

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 2681, HOUSE DRAFT 1
RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS FOR
WAILUKU RESERVOIR #6**

House Bill 2681, House Draft 1 proposes to authorize the issuance of special purpose revenue bonds to assist the owner of Wailuku Reservoir No. 6, 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 to the surrounding community.**

Wailuku Reservoir (Reservoir) No. 6 is an off-stream reservoir located in the Waikapu Gardens Subdivision in the town of Wailuku on the island of Maui. The Reservoir is owned by the developer of the subdivision, Spencer Homes, Inc. The reservoir was part of the agricultural irrigation system that was originally owned and operated by the Wailuku Water Co. Use of the reservoir as a water storage facility has been discounted. The reservoir is now surrounded by residential developments and functions as a storm water retention structure. The Reservoir has a height of 33 feet and storage capacity of 56 acre-feet which meets the Department's jurisdictional size criteria for inclusion as a regulated dam per Hawaii Revised Statutes Chapter 179D (Dam Safety Act of 2007). Due to its location within a subdivision, the Reservoir is classified as a high hazard structure. A high hazard structure is defined as a dam or reservoir whose failure will result in probable loss of human life.

Although the Department has not ordered the Reservoir to be removed, the Department does concur that a properly designed breach or filling-in of the reservoir would be sufficient to

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
CONSERVATION AND COASTAL LANDS
CONSERVATION AND RESOURCES ENFORCEMENT
ENGINEERING
FORESTRY AND WILDLIFE
HISTORIC PRESERVATION
KAHOOLAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS

remove the structure from regulatory jurisdiction and remove the risk of dam failure to the surrounding community.

We suggest the following revisions to SECTION 2 of the bill:

“Pursuant to House Bill No. 2058 (2016), the department of budget and finance, with the approval of the governor, is authorized to issue special purpose revenue bonds in a total amount not to exceed \$800,000 in one or more series, for the purpose of providing financing to Spencer Homes, Inc., a Hawaii corporation, to ~~[fill in and decommission Wailuku water reservoir~~
6.] properly breach, modify, or provide improvements to Wailuku Reservoir No. 6, subsequent to all applicable permit requirements.“

Thank you for the opportunity to testify on this measure.

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**

P.O. BOX 150
HONOLULU, HAWAII 96810-0150

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. 2681, H.D. 1**

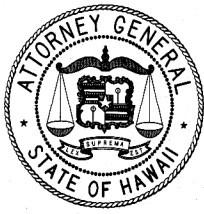
February 26, 2016
1:00 P.M.

**RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS FOR
WAILUKU RESERVOIR #6**

House Bill No. 2681, H.D. 1, authorizes the issuance of Special Purpose Revenue Bonds (SPRB) up to \$800,000 to provide financing to assist Spencer Homes, Inc. with Wailuku Reservoir 6 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. 2681, H.D. 1, RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS FOR WAILUKU RESERVOIR #6.

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 \$800,000 in one or more series, for the purpose of providing financing to Spencer Homes, Inc., a Hawaii corporation, to fill in and decommission Wailuku water reservoir #6.

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. 1, ln 13; and
3. Section 3, p. 2, ln 1.

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