

County of Maui Water
Supply

BOARD OF WATER SUPPLY

COUNTY OF MAUI

BUDGET WORKSHOP

Held at the Kahului Shopping Center, Kaahumanu Avenue,

Kahului, Maui, Hawaii, commencing at 9:00 a.m. on

February 13th, 2003.

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

IWADO COURT REPORTERS, INC.

A P P E A R A N C E S

BOARD MEMBERS:

Mike Nobriga, Chairman

Clark Hashimoto, Vice Chairman

Kent Hiranaga

Ginnie Parsons

Michael P. Victorino

Jonathan A. Starr

Adolph Helm

STAFF PRESENT:

George Tengan, Director

Ed Kushi, Corporation Counsel

Cathy Howard, Board Secretary

CHAIRMAN NOBRIGA: Call this meeting of the

budget workshop to order, Wednesday, February 13. I

would like to wish everybody a premature happy
Valentine's Day.

In attendance we have council member Danny
Mateo -- thank you very much, Danny -- and his chief
of staff. Also in attendance we have board members
Jonathan Starr, Clark Hashimoto, Mike Victorino,
Virginia Parsons, and Adolph Helm from Molokai,
myself, Mike Nobriga; members of the public; newly
sworn in director George Tengan; deputy director also
sworn in at this morning, Jeffrey Pearson; fiscal
officer Holly; our esteemed member of counsel

Mr. Edward Kushi, Jr.; and our board secretary, lovely
and vivacious Cathy Howard.

Members, order of business, approval of our
minutes of our regular meeting of January 23rd, 2003.

MR. VICTORINO: So moved.

MR. HASHIMOTO: Second.

CHAIRMAN NOBRIGA: It has been moved by

Mr. Victorino and seconded by Mr. Hashimoto that the
minutes be received subject to 30-day review, at which
time if there is no corrections, additions, deletions,
the minutes should be filed.

All those in favor, signify by saying aye.

[Chorus of ayes.]

CHAIRMAN NOBRIGA: Opposed, nay.

[No response.]

CHAIRMAN NOBRIGA: Motion is carried. Thank
you, gentlemen and ladies.

Moving to testimony from the public. We will
open the floor up for testimony for those who have
signed up to testify. A workshop this morning will be
conducted. This will be a short presentation on

parliamentary procedure and then we'll move on to our capital improvement and fiscal budget for 2004.

If you wish to testify now, so be it. If you wish to wait until we get to that item of the agenda, that would also be apropos. Signed up to testify, Mr. Hans Michel. Mr. Michel, will you please come forward and occupy the forward yellow chair.

I would like to note at this time the attendance of board member Kent Hiranaga. Good morning, Kent.

MR. MICHEL: I have a project item over here

from 1994, signed by [inaudible] and Meyer Ueoka and that has never been completed. One item over here is the road maintenance for the Kanaha Valley side. It got started but never came back with anything for seven years. In 1995 they fixed the road and after that, they put me on the back burner.

In 1989, we have big problem with the waterfall. The county dumped the water, erode the trail, and they know this is an easement trail for the Kanaha Valley intake system and for the mauka kuleana. And then in '96 they had the idea, okay, we go

proceed, we go fix, and that's the best I got, a piece of paper, and that was it again.

So you can see they not exactly was in a hurry to get something done. And the treatment plant came online sometime after '94. And this over here is a piece of paper from Buddy Nobriga and it's -- I don't know, shall I read it?

CHAIRMAN NOBRIGA: Yes, please, read it.

MR. MICHEL: Okay, I'll read it. It was noted that drainage flow are currently being sent off the Kanaha Valley crest and on to Hans Michel's property

because overflow water previously caused flooding problems at Lahainaluna High School. Pioneer Mill does not want to allow overflow water to discharge into the irrigation ditch.

Looks like in 19 -- I forget what date this was -- '93, they knew they were close up shop so they didn't want the water because if they have accepted the water, then they have to clean Lahainaluna ditch which Bishop Estate refused to clean. So the water got dumped over the hill into my property.

And over here Buddy also said it looks like the department had no -- what they call this -- permit or -- what you call that -- in other words, what they done was illegal, you know. Yeah, okay. But the whole contract which I have here never got completed and they still pulling strings and they going from one end to another.

The worst part was in '92 we had a landslide the mountain and because they had the landslide, they have to pull up to the place and mauka before the intake for my mother-in-law's side. I happen to be a

landowner because I married the daughter. So I went and gave the department an okay to go over the property and take care. But the problem is they never have enough money for take care anything. And since then, we go up there regularly clean up after a big heavy rain. You might have seen -- I have pictures of it. If you want to see them, I got them all here. We clean it, do the best we can, and if we have a cloud burst, more than normal rain, it will block up the whole intake.

Some of the board members came up. Peter Rice

came up, he took pictures and I don't know what happened. But Craddick always told me you have to wait. Always put on the back burner. He never got the job completed. Now we have gravel over there, it's maybe about 50 feet high, piled up. And the next time we need to clean, there is no room to put. And I believe you have to put it in the budget. For fix all the problem, I estimate, as a noncontractor, but the way prices are going you're looking at a \$400,000 job. So you can put that in the budget and tell Alan that's what Craddick left behind before he went to Guam,

because he always told me bom-bye, everything bom-bye.

Never -- he open up, he gives you a smile and he tells

you light all the time, but the parties have patient.

I cannot afford a lawyer. Wish I had to have a lawyer

to begin with, this whole thing from back with

[inaudible] time and that was dragging on within

Craddick's time and it never got completed.

Me, I'm only a small man so I no can spend all

the money for attorney, but what I have here is all

proof and they cannot run away. And they know I have

a whole stack of pictures which will show what went wrong. And the department always came with an excuse, no budget, no money. Every time, no more money. And when they have money, I don't know where you end.

Always tell you next year, next time, in conjunction with the treatment plant, in conjunction with this.

And if I show you this letter, this letter here got written, one to Pioneer Mill and one to Lahainaluna High School because the water comes from the mountain that's got the split the cost three-way. Pioneer Mill went pull out after the landslide because

they had a disagreement and they brought in the water for the mill from Kawaula. And I believe the county still using Pioneer Mill water at the moment for their usage because right now we only give 2 million a day.

And that's about all I have to say. But the [inaudible] this, I hope I don't have to wait another six years before you guys do something, you know.

Otherwise I have to go see Alan. Because Alan promised me he will fix it. I told him, Alan, when you going to fix it, you going to fly, because it cost you money. Craddick left it all behind.

And with the intake, I don't know what you want to do with that. They supposed to make a storm wall alongside the intake ditch wall and get it fixed. They brought the ply board up and afterwards they changed their mind and everything went again. Never got completed.

I wish some of the board members or the younger guys you can actually walk up there. Only feel sorry for Tengan because he took over Craddick's job and the whole thing is a mess over here. And that's about all I have to say.

CHAIRMAN NOBRIGA: Thank you, Mr. Michel.

MR. MICHEL: Oh, excuse me, one more question.

Since we have [inaudible], there is a water tank in the valley from 1975 built by the State of Hawaii, water development, built today it's not on the real property tax map. And the entire easement for the waterline out of the valley to Lahainaluna Waipuka never got on the map. So think about that. And the treatment plant is not on the map either, yeah. And the treatment plant from Honokawai, mauka, you know

what they call that, what you call that place,

Nobriga? The treatment plant outside where you get

the water for Maui Pine, all that according to the

guys from Maui Pine is nothing on the map, paperwork

never got fixed. Just like mine. They put their

pumps and then they fix the paperwork 50 year later.

It's very sad, you know.

CHAIRMAN NOBRIGA: Thank you, Mr. Michel.

Members, any questions for Mr. Michel? Thank you,

Mr. Michel.

Second on our oral testimony agenda is

Mr. James Williamson of Maui Meadows Homeowners

Association. Mr. Williamson, welcome back to our
board meeting.

MR. WILLIAMSON: Thank you, Mr. Chair. My
name is James Williamson, Jim Williamson, and I'm a
vice president of the Maui Meadows Homeowners
Association and I would be speaking on their behalf.
First off I will address the CIP budget and then the
operation budget.

As you are all aware, Maui Meadows is very
concerned about the integrity of the Iao Aquifer

system, hence my remarks specifically address proposed alternative sources under consideration which if implemented in our view would reduce the direct demands on the Iao Aquifer.

We are most gratified that the DWS is proposing several well systems north of Makamakaole stream, namely Maluhia and Waiolai. We agree with the DWS consultant John Mink that Makamakaole stream topography combined with the geology will most probably provide a reasonable barrier from connection to the Iao Aquifer.

On the other hand, we are convinced there is a strong connection between the Iao and Waihee systems. Accordingly, we believe that pumpage from the Iao and Waihee wells should be additive and that the sustainable yield of the aquifer system is already exceeded. Hence, it is imperative that new sources be developed outside the influence of the Iao aquifer system which includes the Waihee aquifer. Particularly, the proposed Waiolai well would satisfy that criteria and we strongly recommend that its

development proceed on a fast track basis.

Related to the above, we list below the corresponding items in the budget and their proposed schedule. Waiolai well, design and exploratory drilling, design phase, \$150,000; construction, \$600,000. These expenditures are to come from the WSDF in fiscal year 03-04.

Number two, Waiolai Well, transmission to the Central Maui system. Design phase, \$100,000 to come from the WSDF in fiscal year 03-04. Construction, \$1,400,000 to come from the WSDF in fiscal year '05 to

'09, so it's pushed off into the future.

Camp Maluhia Well, design contact with Carl

Takumi is already in place. Construction, \$1,500,000

to come from the WSDF as shown in fiscal year 03-04

budget. Transmission to Central Maui System,

\$1,375,000 to come from the WSDF in fiscal year 05-09.

Our recommendations are as follows: Proceed

with the Waiolai Well design and exploratory drilling

as shown in the proposed FY 03-04 budget.

Concurrently -- I emphasized concurrently --

proceed with design and construction of the

transmission connection to the Central Maui System in
fiscal year 03-04 using Maluhia budgeted monies as
discussed below.

