

MINUTES

DEPARTMENT OF WATER SUPPLY
COUNTY OF HAWAI'I
WATER BOARD MEETING
June 27, 2006

HILO OPERATIONS CENTER CONFERENCE ROOM

MEMBERS PRESENT: Mr. Loren Heck, Chairman
Mr. Thomas Goya, Vice-Chairman
Mr. George Harai
Ms. Paula Helfrich (10:43 a.m.)
Ms. Millie Kim
Mr. Bernard Konanui
Mr. Ivan Mochida
Mr. Riley Smith
Mr. George Wilkins
Mr. Milton D. Pavao, Manager, Dept. of Water Supply (ex-officio member)

ABSENT: Mr. Christopher Yuen, Director, Planning Department (ex-officio member)
Mr. Bruce McClure, Director, Dept. of Public Works (ex-officio member)

OTHERS PRESENT: Ms. Amy Self, Deputy Corporation Counsel
Mr. Grant Nakagawa, KPMG
Ms. Kimberly Miyoshi, KPMG
Mr. Jim Greenwell
Mr. Robert Akinaka
Mr. Ben Tsukazaki
Mr. Micah Kane, Hawaiian Home Lands Commission
Ms. Kay Ahina, Department of Hawaiian Home Lands
Ms. Kimberly Agpoon and guest
Mr. Steve Bowles, Waimea Water Services

Department of Water Supply Staff

Mr. Quirino Antonio, Jr., Deputy Manager
Mr. Kurt Inaba, Engineering Division Head
Mr. Daryl Ikeda, Chief of Operations
Mr. Clyde Young, Mechanical Engineer, Operations Division
Mr. Richard Tsunoda, Waterworks Controller
Mr. Richard Sumada, Assistant Waterworks Controller
Ms. Crestita Hudman, Customer Service Supervisor
Mr. David Mellom, Credit and Collection Clerk
Mr. Keith Okamoto, Water Quality and Assurance Branch
Mr. Lawrence Beck, Water Resources and Planning Branch

CALL TO ORDER - Chairman Heck called the meeting to order at 10:02 a.m.

STATEMENTS FROM THE PUBLIC

None.

APPROVAL OF MINUTES:

ACTION: Mr. Goya moved for approval of the Minutes of the May 23, 2006, Water Board Meeting; seconded by Mr. Smith and carried unanimously by voice vote.

APPROVAL OF ADDENDUM AND/OR SUPPLEMENTAL AGENDA:

The Board received a **Supplemental Agenda** for SOUTH HILO, Item (A) JOB NO. 2002-798, CONSTRUCTION OF THE AINAKO AND AINA-NANI WATERLINE REPLACEMENT; NORTH AND SOUTH KOHALA, Item (A) JOB NO. 2006-888, NON-REVENUE WATER LOSS – PHASE II; AND NORTH KONA, Item (D) JOB NO. 2005-880, KAHALU‘U SHAFT BY-PASS HYDROELECTRIC PROJECT AT THE KAHALU‘U SHAFT, for today’s agenda.

ACTION: Mr. Harai moved to add the Supplemental Agenda; seconded by Mr. Mochida and carried unanimously by voice vote.

Ms. Amy Self asked the Board to consider adding an Executive Session to its Agenda for the following case: Department of Water Supply and Water Board of the County of Hawaii v. Arlene J. Wakefield, Civil No. 3RC 05-1-348K. The purpose of the Executive Session is, pursuant to Section 92-5(a)(4), Hawai‘i Revised Statutes (HRS), as amended, for the Board to consult with its attorney on questions and issues pertaining to the Board’s powers, duties, privileges, immunities, and liabilities, including the current status of the litigation.

ACTION: Mr. Harai so moved; seconded by Ms. Kim and carried unanimously by voice vote.

SOUTH HILO:

B. INDIVIDUAL’S REQUEST PURCHASE A PORTION OF DWS PROPERTY:

Motion by Mr. Mochida; seconded by Mr. Smith to move this item up on the Agenda. Motion carried unanimously by voice vote.

Ms. Kimberly Agpoon, owner of Tax Map Key (TMK) 2-6-015:014 and adjacent to the Department of Water Supply’s Haaheo Booster Pump Station on TMK 2-6-015:042 has submitted a request to purchase approximately 2,000 square feet (25-foot strip) of the northerly portion of TMK 2-6-015:042. Ms. Agpoon intends to consolidate this piece of property with TMK 2-6-015:014 to change the building set-back on the south boundary of her property.

Staff has reviewed this request and finds that the portion of the property Ms. Agpoon intends to purchase is unusable, and the sale of this piece will not adversely affect the Department's operation of the booster pump station.

