

MINUTES

DEPARTMENT OF WATER SUPPLY COUNTY OF HAWAII WATER BOARD MEETING

April 28, 2009

Hilo Operations Center Conference Room

MEMBERS PRESENT: Mr. Riley Smith, Chairperson
Mr. Dwayne Mukai, Vice-Chairperson
Mr. George Harai
Mr. Francis Kuailani
Mr. Robert Meierdiercks
Mr. Art Taniguchi
Mr. Milton Pavao, Manager, Department of Water Supply
(ex-officio member)

ABSENT: Ms. Millie Kim, Water Board Member
Mr. Bryan Lindsey, Water Board Member
Ms. Bobby Jean Leithead-Todd, 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. Grant Nakagawa, Audit Manager, KPMG
Mr. Hiroshi Usami, Construction Manager,
Japan Construction Services of Hawai'i, Inc.

Department of Water Supply Staff

Mr. Quirino Antonio, Jr., Deputy Manager
Mr. Kurt Inaba, Engineering Division Head
Mr. Lawrence Beck, Engineering Division
Mr. Richard Sumada, Waterworks Controller
Mr. Daryl Ikeda, Chief of Operations
Ms. Kanani Aton, Public Information and Education Specialist
Ms. Julie Myhre, Energy Management Analyst, Operations Division
Mr. Keith Okamoto, Engineering Division
Mr. Kawika Uyehara, Engineering Division
Ms. Colleen Nakamura, Finance Division (arrived at 11:30 a.m.)
Ms. Candace Pua, Finance Division (arrived at 11:30 a.m.)
Ms. Marianne Panoff, Finance Division (arrived at 11:30 a.m.)

CALL TO ORDER - Chairperson Smith called the Meeting to order at 10:00 a.m.

STATEMENTS FROM THE PUBLIC:

None.

APPROVAL OF MINUTES:

ACTION: Chairperson Smith entertained a Motion to approve the Minutes of the March 24, 2009 Public Hearing on the Proposed Operating and Capital Improvement Budgets for Fiscal Year 2009-2010. Mr. Meierdiercks so moved; Mr. Harai seconded and carried unanimously by voice vote.

ACTION: Chairperson Smith entertained a Motion to approve the Minutes of the March 24, 2009 Water Board Meeting. Mr. Meierdiercks so moved; seconded by Mr. Harai and carried unanimously by voice vote.

APPROVAL OF ADDENDUM AND/OR SUPPLEMENTAL AGENDA:

No Supplemental Agenda.

PRESENTATION OF AUDITED FINANCIAL STATEMENTS – JUNE 30, 2008

Copies of the Department's Audited Financial Statements for the fiscal year ended June 30, 2008 were distributed to Board members. Mr. Nakagawa, representing KPMG, the Department's independent auditors from Honolulu, gave a brief presentation.

Mr. Nakagawa said that his firm's audit of DWS financial statements found no deficiencies or material weaknesses in the Department's financial controls or financial reporting.

In the course of its audit, KPMG auditors went through the Department's accounting policies. This year, KPMG adopted a new accounting standard, the Governmental Accounting Standards Board Statement No. 45, *Accounting and Reporting by Employers for Post-Employment Benefits Other Than Pensions*. Mr. Nakagawa noted that this includes benefits such as the Employer-Union Health Benefits Trust Fund. During the audit, KPMG takes into account the estimates made by DWS management in going through the Department's balance sheet, Mr. Nakagawa said.

Mr. Nakagawa noted that KPMG recorded a few unadjusted audit difference entries, which are listed in a spread sheet on the last page of KPMG's management letter (also known as the SAS114 Letter). However, the auditor did not consider any of the unadjusted audit difference entries to be material, either individually or in the aggregate. Mr. Nakagawa noted that the

entries were adjustments not considered material to the numbers in the financial statements, and would not mislead the user of the financial statements. In summary, KPMG did not propose any audit adjustments for the Fiscal Year ended June 30, 2008. The auditor had no disagreements with management and no difficulties with staff during the course of the audit, Mr. Nakagawa said.

Chairperson Smith asked if KPMG reviews DWS compliance with state procurement codes.

Mr. Nakagawa said the auditors do a test over DWS procurements, doing a sample of various procurements to make sure that the procurement code is followed by DWS.

Chairperson Smith asked if KPMG goes through the Department's credit card charges, noting that at other businesses he has been involved with, there were certain reporting requirements such as stating the purpose of travel or conference participation.

Mr. Nakagawa said the auditors do tests of DWS expenses and revenues, although not specifically credit card charges. KPMG tests credit card charges on a small basis because typically the amounts are not very material. The auditors do test to make sure the Department follows proper protocols such as obtaining authorizations and approvals.

Chairperson Smith noted that the Water Board has changed its rules to allow the Board to adjust the power surcharge to customers based on the Department's electric power bills, whereas in the past, DWS was only able to adjust its power surcharge once a year. He noted that last summer when fuel prices skyrocketed, DWS did not have the opportunity to adjust its surcharge based on the energy costs the Department was experiencing. During the 12-month period, DWS lost \$2 million because it was unable to charge customers what it cost the Department to pump water to serve customers. Chairperson Smith asked if KPMG reviews that kind of phenomenon and makes recommendations to the Department.

Mr. Nakagawa said that the audits look at whether the numbers are properly stated. The auditors test to make sure the rate that DWS uses for billing is proper, but it is not within the audit's scope to address the reasonableness of the rates that DWS charges.

Chairperson Smith suggested that future audits provide some financial analysis and review on the reasonableness of costs.

Mr. Nakagawa said that the auditors compare, year to year, any unusual fluctuations such as increases or decreases in revenues or expenses, and the auditors bring such things to the attention of Mr. Sumada. However, that is the extent of what the auditors do. If there is anything glaring in the numbers that is out of proportion to what the auditors expected, the auditors bring it to the attention of Mr. Sumada and his staff, Mr. Nakagawa said.

Mr. Taniguchi asked who procures the audit.

Mr. Nakagawa said that the County Council procures the audit, as a group contract which involves the County as a whole. KPMG determines the scope of the audit, based on the firm's internal auditing standards. Mr. Nakagawa takes into account what the Water Board says

today, and then the auditors talk with Mr. Sumada and his staff to go over the plans for the audit. Mr. Sumada will bring up any issues which arose during the year, and the auditors may tweak their procedures accordingly. Mr. Nakagawa noted that he does the same thing with County Finance Director Deanna Sako and her team.

Chairperson Smith asked the Manager if he has the ability to choose the auditor he wants.

The Manager said the Department piggybacks with what the County Clerk does.

Ms. Garson noted that the annual audit is statutorily required for the entire County. Under the County Charter, the County Council provides for an annual audit of all County agencies.

Referring to the scope of the audit, the Manager said that his understanding was that the auditors just look at the procedural way that the Department does things; the auditor does not look particularly at DWS's rates or the power cost – those are not the auditor's concern. Instead the auditor looks at the Department's accounting procedures to make sure they are correct.

Chairperson Smith said he believed that it is the auditor's concern if a glaring deficit appears in the figures, and if there are no measures in place to reduce such a deficit. He would expect the audit report to say, for example, that the Department lost \$2 million on DWS's fuel surcharge, which was directly related to the Department's inability to pass the surcharge on to customers. He would expect the audit report to say that the Department should do something about it.

