

## MINUTES

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

December 16, 2008

#### Hilo Operations Center Conference Room

MEMBERS PRESENT: Mr. Thomas Goya, Chairperson  
Mr. Smith Smith, Vice-Chairperson  
Mr. George Harai  
Ms. Millie Kim  
Mr. Bernard "Malu" Konanui  
Mr. Francis Kuailani  
Mr. Robert Meierdiercks  
Mr. Dwayne Mukai  
Mr. Milton Pavao, Manager, Department of Water Supply  
(ex-officio member)

ABSENT: Mr. Bryan Lindsey, Water Board Member  
Mr. Daryn Arai, Acting Director, Planning Department (ex-officio member)  
Mr. Warren Lee, Director, Department of Public Works (ex-officio member)

OTHERS PRESENT: Ms. Katherine Garson, Assistant Corporation Counsel  
Mr. Jason Armstrong, Hawai'i Tribune-Herald  
Mr. Myles Miyasato, Operating Engineers Union  
Mr. Pete Lindsey, Laborers Union, Local 365

#### Department of Water Supply Staff

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

CALL TO ORDER - Chairperson Goya called the meeting to order at 9:21 a.m.

STATEMENTS FROM THE PUBLIC - verbatim

CHAIRPERSON GOYA: At this time we are now taking statements from the public, and we have Myles Miyasato from the Operating Engineers Union. Myles?

1. Mr. Myles Miyasato

M. MIYASATO: Chair Tom, Vice-Chair Riley and Board Members, I understand there was a public hearing on the rate increase and I didn't get to attend, but before you folks take action, I'm not opposed, just to the amount. Everybody knows we're in bad times right now. The government released a stimulus package yesterday, and we want time to hopefully improve our economy for the State. So on behalf of our membership, which half of them are unemployed, a percentage of them are running out of unemployment; they're just hanging out right now for what they got. We're asking you folks to consider all that before you give an almost 40 percent increase. We know you gotta increase, but we're just hoping we can work, maybe something like a partial increase January 1<sup>st</sup>, maybe 10 percent, 5 percent; maybe June 30<sup>th</sup> an additional increase, and give people time to recover, hopefully. But we're not opposed to the whole increase, just hoping that we can do it more increments, and be more forgiving to our membership that's all unemployed and just hanging out.

CHAIRPERSON GOYA: Thank you, Mr. Miyasato, for your comments. What we'll do is we'll move this to the top of the agenda so we won't take up too much of your time.

M. MIYASATO: Thank you.

CHAIRPERSON GOYA: Thank you. The second person is Mr. Pete Lindsey of Laborers Union Local 365. Thank you, Mr. Lindsey.

2. Mr. Pete Lindsey

P. LINDSEY: Okay, I'm here for the same thing. I'm not opposed to whatever rate you guys going for, but the amount you guys suggested is really too high, especially for the laborers that right now, I got about 86, almost 96 laborers on the bench right now. So hopefully you guys can see some percentage won't be too high. That's it, okay.

CHAIRPERSON GOYA: Thank you, Mr. Lindsey, for your comments.

APPROVAL OF MINUTES:

ACTION: Mr. Kualani moved for approval of the Minutes of the November 25, 2008, Water Board Meeting; seconded by Mr. Konanui and carried unanimously by voice vote.

## APPROVAL OF SUPPLEMENTAL AGENDA:

Chairperson Goya entertained a Motion to approve the addition of Supplemental Agenda Item No. 8, regarding Job No. 2007-927, INSTALLATION OF ELECTRICAL INFRASTRUCTURE OF EMERGENCY GENERATOR CONNECTIONS AT HALEKI WELL SITE.

ACTION: Mr. Harai so moved, seconded by Mr. Mukai and carried unanimously by voice vote.

## ACTION TO MOVE AGENDA ITEMS:

Chairperson Goya entertained a Motion to move Item 9(B), Power Cost Adjustment Clause to the top of the Agenda, to accommodate public interest in the item.

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

Chairperson Goya then entertained a Motion to move Item 9(K), Chairperson's Report, ahead of Item 9(H), Election of Chairperson and Vice-Chairperson for 2009.

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

## MISCELLANEOUS

### **B. POWER COST ADJUSTMENT CLAUSE:**

A Public Hearing on the Power Cost Adjustment Clause was held today. Public Hearing Notice was published in the Hawai'i Tribune-Herald and in the West Hawai'i Today on November 26 and 28, 2008.

The Manager recommended that the Water Board approve the proposed cost of Power Adjustment Clause of \$2.38 per thousand gallons effective the first day of the month after proposed establishment of the rate by the Water Board.

ACTION: Mr. Mukai so moved, seconded by Mr. Smith.

Mr. Mukai asked what effect, if any, the recent drop in crude oil prices was having on the Department's calculations for what the rate should be.

The Manager said that the Department was not concerned with the current crude oil price; what the Department is concerned about is what HELCO is charging the Department. He noted that the bill from HELCO for electricity has not gone down. He noted that the Department's calculation of \$2.38 would only enable the Department to break even on what the Department is paying HELCO; the rate of \$2.38 would not give the Department a surplus at all.

Mr. Smith thanked the union members for attending the meeting and for their comments on the rate increase. He noted that the Water Board takes their concerns seriously, but noted that up to now the Department has had no flexibility in adjusting rates because the Department was only able to do so once a year, and so the Department could only recoup any rising costs once a year. With the Power Cost Adjustment Clause, the Department would have more flexibility in adjusting rates on a more timely basis, with the option of adjusting rates every two months. He noted that this new frequency in adjusting rates would allow the Department to approve increases as well as decreases, and enable the Department to follow the power curve more closely, rather than hit the public with a big increase once a year. This would also allow the Department to avoid making up its deficit from its capital expenditure budget, which would allow the Department to issue projects that would employ union workers. The Department would have that money available and spread the cost among the Department's customers. This would allow the Department to operate the way it should, asking the Department's customers to bear the cost. In this way, the Department can improve its infrastructure to better serve the Department's existing customers. He noted that this new power cost adjustment methodology would also allow the Department to lower the cost to the customers as soon as the Department gets a decrease in the cost from HELCO.

