

## MINUTES

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

March 25, 2008

#### Hilo Operations Center Conference Room

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

ABSENT: Ms. Millie Kim, Water Board Member  
Ms. Paula Helfrich, Water Board Member  
Mr. Bernard Konanui, Water Board Member  
Mr. Dwayne Mukai, Water Board Member  
Mr. Bruce McClure, Director, Department of Public Works  
(ex-officio member)  
Mr. Christopher Yuen, Planning Director (ex-officio member)

OTHERS PRESENT: Mr. Gerald Takase, Assistant Corporation Counsel  
Mr. Grant Nakagawa, KPMG LLP

#### Department of Water Supply Staff

Mr. Quirino Antonio, Jr., Deputy Manager  
Ms. Kris "Kanani" Aton, Public Information and Education Specialist  
Mr. Kurt Inaba, Engineering Division Head  
Mr. Lawrence Beck, Engineering Division  
Mr. Richard Tsunoda, Waterworks Controller  
Mr. Richard Sumada, Assistant Waterworks Controller  
Mr. Daryl Ikeda, Chief of Operations

CALL TO ORDER - Chairman Goya called the meeting to order at 10:03 a.m. and introduced Mr. Gerald Takase from the Corporation Counsel's Office, filling in for Ms. Katherine Garson, and also Mr. Robert Meierdiercks who replaces Mr. Loren Heck on the Water Board and represents District 6. Mr. Meierdiercks noted that he was previously on the Water Board in the early 90's (then known as the Water Commission).

STATEMENTS FROM THE PUBLIC

None.

APPROVAL OF MINUTES:

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

APPROVAL OF ADDENDUM AND/OR SUPPLEMENTAL AGENDA:

None.

**PRESENTATION OF AUDITED FINANCIAL STATEMENTS – JUNE 30, 2007:**

Mr. Grant Nakagawa of KPMG LLP, the Department’s independent auditors from Honolulu, reviewed the Department’s audited Financial Statements for the fiscal year ended June 30, 2007.

In response to Chairperson Goya’s question of whether KPMG LLP is also the County’s auditor, Mr. Nakagawa replied they were.

Mr. Kuailani asked if this information was public or if it had to go through the Board first before the public may see the audit.

Mr. Sumada replied that he believed it is public information.

The Board thanked Mr. Nakagawa for his presentation today, and Mr. Nakagawa left the meeting at 10:12 a.m.

Chairperson Goya mentioned a cash management audit and asked if the Department or the County had ever had one done. The Manager indicated that the Department would check to see what the County does.

SOUTH HILO:

**A. JOB NO. 2006-889, CONSTRUCTION OF THE ANDRADE CAMP WATER SYSTEM IMPROVEMENTS:**

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Bids for this project were opened on March 12, 2008, at 2:00 p.m.; and following are the bid results:

<b>Bidder</b>	<b>Amount</b>
Ludwig Construction, Inc.	\$441,326.00
Willocks Construction Corp.	\$476,255.88*
Big Island Excavating, LLC	\$481,750.00
Koga Engineering & Construction, Inc.	\$519,830.00
William C. Loeffler Construction	\$546,455.00*
Isemoto Contracting Co., Ltd.	\$588,064.32*

Drainpipe Plumbing & Solar, LLC	\$645,200.00
Jas. W. Glover, Ltd.	\$1,091,179.00

**\*Corrected bid amounts. Did not affect the outcome of the bids.**

This project consists of replacing the existing private water system for Andrade Camp with a county dedicable water system through the United States Department of Agriculture, Rural Utilities Services (U.S.D.A - R.U.S.) loan/grant program. Funding for this project will be from the Department's C.I.P. budget and the U.S.D.A. - R.U.S. loan/grant program with repayment to the U.S.D.A.'s - R.U.S. program. The contractor will have 180 calendar days to complete this project.

