

County of Maui Water
Supply

BOARD OF WATER SUPPLY
COUNTY OF MAUI
REGULAR MEETING

Held at HGEA Conference Room, David K. Trask, Jr.
Office Building, 2145 Kaohu Street, Wailuku, Maui,
Hawaii, commencing at 9:00 a.m. on March 22, 2001.

REPORTED BY: LYNANN NICELY, RPR/RMR/CSR #354

IWADO COURT REPORTERS, INC.

A P P E A R A N C E S

BOARD MEMBERS:

Elmer Cravalho, Chairman
Bob Takitani
Jonathan Starr
Orlando Tagorda
Mike Nobriga
Clark Hashimoto

STAFF PRESENT:

David Craddick, Director
Mike Quinn
Howard Fukushima, Corporation Counsel
Fran Nago, Board Secretary

CHAIRMAN CRAVALHO: The regular meeting of the
Board of Water Supply will come to order. I see the
attorney for the board is walking in and I'm slightly
disappointed, I thought he was going to allow us to
practice law without a license without question. But
since he's here, we'll have to defer to him with all
legal matters.

Ms. Nago, will you determine if we have a quorum.

MS. NAGO: We have Chair Elmer Cravalho, we have board members Clark Hashimoto, Michael Nobriga, Jonathan Starr, Orlando Tagorda, and Robert Takitani. So we do have a quorum.

CHAIRMAN CRAVALHO: A quorum is present. Are there any minutes to be handled at this time? None on the agenda. Shall we then proceed to -- yes, Mr. Starr.

MR. STARR: I believe there were two as part of the packet.

MS. NAGO: The special meeting of February 8th and the regular meeting of February 22th.

CHAIRMAN CRAVALHO: Okay. Mr. Nobriga, the regular motion.

MR. NOBRIGA: Mr. Chair, I move that we receive these minutes subject to 30 days review, at which time if there is no corrections, additions, deletions, it shall be filed.

MR. STARR: I second the motion, sir.

CHAIRMAN CRAVALHO: You've heard the motion duly made and seconded for the acceptance of the minutes based on a file for a period of 30 days wherein any corrections, additions, or whatever may be added. If none, then the minutes shall then be approved as presented.

Are you ready for the question? All in favor, say aye. Contrary? Carried.

Testimony from the public. We can have testimony at this time on any matter to come before the board. Or if an item is on the regular agenda, it can be -- testimony can be given at that time. What's the pleasure of the group?

MR. HUNTER: My name is Jamie Hunter. I'm a licensed attorney. I'm also an engineer. I was here

a couple of months ago to request that you move the priority list, especially for those of us in Haiku who can be served by the addition of the Haiku well to the system, which I understand since the last time I was here is now on line.

I went to the Pukalani meeting and I participated in that and I don't want to repeat myself. I think you folks know my position.

I would, since I'm here, and since you have fluoride on the agenda, and since I've been in the bottled water business for many, many years, I've continually faced the fluoride question because some bottlers put fluoride in bottled water. We never did so because we found a huge number of people are strongly opposed to it. And we also found by looking around that the cost of buying the tablets or the drops is incredibly low. You can buy it retail for 5 cents per dose, buying only a hundred doses. If you bought thousands, the price would be less than a penny.

If you want to get to the kids on Molokai, the way to do it is to run a program, you already have a nurse at the school, you already have a cafeteria where they're dishing out food. The way to do it is to give it to people who want it who are in school that way and not -- if you put it in the water, some people are going to get 10 times more than they want and other people aren't going to get it at all because they drink juice instead of water.

So that's my advice, political and scientific. And I would like to tell you that 20 years ago this issue was considered in Hilo by the Big Island and an amazing piece of research turned out. I don't know if you folks -- any of you from the Big Island, but Mrs. Hirose, a very respected person, I think she's dead now, but she had the oldest and the biggest nursery on the Big Island. And the reason that the county determined not to add fluoride to the water was because of her research. She put fluoride water on all her anthuriums in her nursery and she found that they had a shelf life after they were cut of less than a third of what they had if they hadn't had fluoride in the water. So that was the reason the Big Island

chose not to do it and I wanted to remind you of that little bit of research.

I don't have any view that fluoride is bad for you, if you follow me on that. I just think there is a much more efficient, economical, and precise way to administer it than putting it in the water.

I might remind you of the incident at the swimming pool on Molokai when the chlorine machinery caused people to get extreme doses of chlorine in the pool. I would be frightened of fluoridation in the water supply. Thank you very much. I appreciate your time.

CHAIRMAN CRAVALHO: Thank you very much. If there are no other people who wish to speak -- it would be very helpful if you allow the Chair to provide for an orderly sequence. If you indicate that you wish to make a presentation to the board at this time, you will be accorded to that privilege. Request of the Chair is that are there any people in the audience who wish to speak at this time. If so, ma'am, followed by ma'am, followed by sir. Have you signed up for your presentation?

MS. NAGO: I have the sign-in sheets, but I don't know how we're -- the first person who signed up was Mr. James Williamson. However you want to --

CHAIRMAN CRAVALHO: The Chair is going to hold on to every possible prerogative of the Chair at this time since it is the last time that the Chair is going to occupy the position. So the Chair recognizes the young lady as indicated. Proceed.

MS. WOOD: Donna Wood. Good morning, members of the water board. I'm submitting to you a research study of 30 years on the extreme hazards of fluoridation.

This study was made not only from the United States, but many parts of the world. The material was compiled by the dedication of an 87 years young lady, Ms. Thelma Martindale, and I'm going to read you a few excerpts from the manual. And I don't have the manual

to present to you for study, but in a couple of days I will be submitting to all of you board members such -- the complete manual.

Fluoride is not an essential nutrient. No disease has ever been linked to a fluoride deficiency. Humans can have perfectly good teeth without fluoride. Where fluoridation has been discontinued in communities from Canada, the former East Germany, Cuba, Finland, dental decay has not increased but has actually decreased.

The level of fluoride put into water, 1 ppm, is a hundred times higher than the normally found in mother's milk, 0.01 ppm. Institute of Medicine, 1997.

There are no benefits, only risks for infants ingesting this highest level of fluoride at such an early age. This is an age where susceptibility to environmental toxins is particularly high.

Hypothyroidism is a major problem right now in the United States. It is estimated that up to 13 million Americans suffer from it. People with hypothyroidism should not be forced to drink thyroid depressing medication in their water.

Fluoridation is unethical because individuals are not being asked for their informed consent prior to medication. This is standard practice for all medication.

Some people are particularly vulnerable to fluoride's toxic effects. These include the elderly, diabetics, and people with poor kidney function. Again, can we in good conscious force these people to ingest fluoride on a daily basis?

Once fluoride is put in the water, it is impossible to control the doses for each individual -- that each individual receives.

The chemicals used to fluoridate water in the United States are not pharmaceutical grade. Now, this is very important. Instead, they come from the wet scrubbing systems of the sulfur phosphate fertilizer industry. These chemicals, 90 percent of which are sodium fluorosilicate and fluorosilic acid, are classified hazardous wastes, contaminated with toxic metals and trace amounts of radioactive isotopes. Recent testing by the National Sanitation Foundation

suggests the levels of arsenic in these chemicals are high and of significant concern.

Many scientists, doctors, and dentists who have spoken out publicly on this issue have been subjected to censorship and intimidation. Tactics like this would not be necessary if those promoting fluoridation were on secure scientific ground.

The public health policy must be based on sound science, not political pressure. They have a tool with which to do this; it's called the precautionary principle. Simply put, this says if in doubt, leave it out.

Exposure to fluoride from all sources has increased substantially since the 1940s. Sources of fluoride in the diet today include food and beverage processed with fluoridated water, toothpaste, mouth washes, and other fluoridated dental products, fruits and vegetables containing fluoridated pesticide residues, and some vitamins and pharmaceuticals.

According to a 1977 report from the National Academy of Science, recent studies indicate the total intake of fluoride is as high as 3 milligrams a day rather than the earlier figure of 1.5 milligrams a day, primarily because of increases in the estimated levels of fluoride in food.

The question needs to be asked as to why we need to supplement our already high fluoridated diets with more fluoridated water.

I have to repeat this again. Most of the fluoride used to fluoridate the water in the United States is an industrial waste product. Over 90 percent of the water fluoridated in the United States uses either hexafluorosilicic acid or sodium hexafluorosilicate, which are classified hazardous wastes collected in the pollution scrubbing devices of the superphosphate fertilizer industry. These fertilizer companies cannot by law dump this material into the sea or rivers or lakes, but they're allowed to sell it to the public water utilities where it's diluted down and given to us, the public.

Recent research by Varner and coworkers at Sunny Bringham found that levels of 1 ppm fluoride administered over a long period, one year, either as

aluminum fluoride, AIF₃, or sodium fluoride, NAF, damaged both the brain and kidneys of rats. The fluoride also caused an increased uptake of aluminum into the brain, along with the formation of amyloid deposits which have been associated with the progress of Alzheimer's disease and other forms of dementia.

You know, there is more, but I don't want to take any more time. I will submit these to the board. And thank you very much.

CHAIRMAN CRAVALHO: Thank you very much. The Chair appreciates your participation. Ms. Raisbeck as well as the other lady. It will be very helpful if you will identify yourself and, in addition to that, the subject matter you wish to make comments on.

MS. RAISBECK: Thank you, Mr. Chairman. I will speak loudly so that the audience can hear, too.

I come to speak in reference to Mr. Williamson's letter to the board which I had the opportunity to read yesterday and which deals with the safety of the Iao Aquifer. He can state it much better than I can and I share his concern about the aquifer and will be taking that concern, of course, to the State Water Commission.

I also would like to make an offer to the board. The controversy over the settlement agreement with the Joint Venture Partners requires a great deal of research and data. And I am retired. I did serve 25 years for Stanford Research Institute and MIT as a data analyst and reporting on data. And I would be very, very happy to contribute my services to the board to assist in this difficult problem of finding out how much of Iao Aquifer water has already been used by the Joint Venture Partners.

I hope that people would consider me fair. And it's a tremendous job to track down the amount of water, the sales -- I'm sure the Joint Venture Partners have good records about land they have sold. I'm sure they have good records about water they have used. I'm not so sure that the water department will have good records going back 26 years. But I have in the past professionally done research and written

reports on that research and I would definitely promise to be fair if you chose to take advantage of my offer.

Meanwhile, I think what Mr. Williamson has to say -- Mr. Williamson is a modest person, but he has an international reputation in these matters. His resume is enormously impressive. And I certainly, with his permission, will be taking his letter to the State Water Commission. So thank you very much.

CHAIRMAN CRAVALHO: Thank you very much. The Chair would like to point out that while the Chair didn't rule on portions of your comments which dealt with the matter of the alleged agreement because that was action of the board previously, has been sent to the corp counsel's office, and there is a pending lawsuit. And so the appropriate place would be at the appropriate time.

However, the Chair recognizes your concern and the Chair recognizes also your comments with respect to Mr. Williamson's communication to this board. And so we want to be at all times sure that we're going to be proceeding in an orderly and legal manner in all matters that come before the board.

MS. RAISBECK: I stand corrected, Mr. Chairman.

CHAIRMAN CRAVALHO: I just added that. We don't want to deprive you or anyone else of the opportunity to be heard. But again with respect to that lawsuit, that is in corp counsel's office and any comments should be addressed there.

MS. RAISBECK: Thank you, Mr. Chairman.

CHAIRMAN CRAVALHO: Mr. Starr.

MR. STARR: I just wish to thank Ms. Raisbeck for the generous offer and perhaps the time will come when we can make use of that. And I do thank you for that.

MS. RAISBECK: Thank you. I know it's going to be a tough job. Thank you.

CHAIRMAN CRAVALHO: Thank you. Mr. John Stemet. Fluoridation.

MR. STEMET: Mr. Chairman, board members, thank you. My name is John Stemet, I'm a licensed Realtor in the State of Hawaii, and I would just like to read this statement into the record.

"Why we must stop the fluoridation of Hawaii's public water supplies. To protect our families and future generations from being medicated against our wills. Fluoride accumulates in the body from uncontrolled dosages in drinking water and from products that are processed with municipal water. We do not want a medicated water supply.

"Do you know the risks associated with water fluoridation? Number one, fluoride is cancer-causing." This is referenced from publications by the U.S. Public Health Service in 1991, the New Jersey Department of Health in 1992, and others.

"Number two, dental fluorosis or poisoning affects 8 to 51 percent of children in fluoridated areas." This is from the U.S. National Research Council in 1993, the Journal of American Dental Association in 1984, and others.

"Number three, fluoride is more toxic than lead, accumulates in the brain, and can reduce IQ levels in children." This is from Neurotoxicology in 1995, and others.

"Number four, the elderly have a much higher rate of hip fractures in fluoridated areas." This is from the Journal of the American Medical Association from 1990 to 1995.

"Does fluoridated water reduce tooth decay? The answer is no. Number one, large-scale studies fail to show decreased decay rates of permanent teeth in fluoridation areas over non-fluoridated areas." This is from the Journal of the Canadian Dental Association in 1987, and Community Health Studies in 1987.

"Number two, U.S. Food and Drug has not approved fluoride tablets and drops as safe or effective," from Dentistry and Oral Epidemiology in 1981, and the Robert Wood-Johnson Foundation in 1983.

"Who benefits? Industries that produce fluoride waste benefit. The aluminum and phosphate fertilizer industries must pay large sums of money to dispose of fluoride waste at high-level toxic waste facilities, or they can sell their waste to unsuspecting municipalities in the name of public health. Yes, it sounds unbelievable, but it is true."

I've worked with Citizens for Health, which is a national organization for public health advocacy, as one of their national directors and in that capacity I work closely with Citizens for Safe Drinking Water, who is a coalition of citizens and parents and doctors and dentists and scientists that have done the research and are opposed to fluoridation of public water supplies.

I agree with the former comments that one of the big problems with water fluoridation is you can't regulate the dosages that each individual receives because it ends up in manufactured food and beverage products and people drink different amounts of water so it will accumulate at different rates in different individuals. There is no regulation on how much each person will get.

