County of Maui Water Supply

BOARD OF WATER SUPPLY

COUNTY OF MAUI

BUDGET WORKSHOP

Tuesday, May 21, 2002

2:00 p.m.

Volume I

Kahului Shopping Center

Kaahumanu Avenue

Kahului, Maui, Hawaii

Reported by: Katherine Eismann, RDR, CRR, CSR #439

APPEARANCES

CHAIRPERSON:	PETER RICE
Vice Chairman:	MICHAEL NOBRIGA
Board Members:	KENT HIRANAGA

GINNY PARSONS

JONATHAN STARR

MICHAEL VICTORINO

Acting Corp Counsel:	RICHARD MINITOYA
Director:	DAVID CRADDICK
Deputy Director:	GEORGE TENGAN
Board Secretary:	FRAN NAGO
Engineering:	HERBERT KOGASAKA
Staff:	ELLEN KRAFTSOW
	HOLLY PERDIDO

(Tuesday, May 21, 2002, 2:03 p.m.)

CHAIRMAN PRICE: Call to order our Budget Workshop. I'd like to acknowledge board members present, for the record, Kent Hiranaga, Ginny Parsons, Jonathan Starr, Mike Victorino, myself, Corp Counsel.

Director David Craddick, would you introduce members of the staff that are present?

MR. CRADDICK: Deputy Director George Tengan, the division heads, first of all, Holly Perdido, field operations, Bobby Vida, engineering, Herb Kogasaka, treatment plant, Paul Seitz, plant operations, Bryce Fukuyama, and Ellen Kraftsow for planning and engineering, also I have Wendy Taomoto. For the treatment plant, we have Walt Hager. And for personnel, we have Cindy Grassa. And the board secretary, Fran. And also, from support services, for the field operations, Mike Cabral.

CHAIRMAN PRICE: Okay. For the board members present, you all know that Mike Quinn has resigned. We did try. We really wanted to keep him. We tried to keep him, but he was bound and determined to leave and laugh at us from the outside.

So, Mike had a lot to do with preparing the budget, and he worked with Holly closely. And you know Holly from prior meetings, and I think she's got a pretty good grasp of most of what was done and what was -- what concepts were used in the preparation.

Before we get into it, is there any public testimony at this time? Anyone? Yes, sir. Why don't you come up and sit next to Fran there. Give us your name.

MR. VARNS: Do I need a mike here?

CHAIRMAN PRICE: Grab David's mike right there.

MR. VARNS: Okay. Thank you. Yes, my name is Nathan Varns. I am coordinator with Tri-Isle Resource Conservation and Development Council. And I am here -- actually, Jack Peterson, coordinator with the Maui Invasive Species Committee was going to speak, but he hasn't shown up yet, so I will try to pinch hit for him.

This is in regard to fund for the miconia control effort during the next year. We want to first state how much we appreciate what the Water Board has done in the past, especially last year's contribution of $200,000 to the miconia control effort and request that you look favorably upon further funding for this effort.

I wanted to let you know, briefly, that we have quite a few partners in this, state, federal, and county, and private. They include the National Park Service, the U.S.

Fish & Wildlife Service, the National Fish & Wildlife Foundation, the Forest Service, the University of Hawaii, the Hawaii Community Foundation and the Nature Conservancy, along with RC & D.

We have a report ready for the first quarter, which we will get to you soon, showing what the current status of the miconia control effort is and how we expect it to proceed from now on.

One thing I wanted to state today, is that it is a very extensive problem. But, in the past year, we have the best information -- have gained the best information on the extent of it through the GIS recognizance -- helicopter recognizance. So, we know much better where the outbreaks are and where we need to concentrate our efforts.

And a lot of the time has gone into the helicopter recognizance for this. But, it's a very big problem. We have about 18 full-time crew people now including the emergency environmental work force people, who have been in the effort, and plus our Hana crew, who have been working on the core area in Hana. So, I guess this morning we spoke also to the County Counsel.

What I would like to emphasize is that it is going to be a long-term battle. And eradication may be, you know, an ultimate goal at some point. But, at this point, we really want to get a handle on controlling it. And we think we have got a good handle on it now because of the gain -- the better knowledge that we have of the extent of the infestation.

So, I would be happy to entertain any questions about the effort. And, like I said, we will supply you with a quarterly report on the most recent progress.

CHAIRMAN PRICE: Any questions of Nathan? Mr. Starr.

MR. STARR: Yeah, are you getting any funding from that Emergency Work Force Program?

MR. VARNS: Yeah, I am not -- I am not up to speed on the specifics of this, but we have, I think, somewhere between seven and ten of those workers that have been working on that effort. So, they are still in the system. They are working mostly in the core area in Hana.

CHAIRMAN PRICE: Any other questions? Thanks, Nathan.

MR. VARNS: Thank you.

CHAIRMAN PRICE: Okay. All right. As we go through this Budget Workshop, let's do this section by section. So, we are going to start with the income section. If you look at the big packet that you got, it's page three. It says Fiscal Year 2003, Operating Budget Receipts. And Mr. Craddick.

MR. CRADDICK: Could we give a little overview first before we go into the detail of it?

CHAIRMAN PRICE: Sure.

MR. CRADDICK: Okay. Thank you. Okay. I'd like to provide a little overview of the budgeting process here.

And basically, before you, you have two budgets, an operating budget and a capital improvement budget. The capital improvement budget is comprised of two parts, system expansion and system replacement.

And there are, in addition to system expansion, which is the water system development fee, some portions of fees that are no longer in existence, namely, the source fee and the storage. And that's the Central Maui source fee. That fund is restricted only to Central Maui source projects. And the storage fund, which is restricted to storage projects system-wide.

There are some monies remaining, a couple of bond issues, and then there is a developer fund. That particular fund is something that the people paid into for a specific project, and until that project is done, that money remains in that fund.

And the numbers that you see before you are basically estimates project -- estimates from last year's projection or other information that we have available to us.

And I will turn it over to Holly here for the operations portion of the budget. Thank you.

MS. PERDIDO: Okay. One of the primary goals that we had, when we first started our budget process, was to really look through all our expense accounts, and try to reduce the costs, and come up with an estimate that we thought was our best guess estimate for the next fiscal year.

As a result, our fiscal year projected expenses are going to be about 4.3 percent less than the current year's fiscal year's budget. Do you want -- what I will try to do is -- I am kind of summarizing the two variance analysis that you received. One was April 25th. The other was at a later date, which I don't have a date on it. I think Mike handed it out at the last board meeting.

He projected water sales actually comprise about 96 -- 94 to 96 percent of our total operating revenue. What we did, is we looked at the water consumption at the time, and the first nine months of water consumption, for this fiscal year, is decreased by one percent compared to the prior fiscal year.

Currently, and I just ran it again, and the sales are still way down. And they would be down from what we are projecting for this fiscal year also. I think one of the main problems, as we all know, is the significantly higher level of rainfall that we have had this past fiscal year.

We projected sales to be 28.4 million for next year. One of the reasons, our water rates, we will not be having an increase this year, whereas the last five years, we have had about a five percent increase, per year, that we have been able to utilize or has been each year.

One of the increases that we do see is our new services, but it's not very significant. And the majority -- it's about 300,000 that we estimate annually that we will have for new services.

One of the other items, that was brought to our attention, was interest income. The interest income is projected to be about 900,000, and it is short of what our fiscal year ending will be. I spoke to Wayne Fujita, who is in the Finance Department. He's the treasurer downstairs. And he said the rate of return right now is about 2.3 to 2.5 percent.

So, what we did, is we projected, based on a 900,000 -- well, what -- our cash balance is about 28 million, earning a 3 percent return. 2.3 to three percent return and estimating 900, but it's a lower estimate.

Payroll, I guess we can get into payroll as we come to it.

CHAIRMAN PRICE: Okay. Why don't we just stay with the revenue side, now that you have gone over -- why don't you go over that, each section first, and then we will discuss it.

So, at this point, any questions from board members on the income side? Mr. Starr.

MR. STARR: Yeah, as far as the interest income, what is the balance that you are looking -- you are looking at in terms of invested, and what is the investment policy that we have been following? Is that tied to the county or is that our own policy?

MS. PERDIDO: The investment -- our investments are tied directly with the county. They have control of investing our funds. Basically, I have a current balance. I think our balance is -- I looked them up before I came over, and they are about 28 million right now.

Now, that's less with the encumbrances and the accounts payable. So, we are looking at about -- we were estimating 28 million. Now, you can realize, the balances change daily. You know, these are estimates that we might have done two months ago, but you know how they always change and are always -- the whole budget is actually always changing as you know. So, we actually have no control over the investments.

CHAIRMAN PRICE: Kent.

MR. HIRANAGA: I wanted clarification. What does "we will not realize the effect of the increase in water rates which has been about five percent annually over the past five years."

MS. PERDIDO: I will let Dave answer that question.

MR. CRADDICK: Kent, is your mike turned on? Your mike? It's in the middle there up at the top.

MS. PERDIDO: Basically, the last five years we have had a rate increase, and we were getting approximately about a five percent increase in each year. So, our rates now will not be -- well, we will have to go back out for a rate increase in the future.

MR. HIRANAGA: Could you also explain this paragraph of interest income? The first paragraph of interest income?

MS. PERDIDO: Which one was it? Was it the second copy or the first copy you are looking at?

MR. HIRANAGA: I don't know. They are not numbered.

MS. PERDIDO: That Mike did. Okay. Basically, if you look at our budget, interest income. We projected, for this fiscal year, $1.1 million, or that was our budget for fiscal year 2002.

Our estimate, at this point of time, which was -- I think February this balance is. It was coming out about 900,000. That's what we were estimating with the annualized amount. We are projecting that interest for next fiscal year will fall about the same amount, 900,000.

And then I was telling you about the cash balance portfolio that is with the county. That's about the 2.3 percent is all we get on our investments currently. And basically, like I was saying, about 28.7 million is what our cash balance estimate was when we projected the interest income. Now, all the interest income doesn't -- like two accounts do not go to here, interest income, and those are the restricted accounts, the DBCP -- not DBCP. I am sorry. The '98 bond fund money goes directly into the '98 bond fund and the water system development fee stays with its own account, not with the general operating account.

CHAIRMAN PRICE: Okay. So --

MR. HIRANAGA: Thank you.

CHAIRMAN PRICE: Kent, do you have anything else?

MR. HIRANAGA: Thank you, no.

CHAIRMAN PRICE: I want to get this clear. So, we are talking about our experience in sales -- in water sales is down about one percent. Right?

MS. PERDIDO: Consumption.

CHAIRMAN PRICE: But what we are saying, when we are budgeting for next year, is that we are going to be roughly no change.

MS. PERDIDO: (Nods head.)

CHAIRMAN PRICE: You are budgeting 28.4. You are projecting -- well, it's the slightly more, actually, than your projected estimate, but it's virtually at this year's budget. So, we are saying the one percent is basically negligible in terms of reduction in sales, and we are going to pick that up. Right?

I want to be clear what our -- I mean, our budget is just -- is what it costs to execute a certain plan, and this plan is that we are going to have water sales continue to be at this level or more.

(Board member Michael Nobriga entered the hearing room.)

CHAIRMAN PRICE: Right?

MR. CRADDICK: That's correct.

CHAIRMAN PRICE: I want to understand that concept. We are just in the beginning.

MR. NOBRIGA: Yeah, I thought so. You guys change everything.

CHAIRMAN PRICE: For board members, I don't want to go through this budget and say here is the budget. We like the numbers. We don't like it. That's not the purpose of the budget. The budget is what it costs to execute a plan.

And if you don't have a plan, we don't agree on what the plan is, then this budget is meaningless. So, in terms of the revenue, what I want us to have an understanding is that our sales is going to continue next year at this year's level or more.

So, to the extent that we may have savings from conservation or savings from the fact that people are just not in need of more of our water because of the rainfall, we are going to have sales that equal at least this year. It's our goal, right?

MR. CRADDICK: If there is not more rainfall than there was this year, or you don't get heavy reduction in usage because of some other reason.

CHAIRMAN PRICE: Mr. Starr.

MR. STARR: I mean, I think that's really a number that we don't know, because it depends, you know, as we found out on rainfall. However, we know that our user base is increasing, so the natural trend would be for it to increase. And where, when we went -- went from a very, very dry year to a wet year, I think we already took the hit of that decrease. I don't think if it gets -- continues wet, it's going to keep decreasing. But I think the trend is going to tend to be upward. Upward, and if it does get dry again, it will be very upward.

CHAIRMAN PRICE: So, everybody is happy with this number.

MR. STARR: Yeah, it's a conservative number, I think.

CHAIRMAN PRICE: Conservative. Other numbers, I think, are small numbers. You know, the fire protection number is up substantially over fiscal 2001 actual.

MR. STARR: What is that?

MS. PERDIDO: The fire protection is for private and public fire protection. We get an amount from the county for the public fire protection, for the hydrants and stuff, a set charge, and the private is an annual fee that we charge the private consumers who have fire lines. And then if they have consumption on those fire lines, we have an amount that they are charged on that, for the consumption for the fire lines.

CHAIRMAN PRICE: So, the large increase means what? The increase in $400,000 over the 2001 actual of 210 is almost double.

MR. STARR: Was that negotiated?

MR. CRADDICK: I am going to make the assumption that we are doing a better job of reading the fire line meters and actually billing for the consumption, because the billing rate is 35 times the normal rate for any usage on the fire line that is not directly related to a fire.

CHAIRMAN PRICE: Okay. I am not arguing with you. Okay. Interest income? The budget proposes that we use the same number as the estimated actual for this year. No reason to think it's going to be any different?

But what you have got to use, Holly, is the average daily balance. You can't look at today's balance. They got to be able to give you an average dally balance.

MS. PERDIDO: And that's what we based it on.

CHAIRMAN PRICE: That's what you based it on when you did that?

MS. PERDIDO: Yeah.

CHAIRMAN PRICE: So everybody is happy with that. Mr. Starr.

