

MINUTES

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

April 25, 2006

HILO OPERATIONS CENTER CONFERENCE ROOM

MEMBERS PRESENT: Mr. Thomas Goya, Vice-Chairman
Ms. Paula Helfrich (10:33 a.m.)
Ms. Millie Kim
Mr. Bernard Konanui
Mr. Ivan Mochida
Mr. Riley Smith
Mr. George Wilkins
Mr. Milton D. Pavao, Manager, Department of Water Supply
(ex-officio member)

ABSENT: Mr. Loren Heck, Chairman
Mr. George Harai, Water Board Member
Mr. Christopher Yuen, Director, Planning Department
(ex-officio member)
Mr. Bruce McClure, Director, Department of Public Works
(ex-officio member)

OTHERS PRESENT: Ms. Katherine Garson, Deputy Corporation Counsel
Ms. Amy Self, Deputy Corporation Counsel

Department of Water Supply Staff

Mr. Quirino Antonio, Jr., Deputy Manager
Mr. Kurt Inaba, Engineering Division Head
Mr. Daryl Ikeda, Chief of Operations
Mr. Richard Tsunoda, Waterworks Controller
Mr. Richard Sumada, Assistant Waterworks Controller
Mr. David Mellom, Credit and Collection Clerk
Mr. Lawrence Beck, Civil Engineer V, Water Resources and
Planning Branch

CALL TO ORDER - Vice-Chairman Goya called the meeting to order at 10:00 a.m.

STATEMENTS FROM THE PUBLIC

None.

ADDENDUM OR SUPPLEMENTAL AGENDA

ACTION: Mr. Smith moved to add Addendum Item (O) under Miscellaneous - Waiakea Judiciary Lease; seconded by Ms. Kim and carried by roll call vote (Ayes: 6 - Ms. Kim, Messrs. Konanui, Wilkins, Smith, Mochida, and Vice-Chairman Goya; Nays: 0; Absent: 3 - Ms. Helfrich, Mr. Harai, and Chairman Heck).

APPROVAL OF MINUTES

ACTION: Mr. Wilkins moved for approval of the Minutes of the March 28, 2006, Water Board Meeting; seconded by Ms. Kim and carried unanimously by voice vote.

SOUTH KOHALA:

A. JOB NO. 2004-851, LALAMILO DEEPWELL D MOTOR CONTROLLER REPLACEMENT:

The Board considered a request from the contractor, Able Electric, Inc., for a contract time extension of 51 calendar days due to the addition of a new Power-Factor-Correction-Capacitor (PFCC) assembly. This item was not included in the bid and is recommended to increase the electrical power factor and lower the electric bill. The PFCC assembly has to be specially manufactured to be compatible with the existing electrical cabinets and bus bars. This item is due to arrive by June 5th and has to be installed prior to the rest of the motor controller due to its location in the sequence of electrical cabinets. This first time extension request was reviewed by Engineering staff and found to be justified.

The Manager recommended that the Board grant this extension of contract time of 51 calendar days to Able Electric, Inc., for JOB NO. 2004-851, LALAMILO DEEPWELL D MOTOR CONTROLLER REPLACEMENT. If approved, the contract completion date will be extended from May 9, 2006, to June 30, 2006.

ACTION: Mr. Mochida moved for approval of the Manager's recommendation; seconded by Mr. Wilkins and carried unanimously by voice vote.

NORTH KONA:

A. PETITIONER: KEITH KING

The Board considered the petitioner's request for a declaratory ruling relating to the applicability of Section 3-5 (Connections) and Section 3-6 (Facilities Charge) of the Rules and Regulations of the Department of Water Supply, County of Hawai'i.

(Mr. King was not present for this declaratory ruling.)

Vice-Chairman Goya stated that the Board has been provided with documentation on this from both Mr. King and from Corporation Counsel, and he asked if the Board had any questions of Counsel or the Manager. There being none, the Manager recommended that the Board declare that the provisions stated are applicable.

MOTION: Mr. Smith so moved; seconded by Mr. Wilkins.

Mr. Smith stated that he had read all of the information from Mr. King, and he is raising two issues--one is the drop-in fee and one is the water facilities charge. He thought he understood the facilities charge, but what he thought is going on is that the Matsumoto Water Company paid the facilities charge years ago for this large master meter that serves all of these houses. Mr. King is saying that since someone else paid the facilities charge for water that he has been buying from them, he should not have to pay this Department the facilities charge.

Ms. Garson confirmed that was part of it.

Mr. Smith continued that someone else paid the facilities charge; someone else is entitled to the water. Mr. King did not pay for the facilities charge so he really does not have any credit or is a customer of this Department.

