

MINUTES

DEPARTMENT OF WATER SUPPLY
COUNTY OF HAWAI'I
WATER BOARD MEETING

December 18, 2007

Hilo Operations Center Conference Room

MEMBERS PRESENT:

Mr. Thomas Goya, Chairman
Mr. Riley Smith, Vice-Chairman
Mr. George Harai
Ms. Paula Helfrich (10:13 a.m.)
Ms. Millie Kim
Mr. Bernard Konanui
Mr. Francis Kuailani
Mr. Dwayne Mukai (10:14 a.m.)
Mr. Milton Pavao, Manager, Department of Water Supply
(ex-officio member)

ABSENT:

Mr. Loren Heck, Water Board Member
Mr. Bruce McClure, Director, Department of Public Works
(ex-officio member)

OTHERS PRESENT:

Ms. Katherine Garson, Deputy Corporation Counsel
Mr. Daryn Arai, (representing Mr. Christopher Yuen, Planning Director,
ex-officio member)
Mr. Steven Lim, Carlsmith Ball LLP
Mr. Jim Stutheit
Mr. Eric Willis (10:25 a.m.)

Department of Water Supply Staff

Mr. Quirino Antonio, Jr., Deputy Manager
Ms. Kris "Kanani" Aton, Public Information and Education Specialist
Mr. Kurt Inaba, Engineering Division Head
Mr. Lawrence Beck, Engineering Division
Mr. Keith Okamoto, Engineering Division
Mr. Richard Tsunoda, Waterworks Controller
Mr. Daryl Ikeda, Chief of Operations
Ms. Julie Myhre, Energy Analyst

CALL TO ORDER - Chairman Goya called the meeting to order at 10:03 a.m.

STATEMENTS FROM THE PUBLIC - verbatim

1. Mr. Jim Stutheit

CHAIRMAN GOYA: We have Mr. Jim Stutheit here about the Ocean View water system. He's representing himself. Good morning and welcome, Mr. Stutheit.

J. STUTHEIT: Thank you for this opportunity to speak to the Board. I hope that all of you have received the letter that I sent. I regret the timing is so short between when -, I hand delivered it yesterday. I only knew of the problem with the Ocean View program at the last meeting you had in Ocean View, about the \$7 million shortfall in the \$6 million program. I went home and thought about how perhaps I could contribute to the program, and it has been outlined in this letter. I hope that perhaps you could chisel a few million off of the program. Let me say that I only address the financial elements in the letter. Let me elaborate just a little bit on the present program. The present program has a well site in Ocean View that is above the park area, which is fine. The well area itself is basically a huge puka about 15 feet deep, maybe 12, 15 -, in that range. That is the site of the well storage tank. Now the storage tank is some 60 feet wide and 18 feet tall; and that's -, actually it's gonna be in the bottom of the puka so it won't be quite as visible as it could be otherwise, so that's good. However, if it runs dry and if we also simultaneously move the siphon from the tank to the fill station, there may be a problem. There is a larger program problem with the fill site itself. If you ask somebody in Ocean View where the fill site is going to be, they will say it's at the corner of Lehua and the highway. Well that's not exactly accurate. It is actually off Lehua Lane. Now realizing the lane is only 40 feet wide and the paved part of it is even less than that. It comes off of a curve in the road. Now when Ocean View was developed, the State or the County, I don't know which, had a very firm rule that there would be no access to the highway from the property--not even for shopping centers. It had to be off of roads. In this case with Lehua Lane, which is the smaller of the roads in Hawaiian Ocean View Estates, the boulevards run 60, and the lanes and other roads run 40. Okay, now then, since there was no access to the highway allowed, the developer developed what I call pan lots. These pan lots have a sort of long "handle" and then a bigger "pot" area. The proposed place for the fill is three of these pan lots, which means if you have to build a road, it would have to be on the handle part of the pan. Now with three of them, and they are 20-foot-wide each, so you have a 60-foot roadway; but that means that people that would come in for filling have to drive down that, and that means we have to pave an extended part, and then we've got a restricted area where the huge tanker trucks that haul the water have to turn. And there is enough room, but barely. It makes for a very awkward fill area. Not only that, it turns out to be very expensive. Right now, the fill site, as it's presently planned, is \$1.9 million. Had you asked somebody when they were designing the system, do you really want to spend \$2 million on a fill site, and they would have looked at us and said "no way." So that's some of the background of the existing plan.

Now then, we have an alternate location, which, if you will look at your maps, I hope all of you have received a copy of the letter so that you can follow along with me, that is very convenient for a fill site; and the fill site can be very cheaply incorporated into that area. That area also has the advantage of being right next to the lot where the existing well is so that the existing well can be converted to the so-called second well. Fact is it can be done first; it doesn't have to be done second in consecutive events. Fortunately, that site also is very accessible to the highway, much more convenient than what we've got; and so that is where you would get a major part of the savings that total some \$6.7 million. My main objective to be here today, besides to comment, is to answer any questions that you may have.

CHAIRMAN GOYA: Thank you for your public statement here. We cannot discuss this at this time. We're taking a public statement from you. Most of all, we appreciate your diligence and your sincere interest in this particular project. What we can do is take this information under advisement right now, because it is not an agenda item right now, number one.