Defer Maluhia Well construction until fiscal
year 04-05 and transfer funds proposed to be used in
fiscal year 03-04 to design and construction of
Waiolai transmission.

The funds for transmission connection for the
Kupaa well field have already been deferred until
fiscal year 04-05. This well is not needed since
production from the other four wells in the Waihee

aquifer system of some 5 million gallons a day is far in excess of the sustainable yield of 4 mgd as estimated by John Mink for this part of the aquifer.

Hence, it is proposed that the \$800,000 be used to supplement funding of first the Waiolai wellfield followed by the Maluhia wellfield.

It is agreed that DWS needs a larger office space. However, we believe the space should be obtained through long term lease, not been spending \$5 million to buy another county building. The

\$5 million bond issue could instead be used to develop the Waiolai and Maluhia wellfields rather than buy WSDF funds if it is cost effective -- I emphasize if it is cost effective.

An analysis of the fiscal year 03-04 operating budget shows that the revenues and expenditures are pretty well in balance. However, in the future transfer to the capital replacement fund and working capital/emergency fund could justify an increase in rates. Future projections of these funds needs to be reviewed carefully.

Thank you for the opportunity to express our views on the DWS budget. I will be glad to answer any questions or comments.

CHAIRMAN NOBRIGA: Thank you, Mr. Williamson.

Members, any questions? Mr. Starr.

MR. STARR: Mr. Williamson, at the last meeting, the board had some discussion about the Kupaa well and I raised some similar concerns to yours, that it was not really necessary because it was taking water out of the same lower segment of North Waihee and you kind of echoed my sentiments. And the

response I got was that it's good to put it in to spread out the pumping through North Waihee. And I guess philosophically that's correct. But I'm wondering if you could answer your opinion on whether it's useful to spread out the pumping across that lower segment of North Waihee by adding Kupaa or you think that it's a complete waste of time.

MR. WILLIAMSON: Well, I hate to say so, but I think it's a complete waste. We have the two North Waihee wells and then we have the Kanoa wells and there is quite a bit of spread in those. We are

already over the sustainable yield by one million gallons a day. So normally the reaction to that is that we've got 8 million gallons a day, but that's not true. We may have that in the total Waihee aquifer, but not in the middle portion down on the south part of it.

So I would say that there is enough spreading right now at the moment. And I think the idea with the Kupaa well was to move away from the aquifer. But until they get north of the stream, that doesn't

happen.

MR. STARR: Thank you.

CHAIRMAN NOBRIGA: Thank you, Mr. Williamson.

MR. WILLIAMSON: You're welcome.

CHAIRMAN NOBRIGA: Also have written

testimony from Ulupalakua Ranch, Mr. Tony Durso which

is in the audience. Do you wish to address --

MR. DURSO: Should I wait until--

CHAIRMAN NOBRIGA: Yeah, I would prefer that.

Thank you, Mr. Durso.

We'll move on to our agenda, members. We'll

open up the floor to testimony on the Item VI of Old Business. I'm going to move now to present on parliamentary procedure, turn the gavel over to my vice chair, Mr. Hashimoto. So I just like to do it from the other side because I get to see all of you bright, cheery faces over there. Outstanding.

Although I have not been formally trained, schooling in parliamentary procedure, I have been a member of various organizations where parliamentary procedure was used and discussed at quite length and I prepared some -- three short hand-outs for you. Page

one and two I pulled off of the Internet from courtesy of a website for Robert's Rules of Order. And I want to briefly go through most of this document.

Also have on page three a table of rules relating to motions and we'll just briefly cover these at this time so hopefully we can have much more efficient meetings.

First point to consider is what is parliamentary procedure? Parliamentary procedure is a set of rules for conduct at meetings that allows everyone to be heard and to make decisions without

confusion. It's just simply put. Parliamentary procedure was devised to effectively use everyone's time at a meeting and to protect the rights of the minority in discussion.

There are four types of basic types of motions, the first one being the main motion. The purpose of a main motion is to introduce items to the membership for their consideration. They cannot be made when any other motion is on the floor and yield to privilege, subsidiary, and incidental motions.

A subsidiary motion, the purpose is to change or affect how a main motion is handled and is voted on before a main motion.

A privileged motion is motions made to bring up items that are urgent about special or important matters unrelated to pending business.

And finally, incidental motions, the purpose is to provide a means of questioning procedure concerning other motions and must be considered before the other motion.

Now, how a motion is presented for me is

extremely important. One, the maker must obtain the floor and be recognized by the Chair. When we do have a motion made, I ask that you speak clearly and concisely. And this is extremely, extremely important for us in conducting our business. Make sure the motion is understandable. Use common sense and try to use minimum verbiage. We've had motions that we took action on that frankly we couldn't really understand what we was talking about.

Try to state the motion in a positive manner

as opposed to negative and avoid personalities. Wait

for someone to second your motion or the Chair will ask for a second. The Chairman will restate your motion. This puts the motion on the table and part of assembly property. The maker of the motion always has the first priority in the floor, followed by subsequent members.

When debate has exhausted itself, the Chairman will naturally put the item up for the question for to vote although there is a move to ask for the previous question, which is basically asking the members to close the debate. A move to a previous question is

undebatable. A vote is taken and if the majority feels the debate should be halted, the debate is halted and the question is called for and you take a vote on the current motion on the floor.

You guys, I know you understand the use of amendments and what not.

MR. VICTORINO: Mr. Chairman, before you move on -- Mr. Nobriga, before you move on, I want to make one point very clear which I have found at times very appalling and very distasteful to working with people

here. The mover of the motion may speak again only after -- and I repeat, only after other speakers have finished. Okay. At times people seem to dominate the conversation, especially the maker of the motion, so others cannot put any kind of comments in, and then he finishes or she finishes and then they're back again. So it clearly states that until others have had an opportunity to speak.

Now, you as the Chair or whoever the Chair is must make sure that before you go back to the maker of the motion for subsequent comments or statements, that

everyone -- and the way I've always been taught is you say, "Is there any other comment before I go back to the maker of the motion?" so that the rule may be clear as far as the board members are concerned that someone may want to say something and not been given the opportunity. Thank you, Mr. Nobriga.

CHAIRMAN NOBRIGA: Yes, Mr. Victorino.

Lastly, allow motions that are in order, on the bottom; have members obtain the floor properly; speak clearly and concisely; obey the rules of debate; and most importantly, be courteous, which sums up

Mr. Victorino's points.

On the table of rules relating to motions, I'm not going to go into this in too much depth. But along the top part of the page you have not debatable; opens main question; cannot amend; cannot reconsider; requires a two-thirds vote; no need second, means you don't require a second; and in order without being recognized by the floor. There is quite a bit of different motions that you can use to handle a question on the table before the assembly.

I just want to point out the motion to amend.

In most cases, a motion to amend usually either removes words from the main motion, it takes out words and it inserts other words. You're substituting whole sections of the main motion on the floor. Or it divides the current motion on the table into different parts so it becomes more manageable, discussion can be more concise, and everybody's thoughts can be heard about the subject at hand.

That's all I have to say. Thank you, members.

Appreciate.

MR. VICTORINO: Mr. Chair.

MR. HASHIMOTO: Yes, Mr. Victorino.

MR. VICTORINO: I want to take this

opportunity to thank Mr. Nobriga for his diligent work

and these layouts for us. I think this is very

apropos and we needed to have some concise manner in

which our meetings can be conducted in an efficient

and timely manner. Thank you, Mr. Nobriga.

CHAIRMAN NOBRIGA: Thank you, vice chair.

Moving on to item VI, Old Business, review and

possible recommendation regarding fiscal year

2003-2004.

Now, I notice by the technological -- good morning, Sally. All the lap tops and stuff, apparently we have some adjustments to our budget that we have before us two weeks ago.

If there are no objections, I would like to ask Holly to provide her presentation. Then I will open up the floor to public -- oral testimony and we'll go on forward with our business. No objections? So ordered.

MS. PERDIDO: Good morning. As far as I know,

Mr. Nobriga, there is no adjustments to the operating budget. I'm just going to do a brief overview on the operating budget for you and then Ellen will do an overview on the CIP.

Our budget reflects our mission statement: To provide clean water efficiently. The budget is an estimate of what we project for our revenues and expenses for the year. Approximately 45 percent of the budget or \$24.3 million is for capital expenditures, and 55 percent or \$30.7 million is for operations.

Generally the operating budget provides for continuing service to our customers by cutting operations, maintenance, and equipment expenses. In addition, the operating budget provides for debt service payments and revenue transfers for system replacement due to the depreciation of the existing water system.

The CIP portion of the budget outlines the projects for system replacement and system expansion or additions. Expansions in operating revenues are

accounted for separately.

Our proposed budget total receipts to be \$32.2 million which is an increase of approximately \$300,000 over the estimated fiscal year '03 receipts.

Direct operating expenditures which include equipment and refund for main lines are \$30.7 million or \$1.2 million over last year.

Our total operating revenues are about \$32.2 million. Operating revenues are primarily derived from water sales or water delivery which comprise about 95 percent of our total operating

revenue. Other revenues come from monthly service charges, fire protection service and fire flow, installation and jobbing, and interest income and other miscellaneous charges. This money is spent on operations, maintenance, equipment, debt service, and system replacement.

When funds are allowed, we are allowed to transfer up to 15 percent of our revenue for system replacement. That shows up in our CIP program. I know the board is determined to transfer \$8 million a year to the CIP program.

Fiscal year 2004 water rates will be the same as the current year's rates. There will be no increase.

Interest income is projected to be about \$800,000, which is an increase over the present year. Last year we projected a lower amount because of the 9/11 and the interest rates were very low. I might be over projecting this year now with what's coming up, but it's just an estimate. It's hard to predict really. And interest is also directly affected by the spenddown of our cash and our balances on the CIP

budgets.

Here we're going to go over our operating expenditure breakdown. The proposed budget projects \$30.7 million for operating expenditures which include equipment expense and refund for mainline. Salaries and wages are about \$8 million. Operations are about \$12.6 million. Equipment is \$800,000. Debt service is \$6.3 million. Insurance is \$200,000. Overhead charges are \$300,000. Employee benefits are \$2.1 million. And refund for mainline is about half a

million.

