

**DEPARTMENT OF WATER SUPPLY
COUNTY OF HAWAI‘I
WATER BOARD MEETING**

MEETING DATE: February 22, 2011
TIME: 10:00 a.m.
PLACE: Royal Kona Resort, Resolution Room, 75-5852 Ali‘i Drive, Kailua-Kona

- 1) CALL TO ORDER – 10:00 a.m. *(please turn cell phones off or set to silent)*
- 2) STATEMENTS FROM THE PUBLIC
- 3) APPROVAL OF MINUTES

- Minutes of the January 25, 2011, Water Board meeting

- 4) APPROVAL OF ADDENDUM AND/OR SUPPLEMENTAL AGENDA
(Note: Addendum requires Roll Call Vote)

- 5) PRESENTATION OF AUDITED FINANCIAL STATEMENTS – JUNE 30, 2010:

Copies of the Department’s Audited Financial Statements for the fiscal year ended June 30, 2010 have been distributed to Board members. Representatives of Accuity LLP, the Department’s independent auditors, will be here to answer any questions Board members may have regarding the report.

- 6) SOUTH HILO:

- A. **DRINKING WATER STATE REVOLVING FUND RESOLUTION NO. 2011-01:**

(Note: Resolution requires roll call vote)

Resolution No. 2011-01 is for the project for which DWS has submitted a loan application, under the Drinking Water State Revolving Fund (DWSRF). One of the prerequisites for the loan is a Resolution approved by the Water Board. This Resolution is specifically identified for the following project: JOB NO. 2008-940, KULA‘IMANO PRODUCTION WELL AND SUPPORTING FACILITIES, and authorizes the Manager–Chief Engineer or Deputy to execute loans and/or grants with the State Department of Health for up to \$3,500,000.00.

RECOMMENDATION: It is recommended that the Water Board adopt DRINKING WATER STATE REVOLVING FUND RESOLUTION NO. 2011-01, subject to the approval of Corporation Counsel.

- B. **DRINKING WATER STATE REVOLVING FUND RESOLUTION NO. 2011-02:**

(Note: Resolution requires roll call vote)

Resolution No. 2011-02 is for the project for which DWS has submitted a loan application, under the Drinking Water State Revolving Fund (DWSRF). One of the prerequisites for the loan is a Resolution approved by the Water Board. This Resolution is specifically identified for the following project: JOB NO. 2005-875, PĀPA‘IKOU TRANSITE AND G.I. PIPELINE REPLACEMENT – PHASE 1 AND 2, and authorizes the Manager–Chief Engineer or Deputy to execute loans and/or grants with the State Department of Health for up to \$5,000,000.00.

RECOMMENDATION: It is recommended that the Water Board adopt DRINKING WATER STATE REVOLVING FUND RESOLUTION NO. 2011-02, subject to the approval of Corporation Counsel.

7) PUNA:

A. **JOB NO. 2006-899, ‘ŌLA‘A NO. 6 PRODUCTION WELL AND 1.0 MG RESERVOIR:**

The contractor, Isemoto Contracting Company, Ltd., is requesting a contract time extension of 183 calendar days. This is the first time extension request for this project.

Ext. #	From (Date)	To (Date)	Days (Calendar)	Reason
1	5/26/11	11/25/11	183	Delays in receiving approval of the Medium Voltage switchgear submittal from HELCO.
Total Days (including this request)			183	

The project completion date must be extended due to delays in receiving submittals from the subcontractor / manufacturer, and in obtaining approval from HELCO for the Medium Voltage Switchgear submittals. The switchgear equipment could not be ordered until HELCO approved the switchgear submittal. The switchgear submittals were submitted to HELCO on July 23, 2010, and HELCO approved the switchgear on January 17, 2011.

Staff has reviewed the request and finds that the extension of 183 calendar days is justified.

RECOMMENDATION: It is recommended that the Board grant this contract time extension of 183 calendar days to Isemoto Contracting Company, Ltd. for JOB NO. 2006-899, ‘ŌLA‘A NO. 6 PRODUCTION WELL AND 1.0 MG RESERVOIR. If approved, the contract completion date will be extended from May 26, 2011 to November 25, 2011.

8) SOUTH KOHALA:

A. **INTER-GOVERNMENTAL AGREEMENT BETWEEN THE STATE OF HAWAII – DEPARTMENT OF LAND AND NATURAL RESOURCES AND THE COUNTY OF HAWAII – DEPARTMENT OF WATER SUPPLY: REGARDING DEDICATION OF WAIMEA EXPLORATORY WELL:**

The Water Board approved an inter-governmental agreement between the Department of Land and Natural Resources (DLNR) and the Department of Water Supply at the September 28, 2010, Water Board meeting. However, the State is requesting changes to subject agreement.

(This Item was deferred from the January 25, 2011, Water Board meeting.)

9) MISCELLANEOUS:

A. **DEPARTMENT OF WATER SUPPLY PROPOSED OPERATING AND CAPITAL IMPROVEMENT BUDGETS FOR FISCAL YEAR 2012:**

The Department’s FY 2012 Operating Budget includes water sales revenues estimated with a 6.8% increase over FY 2011 rates. An increase of 3.7% had previously been approved for FY 2012, but did not incorporate increases in health care retirement costs. The 6.8% increase was calculated by R.W. Beck to cover these costs, as well as costs associated with transferring the Department’s billing system to the Honolulu Board of Water. This budget does not include salary reductions for employee furloughs.