MR. STARR: Yeah, that's based on keeping a 28 million-dollar average balance or so. You know, I guess if we -- at three percent, that's about what it works out to. Is there -- you know, I see that we are paying a lot of debt service, you know, whether it's five million or seven or eight million. Is there a reason to keep so much cash balance and pay -- when we are paying much higher -- much higher interest on our debt than we are receiving as interest on our savings?

CHAIRMAN PRICE: Cash.

MR. STARR: Yes.

MR. CRADDICK: Okay. We have a number of CIP projects that are ready to go fairly quickly. To have that, we are going to have to have the money to pay that. We are not going to be able to issue a bond later on down the road in order to say that we have the money for that. We have to have the money at the time the contract is let out.

Now, that money is all not going to get spent on the first day of the contract. It gets paid -- spread out over the year. And this particular number, using that amount of cash balance, is probably -- well, it's certainly not as conservative as we are estimating our revenues to be. So, but even if you take that number, and you cut it in half, it's not really -- you know, 400,000, I don't believe, is a significant number. That was the estimate that -- that they made on what the interest would be, because you have got a couple of factors there. What is the interest and what is the cash balance?

And it's probably just not as conservative as the revenues were estimated to be at. Probably, you know, maybe should be a little bit lower, because I know our cash balances probably will drop a little bit quicker than they did in the last year. Because I know that there are a number of projects that are ready to go out in the first month or two of the new year, and this is for construction not design funds.

CHAIRMAN PRICE: I think we should take -- I think Mr. Starr's question deserves a little more study, and we ought to take another look at it just to make sure we are making the right -- just make a note, Holly. And we will shut off our cellphones.

Holly, let's make a note to review those, that calculation, to make sure that's the right fiscal policy. Okay?

Anything else on the income receipt section?

Okay. Let's move into payroll, my most favorite subject. And I want to note, I talked to Holly about this already. Last year, when we approved the budget, we approved it with the condition that the unhired -- what do we call it?

The vacancies would be created via another line item in the budget, so that we could monitor the actual payroll for those people on the payroll versus those who are in the vacancy category. And we have not, that I have seen, done that.

And my question to all of you would be that in my limited few years here, we have had X number of vacancies. And while you may have hired one person, we had another person's job become vacant. So, what happens is that 27 or so positions continue to be vacant. And I understand that if we don't budget for them, we can't solicit for them and try to fill them. But, in this analysis, we say we are going to hire them all this year, and I don't know if that's realistic or not. That's just -- I don't know.

MR. CRADDICK: Are you asking a question?

CHAIRMAN PRICE: Yeah, the recommendation is to budget for all these, and then this schedule kind of tells me that they are all going to be hired in 2003, and that flies in the face of reality for the last two years.
Why do you guys think that all these 27 vacancies are going to be hired this year?

MS. PERDIDO: Peter, have you got the new schedule?

MS. NAGO: There was a schedule passed out to everyone at the beginning of the meeting.

MR. CRADDICK: That is what he was just holding up, I thought.

CHAIRMAN PRICE: No, I was holding up the one I got in the prior meeting.

MR. STARR: This one?

MS. NAGO: Yes.

MR. HIRANAGA: I have a question.

CHAIRMAN PRICE: Yes, Kent.

MR. HIRANAGA: Looking at the printout that you provided us today, I note that the engineering program manager retired in December of '98. Your note says currently filled via temporary assignment.
 Does that mean that a permanent employee has been assigned to this position temporarily, and, if so, how temporary is it? How long has he been assigned for?

MR. CRADDICK: For approximately four years.

MR. HIRANAGA: So --

MR. CRADDICK: This will be three-and-a-half years. At the end of this year will be four years.

MR. HIRANAGA: So, he's been temporarily assigned there for four years? Why is it temporary?

MR. CRADDICK: All I can say is that the person that is temporarily assigned does not want the position full-time.

MR. HIRANAGA: So, wouldn't it appear then that you should find the person that wants the position?

MR. CRADDICK: Yes, we are trying to do that.

MR. HIRANAGA: And, so, the person that currently fills this position, on a temporary assignment, do you consider his position vacant also?

MR. CRADDICK: Well, there is another person temporarily filling in that position, but then the final bottom position is vacant.

MR. HIRANAGA: And what position is that?

MR. CRADDICK: I believe it's engineering IV, CE IV.

MR. HIRANAGA: Do you have someone that may accept that position?

MR. CRADDICK: Well, we couldn't fill it, if the other two are going to backup, if we fill the top spot.

MR. HIRANAGA: I am confused then. This civil engineering IV position you have Takeno, transfer PW. What does that mean?

MR. CRADDICK: Well, we had somebody in the position, and they left and went to work for Public Works. And we got another list of people, and that person is going to start July 1.

MR. HIRANAGA: So, there is another civil engineering IV position that is vacant?

MR. CRADDICK: Yes.

MR. HIRANAGA: So, where is that one listed?

MR. CRADDICK: What was your question?

MR. HIRANAGA: Why is it not listed as being vacant?

MR. CRADDICK: It is vacant.

MR. HIRANAGA: Well, you said there is another one. You said the engineering program manager's position is filled by temporary assignment, and someone is temporarily filling his position.

MR. CRADDICK: We had -- another one left about a week and a half ago, and I think, as of the time that this was done, I guess -- I don't know. It says May 21, but I guess it's not on here.

Okay. I am sorry. It is on here. It's the civil engineer III. And, so, what we would have to do is reallocate that to a IV at the time they backup.

MR. HIRANAGA: I guess it would be helpful for me if you provided us a list of all the engineering positions in the engineering department and who actually fills each position currently.

MS. PERDIDO: It's in last year's budget currently, in the back of there.

MR. HIRANAGA: What page is that?

MS. GRASA: If you look in the back, you have table four.

CHAIRMAN PRICE: Three, engineering. So, this new schedule, it should be titled funded vacancies by division. This one.

MS. GRASA: Right.

CHAIRMAN PRICE: And this is a comparison to last year in May, is that what it is?

MS. GRASA: On the left-hand side is last year's.

CHAIRMAN PRICE: So, actually, now we have more funded vacancies than last year, according to your schedule.

MS. GRASA: I didn't count them out, but --

CHAIRMAN PRICE: I am looking at the dollar amount. I am sure the --

MS. GRASA: Yes.

CHAIRMAN PRICE: I am sure the difference is not in raises. They would like that to be their raises, but --

MS. GRASA: There is some. Mike's position, our fiscal officer, that's in there. It wasn't in there last year, and that's a big chunk. We also funded the -- in the director's office, the training officer position. There's some funding in there, and that went unfunded last year.

CHAIRMAN PRICE: Okay. So, I guess my point -- well, while Kent's working on this chart, I will take over for a minute.

My point is that I would like to see us have the funded vacancies as a separate line item, because that way, we can compare actual payroll costs to budget, which I think is important, and we can also monitor how quickly we fill those vacant positions or not.

Okay. I am not suggesting that we don't budget for them, because then you wouldn't be able to go after filling those positions, as I understand the rules. But, just lumping them in there is not -- it's kind of misleading.

Okay. And we can look at the benefits associated with those also. And what we did two years ago, instead of budgeting for that whole 27 or however many positions they were, we said, realistically, how quickly are we going to hire those people? So, if you know it's, you know, May 21, and you haven't started to solicit for that position yet, and after you go through the process, it's really going to be October, then there is no sense putting in full pay.

We should adjust it based on when we really think we would like to have them on board. So, that's the other thing that should be included in that funded vacancies line item.

Mr. Starr.

MR. STARR: I agree with you. I think that what happens, when we do it this way, is it creates a slush fund, so that when we look later on and see what the discrepancy between budget and actual is, that there's not much difference. But, meanwhile, we budgeted all these vacant positions. There's actually a lot of increase over what should have been budgeted.

CHAIRMAN PRICE: You are right, but that -- by putting them in the budget presupposes that we need those positions.

MR. STARR: Yeah.

CHAIRMAN PRICE: So, your question is -- and that may be an entirely different discussion. Is everybody on this funded vacancies list needed by your division chiefs? Yes? You nod your heads yes.

MR. CRADDICK: That's correct. That's correct.

MR. STARR: Most of them.

CHAIRMAN PRICE: Because that's the theory. Otherwise, you are right. We wouldn't put that money in the budget.

MR. CRADDICK: If you look on page four, there is a line item down there at the bottom for board adjustment. So, how you want to handle that is up to you.

CHAIRMAN PRICE: Page four what?

MR. CRADDICK: Page four of the budget.

CHAIRMAN PRICE: For an adjustment. No, I want funded vacancies.

MR. CRADDICK: Well, we can change that name down at the bottom.

CHAIRMAN PRICE: Just put in there funded vacancies, and then the total is total. And actual payroll -- when we do our financials, actual payroll equals actual payroll. And then under funded vacancies, if no one is hired in the next month, there is a zero, and there is a budget there, right?

MR. CRADDICK: Right.

CHAIRMAN PRICE: And as Jonathan says, at year end, if for some reason we don't hire any of those funded vacancies, there is going to be a positive variance to the tune of that entire month.

MR. CRADDICK: That's right.

CHAIRMAN PRICE: That's what I would like to see.

MR. STARR: Yeah, looking at last year or this year, we budgeted 7.285 million, and we estimate that we are going to spend 6.689 on payroll. And obviously, that's what's taking place. There's a minus nine percent variance. But it's not a real -- it's not real.

CHAIRMAN PRICE: No.

MR. STARR: Because it was never a real expectation that all those positions would get filled for the entire year.

CHAIRMAN PRICE: We did make -- we did make assumptions last year that some of those positions would be filled throughout the coming year. And you still need to do that. You need to get with the division heads and what's realistic is realistic.

But then, you know, the other thing, for the division heads, is if we have had the same job opening for three years now, and we are not able to fill it, we need to talk about why. Because, again, we are going on the assumption you need that help. You are doing without. But if after three years, we haven't filled that position, what's the reason? I mean, I don't know, but we ought to -- that's something we need to address also.

MR. STARR: While we are talking about the payroll issue, I am looking at -- I wish all of these things had some kind of coded-color numbers or something. But, it's on the front sheet, the operating budget summary. And, you know, we are looking at --

MR. CRADDICK: What page number?

MR. STARR: There is no page number.

CHAIRMAN PRICE: It's the cover page on this one with the one financial with the two-page memo behind it.

MR. CRADDICK: I got it.

MR. STARR: And looking at the payroll item, I mean, we are seeing a 17 percent increase from what we are estimated to spend this year to what we are budgeting to spend next year.

CHAIRMAN PRICE: Part of that is the unfilled vacancies.

MR. STARR: Yeah, I mean if it's not, I would certainly have a problem with that 17 percent increase one.

CHAIRMAN PRICE: And that's a very good point. See, by lumping them in there, we don't know what the real increase in the payroll is. If you take them out, and you put them on a line right under payroll, and you put payroll, unfilled vacancies, then we can look at the real increase that is going to happen in payroll.

I mean, we can compare apples to apples. So, that's another reason why you should do that.

MR. CRADDICK: There's -- in that 17 percent, there was increases for both HGEA, UPW. And one thing that is not in here, that is the only way the division heads will get an increase this year, is through a bonus program that the county has not yet completed. But when they complete that, that will be an issue that we will have to bring up to the board at that time. And that's not funded in here at all yet.

CHAIRMAN PRICE: Okay. So, you might enlighten the board members by telling them what bargaining unit increases represent in this.

MR. CRADDICK: The UPW was five percent.

MS. GRASA: Three percent, and in the upcoming, in July, HGA goes up 5 percent, and that represents probably like 70 percent of our staff. And then we got UPW with the increase, and I think it's three percent. I am not sure, in July, and then they have another increase in January, which we are kind of undecided. It's like two or three percent.

CHAIRMAN PRICE: Those bargaining unit people who are HGA are getting five percent in July. Those bargaining unit people who are UPW are getting three and --

MS. GRASA: Two.

CHAIRMAN PRICE: -- two. Okay. That's payroll increase. And what about benefits?

MS. GRASA: No, those don't.

CHAIRMAN PRICE: No change in benefits?

MS. GRASA: No change in benefits.

MR. STARR: I understand that there was an increase that was in lieu of a get-back on vacation time. Who was that with?

MS. GRASA: Well, new hires that were hired after or on July 1, 2001, instead of getting 21 days vacation and 21 days sick leave, they only have 12 days of sick leave -- or ten days of vacation and 12 days of sick leave.

MR. STARR: But there was a --

MS. GRASA: But nobody had to give anything back.

MR. STARR: But they got a very large increase in that year to make up for that.

MS. GRASA: No, they didn't get anything.

MR. STARR: No?

CHAIRMAN PRICE: Okay. So --

MR. CRADDICK: I will tell you one thing from that is we are having a lot harder time recruiting now because of that. Because now I guess you find the true reason people are coming to work for the county. So --

CHAIRMAN PRICE: Is what? That you got 400 days of vacation a year or something?

MR. CRADDICK: Well, not 400, but I guess more than you get in the private sector, and especially in the engineering. They are bringing that up. Engineering recruits that we try to get in actually bring that up, and --

CHAIRMAN PRICE: Well, that's why I think we have to have a dialog with the division chiefs. If we have got -- again, we are operating under the premise that you need these positions. We have kept them in there.

And if we are still not able to hire for that position, whatever you think the reason is, we ought to have a discussion and make an adjustment. Okay? Or else we have a discussion and say I really don't need it, blah, blah, blah, whatever. I would rather see this.

But, let's have that discussion. And the other discussion, I mean, if the division chiefs aren't bargaining unit employees, and you are telling me that their increase in pay is dependent upon a bonus system that is county?

MR. CRADDICK: Not in place at this time.

CHAIRMAN PRICE: And why are they under -- why is their increase dependent upon some county program versus our budget?

MR. CRADDICK: That's the way the state set it up. You have to have a program set up. I have told the employees that ours is going to be based on their ability to reduce energy costs in each of their divisions. And each of them has submitted something to me.

But until we get the county guidelines, we can't fit what they are supposed to do into those guidelines to get measurable criteria for the -- to base the bonus on. And the bonus can be up to five percent of their base pay.