The major expenditures for our budget are payroll, which is about \$8 million; electricity, \$6.5 million; and debt service which is \$6.3 million. These total 68 percent of the operating budget.

Electricity expenses have continued to increase from \$4 million in 1998 to what we're estimating and projecting for 2004 as \$6.5 million. The department is looking at ways to reduce and save on electricity. We have a few of our current program we're currently working with with Maui Electric. We

have a few of our power sources on a rider with Maui Electric which us curtail power during the peak periods. So a few of our pumps are on that now as well as the Kamole treatment plant.

Resource protection is another large expense that we support. In 1998 we spent \$148,300, and this year our increase -- well, we actually decreased, but our projected for 2004 will be \$450,000. We budgeted \$450,000, which includes miconia removal, West Maui mountains, East Maui and East Molokai Watershed partnerships, North Waihee/Iao Aquifer monitoring,

stream monitoring, and wellhead protection program.

In the past five years we've transferred from \$1 million up to \$4 million for our aging infrastructure. We plan to transfer to the CIP fund \$2 million, but I know it's going to be \$8 million.

We have in the CIP fund the \$6 million bond to make up for the \$8 million. And as well as in 2003 it's the same -- this fiscal year we're planning on transferring three, but we have a proposed bond issue in the budget also.

Our infrastructure replacement needs are

substantial and even with our past rate increases we're not able to generate sufficient revenues to cover our depreciation expenses which are on the order of approximately \$9 million for fiscal year 2002. And as we know, we'll continue to face the very real challenge of funding the replacement of our aging infrastructure.

CHAIRMAN NAKAMURA: That's it, Holly?

MS. PERDIDO: Yeah, that's it.

CHAIRMAN NOBRIGA: Any questions from the

members? Mr. Starr.

MR. STARR: Yes. Ms. Perdido, in the capital improvement expenses, I know it's broken down by type of expense, but I'm wondering if you have a breakdown between items which would properly fall under a reserve account, which I guess would -- should tally with depreciation. In other words, those things that should be under, you know, sinking fund or paid for by the transferring into capital reserves, as compared to those projects which are really system expansion or system improvement.

MS. PERDIDO: Ellen will be presenting that in the CIP portion of the budget. She has it broken down there.

CHAIRMAN NOBRIGA: Anything else, Mr. Starr?

Anything, other members? Thank you.

I would also recognize at this time Managing Director Jack Kulp in the audience. Appreciate it, Jack.

Please, Ellen. We're anxiously awaiting your marvellous work.

MS. KRAFTSOW: Now we're going to talk about

the CIP portion of the budget. The funds for the CIP budget come from the capital reserve, bonds that we could float, the Water System Development Fee, the old source and storage funds which are almost spent down now, and any federal, state or county inputs.

They're used for maintenance of the system, replacement of aging facilities, expansion to meet growing demands, and compliance to meet regulations, and to improve efficiency and optimize the system.

This year's budget spends about \$11.8 million from the capital reserve fund, \$7.5 million from the

Water System Development Fund, and there is actually \$11 million in proposed bonds but \$5 million of that is accounted for in proposed expenditures for either a new facility for DWS which they had suggested we leave in, or possibly purchase of watershed lands.

And this is how it breaks down, Jonathan's question. There are some projects that are cross funded. Maybe there is natural growing demand and a tank that also needs replacing anyway, that kind of thing. So we estimate \$13 million in replacement or

improvement projects, \$6.2 million in expansion, and that's again aside from any new bond, new facility.

Now, the Maui County systems -- well, this is -- this is just a chart showing the Maui County systems and our most recent published annual report numbers. Molokai has about 1,600 meters and uses about .9 million gallons a day. Lahaina, about 3,000 and uses about 5 million gallons a day. Central, about -- between 16 and 17 thousand and uses about 20 million gallons a day. Upcountry, about 9,000, using seven and a half million gallons a day. And East

Maui, about 500 and using .2 million gallons a day.

And this is how the budget breaks down by

system. This \$6.84 million for all systems includes a

\$5 million facility that isn't assigned to anything.

Other projects are like small line upgrades or breaks

[inaudible]. \$4.6 million for Central Maui systems

which includes Kahului, Wailuku, and Kihei-Makena

areas. \$6.36 million for Upcountry needs.

\$3.1 million for Hana; that includes some source

backup. \$2.39 million for West Maui. And about

\$.7 million for Molokai.

And these are those same projects by community plan rather than system. The red squares and the squiggles and things, those are the projects. And the color breakdowns show where the demand areas are.

Now, this is how it breaks down according to community plan. This is excluding the bond, so \$1.84 million in general budgets. Haiku-Paia, \$.8 million. Hana, \$3.1 million. This is a little deceptive; it has Kahului-Wailuku at \$4.48 million and Kihei-Makena at only \$.18 million, but actually a lot of that is because the new source development is in

the Kahului community plan area even though it's serving both of those areas. Makawao, Pukalani, Kula. Molokai, \$.7 million. And again West Maui, \$2.3 million.

Now, the board for a long time now has set certain priorities and goals for us to meet in putting our CIP together and one of them is the Safe Drinking Water Act compliance -- that's actually our first priority -- and distribution of withdrawals from Iao. Another is to reduce the impacts of drought upcountry.

There you see some -- I don't remember which pipeline that was, but it was listed under drought. And Waikamoi flume which is ongoing and some well drilling. At the bottom left, there is reservoirs in wet time and another one in drought.

Another one is to have adequate source and storage for the system. And one of the ways that we do that is to estimate demand trends and to estimate what we'll need based on those demand trends. This is just a simplistic work mock-up of it.

And then for other priorities like pump

replacement, reliability, facilities, and efficiency,

one of the things we do is inventory and keep track of

replacement history, review the status and condition.

You can see the tank in the lower right needs repair.

And then finally there is pipeline

replacement. And I'm going to spend a little bit of

extra time on that this year because I know the board

has been having a lot of questions on prioritization.

But before I get to that, here's the breakdown by

those board programs. \$1.3 million for Safe Drinking

Water compliance. \$2.9 million for Iao, distribution

from Iao. \$1.865 million for source development and backup and reliability. \$1.45 million specifically for drought. \$2.23 million in storage. And this is the lion's share, \$6.13 million for pipeline replacement. \$.48 million for pump replacement. \$1.36 million for reliability, which includes some backup. \$5.87 million for facilities; again there is that \$5 million bond. And \$.72 million for efficiency.

Now, all the red squiggles on this map are specifically replacement of pipelines which are substandard either due to age, diameter, material, or

being inadequate for the zoning and land use -- most of them for multiple of those lists. There are two like that on Molokai, so that's why I didn't bother to include that map. There are one or two that could be for another reason. The ones over on the Hana side you can see one of them obviously is for connecting the sources, but it also happens to be a substandard line.

And now I hope -- these are some examples of how we look at age of pipe and inventory and we have

the GIS system, we have databases leading toward the GIS system. All of the following slides go from red is the worst and blue is the best. If you think of a rainbow, red, orange, yellow, green, blue, indigo, violet, right, so red is worse, then orange, then yellow, blue is the best, then aqua, then green, like that. So here you can see the red is the oldest pipe in this part of Kahului and the CIP now is a kind of a lavender gray color, showing that's why we prioritize those areas first.

Here are some breaks in Kahului, overlaid on

diameter. It's kind of hard to see, so here's a close-up. The red are projects this year. There are four gold dots which represent recent breaks. And the pink is pending over coming year's projects. And the blue is just lines, current project plans.

And here's another example with pipe diameter and CIP, you can see that the orange and red came first and you can see this also on your handouts.

Here an example of pipe materials on the top slide. The red is transite pipe. I did the same thing with materials for transite or asbestos concrete

are red and pink, and blue would be ductile iron, and then in between those are galvanized. And you can see the currently scheduled budget that transite pipe and AC pipe coming out.

Then there is community plan consistency. I have two examples here. The Upcountry example I have to say is from an older community plan. We still don't have any community plan there [inaudible]. But the blue and aqua layers are residential and rural and on Lower Kula Road that is a current project and that's how it's prioritized. On the bottom right you

have Front Street and Panaewa and Mill as an example.

Those are in Lahaina and it's hard to see a picture of them here, but they're in commercial and residential areas and substandard for those districts. Also just really small.

And finally, there are [inaudible]

considerations, too, which simple things like if you notice this is the same area in Hana. On the top left in its diameter and on the bottom right are CIP projects. You can see some red segments on the top

left that are not going this year that are covered by
the pink lines instead of the red. That's because
we're repairing those lines from upstream towards
downstream. We can't just go straight to the area
that's substandard sometimes. And also, you know, the
line towards the top of the bottom map is prioritized
for source reliability and to include flexibility in
the use of the wells so that they can back each other
up better.

So I hope that explains a little bit better

how things are prioritized and thank you for

listening.

CHAIRMAN NOBRIGA: Thank you, Ellen, very much. That's welcome information. Members, any questions? Mr. Victorino.

MR. VICTORINO: Holly, going back to that graph on the percentages of the CIP budget by area, you mentioned again the \$4.48 million for Kahului-Wailuku and then the \$.018 for Kihei, but a good percentage of that is because we're going back and some of those sources -- that would be page four. Probably easier just to go back to page four. You say

a good percentage of that -- I'm sorry, not Holly. I
did say Holly, I apologize, wrong person.

MS. PARSONS: Say it again. It's confusing.

MR. VICTORINO: Because you're not listening.

The \$4.48 million, what percentage of that really is
utilized by the Kihei-Makena area?

MS. KRAFTSOW: It's actually Kahului-Wailuku
that's .018.

MR. VICTORINO: \$4.48 million is Kahului. You
said a good percent of that is because of source
development for Kihei-Makena area.

MS. KRAFTSOW: You know those summaries that I gave you? One of them breaks it out by project engineering plan. Kahului-Wailuku, okay, it has the Iao intake line upgrade, the Iao tank site well, which is for both, Mill Street, a bunch of North Waihee, Vineyard Street, [inaudible], Waikapu waterline, Iao intake upgrade. So if I take out --

MR. VICTORINO: Half of it would be direct.