J. STUTHEIT: Yes, I understand.

CHAIRMAN GOYA: And number two...most of us on the Board are laypeople. Although we have some information regarding the project, it is our recommendation at this time is that we will turn this over to the Department and the consultant who will discuss and address your concerns directly because I think it may overlap with some other community concerns or others in the community that weren't able

to grasp the full information from the presentation that the consultant gave at the last meeting. Although we gave an hour's time for presentation and some information exchange, I think that the consultant can go over it in more detail with you and the Department's representative to address some of the things you brought up here. Again, we really thank you for the effort you put into your presentation here today that you gave to the Board and moreso for your continued commitment to this project to get water to Hawaiian Ocean View Estates. So again, Mr. Stutheit, thank you very much.

J. STUTHEIT: I have a whole pile more of maps and information, if needed; and I look forward to continue on your Agenda, you're going to have a report, and I look forward to that; and thank you for this opportunity.

APPROVAL OF MINUTES:

ACTION: Mr. Smith moved for approval of the Minutes of the November 27, 2007, Water Board Meeting; seconded by Mr. Harai and carried unanimously by voice vote.

APPROVAL OF SUPPLEMENTAL AGENDA:

Chairman Goya entertained a Motion to add the Supplemental Agenda report on Miscellaneous Items B) Material Bid No. 2007-06, Furnishing and Delivering Temporary Potable Water Storage Tanks; E) Vehicle Bid No. 2007-08, Furnishing and Delivering Vehicles to the Department of Water Supply; and D) Foster Kern LLC, Tax Map Key (3) 1-6-003:005 (Portion) and 108 Ulupono Center.

ACTION: Mr. Smith moved that the Board take Item 6(D), Foster Kern LLC, out of order and also that the Board amend the Agenda with the Supplemental information on Items 6(B) and 6(E) that was handed out this morning; seconded by Ms. Kim and carried unanimously by voice vote.

MISCELLANEOUS:

D. FOSTER KERN LLC, TAX MAP KEY (3) 1-6-003:005 (PORTION) AND 108 ULUPONO CENTER:

This Agenda item was deferred at the November 27, 2007, Water Board Meeting.

The developer has completed the construction of the water system improvements and received final inspection on December 6, 2007. In lieu of granting a right of entry, they are able to dedicate the water system including the necessary easements that would also allow them to remove the existing easement in favor of DWS. This is now a typical "Dedication of Water System" with the following information:

GRANT OF EASEMENT AND BILL OF SALE

Grantor: Foster Kern LLC

TMK: (3) 1-6-003:005 POR.

E.W.O.: 2007-055

Lots: 14

Zoning: MCX-20

Facilities Charge: \$203,500.00 (for 37 units)

Paid: 5/16/2006

Final Inspection Date: 12/7/2007

Water System Cost: \$???

The water system has been constructed in accordance with the Department's standards and is in acceptable condition for dedication.

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 as well as a joinder to the petition to cancel the other easement.

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

Ms. Garson noted that the recommendation in the Supplemental Agenda handed out this morning supercedes the one in the Agenda.

Mr. Lim, representing Foster Kern, LLC, came forward and showed the Board the project on a map. This Ulupono Center is located in Keaau near the junction of Volcano Highway and the Keaau/Pahoa Road. Foster Kern, LLC, has developed the Center (Phase 3), approximately 12 industrial lots zoned MCX20. As part of the subdivision and the recordation of the subdivision at the Land Court, the developer has now completed the roadway from Milo Street into the cul-de-sac area, which is where the new waterline will be located. The last time this was on the Agenda, they did not have all of this information. He understands the Department of Water Supply has approved the construction of the water facilities within the roadway lot and that they have submitted the cost estimates, as of this date, and they are acceptable to the Department. There are two requests to the Department--one is to accept the Grant of Easement/Bill of Sale for waterlines and also, because this is Land Court land, to execute the joinder in the Land Court to extinguish Easement 379, which is the former waterline easement. Essentially, the new waterlines will replace that easement. There would be a Grant of Easement and Bill of Sale. After this proceeding, they intend to go forth with the dedication of the roadway to the County. They ask for the Board’s support and also ask that the documents be signed as soon as possible, and they will record both documents at the Land Court themselves.

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

SOUTH HILO:

A. ANDRADE CAMP WATER SYSTEM IMPROVEMENTS AGREEMENT:

The DWS and the County are entering into Agreements with the USDA-RUS Loan/Grant program to provide funding for the subject project that has been approved for a 75% grant and 25% loan by USDA. The Andrade Camp Association has agreed to contribute to the project by reimbursing the DWS/County in the amount of the USDA loan, along with the interest and expenses associated therewith. This agreement is to specify the terms and conditions of the contribution by the Association to DWS. The estimated loan amount will be \$147,000.00 with an estimated interest rate of 4.125% (actual rate determine at loan closing) and the payback period is for 35 years.

The Manager recommended that the Board approve this agreement for the Association payback to DWS/the County and that either the Chairman or Vice-Chairman be authorized to execute the agreement, subject to approval of Corporation Counsel.

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

Ms. Garson handed out the agreement prior to the meeting. According to the Andrade Camp’s attorney, they had a meeting last night so up until then, they had been working with a draft. This agreement in front of the Board has been approved by them.

Discussion followed regarding the cost for DWS staff's time involved on a project like this, even though the project itself is federally funded. The Department might look into getting reimbursement for the time and effort it takes to construct these projects.

