

MINUTES

DEPARTMENT OF WATER SUPPLY
COUNTY OF HAWAII
WATER BOARD MEETING

July 23, 2013

Department of Water Supply, Operations Center Conference Room, 889 Leilani Street, Hilo, HI

MEMBERS PRESENT: Mr. Art Taniguchi, Chairperson
Mr. Kenneth Kaneshiro, Vice-Chairperson
Mr. Russell Arikawa
Mr. David Greenwell
Ms. Susan Lee Loy
Mr. Delan Perry
Mr. Rick Robinson
Mr. Jay Uyeda
Mr. Quirino Antonio, Jr., Manager-Chief Engineer, Department of Water Supply (ex-officio member)

ABSENT:

Mr. Duane Kanuha, Director, Planning Department (ex-officio member)
Mr. Warren Lee, Director, Department of Public Works (ex-officio member)
Ms. Brenda Iokepa-Moses, Water Board Member
Ms. Kathy Garson, Assistant Corporation Counsel

OTHERS PRESENT: Mr. Craig Masuda, Deputy Corporation Counsel
Mr. Roger Harris, Palamanui Global Holdings, Inc.
Mr. Norm Stuard, Palamanui Global Holdings, Inc.
Mr. Steve Lim, Carlsmith Ball, LLC
Mr. Jason Knable, Carlsmith Ball, LLC
Mr. Ken Melrose, New Moon Foundation
Mr. Mike Fujimoto, New Moon Foundation

Department of Water Supply Staff

Mr. Keith Okamoto, Deputy
Mr. Kurt Inaba, Engineering Division Head
Mr. Richard Sumada, Waterworks Controller
Ms. Kanani Aton, Public Information and Education Specialist
Mr. Clyde Young, Operations

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- 1) CALL TO ORDER – Chairperson Taniguchi called the meeting to order at 10:00 a.m.
 - 2) STATEMENTS FROM THE PUBLIC
None.
 - 3) APPROVAL OF MINUTES

The Chairperson entertained a Motion to approve the Minutes of the June 25, 2013, Water Board meeting.

ACTION: Mr. Arikawa moved to approve; seconded by Mr. Kaneshiro, and carried unanimously by voice vote.

4) APPROVAL OF ADDENDUM AND/OR SUPPLEMENTAL AGENDA

None.

5) NORTH KOHALA:

A. ABANDONMENT OF PROPERTY IN AS-IS CONDITION VIA QUITCLAIM DEED OF LOT 9-B (TMK (3) 5-3-001-008); LOT 10-B (TMK (3) 5-3-001-009) AND LOT 10-C (TMK (3) 5-3-001-010), ALONG WITH TERMINATION OF CERTAIN PIPELINE EASEMENTS AND ABANDONMENT OF WATERLINES THROUGH TMKS (3) 5-3-001-011 AND (3) 5-3-001-002, FROM WATER BOARD TO NEW MOON FOUNDATION:

In 1971, the Kohala Sugar Company conveyed certain property, including easements for water lines and the water lines themselves, to the Water Board (formerly known as the Water Commission). The deed provided that if the Department of Water Supply (DWS) did not use the property and easements conveyed for public water supply purposes for two years, then such property and easements would revert to the Grantor. DWS has not used the sites or easements for more than two years. The New Moon Foundation is now the owner of the underlying and surrounding property, and has requested documentation which conveys the property back to it as the current property owner.

The Manager-Chief Engineer recommended that the Board approve the Quitclaim Deed, subject to the approval of the Corporation Counsel and that either the Chairperson or the Vice-Chairperson be authorized to sign the document.

MOTION: Mr. Greenwell moved to approve; seconded by Ms. Lee Loy.

The Manager-Chief Engineer said that the water system in question was abandoned by DWS a while back, due to DOH requirements deeming the source under the influence of surface water. There are a number of sources like this one which the Department has abandoned in North Kohala; DWS has no problem quitclaiming the property back to the owner, he said.

Mr. Kaneshiro asked if there was any possibility that DWS may use this easement sometime in the future.

The Manager-Chief Engineer said no, not at this point. DWS is relying on its deepwell sources in Hāwī. DWS is, in fact, drilling a new source in Hala'ula; DWS is working with the land owner to acquire the property so that DWS can proceed with the development of the well. He noted that the Makapala water system, located further down, has two wells now on board.

Mr. Greenwell asked if there are many other pieces of property that need to be abandoned, or straightened out. He asked whether this item was a good step towards house cleaning.

