

MINUTES

DEPARTMENT OF WATER SUPPLY
COUNTY OF HAWAI'I
WATER BOARD MEETING
January 25, 2005

DWS HILO OPERATIONS CENTER CONFERENCE ROOM

MEMBERS PRESENT: Mr. Ivan Mochida, Chairman
Mr. Loren Heck, Vice-Chairman
Mr. Thomas Goya
Mr. Bernard Konanui
Ms. Sandra Scarr
Mr. George Wilkins
Mr. Milton D. Pavao, Manager (ex-officio member)

ABSENT: Mr. Earl T. Nakashima, Water Board Member
Ms. Pamela Hons, Water Board Member
Mr. Bruce McClure, Director, Department of Public Works
(ex-officio member)

OTHERS PRESENT: Ms. Amy Self, Deputy Corporation Counsel
Mr. Darrin Arai, representing Mr. Christopher Yuen, Director,
Planning Department (ex-officio member)
Mr. Richard Cuthbert, R. W. Beck, Inc.
Mr. Art Griffith, R. W. Beck, Inc.
Mr. Barry Francis, Clark Realty Corporation (Wainani 42, LLC)
Mr. John Price, Kamehameha Springs LLC

Department of Water Supply Staff:

Mr. Quirino Antonio, Jr., Deputy Manager
Mr. Glenn Ahuna, Engineering Division Head
Mr. Daryl Ikeda, Acting Chief of Operations
Mr. Richard Tsunoda, Waterworks Controller
Mr. Richard Sumada, Assistant Waterworks Controller
Mr. Lawrence Beck, Engineering Division
Mr. Keith Okamoto, Engineering Division
Ms. Crestita Hudman, Customer Service Supervisor

CALL TO ORDER - Chairman Mochida called the meeting to order at 10:00 a.m. He asked if Board Members wish to speak on an item, to please be acknowledged by himself or the Vice-Chairman. This will afford everyone the chance to speak and keep meetings on schedule.

STATEMENTS FROM THE PUBLIC

1. Mr. Barry Francis:

Mr. Francis stated that he was here to speak on Item 9(A), Assignment of Haseko Water Agreement Units. Chairman Mochida asked that he address the Board now and be available if the Board has any questions when the Agenda item is taken up.

Mr. Francis stated that he was present for the transferee (Wainani 42, LLC) of the 15 water units. He mentioned that the Board had deferred this Agenda item until it could hear from the developer, and that was the reason he was present. Under the Haseko Agreement, the developer put in the original improvements, which gave rise to these 15 water units. Under the original Haseko Agreement, there was opportunity to transfer certain units that were granted to others within the same district area. Their residential development is in that area, so they will be the recipient of 15 of the water units under this Agreement. They are putting in approximately \$1.5 million of water improvements at the request of the Department--offsite improvements that will serve the community in general where their development is located but not their development specifically. These 15 units are just to assist them in completing their development. He added that Mr. John Price was here from the developer entity to address the Board's concerns.

2. Mr. John Price:

Mr. Price stated that he represents King Kamehameha Springs LLC, who purchased the property from Keopulani Estates Associates. As part of that agreement, they inherited the Haseko Agreement for the water on that property. Mr. Glenn Ahuna asked him to be present today to answer the Board's questions, and he would be happy to do so when the Board gets to that item. His request was that the Board grant the transfer of water to Wainani 42, LLC.

MOVE AGENDA ITEM UP

ACTION: Mr. Wilkins moved to take up Item 9(A), Assignment of Haseko Water Agreement Units; seconded by Ms. Scarr and carried unanimously by voice vote.

NORTH KONA

A. ASSIGNMENT OF HASEKO WATER AGREEMENT WATER UNITS:

This matter was deferred by the Board at its October 26, November 23, and December 21, 2004, Meetings.

As part of a tri-party agreement dated May 4, 2000, between HASEKO (HAWAII), Inc., Keopuolani Estates Associates (KEA), and the Water Commission, KEA, the owner of TMK 7-5-001:044, was granted forty-six (46) units to be assigned to the same parcel in exchange for a well and well site. Now, SUNRA COFFEE, LLC, successor to KEA, desires to assign fifteen (15) of these units to Wainani 42 LLC to be used on Tax Map Key ~~7-5-001:027~~ 7-3-010:027 (corrected by Mr. Glenn Ahuna - see below discussion).

Section 5 of the subject agreement provides for the assignment of all or part of the 46 units to other parcels in the North Kona water system, subject to whatever water system improvements are required by the Department.

The Manager recommended that the Board approve this assignment and consent, subject to the approval of the Corporation Counsel, and that either the Chairman or the Vice-Chairman be authorized to sign the document.

MOTION: Ms. Scarr moved for approval of the Manager's recommendation; seconded by Mr. Goya.

Ms. Scarr asked where this is exactly--if Wainani 42 LLC is developing the property just makai of Pualani Estates--makai of the Queen Ka'ahumanu Highway.

Mr. Francis replied that it is not. It is about one mile mauka.

