

MINUTES

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

October 25, 2022

Waimea Community Center, 65-1260 Kawaihae Road, Kamuela, Hawai‘i
Site Visit: Waimea Water Treatment Plant

MEMBERS PRESENT: Mr. David De Luz, Jr., Chairperson
Mr. Michael Bell
Mr. Pono Kekela (10:02 a.m.)
Mr. Stephen Kawena Lopez
Mr. Benjamin Ney
Mr. Kenneth Sugai
Mr. Keith K. Okamoto, Manager-Chief Engineer,
Department of Water Supply (ex-officio member)

ABSENT: Mr. Steven Hiramami, Vice-Chairperson
Ms. Julie Hugo, Water Board Member
Ms. Kea Keolanui, Water Board Member
Director, Planning Department (ex-officio member)
Director, Department of Public Works (ex-officio member)

OTHERS PRESENT: Ms. Diana Mellon-Lacey, Deputy Corporation Counsel
Mr. Jeff Bray
Mr. Jim Pedersen, P.E.
Mr. Jeff Zimpfer
Mr. Stanford Carr (10:15 a.m.)

DEPARTMENT OF

WATER SUPPLY STAFF: Mr. Kawika Uyehara, Deputy
Mr. Kurt Inaba, Engineering Division Head
Ms. Candace Gray, Waterworks Controller
Mr. Gregory Goodale, Chief of Operations
Mr. Eric Takamoto, Operations Division
Mr. Warren Ching, Energy Management Specialist
Mr. William O’Neil, Jr., Water Service District Supervisor II, DWS Waimea
Ms. Sunshine Carter, Private Secretary, Administration Division
Ms. Keska Burns, Water Treatment Plant Operator II (1:15 p.m.)
Ms. Tanya De Luz, Water Treatment Plant Operator I (1:15 p.m.)

- 1) CALL TO ORDER – Chairperson De Luz called the meeting to order at 10:00 a.m. A quorum of six members were in attendance.
- 2) STATEMENTS FROM THE PUBLIC - none

3) APPROVAL OF MINUTES:

ACTION: Mr. Bell moved for approval of the Minutes of the September 27, 2022, Water Board Meeting; seconded by Mr. Ney and carried unanimously by voice vote.

4) APPROVAL OF ADDENDUM AND/OR SUPPLEMENTAL AGENDA - none

5) POWER COST CHARGE:

Chairperson De Luz asked if there was any testimony for this item. There being none, he continued with the agenda item.

Departmental power costs from all power sources increased since the last Power Cost Charge rate was determined. The Department proposes to increase the Power Cost Charge from \$2.75 to **\$2.87** per thousand gallons as a result of this increase. Power cost charges over the past two years were as follows:

<u>Effective</u>	<u>PCC</u>
September 1, 2022	\$2.75
July 1, 2022	\$2.48
May 1, 2022	\$2.34
March 1, 2022	\$2.02
November 1, 2021	\$2.15
June 1, 2021	\$1.85

A Public Hearing will have been held prior to this Board meeting to accept public testimony on this change.

RECOMMENDATION: It is recommended that the Board approve the increase of the Power Cost Charge from \$2.75 to \$2.87, effective November 1, 2022.

MOTION: Mr. Ney moved for approval; seconded by Mr. Bell.

Chairperson De Luz mentioned the written testimony in the Board packet against the increase of the power cost charge, which the Board reviewed.

ACTION: Motion to approve the increase in Power Cost Charge was carried unanimously by voice vote.

6) NORTH HILO:

A. **JOB NO. 2021-1162 (REBID), LAUPĀHOEHOE DEEPWELL B REPAIR – REQUEST FOR TIME EXTENSION:**

Chairperson De Luz asked if there was any testimony for this item. There being none, he continued with the agenda item.

The Contractor, Derrick's Well Drilling and Pump Services, LLC., is requesting a contract time extension of 151 calendar days, due to delays by the manufacturer providing submittals and receiving materials for pump production. These setbacks were beyond the control of the Contractor.

Staff reviewed the request for the time extension and the accompanying supporting documentation and found the 151 calendar days to be justified. *Note: There are no additional costs associated with this time extension.*

Ext. #	From (Date)	To (Date)	Days (Calendar)	Reason
1	10/31/2022	3/31/2023	151	Manufacturer delays in providing submittals and receiving materials for pump production.
Total Days (including this request)			151	

RECOMMENDATION: It is recommended that the Board approve a contract time extension of 151 calendar days to Derrick’s Well Drilling and Pump Services, LLC., for JOB NO. 2021-1162 (REBID), LAUPĀHOEHOE DEEPWELL B REPAIR. If approved, the contract completion date will be revised from October 31, 2022, to March 31, 2023.

MOTION: Mr. Sugai moved for approval; seconded by Mr. Kekela.

The Manager-Chief Engineer pointed out the correspondence between the contractor and their supplier, documenting some of the challenges faced in obtaining the required equipment.

Chairperson De Luz stated that, from his understanding, COVID has exasperated the already tight supply of materials and supplies in this industry. These pumps and motors are not off-the-shelf items. They are built to specifications, and there are only a handful of people in this industry that can provide the specified equipment. In his own business, he just received notice that the logistics of supply lines, because of inflation, is going to impact the automotive industry. This is important because it is one of the key indicators for economic stability. The logistical supply line is not only impacting the Department, but other avenues. It is worth giving some insight to the new Board members that as much as you would think in this day and time of logistics and communication that this could be managed better, it is one of the things that is still a case-by-case basis. He suggested that the Manager-Chief Engineer revisit the Department’s alliance with the other water departments in the event there is a situation, as had been initiated for a recent well repair. They look at all avenues to ensure the water systems are as resilient as possible.

