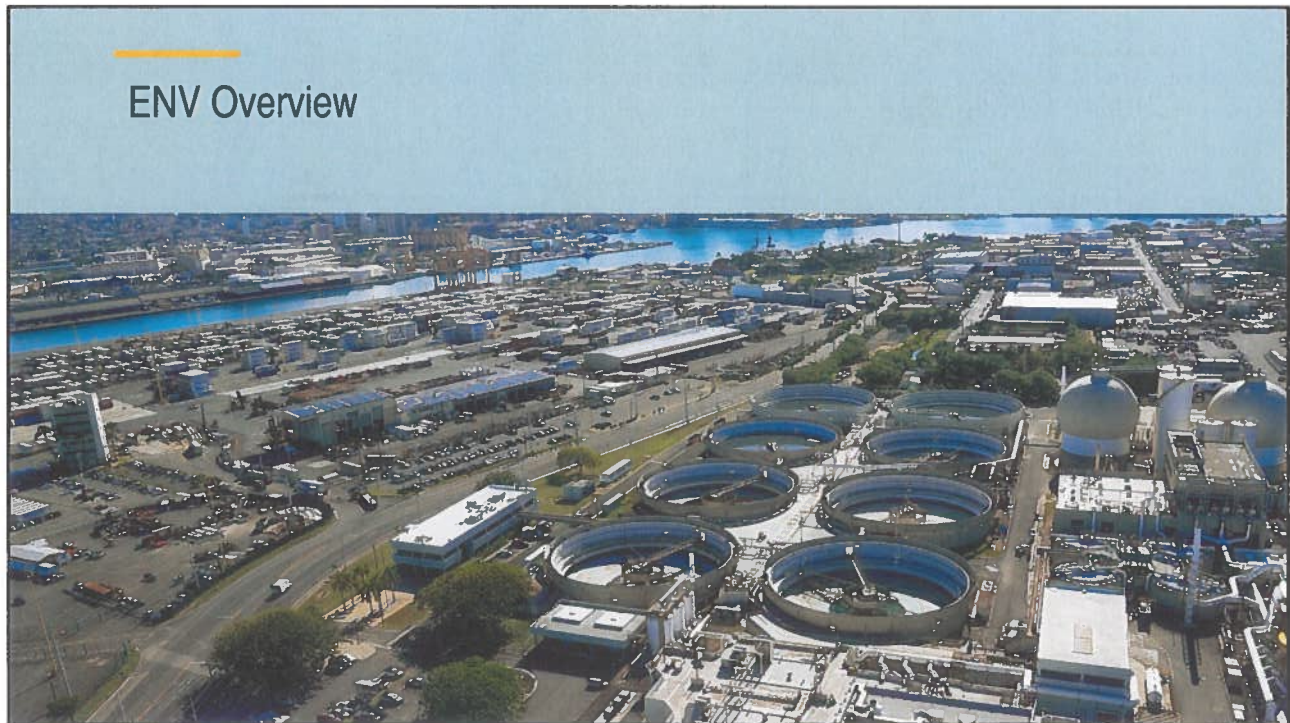
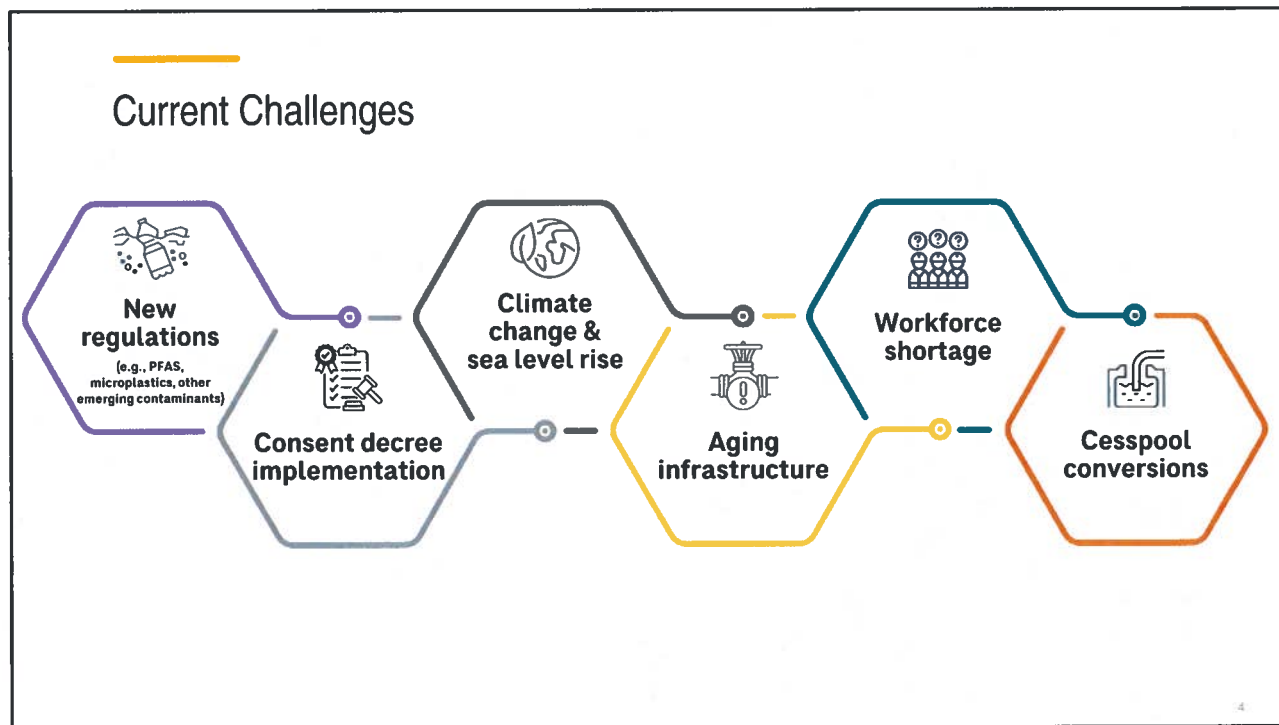




Proposed Sewer Rate Adjustments

Budget Committee Meeting: March 4, 2025
Roger Babcock Jr, Director, Department of Environmental Services







ENV Current Rates - Residential

| | Single-Family and Duplex Dwellings | Rate Per Dwelling Unit Per Month |
|---------------------------------|--|----------------------------------|
| Served by City Water System | Base Charge (Fixed) | \$77.55 |
| | Volume Charge per 1,000 gallons of metered water consumed, the water consumed reduced by the water irrigation factor of 20%* | \$4.63 |
| NOT Served by City Water System | Charge (Fixed) | \$110.89 |
| | Multiple-Unit Dwellings | Rate Per Dwelling Unit Per Month |
| Served by City Water System | Base Charge (Fixed) | \$53.32 |
| | Volume charge per 1,000 gallons of metered water consumed, the water consumed reduced by the water irrigation factor of 20%* | \$4.63 |
| NOT Served by City Water System | Charge (Fixed) | \$86.65 |

* Provided that residential users who install and maintain a water meter for submetering non sewer water shall not have the water consumed reduced by the water irrigation factor.