CHAIRMAN PRICE: Kent, I want to go back to you.

MR. HIRANAGA: Looking at this organizational chart, on page three of the 2002 fiscal budget, you are saying that the engineering program manager is currently filled via temporary assignment for the past four years, and that the individual that is filling this position, what is his permanent position? Official position?

MR. CRADDICK: The land agent engineering, special studies engineer, engineer VII, CE VII, or VI, rather. I take that back.

MR. HIRANAGA: That's a civil engineering VI?

MR. CRADDICK: Yes.

MR. HIRANAGA: And who is filling his position temporarily?

MR. CRADDICK: Wendy, civil engineer IV.

MR. HIRANAGA: Under land agent?

MS. GRASA: Yes.

MR. HIRANAGA: And who is filling her position temporarily?

MR. CRADDICK: No one.

MR. HIRANAGA: That CE IV is vacant?

MR. CRADDICK: Yes, yes.

MR. HIRANAGA: And is that the CE IV that is on this sheet here?

MR. CRADDICK: No. That position is not being shown vacant, because we can't fill it. We don't show the position as vacant if we can't fill it.

MR. HIRANAGA: So, the actual vacancy is the program director?

MR. CRADDICK: Yes. That's what's shown as vacant.

CHAIRMAN PRICE: So, that means you want to take it off the chart?

MR. CRADDICK: No.

MR. HIRANAGA: That's a different CE position?

MR. CRADDICK: That's correct.

MR. HIRANAGA: That's in which district? The CE position you are showing vacant?

MR. CRADDICK: There's in district one that is vacant. Actually, two that are vacant there, two positions at CE III and the CE IV.

MR. HIRANAGA: And the engineer support tech, under what department?

MR. CRADDICK: Okay. That is under land use computer control, engineering support tech, and that one also is just within the last month.

MR. HIRANAGA: So, this position of engineering program manager has been temporarily filled for four years by an individual that does not want the permanent assignment?

MR. CRADDICK: Yes.

MR. HIRANAGA: It would appear to me that we really need to focus on policing this, filling the position permanent. This appears to be a top position in the division.

MR. CRADDICK: Yes, it was a board item last year, and the board chose not to do that, because I had requested up to 15,000-dollars to help recruit, and they felt that that was too much money.

But, you know, we didn't intend to spend that much. We just needed that much in the event it cost -- the worst possible case. But the names that I am getting, I want people that have a proven track record for the job, not ones that are coming in and experimenting for the job.

And in order to get ones with a proven track record, they are probably already working. They are not unemployed looking for a job. We are talking with one here in the state. I, myself, don't know whether we will find one in the state.

We do not advertise outside the state, because of the employment requirements, but we can advertise for people who would be interested in the position and would be willing to move here, if a position opened up, but we have to be able to find those people first.

MR. HIRANAGA: Do you feel the funding level is competitive for that position?

MR. CRADDICK: Well, let's put it this way. If that -- it's not enough to entice any of our current employees to take the position, let's put it that way, because it is so close to the CE VIs.

MR. HIRANAGA: Well, personally, I feel if you feel that the current funding is not attractive enough to enlist a qualified individual, personally you should approach the board for a --

MR. CRADDICK: You can't do anything about it. There is nothing you can do about it. It's set by the position ranking EM-7. It's a civil service position.

MR. HIRANAGA: Couldn't you have the position rewritten and try to have it rejustified? Right?

MR. CRADDICK: That's actually what I am going to try and do, so that you don't have to be an engineer to take the position. Because I believe there's probably qualified people in the military that probably would be willing to take the position, that kind of haven't had to get their license in order to manage that.

MR. HIRANAGA: So, one of your objectives is to redescribe the position, so that the pay fits the responsibilities, so that you will be able to fill this position in the future?

MR. CRADDICK: Yes.

MR. HIRANAGA: Thank you.

CHAIRMAN PRICE: And I'd like to make sure everybody understands. Last year, when we talked about using the recruiter, the problem was the recruiter wanted to be paid up front.

MR. CRADDICK: No.

CHAIRMAN PRICE: Yes, and the traditional recruiter gets paid as a percentage of the salary of the person you hire, so, you don't pay anything up front. You -- you engage the recruiter, they send you candidates, and if you never hire them, you pay nothing.

MR. CRADDICK: They weren't paid up front. It was -- it would be by a contract, and there would be hourly charges for things. The maximum was 15,000. They weren't -- they didn't get 15,000, win, lose, or draw, no matter how much time they spent on it.

CHAIRMAN PRICE: Mr. Victorino, did you have your hand up before?

MR. VICTORINO: No.

CHAIRMAN PRICE: Anything more on payroll? Okay. Let's move on to the next category, materials and supplies. Is that a sigh of relief over there guys? You are going to create a separate line.

MS. PERDIDO: Yes.

MR. CRADDICK: Yes, with that, with that 900,000-dollar amount?

CHAIRMAN PRICE: Pardon?

MR. CRADDICK: With that 900,000-dollar amount there?

CHAIRMAN PRICE: No, whatever -- yeah, whatever the amount of unfilled vacancies is and then benefits.

MR. CRADDICK: Okay. Yes, there's changes almost daily.

CHAIRMAN PRICE: How can it change daily?

MR. CRADDICK: Well, like I said, we have got people coming to work July 1. This number is going to change.

CHAIRMAN PRICE: All right. Well, those people are considered hired. If they have been offered a job, and they have accepted it, and they are going to come to work on

July 1, they are in the ranks of hired people. They are not unfilled vacancies.

MR. CRADDICK: I also know that we got the pipefitter helper list yesterday? Yesterday. And those -- a number of those may be filled also.

CHAIRMAN PRICE: This isn't black or white. If you remember, we have been doing this for two years. We have been making estimates of when they are going to come on board. So, if we have got a list, and we figure they are going to come on board by July, we put them in the ranks of the hired. If we figure they are going to come on board later, we adjust it accordingly.

MR. CRADDICK: Okay.

CHAIRMAN PRICE: Okay. So, if we say that a third of these people are going to come on by December, when we get our December financial in January, we are going to see that those people were indeed hired, and we are going to be happy.

That's another reason why we monitor it like that.

MR. CRADDICK: Okay. This --

CHAIRMAN PRICE: And vice-versa, if budget positions fall out, we are going to see a positive variance in the main salary line, and we are going to ask the question, and you are going to tell us so and so resigned, so and so retired, so and so did this.

MR. CRADDICK: So, you want a recommendation from us of what number to put on that line?

CHAIRMAN PRICE: That's what we have always asked. We have used your working with your division heads to estimate that.

MR. CRADDICK: Okay. Thank you.

CHAIRMAN PRICE: Mr. Starr.

MR. STARR: Yes, I just want to applaud the direction the chair is going, and say that I definitely will not be satisfied to see a 17 percent increase in payroll, when our water sales are down 1 percent. I expect to see it in more like a -- perhaps a six percent, which is more than the raises that -- that people have been getting. So, the way to do that is to look at the -- what positions are going to be filled and for how long.

CHAIRMAN PRICE: Yeah, you know what, Holly? That raises a good point. When we do a budget, we ought to be thinking about -- I mean, and I know it's not something we can hold everyone's feet to the fire on, but you have got a bargaining agreement now. How many years is it?

MR. CRADDICK: Two.

CHAIRMAN PRICE: Two?

MS. PERDIDO: This is the last year.

MR. CRADDICK: Last year of the two year.

MS. PERDIDO: 2003.

CHAIRMAN PRICE: So, next year, the talks are going to start on both UPW and HGA?

MR. CRADDICK: Already going.

CHAIRMAN PRICE: Already going. Okay. Materials and supplies.

MR. HIRANAGA: Mr. Chairman, a quick question.

CHAIRMAN PRICE: Yes.

MR. HIRANAGA: When an individual is temporarily assigned, is he paid the pay of that position he's temporarily filling?

MR. CRADDICK: No.

MS. GRASA: He gets the difference at the higher level position.

MS. PERDIDO: He gets the difference at the higher level position.

MR. HIRANAGA: Thank you.

MS. PERDIDO: Could I do a point of clarification? You know, on the budget, Jonathan was saying he doesn't want to see a 17 percent on this line. So, if I do like we were saying on the payroll sheet, I will have still a 17 percent, but there will be a separate line on the bottom. Do you want it like on a separate line on here?

CHAIRMAN PRICE: I want it on a separate line though.

MS. PERDIDO: On the front page?

CHAIRMAN PRICE: Yes.

MS. PERDIDO: Okay.

CHAIRMAN PRICE: You know, the reason I am saying that is because we have gone through this for two years now, and the number just remains relatively the same. And that may end up being the case, and it may not be the same positions that are unfilled for years.

If it is, we should have that discussion. If it's not, then we know, at least, from our own purposes, that there always is so many positions in transition, which means we ought to be addressing that, the employment characteristics of the Water Department anyway. Right?

So, I'd like, you know, if we account for it in a certain way, so that we can find out what is the issue, then we can try and make some decisions about how we go forward, again, assuming we need all those guys' positions filled. I shouldn't say guys. No gender bias.

Okay. Materials and supplies? Holly, you want to start off by giving us a preamble to that section or someone? Whoever is appropriate.

MR. CRADDICK: Holly.

CHAIRMAN PRICE: George, thank you.

MS. PERDIDO: Okay. The projected -- we were projecting a 5 percent decrease over last year's budget for materials and supplies.

One point we did increase was we put in a 60,000-dollar line item, if you look at the bottom, on page five, for membrane replacement. And if you need more further clarification on that, Paul can explain that, which you might want to hear, for the treatment plants.

CHAIRMAN PRICE: Okay. We will hear from Paul when you are done. Just go through the whole section and we will talk to Paul.

MS. PERDIDO: Some of the primary expense categories that were decreased were chemicals, stores inventory, equipment replacement parts, and the road patching materials.

And basically, we looked at our numbers and what the budget was last year, what our annualized figures were, and came out with a realistic number that we thought this year we will end up on what we will project. And we had the division heads looking it over and coming up with these numbers.

I can talk on the stores inventory, water meter inventory. Basically, we figured out what we would need, and every year we budget for the warehouse. And we came up with, well, this year we need -- we thought we would come up with a little bit less. So, that's why the decrease there. Is there any other explanations you want?

CHAIRMAN PRICE: Paul, did you want to say something?

MS. NAGO: This is Paul Seitz.

MR. SEITZ: Yes, good afternoon. For those of you who don't know, we currently have four microfiltration plants, the Olinda facility, the Kamole facility, the Lahaina facility, and the Iao facility. They are membrane plants. The membranes have a definite life to them. They are warrantied for five years.

We have been operating -- the oldest facility is the Lahaina plant, which is slightly over five years old. We have had to replace the membranes in one of the machines out there this year. It does cost approximately $60,000 per machine to do it.

So, what we figured we need to do, at this point, is as the machines are getting older, we start -- we are going to need to create a fund as to when we change these things out. It's a little unclear as to exactly when we are going to have to do it. It will depend on each plant. But, there is a liability there that we need to get a fund set up.

So, what we figured would be prudent, would be to start a replacement fund of $60,000 a year. If we don't use it, then we will have to carry that fund forward. Because, as you go out further in time, your risk is obviously going to get greater and greater as the machines get older. And that's the basis of that fund.

CHAIRMAN PRICE: Yes. Go ahead, Mike.

MR. VICTORINO: I understand you have certain life expectancies on these machines, right? And yet you are telling me that you are not sure exactly when you are going to -- if you put it in 1995, five years is 2000, right? So, you are telling me sometimes they last maybe 2001, 2002. It is not a definite five years?

MR. SEITZ: Correct. This is a relatively new technology. And, so, what -- the membranes are warranted for five years. The existing plants, that are located throughout the world -- the oldest one is at a diamond mine in Northern Australia, and that one is still running.

When they are going to fail is dependent upon a lot of conditions, how often we backwash them, what the raw water quality is, what the pretreatment chemicals are. So, there's not a definite lifespan.

I can't tell you that, in 2005, I am going to have to change six machines. If the machines don't need to be changed, I am obviously not going to change them. But, again, there is a risk factor that as they get older and older, the probability is going to be greater that they will fail at some point in time, and they will need to be changed.

MR. VICTORINO: So, you are saying that it's very possible that in one year, four machines may all go down at the same time simultaneously.

MR. SEITZ: It is very possible that that could happen. That's correct.

MR. VICTORINO: So, what you are planning to do is put 60,000, which I understand is the figure for one machine. You carry it over for one machine. But if we hit that year where you may be down in income, down in expenditures, and four machines give in, now you are talking $240,000, and walking in and saying now we got to do this now because of a liability.

I don't think that is very good planning either. I think what you should be doing is planning it out. If I know five years is my warranty, and six, seven, eight going to come, maybe having it for two, like 120. So, if you get zapped in a year where you have to do three or four, you are not wiped out completely. So, that's what I see. I don't like this just carry forward, and that's it, you know.

MR. SEITZ: I don't disagree with you. All the machines are not the same age and the running conditions on each plant is, again, a little different. So, there really is no history that we can go back on this on from somebody else.

MR. VICTORINO: Right.

MR. SEITZ: And basically, at this point, this is what we felt that we could afford. If the board would like to fund more, I am obviously all for it.

CHAIRMAN PRICE: Mr. Starr.

MR. STARR: How many machines do we have, Paul?

MR. SEITZ: We currently have 15 machines.

MR. STARR: Okay.

MR. CRADDICK: 15, 90-module units. Each one of those modules, we had in the original contract price that they -- when we originally bid these things out, they had to, in there, give us the replacement module price at the price of the module at that time, which was $650.

So, if you take 650 times the 90, which is one machine, that's where you come out. It's actually 63,000, not 60,000, but that's how we came up with the 60,000-dollar number. And again, as we go out, more and more will have to be set aside.

MR. STARR: I remember hearing on one of the Memcor U.S. Filter demonstrations that their projected lifespan was about -- was ten years. And if we were to use that number of ten years, that would mean that -- and since we are almost over the warranty period on all of them, we should expect a failure rate or replacement rate of one-and-a-half machines per year.

