

MINUTES

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

December 19, 2006

HILO OPERATIONS CENTER CONFERENCE ROOM

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

ABSENT: Mr. Bernard Konanui, 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, Director,
Planning Department (ex-officio member)
Mr. Bill Brooks

Department of Water Supply Staff

Mr. Quirino Antonio, Jr., Deputy Manager
Mr. Kurt Inaba, Engineering Division Head
Mr. Keith Okamoto, Engineering Division
Mr. Daryl Ikeda, Chief of Operations
Mr. Clyde Young, Operations Division
Mr. Richard Tsunoda, Waterworks Controller
Mr. Richard Sumada, Assistant Waterworks Controller

CALL TO ORDER - Chairman Heck called the meeting to order at 10:07 a.m.

STATEMENTS FROM THE PUBLIC - None

APPROVAL OF MINUTES

ACTION: Ms. Helfrich moved for approval of the Minutes of the November 28, 2006, Water Board Meeting; seconded by Mr. Mochida and carried unanimously by voice vote.

ADDITION OF ADDENDA ITEMS:

ACTION: Mr. Harai moved to add Addendum Item 5(a) NORTH KOHALA, Job No. 2002-805, MAKAPALA PRODUCTION WELL AND SUPPORTING FACILITIES, to the Agenda; seconded by Mr. Goya and carried unanimously by roll call vote (Ayes: 8 - Mss. Kim and Helfrich, Messrs. Goya, Harai, Mochida, Smith, Wilkins, and Chairman Heck; Nays: 0; Absent: 1 – Mr. Konanui).

ACTION: Mr. Goya moved to add Addendum Item 7) MISCELLANEOUS, M. EXTENSION OF BOARD MEMBERS' SERVICE WHO HAVE TERMS EXPIRING 12/31/06, to the Agenda; seconded by Mr. Smith and carried unanimously by roll call vote (Ayes: 8 - Mss. Kim and Helfrich, Messrs. Goya, Harai, Mochida, Smith, Wilkins, and Chairman Heck; Nays: 0; Absent: 1 – Mr. Konanui).

SOUTH HILO:

A. JOB NO. 2002-804, CONSTRUCTION OF THE KAIEIE MAUKA PRODUCTION WELL AND SUPPORTING FACILITIES:

The Board considered a request from the contractor, Isemoto Contracting Co., Ltd., for an extension of contract time. The additional calendar days (98) are due to the fabrication time to execute the requested changes to the landing/grating of the reservoir hatch and revisions from Hawaii Electric Light Company, Inc.

This is the second time extension request. The first time extension request granted 110 calendar days for electrical equipment changes. Staff has reviewed this second time extension request and finds that the 98 calendar days are justifiable.

The Manager recommended that the Board grant Isemoto Contracting, Co., Ltd., this extension of contract time of 98 calendar days for JOB NO. 2002-804, CONSTRUCTION OF THE KAIEIE MAUKA PRODUCTION WELL AND SUPPORTING FACILITIES, from October 21, 2006, to January 27, 2007.

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

NORTH KOHALA:

A. JOB NO. 2002-805, MAKAPALA PRODUCTION WELL AND SUPPORTING FACILITIES:

By addendum, the Board considered a request from the contractor, Isemoto Contracting Co., Ltd., for a 61-calendar day time extension. This request is due to continuing delays with Hawaii Electric Light Company, Inc.'s, work to design/install power poles.

Staff has reviewed this fifth request and finds that the 61 calendar days are justified.

The Manager recommended that the Board approve a contract time extension of sixty-one (61) calendar days from December 29, 2006, to February 28, 2007, to Isemoto Contracting Co., Ltd., for JOB NO. 2002-805, MAKAPALA PRODUCTION WELL AND SUPPORTING FACILITIES.

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

NORTH KONA:

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

The contractor, Isemoto Contracting Co., Ltd, has requested a contract time extension of 180 calendar days. This is due to the time required to have the Department's consulting engineer, BK Inc., prepare additional plans and specifications for the addition of inlet control units and check valves at the Holualoa #1 and Kahaluu #1 (Holmes) tank sites, which were not included in the original construction plans. There were also delays in review and revision to the submittals for the project. The contractor will also need additional time to install the additional inlet control units and check valves.

This would be the first time extension to the contract. Engineering staff has reviewed the request and finds that the 180 calendar days are justified.