Ms. Scarr stated that one of the Board's concerns was water rights were granted under these agreements 15 to 20 years ago and they have been retained. The Board is not eager to see speculation in water rights with huge amounts of money being transferred from one person to another, selling water rights that were granted, it seems, in perpetuity. The Board wanted to know something more from the parties about the considerations in this matter--if it is an honest transfer of water rights, or if it were an enormous speculation in water.

Mr. Francis replied that their LLC name is comprised of two local business who are actually developing 95 mid-rate residential lots in the Kona Palisades area--part of the old Haseko property, which was a big lot. This is 42 acres of that. It is all going mauka from the Queen Ka'ahumanu Highway.

It was noted that it is south off Ka'iminani on the outer fringes of the current development. Mr. Wilkins asked if it was separate from the affordable housing, which is being built below Ka'iminani. Both those parcels were all part of the original Haseko property back when this Agreement was entered into. Mr. Francis mentioned that some of the improvements he spoke of earlier are actually largely benefiting the affordable housing Mr. Wilkins referred to because it is necessary in order for the Department to serve those as well.

Mr. Wilkins noticed in the Agenda description that there are 46 water rights involved, of which 15 are requested for transfer now and the others to be held for some later time for development in accordance with the needs of the Water Department. He asked what the last phrase meant--if it was that the Department of Water Supply (DWS) will tell them where to apply the additional 31 water rights or if they would apply to the DWS for permission. He also asked if they would be on the same supply pipelines or on subordinate lines. His concern is the availability of water in the future when Wainani 42 LLC decides where to place the 31 additional water rights.

Mr. Price clarified that the 9 have already been transferred to Mr. Kevin Rickenbach's subdivision about 1½ years ago through the same process as this request today of the Board. These are the remainder of the rights that King Kamehameha Springs has any authority over. The remaining

rights belong to Sunra Kona Coffee, and they will have to come before the Water Board to transfer those at that time.

Mr. Wilkins stated that his fundamental question was if all 46 are to be applied under the same supply system.

Mr. Price replied they were not. Nine were already applied to a different supply system. These 15 are applied to these, and then the remainder will be at the Board's discretion, on how they can be transferred.

Mr. Wilkins explained that the reason for his questions was that the Board is aware there are thousands of water commitments floating around out there. He has heard it stated within the DWS that if everyone applied at the same time to use these rights in development and construction, there would not be enough water to go around. The Board has to look to the future. He wanted to understand where this development fits in with the thousands of other water rights.

Mr. Francis mentioned one point in the original Haseko Agreement of 2000, which partially does say any water rights transferred, such as these 15 that would be transferred to them, are required to additionally comply with whatever requirements would then be in place for the particular location being applied for. The improvements that he mentioned earlier are the requirements that are already in place for that locality. There is some control mechanism.

Chairman Mochida commented that the Board should let the Department worry about if there is enough water to supply development. The Department will make its recommendations to the Board accordingly. It is not up to the Board to know how much water is here and there.

The Manager affirmed the Chairman's comment. He added that wherever the water rights go, they are still subject to water system improvements.

Mr. Wilkins appreciated the Manager's comment but thought if the Department and Board both worry about the future, the future would be much more palatable.

Ms. Scarr added that the Board does have responsibility, under the County Charter, to set policy for the Department of Water Supply and, therefore, needs to be concerned about where water commitments exist, where they are being transferred, and where they are constantly not being realized. All those things are under the Board's purview.

Mr. Ahuna noted a correction to be made in the second paragraph of the Agenda write-up. At the end of the last sentence, it should read, "to be used on Tax Map Key 7-3-010:027" instead of 7-5-001:027.

Ms. Scarr noted that the first sentence indicates a Tax Map Key for Keopuolani Estates Associates of 7-5-001:004 (Mr. Ahuna confirmed that this one was correct) and asked about the difference in a 7-3 and a 7-5. It would indicate that the units are being transferred quite a long way. It had appeared they were nearby parcels because they had the same or close tax map keys. However,

they are going from a North Kona site (7-5) all the way to 7-3. She did not think it is even in the same water system.

Mr. Wilkins added that 7-4 is quite wide in that area, separating these two.

Mr. Ahuna stated that it is subject to whatever water system improvements are needed to get the water there.

Mr. Francis stated that both of the parcels were part of the original Haseko Agreement; however, he could not speak to how big or small the difference is.

Ms. Scarr asked the Manager how large an area this Haseko Agreement covers.

The Manager replied that the area is huge and asked Mr. Ahuna to describe what is covered by the Agreement.

Mr. Ahuna replied that there was a parcel that Mr. Price had, above the Mamalahoa Highway, where the well site is. It is a big parcel, but he was not sure of the acreage. The other site is the one that Wainani 42, LLC, had, which is just below Puuhonua Subdivision and above the affordable housing units. That whole Puuhonua Subdivision, as well as all the way down to the affordable housing, was part of the Haseko Agreement at that time. They came in for a change of zone, and that was predicated on this Agreement.

In response to Ms. Scarr's question if the well was in place yet, Mr. Ahuna replied that it is not; and the Department is in the process of trying to develop that well.

