

BOARD OF WATER SUPPLY
COUNTY OF MAUI

REGULAR BOARD MEETING
MINUTES OF JANUARY 21, 2021

The regular meeting of the Maui County Board of Water Supply was held virtually on BlueJeans, on Thursday, January 21, 2021.

I. CALL TO ORDER

The meeting was called to order by Chair Shay Chan Hodges at 1:33 p.m.

II. ROLL CALL

Members present: Shay Chan Hodges, Chair
Zoli Milaskey, Vice Chair
Norman Franco
Nalani Kaninau
Joseph Aquino
Dean Frampton (arrived at 3:00 p.m.)
Antonette Eaton
Buddy Nobriga
Johanna Amorin

Staff present: Jeffrey Pearson, P.E., Director
Keola Whittaker, Deputy Corporation Counsel
Sherilyn Otsubo, Commission Support Clerk

Cablecast: Video conferenced via BlueJeans and viewable on AKAKU, Maui Community Media

III. ANNOUNCEMENT

Chair Chan Hodges said that the Board's new member is Johanna Amorin and asked the other members to introduce themselves. Member Amorin said that she is from Oahu and moved to Maui in 1972. She is a business owner, entrepreneur and community advocate. Her priorities are family, business and community. She is a wife, mother of three sons and grandma to seven.

IV. APPROVAL OF MINUTES

Motion: Member Aquino moved to approve the minutes of December 17, 2020.

Second: Member Kaninau

Vote: The motion passed unanimously.

V. TESTIMONY FROM THE PUBLIC

There was no public testimony.

VI. UNFINISHED BUSINESS

A. Update from Sandy Baz, Managing Director and/or Director Jeff Pearson, on the status of the Wailuku Water Company purchase.

Managing Director Baz gave an update of the Wailuku Water purchase. He said that they met with the State Department of Land and Natural Resources, Forestry and Wildlife Division, the deputy attorney general and some others. The State and County agree that it's in their best interest to bifurcate the sale, however, funding is an issue for both parties. The \$9.5 million placed in the FY 2020 DWS budget has expired as of December 31, 2020. The administration will be asking for a budget amendment and authorization, unless the Council decides to appropriate it during their deliberations of the 2022 budget. The State will be requesting funding from the State Legislature and they will need to do their own appraisal of the land. The County is also working on making sure that all legal issues and agreements are in place, and they are doing an assessment of the dams and reservoirs. Also in discussion is the County owned parcel towards Kahakuloa which would be used as an in-kind donation in the process.

Vice Chair Milaskey asked if the Lao Needle, which is currently owned by the Wailuku Water Company, would be turned over to the County or transferred to the State.

Managing Director Baz replied that it would be a part of the State's purchase under DLNR.

Member Franco asked how the County will manage the State portion that's related to the delivery of water and also who is responsible for the maintenance of the system?

Managing Director Baz replied that the County will buy and maintain the system and the State will buy the land. The problem is that the system is a part of the land, so that needs to be worked out by the lawyers. They have not been able to assess the value of the delivery system.

Chair Chan Hodges asked if an engineering study was done and if they did an analysis of revenues and investments to see if they plan to float bonds.

Managing Director Baz replied that they haven't done an engineering study and the Department of Water Supply requires that all of its operational costs be paid by its customers. Currently there is a non-potable water rate in the rates and fees,

so there could be a charge for the delivery of their water based on that rate. According to Mr. Chumbley, the system is working and there is water, but there are things that need to be fixed, so that will be a part of the negotiations. Member Kaninau asked if Wailuku Water has offered their version of the value breakdown separating the land from the system.

Managing Director Baz said they have not.

Chair Chan Hodges noted that according to the Maui News, Managing Director Baz stated that they're hoping to get this done by the end of the year. She asked for possible timelines and what his plans are for informing the Council.

Managing Director Baz said that he plans to update Member Sinenci and the rest of the councilmembers to provide them with all the information they have. He was not able to provide a specific timeline.

Member Franco asked about the kalo farmers who have rights to the water.

Managing Director Baz said that they have a list of the users and that they would maintain the water delivery to them. Their attorneys will also look into what their requirements will be.

Vice Chair Milaskey mentioned that there's a general consensus that the Board is in support of the purchase. How can the Board help the County to make a more prudent decision and help this move forward?

Managing Director Baz said that the Board's questions and input are valuable and the administration wants to know if there are things that the Board supports or not.