5



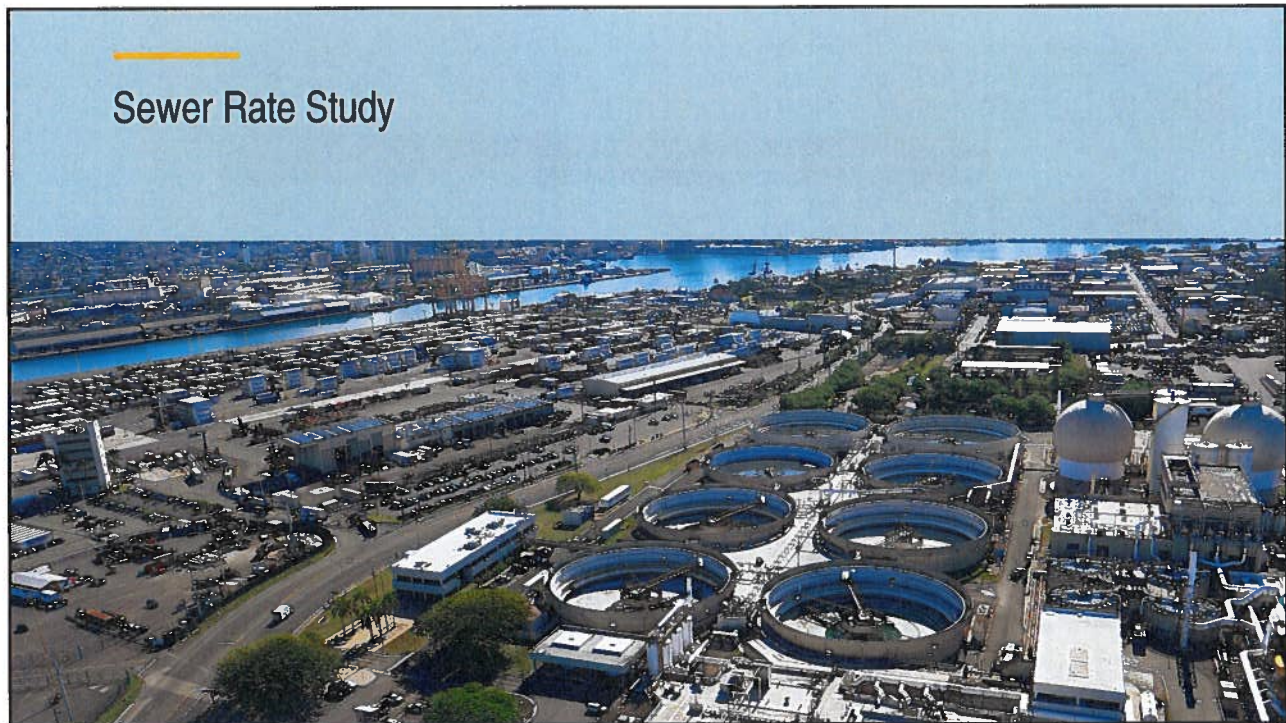
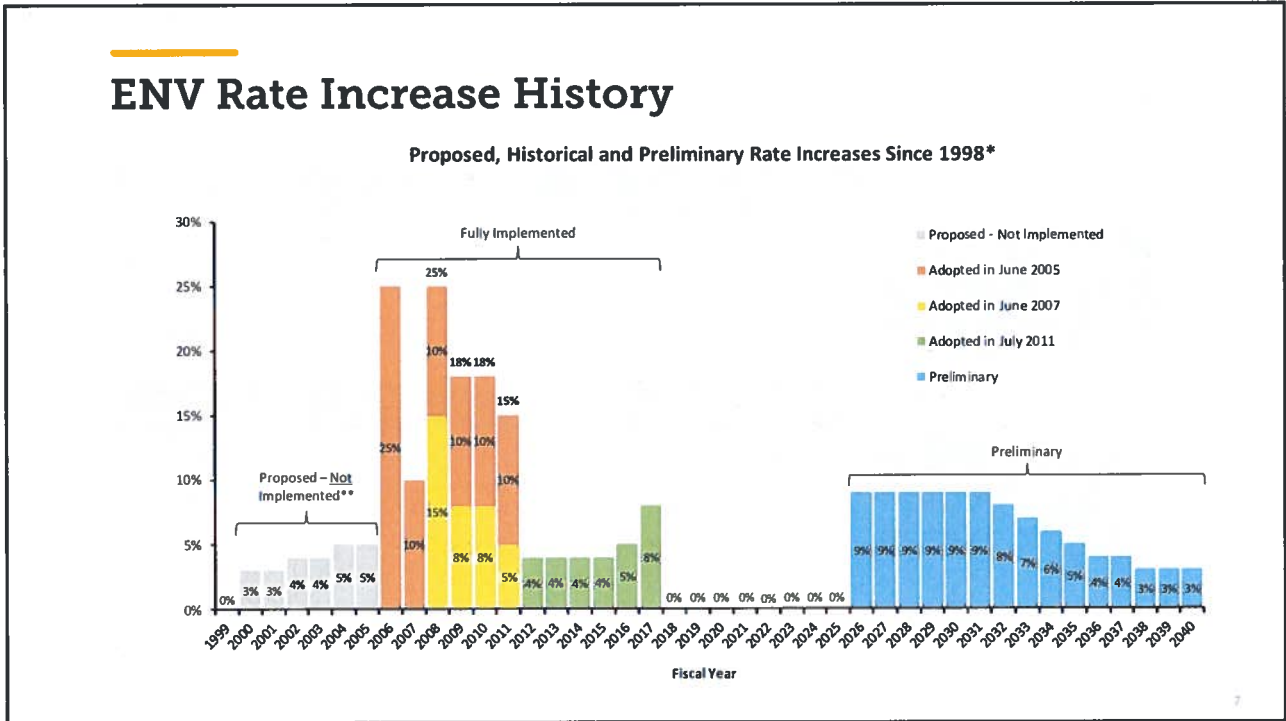
ENV Current Rates – Non-Residential

| | Domestic Strength Wastewater | Monthly Rate |
|------------------------------|---|--------------|
| Metered Water Usage | Base charge per ESDU ¹ | \$77.55 |
| | Volume charge per 1,000 gallons of metered water consumed, the water consumed reduced by the water irrigation factor of 20% | \$4.63 |
| Metered Wastewater Discharge | Base charge per ESDU (Fixed Charge) | \$77.55 |
| | Volume charge per 1,000 gallons | \$4.63 |
| | Extra Strength Wastewater | Monthly Rate |
| Metered Water Usage | Charge per 1,000 gallons of metered water consumed, the water consumed reduced by the water irrigation factor of 20%, use the following formula: $0.857 + 0.143(SSm/200)$ multiplied by applicable rate ² | \$4.63 |
| Metered Wastewater Discharge | Charge per 1,000 gallons of wastewater discharge, use the following formula: $0.857 + 0.143(SSm/200)$ multiplied by applicable rate* | \$4.63 |

¹ where (SSm) is the measured suspended solids loading when greater than 200 milligrams per liter.

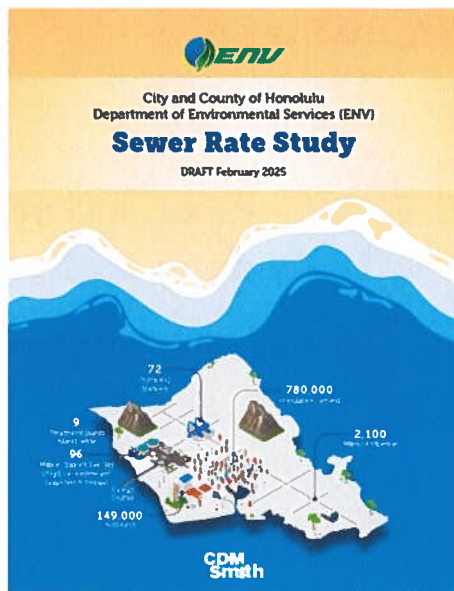
² Equivalent Single-Family Dwelling Unit

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Sewer Rate Study

- 1 Executive Summary
- 2 Introduction
- 3 Projected Revenues Under Previously Approved Rates
- 4 Revenue Requirement
- 5 Rate Setting Approach and Rate Structure Alternatives
- 6 Public Outreach
- 7 Proposed Sewer Rate Adjustments
- 8 Appendices
 - 1 Rate Schedule
 - 2 Bill Examples
 - 3 SW-WAG Advisory Group Roster



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Rate Study Process

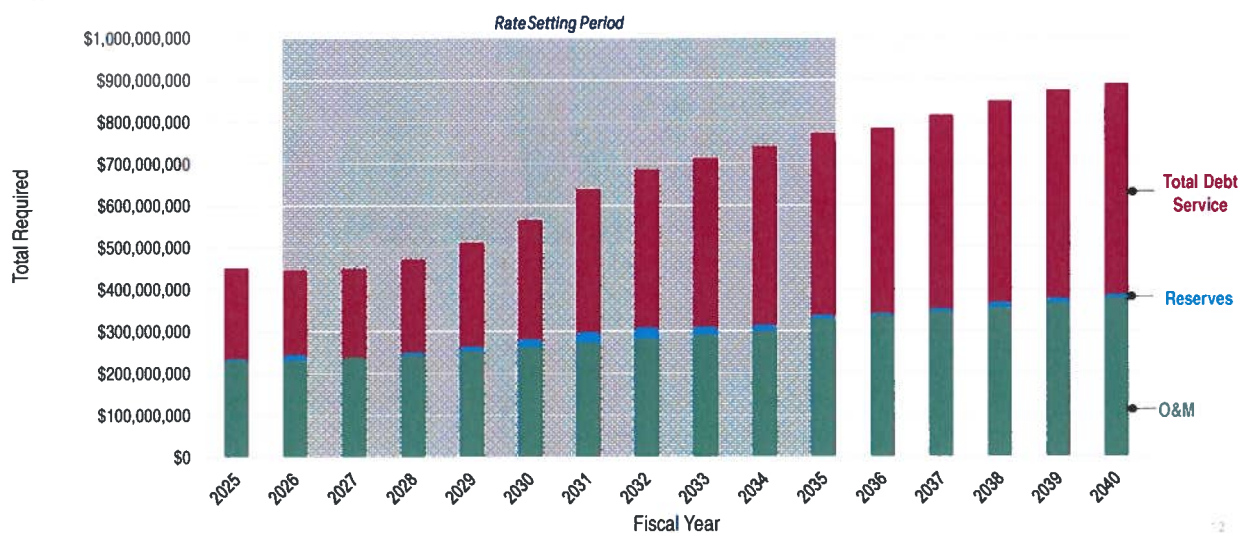
- Step (1) Estimate projected revenues under current rates *without raising rates*.
- Step (2) Estimate revenue requirements.
 - Operation and Maintenance (O&M) costs were generated using the approved FY 2025 sewer fund budget and escalated assuming values for annual inflation (FY26-4.0%, FY27-3.5%, FY28 thru FY35-3.0%).
 - Debt Service (DS) costs were estimated from the capital improvement plan (CIP) spending each year and include estimated DS on SRF loans anticipated to be received and DS on projected wastewater revenue bonds sales, including principal and interest. ENV also funds a portion of its CIP with sewer fund cash.
 - Reserve fund (R) contributions are also calculated by the financial model based on bond covenant requirements.
- Step (3) Determine annual rate increases to meet the revenue requirements using various rate structure alternatives.
- Step (4) Work with Stakeholder Advisory Group - develop recommended fee increase schedule for FY2026 to FY2035.