The Manager recommended that the Board grant this extension of contract time of 180 calendar days to Isemoto Contracting Co., Ltd., for JOB NO. 2002-806, CONSTRUCTION OF THE MAMALAHOA HIGHWAY WATERLINE IMPROVEMENTS, PHASE II. If approved, the contract completion date will be extended from December 5, 2006, to June 3, 2007.

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

In response to Mr. Smith's question of whether the consultant's extra work would require additional funding, Mr. Inaba explained that they are doing this redesign at no additional cost.

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
KONA VISTA, UNIT 2-B**

Subdivision Application No.: 2003-022
 Grantor: GAMREX, INC.
 TMK: (3) 7-6-021:015 (Old Tax Map Key)
 E.W.O.: 2006-032
 Lots: 3 existing, 38 additional = 41 total Zoning: RS-15
 Facilities Charge: \$229,880.00 Paid: 2/10/06
 Final Inspection Date: 9/29/06
 Water System Cost: \$384,290.00

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

LOKAHI MAKAI, PHASES 3

Subdivision Application No. 2004-0117

LOKAHI MAKAI, PHASE 4

Subdivision Application No. 2004-0125

Grantor: Sonny Ventures LLC

TMK: (3) 7-3-060:051

E.W.O.: 2006-055 – Phase 3

2006-060 – Phase 4

Lots: 1 existing, 49 additional = 50 total, plus 2 Roadway Lots – Phase 3

Zoning: RS-10 & RM-4

Lots: 21 Phase 4

Zoning: RS-10 & RM-4

Facilities Charge: \$278,740.00 - Phase 3 CAF: \$26,000.00 Paid: 3/06/06

\$109,450.00 - Phase 4 CAF: \$10,500.00 Paid: 3/06/06

Final Inspection Date: 12/07/06 - Phase 3

12/08/06 - Phase 4

Water System Cost: \$311,342.50 - Phase 3

Water System Cost: \$24,076.50 - Phase 4

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.

ACTION: Ms. Helfrich moved for approval of the Manager’s recommendation; seconded by Mr. Mochida and carried unanimously by voice vote.

B. VEHICLE BID NO. 2006-10, FURNISHING AND DELIVERING VEHICLES TO THE DEPARTMENT OF WATER SUPPLY:

Bids were opened on December 11, 2006, with the following results:

		Clark Automotive Group, Inc., dba Island Chevrolet, Buick, Cadillac, Pontiac, GMC	Orchid Isle Auto Center
	Part "A"		
1.	ONE (1) ONLY 2006 OR LATER 1-TON CREW CAB WITH SERVICE BODY AND LIFT GATE PICKUP, 4-WHEEL DRIVE	\$42,435.47	\$42,800.00

	Part "A" (continued)	Clark Automotive (Island Chevrolet)	Orchid Isle Auto Center
2.	Trade-in	(\$200.00)	(\$1.00)
3.	Applicable Taxes and Fees	\$1,759.53	Included
4.	Total delivery price	\$43,995.00	\$42,799.00
5.	Delivery time (calendar days)	210	180
	Part "B"		
1.	ONE (1) ONLY 2006 OR LATER 2.5 TON DUMP TRUCK, DUAL REAR WHEEL, 4-WHEEL DRIVE	NO BID	\$56,725.00
2.	Applicable taxes and fees		\$1.00
3.	Total delivery price		\$56,726.00
4.	Delivery time (calendar days)		180
	Part "C"		
1.	ONE (1) ONLY 2006 OR LATER ½-TON COMPACT PICK-UP WITH LIFT GATE, 4-WHEEL DR.	\$17,801.71	\$22,300.00
2.	Trade-in	(\$200.00)	(\$1.00)
3.	Applicable taxes and fees	\$733.29	Included
4.	Total delivery price	\$18,335.00	\$22,299.00
5.	Delivery time (calendar days)	180	120
	Part "D"		
1.	ONE (1) ONLY 2006 OR LATER 4- DOOR FULL-SIZED SEDAN	\$18,435.32	\$22,650.00
2.	Trade-in	(\$200.00)	(\$1.00)
3.	Applicable taxes and fees	\$759.68	Included
4.	Total delivery price	\$18,995.00	\$22,649.00
5.	Delivery time (calendar days)	180	120
		Clark Automotive Group, Inc., dba Island Chevrolet, Buick, Cadillac, Pontiac, GMC	Orchid Isle Auto Center
	Part "E"		
1.	ONE (1) ONLY 2006 OR LATER EXTRA CAB, 4-WHEEL DRIVE, PICK-UP TRUCK	\$20,681.73	\$21,215.00
2.	Trade-in	(\$200.00)	(\$1.00)
3.	Applicable taxes and fees	\$853.27	Included
4.	Total delivery price	\$21,335.00	\$21,214.00
5.	Delivery time (calendar days)	180	120
	Part "F"		
1.	ONE (1) ONLY 2006 OR LATER COMPACT 4-WD SPORT UTILITY VEHICLE	NO BID	\$19,950.00
2.	Applicable taxes and fees		Included
3.	Total delivery price		\$19,950.00
4.	Delivery time (calendar days)		120
	Part "G"		
1.	ONE (1) ONLY 2006 OR LATER 4-DOOR MID-SIZED 4X4 SPORT UTILITY VEHICLE	\$24,800.16	\$26,278.00
2.	Trade-in	(\$200.00)	(\$1.00)
3.	Applicable taxes and fees	\$1,024.84	Included
4.	Total delivery price	\$25,625.00	\$26,277.00
5.	Delivery time (calendar days)	180	120