The Manager stated that in addition to that, the total facilities charge that was paid for the seven meters, which is now six meters, was only about \$1,200.00. Those six meters are serving 170 to 180 people of which did not pay the facilities charge. He did not think there is any question that Mr. King needs to pay the facilities charge.

Mr. Smith stated that technically, since there are still meters issued to Matsumoto Water Company, this Department is still obligated to provide water to those meters.

The Manager clarified that this Department is not obligated because Matsumoto Water Company has not been paying their dues; however, this Water Board went on record to say it would not cut off service to the people on that water system. The other thing is that the replacement system is so close to completion that hopefully this will be resolved soon. There should not be any question that Mr. King needs to pay facilities charge.

Mr. Smith stated he was comfortable with that. He asked about the drop-in fee because he was not as familiar with it.

The Manager explained that it is a fee for staff's labor and also materials to install the meter into the meter box and also furnish the customer valve.

Mr. Wilkins asked if this declaratory ruling would set a precedence for all Coastview/Wonderview subdivision residents or if it only applies to Mr. King.

Ms. Garson responded that it would set precedence. Everyone in the subdivision would have to be treated alike.

Mr. Wilkins also asked for clarification on the facilities charge. He has heard many different costs for a water meter--\$5,600.00, \$2,500.00, and \$1,190.00.

The Manager explained that \$2,600.00 is charged for anyone who lives off a County road to have a service lateral installed. It does not include the facility charge. If you have an existing lot of record, you pay a facility charge in addition to the installation charge of \$1,190.00. If you create another lot in addition to the existing lot of record, that lot is assessed a \$5,500.00 facility charge. The rationale is that if you are creating a new lot, you are putting additional burden on the system; therefore, you pay an extra premium on the service over and beyond the existing lot. The three fees are applicable to three different circumstances.

Ms. Garson added that these costs are outlined in the water rate schedule, which is available by the Department as well as being posted on its website.

Mr. Smith commented that Counsel did a great deal of research and wondered why Mr. King was not present today.

Ms. Self stated that it was Mr. King's choice whether to appear or not. He has already provided his information to the Water Board and was provided with an Agenda for this meeting. Based on what was received from the Department, the Water Board has enough to base its decision on. The fact that Mr. King was not present should not impact the Board's decision.

The Manager asked if Mr. King could ask for a Contested Case Hearing.

Ms. Self replied that she did not believe so because there would not be anything to contest. This is a Declaratory Ruling on how the Sections in the Rules and Regulations apply. Mr. King has not been charged the fees yet. At some point when the Department actually charges him for the fees, he may have something that he disagrees with and could possibly come back to the Board or perhaps file a lawsuit in Circuit Court. This Declaratory Ruling is so he will know how the Board views this so he can decide what he wants to do after this.

Ms. Kim asked if the Department cannot charge the fees until the Board does this Declaratory Ruling.

Ms. Self replied that is not the case. It is just not time yet for the charges. At that time, when the Department begins transferring people over to its new system, then these fees will be charged if Mr. King wants to hook up to the County meter.

Vice-Chairman Goya asked what the Department's cost is for putting in the system.

The Manager replied that the Department's contribution is through its engineer's time. Everything else will be paid back through the Improvement District/Rural Development program over 30 years.

ACTION: A vote was taken on the Motion that the Board declare provisions stated in Section 3-5 (Connections) and Section 3-6 (Facilities Charge) of the Rules and Regulations of the Department of Water Supply, County of Hawai'i, are applicable. Motion was carried unanimously by voice vote.

MISCELLANEOUS:

A. RENEWAL OF CONTRACT FOR MAINTENANCE AGREEMENT – SOUTH KOHALA, HAMAKUA, AND LAUPAHOEHOE SITES (BRANTLEY CENTER, INC.):

Brantley Center, Inc., presently has a Maintenance Agreement for site maintenance for the Department's South Kohala, Hamakua, and Laupahoehoe tank and pump sites and has requested renewal of the Agreement for two years from July 1, 2006, to June 30, 2008, at the following rates:

Hamakua	- \$2,330.00/month
Laupahoehoe	- \$658.00/month
South Kohala	- \$3,032.00/month

Brantley Center's performance has been satisfactory, and the costs are reasonable. The Department has the right to award the contract to Brantley Center, Inc., without advertising or calling for bids, according to Subsection 103D-1010 of the Hawai'i Public Procurement Code. Brantley Center, Inc., has submitted the necessary documents to meet the requirement as a qualified rehabilitation facility.