The Manager noted that in addition to waiting for a decrease from HELCO, the Department would not lower the cost to the customer until the Line Item Budget is balanced.

Chairperson Goya noted that the shortfall in the Line Item Budget is more than \$2 million, which affects the amount of expenditures in the current budget year. He was particularly concerned that the shortfall could hold up capital projects the Department wants to put into place. He noted that the large amount (\$2.38) that the Board had discussed was a large percentage increase in the *adjustment*, and not necessarily in the Department's basic *rates*. He said that the Board felt that the \$2.38 would bring the Department closer to recapturing part of the \$2 million shortfall in the Line Item Budget. He noted that the month of October was particularly scary for the Board when HELCO's power cost rose to \$2.92. In light of that, the Board thought that \$2.38 would be pretty reasonable to recapture the shortfall in the Power Adjustment Clause for the remainder of the budget year.

Mr. Smith noted that a family whose water use is 20,000 gallons over a two-month period will see its average water bill go from \$34 to \$47.50, or an increase of \$13.60 during the two months, or 25 cents a day. He said while the Board is concerned about the cost to customers, the Board needs to make sure the Department is viable and can pursue the projects on its budget.

The Manager, addressing the guests from the unions, said that if the Department does not balance the line items, the Department would have to cut back on the funds for capital improvement projects. In the current economic situation, the Department wants to issue projects to help keep the workers employed. He recognized the importance of jobs in the construction industry in helping the community's economy. Without adjusting the Power Cost Adjustment, the Department's ability to do projects would be hampered. Those projects provide jobs for union members. He believed that providing jobs was very important, and that would ensure that the unions' membership has work. By providing jobs in this bad economic

climate, there would be two benefits: the Department would get the best prices possible because everybody is hungry, and also the Department would put people to work which would spur the economy. He noted that although it may seem hard on the union membership to pay an additional amount every month, it would be worth it because it would mean jobs.

Chairperson Goya noted that the Department has been asked to closely watch other items in the budget such as discretionary costs through the end of the budget year. He said for example, the Department faces a large increase in transportation costs for gasoline, like everybody else.

The Manager wished to clarify that the \$2.38 Power Cost Charge will not help the Department to recover the \$2.1 million shortfall in the Line Item Budget; the only way the Department can recover that money is if the Department keeps the rate at \$2.38 and HELCO drops its charge to the Department. The \$2.38 is only to keep the Department on an even keel.

Chairperson Goya thanked the union representatives for their testimony, and assured them that the Department would be proactive in helping people get back to work.

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

PUNA:

**A. CANCELLATION OF GOVERNOR'S EXECUTIVE ORDER NO. 4143 (SETTING ASIDE LANDS; SITUATED AT HALONA, PUNA, ISLAND OF HAWAI'I, HAWAI'I) TAX MAP KEY 1-5-008:PORTION 001:**

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On March 2, 2006, the Department of Land and Natural Resources (DLNR) issued Executive Order No. 4143 (EO). The EO covers a combined area of 3.738 acres which was set aside by DLNR to the Water Board of the County of Hawai'i (WBCOH) for the "Maku`u Well" and "Reservoir Site" and "Access and Utility Easement" (infrastructure). To date, all of the improvements within the EO (including the drilling, casing and testing of the well) have been done by the Department of Hawaiian Home Lands (DHHL). DHHL intends to continue their development of the well and reservoir as well as the transmission waterline within the EO in order to provide the necessary infrastructure for their proposed Maku`u development. It has been determined that in order for DHHL to facilitate the development of the infrastructure, the subject EO land must be under the control of DHHL, not the Department of Water Supply (DWS).

Based on the original intent that DHHL construct the improvements for their planned development, staff does not object to the cancellation of the current EO.

The Manager recommended that the Board approve this request to cancel the EO No. 4143 in order to allow DHHL to facilitate the necessary infrastructure improvements for their Maku`u development. Upon approval, DWS, on behalf of WBCOH, will send the request to cancel EO No. 4143 to DLNR.

ACTION: Ms. Kim moved to approve the recommendation; seconded by Mr. Konanui.

Mr. Smith said that because he serves on the Na Kupa`a O Kuhio board, he was recusing himself from voting on this recommendation, although he did not see a conflict of interest.

The Manager gave the background on the Executive Order for the Maku`u piece of land. When the Department was looking at the Maku`u water system several years ago, the Department somehow got an Executive Order for a piece of land. However, the land was designated by Hawaiian Homelands to provide infrastructure to support their upper mauka lots of the entire Maku`u subdivision. He explained that under Hawaiian Homelands' structure, it cannot dedicate any facilities constructed with their funds; what the Department has is a lease agreement. Another factor is that procurement comes into play, whereby the Department does not allow other entities to build facilities on sites for their own benefit when the site belongs to the Department. The Manager and Ms. Garson met with the Attorney General and the Deputy Attorney General, along with Hawaiian Homelands personnel. As a result, the best solution was for the Department to give up the Executive Order so that the Department does not have jurisdiction over the land, to make it easier for Hawaiian Homelands to proceed with their project. The Manager recommended that the Board approve this recommendation so that Hawaiian Homelands can proceed. He noted that Hawaiian Homelands has already dug an exploratory well on the site; the design is being done to outfit the well, to put up a reservoir and transmission lines down to the highway, so that they can supply the mauka lots of the total Maku`u subdivision. He said that the Department is working with Hawaiian Homelands on the allocations: their share, our share, etc. He was not sure about Hawaiian Homelands' timetable, although the Department has already held three meetings with Hawaiian Homelands on the matter.