Chairman Goya stated that it would help if these costs could be identified or quantified, if not approximated, to give the public an idea of the commitment from the Department that is being made, especially with the Hawaiian Ocean View project. There is considerable time and effort being spent by the Department and its staff to accommodate the \$6 million grant to the County of Hawai'i. He asked that it be communicated to the Board.

The Manager replied he would provide that information to the Board.

ACTION: A vote was taken on the Motion. Motion was 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**
Grantor: David J. Berman
TMK: (3) 2-4-005:004
E.W.O.: 2007-099
Lots: 1-Existing, 10-Additional
Facilities Charge: \$56,190.00
Final Inspection Date: 8/30/2007
Water System Cost: \$93,430.00
Zoning: A-3a
Paid: 7/12/2007

2. **GRANT OF EASEMENT AND BILL OF SALE**
Subdivision Application: 99-134
Grantor: Hilo One, Incorporated
TMK: (3) 2-7-003: 027 Portion
E.W.O.: 2007-016
Lots: 9
Facilities Charge: \$50,690.00
Final Inspection Date: 5/14/2007
Water System Cost: \$51,000.00
Zoning: RS-15
Paid: 7/25/2007

3. **GRANT OF EASEMENT**
Andrade Camp Water System Improvements
Grantor: Continental Pacific, LLC
TMK: (3) 2-8-007: 090
E.W.O.: 2007-008

4. **GRANT OF EASEMENT**
Andrade Camp Water System Improvements
Grantors: Richard Ha Jr. and June Dale Ha
TMK: (3) 2-8-004: 005 Portion
E.W.O.: 2007-008

5. **GRANT OF EASEMENT AND BILL OF SALE**

M & K Kona Subdivision (Sub. No. 2004-000223)

Grantor: Lower Kaloko, Inc.

TMK: (3) 7-3-025: 069 (Roadway Lot)

E.W.O.: 2007-082

Lots: 6

Zoning: FA-3A

Facilities Charge: \$27,500.00

Paid: 3/05/2007

Final Inspection Date: 11/07/2007

Water System Cost: \$37,770.00

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. Harai moved for approval of the Manager's recommendation; seconded by Mr. Smith.

Mr. Inaba noted that for Item No. 4, this one was approved at the November 27, 2007, Water Board Meeting; however, the tax map key was incorrect. This item was placed on today's Agenda for clarification purposes.

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

B. **MATERIAL BID NO. 2007-06, FURNISHING AND DELIVERING TEMPORARY POTABLE WATER STORAGE TANKS:**

Pursuant to HRS 103D, the Department solicited quotations for the furnishing, delivery, and training of covers and support systems for each of the three (3) corrugated metal water tanks the Department has. The original **2007-06 FURNISHING AND DELIVERING, TEMPORARY POTABLE WATER STORAGE TANKS** contract did not include a cover. A request for a quote to provide covers that meets the Department's water quality standards for treated water was received; however, it exceeded the contingency amount. Thus, the Department requested quotes from 3 vendors for tank covers that meet its water quality parameters and cover support systems that are temporary in nature and easy to assemble and disassemble. The following quote was received:

<u>Vendor</u>	<u>Quote (includes tax)</u>
Puna Water Services dba WaterWorks	\$15,296.87
Hawaii Catchment Company	No quote
Paradise Pools	No quote

Funding to be through the Federal Emergency Management Agency (FEMA).

The Manager recommended that the Water Board award a materials contract to the lowest responsible bidder, Puna Water Services dba WaterWorks, for their quote of \$15,296.87, and that either the Chairman or the Vice-Chairman be authorized to sign the contract(s), subject to the review and approval of Corporation Counsel.

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

C. **KONA COMMUNITY HOSPITAL:**

Mr. Eric Willis came forward to bring the Board up to date on what happened with the hospital after the storm (November 29, 2007). The hospital was without water and was not notified. He did not find out, himself, until he went to turn on the water at his residence in the morning. It was a feat to get water to the hospital. Fortunately, they were able to get potable water tankers tied in to their system; and the County set up tanker trucks for the fire sprinkler system. They were lucky they did not have to evacuate the hospital once again. He asked if there could be an interface between the Department of Water Supply's alert system and the hospital so they could monitor the tank level themselves. He stressed the need for the hospital to have water at all times.

The Manager was sure the Department could set up some kind of indicator for the hospital. He added that the reason the hospital was not notified was because there was a main break caused by the road being washed out. Then there was a power outage. When power came back on, the well did not start up because lightning had burned one of the electronic panels in the starters. Fortunately, another well in Kona (Hualalai) has similar controls; and they were used to get the Halekii well back online. The Manager also stressed the need for the hospital to have its own emergency storage tank (capacity of about 20,000 to 30,000 gallons; enough to last one day). He suggested that Mr. Willis visit the Hilo Hospital and look at their storage system. There are going to be times like this where no matter what this Department does, it will not be able to service the hospital.

Mr. Willis commented that this kind of ties in with the generator project and asked how that is going.

The Manager replied that the Department received the generators and is now working on design to automatically switch controls for conditions like when the power goes out, they will switch to the generators. Upon completion of that design, it will go out for bids for the electrical work to connect the generators. The construction should not take that long.