ACTION: There being no further discussion, Motion was carried unanimously by voice vote.

7) **SOUTH KOHALA:**

A. AGREEMENT REGARDING FACILITIES CHARGE PAYMENT FOR MASTER LANDSCAPE WATER METER:

Chairperson De Luz asked if there was any testimony for this item. There being none, he continued with the agenda item.

The developer, SCD ML II, LLC, an associated entity of Stanford Carr Development, LLC, is proposing to enter into an agreement to pay Facilities Charges owed for a Master Landscape Water Meter totaling \$410,199.10. A temporary meter was installed for construction purposes and has since been used for the permanent landscaping needs via the Tri-Party Agreement between Mauna Lani Services, Mauna Kea Properties, and the Department of Water Supply (DWS). While SCD ML II, LLC is entering into a settlement agreement to complete the construction of the overall development, they are proposing to arrange payments semi-annually until September 1, 2024, or payment in full upon the construction loan closing, whichever is sooner.

It is proposed that upon execution of this agreement, a Master Landscape Agreement also be executed by the account holder, which would properly identify the service for irrigation purposes.

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

MOTION: Mr. Ney moved for approval; seconded by Mr. Sugai.

Mr. Lopez asked what the commercial use rate would be for a master landscape water meter.

The Manager-Chief Engineer replied that the consumption rate is separate. This is for monies owed to the Department for the facilities charge, which is a separate rate that is required when you get a new service or you subdivide. It is based on how much water is intended to be used. The rate was \$5,500.00 per unit. When a developer wants to put in multiple meters or use a certain amount of water, part of the requirement before they even get a lateral is to pay this facilities charge. The facilities charge allows them to have the water. There were some unusual circumstances that the Department has been working on mitigating to avoid this happening again because it should not have gotten to this point. Before people occupied the development, this should have been paid to the Department. In an effort to recoup what is owed, the Department has been sending letters seeking the payment of the funds. It is the Department's understanding that there is litigation between the developer and the existing homeowners association. It does not matter to the Department who pays what is owed, as long as it is collected. The Department has had discussions with the developer, and it seemed like they were willing to make the Department whole on that amount. This is an unusual circumstance where he did not feel he had the administrative authority to enter into this Agreement.

Mr. Ney asked if it is outlined who will be the guarantor of payment and that the Department is impartial to their dispute and also how it got to this point without having the payment in place.

The Manager-Chief Engineer asked Mr. Inaba to provide some background on the project.

Mr. Inaba explained that it is a condominium project, and there were two laterals to be put in. The contractor was doing onsite work and wanted a temporary meter to avoid having to have it off a hydrant. It was allowed at that time, but that was not the proper way. The facilities charge should have been collected.

Ms. Mellon-Lacey noted that Mr. Stanford Carr was present.

Chairperson De Luz asked if the meter is only for irrigation and that the condominium has a separate meter.

The Manager-Chief Engineer replied that was correct. The condominium has a meter for domestic use.

Chairperson De Luz asked if the temporary meter was outside the realm of the subdivision approval.

The Manager-Chief Engineer replied that was correct. It is not uncommon to issue temporary meters for construction purposes. Normally, they are off a hydrant. It is less visible if tied to a lateral which is underground. This was a lesson learned. Although all good intentions, it fell through the cracks; but fortunately, the developer is willing to step up.

Chairperson De Luz asked if the draft document was prepared by the Department.

The Manager-Chief Engineer replied that it was, in conjunction with Corporation Counsel. He asked if Mr. Carr had any comments.

Mr. Carr came forward and stated that he appreciated the Board's consideration of this Agreement. This has been one of those projects that would take a whole chapter. It came to a halt when Lehman Brothers went bankrupt in 2008; and the loan was then owned by a Swedish bank out of Stockholm, Sweden. They worked with them to see the project through as far as the unsold units. In 2012, they bought the loan from the Swedish bank to restart the project, and that is when this all came about. It had fallen through the cracks for a number of years; and they had a bad partner, with whom they are now in litigation, and will go to trial in March. They are confident they will prevail and start the project up and finish it. It has been almost a 20-year endeavor; but in his 32 years in this business, they have never not completed a project, ever, and he does not plan to do so now.

Chairperson De Luz appreciated the information and asked if the meter use is being paid for, and now all that is required is to get this facilities charge paid and that this Agreement would be attached to it.

Mr. Carr and Ms. Mellon-Lacey confirmed that was correct.

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

8) MISCELLANEOUS:

A. RESOLUTION NO. 2022-01, APPROVING RECEIPT AND EXPENDITURE OF MONIES FOR THE DEPARTMENT OF WATER SUPPLY CAPITAL IMPROVEMENT PROJECTS FUNDED BY THE DRINKING WATER STATE REVOLVING FUND (DWSRF); AND AUTHORIZING THE MANAGER-CHIEF ENGINEER OR DEPUTY TO REDUCE, REPLACE, AND ALLOCATE UP TO \$25,000,000.00 IN MONIES FOR SAID PROJECTS, IN THE FORM OF A LOAN AGREEMENT OR GRANT BETWEEN THE STATE OF HAWAI'I AND DEPARTMENT OF WATER SUPPLY, COUNTY OF HAWAI'I:

Chairperson De Luz asked if there was any testimony for this item. There being none, he continued with the agenda item.

The Department of Water Supply is submitting a loan application to fund Capital Improvement Projects with the Drinking Water State Revolving Funds (DWSRF). One of the prerequisites for the loan is a Resolution approved by the Water Board. This Resolution authorizes the Manager-Chief Engineer or the Deputy to execute loans and/or grants with the State Department of Health for up to \$25,000,000.00.