The Manager-Chief Engineer said it was one step; he believed that there were a number of other easements that DWS would also need to quitclaim back to the land owners. However, he did not think this was posing any problems. He asked Mr. Inaba if he knew of any system in North Kohala that DWS needs to quitclaim back to the land owners.

Mr. Inaba noted that he was not sure, citing the Makapala system, which turned out to be an automatic reversion based on the original agreement.

The Manager-Chief Engineer said the Department would do research to see whether DWS needs to follow up on these abandoned systems, to determine whether the systems need to be quitclaimed. DWS will do an inventory of its systems, he said.

Mr. Robinson noted a provision in the Quitclaim Deed regarding severing the environmental contamination that might have occurred. He asked whether DWS was clear about that with the land owner. He asked whether there was anything that would allow the land owner to come back to the Water Board if any contamination, etc. were discovered; he asked if both parties were clear on that provision.

Mr. Masuda confirmed that the parties were clear on that provision.

ACTION: Motion carried unanimously by voice vote.

6) NORTH KONA:

A. **QUEEN KA‘AHUMANU HIGHWAY WIDENING – PHASE 2 PROJECT UPDATE:**

The State Department of Transportation, Highways Division (DOT) has submitted a letter requesting the participation by the Department of Water Supply (DWS) to fund an additional \$195,865.00 for the redesign of a portion of the Queen Ka‘ahumanu Highway Widening – Phase 2 project by May 15, 2013, as well as an estimated amount of \$200,000.00 for added construction costs based on the redesign.

The letter reiterates the importance of meeting their deadline, so as to not affect the contract schedule any further. There is an existing Memorandum of Agreement (MOA) that was entered into between DWS and DOT in the amount of \$3,744,000.00, but this additional work is considered to be over and beyond that original scope, due to DOT’s directive to re-align a portion of the highway to avoid archeological sites.

It is the Department’s understanding that DWS’s commitment to fund the redesign is needed, or else the proposed water system will be removed from the contract. The Department has been in discussion with DOT regarding this matter, and this matter is being placed on the Agenda for discussion and possible action.

The Manager-Chief Engineer said DWS had gotten an email from DOT which offered a new proposal. DWS is in the process of reviewing that proposal, and Mr. Inaba has been in discussions with the District Engineers. Based on the numbers DOT has proposed, DWS will not need to put up any additional funds; DWS can accommodate the additional costs through the contingency amount that was in the funds DWS had deposited back in 2010. The contingency amount in those funds came to over \$100,000.00. The numbers that DOT is proposing are along the lines of \$60,000.00 or less. Therefore, at this point, DWS does not have to come back to the Board for additional funds. Because of this, the Manager-Chief Engineer said this Item could be removed from the Agenda. Meanwhile, DWS will continue working with the State, the contractor Goodfellow Brothers and the consultant SSFM to finalize the numbers, and take care of the work with the contingency amount that DWS has among the funds on deposit.

Ms. Lee Loy said that makes sense.

Chairperson Taniguchi commended the Department for the good work.

B. **AMENDED AND RESTATED WATER AGREEMENT BETWEEN PALAMANUI GLOBAL HOLDINGS, LLC AND THE WATER BOARD:**

Palamanui Global Holdings LLC is proposing to amend and restate an agreement for the provision of water to its property in the North Kona area. The original agreement was entered into on June 15, 1999 between K-W Kau, LLC, K-W Kohanaiki, LLC and the Water Commission (now known as the Water Board). The 1999 agreement was subsequently amended on January 11, 2007, and was between the

subsequent property owners, Hiluhilu Development, LLC and Kohanaiki Shores, LLC, and the Water Board.

On May 10, 2013, Kohanaiki Shores LLC entered into an assignment and assumption agreement with Palamanui Global Holdings LLC, which essentially assigned all its rights, liabilities, duties, commitments and obligations to Palamanui Global Holdings, LLC as the successor in interest to Hiluhilu Development LLC. This Amended and Restated Water Agreement provides for the development, construction and dedication of a water system to the Department of Water Supply, in exchange for water commitments.

The Manager-Chief Engineer recommended that the Water Board approve the AMENDED AND RESTATED WATER AGREEMENT BETWEEN PALAMANUI GLOBAL HOLDINGS, LLC AND THE WATER BOARD, subject to the approval of the Corporation Counsel and that either the Chairperson or the Vice-Chairperson be authorized to sign the document.

MOTION: Mr. Robinson moved to approve; seconded by Ms. Lee Loy.