The Manager recommended that the Board award the contract for JOB NO. 2006-889, CONSTRUCTION OF THE ANDRADE CAMP WATER SYSTEM IMPROVEMENTS, to the lowest responsible bidder, Ludwig Construction, Inc., for their bid amount of \$441,326.00 plus \$44,174.00 in construction contingency for a total contract amount of \$485,500.00, and that either the Chairperson or the Vice-Chairperson be authorized to sign the contract(s), subject to review as to form and legality of the contract(s) by Corporation Counsel.

MOTION: Mr. Harai moved for approval of the Manager's recommendation; seconded by Mr. Kuailani.

Mr. Smith was surprised to see so many bids and the spread in prices.

The Manager indicated it was because the total value of the project is within a comfortable range for these contractors. If it were a 2.5 million project, you would not see as many bidders.

In response to Mr. Smith's question about Ludwig Construction's background, the Manager stated that Mr. Herman Ludwig used to be with M. Somomura Contracting. Ludwig Construction, Inc., has been around about four years, and he has heard only good things about them.

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

NORTH KOHALA:

**A. RESOLUTION NO. 08-02, PROVIDING FOR THE ACQUISITION OF PRIVATE PROPERTY AND EASEMENTS SITUATE IN THE DISTRICT OF NORTH KOHALA, COUNTY AND STATE OF HAWAII, IDENTIFIED AS A PORTION OF TMK NO. (3) 5-2-005:023, LOT 78 FOR BACKUP WELL AND REPLACEMENT RESERVOIR SITE:**

Chairperson Goya stated that the first reading of this Resolution was approved at the February 24, 2008, Water Board Meeting; and this is the second reading.

The Manager recommended that the Water Board adopt Resolution No. 08-02.

MOTION: Mr. Meierdiercks moved for approval of the Manager's recommendation; seconded by Mr. Smith.

The Manager asked if his understanding was correct that this Resolution needs a two-thirds vote, which the Board does not have today.

Mr. Takase suggested the Board vote on it and he would check and get back to the Manager later today.

ACTION: A roll call vote was taken on the Motion. Motion was carried by five ayes (Messrs. Kuailani, Harai, Smith, Meierdiercks, and Chairperson Goya); Nays: 0, Absent: 4 - Mss. Kim and Helfrich, and Messrs. Konanui and Mukai.

NORTH KONA:

A. **RESOLUTION NO. 08-01, PROVIDING FOR THE ACQUISITION OF PRIVATE PROPERTY AND EASEMENTS SITUATE IN THE DISTRICT OF NORTH KONA, COUNTY AND STATE OF HAWAII, IDENTIFIED AS PORTIONS OF TMK NO. (3) 7-4-009:072, FOR TRANSMISSION LINE IMPROVEMENTS:**

Chairperson Goya stated that the first reading of this Resolution was approved at the February 24, 2008, Water Board Meeting; and this is the second reading.

The Manager recommended that the Water Board adopt Resolution No. 08-01.

ACTION: Mr. Kuailani moved for approval of the Manager's recommendation; seconded by Mr. Harai and carried unanimously by roll call vote (Ayes: 5 - Messrs. Kuailani, Harai, Smith, Meierdiercks, and Chairperson Goya; Nays: 0, Absent: 4 - Mss. Kim and Helfrich, and Messrs. Konanui and Mukai).

SOUTH KOHALA:

A. **PARKER WELLS 3 AND 4, FIRST AMENDMENT OF AGREEMENT (TRI-PARTY WATER DEVELOPMENT AGREEMENT - MAUNA LANI SERVICES, INC., MAUNA KEA PROPERTIES, AND DEPARTMENT OF WATER SUPPLY):**

At its February 28, 2006, meeting, the Water Board approved the Tri-Party Agreement between Mauna Lani Service, Inc. (MLS), Mauna Kea Properties (MKP), and the Department of Water Supply (DWS). MLS and MKP are proposing to amend the agreement to allow them an extension of time to complete their required improvements. They have been proceeding along in an acceptable manner but have run into delays beyond their control. DWS has been kept informed of these possible delays that would require this amendment and feel that they and their contractor have been doing what they can to complete the project on time.

