

County of Maui Water
Supply

BOARD OF WATER SUPPLY

COUNTY OF MAUI

BUDGET WORKSHOP

THURSDAY, February 19, 2004

Kahului Shopping Center

Kaahumanu Avenue

Kahului, Maui, Hawaii

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

APPEARANCES

Chairperson:

KENT HIRANAGA

Board Members:

CLARK S. HASHIMOTO

MICHAEL NOBRIGA

KENNETH M. OKAMURA

GINNY PARSONS

DOROTHY R. PYLE

SALLY RAISBECK

Corp Counsel:

EDWARD KUSHI

Director:

GEORGE TENGAN

Deputy Director:

JEFFREY T. PEARSON

Board Secretary:

CATHY HOWARD

Staff:

ELLEN KRAFTSOW

HOLLY PERDIDO

PAUL SEITZ

ROBERT VIDA

WENDY TAOMOTO

ALVA NAKAMURA

LARRY WINTER

(Thursday, February 19, 2004, 9:00 a.m.)

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CHAIRMAN HIRANAGA: I would like to call the meeting to order. In attendance, Dorothy Pyle, Mike Nobriga, Clark Hashimoto, Sally Raisbeck, and Kenneth Okamura.

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

Okay. The agenda item is review, discussion, possible recommendation regarding Fiscal Year 2004-2005 Operating and CIP Budget. And turning it over to the Director.

MR. TENGAN: Thank you, Mr. Chair. Today we have

presentations on the Operating and CIP budgets. Although we have turned in our budgets to the Mayor's Office already, the Mayor has until March 15th to turn in the budget to the Council.

But we are working with a little different timetable, in that the budget has to go to the printers, I believe, by the -- sometime next week early.

What I foresee could happen, although the Board hasn't had any input on what was sent up to the Mayor's Office, if the Board comes up with recommendations, those recommendations could possibly be forwarded to the County

Council for their consideration.

So, I don't think this is an exercise that we are just going through that nothing can result out of it. So, if the Board could provide input, we can forward that to -- those concerns to the Mayor and to the County Council also. I will turn it over to -- I believe Holly is on first.

MS. PERDIDO: Good morning, Chairperson Hiranaga and Board Members. As you know, my name is Holly Perdido. I am the fiscal officer for the Department, and I will be presenting a brief overview of our proposed Fiscal Year 2005 Operating Budget.

Following my presentation, Wendy will give a brief presentation on the CIP portion of the budget. Before we begin our presentation, I just want to point out our Board's mission statement is to provide clean water efficiently. Our Department strives to meet this mission.

I'd like to start with a general overview of the Department. This slide depicts the growth of meter sales from 27,918 customers in 1996 to 31,680 customers in 2003. As of January 31st, 2004, we have about 32,026 customers.

The Department has an approximate growth rate of

about two percent or around 600 customers per year. The

figures in this slide are from our audited financials. We

give a copy to the Board every year. I think now it's coming

out in your annual report instead of giving you a separate

copy.

Operating revenues and expenses are depicted in

this graph. Operating revenues in 2003 were 28.6 million and

expenses were 28.8 million. Revenues increased 1.2 million

this year and consumption increased about 382 million gallons.

Expenses have increased over fiscal year '03 also.

The increase is attributable to an increase of depreciation

expense of about 700,000 due to the automated fixed asset system where we are depreciating assets on an individual basis rather than our group depreciation that was done for many years.

Purification is up by about 500,000, which is mainly due to chemicals. Power and pumping up by about 400,000 due to power -- increase in power costs. Transmission and distribution is up by about 300,000 due to the hiring of engineers and transponder meter replacement costs. Customers' accounting and collecting is up by 100,000 mainly due to the increase in billing charges.

Just a brief overview of how we do our financials.

I know I have done this for you a couple of times, but I am not sure if all the Board Members heard this.

The Water Department is actually being accounted for in two separate ways. Budgeting that follows accounting budget goals is done on a divisional level. For instance, we have the Director's fiscal, engineering, planning, plant operations, field operations, and water treatment.

Our financial statements follow the utility accounting, which is NARUC, or the National Association of Regulatory Utility Commissioners, and breaks down expenses by

activities, such as I mentioned before, transmission and distribution, source of supply, purification, admin in general, and customers' accounting.

We are still able to accomplish both sets of accounting in the County's accounting system, and as I understand, we are still the only County in Hawaii to have theirs automated. The Department prepares a monthly financial statement still with quarterly financial reports given to the Board. The Mayor and Council have also requested quarterly financials.

We are still doing an annual audit. We are not sure if it's going to continue after next year, but as far as we know, we will be. And it's requested by the Council that the Department does fund the audit.

Okay. Let's look at some of the books first.

This is to give you an idea, as of June 30th, 2003, total cash and investment balances, excluding encumbrances -- now, this is not any of our payables or our contracts included in this figure, strictly the cash balance -- is about 35.4 million.

In unrestricted cash, we have approximately

60 percent or 21.5 million, which is comprised of 13.5 million

for the capital improvements fund, which is an unrestricted fund used for repair and replacement of lines, tanks, et cetera. We have debt service fund of 2.4 million, which is also an unrestricted fund transferred from our revenue fund for current debt obligations.

We have an insurance reserve fund that is set aside to handle any upcoming debt. That's our deductible. We have our revenue or operating fund, which is 5.1 million, and that's to handle our expenses.

The restricted cash amounts to approximately 13.9 million or 40 percent, which includes source, storage,

which were the fees that were charged prior to the water system development fee.

We have the water system development fee, customer deposits, and some other miscellaneous small accounts. And the water system development fund accounts for approximately 10.5 million of the restricted cash and can only be used for transmission, services, storage. This is generated from the water system development fee, which is charged when a new meter is installed.

The total unencumbered cash balance, as of January 31, '04, is 39.3 million. They are as follows:

Revenue fund, 7.3 million; capital replacement, 12.4; water system development, 13.9. 1998 GO bond fund, we still have a balance of 1.2. I am hoping to get that spent this year.

Reimbursable bond fund of 1.9; source development fund of 900,000; storage assessment fund at 800,000; insurance reserve fund of 500,000; and there's that miscellaneous other restricted funds.

Just to go briefly into the long term debt, we currently have 44 million in long term debt. Now, this is as of June 30th, 2003, the last audited financial. There's bonds

payable are approximately 35.3 million and notes payable total up to 8.7 million. Notes payable is comprised of the Safe Drinking Water loan fund through the Department of Health. That note is 6.8 million and a note for the MSG.

For those of you not familiar, that's a Municipal Services Group that we got a loan for the meter replacement program, and that's now at 1.9 million.

A debt service ratio is a ratio of net revenues to debt service requirements. Our current debt service ratio is 1.6. The ratio that was established by the Hawaiian Capital Securities, in our study in February of 1997, set the minimum

threshold at 1.15 to 1.25. And the Enterprise Performance

Median by Moody's Investors Services gives a median for other

municipal water utilities at about 1.9.

So, we are above our minimum threshold but kind of

below the median for other utilities. Currently, right now,

there's questions on whether the Water Department must be

considered with the County for their debt -- overall debt

issuance, and that's one of the things that the Mayor right

now is trying to go through. And as Wendy will tell you in

her presentation, they have decided to not allow us to fund

our whole CIP.

I will provide a brief overview of the fiscal year '05 budget. Projected revenues are 31.8. Projected expenses 32.6. And the CIP right now -- well, we have turned in 20 million, but, as Wendy will tell you later, we had to cut that.

Our estimated operating revenues for fiscal year 2004 will be -- this fiscal year will be estimated at 31.9. For Fiscal Year 2005, we are projecting a little bit less, 31.8.

Water revenues are broken down as follows. Water:

Water for our operations comes mainly from water delivery, and

there's smaller amounts that come from the monthly charges as fire protection services installation and jobbing, interest income, and other miscellaneous charges. That money is spent on operations, maintenance, equipment, debt service, and system replacement, and, when funds allow, have been transferring the last couple years \$2 million for system replacement. And this shows up in the CIP budget.

But as you recall, our study -- the system replacements needs analysis study suggested we transfer 8 million a year, which we do not have available to transfer.