Mr. Wilkins commented that what the representatives from the two parties are hearing from the Board is the result of an evolution of the lack of availability of water in that area. He has been asked twice to talk with property owners who are using their water rights but having difficulty getting water because of the shortage of flow down to the extreme ends of the Ka'iminani water user district. He has seen several cases in Tax Map Key 7-4, which includes Kaloko where he lives, where water rights have either been turned down or have been reduced because of a perceived future shortage of water. Right now, we are in the middle of a near crisis, in which the Department has handled, very ably, due to the failure of a submersible pump along Palani Road. He believed the only people now being hurt by the reduction of water supply are the farmers at the foot of Ka'iminani. If you are developing also at the foot of Ka'iminani or near Ka'iminani, they may become part of the great population of "unwashed" people. The situation is exasperating in that area, and steps now being taken will mitigate some of the consequences; but the Department is not out of the woods yet.

Mr. Heck asked what the \$1.5 million improvements are for.

Mr. Barry replied it is for a \$1 million water tank to be on their property and dedicated to the Department. That will serve the affordable housing makai of them. It also includes a system booster station above them on Mamalahoa Highway. They are having it engineered to the Department specifications, but was not sure if it increases the flow; but it fits into the existing

system. (In response to Mr. Heck's question if a well is included, Mr. Barry replied there was no well included.)

The Manager stated that the reservoir is required to provide them with storage. Without it, there would be too much peak demand on the Ka'imani waterline. The booster is so that the Department can get more water to the tank to serve this area.

Mr. Wilkins asked if the water supply to this new development will come down the pipe, which is now being installed on Ka'imani, and if the Manager is satisfied that in the near foreseeable future, the Department will be able to supply this water with all its other commitments.

The Manager replied it will come down from Ka'imani, but there were additional improvements made by looping some of the areas to increase the flow. On that basis, the Department can serve the project. If the Department did not believe that it could meet its commitments, it would not have allowed this.

ACTION: A vote was taken on the Motion. Motion was carried unanimously by voice vote.

The Board thanked Messrs. Barry and Price for attending the meeting.

APPROVAL OF MINUTES

ACTION: Ms. Scarr moved for approval of the Minutes of the December 21, 2004, Water Board Meeting; seconded by Mr. Goya and carried unanimously by voice vote.

APPROVAL OF ADDENDUM AND/OR SUPPLEMENTAL AGENDA - none

PUNA:

A. JOB NO. 2000-767, CONSTRUCTION OF THE OLAA NO. 6 EXPLORATORY WELL:

The Board considered a 33-working day time extension request from the contractor, Water Resources International, Inc. This request is due to the following:

- 6 working days due to drilling pilot hole additional 83 feet,
- 19 working days due to motor lost down the hole during open-hole pump test, and
- 8 working-days for rain-out.

This is the second time extension request for the project. Staff has reviewed the request and finds that the 33 working days are justified.

The Manager recommended that the Board approve a contract time extension of thirty-three (33) working days to Water Resources International, Inc., from February 18, 2005, to April 8, 2005, for **JOB NO. 2000-767, CONSTRUCTION OF THE OLAA NO. 6 EXPLORATORY WELL.**

ACTION: Mr. Goya moved for approval of the Manager's recommendation; seconded by Mr. Wilkins and carried unanimously by voice vote.

SOUTH HILO:

A. JOB NO. 2004-854, PLANNING, DESIGN AND CONSTRUCTION OF THE REED'S ISLAND WATERLINE IMPROVEMENTS:

Two bids for this project were received and opened on January 11, 2005, at 2:00 p.m.; and following are the bid results:

Bidder	Amount
Isemoto Contracting Co., Ltd.	\$554,050.00
Willocks Construction Corporation	\$674,440.00

Project Scope: This project consists of the survey, design, preparation of construction plans and specifications and installing approximately 2,900 lineal feet of 6-inch diameter waterline and related appurtenances. The project will replace the existing galvanized and cast iron waterlines, which are old and leaking. This project was advertised under a "design-build" concept.

Project Cost:

1) Low Bidder (Isemoto Contracting Co., Ltd.)	\$554,050.00
2) Construction Contingency (8.0%)	<u>44,324.00</u>
Total Planning, Design and Construction Cost:	<u>\$598,374.00</u>

Funding for this project will be from the Department's C.I.P. budget. The contractor will have 90 calendar days from the date of Notice to Proceed to complete the water system construction work for this project.

The Manager recommended that the Board award the contract for JOB NO. 2004-854, PLANNING, DESIGN AND CONSTRUCTION OF THE REED'S ISLAND WATERLINE IMPROVEMENTS, to the lowest responsible bidder, Isemoto Contracting Co., Ltd., for their bid amount of \$554,050.00 plus \$44,324.00 in construction contingency for a total contract amount of \$598,374.00, subject to review as to form and legality of the contract by Corporation Counsel.

ACTION: Mr. Goya moved for approval of the Manager's recommendation; seconded by Mr. Wilkins and carried unanimously by voice vote.

