

COUNCIL OF THE COUNTY OF MAUI

BUDGET AND FINANCE COMMITTEE

September 21, 2004

Committee
Report No.

04-159

Honorable Chair and Members
of the County Council
County of Maui
Wailuku, Maui, Hawaii

Chair and Members:

Your Budget and Finance Committee, having met on September 1, 2004, makes reference to County Communication No. 04-203, from the Budget Director, transmitting a proposed bill entitled "A BILL FOR AN ORDINANCE AMENDING THE FISCAL YEAR 2004 BUDGET FOR THE COUNTY OF MAUI AS IT PERTAINS CAPITAL IMPROVEMENT PROJECTS".

The purpose of the proposed bill is to amend the Fiscal Year (FY) 2004 Budget by decreasing the appropriation for the Kaunakakai Well No. 2 – Land Purchase and Exploratory Well (Kaunakakai Well) project in the Molokai Community Plan District by \$600,000, and adding an appropriation for \$600,000 for the North Waihee Source Development – Kupaa Well Development (Kupaa Well) project in the Wailuku-Kahului Community Plan District.

Your Committee notes that appropriations for the Capital Improvement Program (CIP) for FY 2004 are available for expenditure for 18 months, from July 1, 2003 to December 31, 2004.

At its meeting, your Committee met with the Budget Director, the Director of Water Supply, the Engineering Program Manager from the Department of Water Supply, a Civil Engineer in the Department of Water Supply, and the First Deputy Corporation Counsel.

There was no public testimony.

The Budget Director noted that the request is for an amendment to the CIP in the FY 2004 Budget. He stated that the request is due to increased costs for the Kupaa Well project as a result of a substantial change order.

The Director of Water Supply informed your Committee that the Kupaa Well project has been delayed because of problems with obtaining a National

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Pollutant Discharge Elimination System (NPDES) permit for storm water discharge and discharge of hydrotesting waters, and a right-of-entry for construction purposes.

The Director of Water Supply stated that approval of the amendment will enable the transfer of funds from the Kaunakakai Well project to the Kupaa Well project. The Department is unable to encumber the CIP funds for the Kaunakakai Well by December 31, 2004 due to delays in land negotiations for the well site.

Your Committee received the following from the Department of Water Supply:

1. A document entitled "Supplemental Information for Budget and Finance Committee Meeting of September 1, 2004:" relating to the Kaunakakai Well No. 2 – Land Purchase and Exploratory Well;
2. A document entitled "Supplemental Information for Budget and Finance Committee Meeting of September 1, 2004:" relating to the North Waihee Water Source Development – Development of Kupaa Well I; and
3. A list of cost estimates for the change order for the Kupaa Well project.

Your Committee expressed concerns about the Department's rationale for prioritizing projects and its ability to complete projects in a timely manner.

Furthermore, your Committee expressed extreme dissatisfaction with the escalating cost of the Kupaa Well project due to a substantial change order. The cost of the change order is in excess of 35 percent of the original bid, according to documents provided by the Department. In addition, concerns were raised that contractors routinely submit low bids on government projects with the expectation that change orders will be approved.

The Director of Water Supply stated that the Kupaa Well project was complicated. If the Department decided to solicit new bids, it would take a

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considerable amount of time for other bidders to submit reasonable proposals under current market conditions, and the Department was reluctant to delay the project any further. The Civil Engineer informed your Committee that the Department will conduct and complete its review of the change order cost estimates, which are approximately \$573,787, before the change order is approved.

Your Committee expressed concern that the Department submitted the proposed budget amendment prior to initiating any verification of the contractor's cost estimates for the change order.

Despite its concerns about the unverified increasing costs for the Kupaa Well project, your Committee recognized the importance of completing the project, and therefore, voted to recommend passage of the proposed bill on first reading and filing of the communication.

Your Committee is in receipt of a revised proposed bill entitled "A BILL FOR AN ORDINANCE AMENDING THE FISCAL YEAR 2004 BUDGET FOR THE COUNTY OF MAUI, RELATING TO THE NORTH WAIHEE SOURCE DEVELOPMENT – KUPAA WELL DEVELOPMENT CAPITAL IMPROVEMENT PROJECT", approved as to form and legality by the Department of the Corporation Counsel. The revised proposed bill corrects a typographical error in the title, and revises the title to clarify its purpose.

Your Budget and Finance Committee RECOMMENDS the following:

1. That Bill No. _____ (2004), as revised herein and attached hereto, entitled "A BILL FOR AN ORDINANCE AMENDING THE FISCAL YEAR 2004 BUDGET FOR THE COUNTY OF MAUI, RELATING TO THE NORTH WAIHEE SOURCE DEVELOPMENT - KUPAA WELL DEVELOPMENT CAPITAL IMPROVEMENT PROJECT", be PASSED ON FIRST READING and be ORDERED TO PRINT; and

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2. That County Communication No. 04-203 be FILED.

Adoption of this report is respectfully requested.

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G. RIKI HOKAMA **Chair**

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WAYNE K. NISHIKI **Vice-Chair**

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