DWS Staff has reviewed this First Amendment of Agreement and finds it acceptable as submitted. If approved, it will change their required completion date from April 6, 2008, to August 31, 2008.

The Manager recommended that the Water Board accept the terms and conditions of the First Amendment of Agreement and authorize either the Chairman or the Vice-Chairman to execute the Agreement subject to review and approval of the Corporation Counsel.

**MOTION:** Mr. Smith moved for approval of the Manager’s recommendation; seconded by Mr. Kuailani.

Chairperson Goya asked for clarification by the Department.

Mr. Inaba explained that this is basically a request for a time extension because they put a deadline on their tri-party agreement and now need until August 31, 2008. In response to Chairperson Goya’s question of whether any further delays would be expected, Mr. Inaba replied that Mauna Lani wants to keep the contractor on a tight schedule and has it down to the day.

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

KA‘U:

**A. JOB NO. 2000-758, CONSTRUCTION OF THE WAIOHINU WELL DEVELOPMENT - PHASE 1:**

As a result of the field-measured well water level and other conditions encountered during the drilling phase of the subject well development, Tom Nance Water Resource Engineering (TNWRE) has recommended revisions to the contracted quantities of work for the subject well development. Water Resources International, Inc., is the drilling contractor. The revised quantities of contracted work and their related costs are listed in the “Revised February 5, 2008” table.

The following cost tabulation indicates a need to allocate additional monetary funding to meet the increased project construction cost due to revising the original quantities of contracted work.

Revised quantities of work and related costs	= \$884,010.00
Less Original Contract Amount	= <u>777,040.00</u>
Increase in Contract Amount	= \$106,970.00

Funds for the additional work are available. Further, the original \$62,160.00 contract construction contingency fund is available for use, should unforeseen construction costs occur.

The Manager recommended that the Board approve an additional \$106,970.00 for JOB NO. 2000-758, CONSTRUCTION OF THE WAIOHINU WELL DEVELOPMENT – PHASE 1, and that either the Chairman or the Vice-Chairman be authorized to execute the appropriate Contract Change Order to Water Resources International, Inc.

**MOTION:** Mr. Smith moved for approval of the Manager’s recommendation; seconded by Mr. Meierdiercks.

Mr. Smith commented that the way the Agenda was written, he was confused whether this was a change order to a construction contract or modifications to a consultant agreement.

The Manager stated that the consultant made the recommendation to revise the construction of the exploratory well.

In response to Mr. Smith's question of whether this would result in a change order, Mr. Inaba replied that it would.

Mr. Smith asked who the contractor is. The backup information is from Water Resources International, so he wondered why Tom Nance's name is on there.

Mr. Inaba explained that there is not enough in the contingency so this entire revision is based on what they found in the drilling based on the actual line items in the contract. The change in scope was significant enough that it exceeds the actual contingency in the contract.

The Manager stated that if it were purely a contract change order, it would not be coming before the Board. Because it involves additional funds, it needs Board approval. The reason Mr. Smith is confused is because the recommendation comes from TNWRE, the hydrogeologist consultant. It is their recap of what needs to be changed in the contract. The Department will follow the recommendations of TNWRE and make the modifications in the contract with Water Resources International. The change order will be to Water Resources for the extra work, as recommended by TNWRE.

Mr. Smith asked if the \$777,040.00 was the original amount, plus contingency, which would be around 10%.

The Manager replied it was. He pointed out in the letter from TNWRE where it indicates the original \$62,000.00 contingency will still be available for unforeseen things.

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

#### MISCELLANEOUS:

##### A. DEDICATION OF WATER SYSTEMS:

The Department has received the following documents for action by the Water Board. The water systems have been constructed in accordance with the Department's standards and are in acceptable condition for dedication.