The budget is broken down into the operating and capital portions. Operating is 32.6 or 62 percent. Capital is 20 or about 38 percent.

This is a comparison of revenues and expenses on a cash basis which we have to budget for on the County side.

Revenues are projected to be at a slight increase of 400,000 or one percent. The weather also plays a major factor in revenue projects. We have also been trying to promote conservation and providing fixtures to the consumers on the island.

Working with the budget office, they suggested

we -- what is the word -- don't try to project high. Try to be conservative in our revenue projections. The expenses are projected to increase by about 6 percent. The major reason for the increases are payroll, equipment, repair and maintenance, professional service, electricity.

Okay. Let's look at our revenues. This slide, as you probably all are aware, is what our current water rates are, and it's in effect since July 1, 2002. There's no water rate increase scheduled this year, as we know, and with these revenue -- with these rates, we expect to generate 97 percent of our revenues. So, this is a large portion of our revenues,

and we are currently working with R.W. Beck on a rate study.

Interest income is projected to be about 500,000.

Interest income is directly affected by the spend down on our cash balances on the CIP.

Now, those were the revenues. Now we have got to look at some of the operating expenditures. The total budget projects 32.6 million for operating expenditures. Operations are 14 point -- salaries and wages are 8.5 million, which is the largest portion of our budget. Operations are 14.3 million. Equipment is 600,000. Debt service is 6.3 million. Insurance is 200,000, and overhead charges are

approximately 200,000. Employee benefits are about 2.5 million.

After labor, debt service and electricity are our largest expenses. So, I kind of broke down the major expenses. Payroll is 8.5, electricity 6.5, and debt service 6.3. And these three categories total about 65 percent of our Operating Budget.

Electricity expenses has been between 4 million in '98 and up to 6.5 million as our estimate for fiscal year '04 and '05. The Department is looking for ways to reduce and

save on electricity, and we have new power sources on arrival with Maui Electric, which has us curtailing power during the peak demands.

Watershed protection and monitoring has been a big goal of the Department and I know the Board. We have budgeted 560,000 for Fiscal Year 2005, and this includes miconia removal, watershed partnerships for West Maui Mountains, East Maui and East Molokai, North Waihee/Iao Aquifer monitoring, stream monitoring, and wellhead protection.

This slide depicts the expenses that we have spent on watershed/resource protection. And you can see 1998, we

spent 148,300. And it's continued to increase to our current commitment, which we projection for 560,000 for '05.

Now, the amounts shown are what's actually spent and not encumbered. In the past five years, we have transferred from up to 1 million to 4 million for our aging infrastructure, and we plan to transfer, to the CIP fund, 2 million from our revenue fund, and propose a 150 million Safe Drinking Water Loan Fund to fund the other half of the CIP.

The infrastructure replacement needs are substantial, as we all know, and even with the past rate increase, we are not able to generate sufficient revenues to

cover our depreciation expenses, which are in the order of
9.4 million for fiscal year 2003.

We will continue to face the challenge of funding
for our replacement of our aging infrastructure. I know in --
I think it was fiscal year 2003, the Board did propose to
budget \$8 million to transfer, upping that 5 million they
wanted as a bond. And that was not -- the Council, I think,
it was, told us that we could not float any more bonds at that
time.

So, the 3 million is all we did transfer, and then
last year was -- or this fiscal year we are transferring the

two.

So, in summary, this is an overview of our finances, our County system, kind of our debt, revenues, expenses, and CIP.

And as George said, the next step will be for the Mayor to present the Mayor's draft to the Council on March 15th, 2004. And then after that, the Department will need to meet with the Budget and Finance Committee regarding our budget. And our budget reflects our mission statement, to provide clean water efficiently. Thank you. Any questions?

CHAIRMAN HIRANAGA: Questions from Board Members?

MS. RAISBECK: Yeah, I have a question.

CHAIRMAN HIRANAGA: Sally.

MS. RAISBECK: What expenditure -- is there any expenditure for upgrading of fire flow in older neighborhoods where they are not subdivided?

MS. PERDIDO: On the upgrading, that will probably be under the CIP portion of our budget.

MS. RAISBECK: Okay.

MS. PERDIDO: So, Wendy will answer that when she does the CIP side.

MS. RAISBECK: Thanks.

CHAIRMAN HIRANAGA: Yes, Ken.

MR. OKAMURA: I wanted to ask why the Council said

no to --

CHAIRMAN HIRANAGA: Use the mike, please.

MR. OKAMURA: I just was wondering why the Council

said no to your -- the bond, the 5 -- to float \$5 million

worth of bonds, and why they said no.

MR. TENGAN: This is in answer or response to the

question. The Council, for the current fiscal year, didn't

want to float any bonds for water projects. And that's why we

had to knock off the \$5 million of -- it wasn't five. Was it \$5 million last year?

MS. PERDIDO: Yeah, the 5 million I was talking about was the prior year.

MR. TENGAN: I forget the exact amount, but the Council didn't want to float any bonds for water projects for the current year's budget, and that's why we had to knock off that amount.

MR. OKAMURA: I see. So, it's an annual request to the Council that you have?

MR. TENGAN: It's part of the budget process.

MR. OKAMURA: The other thing was that a lot of these charts here are sort of color-coded, so it's sort of hard to tell what is what, the marks you have. So, we would appreciate getting some other information that's a little more clear. Otherwise, I am trying to find out what is what all the time. Thank you for putting on the presentation.

MS. RAISBECK: I wanted to compliment you on how beautiful the slides look, but when they were reproduced, they have a black background with white print. And they are -- for us, you know, you have some colored copies there. But for us,

the reproducing with the black background and white print is much less legible than if it had a very light background with black print, I think.

So, for purposes of our following through, I think that I don't ask for color copies, which, as we know, are expensive, but the legends would be a lot more readable if you switched the colors around.

Yeah, it's hard to read. I did have a question, and I don't know if it's appropriate to here or appropriate to the Capital Improvement Program. But I know that for several years, there's been a problem with -- we don't have,

basically, the manpower to keep up with the projects for replacement, pipeline replacement. And even if we had the money, we don't have the manpower for the projects.

Is there any plan as to how we can accomplish \$9 million worth of replacement every year? Even if we had the money, how would we get the people to do this?

MR. TENGAN: Yes, for the coming year's budget, we have added on three more engineers for the Engineer Division. This would give us the manpower that we need to accomplish the tasks that we are required to accomplish.

The other problem we have right now is filling the

engineering positions. We currently have three positions vacant, and we are out interviewing for those positions, but we can fill only one at the present time due to lack of interest for the Department or lack of applicants out in the marketplace.

MS. RAISBECK: Thank you, George.

CHAIRMAN HIRANAGA: The previous budget reviews, there was a report on headcount, the number of positions, number of vacancies, how long they have been vacant, and I don't see that this year.

MR. TENGAN: Mr. Chair, if you look at page seven,

on the right-hand column where it says total, you note some numbers in parentheses. Like for the director's program, there's 7F and 1X. I would think that that's seven filled and one vacant.

MS. PERDIDO: No, seven full-time.

MR. TENGAN: No, seven full-time and one summer intern.

CHAIRMAN HIRANAGA: And I guess this is a longstanding problem about headcounts. I mean, you have budgeted heads, but we don't know how many are filled. And I

know with the current state of construction, one of the problems with recruiting is the pay scale.

I don't see that ever really changing until the economy goes down and civil engineers are looking for, you know, for jobs. So, is there any -- is there any effort being made to increase the pay scales of these engineers, so you can actually recruit people? I mean, to keep the pay scales at the level they are and nobody wants to apply for those jobs.

MR. TENGAN: Administratively, all we can do is work with the Department of Personnel Services. In the past, what we have had to do is to change the chairs. When we had a

vacancy, we would announce the vacancy based on the pay scale range rather than a set salary.

And the way it works was we would move one engineer to the position, same level, same level, say, C, for -- let's say, at the present time, that the engineer was getting paid \$3,000 a month, but we announce the vacancy for the pay range. And let's say the pay range is, you know, 2,800 to 4,500. And, so, when we move the engineer into the vacant position, we would hire or pay, compensate that engineer at a higher level than what he or she was making at the time.