The Manager-Chief Engineer said that the Department's attorney, Assistant Corporation Counsel Kathy Garson, had worked closely on this agreement with Palamanui's attorney, Mr. Ed Case. DWS is ready to execute this agreement. He offered to answer any questions, and noted that Mr. Uyeda had called yesterday with questions regarding the old agreement, which included Kau Well No. 1. That well is out of the picture now, and DWS is only proceeding with the development of Kau Well No. 2.

ACTION: Motion carried unanimously by voice vote.

C. KALOKO HEIGHTS WATER COMMITMENT DEPOSIT ISSUE:

Carlsmith Ball LLP, representing the developer, RCFC Kaloko Heights Associates LLC (RCFC), is requesting to do a presentation regarding the water commitment deposit for the development and the facilities charge balance. They currently have 1,494 commitments that will expire on June 30, 2014.

They have been extending their commitments annually; however, they would like to present options for RCFC for discussion because the facilities charge balance is currently \$0. The commitment deposits are normally credited towards the facilities charge, and typically, there is a balance to be paid off at the end of the project.

The Manager-Chief Engineer said that he had asked Mr. Steve Lim, the attorney for the project's owner, to provide an outline. He called on Mr. Lim to describe the concerns regarding the water commitment deposit issue.

Mr. Lim distributed to the Board maps of the Kaloko Heights development and its vicinity. He gave a history of the water issues regarding this project, which started in 1982 with the Kona Source Agreement (KSA). He outlined the reclassification of the property to the urban district in 1983, the Kona Source Agreement 2 (KSA 2) in 1986, and the County rezoning in August of 1986. He noted that the maps he distributed were done by DWS, showing that the Kaloko Heights project is on both sides of Hinalani Street. The project includes six existing lots on the northern side of the property, which have been subdivided for development purposes. A circular driveway shown on the map is where mixed use and commercial use parcels will be, Mr. Lim said. The south side of the project has been incrementally zoned by the State Land Use Commission; once the north side of the project has been significantly developed, the developer plans to urbanize the south side through the State Land Use Commission, he said. The maximum projected density is about 1,500 residential units, zoned for various types of uses ranging from RS-7.5 to multi-family and commercial use. The **request today** involves the payment of the water commitment fees for the project. The developer has continued to pay the water commitments

at \$150 each, for all these years, Mr. Lim said. The project has been delayed for various market reasons, and most recently, because of about three years of litigation between the partners. Now, the lender (i.e., the current owner) has the property back, and the owner wants to solidify the entitlements for the project. Last month, the owner has made their last payment of annual water commitment fees for the 1,494 unused water units, in the amount of \$224,100.00. The developer, for the past several years, has been paying about a quarter of a million dollars a year to extend these water commitments, he said. There is no specific provision in DWS's Rules and Regulations that deals with this situation, whereby an owner exceeds the Facilities Charge. Typically, an owner pays his water commitment fees to keep extending his water commitments, and when the owner triggers his development below the water meters, then the owner pays the difference between the Facilities Charge of \$5,500.00, minus how much money the owner paid in water commitments. Mr. Lim said he would give a final presentation, but for now, the owner has overpaid \$250,000.00 to \$500,000.00, over the prevailing Facilities Charge. He said that the property will probably be developed over a 10-year period, and in the meantime, the Water Board may see fit to raise the Facilities Charge, so that credit amount will work against the owner. However, at the present time, Mr. Lim plans at the next Board meeting to lodge a formal request with the Board to approve a stop to the water commitment fees, subject to certain conditions. One of the conditions might be to raise the Facilities Charge or something else, Mr. Lim said. Otherwise, the owner will not have any way to recoup those water commitment fees. Therefore, that will be the eventual request that Mr. Lim will make in his next written presentation to the Board; he promised to submit it long before the next Board meeting to enable the Board to review it. He acknowledged having in the past submitted requests to the Board at the last minute regarding complicated deals. For that reason, Mr. Lim said he was here to give the Board a chance to ask questions. Mr. Lim said if he cannot answer a given question today, he would go back and find any information the Board needs.