Mr. Smith recapped, saying that the land belongs to the State, which gave control of the land to the Department. The State would now be taking the land back and giving control of it to Hawaiian Homelands, which would use it for the same purpose but at the end of the day, it would be Hawaiian Homelands that would retain control of the land. He confirmed that at the end of the project, Hawaiian Homelands would get to use water for their project, and whatever is negotiated with the Department is retained for the Department's customers.

The Manager confirmed that Hawaiian Homelands cannot dedicate the system to the Department; instead they have a license agreement with the Department in perpetuity, under which the Department operates and maintains the system. He noted an interesting fact that those assets are not even entered into the Department's books because it does not own them (the pipeline, the tank, the well, etc.) The Department only has the license agreement to operate and maintain the system, and to collect user fees.

ACTION: Motion was carried unanimously by voice vote, with Mr. Smith recusing himself.

Mr. Smith noted that because the Department of Hawaiian Homelands is federally enacted, it cannot dedicate facilities or transfer ownership of lands to another government or private entity, and always retains fee simple interest in its lands.

SOUTH HILO:

**A. RESOLUTION NO. 08-06: PROVIDING FOR THE ACQUISITION OF AN EASEMENT SITUATE IN THE DISTRICT OF SOUTH HILO, COUNTY OF HAWAI'I AND STATE OF HAWAI'I, IDENTIFIED AS PORTIONS OF TMK NO. (3) 2-5-028:029, FOR THE REPLACEMENT OF EXISTING FAILING GALVANIZED IRON WATERLINE:**

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Resolution No. 08-06 for acquisition of an easement identified as a portion of Tax Map Key (3) 2-5-028:029 for the replacement of existing failing waterline was attached to the Agenda.

The Manager recommended that the Water Board adopt Resolution No. 08-06.

ACTION: Mr. Kuailani moved to approve the recommendation; seconded by Ms. Kim, and carried unanimously by roll call vote, with Ayes: 8 –Ms. Kim, Messrs. Harai, Konanui, Kuailani, Meierdiercks, Mukai, Smith and Chairperson Goya; Nays: 0; Absent: 1 – Mr. Lindsey.

NORTH KONA:

**A. JOB NO. 2008-944, KAHALUU WELL B REPAIR:**

Bids for this project were opened on November 28, 2008, at 2:00 p.m.; and following are the bid results:

<u>Bidder</u>	<u>Bid Amount</u>
Derrick's Well Drilling & Pump Services, LLC	\$291,878.54
Beylik Drilling & Pump Service, Inc.	\$337,602.82
Water Resources International, Inc.	\$351,092.00

Project Scope: This project consists of replacing the well pump and column pipe assembly for the Kahaluu Well B.

Project Cost:

1) Low Bidder (Derrick's Well Drilling & Pump Services, LLC)	\$291,878.54
2) Construction Contingency (~10%)	<u>\$29,121.46</u>
Total Construction Cost:	<u>\$321,000.00</u>

Funding for this project will be from the Department's C.I.P. Budget under "Deepwell Pump Replacement." The contractor will have 180 calendar days to complete this project.

The Manager recommended that the Board award the contract for JOB NO. 2008-944, KAHALUU WELL B REPAIR, to the lowest responsible bidder, Derrick's Well Drilling & Pump Services, LLC, for their bid amount of \$291,878.54 plus \$29,141.26 in construction

contingency for a total contract amount of \$321,000.00, and that either the Chairperson or the Vice-Chairperson be authorized to sign the contract, subject to review as to form and legality of the contract by Corporation Counsel.

ACTION: Mr. Smith moved to approve the recommendation; seconded by Mr. Kuailani.

The Manager noted that this is a typical well repair project, funded from the Department's capital improvement project budget under Deep Well Pump Replacement.

Mr. Smith expressed gladness that there was more than one bidder on the project.

The Manager noted that Derrick's Pumping, the lowest responsible bidder, has the expertise and that this was not their first project for the Department.

Chairperson Goya noted that the Department has spent a lot of money on the Kahalu`u Shaft and Kahalu`u Wells in the past.

The Manager noted that getting the Palani Transmission project up and running will help the Department.

ACTION: Motion carried unanimously by voice vote.

Mr. Mukai asked if there are any pending maintenance projects on the Kahalu`u Shaft, noting he recently took a scary ride in the cage down the Shaft.

The Manager said that due to extreme moisture, rust and all kinds of problems, the Shaft requires constant maintenance, but so long as the Shaft is being utilized, the Department will continue to spend money on its maintenance.

**B. RESOLUTION NO. 08-07 PROVIDING FOR THE ACQUISITION OF PRIVATE PROPERTY AND EASEMENTS SITUATE IN THE DISTRICT OF NORTH KONA, TMK (3) 7-4-004:003 AND A PORTION OF TMK (3) 7-4-004:076 FOR WATER TRANSMISSION LINE IMPROVEMENTS:**

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This Resolution is being introduced for acquisition of private property and easements identified as a portion of Tax Map Key (3) 7-4-004:003 and a portion of Tax Map Key (3) 7-4-004:076 for water transmission line improvements.

The Manager recommended that the Water Board adopt Resolution No. 08-07.

ACTION: Mr. Meierdiercks moved to approve the recommendation; seconded by Mr. Kuailani.

The Manager noted that this Item is in its second reading, and with the Board's approval, the Department can go ahead and advertise it.

Mr. Beck said he is still awaiting the appraisal of the property, but expects it in the next two or three weeks.

Ms. Garson said the next step is condemnation. She noted that part of the process is to file the appraisal for fair market value with the court. Once Mr. Beck gets the appraisal of the property, Ms. Garson said she would take that to court to file a complaint for condemnation and the order for possession. Once that process is done, assuming there are no protests, the Department can go ahead with the work.

ACTION: The Motion was carried unanimously by roll call vote, with Ayes: 8 – Mr. Harai, Ms. Kim, Messrs. Konanui, Kuailani, Meierdiercks, Mukai, Smith and Chairperson Goya; Nays: 0; Absent: 1 – Mr. Lindsey.