MS. KRAFTSOW: Off the top of my head without a calculator --

MR. VICTORINO: Yeah, about half of that.

Thank you, Mr. Chairman.

CHAIRMAN NOBRIGA: Ms. Parsons.

MS. PARSONS: Going back to page three, Ellen,
total daily usage, Maui, Maui itself, just Maui
island, is approximately what, 34? 34 million a day?

MS. KRAFTSOW: Well, it's actually 34 for the
county, so you take out less than one million and it's
about 32, 33.

MS. PARSONS: Would you have any estimates
including surface water usage, what that total would

be?

MS. KRAFTSOW: This is billed consumption, so
it does --

MS. PARSONS: What about just nonpotable water
in addition to that?

MS. KRAFTSOW: It's billed also, yeah. That's
part of -- it's all of our sales -- this represents
sales. So it will be -- it will be a little bit lower
than total resource use just because of system losses
and so on. But this is all sales.

MS. PARSONS: Okay. Do we have any of the

nonreported sales aspect of usage on private systems?

Any estimates?

MS. KRAFTSOW: Are you talking about our sales

to them? Or their sales?

MS. PARSONS: No, their own private water

systems. How much are we looking at on a daily usage?

MS. KRAFTSOW: Oh.

MS. PARSONS: Approximately. Best guess.

MS. KRAFTSOW: If you're counting ag, you're

going into the hundreds of millions. If you're not

counting --

MS. PARSONS: Not counting ag. What do you say? Are you talking five hundred thousand, five hundred million?

MS. KRAFTSOW: I think the last USGS estimate from '95 I think is the last one I saw -- I used to have those numbers on the top of my head. Something like 25 percent -- something like 250 million gallons or 200 million gallons a day.

MS. PARSONS: So roughly we're using --

MS. KRAFTSOW: Between 200 and 250.

MS. PARSONS: So roughly we're using maybe 300 million gallons on the island.

MS. KRAFTSOW: Versus something at that time close to a billion estimated runoff.

MS. PARSONS: Yeah, I heard a statistic the other day that I thought was a little out of line, that's why I question it. Somebody mentioned 600 million and I thought that was high.

MS. KRAFTSOW: But I'm nervous because I don't have any papers in front of me and I'm not really remembering those things right now. My mind is kind

of on budget. So I could be off.

CHAIRMAN NOBRIGA: Thank you, Ms. Parsons.

Mr. Starr.

MR. STARR: Yeah, I have several questions.

One is that for Central Maui, you show billable as 20 million gallons a day, a touch over 20 million.

Looking at the pump report moving average for the last 12 months, we're pumping over 23 million gallons,

which I assume that tells us that there is 3 million

-- over 3 million gallons a day of nonrevenue water

which to my mind means wastage or water that's getting

leaked, which is 15 percent, and I'm wondering if you feel that that's high.

MS. KRAFTSOW: Actually, a couple things. One is that sounds a little high anyways, the estimate, but you might be right. But even so, these fiscal year 2002 members were down from fiscal year 2001. And it would seem reasonable since in both that year and this year the number of meters has increased, that, you know, you're looking at billed sales as of July of 2002 and we're in February of 2003. So it's not -- you're not necessarily comparing apples to

apples. I think when we looked at it, our losses were
in the 11 to 12 percent rage.

MR. STARR: Which month did you look at it?

MS. KRAFTSOW: We looked at it over a long
period.

MR. STARR: When you got the 20 million, was
that for a particular month? You just said --

MS. KRAFTSOW: That's from the annual report.
But if you're talking about the billed sales, that's
from the annual report.

MR. STARR: Okay.

MS. KRAFTSOW: But, you know, we have to like look -- I'm sure that we could sit down with the numbers and get to the answer that you're looking for, but between 11 and 12 percent.

MR. STARR: Still looks to me like close to 15 percent which to my understanding, having sat through several seminars on non-revenue water at the last AWWA, they were saying that 5 to 7 percent was what systems should strive for and we're certainly double that. I'm wondering if that's a fair assessment. And

actually, can I also get a comment from George and
Jeff on this?

MR. TENGAN: Mr. Starr, I believe the national
average is like about 8 percent. Anyway, you know, as
Ellen was saying, there might be some timing
differences between the figures you're using and the
figures Ellen is reporting. We certainly can take a
look at that and validate or confirm whether the
differences are in line.

I suspect that we do have a certain percentage
of that amount that might be due to inaccurate meters

and that's another area that we're looking at now

because we find that a lot of the batteries for the

radio read meters are going down before expected.

It's an area that we're looking into anyway.

CHAIRMAN NOBRIGA: Thank you, George. Also

follow up with Mr. Pearson.

MR. PEARSON: I'm a little green on the

subject here, but I see there is a note here that

Ellen writes about billable data, it's in Honolulu and

it's not always reliable. That's a safe statement to

make here. But I'm looking at initiating -- this is

not directly related to losses, but I'm looking at initiating some conservation programs and trying to work together with the parks department. I haven't even sat down with George yet. But as another way of saving water as opposed to locating the losses, but I think we're all concerned about the losses so if we can get a better number from Ellen at a later date maybe we can follow up and continue our loss prevention program.

MR. STARR: My point is that -- and I think

this is something we're all in agreement with, there is no, you know, it's not a question of complaining, but rather looking forward in that there are two areas where we definitely want to improve. One of if not the primary way of rating systems nationwide is on the percentage of non-revenue water and it seems that we are certainly higher than the national standard which means that we need to work on the different reasons, whether it's pipeline replacement or meter problems or whatever.

The second is that we clearly don't have a

proper accounting of what those numbers really are, so that's an area that we need to have the knowledge of where it is and then deal with it and bring it down at least to the national average. Anyway, I won't belabor that any more. I have a couple other questions.

The presentation -- which was a good presentation that Ellen gave regarding the reserve fund or sinking fund expenses. They show \$13 million as the amount that we intend to spend this year. Now, we just had a little bit of a push and shove and the

board, rightfully so, raised the amount to put into that fund to \$8 million in relation to the Brown and Caldwell model. And I'm wondering if that's even enough at this point even though we're having difficulty funding the eight, but we're spending 13. And I'm wondering if -- what the Brown and Caldwell model says we should be spending this year because it does have both an input side, which I know was somewhere around \$8 million but I forgot what the amount that it says we should be spending this year, whether it's up around 13 or whether it's considerably

lower.

CHAIRMAN NOBRIGA: The question is directed
to, Mr. Starr, Ellen or --

MR. STARR: Whoever can answer it. I'll take
it from anyone.

MR. PEARSON: I can try and answer the B&C
model portion. I worked kind of behind the scenes on
that project before joining the water supply and
recently we haven't plugged in numbers and played with
the model, so I don't know if that 13 is a good number

or not. We haven't played with these last budget items. I know that there is a lot of money in the CIP already for replacement of pipe. We're looking at putting in an additional \$5 million, \$6 million for the replacement.

I know talking with Holly it's a difficult task to do based on the fact that it's not generally accepted to borrow money to use for replacement of pipes. I know -- I realize the model suggests that the initial money is used for replacement. The other realistic issue is if there is a lot of CIP projects

out there and just putting money in there, we have to have the sources and the resources of the engineers and the time to do the construction to get all these projects done. So we have to look at it realistically and not just at an amount of money needed for replacement. You have the logistics of the actual doing of the design, putting the projects out and getting it constructed. So that's not a complaint or -- it's just the facts of the logistics of the projects.

MR. STARR: That leads perfectly into my next

question which is out of the \$13 million, how much of this do you actually intend or expect to complete?

MR. PEARSON: George, I don't know if I'm the best one to answer that yet. George might be able to help answer that with assistance from the engineers.

MR. TENGAN: Mr. Chair, I think the only way I can answer that is that we put these projects in because they're priority items and we'll attempt to complete whatever we can with our available resources. Especially in the area of manpower, we're kind of short on engineers. We need to hire more engineers,

but we also need space to house them. So we have this little problem.

Anyway, I'm pushing -- even right now I'm pushing the engineers to get some projects out so that we can do as much as we can in our present budget so that in case we go to the council this coming year for a rate increase, we'll be able to show them that yes, we can do the jobs, we're pushing them out, we're completing them, because we have a lot of work to do in the area of replacements.

CHAIRMAN NOBRIGA: Thank you, George.

Anything further, Mr. Starr?

MR. STARR: Yes. I would like to ask what the amount of projects under this category that were or will have been completed by the end of this fiscal year is and how much was budgeted in the last budget for those works. And you know, since they're a team, I'm happy to accept answers from any of them.

CHAIRMAN NOBRIGA: Who would be able to answer that question, though? Back to Holly.

MS. PERDIDO: I don't know if we brought all

the information.

CHAIRMAN NOBRIGA: I'm going to call for a

recess at this time.

(Brief recess.)

CHAIRMAN NOBRIGA: Reconvene the meeting.

Back to Mr. Starr. Mr. Starr had a question for Holly

concerning -- turn it over to Herb Kogasaka concerning

the 2002 budget -- 2003.

MR. KOGASAKA: Of the 2003 budget, of the

replacement budget of \$5.6 million, we don't expect to

get to \$1.1 million and we're working on trying to

spend and encumber the remaining \$4.6 million.

CHAIRMAN NOBRIGA: Mr. Starr. Continue.

MR. STARR: Yeah, I would like to ask the director if he's satisfied with that or how much he -- how he intends to see this number change in the next year. Because last year we had \$4.6 million allocated and we only spent \$1.1 million. That means we were way, way behind. And I, you know, I think that we can do a lot better. I would like to hear from the director.

MR. TENGAN: In answer to Mr. Starr's

question, no, I'm not satisfied and that's why --

well, before I start, maybe what I should do is

introduce Mr. Alvin Nakamura. Mr. Nakamura has just

been brought on board to be our permanent engineer and

program manager.

In the past three or four years, Mr. Kogasaka

has been working in a dual role as part of -- well, he

was serving as the engineering program manager in an

active capacity and he was also in charge of the

construction projects. So he's -- he was, you know,

pretty well loaded down the past three or four years.

And you know, partially that could be a reason why our

CIP has been lagging somewhat.