-0

Rate Study Step 1

| | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | Total |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|-----------|
| Total Annual Revenue without Rate Increases | \$471.3 | \$470.9 | \$470.6 | \$470.0 | \$469.0 | \$467.4 | \$465.9 | \$464.5 | \$463.4 | \$452.8 | \$4,665.8 |
| Existing Obligations without Issuing Any New Debt | \$423.4 | \$411.3 | \$416.6 | \$436.2 | \$457.8 | \$497.8 | \$509.0 | \$506.9 | \$511.5 | \$495.6 | \$4,666.1 |

Rate Study Step 2



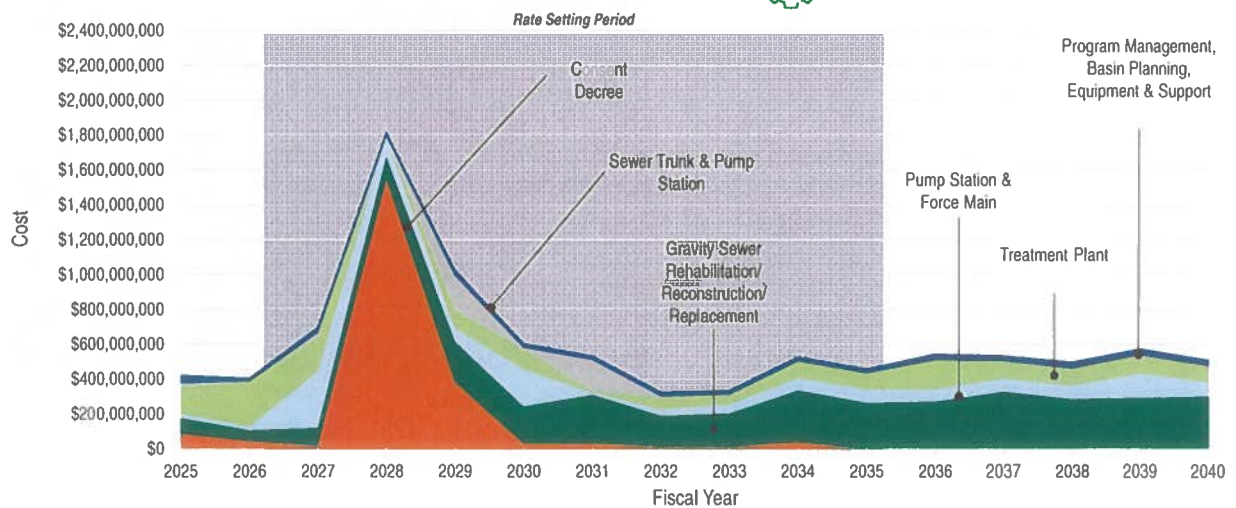
Rate Study Step 2

| Projected Expenses | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | Total |
|--|----------------|----------------|----------------|----------------|----------------|----------------|------------------|------------------|------------------|------------------|------------------|
| Operations and Maintenance | \$231.6 | \$237.7 | \$243.9 | \$252.7 | \$262.2 | \$272.5 | \$282.6 | \$291.4 | \$299.9 | \$308.1 | \$2,682.7 |
| Existing Debt Service | \$179.4 | \$173.1 | \$166.5 | \$172.7 | \$177.2 | \$199.6 | \$200.9 | \$197.2 | \$197.2 | \$177.7 | \$1,841.5 |
| Anticipated New Debt Service | \$21.6 | \$37.8 | \$53.0 | \$75.2 | \$107.1 | \$141.3 | \$175.3 | \$206.4 | \$227.7 | \$256.6 | \$1,301.9 |
| Reserve Contributions | \$12.4 | \$0.5 | \$6.2 | \$10.8 | \$18.4 | \$25.6 | \$25.5 | \$18.2 | \$14.4 | \$9.8 | \$141.8 |
| Total Expenses prior to Cash Funded Capital | \$444.9 | \$449.1 | \$469.6 | \$511.4 | \$564.9 | \$639.0 | \$684.3 | \$713.3 | \$739.3 | \$752.1 | \$5,968.0 |
| Cash Funded Capital | \$149.8 | \$137.5 | \$168.1 | \$208.8 | \$258.6 | \$301.1 | \$316.6 | \$320.6 | \$316.7 | \$300.3 | \$2,477.9 |
| Total Annual Expenditures | \$594.7 | \$586.6 | \$637.7 | \$720.2 | \$823.5 | \$940.1 | \$1,000.9 | \$1,033.9 | \$1,056.0 | \$1,052.4 | \$8,445.9 |

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2025-2040 CIP Appropriations by Project Type

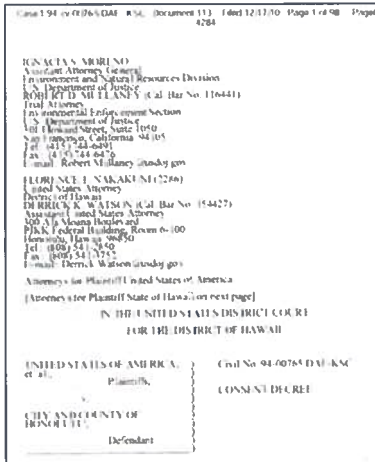
 **Cost: \$10.1 billion**



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Consent Decree

- Formal agreement with specific requirements that ENV must comply with
- Entered on December 17, 2010
- Entered consent decree with EPA, Department of Health (DOH), The Sierra Club, Hawai'i's Thousand Friends, and Our Children's Earth Foundation



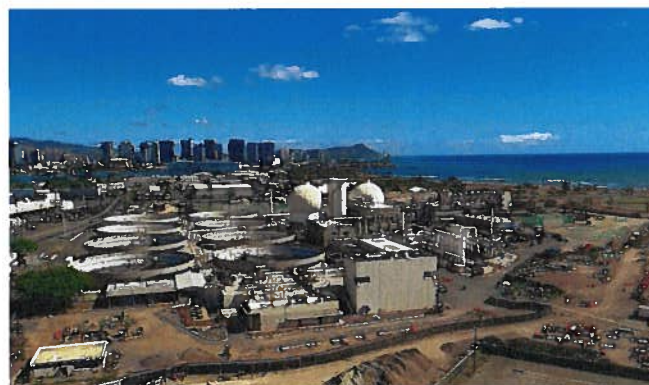
| Phase | Consent Decree | Status |
|-------|---|-------------------------------|
| 1 | Collection System projects, to be completed by 2020 | Completed on-time & on-budget |
| 2 | Upgrade the Honouliuli WWTP to secondary treatment by 2024 | Completed on-time & on-budget |
| 3 | Upgrade the Sand Island WWTP to secondary treatment by 2035 | In-Progress |

Consent Decree Phase III – Sand Island WWTP

Includes:

- Secondary treatment upgrades:
 - Phase I: 20 million gallons per day (mgd)
 - Phase II: additional 70 mgd
- Organic waste sustainability plan to reduce greenhouse gas emissions

Phase I upgrades 60% complete
 Phase II Completion deadline: December 31st, 2035
 Approximate Cost: \$2.5 billion



Sand Island WWTP

Rate Study Step 3

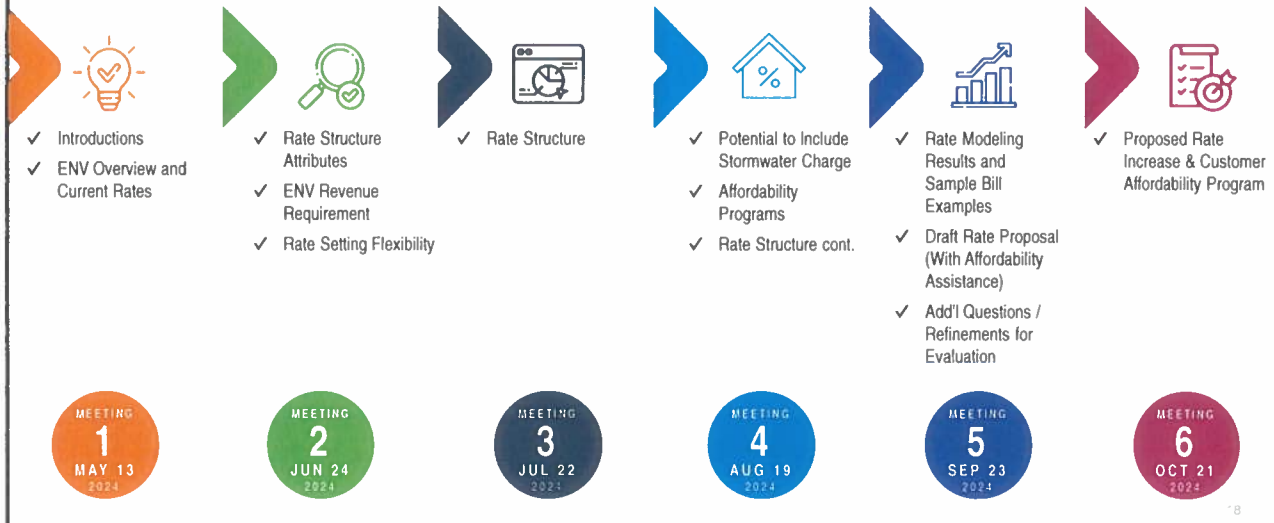
| | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | Total |
|-------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|-----------|
| Proposed Rate Increases | 9.0% | 9.0% | 9.0% | 9.0% | 9.0% | 9.0% | 8.0% | 7.0% | 6.0% | 5.0% | 115% |
| Additional Rate Revenue | \$41.1 | \$86.0 | \$134.8 | \$188.1 | \$246.2 | \$309.5 | \$370.8 | \$428.7 | \$481.9 | \$528.8 | \$2,815.8 |
| Total Annual Revenue | \$430.6 | \$435.2 | \$456.0 | \$498.4 | \$552.9 | \$628.7 | \$675.4 | \$705.9 | \$732.9 | \$746.4 | \$5,862.4 |