Mr. Nakagawa said that an opinion such as that could be communicated in a management letter which would be outside of the report itself as a separate document.

Chairperson Smith said the Water Board relies on KPMG's expertise to alert them of any issues that are out of the ordinary, so that the Board may take appropriate action.

SOUTH HILO:

A. JOB NO. 2005-863, HONOMŪ PRODUCTION WELL AND 0.3 MG RESERVOIR

The Contractor requested a time extension. This request is due to delays beyond the control of the Contractor with processing the building permit (81 calendar days) as well as rain-out (25 working days).

Staff has reviewed the request and finds that the 81 calendar days for delays due to processing the building permit and the 25 working days for rain-out are justified.

This is the first time extension request.

Original Contract completion date: May 14, 2009

Plus 81 calendar days for permit: Aug. 3, 2009
Plus 25 working days for rain-out: Sept. 9, 2009

The Manager recommended that the Water Board approve a contract time extension of eighty-one (81) calendar days, plus twenty-five (25) working days from May 14, 2009 to September 9, 2009 for JOB NO. 2005-863, HONOMŪ PRODUCTION WELL AND 0.3 MG RESERVOIR.

MOTION: Mr. Meierdiercks moved to approve; seconded by Mr. Kuailani.

The Manager noted that delays related to building permits are a problem that is plaguing everybody, not just DWS. In some cases, the Building Division of the Department of Public Works requires extra information even after the permit has been issued. Such delays are out of the Department's and the Contractor's hands.

Chairperson Smith suggested that before the bid, the Department can submit plans for the building permit review – while DWS goes through the bidding process. The Contractor just has to sign the building permit when he picks it up. This would be a way to get things done faster, he said.

Mr. Inaba said the Department is trying to expedite things, but is still encountering delays when the Building Division asks for additional things, in some cases even when the Contractor goes to pick up the permit.

Mr. Okamoto confirmed that the Department is working to expedite things once everyone signs off on the plans, (and before even advertising for the bid). The Department submits the plans to Building Division with the note: "Contractor to be determined."

Chairperson Smith said another way of expediting matters is to notify the Consultant to make sure to provide DWS with a good set of plans, and to avoid short-listing consultants with whom the Department has had problems.

Mr. Taniguchi asked if delays affect the bid price on projects.

The Manager said that there is an escalation clause in contracts. However, if the Contractor chooses to exercise the escalation clause, the Contractor must show real numbers to show that the prices in fact did go up. So far, that has not kicked in, but the Manager said he would assume that if the project is delayed further, the Contractor will exercise the escalation clause, and rightfully so. However, the Contractor would have to prove to DWS that prices went up and that the delay was not the Contractor's fault.

The Manager said that the Department sometimes negotiates standby costs, often on projects like well construction. In cases where the Department requires the Contractor to be there, the standby provisions kick in. He noted that there are a number of ways of compensating the Contractor when the delay or the additional cost is not his fault.

Mr. Meierdiercks asked the Department to give the name of the Contractor and the project starting date when giving background reports on time extension requests at Board meetings.

The Manager noted that the Contractor on the Honomū project is Isemoto Contracting Co., Ltd.

Mr. Meierdiercks said that if a Contractor continually has trouble meeting project deadlines, the Department could take that into consideration when making awards.

The Manager said that the Department cannot turn away a bid from a contractor on such grounds. To do so would incur all kinds of trouble, he said.

Chairperson Smith said that the Contractor's license could be impacted through complaints to the bonding company.

ACTION: Motion carried unanimously by voice vote.

Mr. Mukai asked for a discussion on the formatting of the Monthly Progress Report.

The Manager requested that this subject be discussed during the Manager's Report segment, noting that Mr. Taniguchi had met with the Manager about two weeks ago on the possible reformatting of the Monthly Progress Report.

**B. JOB NO. 2005-862, CONSTRUCTION OF THE WAIĀKEA OFFICE PLAZA
AIR-CONDITIONING REPLACEMENT**

A letter dated April 16, 2009, from Isemoto Contracting Co., Ltd., requested a one hundred eighty-six (186) calendar day extension to the contract time.

This is the Contractor's first time extension request for additional time to allow delivery of equipment for the new air-conditioning system. The Contractor is required to have these air-conditioning system components on hand before scheduling the installation work, as these vital components are needed to provide uninterrupted air-conditioning service to the Waiākea Office Plaza building. Staff has evaluated this request and finds that the 186-calendar day extension is justified.

The Manager recommended that the Board grant Isemoto Contracting Company, Limited, a 186-calendar day extension to the contract completion date from May 28, 2009 to November 30, 2009 for JOB NO. 2005-862, CONSTRUCTION OF THE WAIĀKEA OFFICE PLAZA AIR-CONDITIONING REPLACEMENT.

MOTION: Mr. Meierdiercks moved to approve; seconded by Mr. Taniguchi.

Mr. Inaba reported that the Contractor did not drop the ball. The Contractor started the submittal process on November 14, 2008, but based on the type of equipment involved, after the submittal was approved, the equipment had to be custom-built and then completed

and tested at another factory. The equipment is not the type that can be bought off the shelf, he noted. The Contractor is working off the scheduled delivery of the equipment.

Chairperson Smith asked who the Consultant is for this project.

Mr. Inaba said the Consultant is MCE International.

Chairperson Smith said that a licensed Contractor and Consultant experienced in projects involving customized units like this should have known how long the entire process would take. He said that the Consultant should have told the Department that this is a special-order item, and therefore a long period of time must be allowed for delivery. By not doing that, the Department opened the door to the Contractor to come back to DWS later and ask for more money in union labor increases, he said. The Department should have laid out in the special provisions that the construction work would take six months, but that the equipment would take six months until delivery in Hawai'i – and that the Contractor cannot ask for more money later. He said that it would make a stronger case for the Department that the six months waiting time for the equipment's delivery does not constitute a change. Instead, that is what an expert Contractor would be aware of from the outset.

Mr. Inaba said that the Department subscribes to the industry bulletin that shows union labor increases, which come through every 12 months. So far, no such increases have been posted, he said.

ACTION: Motion carried unanimously by voice vote.

HĀMĀKUA:

A. DRINKING WATER STATE REVOLVING FUND/AMERICAN REINVESTMENT AND RECOVERY ACT OF 2009, RESOLUTION NO. 2009-02:

Resolution No. 2009-02 is for the project for which DWS has submitted a loan application, under the Drinking Water State Revolving Fund (DWSRF) Loan and American Reinvestment and Recovery Act of 2009 (ARRA). 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. 2007-923, ĀHUALOA WELL DEVELOPMENT – PHASE 2 (PRODUCTION WELL AND 1.0 MG RESERVOIR), and authorizes the Manager or Deputy Manager to execute loans and/or grants with the State Department of Health for up to \$10,000,000.00.

The Manager recommended that the Water Board adopt Resolution No. 2009-02, subject to the approval of Corporation Counsel.

MOTION: Mr. Mukai moved to adopt the Resolution; seconded by Mr. Kuailani.