RECOMMENDATION: It is recommended that the Water Board adopt DRINKING WATER STATE REVOLVING FUND RESOLUTION NO. 2022-01, subject to the approval of Corporation Counsel.

MOTION: Mr. Sugai moved for approval; seconded by Mr. Ney.

The Manager-Chief Engineer provided a brief history. The Drinking Water State Revolving Fund (DWSRF) first started with the Clean Water Act and then it developed into a drinking water state revolving fund loan established about two decades ago. It is funded by the Environmental Protection Agency (EPA) and administered through the State of Hawai'i, Department of Health (DOH), Safe Drinking Water Branch (SDWB). The Department of Water Supply has been working with this

program for many years and it has funded a lot of great projects. This Resolution is a prerequisite to allow the Department to utilize those funds and it is hoped that the BIL (Bipartisan Infrastructure Law) and IJA (Infrastructure Investment and Jobs Act) funds that are being afforded this year will help with some principal forgiveness funding, which is essentially like a grant. In the past, the Department would have Resolutions for each specific project, and he thanked Mr. Inaba and Ms. Gray and their staff for working with the DOH which has the ability to do aggregate project financing. This Resolution is not only for one particular project and there is no project name associated with it. It is a set of funds that they are willing to allow access to through this program, and it is part of the 5-year CIP that is presented to the Board every year. A lot of the projects on that CIP list are funded through this program. The DOH has recently undergone training on the new funding available and plans are to coordinate with the other water utilities to have an update.

Mr. Lopez asked if a justification process has to be gone through first for each project developed for these funds.

The Manager-Chief Engineer replied that the prerequisite is that the project has to be on what is called their intended use plan before approval by the DOH SDWB.

Mr. Ney saw this as a credit line for the Department and complimented the Department for getting the partnership funding for the Lālāmilo reservoir. He sees it as a means for increasing revenues by selling more water, and hopefully that revenue money can be reinvested into underserved areas.

Chairperson De Luz mentioned the Inflation Reduction Act in regards to infrastructure improvements and asked if those funds would be coming through a different venue.

The Manager-Chief Engineer replied that was correct.

Chairperson De Luz asked Ms. Gray if that would show up in the financials as a contingent liability or if it would be off the balance sheet until it is actually drawn.

Ms. Gray replied that it would be when it is actually drawn.

Chairperson De Luz suggested that the Department include a supplement in its annual reporting in regards to the existence of this revolving fund. He believes it will come into play when the CIP budget is done and show where this funding will come from. The Board could see how the funds flow, and it would be represented that upon execution of the revolving fund approval, when the draw comes, it will show up on the balance sheet. Another consideration would be to have auditors include it as an appendix or an addendum for the annual report if that makes it easier.

The Manager-Chief Engineer reminded the Board that on the CIP monthly progress report, which will be taken up later, a column is included that shows the intended funding source.

Chairperson De Luz felt that it important to appreciate that the Department has gotten grants in the past, and it is good to plan if funding becomes available, which goes to what the Permitted Interaction Group looking into to find funding. He does not particularly like borrowing money, but because the interest rates are below market rates, it might be good to have Harris & Associates look at this State water resource as a bucket to do some scenarios such as \$50 million, \$75 million, or \$100 million and see where that puts the Department's potential water rates and future funding impacts. He thinks it will be a happy medium between \$25 million and \$50 million. There would still be rate increases, but not so drastic. It is an untapped area that the Department is diving into but it is a first-come, first-served funding with the other utilities, if he was correct.

The Manager-Chief Engineer hoped it is not first-come, first-served, but the Department would like to talk with the DOH to make sure it gets a fair share. Chairperson De Luz's mention regarding the rate study is already a consideration, and part of this is already going into the study being conducted by Harris & Associates. Keeping a healthy reserve and a healthy amount of debt are all great points.

Mr. Ney asked if there is time sensitivity to use these funds.

Mr. Inaba replied there was none but that a loan agreement will be done each time a project put in for. After each loan agreement, the State will look at what is available under the Resolution.

The Manager-Chief Engineer stated that the loan agreements will come before the Board.

Mr. Ney asked if the interest rates are fixed.

The Manager-Chief Engineer replied that they are supposed to be, and the term is typically 20 years. The loan agreements will come before the Board for approval.

ACTION: Motion to approve was carried by roll call vote (Ayes: 6 – Mr. Bell, Mr. Kekela, Mr. Lopez, Mr. Ney, Mr. Sugai, and Chairperson De Luz; Absent: 3 – Ms. Hugo, Ms. Keolanui, and Mr. Hirakami).

B. MONTHLY PROGRESS REPORT:

Chairperson De Luz asked if there was any testimony for this item. There being none, he continued with the agenda item.

Mr. Lopez noticed the Nalani Street Water System Improvements (Improvement District) on the report. As part of his efforts in the Permitted Interaction Group, he has been involved with Nalani Street and was glad to see it on this report. Most of the entry is blank because there is only so far you can go before awaiting some type of action, which looks like will be from Council.

Mr. Inaba stated that Council could contact him if there are any questions.

Mr. Ney asked about the Puakō Waterline Replacement project. There were about four waterline breaks recently, and it is an ongoing issue in the area.

Mr. Inaba stated that the bid opening is set for October 31, 2022.