And, so, then this created a vacancy here, and we had to play the same game again. Announce a pay range and play musical chairs. And that's something that I don't like to do.

And anyway, we have been working with the Department of Personnel Services and trying to get them to either increase the pay range or pay scales or reclassify the positions and reclassify them to the higher level. There is not much we can do within the system.

CHAIRMAN HIRANAGA: The other related question is if you hire all the people, where are you going to put them?

You know, previously, the Board was looking at acquiring a site for office space, and I don't know whatever happened to that effort, but it looks pretty full up there on the fifth floor.

MR. TENGAN: It is, but if we do find the personnel, you know, I would say that that's a big problem, and we would go out and look for the space. Currently, the Engineering Division is doing some renovations within the office to try to accommodate more employees. So, I believe we are estimating accommodations for one or two engineers.

CHAIRMAN HIRANAGA: In your current space?

MR. TENGAN: Yes, in the current space.

(Ms. Parsons entered the meeting room.)

CHAIRMAN HIRANAGA: Any further questions? Yes,

Ken.

MR. OKAMURA: So, right now, would this be the end of the budget segment, or are you going to go into detail on the -- on the specific parts of the budget, or that's it for the presentation? That's it?

CHAIRMAN HIRANAGA: If you are talking operating.

Now they are going into capital improvements.

MR. OKAMURA: I was wondering, like, do you have a process like a budgeting process that's tied into a planning process? How do you figure out what you want to do and use your money for?

CHAIRMAN HIRANAGA: Ken, why don't you reserve that question for after the CIP presentation. That's a good question, but it's a question we ask every year.

MR. OKAMURA: Okay.

CHAIRMAN HIRANAGA: Why don't you wait until after the CIP presentation.

MR. OKAMURA: Okay. Thank you.

MS. RAISBECK: Is this on now? Yeah, so, I would say that -- that I sort of agree with the Council that, in budgeting, you don't like to bond sort of ongoing maintenance expenses. I mean, it's like in your household, if you were to borrow for your ongoing daily grocery shopping and so on.

But this question of keeping up with the depreciation, keeping up with replacement is a very serious one that doesn't seem to have been solved. And what I am hearing, I guess, is that the Council doesn't want to do a one-time bonding to sort of give us more money to work with, plus we don't have the engineers to fill the spaces that --

the openings that we have, because the pay scale is probably too low, and we are short of space, as Kent said.

So, there's quite a few issues there that would need to be addressed in order for us to successfully even keep up with what we are hoping would be normal maintenance of the system, the existing system, not even to mention expansion.

So, is that a fair summary, George, of the difficulty involved?

MR. TENGAN: That would be a small portion of it.

MS. RAISBECK: Love to hear any more.

MS. PYLE: I did have a question.

CHAIRMAN HIRANAGA: Yes.

MS. PYLE: This may be a totally naive and silly question, but still, is there some simple explanation, aside from the decline in interest, as to why we are predicting that there will be less revenues in the coming year than there currently are? Since there are more water meters, more customers, et cetera, you would think that there would be more money being taken in. So, why is the amount of revenue declining?

MR. TENGAN: With respect to the interest income,

as we spend down our cash for CIP, we have less money
invested.

MS. PYLE: Right. I can see that, but it does
seem that as we give out more water meters and that there are
more customers, that there should be more revenues coming in
from that side to kind of, a little bit at least, balance the
decline in the interest.

MR. TENGAN: Let me give that to Holly.

MS. PERDIDO: You know, there's other factors
involved from year to year. As you know, this year has been
rainy. When there is a rainier year, the revenues decrease.

Not as much water is being used, especially Upcountry, to water, and Kihei, everywhere. So, it's really hard to project exactly.

MS. PYLE: Yeah, I assumed that.

MS. PERDIDO: But I know the fiscal year 2004, we budgeted more optimistic. And if you look at the second page, I think where I did like a revenue analysis, '03, we were quite a bit less than what we projected for '04. So, I think this year we will be coming out below budget.

And when I spoke to the Budget Office, they said be more conservative. Don't overbudget more. And it's just

really hard to say, like this, with the weather and other factors that are involved. It's not a simple, straight, we can project this amount of customers, this amount of additional water.

MS. PYLE: Okay. Thanks.

MS. PERDIDO: Okay.

MS. RAISBECK: One more question.

CHAIRMAN HIRANAGA: Yes, Sally.

MS. RAISBECK: Yeah, I know there is a built-in difficulty with water conservation, in that if you really,

really got people to conserve water, our revenues go down, whereas the costs don't really go down. You still have to have the same number of people, even if people are using less water.

And I wonder, has there ever been someone really thinking through how either the rates or the way they charge for water need to be -- do we need to do something differently, so that we don't have that built-in problem of, if people conserve, then our revenues can't -- you know, can't accommodate? Is there any thought being given to that?

MR. TENGAN: That would be something that the

consultants can take a look at when we have the water rate study done. So, if Holly would make a note of that, we will bring that up with them.

MR. OKAMURA: One quick question. Where would the water development fees be in the revenues? Would that be in the meter sales to the general customers?

MS. PERDIDO: That would be under the CIP restricted funds.

MR. TENGAN: Yeah, what we are looking at is the Operating Budget. And, basically, the water revenues, the water system development fee is a different fund, and that's

more related to the CIP rather than the Operating Budget.

So, I am sure, when we go over the CIP portion, we will see how the water system development fee enters into the budget.

CHAIRMAN HIRANAGA: If there's no further questions, we can move on to the CIP budget.

MS. TAOMOTO: Good morning, Chairman Hiranaga and Board Members. My name is Wendy Taomoto. Sorry. I was recently appointed to be in charge of the CIP Section in the Engineering Division. Thank you for this opportunity to give you a presentation on the proposed Capital Improvement

Projects Budget for Fiscal Year 2005.

As Holly indicated earlier, the proposed CIP budget is based on available funding of approximately \$20 million. This is comprised of the Capital Reserve Fund of \$4 million, the Water System Development Fund of \$5 million, the Source Fund of approximately \$500,000, the Storage Fund of approximately \$300,000, and a State Revolving Loan Fund of \$10 million.

This state revolving loan fund of \$10 million is proposed from the drinking water revolving program, which is

funded by the EPA. The EPA awards grants to states to establish revolving loan funds to assist public water systems with infrastructure improvements, and it is administered by the Department of Health in this state.

As Holly talked about earlier, too, the Budget Office cut \$5 million for the Ulupalakua water system improvements out of that \$10 million loan fund that we originally submitted. The other \$5 million is for the Kamole clear well replacement project which they are proposing.

MS. RAISBECK: Can you repeat that? It reverberates. I can't quite hear.

MS. TAOMOTO: I will start over. As Holly

indicated, the Budget Office did a budget cut of \$5 million out of our state revolving loan fund that we submitted. That 5 million-dollar budget cut was for the Ulupalakua water systems improvement project. But they did -- they are going to recommend approval of the 5 million-dollar loan for the Kamole clear well replacement project.

With this budget cut, this brings our total CIP available funding to \$15.9 million. In select projects, we consider the prioritization criteria. We consider substandard size, material, or age, condition or performance, safety,

reliability or security, fire protection, compliance issues, resource protection or monitoring, regular maintenance, optimization or efficiency, demand, and planning consistency.

Most projects meet more than one criteria, while projects required to comply with regulatory compliance issues may meet only the compliance criteria. I distributed with your packets -- there were two handouts that show the prioritization criteria each project met. One handout was by district and the other handout was by program. And I will go over that shortly. I also -- the handout had page numbers on the left side, so that you could find the location maps

easier.

The proposed CIP budget totals approximately \$20.06 million before the budget cut. With the budget cut for Ulupalakua water system, this brings our proposed CIP budget down to \$15.06 million. This is broken down by districts county-wide, which is system-wide, \$1.6 million, Hana District; \$700,000, Molokai, \$900,000, Paia-Haiku, \$1.05 million, Wailuku-Kahului, \$4.22 million, West Maui, \$1,575,000. And with the budget cut, Makawao, Pukalani and Kula \$5 million.