In response to Mr. Harai's question of how much a storage tank would cost for the hospital, the Manager estimated \$50,000.00. The cost to set it up might raise the price to twice that amount.

In response to Mr. Mukai's question about lightning strikes, the Manager explained that there are safety measures in place to protect the equipment from lightning; however, the equipment can only do so much.

Ms. Kim asked Mr. Willis how the hospital would go about getting funding for a storage tank.

Mr. Willis replied that he would have to go through the State's C.I.P. budget, and that could take years. He added that another problem is with the water pressure. The backflow preventer also cuts down on the water pressure, and they have been cited twice by the Fire Department on water pressure issues. He asked if the generators will help with the water pressure.

The Manager stated that the pressure problems would not go away because of where the hospital is situated in relation to the tank. The hospital would need to put in a booster pump, and there is a danger in having a booster pump go directly into the system. Normally, booster pumps go directly into a tank, and from the tank they would have the pressure. However, that is not going to resolve Mr. Willis' concern.

Mr. Willis stated that he was a little confused about the way the water system works to the hospital.

The Manager stated that he would set up a meeting for Mr. Willis with Mr. Bob Ravenscraft and Mr. Andrew Higa of the DWS Kona office to come and explain the system more.

Mr. Willis appreciated that. Any help to the hospital would be tremendous.

The Manager added that the Department could also assist in any type of lobbying the hospital would have to do to get funding for a storage tank.

Mr. Okamoto noted that they would need to have that supplemental tank anyway if they want to boost the system. The tank would serve two purposes.

Mr. Smith asked if the Department has a signed elevation agreement with the hospital; and if not, perhaps have them sign one after the fact. That might help Mr. Willis as proof before the Legislature that the hospital is not meeting the minimum water pressure and may cause shut-down of the hospital.

The Manager stated that he would check on it. He added that another resolution into helping with this problem is a pressurized system, but it would involve a lot of money. You set up a tank, fill that tank, and from there, boost it to a pressurized tank, it would, in turn, pressurize the entire hospital. The technology is there, but the Legislature would have to provide the funds.

Mr. Willis asked if the backflow prevention device installed at the hospital is the proper one to have because it does cut down about 15 pounds of pressure. He wondered if there was another style that could be considered.

Mr. Okamoto stated that the hospital has the appropriate one for that type of use.

The Manager suggested they have a mechanical engineering firm look into a pressurized system because it would take care of both their dependability problems and also their problem with water pressure.

Mr. Willis stated that he appreciated any recommendations the Department may have. They need to come up with something because this is just inappropriate.

Mr. Mukai asked Mr. Willis if, in light of this discussion, he still desired that interface with the DWS' monitoring system for water levels and if the Manager was certain it could be provided to the hospital.

Mr. Willis indicated he would very much appreciate having that interface between the hospital and the Department's monitoring system, and the Manager stated it can be done.

Ms. Kim added that whatever Legislative proposal they need to put together, perhaps the DWS could help out with the lobbying. It makes a big difference having collateral support from the DWS and technical background to show this is clearly a health and safety situation.

Chairman Goya agreed but cautioned everyone that they need to be on the same page going forward with appropriate parties, including Hawaii Healthcare Systems, the County of Hawai'i, and elected representatives as well. This needs to be a team effort. It is of critical nature and should be addressed immediately. It should be initiated by Hawaii Healthcare Systems first, and then appeal to the County of Hawai'i for support. Then this Department and Board, in turn, would provide the necessary support and testimony, if necessary, in support of this project.

Ms. Helfrich had a concern that the Department has been working on the generator project for the past year and that was thought to be the solution to the problem. However, in the meantime, it has become a much bigger issue than that; and it is unfortunate that it is only kind of surfacing now. She wondered why the health care system did not have a regular ongoing check procedure to ensure both the water pressure and the size of the storage facility are adequate. She wondered why that was not checked earlier.

Mr. Willis explained that the hospital was built about 30 years ago. When he came on staff about a year and a half ago, he learned about this problem right away. It is one of the many items he has been tackling in making improvements to the hospital, and that is why he came before the Board. He did not know where else to get the word out there that this needs attention.

Ms. Helfrich agreed with the Manager's suggestion of finding some sort of reasonable localized system that could be put in place right now by raising funds locally instead of waiting two to three years for State funding for a high-cost solution.

Mr. Willis stated that they do have a booster pump system internally for the potable water. Unfortunately, all of that potable water is tied in with the toilets, showers, etc.; and when they tied in with the potable water tankers, they were flushing good water down the drain. There are a lot of different scenarios to go with, and any help they can get from the Board and the Department is appreciated.

The Manager stated that once things are underway with the hospital as far as seeking funding from the State Legislature, this Department can assist in the lobbying.

Chairman Goya asked that Mr. Willis relay to those concerned what this Department is doing regarding the emergency generator project and to the extent that it is trying to work with him to provide the necessary communication or interface with the Department's monitoring equipment.

Mr. Beck asked for clarification if the intent is to provide a computer terminal to the hospital, and if it would be at no cost to them.

The Manager stated that it would be more of an alert system, or signal, to let them know there is a problem--not a computer terminal; and it would be at no cost to the hospital.

In response to Ms. Kim's suggestion that Mr. Willis update Representative Josh Green, Chair of the House Health Committee, right away, Mr. Willis indicated he would have the CEO contact him.

