

County of Maui Water
Supply

BOARD OF WATER SUPPLY
COUNTY OF MAUI
REGULAR BOARD MEETING
THURSDAY, OCTOBER 2, 2003

Held at the Kahului Shopping Center Conference Room, 65 West
Ka'ahumanu Avenue, Unit 29, Kahului, Maui, Hawaii,
commencing at 9:00 a.m. on Thursday, October 2, 2003.

REPORTED BY: JEANNETTE W. IWADO, RPR/CSR #135

ATTENDANCE

BOARD OF WATER SUPPLY

REGULAR MEETING

OCTOBER 2, 2003

CHAIRMAN: KENT M. HIRANAGA

VICE CHAIRMAN: MICHAEL VICTORINO

BOARD MEMBERS: MICHAEL NOBRIGA

GINNY PARSONS

DOROTHY R. PYLE

STACY HELM CRIVELLO

SALLY RAISBECK

KENNETH M. OKAMURA

EXCUSED :

CLARK S. HASHIMOTO

DIRECTOR :

GEORGE TENGAN

DEPUTY DIRECTOR :

JEFFREY T. PEARSON

DEPUTY CORPORATION COUNSEL : EDWARD KUSHI

BOARD SECRETARY :

CATHY HOWARD

STAFF :

HOLLY PERDIDO, FISCAL OFFICER

ELLEN KRAFTSOW, FISCAL OFFICER

BOARD OF WATER SUPPLY

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TRANSCRIPT OF PROCEEDINGS

CHAIRMAN HIRANAGA: I would like to call the

Board of Water Supply meeting to order. Attendance, let the

record show Mike Nobriga, Ginny Parsons, Dorothy Pyle, Stacy

Crivello, Mike Victorino and myself are present.

MR. VICTORINO: Mr. Chair.

CHAIRMAN HIRANAGA: Yes.

MR. VICTORINO: I want to make one point. I will have to leave by 9:30 this morning, I do apologize. Being that today is the opening day of the fair I have to leave early. So I hope it does not jam us for quorum. I think it won't. I think we're okay. Here comes Ken. Okay, thank you, Mr. Chair.

CHAIRMAN HIRANAGA: Let the record also reflect

Ken Okamura is present.

Do we have any announcements?

Approval of minutes. Any comments or corrections?

MR. VICTORINO: Move to approve the minutes.

CHAIRMAN HIRANAGA: Motion to approve the
minutes. Is there a second?

MR. NOBRIGA: Second.

CHAIRMAN HIRANAGA: Any discussion? No
discussion, all in favor say "aye."

(A chorus of ayes).

Motion is carried.

Is there anyone here from the public that wishes
to provide testimony at this time?

(No response)

Seeing none, the next item is the Director's
Report, Kulamalu Project, SD 95-83, an amendment to the
Agreement for Cost Participation to construct a one million
gallon storage tank. George?

MR. TENGAN: Mr. Chair, if you will recall, back
in November of last year the Board approved to allow
Kulamalu to reimburse the department for a portion of its
remaining share in the one million gallon tank that they

constructed. The Board has already agreed to pay \$1,044,881 to Kulamalu for its share of 55 percent of the storage tank. Up until that point in time, the department paid Kulamalu \$963,380, leaving a balance of \$81,501.

Since then, we did a calculation of what would be the appropriate amount that Kulamalu should reimburse the department for the quantity that they wanted to purchase back from the department. The Board had originally agreed at the price of \$396,000. However, when we did the recalculation for the 37.1 percent that they were wanting to purchase back, we calculated the amount to be \$344,000.

So we come to the Board now to confirm our calculations, and we will enter into an agreement with Kulamalu for the amount of \$344,077. This includes interest up to June 30th of this year at four percent per annum.

MR. VICTORINO: Mr. Chair?

CHAIRMAN HIRANAGA: Yes, Mike.

MR. VICTORINO: George, when all these calculations have been completed as you have shown us, that to your best knowledge would complete this project as far as what they would reimburse us?

MR. TENGAN: Well, the project itself has been completed. It's just the amount that's due to the department for the shares that they want to purchase back. And as you recall, the reason for this is to provide the storage that's needed for the Kamehameha School's project. As far as construction of the project, it's completed. It's just the amount that we need to agree on.

MR. VICTORINO: So this agreed amount, once this has been paid then we're square with them and they're square with us?

MR. TENGAN: Right.

MR. VICTORINO: That's what I wanted to know.

Thank you.

CHAIRMAN HIRANAGA: Any other questions?

MS. RAISBECK: I apologize for being late.

CHAIRMAN HIRANAGA: I'm sorry?

MS. RAISBECK: I said I apologize for being late.

CHAIRMAN HIRANAGA: Let the record reflect Sally

Raisbeck is also present.

No further questions?

MR. VICTORINO: I'd like to make a motion.

CHAIRMAN HIRANAGA: I guess we should make a motion

to agree to this and recommend approval.

MR. VICTORINO: Well, if one other reason that I move that we recommend that this amount of \$344,077, the agreed upon amount by the Board for the Kulamalu project, we recommend that they accept that. I guess accept it then, I guess that's what I'm looking for.

CHAIRMAN HIRANAGA: With the Board's concurrence on the Director's recommendation.

MR. VICTORINO: With concurrence on the Director's recommendation.

CHAIRMAN HIRANAGA: Is there a second?

MR. OKAMURA: Second.

CHAIRMAN HIRANAGA: Seconded by Ken. Any

discussion?

MR. NOBRIGA: Question.

CHAIRMAN HIRANAGA: Question, Mike.

MR. NOBRIGA: George, so of the one million gallon

storage tank, there's actually no appropriation for the

general public then?

MR. TENGAN: I believe we have used up a portion

of that 550,000 that was the Board's share at the time. As

the report indicates, 310,000 gallons were allocated to King Kekaulike School, leaving a balance of 240,000 gallons.

MR. NOBRIGA: That's the entire allotment of 550,000 gallons?

MR. TENGAN: Right.

MR. NOBRIGA: The balance of the one million gallon tank is held for Kulamalu already?

MR. TENGAN: The remainder?

MR. NOBRIGA: Yes.

MR, TENGAN: Yes.

MR. NOBRIGA: The 310,000 for King Kekaulike is

for the total estimated use of the school once it's built out completely?

MR. TENGAN: That's correct.

MR. NOBRIGA: And King Kamehameha School, we still need to have more storage for that project, that is still yet building out?

MR. TENGAN: Right. I believe they may have additional storage requirements, but the amount we're transferring should satisfy. I don't know exactly what's being worked out between Kamehameha Schools and Kulamalu as far as storage right now. The storage requirements for the

school at this point in time, you know, with regard to the phase that they're in, I don't believe that the entire transfer amount is needed at this time.

MR. NOBRIGA: Thank you.

MR. OKAMURA: Question.

CHAIRMAN HIRANAGA: Yes, Kenneth.

MR. OKAMURA: What was the original intent in reserving 550,000 gallons for the County?

MR. TENGAN: I would think that that amount would probably be committed to or would be put to the benefit of the Kamehameha Schools also, because if Kulamalu doesn't

provide the storage -- if Kamehameha Schools doesn't provide the storage through Kulamalu, then Kamehameha Schools would have to come to us for the storage. So I don't know if you can consider this achieving the same thing, except that it's going through Kulamalu right now.

I might add that there is a little excess capacity. We are agreed to transfer 204,000 gallons of storage rather than the entire 240,000 gallons. So there's about 36,000 gallons of storage remaining for the general public use and benefit.

MR. OKAMURA: Mr. Chairman?

CHAIRMAN HIRANAGA: Yes, Kenneth.

MR. OKAMURA: I was wondering, how do you keep track of who has how much or who uses how much of the storage?

MR. TENGAN: As projects come in and are approved by the staff, they determine the storage requirements for that particular project. And if they're not providing the storage, then they would be assessed, through the water system, development fees for the storage requirements.

MS. RAISBECK: Mr. Chairman?

CHAIRMAN HIRANAGA: Miss Raisbeck.

MS. RAISBECK: I apologize for coming late and possibly missing some of the discussion, but I wondered if -- I really don't understand how, if I come in as an individual to get a water meter Upcountry, we have the list and so on, those people on the list, is storage reserved for them or how does the storage work? I know source is a problem. Is storage a problem for the general public as well?