**C. RIGHT-OF-ENTRY AGREEMENT – PALAMANUI GLOBAL HOLDINGS, LLC,  
TAX MAP KEY 7-2-015:083 & 084:**

The Board considered a request by the Developer, Palamanui Global Holdings, LLC, (successor to Hiluhilu Development, LLC) for a right-of-entry to enter onto the Kau #2 Well and Reservoir site. The Water Board approved the dedication of these properties on February 24, 2004.

The Water Board and the Developer entered into a Water Development Agreement, dated June 15, 1999, requiring the Developer to construct necessary water system improvements. There is a First Amendment to this Water Agreement dated January 11, 2007, identifying the successors. The Developer needs to conduct necessary site investigations, construct a 0.3 MG tank & rehabilitate Kau Well #2, replace existing 0.05 mg tank with a 0.3 MG tank and complete other related improvements.

The effective period of the right-of-entry agreement is from the date of execution till no later than June 2010.

The Manager recommended that the Board approve the Right-of-Entry Agreement and authorizes the Chairperson or the Vice-Chairperson to sign the agreement, subject to review as to form and legality by Corporation Counsel.

ACTION: Mr. Kuailani moved to approve the recommendation; seconded by Ms. Kim.

Mr. Inaba explained that the agreement involves Makalei Estates subdivision, which has two sites previously dedicated to the Department, with small storage reservoirs that they need to upgrade. The workers need to get back into the sites to build adequate reservoirs for the system.

The Manager noted that these are the wells that would serve their property, and the Kohanaiki property that is under construction.

Ms. Garson noted that this is part of the old agreement whereby they needed to upgrade these wells. She noted that this is not our property or our wells; all these upgrades are those of Makalei Estates to begin with; these upgrades are ones that the Developer should have done and meant to do in order to get water under the agreement. She pointed out that it was not a situation where the Department was allowing them to use an existing facility to get water.

Mr. Inaba noted that the source of the water is Makalei Estates (the old Nansay property).

The Manager noted that the water there is basal; very unusual for that area, sitting 10 feet above sea level. When the Department negotiated the contract years ago, the Department put in a condition that subject to water quality on the first 10,000 hours of run time, the Department had the option to require testing because of concerns about the water quality.

Mr. Meierdiercks requested a map to help the Board visualize the project area and what it entailed.

The Manager said the communication came to provide maps for the *dedications* (which appear later in the Agenda); he promised in the future to provide maps showing the mauka side of the subdivision where the upgrades will take place. He noted that the location of the subdivision's small 50,000-gallon tank was on the south side of the Makalei subdivision road, with the well further north.

Chairperson Goya noted that he carries maps from the 20-year Master Plan; the Department needs to make sure newer board members have the Master Plan.

The Manager suggested that the Department could Google the maps and put them on the screen for the Board.

ACTION: Motion carried unanimously by voice vote.

**D. MEMORANDUM OF UNDERSTANDING FOR: QUEEN K HIGHWAY WIDENING - KEALAKEHE TO KEAHOLE 16" W/L INSTALLATION – STATE HIGHWAY PROJECT (QUEEN K HIGHWAY WIDENING, PHASE 2)**

This DWS CIP project was included with the State Highways Queen Kaahumanu Highway Widening – Phase 2 project and is a “Design-Build” project. The best and final offer was accepted by the State and the waterline portion of the bid was \$2,896,723.00 not including contingency and does not include the required construction engineering by the State (\$235,307.00) as well as the administration costs (\$40,937.00). The estimate was \$5,000,000.00.

Staff reviewed the Memorandum of Understanding (MOU) and found it acceptable, with the exception that DWS will certify that funds are available for the construction engineering and administration costs of \$276,244.00. The MOU states that DWS make a check payable to the State of Hawai`i in that amount however, it has been agreed that in lieu of the check, the certification of funds is acceptable.

The Manager recommended that the Water Board accept the proposal amount of \$2,896,723.00 plus a contingency of \$150,000.00 (~5%) and Construction Engineering and Administration Costs of \$276,244.00 and that either the Chair or Vice-Chair be authorized to execute the Contracts subject to approval of our Corporation Counsel.

ACTION: Mr. Smith moved to approve the recommendation; seconded by Ms. Kim.

The Manager said that the Department needs the additional transmission capacity in that area, and would piggyback with the State in what is essentially a utility agreement with the State. He noted that the parallel line will go from Kealakehe to Keahole, and would give the Department additional capacity. He believed that it would be a really good deal for all of that pipeline, and that this project will enhance the Department's ability to provide fire protection to Kona airport and the surrounding area.

Mr. Smith asked about the three separate figures listed in the recommendation, which come to an estimated \$5 million.

The Manager explained that the request was for the sum of the three numbers (\$5 million), and that the reason the Department separated the three costs is that they are separate items with the State.

Mr. Smith asked to see written confirmation of these costs from the Department of Transportation or one of the contractors such as Wesley Segawa & Associates or Hawaiian Dredging.

Mr. Inaba said he should have included a copy of the email he received which confirms the costs. He also has a copy of the Memorandum of Understanding.

Mr. Smith said that absent any documentation, the Department is asking the Board to trust them. He said the Board needs to see written confirmation from the State or one of the contractors and asked Mr. Inaba to find the document that confirms the costs. Noting the Board's fiduciary responsibility, he suggested approving the Item at the end of the Agenda.

The Manager asked Mr. Inaba to log on to his computer and print out the email in question.

Mr. Inaba noted that this is a Request For Proposal (RFP); a design-build project, so the Department does not have a hard-bid item for it. Instead, the State has a proposal-item as far as the water system; that is what the cost entails, including design.

The Manager said this is a normal utility agreement process customary with the Department in the past.

Ms. Kim clarified that the State would be carrying out the work, not the Department. What the State builds will revert to the Department.

