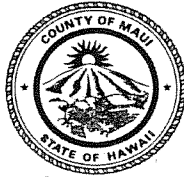


ALAN M. ARAKAWA  
Mayor



DAVID TAYLOR, P.E.  
Director

GLADYS C. BAISA  
Deputy Director

**DEPARTMENT OF WATER SUPPLY**  
COUNTY OF MAUI  
200 SOUTH HIGH STREET  
WAILUKU, MAUI, HAWAII 96793-2155  
www.mauiwater.org

April 12, 2017

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

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

For Transmittal to:

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

Dear Chair Hokama:

**SUBJECT: RESPONSES/QUESTIONS FROM APRIL 7, 2017 MEETING**

Thank you for your April 10, 2017 letter regarding the above-referenced subject. The Department of Water Supply is transmitting for your review and offers the following response to your question:

**Question:**

*"Please explain whether the true cost of delivering service was used to determine the new cost to be charged. For example, how does the true cost of using a 1991 dump truck translate to a \$4-per-hour increase in the service being performed?"*

**Answer:**

The Department of Water Supply (DWS) carries an average of four backhoe-loaders and two backhoes. Each of these was purchased at an average cost of \$90,000. These pieces of equipment are usually dispatched with a dump truck. The DWS fleet also includes six dump trucks at an average purchase price of \$180,000 - \$200,000. These groups of equipment are usually dispatched for customer job orders at a rate of less than twenty hours per month, just a few hours for each piece of equipment. The equipment is also available for Departmental needs.

APPROVED FOR TRANSMITTAL

*[Signature]*  
\_\_\_\_\_  
Mayor

4/17/17  
\_\_\_\_\_  
Date

RECEIVED  
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COUNTY CLERK

Honorable G. Riki Hokama  
Chair, Budget and Finance Committee  
April 12, 2017  
Page two

As the DWS is an Enterprise Fund, it generates its own revenue and pays its own expenses. When DWS needs to replace a piece of equipment, the purchase is made with cash. Based on average jobbing revenue and the proposed, increased rate of \$100 per hour, it takes nearly 23 years to recoup the cost of a backhoe-loader and over 45 years to recover the cost of a dump truck. True cost recovery is longer, as DWS has been charging lower rates.

The Water Department's revenue generated from job costing includes labor, materials, and equipment. Total revenue generated from job costing is less than \$200,000 per annum (for the current fiscal year we are averaging less than \$100,000). For the Fiscal Year 2018, DWS estimates revenue of \$160,000 which is 0.00244 percent of estimated charges for services and service-related revenue.

We hope you find this information useful. Should further clarification be necessary, please contact me at Ext. 7514.

Sincerely,

A handwritten signature in black ink, appearing to read 'DT', with a long horizontal line extending to the right.

DAVID TAYLOR, P.E.  
Director of Water Supply

xc: Lynn A.S. Araki-Regan, Budget Director ✓  
Gladys C. Baisa, Deputy, Department of Water Supply  
Holly Ho, Waterworks Fiscal Officer