MR. TENGAN: The people on the list have source requirements, not storage requirements. They're on the list

because they need source.

MS. RAISBECK: Okay. So there is no shortage of source -- of storage capacity for the general public?

MR. TENGAN: Not necessarily. People on the list may have some off-site improvements required, and one of these requirements may include storage also. But they're on the list because of the source.

MS. RAISBECK: Okay. But if we give -- I mean if we allow developers to buy storage, then does that mean that later on if somebody comes in they'll be told they have to provide storage, or how does that work?

MR. TENGAN: I guess it's conceivable that there may be a project requiring storage within the service area. If that's the case, then that project would probably be required to construct another storage tank.

MS. RAISBECK: Thank you.

CHAIRMAN HIRANAGA: Any other discussion? If not, I'll call for the vote. All in favor of the motion so indicate by saying "aye".

(A chorus of ayes).

Opposed?

(No response)

Seeing none, the motion is carried.

The next agenda item is the discussion regarding water rate increase. Mr. Director?

MR. TENGAN: Mr. Chair, when I brought up this, I guess, this in discussion with you, we decided that we needed to begin discussions for a rate increase. So I just put together this brief communication to the Board stating some basic questions that need to be answered as we go through the discussions. If there are specific questions, I have staff here to assist me in addressing those questions.

CHAIRMAN HIRANAGA: Yes, Dorothy?

MS. PYLE: This is a question that concerns this issue, but is also a broader question. I feel very strongly that before we can start a discussion of this type we actually should have a better understanding of what the status of our rules are right now. Because as long as we don't know what our rules are, we don't know what our role is. And so is there much sense in having a discussion when we don't know where it will go, what use it will be, and how it will be handled?

So I think perhaps I would like to ask very

directly what is the status of the rules at this point in time, and when can we have a look at these proposed rules?

Perhaps we should have a subcommittee to work on them.

MR. TENGAN: Mr. Chair, the Council is addressing this issue, however it is somewhat a separate issue from the rates itself. I will have Mr. Kushi go over the requirements with regard to the budget and the rates.

MR. KUSHI: Mr. Chair, again, for the rates and budget, maybe addressing Dorothy's concern, the Council Water Resources Committee has taken up the issue about rules, what's the status of it, who can do it, who can

change it, et cetera. Our office issued an opinion last month sometime setting forth our opinion as to what the status is. For whatever reasons, and they're authorized to do it, they passed a resolution to hire Special Counsel to look at our opinion, get a second opinion, apparently.

In any event, in that resolution they're also hiring Special Counsel to look at this whole issue of rules and to go over it, where the inconsistencies are, to hopefully come up with a formatted, uniform format for rules. When that would happen, I'm not sure.

So long story, it's still up in the air. I'm clear, but maybe nobody else is clear, okay, and I don't want to get into what I told you before.

As respects to your water rates and charges, the charter changes specifically address that. And as far as this Board is concerned, before the department goes on to change or amend rules, rates and fees, it has to come to this Board, per the Charter. Then it goes to the Council and then the Council passes it by ordinance.

In the last budget session, fiscal year '04, the Council already adopted your rates, fees and charges, and

it's in the Council budget ordinance. So any changes -- I mean every fiscal year we are going to look at it again, but any changes to that would have to come through this body.

So I think everybody is clear on that. And I believe that they're trying to initiate their thing, they're thinking about rule changes.

MS. PYLE: I guess I'm really not totally clear on it. It comes to us for discussion, for approval, recommendation? What is actually what happens?

MR. KUSHI: Okay. Under section 8-11.4, this is the current Charter, powers duties and functions of the

Board. It says number two, "Recommend the establishment and adjustment of rates and charges for furnishing of water. Such rates and charges shall be submitted to the Mayor for review and approval. If approved by the Mayor, proposed rates and charges shall be submitted to the Council for enactment by ordinance."

That sets up a scheme of levels of review. They can't just submit it to the Council, it has to come to you. After you review it and make recommendations, you can't submit it to the Council, it's got to go to the Mayor. Final say is the Council, by ordinance.

MS. PYLE: As we are discussing this today, and this is a noticed agenda, I'm assuming this affords the public it's opportunity to have a say about this?

MR. KUSHI: As in any meeting, the public has a say on any agenda item.

MS. RAISBECK: Mr. Chairman?

CHAIRMAN HIRANAGA: Yes, Sally.

MS. RAISBECK: If I could just fine tune a little bit. So we recommend to the Mayor, and he probably has the authority to make any changes he wishes to make. He then

submits it to the Council, who then have the authority to make any changes they wish to make. And this is different from the way it used to be when it was a straight up and down, no changes allowed kind of thing.

So as it is now, we recommend to the Mayor, the Mayor accepts that or changes it, and gives it to the Council, and they accept it or change it. Correct?

MR. KUSHI: Yes. That's the scheme of what the Charter intended. As to what it was before, before the Charter change, your rates and fees were embodied in your rules. So if you needed to change the rates or fees you

needed to do a rule change, and the rule change set out specific procedures. In essence, it almost mirrored this procedure.

Now, this is not to say that the department and the Board goes through this function, and the Council in its deliberations of a budget ordinance, this is not to say that the Council cannot entertain other inputs from other parties to establish rates and fees. But again, it needs to be done by ordinance.

CHAIRMAN HIRANAGA: Ginny?

MS. PARSONS: And it doesn't necessarily have to

be done all in one meeting here. We can take several meetings if we need to discuss this, is that correct?

MR. KUSHI: Yes. I believe the intent of the department was just to start the ball rolling, unless you want to do something today. It's up to you.

CHAIRMAN HIRANAGA: I believe, again, this is just to start the process. First we have to decided whether rate changes are warranted, and if they are, what those changes will be. So by no means do I believe we will be taking action. I believe we will start looking at this.

This is one of the few responsibilities left to us by the

Charter change.

Any further questions? Sally?

MS. RAISBECK: If I may, it's not so much a question as a comment. I would like to -- I need, before I would understand whether or not rate changes are needed, I would need to see more information from the department. In particular, what the revenues are from the current ag rate, what the revenues are from the current general rate in various categories.

And also, if it's possible, to find out how much

income is generated by the different tiers in the water rate. The bottom tier is so much a thousand gallons, and then the rate goes up for the next set, and then the rate goes up again.

I have an impression that even more tiers would be valuable in order to make people who are water hogs pay more for their -- have a higher rate than people who are being very conservative in their water use. But without data you can't -- there's no way of justifying that. So I would say we need perhaps to ask for data in that mode from the department.

CHAIRMAN HIRANAGA: Unfortunately, I don't

believe any of the current board members were involved in the previous rate adjustment process, so we're all kind of -- we are brand new to this process.

Maybe, George, you could first explain what the revenue generated by water rates are used for, just a brief overview for some of the members who may not be clear on that.

MR. TENGAN: All right. If the Board will turn to the next page, we have a summary of financial information going back to 1996. Keep in mind that the rate increase

took place, the first rate increase took place in 1997. So the rate increases would be reflected for first year 1998. So it took effect July 1, 1997 for the fiscal year ending 1998.

I'll have Holly go over this information here. Go

ahead, Holly.

MS. PERDIDO: Okay, looking at your spreadsheet I have here, basically it's based on all the audited financials except for the 2003, which we are finishing up right now. I threw in some numbers that I have in front of me for 2003. They're on page three of the financials that

you got. Those are basically the coverage ratios, and I have the updated amounts there.

The revenues are from our water sales, fire, and also the fire protection. Your expenses are listed on this spreadsheet. As you can see, power and pumping, admin and general, transmission and distribution. So basically we took the revenues and took out the operating expenses to come up with our net revenues.

Further down you have your annual debt service, which is our GO Bonds. The MSG loan, which was for the

radio read meters. And then we also have a Safe Drinking Water mode fund loan also. This is just a really simplified spreadsheet to kind of show you where we're at. After your debt service, then you have what would be available for any additional equipment purchases, and then what we could transfer to the replacement fund.

As you know, the replacement fund, per the report from Brown and Caldwell, they want us to be transferring about \$8 million a year, which we have not been able to do.

I can kind of go over some of the ratios at the bottom. We have the coverage for the annual debt service.