| Year | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | FY33 | FY34 | FY35 |
|-------------------------------|------|------|------|------|------|------|------|------|------|------|
| Proposed Annual % Increase | 9 | 9 | 9 | 9 | 9 | 9 | 8 | 7 | 6 | 5 |
| Alternative Annual % Increase | 8 | 8 | 8 | 8 | 10 | 10 | 9 | 6 | 6 | 6 |
| Alternative Annual % Increase | 7 | 7 | 7 | 7 | 12 | 12 | 10 | 6 | 6 | 6 |
| Alternative Annual % Increase | 2 | 11 | 11 | 11 | 11 | 9 | 8 | 7 | 6 | 5 |
| Alternative Annual % Increase | 2 | 6 | 12.5 | 12.5 | 12.5 | 9 | 8 | 7 | 6 | 5 |

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Rate Study Step 4

Storm Water-Wastewater Advisory Group (SWWAG) Roadmap



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Rate Study Step 4

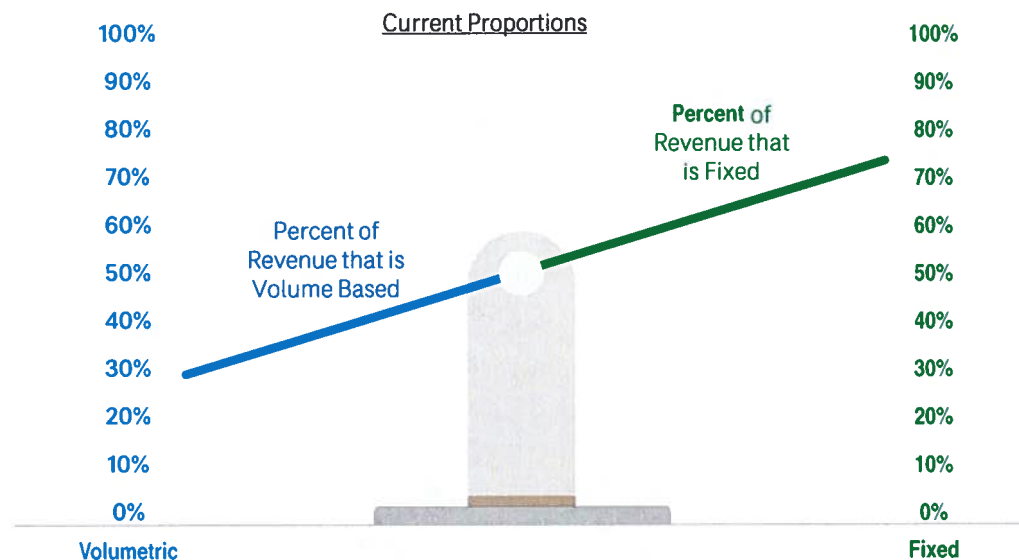
- 10-year rate package

| Year | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | FY33 | FY34 | FY35 |
|-------------------|------|------|------|------|------|------|------|------|-------|-------|
| Annual % Increase | 9% | 9% | 9% | 9% | 9% | 9% | 8% | 7% | 6% | 5% |
| Total % Increase | 9.0 | 18.8 | 29.5 | 41.2 | 53.9 | 67.7 | 81.1 | 93.8 | 105.4 | 115.7 |
| Total % Inflation | 4 | 7.6 | 10.9 | 14.2 | 17.6 | 21.2 | 24.8 | 18.5 | 32.4 | 36.4 |

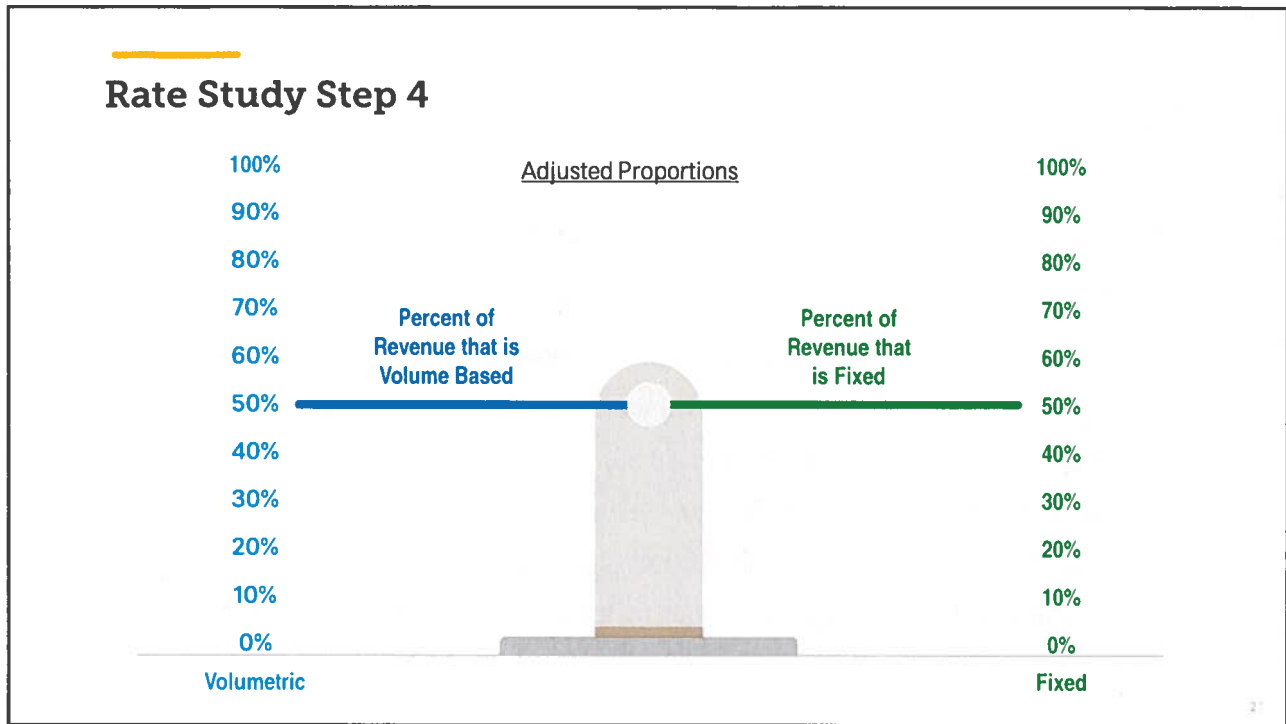
- Adjust Rate Structure to Improve Equity and Encourage Conservation
 - Moving from 70/30 to 60/40 or 50/50 fixed/uniform volumetric rate structure
 - Phased in over four years
- Customer assistance program funded at \$10 million per year

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Rate Study Step 4



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- ### Rate Study Step 4
- #### Customer Assistance for Residential Environmental Services (CARES) Proposal
- Modeled after RURP program
 - Funded at \$10 million dollars per year
 - Income-based qualification potentially administered through 3rd party non-profit
 - Eligibility = household income less than 80% of area median income (AMI)
 - Eligible customers may qualify for a \$20 to \$25 credit on their monthly fixed charge
 - Application required to enroll and remain enrolled in program

Rate Study Step 4

Storm Water & Wastewater Advisory Group Feedback:

- Ensure minimum operating expenses can be met
- ENV should not have an entirely fixed charge (move to 50/50)
- Give customers more control over bill (move to 50/50)
- Support water conservation (move to 50/50)
- Avoid rate shock (move to 50/50 over 4 years)
- Provide public education materials on rate structure (50/50)
- Include a customer assistance program for lower-income customers (CARES)

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Proposed Rates – Sample Bills



