

REGULAR MEETING
BOARD OF WATER SUPPLY
Tuesday, April 18, 2006

The Board of Water Supply, County of Kaua'i, met in regular meeting at its office in Lihu'e on Tuesday, March 21, 2006. Chairperson Josephine Sokei called the meeting to order at 10:22 a.m. On roll call, the following answered present:

BOARD: Ms. Josephine Sokei, Chairperson
Mr. Ian Costa
Ms. Lynn McCrory
Ms. Bernie Sakoda
Mr. Myles Shibata

Absent & Excused: Mr. Donald Fujimoto
Mr. Steven Kyono

STAFF: Ms. Wynne Ushigome
Mr. Paul Ganaden
Mr. Les Yoshioka
Mr. Gregg Fujikawa
Mr. Bruce Inouye
Mr. Keith Fujimoto
Mr. Galen Nakamura, Deputy County Attorney (present at about 10:30 a.m.)

GUESTS: Mr. Terry Kamen, Kiahuna Mauka Partners (KMP) (left at about 11:12 a.m.)
Mr. Greg Kamm, Kiahuna Mauka Partners (KMP) (left at about 11:12 a.m.)
Mr. Edward Tschupp, former Dept. of Water (DOW) Manager (left at 1:15 p.m.)
Mr. Ron Agor, Kaua'i Economic Opportunity (KEO) (about 10:30 a.m. to 11:50 a.m.)
Mr. Felix Gusman, KEO (about 10:30 a.m. to 11:50 a.m.)
Mr. Jimmy Nishida, KEO (about 10:30 a.m. to 11:50 a.m.)
Mr. Gary Mackler, Public Housing Agency (about 10:30 a.m. to 11:50 a.m.)
Ms. Stephanie Fernandes, Homeless Shelter (about 10:30 a.m. to 11:50 a.m.)
Mr. Dave Jochim, RW Beck (attended Board Meeting)

AGENDA

To accommodate our guests, Ms. McCrory requested to re-order the Agenda to have Old Business Nos. **F3** Manager's Vacant Position: a. Discussion and Action Steps concerning Selection Process for new Manager and Chief Engineer of the Kaua'i County Water Department and Discussion; b. Action Steps to Increase Water Manager's Salary and **F4** Further Discussion and Amendments to Scope of Work regarding contract between RW Beck, Inc. and Kaua'i County Water Department for Strategic and Business Plan for Kaua'i County Water Department be taken up after the last item under New Business.

Ms. McCrory moved to approve the Agenda, as re-ordered, seconded by Mr. Shibata; motion was carried.

MINUTES

Ms. Sakoda noted that she was not at the March 6, 2006 Charter Review Commission Meeting but it was Steven Kyono instead at that meeting.

Ms. McCrory corrected Page 3, 1st bullet, 2nd paragraph, 2nd sentence to read: "...someone who once lived here...". Ms. McCrory also corrected Page 15, 9th paragraph, that Ms. MaBel Fujiuchi worked at Kaua'i Economic Opportunity (KEO). Mr. Shibata corrected Page 7, under Findings, 2nd sentence to change the word "for" to "to". All corrections were noted.

Ms. McCrory moved to accept the Regular Meeting Minutes of March 21, 2006, as corrected and placed on file, seconded by Mr. Costa; motion was carried.

CORRESPONDENCE/ANNOUNCEMENTS:

Re: Letter to Ann Zane at the Department of Health's Safe Drinking Water Branch on the Water Purification Facility

Mr. Shibata commended the DOW for wise management and oversight of the new Water Purification Facility. Board concurred. Received for the record.

Re: Letter from the Department of Health, Safe Drinking Water Branch dated March 23, 2006 Regarding the Consolidation of the Lihue, Puhi and Wailua-Kapaa Water Systems Effective April 1, 2006

Received for the record.

Re: Hawai'i Association of Public Works Officials, Kaua'i 32nd Annual Conference

Received for the record.

OLD BUSINESS:

Re: Update Report on the Request by Terry Kamen for Board Assistance on his Kiahuna Project, Kiahuna Mauka Partners, LLC (KMP), TMK: 2-8-14:032, Poipu, Koloa, Kauai, Hawaii

Mr. Terry Kamen, Mr. Greg Kamm and Mr. Edward Tschupp were present to testify at the meeting.

First Issue: Eligibility for FRC Offset for Mainline extensions

Recommendation: The Department recommends that the Board not approve the developers' request to allow the on-site segment of the transmission mainline improvements for the Kiahuna Project to qualify for FRC Offset consideration.

Finding: The segments of the transmission mainline that qualify for the FRC Offset are defined by the Department Rules and the Interim Manager's Directive to DOW Staff Multiparty Facilities Reserve Charge (FRC) Offsets, dated January 31, 2006. Based on these documents along with the developers' Water Master Plan (WMP), FRC Offsets shall not apply to the on-site segment of KMP's transmission mainline improvements.

Per the DOW's FRC Offset rule, "FRC Offsets shall not apply to water transmission mains constructed by the subdivider, applicant or consumer which are within or adjacent to a subdivision or lands either 1) owned by the applicant or consumer, or 2) developed by the applicant or consumer..... Where water transmission mains are constructed within, adjacent to or outside of such subdivisions or lands, the offsets shall apply only to mains constructed outside of and off-site from such subdivision or lands." The provision is understood to limit

the applicability of FRC Offsets for pipelines to only the portion of the mainline improvements that are off-site relative to the subdivision, or project area. Mainlines that directly provide service within the subdivisions are not eligible for FRC Offsets.

