

County of Maui Water
Supply

BOARD OF WATER SUPPLY
COUNTY OF MAUI
REGULAR MEETING

Taken at the HGEA Conference Room, David Trask
Building, Wailuku, Maui, Hawaii, commencing at
9:00 a.m. on June 22, 2000.

Reported By: Rachelle Primeaux, CSR #370

ATTENDANCE:

Members Present:

Elmer Cravalho, Chair
Jonathan Starr
Clark Hashimoto
Peter Rice
Adolph Helm
Howard Nakamura
Orlando Tagorda
Brian Miskae (Ex-officio)

Staff Present:

David Craddick, Director
Howard Fukushima, Corporation Counsel
Fran Nago, Secretary
George Tengan
Jacky Carroll
Mike Quinn
Charlene Suzuki
Andy Pascua
Herb Kogasaka

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CHAIR CRAVALHO: I believe we can get started even though it's
not precisely 9, but neither Mr. Nobriga nor Mr. Takitani will
be present this morning so we are able to proceed anyway. Ms.
Nago, will you call the roll or attendance of the Board Members
who are here and others.

MS. NAGO: Okay. We have Clark Hashimoto, Peter Rice, Jonathan

Starr, Elmer Cravalho, Orlando Tagorda, Adolph Helm and Howard Nakamura. We have Howard Fukushima, Corporation Counsel; David Craddick, Mike Quinn, Charlene Suzuki, Brian Miskae, Jacky Carroll, George Tengan, Herb Kogasaka, Michael Cabral, Bobby Vida, Andy Pascua, Walt Haeger and Hugh Starr.

CHAIR CRAVALHO: A quorum is present. Shall we then proceed to the business of the committee. Approval of the minutes of the regular sessions of May 11th and May 25th. What's the pleasure of the Board? Mr. Starr.

MR. STARR: Move for acceptance and filing with the 30-day review period.

CHAIR CRAVALHO: Is there a second to the motion?

MR. NAKAMURA: Second.

CHAIR CRAVALHO: Seconded by Member Nakamura for the acceptance of the minutes subject to review during the 30-day period. All in favor, say "Aye."

VOICES: Aye.

CHAIR CRAVALHO: Contrary?

(No response.)

CHAIR CRAVALHO: Carried. Any oral testimony to be given to the members of the Board concerning any matter that's coming before the Board at this time? Hearing none, shall we proceed then to receive any written testimony.

MS. NAGO: There was no written testimony submitted.

CHAIR CRAVALHO: May the record so reflect. So we then proceed to Item 5 on the agenda, the director's reports. Mr. Craddick.

MR. CRADDICK: This item here, I believe it's handled within the budget, so I don't think there needs to be any discussion on it.

CHAIR CRAVALHO: For the purpose of record keeping, that's all referred to the Finance Committee. We need to have something for them to sit on for a while.

Any communications to come to the Board?

Communication from Mr. Chumbley concerning the Board's purchase of land of possible relocation. If there's no objection, the Chair would like to refer this back to the Finance and the Capital Improvements Committee for appropriate action. Communication 00-26, request from Doya Nardin for a meter referred to Capital

Improvements and Rules. In other business, discussion concerning the operating of Capital Improvements budget. Mr. Rice.

MR. RICE: Board Members, today you received a memo from the Joint Finance and Capital Improvement Committee. This two-page memo -- let me begin by saying that both of our committees met on several occasions with the staff to review the budget and conducted a public hearing on June the 19th.

Testimony was given in person by a Melissa Prince regarding the use of fossil fuels and how it might be affecting the drought, and written testimony was provided by the Kula Community Association, which is attached to the memo.

In all of our deliberations, I guess I would like to highlight the fact that we try to take the strategic plan and make the budget something that reflects the cost of implementing the strategic plan, and that being the basis for our proposed budget for this coming fiscal year, without reading this entire document, I tried to highlight the fact that items of importance including stream flow restoration, watershed protection replacement, appropriate replacement funding and source development are included in the budget.

There will be, as I proceed through the explanation, there will be a few amendments to the budget that you received that we jointly will propose. But before I turn this over to Howard for the CIP portion, let me talk about the operating side of the budget. The operating budget was included in your packet of information. The first thing I would like to point out is that the format of the summary page has changed slightly so that we have operating revenues and we have operating expenses which foot to a net operating before other expenses.

The other expenses are capital related items. Reimbursements for capital replacement fund, equipment purchases, which are capital in nature, working capital and emergency fund. The reason that I wanted to do this with the Board's approval is that as we go year to year, the funds that we accrue net of operating are traditionally transferred for replacements. We need to be able to look at that operating margin on an ongoing basis. If our expenses are increasing at a rate that's greater than our revenues are coming in, then we're going to end up in a difficult position.