Monthly Rates in \$ 50% Fixed, 50% Uniform Volumetric – Phased in Over 4 Years

| Rate Structure | Monthly Rate | Current (2024) | July 1, 2025 | July 1, 2026 | July 1, 2027 | July 1, 2028 | July 1, 2029 | July 1, 2030 | July 1, 2031 | July 1, 2032 | July 1, 2033 | July 1, 2034 |
|--|------------------------------------|----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Single-Family  | Fixed | | 77.83 | 77.52 | 76.53 | 74.74 | 81.47 | 88.80 | 95.90 | 102.62 | 108.77 | 114.21 |
| | Uniform Volumetric (per 1,000 gal) | 4.63 | 6.14 | 7.89 | 9.90 | 12.21 | 13.31 | 14.50 | 15.67 | 16.76 | 17.77 | 18.66 |
| Multi-Family  | Fixed (per dwelling unit) | 53.32 | 53.51 | 53.30 | 52.62 | 51.39 | 56.01 | 61.05 | 65.94 | 70.55 | 74.79 | 78.53 |
| | Uniform Volumetric (per 1,000 gal) | 4.63 | 6.14 | 7.89 | 9.90 | 12.21 | 13.31 | 14.50 | 15.67 | 16.76 | 17.77 | 18.66 |
| Non-Residential  | Fixed (per ESDU*) | 77.55 | 77.83 | 77.52 | 76.53 | 74.74 | 81.47 | 88.80 | 95.90 | 102.62 | 108.77 | 114.21 |
| | Uniform Volumetric (per 1,000 gal) | | 6.14 | 7.89 | 9.90 | 12.21 | 13.31 | 14.50 | 15.67 | 16.76 | 17.77 | 18.66 |


*ESDU: Equivalent Single-Family Dwelling Unit

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Comparing Sewer Bills – Single-Family Residential


| July 1 st of | Fixed Rate | Volumetric Rate | July 1 st of | | | | | | | | | | | | | | | |
|---------------------------------------|------------|-----------------|-------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-----|
| | | | 2,000 | 4,000 | 6,000 | 8,000 | 10,000 | 12,000 | | | | | | | | | | |
| 2024 | 77.55 | 4.63 | 84.96 | 92.37 | 99.77 | 107.18 | 114.59 | 122.00 | 129.41 | 136.82 | 144.23 | 151.64 | 159.05 | 166.46 | 173.87 | 181.28 | 188.69 | |
| 2025 | 77.83 | 6.14 | 87.65 | 97.48 | 107.30 | 117.13 | 126.96 | 136.79 | 146.62 | 156.45 | 166.28 | 176.11 | 185.94 | 195.77 | 205.60 | 215.43 | 225.26 | |
| 2026 | 77.52 | 7.89 | 90.14 | 102.77 | 115.39 | 128.02 | 140.65 | 153.28 | 165.91 | 178.54 | 191.17 | 203.80 | 216.43 | 229.06 | 241.69 | 254.32 | 266.95 | |
| 2027 | 76.53 | 9.90 | 92.37 | 108.21 | 124.05 | 139.89 | 155.73 | 171.57 | 187.41 | 203.25 | 219.09 | 234.93 | 250.77 | 266.61 | 282.45 | 298.29 | 314.13 | |
| 2028 | 74.74 | 12.21 | 94.28 | 113.81 | 133.35 | 152.88 | 172.42 | 191.95 | 211.49 | 231.02 | 250.56 | 270.10 | 289.63 | 309.17 | 328.70 | 348.24 | 367.78 | |
| 2029 | 81.47 | 13.31 | 102.77 | 124.06 | 145.35 | 166.64 | 187.93 | 209.22 | 230.51 | 251.80 | 273.09 | 294.38 | 315.67 | 336.96 | 358.25 | 379.54 | 400.83 | |
| 2030 | 88.80 | 14.50 | 112.00 | 135.20 | 158.40 | 181.60 | 204.80 | 228.00 | 251.20 | 274.40 | 297.60 | 320.80 | 344.00 | 367.20 | 390.40 | 413.60 | 436.80 | |
| 2031 | 95.90 | 15.67 | 120.97 | 146.04 | 171.11 | 196.18 | 221.25 | 246.32 | 271.39 | 296.46 | 321.53 | 346.60 | 371.67 | 396.74 | 421.81 | 446.88 | 471.95 | |
| 2032 | 102.62 | 16.76 | 129.44 | 156.25 | 183.06 | 209.87 | 236.68 | 263.49 | 290.30 | 317.11 | 343.92 | 370.73 | 397.54 | 424.35 | 451.16 | 477.97 | 504.78 | |
| 2033 | 108.77 | 17.77 | 137.20 | 165.63 | 194.06 | 222.49 | 250.92 | 279.35 | 307.78 | 336.21 | 364.64 | 393.07 | 421.50 | 449.93 | 478.36 | 506.79 | 535.22 | |
| 2034 | 114.21 | 18.66 | 144.07 | 173.92 | 203.77 | 233.62 | 263.47 | 293.32 | 323.17 | 353.02 | 382.87 | 412.72 | 442.57 | 472.42 | 502.27 | 532.12 | 561.97 | |
| Compounded Increase (% over 10 years) | | | 88 | 104 | 120 | 136 | 152 | 168 | 184 | 200 | 216 | 232 | 248 | 264 | 280 | 296 | 312 | 328 |

 **Comparing Sewer Bills – Single-Family Residential**

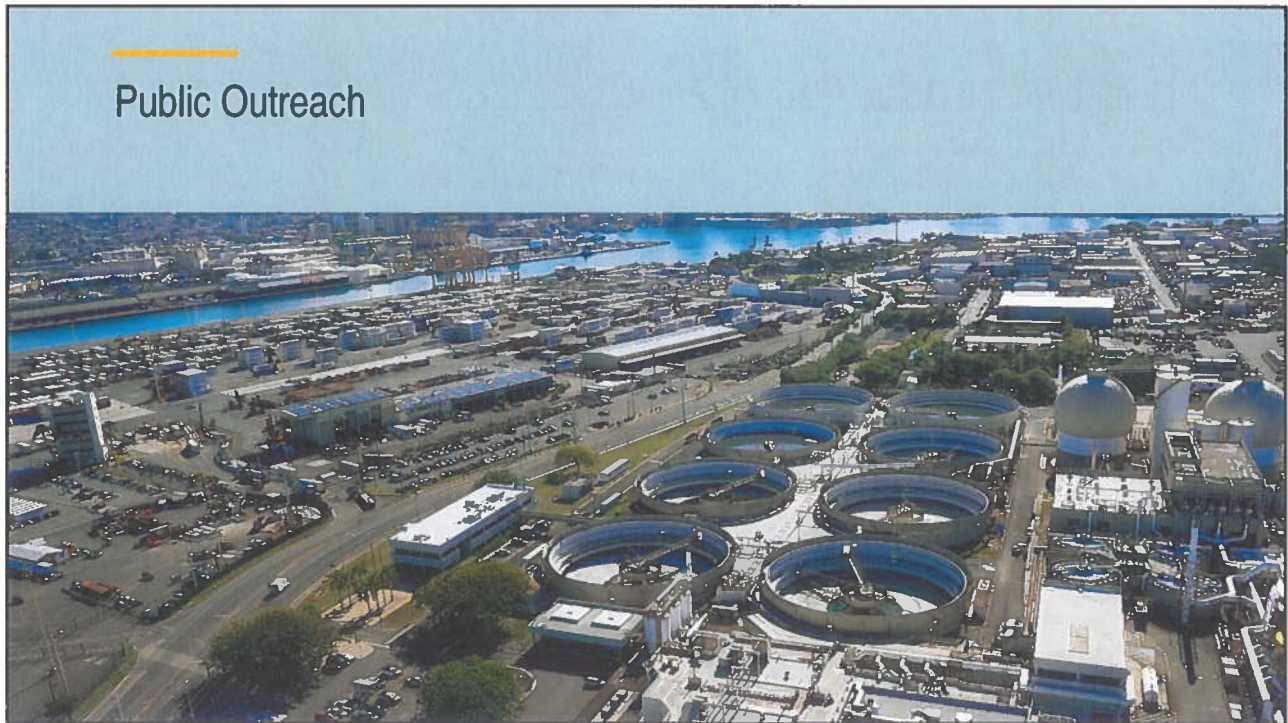
| July 1 st of | Fixed Rate | Volumetric Rate | Water Use (gallons per month) | | | | | | | July 1 st of | |
|---------------------------------------|------------|-----------------|-------------------------------|--------|--------|--------|--------|--------|--------|---------------------------------------|--------|
| | | | 2,000 | 4,000 | 6,000 | 8,000 | 9,000 | 12,000 | 14,000 | 9,000 | 9,000 |
| 2024 | 77.55 | 4.63 | 84.96 | 92.37 | 99.77 | 107.18 | 110.89 | 122.00 | 129.41 | 110.89 | 110.89 |
| 2025 | 77.83 | 6.14 | 87.65 | 97.48 | 107.30 | 117.13 | 122.04 | 136.77 | 146.60 | 122.04 | 122.04 |
| 2026 | 77.52 | 7.89 | 90.14 | 102.77 | 115.39 | 128.02 | 134.33 | 153.26 | 165.89 | 134.33 | 134.33 |
| 2027 | 76.53 | 9.90 | 92.37 | 108.21 | 124.05 | 139.89 | 147.81 | 171.57 | 187.40 | 147.81 | 147.81 |
| 2028 | 74.74 | 12.21 | 94.28 | 113.81 | 133.35 | 152.88 | 162.65 | 191.96 | 211.49 | 162.65 | 162.65 |
| 2029 | 81.47 | 13.31 | 102.77 | 124.06 | 145.36 | 166.65 | 177.30 | 209.25 | 230.54 | 177.30 | 177.30 |
| 2030 | 88.80 | 14.50 | 112.00 | 135.20 | 158.40 | 181.60 | 193.20 | 228.00 | 251.20 | 193.20 | 193.20 |
| 2031 | 95.90 | 15.67 | 120.97 | 146.04 | 171.12 | 196.19 | 208.72 | 246.33 | 271.40 | 208.72 | 208.72 |
| 2032 | 102.62 | 16.76 | 129.44 | 156.25 | 183.07 | 209.88 | 223.29 | 263.52 | 290.33 | 223.29 | 223.29 |
| 2033 | 108.77 | 17.77 | 137.20 | 165.63 | 194.07 | 222.50 | 236.71 | 279.36 | 307.79 | 236.71 | 236.71 |
| 2034 | 114.21 | 18.66 | 144.07 | 173.92 | 203.78 | 233.63 | 248.56 | 293.35 | 323.20 | 248.56 | 248.56 |
| Compounded Increase (% over 10 years) | | | 70 | 88 | 104 | 118 | 124 | 140 | 150 | Compounded Increase (% over 10 years) | 124 |