The Manager recommended that the Board award VEHICLE BID NO. 2006-10, FURNISHING AND DELIVERING VEHICLES TO THE DEPARTMENT OF WATER SUPPLY, to Clark

Automotive Group, Inc., dba Island Chevrolet, Buick, Cadillac, Pontiac, GMC, for Parts “C, D, and G” at a cost of \$62,955.00; **and to** Orchid Isle Auto Center, for Parts “A, B, E, and F” at a cost of \$140,689.00 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 \$203,644.00.***

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

The Manager stated that upon reviewing this, the Department will not be accepting the trade-in from Orchid Isle Auto Center for the Parts that will be awarded to them. Therefore, their bid cost will be increasing by \$2.00. The Department did not want to accept \$1.00 for those two vehicles.

In response to Chairman Heck’s question of whether \$200.00 was an acceptable trade-in for some of the other Parts, the Manager replied that it depends on the condition of the vehicles. Some of them would have to be towed away, so the trade-in allowance is fair. It would also cost too much to get them running.

Mr. Ikeda summarized that the final price for Part A would be \$42,800.00 (taxes included), and Part E would be \$21,215.00. In the recommendation, the amount that Orchid Isle Auto Center would be paying would be **\$140,691.00** (\$2.00 more). The total amount for the vehicles will be **\$203,646.00**.

It was recommended that the Board offer a friendly amendment to the Motion.

AMENDMENT: Mr. Goya moved to amend the Motion to add \$1.00 each to Orchid Isle Auto Center’s bids for Parts A & E and remove the trade-in of \$1.00 and not trade in the vehicles; seconded by Mr. Mochida and carried unanimously by voice vote.

ACTION: A vote was taken on the Motion, as amended, to award VEHICLE BID NO. 2006-10, FURNISHING AND DELIVERING VEHICLES TO THE DEPARTMENT OF WATER SUPPLY, **to** Clark Automotive Group, Inc., dba Island Chevrolet, Buick, Cadillac, Pontiac, GMC, for Parts “C, D, and G” at a cost of \$62,955.00; **and to** Orchid Isle Auto Center, for Parts “A, B, E, and F” at a cost of \$140,691.00 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 \$203,646.00.*** Motion was carried unanimously by voice vote.

C. RESOLUTION NO. 06-01 AUTHORIZING THE MANAGER TO ENTER INTO, NEGOTIATE AND EXECUTE AGREEMENTS CONCERNING THE USE OF POTABLE WATER FOR LANDSCAPE IRRIGATION AND/OR OTHER LANDSCAPING PURPOSES:

The Rules and Regulations and policies of the Department of Water Supply of the County of Hawai‘i (“DWS”) require a consumer and/or developer to execute agreements with the DWS when using potable water for landscape irrigation and/or other landscaping purposes. The Water Board of the County of Hawai‘i (“Water Board”), has been approving and executing such

agreements. Since the approving and executing of such agreements is administrative in nature, the Water Board desires to delegate and authorize the Manager or Deputy Manager of the Department of Water Supply to enter into and execute these agreements with the consumers and/or developers.