The Manager recommended sale of the property, subject to expenses, survey, appraisal, and consolidation/re-subdivision of the properties to be borne by the purchaser.

It was noted that Ms. Agpoon was present today if the Board had any questions. (The Board had no questions.)

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

(Ms. Agpoon and guest left the meeting at 10:10 a.m.)

PRESENTATION OF AUDITED FINANCIAL STATEMENTS – JUNE 30, 2005:

Copies of the Department's audited Financial Statements for the fiscal year ended June 30, 2005, were distributed to Board Members last month. Mr. Sumada introduced Mr. Grant Nakagawa and Ms. Kim Miyoshi from KPMG, the Department's independent auditors from Honolulu. They reviewed a summary given to the Board at the meeting (filed with this Minutes).

Mr. Goya had a question about Capital Assets (Page 4 of the audit report). The list of projects added in the fiscal year are really work in progress. He thought it should be listed as work in progress rather than capital assets.

Mr. Nakagawa replied that on the face of the Balance Sheet on Page 6, they have different categories for capital assets—one of them being construction work in progress. These ones would be included in that category.

Mr. Goya asked if they are looking at the Budget as well, or just auditing the recorded information.

Ms. Kim replied that usually, it is the recorded information.

(Mr. Nakagawa and Ms. Miyoshi left the meeting at 10:17 a.m.)

MISCELLANEOUS:

B. WELL DEVELOPMENT AGREEMENT: LANIHAU PROPERTIES, LLC, WEST HAWAII BUSINESS PARK, LLC, AND PALANI RANCH COMPANY INC.

Motion by Ms. Kim; seconded by Mr. Mochida to move this item up on the Agenda. Motion carried unanimously by voice vote.

Lanihau Properties, LLC, West Hawaii Business Park, LLC, and Palani Ranch Company, Inc., desire to develop a potable water well, well site improvements, and transmission improvements that will be acceptable for dedication to the Water Board as part of the Department of Water Supply's water system. In consideration for their development of the water system improvements for the purpose of dedication to the Water Board and their conveyance to the Board of fee simple title to their respective interests in the well, the well site, the well site improvements, storage reservoir, transmission improvements, including all appropriate easements necessary for the maintenance and operation of the water system, the owners desire to obtain water allocations for their Honokohau Properties from the Board.

The Manager recommended that the Water Board accept the terms and conditions of the Well Development Agreement with Lanihau Properties, LLC, Palani Ranch Company, Inc., and West Hawaii Business Park, LLC, and authorize either the Chairman or the Vice-Chairman to execute the Agreement subject to review and acceptance by the Office of the Corporation Counsel as to form and legality.

It was noted that Mr. Greenwell wished to provide a brief testimony on this matter.

Mr. Greenwell stated that he is president of Lanihau Properties, LLC, and Palani Ranch Company, both of whom would be parties to this Agreement. He first expressed his appreciation to the Department's Manager, Deputy, and staff with whom they worked out the terms of the Agreement with over a number of months. He feels comfortable coming to the Board with something that represents both an opportunity for them to provide water long-term for property which has been in his family for about 100+ years in Honokohau, but and also serves the County and Department's needs as well. He appreciated the spirit in which they have been able to get to this point. He also assured the Board that upon execution of the Agreement, if approved, they are prepared to move expeditiously as possible to get an exploratory well underway, late summer or early fall, and to prove what they think will be a good source of water for North Kona.

Mr. Wilkins asked for the location of the well, described as being high altitude, which would put it well above Mamalahoa Highway.

Mr. Greenwell replied that the well would be about 4,000 feet of transmission line away from Mamalahoa Highway, so it is mauka of the Mamalahoa/Palani Junction, in the area of Honokohau 1, at 1,700 feet elevation. It matches the well which is about 3,000 feet to the south on the land of Honokohau 2. The idea was to match the two precisely. This would be on land owned by Palani Ranch Company, which is family owned.

Mr. Wilkins stated that he lives on property which is just north of the Ahupuaa stone wall, which is back up against part of lower Palani Ranch.

Mr. Goya commended everyone for working together on this. He noted on Page 9, they are including provisions to use a transfer of water commitments to the Department of Hawaiian Home Lands, and that is commendable.

Mr. Smith reiterated Mr. Goya's statement in that public/private partnerships are so critical nowadays for projects to go forward. Infrastructure development is a challenge; and when a private company can cooperate with a State agency in providing water for Hawaiians, it is really important to have similar projects like this.