The Manager stated that he appreciated Mr. Willis' efforts. He has only been with the hospital 1½ years and has really made an effort to make improvements.

Chairman Goya added that the Board will also be as supportive as it can.

Mr. Willis thanked the Department and the Board and stated he would deliver the message to his superiors. (Mr. Willis left the meeting at 10:57 a.m.)

ACTION TO MOVE AGENDA ITEM UP:

Chairman Goya entertained a Motion to move up Item No. 2, Hawaiian Ocean View Well, under the Manager's Report, to accommodate Mr. Stutheit.

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

MISCELLANEOUS:

K. MANAGER'S REPORT:

2. Hawaiian Ocean View Well - the Manager reported that staff continually meets with the consultant and is finalizing the request for proposals. Bids should come in sometime in March 2008 for the final cost

for the design-build phase. At this point in time, if the Department were to incorporate any changes into the plan, it would probably lose the funding because it would not be able to meet the deadline. As far as the ability to use the USGS test well, as was indicated, that is impossible. USGS has maintained that monitoring wells are not to be used as production wells. The hole is only six inches in diameter and would only hold a 4-inch casing. It would not produce much at all and is not even worth thinking about. As far as the fill station site that was chosen, the consultant took everything into consideration--the size of the trucks, the turning radius, etc., to ensure they can get in and out properly. He did not see an issue about the access. If the site were to be changed now, it would place the funding in jeopardy.

Mr. Smith recapped how this project got to where it is now. The State appropriated funding for the project. The funds stay with the County of Hawaii, but his Department is administering the construction project. This Department followed the State Procurement process when going out for bids. In order to encumber the funds in the time that was available, the Department decided to go through a design-build process. That process incorporated the services of a professional licensed engineer to come up with construction plans, who, in their professional opinion, met the requirements in the scope of work. In conjunction with the request for proposals, the Department is also able to award a construction contract as part of the same contract, in conformance with the State Procurement process. This Department's hands are tied. The information that Mr. Stutheit provided will be passed along to the consultant; but as the Manager commented, it is too late in the game to make changes.

Chairman Goya hoped the consultant would be able to address these concerns and that this be appropriately communicated to others so that everybody is on the same page. He added that when he went out to the community and the presentation was made on the additional work or additional interests or needs, he was taken back because he thought the focus would be on what could be done with the \$6 million and that would be it. Now the project has expanded to take into account a full build-out system, which is what the community wanted.

The Manager stated that the community was adamant about having that as part of the plan. That is the reason the figures shown by the consultant became outrageous. The bottom line is that the community will get what it had initially asked for.

Chairman Goya stated that there will still be other issues to discuss at the Board level once the system moves along and address whether the County would turn it over to the Department to operate. Then there will be operating rates to consider as well. He thanked Mr. Stutheit for his time today.

Mr. Stutheit stated that the community would like to be involved in where this project is going and would like to have better communications from the Department, including reasons behind the decisions being made. Also, if anything is going to be changed, it should be done before money starts being put into the ground. If it goes in the wrong hole, it is wasted. He thanked the Board for its time today.

D. FOSTER KERN LLC, TAX MAP KEY (3) 1-6-003:005 (PORTION) AND 108 ULUPONO CENTER:

Taken up earlier.

E. VEHICLE BID NO. 2007-08, FURNISHING AND DELIVERING VEHICLES TO THE DEPARTMENT OF WATER SUPPLY:

Bids were opened on December 13, 2007; and the results were enumerated in the Supplemental Agenda. It was noted that for Part I, Inter Pacific Motors, Inc. dba Orchid Isle Auto Center's bid was lower but did not meet contract specifications. Therefore, Part I will be awarded to Clark Automotive Group, Inc. dba Island Chevrolet.

The Manager recommended that the Board award VEHICLE BID NO. 2007-08, FURNISHING AND DELIVERING VEHICLES TO THE DEPARTMENT OF WATER SUPPLY, to *Inter Pacific Motors, Inc. dba Orchid Isle Auto Center, for Parts A, B, C, D, E, F, H, and J, at a cost of \$267,882.00 and to Clark Automotive Group, Inc. dba Island Chevrolet for Parts G and I, at a cost of \$87,842.57*, and that either the Chairman or the Vice-Chairman be authorized to sign the contracts subject to approval of the contracts as to form and legality by Corporation Counsel. *The total amount for the vehicles is \$355,724.57.*

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

Mr. Smith noted that since one of the vehicles did not meet specifications, the bid price should not be shown in the write-up. It is a "non-responsive" bid. The Manager agreed.

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

F. **WATER RATE STUDY 2007:**

This Agenda item was deferred at the November 27, 2007, Water Board Meeting.

Chairman Goya stated that this is a very important document, and felt that it should be part of the monthly agenda so everybody is brought up to speed on what it contains. He asked the Manager to highlight some points in the study.

The Manager stated that basically, the water rate study says the Department is not going to raise water rates until 2012; and at that point, it is only 1.2 percent. The consultant, R. W. Beck, Inc., feels that with the current rates and the projected growth in population and services, the Department should meet all of its requirements, including an aggressive C.I.P., up to 2009 when the rates go up by 1.2 percent. This Board still has the prerogative to ask for reviews and to raise the rates at any time. The report is strictly a guideline. It assumes percentage growth and customer service growth both at two percent.