The Manager recommended that the Board adopt Resolution No. 06-01, and that it take effect upon adoption.

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

Chairman Heck stated that he would vote for this but was concerned about irrigating with potable water in the future, and the Department should be using every means possible to try and get developers to use either gray water or catchment water. He liked the Board's having its hand in these agreements to see what developers' plans are. He wondered how that kind of pressure could be placed on developers.

The Manager stated that the Department is careful about granting irrigation water and only if there is excess water. It is a benefit for developers to find alternative sources because they pay this Department at the 4th block rate for potable water, which is very expensive. He also mentioned there will be a meeting with the State's Commission on Water Resource Management regarding alternative sources. Hopefully some recommendations will come from that.

Ms. Helfrich mentioned technology she had seen at an American Water Works Association (AWWA) conference and how it is not used here and there is no incentive to use it. It is probably so much easier for a developer, or even a homeowner, to just use potable water. If, in fact, they are going to start using desalinated water for irrigation purposes, she thinks that is sending the wrong signal. She feels we need to be a lot stricter on how this thing is put together. Landscaping is one issue. Agriculture is a whole other issue. Whatever is being used for agriculture or whatever potable water we are using in irrigation landscaping, we should have that moreso in agriculture. It is a bigger question than what is stated here. She is not comfortable with an approval of even this sort of very simple measure for small projects. She wants to see developers held to a higher standard.

Mr. Wilkins agreed. He has been looking at the issue, for example, of brackish water since it was discovered in such huge quantity all along the Kona coast back in the early '80's. He would like to see some serious thought in this coming year to help set up a task force to look at the well-established technology around the world and what can be applied and make a series of recommendations to the County and to future developers on how to best respond to the problem and provide likely solutions.

The Manager mentioned the Department's efforts with Mauna Lani Resort to encourage them to use salt-tolerant landscaping; and since they are doing it, they have cut their irrigation needs drastically so they can use that water that was freed up for further developments.

Mr. Wilkins thought it would be a good idea that when the Department hires its Public Information and Education Specialist, there should be extensive publication of what the

Department is doing and make efforts to get developers to pipe their gray water alongside their sewage water so they can be used for different purposes.

Ms. Helfrich added that she did not mean this as a penalty to developers. She thinks there is a lot of technology that the Department needs to be smarter about and what the obligations are on this island as far as using water and trying to focus on agricultural lands as well, even though it is not this Department's responsibility.

Mr. Goya thought that this should be taken up in the rate study. This issue came up as more of a procedural matter rather than a technical matter. This Resolution provides for more of a procedural matter at the discretion of the Manager, to make these approvals. He was sure that if it was controversial or involved a lot of water, the matter would come before the Board for approval.

ACTION: A vote was taken on the Motion. Motion was carried by roll call vote (Ayes: 7 - Mr. Goya, Mr. Harai, Ms. Kim, Mr. Mochida, Mr. Smith, Mr. Wilkins, and Chairman Heck; Nays: 1 - Ms. Helfrich; and Absent: 1 - Mr. Konanui).

D. WATER RATE STUDY:

Mr. Smith spoke about the irrigation agreements and how they get back to when he first joined the Board and how the water rates are set. Basically, they are set based on what it costs the Department to provide water to its customers. The goal of the Department is to provide safe drinking water for its customer, and that is the Board's priority. If water is not available, there is no option to give to others. When rates are set based on cost, what it does is it forces the developers and others out there that need water to either pay the cost to develop sources or to look for alternatives. Therefore, he thinks some of the issues that are being raised are being addressed because either you pay the cost for potable water to irrigate plants and agriculture or you do not and you find alternative sources. In the major agricultural areas of this island, that is what they did; for example, by taking water from the Kohala mountains and routing it to different areas that needed the water. They were resourceful. Some of the areas along the coast are taking very salty water and using very salt-tolerant plants so they are adjusting their design and their concepts to accommodate the cost of water and its availability. He is comfortable with the purpose of the Department and its priority to its existing customers to provide safe drinking water. The Department's consultant for the Water Rate Study, R.W. Beck, Inc., has been addressing these issues in their rate study, and he does not have a problem with that.