1. **GRANT OF EASEMENT AND BILL OF SALE**  
Subdivision Application No. 2004-0157 (Kailine Subdivision)  
Grantors: Gerald and Wendy Yamada  
TMK: (3) 2-4-038:008  
E.W.O.: 2006-073  
Lots: 8  
Zoning: RS-10



Chairperson Goya noted from his observation, in visiting the Department's main office, there is substantial work being done and quite a bit of improvements compared to what the contractors were doing. He praised the Department for hiring the right people and invited other Board Members to stop by and have a look at the grounds. He hoped that when the Department has the plans for replacement of the trees on their grounds, they will be able to maintain them.

The Manager added that he has received about three compliments so far from tenants in the building on what a wonderful job they are doing.

Mr. Meierdiercks commented that the Department would have more control over it now that it has its own employees.

ACTION: A vote was taken on the Motion to amend the Table of Organization to create an additional Custodian/Groundskeeper I position for the Operations Division. Motion was carried unanimously by voice vote.

C. **BANKING AND CASH MANAGEMENT:**

This Executive Session was deferred by the Board at its January 22 and February 26, 2008, meetings.

Executive Session

The Board anticipates convening an Executive Session for the purpose consulting with the Board's attorney on questions and issues pertaining to the Board's powers, duties, privileges, immunities and liabilities as per HRS 92-5(a)(4).

The Board deferred this to the April 22, 2008, Water Board Meeting.

D. **MONTHLY PROGRESS REPORT:**

Chairperson Goya noted there were still some outstanding projects on the report.

The Manager commented that there are two very outstanding projects—Pohakea Water System Improvements, and Kawaiilani 0.5-M.G. Reservoir. The contractor for the Pohakea project wants to schedule a meeting. It would be a great idea, because the project needs to be resolved. That was one of the situations where there was earthquake damage in the middle of the project. The Kawaiilani project is a construction/design issue that is still being resolved.

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

Chairperson Goya mentioned that from his observation, the Department is in pretty good shape. The only question he had, when looking at the budget, is filling those appropriate personnel that fall within the budget. The filling of positions is still lagging. The other thing he noticed was the difference between what is on the current approved budget and the new 2008-2009 budget. There are some changes in the requests for personnel. His question is whether these people can be hired in a timely manner.

The Manager stated that it was a good point. It is taking longer and longer for the Department to hire personnel just because of the nature of what needs to be done, and also from the domino effect when you promote from within. It creates vacancies when people move up. Because of the way Human Resources is governed, if you know you have an upcoming vacancy, you cannot fill it until the vacancy occurs.

Chairperson Goya suggested more scrutiny in the budget so that the various divisions take a closer look at when actually these positions will be filled. If they can all be hired at the beginning of the fiscal year, then fine; however, if they are not, you would have too much flexibility in the budget. Chairperson Goya also stated that he would like to follow up on the debt on the Matsumoto account. If a decision has been made about the account, it should be written off the books.

Mr. Takase stated there is a judgment already so the account can be written off.

The Manager directed Accounting staff to write it off.

Chairperson Goya asked that the Board be kept informed in a timely manner regarding some of the major delinquencies and be kept apprised periodically on what is being done with them.

F. **DEPARTMENT OF WATER SUPPLY PROPOSED OPERATING AND CAPITAL IMPROVEMENT BUDGETS FOR FISCAL YEAR 2008 - 2009:**

The proposed Operating and Capital Improvement Budgets for Fiscal Year 2008-2009 were published in the newspapers for presentation at the Public Hearing held on March 25, 2008, at 9:30 a.m. For further discussion by the Water Board.

Mr. Meierdiercks stated that under Receipts, it says "Sale of Water." That should be "Water Service." As a prior member of this Board, he thinks the term "sale of water" should be avoided. We are not selling water. For anything from the Water Board to do with water service, it is not selling water.