In response to Mr. Mukai's question of whether it takes into account the cost for replacement of old systems, the Manager replied it does.

Chairman Goya stated that over the next year, the Board should keep active discussion going on this document in order to understand what it stands for. It is basically saying two percent customer growth and two percent increase in gallons pumped, with the Department's existing rates, increase debt service. So that is going in a different direction than what the Board has recommended in the past or what the Department has followed in the past. It requires increased debt service, and once you start increasing debt service, you are going in another direction that may require additional rate adjustments to pay the cost of the debt. As far as the different types of rates, it is a pretty standard inverted rate schedule. There is a clause for Safe Drinking Water Act adjustments; but the cost of monitoring may be a little more costly. He suggested addressing sections at a time over the next year as a refresher and perhaps tie in with goals and objectives and put a little more effort into sustainability.

The Manager indicated that this would remain on the Agenda to give the Board opportunity for discussion.

Ms. Kim mentioned that she is a member on the Hawaii 2050 Sustainability Task Force, and they have just adopted their final draft plan. She thought it would be good to share what it says about water sustainability. The Board later agreed to place it on the Agenda for the January 22, 2008, Water Board Meeting.

G. BANKING AND CASH MANAGEMENT:

This Agenda item was deferred at the November 27, 2007, Water Board Meeting. A report was attached to the Agenda on the recommendation for bank checking account service and criteria used for selection.

Chairman Goya asked if the Department would be taking a more aggressive approach to contacting bank representatives or would it be left up to the County Treasurer.

Mr. Tsunoda replied that in light of these discussions, the Department would maintain direct contact with the banks.

Chairman Goya entertained a motion to take the Department's recommendation of having the checking account switched from First Hawaiian Bank to Bank of Hawaii.

MOTION: Mr. Smith so moved; seconded by Ms. Kim.

Mr. Smith thanked staff for providing an explanation into its choice and that it is good to have backup information, should it be questioned.

The Manager indicated that this is not a static thing and will always be dynamic. As banks provide more incentives, it may be wise to look at it again.

Ms. Kim asked how regularly staff would be doing this kind of review.

Mr. Tsunoda indicated it will be ongoing but does not expect to be coming to the Board to make changes like what is being recommended here. The banking industry is constantly evolving and is very competitive and the Department will be monitoring the products and services by the banks.

Ms. Helfrich stated she was concerned with this being an internal procedure that is now coming before the Board for a vote, but it never did a public call as a competitive bid. She knew of a lot of corporations that spread their accounts out across the board or they put it out as a competitive bid. She was concerned about the perception that the Department just went out and made changes. It might be worthwhile to call for bids in the newspapers.

The Manager indicated that this decision was based upon meetings that were held by staff with the various banks, so they were aware of what was being done.

Ms. Garson believed that it was exempt from procurement; however, she would provide a formal opinion to the Board and suggested the Board defer.

Mr. Tsunoda stated that all the Department's funds since the early days, and for many years, were with First Hawaiian Bank. Because the County Treasurer has the responsibility for the Department's funds, he has placed them with different banks, and this was done without concurrence from the Board.

The Manager added that the Department has its funds in more than one place so that it is diversified. This particular item today is just addressing the checking account.

Mr. Mukai could see Ms. Helfrich's concern, but he thought as long as the Department documents its procedure and the contacts it had made, it pretty much covers it. He suggested, for formality purposes, the Department make sure it notifies all banks that do business on this island and make note in its records.

The Manager suggested this be deferred to give Ms. Garson time to research and provide an opinion to the Board.

MOTION WITHDRAWN: Mr. Smith withdrew his Motion, and Mr. Mukai withdrew his second.

Chairman Goya entertained a Motion to defer this item until the next Water Board Meeting.

MOTION TO DEFER: Mr. Mukai so moved; seconded by Ms. Kim and carried unanimously by voice vote.

H. **DEPARTMENT OF WATER SUPPLY MOTTO:**

This Agenda item was deferred at the November 27, 2007, Water Board Meeting. A list of three mottos was attached to the Agenda to be decided upon. The Manager indicated he would send these out to staff for a vote and bring the results back to the Board.

I. **MONTHLY PROGRESS REPORT:**

In response to Chairman Goya's question regarding older projects still on the books that may present cash flow problems down the road, the Manager stated that the Department is gaining interest on the funds that are set aside to pay for these projects and did not see it a cash flow problem.

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

Adding to the discussion on cash flow for projects still on the books, Mr. Tsunoda stated that in the Financial Report, one of the pages lists all of the Department's funds; and one of them is "Construction Fund Committed." The fund currently stands at \$18 million, and represents funds set aside for all the outstanding encumbered contracts.

Chairman Goya noted that it would only affect the retained earnings, on an annual basis, because the Department would be adding assets into its systems.

Mr. Tsunoda stated that the Department also relies on developer facility charge contributions, in addition to water sales, to fund capital improvements.

K. **MANAGER'S REPORT:**

- 1) Status of the Palani Road Transmission Waterline Project - the hang-up is still with the easements. Chairman Goya asked how that could be communicated to the community. The Manager replied that it could be through community meetings, which are held periodically. With regard to Mr. Smith's concern about the Department of Public Works' (DPW) realignment of Kealakaa Street by the overpass and the one-year moratorium on trenching after they resurfaced, the Manager stated that the waterline would cross below Kealakaa Street, on Tomi Tomi Street. DPW plans to go ahead with their repaving of that street, although they know this Department is going to come back later and tear it up. The alternative would be for DPW to wait longer, but that might anger the community, so they decided to go ahead with repaving. He indicated that this Department would keep the communications open with DPW.
- 2) Status of the Hawaiian Ocean View Exploratory Well - discussed earlier.