Basically, your debt service coverage is your net revenue before debt service, divided by your debt service. And the minimum level that you should keep is between 1.15 and 1.25, and that's per -- we had a policy, well, a debt policy study done that we base our numbers on for that.

So we right now have a pretty good debt service coverage ratio. If you look, it kind of goes up and down basically because of the revenues, and in 2003 we're about a 1.5 or 1.6, which is pretty good. If we -- we could possibly have about another 1.3 million in debt service, which would be approximately 15 million more in bonds that

we could issue.

We currently are looking at like one project coming up that would be for the Kamole clear well, and that would be funded through the Safe Drinking Water loan fund, and it's hard to say, \$3 to \$5 million. So that would only leave us about \$12 million more that we could issue in debt.

Now, you don't want to issue debt for replacement projects. So it's really tough, because this money is actually for operations, not for the replacement. Well, it is for replacement projects, but you don't want to issue as much debt for that, you don't really want to.

Operating ratios is basically your operating and maintenance expenses divided by revenues, and the median for that is about 63.4 percent, and we are about right now at 68.26 percent. Like I said, it's not on this spreadsheet, but it's in your financials. These are unaudited financials.

And then that -- let me kind of read to you. This kind of tells you your expenses divided by revenues. I think George gave a good scenario about that. Like 60 cents is your expenses for every dollar you earn.

Is that right, George? Pretty much 60 or 70

cents. And they're saying 63 cents it should be. For like the median level, that is.

The net takedown ratio is another ratio that is used by rating agencies, and this is your net revenue excluding depreciation divided by gross revenues. And the median for that is about 40.5, and we're sitting at about 38.3 based on the 2003. I guess that's it. If there's any questions on the spreadsheet --

MR. TENGAN: Holly, should you remind the Board

that the operating expenses doesn't include depreciation?

MS. PERDIDO: Yes. The operating expenses on this spreadsheet does not include the depreciation. And our depreciation runs -- I think this year it was about \$8 million a year.

MS. PYLE: Can I ask a question?

CHAIRMAN HIRANAGA: Yes, Dorothy.

MS. PYLE: Actually, I appreciate all the information that you have given us, and this is pretty clearly stated. But I really think that the question that Sally asked is a very valid one. We have a nice lump sum here of where the revenue comes from that this is, you know,

water rate money and it comes in. But who does it come from? You know, what is the percentage of water meters that are ag water meters, and what percentage of the revenues comes in from ag water?

And I am not picking on ag, but it's a simple one to separate out. What's the percentage of the revenues that come from, as you stated so nicely, the water hogs? And, you know, without that kind of information it's really hard to tell where any water rate increase should go.

Certainly if the amount of revenues that comes in from ag users is more than enough to justify the rate that

they have for the number of users, well then maybe their rates shouldn't go up, but other people's should, and we can't get that from the information that we currently have.

Does that make sense?

CHAIRMAN HIRANAGA: Yes, Ginny?

MS. PARSONS: I concur with that. I think also maybe the first discussion ought to be, since we have not done it before, when we do a rate increase it's across the board. So maybe the discussion after we see the detailed financials should be should we segment it, should rate

increases be segmented. And maybe there's areas that should not be raised, and agriculture may not be one, Upper Kula may not be one. We need to see a break-out.

CHAIRMAN HIRANAGA: Yes, George?

MR. TENGAN: Maybe I should explain to the Board the process that I have envisioned going through. At this point in time I was looking for the Board's concurrence that we should be looking at adjusting the water rates. Once that's been achieved, then I am intending to go out and seek a rate consultant to do a rate study. And the rate study would include a lot of the items that were brought up here.

As we mentioned earlier, this is just a summary to indicate that there may be a need to look at our rates again. And once that's determined then we can, through discussions with the Board, we can develop a scope of the study for the breakdown of that.

I could have included what we did the last time we went through the rate increase. The rate increase basically was done in-house with the citizens committee, but that was a very time-consuming process. And I believe that if we do have professionals looking at it we can have a better job done, and that's why I'm looking at engaging the services of

a rate consultant, and that's to free up staff time also.

CHAIRMAN HIRANAGA: Yes, Ginny?

MS. PARSONS: I think that's a great idea, George, get a rate consultant in. And also when we do, maybe we can set some guidelines up, because I'd like to see what the other counties are charging. I'd like to see -- I know Molokai is more expensive than we are, the Big Island. I think we're probably the least expensive in the state.

So maybe if we have a chart that shows you what the other counties are paying and the services that they offer, it will also help with how much the rate increases

should be. But I think that a consultant would be a very good way to go.

CHAIRMAN HIRANAGA: Yes, Holly?

MS. PERDIDO: I have one number that I can give you in front of me. I don't have everything else. But our total consumption for the fiscal year 2003 was approximately 12.7 billion gallons. Of that, only about 1.2 billion was ag, and the 11.4 was general, and that's the only breakdown I have right now.

MS. PYLE: Thanks.

CHAIRMAN HIRANAGA: Yes, Sally?

MS. RAISBECK: I concur with what Dorothy and Ginny said. And I would like to also ask Holly, when was the Brown and Caldwell study of replacement costs, when was that done, what year?

MS. PERDIDO: November of 2000.

MS. RAISBECK: 2000. So if we followed their recommendations, we would have set aside 8 million in 2001, 8 million in 2002, 8 million in 2003, correct? So that we're behind as far as setting up a fund to cover replacement, is that correct, compared to their

recommendations?

MS. PERDIDO: Jeff might be able to help you a little bit more. I don't have the exact amount right in front of me, but I know it started out smaller and then it went up higher.

MR. PEARSON: She's correct. When the rate study, when that replacement model was done I was working at Brown and Caldwell. I was kind of their grunt, I wasn't the brains behind the study, but there is -- we can provide copies of the study, I think.

But there was a couple of different methods of

providing the funds for replacement, and if you do a similar fund this year, like Holly said, it wasn't exactly 8 million a year. But to answer your question, yes, we're behind on the replacement fund.

MS. RAISBECK: So if we're going to be setting up guidelines for a rate consultant, it seems to me we should be both including an adequate amount for a replacement fund, and we should in some, by some method, make up for the years that, well, for being behind on setting aside money.

And the current, the projected 2003 column here that has \$3 million for transfers to the replacement fund,

obviously if it should be \$8 million, the revenues would have to be higher to accomplish that.

CHAIRMAN HIRANAGA: Yes, Ginny?

MS. PARSONS: Sally, I totally agree that we need the replacement fund, and I'm 100 percent behind you, but with the understanding that we don't have employees to fulfill the funds to do the replacement. We still have positions that need to be filled in order to do the job.

So it doesn't make a lot of sense to put money into the replacement fund if you don't have people to

provide the services. So that's another area that we need to work on, is getting our staffing in place, and then we can build the fund from there.

CHAIRMAN HIRANAGA: Yes, George?

MR. TENGAN: Mr. Chair, Ginny is exactly correct on that. Whenever, you know, I've gone through two rate requests through the County Council, and the one primary concern when everybody, they're looking at our request to increase the water rates, they always look at our cash balance. And because of the way projects are funded, the funds have to be certified as far as availability upon

institution of the contract.

So this is all unspent funds, but when we execute the contract we encumber the funds and set them aside. But they're not looking at that, they're just looking at the total cash balance we have on hand. And this is a great concern of the County Council, and it's something that we need to address in trying to get them to agree that yes, we need a rate increase.

The second concern is our ability to get CIP out.

They look at our cash balances and they ask, "Hey, you know, how much in projects did you do this year?" And over the

years we have been averaging like about \$10 million. If you look at our budget this year, review it, you will see that we have \$22 million in CIP.

So when we went before the Council to get our budget approved, they asked, "Isn't this too much, can you do all that?" And my response was that I am going to make CIP a top priority this year, and I am going to push to have the \$22 million either committed or under construction. And this remains the top priority with me, and I have communicated that to the engineering division. We are trying our best to get it done, and hopefully if we don't

achieve it, we will get very close to it.

CHAIRMAN HIRANAGA: Sally, just to give you some historical background, the reason we came up with this \$4 million allotment was, as George said, although the study calls for \$8 million dollars, they don't have the staffing to spend the \$8 million.

So the previous board philosophy was, okay, instead of encumbering \$8 million we decided to go with \$4 million, but we wanted it so that one couldn't say there isn't sufficient funds to do the work, that the problem is

there's not enough staff to do the work. But then to go the entire \$8 million, to be encumbering so much money, so we just kind of took \$4 million.