B. DRINKING WATER STATE REVOLVING FUND RESOLUTION NO. 2005-01:

Resolution No. 2005-01 was considered by the Board for the project of which request for loans under the Drinking Water State Revolving Fund were submitted to the State. As part of the requirements, a Resolution is required by the Water Board. The documents have been forwarded to Corporation Counsel's office for review. This Resolution is specifically identified for the following project: JOB NO. 98-705, HONOMU EXPLORATORY WELL.

The Manager recommended that the Water Board adopt Resolution No. 2005-01, subject to the approval of Corporation Counsel.

ACTION: Ms. Scarr moved for approval of the Manager's recommendation; seconded by Mr. Goya and carried unanimously by roll call vote (Ayes: 6 - Ms. Scarr, Messrs. Goya, Heck, Konanui, Wilkins, and Chairman Mochida; Nays: 0; Absent: 2 - Ms. Hons and Mr. Nakashima.)

HAMAKUA:

A. **JOB NO. 2000-766, CONSTRUCTION OF THE AHUALOA NOS. 1 AND 2, 0.10-MG RESERVOIRS FOR THE DEPARTMENT OF WATER SUPPLY:**

The Board considered a request from Goodfellow Brothers, Inc., for an extension of contract time for the reasons stated in their letter (attached to the Agenda). A change order to overexcavate, "rain-out" days, and delays by Department of Water Supply and Verizon Hawaii cause the additional 52 working days. This is the first time extension request for this project. Staff has reviewed this first time extension request and finds that the 52 working days are justifiable.

The Manager recommended that the Board approve a contract time extension of fifty-two (52) working days to Goodfellow Brothers, Inc., from December 9, 2004, to February 25, 2005, for JOB NO. 2000-766, CONSTRUCTION OF THE AHUALOA NOS. 1 AND 2, 0.10-MG RESERVOIRS.

ACTION: Mr. Wilkins moved for approval of the Manager's recommendation; seconded by Mr. Goya and carried unanimously by voice vote.

NORTH KOHALA:

A. **JOB NO. 2002-805, CONSTRUCTION OF THE MAKAPALA PRODUCTION WELL AND SUPPORTING FACILITIES:**

Two bids for this project were received and opened on January 13, 2005, at 2:00 p.m., with the following results:

Bidder	Amount
Isemoto Contracting Co., Ltd.	\$1,027,627.00
Dick Pacific Construction Co., Ltd.	\$1,350,000.00

Project Scope: This project consists of outfitting a well, including controls, control building, and appurtenant piping/equipment.

Project Cost:

1) Low Bidder (Isemoto Contracting Co., Ltd.)	\$1,027,627.00
2) Construction Contingency (~10%)	<u>102,373.00</u>
Total Construction Cost:	<u>\$1,130,000.00</u>

Funding for this project initially will be from DWS C.I.P., with reimbursement from the State DWSRF program.

The contractor will have 270 calendar days to complete this project.

The Manager recommended that the Board award the contract for JOB NO. 2002-805, CONSTRUCTION OF THE MAKAPALA PRODUCTION WELL AND SUPPORTING FACILITIES, to the lowest responsible bidder, Isemoto Contracting Co., Ltd., for their bid amount of \$1,027,627.00 plus \$102,373.00 in construction contingency for a total contract amount of \$1,130,000.00, subject to review as to form and legality of the contract by Corporation Counsel.

MOTION: Mr. Goya moved for approval of the Manager's recommendation; seconded by Ms. Scarr.

Ms. Scarr noted that this contractor has been bidding on and winning a lot of projects--not only from this Department, but from other agencies. She asked if they have the capacity to complete the project on time.

The Manager stated that the Department has to assume they will complete the project on time. The Department's inspectors also keep logs on rain-out days in case of time extensions.

Mr. Wilkins was concerned that if other companies are hurting, it may leave the Department with a lack competition if they go out of business; and competition is how the bid prices are kept low. He would like to see other companies win an occasional contract.

The Manager stated that this is speculative, and there is no legal reason not to accept the contract. It is not within the Department's control what happens in the bidding process.

Mr. Konanui stated that one of the reasons for Isemoto's success may be in its long-time record on this island. They live here, and they understand the local ways. It is good to have competition, but it is also good to have a contractor around.

Chairman Mochida commented that not too many contractors could do these types of wells and reservoirs. It should also be left up to the bonding company, who would know if the contractor could handle the contract or not.

ACTION: A vote was taken on the Motion. Motion was carried unanimously by voice vote.

NORTH KONA:

- A. **ASSIGNMENT OF HASEKO WATER AGREEMENT WATER UNITS:** Taken up earlier.

MISCELLANEOUS

- A. **DEDICATION OF WATER SYSTEMS:**

The Department received the following documents for action by the Water Board. The water

systems have been constructed in accordance with the Department's standards and are in acceptable condition for dedication.