- 3) Status of the Kona Water Quality – the Manager reported that the Department is still working with various individuals in the area and continuing with the modifications to the Kahaluu Shaft in an effort to improve the water quality in the Kailua-Kona area.
- 4) Update On Negotiations with Kamehameha Investment Corporation (KIC) - it was noted that there was some miscommunication after the last meeting between staff and KIC. This Department has since responded to the Minutes that were sent by Mr. Ray Soon, consultant to KIC, so it has been resolved.
- 5) Hakalau Iki Spring - Mr. Okamoto stated that a Department of Health sanitary survey determined that this Spring is under the influence of surface water. The Department is now hauling water from a well it has down by the school, up to the top tank, which services the whole system. Operations Division is in the process of installing monitoring equipment at the Spring to monitor the water quality, which is a requirement since the source was found to be under the influence of surface water. After the Spring is monitored and if it looks good, the Department will work with the Department of Health to see if the Spring source can be salvaged. In the meantime, the Department has contracted with Okahara & Associates, Inc., to come up with a design to remediate the existing spring box to eliminate the surface water concern.
- 6) Pipe Tapping Demonstration Televised - the Manager reported that this was televised on the Public Access Channel 52; and the team accomplished a time of one minute, nine seconds. He has a copy of the telecast on DVD if anyone wished to see it.
- 7) Retirees of the Department - the Manager reported that Mr. Frank Cook, Water District Supervisor I (Waimea), will be retiring as of December 31, 2007. He started with the Department on September 1, 1985, as a Waterworks Helper. On July 1, 1988, he was promoted to Pipefitter; and on February 16, 1996, was promoted to Lead Pipefitter. He has occupied his present position since February 1, 1999. Also, Mr. Douglas Umeno, Pipefitter, Hilo Operations Division, retired as of September 1, 2007. He started with the Department on March 3, 1980, as a Waterworks Helper; and on January 16, 1984, was promoted to Pipefitter. They will both be missed by the Department.

Chairman Goya announced that Ms. Bettina Arrigoni left the Department to move back to the mainland. The Manager introduced her replacement, Ms. Julie Myhre. Ms. Myhre stated she was formerly employed with SSFM International, Inc., and this is her second day with the Department of Water Supply.

- 8) Update on Commission on Water Resource Management (CWRM) - The Manager reported that he had a meeting with Mr. Ken Kawahara and Ms. Lenora Nakama of the CWRM to go over issues that resulted from the CWRM's findings on safe yields which were presented at a Waimea Roundtable meeting. They seem receptive to the formation of a taskforce of hydrogeologists to study it further. They also had discussion on the Water Use and Development Plan (WUDP), and it was stressed that this WUDP is more of a planning tool. Mr. Kawahara provided the Department with some of the different issues that each of the islands has. Each island has unique issues.

Ms. Helfrich questioned the use of the word of "Development" in the WUDP and suggested a change to "Water Use Sustainability Plan" which would be more in keeping with updated community values.

Mr. Beck stated there was no choice because it is a State plan.

- 9) Modifications to the Kahaluu Shaft - Mr. Smith asked for status. Mr. Ikeda indicated it should start in February 2008. Beylik Drilling & Pump Service, Inc., is the contractor.

L. **BOARD MEMBERS' SERVICE:**

Section 13-4(d) of the County Charter allows a Board Member to serve an additional ninety days or until a successor is appointed and confirmed, whichever comes first.

Pursuant to Section 13-4(d) of the County Charter, expired term Board Members will be allowed to serve an additional ninety days or until their successor is appointed and confirmed, whichever comes first, if desired to.

It was noted that both Ms. Helfrich and Mr. Heck were willing to serve for another three months, or until a replacement is found.

M. **ELECTION OF CHAIRPERSON AND VICE-CHAIRPERSON FOR 2008:**

Chairman Goya opened the floor for nominations.

MOTION FOR NOMINATIONS: Mr. Smith moved to nominate Mr. Thomas Goya for Chairperson for 2008; seconded by Ms. Helfrich.

AMENDMENT: Mr. Harai moved to amend the Motion to include the nomination of Mr. Riley Smith as Vice-Chairperson for 2008; seconded by Mr. Kuailani.

Ms. Kim spoke in support of the Motion. She thanked the present Chairperson and Vice-Chairperson for doing an excellent job this past year. They have addressed important issues that helped the Department, such as the Public Information and Education Specialist and the motto change, as well as dealing with the other emergencies that have come up, so she supported having them serve another year as officers.

ACTION ON AMENDMENT: A vote was taken on the Amendment to the Motion. Amendment was carried unanimously by voice vote.

ACTION ON NOMINATIONS: A vote was taken on the Motion for nominations, as amended. Motion was carried unanimously by voice vote.

ACTION TO ELECT OFFICERS: Mr. Mukai moved that the Board accept Mr. Thomas Goya for Chairperson and Mr. Riley Smith for Vice-Chairperson for the term 2008; seconded by Mr. Konanui and carried unanimously by voice vote.

