

House Spec. Com. Rep. No. 1

Your Special Investigative Committee established to investigate the county of Hawaii Department of Water Supply pursuant to House Resolution No. 136, House Draft 1, and having been directed to report to the Speaker of the House of Representatives by H.R. No. 136, H.D. 1, entitled:

"ESTABLISHING AN INVESTIGATIVE COMMITTEE TO INVESTIGATE THE COUNTY OF HAWAII DEPARTMENT OF WATER SUPPLY"

begs leave to report as follows:

Introduction

House Resolution No. 136, H.D. 1, (2010), ("House Resolution"), established a special investigative committee to investigate the Hawaii County Department of Water Supply ("Investigative Committee"). (A copy of the House Resolution is attached to this report as Appendix A.)

The Investigative Committee consisted of:

- (1) Representative Robert N. Herkes, Chair;
- (2) Representative Faye Hanohano, Vice-Chair;
- (3) Representative Jerry L. Chang;
- (4) Representative Cindy Evans;
- (5) Representative Denny Coffman;
- (6) Representative Ken Ito;
- (7) Representative Sharon Har;
- (8) Representative Mark Nakashima; and
- (9) Representative Clift Tsuji.

Consistent with the directive of the House Resolution, the Investigative Committee specifically examined the status and handling of the Ocean View - Kahuku water system construction project on the island of Hawaii. Over the course of its work, the Investigative Committee has narrowed the scope of its examination to inquiries that it believed would ensure the progress of the water construction system project. The Investigative Committee believes that the speedy completion of the water system is in the best interest of the Ocean View community.

Background

Hawaiian Ocean View Estates ("Ocean View") is a community of about 5,000 residents in Kahuku near the southern tip of Hawaii Island. It is a remote rural community located in one of the driest and most drought-stricken areas of the State. The community has no central distribution point for residents' water supply.¹ Instead, Ocean View residents must rely on catchment or water delivery to their homes to meet their water needs. During the Cayetano administration, funds were appropriated by the Legislature to construct a water system for the Ocean View community, but those funds were not released. In 2005, \$6,000,000 was appropriated by the Legislature, again, to construct a water system for Ocean View. In 2006, those funds were released by Governor Lingle to the Mayor of Hawaii County, Mayor Harry Kim, for the development of a water well, fill station, and an appropriately-sized water storage tank.

At the time, Mayor Kim faced the options of issuing a request for proposals for the design and build for the project or assigning the project to the Hawaii County Department of Water Supply ("DWS") for management. The Mayor turned the project over to DWS, however, there is no written agreement between Hawaii County and DWS for the management of the project. DWS contracted with SSFM International to prepare Phase I of the project, which included designing the water system and preparing the environmental assessment. Community members provided input on the design of the project and were reportedly pleased with the design and findings of the environmental assessment. Since that time, Phase I was completed and a production well was constructed with sufficient capacity for the water system. The production well has now been in place for two years. However, no progress had been made toward Phase II of the project, which includes installing the pumping mechanism, constructing the water storage tank, and constructing the filling station.

DWS contracted with Bolton, Inc., to complete Phase II of the water system project. Bolton, Inc., prepared a new design for the remainder of the project that differs significantly from the original design that was evaluated in the environmental assessment and reviewed by the community. The original design provided for four filling stations to accommodate water hauler trucks; however, the new design provides for only two filling stations. In addition, the original design provided for a fence and landscaping to shield the filling area from neighboring homes. The new design eliminated the fence and landscaping. This design change angered neighboring landowners who expressed concern over possible noise, debris, and disturbances from the use of the filling station.

As of April 2010, approximately \$2,700,000 of the \$6,000,000 appropriated for the water system project has been expended. DWS has expressed concern that the remaining funds are insufficient to complete the project as designed. Currently, there remains approximately \$3,300,000 in appropriated funds for the project. The current Hawaii County Mayor, Mayor William P. Kenoi, has pledged an additional \$400,000 in county funds toward the completion of the project.

On April 26, 2010, the House of Representatives formally requested information related to the progress of the water system construction project from Mayor Kenoi and the Hawaii County Board of Water Supply. (Appendix B.) The Department of Water Supply, through the Mayor's Office, responded to those requests on May 21, 2010. (Appendix C.)

1. The nearest Hawaii County Department of Water Supply filling points are located approximately fifteen miles away in Waiohinu to the east or Ho'okena to the north.