The Manager-Chief Engineer noted that this deal goes back to 1982, when a group of developers, under the first KSA, got together and paid into what DWS deemed the KSA projects. Over the years, the projects transformed into KSA 2, and eventually DWS transformed these commitments into *regular* water commitments. That is the reason the developers have to pay the so-called "water commitment fees" annually, he said. He stressed that it has been over 30 years, dating back to 1982, that the developers have had time to figure out what they want to do with the project. In the meantime, DWS proceeded with water development in Kona; DWS needed to develop additional water sources and for that reason, DWS decided to discontinue the Kona Source Agreements. DWS then transformed these commitments into regular water commitments. The Manager-Chief Engineer said the Department will continue talking to Mr. Lim and his clients regarding what can be done to stop the additional payments. He believed that there are existing rules or ordinances that the developer can perhaps pursue, to try to finalize their development – and thereby enable them to stop paying the water commitment fees. However, the Manager-Chief Engineer said he was not ready to change DWS's Rules and Regulations, whereby a developer who pays more than his Facilities Charge can stop paying the water commitment fees. He said he is not ready to ask the Board for a Rule change right now. Instead, the Manager-Chief Engineer said he believes there are certain ordinances already on the books in the Subdivision Code that will allow a developer to receive final subdivision approval and finalize their development – and consider their Facilities Charge paid up. He asked Mr. Inaba for an idea of how many other developers were in the same situation, whereby they continue to pay their water commitment fees over and beyond their Facilities Charge balance. The Manager-Chief Engineer said he had no problems with seeking alternatives to this situation.

Mr. Greenwell asked about what looked like a typographical error on the first page of Mr. Lim's written outline, saying that the last annual payment was made on June 26, 2014.

Mr. Lim acknowledged that it was a typographical error.

Mr. Greenwell said it was commendable that the developer had been paying on time, and that the Department was not having to chase them.

The Manager-Chief Engineer said there were a couple of occasions when DWS did have to call the developer about being delinquent.

Mr. Lim said the developer wanted to make sure they were paid up on time before they came to the Board with their request; it shows good faith. The developer had paid nearly \$6.3 million; the total Facilities Charge for the 1,494 units is \$8.2 million. Mr. Lim noted that the developer also gets a 37 percent credit for building the water line and putting in other improvements. The developer will end up with a net loss of about a quarter of a million dollars, he said.

The Manager-Chief Engineer said that the developer was close to completing a 1 million-gallon storage reservoir within the Hinalani water system.

Mr. Lim said the developer had already constructed the reservoir for several years now, and was currently doing clean-up on its punch list. Hopefully, the reservoir will be dedicated to DWS soon. He said the developer is trying to be as compliant as they can in a difficult market.

The Manager-Chief Engineer reiterated his willingness to continue talking with Mr. Lim and his clients about resolving the issue with the water commitment deposit.

Chairperson Taniguchi asked where the project is located.

Mr. Lim said it was right after the last of the houses on Hinalani Street.

Chairperson Taniguchi asked whether this meant 1,500 more houses there.

Mr. Lim said that the developer usually comes in at around 80 percent of the maximum build-out. Much of it is driven by the market. He noted that the developer already did a project in Kailua town, where the size of the lots had to be increased due to market demand (i.e., increased from 2,500 square foot lots to 7,500-10,000 square foot lots).

Mr. Robinson asked if this project involved Forest City.

Mr. Lim said no; the FC in the name RCFC stands for "Financial Capital."

Mr. Uyeda noted that in the Hinalani Transmission Line, there is a gated section. He asked whether it was a 20-inch waterline all the way down, or whether the additional 1,500 units would require up-sizing of the transmission line.

Mr. Inaba said yes, there was a CIP schedule to go in for that gated section. He noted a vacant property in the highlighted area of the map; that is where DWS's next tank will be built. A 24-inch waterline is going to be designed to go between that tank and Halolani Street, he said.

Mr. Uyeda asked whether the Facilities Charges would apply to the improvements, or whether the improvements would be done ahead of time.

Mr. Inaba said the Facilities Charges are worked into a separate account that can be used for whatever needs to be done.

7) 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**

Kamakana Village, Phase 1-A
Subd. Appl. No. 2011-001105
Grantor/Seller: FHT Kamakana, LLC
Tax Map Key: (3) 7-4-021:026, 035-040, 044
Zoning: A-5a, RS-15
No. of Lots: 6
Facilities Charge: \$93,500.00 Date Paid: 12/08/2011
Final Inspection Date: 07/02/2013
Water System Cost: \$411,900.00

Note: The developer requested modifications to the Department's standard form (Grant of Easement And Bill of Sale) document. For possible discussion.

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

MOTION: Mr. Robinson moved to approve; seconded by Mr. Perry.

The Manager-Chief Engineer said that the developer had opted to do some modifications to the Department's standard form on dedications and grants of easement, etc. The land is still being developed; the developer is just in the first stages of development. The developer will eventually be turning over the roadways to the County, but right now, it remains an easement to DWS, so that the Department can maintain the waterline that the developer had completed.