There are no new projects in the Kihei-Makena

District for fiscal year '05. One of the reasons is that this district is served by the Central Maui Water System, and those projects are within the Wailuku-Kahului District. Another reason is that Kihei-Makena is fairly new compared to the other districts and has not experienced critical problems such as pipeline breaks and substandard line sizes.

Just for your information, there is one project that I am currently negotiating with a design consultant for a waterline along Kihei Road from Mokolele Highway to Ohukai Road for this fiscal year '04. It would come under the '04

budget. And if everything goes well, we will probably recommend approval. I mean, recommend that that construction of that project be included in the fiscal year '06 budget.

This is just a pie chart to show you graphically how the CIP proposed budget is distributed by districts. And as you can see, Makawao-Pukalani-Kula makes up a large portion of our CIP budget, and that is primarily due to the 5 million-dollar loan for Kamole clear well replacement. And we also have some significant projects in the Wailuku-Kahului area to take care of our problems with the Iao Aquifer.

A few years ago, maybe more than a few, but the

Board of Water Supply adopted 10 programs to help guide the Department in developing its CIP program. So, when we develop our program, our budget, we assign each project to one of these 10 programs. And I will just read over the programs, and I will go into it in more detail after this.

Source, SDWA compliance, Iao Aquifer, drought, storage, pipeline replacement, pump replacement, reliability, facilities, efficiency. And in your handout, again, there was a -- the projects are broken down by program, and that's the handout we will refer to after.

Source, this is to insure adequate source for

Maui's growing needs. Out of our budget, we have \$1.415 million for source. Here is a picture of Pookela Well which was drilled this past year, and this is during the exploratory well drilling phase. The development of this well is funded in the current fiscal year '04 budget. And this well will provide additional groundwater source for the Upcountry area.

SDWA compliance, this is to insure compliance with

EPA Safe Drinking Water Regulations. We have budgeted projects totaling \$5.27 million.

Here is a picture of the Nahiku -- existing Nahiku

tank site where we are proposing, in the fiscal year '05

budget, a deep well, groundwater well, which will be drilled

somewhere in this tank site.

Iao Aquifer, to reduce the draw from Iao Aquifer,

we have projects budgeted totaling \$1.75 million. Here is an

old picture of the Kupaa well during its drilling phase,

exploratory drilling phase. As you all know, Iao -- we

developed wells in the Waihee Aquifer to help alleviate the

pumping in the Iao Aquifer, and this provides groundwater to

Central Maui.

Drought, this is to reduce the impacts of drought on customers, especially for the Upcountry water system. We have budgeted \$50,000 for Waikamoi flume repairs. Waikamoi flume is essential in transmitting surface water for the Kupaa reservoirs and is used for the Upcountry water system.

Storage, to develop and implement a storage development plan to upgrade critical areas of Maui. Projects for this total 1.25 million in the proposed budget. Again, here is a picture of a completed Waiohuli tank replacement project that was completed a few years ago and is a prime example of one of our storage tank projects.

Pipe replacement, to replace and construct new transmission and distribution lines in areas where these are most urgently needed. Project total \$2.485 million for pipe replacement. We just completed the construction but have not given final acceptance of this project you see here, the Lower Kula Road waterline project, which extends from Ka Street to Naalae. And we anticipate completing, fully accepting this project shortly.

This is typical work on a pipeline replacement, pump replacement, to repair and replace pumps to insure reliable service to customers. The budgeted amount is

\$180,000.

Here it's a picture of Wakiu Well in Hana, and this is a typical groundwater well which is located all throughout our system.

Reliability, to maintain, repair, replace and install new system elements as necessary to insure reliable service for customers. The proposed budget for this program is \$1.27 million.

Again, here is a well located in our Hana District. It's call Hamoa Well. The proposed budget fiscal

'05 includes monies to develop a second well at the existing Hamoa tank site, and this proposed second well will back up the existing well shown here. Hamoa well provides water -- groundwater from Hana to Koali.

Facilities, to insure that system elements, properties and buildings are well maintained and that space, supplies, and resources are adequate for effective operations. Projects budgeted total \$970,000.

Lahaina Water Treatment Facility is just one of our treatment facilities. Our proposed fiscal year '05 budget includes construction monies to install an acid cleaning

system for the microfiltration units, and we are currently in the design stage.

Efficiency, to continue to enhance conservation, automation, and other efficiency efforts. We have budgeted \$420,000 in projects this proposed budget. This is a picture of our SCADA monitor at the Kamole Treatment Plant, and the person here is Ken Wright, one of our treatment plant operators. But I believe he's been relocated to another treatment plant and not at Kamole.

Again, it's just a pie chart to show you the distribution of the different -- the projects by program. And

as you can see, the regulatory compliance, which is SDWA of 5.27, does make up a large portion of our program, and that again is the Kamole clear well project.

In conclusion, we feel that the proposed budget is a good budget, and we are capable of implementing the proposed budget with the staff that we have. And if you have any questions, I can answer them now.

CHAIRMAN HIRANAGA: Thank you, Wendy. Can I have the lights, please?

Ken, I guess if you want to ask that question.

MR. OKAMURA: Okay. Thank you. Yeah, maybe might

be applicable to this also, because I had it in regards to the Operating Budget. But could you explain the process that you go through and, you know, like a time line for when -- how you determine what your CIP budget will be. Like do you have a time line that you start in August, and then you do this. Is there a process or --

MS. TAOMOTO: I believe Ellen would be able to answer that question. Because actually, I am doing the presentation for Ellen, because she was on a nice vacation for a month and just got back the day before yesterday. So, I was

nice enough to do it for her.

MR. OKAMURA: Thank you. You did a nice job.

Thank you.

MS. KRAFTSOW: She's also nice enough to help with the project quite a bit. The CIP plan, yeah, the process is first we inventory the entire system, all the pipes, tanks, and everything for what is substandard. Meaning, obviously, if we have a two-and-a-half-inch galvanized line that's substandard, no matter where it is. In some cases, we have an eight-inch line, and it's still substandard, because it's commercial and buildings are large.

Things that are breaking frequently, the baseyard gives us regular reports of breaks and complaints when things are old. We have -- I think it's hanging on the wall. You can see pipe materials, age and diameter.

MR. OKAMURA: So, you make a list of these.

MS. KRAFTSOW: Through the computer, we generate a list, and we also discuss, based on priorities, things that are called out quite a bit.

MR. OKAMURA: You gather all this information.

MS. KRAFTSOW: And in the computer, we have a list of about 20 years worth of repairs and upgrades that need to

be made already. And then in addition to that, we look at this in comparison to community plan designations and zoning where we have it for things that would seem to be meeting standards, but are substandard based on the zoning.

In addition to that, we look at demand. For instance, we know Central Maui is growing very rapidly, and there are compliance issues with Iao and all that. So, that list of prioritization criteria that you have before you, those are sort of how projects fall out to sort of the top, and how we decide which is the most important.

What we found is no matter how you do a ranking,

you can do this complicated matrix that will automatically generate one, two, three, four, five.

But when you have the books this thick, if you printed out the database of projects, right, it's almost artificial. And it's much more realistic to sit down with the engineers, the district supervisors, and the baseyard staff to say, okay, what's really looking the worst or causing the worst problem? What has DOH pointed out in the sanitary survey in terms of tanks that have to be repaired now? So, we sort of take the worst cases first, and that's basically how

we do it.

MR. OKAMURA: So, you come up with some recommendations that you give to the director, and that's it, or you work with the directors, come up with the final list?

MS. KRAFTSOW: Yeah, we work -- there are several meetings, and they include -- the director, obviously, has the final call, and he sits in on several of the meetings. The initial meetings are with staff.

I meet individually with the heads of each division and then, as a group, we all meet. We have already a short list of things that have been placed on the list based

simply on their age and size and whatever.

And, you know, there are district supervisors' meetings every month. There's staff meetings with senior staff every week. Through the process of regular meetings, we all know kind of where the worst problems in the system are. So, there's a lot of the group thinking that goes into, okay, what rises to the top and why.

