

DAVID Y. IGE
GOVERNOR OF HAWAII



STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES

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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 2198, HOUSE DRAFT 1
RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS
FOR UKUMEHAME RESERVOIRS

House Bill 2198, House Draft 1 proposes to authorize the issuance of special purpose revenue bonds to provide financing to assist West Maui Investors, LLC with two (2) Ukumehame Reservoirs. **The Department of Land and Natural Resources (Department) supports this measure as it will assist the dam and reservoir owners by providing an economic means to bring their facilities up to current safety standards and reduce the risk of a dam failure.**

Ukumehame Reservoir Numbers 2 and 3 are located at the downstream end of the Ukumehame Gulch watershed, approximately 8.5 miles southeast of Lahaina, on the Island of Maui. Ukumehame Reservoir Nos. 2 and 3 are earthen embankment dams constructed side-by-side along the bottom of the western slope of the Ukumehame Gulch and are regulated as one dam/reservoir facility by the Department. The Reservoirs receive water from a small diversion off of the stream in the Ukumehame Gulch and which has historically been utilized for agricultural water in the nearby area.

Following the discovery of a major leak from Ukumehame Reservoir No.3 in 2008, the water level in both Reservoir Nos. 2 and 3 were drawn down to minimize the risk of failure. The owners modified portions of the water system to bypass Ukumehame Reservoirs Nos. 2 and 3, however, has yet to implement any remediation work that would address public safety.

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
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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. 2198, H.D. 1**

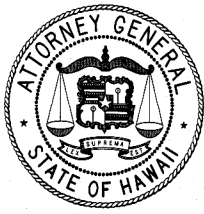
February 26, 2016
1:00 P.M.

**RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS FOR
UKUMEHAME RESERVOIRS**

House Bill No. 2198, H.D. 1, authorizes the issuance of Special Purpose Revenue Bonds (SPRB) up to \$850,285 to provide financing to assist West Maui Investors, LLC, with two Ukumehame reservoirs 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. 2198, H.D. 1, RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS FOR UKUMEHAME RESERVOIRS.

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 \$850,285 to provide financing to assist West Maui Investors, LLC, for permits, testing, construction, and post-construction management for the Ukumehame reservoir numbers two and three.

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 14; and
3. Section 3, p. 2, ln 3.

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