The Manager noted that all of the economic stimulus money allotted to Hawai'i specifically for water system improvements is being funneled through the Drinking Water State Revolving Fund. The only way for DWS to obtain stimulus money *is* through the Drinking

Water State Revolving Fund. The Department is applying for the Āhualoa project, which qualifies for part of the stimulus money. He noted that there are all kinds of regulations and requirements involved to apply for State Revolving Fund funding. Managers of Hawai‘i’s four Water Supply departments met to discuss the stimulus, which amounts to a total of just under \$20 million. At that meeting the participants agreed that each of the Water Supply departments will get an equal share, of about \$5 million. The Āhualoa project is part of the Department’s share, and the project is ready to go. He noted that the Department is applying for \$10 million: \$5 million of which DWS hopefully will get from the stimulus money, and the other \$5 million is what the DWS will get from the normal route (as a DWSRF loan), where DWS would pay it back. The \$10 million would include everything in the project: the first phase, the design and the second phase. The portion that the Department would get from the stimulus money would be just under \$5 million, but the Resolution under discussion would allow DWS to make the application, enabling the Department to qualify for its portion of the slightly less than \$20 million in stimulus money.

Chairperson Smith asked if the Department gets the money, would it be a loan or a grant.

The Manager said that right now, it technically is a loan. There would have to be some kind of exemption or legislation that the Environmental Protection Agency would have to do to forgive the loan amount of the stimulus portion. As of right now, it is a low-interest loan under the State Revolving Fund (SRF).

Chairperson Smith asked what the interest rate is on the SRF portion of the loan.

Mr. Okamoto said DWS is charged a total of 5 to 6 percent, which includes administrative fees, payable over 20 years.

Chairperson Smith asked which was more advantageous to the Department: bond proceeds or SRF funds.

The Manager said it was a close call, with bonds sometimes being more advantageous.

Chairperson Smith said that the result is an increased borrowing capacity for the Department.

The Manager noted that the Āhualoa project was something the Department had intended to do all along.

Mr. Okamoto said the project was slated for SRF funding, along with a couple of other projects that qualified.

The Manager said that the only kinds of projects qualify for SRF funding are projects which improve the quality of water. Other types of water projects do not qualify for SRF funds. Fortunately the Āhualoa project does qualify and it is ready to go, and therefore DWS is eligible for stimulus money.

Mr. Harai noted that with the stimulus money, applicants have a time element that they have to satisfy.

The Manager said that his understanding was that there are two rounds of projects: one round is ongoing now, with 120 days in which to start the project; the other round can hopefully start at that 120-day mark.

Mr. Okamoto said that Hawai'i County is leading the pack, with bids opening next month. Hawai'i County so far is the only county which has a stimulus project *already* out to bid.

The Manager said DWS was especially lucky because this shovel-ready project meets SRF guidelines. Otherwise it would not qualify for the stimulus money.

Mr. Meierdiercks asked the estimated cost of the project.

Mr. Okamoto said that Phase 2 is estimated to cost \$5.5 million.

ACTION: A roll call was taken on the Motion to adopt the Resolution. Motion was carried by Ayes: 6 – Messrs. Harai, Kuailani, Meierdiercks, Mukai, Taniguchi, and Chairperson Smith; Nays: 0; Absent: 2 – Ms. Kim and Mr. Lindsey.

SOUTH KOHALA:

A ASSIGNMENT OF WATER ALLOCATION PURSUANT TO THE PARKER WELLS 3 AND 4 TRI-PARTY AGREEMENT

(This item was deferred from the 3/24/09 Water Board Meeting.)

The Assignor, Mauna Lani Services, Inc., is intending to grant, assign, transfer and convey its rights to and allocation of water to Assignee, Tokyu Corporation, from the Lālāmilo Wells A, B, C and D, and Parker Wells 1, 2, 3 and 4. This assignment shall exclude the portions of such allocation that have been assigned to other owners of property within MLS's Development Area prior to the date of this assignment. All other terms and conditions in the Parker Wells 3 and 4 Tri Party Agreement between the Assignor, Mauna Kea Properties, Inc., and the Water Board of the County of Hawai'i shall remain unchanged.

The Manager recommended that the Water Board approve this Assignment of Water Allocation and authorize either the Chairperson or Vice-Chairperson to execute the document subject to the review and approval of the Corporation Counsel.

Ms. Garson asked that Items A and B be deferred for one more month, because some issues remain, involving occupancy of the state highway. The attorneys for Mauna Lani Services, Inc. expect to have these issues resolved by next month's Board Meeting, Ms. Garson said.

MOTION: Mr. Kuailani moved to defer Items A and B; seconded by Mr. Meierdiercks.

Chairperson Smith asked if the lack of documentation was preventing the infrastructure from being connected to the system.

Mr. Inaba said it was ready to go; the pipe across the highway is connected and is in use. He introduced Mr. Usami, the construction manager retained by Mauna Lani for this project.

Mr. Usami confirmed that the entire \$50 million project has been completed, with the performance test done and accepted. The whole system is in place, including the tie-in to existing tanks. The system is already partially in use. He noted that the 24-inch pipe is already in service. He noted that the tri-party joint venture involving Mauna Lani, Mauna Kea and DWS will soon dissolve, after all of the paperwork is done. Regarding the power transfer involving Isemoto and HELCO, all that remains is to transfer title.

ACTION: Motion to defer Items A and B carried unanimously by voice vote.

B. ASSIGNMENT OF USE AND OCCUPANCY AGREEMENT BETWEEN THE STATE OF HAWAII, DEPARTMENT OF TRANSPORTATION AND MAUNA LANI SERVICE, INC. TO THE WATER BOARD OF THE COUNTY OF HAWAII

(This item was deferred from the 3/24/09 Water Board Meeting.)

Mauna Lani Service, Inc. (MLS) constructed a 24-inch waterline within the Queen Ka'ahumanu Highway pursuant to a portion of the improvements required to serve MLS's Development Area as described in the Parker Wells 3 and 4 Tri-Party Agreement. The Department of Transportation of the State of Hawai'i (DOT) is requiring that the developer, MLS, execute a Use and Occupancy Agreement (UOA) for this installation of the waterline and make payment to DOT based upon an appraisal by the DOT. DOT and MLS intend to execute the UOA shortly, but payment will be delayed once an appraisal is completed. As part of the dedication of the water system improvements for the Parker Wells 3 and 4 project, the DOT is also requiring that the UOA be assigned by MLS to the Water Board of the County of Hawai'i.

The Manager recommended that the Water Board accept the assignment of the UOA contingent on the execution of the UOA between MLS and the DOT. It is also recommended that the Water Board authorize either the Chairperson or the Vice-Chairperson to execute the Assignment of the Agreement subject to the review and approval of the Corporation Counsel.

This item was deferred along with Item A (above) until the 5-26-09 Water Board Meeting.

C. JOB NO. 2004-850, WAIMEA WATER TREATMENT PLANT SLUDGE DRYING BEDS

Contractor requested a 289 calendar-day time extension. This request is due to delays beyond the control of the Contractor with processing the building permit.

Staff has reviewed the request and finds that the 289 calendar days are justified.

This is the first time extension request.

- Original Contract completion date: May 19, 2009
- Plus 289 calendar days for permit: March 4, 2010

The Manager recommended that the Board approve a contract time extension of two hundred eighty-nine (289) calendar days from May 19, 2009 to March 4, 2010 for JOB NO. 2004-850, WAIMEA WATER TREATMENT PLANT SLUDGE DRYING BEDS.