Mr. Smith asked what the sensitivity was with the term.

The Manager replied that it had to do with the Department's issue years ago with some Hawaiian Homes lessees. The opinion from the Attorney General's Office was that water is free.

He added that the Department would try to come up with another term for sale of water.

Chairperson Goya mentioned again his comment about filling vacant positions and transitioning this year's Operating Budget to next year's one. He also reminded the Board that every time a new position is approved, it adds to the budget; and, therefore, water rate adjustments may be needed. His earlier suggestion was to see smaller increases periodically and make sure there is flexibility should the economy stall.

Mr. Kuailani asked how the rate increases are proposed by the Department.

The Manager explained the five-year water rate study process. In this current five-year period, if everything stays on track, there will be no need for an increase in water rates until 2012. If something drastic were to happen before then, the Department has the flexibility to hire a consultant to have another look.

Mr. Tsunoda explained the power cost adjustment where the Department has some flexibility in that area.

The Manager stated that the only drawback is that it is annualized once a year, looking at the previous year so it almost looks like it is lagging. It does give the Department the ability to recoup power costs. If you look at the cost of water, it is 75 cents and the power cost is \$1.60.

G. **WATER RATE STUDY:**

Place on next month's agenda.

H. **DEPARTMENT OF WATER SUPPLY MOTTO:**

Ms. Aton reviewed her update. The rough estimate of cost for decals on vehicles, helmets, doors to the offices, is \$10,000.00. Other items such as the website and the water rate brochure can be changed immediately. For stationary, business cards, Consumer Confidence Reports, Rules and Regulations, DWS calendars, promotional magnets, and community signs, they may be changed as stocks are used up. Regarding previous discussion on the Hawaiian version of the new motto, the University of Hawaii was consulted; and changing the word "Kane" would alter the Hawaiian interpretation of "Water, Our Most Precious Resource."

Chairperson Goya thanked Ms. Aton for her research and hoped that everyone in the Department to embrace the change to the motto and what it means. He stressed the need to further educate the public as well.

The Manager recommended that the Board adopt the new motto for the Department of Water Supply, "Water, Our Most Precious Resource, *Ka Wai A Kāne*."

**MOTION:** Mr. Kuailani moved for approval of the Manager's recommendation; seconded by Mr. Harai.

Mr. Ikeda asked if the Hawaiian version of the motto would be on the vehicle decals as well as "Water, Our Most Precious Resource."

Ms. Aton suggested that the Hawaiian version be reserved for more refined purposes such as the Department's letterhead; but for the general signage, the English version would be sufficient.

**ACTION:** A vote was taken on the Motion that the Board adopt the new motto for the Department of Water Supply, "Water, Our Most Precious Resource, *Ka Wai A Kāne*." Motion was carried unanimously by voice vote.

I. **MANAGER'S REPORT:**

- 1) Status of the Palani Road Transmission Waterline project - the vote today on the Resolution for condemnation should help the Department proceed with advertising the project. Mr. Takase indicated that he would check to see if the vote was enough for today's action and notify the Manager this afternoon.
- 2) Status of the Hawaiian Ocean View exploratory well - everything is on schedule.
- 3) Status of the Kona Water Quality - proceeding with work in the shaft and also with various individuals to obtain easements.
- 4) Update on negotiations with Kamehameha Investment Corp. - they still need to contact Kamehameha Schools relative to the land that the wells are on and then get back to this Department.
- 5) Retirement of Richard Tsunoda, Finance Division Head - The Deputy Manager stated that Mr. Tsunoda has served as Waterworks Controller since 1993. He supervises three supervising branch heads. In his division, Mr. Tsunoda was responsible for approximately 24 employees. He began his employment with the Department in 1985 in the accounting branch of the Finance Division. Prior to this, he was with the Hilo Coast Processing Co. Upon graduating from Hilo High School, he attended UH - Manoa where he received his bachelor's degree in accounting. He has gained a vast amount of knowledge and experience in the diverse world of accounting and public service. In his career with the Department, his accomplishments include involvement in the formulation of the Department's Strategic and Business plans, the revamped Rules and Regulations (he was responsible for the redrafting of a major section of the Rules). He has been able to maintain excellent annual financial status. He ensures a balanced budget is prepared each year. He was involved with several five-year water rate studies. Heading a division that is responsible for financing water system design and construction contracts, he has had to become well versed with the State Procurement Code. With his assistance, the County of Hawai'i and the Department of Water Supply secured \$25 million in general obligation bonds to finance major water system improvements.