So, my feeling is that that number ought to be $90,000 and not $60,000. That's using their -- Memcor's number.

MR. CRADDICK: That's an argument, yeah.

MR. STARR: I think you were with me, Walt, when we saw that. So, I think that 60,000 should be raised to 90,000, and then we would be ready if one and a half average were to fail as it's been projected by the manufacturer.

MR. SEITZ: I am not going to disagree with that, obviously. But the point is, okay, what you have to understand is -- and this is one of the things that we were really wrestling with. Okay.

We are going to take the 60 or 90,000. We will say it's 90. Okay. So, next year there will be 180,000 in there. And then the next year after that, you know, again, 90, 90, 90. So, it's going to build up.

However, we are not going to be actually spending the money unless a machine has to be changed out. At some point in time, we are going to have to be wrestling with the fact that you may have a considerable amount of cash in there, and you will have to recognize the fact that with that cash in there, maybe in three or four years, maybe we haven't spent anything. Now you are going to have a really sizable amount of cash in there, you know, and --

CHAIRMAN PRICE: Right.

MR. SEITZ: -- the recognition.

MR. STARR: The other side though --

CHAIRMAN PRICE: So, we understand that. Obviously, what we are going to do, as you gain experience, you are going to really find out what the average life is, and you are going to adjust it down the road. Right? We understand that.

MR. CRADDICK: That's right.

CHAIRMAN PRICE: The question is, this is an item that should be in the reserve schedule. This is not, in my mind -- Ellen, is this in the schedule?

MS. KRAFTSOW: Not this particular item, no.

CHAIRMAN PRICE: This particular item should be added to that schedule. This is a five-year life to this item. It is $60,000 times 15, if I got you correctly --

MR. STARR: Ten-year life.

CHAIRMAN PRICE: Is it a ten-year life?

MR. SEITZ: It's a five-year warranty. The life is an arguable number.

CHAIRMAN PRICE: Right. So, we are going to -- through experience, we are going to come up with what the actual is versus the projected. But for now, it's ten-year life.

That's $945,000 that should be reserved for over time based on when you installed them. So, if you go and take your installation schedule, right? And you add ten years to each one of those 15 components you are going to have, that's the year I am going to need to have that amount of money. That's what we should be reserving for, that amount of money. If, in fact, they end up lasting 12 years, as an average, then we go into the schedule, we change it to 12 years, and the funding gets drawn out for a longer period of time.

But it should not be in the operating budget, and

I am glad you brought that up. You guys who are division heads should be thinking about items like that, that have to be replaced. And we need to make sure they are in the schedule. Because they should be funded from that -- whatever you want to call it -- sinking fund, depreciation fund, replaceable fund, however you want to call it, but that is where that should come from.

Yes, Mr. Craddick.

MR. CRADDICK: What life would you say things should have in order to go in there? Because vehicles might have a five-year life to them. We don't put them in there. There's lots -- you know, for us --

CHAIRMAN PRICE: You have an equipment budget now.

MR. CRADDICK: -- if it lasts less than ten years, it basically doesn't get in that. The only thing that we have -- the lowest life thing that is in there is the meters. That's ten years. We depreciate those for ten years. Anything less than that is not even on the schedule.

CHAIRMAN PRICE: So, we raised a question that we need to contemplate and come up with an answer to.

MR. VICTORINO: I think, to address that, you are absolutely right. It should go in the reserve fund. And these items -- using a vehicle is really not a good chronology versus something like this, where you are talking an intangible situation, where we haven't gotten any real tangible five year, ten years, seven years, 12 years, whatever, right?

That's why I agree with the chairman. It should go in the reserve fund. We stick X amount of dollars in there, and each year maybe put X amount of dollars in there, knowing that, in so many years, they are going to be coming up or whatever, and the money is there then.

But it shouldn't be in the operating expenses, because it is not an operating expense. It is not something you can count on every year.

CHAIRMAN PRICE: The vehicles you have a budget. You have a capital budget.

MR. VICTORINO: Yeah. No.

MR. CRADDICK: It's under equipment.

CHAIRMAN PRICE: Yeah. Right. I don't care what you call it, but we budget for replacement of vehicles every year.

MR. CRADDICK: Right. The other thing to it is when you say -- you know, your exact argument is the argument for doing it the way we are doing it, because we don't know. That whole unit could go down instantaneously. We had four of them that went out within the first, what, two months of putting them in, when they were originally put in. We had four of them go out.

MR. VICTORINO: But they were under warranty.

MR. CRADDICK: No, they weren't.

CHAIRMAN PRICE: What is that five year?

MR. CRADDICK: The reason why is because the contractor used chlorinated water in pressure testing them, and that ruined them, and it was part of a claim item in completing the job, where how that got paid for was a part of the settlement in the completing the job at Kamole weir.

But the one that Paul replaced, typically, when you replace them, you are going to replace the whole unit at one time. And not having the experience, I think until you get the experience and find out that they will last ten years -- we haven't had anything last ten years.

And if you are going to say we are going to start putting things on the list that have a less than ten year life, that is a big policy change that probably needs more discussion. And I don't know if you want all that debate right now during the budget. But we feel, because of the limited life of these things, we backwash it a lot more than they do on the mainland. We are backwashing. Their estimated life is based on one-hour backwash, and we are backwashing, what, 20 minutes in some cases?

MR. SEITZ: Yes.

MR. CRADDICK: So, we don't expect to see ten year lives on these things.

CHAIRMAN PRICE: Well, first of all, I don't believe -- I don't know, so I shouldn't say. But I don't know who established ten-year life basis for our schedule, but --

MR. STARR: We are based on 15-year life here. $60,000 a year would be 15 years.

MR. VICTORINO: Yeah, see, I mean --

MR. STARR: I think it should be more.

MR. VICTORINO: I think, David -- Mr. Craddick, I think we are all trying to go in the same direction, but just maybe in a different method. But the thing is, I agree with these gentlemen. We should have it in reserve. We should have a larger than 60,000-dollar amount in there. And as it's not being used, it carries forth, and we have the same amount next year.

Because if you get whacked in year three from now, and four machines go down, you will have much of the money in there. And at least then you are not taking an operating hit at that point. I think that is what we are saying.

CHAIRMAN PRICE: Wait a second. This discussion is a little bit incongruous with the decision we just made about the things we were expensing and capitalizing, right?

MR. CRADDICK: Right.

CHAIRMAN PRICE: Traditionally, if you capitalize an item, it goes in the reserve schedule.

MR. CRADDICK: That's correct.

CHAIRMAN PRICE: Okay. I don't believe this board --

MR. CRADDICK: Except I don't believe office furniture and things like that go into that schedule that have a less than ten-year life.

CHAIRMAN PRICE: Well, we may make that decision, but what I am saying is I don't remember this board making a decision that items with a useful life of ten years or more were all that went into that schedule.

MR. CRADDICK: No, they haven't.

CHAIRMAN PRICE: Okay. So, I think that we -- it is incumbent, on this group, to make a decision. If you think that the useful life is less, maybe that's true. Whatever the right useful life estimate is, we use it. But it still may go in the reserve schedule.

The dollar amount is also relevant. We may have an item that costs a thousand bucks that's a ten-year life, but that doesn't go in the reserve schedule. But I think when we are talking about a 60,000-dollar replacement item, in my mind, if it's seven, eight, nine or ten, it belongs in the reserve schedule.

Mr. Starr.

MR. STARR: Not to beat a dead horse, all these units are between four and six years old, and it's probably likely that in about two to three years now, they are all going to go within a year or two. And I will be off the board, so it won't be my problem, but Mike and Ginny will still be here, and they would like to have money put aside for it.

MR. VICTORINO: That is what I mean. Talk long-term planning. I mean, you know, conceptually, we will be putting $60,000 for one year, and next year three machines go out, we are in -- we are over a barrel. I think we are all talking the same thing, but maybe now we got to figure which way we see it happening.

CHAIRMAN PRICE: You don't have to worry about what goes down when money is in the reserve.

MR. CRADDICK: One thing I should say. If a machine goes, they are all going to go. Half of them aren't going to go. So, it should either be 60 or 120, not 90.

CHAIRMAN PRICE: That should go in the reserve -- the depreciation schedule. I think we have decided that, so they go out of the budget. They go into the schedule. If they go down tomorrow, Paul calls up, and we go order them, and we take them out of whatever fund we are creating for this reserve. That's it.

MR. SEITZ: So, the question comes down to what number do we want to use?

CHAIRMAN PRICE: Well, okay. We are going to ask you to make a list of when they were all installed, and, based on your experience, what -- how long you think they are going to live and when they are theoretically going to need to be replaced. And just send it to us, and we will review it and put it on the schedule.

MR. VICTORINO: And, Paul, one thing I will ask of you. Be conservative. Be very conservative, because you do not have any track record. And I would rather be on a conservative basis than being too liberal and then find out, down the road, we are really getting whacked every which way.

MR. SEITZ: In my mind, I have a number of about seven, seven-and-a-half years, in my mind, is about where I sit. And I know what some companies on the mainland do, with this issue, is they will figure -- they will -- if they have 15 units, they will fund their fund to a cap that if they have to replace half of them, that they will have that fund there. Because the likelihood that you have to do all the machines, at all the plants, in the same year, is fairly remote. You know, so, I know that's --

CHAIRMAN PRICE: Talk with Mr. Craddick and make sure you guys get your stories straight about how they are all going to go down on not go down.

MR. SEITZ: The plants are in different places under different operating conditions.

MR. CRADDICK: What I am talking about is each module of 90 was manufactured at some time. Now, whether it's being used or not being used could affect its useful life. Like, for instance, let's take Iao. We have used that, what, maybe a year? Well, if we ever use it again in the next -- in the seven years, it may not work at all. So, we may have gotten one year of useful life out of it, and we will still have to replace both of them. Because they -- we don't know if they are deteriorating worse not using them or -- or they deteriorate more from using them. You know, we don't have any history on that either. So --

CHAIRMAN PRICE: Well, you are going to make a schedule. You are going to do it and give us your best estimate. Okay? You are going to get it to the board. We are going to review it. And, obviously, if it's a new item without experience, it's new in the industry, we are going to make some assumptions. And as Mr. Victorino says, we probably err in the conservative side, in the liberal side. And then you have the funds available for that when you need it. That's the point, and it doesn't become an operating expense. Thanks. Thanks, Paul.

MR. SEITZ: We can do that.

CHAIRMAN PRICE: Now, any other questions from board members on this section, materials and supplies?

MS. NAGO: Peter, can we give her a couple minutes break.

CHAIRMAN PRICE: Let's take a quick break.

(Recess, 3:21 p.m. Resumed 3:31 p.m.)

CHAIRMAN PRICE: Moving on, Mr. Victorino has the floor. Materials and supplies.

MR. VICTORINO: Yeah, the only item I wanted to be sure that, as we have discussed, this $60,000 will be removed, membrane replacement.

CHAIRMAN PRICE: It's my understanding, yes.

MR. VICTORINO: So, that will be removed, right?

MR. CRADDICK: Yes.

MS. GRASA: And added to the capital budget, right?

CHAIRMAN PRICE: That's correct. Any other variances in -- the diesel fuel went down. I am only looking at last year's budget. I don't know what actual is, but -- last year, in our budget, we budgeted 171,000 for diesel fuel. What's that -- what is your projected year-end on that, Holly?

MR. CRADDICK: The Kamole well number one was running, with a diesel engine, 24 hours a day, 365 days a year the previous year, and it's now on the Maui Electric system. We are no longer -- and then also, because of the drought, we had Hamakuapoko running a number of months last year. That was all diesel, and it hasn't been running and may not run this next year. So, we are saving quite a bit on that.

CHAIRMAN PRICE: And we split out the stores inventory expense to -- or did we? Yeah, we did between water meters and stores inventory versus stores inventory last year, huh?

MS. PERDIDO: Yeah, what we did is we broke out the water meters and the stores inventory. This is one of those funny -- the item stores, which if you look under pool accounting, are an asset as an inventory. Whereas on this budget, it's -- we are to pick these up as expending the money for the meters, but they go into inventory, and then when they are put into service or put into a work in progress at year end, we put them into there. They are transferred over to the inventory or to the asset. Does that make sense?

CHAIRMAN PRICE: So, you are budgeting for the cash to purchase them.

MS. PERDIDO: That's right. We have to budget. And right now, since we have to -- and in this also is some construction meters -- construction meters that we use -- that are read by radio wave, too, for --

CHAIRMAN PRICE: Were these all in that one number, stores inventory?

MS. PERDIDO: Well, before, remember, we had the meter replacement program.

CHAIRMAN PRICE: Yes.

MS. PERDIDO: And that's what we had the inventory for them use, so they were in that -- what was our budget before? 5 million, the meter replacement program? So, that's where all the meters were purchased originally.

And then last year and this year, we installed most of those meters, so we are going to have to start buying -- purchasing meters again.

CHAIRMAN PRICE: Why are we purchasing meters again? I mean, this is just to replace ones that are worn out?

MS. PERDIDO: And new services, and also the construction meters, we are getting new construction meters that we -- that are put in and taken out as jobs get used.

CHAIRMAN PRICE: So, I mean, maybe this is an ignorant question, but I am going to ask it anyway. We charge a meter fee, and the cost of the actual meter can't be that much, right, because some of this meter fee, water system development fee, goes towards source, and transmission, and all that stuff.

MR. CRADDICK: In addition to the water system development fee, you also pay an installation charge for the meter. And if you don't have a lateral off the line, you also have to pay for that lateral to be put in.

But in most subdivisions, the lateral is put in by the subdivider, so all that has to happen is you put in a meter, and that charge is $150 installation charge for the meter. And that's assuming you already have the lateral there. And that's the charge just for the 5/8th-inch meter. It escalates up for the larger meter sizes.

CHAIRMAN PRICE: Okay.

MR. CRADDICK: And that is approximately what the meter does cost us, is that $150.
What are you doing, scratching your head wondering where does the income go from that?