Mr. Wilkins agreed but added that three years ago, the Department's operating mission was revised to not only provide higher quality water at cost to its customers but to extend that list of customers as water becomes available and to extend their service. Living in Kona, he would never want to forget that.

Ms. Kim stated that her only concern was that R. W. Beck, Inc., present the Board with really good rationale for the schedule of rate increases over the next few years, which is the most critical thing to her.

The Manager stated that he has seen the draft recommendations from R. W. Beck, Inc., and it

looks pretty reasonable. He thinks the Board will be really comfortable with it.

Mr. Goya reiterated his comments from last meeting. Like Mr. Smith and Ms. Helfrich had pointed out, agricultural rates are grandfathered rates and practically everything done in a government level is to support agriculture sustainability. However, as he said in a previous meeting, the Department's motto should be changed from "Water Brings Progress" to something else, and his suggestion is "Water, Our Most Precious Resource." This will plant the seed that the Department's challenge is to wean people off the agriculture rates and focus on complying with safe drinking water for potable use. Potable use is basically to satisfy the Department's residential and industrial customers. It may not sit well with those using the agricultural rates now, but the process should be started. The sooner it gets done, the better it will be. He is sure it will come with some challenges. He would hate to impose additional charges on the customer who has been the Department's customer for 40 years and has not had anything done for him. His other concern is regarding the capital budget and how it adequately matches the water rate requests.

The Manager indicated that he would have R. W. Beck, Inc., address that when they bring the report to the Board to take a look at.

Ms. Helfrich asked how large an issue the agricultural water user is and if there were a lot of people using those rates.

The Manager replied that it is about 6% of the Department's total customers; however, he did not think the dollar amount or percentage should matter. You have to look at the principle of it. He agrees with Mr. Goya and that this Department should not be the department to subsidize agriculture.

Ms. Helfrich also agreed; however, if it is not this Department that subsidizes agriculture, the question remains who should that agency be. That needs to be determined first, otherwise the Board will keep having this discussion.

Mr. Harai recalled being on this Board during the last water rate increase where public hearings were held, and no one appeared to oppose the rate increase. However, dozens of people came out to support the agricultural water rate. He did not think the Board should try to push agricultural water rates out without getting some sort of relief from somebody.

The Manager stated that he would ask R. W. Beck, Inc., to provide the Board with an idea of the impact agricultural rates has on the overall operations of the Department.

Mr. Goya stated that after the earthquake in October, the State restarted a well to pump water in Hamakua. It may be sustained over a period of 18 months to 20 years, but it is really not known at this time. They are paying a very high commercial rate for the water that is administered by the State and they pay Hawaii Electric Light Company, Inc. (HELCO), the appropriate rates. Intertwined with all of the rates are HELCO rates and power cost adjustments, which is shared with all customers. There needs to be sensitivity overall, and perception is what is needed to manage going forward. He clarified that his intent is not to terminate agricultural water rates, but to wean the users from it.

Ms. Helfrich mentioned the Agribusiness Development Corporation which is now responsible for all water systems in the State. They are not effective yet because they need the Charter to get to the next step. If they do what they are supposed to do, which is manage, Statewide, all three ditch areas and go after the major federal dollars to maintain and improve that distribution system, then maybe two birds are solved with one stone. She hopes that rather than saying it is not this Department's job, that it be more proactive about referring and giving the timeline to those agricultural users so they actually benefit by going through a collaborative process with Agribusiness Development Corporation.

The Manager stated that somehow the State of Hawai'i, Department of Agriculture, needs to be more aggressive in their development of irrigation systems.

Ms. Kim thought that if the Department goes in the direction of weaning the Department of Water Supply away from agriculture water rates, it will probably require working with the Department of Agriculture. She does not think it is just something you can just do unilaterally without creating a fire storm. This Department probably has to be proactive because she does not think the Department of Agriculture is doing it, and they have a water section.

Ms. Helfrich asked if the Manager could see if R. W. Beck, Inc., could provide some recommendations for the Board on its concerns.

Mr. Mochida stated that even though the Department and the Board would like to get agricultural rates phased out, if you do not have some other entity subsidizing them, you have to look at the end user, which is the public, which is going to pay more. It is a touchy subject.

Mr. Wilkins stated that the concept of weaning implies there is something to change over to.

Mr. Mochida stated that they can still use this Department's water, but just at the same rate that everyone else pays.