The Manager confirmed that this was why the Department had a separate administrative cost listed for the project, because the State charges the Department to administer the Department's portion of the work, although the Department will be providing inspection.

Ms. Kim sought confirmation that the State would issue a contract to a construction firm – not the Department.

The Manager confirmed that Ms. Kim was correct. He noted that the State initially asked the Department for cash for its portion of the work and the Department refused. Instead, the Department has certified the funds as acceptable instead of the actual cash. The certified funds would then be disbursed as required, and the Department would not lose the interest it would by handing over the money.

The Manager said the work would be located at the intersection at Honokohau Boat Harbor, down to the end of the Department's system at the Airport. He noted that this project was Phase 2, (as opposed to Phase One when the Department's pipe failed to meet State requirements of being buried three feet underground.)

Chairperson Goya said the Board would defer voting on the Item until additional information was available.

**SOUTH KONA:**

**A. JOB NO. 2007-927, INSTALLATION OF ELECTRICAL INFRASTRUCTURE OF EMERGENCY GENERATOR CONNECTIONS AT HALEKI'I WELL SITE:**

Bids were opened on December 11, 2008; and following are the bid results:

<b>Bidder</b>	<b>Amount</b>
Bolton, Inc.	\$155,795.00
Able Electric, Inc.	\$189,830.00
Isemoto Contracting Company, Ltd.	\$205,390.00

Project Scope: This project includes the installation of electrical infrastructure for emergency generator connections at the Haleki'i well site in South Kona. The work includes modifying the existing electrical system to connect fixed-in-place portable standby generator, including electrical service, metering, equipment, and manual transfer switch, complete and ready for operation.

Project Cost:

1) Low Bidder (Bolton, Inc.)	\$155,795.00
2) Construction Contingency	<u>19,205.00</u>
Total Construction Cost:	<u>\$175,000.00</u>

Funding for this project will be from the 2008 Capital Improvement Funds. The contractor will submit a work schedule prior to starting any work on the project. The Engineering estimate was \$370,000.00.

The Manager recommended that the Board award the contract for JOB NO. 2007-927, INSTALLATION OF ELECTRICAL INFRASTRUCTURE OF EMERGENCY GENERATOR CONNECTIONS AT HALEKI I WELL SITE, to the lowest responsible bidder, Bolton, Inc., for their bid amount of \$155,795.00 plus \$19,205.00 in construction contingency for a total contract amount of \$175,000.00, and that either the Chairperson or the Vice-Chairperson be authorized to sign the contract(s), subject to review as to form and legality of the contract(s) by Corporation Counsel.

ACTION: Mr. Smith moved to approve the recommendation; seconded by Mr. Kuailani.

Ms. Myhre said that Bolton, the selected bidder, will submit a schedule within the next couple of months.

Chairperson Goya said that once the Department receives Bolton's schedule, the Department should notify the appropriate people who have shown interest in this particular site.

The Manager noted that the project, once completed, will ensure more reliable water service in times of power outages. The generator would be located above Kona Hospital, with the Department's 250,000-gallon tank. The Manager said the generator would enable the Department to run the well in times of power outage. However, the generator would not help in case of a major disaster such as an earthquake or hurricane where the pipe breaks; the generator only ensures capacity. He noted that the Department still has pressure problems because the Hospital's elevation is too high. The Hospital still has no storage tank, and the Department has been asking the Hospital to seek Legislative approvals for allocation of funds to put up some storage.

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. WATER SYSTEM DEDICATION WITHIN MAUNA LANI RESORT**

##### **A) BILL OF SALE**

Seller: MAUNA LANI SERVICE, INC.

TMK: (3) 6-8-022

- B) GRANT OF EASEMENT (Regular System)**  
Grantor: MAUNA LANI RESORT (OPERATION), INC.  
TMK: (3) 6-8-022: 043, 044
- C) GRANT OF EASEMENT (Land Court System)**  
Grantor: MAUNA LANI RESORT (OPERATION), INC.  
TMK: (3) 6-8-022: portion 045
- D) GRANT OF EASEMENT (Regular System)**  
Grantor: MAUNA LANI SERVICE, INC.  
TMK: (3) 6-8-022
- E) GRANT OF EASEMENT (Land Court System)**  
Grantor: MAUNA LANI SERVICE, INC.  
TMK: (3) 6-8-022
- F) GRANT OF EASEMENT (Regular System)**  
Grantor: MAUNA LANI SERVICE, INC.  
TMK: (3) 6-8-001: 053

**2. PURSUANT TO THE TRI-PARTY AGREEMENT BETWEEN MAUNA LANI SERVICES, INC, (MLS), MAUNA KEA PROPERTIES (MKP), AND DEPARTMENT OF WATER SUPPLY. APPROVED BY THE WATER BOARD AT ITS MEETING ON FEBRUARY 28, 2006. THE FOLLOWING DOCUMENTS ARE HEREBY PRESENTED FOR ACTION BY THE WATER BOARD.**

- A. GRANT OF EASEMENT**  
Grantor: Waikoloa Village Association  
TMK: (3) 6-8-002:019
- B. ASSIGNMENT OF EASEMENT**  
Grantor Mauna Lani Service, Inc.  
TMK: (3) 6-8-001:001
- C. BILL OF SALE**  
Seller: Mauna Lani Service, Inc.  
TMK: (3) 6-8-001 and (3) 6-8-002  
Final Inspection Date: *To be announced at the next meeting*  
Water System Cost: *To be announced at the next meeting*
- D. DEED (Well Site 5 and Well Site 8)**  
Grantor: Mauna Lani Service, Inc.  
TMK: (3) 6-8-001: 044 and 047

**3. GRANT OF EASEMENT AND BILL OF SALE**  
Betty Wung Subdivision  
Subdivision Application No. 05-0099

Grantor/Seller: Betty Yet Jean Wung  
TMK: (3) 2-4-038: 016  
E.W.O.: 2007-088  
Lots: 6 and 1-Road Lot                      Zoning: RS-15  
Facilities Charge: \$ 27,500.00              Date Paid: 4/04/08  
Final Inspection Date: 3/06/08  
Water System Cost: \$40,800.00

The Manager 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.