Anyway, with Mr. Nakamura on board, now I

expect our Engineering Division to get the jobs out

and to accomplish a lot more than we've accomplished

in the last two or three years.

CHAIRMAN NOBRIGA: Thank you, Mr. Tengan.

MR. STARR: Do you have a goal -- and I think

you should have a goal as to how much of the

\$13 million you intend to get out in this year.

MR. TENGAN: I would like to see at least 80
to 90 percent of the contracts awarded and encumbered.
They may not be completed, but at least we'll get the
contracts out.

MR. STARR: If you can do that, you'll have a
fan for life in me and I'm sure a lot of other people
who depend for their lives on these pipelines.

MR. TENGAN: We'll try our best.

CHAIRMAN NOBRIGA: Mr. Helm.

MR. HELM: Yes. I just had a question and
this concerns the money earmarked for pipeline

replacement. You did an excellent job in identifying the areas that need to get -- the pipe needs to be replaced.

I guess the question I had would be what criteria do you use to determine which projects get done first or, you know, do you have a priority list. I'm just curious as far as criteria you use to determine that process.

CHAIRMAN NOBRIGA: It's a good question, though. Ms. Kraftsow?

MS. KRAFTSOW: Sorry. You got a list like

this.

MR. HELM: I didn't have it. He just passed
it over.

MS. KRAFTSOW: Yeah, I guess it sounds like I
still have to keep trying. Every year I think I'm
complaining the prioritization and every year I just
don't.

It's not currently done in some kind of
mathematical each thing is assigned a number because
at this point, until the inventory is of a higher

quality, it would be duplicative effort and we really do look very carefully at each map with the field, the engineers, the lists of complaints we've had, the breaks we've had, the problems the baseyard is having, whether projects are already partially designed or not, are easements a problem so we can't do them right away, is there a project that's more crucial because it's a busier area. All of that is taken into consideration. We go through one area at a time, looking closely at the maps and with the maintenance crew and the engineers. And we use the criteria that

you saw there.

MR. HELM: Ellen, I apologize, I didn't have this in front of me. If I saw this, I wouldn't have proposed that question. But I appreciate it and thank you. And this is pretty straightforward. Thank you.

CHAIRMAN NOBRIGA: Thank you. Mr. Hashimoto.

MR. HASHIMOTO: Just looking over this report, I don't see Ulupalakua pipe replacement on this. Is it on this or is it on some -- we've discussed about allocating funds for Ulupalakua.

MR. KOGASAKA: On the current budget we've

tried to encumber that \$400,000 of the \$1 million that was budgeted for this year and now we're working on the contract getting that encumbered at this point.

MR. HASHIMOTO: So it is proceeding.

MR. KOGASAKA: It is proceeding, yes.

MR. HASHIMOTO: Thank you.

CHAIRMAN NOBRIGA: Any other questions,

members? I would like to open the floor up for public testimony at this time. Mr. Hiranaga.

MR. STARR: I do have one other question,

though.

CHAIRMAN NOBRIGA: I'll ask Mr. Hiranaga and
then I'll go back to you, Mr. Starr.

MR. HIRANAGA: Looking at the CIP budget and I
notice, if I'm reading these charts correctly,
proposing about \$6.8 million to be utilized in the --
\$6.6 million in the Upcountry area and \$4.7 million in
Central Maui, and \$3.1 million in Hana. And just
looking at the number of users and the amount of water
being billed, I'm just wondering why the amounts that
are being allocated to the Upcountry area and Hana

area doesn't seem to be consistent with the amount of usage and the number of users.

CHAIRMAN NOBRIGA: Ms. Kraftsow.

MS. KRAFTSOW: Yes, you're right, it's not directly proportional to the billing on the systems. One thing is that the Upcountry system was originally developed with little farm fields and no houses and now it's been rapidly growing with residential areas and lines that were simply not designed to provide fire or service for those areas. And so if you look at just system inventory and what is adequate and not

adequate, a much higher percentage of the Central system is adequate than of the Upcountry system. The Upcountry system is extremely substandard in many ways.

And in Hana, we are required to have backup source for reliability and redundancy to protect people from the dangerous condition of not having any water. And the allocation for Hana is development of additional source and transmission to enable the two sources to be used together. And so when these kinds of priorities come up, the money does not always

reflect the revenues. It reflects system conditions
and needs, too.

MR. HIRANAGA: I realize that there is not a
direct correlation. I guess I'm just hoping that
there is a balance between the so-called need and
so-called revenue generation. I mean, it's not a
one-to-one correlation, but there should be some
balancing.

My other question I guess is how closely do
you monitor the meters that are afforded the ag rates?

Do you audit the number of people on ag rates to

ensure that they are in ag activity? Because I think that's a way of generating additional revenue for the department by confirming that the people who are on ag rate are actually ag activities.

CHAIRMAN NOBRIGA: Holly?

MS. PERDIDO: Currently all the people or individuals on ag rates have to send in forms and, you know, prove that they are an agricultural business.

We are going to this fiscal year go out and do some

rechecks. A lot of them were grandfathered in. And

the new ag bill came on, our rule had said that they have to be on ag zoned land. But a lot of the ones previous are not on ag zoned land but they were grandfathered in. So this year we're going to try to start going through and checking on some of the places that we're suspicious of that are not actively doing ag.

MR. HIRANAGA: I know the real property tax departments sends appraisers out to do field inspection for like pasture rates to ensure that the property is fenced and is actually pasture use. Do

you do field checks in areas just to ensure that they are in ag use? Because I don't know what the percentages are, but if you look at subdivisions, two-acre lot subdivisions, I would be curious to find out what percentage of those two-acre lot subdivisions are afforded this ag rate.

CHAIRMAN NOBRIGA: Holly.

MS. PERDIDO: Currently our rules are a little bit tough how they're stated because they have to be ag zoned, but you can have two-acre lots that are ag zoned and they can have ag rates. There could be

houses on them, cottages, you know, and we have no control, as long as they are showing GE license saying that they're farming. I mean, a lot of these can have zero consumptions or zero sales, but then they say oh, we have these trees we're growing for the future, you know. So it's tough on how our rules are right now on how to weed out -- you know, I wish we could say anyone who has these huge houses with cottages on them cannot be on ag rates, but how our rules are right now, they can.

MR. HIRANAGA: I guess, you know, the director

might look at some way of revising those rules. I

know like in real property tax, what they do is they

prorate the rates depending on percentage of usage.

So if you have a 10-acre property that two acres is in

pasture, they will do a 20 percent proration. And I

don't know if the monies generated will benefit --

justify the costs of these inspections, but it's -- I

know that there are a lot of people out there using a

lot of water and paying this ag rate.

CHAIRMAN NOBRIGA: Thank you, Mr. Hiranaga.

Mr. Tengan.

MR. TENGAN: In answer to Mr. Hiranaga's earlier question, one of the first things we do is when a person applies for ag rates, we send somebody out to the property to check what kind of activities going on on the property before we ever place them -- even place them under ag rates.

CHAIRMAN NAKAMURA: This is a good area to utilize the director's brother. Mr. Starr, followed by Member Parsons.

MR. STARR: I would like a detail on two

different projects and understanding of what we intend on doing in the next year and what we intend on doing in subsequent years and that's in Hana with the major pipeline replacement, which I agree is needed and I just want to understand what we're doing now and what we're doing later. And also as far as the well development in North Waihee as far as Kupaa, Maluhia, and the -- I forget the name of the subsequent well. Shall we start with Hana, please.

MR. KOGASAKA: The Hana section, the

transmission line between Hamoa well and Hana Ranch is

in design and we intend to get that out to bid next fiscal year, budgeted accordingly.

As far as another section of Hana which we're looking at is the section from Hamoa to Koale and we're contemplating whether to do that in sections or do the whole thing in one -- in any event, we're looking at it in terms of design for this next fiscal year.

Regarding North Waihee --

MR. STARR: Let me ask one quick question.

When will the work actually start between town and the

Hamoia well?

MR. KOGASAKA: I think it's probably pretty
early in the next fiscal year.

MR. STARR: So summertime or --

MR. KOGASAKA: Summertime, yes.

MR. STARR: And none of that is going to go
down by Hamoia beach; is that correct?

MR. KOGASAKA: No, no, not directly not down
there.

MR. STARR: I know that was an option on the

one time.

MR. KOGASAKA: No, that's not considered as part of this. However, if I may say so, Haneoo Road does not have fire protection, you understand that.

MR. STARR: And North Waihee.

MR. KOGASAKA: Regarding North Waihee, we are in the process of awarding contract the develop [inaudible] well. The next section would be to do the transmission line between [inaudible]. However, to connect that system, integrate that system, the next section I believe we had would be to do exploratory at

Camp Maluhia or -- they call it Camp Maluhia well but it's moved over beyond Makamakaole stream and in the next fiscal we're looking at a design for development of the well and design of transmission line from that source to Kupaa well which would integrate that section on to the North Waihee system.

And then we also have a projected well at the Waiolai stream area, but we haven't progressed as far on that as -- but that's what we're contemplating at this time.

MR. STARR: I happen to agree with

Mr. Williamson's comments that perhaps Kupaa well should be lowered in the priority because it's not really going to deliver more water. And I'm wondering if we were to recommend that Kupaa be put down, you know, lower down in the priority, would that allow us to speed up the process up north of Makamakaole and by how much.

MR. KOGASAKA: Not that much. Kupaa well is completed as of this time and short of stopping construction --

MR. STARR: Don't we have another well planned

for south of Makamakaole?

MR. WILLIAMSON: No, Waiolai.

MR. KOGASAKA: That's beyond. That's further
east.

CHAIRMAN NOBRIGA: Excuse me, Herb, if
Director Tengan could possibly add some clarification
to Mr. Starr's question.

MR. TENGAN: No, all I wanted to say was that
the board has to keep in mind that the department or
the county owns the Wailuku shaft and we're presently

using the shaft out of the goodness of Mr. Carr's company. So we need to be prepared for the day, should it come, to have new sources on line and, you know, to prepare for the day that we cannot use the shaft any more. So if the Kupaa well is ready to be developed as a production well, I think we should proceed with it.