The Manager recommended that the Board award the contract for the MAINTENANCE AGREEMENT – SOUTH KOHALA, HAMAKUA, AND LAUPAHOEHOE SITES, to Brantley Center, Inc., for a period of two years from July 1, 2006, to June 30, 2008, at the rates as follows, and that either the Chairman or the Vice-Chairman be authorized to sign the documents, subject to approval of our Corporation Counsel:

South Kohala Sites	(\$3,032.00/month x 2 years)	\$72,768.00
Hamakua Sites	(\$2,330.00/month x 2 years)	55,920.00
Laupahoehoe Sites	(\$658.00/month x 2 years)	<u>15,792.00</u>
TWO-YEAR TOTAL:		<u>\$144,480.00</u>

ACTION: Mr. Mochida moved for approval of the Manager's recommendation; seconded by Mr. Wilkins and carried unanimously by voice vote.

B. PERSONNEL SERVICES CONTRACT FOR ENERGY ANALYST:

With increasing electric bills, the Department needs to stay on top of all of its energy issues. The current personnel services contract came to an end on April 19, 2006. In order to maintain continuity in the Department's energy savings projects that include hydrogeneration, alternative energy, Rider M contracts with Hawaii Electric Light Company, Inc., and others, the Department has created a new personnel services contract to hire a temporary Energy Analyst. The permanent position will be filled in the coming months by the normal civil service process.

The Manager recommended that the Board approve the new personnel services contract with Ms. Bettina Arrigoni until the permanent position is filled. If approved, the contract will start on May 22, 2006, and last no longer than one year.

MOTION: Ms. Kim moved for approval of the Manager’s recommendation; seconded by Mr. Mochida.

In response to Mr. Smith’s question of whether this was a temporary hire, the Manager replied it is until the Department can secure a permanent position. He added that this is one position where it actually pays for itself because of the savings realized by the Department. Because of this position, the Department recently got a grant, so it is a good program.

Vice-Chairman Goya asked about the hiring of the spouse of the former person occupying the position--in particular, the sharing of information as the other person will be with the County.

The Manager did not see it as a problem; and in fact, it may be beneficial to share ideas about energy savings.

Mr. Ikeda added that there would be some continuity in that the new person can pick up where the other person left off.

Vice-Chairman Goya commented that this is the type of thing the Department should publicize to get the word out to the public about its efforts in energy savings.

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

C. GASOLINE BID NO. 2006-05, FURNISHING AND DELIVERING GASOLINE AND DIESEL TO THE DEPARTMENT OF WATER SUPPLY:

Bids were opened on April 12, 2006, at 1:30 p.m.; and following are the bid results:

<u>Part “A”</u> - Hilo Baseyard		<u>Aloha Petroleum Ltd.</u>	<u>Hawaii Petroleum, Inc.</u>
1.	Unleaded Plus Gasoline (delivered gallon price)	\$2.7512	\$2.916
<u>Part “B”</u> - Kona Baseyard			
1.	Unleaded Plus Gasoline (delivered gallon price)	\$2.8658	\$2.916
2.	Low-Sulfur Diesel (delivered gallon price)	\$2.8553	\$2.569
<u>Part “C”</u> - Waimea Baseyard			
1.	Unleaded Plus Gasoline (delivered gallon price)	\$2.8449	\$2.916

The Manager recommended that the Water Board award the contract for GASOLINE BID NO. 2006-05, FURNISHING AND DELIVERING GASOLINE AND DIESEL TO THE

DEPARTMENT OF WATER SUPPLY, to Aloha Petroleum, Ltd., for Parts A-1, B-1, and C-1, and to Hawaii Petroleum, Inc., for Part B-2 for the amounts shown above, and that either the Chairman or the Vice-Chairman be authorized to sign the contract(s), subject to review as to form and legality of the contract(s) by Corporation Counsel. The contract period shall be from July 1, 2006, to June 30, 2008.

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

In response to Mr. Wilkins’ question regarding the use of unleaded plus rather than regular unleaded, staff explained that the Department’s vehicles average 150,000 to 160,000 miles; and Unleaded Plus helps extend the life of the vehicles.

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

D. WATER TREATMENT BID NO. 2006-03, A - FURNISHING AND DELIVERING LIQUID CHLORINE TO VARIOUS LOCATIONS IN THE ISLAND OF HAWAI‘I (ON AN AS-NEEDED BASIS), B - FURNISHING AND DELIVERING LIQUID AMMONIA TO WAIMEA WATER TREATMENT PLANT, DISTRICT OF SOUTH KOHALA (ON AN AS-NEEDED BASIS), C - FURNISHING AND DELIVERING 50% LIQUID CAUSTIC SODA TO WAIMEA WATER TREATMENT PLANT, DISTRICT OF SOUTH KOHALA (ON AN AS-NEEDED BASIS); FOR THE DEPARTMENT OF WATER SUPPLY:

Bids were opened on April 12, 2006, at 2:00 p.m.; and following are the bid results:

<u>Bidder</u>	<u>Amount</u>
<u>(Phoenix V LLC dba BEI Hawaii)</u>	
PART A - FURNISH AND DELIVER LIQUID CHLORINE	
I. HILO DISTRICT	
a. Panaewa Deep Well (125 cylinders per year) Cost per 150-lb. cylinder	\$273.00
II. PUNA DISTRICT	
a. Panaewa Deep Well Chlorinator Building (20 cylinders per year) Cost per 150-lb. cylinder (Panaewa Deep Well site is the delivery point for the chlorine, to be used in the Puna District)	\$283.00
III. KA‘U DISTRICT	
a. Pahala Deep Well Chlorinator Building (12 cylinders per year) Cost per 150-lb. cylinder	\$329.00
IV. KOHALA DISTRICT	
a. Waimea Water Treatment Plant Cost per 1200-lb. cylinder (20 cylinders per year)	\$2,015.00

Cost per 150-lb. cylinder (60 cylinders per year) \$296.00

V. KONA DISTRICT

a. DWS Kona Baseyard (150 cylinders per year)
 Cost per 150-lb. cylinder \$303.00

PART B – FURNISH AND DELIVER LIQUID AMMONIA

a. Waimea Water Treatment Plant (12 cylinders per year)
 Cost per 150-lb. cylinder No bid

PART C – FURNISH AND DELIVER 50% LIQUID CAUSTIC SODA

a. Waimea Water Treatment Plant
 Cost per dry ton \$1,422.00

The Manager recommended that the Board award the contract for WATER TREATMENT BID NO. 2006-03, A - FURNISHING AND DELIVERING LIQUID CHLORINE TO VARIOUS LOCATIONS IN THE ISLAND OF HAWAI'I (ON AN AS-NEEDED BASIS), B - FURNISHING AND DELIVERING LIQUID AMMONIA TO WAIMEA WATER TREATMENT PLANT, DISTRICT OF SOUTH KOHALA (ON AN AS-NEEDED BASIS), C - FURNISHING AND DELIVERING 50% LIQUID CAUSTIC SODA TO WAIMEA WATER TREATMENT PLANT, DISTRICT OF SOUTH KOHALA (ON AN AS-NEEDED BASIS); FOR THE DEPARTMENT OF WATER SUPPLY, to Phoenix V LLC dba BEI Hawaii at the unit prices listed above for the period from July 1, 2006, through June 30, 2008, and that either the Chairman or the Vice-Chairman be authorized to sign the contract(s), subject to review as to form and legality of the contract(s) by Corporation Counsel. For Parts where no bid was received, staff shall obtain quotations in the best interest of the Department.

ACTION: Mr. Wilkins moved for approval of the Manager's recommendation; seconded by Mr. Mochida and carried unanimously by voice vote.

E. MATERIAL BID NO. 2006-04, FURNISH BASE COURSE, SAND, COLD MIX, HOT MIX, PORTLAND CEMENT, AND NO. 3F ROCK TO THE DEPARTMENT OF WATER SUPPLY:

Bids were opened on April 12, 2006, at 2:30 p.m.; and following are the bid results:

		Jas. W. Glover, Ltd.	Yamada & Sons, Inc.	West Hawaii Concrete	Grace Pacific Corp.
	DISTRICT I:				
A.	3/4-Inch Base Course (Cost per ton)	\$18.70	\$17.19	No Bid	No Bid
B.	1½-Inch Base Course (Cost per ton)	\$15.40	\$16.14	No Bid	No Bid
C.	No. 3F Rock (Cost per ton)	\$20.35	\$18.23	No Bid	No Bid
D.	#4 Sand (Cost per ton)	\$21.75	\$24.48	No Bid	No Bid
E.	Mortar Sand - ASTM C144 (Cost per ton)	No Bid	No Bid	No Bid	No Bid
F.	Portland Cement 94 lb. bags (Cost per bag)	No Bid	No Bid	No Bid	No Bid
G.	Cold Mix- ASTM D4215-87 (Cost per ton)	\$130.00	\$78.12	No Bid	No Bid