MR. OKAMURA: Earlier, it was mentioned the system needs analysis study. Somebody mentioned that, Holly. Is that a yearly thing, or is that something you did that five years ago, or is that what we are talking about right now,

or --

MS. KRAFTSOW: There are different kinds of stuff, difficult analysis of the system, some of which are ongoing. But I think that you might be referring to the -- the asset replacement model or the hydraulic model?

The Brown & Caldwell model. Okay. That what they did was they took their best inventory that we had at that time, and they entered it into a list with the estimated values and with estimated revenues.

So, what you can do is they created a model where you can plug in -- based on the information about the

inventory that they had, you can plug in, okay, this is the total value, and this is the value that looks like it's due to be replaced just based on criteria about age, and material, and things like that.

If you were to put this much money in, what would your deficit look like in terms of your replacement needs, in 10 years or five years versus if you were to put that much money in, what would your picture look like.

So, you plug in the scenarios, and it tells you back what your financial picture will look like in light of

your investment and your needs for replacement.

MR. OKAMURA: So, you don't have actually like a system needs analysis study like you have a booklet or something like that?

MS. KRAFTSOW: Well, the capital project database, the last time that we actually printed it out, I think, was -- with all the pictures and everything, was 1996, but we do large printouts for the discussions, you know. And we just sit around a set of fire protection maps with each other every year as we do this.

And that would be for the purposes that you are

talking about. That would be the system analysis. Brown & Caldwell would be to tell you how much you need to invest with your bond. It looks -- the capital database lists projects, and estimated costs for projects, and engineering estimates, and locations, and priority, and program, and all those, the stuff that you see.

The asset model, Brown & Caldwell model can also factor in, if you have this much bond and this much revenue stream, and this is, you know, all the financial programs that would fund these repairs. And what it doesn't do, unfortunately, which is what we are going to take years to

resolve, is there is no geographical tie. The codes, we tried to get them to code it the same, and somehow it didn't work.

So, as we bring those things together, hopefully, one day -- we are talking years away. We just don't have the staff and the programming to do it right now. You know, maybe you will be able to take something and plug in -- the capital program has a list of, okay, this is how we are going to fund this project, but it doesn't predict the financial inputs and outputs into each fund and the interest rates ongoing and that stuff. That's what Brown & Caldwell can do.

MR. OKAMURA: Maybe the last question. That was

for the CIP budget, but then let's say for the Operating Budget, you know, one of the items, for example, under the Planning Department, planning session was the miconia control program. How do you determine what projects that you are going to do, miconia, or this, or that?

MS. KRAFTSOW: Okay. In terms of resource protection, we work very closely and in partnership with several other agencies and private landowners in the partnerships. And based on the expertise -- including the university as well.

And based on the expertise that we -- you know, speaking with their experts, yes, we sort of analyze -- they analyze, as a group. We analyze together as a partnership what are the biggest problems, and miconia still is the largest threat to our watershed.

MR. OKAMURA: So, you have several headings like resource protection, other headings that are within each department of your department.

MS. KRAFTSOW: Yes.

MR. OKAMURA: Thank you. That was a good CIP.

Thank you very much.

MS. PARSONS: Excuse me, Kent.

CHAIRMAN HIRANAGA: Go ahead.

MS. PARSONS: Ellen, maybe can you direct me -- I am not sure where it's going to come out. But when I am looking at this, and I see we are going to do an exploratory well in Hana, and I know we have got pipeline replacement. We have got -- it's a mistake in our documents. It looks like it was 2.4 million on yours, Wendy, and ours was saying .485.

So, our documents are apparently wrong, I hope, and yours is right? Good. The question that I have, when we are doing Hamoa Well, and we are putting in another well in

there, and we have got some pipeline replacement that we need to do in Hana, are we looking ahead at fire flow issues and things along that line, when we are putting in this well, of how much we are going to budget in the future, and how soon will that follow after that well comes on line? Will it coincide with that well?

MS. KRAFTSOW: Do you want to take it or do you want me to?

MS. TAOMOTO: Are you talking about the pipeline from Hamoa to Hana Town?

MS. PARSONS: No, I am saying we are looking at an

exploratory well in the Hamoa area, but we have a lot of pipeline issue in Hana right now to do replacement on. So, will they coincide?

MS. KRAFTSOW: Yes. Actually, I think in last year's presentation, there was a slide dedicated specifically to that question.

MS. PARSONS: I don't see it in this one. That's why I am trying to find out.

MS. KRAFTSOW: The well and transmission that is set up as proposed is actually to a broader area to make the

system more flexible to enable two wells instead of three to serve the area by improving the transmission between them.

So, right away you are getting some line improvement there. And as you know, you want to improve the lines from upstream to downstream. And, so, obviously, near the source is where you want to improve lines first. And some of that will happen right now with the source project, and from there it would work out.

There are maybe a couple areas where the system is particularly substandard that you would do first even though they were downstream. Normally, we work from upstream to

downstream.

MS. PARSONS: So, that will show up maybe in the next budget for next year for dollars allotted for it.

MS. KRAFTSOW: Yeah, each project is in phases. There are phases for doing those long lengths of line. Whether it shows up next year is compared to how it is compared to the other projects.

MS. TAOMOTO: Let me just give them a summary of status of the projects, I guess, in Hana. We are currently in the design phase for the waterline which will connect the Hamoa Well system to Hana Town, and that is a 12-inch line

that will provide fire protection for the commercial area,
which is the community plan designation.

I hope to be -- have the consultant completed with
the design by the end of this calendar year, so we would be in
construction where the monies are budgeted for this fiscal
year '04. So, that is our plan, is to get into construction
and encumber funds before December '04.

We also have, in our existing '04 budget, a design
project for a waterline between Hamoa to Koali, which is the
other direction. I have a proposal on my desk that I need to
negotiate with the consultant for that waterline. And that

waterline is fairly expensive, probably five -- four or five million maybe. So, I am not sure how we are going to approach that in the construction phase, and if it, in fact, will be ready for construction in the fiscal year '06 budget.

MS. PARSONS: I know we have some developers out in that area, and that's going toward Nahiku, out in that --

MS. TAOMOTO: No, the other way, from Hamoa towards Koali, which is --

MS. PARSONS: The opposite way from what I am saying. I notice you have pipeline replacements in Nahiku

development.

MS. TAOMOTO: We have a well in Nahiku, proposed in the '05 budget.

MS. PARSONS: Hana, Nahiku water source improvements.

MS. TAOMOTO: That is source improvement, which is the slide which I showed you, which is Nahiku tank. We are proposing to look at development, doing an exploratory well within the Nahiku tank site.

MS. PARSONS: With the development that's going out there and the landowners with large land, why aren't we

approaching the developers to help offset some of the costs,
so it doesn't have to come right out of your budget? There
are big landowners out there trying to do development at this
point.

MS. TAOMOTO: Nahiku, I believe when those
development plans come in, we are required to make approvals,
if it is necessary, for the developer to pay their portion,
that we would make that condition of approval. But, it must
not -- I am not sure which developments you are talking about,
but it must not be that we are in a position to impose
requirements to those developers for whatever.

You know, we have a section in our Engineering Division which reviews all those construction plans and makes requirements, appropriate requirements.

MS. PARSONS: I would think that we would want to partner with some of people out there, rather than take the taxpayer money, and start looking at that. Does that have to go through planning, or does it have to go through administration to have them look at this a little stronger?

MS. TAOMOTO: It would need to go to administration, so I will take that into consideration. We will take that into consideration and see. But right now, we

can't answer, because I am not familiar of any development projects in Nahiku.

MS. KRAFTSOW: There was one well out there that we talked about taking over or participating, but it was drilled, and it wasn't drilled to standards, so it was not an option.

MS. PARSONS: The other question I have is on your -- on fire flow protection upgrades, I see under pipeline, we have a small in-house pipeline replacement fire protection upgrade. What was the -- what does in-house and

small in-house mean?

MS. KRAFTSOW: Those are smaller or shorter segments of line, usually, that break during the year that, you know, nobody has a crystal ball, that the staff itself can repair, baseyard staff.

MS. PARSONS: When we are doing pipeline replacement, fire flow is taken into consideration in all of it?