Chair Chan Hodges suggested that the Board compile a list of questions and concerns that they feel the Council and the administration should be considering. They could include an overview of the information the Board received over the last few months and transmit recommendations to the Mayor and the Council.

Member Kaninau encouraged the County to partner with Hui O Na Wai Eha due to their knowledge of the area and their understanding of the water.

Member Franco mentioned that it would be a good idea to invite members of the Board and other groups to inspect the water system so they can have an understanding of its state of disrepair and how it affects the overall purchase price.

B. Discussion of water rates and rate structure.

Chair Chan Hodges mentioned that at last month's meeting, the Board members asked for clarification of water usage to help form the basis for determining whether water rates should be increased.

Mark Walker, Assistant Fiscal Officer, presented a spreadsheet titled "Consumption by District/Subdistrict" which is a district and subdistrict listing of consumption by the system. At the bottom of each column within the district is the percentage as it relates to the various blocks. Down the right-hand side is the percentages of water used by the subdistrict within that district. Block three is consistently the largest block with the largest usage category and revenue generator within the system. Hotels are included in Block 3 and there is no category for luxury homes. The other report titled "Consumption Charge" is a similar report but calculated in dollars. The third report lists the twenty biggest users in the system. It's broken down by subdistricts and by the revenue they generate and the consumption they use. Seventy-five percent are hotels and resorts.

Vice Chair Milaskey clarified that transmitting the water to different regions have differing costs, but there is no fee associated with the location and the cost to deliver water.

Chair Chan Hodges stated that recycled water was not part of the Harris study. She also asked if the Board can get information on what percentage of water users exceed each tier on a monthly basis and what percentage is each tier of DWS's income.

Mr. Walker said that he will discuss with Director Pearson on the best way to get that information to the Board.

Member Kaninau asked if the source of water for the Wailuku District is from Na Wai Eha or a combination.

Director Pearson responded that the source of water for Central Maui is mostly from Na Wai Eha and then Waihee Aquifer going North. There are also a few wells in the Maui Lani area and there is surface water that feeds the Iao treatment plant.

Member Aquino referred to the largest users' spreadsheet and asked when the County is in a drought and asked to conserve water, do these big users comply.

Director Pearson replied that it depends on the location of the drought. Drought usually occurs in the Upcountry or Lahaina areas. The larger users are mostly on the Central and Lahaina system.

Member Nobriga asked if the Department could come up with a criteria to correlate the cost within each tier.

Director Pearson said that the Wailuku, Kahului and Kihei customers are subsidizing the users that are higher costs. These are dense, residential areas so you can service a lot of people with a short distance of pipeline. The Department will take the earnings from the denser districts and use them to subsidize the higher cost it takes to service the other areas.

Member Eaton said that there is a storage tank in Kula and a fire hydrant on Olakino Street which sometimes gets purged. Can the community use the water as non-potable water?

Director Pearson responded that flushing ensures that there is proper water quality. He will follow up and coordinate the flushing schedules with the community.

C. Discussion of the relationship between the Department of Hawaiian Home Lands (DHHL) and the Department of Water Supply, including a discussion on the proposed bill entitled "A Bill for an Act Relating to the County Boards of Water Supply".

Chair Chan Hodges mentioned that Dr. Sheuer drafted testimony for the Board to discuss, however her concern is the way the bill was written because it assumes that the Board has a lot more power than they actually do because the other counties are different.

Member Eaton stated that Corporation Counsel advised her to recuse herself from any discussion on this matter due to her being an employee of DHHL. She will be requesting an advisory opinion from the Board of Ethics.

Member Aquino suggested deferring this item until next month and hopefully Member Eaton will be able to participate.

VII. OTHER BUSINESS

A. Introduction by County Council Member Shane Sinenci, Chair of the Agriculture and Public Trust (APT) Committee.

Councilmember Shane Sinenci said that he was elected from East Maui for his second term. He is the Chair of the Agriculture and Public Trust (APT) Committee which includes the oversight of the Department of Water Supply. The Water Use and Development Plan was referred to his committee and it is his first priority. He would like to submit the most updated information on the report and include some of the addendums. He will also address Appendix Ten on traditional and customary practices of native Hawaiians. The Wailuku Water Company contract was referred to the Budget Committee, but the subject matter is in APT. The Upcountry Water Meter List was referred to Member Sugimura's committee as a water infrastructure item. Member Sinenci values the work that the Board does and would like to open up communication between the Board and the APT Committee.

Chair Chan Hodges suggests having an ongoing item where information can be shared between the Board and the APT Committee.