H.	Blended Material (Cost per ton)	\$24.75	\$25.52	No Bid	No Bid
I.	Hot Mix - County Mix IV (Cost per ton)	No Bid	\$70.73	No Bid	No Bid
	DISTRICT II:				
A.	3/4-Inch Base Course (Cost per ton)	No Bid	No Bid	\$18.06	No Bid
B.	1½-Inch Base Course (Cost per ton)	No Bid	No Bid	\$17.11	No Bid
C.	No. 3F Rock (Cost per ton)	No Bid	No Bid	\$21.98	No Bid
D.	#4 Sand (Cost per ton)	No Bid	No Bid	\$25.55	No Bid
E.	Mortar Sand - ASTM C144 (Cost per ton)	No Bid	No Bid	\$41.24	No Bid
F.	Portland Cement 94 lb. bags (Cost per bag)	No Bid	No Bid	No Bid	No Bid
G.	Cold Mix- ASTM D4215-87 (Cost per ton)	No Bid	No Bid	No Bid	\$110.00
	DISTRICT III:				
A.	3/4-Inch Base Course (Cost per ton)	No Bid	No Bid	\$20.13	No Bid
B.	1½-Inch Base Course (Cost per ton)	No Bid	No Bid	\$19.19	No Bid
C.	No. 3F Rock (Cost per ton)	No Bid	No Bid	\$24.06	No Bid
D.	#4 Sand (Cost per ton)	No Bid	No Bid	\$27.63	No Bid
E.	Mortar Sand - ASTM C144 (Cost per ton)	No Bid	No Bid	\$43.38	No Bid
F.	Portland Cement 94 lb. bags (Cost per bag)	No Bid	No Bid	No Bid	No Bid
G.	Cold Mix-ASTM D4215-87 (Cost per ton)	No Bid	No Bid	No Bid	\$104.00
H.	Hot Mix - County Mix IV (Cost per ton)	No Bid	No Bid	No Bid	\$97.00

The Manager recommended that the Board award the contract for MATERIAL BID NO. 2006-04, FURNISH BASE COURSE, SAND, COLD MIX, HOT MIX, PORTLAND CEMENT, AND NO. 3F ROCK TO THE DEPARTMENT OF WATER SUPPLY, by Parts to the following for the amounts shown above, and that either the Chairman or the Vice-Chairman be authorized to sign the contract(s), subject to review as to form and legality of the contract(s) by Corporation Counsel.

District I - Parts A, C, G, and I to Yamada and Sons, Inc.

Parts B, D, and H to Jas. W. Glover, Ltd.

District II - Parts A, B, C, D, and E to West Hawaii Concrete

Part G to Grace Pacific Corp.

District III -Parts A, B, C, D, and E to West Hawaii Concrete

Parts G and H to Grace Pacific Corp.

For the Parts where no bids were received, staff shall obtain quotations in the best interest of the Department. The contract period shall be from July 1, 2006, to June 30, 2007.

ACTION: Mr. Smith moved for approval of the Manager's recommendation; seconded by Ms. Kim and carried unanimously by voice vote.

F. VEHICLE BID NO. 2005-07, FURNISHING AND DELIVERING VEHICLES TO THE DEPARTMENT OF WATER SUPPLY:

The Board considered a request from Clark Automotive Group, Inc., dba Island Chevrolet, for an extension of contract time. Staff has evaluated this request and finds that the 15 days extension for Parts A and F and 60 days extension for Part C is justified.

This would be their first extension to the contract.

The Manager recommended that the Board grant Clark Automotive Group, Inc., dba Island Chevrolet, a 15-day extension for Parts A and F, and a 60-day extension for Part C for VEHICLE BID NO. 2005-07, FURNISHING AND DELIVERING VEHICLES TO THE DEPARTMENT OF WATER SUPPLY. The contract for Parts A and F would be extended from April 23, 2006, to May 8, 2006, and Part C would be extended from April 23, 2006, to June 22, 2006.

ACTION: Mr. Smith moved for approval of the Manager's recommendation; seconded by Mr. Mochida and carried unanimously by voice vote.

G. JOB NO. 2003-818, DWS UPDATE TO THE WATER USE AND DEVELOPMENT PLAN:

The consultant, Fukunaga & Associates, Inc., has submitted a change order proposal for additional work to conduct eight (8) islandwide Public Informational Meetings as requested by the State Commission on Water Resource Management and agreed to by DWS. Staff has reviewed the proposal in the amount of \$37,000.00 and recommends acceptance. The original contract amount was \$250,000.00. The amended total contract amount will be \$287,000.00. Funds for the additional work are available. So far, four (4) Public Informational Meetings were held--one each in Hilo, Waimea, Kona, and Ka'u.

The Manager recommended that the Board approve the fee proposal for additional services as submitted by Fukunaga & Associates, Inc., for a total additional amount of \$37,000.00 as Change Order No. 1 for JOB NO. 2003-818, DWS UPDATE TO THE WATER USE AND DEVELOPMENT PLAN, and further that the Chairman or Vice-Chairman be authorized to execute the appropriate change order.

MOTION: Mr. Mochida moved for approval of the Manager's recommendation; seconded by Ms. Kim.

(Ms. Helfrich joined the meeting.)

In response to Ms. Kim's question as to the reason for the increase in hearings, the Manager explained that when the initial scope of work was defined, there was no funding for community meetings. The Commission on Water Resource Management mandated that they hold public meetings, upon the consultants presenting their methodology to them.