MOTION: Mr. Meierdiercks moved to approve; seconded by Mr. Harai.

Mr. Okamoto noted that the Consultant for this project was RM Towill and the Contractor is Goodfellow Brothers. The project involves a package greenhouse solar drying bed facility; that is, it is a proprietary-type structure. Therefore, the Consultant could only design items like the pad, the base walls, etc. Because the construction is special, DWS had to wait for the submittal to be submitted to Building Division for their review. However, to this day the project is being hung up. The Contractor, as soon as he could, went about getting the submittals, etc., but the Building Division has kept asking for more information. The Contractor to date has visited Building Division nine or ten times.

Asked by the Chairperson where the sludge drying beds will be located, Mr. Okamoto said they will be up the hill just above the Waimea treatment plant, on the Hāmākua side of the access road between the two reservoirs. He explained that the sludge will be pumped from the existing sludge lagoon located below the treatment plant, up to the new drying beds.

The Manager said that sludge and water will be pumped up and separated in the drying beds, with the water coming back down.

Mr. Okamoto said the Department did a jar test to double-check how much settling down there was. As a result, the design includes a movable pump unit. He said the facility was like a high-tech greenhouse with automated fans and a mobile unit to aerate the sludge to promote drying.

ACTION: Motion was carried unanimously by voice vote.

**D. PROFESSIONAL SERVICES AGREEMENT: WAIKOLOA RESERVOIR NO. 2
FINAL DESIGN OF REPAIRS, JOB NO. 2007-043**

The Consultant, Kleinfelder West, Inc., has requested to modify the Professional Service Agreement language by incorporating the following two additional provisions:

- 1) WAIVER OF CONSEQUENTIAL DAMAGES – Neither party shall be responsible to the other for any special, incidental, indirect, penal, or consequential damages (including lost profits) incurred by either Consultant or Board or for which either party may be liable to any third party.
- 2) THIRD PARTY BENEFICIARY – Nothing contained in this Agreement shall create a contractual relationship with or cause of action in favor of a third party, against either Consultant or Board.

The Department requested the Consultant to prepare a brief narrative to explain the reason for this request. The following is from their response:

“These provisions are requested due to changes in the nature of services provided by Kleinfelder during the construction phase of this project.

During the initial engineering analysis and design services, Kleinfelder had full control of the work with no third parties involved other than our sub-consultants. However, during the construction phase, Kleinfelder no longer has full control of the work and third parties, including the general Contractor and his subcontractors, are involved. The general Contractor has assumed responsibility for and control of construction activities, and these provisions should provide mutual protections for Kleinfelder West, Inc. and the Water Board of The County of Hawaii against consequential and third party liabilities.”

Although it is not mentioned in the Consultant’s narrative, the Construction Manager, SSFM International, Inc. and their sub-consultant, Construction Engineering Labs, Inc., are considered third parties as well.

This is a no-cost change to the Professional Services Agreement with Kleinfelder West, Inc., and all existing provisions contained therein remain unchanged and in effect.

The Manager recommended that the Board approve the modification to the professional services agreement with Kleinfelder West, Inc., and that either the Chairperson or the Vice-Chairperson be authorized to sign the documents, subject to approval by Corporation Counsel.

MOTION: Mr. Meierdiercks so moved; seconded by Mr. Kuailani.

Ms. Garson explained that the Consultant requested changes to the Department’s Standard Professional Services Agreement. She noted that sometimes she only points out such changes orally to the Board. However, this time, the Department put it in writing so that the Board could see what such changes are.

The Manager noted that the Waiver of Consequential Damages is being done only because it involves a third party. The bulk of the Agreement remains the same, he noted. The reason DWS got a third party involved was because financially it was much more beneficial than having Kleinfelder do the inspection. Hiring a local firm to do the construction management meant huge financial savings, rather than having a Mainland-based firm do it.

Chairperson Smith summarized that in effect the Department has a standard County consulting agreement that Kleinfelder signed. DWS hired two sub-consultants, SSFM and Construction Engineering Labs, thus taking some scope out of the contract with Kleinfelder. DWS is making a deviation from the standard contract, but in this unique contract the Department is in effect saying that the impact exposure is minimal and is not a big deal, and so it is making the change. However, typically this is not something DWS does with other contracts.

Ms. Garson confirmed that the Chairperson's summation was correct.

Chairperson Smith said that part of the rationale is that Kleinfelder was hired because they were recommended as experts in dam repairs. Kleinfelder is saying that they are a national company that does not normally agree to projects like this; although they signed the contract with DWS, they would like to be absolved of the above requirements.

The Manager noted that having a Mainland company do the construction management meant the price would be high, and DWS was able to hire a local firm at a much lower cost.

Chairperson Smith agreed. He noted that it was important that the Department's *rationale* goes on the record as to why DWS is agreeing to make an exception in this case. He was concerned that when the next consultant contract comes up, that consultant might note that Kleinfelder got off on the third party liability and might demand the same thing. He said the Department has to have a rationale in the Minutes that says under these specific circumstances, the Water Board agreed to go this route.

Mr. Okamoto clarified that construction management work was not in the original contract between DWS and Kleinfelder. Kleinfelder's original scope of work was design and a portion of work during bidding and construction. DWS staff are not experts in dam repair and inspection, and did not want to tie up staff inspectors 100 percent of the time on this job, and so DWS decided to hire a sub-consultant strictly for construction management. Kleinfelder is still retained, but not on construction management, he noted.

Chairperson Smith said that as a rule, the Department should not hire the same company to do both design and construction management. This is because the inclination is for the company's construction manager will hide design errors, for which the company is liable. Therefore, it is good practice to get two separate companies to keep an eye on each other, with both companies having errors and omissions insurance.

ACTION: Motion was carried unanimously by voice vote.

NORTH KONA:

A. JOB NO. 2002-806, MĀMALAHOA HIGHWAY WATERLINE IMPROVEMENTS – PHASE 2

The Contractor, Isemoto Contracting Co., Ltd., has requested a contract time extension due to unforeseen communication problems with the existing Kona SCADA system. The SCADA subcontractor discovered that several devices installed by a previous Contractor were not functioning properly when attempts were made to communicate with and test the new improvements installed with this project. Since the malfunctioning devices are still under warranty by the previous Contractor, the SCADA subcontractor for this project must wait until the devices are repaired or replaced and functioning properly before the SCADA system improvements for this project can be completed.

Due to the unknown amount of time needed by the previous Contractor to correct the situation, it is recommended that the Contractor be granted a contract time extension of 27 calendar days to coordinate with the previous Contractor and complete the project. If the current problems cannot be resolved and the project be completed by that date, the Contractor will be required to submit another time extension request with supporting information explaining the current circumstances and an accurate estimate of the time required to complete the project.

This would be the seventh time extension to the contract. The previously-approved time extensions are listed below:

- Time Extension #1: Project extended 180 calendar days to allow for revisions to the plans and specifications.
- Time Extension #2: Project extended 180 calendar days due to change in scope of work, project scheduling, and revisions to the plans.
- Time Extension #3: Project extended 90 days due to unforeseen site conditions at Hōlualoa Well and Reservoir site requiring redesign.
- Time Extension #4: Project extended 90 days due to valve control additions that were not shown on the plans and the installation of an additional valve at the Hōlualoa Well site, also not shown on the plans.
- Time Extension #5: Project extended 180 days due to unexpected problems interfacing with the Kona SCADA system.
- Time Extension #6: Project extended 130 days due to ongoing SCADA problems. Contractor was instructed to suspend SCADA work until upgrades to the existing SCADA system were completed.