I also firmly hold to the principle that the water supply should not be medicated. Even if it was vitamin C, we shouldn't put it in the water for everyone to take because it's not appropriate for everyone.

The biggest concern is for children and the elderly, they're at the greatest risk. Children get dental fluorosis, which is poisoning, and elderly are very susceptible to higher rates of osteoporosis and bone fracture because fluoride will increase the brittleness of the bones.

I would also like to comment if there is a move by the County to fluoridate the public supply, that there will be a large public outcry and a large movement of petitions and information to bring this matter to the public's attention so that the water supply will remain as clean as possible. Thank you very much.

CHAIRMAN CRAVALHO: Thank you. Yes, ma'am.

To speak on the same subject matter? Have you signed up to speak? Come on in.

MS. WELLS: My name is Megan Wells. I'm also a Realtor here on Maui, and I'm here to passionately oppose fluoridation of the water.

I would just like to read a couple paragraphs and then I have a show and tell. This is from the science editor of Newsweek magazine and they're quoting a toxicologist. "Fluoridation is the greatest case of scientific fraud of this century if not of all time."

Also from the same article, this is a quote from Consumer Reports. "The survival of this fake controversy represents the major triumph of quackery over science in our time."

And one more quote, which I find the most interesting. This is a professional national federal union of the U.S. Environmental Protection Agency. "The EPA, scientists, biologists, toxicologists, chemists, and engineers all voted 100 percent to take a stand against fluoridating drinking water and they also demanded unfluoridated bottled water for all EPA workers."

So I'm assuming that -- I mean, I don't understand why we're having to deal with this again. I think it's been dealt all over the world many times. But there is obviously money behind this.

When I called the state health dental health department yesterday, and I asked her, I said, is there FDA approval of the substance that you're going to put in our water. And she had, oh, well, we don't need FDA approval, this is considered a supplement. A supplement.

Well, I have a sample of the supplement so that I could share it with you and I actually I probably need to put these on because the warning label -- this is the actual substance that's going to go in our water, according to the department of water engineers, who also told me that it's a toxic substance. So I couldn't believe this, but evidently somebody here told me also it's against the law for me to even move this around. But here it is right here.

Does this look like a supplement to you? This is the exact stuff they want to put in our water. There is a skull and cross bones on it. And I just want to read, the first thing it says is, "Warning. Harmful if swallowed." That's what it says on here.

So if you consider this a supplement, I've actually brought nine cups, Dixie cups, and I'll add it to your drinking water this morning so that the board can taste what you're thinking about putting in our water system here. And I thought, you know, a picture is worth a thousand words, right? This is not a lie. This is the stuff.

And I also have a question: Has anybody researched what happens when you combine this with chlorine? I mean, this hasn't even been raised. But I -- from the sentiment of the department engineer, I don't think he's real happy to have to handle this and I don't really blame him. But this is not a supplement. And whoever is saying this doesn't need Food and Drug Administration approval because it's a supplement, I would like to have them have a little cup full. Anyway, that's my testimony. Would anybody like to see closer?

CHAIRMAN CRAVALHO: Ma'am, you're going beyond just the presentation. We appreciate your passion in the matter.

MS. WELLS: Thank you.

CHAIRMAN CRAVALHO: Thank you for your appearance. Shall we then proceed. Mr. Williamson, if it's all right for you, can we possibly take your testimony when your letter comes up? Or would you prefer it now?

MR. WILLIAMSON: I prefer it now.

CHAIRMAN CRAVALHO: Up to you.

MR. WILLIAMSON: My name is Jim Williamson. I would like to thank Sally Raisbeck for her kind words. This is in connection with Communication

01-09, which is a letter that I sent to the chairman of the board on March 22. Excuse me, on February 12.

CHAIRMAN CRAVALHO: Excuse me. For the members of the board, it's page three on the agenda under Item VI, Communication 01-09. Proceed, please.

MR. WILLIAMSON: I would like to summarize the contents of my letter. My review of the last three quarterly data reports -- I only had two at the time of the letter -- from the USGS, show that despite a reduction in pumping from the aquifer since 1996, the long-term water level continues to drop and the salt level rises inextricably. In fact, the USGS observation report just announced that the Iao Aquifer level was at a 19-year low last month, a very disturbing statistic, which I checked out on the website for the USGS. I called them and they guided me into their website. And this was a monthly observation that they had made. And they were reporting on low water levels throughout Maui. This is one of them.

One explanation given for the low water level is the lack of rainfall. While lower elevation rain gauges show less than average precipitation since 1998 -- that's just three years -- at the higher Puukokui gauge, the rainfall remains above average and that is the most important one.

Anyway, the aquifer's sustainable yield is determined based on low rainfall conditions. The aquifer level has decreased relatively uniformly since 1990. This I have checked and the USGS information shows the same information.

The average pumping during that year -- that's 1990 -- was 16 to 17 mgd, and I believe that the sustainable yield is close to that lower value than 20 mgd. Two recent USGS reports confirm my concern and raise a red flag on the future of the aquifer.

The only conclusion from all of this is that there is definitely a source problem with the Central Maui system. I agree with the USGS that splitting the pumping is simply a short-term solution. While desirable, it's a short-term solution, since all of

the local underground sources are interconnected.

In my view, what is needed is a definite commitment by the waterboard to immediately fast track development of a new independent water source. Considering the significant if not insurmountable difficulties and the cost and time constraints of developing the East Maui source, serious consideration should be given to exploring the Kahakuloa aquifer. Specifically, this investigation should be concentrated mauka of the north trending inferred dike boundary which is shown on the USGS maps to avoid interconnection with the Iao/North Waihee aquifers.

Other recommendations to reduce pumping out of these aquifer systems are: One, to attempt to obtain supplemental water supplies. Two, continue with the A&B Iao/Waikapu Ditch Agreement. Three, adopt a policy of not supplying water to large developers such as the Wailea 670 project which would have an average potable water demand of more than 1.5 mgd. Four, consider a moratorium on the issuance of water meters until a new water source is on line. Thank you.

CHAIRMAN CRAVALHO: Thank you very much. Shall we then proceed to the regular agenda? I am sure that the board in its deliberations in the future will be paying attention to all of your presentations today. And may the record reflect that the points you have raised and the concerns that you have expressed have also been previously expressed a number of times by your present Chair. I think the opinion of the Chair is the situation is of grave importance and it has a grave impact on the operations and the well-being of this particular county and this particular island at this time.

And with all due respect for various individuals who have been passionately concerned and have also expressed this concern in a variety of ways, that if not viewed in its proper context and not looked at in terms of the objectives, can very easily result in the very simple things they have been expressing concern about. And so it behooves all of us to put the very, very best efforts that all of us have to meet this challenge and this need and this

problem because I believe these are all true things.

At the same time, the Chair is a perpetual optimist with a tremendous amount of faith in the ability of people and of a community to meet their needs in a most satisfactory manner. And we look forward, hopefully, to your participation and assistance. We may not agree on every single step along the way, but I'm sure that we all share the same objective. Bottom line is what is the best thing for this particular place and I'm sure we can do all right. We thank you very much, very much for your concern and your expressions.

Shall we then proceed with consideration of the regular agenda. Director's Reports, page 2, request for exploratory well to the North Kupaa Well No. 1. Mr. Craddick.

MR. CRADDICK: This is a CIP issue. Actually, it says request for funds there, but it's really just a change of the location. The funds are already in our budget.

CHAIRMAN CRAVALHO: If there is no objection, in deference to the new Chair that will be on board 1st of April, the Chair would like to refer this in the normal manner to the committee so that the incoming Chair would have the opportunity to review it and make a final decision. If no objection, so ordered. Director's Report 01-04. Mr. Craddick, please.

MR. CRADDICK: This one we have Ted Matsuo here from the RUS group if there is any questions. But basically this item here, we need to get Bond Counsel on board. The Ulumalu/Peahi group is paying for that Bond Counsel and we would ask that the board see their way clear to go forward on this because it is somewhat time sensitive. We're trying to get out the bid by May of this year.

CHAIRMAN CRAVALHO: Mr. Matsuo.

MR. MATSUO: Good morning. My name is Ted Matsuo. I'm the program director for USDA world

development water waste division. We got a loan and grant program we offer to assist rural communities in getting drinking water, safe drinking water. And for the Ulumalu/Peahi area, we obligated a grant for a little over \$1.5 million and a loan for \$295,000.

Now, the debt service is borne by the residents. That's to retire the \$295,000, and a grant -- the purpose of the grant is to reduce the debt service so that it's reasonable. We can offer that program to any eligible borrower for any eligible rural area. In this case, the loan was made to the County of Maui and then part of the deal is because it's a loan, because a loan is involved, we require loan security. And in cases of public bodies, one of the things we require is a General Obligation bond. There are other types of securities, like we can go with revenue bonds, measure of assessments, and that sort of thing. We can do this for more projects if you got needs in the County.

One thing I want to say is this is not a new program. We've been here on Maui before, refinancing the Napili-Honokowai sewer system. So we've been around for a long time. And on the Big Island, we've got a few projects, on Kauai we've got a project, on Oahu we've got projects, so we're not a new agency. We've been here for many, many years.

So I'm here to answer any questions you might have concerning the bond. Does anybody have any questions?

CHAIRMAN CRAVALHO: The Chair does. Did I understand you to say that part of the security that's necessary is either a General Obligation bond or a revenue bond?

MR. MATSUO: Yes, sir.

CHAIRMAN CRAVALHO: Would either one of those bonds be produced and counted against the bonding limitations of the County of Maui? Or more precisely this particular question, the Board of Water Supply?

MR. MATSUO: I'm not sure. Does it --

MR. CRADDICK: I would suspect it does. It's --

CHAIRMAN CRAVALHO: Would it not then also be necessary as part of this bond that the assets of the Board of Water Supply be also utilized potentially as security?

MR. MATSUO: It would be the General Obligation --

CHAIRMAN CRAVALHO: I'm speaking about a revenue bond of the Board of Water Supply.

MR. MATSUO: Oh, revenue bond, yeah.

CHAIRMAN CRAVALHO: And that's what's before us now, is it not? Mr. Craddick?

MR. CRADDICK: I don't want to put words in Ted's mouth, but his -- who's the guy that was here that runs the program from Washington?

MR. MATSUO: Larry Bowen?

MR. CRADDICK: Yeah, okay, Larry Bowen. In this GO bond/revenue bond possibility, we're also looking at a third possibility, namely a loan with the revenues of the Board of Water Supply backing it. And in that loan agreement, the assets that have to be pledged are the ones in Ulumalu/Peahi and that is all, according to Mr. Bowen who runs the program for the nation.

CHAIRMAN CRAVALHO: Do you have that in writing?

MR. CRADDICK: Well, Ted was sitting there at the meeting with me. I don't have it in writing, but I can get it.

CHAIRMAN CRAVALHO: The question before this body at the present time is for authorization to proceed with the bonding attorney.

MR. CRADDICK: Yes.

CHAIRMAN CRAVALHO: Is that not correct?

MR. CRADDICK: Yes.

CHAIRMAN CRAVALHO: If this board agrees to get permission for the obtaining of a bonding attorney, does that automatically, ipso facto, lead to the security items being part and being pledged?

MR. CRADDICK: It will be in whatever document is prepared, but it does not --

CHAIRMAN CRAVALHO: Will those documents be brought back before this board?

MR. CRADDICK: Yes.

CHAIRMAN CRAVALHO: For approval?

MR. CRADDICK: Yes.

CHAIRMAN CRAVALHO: Okay. The Chair doesn't have any objection to the retention of bonding counsel, provided, however, that the final documents do come before this board for this board's review and final agreement. Would that be satisfactory? That's all.

MR. FUKUSHIMA: If I can make a comment, Mr. Chair. There is also the issue of whether this board wishes to proceed with a revenue bond or a GO bond. At a previous meeting, the board had requested the department to investigate and look into the use of a revenue bond to fund this particular loan. There are advantages and disadvantages to a GO bond and a revenue bond. Whether this board is making a final decision as to going ahead with a revenue bond versus a GO bond, or whether it's just approving bond counsel and they are going to make the decision as to the final direction that's going to be taken in the future.

CHAIRMAN CRAVALHO: The Chair particularly

appreciates the comments of corp counsel. But the Chair's position is very clear and should not be confused. The Chair's position is that the agreement comes back to the board. We're not automatically agreeing to an agreement that we haven't seen.

Now, with respect to the utilization of revenue bonds versus general obligation bonds, it is the recollection of the Chair and it is the opinion of the Chair that what had been requested was a review, not a commitment by the Board of Water Supply.

So to make sure that in the absence of any clear-cut statement and clear-cut decision at this time, the Chair wishes to emphasize that the agreement comes back to this board. If that's fine, I have no problem. It comes back to the board whether I'm here or not. But the opportunity for the board to review it should not be arbitrarily passed away.

MR. MATSUO: Oh, no, it's not.

MR. FUKUSHIMA: If I may again, Mr. Chairman. The reason I raise that issue was because the bond counsel that we retain has to know what his duties are, whether he's going to be going ahead with revenue bond or the type of GO bond. If it's a GO bond --

CHAIRMAN CRAVALHO: One moment, Mr. Counsel. The Chair repeats that the Chair has made it eminently clear what the Chair's position is with respect to revenue and/or general obligation bonds and the requirement that it comes back to this board. If the board wishes to disregard or to supersede the Chair's decision, be my guest. But I am reiterating the Chair's concern that the final document does come back.

Parenthetically, over the years plus, one of the concerns that has been expressed more than once to this board, and not just by the present Chair, that far too often corp counsel or the office of corp counsel has gone beyond its jurisdiction in making public policy and public decisions. And the retention of that right of this body to make those decisions I will continue to fight for at all times, whether here

as a Chair or whether I'm sitting somewhere down the line. Public policy is not determined, in the mind of the Chair, by corp counsel's office. This has been the habit in the past. As long as I'm around, I'll fight against it.

Can we then have -- Mr. Starr.