CHAIRMAN PRICE: You are getting smarter. Where does the 150,000?

MS. PERDIDO: The 150?

CHAIRMAN PRICE: The $150. I am sorry.

MS. PERDIDO: That is in your jobbing and your --

MR. VICTORINO: Shopping?

MS. PERDIDO: Jobbing.

CHAIRMAN PRICE: And the labor is in the labor side. But how much labor to install a meter?

MR. FUKUYAMA: One man.

CHAIRMAN PRICE: One man all day?

MR. CRADDICK: Most of that is driving time.

MS. PERDIDO: It depends.

MR. STARR: You can see them do it in four minutes at the convention.

MR. FUKUYAMA: Yeah, but they got a brand new tap though.

MR. VICTORINO: That was tapping. That wasn't installing. Little different.

MR. FUKUYAMA: Sure.

MR. VICTORINO: Okay. I just wanted to clarify, because I don't want to get it wrong.

CHAIRMAN PRICE: So, this doesn't have anything to do with the decision that we made in terms of capitalizing items or does it? Is that why you broke it out versus having it lumped in?

Oh, so it wasn't lumped in before? So, it came out of that meter replacement, is what you are telling me. I am getting smart here. So, that means that in the last year, our stores inventory expense was $557,000. If I compare apples to apples, it dropped to 320 this year if the meters were new.

I thought they just broke them out, and you made two line items out of one, because the total was relatively close. But, in fact, if they are not -- if the meter is new, then you reduced your stores inventory by $220,000 -- $237,000, right? Sorry to bore you guys with this manini stuff.

MS. PERDIDO: We reduced it by 37,000 from last year, 37,000.

CHAIRMAN PRICE: My question was, last year, stores inventory was one line item and was $557,000. There were no meters in there.

MS. PERDIDO: There was some meters in that, also.

CHAIRMAN PRICE: Oh, there was?

MS. PERDIDO: Yeah, because what -- we separated it out, basically, for accounting. It would be easier, and we have just converted all of the meters over to the cast system that we are tracking all the meters. We are trying to get that all reconciled and tracking that way. So, we wanted to do a separate line item for the meters and the stores inventory. That's why if you look --

CHAIRMAN PRICE: That's what it looked like, but when you said earlier, you said that was funded from that other --

MS. PERDIDO: That was previous. If you look two years ago, the stores, it was less. Yeah.

CHAIRMAN PRICE: Okay. All right. Anything else on materials and supplies from the board? Road patching materials, that's gone up a little bit.

Let's move on. Next is services. Holly, anything you want to say?

MS. PERDIDO: Okay. Basically, in services, we are budgeting two percent less than last fiscal year's budget, but like about four percent over 2002 year estimate. Electricity is about 80 percent of this category.

A few of the big items on that was, as Dave said, we -- two wells, two Kanoa wells and, I think, Maluhia well also -- is that right, Bryce? For the electricity, we added onto it.

MR. FUKUYAMA: We are going to add two more new ones, Kupaa and Maluhia.

MS. PERDIDO: So, three more wells then, is that right, are being added on?

MR. STARR: Excuse me.

CHAIRMAN PRICE: Yes, Mr. Starr.

MR. STARR: Maluhia well, it's not going to be operational for next year.

MR. FUKUYAMA: You can add on Waiakoa Road. Remember that one you went up to Waiakoa? You wanted to have it done when we did that field trip?

MR. STARR: Are you talking about -- yeah, up above -- I hope that one --

MR. FUKUYAMA: That might be installed, too.

MR. STARR: Maluhia is more than a year out, right?

MR. FUKUYAMA: Yeah, definitely.

CHAIRMAN PRICE: Go ahead.

MS. PERDIDO: Okay. Okay. Basically, the other category would be professional services, and you have a breakdown of the professional services on the following page. And then if there's any questions --

MS. GRASA: Holly, is this a good time to raise the issue about the USGS project?

CHAIRMAN PRICE: Pardon? What was that?

MR. CRADDICK: Just wait. Wait.

CHAIRMAN PRICE: And the major difference between the professional services line item last year and this year is the 300 some thousand dollar water usage development plan fee.

MS. PERDIDO: Correct.

CHAIRMAN PRICE: I mean, I am just looking at big numbers. And the other big number is the increase in electricity.

MS. PERDIDO: Electricity. Study for electricity.

Actually, we got a price to do the study for using HC&S electricity at Kamole weir and the Hamakuapoko well sites. That cost is $100,000 also. And I didn't -- I think I told the board, at one time, that that might be around 30 or $40,000. We found out that's 100,000.

This one here was to do an alternate energy source study to see what the feasibility would be of using ocean thermal energy conversion. Because next year, the Energy Policy Act will come into place where energy is deregulated, and anybody that has electricity can put it into the system, pay the wheeling rate, and get it out at the other end.

So, basically, if we can switch over to something like that, then our energy costs would be fixed for the next 50 years out in the future. So, I felt it was prudent that we do some kind of a study on there.

Honolulu has done one. They are -- seem to be justifying it on the basis of getting extra water. I am not certain we can justify it on that basis, but I believe it does have some ability to use the cool water for air-conditioning in addition to power production.

So, anyway, I just feel it's prudent for us to also investigate that. But if we do the other one, using HC&S

for Kamole weir and Hamakuapoko, that would be another hundred thousand in addition to this, if you want to do both of them.

CHAIRMAN PRICE: Okay. Let's take them one at a time here. The first is this energy conservation study, which I think is a good idea.

MR. CRADDICK: Alternate energy, alternate energy.

CHAIRMAN PRICE: But I would like to be sure we cover all of them. Really, I guess, I would like to see it be an energy use study, so that we looked at all sources of alternative energy, and we look at all of our operations. I mean, if they are only going to focus on one particular thing.

MR. CRADDICK: No, no. The one study was particular just to HC&S. We have a local --

CHAIRMAN PRICE: Forget the HC&S thing for a minute. Stay with the first study. We will get to HC&S in a second. The first study is an alternative energy study, is that right?

MR. CRADDICK: Yes.

CHAIRMAN PRICE: And it will look at all kinds of alternative energy and make a recommendation based on our specific needs.

MR. CRADDICK: Yes.

CHAIRMAN PRICE: Mr. Starr.

MR. STARR: Yeah, I'd like to see us look at utilizing some of the proven technology, such as wind or photovoltaic. But O-tech, no one has ever produced energy using O-tech. I think that, you know, to limit our study to a technology that has never succeeded or been used by anyone before, and the pilot demonstration project for it, on the Big Island, has been shut down, I think that's really kind of reaching. You know, whereas, you know, if we look at wind, I think maybe -- there may be some viability there.

CHAIRMAN PRICE: That's why I said I think we want to make sure, if we do an energy study, we look at all alternative energy sources, and somebody makes a recommendation as to what works for us.

And I think that's the prudent thing to do. If you look at this electricity number, and you look at where it was a few years ago, it's a huge increase.

MR. STARR: Yeah. And, I mean, a lot of our -- a lot of our pumping, and so on, does not need to be done 24 hours, you know, a day, or we could have -- you know, replace it with other power. But, you know, I think it's a place where wind energy could be very well applied, and that's cheap energy.

CHAIRMAN PRICE: Okay. Now, what's with the HC&S?

MR. CRADDICK: Well, the quote we got for that was also $100,000. And if we are going to expand this other study, it may cost more than that also.

CHAIRMAN PRICE: Okay. But HC&S, the hundred thousand dollars you are referring to is for a study or for a conversion?

MR. CRADDICK: It's to identify all the costs associated with converting over to HC&S power for Kamole weir and the Hamakuapoko wells.

CHAIRMAN PRICE: And we have a proposal from someone to do that study?

MR. CRADDICK: Yes, and I think it was actually a little over 100,000, wasn't it?

MR. CRADDICK: 118,000.

CHAIRMAN PRICE: Who was it from?

MR. CRADDICK: HCM.

CHAIRMAN PRICE: You just got a ballpark from them so you could budget it?

MR. CRADDICK: Yes.

CHAIRMAN PRICE: But we would do the whole deal?

MR. CRADDICK: Yes.

CHAIRMAN PRICE: There's -- to me, there is a bunch of electricity savings right there.

MR. STARR: It sounds like a lot of money to study the feasibility of switching our power providers. I am wondering -- you know, I think it's good for us to look at power costs, but to a noncompetitive bid contract of $100,000, to study that, it really sounds like a -- sounds a little fishy?

CHAIRMAN PRICE: Ginny.

MS. PARSONS: Wouldn't these companies like Seimen's, photovoltaic come out and give you an estimate without a cost anyway?

MR. CRADDICK: I don't think you want a sales-type of presentation.

MS. PARSONS: I mean, they can give a report, and then you can go deeper at that point. But they can recommend for you what -- these guys are knowledgeable in what panels do, and what the energy is per panel, and if it's feasible. And I would imagine wind is the same way. Windmills are the same way.

MR. CRADDICK: Most of the work on these studies are involved with the time of use, and how much you are using, because of the peak loading on the system, and whether the system can handle it. That's where most of the work goes into this.

Just doing a study whether wind power is available or solar power is available and what it will cost you is a very -- or even this HC&S project, whether the power is -- can be used is a very minor part of the study.

On this HC&S one, we will go from approximately 12 or 14 cents per kilowatt-hour to four cents per kilowatt-hour, and it's a huge savings in electricity. Just putting in the equipment will be over a million dollars, putting in the equipment. And I am not going to recommend, to this board, to do something like that, without an extremely thorough study and what the ramifications are on the treatment plant.

Because at the time that happens, we will be off Maui Electric's system. So, we will have no alternative to power if that doesn't work for us. So, we have to know that it will work before we can propose it to the board.

But, on the same token, I believe that because of the huge power savings -- we spend over a million dollars a year at Kamole weir -- just about or near that amount. I think it's about 30 some thousand dollars month. Plus, if we -- if we are in a drought situation, that jumps up to about 90 to $100,000 a month for power.

CHAIRMAN PRICE: Just so everybody understands, that's why I asked to separate the two discussions. First discussion was about general alternative energy use. The second discussion is about specifically putting the specs together.

MR. CRADDICK: Very detailed work.

CHAIRMAN PRICE: To verify whether we should do the -- take advantage of the HC&S power. So, that's why I think there's two different things there.

Kent.

MR. CRADDICK: And it's extremely detailed work on HC&S, whereas the other one is more conceptual.

CHAIRMAN PRICE: Kent.

MR. HIRANAGA: I guess one concern of converting to HC&S power is --

MR. CRADDICK: How long will it last?

MR. HIRANAGA: -- how long a commitment they will make to the department that they will be in the power business?

MR. CRADDICK: Right. Now we have, in our MOU, a

25-year commitment minus about a year and a half.

MR. HIRANAGA: So, HC&S is agreeable to a 25-year commitment, or that's your requirement in order to --

MR. CRADDICK: We already have an agreement with them for 25 years minus about a year and a half.

CHAIRMAN PRICE: All right. So, we are talking about two separate studies here. I kind of agree with Mr. Starr. It seems $118,000 to do the calculations as to the viability of the changeover is awfully --

MR. CRADDICK: No, it's not to calculate the viability of it. It's the detail work of what poles you need to put in. Basically, HC&S is giving us a price of $900,000 to convert over. Perhaps we can do that a lot cheaper ourselves.

CHAIRMAN PRICE: So, what we are not doing then, now we are doing the engineering of doing it.

MR. CRADDICK: Not -- I don't believe we are doing design work with that money. Are we? We are not doing any design work with that?

MR. KOGASAKA: I don't think so, no.

CHAIRMAN PRICE: If you are telling me they are figuring out the number of poles we need, they are definitely doing design work.

MR. CRADDICK: No.

CHAIRMAN PRICE: We don't want to duplicate work. We don't want to pay them $100,000, and then pay them another hundred thousand to do the same thing they have already done.

MR. CRADDICK: No, they are not doing design work at that point.

CHAIRMAN PRICE: I guess we need some specifications. I am all for putting some money the budget for it. I need to know what we are contracting for.

MR. STARR: It's not like a liaison-type of thing.

MR. CRADDICK: Herb, anything you can say to enlighten us? You made the contact to VCM. What did you tell them exactly that you wanted?

MR. KOGASAKA: We had some preliminary prices from HC&S. One to run power up to the big well and then another one on to Kamole. Kamole was -- I believe it was about $900,000. That's for line change and bringing a line over to the site. We don't know what kind of reliability we are faced with. This is a huge energy load on their system, and we really don't know how that affects HC&S as well as how much reliability we would be getting on this.

There is a lot of unknown issues that we could have some expert look at it, because I felt a little bit inadequate about trying to make an assessment based on the information that I had.

So, I was asking them, you know, what kind of study -- you know, what kind of study? We need to have them come up with a recommendation or some direction as to what we would be getting as a result of us converting over.

One of the things is that we cannot have 100 percent reliability, for one, yeah, because of -- we don't really necessarily need it on that basis, but we would need a certain amount of -- a certain amount of reliability anyway. We have generators over there that will carry us over for a certain amount of period of time.

CHAIRMAN PRICE: So --

MR. KOGASAKA: We are not sure of what -- what we are looking for.

CHAIRMAN PRICE: Right, based on what you just told me, then their 118 is ballpark. You just -- I appreciate the fact that you can't make all those decisions, but I didn't hear anything that would lend me to believe the 118,000 was based on any specific scope of work.

MR. CRADDICK: No, it's very detailed scope of work. Extremely detailed.

CHAIRMAN PRICE: Then I think we need to see that.
Do we have a scope of work already?

MR. CRADDICK: We have a proposal from them.

CHAIRMAN PRICE: Okay. Then we ought to see it.

MR. CRADDICK: To me, Peter, we are not awarding any contract right now. We are just budgeting.

CHAIRMAN PRICE: I understand that, David, but we have seen -- but for a study to do something that seems fairly obvious, and if you don't, if you just take $900,000 --

MR. CRADDICK: Sorry for the laughing, but it is not. It is not.