The Manager recommended that the Board grant this contract time extension of 27 calendar days to Isemoto Contracting Co., Ltd., for JOB NO. 2002-806, Māmalahoa Highway Waterline Improvements – Phase 2. The contract completion date will be extended from May 4, 2009 to May 31, 2009.

MOTION: Mr. Kuailani so moved; seconded by Mr. Meierdiercks.

The Manager said that this will hopefully be the last extension.

Mr. Inaba said that DWS did not want to give the Contractor more time, and the 27-day extension would bring the timetable close to the next Water Board Meeting. There are still a couple of items that need to be fixed on the SCADA system by a different SCADA

contractor, who was working on DWS's Kona SCADA system. The Department expects the items to be fixed in the next two weeks, before May 31. He said DWS was giving the Contractor as little time as possible, and they are now basically on a month-to-month basis. If the Contractor needs another extension, they will need to submit their extension request in a letter to the Board.

The Manager said that the Department has had a lot of problems with this equipment. The problem lies in getting the equipment to "talk" to each other, and he noted that there are very few people in Hawai'i with the expertise to do that.

Chairperson Smith said the Department should go after the original SCADA contractor, who failed to deliver on what he contracted for. The only recourse would be through the bonding company that bonded the contractor.

Mr. Inaba said he would check on it.

ACTION: Motion was carried unanimously by voice vote.

KA'U:

A. JOB NO. 2002-809, PĀHALA PRODUCTION WELL AND SUPPORTING FACILITIES:

The Contractor, Isemoto Contracting Co., Ltd., requests a 42-calendar day time extension. This time extension request is for the additional time required to return the original specified pump power cable to the mainland manufacturer, and then delivery of the larger pump power cable from the mainland manufacturer to the project site. The need for a larger pump power cable was identified and confirmed during construction.

This is the second time extension request. The previously-approved time extension is listed below:

Time Extension #1: Project extended 97 calendar days to allow for additional time required to obtain the County Building permit.

Engineering staff has reviewed this time extension request and finds that the 42 calendar days are justified.

The Manager recommended that the Water Board approve a contract time extension to Isemoto Contracting Co., Ltd. of 42 calendar days from April 13, 2009 to May 22, 2009, for JOB No. 2002-809, PĀHALA PRODUCTION WELL AND SUPPORTING FACILITIES.

MOTION: Mr. Mukai moved to approve; seconded by Mr. Kuailani.

Mr. Uyehara said the Contractor needed to return the earlier-specified cable and get a larger power pump cable from the Mainland. During the construction phase, it was discovered

that the earlier-specified cable was not as large as it needed to be in order to run the pump and motor. The request is for a time extension for shipping and delivery of the larger cable and returning the smaller cable.

Chairperson Smith said it would appear that a larger cable was needed from the start. He asked who was the consultant for the project.

Mr. Uyehara said the prime consultant was Engineering Partners, and that they had specified the cable.

Chairperson Smith noted that what the Contractor bid for was not what DWS needs, so it seems legitimate for them to ask for more time. He asked if the Contractor was asking for more money.

Mr. Uyehara said there was an additional change order for which there is still contingency money. He noted that while the change order cost originally came in at around \$85,000, the Department was able to negotiate it down with the Contractor, whereby the Contractor credited back some of that amount.

Chairperson Smith said that in the future that the Department should give the Water Board more background information, by itemizing the time extension requests. He asked that the Department tell the Board what the original contract is. He noted that the Water Board had already approved the change order. He asked if the Department had a conversation with Engineering Partners about its error in sizing the cable.

Mr. Uyehara confirmed that he had talked to the design engineers, who acknowledged that somewhere down the line the cable was not sized correctly for the incoming power.

Chairperson Smith noted that there is a change order that the Department is going to have to pay, and are paying it because the Consultant did not do thorough work. He said that the Department is entitled to collect from the Consultant the incremental cost because DWS did not bid it. The Department is negotiating a change order after the fact, where DWS does not have bidding to motivate the Contractor to fine-tune his numbers, he said. DWS is not in a position to bargain in this case because DWS has a *contract* with the Contractor. The Consultant in his error has impacted DWS's cost. If nothing else, the Department should put a memo in the Consultant's file. He noted that it was important to have a paper trail.

Mr. Taniguchi asked why DWS should pay anything, because DWS hired the Consultant to do something, and the Consultant made a mistake.

Mr. Inaba noted that the new cable is what the Department would have had to purchase in any case.

The Manager said that in an ideal world, the Consultant should pay the cost between the originally-specified cable and the new cable cost.

Mr. Inaba noted that contractually, DWS would have to purchase the new cable.

Mr. Taniguchi noted that the shipping would be the only thing that the Consultant should be reimbursing DWS for.

Mr. Mukai asked if the bond company would have to make good on the error.

Mr. Inaba said the bond company would not because it was a *consulting* error, not a contractor error. Therefore the Consultant's errors and omissions insurance would be involved.

Speaking of bond companies, the Manager noted that the bond companies are very diligent in monitoring the contractors, sending DWS periodic notices to fill in to ensure that whoever they are bonding are doing their jobs correctly.

Chairperson Smith said that it would be good to have a conversation with the bond company, telling them that DWS is a dissatisfied customer. This might flush to the surface whether it is a design problem or a contractor problem. He asked the Department to give the Water Board more background so that it has a full picture when the Board makes reviews. He said he would leave it to the Department's discretion whether to have a conversation with the Consultant on an errors and omissions claim.

ACTION: 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.

(These items were deferred from the 3/24/09 Water Board Meeting.)

1. 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: Pending
Water System Cost: Pending

D. DEED (Well Site 5 and Well Site 8)

Grantor: Mauna Lani Service, Inc.
TMK: (3) 6-8-001: 044 and 047

2. GRANT OF EASEMENT AND BILL OF SALE

Subdivision Application No. 2007-000524
 Grantor: Hawai'i Island Community Development Corporation
 TMK: (3) 5-5-008:046 portion
 E.W.O. 2009-011
 Lots: 26
 Facilities Charge: \$138,690.00
 Final Inspection Date: 4/15/09
 Water System Cost: \$175,200.00.

3. LICENSE EASEMENT No. 722

Subdivision Application No. 2004-0217A
Lālāmilo Housing Phase I West Subdivision
TMK: (3) 6-6-012:021
EWO NO.: 2007-004 (West)
Owner/Licensors: State of Hawaii, Department of Hawaiian Home Lands
No. of Lots: 20 Zoning: RS-10
Final Inspection Date Issued: 3/24/2009
Facilities Charge: \$113,840.00 Paid: 4/03/2009
Water System Cost: \$130,950.00

Ms. Garson asked that Items A 1 (A-D) above, all related to the Mauna Lani Service project, be deferred.

MOTION: Mr. Meierdiercks moved to defer; seconded by Mr. Kuailani.

Chairperson Smith asked why Waikoloa Village Association was involved in the project.

Mr. Inaba said that there are two tanks on a large parcel owned by the association. The parcel's elevation is well-suited to the project.