MR. STARR: Mr. Chair, I just want to voice a little bit of concern that I've had surrounding this project. And I know that it occurred before I think any of us or most of us were on this board. And it's good to see a community trying to help itself up by the bootstraps and improve its private water system, which as I understand it that's what it is.

The question of whether the public should be encumbered and whether the water board should be encumbered in order to make that happen is something that I've considered, you know, and I do understand that there were board members and members of staff who live in the community and that might have helped make it happen in this particular community instead of other possible different communities getting the assistance.

So I do have a little bit of concern and I'm not really happy if it's going to affect our bond rating or it's going to create an obligation for this board, you know. It should be creating the obligation for the people in the community who have the private water system who are going to be aided by it.

CHAIRMAN CRAVALHO: Mr. Craddick.

MR. CRADDICK: I just would like to calm Board Member Starr's fears that the community ultimately is paying for this. If they do not pay, they lose the meter and the fee that they would have to pay to get the meter back exceeds the loan amount for each individual house. So --

CHAIRMAN CRAVALHO: The Chair particularly appreciates your comments and your explanation. But based on experience with this body over the period of last year plus, the Chair always wants to see it in

writing. Because there have been cases and there has been a slip twixt the cup and the lip.

If there is no objection, may we approve and proceed with the bond counsel as requested with the very clear, unambiguous understanding it comes back to the board. If no objection, so ordered.

Shall we go on to the next item.

MR. CRADDICK: Items 5 through 8 are all construction projects.

CHAIRMAN CRAVALHO: Shall we then refer all matters to the capital improvements and budget committee in deference again to the incoming chairperson as to particular manner they wish to handle matters.

Are we then ready to go to Director's 01-09?

MR. CRADDICK: On this matter here, we have Donald Gasatake from the Department of Health Care. I don't know if you'll have any questions about it. But the letter in the package says what the Health Department wants us to do. We are asking for funding to do that. We've asked for the worst case funding. We suspect that if we order just enough chemicals to go to the end of this fiscal year, it may be less than \$10,000 and wouldn't be an issue to bring before this board, but because we're adding something into the water, I felt it important to let the board know because we are having an informational meeting with the public April 4th and I didn't want us to be going to that meeting without the board knowing what was going on and why it was going on.

CHAIRMAN CRAVALHO: What's the pleasure of the board? Mr. Starr?

MR. STARR: Mr. Chairman, I want to be sure that the public has a real opportunity not only to know what's happening but also to participate on it. Because we're going to be adding phosphates into the Upcountry water system, we're being mandated to do this by the state. But I really feel that the people

who are going to be drinking the water should have a real understanding of what we're adding to the water and why, and, you know, that this is something we're being mandated do. The reason is because the lead in consumers' pipes has a tendency to come off the pipes into the water and when measured at the tap in a consumer's home, there are traceable amounts of lead being found. And by changing the chemistry of the water, it's been found that it's possible to lower that. But that does introduce, you know, another substance into the water and I do feel that it is ultimately the consumer's right to know and the consumer's right to decide.

So I don't know what this April 4th meeting is going to be, but I want to be sure that it's a real opportunity for the public to understand it and say their peace. And if that's not the way it's set up, I think we should schedule a separate meeting. So I would like to have a better description of what's intended, where, when, how, on April 4th.

CHAIRMAN CRAVALHO: Mr. Craddick?

MR. CRADDICK: Exactly as you say is how it's intended. We want public input because there are a couple of options in doing this. One, there is what they call an orthophosphate, zinc orthophosphate, and polyphosphate that can be put in. One has a much quicker reaction with the frozen materials in the pipe; the other one is a much longer period of time. And that's a concern for all the staff and one, quite frankly, that we don't have an answer to right off the top of our head and one that we wanted to get some community input on before we made that decision. So we expect to try and get full community input on this matter.

MR. STARR: Where will the meeting be held?

MR. CRADDICK: Pukalani Community Center.

MR. STARR: And what time?

MR. CRADDICK: Six o'clock.

MR. STARR: And how will this be advertised?

MR. CRADDICK: We've sent individual notices to every single person Upcountry that has a water service.

MR. STARR: Can you be sure that it gets in the Akaku, Maui News -- I see Harry is here -- Haleakala Times, and grapevine or whatever.

MR. CRADDICK: Yes.

MR. STARR: And then the public will be able to give testimony; is that correct?

MR. CRADDICK: Yes.

CHAIRMAN CRAVALHO: Okay. No objection?
Mr. Nobriga?

MR. NOBRIGA: Can I ask Mr. Quinn for an explanation of where these funds will be derived from?

MR. QUINN: Depending on what the board authorizes, \$70,000 actually can be handled within the chemical portion of the treatment plant budget right now. I'm not sure what the board's actions are going to be, but the funds are available in the operating budget that was already approved by the board.

MR. STARR: And the Chair would also like to point out that in the adoption of our annual budget, we did request the department to get involved in a certain percentage of savings which can be brought back to the attention of the board and this can be a case, doesn't need any additional appropriation, but utilizing part of the savings from the operating budget for the year. It will not be requiring any new monies. So noted. And I'm sure that we have adequate publicity to take care of the situation.

MR. TAGORDA: Mr. Chairman. This is a mandate

from the State Department of Health, right?

MR. CRADDICK: No, it's a federal law.

MR. TAGORDA: If we cannot meet a certain date for their requirement, are we subject to liabilities, fines, and penalties?

MR. CRADDICK: Donald, would you want to try that one?

MR. YASUTAKE: My name is Donald Yasutake and I'm with the Safe Drinking Water branch with the Department of Health.

The federal law specifies that if you don't meet corrosion control treatment within two years of approval of the treatment process, you can be subject to fines. It's a federally mandated law.

CHAIRMAN CRAVALHO: The Chair recognizes the expertise of our director in dancing around some of these questions very, very effectively and protecting the best interests of the County in those areas over a series of cases, not just this one.

Shall we proceed to the next item then?

MR. NOBRIGA: Do we move to approve that item, Mr. Chair?

MR. TAGORDA: I second.

MR. STARR: Discussion?

CHAIRMAN CRAVALHO: Yeah, we can be as irregular as we want to today.

MR. STARR: I want to criticize our legislators who have increased the funding for this program, which is very, very important, and I'm glad that we are participating in it because it's essential for the future of the watershed.

CHAIRMAN CRAVALHO: There is a pending motion for the approval. All in favor, say aye. Contrary.

Carried.

It's a very good situation, is it not, when the economy and the county is strong enough financially and otherwise to meet its needs and to be less dependent over a period of time. And the strength and the vigor of this department so far has been good and something for all of us to be very pleased with. As long as we're very careful that we don't kill the goose that lays the golden egg as we call it. I think it's very pertinent, very pertinent. Shall we proceed?

Director's 01-10.

MR. CRADDICK: On this matter, this is a similar issue with the West Maui partnership to do similar sorts of things, not miconia related over there but watershed protection.

CHAIRMAN CRAVALHO: Shall we possibly combine 10 and 11 in our discussions? Hearing no objection, shall we then proceed then. The Chair would entertain a motion for the approval.

MR. TAKITANI: So moved.

MR. HASHIMOTO: Second.

CHAIRMAN CRAVALHO: You've heard the motion duly made and seconded for the approved of the requests in Director's Report 01-10 and 01-11 that was with respect to the research -- Tri-Isle Research Conservation and Development Counsel, and 01-11, approval of West Maui Watershed Partnership. Is there any discussion? If not, are you ready for the question? All in favor, say aye. Contrary. Carried. Director's Report 01-12.

MR. CRADDICK: On this item here, I had requested that one of the Joint Venture people be here and they have been unable to attend, so I would ask that we could defer on this.

CHAIRMAN CRAVALHO: Defer it.

Communications 01-08 from Deborah Von Tempsky, asking for a waiver. Is Ms. Von Tempsky here? If not, shall we defer action to the next regular meeting?

We've handled the matter of Mr. Williamson in his communication. The record also reflects the decision and concern on an ongoing basis of the board.

Next item, Communication 01-10, request from Adam Patel with respect of Upcountry Flowers for water rates. Any comments or any presentations? Refer to staff to be handled subsequently by the appropriate committee and the new coming Chair.

Communication 01-11 from Katie Romanchuk with respect to approval of a condominium of property. Any comments or presentations? If not, refer to staff and back to the waterboard with its recommendations.

Communication from John F. Mink of Mink & Yuen regarding the East Maui Water Development Plans or the SEIS monitor.

MR. STARR: I have a few problems with this -- the monitor well --

CHAIRMAN CRAVALHO: That's the communication we're on.

MR. STARR: I understand that there is quite a lobbying effort on the part of the director to get the well size increased back up after the board had voted to decrease it, that he still wants to try to turn it into a production well sometime, which I feel will make it a lot more difficult to not only reach a meeting of the minds but it will also eliminate our ability to have a real monitoring well at the location long term which I believe that's the main purpose of it, so we have a real monitor well, not that we have something that can be pretended to be a monitor well for show and tell and then turned into a production well so that we never have any gauging. Because we need to have gauging before we proceed with any East Maui wellfield.

So I kind of take umbrage with the director for having not followed the board's decision which had

been voted on to decrease the size of the well to make it a monitor well and instead go back to the hydrologists and try to change it.

And I have a little bit of concern about the location because I understand that the location -- which I had gone and visited on a beautiful spot up on hogback ridge but it's a knife edge ridge, and this is a little ways away from the spot that was circled on the map and approved by the court. And the fact that it's on a knife edge ridge as it is means that it might not be a suitable location for the test that's supposed to be done. In other words, it's going to be very hard for water to intrude, you know, into the well or out into the ground when it's up on top of almost a 1,000 foot knife edge ridge.

So I think we need to make sure that all sides sign off on the location and that it be made a real monitor well before we produce with this. And I leave it up to the Chair as to the mechanism for doing this. I would be very happy to offer my services to try to get it worked out. But I do think we need to get it -- everyone happy with it before we proceed and then we should proceed ASAP.

CHAIRMAN CRAVALHO: The Chair would like to make a couple of comments with respect to recognition of Mr. Starr of the director's lobbying efforts or whatever. I believe that the director may have been reacting to concerns expressed by the Chair. And because the understanding of the Chair that the work that had been done by Mr. Mink and Yuen before coming to this board when the decision was made from 8 inches versus 14, that the work had been done and completed with respect to the 14 gauge trailer. And in the interests of furthering the concern of this board with respect to a finalization of the EIS statements, et cetera, a concern that had been expressed many times by Mr. Starr as to the undue delay that has been our experiences in the past, that it behooved this board to review again the question whether we accept and move with the 14-inch versus 6-inch or an 8-inch which would be time delay. And the Chair, for whatever it may be worth, would strongly suggest that this board

give appropriate attention and approve a 14-inch. And the Chair is retreating from his original position, the Chair wishes to acknowledge that. But in the interests of speed and movement -- and this interest in speed or this necessity for speed and movement have been emphasized within the past couple of weeks. And it has been re-emphasized again in testimony presented by interested parties in the community today.

So the Chair would like to strongly suggest and encourage that we look at the 14-inch. And the Chair would ask for -- Mr. Craddick.

MR. CRADDICK: In response to Mr. Starr's concern over lobbying. At the meetings when that decision was made, I'm not quite certain why Mr. Mink didn't say something. I believe Howard or Corp Counsel has also talked with Isaac -- I believe Isaac knew that we were doing 14-inch; is that correct?

MR. FUKUSHIMA: That's correct.

MR. CRADDICK: And I think that the concern here is if you're going to do a small hole and only be able to pump it at a fraction of what the production well will produce at, the question can always be raised what is going to be the actual condition under actual pumping conditions. And we don't want any delay because we have done a small little hole and only have a fraction of the information. And that's what Mr. Mink says. And my interest in this thing is moving forward as quickly as we can possibly go. And that's -- if there was some lobbying effort, that's what it was. Not because I think that we're not going to do monitor wells. I know there is going to be more monitor wells out there than this one. There is also going to have to be a deep monitor well to monitor the saltwater interface before this project is all finished. But to get this information for the EIS which is interaction with stream flow, we need the fullest information that we can possibly get.

CHAIRMAN CRAVALHO: Mr. Starr.

MR. STARR: My concern is to just make sure that the sizing and type of well and the location is agreed upon by both sides. And I do share your urgency.

I did want to make one other suggestion to see if it might be feasible, though, to speed this thing up even more, which is that the test drilling rig that is operated by the USGS, of which this board has purchased a share, is on Maui right now. It was supposed to go to Kauai after drilling on Molokai, but it came to Maui. And I think the community is fortunate that it's drilling -- getting ready to drill a test hole up for Hawaiian Homelands up at Waiahole below the green tank up there. And there was discussion about it being kept up there to drill a second test well, but I've not been able to find anyone who can give me the reasons to drill a second test hole up there. You know, the rig is not capable of drilling production wells, both legally and also physically. So it seems that it's going to drill one hole there and possibly a second one that won't really have any purpose and then it will go off to Kauai. And I understand that the department had given permission for Hawaiian Homes to use the rig and I'm glad that they did. However, I think that it might be possible, if we were to act expeditiously and get everyone involved on one wavelength, to be able to move it after drilling one hole over to that hogback area and use it to drill the test hole and get it done really fast and get it done by the USGS so that we know it's done right.

CHAIRMAN CRAVALHO: That's the -- let the Chair try to recap. It appears that the only difference of opinion then, in terms of getting parties in agreement, is with respect to the size. The corp counsel's office has advised us that it's a court order that makes reference to 14-inch, so that particular question then becomes moot. So it's to expedite, to get -- Mr. Hall has presented to us, has been in consultation. We appreciate his participation in this, what the Chair has urged in the past, as long as we keep in mind at all times he is not a member of

the corp counsel's office. His input is necessary and important where relevant. So then if we can proceed.

MR. STARR: We must get the location agreed on.