CHAIRMAN PRICE: If you don't think it's fairly obvious, why are you recommending it?

MR. CRADDICK: Yeah, we wouldn't be recommending it. If it was fairly obvious, we wouldn't be asking for this study.

CHAIRMAN PRICE: What exactly makes it not so fairly obvious?

MR. CRADDICK: There's all kinds of things.

CHAIRMAN PRICE: Give me something. I want something specific.

MR. CRADDICK: And the load demand has to be looked at very carefully in accordance with HC&S's ability to meet that demand. Because, as Herb said, we don't have the generating capacity to take the full load up there. So, if we aren't going to be able to operate fully during a drought, we can't do this. We can't take any chances with it.
 $100,000 is very cheap to make sure we don't have any mistakes. And we are not willing to bring something to the board on our own guesswork that it might work.

CHAIRMAN PRICE: I appreciate that.

MR. KOGASAKA: I want to clarify is that HC&S was mainly bringing power to Hamakuapoko, and although we did discuss about the power requirement at Kamole, which is tremendous -- tremendously greater, they gave us their estimate for -- you know, I am talking about HC&S bringing power to Hamakuapoko wells and for the two pumps that are there. And I wonder how much more it would take to get Kamole on line. I think all the money, the 250-horsepower -- 1250-horsepower motor at the wells, and the Kamole pumps are, you know, like 2500.

MR. CRADDICK: Well, the other thing, too, is that HC&S's power comes in at 12,000 volts. Maui Electric's power comes in at 12,000 volts. The whole transformer system has to be changed. Our motors, up at Kamole, run at -- what is it, 4180?

4160 volts. So, all of those things need to be looked at. And, you know, I am an engineer, a civil engineer. This is a price that came in from a credible engineer. There is no reason to believe that it's padding the price. We will get more than one estimate before it's actually done.

So, what we are talking about is a budget right now. You will have all the time you need to look at the scope of work or whatever you want to later on in the future. We are just talking about the budget right now. That's all.

CHAIRMAN PRICE: Mr. Starr.

MR. STARR: Yeah, I would like to see the proposal, and I certainly would want to see competitive bids on doing this when the time comes. But, you know, if we are -- you know, if we are serious about proceeding, and my preference would be to -- we would become a customer of HC&S then, and it would seem like it would be something that we could ask HC&S for them to give us a full proposal of running the lines, and also, just as important, is maintaining the lines on a year-by-year basis.

And also, they would give us the degree of firmness of their power. You know, when you make a power contract, one of the elements is, you know, what percentile of availability you are going to have, and how much notice you are going to get if it's going to get turned off and so on.

So, I would like to see the -- a proposal to this effect from HC&S. In other words, what they are willing to provide us, rather than us going and having to try to engineer their system. It would seem like if HC&S is the contractor that we are buying power, and we are also talking about possibly buying the installation from, then it becomes incumbent on them to provide us the data we need.

And if we are going to save, as has been intimated, maybe $700,000 a year, you know, their figure of a million bucks to install it, that doesn't shock me. I have no problem with it. And I would prefer them to be the contractor, since it's running across their land, and we can have them maintain it as well.

So, I think, you know, that's something the board should look at. And something about this one -- putting aside a hundred and some odd thousand for this one contractor study kind of feels weird to me, so I think we should look at it.

CHAIRMAN PRICE: Yes, Mr. Craddick.

MR. CRADDICK: That's who we started off with is HC&S. They said they weren't capable of doing it. That is why we had to go outside. They were only willing to do the work for Hamakuapoko, which is, I think, only 460 volts there. Bryce still there?

MR. KOGASAKA: Yes.

MR. CRADDICK: 460 volts, very low voltage. And that is all they were willing to help us with. High voltage, you have to understand, is a whole new ball game.

MR. HIRANAGA: Mr. Chair.

CHAIRMAN PRICE: Yes, Kent.

MR. HIRANAGA: Just to get an understanding, basically, the department wanted to explore the possibility of alternate energy source, and you requested HC&S to give you the estimate on what their cost of a study would be, is that correct?

MR. CRADDICK: Not alternate energy for the HC&S.

MR. HIRANAGA: Conversion.

MR. CRADDICK: Yes.

MR. HIRANAGA: HC&S conversion, and this estimate they provided you, they did not charge you for this estimate?

MR. CRADDICK: No.

MR. HIRANAGA: There was no fee to create this estimate?

MR. CRADDICK: No.

MR. HIRANAGA: It's a budget proposal. It's a best guess. If we are going to proceed down the road, we are going to get hard proposals on it. So, I don't know why we are spending so much time on this.

CHAIRMAN PRICE: Because we have to add another number. The number in the budget to you is for the alternative energy study. We would need to add some number for the HC&S conversion.

MR. HIRANAGA: But that would not be in the 2003 fiscal year budget.

MR. CRADDICK: Yes.

CHAIRMAN PRICE: We are talking about doing it in the next fiscal year.

MR. HIRANAGA: You are going to have the study done and make a decision for the conversion.

MR. CRADDICK: I don't know if you would make a conversion, but you would have the study in your hand.

MR. HIRANAGA: I don't think we need to be concerned about the cost of the conversion, but the study is column --

MR. CRADDICK: We are not concerning ourselves with the cost of the conversion. We are only concerning ourselves with the cost of the study right now.

MR. HIRANAGA: Right, budget proposal 100,000.

CHAIRMAN PRICE: No, there is another on top of that was the point. There were two different proposals. Number one is the alternative energy study. That is in the budget for a hundred. What was left out of the budget was the study for converting Hamakuapoko and Kamole to the HC&S system.

MR. HIRANAGA: You want to amend the budget?

MR. CRADDICK: Yes, yes.

CHAIRMAN PRICE: And if we understand that we are going to review the proposals and get competitive bids, then we will put the hundred in for that, because we are taking 60 out of the other side. Okay?

MR. HIRANAGA: Question.

CHAIRMAN PRICE: We saved 60. We only spend 40 more.

MR. HIRANAGA: Would the alternate energy study not also encompass the feasibility of the HC&S conversion?

MR. CRADDICK: No.

MR. HIRANAGA: Why not?

MR. CRADDICK: It wouldn't. It wouldn't.

MR. HIRANAGA: Maybe it should be.

MR. CRADDICK: You could, but then the price would jump up to over a couple hundred thousand dollars for it, because now instead of looking at three pump stations, you are now looking at about 30 of them.

CHAIRMAN PRICE: We need to throw a number in the budget, so we throw another hundred in the budget, and we will get the specs done and the scope of work done, and we can send it out for bid and see which way to go. Huh? Agreed? No?

MR. HIRANAGA: I don't care.

MR. NOBRIGA: If the informal bid was 120,000, we wouldn't have enough budgeted at a hundred thousand.

MS. PARSONS: You mean for everything?

CHAIRMAN PRICE: You want to put another hundred 20 instead of a hundred?

MR. NOBRIGA: Was the question by Commissioner Hiranaga meant to amend alternative energy source study from 100,000 to the next possible range? Was that where you were headed with your questioning?

MR. HIRANAGA: I don't know where I was headed.

MR. NOBRIGA: Okay. Good. Just checking.

I move that we amend the professional services budget by adding HC&S energy study for Kamole and Hana Kuapoko wells under the office of the director for $120,000.

MR. VICTORINO: Second.

CHAIRMAN PRICE: Okay. I don't know that we need a motion. We are just reviewing the budget.

MR. VICTORINO: Since he made a motion, I seconded it.

CHAIRMAN PRICE: But is there any discussion on that motion? Okay. All in favor say aye. Opposed say nay.

MR. NOBRIGA: Mike, easier to do a motion.

CHAIRMAN PRICE: We didn't need a motion to take --

MR. NOBRIGA: Easier to do it that way.

CHAIRMAN PRICE: Mr. Starr.

MR. STARR: I have another item which I think would be going into the same area here. And that is I would like to look at putting some money aside for potential numerical water model through USGS, which would, you know, be using federal matching funds, say, over a three-year period. Am I in the right place to do this?

CHAIRMAN PRICE: Yes.

MR. STARR: I know we are not going to have a presentation on this program until next week, you know, but I know we are sitting here now, and I think that -- I guess now would be the time to deal with it.

I know that the number that had been thrown out previously by them was that it would -- they would be looking at a three-year project, with a total cost of 600,000. That would mean 200,000 a year, of which half of it could probably be gotten through federal matching funds.

So, in other words, that would mean our end would be, say, $100,000 to go into this. And if there's support from the other members, I'd like to see it potentially put in there, at least up until we get the presentation next week from USGS, and then have a chance to decide if we want to move forward.

MR. CRADDICK: We would have no objection to that, but we would -- understanding that the Water Commission would also participate in that, if we went that route. And they didn't get their funding this year for it. That's why we didn't put it in there.

MR. STARR: I understand that, but that's why I'd like to see us go ahead with federal matching, which I think we can probably get 50/50. So --

CHAIRMAN PRICE: I think that's a good idea, actually.

MR. STARR: Do you want a motion or just --

CHAIRMAN PRICE: I don't know.

MR. STARR: How do you want to do it then?

CHAIRMAN PRICE: Motion is easier, and it's clearer.

MR. STARR: Move that we put $100,000 into the budget to be matched with federal money for numerical model.

MR. VICTORINO: Under what?

CHAIRMAN PRICE: Professional services.

MR. STARR: Yeah, professional services, contracting USGS.

MR. VICTORINO: Under planning?

CHAIRMAN PRICE: Yeah, planning is good.

MR. VICTORINO: Okay. Second. Just wanted to know exactly.

MR. CRADDICK: What did you call it, just planning? Are you putting it under planning?

CHAIRMAN PRICE: Under planning.

MR. VICTORINO: Under planning.

MR. CRADDICK: And if you are going to jump to planning, the -- there is a couple of items there also that need to be looked at. One is if we are going to participate with USGS.

MR. NOBRIGA: We are not talking about that right now. We have got another numerical model in.

MS. PARSONS: Peter, do we want to be that specific where the money is going to go?

CHAIRMAN PRICE: We got to put it in somewhere.

MS. PARSONS: Do you want to be specific where it goes for the model? Maybe just leave it open, because there may be some other alternatives to USGS.

CHAIRMAN PRICE: Just call it modeling.

MS. PARSONS: Yeah, let's just call it modeling.

If you say USGS, then we are stuck with that, and you might find something else. You might see something else you want to use.

CHAIRMAN PRICE: Sure, sure. I think we are all open to whatever works. Okay. Any other comments? All in favor say aye? Opposed say nay. Motion is carried. There we go.

Okay. You said there is some other things you want us to consider, David.

MR. CRADDICK: Yeah, one thing, we got some information from the Water Commission that they would like us to up that stream monitoring to 50,000 this year, and I believe 30 next, but I think they would also be willing to take 30 this year and 50 next. The main thing is that we get $80,000 in there.

And the other item is the drilling rig program. We won't know until October whether the USGS gets its share of funding for that program. If they do get its share of funding, they will -- the Big Island is scheduled to get the rig somewhere June or July of this year. And they have enough money to go until December, meaning the rig would be available to come back here January, February'ish.

If we don't budget any money, we won't be able to do anything with it. If we do budget something, the high probability it won't get used, because if USGS gets their funding, then the Big Island will want to keep it a year, which would take us to the following year, July.

CHAIRMAN PRICE: Okay. But you are telling us that you think that it will be available in January?

MR. CRADDICK: A possibility, if USGS doesn't fund it.

CHAIRMAN PRICE: How much money are we talking about?

MR. CRADDICK: Good question. If we also have to fund the whole thing ourselves, it would depend what we wanted to do. My recommendation would be to get a monitor well for North Waihee, somewhere in North Waihee, because we are currently using that aquifer to about half its capacity and have no knowledge of where the interface level and things are out there.

So, that would be my recommendation. If we did something like that, a deep monitor well, it would probably be about 1500 feet deep, and it would be somewhere on the order of probably $800,000.

CHAIRMAN PRICE: Is that you are asking us to put in the budget, $800,000?

MR. CRADDICK: Well, what the other water departments have been putting in is about $450,000. And we could do that level of funding, also, hoping USGS got their money. But if they got their money, we wouldn't get the rig. So --

CHAIRMAN PRICE: So, you are saying if USGS doesn't get their money, and then the rig becomes available, and we want to participate in this deep well, monitoring well, we are going to have to put up 800,000-dollar or thereabouts?

MR. CRADDICK: Well --

CHAIRMAN PRICE: It doesn't sound to me like it's a budgeting number. It's an operating budget number.

MR. CRADDICK: Can we recess for a minute?

CHAIRMAN PRICE: Comments. Yes, Mr. Starr.

MR. STARR: Well, we are several monitoring wells behind where we should be. You know, there is North Waihee. There is Montana Bay, and certainly the central area needs, you know, I am told at least two more. I assume that this USGS rig is the most cost-effective mechanism for it.

But, if we got it -- you know, if they finished with it in December, I mean, watching the way it's been going, my guess is that we won't be able to be spending much money until next spring sometime. So, you know, we wouldn't need to have a full $800,000. You know, probably the amount we could actually spend, before the next July, would be, you know, a couple of hundred thousand to get it going. So, you know, might make sense, if we can afford it, to put some money there.

CHAIRMAN PRICE: But my only question is, I mean, we start drilling wells, is that coming out of our operating budget or should it be coming out of our capital?

MR. STARR: I think it should be coming out of capital or development.

CHAIRMAN PRICE: Then we should have that discussion when we get to capital then. And I don't mean I am not in favor of it. I am just trying to put the money in the right perspective here.

MR. STARR: I agree.

MR. CRADDICK: And what about that other one on the stream monitoring?

CHAIRMAN PRICE: I have no problem taking that to 50.

MR. STARR: I was going to say 40, you know, to show good faith, but we can go 50.

MR. CRADDICK: At least 50.

CHAIRMAN PRICE: Fifty. That's what they asked for, I think we ought to give it to them.

MR. STARR: It's in our interest.

CHAIRMAN PRICE: Yeah. Ascension? Agree?