 **Comparing Sewer Bills – Single-Family Residential**

| July 1 st of | Fixed Rate | Volumetric Rate | Water Use (gallons per month) | | | | | July 1 st of | | | |
|---------------------------------------|------------|-----------------|-------------------------------|--------|--------|--------|--------|---------------------------------------|--------|--------|-----|
| | | | 2,000 | 4,000 | 6,000 | 8,000 | 9,000 | 25,000 | 30,000 | 30,000 | |
| 2024 | 77.55 | 4.63 | 84.96 | 92.37 | 99.77 | 107.18 | 110.89 | | | | |
| 2025 | 77.83 | 6.14 | 87.65 | 97.48 | 107.30 | 117.13 | 122.04 | | | | |
| 2026 | 77.52 | 7.89 | 90.14 | 102.77 | 115.39 | 128.02 | 134.33 | | | | |
| 2027 | 76.53 | 9.90 | 92.37 | 108.21 | 124.05 | 139.89 | 147.81 | | | | |
| 2028 | 74.74 | 12.21 | 94.28 | 113.81 | 133.35 | 152.88 | 162.65 | | | | |
| 2029 | 81.47 | 13.31 | 102.77 | 124.06 | 145.36 | 166.65 | 177.30 | | | | |
| 2030 | 88.80 | 14.50 | 112.00 | 135.20 | 158.40 | 181.60 | 193.20 | | | | |
| 2031 | 95.90 | 15.67 | 120.97 | 146.04 | 171.12 | 196.19 | 208.72 | | | | |
| 2032 | 102.62 | 16.76 | 129.44 | 156.25 | 183.07 | 209.88 | 223.29 | | | | |
| 2033 | 108.77 | 17.77 | 137.20 | 165.63 | 194.07 | 222.50 | 236.71 | | | | |
| 2034 | 114.21 | 18.66 | 144.07 | 173.92 | 203.78 | 233.63 | 248.56 | | | | |
| Compounded Increase (% over 10 years) | | | 70 | 88 | 104 | 118 | 124 | Compounded Increase (% over 10 years) | 198 | 186 | 198 |

 **Comparing Sewer Bills – Non-Residential**

| Customer | Current Bill | Future Bill at Proposed Rates | | | | | | | | | | Compounded Increase |
|------------------------------|--------------|-------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------------|
| | | July 1, 2025 | July 1, 2026 | July 1, 2027 | July 1, 2028 | July 1, 2029 | July 1, 2030 | July 1, 2031 | July 1, 2032 | July 1, 2033 | July 1, 2034 | |
| Large Shopping Center | 185,781 | 198,102 | 211,137 | 224,914 | 239,460 | 261,011 | 284,502 | 307,262 | 328,771 | 348,497 | 365,922 | |
| 9,748,704 gallons per month | \$ Change | 12,322 | 13,035 | 13,776 | 14,546 | 21,551 | 23,491 | 22,760 | 21,508 | 19,726 | 17,425 | 96.9% |
| 1,930 ESDUs | % Change | 6.6% | 6.6% | 6.5% | 6.5% | 9.0% | 9.0% | 8.0% | 7.0% | 6.0% | 5.0% | |
| Office Building | 15,443 | 16,629 | 17,902 | 19,270 | 20,740 | 22,607 | 24,641 | 26,612 | 28,475 | 30,184 | 31,693 | |
| 945,056 gallons per month | \$ Change | 1,185 | 1,274 | 1,368 | 1,469 | 1,867 | 2,035 | 1,971 | 1,863 | 1,709 | 1,509 | 105.2% |
| 154 ESDUs | % Change | 7.7% | 7.7% | 7.6% | 7.6% | 9.0% | 9.0% | 8.0% | 7.0% | 6.0% | 5.0% | |
| Hotel | 74,510 | 88,695 | 104,830 | 123,151 | 143,921 | 156,874 | 170,992 | 184,672 | 197,599 | 209,455 | 219,927 | |
| 11,636,683 gallons per month | \$ Change | 14,185 | 16,135 | 18,321 | 20,770 | 12,953 | 14,119 | 13,679 | 12,927 | 11,856 | 10,473 | 195.2% |
| 405 ESDUs | % Change | 19.0% | 18.2% | 17.5% | 16.9% | 9.0% | 9.0% | 8.0% | 7.0% | 6.0% | 5.0% | |



Public Outreach Activities

- Briefings with each City Council member (Sep26-Oct 4)
- Announcement to all Neighborhood Board (NB) agendas (Oct 10)
- ENV presentation at all NBs (Oct thru Mar)
- Press Conference announcement (Oct 23)
- Living 808 show KHON (Oct 24)
- One O'ahu podcast (Oct 24)
- Op-Ed in Star-Advertiser (Oct 27)
- Introduced sewer fee bill at full council on (Nov 7)
- SBRRB, submitted Impact Statement (Nov 8), Review denied (Nov 13)
- Public tour (bus) of wastewater facilities (Sat, Nov 16)
- PIT Committee, sewer fee presentation/discussion (Nov 21)
- Webpage created: www.honolulu.gov/env/sewer-fee-rates
- Social media: facebook (HNL.ENV1), Instagram (hnl.env)

ENV Plans Adjustments to its Sewer Fees Beginning July 1st, 2025

ENV's sewer rates have remained flat for 27 years. The City has the chance to ENR, and to ensure the wastewater system is able to meet the needs of the future.

What does ENV do?
 ENV takes care of Oahu's wastes to protect and enhance the environment, secure public health and enable prosperity for all people. ENV collects, treats, disposes and recovers the resources in 100 million gallons of wastewater generated by residents and visitors on Oahu every day. We operate and maintain 2,130 miles of sewer pipes, 72 wastewater pump stations, and 9 wastewater treatment plants located all over the island. We do this 24 hours per day, 365 days per year, in accordance with numerous state and federal regulations. The wastewater program is required to be self-sufficient using only sewer fees to pay for all infrastructure operations and capital improvements. As such, ENV has to periodically adjust fees to meet all program expenses.

Why are sewer fees going up?
 ENV's current operating fees allowed us to help sewer fees unchanged since 1998. However, additional revenue is now required for wastewater operations and maintenance (O&M) and the Capital Improvement Program (CIP). ENV's CIP will cost \$2.1 billion between 2025 and 2049. The largest CIP project is the Pearl and Manoa Wastewater Treatment Plant Upgrade, to be completed by 2035 at a cost of \$1.8 billion. The CIP includes many other projects to repair and upgrade facilities to meet regulatory requirements and to continue preserving our critical infrastructure for climate change-free level use. Sewer fees must increase to fund these critical programs.

2025-2049 CIP Appropriations by Project Type (Total: \$10.1 billion)

Neighborhood Board Meeting Presentations (all 33 NBs)

- Wahiawa/Whitmore Village #26 (Oct 21)
- Ala Moana/Kaka'ako #11 (Oct 22)
- Pearl City #21 (Oct 22)
- Waipahu #22 (Oct 24)
- Hawaii Kai #1 (Oct 29)
- McCully/Mo'ili'ili #8 (Nov 7)
- 'Aiea #20 (Nov 12)
- Kalihi Valley #16 (Nov 13)
- Diamond Head/Kapahulu/St. Louis Heights #5 (Nov 14)
- Punchbowl/Nuuanu #12 (Nov 19)
- Makiki/Tantalus #10 (Nov 21)
- Kaneohe #30 (Nov 21)
- Kuliouou-Kalani Iki #2 (Dec 4)
- Downtown-Chinatown #13 (Dec 5)
- Aliamanu Salt Lake #18 (Jan 9)
- Waimanalo #32 (Jan 13)
- Waikiki #9 (Jan 14)
- Mililani #35 (Jan 21)
- Makakilo #34 (Jan 22)
- Mililani #25 (Jan 22)
- Liliha-Alewa #14 (Feb 10)
- Palolo #6 (Feb 12)
- Ewa #23 (Feb 13)
- Kalihi-Palama #15 (Feb 19 & Mar 19)
- Kaimuki #4 (Feb 19 & Mar 13)
- Waialae-Kahala #3 (Feb 20)
- Additional NB meetings scheduled
 - Waianae Coast #24 (Mar 4)
 - Manoa #7 (Mar 5)
 - Kailua #31 (Mar 6)
 - Kahaluu #29 (Mar 12)
 - Nanakuli-Maui #36 (Mar 18)
 - North Shore #27 (Mar 25)
 - Koolauloa #28 (Apr 10)