But the problem is the lack of staffing, so we looked at that in our budget project to increase the head count. But they still have existing vacancies, and the problem is because the pay scale for those positions is low. So we said, "But can we raise the pay scale?" And then they said, "Well, you have to start dealing with the union."

So it's kind of like you have the money to spend but you don't have anyone to spend it. You can't get anyone

to spend it because no one wants to take those jobs at that pay. But you can't increase the pay, so what do you do?

MS. RAISBECK: Thank you for that explanation, Kent. I can only think of things in terms of, you know, I have an old house, and I do have an old house, and if I left the maintenance on it go, if I don't every year do an adequate amount of maintenance I will get further and further behind. And then there's the separate problem of can I hire somebody to do the maintenance. You know, I need an odd-job man. Can I hire somebody to do it?

So I understand there are different problems, but

I still think that the Council is full of intelligent people, and if it's properly explained to them I don't think they're going to say, "No, since you aren't able to spend this money you shouldn't set it aside for anything."

If it's my personal budget I would want to set money aside for maintenance. Even if I didn't at the moment have somebody to replace my roof, I'd still be setting money aside to replace my roof. So I don't see that the two are necessarily related.

CHAIRMAN HIRANAGA: But the Council did question

George's \$22 million, "Do you have the staff to spend this

money?" He said he's going to try, but he realistically doesn't. So if we went to 8 million, what would his budget be, 30 million, 35 million? They're going to say, "Do you have the staff?" Because they don't want to encumber the funds. So it's a difficult situation.

I did have one question, though. Why did the projected expenditure go from \$4 million to \$3 million, Holly? Why is it \$3 million instead of \$4 million?

MS. PERDIDO: The transfer to replacement fund?

CHAIRMAN HIRANAGA: Right.

MS. PERDIDO: Actually, if you remember last year in the budget we had a member who really wanted \$8 million put in there. And in the budget that the Board approved it was \$8 million to transfer, but \$5 million of that was supposed to be a bond issue. And then the balance was 3 from the cash, available cash. But the Council decided that there would be -- that we were not going to have a bond issue, so that's why the \$5 million was pulled out. So that's why there's only \$3 million this year.

MS. CRIVELLO: Mr. Chair?

HEARINGS OFFICER: Yes, Stacy?

MS. CRIVELLO: Just a comment, maybe to our

Director here. If staffing is a problem and we recognize maintenance is crucial, using Sally's analogy, what's the possibility of contracting? And I don't know whether that's ready for any kind of discussion, but it's just a thought.

MR. TENGAN: With regard to design projects, we engaged the services of design consultants. In the case of construction projects where, you know, we don't have the staffing to inspect the projects on a daily basis, we would engage the services of a construction manager, which would normally be an engineering outfit.

And addressing the staffing issues we have right now, we are working with personnel, the Department of Personnel Services to do some kind of compensation so that we at least retain the engineers that we have now and they won't be, you know, stolen away from us. People don't realize, but we invest a lot of time and energy and resources in getting staff up to speed as far as administration of the rules and everything else that happens in the engineering division. So to lose a staff member would put us way behind as far as having capable engineers is concerned, and that's why we're trying to address the

compensation issue right now.

The previous director had wanted to move into another building, into a new office where more space would be available to accommodate the space that we need to have more engineers on staff. Right now we probably could put in, squeeze in one more engineer. That would be -- I see that we need at least maybe three or four more engineers on board so that we can do the job we need to do, and that's something that we are going to be working on too.

CHAIRMAN HIRANAGA: Yes, Mike?

MR. NOBRIGA: I make a motion that the Board

recommend that the department begin review of rate

structures for, I don't know, fiscal 2005, I guess. 2004

pau already, so 2005, Okay.

MS. PYLE: Second.

CHAIRMAN HIRANAGA: Motion by Mike, seconded by

Dorothy. Question. If and when the rate study is completed

and rate increases are approved, is there any timing

requirement? Does it have to be at the beginning of the

fiscal year or can it occur at any time?

MR. TENGAN: For the County's budgetary process

probably it would be best to have it ready for implementation on July 1 next year. So what we would be doing would be to work with the Council on their timetable as to when, you know, through the budgetary process, and work back from there to see what our timetables would have to be to meet the County's budget requirements.

CHAIRMAN HIRANAGA: Any other discussion? Yes,

Ken.

MR. OKAMURA: Mr. Chair, I had a couple of questions. With regards to water sales, the revenue portion, since 1997 to today there's been like a big

increase in revenues. Would you attribute that to the rate increases or to the higher number of users? Are we selling more water? How much of each would contribute to that?

MR. TENGAN: Our rate growth pattern has been about five percent per year, so I would say that probably in terms of consumption that would be the annual increase. As you can see, in 1997, the revenues were \$17.8 million, and they jumped to \$21.8 million in 1998, and that was the result of the first increase that took place on July 1, 1997.

So that big increase you see there, which is

nearly \$4 million, that was represented both by the increase in consumption and the rate increase itself.

MR. OKAMURA: And in the last service schedule from 1998 to 2002, the increase from 117 to 142, that's in the first 10 thousand gallons. How did you arrive at the figures, did you do a projection or was it just what people would bear? How did you arrive at the figures?

MR. TENGAN: These amounts, as I said, these rates were recommended for adoption through the County Council as a result of getting the citizens group together, which

included various business organizations too. A heavy player at that time was the hotel association. I believe there were some agriculture representatives sitting in the group too. And, you know, it basically represented various segments of the community, and these rates were developed.

And I believe it's the first time that we went into a three-tier schedule. The reason for it was to address maybe overuse of water or high consumption or high users. If you notice, a substantial amount from the basic rate from \$1.42 per thousand for the first 10 thousand gallons, jumping up to \$2.25 for consumption over 25,000

gallons.

MS. RAISBECK: Mr. Chair?

CHAIRMAN HIRANAGA: Yes, Sally.

MS. RAISBECK: Yes, I had a question on that sheet

that we're looking at on the rates. Those are for two

months billings? I mean in other words, from 0 to 10,000

gallons, and 10 to 25, and over 25, that's all on your two

month bill, is that correct?

MR. TENGAN: That's correct.

MS. RAISBECK: So that there would be a

possibility of going to even another tier, say, above the

25,000, from 25,000 to 50,000 gallons. You could have another tier?

MR. TENGAN: You know, the number of tiers would depend on what the Board wants to recommend to the Mayor and the Council. You can be as creative as you want to. I would say that the establishment of rates is not necessarily a science, but more an art. So however creative you want to be, that can be -- but what you have to keep in mind, is it acceptable to the general public and to the community, and all those other considerations. Would the Council go along with it? Those kinds of issues have to be addressed on the

side also.

MS. RAISBECK: Well, if say there were a rate for over 60,000 in two months, that's about a thousand gallons a day, 60,000 in two months. So if you had a higher rate, if you used over a thousand gallons a day, that would be a possibility, correct?

MR. TENGAN: Like I said, it all depends on your imagination.

MS. RAISBECK: Okay, thank you.

CHAIRMAN HIRANAGA: I think that's what the

consultant would provide, is the number of users in stratas
to determine where rate breaks should be.

MS. RAISBECK: But also I would like this Board,
even before you get a rate consultant, if it's all right,
Kent, to look at the rates that are charged on the other
islands. To see what they charge and how they structure
their rates is almost no work so, you know, if we could look
at that.

CHAIRMAN HIRANAGA: I would hope that that would
be in the scope of the consultant's work.

MS. RAISBECK: But do we really have to wait ten

months for that?

CHAIRMAN HIRANAGA: I don't think we will have to wait ten months.

MS. RAISBECK: The other thing is, I do believe the budget, the Council budget considerations take place in March, April and May. And if we could have something to recommend to them before March would probably be the best thing. Thank you.

CHAIRMAN HIRANAGA: Any other discussion? If not, I will call for the vote. All in favor of the motion so indicate by saying "aye".

(A chorus of ayes).

Opposed?

(No response)

Seeing none, the motion passes. We will have a short recess. We will reconvene at 10:10.

(Whereupon a brief recess was had)

CHAIRMAN HIRANAGA: Call the meeting back to order. The next agenda item is the update on Central Maui surface water.