MR. STARR: Okay. I agree with you. I thought that we had one more well we were planning to drill south of Makamakaole, but I guess that's the one that -- that's the Maluhia one that was now moved up

north. So if that's the case, then I'm in agreement with what we're doing and I also do think that we should be planning on a well to replace Shaft 33, possibly at our tank site up in the Iao or if we can obtain a small piece of land from Sanford Carr right where Shaft 33 is because we know that's a very productive [inaudible].

CHAIRMAN NOBRIGA: Thank you, Mr. Starr.

MR. TENGAN: For the board's information,

Mr. Chair, I just instructed [inaudible] engineering program manager to make the Waikapu well also a

priority so we should be attacking that project also.

CHAIRMAN NOBRIGA: Thank you. Ms. Parsons.

MR. STARR: Can I ask one question just on
what he just said.

CHAIRMAN NOBRIGA: Mr. Starr.

MR. STARR: Is there any problem with the
Waikapu well? Because it's dragged on for many years.

MR. TENGAN: I believe it's in the design
stage maybe.

MR. KOGASAKA: Currently it's under design and
we're looking at negotiating for a little bit of an

additional land that would make it -- give us enough room to build a control building. We are trying to get in touch with the landowner over there. We talked to him previously. He was amenable at the time, but we can't seem to locate him at this time. But we are moving forward with that respect.

CHAIRMAN NOBRIGA: Thank you. Ms. Parsons.

MS. PARSONS: Ellen, just a quick question.

Do we make this presentation to the planning department?

MS. KRAFTSOW: The CIP presentation? We never have before, but when we do the Skybridge, often they show up. We've never specifically gone there to do.

MS. PARSONS: Maybe this is something that Chairman Mateo might bring up that we bring planning into the Skybridge presentation just so that they can see where the infrastructure issues are and it may help them with some of their planning proposals that are on the board right now.

CHAIRMAN NOBRIGA: Thank you, Ms. Parsons.

MS. PARSONS: I have one more question.

CHAIRMAN NOBRIGA: Okay.

MS. PARSONS: Mr. Tengan or Ellen, the Pookela well, either one, is it on this list for '04 or are we using funds from last year to complete it? Is the Pookela well addressed in this or are we using funds from last year?

MS. KRAFTSOW: Development and connection to system is --

MR. KOGASAKA: Construction funds will be -- it is in for next year's budget.

MS. PARSONS: Under which?

MR. KOGASAKA: Upcountry source development

Pookela well pump station development.

CHAIRMAN NOBRIGA: Right here.

MS. PARSONS: Thank you very much.

CHAIRMAN NAKAMURA: Mr. Victorino.

MR. VICTORINO: First of all, Mr. Chair, I

would like to commend the department because this

presentation today was very enlightening I think for

all of us concerned, but more importantly the general

public sees that the new leadership and the new

direction this department is taking along with the

support of the council and the mayor's office is going to enhance our water systems immensely. And I'm very proud to be a part of the advisory part of that aspect.

The one question I do have for you, Ellen, again I keep going back on this, but there is no breakdown. It says Central, 16,728 meters, okay. And Central is encumbersome of Kahului, Wailuku, Kihei-Makena. And I hate asking the question, but what is the Kihei-Makena area? Because to me I

understand the source generation and deriving from the central area, but it's really crucial when you're talking planning for the future knowing what the South Maui area is drawing off of the system and what we need to -- we keep the integrity of our systems in the central area -- our sources I should say in the central area.

MR. KOGASAKA: The Kihei-Makena area in particular for the most part is budgeted for design construction along -- by the Suda store area.

MR. VICTORINO: But my question is how many

meters of that 16,728 meters in the Central portion of this Maui County BWS systems, how many of those meters are actually in the South Maui area, which is from Suda store if you want to say all the way across to Makena. How many?

MS. KRAFTSOW: You know what, I can make a phone call and give that to you in a minute and a half.

MR. VICTORINO: Okay. I would appreciate it because I think the public needs to know that.

MS. KRAFTSOW: I'm sorry to interrupt. Also I

have been asked to clarify we did the Skybridge in the past, but I guess now that we're with the county we'll be doing [inaudible] instead of Skybridge.

CHAIRMAN NOBRIGA: Any further questions, members? Yes, Mr. Hiranaga.

MR. HIRANAGA: I know you may have gone over the staffing vacancy issues, but I guess I would have preferred versus anticipated fill date versus ASAP, I would prefer to see the actual dates because it's difficult to measure progress when you have -- you don't have definite dates. But I guess the one that

sticks out the most is the Civil Engineering IV position. I don't know if you covered that in my absence. But how is that progressing? I note that it's been vacant for about nine months.

MR. TENGAN: I think I should inform the board that all requests to fill vacancies are now being processed through the mayor's office and the mayor currently is reviewing our requests to fill vacancies and he hasn't acted on those. We have about five or six of them up in his office right now awaiting

review.

MR. HIRANAGA: Another question. The \$5 million proposed for the new building, I guess my question is with the new charter amendment, should the department be funding the creation of additional office space or should that be coming say from the general working fund of the county since it's now a department under the mayor?

MR. TENGAN: That's a political question I don't want to touch.

MR. HIRANAGA: I think it's an accounting

question, not a political question. It's an

accounting question.

MS. PERDIDO: We're not even sure what's going

to happen on the accounting side of it either. In the

past I know we did fund our portion of the floor and

I'm not sure at that time we were under the county

also.

MR. HIRANAGA: Well, in the past 10 years you

did pay rent to the county because you were --

MS. PERDIDO: No, we've never paid rent on the

floor. We paid an overhead charge, but that was for

other items.

MR. HIRANAGA: Oh, because you own the floor.

MS. PERDIDO: Yeah, it was when we owned the floor. So back in I think '77 or '78 when they built that building and we paid for part of the floor, I'm not sure if we were under the county or semi-autonomous.

CHAIRMAN NOBRIGA: It was an autonomous board.

PARDEE ERDMAN: At that time?

MR. HIRANAGA: Because I guess for me if the planning department and public works share the old

county building next door, did they pay for the purchase of that building through their funds? I'm just kind of wondering if it's appropriate for the Department of Water Supply to be required to provide the funding for facilities. To me it would be more of a general accounting principle versus a -- I mean, should the users of water be required to pay for any new facilities?

MR. TENGAN: Mr. Chair, I think that question can be approached from the viewpoint of what it costs

to provide water to the rate payers. Office space is certainly a real cost that should be considered as part of providing water service. So it can be approached from that point of view.

MR. HIRANAGA: I won't belabor the point, but I have a couple more questions. I just was looking at this fiscal year 2000 for operating budget summary and I just noticed under field operations program, you're proposing about a million dollars more than what was budgeted for this current year. Just wondering if there is a quick reason for that.

MR. TENGAN: I guess one quick answer would be there is about a \$600,000 increase in the past of operations and also another \$200,000 -- maybe \$300,000 increase for purchase of equipment. As to the details, I would have to refer to Holly. Anyway, that increase is not substantial in the area of salaries and wages.

MR. HIRANAGA: They can get back to me.

CHAIRMAN NOBRIGA: Thank you, Mr. Hiranaga.

Any further questions, Mr. Hiranaga?

MR. HIRANAGA: No.

CHAIRMAN NOBRIGA: I see Mr. Starr, but I'm
going to call for a recess at this time.

(Brief recess.)

CHAIRMAN NOBRIGA: Reconvene the meeting.
Mr. Hiranaga has the floor. I think -- were we
waiting for an answer or was that answer already
provided?

MS. KRAFTSOW: I'm working on it.

CHAIRMAN NOBRIGA: Recognize Member Starr for
another question.

MR. STARR: Baseyard rent at NACSA, I know

that we've been paying almost no rent. I'm wondering if we budgeted for the hugely inflated rent that they have been threatening to charge us and also the background of this several hundred thousand dollars that they were demanding and I believe we've been contesting.

CHAIRMAN NOBRIGA: Who could answer that?

MS. PERDIDO: If you look at under the field ops, we did propose what they told us before I put it in the budget this year. Last year we didn't, but

this fiscal year -- but next fiscal year I put it in.

MR. STARR: Is there provision for that
background portion?

MS. PERDIDO: Not in this -- no, I didn't put
in for that.

CHAIRMAN NOBRIGA: Thank you, Mr. Starr.

I would like to open the floor up to new
testimony from the public. Anyone wishes to provide
oral testimony that has not been previously heard.

Ms. Raisbeck, please, followed by Mr. Durso.

MS. RAISBECK: Thank you, Mr. Chairman. My

name is Sally Raisbeck, I live in Wailuku, and I have questions rather than statements.

I was interested in some of the subjects that Mr. Hiranaga and Mr. Victorino brought up because they sort of involve policy questions and I think some of us in the public are interested to find out what will the relationship be between this board and the director and the council and the mayor. And in particular, one of the questions brought up the question of Mr. Hiranaga's, will funding be separate for the water board as it has been when it was

semi-autonomous or will it somehow get folded into the county budget and what -- who decides that, basically.

And then separately, one of the things again that Mr. Hiranaga brought up and also Mr. Victorino involves the question of the different regions of the county of the water system. Some are expensive and some are cheap to provide water to. And in the past, always the decision has been made that water rates are uniform across the county so that as that works out, although the public generally isn't aware of it, the cheaper areas are subsidizing the more expensive

areas. And one of the principles of smart growth is to have boundaries within which you provide urban services and not go way out in the boondocks or way up high where you have to pump -- expensively pump water.

So the question -- and in listening to the presentation which didn't quite have as much detail as to show which areas -- I mean in the CIP budget, obviously there was disproportion among the different areas for understandable reasons. But presentations can be made that make clearer what the costs are from

a given area, what the revenues are from that area,
and when there are big imbalances between different
areas what the reasons for those imbalances are.

So I think as part of the budget process,
having the data looked at to provide both you people
and now the mayor and the planning department as
Ms. Parsons brought up, everybody needs to have that
information so that they can make good decisions about
planning, I guess is the point I'm trying to make.

