

BUDGET AND FINANCE COMMITTEE

Council of the County of Maui

MINUTES

August 30, 2005

Council Chamber, 8th Floor

CONVENE: 1:31 p.m.

PRESENT: Councilmember Dain P. Kane, Chair
Councilmember G. Riki Hokama, Vice-Chair
Councilmember Michelle Anderson, Member (In 1:32 p.m.)
Councilmember Robert Carroll, Member
Councilmember Jo Anne Johnson, Member
Councilmember Michael J. Molina, Member
Councilmember Joseph Pontanilla, Member
Councilmember Charmaine Tavares, Member

EXCUSED: Councilmember Danny A. Mateo, Member

STAFF: Richelle K. Kawasaki, Legislative Attorney
Camille Sakamoto, Committee Secretary

ADMIN.: Sheri Morrison, Budget Director, Office of the Mayor
George Y. Tengan, Director, Department of Water Supply
Paul Seitz, Chief, Water Treatment Plant Division, Department of Water Supply
Traci Fujita Villarosa, First Deputy Corporation Counsel, Department of the Corporation Counsel

OTHERS: Glenn Au
James Smith

PRESS: *Akaku: Maui Community Television, Inc.*

CHAIR KANE: ...*(gavel)*... I'd like to call to order the Council's Budget and Finance Committee meeting for Tuesday, August 30th, 2005. For the record, we have in attendance. . . first, the Vice-Chair of the Committee, Mr. Hokama; as well as Committee Members Carroll, Johnson, Pontanilla, Tavares, and Molina. Excused from the meeting, we have Mr. Mateo. Members, good afternoon. Thank you for your attendance this afternoon. We have one item on our agenda, Budget and Finance Item Number 40, amending the Fiscal Year 2005 Budget for the Department of Water Supply with respects to Capital. . .Capital Improvement.

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ITEM NO. 42: AMENDING FY 2006 BUDGET (DEPARTMENT OF WATER SUPPLY, CIP)
(C.C. No. 05-244)

CHAIR KANE: The Committee has received. . .County Communication 05-244 from the Budget Director, the transmittal of a proposed bill to amend the Fiscal Year 2005 Budget as it relates to the installation of an additional microfiltration unit at the Lahaina Water Treatment Facility and the Olinda Water Treatment Facility. We've also received, through correspondence dated August 23rd, 2005 from the Department of Corporation Counsel, a transmittal of a revised proposed bill. Members the first--excuse me, the purpose of the revised proposed bill is to, one, increase the appropriation from Water Supply Funds, and these are *Restricted Funds*, Members, for the Makawao-Pukalani-Kula Community Plan District by 450,000 dollars; and number two, to decrease the appropriation from Water Supply Funds, *Restricted Funds*, for the Wailuku-Kahului Community Plan District by 900,000 dollars; and finally, number three, is to increase the appropriation from the Water Supply Funds, again, *Restricted Funds* for the West Maui Community Plan District by 450,000 dollars for the installation of an additional microfiltration unit at the Lahaina Water Treatment Facility and the Olinda Water Treatment Facility. This afternoon, we do have with us our Budget Director, Ms. Sheri Morrison, as well as our Director from the Water Department, Mr. George Tengan, in attendance. And for the record, we do have Ms. Anderson, Committee Member, with us this afternoon as well. Good afternoon, Ms. Anderson.

COUNCILMEMBER ANDERSON: Thank you.

CHAIR KANE: At this point, Members, I'll first recognize the Budget Director. Any opening remarks, Ms. Morrison?

MS. MORRISON: Yes, thank you, Mr. Chair. Good afternoon, everyone. I'd just like to point out that in our discussion of this amendment, the Water Director will be referencing. . .in addition to the Lahaina Water Treatment Facility and the Olinda Water Treatment Facility--

NOTE: Interruption by construction noises due to renovation work to modernize the elevators.

MS. MORRISON: --the Iao Treatment Facility.

NOTE: Pause.

VICE-CHAIR HOKAMA: . . . What timing, yeah, Chairman?

CHAIR KANE: . . .*(laughter)*. . . Ms. Morrison, if you can, pull your microphone up and that we'll. . .we'll--

MS. MORRISON: I'll do that.

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CHAIR KANE: --have your audible . . .

MS. MORRISON: Um . . .

CHAIR KANE: Go ahead.

MS. MORRISON: The budget amendment itself only, is in reference to the Lahaina and Olinda facilities. The Department already has funding in the '06 Budget for the Iao facility. But this budget amendment will be making changes to the '05 Capital Improvements budget for the Water Department. The changes in the budget would take money from . . .an amount that would be lapsing otherwise. . .and instead allocating it to be used for the microfiltration units.