Sewer Fee Increase Town Hall Meetings (all 9 Council Districts)

- Kapolei Hale, Monday, November 18, 2024, 5:30-7:00pm (District 1)
- Neal Blaisdell Center, Tuesday, December 3rd, 2024, 10 am – 12 pm (District 6)
- Kailua / Kāneʻohe, Tuesday, December 10th, 2024, 5:30-7:00pm (District 3)
- Mililani, Tuesday, December 17th, 2024, 5:30-7:00pm (District 8)
- ʻĀina Haina, Friday, January 3rd, 2025, 5:30-7:00pm (District 4)
- Nānākuli, Monday, January 6th, 2025, 5:30-7:00pm (District 1)
- Manoa, Tuesday, February 18th, 2025, 5:30-7:00pm (District 5)
- Ewa Beach, Thursday, February 20th, 2025, 5:30-7:00pm (District 9)
- Nuuanu/Punchbowl, Tuesday, March 11th, 2025, 5:30-7:00pm (District 6)
- Salt Lake, Thursday, March 13th, 2025, 5:30-7:00pm (District 7)
- Wahiawa, Thursday, March 20th, 2025, 5:30-7:00pm (District 2)

2024-2025 Proposed Sewer Fees in the Hawaii Media

| Date | Media Agency | Title |
|--------------|-----------------------|--|
| Oct 23, 2024 | Hawai'i News Now | Proposed sewer fee hikes could increase your bill significantly over next decade |
| Oct 23, 2024 | Hawai'i News Now | Proposed sewer fee hikes could increase your bill significantly over the next decade |
| Oct 23, 2024 | KHON | Honolulu sewer fees could double in 10 years |
| Oct 23, 2024 | KITV | Honolulu state official plan to adjust city's sewer fees |
| Oct 23, 2024 | KITV | Sewer fee increases potentially on tap starting next year on O'ahu |
| Oct 24, 2024 | Star-Advertiser | City proposing 124% residential sewer fee hikes over the next 10 years on O'ahu |
| Oct 24, 2024 | Hawai'i News Now | Proposed sewer fee hikes could increase your bill significantly over the next decade |
| Oct 27, 2024 | Star-Advertiser | Column: Sewer fee hike to fund vital projects |
| Nov 1, 2024 | Star-Advertiser | Letter: Proposed sewer fee is a fair, equitable change |
| Nov 1, 2024 | KHON | Honolulu Department of Environmental Services to Implement 10-Year Sewer Fee Increase |
| Nov 5, 2024 | Star-Advertiser | Honolulu Council to review sewer fee hike measure |
| Nov 12, 2024 | Star-Advertiser | Council weighs in on city's proposed sewer fee hike |
| Nov 18, 2024 | Star-Advertiser | Editorial: More outreach on sewer fee increase |
| Dec 8, 2024 | Hawai'i News Now | https://www.hawaiinewsnow.com/2024/12/09/city-prepares-announce-new-landfill-site-heres-whats-being-considered/ |
| Dec 10, 2024 | KITV | https://www.kitv.com/news/city-announces-controversial-proposed-ohu-landfill-site-in-wahiawa/article_c96e8ffa-b771-11ef-a40c-77b3bc8f3ev6.html |
| Dec 16, 2024 | Star-Advertiser (LTE) | https://www.staradvertiser.com/2024/12/16/editorial/letters/letter-alternatives-to-landfill-include-more-recycling/ |
| Jan 7, 2025 | Hawai'i News Now | https://www.hawaiinewsnow.com/2025/01/08/everyone-is-kind-stuck-lawmakers-hear-debate-over-wahiawa-landfill-site/ |
| Jan 8, 2025 | Civil Beat | https://www.civilbeat.org/2025/01/some-legislators-unhappy-with-proposed-site-for-new-ohu-cas9bbahu-landfill/ |
| Jan 10, 2025 | Hawai'i News Now | https://www.youtube.com/watch?v=cpCAB2H1Bo |
| Jan 10, 2025 | Star-Advertiser | https://www.staradvertiser.com/2025/01/10/hawaii-news/debate-over-landfill-site-ignited-before-lawmakers/ |
| Jan 10, 2025 | Civil Beat | https://www.civilbeat.org/2024/12/city-announces-new-landfill-location-above-islands-water-supply/ |
| Jan 14, 2025 | Hawai'i Public Radio | https://www.hawaiipublicradio.org/local-news/2025-01-14/some-honolulu-councilmembers-wahiawa-landfill-site |
| Jan 14, 2025 | Hawai'i News Now | https://www.hawaiinewsnow.com/2025/01/15/city-executive-water-supply-chief-battle-over-landfill-site/ |
| Jan 15, 2025 | Hawai'i News Now | https://www.hawaiinewsnow.com/2025/01/16/city-proposed-landfill-site-draws-strong-opposition-wahiawa-town-hall-meeting/ |
| Jan 15, 2025 | KITV | https://www.youtube.com/watch?v=7z244Ys0 |
| Jan 15, 2025 | KITV | https://www.youtube.com/watch?v=dkw7nf8FC1Y |
| Jan 15, 2025 | Star-Advertiser | https://www.staradvertiser.com/2025/01/15/hawaii-news/resolution-opposing-landfill-sites-above-ohu-aquifer-advances/ |



Honolulu's Wastewater Revenue Bond Program

The City and County of Honolulu's Department of Environmental Services ("ENV") issues Wastewater Revenue Bonds to fund capital improvements for the City's Wastewater System and/or to refinance older loans for interest rate savings

- The City's Wastewater Revenue Bonds are repaid primarily from the fees collected for wastewater services
- The interest rate demanded by investors to purchase ENV's bond offerings reflect, in part, the Wastewater System's credit score
- ENV's credit currently is rated by Standard & Poor's, Fitch Ratings, and Moody's Investor Service

Important Factors impacting Bond Ratings Include:

- Consistency in addressing regulatory requirements and the ongoing maintenance of existing system assets
- Meeting or exceeding all bond legal covenants as well as Council approved debt and financial policies
- Timely implementation of any rate adjustments necessary to meet all funding commitments
- Multi-year cashflows demonstrating the future sufficiency of projected revenues

The City Last Raised Wastewater Rates in 2016

- Subsequent rate increases were deferred to help provide customer relief through the pandemic
- ENV has worked hard to manage within the existing wastewater rates over the last eight years
- Rate increases are now needed to pay for existing obligations and to meet the City's legal and policy requirements
- **Failure to timely adopt required rate increases will negatively impact ENV's credit and likely the City's G.O. bond ratings**

Excerpts from Standard & Poor's Most Recent ENV Credit Rating Report*

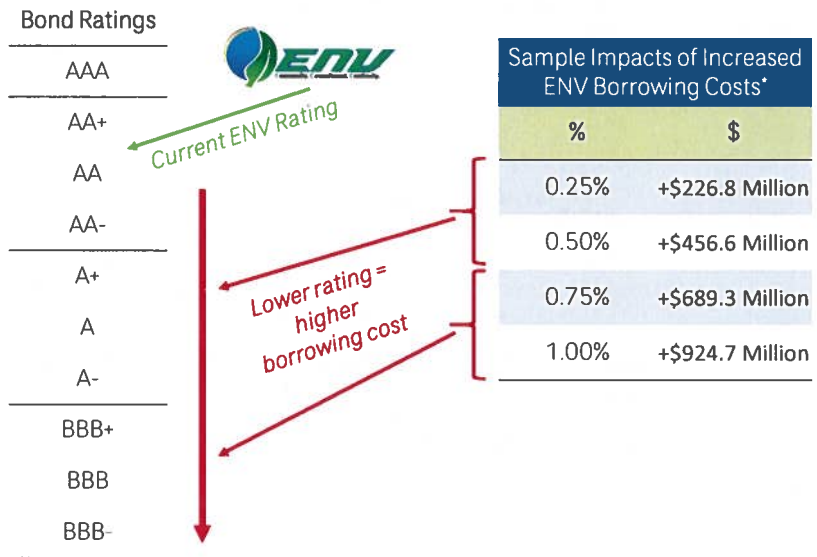
"...The rating assumes that a five-year rate package will be adopted in 2025 and implemented by fiscal 2026. The preliminary rate adjustments are expected to support healthy financial performance despite considerable additional leverage..."

"...income levels support the higher rates and its wastewater peers located in sensitive waterways have similarly high rates. Further, management has taken a comprehensive and transparent approach to rate-setting, including a rate study to optimize the rate structure and a five-year minimum rate plan to address the CIP through 2040."

'Downside Scenario' - If the upcoming rate package doesn't support financial performance commensurate with management's projections, causing cash and debt service coverage (DSC) to deteriorate, we could lower the rating."