MR. NOBRIGA: No. Ka Waiola.

CHAIRMAN PRICE: Ka Waiola.

MR. NOBRIGA: The budget no take into account any of the streams, just puna wai, just groundwater?

MR. CRADDICK: What are you talking about?

CHAIRMAN PRICE: Ka Waiola, that's the Maui Tomorrow.

MR. NOBRIGA: The scope of work is underground not overground.

MR. CRADDICK: Seems to be working (referring to tape machine).

MR. NOBRIGA: Because this is double dip, yeah?

MR. CRADDICK: That would lapse at the end of this year. If we don't have that contract signed up by the end of this year, that money that the board has appropriated this year would lapse. So, if you are looking at not getting that contract signed up before the end of June, then we probably should budget that.

CHAIRMAN PRICE: Well --

MR. STARR: I think they are separate items. I think one is to provide people who go out and, you know, measure the streams with gauges, and the other one is to try to put all the information together that people already have.

CHAIRMAN PRICE: I say we put the 50 in. If we need to take some of it, we can take some of it.

MR. STARR: I agree with the 50. 50 okay?

MR. NOBRIGA: Yeah.

CHAIRMAN PRICE: All right.

MR. VICTORINO: So, we are in agreement at 50?

MR. NOBRIGA: Yeah.

CHAIRMAN PRICE: But that schedule we were just looking at what was the professional services part of the services budget. And we discussed electricity already. Is there anything else you want to talk about in there? Laboratory services is up. Is that new, Paul?

MR. SEITZ: No, that's not me.

CHAIRMAN PRICE: No, Walt.

MR. CRADDICK: Here is something called the -- I shouldn't say something. But the EPA phase, what they call phase two and phase five samplings will be required. And we will have increased sampling for lead and copper required, because we are still not meeting those requirements fully. And that is what's causing the increase.

CHAIRMAN PRICE: I just was curious. It's not that big an increase, just I think for everyone's understanding. Services, anything else?

Other costs, we are going to move on to other costs. Other costs, we have in this -- in this section, Holly -- let me jump ahead for you. The three big numbers, in my mind, were always the -- kind of two insurance damages claims, Workers' Comp and rental.

MS. PERDIDO: Yeah, just to point out, Workers' Comp, we budget, you know, about 100,000. It's not always spent, but this year it looks like it will be. Year-to-date actuals are 56,000, and this is as of February.

I know we have got some big charges from downstairs, Finance, on the Workers' Comp. We don't handle the Workers' Comp. It's handled through Mullen Company and the Finance Department. But it's our employees, the Workers' Comp. Does that make sense?

The claims and settlements, judgments we budget 100,000. As of February, it was like about 39,000. That's just for small claims that are put against the department that, you know, go through corp counsel or the Mullens Company which is the risk management downstairs.

CHAIRMAN PRICE: For the board members' knowledge, in the past, what we have done is looked at five years of history in terms of claims. We have taken five years and totaled it, divided by five, and come with an average.

The average is the hundred thousand, because we had one year where we had a big claim. So, we -- I mean, I couldn't think of a better way to -- to estimate a number. So, that's why we used that number.

The only question I have, on Workers' Comp, is that traditionally, you look at your Workers' Comp claim experience, you identify the kinds of injuries you have, and you create a program of education for your people.

You know, if it's a lot of lifting claims, then usually they can tell you what the predominance of Workers' Comp claims are, and you put together some kind of a program.

MS. PERDIDO: I know downstairs, it was way behind. We had problems with risk managers downstairs, and they finally have someone in there, and now they have sent it off to this John Mullens to try to clean it all up. So, we are kind of still paying these back things, back charges, that finally are getting caught up, and, hopefully, we can get a report from them.

CHAIRMAN PRICE: Why don't you ask for a report from them on the types of claims. I mean, I am not looking to point blame. I just think it's information these guys, division heads, could use. Either -- you know, if it's coming from their area, maybe it's not. We don't know.

MR. CRADDICK: No, it's because that medical stuff is private information, and it is not disseminated out beyond Cindy, myself, and yourself.

CHAIRMAN PRICE: The type of claim, I am not asking for any information about any individuals.

MR. CRADDICK: Okay.

CHAIRMAN PRICE: I am talking about type of claim. Is it a lifting claim? What is it?

MR. CRADDICK: Yeah, yeah.

CHAIRMAN PRICE: Carpal tunnel syndrome? Is it stress? Is it lifting? So we know where to focus education with the employees. That's what I am saying.

MR. CRADDICK: We can do -- certainly do something like that. You see, the report that we get there from them. So, I am sure we can get that information out of there.

CHAIRMAN PRICE: It wasn't on there. At least it wasn't readily available off of that.

MS. PERDIDO: One other big change was on the rental of property. If you notice, it decreased quite a bit. This year the space rental here and not for the airport. And in the prior years, we budgeted about 82,000 for the airport. It's never been charged to us. So, we did not budget for it this year.

CHAIRMAN PRICE: Mr. Starr.

MR. STARR: I have a little bit of concern there, because I know that's in -- I don't know if it's in litigation or what it is, but they had said we were going to have to pay an enormous rent on the airport facility. And I think we are in kind of a lull before the storm.

CHAIRMAN PRICE: I don't know. I think I am probably the reason it's out, because I am a proponent of -- it wasn't very clear. It was a letter we -- and we responded officially through either corp counsel or someone, and --

MR. CRADDICK: Do you want me to give a little background for our new board members here? I think they don't have any idea.

CHAIRMAN PRICE: Quickly. It's out of the budget.

MR. CRADDICK: Okay. Down in our baseyard, we had -- I don't know how long the term of the lease was, but it ended in 1995. We got a letter, I think, in 1993, saying they were going to start charging us from zero dollars per year to about $85,000 per year.

We objected to that, and they basically never responded to our objection, and we have never paid it. So, from, say, 1995 on -- well, we do have another -- another agreement with them just year to year, you know, that we keep using it, subject to this charge being resolved. And it's just an unresolved issue.

MS. PARSONS: Shouldn't we -- Peter, this is probably more for Richard. Shouldn't we be putting that money in escrow?

CHAIRMAN PRICE: I don't know that it's a legitimate charge. I think there is a question about the legitimacy of the charge. It's been five years, and they haven't responded. If they come to us and say we are going to charge you for five years, I think we are going to respond.

MS. PARSONS: Are they billing us for each year?

CHAIRMAN PRICE: No, they are not billing us. It's not like they are billing us, and we are refusing to pay. They sent the letter years ago. We sent an objection, and we haven't heard from them.

So, my question is why would you budget it? In the year after, maybe, yeah. Maybe the next year. But it's now five or six -- it's seven years down the road. I say take it out. If it becomes an issue, we fight them, and we pay.

MR. STARR: Yeah. I think I -- I agree. I think by putting it in our budget, we make ourselves more liable to having to pay it if it becomes an issue.

MR. VICTORINO: I think, Mr. Chair, if you put it in your budget, it's an admission of you think it's alright.

I think it's better if we don't put it in the budget. Leave it out there. Let it be settled some other way if it comes up.

CHAIRMAN PRICE: Mr. Nobriga.

MR. NOBRIGA: Mr. Chairman, which brings up another matter. At one time, didn't we want to look for a new location for the entire department? So you could move out of the county building and have everybody together like one big happy, happy family? Shouldn't that be in the services budget?

MR. CRADDICK: It's in your capital improvements budget. There is a 20 million-dollar bond issue in there.

MR. NOBRIGA: Sorry.

MS. PERDIDO: One other thing I wanted to bring up. All the operators now, Bryce's and Bobby's, I think, have to be certified. So, the expense for continuing education on that is also -- that is why some of the other expenses increased. And if you need more, you can talk to them on that.

CHAIRMAN PRICE: We want them to be educated.

Yes, Mr. Nobriga.

MR. NOBRIGA: I notice with a $29.6 million operating budget, our focus on rewards and safety is like really manini. I would really like to see safety, and retirement, and service awards be kicked up at least another $2,000. And we would -- should get some better uniforms for the boys and better safety program that works on rewarding safe maneuver instead of punishing them for being bad boys.

CHAIRMAN PRICE: Well, and I think that's why I asked for the Workers' Comp histories, because if we could find out that there is a particular trend, they can address it in terms of safety and create incentives for that.

MR. NOBRIGA: Why not call Dean and have a barbecue or something?

MR. CRADDICK: May not even have to do that.

CHAIRMAN PRICE: Okay. Okay. Anything else on that? Mr. Hiranaga.

MR. HIRANAGA: Just a question. What is the plant airfare, car rental at 21,000, and the per diem for travel 10,000?

MR. NOBRIGA: Want to go buy doughnuts.

MS. PERDIDO: One is the airfare to Molokai. Various people, I think -- I am not sure how often. Maybe Bryce can expand on it. But they have to fly over to Molokai for the sampling, and that is what a large portion of the airfare is for, as well as the operating certificate, certifications.

MR. HIRANAGA: Another question, why is the director's budget for publications and subscriptions at 29,000?

MR. STARR: That's all the X-rated magazines (laughter).

MR. CRADDICK: We are -- it's called a subscription, but it's our AWWA membership, which is, I believe, somewhere on the order of $6,000, our AWWA Research Foundation membership, which is about the same amount, and our AWWA Benchmarking Group, which is about $10,000. And those are the bulk of the subscriptions in there.

MR. HIRANAGA: You don't have a line item for dues for professional organization?

MR. CRADDICK: They don't call it that, and I don't know why they don't call it that. But, you could call it, I suppose, whatever you wanted to call it if you wanted to break it out of there.

MS. PERDIDO: This is just the county's classification.

MR. CRADDICK: Holly is saying that, in the IFES program within the county, that is where those type of items are handled, classification. So, I don't know if it's some accounting thing that went on way before me. I think I questioned it myself when I came.

CHAIRMAN PRICE: But you can provide us with subschedules that detail that, right?

MR. CRADDICK: Yes, correct.

CHAIRMAN PRICE: If you want, Kent.

MR. HIRANAGA: No, I just was wondering what he was reading for $2,000 a month.

MR. CRADDICK: No, as far as I know, we don't pay for any subscriptions. Do we? Does anybody pay for any subscription? I don't think so.

MS. PARSONS: If there was a water magazine, David, you would be subscribing to it, I am sure.

MR. CRADDICK: No, it's free. With the membership, you get it free.

CHAIRMAN PRICE: Other cost, anything else?

MR. CRADDICK: I take that back. Holly says the Maui News, Star Bulletin advertising is in there.

CHAIRMAN PRICE: Okay. Debt service. Okay. The debt service is calculated based on the -- all the actual debt, right, Holly?

MS. PERDIDO: Correct.

CHAIRMAN PRICE: Except for now this year, there is a provision, and it's a general provision, for capital expenditures beyond the debt that we have. And that's potential land acquisition and/or office acquisition. And they are just taking a lump sum amount so that something is budgeted. It's not based on any particular --

MR. CRADDICK: I think, in our minds, we have made it based on some estimate, but because of the nature of the negotiations, we don't want to tip our hand on what we are thinking about. So, we are putting it in there as, you know, no specified amount for anything in particular, just $20 million.

And that we would expect would -- and out of that, one million of it would be interest, one million principal. And, well, I think that's all I better say.

MS. PARSONS: Peter.

CHAIRMAN PRICE: Yes, Ginny.

MS. PARSONS: Mayor Apana said that we have a million five that he's allotted for us, but it has to be used before December this year. Are you aware of that?

MR. CRADDICK: Not to my knowledge. I actually asked him if it was in the budget, and the answer to that was, no, it wasn't.

MS. PARSONS: He just said last night he has a million five but it has to be used by December.

MR. CRADDICK: I will check into that.

MR. STARR: I think he's referring to the money to buy us out of the fifth floor.

CHAIRMAN PRICE: Two things that may be. One, we did get -- now it's several years ago, I think, or is it a year ago? At least a year ago, we got a proposal from the county to pay us a million five if we move out of the fifth floor. It changed. There was an official proposal.

MS. PARSONS: Well, let's go.

CHAIRMAN PRICE: Well, it may be worth 2 million five.

MS. PARSONS: To get rid of us?

CHAIRMAN PRICE: And, well, besides that, where were we going to go? So, that's how we started the discussion about where we would go, what type of facility we would need, and all that. So, that's the -- that may be the one million five Jonathan referred to.

MS. PARSONS: That sounded like that.

CHAIRMAN PRICE: Or else he's referring to the million. He's got credit, huh?

MS. PARSONS: He says it goes in December.

MR. CRADDICK: I have never known the county to budget anything for buying us out of the fifth floor, so I am not sure. I will have to check on that.

CHAIRMAN PRICE: Or is it the credit he's talking about? No?

MR. CRADDICK: Well, that wouldn't lapse, so --

MS. PARSONS: This is monies.

THE COURT: Well, we don't know.

MS. PARSONS: Let's go find out, yeah?

CHAIRMAN PRICE: Okay. So, that's the only difference in the debt service side of the budget.

MR. CRADDICK: Yes.

CHAIRMAN PRICE: Okay. Moving on, I think I have touched on everything, but the last page is the contribution to the county's general fund, Holly, and then the equipment. I am sorry. Before we move into capital, before -- have we got any questions?

MS. PERDIDO: Yeah, basically, this is the equipment that, through many meetings with the director and the division heads, that he has brought the amount down to.

CHAIRMAN PRICE: You are talking about the equipment side?

MS. PERDIDO: Yeah, the equipment side and basically the top side is pretty much set. We can't negotiate changes to overhead and all the other benefits.

MR. CRADDICK: Could I bring up one other issue here also? I expect that we are going to be done with the East Maui Supplemental EIS this next year. I have no illusions that we will not end up in court on that thing, and we probably should budget something for an attorney on that. And my estimate would be probably in the hundred thousand dollar range for that if we are serious about it.

MS. PARSONS: Is that for outside counsel?

MR. CRADDICK: Yes.

MS. PARSONS: That's probably a good idea.