The Manager-Chief Engineer added that Mr. O'Neil's field crew have been outstanding but are also taxed with the situation. He had heard that the customers out there are quite understanding, but that is beside the point. This is something that needs to be resolved as the system is not acceptable and is below the Department's standards. The project which is out for bids will be to replace the waterline from the boat ramp to the end of Puakō Beach Road. One concern he has, after participating in national WARN meetings every two weeks, is that he is hearing from people on the continent that they are having challenges in getting ductile iron pipe. If the continent is having issues, it is going to be even more challenging for Hawai'i. Potential contractors have been asked to be mindful of this moving forward as it may impact schedules and pricing.

Mr. Ney asked if the Department will be able to partner with the State or County and not have to bear all of the cost for tearing the road up.

Mr. Inaba replied that the Department of Water Supply is required to do one lane and the County is waiting and will come in after and finish up with the other lane.

Chairperson De Luz stated that this goes more to the rate and budget side in regards to the FEMA 428 project. As a matter of policy, this Department and Board have elected to have a unified water rate for the entire community. One of the things probably not communicated is the Department's cost per system and the public needs to understand why it is prevalent to have a unified rate. The belief is that we are one community on the Big Island and regardless of operating, infrastructure, and CIP costs to various projects, most of them are not self-supporting in revenue from the customers it serves. This is not to be negative, but rather to appreciate the concept that we hold onto, because \$40 million for a community and what it will serve and what the O&M will be to maintain it is disproportionate in regard to the rate they pay. That is not saying they do not deserve water, but we need to make people conscientious of the balancing act that we are always working towards to provide access to water. Regardless of whether it is irrigation water or if it is drinking water, if it comes from the DWS, it is mandated that it comply with the Clean Water Act. It is not like you can have a dual line to supply different qualities of water. The reason he brought this up is that he thinks it gets lost in the sense that when water rate increases come around and you are looking at increasing capacity, people would be very surprised to see O&M tracked by water system to understand that 1) there an opportunity to decrease operating costs by replacing pumps or looking to create resiliency, and 2) is you are doing some redundancy in the newer wells where you have two smaller pumps as opposed to one large pump. The Department is constantly managing all of this on a daily basis. The public is not aware of the work the Department does to help provide resiliency and quality water. One thing to imagine is if you had that \$40 million and what it could do for Hawaiian Paradise Park. That is not as relevant as much as maybe finding a way to communicate that. He did not want to discount the fact that these people do deserve to have this water system done, and in a Lava Zone 1, which is even more difficult to really put your money into improvements in an area that is risky.

Ms. Mellon-Lacey cautioned Chairperson De Luz that if this was going to enter into any further cost discussions, it should be properly agendaized.

Chairperson De Luz agreed but this is more of an opportunity to understand how the projects could be for the CIP side.

Mr. Lopez stated that one of the things he was looking at within the Permitted Interaction Group was the South Point Road area, which he and Mr. Inaba worked together on. He wondered why it was not included in this monthly progress report.

Mr. Inaba stated that it is under the State of Hawai'i, Department of Hawaiian Home Lands.

Mr. Lopez asked if it is planned for transmission lines, once the tank is done.

The Manager-Chief Engineer stated that what could be done is to bring this back to the Board because it does not show up on the five-year CIP list that was approved by the Board. If it is going to be added on, it will require coming before the Board for transparency.

C. REVIEW OF MONTHLY FINANCIAL STATEMENTS:

Chairperson De Luz asked if there was any testimony for this item. There being none, he continued with the agenda item.

In the Financial Statements for September 2022, Ms. Gray pointed out that staff is actively reviewing all of the delinquent accounts in a greater than 90-day category and improving efforts in collections.

For this month, there is a decrease of \$88,197.00 in our delinquencies, noted on Page 3. Mr. Hirakami had mentioned this topic at a previous meeting. She also pointed out that cash and revenues are moving in a positive direction. She asked if there were any questions.

Mr. Ney asked at what point are accounts considered uncollectible.

Ms. Gray replied that the statute of limitations is six years.

Mr. Ney stated that he was curious to know what amount would be at that threshold from five years back or right around the six-year cut-off.

Ms. Gray replied that most of the decrease includes write-offs for the statute of limitations. The next effort will be concentrating on delinquencies that are \$1,000.00 or more, which comes down to about 200 accounts out of 45,000.00.

Mr. Ney asked if that goes to a debt collection service.

Ms. Gray replied there is a collection agency that the Department works with.

Chairperson De Luz commented that the rate increase is doing what it was projected to do in regards to covering the O&M and debt service. Water consumption has decreased, but because of the rate increase, the actual receipts have increased as well. One of the considerations is that rate increases are not intended to increase the operating revenue of the Department; but rather to keep it status quo. If there is a time where the increases create a surplus for a period of time, perhaps a policy could be established in regards to the rate study and then reevaluate the rate study to see if readjustment is needed; but in the interim of that rate approval, you pull it into the reserve.

The Manager-Chief Engineer stated that it is standard practice.

Chairperson De Luz suggested making it a written policy; and, again, the reason he thinks it is important to appreciate and understand is that when you go into Collective Bargaining, they are going to take a look at your financials. Generally speaking, it is in totality, which means they are not going to look at DWS singularly and say it has enough revenue to pay for increases. What they are going say is that the Department has the ability to do a rate increase to pay for whatever adjustments will be made in the Collective Bargaining contract. It goes to the fiduciary responsibility to the consumer on how you are managing the funds. He thinks it is important to appreciate and understand that it is not extra money because you will never have enough in your CIP reserve for what is needed to be done, unfortunately. At the minimum, the Department has barely have enough to replace infrastructure. Other than that, it is nice to see some good numbers, especially the adjustment on Workers Compensation and investing to the retirement fund at \$2.1 million.