B. Presentation by the Fiscal Division, Department of Water Supply, on the FY 2022 Operational Budget.

The Department's Operations Budget was presented by Holly Ho, Fiscal Officer. She provided an overview of the Department's proposed budget for Fiscal Year 2022. Her presentation highlighted the administration's program, expenses, water services, long term debt, budget overview, projected revenues, operating revenue, major expenditures, electricity expense and watershed preservation and restoration grants.

Member Frampton joined the meeting at 3:00 p.m.

Member Nobriga said that since they are recommending no new positions, what happens if the water system is acquired?

Ms. Ho replied that they would ask for a budget amendment to acquire more positions.

Director Pearson said another option would be to contract out for the maintenance of the system which would also mean requesting a budget amendment.

Member Aquino asked if the Department is fully staffed.

Ms. Ho replied that the budget includes the salaries to fill all positions, but not all the positions are filled.

Director Pearson added that there are about 10% of unfilled positions. Due to Covid, direction from the Mayor's Office is that no departments are allowed to hire from outside of the County without special approval.

Chair Chan Hodges noted that as an enterprise fund, isn't the Water Department a closed system and you need to spend the money that's coming in? With the economic situation, wouldn't you hire as many people as it has budgeted to hire?

Vice Chair Milaskey asked if the hotel closures caused a noticeable drop in revenues in 2020.

Ms. Ho replied that consumption has decreased, but not by a lot, and revenues have decreased.

Member Kaninau shared that she is very happy with the support of the watershed preservation and restoration grant.

Member Franco asked if there is an apprenticeship program for pipefitters or is it all on the job training.

Director Pearson responded that he doesn't know of an actual apprenticeship program, but new employees often enter at a low level and move up through training and experience.

Chair Chan Hodges encouraged the Department to invest in looking for solutions to create its own energy. She asked if there is anything in the budget for writing grants and bringing in funding to reduce the dependence on Hawaiian Electric and possibly using water to create energy.

Director Pearson said that Energy Commissioner Alex de Roode, Office of the Mayor, has taken the lead on this and the Energy Office had hired a consultant. The Department has met with them and gave them a list of their priority locations and where they would look at energy savings.

C. Presentation by the Engineering Division, Department of Water Supply, on the FY 2022 Budget relating to CIP Projects.

Wendy Taomoto, Engineering Program Manager, presented the proposed Fiscal Year 2022 Capital Improvement Project budget. The total budget request is \$25,015,000 which includes six projects; Countywide Facility Improvements, \$1,050,000, Countywide Water System Modifications, \$500,000, Kahului Tank #2, \$2,450,000, Waihee Tank #2, \$415,000, Countywide Upgrades and Replacements, \$6,550,000, and West Maui Reliable Capacity, \$14,050,000.

Vice Chair Milaskey asked who the Launiupoko Well is intended to serve. His understanding is that it is served by a private water company.

Ms. Taomoto replied that they are working on citing the Launiupoko Wells to determine where to drill the well. That project was created when the Kanaha Stream went to an IIFS and a decision and order was issued to the Department to release waters back to the stream. That well is intended to replace the surface water that is currently being taken from the Kanaha Stream and it will be providing water service to the southern portion of Lahaina, not the private water system.

Chair Chan Hodges mentioned that the Board usually weighs in on the budget and recommends that at the next meeting the Board works on a letter with recommendations and comments to be transmitted to the Mayor and Council.

D. Discussion of Six-Month Priorities List.

Chair Chan Hodges made some changes and additions to this month's priority list. Based on today's meeting, she would like to add a presentation by Alex de Roode regarding renewable energy and also a presentation from someone in the Department regarding fire hydrants.

Member Kaninau would like to put her draft of the New Member Manual on the next agenda.

VII. DIVISION REPORTS

Chair Chan Hodges asked the Board to review the reports and questions can be emailed to the Director.

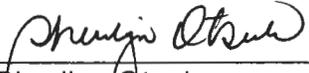
VIII. NEXT MEETING DATE AND TIME

February 18, 2021 at 1:30 p.m.

IX. ADJOURNMENT

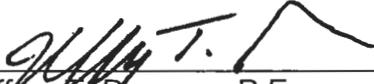
There being no further business, the regular meeting was adjourned at 3:35 p.m.

Prepared by:



Sherilyn Otsubo
Commission Support Clerk

Approved for distribution:



Jeffrey T. Pearson, P.E.
Director