So I think we're still left in limbo about the
understanding of as you people work on the budget,

will your -- how much weight will your recommendations carry under the law within the charter and how much will the weight be simply that your prestige and experience and so on will carry weight with the council and the mayor, but they will be the ones who decide, I guess. So that's my question, has that been thoroughly documented yet.

CHAIRMAN NOBRIGA: Thank you, Ms. Raisbeck.

Any questions for the testifier? Ms. Parsons.

MS. PARSONS: Sally, as I've always understood it from being on the board, the mayor and the council

have always had the power to override what the board has done. You could always have the way to appeal any decision that we've made. And I think what I -- the way that I see this situation is we really haven't changed except for the fact that we're not issuing orders. We're just in an advisory position -- we're historians. And as you serve on the board and you learn more about the history, it just helps to assist the council and the mayor and the administration. But there was never really any autonomy. It was a semi-autonomy for certain decision-making purposes,

but that didn't mean it was the final for anyone and

it never has. So that's kind of the way I see it.

Maybe Mr. Nobriga would like to comment on that. He's

been here a little bit longer.

CHAIRMAN NOBRIGA: We're going through a

question period, Ms. Parsons. That's all it is is a

question period for the testifier. No other

questions?

MS. PARSONS: That's it.

MS. RAISBECK: Could I respond to --

CHAIRMAN NOBRIGA: I want enough time to allow

everybody to speak, Sally, so thank you. Mr. Durso.

MR. DURSO: Good morning. It still is morning.

First, thank you folks for listening to today's

meeting, the department's meeting and your questions,

really indicates that you guys are on top of things.

And as a water user from the boondocks, I appreciate

your efforts.

One thing I did want to say and I'm not sure

if it's quite appropriate to do this, but I get very

nervous when people start talking about how folks in

the boondocks subsidize water rates for people in urban areas. If you just manipulate numbers and you look at things and you check things out, you can see that in many ways you can argue that ag-zoned areas subsidize urban areas in terms of streets, paying for police, paying for fire fighters. So please consider that with a grain of salt.

The second thing is it was mentioned that the department might need to look at defining ag in terms of going out and checking on people if proper ag use is being used. This is a serious bone of contention

in planning, zoning, water use, you name it. And the Cattleman's Association has always been willing to participate in those discussions and so has the Maui County Farm Bureau. So Clark, you know that as well as I do.

The last thing is then -- not to take up any more of your time -- is I do really appreciate Mr. Hashimoto's question about the Ulupalakua system and the update from Mr. Tengan as far as the progress on that. We will continue to be a squeaky wheel, but I think we're going to have to chirp a lot less in the

future. So thank you very much and really that's it unless you have any questions.

CHAIRMAN NOBRIGA: Is there any questions for the testifier? Mr. Victorino?

MR. VICTORINO: One quick question. In your best guesstimation -- and that's all it is, a guesstimation, right? You're an expert and that's why I call upon you. What percentage of this so-called ag-zoned parcels would probably in your mind -- this is yours and you're putting yourself on the line,

nobody else -- what percentage would you actually think is not actually ag zoned? And you live upcountry, so you know what I'm talking about.

MR. DURSO: I do understand what you're talking about and I'm going to do this, side step the question. I honestly don't have an answer for you. It's one of the things that the Farm Bureau is working on doing in terms of doing an ag survey of what's currently being used and what would define it, but essential to that is the definition of ag.

The thing that gets really tricky is -- and

it's sort of like the old expression I can't define it
but I know what it is when I see it. And it's tough
to do because you can't spend inspectors out to every
home and residence and plot to do that determination,
nor can you define it. Putting something in words
like that is difficult, especially when you've got
people who ranch for generations but they don't really
make income off of it but they're keeping it in ag. I
have no answer for you, but all I can say is I don't
look forward to the process and trying to do the
definition but I will participate if needed.

CHAIRMAN NOBRIGA: Thank you, Mr. Durso. Any

questions for the testifier? Seeing none, is there anyone else that hasn't testified before to provide testimony?

I will now call upon Mr. Williamson again, second round.

MR. WILLIAMSON: My name is Jim Williamson. I won't repeat what I was talking about before. I was talking about -- general question now. What is the procedure for the budget from the water board from here? In other words, is there going to be another

public hearing? And then how is this recommended --
as I understand Corporate Counsel Kushi saying the
last time I was here, how is this being recommended to
the -- does it go to the director or does it go to the
mayor from the water board as to what happens to this
budget? Thank you.

CHAIRMAN NOBRIGA: Good question. I wish I
could answer that you. Thank you for your testimony.

Any questions to our testifier?

MR. WILLIAMSON: Could you answer one thing?

In your mind, this board, what happens to the budget internally on the board? Does it have another review or --

CHAIRMAN NOBRIGA: We recommend approval to the director. The director then takes the recommended budget upstairs to the mayor's office. The mayor's office then submits it back to the county council. The budget, et cetera, et cetera.

MR. WILLIAMSON: So this is the last shot publicly and then as far as the board is concerned --

CHAIRMAN NOBRIGA: No, this is not the last

shot publicly. There will be numerous, numerous opportunities for the public to comment on the budget.

Thank you, Mr. Williamson.

MR. WILLIAMSON: Thank you.

CHAIRMAN NOBRIGA: I would like to ask Council Member Danny Mateo to give us some words. I know he wasn't prepared to provide testimony, but -- I know he's just off the plane from Idaho and I really value his attendance today. I want to recommend everyone to attend his first community meeting on February 19th. Please, Mr. Mateo, you have the floor.

MR. MATEO: I guess I can just stand back here
and speak.

Good morning. Thank you for the opportunity.

And for myself, I'm really excited to be here. Some
of the questions asked was, you know, what is exactly
the role of the different counterparts. You know,
that is a question that our legal beagles are dealing
with right now. But personally for me, the
relationship between all the different components is
one of a partnership. The problems are so huge, the
problems have been so ongoing and the issues of water

for such a long time that if we don't partner, if we don't work together, if we don't tap your expertise and your working knowledge of the problems that we've had all these years and if we don't work in conjunction with the department in trying to be problem solvers, then the issues will never go away because no one person, no one entity has the -- I guess the answers. There is no magic wand and there is no solution that will solve all of our pressing needs. But together as partners, addressing the

issues one at a time, really, you know, we can make way, we really can start to address the realities of the problems.

Listening to some of the discussion, my only personal interests or priorities at this particular point is one of addressing the needs of the system.

If we start to address the needs of the system, we can get rid of some of the problems we're experiencing.

We can help alleviate the phone calls you guys are receiving, the e-mails you guys are receiving, the lack of water pressure with the concerns of fire flow.

You know, but the system needs to be in its place.

And for myself, I'll be working with the department and asking their expertise in providing us a lot of information. And I'm glad you referenced the, Jonathan, the Brown Caldwell study because that for me was a rude awakening, and for the council, you know, this is a real intense opportunity to address firsthand and more directly the more serious problems that we're confronted with. And with that again, thank you very much, we're all going to grow old together and I thank you guys all very much.

CHAIRMAN NOBRIGA: Thank you, Counsel Member

Mateo, appreciate your presence this morning.

Shall we go back now to Mr. Victorino's

original question about meters specific to

Kihei-Makena and I'll turn the floor over to lovely

and vivacious Ellen Kraftsow.

MS. KRAFTSOW: Okay. The total Central Maui

system meters was 16,728. Of that, Kihei and Makena

had 5,215. Kahului and Wailuku had 9,504. That

totals 14,700 and something out of 16,700. So that's

the goal for the rest of the [inaudible].

The far left is Waihee. The next one is
Wailuku. Then there is Paia-Kuau, the green one.
There is Waikapu. Yeah, that's Wailuku Heights.
Anyway, starting at the violet, that's more the
Kahului side. I'm sorry, the Kihei side. Kihei.

MR. VICTORINO: That's the whole premise of my
question is we need to know when we say Central Maui
system, most of us -- including the general public --
thinks Central Maui is Kahului-Wailuku, but inclusive
in that is Makena-Kihei, but also Paia, Kuau, and all

these other areas that sometime I just get 'em like
it's not a part of the picture but it's really a big
part of our picture. Not by percentage-wise, but it's
still part of the service areas and all that. So
that's what I wanted to ascertain so that the public
as well as myself knew specifically what the numbers
were. And I thank you, Ellen, for that information.

CHAIRMAN NOBRIGA: Thank you, Mr. Victorino.

Member Parsons.

MS. PARSONS: Ellen, could we get a breakdown
on usage? For instance, when you say Kihei and

Makena, does that take in hotels and is their usage a lot higher in percentages?

CHAIRMAN NOBRIGA: May I suggest Ellen get back to us with that?

MS. PARSONS: That's fine. Could you? I mean, could we break it out that way, even Paia and Kuau, break out percentage of usage?

MS. KRAFTSOW: Right now?

MS. PARSON: No, no, later, for us at a later date. That would be great.

CHAIRMAN NOBRIGA: Okay. Members, are we

ready to approve a recommendation for operating budget
for 2003-2004?

MR. VICTORINO: So moved.

MR. STARR: No. I have one question of
substance that I would like to put out before we do
that.

CHAIRMAN NAKAMURA: Okay. I do have a motion
on the floor, approval of recommendation to the
director on operating budget for 2003-2004. Do I have
a second?

MR. HASHIMOTO: Second.

CHAIRMAN NOBRIGA: It has been moved and seconded. Back to the maker of the motion.

MR. VICTORINO: I would defer any comments so Mr. Starr may be able to ask his questions, Mr. Chair.

CHAIRMAN NOBRIGA: Thank you, Mr. Victorino.
Mr. Starr.

MR. STARR: Looking at the budget, I've had one problem with it and I haven't -- it just came to me that maybe we're doing something wrong here and that is the \$5 million for a new facility --

CHAIRMAN NOBRIGA: Mr. Starr, we're focused on

the operating budget of the department and not the

capital improvement budget at this time. But you may

continue.

MR. STARR: Thank you. I tried to ask this

question before you forced the motion. Anyway, it

seems to me that by booking the entire cost of buying

a new facility in this one year, we may be doing

something that's kind of unusual and possibly not in

the best interests because I do believe we need a

facility, but I think that it's more usual practice to

actually amortize it over a longer period since it's actually going to be financed with bonds and utilized over a long period of time. So I would like to suggest that we look at capitalizing that over a period of time and just have this year's portion in it rather than the total \$5 million purchase price.