Mr. Micah Kane, Chairman of the Hawaiian Homes Commission, also testified in support of the Agreement. Over the past three years, they have benefited from a good relationship with the Department of Water Supply and have developed a good understanding of development and direction that much of their neighbors are going in the region overall. One of the first things the Manager had asked him to do was to have more coordination and cooperation with their adjacent landowners in an effort to better the water quality in the region as a whole. He appreciated Water Board Members Goya's and Smith's comments eluding to the desire for partnerships is not just a one-way relationship. On this island, his department has five regions; and Kealakehe/Laiopua is one that is critical in providing affordable housing for the North Kona region. Part of what Mr. Greenwell is providing is enabling his department to move forward with potential affordable housing projects over and beyond the current two projects they will be breaking ground on in August—Villages 4 and 5, which represent 300+ units. This working relationship will result in tremendous benefit for the area in many facets, and he wished to express gratitude to the Water Board and those involved with this Agreement.

Ms. Kim commended Mr. Kane and his department on the Kealakehe project, which addresses the future of housing needs for the Hawaiian community, and was glad it is being coordinated overall with the overall improvement to the Kona water system.

The Manager stated that Mr. Kane has spearheaded a tremendous program in an effort to improve the quality of the water as far as housing, and this Department is very fortunate to be able to work with him.

Mr. Wilkins asked a question on behalf of his Kaloko neighbors about the difficulty over the past four or five years with Palani Ranch, which repeatedly attempted to make connections onto Kaloko's water supply at a time when they are stretched. At the time, they had recommended to the Planning Commission and to Mr. Jim Greenwell, Sr., that they develop their own infrastructure. He asked if it is their intention, if this well is successful, to use part of it on Palani Ranch mauka of Mamalahoa highway.

Mr. Greenwell replied that the Agreement specifically limits the lands that can be served by these water commitments. It does include the lands they own, both mauka, owned by Palani Ranch and by Lanihau Properties, and by the family that is basically within Honokohau, mauka and makai.

Mr. Wilkins asked if there is sufficient water and if they decide to develop the Palani Ranch mauka of the highway, there is nothing to stop them from making some of that water available to the ranch development.

Mr. Greenwell replied that was correct.

Mr. Goya asked if either Mr. Kane or Mr. Henderson could apprise the Water Board of its planning in the future, as projects come up.

Mr. Kane replied he would be happy to provide status of projects county-wide and would coordinate with the Manager when an appropriate time would be.

Mr. Smith commented that most of the beneficiaries of the affordable housing probably travel long distances to their places of employment. To have affordable housing further north in the Kona district is advantageous so they are not living in South Kona travelling long distances to work. He appreciated Mr. Greenwell's opportunity to cooperate with their developments, and it good for the entire north and south Kona districts the projects they are doing.

Chairman Heck commented that Mr. Akinaka was also present if there were any questions of him. There being none, he entertained a Motion to accept the Manager's recommendation.

ACTION: Ms. Kim so moved; seconded by Mr. Wilkins and carried unanimously by voice vote.

(Messrs. Akinaka, Greenwell, Tsukazaki, Kane, and Ms. Ahina left the meeting at 10:30 a.m.)

SOUTH HILO:

A. JOB NO. 2002-798, CONSTRUCTION OF THE 'ĀINAKŌ AND AINA-NANI WATERLINE REPLACEMENT:

Bids for this project were opened on June 23, 2006, at 2:00 p.m.; and following are the bid results:

<u>Bidder</u>	<u>Amount</u>
Yamada and Sons, Inc.	\$1,958,107.00
Willocks Construction Corporation	\$2,239,696.00

Project Scope: This project consists of installing 6-inch and 8-inch waterlines, service laterals, and fire hydrants along various streets in the project area.

The construction estimate for the project is \$940,000.00.

Funding for this project will be from the C.I.P. Budget. The contractor will have 360 calendar days to complete this project.

Based on the bid prices being approximately \$1,000,000.00 over budget, it is recommended that the Board **not** award the contract for JOB NO. 2002-798, CONSTRUCTION OF THE 'ĀINAKŌ AND AINA-NANI WATERLINE REPLACEMENT, to the lowest responsible bidder, Yamada and Sons, Inc. DWS personnel will revise the scope of work to bring the project cost within budget.

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

The Manager stated that the Department does not feel it should be spending such a large amount of money and would be working with the consultant to bring the prices down, possibly by bidding out in parts.

Mr. Riley questioned whether Yamada and Sons, Inc., was able to get bonding so they could meet procurement requirements. The Manager stated that they did submit all the requirements during the bidding process which was the bid bond. The Department would not know about the performance bond unless the bid is awarded to Yamada and Sons, Inc. The Manager did clarify that the recommendation was not based on the fact that it was Yamada and Sons, Inc. bidding, but on the prices being so high.

