

**DEPARTMENT OF WATER SUPPLY  
COUNTY OF HAWAII  
WATER BOARD MEETING**

**MEETING DATE:** March 24, 2015

**TIME:** 10:00 a.m.

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

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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 February 24, 2015, 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, 2014:

Copies of the Department’s audited financial statements for the fiscal year ended June 30, 2014, have been distributed to Board members. Mr. Chad Funasaki, Principal, and Mr. Ryan Iwane, Senior Manager, representing the accounting firm of N&K CPAs, Inc., will present the audit to the Board, and will answer any questions the Board may have. This presentation is for informational purposes only, and does not require any action.

6) PRESENTATION OF FIVE-YEAR RATE STUDY:

Copies of the Department’s five-year rate study, conducted by Ms. Ann Hajnosz of the consulting firm of Brown & Caldwell, have been distributed to Board members. Ms. Hajnosz will present her results, and will answer any questions from the Board. Before the proposed rates can be adopted, Public Hearings must be held to accept public testimony on the matter. In the past, two public hearings were held, on consecutive nights in Hilo and Kona at 6:00 p.m.

RECOMMENDATION: It is recommended that Public Hearings be scheduled in Hilo and Kona for 6:00 p.m. on consecutive days in order to receive public testimony on the proposed 5-year water rates.

7) HĀMĀKUA:

A. PĀPA‘IKOU TRANSITE AND G.I. PIPELINE REPLACEMENT: ASSIGNMENT OF INTERESTS:

Kahuku Development Foundation (KDF), in concurrence with United States Department of Agriculture (USDA) is proposing to assign all of its interest to the Water Board and allow the Department of Water Supply (DWS) to move forward with the project, working directly with USDA.

Should the Board accept the assignment, a bond will be required for the loan portion of the funding. The cost of the bond will be a reimbursable expense. The funds for the project have

been allocated through a \$4,105,000 loan and a \$3,470,000 grant (for a total amount of \$7,575,000).

**RECOMMENDATION:** It is recommended that the Water Board approve the assignment of the PĀPA‘IKOU TRANSITE AND G.I. PIPELINE REPLACEMENT project from Kahuku Development Foundation, and authorize either the Chairperson or the Vice-Chairperson to sign all necessary documents, subject to approval by Corporation Counsel.

8) **SOUTH KOHALA:**

A. **RESOLUTION NO. 2015-01, APPROVING THE RECEIPT AND EXPENDITURE OF MONIES FOR THE WAIMEA WATER TREATMENT PLANT COMPLIANCE UPGRADES – PHASE 2 PROJECT (FUNDED BY THE DRINKING WATER STATE REVOLVING FUND):**

*(Note: Resolution requires roll call vote)*

This Water Board Resolution No. 2015-01 seeks to supersede Resolution No. 2011-05. Resolution No. 2011-05 previously approved a lower amount than what is necessary. The Resolution is a prerequisite for the Drinking Water State Revolving Fund (DWSRF) program. This Resolution is specifically identified for the following project: JOB NO. 2010-964, WAIMEA WATER TREATMENT PLANT COMPLIANCE UPGRADES - PHASE 2, and authorizes the Manager–Chief Engineer or Deputy to execute loans and/or grants with the State Department of Health for up to \$11,500,000.00.

**RECOMMENDATION:** It is recommended that the Water Board adopt DRINKING WATER STATE REVOLVING FUND RESOLUTION NO. 2015-01, APPROVING THE RECEIPT AND EXPENDITURE OF MONIES FOR THE WAIMEA WATER TREATMENT PLANT COMPLIANCE UPGRADES – PHASE 2 PROJECT (FUNDED BY THE DRINKING WATER STATE REVOLVING FUND), subject to the approval of Corporation Counsel.

9) **NORTH KONA:**

A. **JOB NO. 2012-985, HUALĀLAI DEEPWELL REPAIR:**

The contractor, Beylik Drilling and Pump Service, Inc., is requesting a contract change order and contract time extension for the Hualālai Deepwell Repair. The contract change order is for the replacement and repair of damaged materials and equipment, and troubleshooting services for Hualālai Deepwell. Amid repeated failures of the motor’s thrust bearing, the well repair has involved multiple repair cycles and associated costs for equipment, labor, shipping, pump and motor repairs/testing and replacement materials including thrust bearings, step-up transformer, junction box, column pipe, discharge head, and check valves. Total project costs shall not exceed \$667,891.56. The description of additional materials and associated fees are as follows:

Original Contract Amount:	\$79,223.00
Original Contingency amount:	7,922.00
1 <sup>st</sup> Additional Contingency & 123 day extension request:	94,500.00 (approved 10/22/13)
2 <sup>nd</sup> Additional Contingency & 273 day extension request:	53,611.72 (approved 6/24/14)
3 <sup>rd</sup> Additional Contingency request (emergency procurement)	23,581.06
4 <sup>th</sup> Additional Contingency & 274 day extension request:	<b>\$409,053.78</b>

The contractor, Beylik Drilling and Pump Service, Inc., is also requesting a contract time extension of 274 calendar days. This is due to unforeseen events, involving repeated failures of the motor’s thrust bearing. This request is to cover the time expended on troubleshooting, well

extraction and repair of damaged equipment; and the time required to procure replacement materials and for reinstallation work. These factors were beyond the control of the contractor and the original scope of the repair.