- 1) **LICENSE EASEMENT NO. 618**
PUUKAPU-NIENIE WATER SYSTEM
Licensor: Department of Hawaiian Home Lands
TMK: (3) 6-4-004; 4-6-011 & 012
License Easement No. 618 replaces License Easement No. 127, Expired April 30, 2002
- 2) **LICENSE EASEMENT NO. 620**
PUUKAPU FARM LOTS
Licensor: Department of Hawaiian Home Lands
TMK: (3) 6-4-008:various
License Easement No. 620 replaces License Easement No. 134, Expired July 29, 2002
- 3) **LICENSE EASEMENT NO. 625**
PANAewa RESIDENTIAL LOTS, UNIT 6
Subdivision Application No. 2002-035
Licensor: Department of Hawaiian Home Lands
E.W.O.: 2004-061
TMK: (3) 2-2-047:001
Lots: 1 existing, 40 additional = 41 Total
Facilities Charge: \$220,000.00
Final Inspection Date: October 29, 2004
Water System Cost: \$104,027.61
- 4) **BILL OF SALE**
ALAHOU STREET WATERLINE IMPROVEMENTS
Grantor: Onix Management, Inc., a Nevada corporation
E.W.O.: 2004-088 and 2004-090
TMK: (3) 7-5-022:075 & 068
Facilities Charge: \$44,000.00 and ~~\$48,150.00~~ (\$49,500.00 as corrected by Mr. Ahuna)
Capital Assessment Fee: \$4,000.00 and \$4,500.00 (underlined entry by Mr. Ahuna)
Final Inspection Date: January 11, 2005
Water System Cost: \$55,000.00
- 5) **GRANT OF NON-EXCLUSIVE EASEMENTS**
UNIVERSITY PARK PHASE IV – NOWELO STREET EXTENSION
Grantor: University of Hawai'i, a body corporate
TMK: (3) 2-4-001:122
NOTE: This access and utility easement is needed to access the water meter temporarily installed for the USDA Institute of Pacific Islands Forestry laboratory and complex. The projected completion date for Nowelo Street is December 2005.

The Manager recommended that the Water Board accept these documents subject to the approval of the Corporation Counsel and that either the Chairman or the Vice-Chairman be authorized to sign the documents.

Mr. Ahuna first noted two corrections to Item No. 4, Bill of Sale for Alahou Street Waterline Improvements. The facilities charge should be \$44,000.00 and \$49,500.00. These are two separate parcels that were developed with apartment units. Under the Capital Assessment Fee, there are two, which in this case should be \$4,000.00 and 4,500.00, instead of the \$2,500.00.

ACTION: Mr. Goya moved for approval of the Manager's recommendation, with corrections noted by Mr. Ahuna; seconded by Mr. Heck and carried unanimously by voice vote.

B. **ENERGY ENGINEER IV:**

With increasing electric bills, the Department is proposing to create a new position, an Energy Engineer IV. The Department spent nearly \$9.5 million on electric bills this past fiscal year and is projected to spend \$10.5 million this current fiscal year, even with modest energy savings. In order to maximize the Department's savings, a full time permanent position needs to be created to control these costs. The position will be in the Operations Division under the direct supervision of the Chief of Operations, as shown in the attached Table of Organization.

The Manager recommended that the Water Board approve the creation of the Energy Engineer IV and the corresponding amendments to the Department's Table of Organization.

MOTION: Ms. Scarr moved for approval of the Manager's recommendation; seconded by Mr. Goya.

Mr. Goya stated that he would like to see the person who is chosen for this position being well accustomed to working with HELCO and also having intimate knowledge of the plans of the Department of Water Supply. He also did not see this in the overall 5-year plan and would like it to be incorporated in the 5-year plan so it is integrated in the Department's future plans. He asked that the Board consider deferring this until it is included in the Strategic Plan.

The Manager stated that the energy conservation measures are covered in the Strategic Plan, and this person would be responsible to accomplish some of those things mentioned in the Plan. He added that the Department tried to acquire someone on a temporary basis, but there were no takers. The next step was changing it to an Engineer IV position, which means a licensed engineer, in hopes of getting more applicants. If that does not happen, it will have to be revised to go with a non-licensed engineer and hopefully train the person on the job.

Ms. Scarr's thinking was that the Department has so much trouble putting out its C.I.P. projects fast enough to satisfy the public demand that someone dedicated exclusively to

energy conservation sounds, in principle, like a good idea; but if that person could also do some civil engineering, review, or supervision of C.I.P. projects, that might also be useful.

The Manager explained that the intent was that the person would be working in the Operations Division and would assist Mr. Clyde Young with some of the mechanical engineering duties. He clarified that this person would be an electrical engineer, therefore, could assist in review of electrical portions of the Department's plans that involve wells, booster pumps, etc.

Mr. Wilkins mentioned the recurring problem with engineering recruitment. On top of the efforts mentioned by the Manager that the Civil Service Department is involved in, Mr. Wilkins suggested finding a way to have a highly technical person going out to university campuses to speak with them on their first-hand knowledge.

The Manager stated that he could check with the Civil Service Department to see if there might be opportunities for some of the Department's engineers to go to the University of Hawai'i and speak with the students. He added that he recently approved the DWS' participation in national advertising, along with the Department of Public Works and Environmental Management's Wastewater Division.

ACTION: A vote was taken on the Motion. Motion was carried unanimously by voice vote.

C. **MONTHLY PROGRESS REPORT:**

Ms. Scarr mentioned the enormous concern in North Kona over the wells being down and having to fabricate new pumps on the mainland to replace the pumps.