Mr. Mochida answered that if a contractor has a bid bond, the insurance company will approve the bond.

In response to Ms. Kim's question if this happens very often or is it just recently, the Manager replied that it is recently; and because of the current economy, the contractors are busy. The Board will be seeing more of this in today's Agenda; and in one case, there were no bids received at all. The Manager also stated that a million dollars over what was allotted, was hard for the Department to accommodate. Ms. Kim also asked if it created delays in the project, itself that adds to the cost on later projects. The Manager answered that this was to replace the galvanized lines and the reason the project was made was because the leak repair history warrants the replacement. So by delaying a project means that the Department will have to repair it several more times before it gets replaced.

Mr. Mochida asked when the construction estimate was made.

The Manager replied it was done by the consultants about a year ago.

Mr. Mochida commented that since that time, metal prices and gasoline prices have gone up, and there are problems with asphalt concrete. He suggested if there were a way to get the estimates and go out to bid sooner, it may help. Right now, the prices are really unstable.

The Manager agreed that the prices are unstable right now, but hoped it would stabilize in the future. However, it is hard to predict.

Mr. Goya questioned on whether it would be a short time or long term impact on capital projects, and replacement projects. The Manager it will probably be short term, things should be getting better when things stabilize.

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

B. INDIVIDUAL'S REQUEST PURCHASE A PORTION OF DWS PROPERTY:

Taken up earlier.

HAMAKUA:

A. **JOB NO. 2005-866, CONSTRUCTION OF THE ĀHUALOA WELL DEVELOPMENT – PHASE 1:**

Bids were opened on June 15, 2006, at 2:30 p.m.; and the results were enumerated in the Agenda. This project consists of the drilling, casing, and testing of an exploratory well and also includes grading of an access road and drilling pad within the project site. Funding for this project will initially be from DWS C.I.P. budget, however, DWS is currently pursuing funding from the State Drinking Water Revolving Fund program for reimbursement. The contractor will have 360 calendar days to complete this project.

The Manager recommended that the Board award the contract for JOB NO. 2005-866, ĀHUALOA WELL DEVELOPMENT – PHASE 1, to the lowest responsible bidder, Water Resources International, Inc., for their bid amount of \$1,488,600.00 plus \$148,860.00 in construction contingency for a total contract amount of \$1,637,460.00, and that either the Chairman or the Vice-Chairman be authorized to sign the contract, 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 Mr. Smith.

In response to Ms. Kim’s question about the State Drinking Water Revolving Fund and if it is easy to get reimbursement, the Manager replied that it is a program where the Environmental Protection Agency (EPA) provided an initial amount of money and delegated it to different states. The Department of Health (DOH) becomes the liaison between the utilities and EPA. DOH developed a low-interest loan program where part of the funds go to DOH for administration and they make loans available for various utilities. Loans are based on criteria they judge. Anything that has to do with bringing up compliance with the Safe Drinking Water Act has a priority.

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

NORTH AND SOUTH KOHALA:

A. **JOB NO. 2006-888, NON-REVENUE WATER LOSS – PHASE II:**

No bids were received, nor “Intents to Bid” filed. Therefore, the Department entered into direct negotiations with the local vendor, TK Process Hawaii, per Hawaii Administrative Rules, Section 3-122-35. This allows the Chief Procurement Officer/Manager to enter into direct negotiations when he determines it is neither practicable nor advantageous to the Department of Water Supply. The equipment manufacturer has stated that TK Process is their product representative for the State of Hawai‘i.

This project was developed to reduce the unaccounted water losses in District II (Waimea), which is 24.6%. The Department determined the contract amount was fair and comparable to the Phase I project. The contractor will have 180 calendar days to complete the project.

The Manager recommended that the Board award the contract for JOB NO. 2006-888, NON-REVENUE WATER LOSS PHASE II, to TK Process Hawaii, for the amount of \$207,089.20 and that either the Chairman or the Vice-Chairman be authorized to sign the contract, subject to review as to form and legality of the contract by Corporation Counsel.

MOTION: Mr. Smith moved for approval of the Manager's recommendation; seconded by Mr. Wilkins.

In response to Mr. Smith's request for explanation of the procurement process when an Intent to Bid is not filed, the Manager reviewed that there are provisions in the procurement law that when no bids are received, the Department has the right to negotiate a contract with a qualified bidder.

In response to Mr. Smith's question of why this company did not bid. Staff explained that the vendor missed the deadline for the Intent to Bid.

The Manager added that this is one project that pays for itself by reducing electrical costs.