Ms. Gray noted that the Department is still going through the audit and there may be further adjustments.

D. MANAGER-CHIEF ENGINEER'S REPORT:

Chairperson De Luz asked if there was any testimony for this item. There being none, he continued with the agenda item.

The Manager-Chief Engineer provided an update on the following:

1. North Kona Wells – the Deputy reported that for North Kona wells this month, 12 of the 14 wells are operating or are available to use; and similar to last month, for the Makalei Well, Engineering staff is still coordinating with the developer on scheduling a pre-construction meeting for the well repair. As more details come in, they will be provided to the Board.
2. Update on Establishment of Permitted Interaction Group, Re: Capacity Expansion

The Manager-Chief Engineer noted that this was kept on the agenda as an opportunity for the Permitted Interaction Group to provide an update if they so choose.

Mr. Lopez began that he hoped he was not speaking out of turn because the committee has not met; but at least he had some information to pass on. He had met with three Councilmembers in Districts 6, 7, and 8, on his side of the island and tried to get some stimulation into thinking where they might be hearing from their constituency that water is an issue for them. District 8 is open and nothing has come up. District 6 has 20-acre lots down at the bottom of South Point Road where people have been clamoring for water for a long time. They are farmers and ranchers and have to bring their water in. They feel nobody is paying attention and are pretty unhappy. He contacted Mr. Inaba, Engineering Division Head, who gave him a lot of information. The residents knew that the State of Hawai‘i, Department of Hawaiian Home Lands (DHHL), is funding a project to put in a water tank near the top of the road by the highway. They felt that if there are going to be transmission lines, they could hook up to them. Obviously it is not that simple, and they will need to be patient. The tank is not complete so it will be a while. He had written them a letter stating that this is not a project that is within the scope of the Permitted Interaction Group and that the project is underway through DHHL and that the Department of Water Supply knows what is going on and is planning to provide water in the years to come. Mr. Inaba has offered to be the point person and this is now out of Mr. Lopez’s hands.

The Manager-Chief Engineer asked Ms. Mellon-Lacey to chime in if she wished but cautioned that if any Board members draft correspondence, it could be misconstrued as representing the Board. His suggestion would be to have that discussion with the Department, and the Department could send out letters on their behalf. As mentioned previously, the Department’s mission is safe drinking water. He has been working with elected officials to try and encourage investment in non-potable water for non-potable needs; and whenever there is opportunity, he communicates to those who have the ability to provide funding for reuse water potential, such as the State of Hawai‘i, Department of Agriculture, or the Department of Health, in reuse water potential. If he can convince investment to be placed in non-potable sources, it will help relieve the burden on the Department’s potable water system, which is being used for non-potable uses.

Mr. Ney stated that if he has any discussions outside of the meeting setting, he has always disclaimed that he is merely having a discussion as a private citizen and not expressing any opinions of the Board.

Ms. Mellon-Lacey stated that the other issue is that the purpose of the Permitted Interaction Group is to be able to investigate and gather information, apart from the Board; and there is no requirement for them to report regularly to the Board unless making its final recommendation or seeking additional direction from the Board. They are not allowed to change direction, however, because it was set at beginning when the Group was created.

The Manager-Chief Engineer asked if there were any other updates, not wanting to get too far from this agenda item.

Mr. Lopez respected the Manager-Chief Engineer's opinion about the correspondence and added that the letter did not represent the Board in any way. If he were to send something like that out again, it will go through some vetting first. He continued with another topic, which is the Nalani Street subdivision in Kona, which is the street behind La Bourgoigne French restaurant, consisting of approximately 30 lots. They were supposed to get water when Sunset View Terrace updated their waterline; but for whatever reason, Sunset decided they were not going to expand it to go across the street to Nalani Street. They just terminated it. The people are on a system now that looks like about 3-inch or 4-inch galvanized pipe running down Nalani Street. On a site visit, he observed PVC and Drisco pipe going in every which direction and a few meters. People are running over the lines and they are deteriorated. Some of the residents are boiling their water because they fear it might be contaminated coming through that waterline. They petitioned for a Water Improvement District about 2016; and it went through the Council process for a resolution to request the Department of Water Supply to look at it for cost, which was done. It went back to Council somewhere in 2018, an election year, and that is where it ended. He has spoken to Councilmember Rebecca Villegas and will be meeting with her again tomorrow. What he found is that all of the information needed to do the Water Improvement District was done to the point where the Council now needs to move forward from the Department's recommendation on cost. The residents have not heard from anybody and are waiting. When he meets with Councilperson Villegas, his position will be, not representing the Board, but to push it to be picked up again. The resolution was done and it was never terminated. From 2016, it has been sitting there with no action. He searched County records to find if there was ever any follow-up communication and there is none. He would like to get it moving, but the cost may need updating.

The Manager-Chief Engineer stated that the Department would be happy to talk with Councilperson Villegas.

Mr. Ney stated that he has not had a lot of time to devote towards Council meetings and appreciated Mr. Lopez's efforts. He asked what the County's position has been when looking at areas of population density where perhaps some infrastructure can be put in to make it worthwhile and if the County has ever kicked in money to partner in the past.

Mr. Inaba stated that it is through the Improvement District process.

Mr. Ney thought the County should have a part in helping.

Mr. Inaba explained that the Improvement District has two ways to do that. One is through the subdivision or the membership there and the other is Council initiated.

Mr. Ney thought that Councilmembers should get on board with help in securing more funding.

Chairperson De Luz asked Ms. Mellon-Lacey about the Statute and if it requires the Permitted Interaction Group to meet at least once in six months and then come back to the Board with a report.