CHAIRMAN CRAVALHO: That can be worked on relatively easily, I believe. So then if we get the location, we get the drilling apparatus ready, we recognize the court order of 14 inches, we recognize the participation and contributions of a valuable nature in this particular case of Mr. Hall, that we go ahead fast so we can work a series of problems and needs that we have. If no objection, shall we then proceed. Yes, Mr. Corp counsel.

MR. FUKUSHIMA: Short recess.

(Brief recess.)

CHAIRMAN CRAVALHO: Shall we reconvene? With respect to the question before this body, may the record reflect if there are no objections that by unanimous consent of the board this is the process we're going to be following to speed up the agreement on site location, 14-inch, so we move. Any objections on the part of the members of this board? Hearing none, so ordered.

Shall we proceed to the next one. Committee reports. Capital programs and finance committee, both people are not here. What's the pleasure of the board? Mr. Takitani?

MR. TAKITANI: Mr. Chair, I've been asked to substitute in the absence of Mr. Rice and Mr. Nakamura and present to the board their recommendation.

So for Director's Report 01-01, the committee would like to recommend that the department be authorized to seek bids for the project and to proceed with the construction, provided that the total cost including contingencies not exceed \$700,000.

MR. NOBRIGA: Second that motion.

CHAIRMAN CRAVALHO: You've heard the motion duly made and seconded for the project to be initiated and proceeded with, authorized, and that the total cost would be not to exceed \$700,000 including contingencies. You've heard the motion. Any discussion? If not, are you ready for the question? All in favor, say aye. Contrary. Carried.

MR. TAKITANI: For Director's report 01-02, perhaps I should read some of the background so people here might understand. Request for appropriation of funds for engineering design services for the Lower Kula Road Waterline Replacement project from Ka Drive to Kimo Drive and on Waokala Place.

The proposed improvements include replacement of inadequate water lines on Lower Kula Road from Ka Drive to Kimo Drive and on Waokele Place.

The Committees noted that the project is included in the fiscal year 2001 Pipeline Replacement project. The Committees further noted that the project will alleviate a potential health and safety issue relative to the Waikele Place system.

The recommendation of the joint committees of finance and capital improvement is to recommend the authorization of \$50,000 for design services.

CHAIRMAN CRAVALHO: Do I hear a motion?

MR. TAKITANI: So moved.

MR. NOBRIGA: Second.

CHAIRMAN CRAVALHO: You've heard the motion duly made and seconded for the approval and the allocation of \$50,000 for the specific projects listed thereon. Any discussion? If not, are you ready for the question? All in favor, say aye. Contrary. Carried.

Oversight committee.

MR. NOBRIGA: Mr. Chairman, Communication 00-52, request from William S. Worcester for a waiver of fire protection. The committee met. The applicant

has been afforded an opportunity to participate in a CIP by sharing for one hydrant. Unfortunately, there has been some difference of opinion and I would like to move that the request be denied.

CHAIRMAN CRAVALHO: You've heard the motion. Is there a second?

MR. HASHIMOTO: Second.

CHAIRMAN CRAVALHO: You've heard the motion duly made and seconded for the denial of Mr. Worcester's request for the waiver. Any discussion? If not, are you ready for the question? All in favor, say aye. Opposed. Carried.

MR. NOBRIGA: Mr. Chairman?

CHAIRMAN CRAVALHO: Mr. Nobriga.

MR. NOBRIGA: Communication 01-02, request from Ron and Donna Richmond for waiver of the subdivision requirements, Manawai Homesteads. This applicant is creating 3-lot subdivision with one lot that contains our meter to be sold and two other lots created using a private water system.

The committee recommends approval of the matter with the provision that all rules of the department that apply be executed by the applicant.

CHAIRMAN CRAVALHO: You've heard the motion. Is there a second?

MR. HASHIMOTO: Second.

CHAIRMAN CRAVALHO: You've heard the motion duly made and seconded. Mr. Craddick?

MR. CRADDICK: The request is for a waiver from the rules, so I don't know how you say you're going to approve the request but they have to comply with all rules.

CHAIRMAN CRAVALHO: All the rules that are not covered in the motion. That means any other rule that may be applicable. Relatively simple. Don't go look for spiders when you don't need to. It's simple, very simple. You looking for a way to deny. Get away from that. Oh, Mr. Craddick, you've done this many times. You've done this many times. You've questioned the intent of the board, you've questioned the intent of the motion. It's clear the request is being met. If there are other rules that have been duly promulgated and adopted in the proscribed form so that they have legal standing, then those rules have to be met. The requirements have to be met because the board cannot grant a waiver from a portion of the law. That is clear. You know that; I know that. And you've danced around I don't know how many times during my experience here to avoid that. And the net result has been, perhaps unintentionally -- and I believe it has been unintentionally, but the net result has been people have been hurt unnecessarily. So let's not go look for spiders when there are none.

Okay. You've heard the motion. All in favor?
Yes, Mr. Takitani.

MR. TAKITANI: May I ask what the corporation counsel's opinion was regarding the subdivision containing both private and --

MR. FUKUSHIMA: If I may, I believe our opinion was a little late. The attorney working on it had some other matters to attend to. However, the opinion was submitted I believe to the department yesterday. In essence what that opinion provided for was that a private system and a public system may exist within the same subdivision at the same time, in essence.

CHAIRMAN CRAVALHO: In essence, that's correct. Mr. Tagorda.

MR. TAGORDA: Mr. Chairman, thank you very much. I would like to speak against the motion of Mr. Nobriga, my friend, because I believe strongly

that strict applications of our department's rules and regulations may apply here. The person -- the request was for subdivision requirements. And in our department rules and regulations, we have numbers of provisions that pertains to this requirement. We have general requirement Section 2-1, page 4, you recall that. We need to have the suit divider put on fire protection even if we have to go on private system. You need to have the extension. You need to know the capabilities of our water system in that area. And without meeting all those requirements, we are trying to complicate matters.

CHAIRMAN CRAVALHO: Any further discussion?

MR. TAGORDA: And also, Mr. Chairman, I would like to add one more. I just think of this again. [Inaudible] rule again Mr. Nobriga, water system development, it states so clearly -- and this is Section 16-8-5, water surveys, all new premises resulting from a subdivision of the original premise will be required to have a separate water meter. Now it's going to a private water system, there is two lots, not going to get a water -- a meter. And I don't know if the requestor have gone far enough to go to Maui Fire Department and ask them if they really have considered such subdivision there without fire protection.

CHAIRMAN CRAVALHO: The Chair has a couple of questions. Have these matters been reviewed by you and your committee or --

MR. TAGORDA: Yes.

MR. NOBRIGA: Yes.

CHAIRMAN CRAVALHO: Fine. And the report has been submitted from the committee?

MR. NOBRIGA: Yes.

CHAIRMAN CRAVALHO: Then we can prolong the

agony a little while.

MR. STARR: Call for the question, please.

CHAIRMAN CRAVALHO: The question has been made for the approval. Any other comments? Mr. Craddick?

MR. CRADDICK: I just want to say in addition to what Howard is talking about, Corp Counsel also said that even though you can have this co-existing private and public or hybrid system, it did not waive the requirements of the subdivision requirements.

CHAIRMAN CRAVALHO: That's correct. Those that are not relating to the particular question. Again, we're going through corners. The question has been asked for. Let's go have a roll call.

MS. NAGO: Clark Hashimoto.

MR. HASHIMOTO: Aye.

MS. NAGO: Mike Nobriga.

MR. NOBRIGA: Aye.

MS. NAGO: Jonathan Starr.

MR. STARR: Nay.

MS. NAGO: Mr. Cravalho, will you be voting?

CHAIRMAN CRAVALHO: At the end. You have the members. The Chair is always the last person to vote.

MS. NAGO: Orlando Tagorda.

MR. TAGORDA: No.

MS. NAGO: Bob Takitani.

MR. TAKITANI: Aye.

MS. NAGO: Elmer Cravalho.

CHAIRMAN CRAVALHO: Aye.

MS. NAGO: There is four ayes and two nays.

CHAIRMAN CRAVALHO: So there is an insufficient number of five. And if you recall the statement of the Chair earlier, let's prolong the agony for another time. The Chair is very able and counting, I can assure you of that. So it's merely an opinion of the Chair, it's merely a matter of time. Shall we go on to the next one?

MR. NOBRIGA: Mr. Chair, we have a Revised Communication 99-31. The Hoekstras was afforded a waiver of fire protection by this body and unfortunately has met with some difficulty again from the department and the committee re-reviewed our report and would like to move at this time that we approve the private water system's modifications for subdivision provided for the Hoekstras for the use of their one-and-a-half-inch meter.

CHAIRMAN CRAVALHO: Is there a motion?

MR. HASHIMOTO: Second.

CHAIRMAN CRAVALHO: You've heard the motion duly made and seconded which in essence approves the request with all the clarifications contained thereon. Any questions? If not, are you ready for the question? Discussion.

MR. TAGORDA: Again, I cannot support my Chair on this for subdivisions that this subdivision requests to use the inch-and-a-half meter to two more new lots.

Actually, if I may, Mr. Chairman, this subdivision, the owner of this subdivision, had an agreement with the Board of Water Supply way back in '95. They subdivided a three-lot subdivision and they got final approval from the board. But in that final

approval, they entered into so many agreements and they followed some requirements by the board to go into a private water system. And they was able to get two water meters. So they had three meters in that three-lot subdivision.

Now the request that comes to us is to subdivide one of those lots into three more lots using the department's one-and-a-half inch meter to provide service to those three lots. And I know we have authority to modify such requirements, but we have to really remember that in that provision with modification of subdivision requirements, it states so clearly, Mr. Chair, before we utilize such authority of the board, that those people that are serving that area will not be jeopardized by this new action by the board.

And again, that's the reason why I strongly -- I'm strongly against this because of my strong belief that this board should strictly apply the department's rules and regulations and be fair and consistent. Thank you.

CHAIRMAN CRAVALHO: Yes, ma'am.

A VOICE: I just want to ask that my case be deferred because my attorney had to leave, he had the case. Could you please defer this?

CHAIRMAN CRAVALHO: What's the pleasure of the board? The question has been made by the applicant for deferral. Mr. Chairman? That's you.

MR. NOBRIGA: Yes, I will grant that deferral.

CHAIRMAN CRAVALHO: If there is no objection, deferred to the next regular meeting.

Recess has been asked for. No objection. So ordered.

(Brief recess.)

CHAIRMAN CRAVALHO: The meeting will come to order. Operations review committee reports.

Mr. Starr.

MR. STARR: Thank you, Mr. Chair. The committee has sat through a lot of testimony and received a lot of written testimony as well on items one and two which we're going to handle as one unit. And this relates to meter issuance policies upcountry and the priority list. And we seem to have found several themes. One is that it's somewhat unfair to people who have been waiting a long time to be able to make the minimal -- very minimal use of their property. And the other theme is that we don't want to overstress the system so that we get back into the severe droughts that we've had in the past and enforced cutbacks. And it seems that watching the system through a very dry year, if we're willing to do the pumping and spend the resources as we have been, we've been able to keep water flowing. And it seems that we probably have maybe 200,000 gallons or so per day that could be utilized.

So I'm going to offer a motion for at least discussion here that a single 5/8" meter be offered and issued to the members who have been waiting so patiently on the priority list, starting at the top of the list and moving down that list until 200,000 gallons of water per day have been allocated and that if we get through the whole list, then we can take another look at the situation. So that is my motion that the director will proceed on that basis.

CHAIRMAN CRAVALHO: Is there a second to the motion?

MR. NOBRIGA: Yes, I second that motion, Mr. Chairman.

CHAIRMAN CRAVALHO: You've heard the motion made by Mr. Starr, seconded by both Mr. Tagorda and Mr. Nobriga, and we can go alphabetically or who's first is immaterial. The gist of the motion, as the Chair understands it, is that all people who are applicants for meters be issued a 5/8" meter. We hope -- the objective being to work within a 200,000 gallons plus-minus allocation. Plus doesn't mean going to 2 million. But there is a recognition of

fluctuations that do come from time to time.

It is the understanding of the Chair -- and correct the Chair if the Chair is in error -- that preference should be given to family subdivisions and things of that nature. Would you object to that?

MR. STARR: I would prefer to go in the order of the list the people have been waiting and that each applicant just be offered one if they were in a position to receive it. In other words, I don't -- some people on the list are waiting for 20 meters. But my desire is that each name on that list be at least given the opportunity to get one.

CHAIRMAN CRAVALHO: One meter.

MR. STARR: Yes, sir.

CHAIRMAN CRAVALHO: Is there a -- question. Is there a cut-off period, experiment for six months or nine months or whatever? Or just go and attend to it from time to time?

MR. STARR: Well, I think that we should offer those meters out and if they get through the list and there is still water available, then we look at it again. We don't take away anyone's rights that's been waiting on the list for larger meters.

CHAIRMAN CRAVALHO: Would the Chair set a timetable in terms when this board would review it for sure periodically?

MR. STARR: Please.

CHAIRMAN CRAVALHO: Six months time.

MR. STARR: Six months.

CHAIRMAN CRAVALHO: Six months. Subject to review of the board. Mr. Takitani.

MR. TAKITANI: Is there a time period in which

the applicant has to respond to put in his private meter? In other words --

MR. STARR: The Chair just said six months.

MR. TAKITANI: -- could he defer it for a year, two years?

MR. STARR: The Chair just said we would review after six months.

CHAIRMAN CRAVALHO: It is also the understanding of the Chair that, more particularly, this may require the setting up of this procedure in a rule process. And we're not trying to circumvent the rule or the requirement for the rule process to be met, but this is basically the objective the Chair may impose upon the members of this board.

When the Chair agreed to serve on the board, it's been the understanding it would be for the minimum period and it would not be subject to any reappointments. Those were the conditions and requirements.

It has also been the position of the Chair over a period of long years -- much too long, in my estimation -- that the job is a relatively simple one. It's to take it from where it is, water, to where it is needed. And if we keep our eyes focused on that attention, we're going to be able to do it. It was the opinion of the Chair, privately perhaps, that there would be a time frame to accomplish this. I'm extremely pleased, Mr. Starr, that in spite of our differences -- and we like to think of those differences as being procedural rather than substantive when we're aiming in the same direction.