CHAIR KANE: Thank you. Members, any questions for Ms. Morrison before we allow Mr. Tengan to provide his opening remarks to this item this afternoon?

. . . Hearing none, good afternoon, Mr. Tengan.

MR. TENGAN: . . . Good afternoon, Mr. Chair and Committee Members. This project is to upgrade three filter plants that we operate and maintain here on Maui in addition to some other plants. The one thing that these plants have in common is that they're all microfiltration plants, and they look, located in Olinda, Iao, and in Lahaina. What we're proposing to do is to bring in three additional filter units, install them at Olinda, and . . .the two units that we have at Olinda, take one to Iao if it's needed, and . . .one to Lahaina. And the one for Iao, I say "if it's needed" is because . . .we need to do some . . .intake improvements at the Iao Ditch to bring more water down into the filter plant. It may be that the existing two units can handle the . . .additional flows that would be coming down from the . . .from the ditch into the plant, and if that's the case, we, we still have sufficient room in the Lahaina plant building to put in two more units instead of only one. So that determination has to be made after we do the intake improvements. Uh . . .what we're trying to accomplish with this project is to increase the capacity at Olinda 'cause at the present time we're pumping anywheres from 2 . . .200,000 to 800,000 gallons per day from the lower system up into the . . .upper system at a cost about . . .of about 17,500 dollars per month. If we can get more capacity at the Olinda plant, then we could be saving not this whole, entire 17,500 but a major portion of that because we need to deduct some operating expenses from the 17,500 at the Olinda plant. And as you know, for Iao . . .we need the additional capacity for Central Maui. So this would give us approximately, about 700,000 dollars [*sic*] per day additional source . . .to take care of demands in Central Maui. And in Lahaina, we have a similar situation to Central Maui where we have an increasing demand. And so we need to increase our capacity in Lahaina also. So that's what we're trying to accomplish with this project here. If there's any questions, I'll be glad to answer them if I can. And if the Committee gets technical

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on me. . . I have Paul Seitz . . . *(laughter)*. . . sitting in the audience ready to respond to your questions.

CHAIR KANE: Thank you, Mr. Director. Members, before the Chair opens up for questioning, we'll provide the public an opportunity to participate in public testimony. Do we have anybody signed up, Ms. Secretary?

MS. SAKAMOTO: No, Mr. Chair.

CHAIR KANE: Okay. Thank you. Members, let me see if there's anybody in the audience. And seeing there's nobody, before I close testimony, Mr. Tengan, any additional comments, please.

MR. TENGAN: Yes, I just wanted to mention that in addition to my narrative that in addition to my narrative. . . that I, we had distributed, I have attached a timetable for the upgrades and also pictorially to show the Council Members or the Committee Members how these units are to be installed.

CHAIR KANE: Okay, thank you. Members, you should have in front of you a, an August 30th, 2005 communication from the Director to the body. And it's, again, dated today and it's, I think, four pages. And, again, before I open it up for questions. . . I don't see anybody approaching for public testimony. Members, without objections, we'll close public testimony for this afternoon. Any objections?

COUNCILMEMBER MOLINA: No objections.

COUNCILMEMBER PONTANILLA: No objections.

CHAIR KANE: Okay. Thank you very much. If we can close that up. And the questions are now open for discussion. Ms. Johnson, followed by Ms. Anderson.

COUNCILMEMBER JOHNSON: Yes. Uh . . .

. . . Mr. Tengan, the one thing that's gonna be obvious is if we're taking money from one area and we're transferring it other, to other areas, what was this money to have covered? And perhaps the Budget Director may be able to answer it better. But I just wanted to know if we were behind in terms of moving forward with one project. . . and that was why the money was gonna lapse and what wasn't going to be done as a result of now reallocating this money to the new projects?

CHAIR KANE: Ms. Morrison, if you can expound on the reasoning for the change?

MS. MORRISON: The funding for the, for the two projects is coming from the North Waihee Water Source Development in the Wailuku-Kahului Community Plan District. And the

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specific piece of that is for the Maluhia Well. Because a well site has not been purchased yet, that. . .that money will lapse in the '05 Budget. However, we did include it in the 2006 Budget. So they will be able to continue working on that project. . .and attempting to purchase land and go on with that, that overall project. If there's more specifics about the project itself, I'll let Mister--

COUNCILMEMBER JOHNSON: No, I, I just wanted that to be on the record so that the public knows why the switchover is occurring from one area to the other. The other question that I would have is because of some of the issues--and I don't know whether this would be you, George, or the Budget Director, but because of some of the issues surrounding the designation of the aquifer, also some of the issues of transferring money, perhaps, from one community plan district to another. . .can you expound on. . .what you believe is going to be accomplished in both the community plan by moving this over from one to the other to alleviate any possible concerns, and also with regard to any designation. . .is the State being involved in any way in either one of these components?

