

DAVID Y. IGE
GOVERNOR OF HAWAII



STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES

POST OFFICE BOX 621
HONOLULU, HAWAII 96809

Testimony of
SUZANNE D. CASE
Chairperson

Before the House Committee on
FINANCE

Friday, February 26, 2016
1:00 P.M.
State Capitol, Conference Room 308

In consideration of
HOUSE BILL 2680, HOUSE DRAFT 1
RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS FOR
KALOKO RESERVOIR

House Bill 2680, House Draft 1 proposes to authorize the issuance of special purpose revenue bonds to assist the Mary N. Lucas Estate, owner of the Kaloko Reservoir, to make safety improvements to the facility which would benefit the public's health, safety and general welfare. **The Department of Land and Natural Resources (Department) supports this measure as it would assist the dam owner with an economic means to bring their facilities in compliance with current safety standards and reduce the risk of a dam failure.**

Kaloko Reservoir is an earthen dam constructed in 1890 for the irrigation of sugarcane fields, with a reservoir storage capacity of about 400 million gallons. The dam is owned by multiple owners and was operated by an independent water company, Kilauea Irrigation Company (KICO). On March 14, 2006 after an extended period of heavy rainfall, the dam failed disastrously due to a breach of its embankment. The breach killed seven (7) people, destroyed several homes and critical infrastructure, and devastated the forested area downstream. The facility has not been repaired to date and is under a water storage restriction by the Department to minimize the risk of another failure. This past year, KICO ceased operations due to costs for infrastructure improvements. KICO serviced approximately 20 customers downstream.

The Department has been in contact with a representative of the Mary N. Lucas Estate regarding the potential rehabilitation of the dam and associated irrigation system improvements. The Department concurs that improvements to the facility could bring the structure into compliance with current dam safety standards, which would reduce the risk of another dam failure and restore the facility to provide a water resource that will benefit the surrounding community.

Thank you for the opportunity to testify on this measure.

SUZANNE D. CASE
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT

KEKOA KALUHIWA
FIRST DEPUTY

JEFFERY T. PEARSON, P.E.
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES
BOATING AND OCEAN RECREATION
BUREAU OF CONVEYANCES
COMMISSION ON WATER RESOURCE MANAGEMENT
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ENGINEERING
FORESTRY AND WILDLIFE
HISTORIC PRESERVATION
KAHOOLAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS

DAVID Y. IGE
GOVERNOR



WRITTEN ONLY

WESLEY K. MACHIDA
DIRECTOR

RODERICK K. BECKER
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

**STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE**

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ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

**TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 2680, H.D. 1**

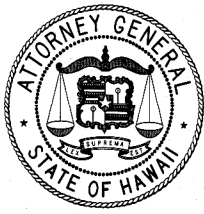
February 26, 2016
1:00 P.M.

**RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS FOR
KALOKO RESERVOIR**

House Bill No. 2680, H.D. 1, authorizes the issuance of Special Purpose Revenue Bonds (SPRB) up to \$10,000,000 to provide financing to assist Mary N. Lucas Estate with Kaloko reservoir pursuant to House Bill No. 2058 (2016).

The Department is providing comments only to advise the Legislature and prospective SPRB parties that should the legislation be approved, approval of the SPRB issuance will require further discussion and satisfactory credit underwriting review of the financing components with respect to any proposed financing.

Thank you for the opportunity to provide testimony on this measure.



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
TWENTY-EIGHTH LEGISLATURE, 2016**

ON THE FOLLOWING MEASURE:

H.B. NO. 2680, H.D. 1, RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS FOR KALOKO RESERVOIR.

BEFORE THE:

HOUSE COMMITTEE ON FINANCE

DATE: Friday, February 26, 2016

TIME: 1:00 p.m.

LOCATION: State Capitol, Room 308

TESTIFIER(S): Douglas S. Chin, Attorney General, or
Randall S. Nishiyama, Deputy Attorney General

Chair Luke and Members of the Committee:

The Department of the Attorney General provides the following comments regarding this bill.

This bill proposes to authorize the issuance of special purpose revenue bonds in a total amount not to exceed \$ 10,000,000 in one or more series, for the purpose of providing financing to Mary N. Lucas Estate for the Kaloko reservoir for planning, permitting, designing, constructing, and equipping the reservoir's dam, upgrading the infrastructure associated with the dam, and acquiring the neighboring properties and appurtenant water system rights and assets necessary to restore and operate the appurtenant water system.

We have two comments regarding this bill.

First, this bill references House Bill No. 2058 (2016) ("H.B. No. 2058") as the enabling statutory authority language for chapter 39A, Hawaii Revised Statutes, to issue special purpose revenue bonds to assist dam and reservoir owners. Based on discussions with Hawkins, Delafield & Wood, the State's bond counsel, we believe that Act 147, Session Laws of Hawaii 2012 ("Act 147") should be referenced instead of H.B. No. 2058 in this bill as the statutory framework to issue special purpose revenue bonds to assist dam and reservoir owners because while Act 147 was signed into law in 2012, and ratification of the amendment to Article VII, section 12, of the Hawaii State Constitution did not occur until 2014, Act 147 is the valid implementing legislation to the subsequently ratified constitutional amendment. Accordingly, we believe that H.B. No. 2058 is not necessary.

Second, because we believe that H.B. No. 2058 is not needed, we advise that the following references to H.B. No 2058 be replaced with Act 147:

1. Section 2, p. 1, ln 5;
2. Section 2, p. 2, ln 1; and
3. Section 3, p. 2, ln 5.

We respectfully ask the Committee to pass this bill with the recommended amendments.

LATE

Testimony of

Phil Green
Kauai Organic Farms
P.O. Box 86
Kilauea, HI 96754
808-651-8843

**In consideration of
HOUSE BILL 2680
RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS
FOR KALOKO RESERVOIR**

House Bill 2680 proposes to authorize the issuance of special purpose revenue bonds to assist the Mary N. Lucas Estate, owner of the Kaloko Reservoir, to make safety improvements to the facility which would benefit the public's health, safety and general welfare.

I am in favor this measure as it would assist the dam owner with an economic means to bring their facilities in compliance with current safety standards and reduce the risk of a dam failure.

It would also be an important asset to our 45 acre production farm. We had relied on the reservoir since purchasing our farm in 2004 and it had supplied agricultural water for many years prior to that.

Keeping the reservoir is critical for us and for the other farms in the area. Additionally, it will keep the aquifer replenished for future generations. If it is decommissioned, it will negatively impact our water resource. It will also mean the loss of millions of gallons of water per year that could be used for commercial and sustainable agriculture.

As the major user of water for this water utility, we encourage that the efforts to repair and restore the dam by the Mary Lucas Estate be supported via this legislation

Sincerely,

Phil Green