CHAIRMAN PRICE: We have absolutely -- there is no legal in here, because we have the stellar --

MR. CRADDICK: I believe there is some legal. I think 20 -- yeah, the Waihee land purchase. There is some in there for legal, 20,000.

CHAIRMAN PRICE: That is lumped in as a total.

MR. CRADDICK: Yeah, yeah. So, maybe instead of having that amount there, maybe just put in 120,000 for legal -- professional legal services.

MS. PARSONS: The autonomous versus nonautonomous, does it directly affect the budget in any way that we haven't looked at, and should we budget more for legal if we have an autonomous situation where we could --

MR. CRADDICK: I -- I can't imagine whether it's under the mayor or not under the mayor that would cause you to hire outside counsel more or less. I mean, that's a special issue, and I don't know of any other issues coming up that would require outside legal services in the next year.
But, that one there, I expect -- well, I expect that we will be challenged. And this time here we are not going to be able to lay back and just let it go.

MS. PARSONS: We probably should budget more money than that.

CHAIRMAN PRICE: Mr. Starr.

MR. STARR: Yeah, if we are looking at a change in facilities and possible land purchase, there is definitely going to be a lot of due diligence and legal involved there. So, I think we ought to put some money into a legal budget. And, you know, whether it's East Maui or whether it's other stuff, hopefully, we can get through that without --

MS. PARSONS: And engineering, because if you buy raw land rather than something -- or even something that's there, and you take it apart, you are going to need engineering. So, we probably should have that budgeted as well.

MR. STARR: And that would be in with the construction costs.

CHAIRMAN PRICE: Well, yeah.

MR. STARR: How about $150,000 for legal, for special projects legal?

CHAIRMAN PRICE: All in agreement? Okay. Holly, you heard that?

MS. PERDIDO: So, I am taking out the Waihee land purchase?

CHAIRMAN PRICE: No, no. You are not taking out anything.

MS. PERDIDO: I am just combining it to special?

CHAIRMAN PRICE: You are going to create a line item that says legal special projects. You are going to put it under professional services, and that's my recommendation, unless there's some objection.

MS. PERDIDO: So, I am adding 150,000 to the budget?

CHAIRMAN PRICE: Yes, you are adding 150,000 to the budget for legal special services under professional services.

MR. CRADDICK: Leaving Waihee alone.

CHAIRMAN PRICE: Not touching Waihee, right. Not touching your --

MR. CRADDICK: Serious, real serious. Okay.

CHAIRMAN PRICE: Okay. Equipment, we kind of glossed over equipment, and there is a considerable reduction in the equipment budget. And I don't know how to say this delicately, because it's a -- if we need equipment, David, we need equipment.

We don't want to squeeze our guys to the point that we don't have what we need. And no one said anything, but I just looked at the 33 percent drop in equipment, and I know -- so, if it's realistic, that's great.

MR. CRADDICK: Are you waiting for all these guys to say something?

CHAIRMAN PRICE: They are not going to say a word. I am speaking to you.

MR. CRADDICK: No, no. I believe it's realistic, but I certainly don't ever tell them not to say anything, if you want to talk to them. I know one item that we would like to get is --

MS. PARSONS: No, you can't have the Expedition this year. I am sorry.

MR. CRADDICK: What?

MS. PARSONS: The Expedition, the Ford.

MR. CRADDICK: No. What we need to do is get our tanks cleaned out.

CHAIRMAN PRICE: No sailing to Honolulu either.

MR. CRADDICK: You have got a number of ways of doing that. One, you take the tank out of service, two, you put a person inside, or, three, you put a robot inside. The robot will be approximately $100,000, and no confined space entry issues or anything like that.

And I would like to get that. I don't know if the other guys would, but I would certainly like to get that. I don't know if I start into that sort of thing --

CHAIRMAN PRICE: I am not sure there is unanimity here on that item.

MR. CRADDICK: Well, I can tell you right now that is a large part of our lead and copper problem on the upper system, because we are putting chloramines in at the Olinda treatment plan, then we are adding free chlorine at Olinda before we hit the first customer and otherwise wiping out the benefits we get by putting the chloramine in the system.

And we know the Omaopio tank, the bottom floor is now a foot higher than it was when we built it. But that alone is a liability issue that is far more than the price of that robot.

MS. PARSONS: Do we want to --

CHAIRMAN PRICE: Are you going to save in chemicals by using them to clean those tanks?

MR. CRADDICK: We will save in potential violations. In fact --

CHAIRMAN PRICE: Potential violations aren't budgeted. Well, you guys have to tell us what you need. All I am saying is that I know we don't have a rate increase this year, and I know that we -- and it is prudent for us to see if we can tighten our belt in areas.

But, we need to -- we need equipment, we need equipment. We don't want guys out there, you know. So, you guys -- maybe you guys can all get together, and bang each other on the head, and come back to us if you think you need something. But I think that's -- sir.

MR. FUKUYAMA: I have something. On this list right here, it is not listed under the chlorine containment for my one ton cylinder. I don't know where it went, but it's $75,000.

MR. CRADDICK: Actually, what we did is we thought we were taking it out of here and putting it in the CIP, and somehow it didn't end up on the CIP. We are going to bring that up when we bring up the CIP.

MS. KRAFTSOW: It's not in this year's list, but, I mean, it was in there. It was in this year's list.

CHAIRMAN PRICE: So, we need that.

MR. CRADDICK: What it is, we have got -- at Mokuhau, we have got a ton cylinder of chlorine there no more than a hundred feet from the nearest house and very high risk location.

And OSHA does not recognize the scrubbers that we have at the treatment plant. So, we felt this full-containment system, which is a lot less than a scrubber that they do recognize as being some form of containment, would be a way to go.

MR. STARR: Is that like an outer tank or something?

MR. CRADDICK: Yes.

CHAIRMAN PRICE: And that's in capital, Ellen?

MS. KRAFTSOW: Yeah, we cut it for some reason from the printout for this year, but it's in that section.

MR. STARR: It should be in capital.

CHAIRMAN PRICE: Yeah, okay. Anybody else want to speak?

MS. KRAFTSOW: Can I just verify something?

CHAIRMAN PRICE: Yes.

MS. KRAFTSOW: So far, out of the operating budget discussion, the changes I have to capital are 120 for membrane filler replacement, the chlorine containment from Bryce, and the hundred K for the robot?

CHAIRMAN PRICE: We didn't get the robot yet. You are right up to that point. No, let me backup. The membrane --

MR. VICTORINO: I thought that was going to be based --

CHAIRMAN PRICE: That is going to be based on a schedule that Paul gives us.

MS. KRAFTSOW: We are going to schedule that.

CHAIRMAN PRICE: And the 75 for the chlorine containment, yes. And we didn't get into robots yet. We say no robots.

MR. NOBRIGA: I don't know about no robots but --

CHAIRMAN PRICE: Mr. Starr.

MR. STARR: Yeah, you know, I would like to know how many tanks can get cleaned for $100,000 under contract to a pump and tank guy before we buy a robot. But my question, at this point, is I would like to know if we can set a time to adjourn?

I am just curious to know what our schedule is. I don't think we are going to get all the way through this today. I wish we could, but I don't think it's realistic.

CHAIRMAN PRICE: I was trying to get through the operating side and then talk about that. Let's try and get through the operating side.

MR. HIRANAGA: On the robot, if the department feels strongly enough, they should provide a justification. I hate to make an arbitrary decision without information.

MR. CRADDICK: Yeah, we can do that.

CHAIRMAN PRICE: And I agree. That is why I suggested that, you know, if we squeeze down the equipment, then they all can get together, and slap each other around in a room, and come back to us with a new equipment list we will look at. How about that? Just leave it like that.

MR. NOBRIGA: Shop Vac from Home Depot.

MR. CRADDICK: It is basically a Shop Vac.

CHAIRMAN PRICE: Now given that, we have gone over the operating budget, we have made some changes. Holly has recorded all those changes. You are going to get us a new copy. It's 20 minutes to 5:00. I wanted to end no later than 5:00, because it gives everybody a chance to get upcountry, grab a sandwich, whatever, for the 6:00 o'clock hearing.

MR. CRADDICK: One other thing, also, I don't know if you are going to recess this meeting for another day, but if you could set the public hearing time it would be handy, because we are going to have to be able to get that in the newspaper.

CHAIRMAN PRICE: Yeah, okay. So, most of you have responded to the e-mail about the 13th. Some people are gone, which is okay. I will be there. Adolph will be present in Molokai. Kent will be here. So, Ginny is going to be here.

So, we are going to -- I think it's a public hearing on the budget, and unless there is an objection, I am going to schedule it for that day, June 13th.

MR. CRADDICK: Okay.

CHAIRMAN PRICE: No problem. Okay. Now we want to --

MR. NOBRIGA: Can we do that at this session? Really? Because this is --

MR. CRADDICK: This is a noticed full board meeting.

MR. NOBRIGA: I thought it was noticed as a workshop.

MR. CRADDICK: It is noticed as a workshop, but it's a full board meeting.

MR. NOBRIGA: Okay. Fine.

CHAIRMAN PRICE: Wait a minute. Wait a minute.

The setting of a date for a hearing, does it need board action or can it be done by the chair with the -- that's the question. Does it have to be done -- Mike brings up a good point.

MR. NOBRIGA: I would defer to --

CHAIRMAN PRICE: That is who I am kind of deferring to. He's looking.

MR. NOBRIGA: I just don't like to read stuff about it us in the paper that is negative.

MR. VICTORINO: Yeah.

MR. NOBRIGA: Although at least they spelled his name right. That is pretty good.

MR. MINITOYA: I am reading, so you can blame me. It does list it as a Budget Workshop, but an agenda item is discussion slash possible action regarding fiscal year 2002-2003 operating and CIP budgets. And, so, I guess it appears that setting of the public hearing on the budget would fall under item 4A.

CHAIRMAN PRICE: Anyone have a problem with that?

MR. VICTORINO: No.

MS. PARSONS: Speak now or forever hold your peace.

CHAIRMAN PRICE: So then --

MR. VICTORINO: So, June 13th. Let's have it. We can use a motion. I move we have the meeting held -- budget hearing, public hearing on June 13th. What time?

MR. CRADDICK: 6:00.

MR. VICTORINO: 6:00, 6:00 p.m.

MR. NOBRIGA: Second.

CHAIRMAN PRICE: Moved and seconded. Any

discussion? All in favor say aye. Opposed say nay. Motion is cared. The meeting is set.

We are going to recess this meeting to review the CIP portion. Mr. Starr.

MR. STARR: Before we do it, could I just ask one -- one question?

CHAIRMAN PRICE: Sure.

MR. STARR: You know, an item very dear to my heart is this replacement fund transfer to capital. Is that -- I assume that we are going to take that item up at the next session. Am I correct?

CHAIRMAN PRICE: Yes, absolutely. And as you know, I have been trying to do some research as to how we can accomplish that.

MR. CRADDICK: Peter, also, could I pass out one thing here? We have one, two, three, four projects, five projects totaling how much? $1.9 million that we will not get done this year. So, we will have to trans -- right now, we haven't put that on any of the budget, but by doing so, it will release that much out of the current year's budget. So --

CHAIRMAN PRICE: Pass that out.

MR. CRADDICK: I would like to pass those out to you.

CHAIRMAN PRICE: Mr. Starr.

MR. STARR: And one other item. The capital improvement computer program that was built by -- what?

MS. PERDIDO: Brown & Caldwell.

MR. STARR: Yeah, Brown & Caldwell, I would like to know if we can get the Brown & Caldwell guy to come over so we can actually --

MR. CRADDICK: Five grand to bring him over.

MR. STARR: I am willing to spend five grand for that so we can actually input and operate it.

MR. CRADDICK: We can do that. We can do it. No problem.

MR. STARR: I know some of the board members haven't seen this, and it's a wonderful thing, but, unfortunately, we are not in a position to operate it without a Brown & Caldwell guy.

MR. CRADDICK: No, we aren't. We can do it quite well.

CHAIRMAN PRICE: I think --

MR. STARR: We can? We can do all the water scenarios?

MR. CRADDICK: Yes.

CHAIRMAN PRICE: Ellen.

MS. KRAFTSOW: A monkey could do all the water scenarios. It's just a spread sheet.

MR. STARR: Okay. I move we have a monkey at the meeting to do the water scenarios.

CHAIRMAN PRICE: Okay, Ellen. Recess to when, please? Okay. I will pick a date and call everybody.

MR. MINITOYA: Mr. Chair, I guess, within the Sunshine Law, I recommend you declare a time and date certain before you recess today.

CHAIRMAN PRICE: Okay. Time and date certain, how is next Monday for you guys?

MR. CRADDICK: It's holiday.

MR. STARR: It's a holiday.

CHAIRMAN PRICE: Well, some of us work.

MR. VICTORINO: It's a holiday. If you are going to have something like that, you just --

CHAIRMAN PRICE: I am just kidding.

MR. VICTORINO: Cut it out.

MR. CRADDICK: It's a regular board meeting Tuesday, so we could do it after the board meeting.

CHAIRMAN PRICE: The board meeting is going to be pretty intense.

MR. STARR: I suggest Thursday the 30th.

CHAIRMAN PRICE: Is this the date we originally had for the board meeting?

MR. CRADDICK: Yes.

CHAIRMAN PRICE: That's open for me. 30th?

MR. VICTORINO: 9:00 o'clock, Peter.

CHAIRMAN PRICE: Yeah, let's start at 9:00 o'clock.

MR. HIRANAGA: Is that May 30th?

CHAIRMAN PRICE: May 30th at 9:00 a.m.

MR. HIRANAGA: May 30th.

MR. CRADDICK: Thursday.

CHAIRMAN PRICE: When we originally had the board meeting scheduled, and then we moved it to --

MS. PARSONS: Thursday, right?

CHAIRMAN PRICE: Yeah, Thursday. Then on the advice of counsel, I am going to recess this meeting to 9:00 a.m. on Thursday, May 30th.

MR. VICTORINO: There you go. See?

CHAIRMAN PRICE: Meeting is recessed.

(Recess, 4:51 p.m.)

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