more clearly and commission a robust study.
- B. Location – What sites are available? Considering the potential noise, dust, traffic and air-quality issues, there are initial concerns for siting a batch plant. Careful consideration with the Department of Planning is needed. Adequate space will need to be set aside for aggregate storage, liquefied asphalt storage tanks and propane gas tanks. To eliminate costly trucking costs, the batch plant should be located in the vicinity of established rock-crushing operators, both of which currently lease out to other asphalt batching plants that may have non-compete clauses in their leases.
- C. Cost - Capital Cost for a batch plant is highly variable based on size and production needs. Limited research by DPW staff suggests batch plants may cost between several hundred thousand to a few million dollars. The size and specifications for the units would be based on need. In order to answer this question properly, the Department of Public Works (DPW) would need to form an investigative team and commission a study to assess the actual need and potential production rates.
- D. Permitting - Permit requirements are likely to be onerous considering it would be an industrial facility with various environmental permitting challenges such as clean air permits, storm water permits, grading permits, spill prevention control and countermeasure plans, Tier II reporting, toxic release inventory requirements, National Pollutant Discharge Elimination System (NPDES), and land zoning entitlements.
- E. Staffing - DPW would need several very specific expansion positions to run this type of operation. Additional research into potential positions and the creation of new positions are needed before we can truly understand the operational cost. It is our understanding that these positions are currently not described in civil service which would need to be done on a statewide level. In addition, a certified testing

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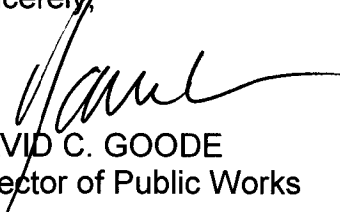
lab will need to be established with adequate staffing and specialized equipment. Training for the batch plant operators and quality-control personnel will be costly.

- F. Maintenance – The maintenance demand would likely be high and the level of expertise needed to repair may not be locally available. Mainland companies would have to be called and flown in for service. It is our understanding that other batch plant operators in Hawaii need to fly in specialists for some aspects of maintenance. State procurement law would limit the turnaround time for replacement parts or equipment; and when out to bid, subject to bid protests which could leave portions of the plant inoperable for months.
- G. Demand/Needs? Would the County plan to try to sell product to private companies? If we sell asphalt, would the price have to be set by the annual budget ordinance? If the County is not able to use it for our own roads efficiently, then we would possibly need to sell to outside companies to cover costs to operate the plant. (Research indicates batch plants need to be running 80% of the time to be profitable.)
- H. Union Considerations - Unknown at this time, but would need to be vetted with UPW.
- I. Environmental Compliance - The County would need to ensure that the multitude of various permit conditions is met; and currently, we have no expertise at all with Clean Air permits. Note that many operators with Clean Air permits are frequently fined by the State Department of Health.
- J. Procurement Issues – There are limited local vendors available to support this type of operation for aggregate and bulk oils/materials, most of which already lease to other asphalt batching companies.

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Should you have any questions, please feel free to contact me at Ext. 7845.

Sincerely,



DAVID C. GOODE
Director of Public Works

DCG:jso

Attachment

xc: Engineering Division
Highways Division

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