The Manager stated that the Hualalai pump is being refurbished on Oahu. It anticipated being back in the well in no more than a month from now.

Ms. Scarr suggested finding a way in the C.I.P. Budget to provide for backup systems because when these wells go down, and water is so short in Kona, the Department has had to pump extra from the Kahaluu Shaft, resulting in increased salinity.

The Manager clarified that the Department has been diverting away from the Kahaluu shaft by having the QLT and Honokohau wells pick up the slack. The Department's Kona office has also modified how to operate the system so that no water is diverted north. Since the first incident where people went without water, the Department has gained much knowledge of what was happening and how to modify it. Other measures were taken by contacting Makalei, through Kukui, Huihui Ranch in getting permission to use their water as well as obtaining Department of Health clearance to put that water into the system at any time, if it becomes necessary.

Chairman Mochida asked about backup pumps, and it was clarified that the Department has been keeping spare pumps; however, in this recent situation, the spare pump is the one that went down. It was also noted that the pumps are not always standard and are a custom fit to

the depth, head, and capacity of the well. The Department keeps spares of the most important, critical pumps.

In response to Mr. Heck's question about the Kalaoa Well, the Manager stated that the Kalaoa Well was down for a long time. The reason the Department did not repair it was because of recent negotiations between the Department and a developer to upgrade that well because they want to do some improvements in the area. If they want the improvements, they would need to participate in adding capacity to the well.

D. **REVIEW OF MONTHLY FINANCIAL STATEMENTS:**

Ms. Hudman gave the Board an update on collection efforts, as requested by Mr. Goya. She noted that the Department's new Collection Clerk started work about two weeks ago. He has an extensive background in collecting, which is valuable to the Department. He has a lot of ideas on handling the problem with getting customers properly placed in the aging process on the computer's delinquent list. To assist in that effort, he will undergo the Harris Computer System training to gain the necessary knowledge about the Department's financial management system. He is also categorizing each account into payment plan options and is already actively collecting on accounts.

Discussion followed on the Matsumoto Water Company account. Chairman Mochida asked for direction from Corporation Counsel on how much the Board may discuss during open session since it had been dealing with this topic in Executive Session in the past. Ms. Self explained that since a summary judgment was passed in this case, it is now public record. Mr. Goya asked for an Agenda item for next month's meeting for an update on the Matsumoto Water Company delinquency.

In response to Ms. Scarr's questions regarding Hookena, Ms. Hudman replied they are making payments. The Deputy Manager added that County funds have been received, and the Department's engineers are working on the plans to have State Highways approval and proceed with the installation of a new 1½-inch meter.

RECESS: 11:04 a.m. to 11:13 a.m.

E. **PRESENTATION BY R. W. BECK:**

Messrs. Cuthbert and Griffith from R. W. Beck, Inc., gave the Board a presentation the following:

- **Draft Results of Financial Plan** - the summary is that the Department will remain financially sound in 2006 without any rate increases. The first rate increase is projected to be needed in July of 2009 at 6.5%. Projections and rate increase requirements will be reviewed again as part of the Water Master Plan.

Ms. Scarr commented that one piece of advice she learned at an AWWA National Conference is not to go for years without a rate increase because when you put one in, people get mad. She mentioned the time when R. W. Beck, Inc., had recommended not to implement a rate increase it had built into the previous rate

plan because the Department's staffing level could not expend it. She continued that there is a huge amount of need out there in the County and here is a water department may be inadequately staffed to even use available resources. If the Department were bigger, especially in engineers and project supervisors, it could spend the money it has and use additional resources to serve the public more adequately.

Mr. Cuthbert felt that what they have done, supports that. At this point, though, the limitation is not one of money, but one of staffing.

Mr. Wilkins stated that the last rate increase, in his understanding, was to be used to accelerate expansion into areas not currently served. That need is still there, maybe even moreso, and he felt that a major justification for a rate increase, if made, would be for that same reason. In response to his question on the note about the debt ratios compared with the national standard, Mr. Cuthbert confirmed that it means that all of the islands here have stronger tendency to use cash payments and not incur much debt. That is changing, however, in recognition of the amount of capital spending needed on all of the islands.

In response to Mr. Heck's question about the key assumption on operating expenditures (2.4%) if it is based on staff level at its current rate, Mr. Cuthbert replied that was correct. He added that the delay in implementation of the Water Master Plan was staff's time limitations with giving them the needed information while keeping up with their day-to-day work.

Mr. Goya commented on Ms. Scarr's earlier mention on rate increases vs. periodic increases. He agreed that incremental increases are more acceptable on a customer relations basis and easier for the Department to manage for that reason.

Mr. Cuthbert agreed that smaller, periodic increases are more acceptable to the public.