Mr. Beck showed a map of the project area on the overhead projector.

Chairperson Smith noted that this is a very large water system improvement funded entirely by Mauna Lani. The project supports Mauna Lani's residents, and DWS's existing customers in Puakō and Kawaihae Village and Industrial Area as well as Hawaiian Homes.

It provides more storage, more source and more reliability of service to DWS's existing customers.

ACTION: Motion to defer carried unanimously by voice vote.

MOTION: Chairperson Smith entertained a Motion to accept the documents on Items A 2 and A 3. Mr. Meierdiercks so moved; seconded by Mr. Harai.

Chairperson Smith noted that on Item 3, involving Lālāmiilo Housing, these are improvements involving water storage and transmission source that will be coming off the existing system, so no new physical improvements are involved aside from what is being built in the subdivision to serve these customers. Hawaiian Homes is looking to put another transmission main down Kawaihae Road, to bolster a future phase of this area.

The Manager said DWS is currently in negotiations with Hawaiian Homes through its consultant, Akinaka & Associates, Inc., to facilitate those improvements. He noted that Hawaiian Homes graciously provided DWS with plans. DWS proposes to do transmission improvements in the Waimea town portion.

Chairperson Smith said that the Department should be prepared for local concerns expressed in the Waimea community regarding traffic and disruption caused by digging up the roads. He noted that all of those issues will surface in the Environmental Assessment. He asked Ms. Aton to inform the Waimea community about the improvements.

The Manager said that this improvement dedicated to DWS is being paid for by the landowner to enable development of the subdivision. He noted that the portion that DWS will be doing is on back roads, off the main travel corridor.

ACTION: Motion to approve the documents on Items 2 and 3 carried unanimously by voice vote.

B. MATERIAL BID NO. 2009-02, FURNISHING AND DELIVERING ELECTRIC MOTORS FOR HĀWI BOOSTER PUMP, HONOKA'A HOSPITAL BOOSTER PUMP AND LĀLĀMILO WELL A, DISTRICTS OF NORTH KOHALA, HĀMĀKUA, AND SOUTH KOHALA, COUNTY OF HAWAI'I, STATE OF HAWAI'I

Bids were opened on April 9, 2009, and the following are the bid results:

<u>Bidder</u>	<u>Bid Amount</u>
Pacific Liquid & Air Systems	\$50,197.59
Kaman Industrial Technologies Corp.	\$53,746.00
Derrick's Well Drilling & Pump Services, LLC	\$56,096.59
Water Resources International, Inc.	\$68,196.52
Gexpro	\$89,901.00
Associated Electro-Mechanics, Inc.	Non-Responsive

(Note: Bid included three (3) motors: 40 hp, 50 hp and 300 hp.)

The Manager recommended that the Water Board award the contract for MATERIAL BID NO. 2009-02, FURNISHING AND DELIVERING ELECTRIC MOTORS FOR HĀWI BOOSTER PUMP, HONOKA'A HOSPITAL BOOSTER PUMP AND LĀLĀMILO WELL A, to the lowest responsible bidder, Pacific Liquid & Air Systems, at a cost of \$50,197.59, and that either the Chairperson or the Vice-Chairperson be authorized to sign the contract, subject to approval of the contract, as to form and legality of the contract by Corporation Counsel.

MOTION: Mr. Mukai moved to approve; seconded by Mr. Taniguchi.

The Manager noted that this award involves securing spare motors. The Department keeps spares on hand in case something happens.

Chairperson Smith asked how long the warranty is for the motors, and whether the warranty might expire before DWS gets to use the motors.

The Manager said the warranty, which normally is one year, may lapse before the motors are used because the motors stay in the crate until the need for them arises. He noted that DWS always tries to get spare pumps and motors, and looks at situations where one pump can fit multiple areas. This is not easy because there are all kinds of hydraulic conditions. DWS tries to have key types of pumps and motors ready in case something happens.

Chairperson Smith asked about the non-responsive bid.

Mr. Ikeda explained that the bidder added an additional clause to the bid form that was unacceptable.

ACTION: Motion to approve carried unanimously by voice vote.

C. MONTHLY PROGRESS REPORT:

The Manager noted that Mr. Taniguchi had discussed with him the current format of the Monthly Progress Report. The current format is what evolved after input from numerous Water Board members in the past. The Manager said that the previous format was much simpler; it just let the Board members know the status of projects. (A sample of the simpler format was distributed to the Board.) The Manager said the current format is a financial nightmare, and proposed going back to the simpler format, which still provided accurate information.

Mr. Taniguchi agreed that the current version is too complicated, containing too much information.

The Manager said the old version was perfect for what it was.

The Manager suggested that Mr. Okamoto do next month's Monthly Progress Report using the simpler format as a trial.

Mr. Mukai said that he wanted the report to show totals, and commented that the current version is too complicated.

Chairperson Smith asked that the Board delegate Mr. Taniguchi to work with the Department on a new format for the Monthly Progress Report.

D. DEPARTMENT OF WATER SUPPLY PROPOSED OPERATING AND CAPITAL IMPROVEMENT BUDGETS FOR FISCAL YEAR 2010:

A Public Hearing on the proposed Operating and Capital Improvement Budgets for Fiscal Year 2009-2010 was held on March 24, 2009. The Public Hearing Notice was published in the Hawai'i Tribune-Herald and in the West Hawai'i Today on March 13 and 15, 2009.

The first reading of the Budgets took place at the Water Board Meeting on March 24, 2009 and the second reading was at this meeting, on April 24, 2009.

The Manager recommended that the Water Board approve the proposed Fiscal Year 2009-2010 Operating and Capital Improvement Budgets.

Ms. Garson proposed that the Board make a Motion to initiate discussion of the Budgets, and any amendments to be made to the Budgets.

MOTION: Mr. Meierdiercks moved to approve; seconded by Mr. Taniguchi.

Mr. Taniguchi said that he met with the Manager and Mr. Sumada, who explained to him how the Department was capturing back the power purchase into revenues. On revenues, the big issue for Mr. Taniguchi was the increase in DWS's overall salary budget by about \$500,000, amid the County's current economic situation and the hiring freeze. His concern was that if the numbers work out and if DWS has to reserve for monies next year, the Department will have some kind of cushion. The DWS policy of filling only essential positions is in line with what the County is doing. Mr. Taniguchi said that based on the numbers going into next year, the projected cost of interest on bonds next year for six months is \$1.226 million, and in the following year, DWS will need to add another \$1.226 million in interest. He said that money has to come from someplace, assuming that DWS goes completely with the bond issue of \$50 million. Mr. Taniguchi said his concern was that the Department should be maintaining or managing the salary amounts as much as possible, and the Manager and Mr. Sumada are trying to come up with something there. On the issue of rental income, Mr. Taniguchi noted that the entire downstairs area of Waiākea Office Plaza is now vacant and there is no tenant. The Department wants to wait until the new air conditioning is completed sometime around the end of the year before putting in a new tenant, which means six months with no rental income from the space. He noted that this year, DWS had \$300,000 in rental income, but next year's budget shows zero rental income.

The Manager said that he would give an update on the status of the Waiākea Office Plaza project in the Manager's Report later in the Meeting.