Mr. Smith thinks there are things the Department is doing in cooperation with other State agencies to allow the Department of Agriculture and their farmers to be weaned from the water supply system. He thinks it is consistent with the mission of the Department as well as the Board's feeling. If you look at what is potentially going to happen in Waimea (regarding the Puukapu-Lalamilo Task Force) potentially, that can address the agricultural users because if this Department can replace surface water sources with a groundwater source, it will provide more water availability for irrigation without the ditch system, which was impacted by the earthquake.

Ms. Helfrich stated that it was interesting to learn that the DWS is the single largest user of HELCO's power, so it is not about the water--it is about the power. Any more incentives that can get going on the volume water supply to use hydro or anything else to lower the cost of electricity that again is a reinforcement for alternative energy, but that is a whole other discussion. The main thing is to get Agribusiness Development Corporation going as fast as possible and get them accountable.

Mr. Harai agreed with Mr. Smith but added that when you take geographical location into consideration, Waimea/Kohala mountains versus South Kona, South Kona does not have a source so they depend on this Department's water—especially the coffee farmers. You are talking about different types of agricultural users.

Mr. Goya mentioned the suggestion he had made to R. W. Beck, Inc., and that was that consideration should be given to alternate rates, or off-peak rates. They could pump the water to a storage facility and use that for their water needs because from HELCO's standpoint, water demand coincides with "warm body" demand (peak hours) so there is an extreme peak in the evening. If you can get them off that, then you can offer them some flexibility. An off-peak rate will allow them to remain a customer of the Department but at an off-peak rate, subject to other limitations that may occur regarding the need for potable water.

The Manager mentioned the Department's agreement to supply water to the Hamakua farmers after the earthquake, and that is exactly what they were told. The agreement was that they collect water during the day and hold it in a storage tank for use when they want it. Otherwise, they would be putting a burden on the Department's system.

Chairman Heck also mentioned something discussed at the last meeting regarding separate water rates for separate systems and the potential for a separate system that is going to be coming up in Ocean View that it is going to cost more. He wondered if that is going to be something that might be considered or if the rates would remain one average for the entire County.

The Manager remembered the days when there were different rates for different districts and then it was consolidated into one rate. He could ask R. W. Beck, Inc., to look at that; but as far as the Hawaiian Ocean View issue goes, he thinks at some time the Board is going to have to decide if they want to establish a special rate there. Otherwise, if it gets lumped into the same rate, it will definitely affect the rate itself.

Chairman Heck mentioned that there are variations throughout the Department's water systems. The question is if the Department is going to get into separate rates or not.

The Manager stated that a good example is there are areas that are not reliant on pumping, yet they pay the power charge, so there are differences.

Mr. Harai recalled Kaloko mauka having a separate water rate at one time.

The Manager indicated that was correct, and the reason it went back to regular rates was because that 10-year agreement expired for the special rates.

Mr. Smith thought that if the Department was going to evaluate separate rates, South Kohala would probably be very receptive.

Mr. Wilkins stated that when you talk about additional pumping cost in Ocean View, those well heads are not as high as some of those behind Kealakekua, so the lift would not be as great; and if you start out without the infrastructure of a well distributed piping system, you may find that your

capital cost and operating cost are less than some other systems that have already been installed. You should not be too quick to sacrifice.

Chairman Heck stated that his concern is that if it is going to be considered, it should be across the board whether it is relevant or not.

Mr. Goya also mentioned something discussed at last month's meeting regarding special water rates to accommodate people who cannot afford to pay their current bills.

The Manager mentioned Ms. Garson's letter that was sent out last month, and the key factor was how to regulate it. He will ask R. W. Beck, Inc., about it.

E. **MONTHLY PROGRESS REPORT:**

Mr. Goya asked about the Honokaa Production Well & Supporting Facilities project by the State of Hawai'i, Department of Land and Natural Resources.

The Manager stated that he had contacted their department but has not heard back from them yet. He does know there is nobody on site.

Mr. Goya commented that the money that was allocated to them by this Department (\$180,000.00) could be reappropriated elsewhere if they are not going to move on it. He asked the Manager to follow up on this.

Mr. Wilkins stated that he did not see the C.I.P. Budget but assumed it was in the category being discussed now. On Page 3 under the Palani Road Waterline Replacement, the notes indicate a meeting with Mr. Mark Jernigan to discuss a second easement. It also notes three other easements ready to be done. He asked for an overall status of the easements that are being negotiated to bring water down from the high-elevation wells.

