

# Committee of the Whole Meeting

May 23, 2011

Board Present: Randall Nishimura, Larry Dill (*left @ 11:50am*), Daryl Kaneshiro, Roy Oyama, Michael Dahilig. *Absent and excused: Raymond McCormick*

Staff Present: David Craddick, Marites Yano, Dustin Moises, Eddie Doi, Deputy Manager William Eddy, and Deputy County Attorney Andrea Suzuki

Chair Kaneshiro called the meeting to order at 12:21 p.m. Quorum was achieved.

## **AGENDA**

Mr. Nishimura moved to approve the Agenda as posted, seconded by Mr. Dahilig; by a unanimous vote; motion was carried.

## **NEW BUSINESS**

### **Re: Proposed Budget 2012**

After discussion with Chair Kaneshiro, concentration was requested by Mr. Nishimura to items 11 through 15 on Operating and Capital Budget.

Tab 13 Page 3, Grove Farm Tanks, Mr. Moises stated that these are all new projects and Mr. Nishimura advised board to remove word "Encumbrance," on top of this column.

Mr. Nishimura requested Manager Craddick to explain further about what the Water System Monitoring consists of.

To make the process logical, it was decided to go Tab by Tab reviewing the changed pages, starting with Tab 11.

### **Tab 11 – Contract Capital Expenditures**

Mr. Eddy confirmed that the SCADA project with Timberline is closed. Manager Craddick and stated that the Century Computer is tentative and is looking forward to an IT Strategic Plan and if out of that strategic plan; it includes to migrate to a different accounting plan we will base decisions from there. Therefore contract stands.

Mr. Nishimura questioned Contract 490 under Operations section 10 considered Capital or RNM and was stated by Deputy Eddy that it was not a capital contract.

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Tab 12 – Capital Improvement Budget

Page 2 Hydraulic Analysis, Mr. Moises noted that the Land Acquisition Tank Sites deletion of the \$926,600 was to knock out Kilauea and Hanalei and the \$250,000 was to add in addition for Koloa. Mr. Doi explained that the line item of \$120,000 will expedite the work on the plans for Water Resource and Development plan. Mr. Nishimura brought up questions of the relationship between the Waimea waterlines to tank site. Manager Craddick stated that the project was funded from BAB and is being reimbursed from state and is asking the board to amend budget that was carried over to this 2012 fiscal year. Intentions are due to the expansion of its tank site relation which should come out of the FRC fund and not the water utility fund until contract is recertified under the state grant. Manager Craddick stated that packet containing rates have 6 scenarios, is accounted for in the rate study and for the budget regarding CIP. By moving the CIP out, the rate increases in the 5<sup>th</sup> year, \$2.5M vs. \$1.7M would eliminate the 5<sup>th</sup> year rate increase. Mr. Nishimura noted that if the \$250,000 is included in the utility fund it would have a direct impact on rates. There is a 5% impact on rates for every \$1M of capital and if not spent, rate increase may be deferred. Deputy Eddy noted that the \$30,000 for the exchange is reasonable.

Page 3 regarding the Moloaa Tank, Manager Craddick is looking to relocate it and get it off the road and appraisal is done and quoted at \$66,000.

Manager Craddick noted that the USGS joint funding agreement is still about \$37,500 and Mr. Nishimura suggested that Line item for Maintenance and Support of the Hydraulic Model Tab 8 Page 3 be reviewed and justified to Board if we needed more than \$50,000 and to be aware that the \$120,000 on Tab 12 page 2 is no longer available. Mrs. Yano response was that there is \$12,500 left over from the USGS contract.

Page 4 1993-1994 Contracts, Deputy Eddy emphasized that this property is owned and controlled by the University of Hawaii and they are waiting for the executive order to release it to state so we can issue an executive order to build a water tank. We currently have the Pupuiilo Tank to service the clients in this area. Mr. Nishimura and Mr. Oyama suggested to close contract until this issue is resolved if permissible. Manager Craddick explanation of the \$53,751 is the balance of the contract. Mr. Dahilig stressed priority or alternatives of this contract to whether it is of high importance or beneficial. Project is being spearheaded by Gregg Fujikawa.