Addressing Mr. Taniguchi's concern about the payroll, the Manager noted that there are vacant positions for which the Department has provided funding, and which the Department intends to fill. However, the Department is taking the Mayor's lead on what positions DWS fills. Before filling any positions, the Department has been checking with the County to see if they did anything similar. In the meantime, the Department is filling positions in its core function areas of service and field operations, because DWS cannot jeopardize service to customers. The Manager said he supposed that some of the vacant positions can be removed and unfunded. He suggested that Mr. Sumada and the Manager might see what positions can be unfunded, so that the Department can decrease that line item.

Mr. Sumada drew the Board's attention to a list of DWS positions that was in the Board members' packets ahead of the March 24, 2009 Board Meeting. The list includes all positions: vacant and funded, ones that are frozen and ones that the Department is looking to fill. Mr. Sumada said that it was up to the Board to decide whether they want the Department to unfund the frozen positions. He said his instructions were to fund these positions, which is what he did. However, if the Board decides to take the positions out, Mr. Sumada can do that.

Mr. Kuailani asked if the positions in question were essential ones.

The Manager said some of the positions are new, geared to the Department's anticipated workload. He cited one position to assist the public relations person. There are requests for additional inspectors, engineers, a land surveyor, mechanics, civil engineers, as well as an electronic technician to deal with the SCADA system. The Department needs to fund the SCADA technician position. However, there are positions that the Department can cut, none of which involve personnel already hired.

Mr. Taniguchi noted that the new fiscal year budget's payroll showed a roughly \$475,000 increase over what DWS spent this year. He said that if the Department has positions that would impact service, those positions would have to be filled. However, if the Department could show something going toward the CIP Budget on the bottom line, it would be a good, positive gesture.

Chairperson Smith said the Board could give Mr. Taniguchi the authority to go ahead and work with Mr. Sumada and the Manager to fine-tune some of these items so that the Board can have a revised Budget and agree on it at the next Water Board Meeting.

Ms. Garson confirmed that the bottom lines would not be changing; the Board is just talking about *reallocation*.

Mr. Sumada said that the Board could have salaries transferred, as contributions to the CIP Budget.

Chairperson Smith asked whether the Board needs to have a revised document before the Board can approve the Budgets.

Ms. Garson said the Board can do a verbal amendment now; there are no rules that stipulate that amendments must be in writing.

Mr. Taniguchi asked if therefore the Board could approve the Budget amounts and just reallocate.

The Manager said that the Board can approve the Budget, and then an amendment can be drawn up and the Board can approve the amendment.

Ms. Garson noted that the deadline for approving the Budget is June 30, so there still is time to deliberate.

The Manager said he would like to have the Budget approved as soon as possible, for fear of having a worst-case scenario in June whereby the Water Board does not have a quorum to pass the Budget. However, the Board could choose to wait until next month's Board Meeting, which would give the Board two months to deliberate on the Budget. Normally, the Department likes to have the Budget in place by at least May.

Ms. Garson said that if the Board passes the Budget today, it would only be amending those portions of the Budget that need to be amended, as line items. In other words, it would not mean doing a whole new Budget.

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

Chairperson Smith noted that during the meeting between Mr. Taniguchi and the Manager two weeks ago, Sunshine Law was duly observed, because only one voting Board Member (Mr. Taniguchi) was at the meeting with the Manager (an ex-officio Member).

Ms. Garson said that if two voting Board Members were present at the meeting with the Manager they would have needed to form a sub-committee to comply with Sunshine Law.

E. REVIEW OF MONTHLY FINANCIAL STATEMENTS:

No discussion.

F. WATER RATE STUDY:

The Manager noted that this item is on the Agenda every month in case any Board Member wants to discuss issues related to water rates. He noted that the previous Chairperson had asked that this item always be placed on the Agenda.

Chairperson Smith said that early this year the Board changed the rules to allow the Board to more frequently change rates. He noted that this was supposed to be a double-edged sword, allowing either for rates to rise when fuel costs increased, or for savings to be passed

on to customers if fuel costs drop. He asked if this was the time to evaluate a possible rate change, in light of the drop in fuel costs.

The Manager said that the Department was tracking the power cost, and they have been going down slightly. The Manager has been in discussions with Mr. Sumada, and the Manager's intent is to have a new power cost rate on July 1, to coincide with the new fiscal year. The power cost has come down since the Department increased the rate to \$2.38. The process to lower the power cost rate effective July 1 would be for the Department to come back to the Board with a proposed rate at next month's Board Meeting, get the Board's approval, do a Public Hearing Notice, hold a Public Hearing and set the rate at the Water Board Meeting in June.

Ms. Garson said the timing works. At the May meeting, the Department would come to the Board with the proposed rate, ask the Board if it wants to go to a Public Hearing and then approve the new rate at the June Water Board Meeting. The effective date for the new rate would be July 1.

Chairperson Smith said the Department owes it to its customers to reduce the rate to them when fuel costs go down.

The Manager said the Department will come to the Board with a report and recommend a new rate, and if the Board approves it, the Board will go to Public Hearing. After the Public Hearing, the Board will make a decision on whether the proposed rate is to become active or not, and then set the active date to coincide with the new budget year.

Chairperson Smith said that if the Board approves it in June, the Department can implement the new rate on July 1.

The Manager noted that the only problem lies in the Public Hearing process. The Department needs 20 days' lead time, and one week to get the Public Hearing Notice to the newspaper. The timing is almost right after the next Board Meeting, possibly the same day or the next day, the Public Hearing Notice has to go to the newspapers. The Department would have to have something in writing, but it is doable.

Mr. Taniguchi asked what happens if the fuel cost goes up in the meantime.

The Manager said that the Board has the right to not make the new rate effective, leaving the rate unchanged. He said the way things are going, the Department will be unable to recoup its loss this fiscal year. There is simply not enough time.

Chairperson Smith asked Mr. Sumada to come to the next Board Meeting prepared to report on what impact a rate change would have on the typical residential customer's every two-month bill.

G. MANAGER'S REPORT:

The Manager provided an update on the following:

- 1) Update on use agreement on KIC wells: The Manager and his secretary have left messages for the point of contact, Mr. Ray Soon, but KIC has not called back. The Manager assumes it is status quo, and KIC has not made a decision yet.
- 2) Palani Road Transmission Project: The Department is ready to advertise, and an advertisement is expected to go out in the next two weeks. Mr. Beck said the project's estimated cost, not including land acquisition, is \$15.7 million. The project will be on Queen Lili'uokalani Trust land; the project is below the Palani Road diversion.
- 3) AWWA ACE 09 (National Conference): Members should let the Secretary know if they need any assistance in making arrangements.
- 4) AWWA Hawai'i Section Conference: The deadline for early bird registration has passed. Members can call the Secretary for any assistance.
- 5) Waiākea Office Plaza Building status: The Department has officially notified the Mayor by letter, in case any County agencies are interested in the vacant space. Mr. Sumada has contacted State agencies. The Department had intended to advertise in the newspaper, but decided to wait while air conditioning renovation is ongoing downstairs. The Department also plans to make the downstairs more attractive to tenants by constructing an ADA access driveway for the lower floor in the back of the building. The Department of Environmental Management came to take a look, but is not interested at this time. County Managing Director Bill Takaba told the Department that some government leases may be expiring in the next six months, so there may be takers. In the meantime, a lot of work needs to be done to refurbish downstairs. On the ADA access construction, Chairperson Smith urged the Department to hire a consultant versed in ADA compliance, and the Manager concurred.
- 6) Hawai'i County Green Team: Ms. Myhre represented DWS at the April 17, 2009 meeting of the County Green Team with Mayor Kenoi. The team explained the benefits the team provides to the County insofar as interdepartmental communications, grant writing, etc. The Mayor approved of their efforts. The next step is a Resolution for County Council to acknowledge the importance of the County taking a leadership role in the way it purchases goods and services, with an eye to sustainability. The Green Team will make a presentation to the Cabinet on June 1.