* Quotes from Standard & Poor's report on ENV dated August 29, 2024

Honolulu's Wastewater Revenue Bond Program

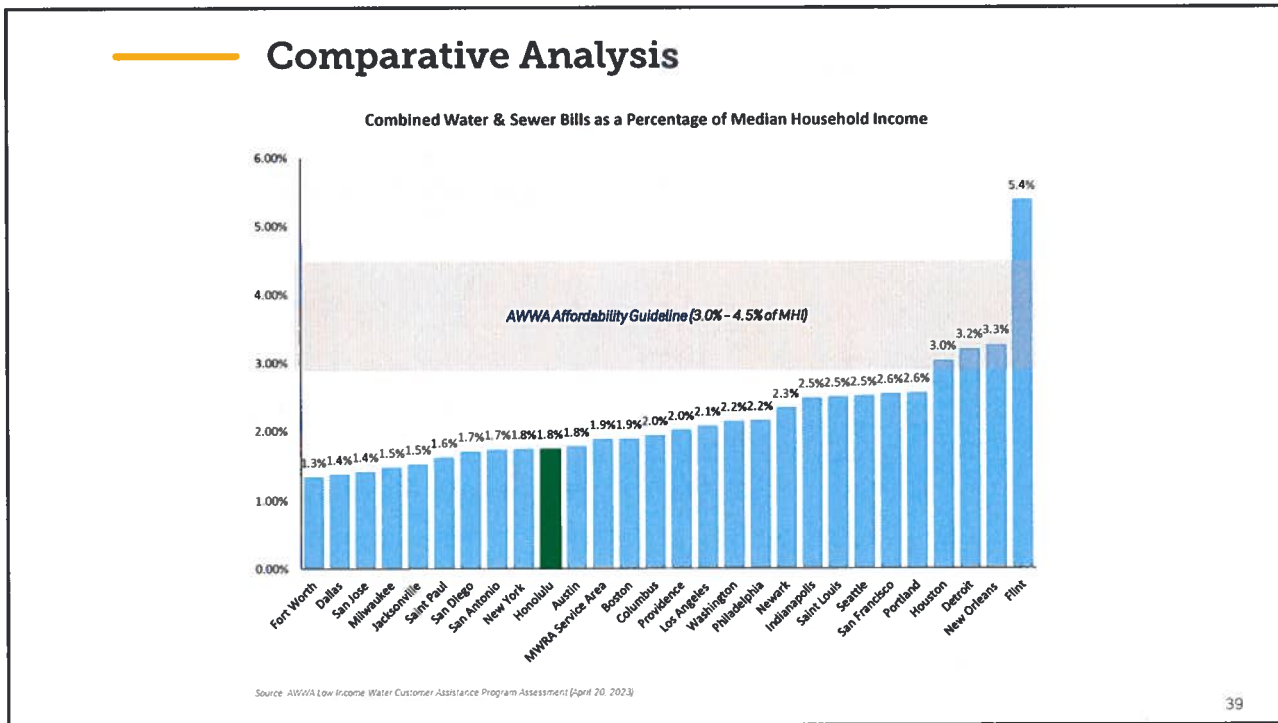


Rate Increases for Large Utility Systems

Adopted / Projected Rate Increases for Select Large Municipal Utility Systems

| | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
|--------------------------|--------------|-------------|---------|---------|---------|---------|---------|---------|--------|--------|
| Honolulu ENV | 9.00%* | 9.00%* | 9.00%* | 9.00%* | 9.00%* | 9.00%* | 8.00%* | 7.00%* | 6.00%* | 5.00%* |
| City of Los Angeles (WW) | 25.00%/7.00% | 9.75%/9.75% | 7.00% | 7.00% | 7.00% | TBD | TBD | TBD | TBD | TBD |
| City of San Diego (WW) | 3.00% | 7.00%* | 6.00%* | 6.00%* | 6.00%* | TBD | TBD | TBD | TBD | TBD |
| San Francisco PUC (WW) | 9.00% | 9.00% | 12.00%* | 12.00%* | 11.00%* | 10.00%* | 10.00%* | 10.00%* | 7.00%* | 7.00%* |
| Sacramento County (WW) | 9.46%* | 8.64%* | 6.82%* | 0.00%* | TBD | TBD | TBD | TBD | TBD | TBD |
| City of Portland (WW) | 5.15% | 4.89%* | 5.15%* | 5.15%* | 3.40%* | 3.40%* | TBD | TBD | TBD | TBD |
| King County (WW) | 5.75% | 7.00%* | 7.00%* | 7.00%* | 8.25%* | 8.25%* | TBD | TBD | TBD | TBD |
| Philadelphia (Wtr/WW) | 8.16% | 13.95%* | 7.85%* | 9.10%* | TBD | TBD | TBD | TBD | TBD | TBD |

Source: Publicly available data
* Proposed/Projected



Comparative Analysis (Data)

| City | Combined Annual Bill/ MHI | State | 2023 Annual Water Bill | 2023 Annual Sewer Bill | Combined Annual Bill (Water + Sewer) | Combined Annual Bill Percent Change from Previous Year (2022) | Median Household Income (2023 dollars) | Is the combined annual bill less than 4.5% of the MHI? (AWWA Affordability Guideline) |
|-------------------|---------------------------|-----------|------------------------|------------------------|--------------------------------------|---|--|---|
| Fort Worth | 1.35% | TX | \$450.24 | \$582.60 | \$1,032.84 | 0.00% | \$76,602 | Yes |
| Dallas | 1.39% | TX | \$353.40 | \$585.42 | \$938.82 | 2.71% | \$67,760 | Yes |
| San Jose | 1.42% | CA | \$468.00 | \$545.88 | \$2,013.88 | 7.14% | \$141,565 | Yes |
| Milwaukee | 1.48% | WI | \$422.58 | \$357.20 | \$769.76 | 7.65% | \$51,888 | Yes |
| Jacksonville | 1.53% | FL | \$337.93 | \$686.54 | \$1,024.45 | 0.00% | \$66,981 | Yes |
| Saint Paul | 1.63% | MN | \$558.84 | \$637.20 | \$1,196.04 | 6.74% | \$73,055 | Yes |
| San Diego | 1.72% | CA | \$472.60 | \$743.90 | \$1,216.50 | 2.91% | \$104,321 | Yes |
| San Antonio | 1.74% | TX | \$562.67 | \$534.96 | \$1,097.63 | -4.40% | \$62,977 | Yes |
| New York | 1.75% | NY | \$538.80 | \$856.80 | \$1,395.60 | 4.59% | \$79,773 | Yes |
| Honolulu | 1.76% | HI | \$609,428 | 1,263.96 | \$1,831.92 | 0.00% | \$104,264 | Yes |
| Austin | 1.79% | TX | \$685.62 | \$949.80 | \$1,635.42 | 3.78% | \$97,461 | Yes |
| MWRA Service Area | 1.89% | MA | \$757.60 | \$1,161.92 | \$1,919.52 | 4.60% | \$101,341 | Yes |
| Boston | 1.90% | MA | \$759.15 | \$1,039.30 | \$1,798.45 | 1.33% | \$94,755 | Yes |
| Columbus | 1.95% | OH | \$603.04 | \$671.44 | \$1,274.48 | 5.62% | \$65,327 | Yes |
| Providence | 2.03% | RI | \$610.01 | \$744.19 | \$1,354.20 | 3.49% | \$66,772 | Yes |
| Los Angeles | 2.08% | CA | \$1,000.15 | \$675.12 | \$1,675.27 | 4.95% | \$80,366 | Yes |
| Washington | 2.15% | DC | \$885.24 | \$1,404.00 | \$2,289.24 | 3.09% | \$106,287 | Yes |
| Philadelphia | 2.17% | PA | \$773.16 | \$542.28 | \$1,315.44 | 14.19% | \$60,698 | Yes |
| Newark | 2.35% | NJ | \$437.76 | \$699.84 | \$1,137.60 | 2.52% | \$48,416 | Yes |
| Indianapolis | 2.49% | IN | \$537.38 | \$1,031.80 | \$1,569.18 | -0.88% | \$62,995 | Yes |
| Saint Louis | 2.51% | MO | \$368.84 | \$1,017.48 | \$1,386.32 | 7.56% | \$55,279 | Yes |
| Seattle | 2.52% | WA | \$960.80 | \$2,115.60 | \$3,076.40 | 3.60% | \$121,984 | Yes |
| San Francisco | 2.55% | CA | \$1,521.36 | \$2,087.40 | \$3,608.76 | 6.36% | \$141,446 | Yes |
| Portland | 2.57% | ME | \$424.20 | \$1,530.00 | \$1,954.20 | 3.94% | \$76,174 | Yes |
| Houston | 3.03% | TX | \$822.18 | \$1,086.42 | \$1,908.60 | -4.31% | \$62,894 | Yes |
| Detroit | 3.20% | MI | \$502.87 | \$764.04 | \$1,266.91 | 7.66% | \$39,575 | Yes |
| New Orleans | 3.27% | LA | \$846.06 | \$960.93 | \$1,806.99 | 0.00% | \$55,339 | Yes |
| Flint | 5.38% | MI | \$1,087.08 | \$861.72 | \$1,948.80 | 0.00% | \$36,194 | No |
| Average | 2.20% | | \$711.49 | \$933.28 | \$1,643.28 | 4.05% | \$78,442 | |