**RECOMMENDATION:** It is recommended that the Board approve an increase in contingency of \$409,053.78 to Beylik Drilling and Pump Service, Inc., and approve a contract time extension of 274 calendar days for JOB NO. 2012-985, HUALĀLAI DEEPWELL REPAIR. If approved, the contract completion date will be revised from October 31, 2014, to July 31, 2015.

**B. EXTENSION OF THE DUE DILIGENCE PERIOD WITHIN THE WELL DEVELOPMENT AGREEMENT (KEAUHOU RESORT DEVELOPMENT AREA) WITH TRUSTEES OF BERNICE PAUHI BISHOP (KS), KAMEHAMEHA INVESTMENT CORPORATION (KIC), AND THE WATER BOARD:**

The Trustees of the Estate of Bernice Pauahi Bishop (“KS”) and Kamehameha Investment Corporation (“KIC”) entered into an agreement with the Water Board to develop one of KIC’s wells that have been previously drilled and tested, and has similar properties to our other high level aquifers.

In this agreement, the Department of Water Supply (DWS) was to perform its due diligence within a two-year period to assess the condition of an existing well and to procure a consultant. DWS is proposing a time extension of the due diligence period until October 31, 2015, to coordinate with Kamehameha Schools and to determine the location and size of the site(s) and alignment of the waterline for the design of the well and supporting facilities to be constructed on KS properties.

**RECOMMENDATION:** It is recommended that the Water Board approve the request for extension of the due diligence period within the Well Development Agreement (Keauhou Resort Development Area) with trustees of Bernice Pauahi Bishop (KS), Kamehameha Investment Corporation (KIC) and the Water Board to October 31, 2015, to determine the final scope of work.

10) **MISCELLANEOUS:**

**A. DEDICATION OF WATER SYSTEMS:**

The Department has 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.

*(Item 1. was deferred from the February 24, 2015, Board meeting.)*

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

Grantors/Sellers: Edward J. Rapoza and Rhondall K. Rapoza, Robert D. Triantos and Richard S. Fallon and Nancy T. McKinley

Tax Map Key: (3) 7-6-011: 03 (portion), 009 (portion) and 019 (portion)

Facilities Charge: \$79,380.00                      Date Paid: 02/04/2015

Final Inspection Date: *TBA*

Water System Cost: \$ *TBA*

**2. GRANT OF EASEMENT**

(For Water Meter Purposes)

Grantors: Kohanaiki Shores LLC

Tax Map Key: (3) 7-3-068: 001 portion

RECOMMENDATION: It is recommended that the Water Board accept these documents subject to the approval of the Corporation Counsel and that either the Chairperson the Vice-Chairperson be authorized to sign the documents.

**B. DEPARTMENT OF WATER SUPPLY PROPOSED OPERATING BUDGET FOR FISCAL YEAR (FY) 2016 AND 5-YEAR CAPITAL IMPROVEMENT PROJECTS (CIP) BUDGET FOR FY2016-2020:**

The Department's FY2016 Operating Budget, totaling \$53,174,000, and 5-Year CIP Budget for FY2016–2020, have been distributed for the Board's review and advertised for the public's review. A public hearing was held prior to this meeting to accept public testimony. The Board may change either Budget, or adopt them as presented over two readings.

RECOMMENDATION: It is recommended that the Water Board approve the Department's FY 2016 Operating budget and 5-year C.I.P. budgets for Fiscal Years 2016-2020 on this first of two readings.

**C. POWER COST CHARGE:**

Departmental power costs have declined as a result of a decline in HELCO billings for electricity for the Department's wells and pumps. The Department proposes reducing the Power Cost Charge from \$2.35 to \$2.32 per thousand gallons to reflect this decline. In order to accept public testimony on this change, a Public Hearing should be scheduled before the new Power Cost Charge is reduced.

RECOMMENDATION: It is recommended that the Board approve holding a Public Hearing on April 28, 2015, at 9:45 a.m., to receive testimony on reducing the Power Cost Charge from \$2.35 to **\$2.32**, effective May 1, 2015.

**D. RENEWAL OF CONTRACT FOR MAINTENANCE AGREEMENT – SOUTH KOHALA, HĀMĀKUA, AND LAUPĀHOEHOE SITES (BRANTLEY CENTER, INC.):**

Brantley Center, Inc., presently has a Maintenance Agreement for site maintenance for the Department's South Kohala, Hāmākua, and Laupāhoehoe tank and pump sites. They are requesting to renew the Agreement from July 1, 2015, to June 30, 2016. The rates would be as follows:

South Kohala -- \$4,392.35/month x 12 months = \$52,708.20

Hāmākua -- \$2,944.16/month x 12 months = 35,329.92

Laupāhoehoe -- \$738.48/month x 12 months = 8,861.76

Total: \$96,899.88

The Department has the right to award the contract to Brantley Center, Inc., without advertising or calling for bids, according to Hawai'i Revised Statutes Section 103D-1010. Brantley Center, Inc., has submitted the necessary documents to meet the requirements as a qualified rehabilitation facility.