Chairperson Taniguchi asked whether Corporation Counsel had reviewed the modifications and was okay with them.

Mr. Masuda confirmed this.

The Manager-Chief Engineer also confirmed that the Department was okay with the modifications.

ACTION: Motion carried unanimously by voice vote.

B. **MANAGER-CHIEF ENGINEER'S QUARTERLY UPDATE:**

Ms. Aton distributed to the Board copies of the quarterly update.

The Manager-Chief Engineer said he did not expect to say anything about the update today, and instead let the Board have time to review the update. The update shows that the Department has completed a number of tactics over the years; the number of completed tactics is 29. There are four tactics pending final updates, and in the next couple of fiscal years, DWS will be completing about eight tactics, he said. After the Board reviews the update, the Department will need to come up with an entirely new set of tactics for the next fiscal year. One of the biggest things coming up is a Water Rate Study in the fiscal year after next (*i.e. FY 2014-2015*), as the current five-year study period ends. The new rate study will

carry DWS for the next five years after that. The Manager-Chief Engineer asked the Board to review the update, and feel free to call him, the Deputy or Ms. Aton with any questions. If there are further questions, they can be brought up for the Board to review at the next Board meeting, he said.

Mr. Greenwell commented that at the recent AWWA conference that he attended, public officials raised the issues of infrastructure and the cost of water. He said that DWS must be prepared to spend money on infrastructure; meanwhile, the cost of water needs to increase. People need to understand the value of water, he added.

The Manager-Chief Engineer said that DWS plans to replace some of its old infrastructure; that is the kind of projects that the Board will see in the near future. The country as a whole is looking at some trillion dollars in water infrastructure projects, with a lot of projects for Oahu, amid its many main breaks. One of the big projects for the Big Island will be the replacement of aging infrastructure in Pāpa‘ikou; that will be a multimillion dollar project, he said.

Mr. Kaneshiro asked about an email sent to the Board about a month ago regarding a Resolution at the State Legislature. The Resolution involved a reduction in the cost of agricultural water.

The Manager-Chief Engineer said yes, he had seen that Resolution, but it only relates to (State) ag water systems, and not to a reduction of DWS’s ag rates.

Mr. Kaneshiro said he thought it also involved domestic water; that is why the email was circulated from the Board of Water Supply.

The Manager-Chief Engineer said no, it was sent to all of the water departments, as well as the State Department of Agriculture.

Mr. Kaneshiro asked if any action was going to be taken, or any discussion carried on.

The Manager-Chief Engineer said no, not at this point. If DWS does revise its rates, the Department will likely discuss some of the issues regarding DWS’s ag rates at that time.

Mr. Greenwell said he had followed up on the email, and it turns out that it was referring to a reduction in the rates for the State irrigation systems for the Waimea and Hāmākua areas *only*, and the Resolution only called for a **study**. It was only a directive for a study, he added. It was only for State ag water, i.e., untreated water.

Chairperson Taniguchi informed the new members of the Board that at the end of the year, the Board is asked to do an evaluation of the Manager-Chief Engineer. In past years, it was very difficult to fill out the evaluation form, especially as a new Board member. Thanks to the hard work of an Ad Hoc Committee headed by Mr. Kaneshiro, the Board now has a new evaluation form that focuses on big picture-type Goals and Objectives. Chairperson Taniguchi said he had asked the Manager-Chief Engineer to provide a quarterly update of progress on the Goals and Objectives. This gives the Board a much better picture when undertaking the Manager-Chief Engineer’s evaluation, instead of trying to shoot in the dark at the end of the year.

The Manager-Chief Engineer noted that today’s update shows the completed projects in blue, and the projects in yellow are pending.

Chairperson Taniguchi thanked the Manager-Chief Engineer for the update, which keeps everybody up to speed on progress in the Department. This is a very good thing, he added.

C. **DISCUSSION/DECISION REGARDING WHETHER THE BOARD WILL ADVOCATE FOR LEGISLATION REGARDING THE PLACEMENT OF LIENS ON REAL PROPERTY FOR NON-PAYMENT OF WATER BILLS:**

The Board discussed whether to advocate for legislation which would allow the placement of an automatic lien on property for non-payment of water bills.