Per the “Interim Manager’s Directive”, and as a practical matter the manager has previously directed that for projects with a water master plan or other recognized project boundaries, the determination of what improvements are “on-site” or “off-site” would be ascertained by the point at which the pipeline crosses the project or WMP boundary. This definition was adopted to simplify review of whether the pipeline is on-site or off-site by referencing that determination to the specific project, and not having to make a determination based on land ownership of adjacent parcels along the pipeline alignment. What was not recognized in the definition of on-site versus off-site pipeline are those situations where the transmission improvements provided benefits to other parts of the existing water distribution system in addition to allowing service to the specific subdivision or project area. At the November 2005 Board Meeting, the definition of on-site versus off-site was discussed, along with hypothetical examples of situations under which benefits to the existing water system could occur that could be a basis for a different definition, possibly allowing a more liberal interpretation of FRC Offset applicability for transmission. At that time, the Board indicated support for the definition based on the project (or WMP) boundary, regardless of whether the new pipeline would provide additional benefits to the existing water system beyond the boundary line. Consistent with this policy guidance, the manager’s directive is to define on-site vs. off-site by the applicable project or WMP boundary.

The “Interim Manager’s Directive” further addressed the KMP project since the WMP boundary is well defined, and the off-site pipeline are the water mains leading up to the WMP boundary. In conjunction with the KMP project, another developer (Historic Koloa Village, “HKV”), with property adjacent to the proposed new pipeline along the “off-site” segment of KMP’s WMP, is participating in the cost of pipeline improvements. KMP’s representation that HKV is a “partner” and participation by HKV renders the pipeline segment fronting the HKV property as “on-site” with respect to transmission FRC Offset; however, the pipeline improvements on either side of the HKV property that are outside of the KMP WMP area will be considered “off-site” with respect to transmission FRC Offsets.

Based on the above rule and directive the off-site transmission mainline that may qualify for FRC Offset consideration is described as follows.

Table: KMP Project Off-site and On-site Transmission Main Segments

Transmission Mainline Segment	Road Alignment	Start	End	Transmission Mainline Type (Off-site, On-site)
16”	Omao Road	Omao Tank	Koloa Rd	Off-site
12”	Koloa Road	Poipu Rd	Weliweli Rd	Off-site
12”	Weliweli Road	Koloa Rd	Waikomo Rd	On-site**
12”	Weliweli Road/ Hapa Road	Waikomo Rd	KMP Proj No. 4 boundary (Node 900)	Off-site
12”	Hapa Road	KMP Project No. 4 boundary (Node 900)	Pa’u A Laka (Kiahuna Golf Village)	On-site*

* Based on determination that the KMP WMP boundary will be located at the entrance to KMP Project No. 4 (vicinity of Node 900) along Hapa Road

** Based on the KMP’s representation that participation in the 12” transmission mainline by Historic Koloa Village “HKV” renders the segment fronting the HKV development

as “on-site” with respect to transmission FRC Offsets for KMP. However the transmission mainline improvements on either side of the HKV property that are outside of the KMP WMP area will be considered “off-site” with respect to KMP transmission FRC Offsets.

Second Issue: Additional reimbursement to first project improvements

The Department received a copy of a letter from Greg Kamm, Kiahuna Mauka Partners dated March 23, 2006 transmitting “suggested language” for Planning Department’s consideration. (Refer to the copy of KMP’s transmittal letter with attachments.)

Recommendation: Without the establishment of either a “special assessment district”, or community facilities development (CFD) designations and/or necessary rule amendments, the Department recommends that the Board not approve KMP’s request to require the Department of Water to manage and condition permits and/or water meter approvals for potential beneficiaries (developments) who may eventually connect to the water system improvements installed and constructed by a developer.

The Department’s conditions for permit and/or water meter approval for new project developments may require developers to construct the necessary source, storage and transmission requirements to adequately provide the required domestic and fire protection flows for the proposed developments.

Currently the Department does not have a policy or rule to require subsequent beneficiaries (developments) to reimburse the first project that installs the waterline that benefits all parties. When similar or overlapping system improvements are required for various developments the FRC Offset will be allowed to the development who actually constructs the source, storage improvement or transmission main. All other developments will not be allowed the FRC Offset.

Background: KMP has requested that the Board require subsequent beneficiaries (developments) to reimburse the first project that installs the water line that benefits all parties. According to KMP, to have only one project bear this inordinate cost with huge benefit to the other projects seems an unfair application of requirements and unequal treatment. KMP suggested that a fairer condition would be to have something similar to the former Proportionate Share Refund rule.

KMP also stated that the effect of having the same or overlapping requirements for water mainline improvements being placed on various projects in the Koloa-Poipu area is that the first development which gets approval and decides to complete the required transmission improvements carries the burden for the other developments which have the same requirement. An example of this is the Historic Koloa Village, Creekside and the Shops at Koloa, all of which are or will be conditioned on installing a new line along Koloa Road, among other things.