MS. KRAFTSOW: Yeah.

MS. PARSONS: Automatically? That's it.

CHAIRMAN HIRANAGA: Sally, you had a question.

MS. RAISBECK: Yeah, I wanted to -- following on this question on fire protection, I wondered what is the philosophy of the Department -- I guess I would ask George. What is the philosophy of the Department about fire protection in older areas, older developed areas, where not -- it's not being subdivided, so nobody is having to provide fire protection as a condition of developing. And yet there's a whole lot of nonsubdivision developing going on; people adding ohanas and so on.

What is the Department's rules and philosophy about fire protection in those areas, older areas?

MR. TENGAN: Well, I would say at the outset, if an area doesn't have adequate fire protection, and it's -- and let's take the case of Piihana, as an example, which is in the Happy Valley area.

If we are going to do a pipeline replacement in that area, then we would certainly improve fire protection also, because that's part of our water system standards.

MS. RAISBECK: But it wouldn't be charged to the local residents?

MR. TENGAN: No, we would do that as part of our pipeline replacement upgrade program. However, in the case of

where somebody is doing construction on the property, say a second dwelling and/or ohana, if the -- I believe if the system is inadequate, and that person would be needing another meter, then we would be requiring the property owner to upgrade the system.

MS. RAISBECK: Okay. Thank you.

CHAIRMAN HIRANAGA: Yes, Clark.

MR. HASHIMOTO: I just have two quick questions.

You mentioned about Pookela wells. When is it going to be on line or projected?

MS. PARSONS: On the next election.

MR. TENGAN: Well, we ran into some unanticipated problems as far as the kind of pump to put down into the hole there, and so it took a while to resolve that issue. And, so, the completion date has been moved back a little. The latest word I have is January 2005 is the new target date.

MR. HASHIMOTO: Okay. The other question is that I guess the Ulupalakua pipe improvement you said was scratched.

MR. TENGAN: That's something that the Budget Office knocked off from on our proposal.

MR. HASHIMOTO: So, when will that project be put back?

MR. TENGAN: We could include it in the following year's budget. But still, I wouldn't say that that project is dead, because it's being -- the funding proposal is through the state revolving loan fund. The question that needs to be answered is whether these kinds of loans enter into the debt service calculations for the County. If it doesn't, then, you know, certainly, we can push to have that project put back into the -- into the CIP.

MR. HASHIMOTO: Okay. Because that Ulupalakua

project fire flow in Ulupalakua, the lines itself are pretty bad. I guess we have talked about it a couple of years.

Thank you.

MS. PARSONS: Excuse me. I have a question.

CHAIRMAN HIRANAGA: Follow-up on that question first. So, the Budget Department says to scratch a specific project versus saying you need to reduce your budget by 5 million? That seems odd that the Budget Department would tell you what to do; would tell you how much to eliminate.

MR. TENGAN: That's because it involves debt to finance the project.

CHAIRMAN HIRANAGA: Okay. Ginny.

MS. PARSONS: Going back to -- going back to

Pookela well, now that we moved it to January, getting even closer to the next election. Could we possibly think about putting the contractor's pump into that well for the time being, and then moving it out when our new pump has been sufficiently designed and built?

MR. TENGAN: Well, to do that, for -- I would say my first response would be that it would be a somewhat -- it wouldn't be cost-effective. It would cost a substantial

amount of money to get the contractor to put the pump back, and, you know, to have it operating in the system until we can get a new pump in.

There we would be having to pay to put the pump in and later on to pull the pump back out. And in the meantime, as we use the pumps, we would be paying some kind of rental value for that, too.

MS. PARSONS: Can we get some figures on that just to make some justification on what the costs are compared to what it's costing the community with the lack of water?

We have a C-9 issue that's still going on, as we

all know, with the additives Upcountry, and we have people on the waiting list that have been on for years, and money returned that they are upset about, and people that need to come on line. And, I mean, maybe we weigh the costs of --

MR. TENGAN: All these items you mentioned we have, it's hard to place a value on as far as the irritations and all that. The best --

MS. PARSONS: I mean, this is a 20 million-dollar lawsuit, George, if we get a lawsuit from Upcountry. What is a 20 million-dollar lawsuit maybe to offset \$100,000? That's what we need to make a judgment call on. Until we have the

figures of what it's going to cost us to put the contractor's pump in there, and the rental, and then weigh the issues of what the issues are Upcountry -- this has been going on now for -- if we get to 2005 before it's put on, and the Mayor was, what, elected in 2002 -- was it 2002? Yeah, 2002, and the former director and the former Mayor had opened up that well, with the intention of putting it up within six months, I think we have got a major lag time here. And I think we need to really look at what we can do to help the community Upcountry.

MR. TENGAN: I think the fact that we are putting

back or moving back the completion date for the project

indicates that it was a good decision not to accept

reservations based on the well.

What it would have done would be to have people in the community place more reliance on the Department to provide water when the water was not available.

MS. PARSONS: I just want to make sure it's not politically motivated. I am really concerned at this point.

MR. TENGAN: I will give you my promise and my word that it's not politically motivated.

MS. PARSONS: Can we get the figures so that the

Board can look at the figures?

MR. TENGAN: Yes, we can give you the figures as

to what it would cost to have the pump in and all that, but it

would certainly be difficult to put in the intangibles, such

as the value or the worth of dealing with the skin irritation

problems.

MS. PARSONS: Those are things that we can take

into consideration.

MR. TENGAN: Right.

MS. PARSONS: Okay.

MS. RAISBECK: Mr. Chair.

CHAIRMAN HIRANAGA: Yes.

MS. RAISBECK: Yeah, George, I have some more questions about the Ulupalakua project and why -- I mean, did -- was there a specific dislike, as something -- for that project, in the sense that they said this is unnecessary, or it's too expensive, or it's serving people we don't feel need to be served? I mean, what was the rationale for eliminating it in this budget?

MR. TENGAN: As I stated earlier, the rationale was mainly financial, whereby if the loan is included in part

of the County's debt ceiling, it could impact the County's financial position.

And that's something that we are not involved in.

It's something that the Mayor's Office, and the Department of Finance and, I suppose, the Budget Office would be involved in, in making policies and decisions in those areas.

All we were told was that we need -- the

Ulupalakua project wouldn't be approved for this current year.

But like I said earlier, you know, if it's determined that our debt is not included as part of the County's debt ceiling

calculations, then we certainly can push to have the project

put back in place.

MS. RAISBECK: How much other debt do we have as -- I mean, does the Department have -- how much debt that is not -- is any of it not included in the County, or it didn't used to be included in the County ceiling? Is that a problem?

MR. TENGAN: Prior to the Charter Amendment, the Department's debt wasn't included as part of the County's debt ceiling calculations. And the reason was that the GO bonds that were issued on behalf of the Board were being -- the debt

service payments were being reimbursed by the Department.

MS. RAISBECK: Thank you.

CHAIRMAN HIRANAGA: Yes.

MR. OKAMURA: Just a quick question. I notice that space for the Department is a problem and has been talked about for a long time. Is the Department sort of talking about it or trying to figure out some possible things you might be able to do, or have plans, or to trying to improve the situation, or -- you know, it sort of bothers me that it always comes up, and we should do something, you know. But, I don't know, you know. That would fall under the -- under you,

but is just a question. Have you guys thought about it?

MR. TENGAN: I think that that's an item that's on our minds every day as we work, and we look at how cramped our employees are. But, you know, the offer that was made under the previous administration was rescinded by the current administration. And, so, we need to continue and look for more space.

For this coming year, we have, in the budget, \$100,000 for rental payments to accommodate our increase -- projected increase in our planning staff. And if we find space for the planning staff, you know, we will make

considerations to have additional space available for our other staff also.

MS. PARSONS: Kent.

CHAIRMAN HIRANAGA: Yes.

MS. PARSONS: Going back to that bond issue, did the Charter Amendment state that that changed? That now this goes under a major fund?

MR. TENGAN: It could have an impact on the County's debt ceiling, and that's an issue that hasn't been resolved yet, and we are still waiting for an answer on that.