Vice-Chairman Goya mentioned that the requirement was to include all districts; however, in the first round of public hearings, some districts had little or no attendance. He thought in the future, these meetings could be summarized for the public rather than only address those that attend meetings.

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

H. **MONTHLY PROGRESS REPORT:**

No questions.

I. **DEPARTMENT OF WATER SUPPLY PROPOSED OPERATING AND CAPITAL IMPROVEMENT BUDGETS FOR FISCAL YEAR 2006-2007:**

In response to Vice-Chairman Goya's question of whether the budget assumes full employment for twelve months, Mr. Tsunoda replied that what he did was scale back the allowance for the budgeted vacancies from 100% to 75%. Most of the time, vacancies are not filled until after the first quarter.

Mr. Smith asked about the summary sheet under "Power Purchased" where it decreased from \$16 million to \$15.8 million.

Mr. Tsunoda explained that the numbers were provided by Mr. Arrigoni as part of the energy savings program. The Finance Division rounded it off to \$16 million. When the numbers were revisited in hopes of reducing costs, Mr. Arrigoni's actual number of \$15.8 million was used. Mr. Arrigoni's methods came from looking at the increase from 2004 to 2005 using the energy consumption increase and assuming 10% rate increase by HELCO in the second half of the fiscal year.

Mr. Wilkins asked about the increase in the Rental Expenses on Page 4 and what would generate such a large rise.

Mr. Tsunoda explained that the rental increase comes from the rental fee for a trailer that will house the inspectors at the Kona Baseyard.

Vice-Chairman Goya asked for an explanation to account for the 16% increase in salaries.

Mr. Tsunoda explained that it includes roughly 3.5% for collective bargaining unit increases for most of the employees and also the budgeted vacancies, and step movements for selected employees.

In response to Vice-Chairman Goya's question about the increase in contractual services, the Manager mentioned that this may be from the service lateral installation plans.

Mr. Ikeda added that a lot of it may be from the Operations Budget where they want to do some of the upgrades on the motor control centers.

In response to Vice-Chairman Goya's question if the budget is based on not only operational but capital improvement projects that are expected to be carried out for the year, the Manager stated that the C.I.P. budget is separate.

Mr. Tsunoda added that there may be limited instances where something is not in the C.I.P. Budget and preliminary engineering work is needed where the Operating Budget may be used.

The Manager invited the Board to contact Mr. Tsunoda with any questions about the budget.

J. WRITE-OFF OF DELINQUENT ACCOUNT - KONA KAI FARMS:

The Board considered a write-off of Kona Kai Farms' delinquent balance of \$42,531.87 as recommended by Deputy Corporation Counsel, Ms. Amy Self. The account was opened in February 1999. Service was disconnected in March 2003. Collection efforts by Corporation Counsel were unable to locate the account holder.

Mr. Tsunoda stated that Mr. David Mellom, Credit and Collection Clerk, was present to answer questions.

In response to Mr. Mochida's question of how long a period the \$42,531.87 covers, Mr. Mellom replied that most of this balance comes from a roughly six-month time period where they had major water leaks and were not really cooperating with the repair of the leaks and with the Department. Finally, the meter was removed, but then they disappeared.

Mr. Wilkins noticed there is an identification of Kona Kai Farms and also a Kealakekua Bay Farms. He asked if they were the same.

Mr. Mellom and Ms. Self explained that Kona Kai Farms did not have a good reputation; and around 2000 or 2001, they changed their name to Coffee By Kealakekua Bay Farms. They were actually bought out by Kealakekua Bay Farms.

In response to Mr. Smith's question of who the landowner was, Mr. Mellom replied that the land is leased from Bishop Estate.

Mr. Wilkins asked about their disappearance.

Ms. Self replied that they were in bankruptcy court in Las Vegas (the owners were there), but the case was dismissed before the debts were discharged. They were in Third Circuit Court for a huge debt from this other company that was trying to collect against them. Ms. Self had contacted one of the attorneys that was representing that company and informed them that this Department was trying to get its bill paid. The attorney indicated that the money would never be found. An address was found on the Department of Consumer and Corporate Affairs website, but they were nowhere to be found at that address. Since that time, this company was bought by some kind of trust company in Illinois. It was so far reaching that it may not be worthwhile because of the expense of finding them. The company that tried to sue them actually ended up getting sued because these guys are so slippery with where they put their money.

Mr. Mochida asked if there was still coffee on the property.

Ms. Self stated that someone took over the property, but she did not know what they were doing with it.

Ms. Helfrich stated that they were the ones that were sued because of the 10% Kona coffee rule, and there was not enough coffee there to make a difference.

Ms. Self indicated that the person is in federal prison right now.

Mr. Mochida indicated that if there was any capital improvement to the property, Bishop Estate would take that, so maybe the Department could go after them. The question of who is responsible--the tenant, the landlord, etc., has been discussed before.