Ms. Mellon-Lacey replied that the Permitted Interaction Group needs to meet amongst themselves, and they were given the directive. They do not have to provide any report to the Board until they have finished their work, unless they are seeking some kind of guidance.

Chairperson De Luz asked if an inquiry can be made one-on-one from the Board members to a member of the Permitted Interaction Group, as long as there is no serial communication, with regard to some of the questions today about Improvement District funding and alternative funding.

Ms. Mellon-Lacey replied that one Board member can talk to another Board member as long as there is no serial communication. The Department has offered the resources of staff and clearly Mr. Inaba is knowledgeable and can provide that information, and may be a better resource. If there is a topic of interest, it should be agendaized and have a presentation on developing Improvement Districts.

The Manager-Chief Engineer stated that this item, under his report, was to allow the Permitted Interaction Group the opportunity to provide an update to the Board, if needed, but not to have this back and forth discussion with staff.

Mr. Ney apologized for not keeping on top of his emails, but he had been trying to pin down a time that the Permitted Interaction Group could meet. He asked Ms. Mellon-Lacey if they needed her participation.

Ms. Mellon-Lacey replied that she was not required to join the meeting but had offered her assistance if it was helpful. They are free to meet amongst themselves as often as they want. The Permitted Interaction Group allows its members to have discussions and not be bound by the restrictions of the full Board. If it brings a matter to the Board, such as here today, and is a topic that the whole Board may be interested in, it could be placed on an agenda for another meeting. Otherwise, it is stepping a bit too far from the agenda today.

Chairperson De Luz stated that this was a healthy discussion but thanked Ms. Mellon-Lacey for the clarification.

Mr. Lopez stated that a couple of months ago, he had raised the question about the title, "Update on Establishment of Permitted Interaction Group, Regarding: Capacity Expansion." He wondered why that was because when he went back and looked at the original Motion, it does not talk about capacity expansion. It talks about specific projects that blend themselves into current and existing systems that expand and/or serve the underserved. He did not think this particular description should go there, which has to do with drilling wells. His Motion was never to go into well drilling, which to him is capacity expansion. He questioned that and offered to go back and re-examine it because it is a misnomer.

The Manager-Chief Engineer indicated that he could remove the last three words and keep it on his report, or remove it if the Board chose.

Mr. Lopez went back to Ms. Mellon-Lacey's comment about the Permitted Interaction Group not having to report to the Board until it is ready and wondered if it would be better to have the Group request to be on the agenda for an update.

Ms. Mellon-Lacey stated that would make more sense. The Sunshine Law has objections to what they call placeholder topics where they are just put on an agenda but may not be needed. If they are on the agenda, they are supposed to be of significance; and if not, then they should not be there. It is more correct for the Permitted Interaction Group to be the one to say they want to be on the agenda and they have something to present at that point. There is no requirement that they present until they are ready. It is assumed that they are progressing with their work.

The Manager-Chief Engineer recapped that he will remove this item from his report and wait until an agenda item is initiated by the Permitted Interaction Group.

Ms. Mellon-Lacey added that the Group also needs to be mindful of the resources the Department is offering to help them do their work; and if they need more information, they can feel free to reach out, which, obviously, is what Mr. Lopez has been doing.

Mr. Lopez commented that the Department has been extremely helpful to him.

3. Employee of the Quarter (third quarter of 2022)

Ms. Gray announced that Ms. Sharilynn Olivar, Accountant IV in the Finance Division, is the recipient of the Employee of the Quarter award for the third quarter of 2022. She is recognized for, not only her dedication, diligence, and being an all-around great employee, but also for her efforts in helping the Department secure funds from the State Revolving Fund (SRF) program that were owed. The Finance Division had set a goal back in January or February to recover at least \$5 million by June 30, 2022. Without Sharilynn's efforts and collaboration with DWS engineers and the DOH SRF personnel, that goal would not have been realized. Not only did she bring in the \$5 million, but she had also realized a total of \$10 million before fiscal year end, and she complimented her efforts in helping to reach out and playing a great part in those efforts. She was not able to be here today but will be honored at the Board's December meeting when she can be present.

The Manager-Chief Engineer added, for Board's information, that just because there are agreements with the SRF program, getting the reimbursement is not automatic. They do not pay in advance; but rather, it is a reimbursement of funds to the Department. The Department of Health has new personnel and it was somewhat of a process to have them reimburse the money the Department was owed. If you were to meet Ms. Olivar, she has a very sweet personality but also is tenacious, which is beneficial in finances.

Chairperson De Luz commented that the write-up on her outlined the way she helped the SRF create a more uniform process for the next time there is a filing, and her collaboration between the agencies is much appreciated.

E. EXECUTIVE SESSION REGARDING POTENTIAL DISPUTED SETTLEMENT - JOB NO. 2016-1056, WAI'AHA DEEPWELL REPAIR, DISTRICT OF NORTH KONA:

The Board anticipates convening an executive meeting for the purposes of an attorney-client confidential discussion regarding the above-entitled matter.

Pursuant to Section 92-5(a)(4) Hawai'i Revised Statutes, the purpose of the executive meeting is to consult with the Board's attorney on questions and issues pertaining to the Board's duties, privileges, immunities, and liabilities. A two-thirds vote is necessary to hold an executive meeting, provided that the affirmative vote constitutes a majority of the Board.

MOTION: Mr. Ney moved to enter into Executive Session; seconded by Mr. Sugai.

Mr. Bell asked if the two executive sessions could be combined.

Chairperson De Luz asked for Ms. Mellon-Lacey's direction because there may be a need to come back into the public section of the meeting to describe any follow-up.