Chairperson Taniguchi explained that this subject first came up at a Board meeting soon after Mr. Robinson joined the Board over a year ago. The Board was discussing some delinquencies, and many of the delinquent bills were not particularly large. Mr. Robinson asked why DWS could not simply put a lien on the property whose water bill was delinquent, just like Real Property Tax Division does with delinquent tax bills. The question sparked some laughter at the time, but Chairperson Taniguchi said in hindsight it was a really good idea. The normal process currently is to go to court to get a judgment against the delinquent party, and put a lien on the property; this process is very expensive. If DWS is able to automatically put a lien on a property for non-payment, the delinquent person would have a cloud on his title and be unable to sell, refinance, get a home equity loan, etc. It makes a lot of sense to have the ability to automatically put a lien on a delinquent property, he said. At water conferences, the subject has come up with other jurisdictions and departments, which share the same sentiment. Those counterparts have the same challenges facing DWS; Chairperson Taniguchi asked them whether they would support legislation allowing the departments to place a lien on delinquent customers' property. This would have to go through the State Legislature, and involve passing a law to that effect, he said.

Mr. Kaneshiro gave a scenario of a tenant renting an apartment who pays only part of his bills; he pays a little bit, but the balance he owes grows and grows. However, they do not own the property. He asked how this law would work.

Chairperson Taniguchi said that *that* problem is addressed in Item 7(E), which requires a change of DWS's Rules and Regulations. Currently, the Rules state that the tenant is responsible for his water bill. If that person runs off without paying his water bill, DWS has to chase the tenant for payment – and cannot chase the property owner. He gave the scenario of Tenant B, who lives on the same property and applies for water service with a different name; that person under current rules can get water service despite the delinquent water bill. DWS needs to enact a Rule change to have the landowner be the responsible party. There will always be exceptions, and there could be a provision in the Rules that would allow a landowner to come to the Board to appeal and ask for some kind of settlement. However, it would be prudent for the Department to have a process in place to recover whatever funds that are owed. Chairperson Taniguchi said he doubted anybody could dispute that the money was owed. Honolulu and Kauai share the same problem of getting paid by delinquent customers. The initiative that is being proposed here is a two-pronged thing, he said. He acknowledged that it will take a lot of work to bring into effect the legislation and a Rule change. In Item 7(D), an Ad Hoc Committee could be formed to get the ball rolling, he said.

Mr. Greenwell noted that DWS is very generous in letting people slip and slide, with their programs of not turning the water off for health reasons, etc. However, he got the strong sense after attending water conferences that people do not appreciate water, to the point of not wanting to pay their water bills. As an aside, Mr. Greenwell reported that the State Department of Agriculture (DOA) is disconnecting a lot of people in Hāmākua District after years of non-payment of agricultural water bills. DOA is physically removing meters, he said. Mr. Greenwell said that the delinquencies that DWS is carrying are sizeable amounts, and in the end the delinquent customers get to walk scot-free. That needs to stop, one way or another, Mr. Greenwell said.

The Manager-Chief Engineer said that the Department's Collections Clerk is very proactive in keeping the delinquencies down. He believed that removing people's meters brings home the truth that people

cannot live without water. Many people would rather pay their cable bill than their water bill, which is an unfortunate state of affairs, he said. DWS needs to put the hammer down, and the Collections Clerk is doing a lot to address the problem. The Department may need to hire an additional Collections Clerk, but the Department is progressing on collections in the meantime, he said.

Chairperson Taniguchi said that if DWS gives the Collection Clerk leverage like a lien, it will not be confrontational – but DWS will get its money back, eventually. Very few owners will go forever without doing something with their property such as renovations, refinancing, home equity loans, etc.

Mr. Arikawa said he thought it was a very good idea to place liens on delinquent customers' property. His real estate company has upwards of 600 rentals, and for years, there were problems with delinquent water bills. Therefore, now his company is having the owners include the water bill in their rent, so most of his company's rentals are water-included. This makes the owner responsible for the water bill, not the tenant, he said. His company is trying to get most of the owners to include the water bill in the rent.

Chairperson Taniguchi said that was very good.

Mr. Arikawa said that his company had the same problems with sewer bills, and his company is trying to work that out.

Chairperson Taniguchi said that DWS wants to include the Waste Water Division people in the conversation about automatically putting liens on delinquent customers.

D. **FORMATION OF AD HOC COMMITTEE PURSUANT TO HRS SECTION 92-2.5(B) TO PRESENT, DISCUSS AND/OR NEGOTIATE FOR LEGISLATION REGARDING THE PLACEMENT OF SUCH LIENS ON REAL PROPERTY FOR NON-PAYMENT OF WATER BILLS:**

Chairperson Taniguchi asked for the formation of an Ad Hoc Committee to move forward the initiative to automatically place liens on delinquent customers' property.