MR. TENGAN: Mr. Chair, I just wanted to report to the Board on what was going on in this area to supplement

the water in Central Maui, as Iao has become an issue of designation. We are presently awaiting a proposal from a private developer to design and construct a plant to produce 2.0 million gallons a day. We are also looking at the alternative of increasing the capacity at the Iao treatment plant.

For the long term, I think now we have identified a site where we want to put or construct a permanent water treatment plant for the Central Maui area, and this area, this site would be situated as a first choice above the

Mokuhau tank, close to the site that goes across Iao Valley.

My understanding is that water is available, however that source has to be worked out with Wailuku Ag.

So basically those are the three things that are happening right now. My understanding is that another developer might be coming in with a proposal to design and construct a treatment plant also, but I haven't gotten anything from him.

CHAIRMAN HIRANAGA: Questions by the Board?

MS. PARSONS: I have one.

CHAIRMAN HIRANAGA: Yes, Ginny.

MS. PARSONS: Mr. Director, what are the possibilities of this treatment plant having to add phosphoric acid?

MR. TENGAN: That would be possible, but we will find that out. I guess we could find that out prior to the construction of the plant by having some kind of test done with the water and the addition of phosphoric acid.

MS. PARSONS: Would it then maybe behoove us to get the update maybe in the next meeting on the Upcountry situation? And then maybe get proactive down here to get some of the faucets and things changed before we -- as we

are doing the treatment plant. Maybe figure out some way,
some promotion, some way to get before the cart and maybe
not have to do the additives.

MR. TENGAN: Yes, we could be looking into that
issue. We will take that under consideration.

MR. OKAMURA: Mr. Chair?

CHAIRMAN HIRANAGA: Yes, Ken?

MR. OKAMURA: I was wondering like, you know, what
is the capacity of the surface water sources? How much
surface water is there in the area, and are there any
underground sources in the same similar area that we can go

after also?

MR. TENGAN: When you talk about underground sources, I assume you are talking about deep wells. As you know, Iao has been designated. However, we are developing a well out in the Wailuku area just primarily to spread the pumping, rather than provide an additional source.

I don't think we can count on additional source in the Iao Aquifer, so we are looking or we're working on North Waihee. We are presently talking to one landowner whereby we can develop a well or have a well developed and turned

over to us for operation and maintenance.

There's also one more possibility that was suggested to me by John Min. He feels that there's 10 million gallons of water in Waihee Valley that would be considered high level water, and not taking water from the aquifer. In other words, the water percolates into the ground, but seeps out and feeds into the existing stream, rather than going down to the basal aquifer.

We took a walk out into the valley several weeks ago, and the only thing that resulted from that was my back (laughter).

Anyway, getting serious, we looked at that, and it looks like it's going to be an expensive venture to develop, because we would have to go back a couple miles into the valley. Assessibility to the area is very limited. The only way that we can get some kind of way in there would be to helicopter a rig in there in segments and have it put together in the valley. So that's kind of low as far as what we are going to be doing next, but it's still an alternative that maybe some day we would have to consider.

MR. OKAMURA: But as far as the surface water, you don't know how much there is or is available?

MR. TENGAN: Well, Wailuku Ag is saying that they have 17.5 million gallons a day that they could make available to us.

MS. RAISBECK: Question.

CHAIRMAN HIRANAGA: Yes, Sally.

MS. RAISBECK: Yes, did you say 17.5?

MR. TENGAN: Yes.

MS. RAISBECK: Out of their 60, right? I believe they have about 60 total.

MR. TENGAN: I don't know exactly.

MS. RAISBECK: I've seen that figure. So the

Wailuku Ag surface water is about 60 million gallons a day,
and I guess this deal that they're offering to the
administration is to let the County buy 17.5 million gallons
a day.

And my question though is separately, which is
that in your memo you say another alternative is to have a
private developer design and construct a plant to produce 2
million gallons a day. Would that be the same kind of deal
that we have had with wells where the private developer gets
first crack at the water, and maybe the County pays for part

of it and gets part of the water?

MR. TENGAN: The proposal as it stands now is that the County and the developer would share on a 50/50 basis for the water developed, but more discussions need to take place before something like this can be finalized.

Because although the plant would be able to produce 2 million gallons per day, we wouldn't use that amount, rely on that amount as far as our capabilities to provide water and commit to new meters. There would have to be some kind of allowance for down time, backwashing, and everything else.

MS. RAISBECK: Is there -- has there been any discussion about the possibility of the County doing that on its own, rather than with private development?

MR. TENGAN: Yes, we could develop it on our own, but we don't have any control over the surface water right now. Until we do acquire some control over it and are able to get some assurance that water, surface water would be available to us, you know, this would be an alternative that we can consider.

MS. RAISBECK: So again, just to get a handle on ballpark figures for costs, what would it cost to develop a

2 million gallon water treatment plant?

MR. TENGAN: I don't have that number with me.

Maybe staff can see if they can get a figure.

MS. RAISBECK: Just a ballpark figure.

MR. TENGAN: I would say roughly \$3 million
minimum.

MS. RAISBECK: David Craddick wrote a letter to
the Maui News in which he said surface resources are not
reliable unless you have storage, and he was talking about
like reservoir, storage. So in conjunction with this plant,
would we be also proposing a water treatment reservoir, and

how big does that have to be and how much does that cost?

MR. TENGAN: That's one of the details that needs to be worked out if we are going to pursue this alternative.

I'd say that the proposed project is being brought forward to us by one of the major landowners or operators of surface water in the West Maui mountains or this side, namely A&B.

They're putting something together for us to consider. The details would need to be worked out on that.

With regard to the assurance of water for the treatment plant, this is a portion that A&B is in total

control of, so no other party would be involved in the supply of untreated water. So they would have to provide an assurance that water will be available.

MS. RAISBECK: Mr. Chair, if I could, yesterday I went to the Water Resources Committee meeting, and they are taking up the question of allocation of water by land use category. And I think the current thought is in terms of future water. They want to have the control over whether it goes for single-family or multi-family or commercial or so and so.

I just wondered about what kind of complications

would be involved if we join in a partnership with private companies where they get say 50 percent of the water for their use, and that's commercial use, how this will relate to the Council's quite evident desire to allocate water by use? And the Mayor has expressed the desire to allocate water for affordable housing.

So I think all of those complications will arise as we proceed with developing source, if we do it in partnership with private entities. Thank you.

CHAIRMAN HIRANAGA: Yes, Dorothy?

MS. PYLE: This is maybe just a request for the

Board and also the department. It seems to me that one, even with our rules not exactly determined yet, our role seems to clearly be one of advice and consultation. And I think that George is trying very hard to give us as much information as he possibly can at this point in time.

Would it be possible for the Board to request that at our next meeting we have an executive session and invite the Mayor to come and explain some of these negotiations to us so that we can offer our collective intelligence as a board in consultation?

I think that we're really very hamstrung here. I

think the department is as well, because none of us seem to have all of the information currently. Could we do that?

MR. TENGAN: I can certainly put that request to the Mayor. I don't know whether it would be agreed to or not.

MS. PYLE: You can't say that he'll be here, but can we please request that?

MR. TENGAN: Certainly.

MS. PYLE: Thank you.

CHAIRMAN HIRANAGA: I guess the question I have,

especially with the recent decision regarding the EMI water leases is will there be challenges by other water users as to who owns this surface water? Because the County doesn't own the water.

MR. TENGAN: Right. I don't know that any of the water is being taken from state land. That I would have to reconfirm. The situation we're making reference to is water being taken from state lands through the water license.

CHAIRMAN HIRANAGA: But the parties who opposed the 30 year lease were people living downstream of these sources of water. So I'm just wondering if you will

encounter a similar type of opposition, even though Wailuku Ag and A&B have been transporting water from West Maui to the central plain for a hundred years doesn't mean that when the County becomes a party to this that other landowners downstream might not oppose it. It would appear to me that we'd want to clarify this before spending money on a capital improvement.

MR. TENGAN: The way I see it is that there's going to be no change in the manner with which Wailuku Ag and A&B takes water or collects water from the valley. So if there were any opposition to that happening, I would

think that that would have taken place already. But if we develop a new diversion, you know, that issue could certainly come about.