BREAK: The Board took a short break from 11:50 a.m. to 11:55 a.m.

N. **EXECUTIVE SESSION:**

The Board anticipated convening an executive meeting to consider the evaluations of the Manager, as authorized by Hawai'i Revised Statutes, Sections 92-4 and 92-5(a)(2).

The Manager waived holding the evaluations in Executive Session.

O. **MANAGER'S EVALUATION:**

Ms. Kim handed out copies of the summary of the ratings and reviewed her highlights and comments. There is no question about the format, which is basically four pages with eight topics relating to a rating from one to five, marking a trend--same/decline/improvement, and then a section for recommendations and comments. This format seems adequate for evaluating an executive, and she thinks it is more important that the evaluators understand what it is they are evaluating. It is common for new members to feel that they are

in no position to evaluate the Manager, being unfamiliar with the day-to-day operations. While she believes this is true, she believes a Board measures conduct based on what and how the Manager presents himself and the work from his staff to the Board and how he and his staff deal with the general public in emergency situations, especially with this Department and its jurisdiction. If direction to staff in what to prepare and how to prepare for the Board is poor, then the product the Board will see is poor. If morale is low, the work product will be deficient, incomplete, and the staff would be non-responsive to questions and concerns that are raised by the Board. One Board Member had suggested requesting evaluative comments from staff on the Manager's performance. While this is well intended, it would be subject to staff currying favor with the Manager or inviting retribution for negative comments; but if used when circumstances require some insight into staffing problems because of poor work product and poor performance by staff and the Manager, it is a good tool. With nine members of the Board participating in this exercise, there is a total of 72 possible ratings. Less two "non-applicable" responses, 64% were "4's" or excellent, and 34% were "5's" or superior, for a total 98% scores of four and above. There was one #3 rating, producing an overall average of 4.27 for 2007. The rating was 4.30 in 2006. The overall rating for the two-year period 2006/2007 is 4.29. There was an increase in four out of the eight categories from the previous year, and a decrease in three out of eight categories, with one staying the same. However, the increases and decreases were less than .2 of a point, except for "Financial Management," which declined by .6 points. Yet "Financial Management," of all eight categories, received the highest overall average rating of 4.75 followed by "Leadership" of 4.40. The lowest rating was 4.05 for #6 "Achieving Goals." She thinks the strength of the Department is that it has a very clear-cut mission, to deliver water, and adheres to it very well. She thinks it would be creating trouble if the Department were to go beyond that goal and try to exceed what the basic mission is. One Board member mentioned the salaries of the mayors of different counties and their water managers, so some research was done on that; and this is not the only county that has a water manager that makes a little bit more than its mayor. The City and County of Honolulu also has that issue where the mayor gets \$128 thousand and their manager gets \$140 thousand. On Kauai, they readjusted their manager's salary by Charter Amendment; and they soon will be pretty much at the same level as their mayor.

MOTION: Ms. Kim moved that the Board provide an increment to the Manager and to the Deputy Manager equal to collective bargaining, equal to what the Salary Commission gave to the County directors of four percent (4%); seconded by Mr. Smith.

Mr. Harai commented that the Manager has done a very good job. This is his second term as a Board Member and feels that throughout the years, the Manager has been very fair and has done a very good job.

Mr. Smith stated that the only concern to express is that when the Manager does decide to retire, that there is a transition plan that occurs while he is still in the position.

Manager indicated he would give the Board at least four months' notice because that is how long it will take.

Chairman Goya noted that this evaluation review shows that the Manager has done a good job and has the support of the Department.

The Manager commented that it makes his job a lot easier to have a good Board. This Board is open and willing to listen to the concerns of the Department.

Ms. Kim added that it is the performance at the Board meetings that reflects on the staff because if staff did not go the extra mile for the boss, the Board would not see good quality work. She agreed that it is fortunate to have this good working relationship between the Manager and the Board.

Mr. Mukai stated that he was the Board Member that mentioned about possibly having more input from subordinates in the Department; and subsequent to making that comment, he contacted several other commissions about how they evaluate their respective Department Heads. After doing this research, he agreed with Ms. Kim that it is not something that the Board would want to endeavor to do.

Ms. Garson suggested that the Board place an effective date on the pay increase.

Ms. Kim amended her motion to include the effective date of January 1, 2008.

ACTION: A vote was taken on the Motion that the Board provide an increment to the Manager and to the Deputy Manager equal to collective bargaining, equal to what the Salary Commission gave to the County directors of four percent (4%), effective January 1, 2008. Motion was carried unanimously by voice vote.

P. **CHAIRMAN’S REPORT:**

None.

ANNOUNCEMENTS:

1. **Next Meeting:**

The next meeting of the Water Board will be held on January 22, 2008, 10:00 a.m., in the Department of Water Supply, Hilo Operations Center Conference Room, 889 Leilani Street, Hilo, Hawai‘i.

The Board chose to hold its February 26, 2008, meeting in Kona.

STATEMENTS FROM THE PUBLIC

None.

ADJOURNMENT

ACTION: Mr. Smith moved for adjournment of the Meeting; seconded by Ms. Kim and carried unanimously by voice vote.

(Meeting adjourned at 12:13 a.m.)

Secretary

The Department of Water Supply is an Equal Opportunity employer and provider.