This is a 10% increase from their last increase for FY2013-2014.

Brantley Center's performance has been satisfactory, and the costs are reasonable. A total of 41 sites are covered by this agreement.

**RECOMMENDATION:** It is recommended that the Board award the contract for the RENEWAL OF CONTRACT FOR MAINTENANCE AGREEMENT – SOUTH KOHALA, HĀMĀKUA, AND LAUPĀHOEHOE SITES (BRANTLEY CENTER, INC.) to Brantley Center, Inc., for a period from July 1, 2015, to June 30, 2016 at a total cost of \$96,899.88, and that either the Chairperson or the Vice-Chairperson be authorized to sign the documents, subject to approval by Corporation Counsel.

E. **UPDATE RE: NATIONAL PARKS SERVICE'S PETITION TO DESIGNATE KEAUKOU AQUIFER AS A GROUND WATER MANAGEMENT AREA:**

For discussion and possible action.

F. **EXECUTIVE SESSION RE: NATIONAL PARKS SERVICE'S PETITION TO DESIGNATE KEAUKOU AQUIFER AS A GROUND WATER MANAGEMENT AREA:**

The Water Board anticipates convening an executive meeting, closed to the public, pursuant to Hawai'i Revised Statutes, Sections 92-4, 92-5(a)(2), to discuss mediation as directed by the Commission on Water Resource Management regarding the National Park Service's petition to designate Keauhou Aquifer as a Ground Water Management Area, and for the purpose of consulting with the Water Board's attorney on questions and issues pertaining to the Water Board's powers, duties, privileges, immunities and liabilities.

G. **DISCUSSION OF AMENDING RULES AND REGULATIONS REGARDING PLACING RESPONSIBILITY WITH PROPERTY OWNERS FOR TENANTS' DELINQUENT BILLS:**

Sub-Committee to report on proposed amendments to the Rules and Regulations regarding placing responsibility with property owners for tenants' delinquent bills, with discussion.

H. **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:**

The Ad Hoc Committee is exploring legislation pursuant to HRS Section 92-2.5(B) which would allow the placement of an automatic lien on property for non-payment of water bills. The Ad Hoc Committee will present, discuss, and/or negotiate for such legislation with any necessary person including, but not limited to, any water or wastewater department or division of any county, and/or with any legislators in the State of Hawai'i.

The Ad Hoc Committee is also exploring a revision of 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.

For discussion and possible action.

**I. 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.

**J. 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.

**K. MANAGER-CHIEF ENGINEER'S EVALUATION FOR CALENDAR YEAR 2014:**

*(This Item was continued from the February 24, 2015, Board meeting.)*

Discussion/Action on Manager-Chief Engineer's evaluation and compensation.

**L. EXECUTIVE SESSION:**

The Board anticipates convening an executive meeting to consider the evaluations of the Manager-Chief Engineer, as authorized by Hawai'i Revised Statutes, Sections 92-4, and 92-5(a)(2), 92-5(a)(4) and Hawai'i County Charter Section 13-20(b), where consideration of matters affecting privacy will be involved, and for the purpose of consulting with the Water Board's attorney on questions and issues pertaining to the Water Board's powers, duties, privileges, immunities, and liabilities.

**M. DISCUSSION OF PROCESS AND CRITERIA FOR SELECTION OF NEW MANAGER-CHIEF ENGINEER OF THE DEPARTMENT OF WATER SUPPLY:**

The Water Board will discuss the process and criteria for selection of the new Manager-Chief Engineer of the Department of Water Supply.

**N. EXECUTIVE SESSION RE: PROCESS AND CRITERIA FOR SELECTION OF NEW MANAGER-CHIEF ENGINEER OF THE DEPARTMENT OF WATER SUPPLY:**

The Water Board anticipates convening an executive meeting, closed to the public, pursuant to Hawai'i Revised Statutes, 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 Water Board's powers, duties, privileges, immunities and liabilities. A two-thirds vote, pursuant to HRS Section 92-4, is necessary to hold an executive meeting.

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

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

- 1) Lava Update
- 2) Public Information and Education Specialist Update

**P. CHAIRPERSON'S REPORT:**

Chairperson to report on matters of interest to the Board.

11) ANNOUNCEMENTS:

1. **Next Regular Meeting:**

The next meeting of the Water Board is scheduled for 10:00 a.m. on April 28, 2015, 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 at 10:00 a.m. on May 26, 2015, at the West Hawai'i Civic Center, Community Center, Bldg. G, 74-5044 Ane Keohokalole Hwy, Kailua-Kona, HI.

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 Janet Snyder, 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.