Ms. Self stated that at this point, the Department does not go after landlords. It is the tenant that is responsible because they are the ones that sign the agreement for services. The Wastewater Department is now finished changing their code so they can now go after the landlord for whatever the tenant owed. For this Department to do that, it would require a rule change.

The Manager stated that this Department tried that; but after careful consideration, it was decided against because it was going to get too complicated.

Ms. Self stated that since Mr. Mellom has joined the Department, they have developed a good system. Now the bills are not allowed to get that far behind. It is faster for her if she gets them when they are smaller amounts. They are contacted by mail first, and sometimes they settle up right away. If not, she can take them to small claims court.

Mr. Smith asked how many months would go by before the Department would remove a residential meter.

Mr. Mellom replied that they get two mailed notifications of delinquency, which indicate that their meter is subject to removal. Generally, it depends on the account history. If they have a pattern of making payments, even if it is not the total of the bill, he would work with them rather than just remove the meter.

Ms. Kim asked Mr. Mellom if he finds the delinquencies decreasing, increasing, or staying the same since he joined the Department.

Mr. Mellom replied that recently, he has been seeing a lot more partial payments. He is trying to get people to make more timely payments. For example, if a water bill is \$60.00 but they pay only \$40.00 each time, after a while, it accumulates.

Vice-Chairman Goya thanked Ms. Self and Mr. Mellom for their diligence.

The Manager added that Mr. Mellom's position is another one that partially pays for its salary from revenues that might otherwise be lost to the Department.

Ms. Self indicated that the Board needed to make a formal motion because the write-off is over \$10,000.00 and needs approval by the Board.

ACTION: Ms. Kim moved that the Board approve the write-off of Kona Kai Farms' delinquent balance of \$42,531.87; seconded by Mr. Wilkins and carried unanimously by voice vote.

In response to Mr. Wilkins' question of whether this absolves the Kona Kai Farms from any future responsibility or if it could ever be reopened in the future.

Staff explained that if the person were to come in to sign up for new water service, they would be asked to pay the money. They can be declined for water service until they pay up.

K. REVIEW OF MONTHLY FINANCIAL STATEMENTS:

Vice-Chairman Goya asked about the \$6 million in cash on the balance sheet and how long it would remain as cash.

Mr. Tsunoda indicated that it is temporary but will be transferred to restricted deposits.

Vice-Chairman Goya assumed the other large change is due to the General Obligation Bonds (on Page 5 under Restricted Deposits).

The Manager stated that it is the Department's intent is to use the Bond money as soon as possible; and the Palani Road Transmission Waterline (Mamalaho Hwy. to Palani No. 2 Reservoir) would be the most recent one (hopefully by year-end).

O. WAIAKEA OFFICE PLAZA LEASE AMENDMENT – JUDICIARY CONTRACT NO. J04205:

(By request, this Addendum item was taken up early.)

The Judiciary, State of Hawai'i, is a tenant at the Waiakea Office Plaza leasing 11,544 square feet of office space. They occupy the entire lower level of the building plus a 876-square foot office on the upper level. This lease amendment extends the term of the lease until Judiciary's move into their new office building and increases lease rent from \$1.90 to \$2.166 per square foot as follows:

July 1, 2006, to December 31, 2007	\$25,000.00 per month
January 1, 2008, to June 30, 2008 (month to month)	\$25,000.00 per month

Current market rates for office space in Hilo start at \$1.25 per square foot plus common area maintenance. Waiakea Office Plaza's common area maintenance approximates \$.80 per square foot.

The Manager recommended that the Board approve the Judiciary Lease Amendment to Contract No. J04205 and that either the Chairman or the Vice-Chairman be authorized to sign the document, subject to review as to form and legality by Corporation Counsel.

MOTION: Mr. Mochida moved for approval of the Manager's recommendation; seconded by Ms. Kim.

The Manager noted that Mr. Sumada checked market values and came up with a fair price. Caution was taken not to make it too high because they may not agree to renew the lease. The downstairs area is not the ideal location; and if someone else were to move in, the Department would have to do a lot of improvements. The Judiciary's new building may be completed in 2008.

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

BREAK: 11:07 a.m. to 11:18 a.m.

L. **MANAGER'S REPORT**:

1) **Kona Coastview/Wonderview Improvement District Project**

Meetings are being held in the community about the connections. Customer Service personnel will be going to the area soon to help with the sign-ups.

2) **USGS Drilling Program**

The equipment is now at the Department's Panaewa Well Site. After the equipment is auctioned off, the proceeds will be divided among the water departments that share in the ownership of the drill rig. Also, Mr. Ikeda is working with Mr. Tribble on some of the equipment that the Department wanted for its baseyard.