CHAIRMAN HIRANAGA: I guess Corporation Counsel can stop me if I'm saying something I shouldn't be, but in our discussions about land acquisition with Wailuku Ag there were concerns about their title and kuleana rights and water rights. And I don't know where that discussion with Wailuku Ag has gone or progressed, but it was a concern that if we are going to be purchasing land from Wailuku Ag in the hopes of getting watershed lands, that the title be cleared and

there be no challenges to our attempt to divert water for public use.

MR. TENGAN: I think that was the intent of the Board when it engaged the services of a private attorney to assist the then Chair in negotiating for the land purchase with Wailuku Ag. But everything has come to a standstill on that now.

CHAIRMAN HIRANAGA: Any other questions?

MS. RAISBECK: Mr. Chair?

CHAIRMAN HIRANAGA: Sally.

MS. RAISBECK: This is, I think, more than a philosophic difference. I think in August of 2000 the Waiohuli Ditch decision said in so many words that no water is privately owned in Hawaii. That all water is the property of the public trust for the benefit of the people of Hawaii. All water, whether it's in a stream, whether it's in these ditches, whether it's under a piece of ground you own, all water is the property of the people of Hawaii, and that includes near-shore waters. The public trust.

The state is the trustee of that trust, and they must manage that trust for the benefit of the people. And

there are priorities set in that decision as to what uses have priority over other uses. So that I think there will be undoubtedly challenges to the fact that Wailuku Ag is acting as if water is a commodity that they can sell to other people. I think there will be many people who will challenge that position. So I would disagree with some part of what the Director said.

MR. TENGAN: Yes, I believe that if an agreement was to be drafted it wouldn't make any kind of reference to sale of water. It would be more in the form of delivery of water, delivery services, rather than the sale of water,

actual water. We can go back to our current agreement with Wailuku Ag and see how that phrasing is and report back to the Board.

CHAIRMAN HIRANAGA: Any other questions? I don't believe a motion is required for this.

The next agenda item is progress to date on the Maui Island Water Use and Development Plan.

MR. TENGAN: Mr. Chair, I'll have Ellen go over this.

MS. KRAFTSOW: In your packet this item goes from page 14 to page 51. The Water Use and Development Plan

requirements are described on pages 15 to 17, but for a quick bottom line of the current requirements if you turn to page 35.

The Water Use and Development Plan is required to be consistent with various other plans, to address existing and future sources and demands, to contain multiple forecast scenarios, to address capital needs for both public and private systems, to allocate water to land uses, to discuss the resource impacts of decisions, to include a credible public involvement process. It should be coordinated

closely with the Commission on State Water Resource

Management, including a presentation of the proposed process

to the Commission, and milestones. It should include

clearly defined objectives and criteria, and there should be

an implementation matrix agreed upon.

Following that, also on page 35, you see the plans

that we're supposed to comply with. The State Water

Resources Protection Plan, which was last updated in 1990;

the State Water Quality Plan, which was last updated in

1990; the State Water Projects Plan, which was updated in

the year 2000; and the Agricultural Plan, which has not --

for which there's no financing right now to update, as far as I know.

We're also required to comply with the Maui County Community and General Plans. I believe the last general plan update was 1990. I wish Brian was here, because I thought there might be another -- anyway, Hana 1994. You see all the dates. Basically the last set of community plans was completed in the year 2002.

On the prior community plan and general plan prior to 2002, we did both the 1990 and the 1992 Water Use and Development Plan, as well as participating in working on the

working reports for Molokai, which was published in 1995,
and Lanai in 1997. Those are described in your handouts.

As far as our proposed process now, you have a
list of deliverables that goes all the way from page 23 to
33, but I have handed you a one-page handout that summarizes
and condenses that. And under that process we would work
with a public committee to define the objectives and
evaluation criteria.

That could be things like we want to provide
maximum protection to the resource, we want to maximize
conservation, or we want to maximize water quality, or we

want to maximize reliability. Whatever the issues of each district are, it would define those. We would provide a resource assessment.

Again, we would do a plan that could be used in multiple forecast scenarios, a broad list of options to meet these scenarios, and form strategies so that we can say at this point we do this and when it hits that point we do that, a series of those, test them against the criteria that the committee has set, include a review of uncertainties and how these strategies perform against these uncertainties,

and then select strategies through a public process. That is the required framework now.

And so this one-page handout I gave you is designed to meet that. It is draft, because we've revised it to move Central Maui to the front. And one of the things we're considering as you see, because there are so many issues that Central Maui and Upcountry are affected by together, one of the things we're considering is holding, combining those two groups and making one big group for Central Maui and Upcountry, so that some of the issues, instead of being resolved at the end of the process can be

resolved throughout the process.

Other than that, is there anything else major?

Let me see. That's really it. I have an updated handout,

but I just thought just to fix a few things it wasn't worth

wasting all the paper. That's all.

MR. TENGAN: Could you briefly go over the

relationship between the Community Plan, the County General

Plan, and the state -- I mean the Water Use and Development

Plan and the State Water Plan, the relationship between all

those plans?

MS. KRAFTSOW: Okay. On page -- I kind of did.

But the State -- the County Plans are required to be consistent. The water plans are required to be consistent with the Community Plans. The Community Plans are required to be consistent with the General Plans. The State Plans, well, the state supersedes us, but I think in certain cases the state also has the plans. Is Brian here?

And the Water Use and Development Plans of the counties have to be consistent with both the County Community Plans, the General Plan, the State Water Resources Protection Plan, the State Water Quality Plan, the State Water Projects Plan, and the State Agriculture Water Plan.

I'm not sure what else was your point. Was that it?

CHAIRMAN HIRANAGA: Yes, Mike?

MR. NOBRIGA: Explain to us what is the County's

General Plan.

MS. KRAFTSOW: Okay. The General Plan, there's

actually been some -- it's kind of like the Overarchy Plan,

20 year plan for the County. And the Community Plans,

there's been some discussion among the planners about

whether the Community Plan should be done first or whether

the General Plan should be done first.

MR. NOBRIGA: 20 years from when though?

MS. KRAFTSOW: 20 years from -- each plan is --

the plans are typically done on a 20 year time horizon,
although Water Use and Development Plan requirements, if you
expect to reach or exceed sustainable yields within that 20
year time horizon, then you have to look a little bit
further. So what the County does is it updates. It has a
general plan, which is kind of like a vision statement of
this is how we want it.

MS. PYLE: 1990 is what he wanted to know, 1990.

MR. NOBRIGA: Did that start in 1990 or 1980?

MS. PYLE: 1990 is the last one that was approved.

MR. NOBRIGA: So when did it start?

MS. PYLE: It started in 1990, because it was approved then and it's for 20 years, and now they're working on updating it.

MR. NOBRIGA: It couldn't have started in 1990 if they approved it.

MS. KRAFTSOW: They approved the General Plan in 1990, and then based on the General Plan they started the Community Plan update. So the Community Plans are based on the General Plan for that go-round.

But within the Planning Department internally there's been some discussion whether you should start from the General Plan and then do the Community Plans, or whether you should actually do the Community Plans and resolve everything. So in any case, they all have to be consistent with each other, and they're not.

MR. NOBRIGA: Okay.

MS. KRAFTSOW: For instance, one of the reasons we're thinking of doing Central Maui and Upcountry together is because if you take the build-out of the Community Plan areas that are on the Central Maui system, which would

include part of Paia-Haiku, Kahului-Wailuku, and
Kihei-Makena, the build-out is easily over 60 million
gallons a day. There's no way that you are going to get
that water without going east, unless you completely took
over -- well, I won't even go into completely taking over
the ditches.

MS. PYLE: You don't want to go there.

MS. KRAFTSOW: But the Paia-Haiku Community Plan
specifically says that water will not be transported out of
the area until all existing and future anticipated needs of

the area are met, i.e. we have a big discrepancy. It's in the Community Plans.

We have to comply with the Community Plans, but the Community Plans don't even comply with each other. And sometimes even within a Community Plan the policies say we want to preserve the agriculture nature and rural nature of the area to the maximum extent, and then the map zones enough land to double or triple, easily double or triple demands. Okay, that is also a discrepancy and it's in almost every plan.