So this is an easy way for us to monitor our net contribution, so to speak, to our capital programs, and I think it was well received by Mike and the staff because I think it makes sense in terms of managing the Water Department. So you see that on the first page. Now, we carry forward beginning balances, so as you look at the net before other expenses, estimated for fiscal year 2000, it's 6 million 7, and for the proposed fiscal year 2001, it's 8 million, so on the face of it, it looks like, Oh, yeah, the contribution is margins continue to

be good. But the carry-forward, the beginning balance is much greater in the fiscal year 2001. It's being proposed at almost 4.5 million. So you really need to subtract those from the 8.6 to get what your real net is. We're trying, as we manage the expenses and as we do future budgets, we're going to try and maintain that steady contribution.

Below the line, of course, you now see equipment which you had above the line before. That's a capital item and it's part of the operating budget, but it's for replacement of equipment in vehicles and new equipment. The big item transfer to capital replacement fund, which is I note in the report is 4 million this year. And the last thing that's new is the Working Capital Emergency Fund. Now, in reality, we backed into that number 3.3 million. It would be a good idea, maybe not specifically at this meeting, but at some future meeting, that the Board come up with a number that they think is reasonable for Working Capital Emergency Fund. This 3.4 roughly equals one and a half times our monthly revenue or revenue expenses. So, for example, if we had a hurricane and we had some problem, we would have ongoing expenses and we would -- where we might not have revenues and we would need to have this emergency fund. I think it's something that's important the Board should consider.

As I also say in the memo, there will be times I'm sure where we will want to use that money, but I think we have to have an agreement whereby we keep it as a true emergency fund. Again, the amount is up to the Board to decide obviously.

CHAIR CRAVALHO: Sorry, go ahead.

MR. RICE: I was just going to go into some of the highlights of the expense side.

CHAIR CRAVALHO: My question was with respect to the emergency fund, is it established by the Board as such and therefore expenditures from that fund are to be made only with the approval of the Board; it is not in the emergency fund to be utilized by the Director or any other personnel under the label of emergency and the fund gets to be depleted, so approval for any expenditures from that established fund has to be given by the Board prior to?

MR. RICE: Yes, sir. That's our recommendation. And in our mind, it was for real emergencies, not for some things, as they say, that comes up and all of the sudden you need money for.

MR. STARR: I have a question. I see the number is 3.3, but in the previous year it was almost 4.5, and in the current year, it's estimated at almost 5 million.

MR. RICE: Because you see I've zeroed out the bottom line, so we back into that number.

MR. STARR: How about the transfer to Capital Replacement Fund, how

is that generated?

MR. RICE: When rate increases were approved, I believe, and Mike can help me on this, there was a representation I believe that some portion of your water fees are applied to the replacement of existing assets, pipelines, et cetera, pumps. I believe that we're allowed 15 percent; is that right, Mike?

MR. QUINN: Right.

MR. RICE: But that would be a big number, and you have to -- what I'm trying to get to is really applying some percentage of that to a regular replacement fund, but expenses are obviously higher than if you really look at total receipts for the year 28 versus 25, right, it would give me a net free for replacement. Fifteen percent of this would be -- would be more like 5. So if we can control expenses, we can try to incorporate a regular funding of a replacement reserve every year from operating revenues.

MR. STARR: So it's in our benefit to try to do that?

MR. RICE: Right. And as we talk about expense control, electricity and so on, those are areas that we may continue to work with staff on.

CHAIR CRAVALHO: My question is with respect to the amount of this particular fund and reference being made to 15 percent allowable, is it not more correct to say, more precisely correct to say that 15 percent is supposed to be a requirement as contrasted to just the suggested amount, money that goes into a so-called sinking fund or something of that nature?

MR. QUINN: I think it derives from the HRS statutes which allow 15 percent of the revenues to be accumulated on an annual basis.

CHAIR CRAVALHO: That makes reference to the HRS, but with respect to our bonding, covenants or whatever to establish a sinking fund is more traditional to be 15 percent.

MR. QUINN: It is typical, especially with respect to a revenue bond.

CHAIR CRAVALHO: With that in mind, would it then not be more conservative to mandate, in effect, the difference between the 15 percent and the 3 million to be a mandated or an established objective for the Department to achieve in the coming fiscal year, so that in the process of allocating funds for operations, that you kind of arbitrarily freeze a certain amount and scrutinize before expenditures are made?

MR. QUINN: It would definitely be a good objective, yeah.

MR. RICE: I would agree, Mr. Chairman. The only thing I might offer is it may be over the next year, since it's been a year, since we try

and manage the different expense lines.