Page 5 2001-2002 Contracts, Drill Omao Well, Deputy Eddy noted that this BY well #1, Fukunaga and Associates. This project is to be expected to be drilled after plans, specs and bids and to be on the next budget cycle.

Page 6 Line 621. Kilauea 1.0 MG Tank & Pipeline, Phase I. Mr. Moises and Deputy Eddy stated the design is pending and is estimated at 40% progress. \$88,000 of this project got moved to BAB.

Page 7 Line 651 AMFAC Shaft. Deputy Eddy made aware that this contract is needed and requires a lot of water quality testing. The addition of \$159,946 is just the design cost. Mr. Nishimura suggested this to be taken out of BAB since the AMFAC Shaft is under BAB. Manager Craddick stated this is FRC related where this was originally funded.

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2008-2009 Contract Stable Tank & Kapilimao Storage Tank. Manager Craddick commented that these projects are 1% to closure and working on final documents. Both projects will translate to bottom line since both projects are SRF funded and being reimbursed back. Mr. Moises will review Kapilimao and pointed out that Stable tank's \$185,717 is overestimated.

Mr. Nishimura requested to review the projects to see what projects can be reduced and/or considered abandoned. The capital amounts affect the water rates and looking at these amounts we are looking at already 8%. In the future, every five years the rate study is based on the Capital Improvement Budget.

Tab 13 Capital Rehabilitation Program Budget

Clearwell Tank, page 2. Mr. Moises stated that this project started 2 months ago and the \$1M is just for engineering only and the \$500,000 could come off. Mr. Moises will revisit this to get a specific number. Mr. Nishimura looks at it to budget from that perspective; it is more inclined to be given the money if we are thin to start off with. Mr. Moises approximated to have a \$1.1M contingency would be adequate.

Mr. Moises confirmed that the Kekaha Shaft is the same as the AMFAC Shaft. Manager Craddick stated that if we find the ground water is not under the influence, the project could be up and running with the \$538,494. If not, this number will go up and this will supply water just for Waimea and the Kapilimao Well is getting salty due to over pumping.

HE-11 Hanapepe-Eleele Road to Salt Pond, Mr. Moises said the \$150,000 is for the design. Manager Craddick has a design for this portion, but is going to the airport because there is a lot of old military stuff to determine where the water lines are and is going to get rid of the old lines. The size needs to be reduced because the original design was for 12" for the drug rehab center which is not continuing.

Page 5 Line #589, Mr. Moises justification to additional \$48,000 is the state right of way portion and this should be the last one so bids for this project is planned for this summer.

Page 5 Line #592, Mr. Moises requested to add funds to this project. EA is already in process and the funds will be used for cultural survey and monitoring plan. Mr. Moises submitted two request from two entities and the first proposal received was for \$100,000 for the cultural survey, plan and to monitor during construction. Mr. Moises is working with Dennis to get two more proposals from difference entities. This job is on hold until the state historic preservation is reconciled.

Page 7 line item #637 Mr. Moises noted that Koga's job is done.

Page 8 line item #651 Ms. Yano stated that the \$159,946 move to CIP is reflected on Page 7 of Tab 12 line item #651 Contract No. 466.

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Deputy Eddy noted that line item #664 Akulikuli Tunnel contract is closed and the project is looking toward a treatment plant and moving on to design. Manager Craddick found out that in the tunnel there is a spring there where a sample was taken and later to be found to be fecal positive. The treatment plant would be up near the tunnel and would not be in the pipeline before the street. Akulikuli ranges at about 350 to about 600 gal/minute flow and would account to be 25% of the water in the Kapaa area. Deputy Eddy noted that the percentage would be less because of the Makalea Tunnel, Makalea Well, and the Kapaa Homesteads #2 so it would be 15-20% and that the availability of resources to look at the Akulikuli is a guaranteed source because it's there. Manager Craddick noted that this is high level water with no pumping needed in a high emergency situation this would be the only water coming into the system if power is lost and would flow all the way down. The treatment plant would have generator backups. Deputy Eddy explained that it would be cheaper water due to no pumping to benefit for high level water. Mr. Nishimura requested to look into the savings of the treatment cost if DOW is looking into a serious option differential. He also referenced to either look for a high level source that may not be contaminated rather than taking a known source that is contaminated and treating that source for "x" amount of years from the stand point of long infrastructure. Manager Craddick would go through treating the source before heading to the design aspect.