Anyway, let's move along with the capital improvement. We can get to this after.

CHAIRMAN NOBRIGA: Thank you. Under operating budget we have salaries, equipment, director's program, fiscal program, et cetera. Any other

questions concerning the operating budget being submitted? Hearing none, I sense you're ready to vote. All those in favor of recommending to the director positively on the fiscal operating budget for 2004, signify by saying aye.

[Chorus of ayes.]

CHAIRMAN NOBRIGA: Opposed, nay.

[No response.]

CHAIRMAN NOBRIGA: Motion carries. Now, moving on to the fiscal year 2004 capital improvement budgets.

MR. VICTORINO: I move that we approve that.

CHAIRMAN NOBRIGA: There is a motion by

Mr. Victorino to approve for recommendation the 2004

CIP budgets. Is there a second?

MR. HASHIMOTO: Second.

CHAIRMAN NOBRIGA: It has been moved and

seconded. Discussion? Back to the maker of the

motion, Mr. Victorino.

MR. VICTORINO: I think the comments have been

made by Mr. Starr and I defer to Mr. Tengan if he has

any response to that comment.

MR. TENGAN: I have some late information here. Yesterday we met with USGS, Mr. Gordon Trivel, and he informed us that in the calendar year 2004, the drill rig is scheduled to be here on the island and so we need to include some monies to finance the cost of that operation. And so I would like to suggest that the board consider increasing the CIP budget for this program by taking \$250,000 from the Water System Development Fee Fund and \$200,000 from the source fund to fund this program.

CHAIRMAN NOBRIGA: I'll entertain an amendment
to that effect.

MR. VICTORINO: I amend the motion.

CHAIRMAN NOBRIGA: Thank you, Mr. Victorino.

Is there a second?

MR. HASHIMOTO: Second.

CHAIRMAN NOBRIGA: Moved and seconded. Any
discussion on the amendment? Back to the maker of
the amendment, Mr. Victorino.

MR. VICTORINO: I defer to Ms. Parsons.

CHAIRMAN NOBRIGA: Thank you. Ms. Parsons.

MS. PARSONS: When was that in 2004?

MR. TENGAN: In the calendar year.

MS. PARSONS: Sometime in the calendar year.

MR. TENGAN: Right. And we hope to have the rig here for at least a year. That's to maximize on the mobilization costs. In the past the program has run where the rig would spend six months on an island.

MS. PARSONS: So it would be here before our next budget; is that correct?

MR. TENGAN: We should include it in the 2004 budget because the rig could possibly be here before

June 30, 2004.

MS. PARSONS: Thank you.

CHAIRMAN NOBRIGA: Mr. Starr.

MR. STARR: I speak in favor of the amendment and wish to compliment the director on moving that ahead. I'm hoping that what he's saying now is that we have a chance of getting two monitoring wells out of it, one over by Makamakaole side and the other over by I guess Paia-Kuau or somewhat up toward Haiku somewhere. Am I correct with that assumption?

MR. TENGAN: We haven't decided on the exact sites yet, but the site selected will be in cooperation with USGS and where data is needed.

MR. STARR: Thank you.

CHAIRMAN NOBRIGA: Any further questions on the amendment? All those in favor of the amendment to appropriate moneys to accommodate our drill rig by moving monies from hence to hence, I forget somewhere, all those in favor signify by saying aye.

[Chorus of ayes.]

CHAIRMAN NOBRIGA: Opposed, nay.

[No response.]

CHAIRMAN NOBRIGA: Amendment carries. Back to
the main motion as amended. Any further questions?

Yes, Mr. Starr.

MR. STARR: Yeah, I had raised some comments
and a suggestion regarding the booking of new office
space and I would like to get a response and
recommendation from staff whether that might be
advisable to change the portion in this year's budget
from the \$5 million down to this year's portion of
that expense.

MR. TENGAN: Mr. Chair, I will respond to
that.

CHAIRMAN NOBRIGA: Yes, Mr. Tengan.

MR. TENGAN: In talking with the mayor, he's
looking at -- he's looking for or doing a facility
that would house the entire county. And I don't know
whether this will be moving in the next fiscal year or
not. But he is negotiating with the landowner. I
would think that the \$5 million, a portion of it would
be needed if the department is to participate in the
financing, that a portion of that might be needed for

the land and a greater portion would probably be for the facility itself.

So as far as the department is concerned, it's not a priority item to be funded in the coming fiscal year. However, if it does happen, then, you know, we can come back to the board to see what the board would recommend in terms of financing or any costs that might be involved in the coming fiscal year.

MR. STARR: My question, though, is more an accounting question than anything else. Is it

suitable to have the full amount of the capital outlay
in one year's budget? I'm in favor of the project;
I'm just saying that I think that it should be -- that
proper accounting procedure would amortize and not
expense it in one year, which is what we're doing.

MR. TENGAN: Yes, this \$5 million is not --
it's not part of an accounting transaction. The
\$5 million is really a funding mechanism whereby the
department can go out and participate in the costs of
the new facility. And I guess the \$5 million right
now is being proposed with a bond issue. So it's a

financing mechanism right now and as far as accounting is concerned, when the facility is constructed and built and put to use, then the department from an accounting standpoint would amortize its cost through the appreciation over a period of time which might be, for a building, anywhere from 25 to 50 years.

So I think, Board Member Starr, we're talking about funding the facility now rather than how to treat it from an accounting standpoint.

CHAIRMAN NOBRIGA: Any other questions? I got some questions. Sorry. Could you bring me up to date

with any capital improvement projects specific to

Crater Road as far as pipe replacement and increase to

handle fire flow? I don't see anything for the next

five, six years or whatever.

MR. TENGAN: May we have a couple minutes

recess?

CHAIRMAN NOBRIGA: Sure. Let me ask my next

question. Is there any way we can handle an amendment

to take care of the Lahaina intake situation?

Mr. Michels. Removing the excess material that's

built up up there?

MR. TENGAN: I don't know when the last time we went out there, but we need to have somebody to go and verify the conditions and see whether that is our responsibility or not. I would suspect it is. But we do need to send somebody up there before we do any work.

CHAIRMAN NOBRIGA: Mr. Vida, could you add some additional information to the question?

MR. VIDA: I think you have to get the [inaudible] to go up and assess that.

CHAIRMAN NOBRIGA: So we need a budget item,

yeah, for that to proceed or no?

MR. VIDA: [Inaudible] everything on the

engineers and let them make a decision.

CHAIRMAN NOBRIGA: It wouldn't be a budget

item on our part. We make sure we send an

appropriate letter, Cathy, to follow up on that

project.

Is there anything in the CIP addressing the

East Maui Source Development projects? Follow up

question: Is there any money identifying to the

Central to Kihei transmission lines? Just asking
because it's all projects that we've been talking
about that I do not see anywhere in the CIP from
2003-2004 on until 2009.

Also, there is nothing for C. Brewer watershed
acquisition. There is nothing for Iao surface water
treatment. There is nothing for storage at Kamaole.
There is nothing for Waikapu surface water treatment .

MS. KRAFTSOW: Can I answer?

CHAIRMAN NOBRIGA: Yes, please.

MR. STARR: Before I ran out of your list

here, okay, the Kanaha land -- there is a Kanaha land agreement for \$50,000.

East Maui Development Plan, there is nothing this year. I think that the EIS -- supplemental EIS has been challenged, but it is in the '05 to '09, that six-year summary I gave you.

Kamaole storage is also in the -- actually, oh, that's further out. We're doing Lower Kula first. So I'm not sure if it made it into the six years or not. Hang on. And there was another one that you mentioned besides those -- okay. Kanaha intake --

CHAIRMAN NOBRIGA: Yeah. No, Lahaina intake.

Iao surface water treatment.

MS. KRAFTSOW: The Lahaina intake is the

Kanaha land valley agreement.

Iao surface water treatment is in the
schedule. I don't know if -- it's not something that
we were scheduled to design this year. We gave the
State Water Commission a schedule and it's in the
schedule that we gave them.

CHAIRMAN NOBRIGA: C. Brewer watershed

acquisition.

MS. KRAFTSOW: That was actually -- the thinking with that \$5 million bond was either for facility and/or watershed purchase, either of which can be called.

CHAIRMAN NOBRIGA: Falls extremely short for that acquisition project of \$5 million. You're looking at twelve and on up for that project.

I just wanted to enter those projects on to the record. I do not have at this time any friendly amendments to the CIP budget. Those specifically to

be addressed. I don't think it's appropriate at this time because you're talking about long-range. These are specific.

Any other questions on CIP? Is the body prepared for a vote? All those in favor of recommending approval of CIP 2004 budget, signify by saying aye.

[Chorus of ayes.]

CHAIRMAN NOBRIGA: Opposed, nay.

[No response.]

CHAIRMAN NOBRIGA: The motion carries. Is

there any other business to be brought? If there no other business to be brought before this body at this time, I have a confirmation verbally from the mayor's office that he will be in attendance at our next regularly scheduled board meeting. We have that so noticed. Also working with Cathy to prepare the rest of the agenda. Thank you.

MR. STARR: Mr. Chair?

CHAIRMAN NOBRIGA: Yes, Mr. Starr.

MR. STARR: Can we put a water rate increase on our next agenda?

CHAIRMAN NOBRIGA: I'll take it under

advisement. There is some other work that I need to complete before we tackle that.

MR. STARR: I would like to at least discuss the process.

MR. VICTORINO: Mr. Chair?

CHAIRMAN NOBRIGA: Mr. Victorino.

MR. VICTORINO: I want if possible on the agenda to follow up on the usage percentages for the Central water system, breaking down to the various

areas, Kihei, Maalaea -- I mean Kihei-Makena, et

cetera, the percentage of usage. I would like to see

that.

CHAIRMAN NOBRIGA: Thank you, Mr. Victorino,

I'll take that under advisement. Anything else?

Meeting stands adjourned.

(Whereupon, the meeting was adjourned at 11:35

a.m.)

"By Water All Things Find Life"

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