MS. PARSONS: Yeah, but how -- I am confused,

because if the Charter Amendment really didn't make that change, how come we had to single out our financing? Why did it come out of our budget?

MR. TENGAN: It's because we are now, you know, determined to be, in the words of Corp Counsel, a regular department of the County. We are not semi-autonomous as we were before.

And, you know, from a financial point of view, we were deemed to be a separate entity from the County. And although general obligation bonds were issued on behalf of the

Board through the County, it wasn't considered part of the County's debt ceiling, because the Department was reimbursing the County for the bond payments.

MS. PARSONS: This isn't the first step to mixing all funds, is it?

MR. TENGAN: What's that?

MS. PARSONS: It's not the first step to mixing all the funds, is it, the income and the rest of the budget?

MR. TENGAN: I'm not sure of your question.

MS. PARSONS: That's scary.

MR. TENGAN: No, I don't understand your question.

MS. PARSONS: No, I am saying you are not sure whether the bond at issue is underneath the County as a whole, because we might be a Department. But what does that do to the resources to our other -- to other funding?

My understanding of the Charter Amendment, when it was proposed, was that we weren't going to mix -- we still weren't going to be mixing our funds with the County's. That was my understanding.

MR. TENGAN: That hasn't changed. We still have our separate fund.

MS. PARSONS: Just this bond issue.

MR. TENGAN: It's just the bond issue with regard to whether it's part of the County's debt ceiling or not.

MS. PARSONS: When will we get a determination on that? Do you have any idea?

MR. TENGAN: I don't know. That's in the hands of the Finance Director and Mayor's Office.

CHAIRMAN HIRANAGA: Yes, Sally.

MS. RAISBECK: Yeah. Could we get a list next time for -- well, just a figure, for the fifth floor, how many employees and how much the square footage is there, so we can figure out how many square feet per employee there. I've -- I

think the baseyards are okay, right, as far as space per employee?

And certainly, at the, you know, the treatment center, the treatment facilities, there seems to be lots of space for people. But, on the fifth floor, it's awfully crowded. And can we just find out how many employees and how many square feet?

MR. TENGAN: Yeah, we can update the information on the study that was conducted about five or six years ago.

MS. RAISBECK: Well, you don't have to update the

who thing, just those two numbers.

MR. TENGAN: No, the report has the square footage and all that, and the projected employee count. But we can update that information and get it to the Board.

MS. RAISBECK: And the other thing is, this room --

MS. PYLE: Yes, this room.

MS. RAISBECK: -- is used maybe once a month, maybe twice a month, and we don't really need it. We could meet in the Planning Department. With a little flexibility from the Board, we could meet in the Planning Department

meeting room. So, I strongly recommend some plans might be made in that direction.

MR. TENGAN: I think the administration has already looked into that, and there is a -- you know, there are scheduling problems, because the demand for the Planning Department's conference room is quite large.

The other consideration that I mentioned is the administration. You know, we are paying a thousand dollars a month for this room here. When we do have meetings that the public is interested in, at least we have adequate parking in this area to encourage attendance to these meetings.

And we also made the room available to other County agencies, that if they need space for a meeting room, this room is available to them.

MS. KRAFTSOW: I am sorry. I would like to say something about this room, since it's my division that would be likely put down here. I don't know if whether or not the computer issues could be worked out to have computer communication, but we would certainly need that. But aside from that, working here, I do, over and above my director's objections, frequently work late at night. And I would not feel safe here.

The bathrooms are disgusting, and the temperature is often uncomfortable. And I would not really like to have my staff in this room, unless they were staff that were going out in the field most of the day.

That's just my opinion, as the division head, not Department policy. It may or may not have any impact on Department or administration policy, but I just wanted to put that out there.

MR. TENGAN: And this isn't what we are talking about. We are talking about this space and its use as a Board

meeting area. We are not talking about it as being used for office space.

(Board Member Nobriga left the workshop.)

CHAIRMAN HIRANAGA: Yes, Clark.

MR. HASHIMOTO: A comment about this space. I guess this is -- I was on the Board for the last five years. It's much better than where we were before as far as parking and everything else.

So, I think -- I don't know if it's worth a thousand dollars a month. But for me, it's much better here than where we were or at the Planning, because you have to

fight for space. But anyway, I have one question.

Wendy mentioned about the -- I guess budgeting 50,000 for the Waikamoi Flume repairs and to mitigate drought. I guess I have been involved in Ag Group that meets with the Mayor almost once a month, and he's mentioned several times about we are not -- the Water Department is not, I guess, capturing all the water that needs to be captured in the Waikamoi area, either extending the flume or putting more flumes in. Has he mentioned anything to you?

MR. TENGAN: Yes, he's mentioned that to me, and some of his other ideas which we haven't pursued yet.

MR. HASHIMOTO: So, I am just wondering if more money should be budgeted for the flume repairs. Just a comment.

CHAIRMAN HIRANAGA: Yes, Ken.

MR. OKAMURA: This is just a general question regarding the budgeting process. Okay. Thank you. I wanted to ask maybe, whether it's an opinion or what, but regarding the role of this Board in terms of the budget -- budgeting process, the role of the Board, the role of the Mayor, and the role of the Department and the Council.

I was, you know, trying to figure out, okay, how

would the Council fit into this, you know? Can you clear it up right now or still not really clear?

MR. TENGAN: My understanding of the Charter

Amendment is that the Board now is responsible for reviewing the Department's operating and CIP budget, which is to be forwarded to the Mayor's Office, for their approval and forwarded to the County Council.

When it gets to the Mayor's Office, the Mayor's Office can still make some changes to that and send it out to the County Council. I think you are being somewhat puzzled

right now, because -- it's mainly because we haven't -- or we weren't able to start early enough in the current year's budget, and we are coming to the Board with this budget somewhat late.

Ideally, we would have started the project early, before the end of last -- the last calendar year, so that by the time we needed to get the budget up to the Mayor's Office in January, it would have gone through the review process by the Board.

Hopefully, this coming -- not this budget here, but the 2006 budget we will be able to do that, and I have

already talked to Holly about maybe we got to get a much earlier start in preparation of the budgets.

CHAIRMAN HIRANAGA: I believe I may have requested Corporation Counsel to see if the Charter is being complied with if the budget is presented to the Board subsequent to it being submitted to the Budget Office. Did you get that request from your -- I know you weren't here the last meeting, but your substitute was here.

CORPORATION COUNSEL: No.

CHAIRMAN HIRANAGA: Yeah, I made a request to see if the budget is being -- the Charter is being complied with,

by this current process, because I know that there are some practical hurdles. But I thought maybe you are not able to do it, on a practical basis, does it mean, you know, something needs to be changed? Either the Charter needs to be changed or the scheduling needs to be changed.

So, I guess you could speak to Dudley, yeah.

Thank you.

I have a couple of questions. Page 33 of your packet, West Kuiaha Road PRV. I believe the map, first of all, is that the correct location of the project? I think that's Kokomo Road and not West Kuiaha Road.

MS. HOWARD: There is a replacement page to the map that is on 34R.

CHAIRMAN HIRANAGA: What is PRV?

MS. TAOMOTO: PRV stands for pressure reducing valve.

CHAIRMAN HIRANAGA: What is a PRV, pressure reducing valve?

MS. TAOMOTO: It reduces the flow pressure in the system, so that right now we try to have a minimal pressure, 40 operating and 120 maximum. So, at that -- the low PRV

would be located to reduce the operating pressure to within that limit, within the 40 to 120 pounds limit we work on.

CHAIRMAN HIRANAGA: Thank you. Could you just expand on page 53, Upper Kula Transmission Improvements, Alae Tank to Kawehi Place. Could you expand on that?

MS. TAOMOTO: The Upper Kula Transmission Improvements Project is currently on hold in the design phase. We have a design contract encumbered with Sako & Associates. And this project was transferred to me, personally me, to be charged earlier this year, I believe in February, when I came back from maternity.

I haven't found time to work on it because of land issues. The previous engineer, Herb Chang, told me that I shouldn't -- he didn't give the contractor notice, the design contractor notice to proceed, and I shouldn't give them notice to proceed until we can resolve the land issues. And, so, what I have budgeted here is \$20,000 for those land issues.