So if you were to look at just a per acre analysis

of the build-out, virtually every map would have a double or triple demand, even the ones that tighten their belt. So per analysis Upcountry and Haiku tends to be a little bit overly conservative. But still it's worth noting that there are inconsistencies that are not. They were looked at probably for flexibility, but they don't give us guidance, they're not resolved enough to give us guidance.

CHAIRMAN HIRANAGA: Yes, Mike.

MR. NOBRIGA: So the current Upcountry Community Plan, does the proposed usage of water for Upcountry actually exceed that of Central?

MS. KRAFTSOW: Exceed that of Central Maui? No, no, I don't think so. I would have to check, but no. I'm almost virtually 100 percent. No, it doesn't. But it exceeds what it is now, it almost doubles, maybe even almost triples.

MR. NOBRIGA: If all the guys on the list got their water meters, we would have more water meters Upcountry than we would have on the central system?

MS. KRAFTSOW: No.

MR. NOBRIGA: Okay.

MS. KRAFTSOW: The central system is easily our

hugest system.

MR. NOBRIGA: Including or not including Hawaiian

Homes?

MS. KRAFTSOW: Oh, well, Hawaiian Homes is an

interesting issue. But I think still the Central Maui

system would be larger.

MR. NOBRIGA: Okay.

CHAIRMAN HIRANAGA: Yes, Ken.

MR. OKAMURA: Mr. Chairman, I was wondering, you

know, this Water Use and Development Plan, you did one in

1990 or the County did one in 1990 and 1992. Would this one be different from those, like it would be just an updated plan, or is it a new format entirely?

MS. KRAFTSOW: Sort of all of the above. The 1990 plan, if you turn to pages -- the process is completely new, although the 1992 draft update did also include an extensive public process, not quite as extensive as we're required to do now. The 1990 plan was essentially done internally, but they did have a few public meetings to present it and go over it.

The 1992 plan was done with an advisory committee

for each island, but not for each district, and they did have a pretty respectable set of meetings. And they did do important things that are required now, that were not as clearly required then. They improved estimates on per unit consumption and per district consumption, and recommended further work on that, which we've undertaken.

So some of the conclusions and recommendations, and those are summarized on pages 35 and 36 of the historical efforts, some of those have been implemented already, so we would need to update and go on to the next step. The process is more extensive and the requirements

are much more extensive.

I should say that I've seen the cost estimates that the counties did, even those who already have 20/20 capital plans to do the IRP process. They estimate, I've seen estimates of a million to a ^ million 5, to even more from the other counties. Our contracts all combined are less than half a million. Our major contract is about a third of a million. So we're doing it sooner and with less money.

But we are going slowly, I have to acknowledge.

And it is an ambitious effort to try to meet all these

requirements. Public process does slow things down, but the hope is that with an extensive public process there will be more buy-in at the back end.

MR. OKAMURA: So what is the total estimated cost, and who pays for it?

MS. KRAFTSOW: The counties are required to pay to update the water plan.

MR. OKAMURA: About how much would it be? Do you estimate how much it will cost to do that?

MS. KRAFTSOW: The contracts, there are some

smaller contracts, but basically I think if you add them all together it's about \$400,000. The contracts are on page 22.

We have four contracts that relate to the water plan.

MR. OKAMURA: So you do it in-house, I guess.

MS. KRAFTSOW: A great deal of the work is done in-house. All of the contracts were written to assume that a lot of the work would be done in-house, but we also have some serious staffing and resource issues that keep us moving very slowly.

CHAIRMAN HIRANAGA: Yes, Dorothy.

MS. PYLE: This is probably a really crazy, dumb

question. You have handed us this, which I have been looking at and trying to figure out. What is the WAC?

MS. KRAFTSOW: Water Advisory Committee.

MS. PYLE: So it is going to be formed in this month?

MS. KRAFTSOW: We have actually -- for Lanai and Lahaina that committee is formed already. We had brought the public process into Lanai nearly to completion, except that one of the elements of the plan is continued process, so it will actually never end. We have written all the elements of that plan. For Lahaina also there was a

committee established. We did it a little bit differently.

MS. PYLE: Who establishes the committee?

MS. KRAFTSOW: With Lahaina it was under the former director and the former Board, and we had submitted a list upstairs to the Mayor and the Council and the Board.

MS. PYLE: Did you ask for volunteers from the community?

MS. KRAFTSOW: What we did with Lahaina was we actually sent it to over 70 people. And we usually have a group of -- we have a core group. Usually attendance is about 28, between 23 and 28 there.

MS. PYLE: I'm just wondering how people become members of this advisory committee.

MS. KRAFTSOW: When we speak publicly we request that anyone who is interested contact us. We make an effort to think of all the interests, the environmental groups, the developers, the business groups, the Hawaiian groups.

MS. PYLE: I understand.

MS. KRAFTSOW: And we contact people that we know simply have to be included, large users and things like that, and then we ask people. And then we also call people

and say, "Okay, we are not balanced. We don't have enough of this kind. Can you recommend somebody?"

MS. PYLE: I understand. According to what you have got here, this particular formation of the Water Advisory Committee for Central and Upcountry is supposed to happen in October of 2003.

MS. KRAFTSOW: We have a draft list of proposed participants, which I regret I didn't bring with me today. I don't know that it would be completely finished by the end of October, because we want to get the Mayor's input and the Council's input. But yes, we want to put together a

committee. There are certain people that are quite obvious if you're doing Central Maui, like the Hotel Association, the Chamber, you know, and the Sierra Club and Maui Tomorrow.

MS. PYLE: One more question. What would be the relationship, if there is one even, of this Water Advisory Commission and the Board of Water Supply?

MS. KRAFTSOW: The Water Advisory Committee is the public advisory group that we use for the plan, and we would hope that the Board Member that represents each district would participate in the Water Advisory Committee for that

district.

And in addition, the entire plan for each chapter, what we're proposing, we have to propose the process. And part of the thing that we're proposing is that each district's chapter be approved individually, and then anything still outstanding be resolved in a section at the end when we bring all the groups together.

So we would bring each chapter to the Board and then to the Commission, and hopefully to the Council. I mean the whole thing has to go to the Council before it goes to the Commission. So we would probably bring each

Commission to the Council and Mayor.

MS. PYLE: It just really helps me, and maybe some of our newer Board Members like me to understand the processes that go on, so that I know what's coming down the road and how these things are interrelated. So I appreciate the information, thanks.

MS. KRAFTSOW: One other thing is the schedule you have there. If you notice, and this is one of the things that made it so impossible to do in Aieahaina, was we wanted them to go kind of concurrently because of the

discrepancies. Just the logistics of those meetings are insane. So we're thinking if we reduce the total number of committees, maybe we will make it a somewhat larger than normal committee, or maybe a committee with subcommittee, I don't know.

But if we can make it so that we're planning one meeting a month and having the rest of the month to actually be doing the work it would help, because just the logistics of putting a meeting together takes up to as much as a week sometimes. That's one of the main changes we're looking at from what you see there.

CHAIRMAN HIRANAGA: Yes, Sally.

MS. RAISBECK: Ellen, what was the reason for doing Lanai as the first one? The department doesn't even have -- I mean it's an entirely private system. Why work on an entirely private system first and West Maui, which is maybe two-thirds private? What was the rationale for doing them first?

MS. KRAFTSOW: Actually, in 1996 and early 1997 we negotiated -- we knew that the state was moving towards an IRP framework. We knew that in 1992 when they did not accept, not just our water as the development plan, but they

did not accept any Water Use and Development Plan of any of the counties. Instead, they wrote a letter saying, "We see that we need to write new guidelines."

So we knew that they were going to be doing the guidelines. And we knew from conversations with them -- we keep in good contact with them -- that they were moving towards an IRP framework, but they had not yet published it.

So in 1996-1997 we negotiated with them a modified IRP framework, which was the auspices under which the contract, the initial contract for like \$75,000 or \$80,000 -- which is nowhere near close enough to do a full-blown IRP

-- was issued.

And that was, they requested that we start with Lanai, because Lanai at that time had just been designated or was -- I forget exactly when it was designated. It was either just designated or was about to be designated. It has the smallest sustainable yield for any island.

It's not enough to just speak about what the County is going to do, we need to talk about how resources will be allocated to the private systems as well. So it's required under the Water Use and Development Plan.

And Lanai is unique in that it only has a 6 million gallons per day sustainable yield, which is less than one-tenth of the smallest island. It's really up against the wall. And it's estimated that as much as half of the recharge from Lanai comes from the forest, and the forest is diminishing.