The Board deleted the FRC credits for source and storage facilities and the proportionate share refund for main extensions rules, and adopted the FRC “Offsets” rule on May 19, 2004. The FRC Offset rule allowed the Department to determine a FRC offset for the developments that were required to complete certain source, storage or transmission facility system improvements. The rule stated that the applicable FRC liability of such applicant, consumers, or subdividers shall be offset up to 33% each where water source or water storage improvements are constructed, and up to 50% where transmission mains are constructed; provided that the total amount of all offsets that the applicant, consumers, or

subdividers receives shall not exceed 100% of the applicant, consumers, or subdividers FRC liability, and provided further that the offset for any source, storage improvement or transmission main shall not exceed the actual cost of the source or storage improvement or transmission main.

The deletion of the FRC proportionate share refund rule was based on the intensive amount of administrative and staff effort required for the operation and maintenance of the current mainline extension refund rule. The process was very complex and time consuming. There was no assurance that the developer would receive any refund from others who connected to the main extension within the refund period. As a result the Board amended the rules and adopted the "FRC Offset" rule.

Testimony:

Mr. Kamen introduced himself and thanked the Board for having him testify again. He stated that Kiahuna Mauka Partners (KMP) does not own any lands but they are the property management firm that oversees this project. As there are 5 different landowners involved with this area, the Planning Department suggested that it would be easier if there was one party that they could speak to instead of 5 parties. That is why KMP was formed. He also had their consultant Mr. Greg Kamm present at the meeting.

Mr. Kamen reiterated his concerns from last Board Meeting's testimony about fairness for all involved and the millions of dollars that are involved. Mr. Kamen also reiterated and summarized the following chronological events. He also brought copies of the emails in support of his testimony.

Winter, 2003: Met with former manager Ed Tschupp and discussed the inadequacies of the Kōloa/Poi'pū Water System for existing units and future growth of the area. At this meeting, Mr. Kamen was notified of the Proportionate Share Refund Agreement (PSRA), which was a major incentive for them to move ahead. Mr. Kamen informed Mr. Tschupp that he was forming a consortium of developers to develop this water system as he was informed that this waterline project was not part of the Department of Water's (DOW) budget in the foreseeable future and too expensive for one entity.

April 11, 2003: KMP was formed with the 5 individual landowners to build the water system.

July 23, 2003: KMP signed an agreement with the County DOW to pay for part of Kōloa Well "F".

December 23, 2003: A 3-party agreement with the Knudsen Trust was signed with the County of Kaua'i. That agreement stated that Knudsen Trust may undertake the actions of the Water Master Plan including paying their pro rata share of water infrastructure based on unit count.

March 17, 2004: An agreement was signed by KMP, Historic Kōloa Village (HKV), who was to pay for the transmission line from Node 1 to Node 13.

March 29, 2004: Approval of the water master plan by Tom Nance.

March 30, 2004: An agreement was signed between KMP and Kukui'ula Development Company (KDC) for sharing the cost of the 'Ōma'o transmission line.

April 8, 2004: Received an email from Knudsen Trust that they agreed to the cost of the waterlines that affected the Knudsen Trust property, along Hapa Road.

June 7, 2004: KMP received a letter from Mr. Tschupp informing them that the DOW has cancelled the PSRA rule and was replaced with the facilities reserve charge (FRC) credit offset. Mr. Kamen stated that they had signed contracts in the area and then the DOW changed the rules after the contracts were signed.

July 7, 2004: KMP receives a letter from Knudsen Trust that they are not participating in the waterline or the cost to build it. The timing of the letter was exactly right after the waterline agreement had been changed.

Mr. Kamen stated that the DOW's letter stated that the reason why the PSRA rule was repealed was that the PSRA was very complex and very time consuming. He also stated that KMP kept their word with Mr. Tschupp and gathered all of the developers in that Kōloa/Poi'pū area to develop a comprehensive water plan that would serve the parties and improve the reliability, flexibility and capacity of the County water system. Their waterline connected 2 of the County's waterlines. He stated the DOW and Board changed the rules after KMP signed up all the parties. They relied to their detriment on the existing rules.

Therefore, he requested that the DOW to be fair and honor his and Mr. Tschupp's original agreement, to help them build their water system and partially pay their participants for the FRC credit and to make sure that other developers cooperate and not sit back and make KMP pay for everything.

Mr. Kamen added that KMP does not want to revise the rules or reinstate the PSRA. KMP proposes a simple solution to add this language to the DOW's requirements: "The builder of the waterline must give the County a letter stating that they have been paid back if they front the funds for another developer for the Kōloa/Poi'pū transmission line. This would have no County involvement, no recordkeeping and no intensive staff time. A simple letter from KMP is all that is required. They have drafted a proposed letter for the DOW and the Planning Commission as per the last Board Meeting. This proposed effort will band the developers together to build future water systems for the County.

FRC Credit Issue: Mr. Kamen stated that the developer that cannot get FRC credit was required to have his waterline end at the northern corner and was not actually required to continue the waterline to the Kiahuna Drive, Paulaka intersection. The County requested KMP continue the waterline to Paulaka Street and to build a pressure reducing station to service the existing homesites at Kiahuna. Mr. Kamen added that if KMP knew that the DOW was going to change its rule to eliminate the PSRA rule, they would have done their master plan differently. They would have stopped the waterline at the northern corner of Parcel 32 and not brought down the waterline along Paulaka Street. KMP would also have avoided the \$100,000 valving station, the \$75,000 SCADA controls and the course of the line in that area, all 3 items that service the County water system and not KMP.