MR. TENGAN: Thank you. Mr. Chair. . .there's no. . .effect on the fact that Iao has been designated. As you know, the designation has been only with the groundwater sources. The designation hasn't been attached to the surface water sources. . .right now. . .although there are some issues out there in the community. With regard to Upcountry and. . .Lahaina. . .you know, there's no designation impacts there.

COUNCILMEMBER JOHNSON: . . . The, the other component, though, would be if we're moving it from, the money from one community plan district to another, is there any prohibition or is there any concern--if the revenues were generated, let's say, for example. . .in the Central area, and I'm not sure how the monies, you know, other than us allocating during the budget process. Is there any way that these monies are specifically tied to an area where the money should stay?

MR. TENGAN: No, they're not. We don't, we don't keep. . .our revenues by district.

COUNCILMEMBER JOHNSON: Okay, so there's no problem, then, with regard to just transferring money where it's needed.

MR. TENGAN: None that I, I'm aware of.

COUNCILMEMBER JOHNSON: Okay. And my final question has to do with the study of the in-stream flow that the Council also funded. Will any of the aspects of the project with regard to the Central Maui component, would that interfere in any way with that study or will it impact it in any way?

MR. TENGAN: None that I know of, except that we would be using more water out of the Iao Ditch.

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COUNCILMEMBER JOHNSON: Okay, so, and that might affect some of the . . .the studies, the, the end result in the study? Is that correct?

MR. TENGAN: Only to the . . .extent that we'll be taking more water from the ditch.

COUNCILMEMBER JOHNSON: Okay. Thank you.

CHAIR KANE: Thank you, Ms. Johnson. Ms. Anderson?

COUNCILMEMBER ANDERSON: Thank you, Mr. Chairman. Mr. Tengan, I'd like to follow up on that. You say you're taking more water from Iao Ditch.

. . . How much water will you be taking and, and if you're taking money from the Wailuku-Kahului Community Plan . . .

NOTE: Pause.

COUNCILMEMBER ANDERSON: . . . you're taking it--I see, I . . .I recall, she said the Maluhia Well. So you're still gonna be upgrading the treatment plant, the Central Maui Treatment Plant?

MR. TENGAN: Yes, we are.

COUNCILMEMBER ANDERSON: And so in upgrading it, you're upgrading it to increase capacity.

MR. TENGAN: That's correct.

COUNCILMEMBER ANDERSON: And the capacity will come from the water from . . .Iao . . .stream flow?

MR. TENGAN: That's correct.

COUNCILMEMBER ANDERSON: Can you tell us how much that will be?

MR. TENGAN: Up 'til about 700,000 gallons per day, I believe. . .that's what we stated in our write-up here.

COUNCILMEMBER ANDERSON: And who's giving you permission to take that water?

MR. TENGAN: We have a contract with Wailuku Ag to withdraw water from the . . .from the Iao Ditch.

COUNCILMEMBER ANDERSON: A contract from Wailuku Ag?

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MR. TENGAN: Right.

COUNCILMEMBER ANDERSON: . . . And. . .is the Council privy to the contract? Is there a way we can get a copy of that?

MR. TENGAN: . . . Uh. . .I guess we could make copies if, if it's wanted.

CHAIR KANE: Ms. Anderson, we'll make a request from the Water Department to have that forwarded to the. . .to the Committee for your perusal.

COUNCILMEMBER ANDERSON: Thank you. I think that, you know. . .this is a public resource, we need as much transparency as possible. Can you tell us off-hand what, what we're being charged for this?

MR. TENGAN: . . . Forty-eight thou. . .I mean, 48 cents per thousand gallons.

NOTE: Silence.

COUNCILMEMBER ANDERSON: . . . Sort of sounds like 48,000 doesn't it?

. . . So. . .the money that's going from the Wailuku-Kahului Community Plan District . . .

. . . maybe Ms. Morrison would be the person but, George, you could probably answer this. Uh. . .this money that was earmarked, the, the. . .900,000. . .is that. . .what's the source of that money?

NOTE: Silence.