Page 9 Line #678 \$742,805 Mr. Moises confirmed that the project is done and the \$742,805 was change order credits used.

Tab 14 FRC Fund

Manager Craddick explained we normally do not keep \$1.3M in there, but because of the debt payment services to make it might go down to 1/3 and will not be enough to cover for the next year. By keeping the monies in there will depend on how long the FRC study will take and then deal with those rates. Mr. Nishimura explained the \$2M is basically debt service and just paying the debt service, we wouldn't be able to keep up with the current with the FRC collection rate.

Manager Craddick noted that Page 3 Omao 0.5 MG Tank, Kilauea 1.0 MG Tank, and the Poipu 1.0 MG Tank projects are being deleted because they are coming out of BAB. Mr. Moises noted that the \$400,000 for the Poipu 1.0 MG Tank is design only and going through the selection process currently. Mr. Nishimura confirmed that we will roughly have \$600,000 in design and \$2.2M in construction that is being funded by BAB. Mr. Moises stated that design will be funded by BAB, but as far as construction he is unsure.

Page 6 Line #302, Deputy Eddy stated that this Poipu Storage Tank contract was built several years ago GIP could not get a tax clearance and so this was always remaining. Mrs. Yano reported the way this item is presented will be paid and is not being deleted.

Mr. Moises noted that Page 7 Line #321 UH Tank in the past Portech had the contract to survey the site, but not necessarily acquire the site and it is the same job as the UH Experiment Station.

Page 8 Line #323 Mr. Moises explained that Kapaa Homesteads 0.5 MG Tank is adjacent to Makalea 1.0 MG Tank and Kapaa 1.0 MG Tank is Ornellas.

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Mr. Dahilig asked why we have an offset escrow. Manager Craddick explained that because sometimes we have to pay people back and we require the improvements to be put in along with the FRC and in return, when project gets built we return it. For example Kukuiula, we paid back \$1.3M this last year and the balance of this is with the Kulana Project in Kapaa. In theory if they finish it, we'd return the fee they have paid which is the estimated \$500,000.

Mr. Nishimura emphasized that we need to address why we collect FRC, for example \$2M and they spend \$6M, we reimburse them back say \$2M we are sitting on their \$2M for the duration of the time they are installing the facility. Mr. Doi explained a formula is used and sometimes what they submit they have so much percentage admission, source and storage and some may be applicable and some might not be. There were several that went through the new rules of 33% and we have never been short in the case where they have put less than the value of improvements. One example is Kukuiula. Manager Craddick stated that at the time subdivision is approved the FRC is collected and with the FRC plan given to the board was given suggested role changes and in that plan we don't collect if they are going to build the improvement. A point to rethink is why we have to pay and monitor this money?

Mr. Nishimura had a general question on the bond fund due to specific to where the money is spent. Are there any projects that were pushed on the side and no longer feasible to pursue them that is funded through the various bond issues and how will it be resolved? For example Akulikuli where money was spent quite a bit, but now we need to look at something else. How money is treated in general obligation bonds and still kept in compliance? Manager Craddick explained that the left over money will make a full payment to the PY job to zero it out and there will be no bond money left from other projects and we will still be in compliance with the bond issues from previous bonds. The previous bonds are only for tanks. Mrs. Yano noted that the required monies for PY tank will decrease the BAB by \$295,269 explained on page 2 Tab 15 on Unlimited Builders. The \$295,269 proposed new additions came from the original budget of BAB.

