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To: [DEM \(COH\)](#)
Cc: [Erica Perez](#); [Dr. Jim Beets](#); [Segawa, Wesley](#); [Kimball, Heather](#)
Subject: Testimony to EMC- item 2
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Aloha Commissioners:

My name is Steve Holmes and I served for 12 years on the Honolulu City Council. One of my accomplishments was the establishment of the City Sewer Fund which is an enterprise fund. It stands alone from the General Fund and sustains all of the expenses related to wastewater including bond repayments for capital projects as well as all O&M including wages and benefits of City employees. The Sewer Fund has been going since I wrote the ordinance back in the early 90s and it has successfully met the challenge of the Global Consent Decree established in federal court and is the gift that keeps on giving. It has a very favorable AA bond rating saving taxpayers millions on interest on borrowed money. It works and it is exactly what EPA wants Hawaii County to do.

This is a departure from what Hawaii County has done previously, so County Finance needs to shift gears. The total cost of federal compliance is estimated at over \$1 billion dollars and the County has real limits to bond capacity to meet all of its needs. It needs to work with bond counsel who are the experts and with EPA Region 9 which has a Finance Center and has offered the County assistance. For decades, EPA has assisted local governments in meeting financial needs.

Inherently, new revenue needs to be identified and bond counsel can assist based on practices adopted by local governments around the country as enterprise funds are commonly used. Sewer fee increases alone won't work and they are regressive by nature. Bond investors ultimately have to feel that the package is sufficient or they won't loan the money. So politicians can't just cobble something together and think it is going to work.

The union will be very happy with an enterprise fund approach as their wages and benefits are protected. An enterprise fund also means that it is independently audited. This meets GASB or government accounting service board standards.

The message that EPA has put in the Countywide AOC by mandating a financial plan is to ensure we never again get in this mess. The current awful conditions can never be allowed to happen again. No more kicking from administration to administration. No more threats to public health and the environment from decades of neglect.

I urge the EMC to keep the pressure on to adopt an enterprise fund for wastewater. The City & County of Honolulu can also be a resource. Dr. Roger Babcock who is Director of DES can speak eloquently to the success of the Sewer Fund.

Set up a Zoom call or urge Mayor Alameda to get his team to do this. Peer exchange can be a powerful tool. That is why we have an HSAC to share between the Counties.

Another key to addressing financing is to leverage private capital. Again, Honolulu has had great success doing this. At the Sand Island WWTP, we entered into a public private partnership with Synagro to address sludge management. A federal court mandated that this plant be upgraded to advanced primary as an interim step and this meant the addition of polymers to increase solids removal. That meant a whole lot more sludge and created a crisis. EPA helped out and Synagro ended up installing a large digester and cogeneration system at their cost. Cogeneration makes energy from sludge and reduces the cost of grid energy. Waste heat dries the sludge and pasteurizes it for recycling as a soil amendment product that Synagro then sells generating revenue. The savings was enormous as no more fleet of trucks hauling wet sludge to the landfill and raking up valuable space.

At the Honouliuli WWTP, another public private partnership was used for water recycling. Veolia was brought in to take secondarily treated effluent to higher standards and establish the pipeline infrastructure for recycling. Again, it paid for itself and was cheaper than new source water development. Golf courses eagerly switched as it created savings for them. A classic win-win. The Honolulu Board of Water Supply actually manages the contract and it is an essential element in an integrated water management approach. With full secondary now achieved under the. Global

Consent Decree, even more billions of gallons will be recycled and no longer go out an outfall pipe polluting our coastal waters.

To pare down its \$1 billion dollar federal compliance price tag, Hawaii County needs to do the same. Find ways to leverage capital costs and save taxpayers the unnecessary burden. It will require changes to the old way of doing things, but really is the only way to get the job done.

Mahalo for your time and consideration.

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