MR. TENGAN: . . . It's from our Restricted Funds, what we. . .which would primarily be the Water Source and Development Fees.

NOTE: Silence.

COUNCILMEMBER ANDERSON: . . . Is there something else besides the Water Source and Development Fees that that. . .strict, the. . .Restricted Funds fall under?

MR. TENGAN: No. There may be some other fund balances remaining from years past, but primarily this would be it.

COUNCILMEMBER ANDERSON: . . . And so. . .could you tell me, when you collect these Water Source Development Fees, is there any requirement that the fee, that the funding be spent in the district from which they're collected?

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MR. TENGAN: There's no such requirement.

COUNCILMEMBER ANDERSON: So developers who are building in the Central Maui area and contribute to the Water Source. . .Development Fee . . .

MR. TENGAN: . . . Correct.

COUNCILMEMBER ANDERSON: . . . those funds can be used anywhere in the County?

MR. TENGAN: As I understand, yes.

NOTE: Silence.

COUNCILMEMBER ANDERSON: . . .(cleared throat). . . And, okay, so you're going to be increasing capacity in the Olinda Water Treatment Plant by how much?

MR. TENGAN: By about 700,000 gallons per day.

COUNCILMEMBER ANDERSON: Same as Iao and same--and what about West Maui?

MR. TENGAN: It's the same.

COUNCILMEMBER ANDERSON: Seven hundred thousand?

MR. TENGAN: Approximately, yes.

COUNCILMEMBER ANDERSON: And. . .and so. . .where is the, the additional water coming for Olinda?

MR. TENGAN: . . . From the Kahakapao Reservoirs.

COUNCILMEMBER ANDERSON: . . . So it's water that you've already stored. You're just gonna increase the ability to treat it. . .faster, I guess.

MR. TENGAN: That's correct. For clarification. . .the lower system relies on the Piiholo Reservoir. . .whereby the upper system. . .depends on the Kahakapao Reservoirs.

COUNCILMEMBER ANDERSON: So you're not taking any additional water. It's just water that's already stored. You're just increasing the capacity of the--

MR. TENGAN: Well, if we take--

COUNCILMEMBER ANDERSON: --plant?

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MR. TENGAN: If we take the total . . . total storage . . . between Piiholo and Kahakapao, the answer would be no, we wouldn't be taking any more water. If you're looking only at . . . Kahakapao, then, yes, we would be taking more water from Kahakapao, but less from Piiholo.

COUNCILMEMBER ANDERSON: . . . But nonetheless, the water's going to be . . . (*cleared throat*). . . let's see. The water that, that . . . is stored . . . in these reservoirs, you're not gonna be *increasing* the amount of water--I guess you will if you're taking more out for treatment . . . you'll be filling the reservoirs more often . . . with . . . the water source that you're using currently. Is that right?

MR. TENGAN: Yes, as . . . as I stated earlier, in total, we wouldn't be increasing the amount that we'd be taking. It's just that we would be treating more water on the upper system where we . . . apparently pumping from the lower system and we wanna . . . improve on our cost efficiencies by eliminating the pumping cost from the lower system to the upper system.

COUNCILMEMBER ANDERSON: I see. Okay. Thank you. And then, where is the additional water coming from for the West Maui Treatment Plant?

MR. TENGAN: Um . . . there wouldn't be any additional water that's coming to the plant. It's just that it would increase our capacity at that plant when we have sufficient . . . flows to the plant.

COUNCILMEMBER ANDERSON: . . . Okay. And then one other question, Mr. Chair. Mr. Tengan, the . . . the increase of the treatment plant's capacity . . . is there anything else that's gonna be improved with these funds? In other words, the . . . the . . . I guess . . . increase infiltration process or . . . increase the quality of the water in any way?

MR. TENGAN: No, the quality of the water would remain the same. Uh . . . and there wouldn't be any off-site improvements if, if that's what you're asking about. All the improvements would be done within the plant itself. Basically, what's gonna be needing, needed is some replumbing to add on the additional units.

COUNCILMEMBER ANDERSON: Okay, so it's just to increase the capacity, not to increase quality in any way.

MR. TENGAN: No.

COUNCILMEMBER ANDERSON: Okay. Thank you very much.

CHAIR KANE: Thank you, Ms. Anderson. Before I recognize the next question, follow-up on Ms. Anderson's earlier line of questioning with respects to the Iao Ditch. For clarification, Mr. Tengan, the, Wailuku Ag has an agreement with *who* to withdraw water out of the Iao . . . is it Iao Stream?