Mrs. Yano noted that Page 3 Tab 15 Kapaa Homesteads the \$352,753 was budgeted and the \$94,613 contingency was added to the bond balance at the beginning of the year which was \$200,652. The Kauai Builders line #216 project was closed and the estimated payment estimated was \$258,140. There was a final payment made and the figures might be less due to change order credits and the final numbers which will affect the budgeted amount under the BAB. The budgeted amount of the BAB goes down by the amount added to \$326,000.

Page 2 Tab 15 Mrs. Yano stated a correction for BAB 1. The proposed new addition numbers are not in there. She is requesting a deletion of the proposed new addition column of the amounts \$656,255 and \$1,013,739. The \$150,313 is the difference between the \$4.3M they billed us for and \$4.2M that we have. This was done before we knew the price of the other one and cannot be the same thing even though the amount is similar. Mr. Nishimura asked Manager Craddick of how much more is needed. At our next board meeting if the \$120,000 is approved this would stay the same if this is done by June 10, 2011, but still undetermined between Manager Craddick and Mrs. Yano. Mrs. Yano would like to make a correction on the last column of \$5,056,255. She has a draft for this. She requested for this to move from this to the contracted page 4 of Tab 15 of this worksheet. It's actually \$4.2M and we are asking for an additional \$150,000 for 2012, but also at the next board meeting there is a request for an additional \$120,000 which will be spent this fiscal year. Page 2 and 3 is already encumbered and contracts are let.

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Page 3 Tab 15, the only one with a budget amount is the highway widening job for \$4.3M. The total shown for \$28,865,894 to the far right is carried over from Page 2. Mrs. Yano stated that the CIP fund balance is \$28,865,894.

Manager Craddick stated that Page 3 Job 11-08 to Construct Poipu 1.0 MG Tank project is not currently on the BAB list, but if the board amends the bond list projects. If it can move forward we have the design moving this year. This was a tank project if there is a possibility to fund, but however remote it is, it is listed on this budget but cannot be moved unless amended on the bond project list.

Page 3 project spend down was left blank for dollar amounts because Manager Craddick says it would estimate to be over \$83M versus the \$23M. Mr. Nishimura requested to see dollar amounts on Page 3 Tab 15 and by showing dollar amounts; will establish the ones that are priority instead of taking away from other projects. Mr. Nishimura used the high level water as a primary example that will take about 25 years to do overall implementation. However a portion may want to be funded with BAB funds, but is that the priority over some other projects that are also on the BAB list that may be more present? An example that is no longer on the list would be the incident in the Hanapepe. What is the department back up plan if the existing HDBP fails going down to the valley? Something like this, and the pipeline from the twin tanks down to the valley that is a HDBP permanent or temporary line? Deputy Eddy agrees to the backup plan. Mr. Nishimura requested that such project like this is of higher importance rather than the high lever water project. Mr. Nishimura reported to Mrs. Yano that he prefers to see dollar amounts in columns and is the matter of establishing priority. Mr. Dahilig addressed that he is satisfied with the motion that with the degree of flexibility to position these projects quick enough so money can be spent now. Manager Craddick ventured to say that if RFP was put out with false pretense and there is no intention of going ahead with the job, we could be in trouble with people bidding for the job. Once we get a price and if it's decided that we cannot do it, we will come back to the board to explain why we are or why we are not going ahead. To be saying right now ahead of the game in getting the price, people are flying here to meet and if the board's intent is to not do the project under any circumstance we should cancel the RFP and move on to the other projects. Mr. Dahilig referred to this as a "half pregnant scenario," so we need to decide how to prioritize this. Some questions to think about is how does this compare to the other spectrum of the other projects, what does this cost, what are we foregoing from an opportunity standpoint, what are the commitments? Deputy County Attorney Andrea Suzuki stated that we are not at a point where we know what the costs are yet and we are not at the stage of signing contracts. Manager Craddick noted that from the initial estimate put in to PLH-03 is \$12M, WK-30 is \$3M, WK-02 is \$5M, PLH-02 is \$4M, Maka Ridge is \$3M, WK-28, and job 11-09 would be considered to be "dollar funded." He also suggested to Mrs. Yano to use a \$1 fund amount for the projects not listed with a commitment before coming to the board. Commitments have yet to be made.