ACTION: Mr. Robinson moved to approve the formation of the Ad Hoc Committee; seconded by Mr. Kaneshiro; motion carried unanimously by voice vote.

Chairperson Taniguchi asked if he could appoint a chairperson for the Ad Hoc Committee.

Mr. Masuda said yes.

Chairperson Taniguchi said that he would like to appoint Mr. Robinson, whose question sparked this initiative.

Mr. Masuda cautioned that the Ad Hoc Committee needed to have fewer members than the Board's quorum.

Chairperson Taniguchi said the last Ad Hoc Committee had three people.

The Manager-Chief Engineer said yes, the maximum number is three.

Chairperson Taniguchi said he had talked to Mr. Robinson previously, to make sure he was willing to head the Ad Hoc Committee. He said that Board members who are interested in joining the Ad Hoc Committee should contact Mr. Robinson.

E. **DISCUSSION REGARDING HOLDING A PROPERTY OWNER RESPONSIBLE FOR ALL WATER SERVICE TO SUCH PROPERTY:**

The Board discussed whether it will revise the Department of Water Supply Rules and Regulations to hold a property owner responsible for any water bill for water service to such property, whether or not the property owner resides on the property; and that no water service will be granted to such property until all such delinquencies are paid or other agreement is reached.

Chairperson Taniguchi said this item is for discussion purposes only. It requires a change of the Department's Rules and Regulations. In order to get a change on the legislative side (i.e., to allow DWS to automatically put liens on delinquent customers' property), DWS is going to have to figure out how to make the property owner ultimately responsible for the water bills, he said. The Ad Hoc Committee's task is to explore this, and to report back to the Board; the Board will ultimately vote on it. Chairperson Taniguchi asked Mr. Masuda if the Board had to vote on it right now.

Mr. Masuda said no. *That* can actually be part of the Ad Hoc Committee's responsibility.

Chairperson Taniguchi said yes, the legislative initiative and the Rule change go hand-in-hand. He saw this as a step in the right direction for DWS, to give the Department more leverage in collections.

F. **AD HOC FINANCE COMMITTEE REPORT:**

No report.

G. **ENERGY MANAGEMENT ANALYST UPDATE:**

Ms. Myhre was unable to attend the meeting, so Mr. Clyde Young gave a brief update.

The Power Purchase Agreement for the Lālāmilo Windfarm re-powering project is under review by Corporation Counsel; Ms. Myhre is slated to meet with Assistant Corporation Counsel Kathy Garson next week, Mr. Young said.

Ms. Myhre has met with the County in initial talks regarding the County's initiative to install photo-voltaic (PV) systems on all County buildings. It is yet to be determined whether DWS will install PV systems to power its baseyards and Administrative building jointly with the County, or separately, Mr. Young said.

Ms. Myhre will present a quarterly report on energy initiatives at the August Board meeting.

H. **MONTHLY PROGRESS REPORT:**

No discussion.

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

Mr. Sumada reported that the Department finished FY 2012-2013 with increased water consumption. There were 9.23 billion gallons consumed for the year, versus 9.07 billion gallons in the previous fiscal year. That is why DWS will post revenues exceeding Budget for the fiscal year, he said.

J. **MANAGER-CHIEF ENGINEER'S REPORT:**

The Manager-Chief Engineer will provide an update or status on the following:

- 1) Kawailani Tank update – The contractor is working hard to remove the liner inside of the tank; unfortunately, it has taken quite a while to remove the liner. Mr. Inaba is keeping close tabs on the contractor, and is getting close to coming up with more definite scheduling costs for

completing the project. The Manager-Chief Engineer said he expected Mr. Inaba to be ready to bring the Board those additional costs at the next Board meeting. Mr. Inaba confirmed this, and said that the liner removal is pretty much done and now the contractor is pressure-washing to make sure all of the liner is gone. The DWS inspector went to the site Monday, and Mr. Inaba plans to go back after today's meeting to take another look inside of the tank. Ms. Lee Loy asked about the timing of the additional funds needed to complete the project. Mr. Inaba reconfirmed that he should have the figures at the next Board meeting; he was not sure exactly how much, because he is still negotiating the numbers on the contract items down. The Deputy said a stand-alone Agenda item on the Kawaihāni Tank project could be on next month's Agenda, with some information for the Board to review. Ms. Lee Loy said she would really like that. Chairperson Taniguchi asked if all of the equipment has been tested; he asked if the pumps work okay. Mr. Inaba clarified that there are no pumps on this project; there is some electronic communications equipment that the electrician checked. Some of the equipment, according to the electrician, can still be used; there are some panel boards that need to be replaced. The Manager-Chief Engineer confirmed that there are no pumps at the Kawaihāni site; the Pana'ewa Wells will pump into the Kawaihāni Tank and the pumps are located in Pana'ewa. Chairperson Taniguchi said he hopes to see this project finished before he finishes his term on the Board this year.