Ms. Mellon-Lacey indicated it would only be required if a vote is needed.

Chairperson De Luz indicated there may or may not be; therefore a separate session is better.

ACTION: Motion to enter Executive Session was carried by roll call vote (Ayes: 6 – Mr. Bell, Mr. Kekela, Mr. Lopez, Mr. Ney, Mr. Sugai, and Chairperson De Luz; Absent: 3 – Ms. Hugo, Ms. Keolanui, and Mr. Hirakami).

(Executive Session began at 11:16 a.m. and ended at 11:22 a.m.)

Chairperson De Luz announced that for this Item 8(E), it will be placed on the next Water Board meeting and there is no action at this time.

F. EXECUTIVE SESSION: MANAGER-CHIEF ENGINEER AND DEPUTY EVALUATION AND COMPENSATION FOR CALENDAR YEAR 2022:

The Board anticipates convening an executive meeting to consider the evaluations of the Manager-Chief Engineer and Deputy for its annual performance review, as authorized by Hawai‘i County Charter Section 7-4.6(d) and Hawai‘i Revised Statutes (“HRS”), Sections 92-4 and 92-5(a)(2). The Board wishes to have its attorney present, in order to consult with the board’s attorney on its questions and issues pertaining to the board’s powers, duties, privileges, immunities, and liabilities pursuant to HRS Section 92-5(a)(4). A two-thirds vote of the members present, pursuant to HRS Section 92-4, is necessary to hold an executive meeting, provided that the affirmative vote constitutes a majority of the board.

ACTION: Mr. Sugai moved to enter into Executive Session; seconded by Mr. Kekela and carried by roll call vote (Ayes: 6 - Mr. Bell, Mr. Kekela, Mr. Lopez, Mr. Ney, Mr. Sugai, and Chairperson De Luz; Absent: 3 – Ms. Hugo, Ms. Keolanui, and Mr. Hirakami).

(Executive Session began at 11:25 a.m. and ended at 12:15 p.m.)

Chairperson De Luz announced that for this item, the Board will continue its discussion at the November 22, 2022, Water Board Meeting.

G. MANAGER-CHIEF ENGINEER AND DEPUTY EVALUATION AND COMPENSATION FOR CALENDAR YEAR 2022:

Chairperson De Luz asked if there was any testimony for this item. There being none, he continued with the agenda item.

Discussion/action on Manager-Chief Engineer and Deputy evaluation and compensation.

Chairperson De Luz asked if there was any objection to this being deferred to the next meeting on November 22, 2022. There being none, this item is deferred.

H. CHAIRPERSON’S REPORT:

No report.

9) **ANNOUNCEMENTS:**

1. **Next Meeting:**

The next meeting of the Water Board will be November 22, 2022, at the West Hawai‘i Civic Center, Room B2, Building B, Second Floor, 74-5044 Ane Keohokalole Highway, Kailua-Kona, Hawai‘i.

2. **Site Visit Today:**

Site visit to Waimea Water Treatment Plant, (65-1190 Spencer Road, Kamuela, HI) to view and discuss Waimea Water Treatment Plant Upgrades project. **Directions:** From Kawaihae Road, turn on Lindsey Road past Parker School and continue mauka; turn right onto Kapi'olani Street and keep going to the end of the street. Turn left onto Spencer Road. At the first paved driveway to the right is the Department of Water Supply gate (this is the first gate leading to the Waimea Water Treatment Plant). Meeting will take place at the Waimea Water Treatment Plant site, which is at the end of the road after passing through a second gate.

10) **ADJOURNMENT**

Chairperson De Luz called for a Motion to adjourn. Mr. Ney so moved; seconded by Mr. Sugai and approved unanimously; however, it was corrected that the meeting will be continuing and the site visit will be part of the meeting. The Board will be going into recess for the purpose of travel to the site. Ms. Mellon-Lacey recommended that the Motion be rescinded.

RESCIND MOTION: Mr. Ney so moved; seconded by Mr. Sugai.

RECESS: The Board recessed at 12:19 p.m. (Mr. Bray, Mr. Zimpfer, and Mr. Carr left the meeting.)

SITE VISIT:

RECONVENE: The Board reconvened the meeting at 12:50 p.m. at the Waimea Water Treatment Plant facility.

The Manager-Chief Engineer turned it over to Mr. O'Neil and Mr. Goodale to describe the location.

Mr. O'Neil stated that this is Waikoloa Reservoir No. 2. The reservoirs are numbered in the order in which they were built. Reservoir No. 1 is the one just below this one, and Number 3 is below that. They are all 50 million gallons. Water is taken from Marine Dam and Waikoloa Stream. Repairs were done on this No. 2 Reservoir after the 2006 earthquake. The liner is all new, and the same is planned for the Reservoir No. 1 repair.

The Manager-Chief Engineer asked Mr. Inaba to go over some of the requirements to harden this reservoir after the earthquake.

Mr. Inaba stated that before the earthquake, there was no liner. It was just concrete. The earthquake caused some shifting and cracking of the panels. Repairs were done to the panels and a padding was put on and then the Hypalon liner on top of the padding to make sure it is waterproof. Some improvements were done on the embankment and the outlets. A piezometer was added, which is a port into the embankment on the downslope side to make sure it is not getting saturated and to tell there is no leak. The same is designed for Reservoir No. 1.

Mr. Lopez asked if the three reservoirs flow into one another.

Mr. O'Neil replied that they are all interconnected into the same pipeline that is going down to the treatment plant. The two intakes are Kohākōhau Stream and Waikoloa Stream, one on each side; and they all feed into the pipe that is connected. Water can be maneuvered or one can be shut down if needed.