Mr. Nishimura's primary idea with Build America is do as much as we can for Water 2020 and the \$12M is a significant part of the pot. Maybe we need to look at other mechanisms for financing the High Level Project. When we talk about utility projects, let's be reasonable about how much we throw at it.

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Mr. Moises referred to Page 2 PLH 39 Lihue Baseyard Complex negotiations with consultants came out down to our budget at \$600,000 for design. Initially they came out a little less than \$1M and they got their price down to \$598,000 without watering down the scope. As far as this project as long as the land gets transferred we can get the masterplan signed off. Question to the board is what's the take in using the \$6M from the bond? Mr. Nishimura has no problem going forward with the design if we can come to grips with the masterplan. Whether we have come to grips with that or not is debatable but if we can come to grips with those things, and does not know if the \$6M building would be possible, but he is supportive to this strategic. Mr. Moises requested to have an amount allocated because when it gets down to the nitty gritty design at least we know we would have \$6M in anticipation for the design when the bids come in. If project is started now, we could possibly get into a construction stage within a year from July 30, 2011. We already sent the EA to the various agencies once that is done, the scope is just waiting to get approved and another meeting will be held with himself, Deputy Eddy, and Manager Craddick which is waiting on the land issue. Mr. Nishimura stated the resolution of the masterplan is the key point where there are elements in which the members of the board may not be comfortable with. Mr. Dahilig's only concern is if we do put a fixed amount in this project, then its amount of money that is going to be tied up for the next fiscal year that cannot be spent down on anything else. This is one of the priorities that we have for Manager Craddick is to try and get this spent down as quickly as possible. Mr. Moises' honest opinion is that once the land transfer and can get finalized that he would have the confidence in getting the documents within a year. Chair Kaneshiro asked for an understanding to what is asked to the board.

The question to the board is to show the amount for the design. Chair Kaneshiro explained that if a dollar amount is shown, a negative feedback may come from the council. Mr. Oyama stated that he would be more comfortable getting some commitments from our council and if they would go ahead and do the transfer. Manager Craddick explanation of how Mr. Moises got the price down from \$1M to \$500,000 is from a big portion due to net zero energy usage for the building. If we are going ahead to design for net zero energy use, we save power costs on the building every year from \$25,000/month, \$250,000/year on the building alone. It will be paid for by electricity for the life of the building. With this point, it will not be expensive and would rather be an investment. Mr. Nishimura's key point for the Department is that if you feel you can sell it to the board because if not, we cannot go to the council to sell the land. Mr. Moises is okay with the \$600,000 plus contingency for the design of this project. Mr. Nishimura explained that the \$6M is already reflected in the original bond spend down.

Mr. Nishimura requested for Mrs. Yano to "dollar fund" the projects in which the department "deems priority." Also include the desire to include the Poipu \$1M gallon tank would have to go under resolution. Deputy Eddy stated this project is in the high priority group and it was in the Phase 1 group. Manager Craddick stated that the key is to be able to use Kukuila's water at some point and to be able to replace it, the water's there and they are not building out within the next 2-3 years. He suggests that we identify well sights and drill, test, and cap them so when time comes it is relatively low in expense and it is usually getting it online that costs the money.

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DISCUSSION

Mr. Nishimura requested for the Department of Water to submit a revised budget for line #592 and any additional work that may be related to this.

Mr. Nishimura suggested that the next meeting will be done by divisions and scheduled as follows:

1. Operations                      10:15 am
2. Water Resources              11:15 am
3. Engineering                  11:45 am
4. Fiscal Divison
5. Administration

A recess was suggested to be scheduled on Thursday, June 2, 2011 at 10:15 am to 2:15 am to cover CIP Portion of the 2012 Proposed Budget and it was also noted that we will have the head of each division required to attend scheduled meeting as follows, Operations department 10:15 am; Water Resources Division at 11:15 am; Engineering at 11:45 am followed by the Fiscal and Administration Departments.

There being no further business, the Committee of the Whole meeting was duly adjourned at about 3:25 p.m.

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