Mr. Wilkins asked for clarification of the third sentence in the first paragraph, "This allows the Chief Procurement Officer/Manager to enter into direct negotiations when he determines it is neither practicable nor advantageous to the Department of Water Supply."

Ms. Self clarified that it was taken directly from the Procurement Code.

The Deputy Manager added that it means when the process of going out to bid again is not practical or advantageous, the Department has the authority to negotiate.

Mr. Smith questioned on how the Department estimated 24.6% in water losses.

The Manager stated that an audit was done and basically they look at a full hours pumpage versus total consumption on the meter books, and they compare it. You look at production, you look at what's being registered by the meter books, and you look at the difference.

Ms. Kim questioned if it exceeded the allowable margin and if it was leakage

The Manager stated that there was no allowable margin. The national standard is 10%. And it was leakage.

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

NORTH KONA:

A. JOB NO. 2003-821, CONSTRUCTION OF THE KUAKINI HIGHWAY

16-INCH WATERLINE IMPROVEMENTS:

The contractor, E. M. Rivera & Sons, Inc., requests a contract time extension of 31 calendar days due to an additional delay of asphalt delivery caused by a an asphalt storage tank fire, which occurred on June 12, 2006, at the Tesoro Refinery on Oahu. Subject to the previous asphalt shortage, the paving subcontractor cannot schedule completion of the remaining portion of the paving. At this time, there is no assurance from the Tesoro Corporation that future delays may not occur; and additional contract time may be required.

This is the second time extension to the contract. The first time extension was for 25 days due to ancient remains recovery and a delay in crude oil delivery to Tesoro's refinery in Oahu. Engineering staff has reviewed the second request and finds 31 calendar days are justified.

The Manager recommended that the Board grant this extension of contract time of 31 calendar days in addition to the initial request for 25 calendar days to E. M. Rivera & Sons, Inc., for JOB NO. 2003-821, CONSTRUCTION OF THE KUAKINI 16-INCH WATERLINE IMPROVEMENTS. If approved, the contract completion date will be extended from June 5, 2006, to July 31, 2006.

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

The Manager explained that a second time extension request came in after the Agenda went out, so this combines both requests. The Board would be taking action on what was shown in the Supplemental Agenda.

Discussion revolved around the shortage of asphalt. Mr. Mochida stated that Tesoro is the only one now bring in asphalt. Chevron gave up bringing it in because they could not make money. That is the cause of the problem. This is from about one month ago.

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

B. AGREEMENT TO CONVEY WELL AND RESERVOIR SITE - RONALD A. BROWN:

Ronald A. Brown (Owner) is the fee simple owner of, and is desirous of, developing that certain parcels of real property situate at Kealakehe, District of North Kona, Island and County of Hawai'i, State of Hawai'i, commonly known as a portion of "Kealakehe Homesteads," Tax Map Keys 7-4-004:014, 091, and 092, and containing a combined area of approximately thirteen (13) acres (the "Land"). The DWS' existing system is within the vicinity of the Land, but does not have the capacity to satisfy the requirements of the proposed development of the Land by the Owner.

Owner desires to enter into an Agreement to Convey Well and Reservoir Site consisting of a 1-acre portion of Tax Map Keys 7-3-006:036 and 037, containing approximately 3 acres each in exchange for 82 water units, 80 units of which is to be assigned to the Land, and 1 unit each to Tax Map Keys 7-3-006:036 and 037.

The Manager recommended that the Water Board accept the terms and conditions of the Agreement to Convey Well and Reservoir Site with Ronald A. Brown and authorize either the Chairman or the Vice-Chairman to execute the Agreement subject to review and acceptance by the Office of the Corporation Counsel as to form and legality.

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

Messrs. Smith commented on past dealings with Mr. Brown and his concern that Mr. Brown not have any outstanding issues with the Department of Water Supply such as he has with other County agencies. After checking with this Department, he was assured there were no issues with Department of Water Supply.

Mr. Wilkins also commented on a past situation with Mr. Brown, involving the Crazy Horse Development, and was hesitant on the Board getting involved with Mr. Brown in a contract situation.

The Manager cautioned Board Members on making comments of this nature. This Department tries to judge a project based on its merit and not on personalities. To speak of anything other than what is before the Board is not of interest of the Board nor the Department of Water Supply.

Mr. Mochida added that Corporation Counsel is always involved with drawing up contracts, so the Board need not worry.

Mr. Antonio commented that the matter before the Board today does not in any way influence any future actions that Mr. Brown may undertake. The matter beforehand merely allows the Department of Water Supply to acquire the land that Mr. Brown is offering to develop a well site. In exchange, Mr. Brown is being afforded a certain number of units. However, it, in no way, influences decisions by the Planning Commission or any land use agencies would consider.