Mr. Kamen stated that Mr. Kamm has drafted proposed language for the Board that could be included in the DOW requirements for the various projects in the area like: 1) Historic Kōloa Village (HKV); 2) Creekside Project; 3) Knudsen lands, etc. KMP is willing to build the line and would want to get reimbursed for the cost as the FRC offset does not come even close to paying one half of the cost. Mr. Kamen also stated that KMP has given their word and committed to building the waterline. The waterline by Paulaka/Kiahuna Drive up to Kōloa Town is about 2/3 done.

Mr. Stacy Wong of Knudsen Trust was present at the meeting at about 10:33 a.m.

Mr. Kamen summarized that all they are asking for is assistance to help them honor the agreement they had with Mr. Tschupp. He is asking for fairness, give them the FRC offset, and instruct the Department to include a requirement in the DOW's recommendation to make sure that the other developers honor their agreements and help pay for the lines.

On query by Ms. McCrory, Mr. Kamen stated that they had signed contracts with the other developers. Also on query by Ms. McCrory, Mr. Kamen stated that the contracts were to develop the water system. Mr. Kamen stated that they have contracts with DMB and HKV. Mr. Kamen stated that their alternative would be to do lawsuits, which can be a 2-3 year process.

On query by Mr. Shibata, Mr. Kamen replied that they do not have a contract with Knudsen Trust as they did not want to sign one. They do have contracts with DMB & HKV.

Mr. Kamen recalled that a Knudsen project, Villas at Poi'pū, were moving forward about 2-3 years ago and the DOW were going to give them 50 water meters, without building their waterlines. They never understood why that decision was made as it was contrary to the 3-party agreement made but since they did not get their final permits yet, he felt that it still could be remedied.

Mr. Shibata thanked Mr. Kamen for his chronological events and identifying his deliberate actions.

On query by Mr. Shibata, Mr. Kamen stated that he was not aware that the DOW was going to change their rules to eliminate the PSRA rule until they got notice from Knudsen that they were dropping out. Acting Manager Ushigome stated that before the rule change the DOW had a meeting with developers and they concurred with the rule change. Mr. Kamen reiterated that he was not aware of the rule change, otherwise, they would have written the contracts differently. Mr. Kamen stated that he realized that it was his fault for not reading the notices and not blaming anyone.

On query by Mr. Shibata, Mr. Kamen stated that they will be keeping their word that they will still build the waterline no matter what. However, he still requested that either or both DOW and Planning to direct developers to contribute their fair share of the waterline.

On query by Ms. McCrory, Mr. Costa concurred that the Planning Commission could irrespective of the DOW create their own conditions.

On request by Chair Sokei, former manager Ed Tschupp was asked for his perspective. Mr. Tschupp acknowledged Mr. Kamen for putting together the KMP project as water was hard to deliver to their property. Mr. Tschupp concurred that the presentation of the chronological events were helpful. Mr. Tschupp stated that he concurred with most of what Mr. Kamen presented. Mr. Tschupp also stated that the DOW was not involved with the 3-party agreement that Mr. Kamen mentioned and he was not aware of it until now.

Mr. Tschupp could not recall if he had specifically talked to Mr. Kamen about the repeal of the PSRA rule and the implementation of the FRC offset rule. However, at the same time, there was a significant change in the FRC structure from \$2,600 to \$4,600 and there was a lot of discussion with the community, Small Business Advisory Committee, etc. as part of the rule making process. Mr. Tschupp added that he recalls that the developers that the DOW talked to were in support of the FRC offset rule as they recognized the benefits of an outright, upfront offset rather than the PSRA rule that had a 5-year period; whereby, refunds were not guaranteed from other developers if they would wait till the 5-year period lapsed. He stated that the PSRA rule was a nightmare to administer as in some cases there were a lot of sub-

agreements, which have not all sunset yet. It took a while to do one agreement and all agreements had to be done sequentially, which has been problematic in the past when certain parties could not be reached in a timely manner.

On query by Mr. Shibata, Mr. Tschupp stated the rulemaking process could take up to 6 months with meetings with the SBAC, the Small Business Regulatory Review Board (SBRRB), notification of the public hearing in the newspaper and the public hearing itself.

On query by Mr. Kamen, Mr. Tschupp stated that it would be problematic without a DOW rule to include a recommendation to the Planning Department that any future developers in the area would need to contribute to the cost of the waterline. He thought that it would be easily accomplished through the County Council determination of a district.

Based on discussion by Mr. Kamen, Mr. Costa added that the Planning Commission does not second guess the recommendations of other agencies; therefore, the Planning Commission would only reiterate exactly what the other agency has stated as their requirement.

On query by Ms. McCrory, Mr. Kamen stated that their Water Master Plan was approved when the PSRA rule was in effect.

Mr. Tschupp brought up that KMP's combine projects were extensive; therefore, they were required to do a Water Master Plan so the DOW could envision what their project would need.