On an unrelated topic, the Manager reported that DWS staff went with the Mayor to a community meeting last week at Hawaiian Ocean View Estates. DWS's consultant on the HOVE project, Mr. Dan Bolton, explained to the community that the size of the tank there was all that the money allotted could buy. The community had wanted DWS to go with a steel tank instead of reinforced concrete, but DWS said no because steel tanks are not DWS standard. The issue is still out there, and the Board may hear about it. Another issue that is more critical, that the Chairperson may want to put on the Agenda, is that the money for the HOVE project came from the State to the County. Several years ago, then-Mayor Kim had asked DWS to assist him by taking over the project. DWS did so, doing the procurement, and everything else in administering the project. What is being built is not a DWS facility. At some point, the facility will have to be dedicated to the Water Board, and the Board in turn will have to decide whether or not to accept it. The facility is being built to DWS standards. The decision on accepting

the facility should be made soon because DWS is being asked to do things that depend on whether DWS is going to own it or not. The other decision that the Board needs to make, with proper information from DWS, is whether the Board wants to keep the standard rate that DWS charges everybody else, or if the Board wants to establish a special rate district for HOVE. The Manager noted that this would be because pumping there is going to be very expensive. To recap, there are two issues that will be coming to the Board at either the next Board Meeting or the Meeting after that:

- Whether to take over the HOVE system (The Manager said this decision should be made **soon**);
- If HOVE system is accepted, what the rate will be. (This decision could be made later because the system is not coming on line for a while, the Manager said).

Chairperson Smith noted that next month's Board Meeting in Kona might be the right time to initiate the information, since it is the meeting venue closest to Ka'u.

Ms. Garson said the Board would be advised whether the HOVE project will appear on next month's Water Board Meeting Agenda.

Mr. Kuailani noted that the Mayor is holding community meetings around the island, and held one recently in Kona where there were several questions regarding DWS projects or road projects. The community asked why DWS was not installing water lines at the same time as roadwork (i.e. why it cannot be done all at once). Mr. Kuailani wondered how much of that feedback is filtering down from the Mayor to DWS.

The Manager said that DWS has a representative on the committee addressing utilities in the Mid-Level Road project in Kona, attending all of the meetings. He noted the public may not realize that it is not possible to do all of the utility work at once; it cannot be done if the money is not there. DWS is making a point now of going with the Mayor to the community meetings to respond to the public's questions, and the Manager and Deputy Manager have attended the last two meetings, in Puna and HOVE.

Chairperson Smith noted that there were two recent community meetings in Waimea, one held by the Waimea Community Association and one by the Mayor, and DWS was not represented at either of the meetings. Parks and Recreation, Public Works, Planning and Environmental Management were represented at the Mayor's meeting, he said. He suggested that the Department do a fact sheet or something similar to explain the hurdles that DWS has to overcome to coordinate future improvements, (which the public thinks should go in but which do not coincide with the Department's timing.) This would help the Mayor know the Department's position.

The Manager said that for the first of the Mayor's community meetings, the Mayor selected who he wanted to go with him, but it is becoming clear that all of the department heads need to be at these meetings to answer questions from the public. At least one senior DWS person will attend all of the Mayor's community meetings, he said.

- 7) Employee of the Quarter Award (1st quarter of 2009): Ms. Candace Pua, Assistant Waterworks Controller, introduced the Employee of the Quarter, Ms. Colleen Nakamura, Senior Account Clerk with Finance Division. Ms. Nakamura has been with DWS for more than 28 years, starting as a Clerk-Meter Reader in Kona. Ms. Nakamura has steadily risen in the Department, and is the lady who hands to the staff their pay stubs. She ensures that everyone gets paid on time, correctly and with grace, Ms. Pua said. She commended Ms. Nakamura for her exceptional performance and collegiality. "Twice a month I'm the most popular person in the Department," Ms. Nakamura quipped. Chairperson Smith presented Ms. Nakamura with a beautiful ice-blue Lalique-style trophy, the first of its kind awarded to an Employee of the Quarter. In addition, Ms. Nakamura received a handsome framed certificate and many beautiful leis.

Following the award ceremony, Mr. Meierdiercks asked if, amid the current economic situation, the Department was seeing more delinquencies in paying bills.

The Manager said that since the collections person, Mr. David Mellom, joined DWS, the Department has not seen the numbers of delinquencies it once did. The collections person has been on top of the situation, calling people in to talk about late payments.

Mr. Sumada said Mr. Mellom places customers with overdue bills on payment plans. He noted that the number of such cases is increasing. There are also many customers making partial payments, amid the sagging economy.

H. CHAIRPERSON'S REPORT:

Chairperson Smith provided comments and information on the following matters of concern to the Water Board:

1. Clarification on Water Board Travel Report Submittal -- Board Members are asked to submit a report on conference attendance when they go on DWS-related trips. Ms. Garson has advised Chairperson Smith that reimbursement for trips cannot be withheld if Board members do not submit a report. However, it would be greatly appreciated if Board members file their post-trip reports, including what was learned on the trip, what benefits to the Department came from the trip, etc.
2. The dates and locations for the remainder of 2009 Water Board meetings were approved by consensus as follows:

May 26	KONA
June 23	WAIMEA
July 28	HILO
August 25	KONA
September 22	WAIMEA
October 27	HILO
November 24	KONA
December 15	HILO

The Manager noted that these dates can be changed if something comes up.

Speaking of the Green Team initiative, Chairperson Smith noted that the Mayor was restarting the Energy Commission through the Department of Research and Development. He asked Ms. Myhre to attend Commission meetings as a representative of DWS.

Chairperson Smith noted that recently there was a radio public service announcement (PSA) about a water shutoff in Kohala related to a HELCO issue. He asked that when Ms. Aton sends out any PSAs that she get copies to the Secretary to distribute to the Board members so they can be informed as events occur. This will help Board members be able to field questions in their respective districts with sufficient background information.

Mr. Taniguchi asked that the Employee of the Quarter award photo be sent to the Tribune-Herald.

ANNOUNCEMENTS:

1. Next Meeting:

The next Meeting of the Water Board will be held on May 26, 2009, 10:00 a.m., at the Royal Kona Resort, Resolution Room in Kona.

2. Following Meeting:

The following meeting of the Water Board will be held on June 23, 2009, in Waimea.

STATEMENTS FROM THE PUBLIC:

None.

ADJOURNMENT:

ACTION: Chairperson Smith called for the Meeting to be adjourned. Mr. Taniguchi so moved; seconded by Mr. Meierdiercks, and carried unanimously by voice vote. Meeting adjourned at 12:15 p.m.

Senior Clerk-Stenographer

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