The Manager-Chief Engineer stated that they can work sequentially but also independently.

Mr. Sugai's question was also along those lines, and if something were detected, one could be closed and diverted to another.

Mr. O'Neil stated that when repairs were being done on this reservoir, it was emptied, while operating the other reservoirs at 19 feet instead of 25, and No. 3 was in operation. This Reservoir No. 1 was brought back online in 2011, and the other one was emptied.

Mr. Lopez asked how the sludge was managed that comes in from the natural flow.

Mr. O'Neil replied that when it rains hard, they open the drain and let it overflow. There is some accumulation but there is a raised box inside to take the water in, which almost acts like a riser so you are not taking the sludge from the bottom.

The Manager-Chief Engineer noted that these reservoirs are not like others that have gotten into the news because of failures due to heavy rain events. These are inlet controlled and it closes when it reaches a certain level.

Mr. Sugai asked about seismic events and State Dam Safety requirements.

Mr. O'Neil explained that if there is an earthquake 4.0 or larger within 25 miles, they have to do an earthquake check of the reservoirs, looking for cracks, sagging, or visible wet spots along the perimeter.

Mr. Lopez asked if there was any mitigation strategy for the surrounding areas.

Mr. O'Neil replied that there are Dam Safety Booklets that are followed, which contain emergency response plans and they show inundation zones. Dam Safety inspections are done every three years.

Mr. Sugai asked how it was known that there was damage to the reservoir after the earthquake.

Mr. O'Neil replied that the bottom reservoir had a boil. They lowered the water level to 19 feet where the boil stopped so they knew they had hit the crack.

At 1:02 p.m., the group left Reservoir No. 1 and assembled outside the treatment plant at 1:15 p.m.

Mr. O'Neil showed the group where the raw water comes into the rapid mixer and goes through the flocculation process. The coagulant is mixed into the water and it starts grabbing the organic matter and bunches it together. Once it gets heavy enough, it starts sinking.

Mr. Sugai asked how the coagulant is applied.

Mr. O'Neil replied that it is by injection. A pump mixes it with the water, and it goes into the rapid mixer. There are paddles in the basins that gently move it. This process is to get rid of most of the solids.

Mr. Lopez asked how fast does this action work to provide the flow need to service customers.

Mr. O'Neil replied that the two basins can put out up to 1,600 gallons per minute. In response to Mr. Lopez's comment that it did not look like it was doing much, he stated that it may not look like it, but it is moving.

Mr. Sugai asked if this was the same technology as before.

Mr. O'Neil replied that this is part of the conventional treatment plant. You can go to just strictly microfiltration that will give you safe drinking water, but it will still have a color to it. This will take that out. After this part is finished, it used to just go into sand to filter.

Mr. Inaba added that it pre-treats and takes out a lot of that. The sand filters were changed to membrane filters which is another layer of filtration. The sand filters were not as efficient as membrane filtration. It was considered a conventional treatment plant where it relied on chemicals and not so much the filtration.

Mr. O'Neil stated that the pH is adjusted prior to introducing the coagulant. Soda ash is added to bring it down to neutral before adding the coagulant and also finish it off again in case it is too high.

Mr. Ney asked where the water comes in on the pH scale.

Ms. Keska Burns, Water Treatment Plant Operator II, answered that the pH prior to introducing the caustic soda is fairly neutral, between 6 and 7.

At 1:29 p.m., the group assembled at the top level of the membrane filtration facility.

Mr. O'Neil pointed out the four 2,500-gallon water cells and asked Ms. Burns to uncover one and describe the modules and fibers.

Ms. Burns stated that there are 196 modules containing 9,600 fibers in each one. These modules filter the water.

Mr. O'Neil that when the group goes downstairs, he will show the pumps that will actually pull the water through the filters, which cleans everything; and from there, it will get injected with chlorine and ammonia C-9 before it goes into the 4-million-gallon clear well and ready to distribute.

Mr. Sugai asked how the modules are cleaned.

Mr. O'Neil replied that air tests are done, and if it fails, it has to be taken apart to see where the bubbles are coming out. This is backwashed every 45 minutes. It will run for 45 minutes and takes about two to three minutes to suck everything out, blow air through it, push any rubbish out, and fill with water again, after which the water goes down to the sludge basin.

Mr. Kekela asked how many gallons of water gets pushed out without being treated.

Mr. O'Neil replied that it puts out up to 2,500 gallons, so every time a backwash is done, it is dumping 2,500 gallons. On the lower level of the filtration building, he pointed out where the four cells seen up above are located. The pumps on the lower level pull the water through the filters, sending it back up to the top to a Stainless Steel pipe, after which it is injected with chlorine and ammonia, and goes outside and into the clear water well. Once the chlorine and ammonia are injected, it has to have contact time before going into the tank. He asked Ms. Burns how often a chemical wash is done aside from the 45-minute backwash.

Ms. Burns replied that chlorine washes are done every 96 hours and acid washes every 186 hours, which are highly concentrated cleans to get rid of buildup from in between washes.

The group then viewed the control room which monitors of the entire process from the reservoirs out to distribution.

(The site visit ended at 1:39 p.m. and the group assembled outside.)

ADJOURNMENT:

Chairperson De Luz called for a Motion to adjourn the meeting.

ACTION: Mr. Lopez so moved; seconded by Mr. Sugai and carried unanimously by voice vote.

(Meeting adjourned at 1:40 p.m.)

Recording Secretary

APPROVED BY WATER BOARD
NOVEMBER 22, 2022