Ms. Self stated that the Board should be basing its decision on what is before it and not on something known from outside of this.

Mr. Wilkins agreed and apologized for any personal aspect of his remark. He also asked where the well is to be located and if there were any discussions of this with Mr. Brown.

Mr. Inaba showed the area on a map on the bulletin board. It is mauka of Mamalahoa Highway and just above the Kona Hills Estates Subdivision (altitude about 1,760 feet).

The Deputy Manager also noted that the elevation matches the existing Kalaoa Well site so it is a perfect location.

Ms. Kim commented that she felt Mr. Smith's inquiry was appropriate with respect to Mr. Brown not having any outstanding issues and that it would be standard procedure.

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

C. JOB NO. 2002-806, CONSTRUCTION OF THE MAMALAHOA HIGHWAY WATERLINE IMPROVEMENTS – PHASE 2:

Bids were opened on June 15, 2006, at 2:00 p.m.; and the results were enumerated in the Agenda.

This project generally consists of demolition work and the construction of pressure reducing valve units with flow meters and appurtenances, new and modifications to existing tank inlet control units, piping and appurtenances, including electrical and communication work. Funding for this project will be from DWS C.I.P. Budget. The contractor will have 120 calendar days to complete this project.

The Manager recommended that the Board award the contract for JOB NO. 2002-806, CONSTRUCTION OF THE MAMALAHOA HIGHWAY WATERLINE IMPROVEMENTS - PHASE 2, to the lowest responsible bidder, Isemoto Contracting Co., Ltd., for their bid amount of \$1,350,740.00 plus \$135,074.00 for construction contingency for a total contract amount of \$1,485,814.00, and that either the Chairman or the Vice-Chairman be authorized to sign the contract, subject to review as to form and legality of the contract by Corporation Counsel.

MOTION: Mr. Mochida moved for approval of the Manager's recommendation; seconded by Mr. Smith.

Mr. Smith commented that Kona contractors' are very busy, you only had one bidder, one bidder followed the rules. It's a high price but it reflects what the bidding climate is now and it incorporated what Mr. Mochida had mentioned earlier.

The Manager stated that the Department's engineers as well as the consultant, looked at the prices and felt that the prices were okay. Mr. Smith commented that this was something that needed to be worked on rather than something you can live without.

Discussion followed about the Department's working relationship with the Department of Transportation, Highways Division, in having waterlines within State right-of-ways, although this project was noted to be contained within County right-of-way—not State. Mr. Smith suggested that Mr. Brennan Morioka of that department may be open to coming to a Water Board meeting to discuss the issue.

Ms. Kim stated that Mr. Morioka was very proactive and very responsive.

The Manager stated that the Department would write directly to him to have attend a Water Board meeting.

Mr. Goya questioned on how far the 1.5 million dollars worth, what kind of distance the Department was talking about.

The Manager stated that this was not only waterlines, but also controls. Controls to allow the water to flow, contrary to the normal way it flowed in the past, because the Waiaha project will allow the Department to use Waiaha water going both North and South. But to go South, because the South side used to be pumped up all the time, a lot of this project would involve to revise controls at tank sites, to allow the water to go backwards. So it's not only waterlines, a lot of it is controls. Hydraulic valve and electrical modifications. The Manager also explained that it was not only a waterline project.

Mr. Goya also questioned if it would increase the diameter of the pipes. The Manager stated that it was not increasing the diameter of the pipes because the pipes were 8 and 12 inches that area.

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

D. JOB NO. 2005-880, KAHALU'U SHAFT BY-PASS HYDROELECTRIC PROJECT AT THE KAHALU'U SHAFT:

Staff reported that two bids were received but were disqualified because one did not submit Intent to Bid and the other did not provide a bid bond. This project will be incorporated into the next fiscal year budget because the funds from the current budget may not be carried over.

Mr. Mochida asked what the construction estimate was. Staff stated that it was \$200,000.00 based on a study that was done two years ago. Staff stated that even with the high cost the payback period was five to six years. The Department gets to use the power on-site. In most cases it would have to be sold back to Helco at a reduced cost, but in this case it could be used at the shaft pumping station.

Mr. Smith asked that Staff briefly describe the concept of where the hydrant would be located and why is there extra energy. Staff stated that this was at the Kahaluu Shaft. Because the water is coming from mauka, the Kahaluu Wells, it was estimated to be about 1,200 to 1,500 gpm. The Department is trying to reduce the pumping of the shaft in order for more water to be able to come down.