Ms. Garson asked that Agenda Items 9A-1 and 9A-2 be deferred until the next meeting or possibly the meeting after because they were placed on the Agenda prematurely. She withdrew a request that would require Action by the Board, allowing the Board to vote on the recommendation on the remaining Item, 9A-3, GRANT OF EASEMENT AND BILL OF SALE, Betty Wung Subdivision. *\*\*Please see Page 17 of these Minutes, where Ms. Garson asks that Item 9 A-1 be reinstated for dedication.*

ACTION: Mr. Meierdiercks moved to approve the recommendation; seconded by Mr. Harai, and approved unanimously by voice vote.

Mr. Smith sought clarification on the withdrawn items, 9A-1 and 9A-2.

The Manager confirmed that the Hapuna Prince and the private subdivisions in the area are entirely on the Department's water system, although some owners have master meters or association meters. He also confirmed that the Mauna Kea (Resort) area were all Department customers, served by a 300,000-gallon tank located at the entrance to the Mauna Kea.

B. **POWER COST ADJUSTMENT CLAUSE:** (Moved to top of the Agenda earlier)

C. **MONTHLY PROGRESS REPORT:**

Chairperson Goya requested that the Monthly Progress Report be broken down by Council District, so that the respective Councilpersons will know what projects are underway in their districts, with copies made for the Board as well. The Department should show the public and the Council that the Department has economic stimulus projects in the design stage or pending documentation. The Department has a large amount of money already dedicated in the Department's capital budget, he noted. He suggested that the Department remove old items like pipeline replacements and deep-well repair line items.

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

Chairperson Goya noted that he had asked Mr. Sumada to do a comparison between the Power Cost Adjustment Clause versus water consumption on a historical basis, to show the four-year pattern and also the year-to-date information. He said that it helps the Board if it can more fully understand line items within the Financial Statement, such as bad debt.

Ms. Aton noted that an article regarding the Department's bad debt recently appeared in both the West Hawai'i Today and Hawai'i Tribune-Herald newspapers. Ms. Aton, Mr. Sumada and Mr. David Mellom of Customer Service worked together to develop a statement for the article by reporter Jim Quirk.

Ms. Aton noted that in the course of the West Hawai'i Today interview, Mr. Quirk asked about the total amount of debt in bonds and loans, and that the figure was \$39 million. The only inaccuracy in the article was that while it mentioned that the Department paid \$4.6 million per year in principal and interest, the article did not mention the total amount.

Chairperson Goya, speaking of interest that the Department pays on bonds, cautioned that if the Department has too many projects rolling out at the same time that bid prices will go up. He said that the Department has to be ahead of the game and get its projects out sooner.

The Manager agreed, saying now is definitely the time to get the Department's projects out. He noted that the Palani project will put a lot of people to work at this time of economic uncertainty.

Speaking about his recent meeting with Managing Director Bill Takaba, the Manager said he sought an exception for customer service and operations to the Mayor's hiring freeze directive. Customer service and operations directly affect the Department's ability to provide service, and Mr. Takaba strongly agreed, and said the County would also avoid doing anything to jeopardize service. The Manager said the Department was following the Mayor's direction on the hiring freeze in all areas except customer service and operation, whose personnel respond to breakages, etc. The Manager said that the Department would soon be coming to the Board on creating future positions for a Public Relations series, but added that the intention was to create, but not fill, the positions until the economy improves.

The Manager noted that the Mayor plans to review the hiring freeze in June. He noted that the Department currently has 12 vacant positions, including several engineer positions which will only be filled if someone gets promoted.

Turning to water consumption, Mr. Sumada said that water consumption is projected to be lower in the 2009 budget.

Mr. Mukai noted that a drop in consumption between 2006 and 2008 might be partly due to the Department's leakage control program.

Asked by Mr. Kuailani about the \$39 million in long-term debt (in General Obligation Bonds and State Revolving Loans), the Manager said that the Department is well within its limits on such borrowing.

The Chairperson at this point returned to Item 7D: **MEMORANDUM OF UNDERSTANDING FOR: QUEEN K HIGHWAY WIDENING - KEALAKEHE TO KEAHOLE 16" W/L INSTALLATION – STATE HIGHWAY PROJECT (QUEEN K HIGHWAY WIDENING, PHASE 2)**

Mr. Smith thanked Mr. Inaba for providing the email from Mr. Henry Kennedy of the State Department of Transportation, which confirms the bid amount of \$2,896,723 for the water system work.

Mr. Inaba confirmed that that Goodfellow Brothers was awarded Phase 2, and that he believed the design engineer was SSFM International.

ACTION: Motion to approve the recommendation carried unanimously by voice vote.

Ms. Garson asked the Board to return to Item 9) A-1, **DEDICATION OF WATER SYSTEMS**: regarding **WATER SYSTEM DEDICATION WITHIN MAUNA LANI RESORT**, which Ms. Garson mistakenly requested to be withdrawn earlier in the Agenda.

ACTION: Mr. Meierdiercks moved to approve the recommendation; seconded by Ms. Kim, and carried unanimously by voice vote.

#### **E. WATER RATE STUDY:**

Chairperson Goya expressed hope that the Water Rate Study would remain on the Agenda for the next Board. He noted that approving any cost increases brings the Department closer to asking for additional rate increases. If such rate increases are to be done, they should be done incrementally with a strategy developed well ahead of time. He also stressed the need to protect the Department's semi-autonomous nature, to shield it from additional outside influences that would tell the Department how to operate and manage.