And as the Chair has indicated in the past and more particularly past couple of weeks, that if the very best efforts of a whole variety of people are brought to bear on these challenges, we're going to succeed and we're going to succeed extremely well.

History has been very kind to this county. And perhaps in spite of our inadequacies, we seem to

have been fortunate to be blessed that we have been able to succeed. It's been the hope of the Chair that as we 25 years ago rewrote the history of this island in terms of objectives and statements of confidence of what could be done and pursued, that we were being blessed one more time, one more time, in being able to structure a process and a utilization of assets and people for the next generation if not more. And I am extremely grateful and appreciative of the foresight that has been and is being exercised. Together it can be done.

The other comments I have will be reserved for the ending of this meeting, but the mood is there, do it now. For all possibilities, this will be the very last meeting that I may be able to attend. I'm slated for some major surgery on the 6th of April. I don't know what the results may or may not be. But I'm an optimist. Failure has not been part of my vocabulary. So I'm optimistic. And I'm optimistic if Mr. Starr's motion passes, and this body works in unity and this community begins to work in greater unity yet, success is going to continue to be ours and the very enviable position that Maui County has today as being Maui island, the favorite and foremost island of quality for visitors, can continue for another generation.

In addition to that, this waterboard has done in the past year has put a premise on agriculture and has brought the farming element -- not just the big ones, but the small guys, brought that element into the bargaining table as full-fledged members and participants in the future of this community with a recognition of their value and their importance to our success.

So to all of you and Mr. Starr and the members of your committee and the members of the board and the members of the public, my cup runneth over. Good fortune will continue to follow for all of us. Never mind the disagreements, never mind the differences, because I think you have them in perspective and we can move.

The Chair wishes to thank the patience and the support that has come from the members of the board. It has been difficult. The Chair recognizes that.

But the Chair is pleased with the support. And if there is no objection, the Chair would like to call for the question. All in favor, say aye. Contrary. Carried.

The Chair would like to end this meeting with the full recognition of the participation and the assistance of our Vice Chair, and the Chair then would like to be able to sit next to my friend Mr. Craddick and have the Vice Chair preside for the rest of this meeting, if there is no objection. Hearing none, so ordered. Mr. Tagorda.

MR. FUKUSHIMA: For clarification, at that last motion, was that a direction to corporation counsel to start developing a rule that we work on the proposed rule relating to the list and allocations of that list?

MR. STARR: It was a direction to proceed, but if counsel feels that a rule is necessary to proceed then we can proceed on that path. If not, then perhaps we can proceed a little more directly.

MR. FUKUSHIMA: It is our opinion that a rule is necessary to carry out that policy the board has adopted.

MR. TAGORDA: If I may, Mr. Counsel, I think the motion by Mr. Starr is to issue 5/8" meters based on the priority list and that motion was approved by the full board, so it becomes the policy of the full board to issue the 5/8" meters unless you --

MR. FUKUSHIMA: What I'm trying to say, Mr. Vice Chairman, that we believe that a rule is necessary if there are going to be classifications and the issuance of meters based upon certain other requirements other than where they are on the list. We believe that is important and we believe that it is the appropriate way to approach that policy -- implement that policy.

MR. STARR: Mr. Chair, may I suggest that

counsel come back at the next meeting and perhaps the committee can also assist in looking at this and seeing what the most expeditious way of proceeding will be.

MR. FUKUSHIMA: Certainly.

MR. TAGORDA: Okay. It's been agreed that we are going to meet next meeting and see what we can -- how we can get it done with the corp counsel on the matter.

MR. STARR: Mr. Chair, I have some more of my committee report, if it's all right.

MR. TAGORDA: Continue, Mr. Starr.

MR. STARR: Yes, sir. The operations review committee met a number of times and went through the previous evaluations of the director. And taking points from many different sources, including the last few evaluations, a criteria letter that Mr. Takitani had created a few years ago, and the QualServe report and also other comments that had come from the minutes of meetings of the board, and we have come up with a criteria and that is based on a number of questions and we came up with 10 questions. And if it's the pleasure of my fellow board members, I would like to move at this point for discussion purposes that a pool of questions be adopted at this meeting so that later on we can proceed with the evaluation under that basis. I do have a list of 10 suggested questions and I would be happy to amend them or leave some out if some of the board members would like to. But for right now my motion is that we adopt a set of ten questions and that the questions be graded by each member in the numerical manner from zero to five and that then the answer -- the upgrades be put on this answer sheet that each board member has and be passed to the Chair who will then grade the evaluation and find out if the total is more than three, the director will be deemed to have -- equal to a greater than three or satisfactory, the director will be deemed to

have the confidence of the board. And if it's less, he will be deemed to lack the confidence.

MR. TAGORDA: You have heard Mr. Starr's mentioning all of those things that -- all the questions, a number -- ten of them, and what he wants to do. It's a long motion and I can't really repeat all that. Can I hear a second for discussion?

MR. NOBRIGA: I'll second for discussion. I would prefer if Mr. Starr could restate his motion.

MR. STARR: Let me restate. My restating is that I move that we proceed as per the committee report which is called the recommended evaluation criteria for the director and that we adopt this criteria.

MR. CRAVALHO: Mr. Chairman, I would like to suggest -- well, with respect to the motion, speaking on the motion as made, I speak in opposition to the motion. Not that I disagree. My only disagreement was with basically one word: Adoption. I would like to suggest that we look for the acceptance of the report. And this is in fairness not only to all of the members who are here now, but for those who are not here so that they can amply participate. So if there is no objection on the part of the movant to change the word from "adoption" to "receipt and acceptance by the board for discussion," I have no problems.

MR. STARR: I look at that as a friendly amendment and it can be so included in the motion.

MR. TAGORDA: So the motion of Mr. Starr was amended. Instead of using the word adopted, it's going to be accepted by the full board for discussion. Any more discussion?

MR. TAKITANI: I would like to speak in opposition to this motion. My opposition is that I do not believe that these are the top ten goals and

objectives of the Board of Water Supply. Because as we heard here, I still believe that the top priority of the board is to gain more source water. And I believe that our director should be evaluated on the basis of how he does what the board intends in its goals and objectives.

The number of questions that have been presented here appear to me to be more of a polling device to get feedback from others. And I grant you, feedback from others is extremely important. However, this board comes down to its own position of evaluating its director and we need to have the best criteria available in which to evaluate. And I believe that gaining more source water is extremely important. The Iao Aquifer situation and the jeopardy of downgrading of the aquifer, the pumpage, et cetera, is another that's extremely important. Those should be the kinds of questions on which the director should be evaluated. How we have done as a board and the director as to alleviating the problem of upcountry droughts, providing more groundwater for upcountry so they don't have to rely completely on surface water and be subject to all the drought that they have in the past. That should be another extremely important objective. And I believe those are the kinds of ways that we should evaluate the director, not on a polling device that would get feedback from people who may not be that happy with the performance of the director.

And I truly believe that to perform a performance evaluation, you need to have your criteria set prior to the period even so that the incumbent knows what he's being judged against. Don't come up with a set of rules that is difficult for anyone to grade highly upon. And that's the way I see this device. It would be extremely difficult for anyone to poll highly on this device.

MR. TAGORDA: Mr. Cravalho.

MR. CRAVALHO: Mr. Chairman, I believe the points raised by Mr. Takitani are very valid. However, those are the kinds of discussions and those are the kinds of items that is being proposed by the

present motion. The present motion is only to accept the transmittal of that particular item to this body, to provide this body with the opportunity to view the various criteria. So I'm not making, Mr. Chairman, a judgment on the contents, but merely on the procedure to return to this body again the opportunity to analyze and to come up with a final kind of a position as to what the values should or should not be.

The need for an evaluation is long overdue and this has been stressed by all parties concerned. This is merely, as I understand it, the first step in implementing this evaluation process which this body has adopted in the past the procedures that are necessary. So I would strongly urge the members of this body to vote in favor of the motion which is merely the acceptance of the report and bringing it to the attention and to the decision-making process of the entire board. That's my understanding of what is involved at this stage. Am I not correct? If so, Mr. Takitani, I would like to ask you to kind of look at the acceptance.

MR. TAGORDA: Mr. Starr.

MR. TAKITANI: In that light, I would be amenable to Mr. Cravalho's comments --

MR. TAGORDA: Mr. Takitani, will you please give Mr. Starr a chance.

MR. STARR: I would like to answer to the comments which are well taken. And as I did state in the presentation, I'm very happy to have the board change some of the questions, leave some out, add some in, whatever. This is a starting point. But I did want to comment that out of these questions, two of them do relate directly to what you said and four others were lifted directly from your own memo of several years ago where you set the criteria for the evaluation of the director. However, the evaluation had never taken place based on the criteria you had created. So they come almost -- you'll see, four of them come almost word for word from your own report on

how to create the criteria. So they're not things from left field. They're from there, they're from the QualServe where we paid consultants to come in and evaluate, and they come, you know, from previous -- the discussions and previous evaluations which were all -- where this does depart is this is not an essay type questionnaire. In the past, the board members have written essays, but that's not been empirical. This is trying to take the same concepts and create and empirical document.

MR. TAGORDA: Mr. Takitani.

MR. TAKITANI: I apologize maybe for the fervor of my comments, but as I move closer to the exit door following closely in line with Mr. Cravalho and at the next meeting I would be sitting -- in PTA/golf parlance, I will be sitting behind the ropes and not inside the rope. So my fervor is intended to ensure that the board would consider carefully the comment that I have made and not try to judge primarily on areas of interdepartmental relationship with others. Look at the job that needs to be done, providing clean water efficiently. And taken in that context, yes, I would be able to support and know that the board would do a good job in this evaluation which I agree has been long, long overdue.

MR. TAGORDA: I think all your points are well taken, Mr. Takitani. Any more discussion? Ready for the question? Those in favor of the motion to accept the recommendation of the operation committee on the evaluation of the director, say aye. Opposed? Carried.

MR. CRAVALHO: Mr. Chairman, clarification. Not the acceptance of the recommendation, but the acceptance of the document.

MR. TAGORDA: Acceptance of the document.

MR. CRAVALHO: Thank you.

MR. TAGORDA: Okay. Committee of the Whole. Communication 00-38, request from Paul Horikawa on behalf of Mr. and Mrs. James Amaral for water meter for Lilikoi Farm Lots in exchange for water meter under Service Number 934-01000.

MR. STARR: Mr. Chair, I move for approval.

MR. NOBRIGA: Second.

MR. TAGORDA: It's been moved for approval and seconded by Mr. Nobriga. You don't have to talk. But if you want to, it's up to you.

MR. HORIKAWA: What I wanted to do is just say a few things. I know where the board is going and I thank you for that. I just had a few things that I wanted to say before I left.

One is that -- I'm not going to speak on the merits because I'm considering that because of the way the votes are lining up, that it's going to be approved. But the committee did recommend approval on March 6th and we believe that the committee discussed the issue and that its recommendation is supported and we would request that the committee adopt the -- excuse me, the board adopt the recommendation of the committee and grant the requested relief.

But the thing I really wanted to say before I leave is as far as Bob, I can't believe five years has gone by so quickly. It seems as if you were just being sworn in. And I guess as time goes by, it just goes faster. On behalf of myself and the firm and if I could be so presumptuous people in the community, we would like to thank you for your service. I think you've done a good job for the board. And thank you for your service.

As far as Mr. Cravalho, I may be showing my age, but about 30 years ago -- and I'm not that old -- about 30 years ago, I was one of your biggest critics. Through time, maybe because maybe I got smarter, maybe I got wiser, I don't know, I've come to respect you, your intelligence and your points of view. I'm not as an optimist as maybe you are, but I wish you the best

of luck, best of health in your operation, and hope everything goes okay.

Mr. and Mrs. Amaral are here today, they're here to answer any questions you may have regarding their request. Mr. Chairman.

MR. TAGORDA: Any members have questions?

MR. HASHIMOTO: Call for the question.

MR. TAGORDA: Those in favor of the approved recommendation of the Committee of the Whole, say aye. Opposed. Carried. Thank you very much.

MR. HORIKAWA: Thank you, Mr. Chairman. Good luck, Mr. Takitani and Mr. Cravalho.

MR. TAGORDA: Next item. Communication 00-44, request from Mr. Edward T. Esty for approval to temporarily use an existing water meter to fill a tank to be used as the domestic water supply.

The recommendation of the committee is to deny the applicant's request.

MR. NOBRIGA: So moved, Mr. Chairman.

MR. STARR: Second.

MR. TAGORDA: It's been moved and seconded that the applicant's request be denied. Discussion? Ready for the question? Those in favor of the motion, say aye. Opposed. Carried.

Communication 00-45, request from Andrew and Sheila Fujikawa for water meter, TMK 2-2-3-14:86, Kula Haleakala Acres.

It says right here, applicant will be working with staff since the director has indicated that there may be a reasonable way to comply with the agreement.

MR. NOBRIGA: Can we have an update from staff?

MR. CRADDICK: Herb, anything?

MR. TAGORDA: Anything? No?

MR. CRADDICK: No.

MR. TAGORDA: So we leave it to the staff.

MR. CRAVALHO: Mr. Chair, I suggest that we set a definitive time to have a response from the staff for the next meeting or whatever the case may be. And at the same time, Mr. Chair, slightly different subject matter in terms of individuals. Last meeting, Mr. Chair, we had a request had come in from one of the Amarals to connect with some private system upcountry and we said to refer it to staff and to the director to report back. Can we expect a report back at our next meeting?

MR. CRADDICK: Okay.

MR. TAGORDA: Thank you, Mr. Cravalho. Communication 00-47, request from Sandy Daniells for relocation of a water meter from TMK 2-7-14:44 to TMK 2-7-14:46. Applicant withdrew the request from the board's agenda.

And next item, review and possible action regarding the Memorandum of Understanding with Gerald Hokoana. The Committee of the Whole recommended that the board accept the MOU with Mr. Hokoana. Motion?