- **Water Service Area Expansion** - Mr. Griffith reported on this topic that has gotten quite a bit of attention since coming up in the Board's Strategic Plan from last year. This information will hopefully allow the Board to formulate policy alternatives and provide direction to staff. He described some financial analysis to provide some "bookends." If the Department remains status quo and does not change its existing policies, the financial impact to DWS ratepayers is zero. On the extreme end of that would be the scenario of the Department funding everything--the entire island, including distribution system, transmission, and source, and if the rate payers pay for it (customers would not pay for any of it). The water bills would more than double--perhaps almost as much as triple. To be this ambitious would place a very large financial burden on the Department's customers and create a big gap between who pays and who benefits. A different way might be splitting the difference--DWS pays half and the customers might pay half through a form of an assessment. By providing these

two extreme examples gives the Board the opportunity to decide in policy what the appropriate financial contribution from DWS would be.

Since there was some previous engineering work done under the Central Puna Plan, they took that analysis and tried to do a similar one on rate impact to DWS customers if it financed the source, storage, and transmission in that area (from Paradise Park up to the outskirts of Volcano) and the customers paying for the service connection and distribution system. They considered the costs for improvements and made assumptions on how the debt financing would work, how quick the area would infill, and how much the Department would get in facilities charges. That would require a 20% to 25% rate increase for everyone on the island.

He continued with some possible ways and things for the Board to think about in terms of prioritizing DWS funding. One option is to look at zoning because the costs for water and distribution systems depends so much on the zoning (outlined in the handout). Another option is some measure of minimum subdivision size or degree of occupancy--what areas could be invested in where the Department would get some return in the increased customer base. Another important consideration is community acceptance--if it wants a public water supply because of the possibility of some funding coming from the potential customers. Another consideration is thresholds for other services. Some areas have very little information so far, such as when roads get paved, school districts (if water is provided to facilitate a school, will the school come), and there is a bit of information surrounding fire and police stations. He closed by posing some questions to the Board that may help in formulating policy:

1. What relationship does the Board want between DWS and other County agencies in expanding services?
2. Which communities want water service?
3. What is an acceptable level of DWS financial support?
4. If DWS cannot serve all areas, can a policy for priority areas be established?
5. What additional information does the Board need to proceed?

Mr. Heck asked about the thresholds of other services--what paved roads have to do with the water service.

Mr. Griffith replied that many water utilities are reluctant to install waterlines under roads that are not maintained because it can be damaging to the long-term health of the waterline. The issue is getting the Department's vehicles to and from the area to install meters.

Ms. Scarr asked about estimating the cost per unit for a distribution system or building transmission/storage system--if the cost of financing it by debt versus ongoing cash collections is the same for customers.

Mr. Griffith explained that he made some assumptions about how much the person would have to borrow, that being the majority of the cost. He amortized some debt service payments and rolled them back into a present value.

Ms. Scarr asked for some clarification on the cost of source, storage, and transmission—if it were roughly 20% of the total cost.

Mr. Griffith replied that the one example given of having rates doubling or tripling was for everything (distribution system included). The second example was just Puna for only source, storage, and transmission.

Ms. Scarr thought that the increase of 20% to 25% for source, storage, and transmission seemed like such a lot of money islandwide. She asked if the connected waterline from Pahoia to Keaau was considered.

Mr. Griffith stated that the engineering report had a cost for all of that of \$88 million. With respect to Puna, the Central Puna Water Master Plan identifies a transmission line running from the ocean all the way up to Volcano. It is a huge transmission line with 13 different wells and 21 reservoirs needed to serve that big an area. That is the reason it all adds up to \$100 million project.

In response to Mr. Wilkins' question on what assumptions were made on the interest rate on the debt and time to pay off, Mr. Griffith replied that they used a 30-year debt/5% interest rate basis.

- **Progress Report of Water Master Plan** - Mr. Cuthbert updated their progress. They have provided G.I.S. support to get a “backbone” system up and running for all the water systems; and they have prepared water system descriptions and water demand projections for the entire system (about 90% complete). Their completion was held back because of demands put on staff with its increased capital improvement spending. A tentative schedule for reports to the Board were covered in their handout. Mr. Cuthbert also identified the first four of the Additional Services and Tasks list as resulting from the Strategic and Business Plan effort the Board and Department had just gone through. They are the analysis of service area extensions; agricultural water use evaluations; evaluation of energy efficiency strategies; and additional strategic plan staff support. These are all key elements that were not envisioned as originally being part of the Water Master Plan. There will be another financial plan analysis needed to incorporate the Water Master Plan efforts into it. They have added a task to do some fire-flow tests to calibrate the hydraulic model. They will also be asking for some funding to do additional public involvement support and a Personnel Needs Assessment that were part of their original scope of services; but the funds have been used for the strategic planning effort last year.

In response to Mr. Heck's question on what the public involvement support meant, Mr. Cuthbert replied it is the public relations specialist the Department and the Board has been discussing. It is taking longer to get the position created and filled; and in the

meantime, R. W. Beck, Inc., will be assisting in the public relations effort--going out to the community with the master plan and getting feedback.

Ms. Scarr stated that this is so important for this Department in going forward and would endorse whatever they need in order to keep going on these plans because the information is critical for the Board to make informed choices.