- 2) Pu'ukala/Kona Ocean View Properties Subdivision Improvement District Update – The approval of the bond for the Improvement District is coming up before the County Council soon. Once that is done, DWS is looking at issuing the Notice to Proceed in October or November.
- 3) Waikoloa Reservoir No. 1 Update – The plans for the repairs have gone to the State for final review; once approved, DWS can go out to bid for the repairs by the end of the year. This project is valued at about \$4 million.
- 4) Parker Well Repairs Update – This item had been requested by Mr. Greenwell. The pump motor is due back on the island before the end of July. Once it arrives, the contractor will need to schedule installation, hopefully in August. Meanwhile, the Waimea Treatment Plant well is in operation, and capacity in the storage reservoirs there is being maintained at 90-million gallons. The Manager-Chief Engineer noted that for some reason, consumption in Waimea has been rising. Normally, consumption is at about 2.4 million gallons a day, but currently it stands at about 3 million gallons a day. DWS is looking closely into whether this due to leakage, or just increased use by consumers; DWS will report back to the Board on this. Mr. Greenwell asked to confirm if it was 19 million gallons in storage. The Manager-Chief Engineer said it was 90 or 95 million gallons in the storage reservoirs.
- 5) Public Information and Education Specialist Update – Notices went out last Wednesday regarding water shut-off and repairs in Puakō; the shut-off occurred around 9:15 p.m., with the repairs done by midnight. The Legislative Auditor has notified DWS that its report on the Department regarding allocation of water meters will be available for pre-final review in late August or early September. DWS is currently compiling its contribution to the County's Annual Report; submissions are due at the Mayor's Office by August 15.
- 6) Recognition of Employee of the Quarter – Debbie Hanagami was honored as Employee of the Quarter. She has been with DWS for 21 years in the Accounting Section, processing purchase orders and accounts payable. Rick Sumada said she is a very good employee, and praised her dedication and hard work.

K. CHAIRPERSON'S REPORT:

Chairperson Taniguchi noted that Ms. Doreen Jollimore, the Private Secretary, had provided handouts regarding the upcoming HWWA conference on Maui in October. He encouraged Board members who were interested in attending to contact Ms. Jollimore to make arrangements.

8) ANNOUNCEMENTS:

1. **Next Regular Meeting:**

The next meeting of the Water Board will be held at 10:00 a.m. on August 27, 2013 at the West Hawai'i Civic Center, Community Center, Bldg. G, 74-5044 Ane Keohokalole Hwy, Kailua-Kona, HI.

2. **Following Meeting:**

The following meeting of the Water Board will be held at 10:00 a.m. on September 24, 2013 at the Department of Water Supply, Operations Center Conference Room, 889 Leilani Street, Hilo, HI.

Mr. Robinson asked the Department to invite DOT to the August meeting to provide an update on the Queen Ka'ahumanu Highway Widening project. The Manager-Chief Engineer said DWS will ask DOT's District Office to attend the August Board meeting; both the Board and the staff would appreciate an update from them.

9) ADJOURNMENT

ACTION: Mr. Robinson moved to adjourn; seconded by Mr. Uyeda, and carried unanimously by voice vote.

Chairperson Taniguchi adjourned the meeting at 11:02 a.m.

Secretary

Anyone who requires an auxiliary aid or service for effective communication or a modification of policies or procedures to participate in this Water Board Meeting should contact Janet Snyder, Secretary, at 961-8050 as soon as possible, but no later than five days before the scheduled meeting.

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

Notice to Lobbyists: If you are a lobbyist, you must register with the Hawai'i County Clerk within five days of becoming a lobbyist. {Article 15, Section 2-91.3(b), Hawai'i County Code} A lobbyist means "any individual engaged for pay or other consideration who spends more than five hours in any month or \$275 in any six-month period for the purpose of attempting to influence legislative or administrative action by communicating or urging others to communicate with public officials." {Article 15, Section 2-91.3(a)(6), Hawai'i County Code} Registration forms and expenditure report documents are available at the Office of the County Clerk-Council, Hilo, Hawai'i.