CHAIR CRAVALHO: The Chair has no objection to that, but the Chair has learned, much to his consternation at times, that if something is not specifically spelled out by the Board, the Director takes the position that this is not the action of the Board, it's merely a statement, so if there is no objection that we proceed to save through the entire year starting from July 1, the year 2000, to save an amount, yeah, to come up to that 15 percent, that amount comes back to the Board to reallocate or respond or whatever, but there will always be something there that we can touch and we don't find the cupboard bare. Make sense?

MR. RICE: Very good sense.

CHAIR CRAVALHO: Then be reflected as the intent and the purpose of this Board and so recorded.

MR. RICE: In part of the motion, that should be made.

CHAIR CRAVALHO: Terrific.

MR. RICE: Okay. Given that explanation, the Finance Committee would like to make one recommendation for adjustment to the operating budget, and I think then I'll turn it over to Howard to talk about CIP and we can make one final motion for approval. We think that an additional \$100,000 needs to be placed in the budget for a stream flow restoration, and in a services portion of the budget, Mike is handing out a document right now with the adjustment as being proposed and with the adjustments that Howard will propose for CIP.

CHAIR CRAVALHO: Mr. Vice Chairman.

MR. TAGORDA: Mr. Chairman, before you turn it to Howard, Peter, I just noticed that on your report for mainline extensions, there's a proposed 350,000 on the first page for mainline extensions, and this fund is for the water system development fee. And going back to your capital improvement budget, it looks like this fund is depleted from 24,292, so any justification?

MR. RICE: Mike.

MR. QUINN: Mainline extensions?

MR. TAGORDA: Yeah, mainline extensions proposing 350,000 to be budgeted. Looking at that water system development fee fund, it came down to only to 24,292. That would be enough fund if someone comes up to the Board, asks for credit for dedicated water system improvement?

CHAIR CRAVALHO: Mr. Craddick.

MR. CRADDICK: Orlando, I don't know what you're talking about just yet.

MR. QUINN: They don't relate to each other.

MR. TAGORDA: Okay, thank you.

MR. RICE: One last thing before we turn over to CIP. It was very easy to see in the operating budget that there are three categories of expenditures that make up almost 80 percent of our total expenditures: payroll, electricity and debt service. And the committees spent a lot of time on those in those three areas.

I want to point out, and it's in the notes I believe, that in the payroll category, there are 27 unfilled positions, and that that represents most of the difference between actual and budget, and to just budget for those 27 positions we didn't feel was correct. And Mike and his staff and the department heads came up with a plan whereby they thought it was reasonable to implement the hiring of those 27 positions, so they're not all fully loaded for the whole year. They're just staggered.

And I think that that is something that the Finance Committee will continue to monitor with the staff as we progress through the year and we get ready for budgeting next year. Electricity is another big number, and it has been increasing. Provisions I think were made in the budget for all the policies that we have in place now including our pumping. It was quite evident to the Committee that there was an opportunity to save money there by utilizing our power agreement with A&B and we need to do that expeditiously, because while there's capital involved in that program, the payback I think is well worth that expenditure for us.

And the debt service appears to be the debt service. We looked at it a few different ways, and I don't know if there's anything we can do with the debt service. So those are the highlights. I'm sorry, I forgot one thing. As I reviewed actual expenses as proposed, because we're self-insured, there are some big variances in those insurance areas. Obviously, we have to make some estimates, so I asked Mike to go back for five years, look at actual claims in some of these areas and do a proposal based on the actual claims over five years, so that's the substance of the budget. We'll continue to adjust that as we have more and more data over the years.

And the final number that needs to be brought to your attention is a provision for rent for the base yard that has been claimed due by the State. We have not paid it, and we believe that it's something of an issue that needs to be resolved. We did think the most conservative approach was to provide for this year's rent in the budget, so that's what's there.

CHAIR CRAVALHO: Are there any questions? If not, are you ready to turn it over to Mr. Nakamura?

MR. NAKAMURA: Thank you, Mr. Chairman. I will briefly go into some of the detail in the capital program as Mr. Rice has so ably indicated. The priorities of the Joint Committee have been I believe to reflect what the direction of the Board has been over the past few months, and the focus is on

additional source, both domestic and agriculture for upcountry, additional storage for upcountry, initiation of a project to service the Ulupalakua area, which we all know has had its share of problems. In Central Maui, focus on the expeditious development of the North Waihee source as well as projects which would spread the pumping in the Iao Aquifer. We have focused on an orderly replacement program as has been discussed previously by both Board Member Rice and Chairman Cravalho.

The procedure, and I'll get into it a little bit later on, is to have a process which has flexibility but oversight by the Board. And I think that is an important way of approaching this, which is slightly different than has been done in the past. As Mr. Rice indicated, we are implementing programs such as attempting to reduce electrical costs by utilizing lower cost power from HC&S, initiating pilot stream flow monitoring and restoration programs, and again, trying to basically follow the direction that has been established in the initial discussion on strategic plan and directions of the Board to date.