The Manager stated that the plans are pretty much complete, but the Department is still waiting for the final resolution with Mr. Jernigan.

Mr. Wilkins indicated that the 3-year projection that was given to the community has already passed.

The Manager stated that it is the Department's intent to advertise the project in January or February of 2007. The project itself will take about 18 months.

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

Mr. Goya asked about the balance sheet where the inventory increased 23% and wondered what would cause such a large increase.

Mr. Sumada explained that most of the large item inventory is stocked by Operations, such as spare pumps and motors, which are very high-cost items.

Mr. Mochida asked if the Department uses a lot of copper because there is a huge increase in the cost of copper.

The Manager confirmed that was correct.

Mr. Mochida stated that since construction of houses is booming he thought he should alert the Department that the Building Code is now allowing plastic pipe in the home plumbing so there might be an increase in the amount of water loss due to leaks in residences. The reason the plastic pipe is allowed is because of its affordability, compared to the rising costs of copper pipe.

The Manager stated that he was surprised to hear that the Building Code was allowing plastic pipe in the interior of the house.

Chairman Heck asked about the non-operating interest revenue line item, which went up 231%. It says "increased amounts invested in higher interest rates." He asked what the Department is investing in that is creating the higher interest revenue.

Mr. Sumada replied that half of the bond float was put into a \$12 million investment certificate, and there was \$200 thousand interest receivable.

Chairman Heck asked about Mr. Goya's request at the last meeting on a report of how the Department was going to handle writing off the Matsumoto Water Company accounts. He asked if there was a report on that.

The Manager stated that a court case is still open and will probably be part of the ultimate settlement.

Ms. Garson added that she was having the Department hold off on that right now because the collection lawsuit is still pending.

G. KAHALUU SHAFT PUMP MODIFICATION:

An informational presentation was made by Mr. Clyde Young, Mechanical Engineer IV, regarding modifications to be done at the Kahaluu Shaft that should improve water quality. After the presentation, Mr. Smith suggested it may be proactive to brief Council Member Brenda Ford on the Department's efforts because of the numerous times she has appeared before the Board with her concerns about water quality in the Kona area.

Mr. Wilkins mentioned a group at the Department of Oceanography that he is working with under a National Science Foundation funded project, and it would be advantageous if they could come in with the Department's regular testing tour and take salinity and temperature samples down to any depth that could be reached.

The Manager stated that if they give the Department a call, arrangements could be made to take them down to the Shaft.

H. **MANAGER'S REPORT:**

- 1) Kona Coastview/Wonderview Improvement District project – the Manager reported that the switchover to the new water system went well and there were no complaints. Hopefully, this is the last time this item would be needed under the Manager's Report.
- 2) Update of Negotiations with Kamehameha Investment Corporation (KIC) – the Manager reported that Mr. Kurt Inaba and Mr. Larry Beck have set up a meeting with KIC to try and finalize negotiations and to get the information back to KIC.
- 3) Status of the Palani Road Transmission Waterline project – discussed during the Monthly Progress Report.
- 4) DWS retiring personnel – the Manager announced that Ms. Patsy Takeguchi, Secretary-Administrative Assistant, will be retiring at the end of this year. Her last day will be December 29, 2006. She will be honored at the Board's luncheon today.
- 5) Meeting Schedule for Water Board Meetings for 2007 – the schedule was distributed with the Agenda. The Board decided to hold its January and February meetings in Hilo; March in Kona, April in Waimea; and the remainder of the year to be announced.
- 6) AWWA National Conference 2007 – the Manager reminded those attending this conference in Toronto, Canada, that they will need passports and to get them as soon as possible because there is a waiting period.
- 7) Kona Hospital – Chairman Heck asked if the meeting with the Kona Hospital was done (it was mentioned at last month's meeting). The Manager stated that it has not been held yet and would possibly be January 2007.
- 8) Sale of Drill Rig – Chairman Heck asked if the Department received the videotape of the equipment that was discussed at last month's meeting. Ms. Garson replied it was not.
- 9) Bolton, Inc. – in response to Mr. Smith's request for status on negotiations, the Manager stated that negotiations are coming to a close. Ms. Garson added that an agreement should be ready for the Board for its January 2007 meeting.