The Department's FY 2012 CIP Budget totals \$29.8 million, to be funded by SRF loans (\$13.3 million) and GO Bonds/CIP Reserve (\$16.5 million).

RECOMMENDATION: It is recommended that the Water Board approve the Department's FY 2012 Operating and CIP budgets on this first of two readings. Staff also recommends that a public hearing on the proposed Operating and Capital Improvement Budgets for FY 2012 be held at **9:45 a.m. on March 22, 2011**, just prior to the regular Water Board meeting.

B. WATER RATE STUDY:

R.W. Beck has recalculated water rates for FY 2012, and adjusted the increase from 3.7% to 6.8%, based on revised expenditure estimates for health care retirement costs and billing system conversion. No changes were made to the already-approved rate increases of 2.2%, 4.3% and 2.7% for FY13, FY14, and FY15; however, rates for these periods do require revision if FY 2012 rates are increased 6.8% as proposed.

Public hearings are planned for Wednesday, March 30, 2011 at 6:00 p.m. at Aupuni Center in Hilo, and on Thursday, March 31, 2011, at 6:00 p.m. at Kona Civic Center.

RECOMMENDATION: It is recommended that the Water Board schedule public hearings in Hilo and Kona to hear testimony related to approving R.W. Beck's 6.8% increase to FY 2012 water rates, and the corresponding revision to FY13, FY14, and FY15 rates. It is further recommended that the Water Board hold the public hearings on Wednesday, March 30, 2011 at 6:00 p.m. at Aupuni Center in Hilo, and on Thursday, March 31, 2011, at 6:00 p.m. at Kona Civic Center.

C. REPORT OF AD HOC FINANCE COMMITTEE:

The Water Board's Ad Hoc Finance Committee Chairperson, Mr. Art Taniguchi, has been investigating the three focus areas (DWS's policies on credit card use, cash control and vehicle take-home), which encompass the scope of the Committee's work. At this meeting, the Committee may do the following:

- Discussion/action on vehicle take-home policy.
- Discussion of DWS's cash handling procedures and proposed changes.

D. HELCO RELEASE AND TERMINATION AGREEMENT – LĀLĀMILO:

A Release and Termination Agreement for the Lālāmilo Windfarm is needed to terminate the June 30, 1986, Power Purchase Agreement between Department of Water Supply and Hawaii Electric Light Company, Inc. (HELCO). There is no budget amount for this project.

RECOMMENDATION: It is recommended that the Board approve the Release and Termination Agreement for the Lālāmilo Windfarm, and that either the Chairperson or the Vice-Chairperson be authorized to sign the documents, subject to approval of Corporation Counsel.

(This Item was deferred from the January 25, 2011, Water Board meeting.)

E. ENERGY MANAGEMENT ANALYST UPDATE:

The following areas will be covered:

- DLNR Lease Application status
- DWS's Green Initiatives
- DWS's Draft Energy Policy Statement – Discussion and possible adoption of Energy Policy Statement

F. **POWER COST CHARGE:**

A Public Hearing will have been held on the Power Cost Adjustment just prior to the regular Board meeting. The Power Cost Adjustment will be discussed, with possible action by the Board. Currently, the Power Cost Charge is \$1.75 per 1,000 gallons. The most recent Power Cost Charge is **\$1.89**, as of January 2011. It is recommended that the Board approve an increase of the Power Cost Charge from \$1.75 to **\$1.89**, effective March 1, 2011.

G. **MONTHLY PROGRESS REPORT:**

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

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

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

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

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

- 1) Palani Road Transmission Waterline Project
- 2) Hawaiian Ocean View Estates Project
- 3) Report on North Kona well – State funding request
- 4) Public Relations and Education Specialist Update
- 5) Upcoming HWWA and AWWA conferences

J. **CHAIRPERSON'S REPORT:**

Chairperson to report on matters of interest to the Board.

K. **EXECUTIVE SESSION RE: WATER BOARD OF THE COUNTY OF HAWAII V. WESLEY R. SEGAWA AND ASSOCIATES, ET AL. CIVIL NO. 09-1-0319:**

The Water Board anticipates convening an executive meeting, closed to the public, regarding the foregoing matter, pursuant to HRS Sections 92-4 and 92-5(a)(4), for the purpose of consulting with the Water Board's attorney on questions and issues pertaining to the Board's powers, duties, privileges, immunities and liabilities.

10) **ANNOUNCEMENTS:**

1. **Next Meeting:**

The next meeting of the Water Board will be held on March 22, 2011, at 10:00 a.m. at the Department of Water Supply, Operations Center Conference Room, 889 Leilani Street, Hilo, HI.

2. **Following Meeting:**

The following meeting of the Water Board will be held on April 26, 2011, at 10:00 a.m. at the Department of Water Supply, Operations Center Conference Room, 889 Leilani Street, Hilo, HI.

11) **STATEMENTS FROM THE PUBLIC:**

12) **ADJOURNMENT**

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 Doreen Jollimore, Secretary, at 961-8050 as soon as possible, but no later than five days before the scheduled

meeting.

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.

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