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MR. TENGAN: Yes. The, their intake is right in the stream itself.

CHAIR KANE: Okay. And then from there, we have the agreement with them to utilize the water that they're . . . they have an agreement to withdraw from.

MR. TENGAN: Yes. . . I don't know that they have an agreement with anybody to take the water from the stream.

CHAIR KANE: Umm.

MR. TENGAN: I believe that land belongs to C. Brewer, slash, Wailuku Ag.

CHAIR KANE: Okay. Thank you. Thank you for that clarification. Further questions, Members, with respects to the request to move money around to accommodate filtration systems at the various . . . plants?

. . . Yes, Ms. Johnson?

COUNCILMEMBER JOHNSON: With regard to that last question, I know there's been some discussion in other forms about. . . I guess, the use of the water that is coming out, and Wailuku Agribusiness had been previously using it for farming operation. Even if we get the additional ability to process more water, could that be impacted if there's a decision that would basically eliminate some of their use or their entitlement to that water by other entities who are now claiming those rights?

MR. TENGAN: Yes, I guess what. . . would be the determining factor would be what the State Water Commission decides. However, we need to keep in mind that public use is of. . . a high priority.

NOTE: Silence.

COUNCILMEMBER JOHNSON: . . . And I, I realize that. But I'm, what I'm asking is *could* a decision, if it's made, whether it's in the court or by the State Water Commission. If the State Water Code stipulated that the money, or the . . . the water resource was to be utilized in a hierarchy--you know for farming purposes and then the water is no longer being used for those purposes--how, I guess, does that impact or. . . I guess you're saying it *is* possibly going to impact if that decision is made. . . that we can't utilize that water, that it has to be used for other purposes.

MR. TENGAN: If such a decision is made, then obviously we wouldn't have water to. . . treat at our treatment plants. . . and we would be out of the capacity that we're running, or the amount of water that we're running through the Iao Treatment Plant today, which is about. . . a little less than 2 million gallons per day.

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COUNCILMEMBER JOHNSON: . . . Okay. And so do you have any idea when that decision might be made?

MR. TENGAN: No. . . I don't have any idea.

COUNCILMEMBER JOHNSON: Okay. Thank you very much, Mr. Chair.

CHAIR KANE: Thank you. Members . . .

. . . before the Chair. . . makes his recommendation, the Chair would like you folks to consider--on the revised bill that's attached to the August 23rd cover letter from Ms. Morrison, our Budget Director, you will note on Page 2 and 3 of the bill that we have referenced section "J". Under Section 1, letter "J", from Water Supply's, Water Supply Funds, Unrestricted--the Chair's recommendation will include the deletion of any reference to the Unrestricted Fund since what we have before us is only Restrict Funds being amended, as far as the use. So if this body approves, what will be forwarded on to the full Council will not reference section "J", which is the Unrestricted Funds, which there's no request for amendment in this area. So, Members, with that being said, the Chair's recommendation, if there are no further questions--and I'm sorry. . . are there any further questions before the Chair makes his recommendation?

NOTE: Silence.

CHAIR KANE: . . . Hearing none, thank you, Members. The Chair's recommendation is to . . . move forward with the revised proposed bill that is attached to our August 23rd, 2005 cover letter from Ms. Morrison, with the exception of deleting. . . the entire section "J" from. . . from the bill, and filing of said Communication, 05-244.

VICE-CHAIR HOKAMA: So moved.

COUNCILMEMBER PONTANILLA: Second.

CHAIR KANE: It's been moved and seconded by Members Hokama and Pontanilla. We have discussion on the floor. Any discussion?

NOTE: Silence.

CHAIR KANE: . . . Hearing none, Members, all in favor, signify by saying "aye".

COUNCIL MEMBERS: Aye.

CHAIR KANE: Opposed? Let the record show it's unanimous with Member Mateo excused from the vote this afternoon.

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VOTE: AYES: Councilmembers Anderson, Carroll, Johnson, Molina, Pontanilla, Tavares, Vice-Chair Hokama, and Chair Kane.

NOES: None.

ABSTAIN: None.

ABSENT: None.

EXC.: Councilmember Mateo.

MOTION CARRIED.

ACTION: Recommending FIRST READING of revised bill and FILING of communication.

CHAIR KANE: Members, we have no further business for the Budget and Finance Committee meeting of August 30th. This meeting is adjourned . . .*(gavel)* . . .

ADJOURN: 1:56 p.m.

APPROVED:



DAIN P. KANE, Chair
Budget and Finance Committee

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Transcribed by: Camille Sakamoto