Mr. Tschupp added that he differed with Mr. Kamen on this point of out of the 5 partners, there was only one partner that required water in the 366 zone. He explained that water was brought from up above and storage was also built up above to serve the whole project; therefore, that line did in fact need to be extended to serve the whole project, including the lower zone. The project could have been served by the lower zone; however, it made more sense to be served from the system above. Mr. Kamen begged to differ on this point as this was a sticky point; whereby, several years ago, probably under a different Water Board, they came in for Board approval of the use of a stainless steel tank. At that time, they found that the 3 lower projects of KMP were located in the 245 zone and the tanks in Poipu were designed to accommodate those 3 projects. However, the DOW at that time suggested to KMP to demolish the old Omao tank and build a 0.5 MG Tank, even though they needed only 200,000 gallons. They decided to go that route and suggested to the Water Board at that time to use a stainless steel tank that would cost about \$700,000; however, since the Board turned that down, they had to build a \$1.6 million concrete tank. Since they were already way in the process, they decided to concur to build the concrete tank instead.

Mr. Tschupp begged to differ with Mr. Kamen's story but did not want to go into a lengthy discussion to refute each and every point. Mr. Tschupp added that one of the DOW's condition was established premised upon the principle that the developer shall provide all infrastructure for the project, which does not mean to borrow capacity from existing capacity in Poipu, even if the capacity is available. This principle was based from the time Moana Corporation's LUC requirements stated that the developer shall provide all infrastructure. The Board and DOW did work with KMP along the way to allow KMP to buy into Koloa Well "F" and the DOW did provide property that KMP could build their tank on. Mr. Kamen agreed with Mr. Tschupp.

On query by Mr. Shibata for clarification, Mr. Kamen stated that most of their partners have been very willing to participate, except that Knudsen Trust walked away and there are some grumblings from Historic Kauai Village (HKV), who are having some problems but he does have an agreement with HKV.

Mr. Kamen summarized that they are still going to build the waterline; however, they are looking for fairness.

Mr. Kamen was reminded by Mr. Kamm that Knudsen is part of the LUC agreement to build the water system as it is their land.

On query by Mr. Shibata, Mr. Kamen stated that even with the FRC offset rule for source, storage and transmission lines and with the agreements with the developers, they would not be able to recoup all of their monies. He added that they are also doing a lot of other things that would not be possible for them to recoup their monies like building a \$500,000 valve system that would regulate all of the tanks in Koloa and also paid to be on the DOW's SCADA system.

Mr. Tschupp added that with previous construction prices, the FRC offset rule would have been closer to having actual costs recouped; however, costs being so inflated the last few years makes it harder. Mr. Kamen agreed that with the 2004 construction prices, they would probably not be at this meeting as they would have disregarded the balance.

Mr. Shibata requested that the Board go into Executive Session to consult with our attorney for further discussion on setting precedence.

Chair Sokei read the following:

EXECUTIVE SESSION

Pursuant to Hawaii Revised Statutes (HRS) §92-7(a), the Board may, when deemed necessary, hold an executive session on any agenda item without written public notice if the executive session was not anticipated in advance. Any such executive session shall be held pursuant to HRS §92-4 and shall be limited to those items described in HRS §92-5(a).

ES-1: Pursuant to Haw. Rev. Stat. §§92-4, 92-5(a)(4), the purpose of this executive session is to permit the Board of Water Supply to deliberate upon and consult with the Board's legal counsel on questions and issues relating to the Request by Terry Kamen on his Kiahuna Project, Kiahuna Mauka Partners, LLC (KMP), TMK: 2-8:14:32, Poipu, Koloa, Kauai, Hawai'i

This consultation involves consideration of the powers, duties, privileges, immunities, and/or liabilities of the Board and the Department of Water as they relate to this agenda item.

The Board may take any appropriate action or make any decision arising from its deliberations concerning this item, including approval or modification of the proposed settlement in this case. Actions may be taken or decisions may be made in executive session pursuant to Haw. Rev. Stat. §92-5(b).

There was no public testimony.

Mr. Shibata moved to go into Executive Session at 11:12 a.m., seconded by Ms. McCrory; motion was carried.

Mr. Kamen thanked the Board and apologized that this was taking so long. The staff and guests temporarily left the room. Mr. Kamen and Mr. Kamm left the meeting then and did not return to the meeting.

The Regular Meeting reconvened at 11:27 a.m. Recess: 11:27 a.m. to 11:30 a.m.

Ms. McCrory moved to approve the Department's recommendation to deny Mr. Kamen's requests, seconded by Ms. Sakoda; motion was carried.

Re: Request for 1-Inch Water Meter – Kaua'i Economic Opportunity (KEO) Emergency Housing and Transitional Housing, Lot 1-A2, Wehe Road, Lihue, Kauai, TMK: 3-8-05:1

Mr. Ron Agor, KEO's consultant, Mr. Jimmy Nishida of KEO, Mr. Gary Mackler of the County Public Housing and Stephanie Fernandes of KEO's Homeless and Housing were present at the meeting,

Recommendation:

It was recommended that Kauai Economic Opportunity, Inc. (KEO) work with the Department's staff prior to submitting any request for Board approval to allow a 1-inch water meter for their project. As submitted through KEO's request, the Board should not be tasked with reviewing the water demand calculations and verifying the adequacy of a 1-inch meter for the proposed facility.