Some of the specific changes are indicated in the handout that has been passed out to you under added proposed changes to fiscal year 2000 CIP Budget. Under A, there were a number of projects where an appropriation was requested for contingency, construction contingency, and we felt it was more appropriate to provide all the contingency in a lump sum appropriation subject again to the oversight of the Board.

There were several projects that we underbid that we are recommending be deferred for a variety of reasons. The two major tank construction projects we did not feel that the design was far enough along that we were comfortable with the projects to be implemented this year, and we felt that if, in fact, it does, there's enough flexibility to look at the projects. The projects are good projects, but again, we are not sure that the design would be completed. One of them, Kahoma tank, the contract is just about being awarded now and it's a 300-day design period, so we felt unlikely it would be implemented.

The Waipio backup well is an important project, however, there are issues having to do with Hana Ranch and the potential for integrating systems, and we felt it should be deferred until further discussion could be had perhaps headed by Mr. Takitani. The USGS monitor well, Mr. Craddick has advised us there are some administrative problems in terms with the joint operating relationships with the counties, and therefore, we have again recommended that that be deferred. It can be reinstated at the discretion of the Board when these problems are resolved.

Water infrastructure management system, we just felt that there was not enough information available to provide to the Committee and to the Board at this point to justify that promotion. Some of the projects we have been recommending adding in as you see are the Pulehu Well and transmission, which would supplement the agricultural water source upcountry. The Ulupalakua Phase 1 design, planning and design. Alternate energy sources that we discussed earlier, Kanoa well development, which is basically a lapsing of funding that is presently available and reappropriation next year based on timing and actual costs received with the opening of the -- recent opening of the bids. Same thing with the Kamehameha 5 water line. It's a lapsing and reappropriation in the Puuomalei Triangle. We

have, as I mentioned earlier, rather than having a line item appropriation for the pipeline replacement projects, we have recommended a lump sum appropriation subject again to the oversight of the Board.

We feel that that would give maximum flexibility in implementing the projects that have the highest priority, so that is basically it, Mr. Chairman and Members. I think, as I said, the intent was to implement the direction the Board has established, to try to retain flexibility with Board oversight and to, you know, meet the priority needs of the community with the water, so that would be our recommendation.

CHAIR CRAVALHO: The Chair has a question. As it relates to Ulupalakua transmission storage Phase I, as I read this, it is over a period of time that it's going to be able go through planning, et cetera, et cetera, and we will not necessarily provide immediate relief as it relates to this particular thing. It is the feeling of the Chair, however, that we need to, in addition to this, get into an immediate temporary program for laying either PVC pipe or whatever it may be from Kamole tank over to Ulupalakua and then we're going to be able to alleviate part of the problems.

It also has, I think, some bearing on a court case that's going to be coming to our attention in the immediate future as the Board Members may know. Not the Board, but Mr. Craddick, the Director, has been taken to court by Mr. Stolle, and there will be forthcoming to us a request to hire private counsel. I've seen this. I don't know the rationale for it, but it's there. It appears to me that this can be possibly obviated if we move in this temporary kind of a program, and I think this is the easiest, fastest and most satisfying kind of thing to do.

The cost estimates that have been presented to me for materials alone came into the neighborhood of approximately 40,000 plus minus dollars. It is not a massive type of expenditure. The court case will cost us possibly in that neighborhood without knowing what the results would be, and it is the opinion of the Chair and I think it differs from Corp Counsel's office, it is the opinion of the Chair that we would lose that one. I think we would lose that one.

Okay. So, Mr. Nakamura, would it be in keeping with your committee's review if we can give some attention to this and move expeditiously? If there is some degree of cooperation of this very humble request, we will humbly consider allocating part of the Kula Credit Union's funds to implement this.

MR. NAKAMURA: My suggestion, Mr. Chairman, would be that, I'm not sure if it was considered that pipeline replacement, but under one of the categories of the appropriate category that Mr. Quinn has determined that we allocate perhaps \$100,000 for interim.

CHAIR CRAVALHO: Is there any objection to that approach? Mr. Tagorda.

MR. TAGORDA: I would like to ask Mr. Nakamura. I have no problem with your proposed changes here, but I would like to be very well enlightened about this Pulehu well and transmission design and construction. I have no idea what it is. I want to be given more information about it. Was this a brackish water? Who

was the owner of this well? Total expenditures if we go through this construction to develop the well. Those information I need to get before I can make a decision about this project.