The Manager also stated that the hydrants are more efficient when the flow is steady and this flow is being controlled by a valve and it is a steady flow, perfect for a hydrant.

Mr. Smith questioned on how the Department would synchronize both the hydro operating and the usage of power at the same time because there was no on-site power storage. Staff answered that the power generated would always be less than what is being used because Kahaluu Shaft runs continuously.

Chairman Heck asked how long it would take to find bids again. Mr. Young stated that it would probably come up on the next CIP report.

The Board noted that this type of project would be the type of information that would be good to have conveyed to the public. Upon questions about the status of the new position, Public Relations/Business Manager, the Manager replied that it is close to advertising and that the title has been changed to Water Information Specialist/Trainer.

E. JOB NO. 2001-790, CONSTRUCTION OF KONA COASTVIEW/WONDER VIEW SUBDIVISION WATER SYSTEM IMPROVEMENTS:

The Board considered a request from the contractor, Isemoto Contracting Co., Ltd., for an extension of contract time of an additional 90 calendar days due to a change order to pave the streets within Kona Coastview and Kona Wonderview Subdivisions. The additional funding is provided from the County of Hawai'i, Department of Public Works.

This is the second time extension request. The first time extension was granted on August 23, 2005, for 92 calendar days to overexcavate and place additional structural backfill for the lava tubes encountered at Reservoir Sites No. 1 and No. 2, in addition to the collapse and backfill of a lava tube in Ahikawa Street.

The Manager recommended that the Board grant Isemoto Contracting, Co., Ltd., this extension of contract time from June 29, 2006, to September 27, 2006, for JOB NO. 2001-790, CONSTRUCTION OF KONA COASTVIEW/WONDER VIEW SUBDIVISION WATER SYSTEM IMPROVEMENTS.

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

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. GRANT OF EASEMENT AND BILL OF SALE

ALII HEIGHTS, UNIT 2, PHASE V
Subdivision Application No. 2005-118
Grantor: Towne Keauhou LLC
TMK: (3) 7-7-008:por. 011
E.W.O.: 2005-072
Lots: 22 plus 2 roadway lots
Facilities Charge: \$115,500.00
Final Inspection Date: June 8, 2006
Water System Cost: \$176,037.00

Zoning: RS - 15
Paid: July 1, 2004

2. GRANT OF EASEMENT AND BILL OF SALE

PUALANI ESTATES PHASE 2
Subdivision Application No. 90-143
Grantor: D. R. Horton – Schuler Homes, LLC
TMK: (3) 7-5-017:029 portion

E.W.O.: 2005-035
Lots: 15 Lots being serviced
Facilities Charge: Previously Paid
Final Inspection Date: February 15, 2006
Water System Cost: \$911,725.00

3. GRANT OF NON-EXCLUSIVE EASEMENT
UTILITY EASEMENT AT PIIHONUA RESERVOIR NO. 1 (Power poles)
Grantor: State of Hawai'i, by its Board of Land and Natural Resources
TMK: (3) 2-5-009:portion 002, 003 & 004

4. GRANT OF EASEMENT AND BILL OF SALE
KAMULANI SUBDIVISION
Subdivision Application No. 82-179
Grantor: Gary Ahu
TMK: (3) 2-5-060:001 portion
E.W.O.: 92-100
Lots: 8 plus 1 roadway lot
Facilities Charge: \$38,500.00
Final Inspection Date: July 19, 2005
Water System Cost: \$36,195.00
Zoning: A-5a
Paid: July 21, 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.

MOTION: Mr. Mochida moved for approval of the Manager's recommendation; seconded by Mr. Wilkins.

Mr. Smith declared that his place of employment, Parker Ranch, is in a joint venture with D. R. Horton, so he would abstain from voting on Item No. 2.

ACTION: Separate votes were taken for each item. For Items 1, 3, and 4, Motion was carried unanimously by voice vote.

For Item No. 2, Motion was carried by voice vote of 8 Ayes: Mss. Helfrich and Kim, and Messrs. Goya, Harai, Konanui, Mochida, Wilkins, and Chairman Heck; 1 abstention: Mr. Smith.

B. WELL DEVELOPMENT AGREEMENT: LANIHAU PROPERTIES, LLC, WEST HAWAII BUSINESS PARK, LLC, AND PALANI RANCH COMPANY INC.

Taken up earlier.

C. DEPARTMENT OF WATER SUPPLY PROPOSED OPERATING AND CAPITAL IMPROVEMENT BUDGETS FOR FISCAL YEAR 2006-2007:

The proposed Operating and Capital Improvement Budgets for Fiscal Year 2006-2007 were published in the newspapers for presentation at the Public Hearing held on June 27, 2006, at 9:30 a.m.