MR. STARR: Mr. Chair, I move that we accept the recommendation and approve.

MR. TAGORDA: It's been moved to accept the recommendation.

MR. HASHIMOTO: Second.

MR. TAGORDA: It's been seconded. Discussion? Question. Those in favor of the motion, say aye. Opposed. Carried.

Communication 00-51, communication from Debra Mapel of the Molokai Dental Health Coalition regarding fluoridation of the Molokai water systems. Please state your name for the record.

MS. MAPEL: Hi, I'm Deborah Mapel. I'm a facilitator for the Molokai Dental Health Coalition and I want to say good morning and thank the board members, the chair, the secretary, and corporate counsel for making the journey to Molokai. I realize it wasn't an easy journey and required you to travel at night, which we all admire. I also want to thank this board for reviewing the large amount of materials you've received on this issue.

Today I did bring you a few more items to review. After the meeting, I was presented some information on the history of Molokai and dentistry. In 1975, then Mayor Cravalho assisted our island when we were in a dental crisis. We did not have dental service providers. We had a serious dental decay problem at that time. And we only had one public health dentist working there. We needed to open a gap clinic to meet the needs of the people who were not covered under the public assistance program. And the County at that time worked with other agencies and the Molokai Dental Task Force to provide a clinic and also a means to recruit dental personnel to Molokai to live there and open practices there.

At that time the task force did develop a plan to address the issue of dental care and dental needs on Molokai. The first was the opening of the office and recruiting of personnel. The second was to do an educational program for the island to make the public aware of their dental health needs and to be responsible for their dental health needs. And the third was to provide fluoridation on Molokai. We did have a history of fluoridation in one section of the island which was very successful, but unfortunately was ended due to lack of funding of a private source. I'll remind you this was all in 1975 and you will be receiving some paperwork covering that.

This is now 2001. We finally have an opportunity to provide the fluoridation, third phase of this project. And this opportunity presented itself to Molokai due to our unique size and population, something that oftentimes prohibits us from receiving services.

Economics is a definite problem on Molokai.

It was in 1975 and it still is today. Some things do not change.

When we talk about fluoridation, we talk about it being economical. We know that it would cost \$1.50 per person per year. There is no other economically viable way to provide this service. It's efficient. It is not a medication although it can come in a pill form. It is a nutrient. We do not advocate passing out pills. We do not have the control over that means. In water fluoridation, it is very controlled, it's very safe. Many of the times when people refer to incidents involving fluorides and fluoridation, these are not water fluoridation incidents. These are often areas that have natural fluoride way above the amount that we would have in the water. Engineering today has made it much more safer than chlorination of the water.

This is a very pure form of sodium fluoride. It is not an industrial grade and it is not a pharmaceutical grade, it is a food grade and it is well regulated as is the chlorine that's added to the water.

Basically today, although you've heard from me many times and we appreciate the time you spent on Molokai listening to the public, I did want to remind the board that we're not asking for approval of fluoridation. That has been approved from the Surgeon General, down to the Department of Health, down to the private practitioners on this island who feel that this is very necessary for us to provide the best service for our community.

It's a natural means, the best method to differ this particular nutrient into the diet over a lifetime. We are just asking for your permission to accept this opportunity that was provided to our community and to allow for the adjustment of the fluoride concentration in the water.

So we appreciate all the time. I know you have a very large agenda, many topics to cover, and this is my specific topic, but we appreciate all the time that you have done on this issue and we hope to answer any questions that you have.

MR. TAGORDA: Members? No questions. Thank you.

MS. MAPEL: Thank you.

MR. TAGORDA: The last item -- yes, Mr. Starr.

MR. STARR: I'm trying to understand what we're going to do with it -- what we're going to do with this. I would be happy to make a motion to -- in fact, I would like to move that this communication be filed.

MR. CRAVALHO: What's the communication, Mr. Chairman?

MR. STARR: The letter from Ms. Mapel.

MR. TAGORDA: Communication from Deborah Mapel of the Molokai Dental Health Coalition regarding fluoridation of the Molokai water system.

MR. NOBRIGA: Second.

MR. TAGORDA: It's been moved that this communication be filed and be seconded by Member Nobriga. Discussion? Question? Those in favor, say aye. Opposed. Carried.

So it's going to be filed, Ms. Deborah Mapel, and I don't know when the new chairman is going to bring it out again the next agenda. But as the Chairman of the Committee of the Whole who went to Molokai and have a public meeting there on the 13th of March, all the information gathered by me and my members will be fully submitted to the board for the rest of the members to study and review. When this fluoridation issue comes up, they have all the information that they need.

MS. MAPEL: I'm sorry, does that mean that I need to reintroduce it again -- the Chair won't reintroduce it?

MR. TAGORDA: No, we just have to all of us study all the informations that we have from testimonies, the petitions, the tapes, and all the whole thing that we have is going to be filed. Thank you again for the time.

MS. MAPEL: Thank you.

MR. TAGORDA: The next item on the Committee of the Whole agenda is Board of Water Supply Rules and Regulations for review, comment, and amendments if determined by the board. Recommendation of the Committee of the Whole is recommend creating a process to do a complete review of the rules and that it be done using working groups and workshop type setting while going through the process. Yes, Mr. Starr.

MR. STARR: Mr. Chair, I move to accept the recommendation of the committee.

MR. NOBRIGA: Second.

MR. CRAVALHO: Mr. Chairman.

MR. TAGORDA: Yes, Mr. Cravalho.

MR. CRAVALHO: I want to express the same kinds of concerns that I've expressed in the past, the difference between accepting a communication and accepting all of the recommendations. I have no problem with you accepting communication because there is a pending matter right now that is in the Committee of the Whole and it's up to the Chair at that time of the new incoming chairman to work on the methodologies. Always coming back. So if there is no objection, Mr. Chair, we would like to see if we can accept the communication, knowing it's still alive and the new chairperson or the chair coming, whichever he has, can work on it.

MR. STARR: That's fine. So moved.

MR. NOBRIGA: So ordered.

MR. TAGORDA: So ordered, Mr. Cravalho.
Okay. Old business. Communication 01-04,
request from Michael Conway for a waiver of the fire
flow requirements for Kula Lodge Marketplace. What's
the pleasure of the board?

MR. STARR: Mr. Chairman, I move to defer so
the -- I guess the next chair can put it into the
committee.

MR. HASHIMOTO: Second.

MR. TAGORDA: Defer this until the next
chairman can do whatever he wants with this
communication. It's been seconded. Those who are in
favor of the motion, say aye. Opposed. Carried.
Director's Report 00-42, request approval of
electronic bill presentment service. It's on page 104
of your packet. Mr. Quinn.

MR. QUINN: Mr. Chair, essentially this
service allows for customers to view and pay their
water bills via their own PC. It's a service that's
offered currently by the Honolulu Board of Water
Supply. And as the board well knows, we utilize their
billing service currently.

There had been some questions raised by corp
counsel at prior meetings regarding the contract. We
have since received an addendum to the contract from
the Checkfree Corporation, Honolulu Board of Water
Supply, and it has been submitted to corp counsel and
they have reviewed and approved that addendum. So
that obstacle has now been overcome and we are
requesting approval for us to move forward and offer
this service to our customers.

MR. TAGORDA: Mr. Starr.

MR. STARR: I like this proposal, but I want
to -- I don't know how much this has been looked at.
Is this an old proposal or is this a new proposal, Mike?

MR. QUINN: It's a proposal that's been before the board before. But there was a question, as I said, regarding the contract, we've since resolved that through corp counsel with the attorneys on both sides.

MR. TAGORDA: Mr. Takitani.

MR. TAKITANI: I move for approval of Director's Report 00-42, approval of the electronic bill presentment service.

MR. STARR: I second.

MR. TAGORDA: It's been moved that director's request, approval of electronic bill presentment service be approved. Discussion?

MR. CRAVALHO: Mr. Chairman.

MR. TAGORDA: Yes, Mr. Cravalho.

MR. CRAVALHO: I always have grave concerns about electronic transfers and matters that deal with -- conceivably could deal with the confidentiality of people's lives or activities or what have you. It is my understanding, Mr. Chairman, that a system separate and distinct from this system has not been perfected to the degree that confidentiality is assured to all matters and all people. And when we are dealing, Mr. Chairman, with personal computers, and more specifically if it's related to connections to an Internet type of a setup or a website type of a setup, the question of confidentiality is paramount. And computer hackers historically have been able to get information and to kind of mess things up in matters that they shouldn't have been.

So if the director and staff can give us the assurances that the confidentiality of the members of the Board of Water Supply, its clients, are protected without any danger, I have no problem. But if we're not really sure that we can protect the information, then I think we have a reason to be very cautious in

what we do.

MR. TAGORDA: Any more discussion, members?

MR. STARR: I would like Mr. Quinn to answer that.

MR. TAGORDA: Okay, Mr. Quinn.

MR. QUINN: Board Member Cravalho's concern is a valid one and one that we had also. And we have in writing that this Checkfree Corporation who's offering this service, by the way, uses the strongest type of encryption that is utilized on the Web at this point. And that's -- that I have in writing. Whether that ensures a hundred percent, I am not, you know, protection -- all I can say is they utilize the best type of encryption that's available now.

MR. CRAVALHO: Mr. Chairman, does the contract have a provision where the Department of Water Supply or the Board of Water Supply will be held harmless in case of any kind of a violation?

MR. QUINN: Yes, it does. Corp counsel, would you like to comment on that?

MR. FUKUSHIMA: Yes, there is a provision of that sort. There are also very large insurance policies regarding crime insurance. There is a \$25 million crime insurance where if someone criminally enters the system. There is another \$50,000 umbrella with a \$2 million minimum amount for general liability insurance. There is an additional errors and omissions liability of \$2 million per occurrence -- excuse me, \$2 million excess liability policy of \$48 million. So there is substantial insurance behind this.

There are provisions in the agreement which agrees to indemnify and hold harmless the Board of Water Supply -- the County Board of Water Supply.

MR. TAGORDA: Any more discussion, members?
Question. Those in favor of the motion to approve the

electronic bill presentment service, say aye.

Opposed. Carried.

Item C on Old Business. Presentation regarding the System Replacement Needs Analysis and Valuation Study. Mr. Quinn.

MR. QUINN: Mr. Chair and board members, we have with us today consultants from Brown and Caldwell who developed this particular model for the board and the department. And essentially it does two things, it has all our assets in this model and it has valued those assets and it's broken them down into the primary categories which are pipe, land, pumping, pump stations, things of that nature. So that we have assigned a dollar value to those assets.

And the purpose of -- so the purpose of this model is two-fold, to do that, we get a good handle on our assets, the dollar value of those assets, and then to be able to predict going out into the future -- I think in today's case we might be going out about 25 years, although I think we can go out even a hundred years, but that's not very realistic -- to predict what the board and the department will be faced with in terms of financing the replacement of those assets over the years.

So essentially what it is -- what we think it is a very good tool that we can use and the board will have available to it when it's developing its long-range financial plans. And it's hard data, it's not guess work. As a matter of fact, there was considerable amount of effort that went into trying to determine the value and how many pipes and the lengths of pipes that we have out there. And it ties in pretty well with what our planning department is doing in terms of the hydrology model. And I believe our planner is using it, Ellen can correct me, in the current CIP development process. Is that right, Ellen?

MS. KRAFTSOW: Yes, [inaudible].

MR. QUINN: So I think it's a useful tool. Mr. Ken Harlow, who's going to present to you an

executive summary, so to speak, of this presentation. And sitting next to him is Jeff Pearson, who is the Brown and Caldwell representative on Maui. Is it all right --

MR. TAGORDA: Go ahead.

MR. HARLOW: This is a portion of the written report that's discussed in the model of the recommendations.

MR. QUINN: While we're setting this up, this presentation was given to the Finance CIP Committee, and I believe it was pretty well received by those board committee members.

MR. HARLOW: Mr. Chairman, Mr. Vice Chairman, board members, a brief word of introduction. Usually bodies such as this one, boards and special agencies, city councils, have grave concern with new water supply issues which are obviously a very important issue on Maui. New treatment requirements, water quality changes, et cetera.

One of the areas that has historically, in my opinion, been overlooked is how do we manage the assets we have now. This is typically not a big issue because an awful lot of the assets are essentially contributed capital. A developer builds a new subdivision, hands over the pipes for a dollar, and the cost of those pipes is not reflected in the rates unless the agency happens to be funding depreciation. Not normally the case. And a lot of utilities across the United States, particularly in big cities now, are discovering that they have gotten what I would say gotten behind the power curve. In other words, they suddenly have system replacement and refurbishment requirements that have rate impacts that are far greater than they can afford. As a result, some agencies are now trying to look forward into the future to analyze what their future needs are going to be in order to set financial policies now to deal with those needs. And that's basically what this exercise for the Maui Board of Water Supply was.

What we've got is a brief power point

presentation and then take a look at the model itself. What was just handed out to you was the rather short analysis section of the report we prepared for the board, shows a couple or three alternatives. Let me just open up our presentation.

With the permission of the board, I would like to do this sitting down for two reasons. One is getting old and tired, and number two is so I won't be in anybody's way. Is that okay? I'll talk loud, though, if I can.

The whole process is called system replacement planning. And this is not an engineering process. In other words, we're not looking specifically at what we need to replace next year. What we're looking at is the general shape of replacement needs over the future. Normally this is done from a period from anywhere from 20 years to 50 years. I'm told that Sever Trent in England does this analysis for a 400-year period, which some people would consider a little bit long. They will probably transmit water through the air in 400 years and we won't have to worry about all this.

The purpose of the system replacement planning process is to help utilities formulate long-term financial policies to deal with their infrastructure, replacement, and refurbishment needs. Those of you that have been following this know that it ties into some things that are going on in the industry in general.

Why would you want to do this? First of all, to establish your reserve policy if you don't have one. Secondly, if you have reserves, if you have replacement reserves, this process can justify them or give you a guide whether they should be greater or, in the case of one of my clients, whether they're excessive and should be less.