Investigative Committee Action and Recent Progress

During the interim between the 2010 and 2011 Regular Sessions, the Chair of the Investigative Committee has continued to communicate with all interested parties in order to move the water system construction project forward. The Chair and members of the Investigative Committee met with Mayor Kenoi in early July 2010 and were able to collaborate on a strategy for completing the project. The Chair communicated with the Board of Water Supply, and met with its chair in person, to express concerns and request its cooperation in completing the water system. (Appendix D.) In addition, the Chair has maintained an ongoing dialogue with Ocean View residents, attending community meetings and frequently corresponding with individual residents of Ocean View, to ensure that community interests are heard and the Ocean View community's needs are met by the new water system.

As a result of communications with those involved in the project, considerable progress has been made in recent months toward the completion of the water system construction project. (See Appendix E and Appendix F.) Recent progress includes:

- (1) Grading and preparing the filling station site and access road;
- (2) Connecting the pipeline from the production wellhead to the filling station site several blocks away;
- (3) Completion of a contract with Water Resources, Inc., for the purchase and delivery of a submersible pump;
- (4) Submission and review of plans for a 300,000 gallon concrete water storage tank;
- (5) Preliminary arrangements with Hawaiian Electric and Light Company to supply electricity to the filling station once completed;
- (6) Revision of the filling station design to restore plans for protective landscaping and fencing to preserve the privacy of neighboring homes; and
- (7) Establishment of a tentative project completion date of October 3, 2011.

Despite these recent positive developments, the Investigative Committee is concerned that DWS's choice of a concrete water storage tank for the project may not reflect the better value and improved earthquake resistance of steel tanks of comparable size. In addition, the Investigative Committee is concerned that DWS's overall materials and design standards deserve review to ensure that they provide the best value. (Appendix G and Appendix H.)

The Investigative Committee convened a public meeting on January 6, 2011, which was attended by a quorum of committee members. At the meeting, members were updated on the progress of the water system construction project and heard testimony from Milton Pavao, Manager of DWS, Kurt Inaba, Head of DWS Engineering Division, and Don Nitsche, Ocean View resident. Written testimony was submitted by Rell Woodward, Ocean View resident. The Investigative Committee also reviewed an email from Mr. Inaba informing the committee that reservoir construction is expected to begin in February or March 2011.

Conclusions and Recommendations

After reviewing the progress of the Ocean View – Kahuku water system construction project, the Investigative Committee offers the following conclusions and recommendations:

- (1) Progress on the water system project had stalled by April 2010, but open and frank communications among members of the House of Representatives, Mayor Kenoi, DWS, Hawaii County Board of Water Supply, and the Ocean View community have restarted work on the project. It is expected to be completed in October 2011.
- (2) The Investigative Committee is concerned that the former Hawaii County Mayor delegated responsibility for the water system construction project to DWS without a formal agreement for its completion and operation. The Investigative Committee strongly urges Mayor Kenoi to enter into a formal agreement with either DWS or the Ocean View community for the ongoing operation of the water system and filling station.
- (3) The Ocean View community raised concerns that the contractor, Bolton, Inc.'s, design/build plans and changes to the previous water system design were not in the best interest of nearby homeowners or the community as a whole. These concerns have been resolved. The Investigative Committee strongly urges DWS and its contractors to facilitate continued open communications with the Ocean View community as this project progresses.
- (4) The Investigative Committee is concerned that DWS design standards are more conservative and expensive than necessary when compared to design standards used in the public sector or other municipalities for comparable water projects. DWS is encouraged to review, and revise if necessary, its standards for design and materials to ensure the best value and quality for the taxpayers of Hawaii County.
- (5) The Investigative Committee will continue to review the budget and expenditures for this project with the Department of Accounting and General Services to verify that the state moneys appropriated for this project are used appropriately.

The Investigative Committee appreciates the cooperation of all the parties involved in construction of the Ocean View–Kahuku water system, and it is optimistic that major obstacles to the completion of the project have been resolved. Members of the Investigative Committee plan to continue to monitor the progress of the water system construction project to ensure its completion on schedule and successful operation.

The records and information received will continue to be made available at the Legislative Reference Bureau library.

Respectfully submitted on behalf of the members of the Special Investigative Committee on the County of Hawaii Department of Water Supply;
Robert N. Herkes, Chair