The Manager recommended that the Board approve the proposed Operating and Capital Improvement Budgets for the Fiscal Year 2006-2007.

ACTION: Mr. Mochida moved for approval of the Manager's recommendation; seconded by Ms. Kim.

D. MONTHLY PROGRESS REPORT:

Submission of Progress Report of Projects by Department (see attached). Department personnel will be available to respond to questions by the Board regarding the status/progress of any project.

Mr. Smith questioned a project being done by Isemoto Contracting on Mamalahoa Highway by Nuuanu Street, looked like a waterline, but he had no idea about it.

Staff informed Mr. Smith that it was a subdivision that will be dedicated to water supply.

E. REVIEW OF MONTHLY FINANCIAL STATEMENTS:

Submission of financial statements and information relating to the financial status of the Department. Department personnel will be available to respond to questions by the Board relating to the financial status of the Department.

Mr. Goya stated that he had spoken to Mr. Sumada, regarding page 2 of the summary.

Mr. Sumada stated that it was insurance charges that are paid annually and it covers until May of 2007. Mr. Goya also mentioned that this years expenditures exceed the budgeted amount. The updated, proposal and the new budget shows \$2,003,000.00, which is the new amount and it has not been reflected for 11 months. He stated that since it was such a large amount it should affect the current budget year.

F. MANAGER'S REPORT:

- 1) Kona Coastview/Wonderview Improvement District project – the Board took action earlier on a time extension, extending the completion date of the project to September 22, 2006.
- 2) USGS Drilling Program – the equipment is at the Department's Panaewa Well Site. The Maui and Kauai water departments have been invited to come look at the equipment to see if there is anything they are interested in. Thereafter, the equipment will be auctioned and the proceeds split three ways.
- 3) Kona Water Quality – Department still undergoing negotiations with different parties in an effort to get water corridors.
- 4) 2006 Water Board Meeting Schedule - Board to set meeting place for Ocean View for the August 22, 2006, Water Board Meeting. *The Board decided to meet in Kona for its August meeting; in Hilo for its September meeting; and in Ocean View for its October meeting. The*

reason for pushing back the Ocean View meeting was to afford time to have the consultant for the Ocean View Well project under contract and present at the meeting.

- 5) Hawaii Water Works Association (HWWA) Conference – to be held on Kauai October 11 to 13, 2006.
- 6) Corporation Counsel Attorney Conference – September 13 to 15, 2006, Hilton Waikoloa Village – the Manager stated there are a number of interesting topics covered in this conference. If any Board Members are interested in attending, please advise. (Copies of the program were provided after the meeting.)
- 7) The Manager reported that the Department has moved some of its personnel into the office space vacated by Merrill Lynch. When the Judiciary moves in about two years, the Department will look into renovating that entire wing at one time.

G. COST OF GOVERNMENT COMMISSION:

No comments.

H. CHAIRMAN’S REPORT:

Ms. Helfrich commended everyone involved in the American Water Works Association national conference held in San Antonio, Texas, June 11 to 15, 2006. She thanked the Department for the opportunity to attend and added that it was very informative.

I. EXECUTIVE SESSION: (by addendum)

1. *Department of Water Supply and Water Board of the County of Hawaii v. Arlene J. Wakefield, Civil No. 3RC 05-1-348K.*

The purpose of the Executive Session is, pursuant to Section 92-5(a)(4), Hawai‘i Revised Statutes (HRS), as amended, for the Board to consult with its attorney on questions and issues pertaining to the Board’s powers, duties, privileges, immunities, and liabilities, including the current status of the litigation.

ACTION TO ENTER EXECUTIVE SESSION: Mr. Goya moved that the Board enter Executive Session for the reasons stated; seconded by Mr. Wilkins and carried unanimously by voice vote.

(The Board entered Executive Session at 11:45 a.m. and finished at 12:15 p.m.)

ACTION: Mr. Harai moved to accept Corporation Counsel’s recommendation; seconded by Mr. Mochida and carried unanimously by voice vote.

(Note: Mr. Goya left the meeting at 12:08 p.m.)

ANNOUNCEMENTS:

Next Meeting:

The next meeting of the Water Board will be held on July 25, 2006, 10:00 a.m., in the Hilo Operations Center Conference Room, 889 Leilani Street, Hilo, Hawai'i.

STATEMENTS FROM THE PUBLIC

None.

ADJOURNMENT

ACTION: Mr. Smith moved for adjournment of the meeting; seconded by Mr. Wilkins and carried unanimously by voice vote. Meeting adjourned at 12:17 p.m.

Clerk-Stenographer

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