MR. NAKAMURA: Maybe David can supplement my response to Mr. Tagorda if it's incomplete or not accurate. There is an existing well, which was previously drilled by us, and it is slightly brackish. It is at the elevation of approximately 600 I believe, David. And the intent of this project is to develop that particular source and supplement the agricultural water source for the Kula area, and it would tie in to the -- preliminarily, the plan would be to tie it into the Kula Ag Park water system, which has a drought not only of the tenants in the Ag Park, but also it's drawn upon by Maui Land and Pineapple Company. This would basically be to supplement the agricultural source and would thereby relieve some of the demand on the Wailua ditch waters intended to be used for other purposes.

CHAIR CRAVALHO: Thereby freeing the Wailua ditch water for stream restoration.

MR. TAGORDA: And I agree with you, Mr. Chair, there is no immediate relief in this drought condition upcountry. I see no source development plan because the only way we can, I think, in my opinion, the only way we can solve the problem upcountry is to make sure that we have some design or plan to develop an underground well upcountry and not only dependent on surface water.

MR. NAKAMURA: Mr. Tagorda, we have recommended appropriation for a million dollars for upcountry source improvement and the intent of that was to seek a ground water source for upcountry.

MR. TAGORDA: Where is that?

MR. NAKAMURA: Under drought Item Number --

MR. TAGORDA: I thought that was all under source improvement on that Kanaio/ Ulupalakua improvement. That's only for design on all those projects?

MR. NAKAMURA: Well, the upcountry source improvement is a million dollars. They intend to actually drill an additional well, determine an appropriate location and drill the well.

CHAIR CRAVALHO: The Chair would also like to remind the Members of this Board that in the Memorandum of Agreement, it was signed on this Board with respect to the central and upcountry area. One of the key provisions will be for the ground water development of two wells south of the Hawaiian Homes, area and if I'm not mistaken, Board Member Starr has always been asking about it, and so now it is being brought to this Board and the funding for it, so there is this proposal that is coming.

MR. STARR: I am very happy to see there is some money budgeted for those wells. I don't think there's enough, \$1 million is really enough to get that job done, and I'm not sure what the proper location. I was hoping it was one of our existing tank sites. But what is going to be the process to implement that? Once again, I would like to go on record to say the sooner the better.

CHAIR CRAVALHO: Like yesterday. It cannot be until after July 1 because that's the purpose of the budget.

MR. TAGORDA: Can I have a few more statements, Mr. Chairman. Thank you very much. And this is concerning that, Mr. Craddick, concerning about Ulupalakua transmission line that went into design phase last year budget. What's the status of that improvement, Ulupalakua to Kanaio?

MR. CRADDICK: I'm not sure what you're talking about there.

MR. TAGORDA: I believe we budgeted some money for that Ulupalakua transmission line from Ulupalakua to Kanaio.

MR. CRADDICK: For last year?

MR. TAGORDA: Yes. And I just don't know why we have so many projects here with design phase when we have one that's already done or not yet done.

MR. CRADDICK: Can you wait a minute. Mike is checking it there to see what was in there for last year.

CHAIR CRAVALHO: We'll have a recess while Mr. Quinn checks that. If you're ready, go right ahead.

MR. QUINN: We budgeted \$50,000 for that.

MR. TAGORDA: Is that design done or completed?

MR. CRADDICK: No.

MR. QUINN: I don't know.

CHAIR CRAVALHO: Recess.

(Recess taken.)

MR. NAKAMURA: I think it's still good to reappropriate it in this year's budget.

CHAIR CRAVALHO: That's right, no problem. Mr. Starr.

MR. STARR: I had a couple of questions about some of these items. Are you finished?

MR. TAGORDA: Yes.

MR. STARR: The Pulehu well, could I get a little bit of background on that and also what the chlorides and how much water we can get out of that?

MR. CRADDICK: All I can tell you is what it was tested at, and it was tested around 700 gallons a minute, and I believe the chlorides were around 60.

MR. STARR: So it's just 60, it wasn't brackish?

MR. CRADDICK: I think when you look at the test pump results, it said the chlorides were rising and they estimated if the pumping continued on for long-term they would continue to rise, and it would go brackish. So we're expecting that if we used it, it would most likely be brackish water.

MR. STARR: Over 250?

MR. CRADDICK: Yes.

MR. STARR: What is usability of that water for the Ag Park use? Once it's over, how high can we go before there's a problem with the suitability of that water?

MR. CRADDICK: I don't know what all the problems are that are in there, but at 400 parts per million, I don't think there would be much problem because the corn farm out in Kihei is using that amount of water.

CHAIR CRAVALHO: Mr. Starr and Mr. Craddick, let's keep our eyesight on the objective.

It's never, as I understood it, anticipated or planned that this will be a direct delivery per se from the well into the Ag Park storage up above, but rather it will be utilized to mix in with the Hamakua ditch system there, okay, and therefore, you would reduce the solidity of the product from the well system.