Due to the late submittal, the Department did not have adequate time to complete its review of the demand calculations to verify if KEO's requested meter size was adequate. Based on the information submitted by their engineer, if KEO decides to pursue another variance request to the Board for a 1-inch water meter, we would not recommend approval of the 1-inch water meter. This recommendation is consistent with the Department's current meter restriction policy in Lihue-Hanamaulu and the Board's previous decision to limit the project water demand to two 5/8-inch water meters.

Background:

Kauai Economic Opportunity, Inc. (KEO) submitted a letter dated April 11, 2006 requesting Board approval for a 1-inch water meter to service the proposed project. KEO's letter stated that as calculated by Aqua Engineers, a 1-inch water meter is required and, therefore, respectfully requested a 1-inch water meter for the project in lieu of the two available 5/8-inch water meters. Due to the late submittal, staff was unable to review the water demand calculations and verify if the meter was appropriately sized. KEO (James Nishida) was contacted and notified that our staff would not be able to complete its review and provide the necessary recommendations to the Board before the April meeting. KEO agreed to defer their request (if necessary) until the next Board Meeting on May 16, 2006.

A letter dated April 11, 2006 from Ron Agor, Agor Architecture, ("Agor") was also attached to the KEO request. The Agor letter submitted calculations on the water demand for the subject project, prepared by Aqua Engineers ("Aqua"). The submitted calculations were signed and stamped by an engineer, as requested by the Board of Water Supply during the March, 2006 meeting.

According to Aqua Engineer, Julie Simonton, a 1-inch water meter is required based on the conservative Uniform Plumbing Code method. She recommended that because of the conservative nature of calculating water demand by fixture units, a 3/4-inch water meter or the two allocated 5/8-inch water meters will suffice. However Agor felt that a 1-inch water meter is the more prudent way to go. Agor Architecture hoped that the Department can accept the request for a 1-inch water meter. Agor also stated that if KEO decides to go to the Board in order to get the requested 1-inch meter, he requests to be scheduled on the agenda for the upcoming Board meeting.

The Board of Water Supply did consider KEO's initial request to waive the condition for additional water source facilities for their project at the Board's March 21, 2006 meeting. The condition for additional source facilities was based on the current DOW policy that limits each lot of record to three 5/8" water meters or three single family dwellings in Lihue-Hanamaulu. According to the March Board Meeting minutes (it was attached) the Board approved a motion to approve the variance to allow eight (8) transitional units and to also allow two additional 5/8-inch water meters for the project. In addition the Board approved an amendment to the original motion, which conditioned the variance approval on the fact that (as represented) the emergency shelter and transitional housing project is being developed through a unique partnership with the County, providing a needed service, benefiting the residents of the island and advances a greater public purpose. Also, the motion was approved with the condition that prior to building permit approval, KEO's consultant needs to submit water demand calculations sign and stamped by a licensed engineer certifying the overall water demands have been verified for the proposed development on property. The Board reiterated a suggestion to Mr. Agor to modify some of the units until later so the project would be able to work within the limits of their three (3) water meter limit for the KEO lot. KEO could then apply for a larger water meter with the Department of Water when the Water Purification Facility is fully operational, or if the meter restriction policy is lifted.

The KEO Emergency Shelter and Transitional project has been conditionally approved for a use and zoning permit (Use Permit U-2006-14 and Zoning Permit Z-IV-2006-17) which includes a 19 bed homeless emergency shelter and eight transitional housing units.

Testimony:

Mr. Ron Agor, Consultant for KEO stated that the Board has the water demand calculations that was done by Aqua Engineers and based on their recommendations, KEO requested for a 1-inch water meter for the KEO Homeless and Transitional Housing Project.

Acting Manager Ushigome reiterated the Department's recommendation, which included that KEO should work with staff first to have the staff review their water demand calculations and make a determination if the 1-inch is adequate. Also, that the staff could not recommend approval of the 1-inch water meter, which is consistent with the Department's current meter restriction policy in Lihue-Hanamaulu and the Board's previous decision to limit the project water demand to two 5/8-inch water meters.

On query by Ms. McCrory, Mr. Fujikawa stated that they did not get a chance to review the water demand calculations but would be able to submit a report to the Board at the next Board Meeting. Ms. McCrory explained to KEO that based on the recommendation of the DOW staff, the Board will make their decision at the next Board Meeting.

Mr. Agor stated that he is aware of the situation with the Water Purification Facility (WPF) coming on board soon and he concurred that they are able to wait a month with the knowledge that they have the extra two 5/8-inch water meters to presently work with.

Acting Manager Ushigome stated that with the water meter restriction policy in Līhu'e, the Board would need to give the staff direction on how to handle this variance as she is not comfortable at this point to lift the water meter restriction policy. She explained that although the WPF is coming online soon, the DOW has had this water meter restriction policy in Līhu'e since the 1980s and has a water deficit in Līhu'e that may take awhile to get a surplus.

On query by Ms. McCrory, Acting Manager Ushigome stated that the DOW needs to re-assess the entire water source to verify water availability and in addition, the Department of

Health has combined the Wailua/Kapa'a/Hanamā'ulu/Līhu'e/Puhi water systems into one water system. Acting Manager Ushigome also stated that we would also need to check if the plant is running full time, how does it affect our other sources.