A very important reason to me is to maintain the long-term integrity of your infrastructure. This is the part about not getting behind the power curve. The concept is usually called sustainable infrastructure.

Help comply with various regulatory and financial requirements such as GASB 34, which I'm sure some of the members of this board are familiar with

and which I know the county is dealing with with some anguish right now.

And overall, it's a key component of good asset management, managing the assets we already have. We'll see why that's important in a minute.

This particular methodology that we use has been used by quite a few people, mostly in Southern California. It's spreading out, hopefully. Irvine Ranch Water District, Orange County Sanitation District -- which is the second largest, I believe, wastewater treatment agency west of the Mississippi -- Orange County Water District, which is a major groundwater management agency; Maui board, obviously. This was originally presented I think in early December to the finance committee. Since then, we have completed work with the City of Oxnard, we're wrapping up the City of Roseville, just starting for the Metropolitan Water District of Southern California which is the largest water wholesaler in the United States.

And increasing interest -- because of the increasing interest in asset management among water, wastewater, store model utilities in general. So this is -- it's for us a growing field and we think we have a very good methodology which this presentation is going to explain a little bit.

System replacement plan establishes policies for reserves for the replacement and refurbishment of capital assets without incurring new debt. That's the basic concept here. Not only to analyze what you're going to need in the future, but to set up financial policies for dealing with current assets, the refurbishment and the replacement, without issuing new debt. Chances are with the changes in regulations and the other things you're looking forward to, you're going to be issuing enough debt without worrying about your existing assets.

So debt may still be used for asset additions that are caused by new supply issues, by new regulatory requirements, simply by population growth. And I see -- is that correct that Maui has grown 40 percent in the last 10 years?

A VOICE: Seven.

A VOICE: A part of Maui has grown 40 percent.

MR. HARLOW: Oh, okay, I saw it in the Honolulu paper on Monday, it just said Maui, 40 percent.

MR. QUINN: It's been significant.

MR. HARLOW: It has. I can tell the difference myself in coming back. Within the last two or three years even. So you've got some issues there. But debt is not incurred under this concept for replacement and refurbishment of existing assets. That's something you want to think about because there is no law saying you can't issue debt for R&R of existing assets.

Elements of a system replacement plan. You've gotten inventories. Let me go back here, if I may. You've got inventories of pipe and what we call plant, which is everything except pipe. You need to be concerned about the inflation rate because you're dealing with a sinking fund concept. The replacement costs of each of your assets. Their useful lives is determined either by asset classes or by condition assessment. Earnings rates of the fund, other elements all go into this mix. What we're doing is we're simulating over a long period of time what's going to happen to your system and what's going to happen if you adopt any particular financial policy.

These all go into what we call the RPM or the Replacement Planning Model which calculates your estimated R&R costs by year over a long period of time. In this case, we've got it set at 25 years. It then simulates the performance of your replacement fund over that period of time and it allows you to set parameters to keep that fund alive over what period of time that is. We'll see some examples of that. And those parameters are what your replacement funding policy is.

The replacement fund itself is your fundamental tool for accumulating money for

refurbishment and replacement. That fund pays for replacement and refurbishment of existing assets only, not for new assets. There are a lot of parameters, as we'll see, but two of them are key. Number one is what is the size of the replacement fund, the R&R fund, you have now. And the second parameter is what's the replenishment rate of the fund? What do you appropriate to that fund every year? Those two things have to be in balance. Obviously if you have a big fund, then your annual appropriations are going to be smaller. If you have a little fund, your annual appropriations are going to be bigger.

Because this is a little heavy, I'm going to interrupt and just ask if there are any questions to this point on this concept. Okay.

Other funding sources might be considered for replacement and refurbishment. Rate surcharges. I have known utilities to stick a buck a month on rates, for instance, and say this is dedicated to R&R for existing assets.

Another thing we can do and actually already have done is issue bonds for replacement and refurbishment purposes that we expect to be repaid by the fund itself, not by general revenues coming in from water rates or connection fees.

And then we can also take into account miscellaneous cash flows. We have one client who funded their R&R fund from a bankruptcy settlement, so anything can happen. There are sources of money other than just the income stream we have every day.

So special bonds were considered in Maui's funding options because of the existing state of the revolving fund loan of almost \$8 million received over a two-year period. Those monies now are programmed to be repaid from the R&R fund.

Establishing funding policy. That's going to be a mix of the initial size of the fund at the replenishment rate, as we mentioned, plus any other sources of fund revenue. What we try to do in recommending a policy is look for the balance of factors of all these factors we could put together that's going to have the smoothest rate impact over time and also that's going to avoid the accumulation

of big fund balances. You don't want to have too much money sitting in the bank because that can be a political issue. It's also conceptually not a really responsible use of your rate payer money. So we try to -- I call this just-in-time replacement plan. We try to manage the funds so that we don't accumulate large balances. We'll see in one of the options unfortunately that we've looked at does accumulate large balances.

Key factors for Maui in particular. It's been generic up to here, but Maui has some specific issues. One, might mention the database. Our database has 13,000 assets in it. Most of that obviously is pipe. But the total replacement value of your system, if you were to build your system today, would be in the neighborhood of \$700 million. That's a lot of money, particularly given that you only have about 29,000 accounts. That comes out to be about \$25,000 per account. Maui's system on this basis is a very expensive system.

EPA estimates that the typical vertically integrated water utility in the United States has an investment per account of between four and eight thousand dollars. Your investment is almost \$25,000 per account, so you're a bit higher than the average. What this means is when it comes time to replace those assets, you're going to have significant replacement costs in terms of your customer base and you're going to have significant impact on rates.

Your system has about 727 miles of pipe. That pipe represents two-thirds, almost exactly, of your total asset value and this is another thing to bear in mind. You know, we look around through the pump stations, we see the plants, we think about all the tanks, we think about those as being our system. But really, the value of our system we never see. It's underground, it's going to be the most expensive part to replace.

Now, if we take that \$715 million and we assume the average life of an asset, just a very rough estimate, of 50 years, that means we should expect to be paying \$14 million a year in replacement costs. Now, in actuality right now the board is paying I

believe about \$4 million a year in replacement costs. Why are we paying 4 and not 14? We'll see that in a minute when we look at the model.

And that's the end of the power point presentation. Any questions, comments, to this point? What I'm going to do now is just open up the model itself. I should mention this model is now the property of the Board of Water Supply. It's been given to the board on a CD-ROM along with the final report and a longer version of the presentation you just saw. So that is in your hands. I hope it serves you well.

You see the date on this is November is when the model was finished.

This is what's called a control panel. This is where much of the data is entered. And then we have a lot of sub-menus to enter additional data and so forth. And on each of the screens, we'll see down in the lower right a thumbnail graph of what the replacement fund is doing at that point.

So as you see, we've set this right now for what we call the stepped option, which is basically for a 20-year program that we want to set financial policies that are good for 20 years. After that, we're pretty anemic and we go quite negative after year 23. If you were to look at a 40-year policy, it might look quite different.

The number of reports available. The first and most important is this one and this is in the handout you got. You may want to look at the handout so you can see the numbers more clearly. What this shows is your estimated replacement and refurbishment needs over the next 25 years. You'll notice that for the years 2000 through 2002, those needs are in the neighborhood of \$4 to \$4.5 million, which is in fact based on management's estimates and their assessment of the system, what the system needs right now. A comforting fact that we appear through this statistical method to be pretty close to management's estimates.

However, you notice that this graph is wavy, it's curved. There is a name for this, actually. The most advanced forms of asset management for public

infrastructure are being built in Australia and New Zealand and they all these curves "Nessie curves." Obviously named after, I assume at least, named after the Loch Ness monster. I've always assumed that to be the case, but I've never asked, so I guess it's true.

And what we're seeing here is we're seeing shadows of past development cycles in the County of Maui. If we were looking in the past and calculate when all the pipe went in the ground, we would probably find out that there is a boom time and a lot of subdivisions and so forth are built, then there are the thin times and not much happens, and then there is another boom period. And these are reflected in the shape of our replacement needs.

So we see that right now \$4 million sounds about good. However, we go out to 2004 through 2007 and we get up to \$8 million a year from the current \$4 million a year. Drop back down to \$4 million a year. And then we go, in the late teens, we're going up to -- these are current dollars, mind you, there is no inflation here -- we're going up to \$14 to \$15 million within that 20-year period that we're looking at.

This curve I think represents a significant policy challenge for the Board of Water Supply. What do we do now to prepare for these future replacement costs if indeed we think this is going to occur? And based on the analysis we did, my opinion is there is certainly no reason to assume that they're not going to occur. It is going to be something that happens. You do have large scale system replacements that tend to come in waves because of development pattern of the society you live in.

So what we've tried to do is model the sinking fund against this replacement cycle. And unfortunately, we have a problem because if you say okay, I'm going to put away so much money right now and say increasing at the rate of inflation I'll put that away each year -- I'm not going to run this scenario -- what happens is the answer I believe is about \$8.5 million as opposed to the \$4 million you're putting away right now. However, you accumulate a fund balance in intermediate years around 2010 to 2011 of about \$30 million. And that's in current dollars,

not inflated dollars. And \$30 million I think has two problems. One is political and the other is, if I'm not mistaken, you'd probably be in violation of the reserve policy that's governed as a state law, Mike, that governs that? And so I don't think you want to go that way.

So we've looked at a stepped policy, which is another one of the options that's in the handout, where you go to \$7.5 million from where you're at currently and you either leave it there or you drop -- you could even drop it around 2010 to \$6 million in current dollars. And then in 2015, you would have to have a rather large increase up to \$18 million or about \$11.5 million in current dollars.

So it's an uncomfortable situation where you would have to kind of keep changing every five, six, seven years the level of appropriation of the fund in order to avoid building up these large interim balances.

There is one other option that we did not analyze in the report but the board can certainly analyze using this tool, and that is to actually borrow money. If you remember the shape of the curve, we could, for instance, go to say seven, seven and a half million here, and borrow for these peaks, and then we would repay during the valleys so that the cost to the fund would rise in this period and essentially anticipate the -- anticipate the peaks by borrowing, use the increased fund balances to pay for the replacements and refurbishments during the peak, and the debt service then would fill in the valleys.

This is actually very easy to analyze with this model because we don't have to assume 20-year borrowing. We could borrow on other terms and make things fit out quite well. So that's something the board may want to look at in order to have a more level policy.

However, the fact remains that it is very unlikely that the current level of appropriations for replacement and refurbishment, given your fund balances now, are sufficient given the challenges facing the board in the future. One way or another, they are going to have to go up or the only

alternative -- well, two alternatives. One is to find the money somewhere else and there may be monies through the Water 21 initiative that's currently struggling through Congress, that there may be substantial additional monies in the future in the state revolving fund for R&R purposes.

The other possibility is that the infrastructure deteriorates, that the county gets behind the power curve so to speak, and then has more severe problems.

But since neither of those -- one is I think unacceptable, the other one is unknown. At this time we can only recommend that the board consider this very carefully and start thinking about a substantial increase in the amount of money programmed for the replacement and refurbishment of the existing system.

That's the end of my presentation. I'll be happy to answer any questions.

MR. QUINN: This year we're transferring \$4 million into what we call our CIP replacement fund. If we were to do that for the next three years, what would the effect be?

MR. HARLOW: We can look at that. The question is what happens if we just stay with the \$4 million policy. And to do that, we just get rid of these entries.

MR. QUINN: That takes us to what?

MR. HARLOW: That takes you to between 2003 and 2004. Now, in all likelihood what you would actually do in real life if you only had that \$4 million a year is you would start putting off the replacements that you need and the system condition would start to deteriorate. You wouldn't actually tank like this, but the system would start going downhill.

MR. STARR: What does this point that we really need to do to be able to stay above the line for 25 years and not peak too high?

MR. HARLOW: My recommendation, based on this, is that you would adopt a policy now of appropriating seven to seven and a half million dollars to that fund and then you would track and you would dust this off every two or three years and look at your actual replacement experience, adjust asset lives if necessary based on the actual replacement experience, and decide what the next step is.

The indication now is it looks like it may be able to be lowered after six or seven years. See if that's true or not.

MR. STARR: Has your study gone one step further and looked at what we would have to do to be able to place this \$7 million in the fund?

MR. HARLOW: You mean where the \$7 million would come from?

MR. STARR: Yeah.

MR. HARLOW: Well, that wouldn't be to place in the fund -- oh, you mean during the year?

MR. STARR: Yes.

MR. HARLOW: No, there is no rate impact analysis associated with this at this point. But that would be relatively easy to do.

MR. STARR: That would be the next step.

MR. QUINN: That's the next logical step.

MR. STARR: Could we get a short recess?

(Brief recess.)

MR. TAGORDA: The meeting is reconvened. Are we still on presentation? Yes, Mr. Quinn.

MR. QUINN: I think that about wraps it up unless the board has any more questions. I would just

like to thank Ken.

MR. STARR: I do have a question, which is how do we go to the next step which is, you know, if we need to be -- if it looks like we need to be putting \$7 million a year into this to be able to replace our pipes, what -- how do we go the next step which is what do we have to charge our rate payers to be able to afford to do that? I would like to ask the gentleman from Brown and Caldwell if he has any wisdom to shed.

MR. HARLOW: A couple of comments, and bearing in mind I'm not familiar with your political situation or your customers' preferences except that they probably don't like rate hikes, if they're like most of the other customers I know, including myself.

One is to explore a concept of a more ramped increase in rates and say maybe we don't go to \$7.5 million a day with the understanding that we may have to incur additional debt for interim replacement needs. That's being considered by another of our clients right now and we're merely showing those as unmet replacement needs as far as the fund goes. Because really, there is no rules here. You can handle this any way you like. On the assumption that you do want to do ultimately pay for R&R out of the fund, though, that would be one thing to explore is a more ramped approach. But you would be with the understanding that you would be looking at a series of rate increases over a number of years that would still be significant, rather than doing it all in one fell swoop.