And I still need to figure out what those land issues are and take the appropriate steps to either acquire, by easement or by acquisition, the land necessary to put in these improvements.

CHAIRMAN HIRANAGA: So, what is the benefit of

this project?

MS. TAOMOTO: This will connect Alae Tank, which is in -- I want to say Kula, but, yeah, I think it's in Kula. And it's a two, three-phase project is it? It's about a three-phase project, and it begins at Alae Tank, and it goes to Kawehi.

And if you look at the long-range CIP, there is a second phase. And eventually, it connects back to our system, and it's just to provide additional transmission flow. And we do have a new Alae Tank in design right now.

MR. HASHIMOTO: Because I think several farmers

don't get water when it's full on drought. There is no pressure here.

MS. TAOMOTO: Yes, so this is a long project which, because of the expense, extreme expense of construction and design, we have phases beginning at Alae Tank.

CHAIRMAN HIRANAGA: One last question. If you could just expand on the page 110, Kaupakalua Well Storage Tank.

MS. TAOMOTO: Yeah, the Kaupakalua Well Storage Tank here is to be located at the existing Kaupakalua Tank

where the well is. The original designer, ATA, had made accommodations to install adjacent to the existing storage tank a second tank.

The existing tank, which I believe is either 200 or 300,000 gallons, is too small for the capacity of the well. And, so, this 500,000-gallon tank would be able to provide additional storage, which the well can produce. So, there is -- the piping is ready for the second tank.

CHAIRMAN HIRANAGA: And on page 67, Papohaku Waterline Replacement, Momi Street, the street that the Wailuku Community Center is on, located on --

MS. TAOMOTO: No, Momi Street is -- that's Waena,

I think, and there is another street, and then there's Momi Street. Nika, I think, is the next street, and then the next one is Momi Street.

CHAIRMAN HIRANAGA: Is that primarily residential, or what's on that street?

MS. TAOMOTO: I believe majority -- half of the street is residential, and I believe there are maybe one or two small businesses on the other half of the street. But it's primarily residential.

CHAIRMAN HIRANAGA: Okay. Thank you. Going back

to the Operating Budget, I notice you're planning to add, if I am reading this page seven correctly, eight new staffers in the Planning Department?

MR. TENGAN: Yes, that was what was submitted to the Budget Office, but in working with the Budget Office, we find we are reducing that down to three positions.

CHAIRMAN HIRANAGA: You are reducing?

MR. TENGAN: Yes.

CHAIRMAN HIRANAGA: I was just wondering where you were going to put them all.

MR. OKAMURA: How would the Budget Office have so

much power that they can tell the Department how many people to hire and not hire?

MR. TENGAN: Well, in this particular case, I looked at how realistic it was for us to be adding on these new positions, because it's a time-consuming process. And in working with the Budget Officer, I looked at the request for the additional positions and what I thought were the important positions that we needed to fill to accomplish the mission or the task of the Planning Division. And, so, we ended up with a planning two position, an analyst, and a clerical kind of

position, I believe.

CHAIRMAN HIRANAGA: On the current budget for pipeline replacement, how much do you estimate will actually be expended of that budgeted amount?

MR. TENGAN: This coming budget?

CHAIRMAN HIRANAGA: No, the current year.

MR. TENGAN: The current year.

CHAIRMAN HIRANAGA: You have listed two million.

MS. TAOMOTO: The pipelines only, yeah? The only project on the pipe -- in the pipeline program that I think we might have problems with, due to lack of funding, is Hana to

Hamoia, Hana-Hamoia waterline project.

All the other projects we plan to encumber those either design or construction contract before the fiscal year ends in December. But, as you know, we are one short staff. And if you didn't know, there is two engineers in CIP doing the review of the design consultants, overseeing the design consultants, and trying to bid out the project. That would be myself and Larry Winter.

And, so, we are short staffed by one person. And I am responsible for, I think, 99 percent of the pipeline projects. I think Alan Murada has one. And, so, my plan is

to try and get those funds encumbered. And the only thing I can foresee having a problem with encumbering is that Hana-Hamoa because of unexpected problems that I have been notified of.

CHAIRMAN HIRANAGA: Okay. Thank you. Yes, Sally.

MS. RAISBECK: I did have a question regarding the Brown & Caldwell model. And I remember well, when they presented that model, and I remember being amazed that the total value of all our facilities was 750 million. And that's why the depreciation each year that we should be upgrading things comes to so much, 9 million.

And my question on the model is, was that a computer model where you keep changing the structure? In other words, they took all the infrastructure that we had at that time and put it into the computer program.

Are we -- are we adding to that as we get new infrastructure, so that it stays up-to-date, or is it still stuck back with the infrastructure that we had available at the time they did the study? And will it ever -- will it be useful to do these financial kinds of studies if it's not being upgraded? I mean, is it being upgraded constantly, so

that it's up-to-date if you wanted to do a financial study using it? Am I making myself clear?

MS. KRAFTSOW: Well, I guess there is a two-part answer to that. But the short, immediate answer is no. I haven't added additional inventory to that model. Fiscal Division does maintain an inventory of our system as it's put in with the depreciation and everything.

We have been working on upgrading the -- for the GIS and hydraulic model, which we are trying to do them as one, the system inventory. And we have discussed, with the consultants, what the best way would be to both tie in

geographic to that asset model and to continue to update the inventory.

The question was whether it would be more efficient to just update it and spend the time to update it as we go along, and then later we are going to just completely replace the inventory and put it back in with codes that will tie it to the GIS, or whether we will just get the GIS up to date, and when we have all the codes, send it to the consultant and have them do one big upgrade.

In the interim, the total value of the system, fiscal does maintain and update that in their own computer

data basis.

MS. RAISBECK: I am afraid I didn't really follow that, Ellen. So, what -- so, if you regard the Brown & Caldwell model, which I assume is a computer program with the database of inventory, that still exists but in the older version. So that if you wanted -- so that it would need to have the data added to if one wanted to run financial studies?

MS. KRAFTSOW: Yeah, it wouldn't be that -- I mean, you have a list of everything that's gone in since then. It's only about three or four years or so. Yeah, we would have to add it.

It probably wouldn't affect things that substantially for the next 20 years, because anything new that was added is not likely to depreciate in -- right now in the planning phase. Do you know what I mean? In the planning timeframe. But, no, we haven't done that at this time.

MS. RAISBECK: But, also, besides adding new things, you need to -- when you replace, you would need to remove what they have in that database.

MS. KRAFTSOW: That's correct.

MS. RAISBECK: And substitute like you --

MS. KRAFTSOW: Yes.

MS. RAISBECK: You actually increase the 6-inch pipeline to an 8-incher and 12 incher.

MS. KRAFTSOW: That's correct.

MS. RAISBECK: You would need to do that change in order to run it?

MS. KRAFTSOW: That's correct.

CHAIRMAN HIRANAGA: Thank you. One question that came to mind about the Upper Kula transmission system, because of the bond issue, you removed it from the budget. Did you then insert another project to fill that 5-million-dollar

reduction, or you just decided to reduce your budget request by \$5 million?

MR. TENGAN: As Wendy showed in the presentation, the total budget was cut by the \$5 million, and no other projects were put in to replace that project.

CHAIRMAN HIRANAGA: Is that because of the lack of time to come up with the replacement projects or because the administration wanted the budget reduced by 5 million?

MR. TENGAN: It's more a function of financing and funding.

MS. TAOMOTO: Yeah, in Holly's handout, you have

this sheet that shows total budget replacement fund, water system development, source, storage, water development. The 10 million for the Kamole clear well and the Ulupalakua water improvements is not included to be coming out of this CIP budget.

So, when they cut the 5 in the Safe Drinking Water Loan, it didn't directly affect anything in our CIP proposed budget. That was -- we have 10 for the CIP available funds, and then we had 10 in loan monies. So, that was just coming out of loan money. So, we didn't have the five to add from our available CIP.

CHAIRMAN HIRANAGA: Okay. Thank you. Any further questions? If not, I want to thank the Department for their presentation, and this meeting is adjourned.

(Recess, 10:46 a.m.)

"By Water All Things Find Life"

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