#### **F. MANAGER'S REPORT:**

The Manager provided an update or status on the following:

1. Hawaiian Ocean View Exploratory Well – The Department is getting ready for the pump test, with results expected by next month's meeting that will show how much capacity there is.
2. Negotiations with Kamehameha Investment Corporation – KIC is still working with their master builder, and they will get back to us. KIC recently went for a zoning hearing on the large parcel makai of Kuakini Highway, just above the Department's Shaft area.
3. Automatic Meter Reading (AMR) Program – Mr. Quitariano made a presentation following the Manager's Report.
4. Water Hauling (Pepeekeo and other areas) – Wells finished.
5. Recycling Program -- The Department met with the Department of Environmental Management recently to launch Water Supply's participation in the program, with Mixed Recycling bins stationed at various locations at the main office.
6. Transportation Committee – No report, pending more work on guidelines and policy.
7. Major West Hawai'i Projects (executed agreements) – Many projects are ongoing, including Lanihau, Palani and Palamanui. In addition, there are many agreements made 20-25 years ago that remain valid for which the Department still needs to provide water.

8. Emergency Generators Installation – Haleki`i project approved today.
  9. Hawai`i Water Works Association (HWWA) Conference, Maui – October 29-31, 2008
- Chairperson Goya emphasized the importance of networking and learning opportunities that such conferences provide to the Board and Department staff. The Manager said the conference created networks of counterparts in other water departments and water boards that the Department can call on in the future.

The Deputy Manager drafted a thank you letter to former Mayor Kim for all the years of close cooperation and friendship; Chairperson Goya and the Manager signed the letter. In addition, the Department staff made a handsome koa clock for former Mayor Kim. Because former Mayor Kim was unable to attend today's year-end luncheon, the Manager said he plans to arrange a visit to present the clock and letter to former Mayor Kim.

Ms. Aton reported on the Environmental Protection Agency's Outstanding Achievement Award to the Department in two categories: Financial Integrity and Compliance with the Safe Drinking Water Act, specifically at Pahala Well B and Honomu Production Well and Reservoir. She noted that the top EPA administrator came to the Big Island in September to present the award to Mayor Kim, with Department engineers Messrs. Keith Okamoto and Kawika Uyehara in attendance. The event was covered in the AWWA's Opflow magazine and in the local newspapers.

Mr. Quitariano, the engineer in charge of the Automatic Meter Reading (AMR) project, reviewed the pilot program of 3,000 residential meters on six routes around the island; and the lessons learned. The automatic meter reading system is a mobile system involving receivers which allows meter readers to drive around and automatically take readings from meters. The meter readers download the readings back at the office and send them electronically to the Billing section. The advantages include savings in time, greater accuracy in readings, reduced labor and fuel costs, and safer meter reading. The system also helps the Department perform diagnostics to detect leakages, back flow events and tampering. The next phase involves 5,000 residential meters in districts ranging from Kea`au/Pahoa to the entire Ka`u district. Neptune Technologies has developed a next-generation automatic meter reader system, which involves no external wires and is more compact; the new units are less vulnerable to tampering. The new units are faster to install and have data logging capability, producing hourly consumption readings for up to 96 consecutive days. They also incorporate mapping modules based on Geographic Information Systems (GIS) in the drive-by units, which can help locate unread meters.

#### **G. 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.

This item is for information only; with no action required.

Mr. Harai asked the Manager to provide information such as maps showing sources of water, to help incoming Board members in particular.

The Manager said the Department would provide such information.

Mr. Kuailani asked the Manager to break down his monthly Manager's Report by districts, to help Board Members who represent the various districts in case a member of the public has a question.

**K. CHAIRPERSON'S REPORT:** (Moved ahead of Items H, I, and J at Chairperson's request.)

Chairperson Goya asked outgoing Board Member Mr. Konanui to precede him to say a few words on his five years of service on the Board.

Mr. Konanui said he learned a tremendous amount and was grateful for all of the help he received from Department staff and Board colleagues.

Chairperson Goya prepared outgoing comments for the Board, citing numerous accomplishments during the five years since he joined the Board including: the automatic meter reading; hiring a permanent replacement for the Energy Specialist; establishing the public relations position; the Department's new motto. He distributed copies of his comments on the following areas: Strategic Planning; Change Management; Sustainability; Public Perception; Political Perception; Financial Integrity and (Fiduciary) Responsibility; and suggestions going forward for the Water Board. Among his suggestions were to bring guest speakers to Board Meetings, undertake succession planning and to continue public outreach.

Chairperson Goya thanked the Department and the Board for the privilege of serving as Chair for the past two years.

Mr. Kuailani asked that the Chairperson's comments be put on record.

**H. ELECTION OF CHAIRPERSON AND VICE-CHAIRPERSON FOR 2009:**

MOTION: Ms. Kim moved to nominate current Vice-Chairperson Mr. Smith for Chairperson and Mr. Mukai for Vice-Chairperson for the 2009 term; seconded by Mr. Kuailani.

Ms. Kim wanted put on record that in the past the Board customarily had a former Board Chairperson, a current Chairperson and a Vice-Chairperson all serving on the Board, a combination of experience which helped the Chair and Vice-Chair immensely. Due to circumstances, the Board deviated from that practice the past couple of years, with Mr. Goya serving two consecutive years as Chairperson. Ms. Kim feared that next year the Board might come up a bit short, with both Mr. Smith and Ms. Kim leaving the Board at the end of 2009. She did note that Mr. Mukai as Vice-Chairperson will have gained experience in dealing with matters that only Board Officers encounter, which other Board Members never see.

Mr. Harai asked if the Chairperson and Vice-Chairperson needed to live close to the Department.

The Manager said that it really helped to have at least one of the Officers live nearby.

Chairperson Goya noted that he and Vice-Chairperson Smith worked closely and complemented each other in shouldering their responsibilities as Board Officers. He noted that what the Board does is for the record, and is meant to be communicated to the public. It was important for the public to know that the Board properly deliberates on the matters it handles before it takes action.

ACTION: Motion to approve the slate was carried unanimously by voice vote.