F. **EXECUTIVE SESSION:**

Chairman Mochida asked that this item be deferred because Mr. Goya was ready to leave the meeting because of an appointment, and he noted that he, himself, had a 2:00 p.m. meeting. The question of whether it could be deferred to the Special Meeting to be held January 26, 2005, was researched by Deputy Corporation Counsel because of the question of it not being on that Agenda. Chairman Mochida also commented on the length of time the meetings have been taking, and perhaps there is a need to put less on the Agenda, or hold special sessions with R. W. Beck, Inc., if necessary. While Ms. Self was checking on the deferral request, Chairman Mochida asked that the Manager cover the items in his report.

(Mr. Goya left the meeting at 12:02 p.m.)

G. **MANAGER'S REPORT:**

- 1) Kona Coastview/Wonderview status - construction ongoing.
- 2) USGS Drilling Program - the rig is down to 300 feet at the Hawaiian Ocean View site and going very slow, according to Mr. Tribble.
- 3) Kona Water Quality - the Department is still working with private developers. In response to Ms. Scarr's question of how the work is going with the consultant, Brown & Caldwell, on treating the water at the Kahaluu Shaft, the Manager replied they have just started their work.
- 4) Ms. Scarr stated that she has gotten two telephone calls this past week on the use of potable water for dust control in the North Kona area from people who are on water restrictions because of the two wells that are down. They question why a contractor is using potable water from a metered fire hydrant at the top of Nani Kailua Drive for dust control. The Manager explained that there are no wastewater treatment plants in Kona that can treat water to the extent that you can spray it. It is a health and safety concern. They cannot get water anywhere else. When asked by Ms. Scarr why the contractor is not on water restrictions, the Manager replied that dust control is essential for construction in Kona. Construction would shut down without it. He added that the contractor was asked to be careful and try to minimize dust control; but they have to do it, otherwise, the Department of Health would shut them down.
- 5) Retiree of the Department of Water Supply - Mr. Dennis Inouye, Senior Construction Inspector, began with the Department in 1985 and will be retiring in February 2005. Mr. Inouye was not present at the meeting. The Manager stated that Mr. Inouye is a very good employee and will be missed. The Board sent its best wishes.

- 6) Employee of the Quarter Presentation - 4th quarter – The Manager announced that Mr. Mark Arakaki is the recipient of the award but was working hard and not at the meeting today. Mr. Arakaki is a Lead Pipefitter with the Department.
- 7) AWWA National Conference - San Francisco - please make arrangements with Ms. Takeguchi.
- 8) About two weeks ago, the Manager met with the Governor on behalf of Hawaiian Ocean View Estates. Also present were Representative Takamine, Representative Herkes, Senator Kokubun, and DLNR. They asked the Governor for an allotment of \$6 million. Unfortunately, the Governor said her budget went in already, and this could not be included. They will lobby the Legislators to create a Bill and see if they would pass it. If passed, it would be up to the discretion of the Governor on how much she wants to release. The Manager commented that \$6 million is a lot of money; and based on the economy of the State, he did not think that much was possible. They may only get a portion. In conjunction with that, Mayor Kim has requested the Legislature for \$6 million for the same thing.

F. **EXECUTIVE SESSION:**

Continued from earlier. The Board decided to continue on with the Executive Session, setting aside 20 minutes to complete it.

1) *Disciplinary Actions of Employees*

The purpose of this meeting is: 1) to consult with the Board's attorney on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities; and 2) to deliberate or make a decision upon a matter that requires the consideration of information that must be kept confidential pursuant to a state or federal law, or a court order, as authorized by Hawai'i Revised Statutes, Sections 92-4 and 92-5(a)(4) and (8).

ACTION: Ms. Scarr moved that the Board enter into Executive Session to consult with the Board's attorney on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities; and to deliberate or make a decision upon a matter that requires the consideration of information that must be kept confidential pursuant to a state or federal law, or a court order, as authorized by Hawai'i Revised Statutes, Sections 92-4 and 92-5(a)(4) and (8); seconded by Mr. Wilkins and carried by roll call vote (Ayes: 5 - Ms. Scarr; Messrs. Heck, Konanui, Wilkins, and Chairman Mochida; Absent: 3 - Ms. Hons; Messrs. Goya and Nakashima).

The Board entered Executive Session at 12:20 p.m. and ended at 1:18 p.m. (Chairman Mochida left the meeting at 1:00 p.m.)

G. **MANAGER'S REPORT:** Taken up earlier.

H. **CHAIRMAN'S REPORT:**

None.

ANNOUNCEMENTS:

Upcoming Meetings:

1. Special Meeting of the Water Board
Date: January 26, 2005 (Wednesday)
Time: **9:00 a.m.**
Place: Department of Water Supply, Hilo Operations Center Conference Room,
889 Leilani Street, Hilo, Hawai'i

2. Regular Water Board Meeting
Date: February 22, 2005 (Tuesday)
Time: **10:00 a.m.**
Place: Department of Water Supply, Hilo Operations Center Conference Room,
889 Leilani Street, Hilo, Hawai'i

STATEMENTS FROM THE PUBLIC

None.

ADJOURNMENT

There being no objections, Vice-Chairman Heck adjourned the meeting at 1:20 p.m.

Secretary

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