If the reduction was 100,000 gallons just for the sake of discussion, it would free 100,000 gallons from the Wailua ditch side withdrawals, which would then enable us to get into a stream restoration program forthwith. Very, very simple.

We take from here, replenish here, so we don't have to withdraw from here. Part of it can go stream restoration. This is a resource, and this is called for in our Memorandum of Understanding. It is not new. Remember? Mr. Molokai.

MR. HELM: This is in regards to the proposed projects in regards to Kamehameha 5 water line, yeah. Dave, what's the status on that? I see here projects that bid recently for fiscal year 2000, but will be funded for year 2000 now. How long was that bid out, and how many bids did we have? I mean where are we at in regards to the status?

MR. CRADDICK: There were two bids and it was bid last week, and we would be ready to proceed immediately after the 1st of July.

MR. HELM: So based on that fact --

MR. CRADDICK: We don't be beyond to 60-day award time if that's what you're wondering where we have to award within 60 days.

MR. HELM: So we can fairly say we can begin the project on this --

MR. CRADDICK: Immediately.

MR. HELM: -- immediately?

MR. CRADDICK: Yeah. There were two bidders on it, too.

MR. HELM: Okay. I would just like to reiterate how important I feel about this project being that I'm a Molokai Representative for the Board of Water Supply. And I've been having a lot of feedback in regards to the people that's been living, for example, our homestead, an area called Kapakea, they're going through a lot of hardship right now. And I've talked to the Department on Molokai, and I would just like to make sure that we expeditiously move forward on this project whenever we're in the position to.

CHAIR CRAVALHO: Mr. Starr. Let me have a little order please. Mr. Starr.

MR. STARR: I just had a question for Mr. Helm. Where does that go? I'm not familiar with that project.

MR. HELM: Kam 5 Highway would be right out of town going east. You know MCC, Maui Community College, there's some areas there where some laterals that come off the mainline, it's not adequate water supply, and some people are very concerned. I think they've pretty much overused the word bandage on part of the system. I think there's a need for it.

MR. STARR: I know some people down there and I know it's very inadequate, so I would also like to see it --

CHAIR CRAVALHO: Any further discussion? If not, the Chair -- yes, Mr. Starr.

MR. STARR: Just another, Puuomalei triangle, what is that project?

MR. CRADDICK: The project is basically a lot of AC pipe removal, and what we've found there is because of the acidity of the surface water, it's been leaching the lime out of the pipe and the pipe is having structural problems, and we're trying to get rid of all that AC pipe that's up there, the big segment that we've had a lot of breaks on from Makawao to Kokomo has all been done, and now this is the next section. And I think we've a few smaller lines that we'll have to replace in the future, but these are the main big ones.

MR. STARR: And I do want to go on record that I do have some concerns about this Pulehu project that in theory and in principal it is good, and I do want to see the stream flow restoration take place and I would like to see that source utilized. I'm just concerned that replacing water that EMI is buying from the State for perhaps one-fifth of a penny per thousand with water that may cost us 30 or 40 cents per thousand when we amortize and figure in the electric, I'm a little concerned about it. And before we proceed, I would like to know more about it.

CHAIR CRAVALHO: The Chair would like to again point out in the Memorandum of Understanding, we have the withdrawal rights for X number of gallons. We also have the opportunity to increase the withdrawal by any amount that we place into the system. So if we replace, okay, then we have the right to withdraw a little bit more. It depends what we use that for. If we go strictly on the basis of cost, of course, it is expensive. The same thing is true with respect to the entire upcountry system. If we look at, yeah, strictly the cost, and if we limited ourselves to a cost consideration, the Chair would like to point out this will be valid. But if we look at what we're going to get in return, if we can initiate a stream restoration program forthwith, the cost in terms of absolute dollars may be slightly higher, but in terms of the strengthening and the preservation of the community and the whole East Maui area and the potential limitation, if not elimination, of any litigation, yeah, I think is well worth it.

The Board will still have the final authority in reviewing all matters, but this is a proper objective for us to work towards achieving. Now, let me just point out a little bit more in the fear of being repetitive. The situation with respect to the Iao Aquifer is a very critical one. We're taken through these budgets and actions of the committee, taking actions to try to ratify it and to reduce that particular problem.

This Board has indicated in the past that the solution to this area here does rest in the East Maui situation, okay. Now, the initiation of a stream restoration program in my judgment will substantially reduce any potential problem of litigation on John Mink's work that's going to be coming. So when we look at benefits, we can limit our vision to

the immediate dollars and cents cost now as contrasted to what the cost would be if for one reason or another we would not be able to implement and carry through that East Maui development program as it relates to reinforcing and restrengthening this Iao Aquifer.