Mr. Gary Mackler, Housing Coordinator for the County Housing Agency (CHA), requested to also give testimony. He testified that the DOW and the CHA has in the past done water projects cooperatively and in the past was asked to assist the DOW in spending Federal grant assistance for water source development.

He explained that in February, 1996, the CHA committed \$3.3 million for Community Development Block Grant (CDBG) for development of Hanamaulu Well No. 3. Also, in 1996, the CHA committed \$1.25 million of a Special Purpose Grant for the development of the Pukaki Well. Also, in July, 1996, the CHA committed \$1.1 million for CDBG for development of the Kapilimao Well. This project was extra important as the Department of Health had shutdown the Waimea Shaft No. 9 servicing Waimea.

Mr. Mackler summarized that the CHA expended \$5.56 million in total to finance 3 water developments. The CHA also went beyond being a funding source as they accepted the responsibility for the administration of 7 consultant contracts that were originally executed by the DOW to develop Hanamā'ulu Well No. 3, Pukaki and Kapilimao Wells. The CHA staff also did bid solicitations to select contractors for the well drilling and the transmission mainline installation phases of this water projects. During construction, the CHA staff processed payments, monitored certified payrolls for wage compliance, etc. They did lack the technical expertise to develop water sources; therefore, they relied on the DOW engineering and accounting staff, among others.

Mr. Mackler added that they also assisted with the Maalo Road waterline project that brought water from the wells in the area to Līhu'e. This waterline also now serves the WPF.

Mr. Mackler also stated that the CHA assisted the DOW to use the Federal grants for the DOW and to increase the water capacity to support our community's needs. KEO's emergency shelter promotes another facet of our community's needs. This project is first for this island and will offer critically needed facilities for our homeless residents. The CHA has worked closely with KEO on this project to assist with the implementation, similarly how CHA had helped the DOW.

KEO's project took shape once Mayor Baptiste got the cooperation of Governor Lingle to have the site transferred to the County via an Executive Order. The following have been instrumental in securing funds for this project: Senator Daniel Inouye, Kaua'i's legislative delegation, and the County Council.

Mr. Mackler asked for the Board support to grant a variance and that this project cannot be delayed any longer due to the support of various Federal grants. He realizes that the DOW has policies but felt that this time a variance should be granted. He understood that the water demand calculations need to be verified but he hoped that this project would not get delayed for a long period.

Mr. Mackler thanked the Board for the opportunity to testify. Ms. McCrory also thanked Mr. Mackler for the CHA's support. Mr. Shibata added that the Board stated at the last meeting that they recognized that this is a special and unique project. Mr. Mackler hoped that a decision could be made today.

Ms. McCrory stated that the Board had 2 options: 1) defer this matter to the next Board Meeting and allow the DOW to review the water demand calculations; or 2) this could be approved today as it is in the best public interest to move this forward, as we gave them an exception for the two 5/8-inch water meters, to additionally give an exception to the 1-inch water meter, pending the DOW's review of the water demand calculations.

Mr. Costa moved to grant the variance of a 1-inch water meter due to public interest and government sponsored and a great thing for a homeless shelter and a public necessity, seconded by Mr. Shibata.

Ms. McCrory verified with Mr. Fujikawa that one month is adequate to respond if the 1-inch water meter is adequate.

On query by Acting Manager Ushigome and the Board, Mr. Nishida stated that KEO would use the 5/8-inch water meter for their existing building and the additional 1-inch meter would be for the new housing unit.

Mr. Costa restated his motion and moved to grant the variance to allow the applicant to add a 1-inch water meter in addition to their current one 5/8-inch water meter for public interest and government funding, with the condition that the DOW will confirm that the 1-inch water meter is adequate. There was no second.

Mr. Agor and Mr. Nishida both stated that they would accept either a 3/4-inch or 1-inch water meter, as they just needed a final decision so that they could go out to bid.

Mr. Costa restated his motion again and moved to grant the variance to allow the applicant to add a 1-inch water meter in addition to their current one 5/8-inch water meter for public interest and government funding, with the condition that the DOW will confirm that the adequacy of a 1-inch water meter or appropriate size that the DOW finds necessary based on the submitted water demand calculations, seconded by Ms. McCrory; motion was carried.

Mr. Agor, Mr. Nishida, Mr. Mackler, and Ms. Fernandez left the meeting at about 11:50 a.m.

Re: Status Report regarding Completion of Grove Farm Properties, Inc.'s Water Purification Facility in Hanamā'ulu, Kaua'i

Recommendation: Not Applicable

Funding: Not Applicable

Background:

On April 3, 2005, the water purification facility's (WPF) service area was expanded to include the remainder of Lihue. Currently, the surface water serves an area extending from Lihue to the Wailua River Bridge. On average, the Department is receiving approximately 2.4 MGD from the WPF.

The Department of Water notified the Department of Health (DOH), Safe Drinking Water Branch prior to expanding the surface water into the remainder of the Lihue service area. The Department also is working with the DOH to satisfy the increased monitoring requirements associated with a surface water system.