Another alternative would be to start looking right now to see if there is additional money for this in the R&R fund or, excuse me, in the state revolving fund, and borrow now so you can turn those -- remember that first peak that we expect over the next six or seven years, so that you can shave that peak and fill in the valley.

MR. STARR: As you pointed out, though, if you just keep borrowing, you don't do much better. But I

mean, can you make any recommendations in terms of what we would have -- how much rate increase we would be looking at if we were to, you know, deal with it right away?

MR. HARLOW: I'm sorry, I haven't even looked at that. I would think you could make a rough back of the envelope, however.

MR. STARR: Is there a way we can extend the study to give us that? That's what we need now is to know how to turn it into a policy.

MR. TAGORDA: Mike.

MR. QUINN: Board Member Starr's comment is very relevant and I just would like to make the board members aware that the Big Island and the island of Kauai have both completed very exhaustive CIP similar kind of study and then gone the next step and actually suggested and I believe have gotten approval of their boards for very significant rate increases over the next -- depending on the island, two to five years. And I'm talking about extremely significant increases, both in terms of the rate per thousand gallons and in terms of doubling the standby charges that they currently charge.

MR. STARR: I believe we're going to have to do it, but I do believe that when we go through that process both with the public and also with the council and the mayor and other bodies, that it would behoove us to do it in a way that's very empirical and not emotional. And by being able to utilize the services of Brown and Caldwell and, you know, utilize this model but go one step further, that might be the best tool we could ever hope to have.

So right now we're one step away from having what we need to go and, you know, create a policy to do it. Can we -- is that a service we can buy from Brown and Caldwell to give us some suggestion as to some suggested rate structures that will take us there?

MR. QUINN: That could involve an amendment to the contract or something of that order. And we could bring that to the board in a future meeting.

MR. STARR: While we're on this, I see Mr. Freedman is here and I know he's expert on this stuff. Do you have any wisdom to impart to us, Carl?

MR. TAGORDA: I think, Mr. Starr, we have enough information with us and let's just go on.

MR. STARR: Okay.

MR. CRAVALHO: Mr. Chairman, I would like to toss in one word of caution. Whatever we do, whether we're making reference to replacement costs for the system, which I understand is what is before this body, we have to tie in one way or another what would be a replacement cost over this entire period of time based on a rate of economic development and/or growth in order for us to be able to have a very pertinent figure. That's what we're talking about. What would the burden be on a community if you had a certain level of economic growth or you had a negative economic growth.

So when we make reference to the raising of rates, it has to be based on the capacity, the financial capacity of a community to support. And my concept of a community is not limited only to the \$5 million or \$6 million estates in the Wailea area. We're talking about the everyday kind of people who having their homes, et cetera. So we cannot separate, in my judgment, Mr. Chairman, we cannot separate one from the other. We've got to keep the economic stability so people are in a position to be able to foot the bill that may come out of consultants or any other person who may be working on the ideal kind of a situation that is not dealing with the reality. And what are the implications with respect to this -- to again the economic development, the growth, the posture of the farmers, the land utilization patterns of the pineapple lands that may be with us or the sugar cane lands or what have you. All of these got

to be looked at very, very cautiously before we decide on what the paying capacity, as I said, of the movie star or the Silicon Valley guy who lives in Wailea a couple days out of the week.

MR. TAGORDA: Okay. Next item on the agenda, Other Business. Evaluation of the director of the Department of Water Supply. Mr. Starr.

MR. STARR: I think that it's been all --

MR. CRAVALHO: We took care of that already.

MR. STARR: I think there is still an item on the agenda, but I believe that it's been a long morning and perhaps we should defer any --

MR. CRAVALHO: That's duplicitous right now.

MR. TAGORDA: Can we defer this? Okay. Item B on Other Business, presentation of resolution to outgoing Board of Water Supply Member Robert Takitani. Fran, please, do you have that resolution, would you care to read it for the board, please?

MS. NAGO: Sure. It's Resolution Number 1-2001, whereas Robert K. Takitani of Kahului, Maui, was appointed to the Board of Water Supply at the County of Maui, April 1st, 1996, and his term will expire March 31st, 2001; whereas the said Robert K. Takitani served as Chairperson of the Board of Water Supply from April 1st, 1998, to March 31st, 2000; whereas the said Robert K. Takitani has unselfishly and with dedication devoted without compensation his time and energy into matters dealing with the Board of Water Supply, all in the interest of the people of the County of Maui; whereas this said Robert K. Takitani has been instrumental in setting policy that would have manufacturers pay for the removal of pesticide from our drinking water, that develop groundwater for Upcountry Maui, and prevented overdraft of the Iao Aquifer; and whereas during the time of his service as a board member, he has contributed generously of his

knowledge and skills to make business and policy decisions for the board that will influence its direction and operation for the years ahead; and whereas his interest in this board and the department has been greatly appreciated by his fellow board members; now therefore be it resolved by the Board of Water Supply of the County of Maui that it does hereby congratulate, commend, and thank the said Robert K. Takitani for the five years of faithful and outstanding service he has rendered as a member of the Board of Water Supply. And be it further resolved that the members of this board extend to Robert K. Takitani our sincere aloha and best wishes for his continued success and much happiness in his future endeavors. And be it further resolved that a certified copy of this resolution be transmitted to the said Robert K. Takitani and to the Maui County Mayor and Council. And there is a roll call vote.

MR. CRAVALHO: Mr. Chairman?

MR. TAGORDA: Yes, Mr. Cravalho.

MR. CRAVALHO: I move for the adoption of the resolution and that the same be done by rising vote of the Board of Water Supply.

MR. STARR: Second.

MR. TAGORDA: Okay.

MR. TAKITANI: May I ask a question? Was that written before March 20 or after?

MR. TAGORDA: All of those in favor, please stand up.

MS. NAGO: Elmer F. Cravalho.

MR. CRAVALHO: Aye.

MS. NAGO: Orlando Tagorda.

MR. TAGORDA: Aye.

MS. NAGO: Clark S. Hashimoto.

MR. HASHIMOTO: Aye.

MS. NAGO: Adolph M. Helm is absent. Howard K. Nakamura is absent. Michael A. Nobriga.

MR. NOBRIGA: Aye.

MS. NAGO: Peter Rice is absent. Jonathan A. Starr.

MR. STARR: Aye.

MS. NAGO: And Robert K. Takitani.

MR. TAGORDA: And I believe we have gifts for our Board Member Robert Takitani to be presented to our Chairman Elmer Cravalho.

MR. CRAVALHO: Can we all sit down?

Mr. Takitani, I am pleased to be able to represent the board in the work we have been able to accomplish as you have stated many times has been phenomenal for this relatively short period of time. And none of this would have been possible if it hadn't been for the work that you have done previous to my coming into the board, set a steady pattern and a steady set of values for us to adhere to. I am very pleased that I've had the chance and the opportunity of knowing you and of working with you in this time.

So on behalf of board, let me give you my thanks again and my congratulations and my appreciation. Mr. Takitani.

MR. TAKITANI: Thank you. Let me make just a couple observations as I stand here as an outgoing board member to you that would still be charged with the responsibility of the board.

One is keep developing source water. No matter what distractions may be, all the things that may come into play, you know, we can get diverted so easily because there are fires every day we come here.

But keep on developing source water. We cannot thrive as a community and as a county unless you all are developing source water. So please, keep on doing that.

The second point I would make is that when I came here, the most pressing problem was still financial. This has been shown to us today. We still don't have enough money to do what we need to do to move the county forward in the area of water. And even the other day we saw a graphic presentation by many very fervent members of the community who are expressing their concerns about the water, about Iao Aquifer, et cetera. And when we look at that, it's again a problem with not having enough money.

If we had the money in 1975 to have developed the Central Maui Joint Venture wells with our own money, we would not have any problem today because we would have developed that water. And we are continuously in that same situation today because we don't have the financial capacity to be developing enough source water, storage, and replacement to satisfy the needs. So we constantly have to go out and reach into the area of the developers. And as Mr. Chairman has stated, that's a necessary element of the economy, et cetera. But we must be able to be in a position of at least being able to compete against the developers, if you want to call it that, by having enough resources available such that if a developer is not ready to stand up to the impact fee that may be assessed him, then we can do it ourselves. We must be in a position to be able to do that. Otherwise you continuously have to go to the developer, continuously have to risk now having the water developed be apportion of his water also, a significant portion be his portion. So I charge you with that, that really look at that. Because as has been shown us, we are depreciating our plant in a significant rate, we are not replacing the old pipelines at the rate we should. Honolulu is in that situation. You see that almost every night, you see some main line has broken and you see somebody is inconvenienced, the public. If we don't do that, then we're very close to that situation right here on Maui. We complain about infrastructure problems, but we're in for a big problem pretty soon

with our own infrastructure, our own lack of pipeline replacement to ensure that we have adequate coverage as has been shown us.

The other thing I would tell you is that one thing I've seen here is you have to be able to say no as a board. Because it's almost deja vu when you hear all these people that come up, especially in the Upcountry area. Many of them have justifiable claims. But by us granting waivers to many people, we continue to exacerbate the problem. We are promoting the inadequacies and the urbanization of the area by not allowing them to have to participate in the infrastructure.

And so yes, look carefully at the areas where they may not -- or they may have legitimate situations that cause us not to have to impose infrastructure requirements on them. But for the most part, you know, many of them come here, they have a family subdivision, they sign a waiver, they come back two years from now, maybe having sold part of it or transferred to somebody else, and it keeps on going down the line. And what is that causing? Urbanization of Upcountry with more and more meters, more and more people, and less and less infrastructure in place. So to be able to say no because it's necessary, and realizing the situation, you know, we need to be aware of the public's needs and if we have abused then, then we should be able to do what's right.

Develop goals and objectives because that's the only way that you're going to measure the progress of the board, progress of the director. Know where you want to go. And develop those goals and objectives. We have tried to do that, but if you don't watch out very carefully, you'll not do that and time will pass by and another year will have come for the director and you really will not have had a real good way to evaluate the progress of the director and the board.

Last, I tell you enjoy your time here because as pressing as the demands are here, it's a good time, goes by very quickly, and very soon you're going to be walking out the door as I am.

So any way, thank you all for the time that

I've had to work with all of you. I've gained a great deal of respect for all of you. Thank you for the help. The staff, I really appreciate Director Craddick and his staff for all that they have done with us, this journey. I just really thank you. I've gotten to really appreciate the Board of Water Supply and the department. We have wonderful employees, wonderful people that make the Department of Water Supply work. So again, I just want to thank you all. It's been a great ride. And as I slowly fade away, I just continue the good work so the citizens of Maui can ensure that we be strong and vibrant and healthy. Thank you.

MR. TAGORDA: Thank you, Mr. Takitani. Any more remarks from the members? Mr. Starr?

MR. STARR: Thank you for serving. You've done us well.

MR. TAGORDA: It's a great privilege, Bob, that I have met you in this capacity. I think you were instrumental in many changes where this department is at now. And I've been with you in all those things that you mentioned about infrastructure and waivers of source things like that and I would continue to just say no. Thank you.

MR. TAKITANI: With some reason.

MR. TAGORDA: Yeah, with reason. Next agenda item is --

MR. TENGAN: Mr. Chair, may I say something?

MR. TAGORDA: Go ahead, Mr. George Tengan.

MR. TENGAN: I would like to personally thank Member Takitani. He came on board when the department was in much turmoil, the Iao Aquifer, our finances, trying to get a rate increase. Mr. Takitani was instrumental in helping us out on the staff and getting some direction for the staff whereby we knew

where we wanted to go. So I would like to thank you personally.

MR. TAGORDA: Okay. Comments? Remarks?

Next item then. Nomination and election of Chair and Vice Chair for the period April 1st, 2001 to March 31st, 2002.

MR. TAKITANI: Mr. Vice Chair, BWS nominating committee met on February 15, 2001, and we recommend the following slate of officers for fiscal year 2001-2001. Chairman Peter Rice, Vice Chairman Howard Nakamura. The committee has approached Chairman Cravalho for another term as chairman, but he is unavailable. He will continue to serve as an active member of the Board of Water Supply. Your concurrence and favorable action is requested.

Mr. Chairman, I would ask with the absence of our two proposed chairman and vice chairman, that we defer a vote until such time as we can have those members present and a full composition of the board.

MR. TAGORDA: If there is no objection from the members, so deferred.

MR. CRADDICK: And that would be with continuing serving of the current people until such time?

MR. CRAVALHO: It's covered in Robert's Rules of Order.

MR. TAGORDA: Okay.

MR. TAKITANI: Thank you.

MR. TAGORDA: Letter D, update on Upcountry water situation. Anyone? Mr. Craddick?

MR. CRADDICK: There is not much change. The ditch has been up over 55 million gallons a day. The reservoirs are pretty near full. And that's the situation.

MR. STARR: Mr. Chair, I move that we go out of a state of emergency.

MR. TAGORDA: What's that again?

MR. STARR: We're currently in a state of drought emergency for Upcountry. I move that we go out of that state of emergency.

MR. TAGORDA: Is there a second? The motion has not been seconded.

Any more Upcountry water situation updates, Mr. Craddick?

MR. CRADDICK: No.

MR. TAGORDA: Next issue is update on water issues discussed at public meetings.

MR. CRADDICK: I believe Ellen has given a few things with the school on our treatment plant model during the last month. Other than that, I believe Jacky has also given a few presentations at some of the schools. And if the board members didn't remember, there is a national AWWA rate-making conference on the 23rd of next month, 23rd, 24th, 25th. Right now Member Starr is the only one signed up for that. So if others want to attend, let us know.

MR. CRAVALHO: Where is that going to be held?

MR. CRADDICK: The Outrigger.

MR. TAGORDA: Staff Reports. Okay, go ahead, Mr. Starr.

MR. STARR: Just once again I would like to request that board members be informed of meetings being held by the department and staff such as what-up meetings and community water advisory meetings or anything else. I think board members should be informed in a timely manner of those meetings so please, Ellen, send us an e-mail.

MR. TAGORDA: Okay. If there is no objection from the board members, this meeting is adjourned.

(WHEREUPON, the meeting was adjourned.)

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