ACTION: Ms. Kim then moved to approve the nominations and that nominations be closed; seconded by Mr. Kuailani and carried unanimously by voice vote.

The Manager noted that Chairperson Goya remains in his position until the end of the year.

**I. EXECUTIVE SESSION:**

The Manager waived his right as authorized by Hawai'i Revised Statutes, Sections 92-4 and 92-5(a)(2) to have an Executive Session to discuss his evaluation. He said that he wanted the session to be open, because he believed that his evaluation was at least partly due to the work of the Department staff.

**J. MANAGER'S EVALUATION:**

Copies of the Manager's Evaluation, compiled by Ms. Kim, were distributed. Information was also distributed on the current Executive and Council salaries as of November 15, 2008; along with pay raises approved in the Fiscal 2009 budget including bargaining unit increases and upcoming pay raises.

The Manager said that although at the previous Board Meeting he said he was not seeking a pay raise, he has since reconsidered. In light of the 4 percent raise that staff received, the Manager believed that it would be detrimental to the integrity of the Manager's position not to have the Manager's salary keep in step with staff raises. Not to do so could incur problems such as Kauai's failure to fill the manager position. He recommended that the Manager's position receive at least a 4 percent raise for 2009.

Mr. Mukai noted that appointed positions under Commissions such as Police and Fire do not automatically receive a 4 percent raise; there is always a catch-up where it has to go to the Commission for approval.

Mr. Smith noted that the Board's assignment was first to take up the Manager's Evaluation and then, based on the Evaluation, to decide what action to take on the Manager's salary.

Ms. Kim reviewed the three-page Evaluation Summary that she compiled based on Board Members' responses. She noted that the Manager's rating was Excellent, with the overall average at 4.18 (the range in ratings went from 4.33 to 4.00). She said the Excellent rating reflects how the Board feels about how the Manager and his staff carry out the mission of the Department. The Evaluation Summary provided three years of ratings, which were consistently Excellent. Ms. Kim emphasized the need to work on a succession plan in the next year or so, to ensure continuity of leadership.

The Manager said he believed part of the credit for the very good evaluation should go to the staff, because they help the Manager look good.

Mr. Kuailani asked if new criteria should be included in future Evaluations, because the Manager consistently rated so high.

Ms. Kim thought that the Evaluation criteria should remain the same because the Department's mission is straightforward; the important thing is that the Manager meets the goals of that mission. She believed that if you try to go beyond that mission, you get into big trouble.

Chairperson Goya opened discussion on considering an increase in the Manager's salary in 2009.

Mr. Mukai said that while the Manager has years of seniority in the Department, Mr. Mukai has a problem with a department head making a higher salary than the Mayor.

Ms. Kim said it was a good point, but she recalled a few University of Hawai'i professors who made twice as much in salary as the Governor, and they were not even department heads. Therefore, she did not see a problem with a department head making more than the Mayor.

The Manager noted that to head a department such as Water Supply or Public Works, a person must be a licensed civil engineer; this is a different skill level than being a Mayor or Governor.

Mr. Smith said that while he believed it would be detrimental to the Department for qualified people to be deterred from moving up due to pay discrepancies, he thought it best to send a message to the public in the current economic climate to go with something lower than 4 percent for the Manager.

MOTION: Mr. Smith moved to consider an increase of 2 percent in the Manager's salary, to open the discussion; seconded by Mr. Mukai.

Ms. Kim said the Board needed to add the Deputy Manager's pay increase.

AMENDMENT TO MOTION: Mr. Smith moved to amend the Motion to include the Deputy Manager's salary increase, both effective January 1, 2009; seconded by Mr. Mukai; and passed unanimously by voice vote.

Mr. Goya proposed that an incremental increase could be considered by the Board at a later date within the calendar year.

Ms. Kim said she wanted to see such an incremental increase set now.

Mr. Harai said while he understood public perception amid the current economy, he believed that the Manager deserves the 4 percent.

Speaking for the position itself, the Manager said if a manager or any other head of a department gets less than the staff he supervises, it diminishes the integrity of the position. He noted that Honolulu has a novel formula to ensure the manager there makes a certain percentage more than staff. He believes that it is only fair that the manager's position should get at least the same percentage raise that the people he supervises receive.

Ms. Kim said the Board should vote down the Motion at 2 percent and make a new Motion, for maybe 3 percent now and 4 percent at some point next year.

Mr. Kuailani suggested a compromise at 2 percent now in consideration of public perception, and 2 percent in July.

With Mr. Smith's Motion still on the floor, Mr. Mukai suggested either amending the Motion, voting the Motion down, or withdrawing the Motion.

Ms. Kim proposed a 2 percent increase effective January 1, 2009 and an additional 2 percent increase, based on the higher salary rate effective July 1, 2009.

MOTION WITHDRAWN: Mr. Smith at this point withdrew his Motion; Mr. Mukai withdrew his second. With this, the table was clear.

ACTION: Ms. Kim moved for a 2 percent increase for the Manager and Deputy Manager, effective January 1, 2009; to be increased an additional 2 percent based on the higher salary rate, effective July 1, 2009; seconded by Mr. Harai and carried unanimously by voice vote.

## **ANNOUNCEMENTS:**

### **1. Next Meeting:**

The next meeting of the Water Board will be held on January 27, 2009, 10:00 a.m., in the Hilo Operations Center Conference Room, 889 Leilani Street, Hilo, Hawai'i.

### **2. Following Meeting:**

The Board chose to hold its February 24, 2009 meeting in Kona (venue to be determined.)

The Manager noted that the provision that gives Mr. Goya and Mr. Konanui the legal authority to serve 90 days more, or until the next person is selected for their places on the Board, whichever comes first. He expressed hope that they would continue to serve until their replacements are selected, to ensure that the Board has a quorum.

**ADJOURNMENT:**

Chairperson Goya declared the Meeting adjourned at 12:09 p.m. (There was no Motion to adjourn.)

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Senior Clerk-Stenographer

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