I. **ELECTION OF CHAIRMAN AND VICE-CHAIRMAN FOR 2007:**

Chairman Heck thanked the Board and staff for helping him this past year during his term as Chairman. He stated that he would like to nominate Mr. Thomas Goya for Chairman for the year 2007; nomination seconded by Mr. Wilkins.

Mr. Goya nominated Mr. Riley Smith for Vice-Chairman for 2007; seconded by Mr. Wilkins.

ACTION TO ELECT CHAIRMAN AND VICE-CHAIRMAN: Mr. Wilkins moved that nominations be closed and that Mr. Thomas Goya and Mr. Riley Smith serve as Chairman and Vice-Chairman, respectively, for 2007; seconded by Ms. Kim and carried unanimously by voice vote.

J. **CHAIRMAN'S REPORT:**

Chairman Heck suggested another Water Board training by the Department, like the one that was held (September 14, 1999). He suggested having something like a production company come in

and video the proceedings so they may be placed on a DVD for future reference. It should be held right after the two new Members for 2007 are on the Board.

The Manager mentioned that it would be a Special Water Board Meeting, separate from the Board's monthly meetings.

K. **EXECUTIVE SESSION:**

The Manager waived the need for Executive Session to discuss his evaluation and compensation.

L. **MANAGER'S EVALUATION:**

Mr. Smith mentioned the union increases and more background information he had gathered. Also, at the last meeting, the Manager mentioned that in some departments throughout the State, they had established a policy of making the manager/deputy manager salaries to a percentage over the highest paid bargaining unit employee within that department. Specifically, the Honolulu Board of Water Supply made the Manager's salary 10% higher than that, and the Deputy's salary 5% higher than the highest paid bargaining unit employee in that department. He mentioned his past experience as director of the Department of Public Works where some of his staff members made more than him. It is hard to supervise someone when you have no real consequence over their compensation.

The Manager mentioned that the policy the Honolulu Board of Water Supply uses was never put in writing. It is just a guideline. They have also asked to see the evaluation form used by this Board so it was sent to them. That is the form this Board had obtained from the Kauai Department of Water.

MOTION: Mr. Smith moved that the Board raise the Manager's salary an amount of 5% above his existing salary as a reflection of the positive leadership he has provided; seconded by Mr. Goya.

The Manager asked that the Motion be modified to include the Deputy Manager and to include an effective date of January 1, 2007.

AMENDMENT: Mr. Smith amended his Motion to include a 5% increase to accommodate both the Manager and the Deputy Manager's salary, to be effective January 1, 2007; seconded by Mr. Goya, and carried unanimously by voice vote.

Ms. Kim supported the Motion because she has sat on a lot of boards and appreciates Mr. Pavao's leadership.

The Manager gave recognition to his staff and stated that they actually are the ones doing the work.

Ms. Kim stated that they would not do the work if they did not respect his leadership.

Mr. Smith thought it was important that sometime the Board establish some kind of salary increase above the highest paid person in the Department. The reason he did not think it is applicable at this point is if you look at the highest paid person in the Department and apply a 10% increase over it, the Manager is already above that amount. At the same time, he is not in favor of a static rate that just should be 10%. One of the things they tried to do on Oahu, and it got some negative press, was to try establish an incentive system with qualitative objective criteria to evaluate its manager's performance. Somewhere along the line, he thinks something like that is probably warranted; but at this point, it does not make much sense and allows the Water Board to weigh in, on an annual basis, its impression of what kind of job the manager is doing.

ACTION: A vote was taken on the Motion, as amended, to raise the Manager and Deputy Manager's salaries 5%, to be effective January 1, 2007. Motion was carried unanimously by voice vote.

M. 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.

RECOMMENDATION: 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.

ACTION: Mr. Goya moved to extend the term of the outgoing Board Members 90 days or until a replacement is found; seconded by Mr. Smith and carried unanimously by voice vote.

ANNOUNCEMENTS:

1. Next Meeting:

The next meeting of the Water Board will be held on January 23, 2007, 10:00 a.m., in the Hilo Operations Center Conference Room, 889 Leilani Street, Hilo, Hawai'i.

STATEMENTS FROM THE PUBLIC

None.

ADJOURNMENT

ACTION: Meeting was adjourned at 11:50 a.m.

Secretary

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