To me, that's the real end objective, and so when we weigh benefits, we need to look at these things also. As Mr. Starr was pointed out to us in previous meetings, six years passed without any action of a positive nature taking place on the court decision on the East Maui question and the EIS. I don't think we can afford the luxury of another six-year wait.

And while there may be some risk involved in this particular proposal, that risk and opinion of the Chair is kept to a minimum because it retains to the Board the final authorization for any project implementation, so I don't think there is any massive danger at this stage. The Chair would also like to point out, I was going to say this later, but I'll say it now.

In the meeting in Kula shortly after I came into office, I indicated that it was my opinion that if this Board could not take the problems and the needs of the Water Department and come about with 180-degree turn and refocus its attention and get programs going, the entire Board should get out. Remember that?

I believe that this Board has taken action and I hope with respect to this operating budget and capital improvements budget, this Board has gone a long, long way in meeting its problems and its challenges and moving to implement these projects. If all of this is done, I for one would be quite satisfied by not being a Member of the Board, quite satisfied because a program has been adopted and is being initiated.

Now, let us keep our eyes on the target. Let's really keep our eyes on the target. For the first time in my knowledge, and I've been around the block I don't know how many times, for the first time I've seen a Board, a Water Board taking such positive action and perhaps the most unique element which may not be realized, this is being done solely on the Board's assets, income and some participation by the State and nothing, nothing from the County Administration. But we can do it. And I prefer that. I really prefer that, okay.

So let us put our effort together. We've been trying to develop a lot of trust. Sometimes misplaced, sometimes reluctant, but I think the end result has been good. I want to commend and thank Mr. Rice and Mr. Nakamura and all of the others and thank Mr.

Craddick

also for the movements that have been made, painful as they may have been, but the movements. We all have been down that road, okay.

Now, if you can continue to keep this effort together, I think we're all right. The Chair would like to recognize a motion from Mr. Nakamura and Mr. Rice. Right after you, I'll come back.

CHAIR CRAVALHO: Mr. Nakamura or Mr. Rice.

MR. RICE: Mr. Chairman, I would move that the operating budget and the CIP budget be approved as submitted and then amended by a written document today and further amended by the Board's discussion.

MR. NAKAMURA: Second.

CHAIR CRAVALHO: Mr. Starr, all yours now. There is a pending motion.

MR. STARR: Has it been seconded?

CHAIR CRAVALHO: Yes, seconded by Mr. Nakamura. Do you want to second it, too?

MR. STARR: No, please call for the question.

CHAIR CRAVALHO: The question has been asked for. All in favor, say "Aye."

VOICES: Aye.

CHAIR CRAVALHO: Contrary?

(No response.)

CHAIR CRAVALHO: Carried. May the record reflect it is a very historic, and I say it is a very history action by this Board. Very good. Yes, sir, my friend.

MR. STARR: I just wanted to commended that the process has much improved and much clearer and much more easy to understand than it has been in the past. I feel that the process is improving. And you had mentioned, Mr. Chair, that it was done without help from the Administration.

There was one request made of the Administration in regards to the Planning Director several months ago. And I feel that we should make sure that this brings us to have an ability in future years which we don't have now, which was there was a request made of the Planning Director to look ahead and to give us for our capital improvement planning an idea of how many services we are to expect in the coming year and the coming three years and the coming five years and we have never received that information.

And so I would like to know based on the community plans and the input that the Planning Department has where we're heading, so that in future years, our capital improvement can reflect what we're going to need to do to provide the water for the people.

CHAIR CRAVALHO: The comments of the Chair with respect to the County's Administration was limited to financial. That there is no appropriation as such. The Chair would like to point out in retrospect again the committee's efforts in the committee report that reemphasizes, yeah, the implementation of the general plan and the community development plans, so I think everything has all been tied in as our job now, yeah, and we have moved from two meetings a month now back to one meeting a month with committees officially going and being active and much more involved I think than in times in the past. A good beginning. Yes, my friend.

MR. RICE: Mr. Chairman, I know we just approved the budget. I just want to make sure that everyone understood that our intentions with regards to the staffing and the salaries in the budget is that the positions as represented in this chart would be hired subject to review of the Finance Committee.

CHAIR CRAVALHO: And Board.

MR. RICE: And Board, right.

CHAIR CRAVALHO: Because the Board is the final authority.

MR. NAKAMURA: Mr. Chairman, I also would like to clarify it was the intent of the committee that the two projects, the pipeline projects that were lapsed and reappropriated, Kamehameha 5th water line on Molokai and the Puuomalei Triangle, that those are to be authorized to be awarded a bid for construction.