3) **Kona Water Quality**

Timetable will be six to eight months before going out for construction.

4) **2006 Water Board Meeting Schedule**

The Board chose to hold its June 27, 2006, Water Board Meeting as well as the Public Hearing on the 2006/2007 Budget at the Hilo Operations Conference Room.

Discussion followed regarding the use of video-conferencing equipment, as the County Council does, as an alternative to holding meetings in various districts. Ms. Helfrich asked that it be researched and reported on.

5) **Hawaiian Ocean View Estates**

The Manager reported that a letter from the Governor indicated that the money would be released. The Mayor's Office is suggesting that the Manager be designated as the Procurement Officer in an effort to make the project more efficient as the money will not be transferred to the DWS but, rather, will remain with the County. This will also allow the DWS' Waterworks Controller to certify the funds for the project.

Discussion followed regarding whether this release of funds came without conditions.

The Manager informed the Board that it is without conditions. In response to Mr. Smith's question about a recent newspaper article indicating water would be available if there is a school, the Manager replied that the article was erroneous. However, if a school were to be built in the area, this Department would grant water at the prevailing rate.

Discussion also revolved around a timetable. The Manager stated that the Department should have a consultant on board within three months. Community input will be gathered on four possible scenarios. The exploratory well can be started soon because that is the easiest part of the project. What he envisions is a well, pump, motor controls, transmission pipeline to a reservoir, and from the reservoir, probably distribution to the commercial center and a truck fill station. The \$6 million will not be enough to provide distribution system to the lots within the subdivision. The whole process may take up to three years.

Vice-Chairman Goya mentioned that discussion will probably come later on adjustments that may be needed in the Operating Budget for the upcoming extra facilities in Hawaiian Ocean View. The Manager agreed and mentioned that there may be a need for the Ka'u District to have its own electrician stationed there. The other thing the Board may need to consider is whether it wants to keep the same rates or establish a special rate district because the water is going to be expensive. The electrical costs are going to be high.

6) **Waiakea Office Plaza**

In response to questions about the office space vacated by Merrill Lynch, the proposed canopy at the front entrance, and the air conditioning system, the Manager stated that the Land Branch (Engineering Division) and some of the Finance Division personnel will be relocated to the vacated space temporarily. This will free up space in the two wings currently occupied by the Department. Because of the expense to renovate, the Department will wait until the Judiciary moves out from downstairs and do it all at once. The cost to move personnel into the vacant space is approximately \$4,000.00 for telephone service. There was an inquiry from the Mayor's Office about their moving in there temporarily while their offices are being renovated, but they have not indicated anything for certain so the DWS will go ahead with moving its personnel in there. As for the canopy for the front entrance, it is currently under design by the consultant. The other project to replace the air conditioning system will need to be worked out further. The reason is that the consultant sent their recommendations, but they are proposing the Department move out of each wing for six months at a time. They intend to change all of the air ducts. Moving out for six months would be too inconvenient for staff. Efforts will be made to find a better strategy. He added that this is one project that the consultant pointed out will save money in seven to eight years in energy savings.

7) **Inventory**

Vice-Chairman Goya asked for an Agenda item for next month's meeting on how the Department manages its inventory.

10) **Cost of Government Commission Letter**

Ms. Helfrich mentioned a letter the Board received from the Commission, dated April 10, 2006, asking for input. Ms. Garson suggested the Board may want to place it on the Agenda for next month to discuss further.

M. **CHAIRMAN'S REPORT:**

None.

N. **EXECUTIVE SESSION:**

Pursuant to Section 92-5(a)(4), Hawai‘i Revised Statutes, as amended, Corporation Counsel requested an attorney-client confidential discussion in executive session to consult with the Water Board of the County on Hawai‘i v. Akalea, LLC, Frank DeLuz III, Civil No. 05-1-0204.

ACTION TO ENTER EXECUTIVE SESSION: Mr. Mochida moved that the Board enter into Executive Session for the reasons stated; seconded by Ms. Kim and carried unanimously by voice vote. (Executive Session began at 11:40 a.m. and ended at 11:50 a.m.)

After Executive Session ended, Mr. Mochida moved that the Board approve Corporation Counsel’s recommendation; seconded by Ms. Kim and carried unanimously by voice vote.

ANNOUNCEMENTS:

1. **Next Meeting:**

The next meeting of the Water Board will be held on May 23, 2006, 10:00 a.m., in the Hilo Operations Center Conference Room; 889 Leilani Street, Hilo, Hawai‘i.

STATEMENTS FROM THE PUBLIC

None.

ADJOURNMENT

ACTION: Ms. Kim moved for adjournment of the meeting; seconded by Ms. Helfrich and carried unanimously by voice vote. Meeting adjourned at 11:52 a.m.

Secretary

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