MS. RAISBECK: But I didn't realize that Lanai has been designated. That's true, I didn't know that.

MS. KRAFTSOW: You're right, no, you're right, Molokai is designated. There was a designation, yes. I'm sorry, I'm a little out of it this morning.

MS. RAISBECK: So I sort of deduced from this that if the Water Use and Development Plan includes private as well as County, and if the Water Use and Development Plan talks about allocations to different uses, this is then used as probably input by the Commission on Water Resource Management, since they're the ones who have the power to allocate to county or to private for specified uses, correct?

MS. KRAFTSOW: I do know that when we have said that we have had long-published intentions to utilize an aquifer they say -- and that we're concerned about the

proliferation of private wells in that aquifer, that they've said, well, the Water Use and Development Plan will help us to honor that concern.

However, in 1990 a fully approved Water Use and Development Plan did also say that we will use -- the aquifer that I'm thinking of is Haiku. So in theory, yes, they're going to use the Water Use and Development Plan as a guideline by which they will allow for well permits.

MS. RAISBECK: Okay. Well, I do see these, because it has been so difficult for me as a new member of the Board to understand these incredibly complicated source

questions, what's connected to what, the local aspects of everything. It's all been enormously complicated to me.

So I question whether getting on board new people in, well, for example, take Central and Upcountry. If you get 15 or 20 new people there, what the time for them to come up to speed on these extremely complex questions will be, so that they can actually have useful input to the process.

MS. KRAFTSOW: I think you have a good point. One of the ways that we would try to address that is to provide

them at the meetings with presentations, "and this is how the system works and here are the costs of running the system" so that they have some issues, the regulatory frameworks, and all that.

Another thing is that part of what they have to do is not really necessarily the engineering analysis on each source option, but more to say this is what we want. We want an availability policy or we don't. We want the highest quality water, even though it will cost more. And then we still couldn't use the committee's word, we would have to go to a broader public forum for that. We want this

set of strategies that will maximize reliability, or we want to balance reliability and cost, or those kinds of things.

Those are not deeply technical preferences, and those are the ways in which we would use committee guidance.

And also ultimately we did want to exercise in the Lahaina group, which was, "Congratulations, or should we say condolences, you have just been appointed King of Water and you have these ten choices. You have this much water, you have this much surface water, and this much groundwater. How would you allocate it?" And then we do some analysis on those kinds of exercises to see what peoples' priorities

are, and that gets reviewed through the resource strategies.

So there's technical support. That's what the consultants

are for.

MS. RAISBECK: Okay. So I'm assuming that it

would be useful for members of the Water Board to

participate in these committees?

MS. KRAFTSOW: Absolutely. Like the Water Board

for each district, to participate in the committee for their

district.

MS. RAISBECK: If you combine Central and

Upcountry there's 1, 2, 3, 4, 5 -- I don't know where you

live, Kent, where do you live?

CHAIRMAN HIRANAGA: I live in Spreckelsville.

MS. RAISBECK: So that's Central.

CHAIRMAN HIRANAGA: Currently. They're trying to
move us.

MS. RAISBECK: So most of the Water Board is from
Central and Upcountry. And if you combine those, we would
certainly, I'm sure, be interested in the meetings of the
committee.

MS. KRAFTSOW: I would think that you would select
one Board Member to represent for Upcountry and one for

Central, and the rest could attend as observers. Remember, you are going to have your own review and milestones of each chapter. The Board as an entity itself is going to be able to discuss these things too, so it's not like you would be excluding the Board.

We don't want to turn the entire advisory committee into a board. We do have one Central and one Upcountry. You can even take turns. It doesn't prevent you from attending, it just prevents you from --

MS. PARSONS: It should be selected one from each district.

MS. KRAFTSOW: I mean the Board is still going to have a chance to review all of this.

CHAIRMAN HIRANAGA: Any further questions for Ellen? Thank you.

The last agenda item, I believe, is a request for agenda items to be placed on future agendas. Yes, Ginny.

MS. PARSONS: I'd request again for an Upcountry phosphoric acid and C9 report update on what's going on with the community Upcountry, please, on the agenda, please, please, please.

CHAIRMAN HIRANAGA: Any other requests? Seeing

none --

MS. PARSONS: One more thing. I didn't notice this in the notes until I reviewed them again. In the meeting minutes on page 49, line 11, it's Rippun, in case anybody wants to look it up. I believe it's R-I-P-P-U-N.

Is that right? Thank you.

MS. RAISBECK: Mr. Chairman, I had a number of changes to the minutes, but I came in too late. But I won't go over them. I do have comments to hand out to the members of the changes, and one of the more funny aspects was that a

number of times what I said was listed as being said by Ginny, Ginny Parsons. So I will pass out this list of corrections.

CHAIRMAN HIRANAGA: Moving on to division reports.

MS. RAISBECK: I wondered if in the engineering building reports, the subdivision status reports, if we could know how much water was associated with those, so that we have sort of an ongoing record of how much water is associated with the permits that are being given.

CHAIRMAN HIRANAGA: Is that something the department can provide?

MR. TENGAN: Would this be just for subdivisions or all permit approvals? I think I understand what you are asking for. I will talk with staff and see what we can come up with by next week.

CHAIRMAN HIRANAGA: On these clarifications, just because the department approves a subdivision doesn't mean the subdivision is actually going to be approved, because Public Works is the final agency. So are you concerned about --

MS. RAISBECK: I just need more clarity, really, about at what point we estimate how much. Well, say

somebody comes in with a subdivision for 35 houses. At what point do we estimate the water for that? And even if we give them a letter saying, you know, water will not be, you know, water may not be available, do we keep a record somewhere of that estimate of water? And if so, does it get added up anywhere and given to us in reports anywhere?

MS. KRAFTSOW: I can address that, if I can.

CHAIRMAN HIRANAGA: Sure.

MS. KRAFTSOW: We traditionally only kept that data at the actual meter issuance stage. However, since or

around the time of designation, we started trying to analyze, put together a list of all subdivisions pending and the water represented, which has been presented to the Board in a rough estimate. And right now what we are trying to do, to add to the tracking is -- I'm sorry, it was not traditionally, it was actually only kept at actual use, so meters were issued.

Now with every meter issued, since designation we are trying to track that. Subdivisions, we did that one update. We wouldn't be doing an update monthly for that, just because we don't have the staff right now to do that

and give it to you regularly, and we don't get the data reliably enough. And frankly, the data in the files is not really adequate to do a meaningful estimate.

So we would need to restructure what comes to the water department, how it's rooted within the water department. And I am not saying that it wouldn't be a good thing to do, but I'm saying that right now with the existing staffing and existing other demands, the best we can do is keep a closer watch on meter issuance, and that is something that we are trying to track.

The last update was as of the end of August, the

first week in September, between 200,000 and 250,000 gallons worth of meters had been issued to those people who do not hold reservations. As you remember, we said that we would issue up to 800,000 gallons. So that's between a quarter and a third of that has been issued.

CHAIRMAN HIRANAGA: I have a question. These division reports, is it possible, or maybe it's provided elsewhere, but like to have a capital improvement progress report, how the CIP's are running in comparison to budget?

MR. TENGAN: I'll work with staff on that. I had intended to work to do a quarterly report ending September

30th. I'll see what I can do to get it ready by the next Board meeting.

CHAIRMAN HIRANAGA: Percent of completion, projected completion date. I am also interested in it because, as I mentioned earlier, getting the CIP is a priority with me, so I'm interested in that also.

Any other comments regarding the division reports?

MS. RAISBECK: Yes, Mr. Chairman. I just noted a discrepancy. In some tables the three wells, the joint venture wells are called Waihee I, II, III, and in other

reports they're labeled Waiehu I, II, III. And it would be helpful if we could standardize the nomenclature so that they're referred to by the same name every time they're referred to. Whether it's Waihee or Waiehu, I'd like to see some standard nomenclature.

And I will also note for the record that as of, oh, we have the source record through August, and in August we were using 19.09 from the Central Maui aquifer, and 5.40 from the Waihee aquifer. Thank you.

CHAIRMAN HIRANAGA: Any further comments? If

not, this meeting is adjourned.

(The proceedings were concluded at 11:15 a.m.)

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