CHAIR CRAVALHO: Is that enough work for a year? Shall we then proceed to communication from Doya Nardin. We got that already. Other committee reports, none. Staff reports, Mr. Craddick, none, according to the agenda. I'm trying to get out of here as fast as we can.

MR. CRADDICK: The normal reports that we have are here.

CHAIR CRAVALHO: May the record reflect that we send this to the Mayor.

MR. CRADDICK: And Iao did drop again.

CHAIR CRAVALHO: Quit when you're ahead. I'm giving you every chance to. No other business.

MR. HASHIMOTO: What's the status of the Hawaiian home hookup or whatever?

MR. CRADDICK: We're going to have a meeting the week of July 4th the with the State

Attorney General's Office our Corporation Counsel. The easement is still not resolved.

The Mr. Watanabe has passed away and now we have four entities to deal with instead of one.

CHAIR CRAVALHO: What is the question of the easement, and what Watanabe property is that?

MR. CRADDICK: Off Naalae Road.

MS. NAGO: Mrs. Watanabe.

CHAIR CRAVALHO: Mrs. Watanabe?

MS. NAGO: Yeah.

CHAIR CRAVALHO: What's the problem?

MR. CRADDICK: They don't want to take any responsibility if they damage the line of the easement. They want to grow over it, use the easement, but they don't want to take any responsibility if they damage the line.

CHAIR CRAVALHO: That's very logical and legitimate.

MR. CRADDICK: That they not be responsible for damage they do?

CHAIR CRAVALHO: Look, Mr. Craddick, we're chasing butterflies. If you run into an impasse, there are a variety of avenues that can be looked at and discussions, okay. But the County and the State has the ultimate authority of eminent domain.

MR. CRADDICK: And that's what Hawaiian Homes will do after the meeting.

CHAIR CRAVALHO: All right, if they have to. They never should have monkeyed around for so long. Initiate eminent domain. We can discuss the elements after and the contents after. That's what we did in the Central Maui area, remember when A&B danced.

Initiated eminent domain, got possession in ten days. Let's go find out about money afterwards. That can be resolved. I know the Watanabes very well, extremely well, and I know them to be good public spirited people. And I know their cooperation will come from them if. Reasonable assurances can be provided to all parties concerned.

The other element, I'm glad Mr. Hashimoto brought up with Hawaiian Homes. I don't want to see the Director of the Department taking the position saying, Hey, the Board passed a resolution of all meters and ipso facto, that affects Hawaiian Homes. That's not true because Hawaiian Homes by statute and by constitutional provision has first crack, yeah, at water. So let's not go throw road blocks.

Waited 20, 30 years for that project to become a reality. No put road blocks. I want to congratulate the Department, however, with respect to keeping an ample supply

in storage. I noticed the last report we were up to 130-plus million and we're doing it without restrictions, yeah, we're doing it with the farmers being given assurances, which I think we can continue to do if we put all of our assets together and all of our abilities together.

At the same time, I want to express our appreciation to the cooperation we've had from A&B on this particular matter and its willingness to adjust, yeah, our pumping requirements in the amount we're taking out. And if we keep with this feeling and this spirit of cooperation, we're going to be all right. But if we get into a dog in the manger position, yeah, we're in trouble, and we cannot afford that luxury, so that's why I talk about that Pulehu well. I talk about water going to the Wailua ditch. I talk about initiating that stream restoration projects, yeah, those projects immediately.

I talk about Ulupalakua immediately to get the four-inch or five-inch PVC or whatever it may be. Eliminate a court case which would cost more in the long run and end up with nothing. Okay. Let's go look at these things and handle them, which we can. If the past number of months is any indication, we can do a damn good job. Mr. Craddick.

MR. CRADDICK: On the Pulehu well, I don't know if the Board wants, but we could have a field trip out there to get the Board a little more comfortable with where that is and how that would work.

CHAIR CRAVALHO: Anything you say.

MR. TAGORDA: I would like to go.

CHAIR CRAVALHO: And if you want a one-way trip to the Philippines, I agree.

MR. HASHIMOTO: Is the Dowling well on line?

MR. CRADDICK: I believe it's not here, but I believe today is the startup if it passed. We had to do another sample and we switched pumps. But I think that sample is supposed to be done yesterday, but it should start today.

CHAIR CRAVALHO: One other thing, Mr. Craddick, now that we get this budget out of the way, we have our direction the committee is going to get your public relations with people together on this positive program, continued and expand the positive program for water conservation and the need for it, not just during a drought period, but as an ongoing kind of activity because without water, nothing happens to this community. And we're never going to be able to meet any social need no matter how much we talk, so we've got to go concentrate on that because this is the key that's going to make so many,

many things possible, and I think we're on the right track. No other business, adjourned.

(The meeting concluded at 10:00 a.m.)

"By Water All Things Find Life"

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