The Manager added that Mr. Tsunoda has been a tremendous help to the Department and speaking for himself and the Department, Mr. Tsunoda will be missed. He has been always responsible, always gets the job done, and is an ideal employee.

Chairperson Goya presented Mr. Tsunoda with a letter of congratulations from the Water Board and wished him well.

Mr. Tsunoda stated that he appreciated all of the kind words and thanked the Department for all of the opportunities to advance. He has a good time with the Department and staff. He also complimented members of the Board for their dedication to the Department and its customers.

- 6) AWWA Annual Conference and Exhibition in Atlanta, Georgia - the Manager stated that there has been some tornado damage to the area, but it is being repaired. They have also experienced drought in the area. He assumes the conference is still going ahead as planned, but there may be some changes, so please check the AWWA website periodically ([www.awwa.org](http://www.awwa.org)).
- 7) AWWA Hawaii Section Conference on Oahu - some employees are electing not to attend the conference because the Pacific Beach Hotel is being picketed. The tapping contest will now be held at the Honolulu Board of Water Supply's baseyard on Beretania Street because the UPW workers do not want to cross picket lines. If Water Board Members plan to attend, he wanted to make sure they are aware of the situation.

Mr. Meierdiercks asked if the Department has an emergency preparedness plan and if the Board has ever had an update on something like that. The Manager stated there have been many discussions about it, but the Board does not have a copy. Mr. Meierdiercks suggested the Board be updated once in awhile. It is something that people do not consider until something happens. He also asked about the Mamalahoa Bypass and if there was any consideration for a waterline in that Bypass that goes from down by the Sheraton to Alii Highway. The Manager noted that on the Hokulia side, there is a system; and on the Sheraton Keauhou side, there is a system; but there is no intent to connect them. There are no services in between. Also, the elevation difference is so great that it would require extensive improvements in terms of boosters and tanks so it would be very expensive.

Chairperson Goya asked for a follow-up on the Honokaa Water Development Project on which the Board received correspondence dated February 26, 2008, from the Department of Land and Natural Resources that they are proceeding now. There was one question regarding the SCADA system. He asked if the Department will have a budget item for that project. The Manager replied that the State was assured that this Department would not delay them any further by insisting that the SCADA get put on last minute. Staff met with their Department and worked everything out on this project.

J. **CHAIRMAN'S REPORT:**

Chairperson Goya suggested that the Department give some consideration in its strategic planning to have Ms. Aton communicate with the next generation on the importance of sustainability and conservation of water, our most precious resource. The Manager stated the Department does that on a small scale, behind the scenes, with schools, etc. Chairperson Goya stated that he would like to see it more visible.

ANNOUNCEMENTS:

1. **Next Meeting:**

The next meeting of the Water Board will be held on April 22, 2008, 10:00 a.m., in the Hilo Operations Center Conference Room, 889 Leilani Street, Hilo, Hawai'i.

The Board chose to hold its May 27, 2008, meeting in Waimea (place to be determined).

STATEMENTS FROM THE PUBLIC

None.

ADJOURNMENT

**ACTION:** Mr. Kuailani moved for adjournment of the Meeting; seconded by Mr. Smith and carried unanimously by voice vote. (Meeting adjourned at 11:21 a.m.)

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Secretary

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