We continue to monitor daily chlorine residual levels in the entire system, utilizing Aqua Engineers staff at approximately nine (9) established sample sites situated between

Hanamaulu and the Wailua River. In addition, the Department's staff continues to work with Aqua Engineers to coordinate and establish the water quality parameters for the WPF.

Finally, the Department has received informal input that customers are noticing the higher chlorine levels in the drinking water. One caller noted her bathroom fixtures were causing a greenish stain to her tub and basin. Upon checking, our lab staff determined the pH in the "finish" water was lower than normal, the drop in pH was probably caused by the excessive heavy rains experienced during the month of March. The problem was addressed and the microlab staff will monitor the water quality based on the establish target limits for chlorine, pH, corrosion inhibitor and turbidity.

Received for the record.

Re: Manager's Top 5 Goals for Year 2006

Recommendation: Not Applicable

Project Funding: Not Applicable

Background:

Work with the Board to identify Manager's Top Five Goals for the Year 2006:

1. Fill key departmental vacancies and improve office work area
2. Improve internal communications-Strategic Business Plan (Admin).
3. Install AMR system (Fiscal-Special Projects-Operations)
4. Develop the Water Use and Development Plan (Water Resources & Planning)
5. (Left blank for Board input)

Water Use and Development Plan

In compliance with the State Water Code, the Kauai Department of Water is tasked with the responsibility to prepare the County's Water Use and Development Plan (WUDP). The WUDP serves as a continuing (land use based) long-range guide for the water resource development for the County.

The Kauai WUDP will set forth "the allocation of water to land use" and needs to be adopted by ordinance and submitted to Commission on Water Resource Management for approval and adoption. We will need to identify stakeholder and provide public involvement in the development of the plan recommendations.

Due to Acting Manager Ushigome's uncertainty on the process of establishing the Manager's Top 5 Goals, she left the 5th goal blank to be designated at the Board's discretion. Ms. McCrory responded that the 4 goals were tough enough goals to reach so 4 goals were enough.

On query by Ms. McCrory, Acting Manager Ushigome stated that the WUDP was never adopted due to inconsistencies on how each island developed their plan. Mr. Tschupp added that under the State Water Code, the WUDP suppose to be updated every 5 years. On query by Ms. McCrory, there is no definitive deadline to completing the WUDP. Mr. Fujikawa added that the DOW is negotiating with a consultant now to do the WUDP.

Acting Manager Ushigome explained that the WUDP is a land use base process that confirms that there is adequate potable and non-potable water.

(The Manager's Top 5 Goals for Year 2006 will be continued after the Koloa Well "F" Agreement agenda item.)

Agenda

Upon request to Chair Sokei, Mr. Costa moved that New Business, Item G2, Request Board Approval of a Water Source Facilities Development Agreement (Koloa Well "F") Between Stacy T. J. Wong, Successor Trustee of the Eric A. Knudsen Trust and the Kauai Department of Water, be taken up now due to Mr. Wong being present at the meeting, seconded by Mr. McCrory; motion was carried.

Re: Approval of Water Source Facilities Development Agreement (Koloa Well "F") between Stacey T.J. Wong, Successor Trustee of the Eric A. Knudsen Trust and the Kauai Department of Water

Mr. Stacy Wong was present at the meeting.

Recommendation:

To authorize the Board Chair to execute a water source facilities development agreement between Stacey T.J. Wong, successor trustee of the Eric A. Knudsen Trust ("Trust") and the Kauai Department of Water (DOW) for Koloa Well "F".

The Department and the Trust have completed negotiations on the Koloa Well "F" agreement. A copy of the Koloa Well "F" agreement was given to the Board for their review.

Funding: n/a

Background:

Koloa Well "F" is a DOW project, the Board is the sole developer of the well and construction is approximately 60% complete.

The Trust is the owner of several parcels of property in Koloa, commonly referred to as Village at Poipu (hereinafter referred to as "Project"), and has agreed to participate with the Board in the development of additional water source facilities to serve the Project. The Trust has prepared a Water Master Plan and identified the necessary onsite and offsite water system improvement requirements associated with the development of the Project.

Testimony:

Mr. Wong testified that he was there as a trustee of the Knudsen Trust for the Koloa Well "F" Agreement, which is the implementation of the water master plan for the Villas at Poipu that he has been working with the DOW staff. Deputy County Attorney Nakamura assisted in finalizing this agreement when he was working for the DOW. He hand delivered 4 original copies of the agreement

Mr. Costa moved to approve and authorize the Board Chair to sign the Koloa Well "F" Water Facilities Development Agreement as recommended by staff, seconded by Mr. Shibata; motion was carried.

Re: Manager's Top 5 Goals for Year 2006 (report cont'd)

Departmental Vacancies

Current vacancies include but not limited to:

Manager and Chief Engineer
Chief of Engineering
Public Relations Specialist

Legal Advisor
Engineer/Planner (new position)
SCADA/Electronic Technician (new position)

Although filling the vacancies may appear to be a short term, the need is immediate.

Also, with the implementation of new technology such as AMR and SCADA, the Department will need to provide training and seek qualified candidates to operate and maintain these systems.

With the proposed additional staff, we need to create and provide the necessary work spaces to accommodate expanding our workforce, providing a safe and efficient work area.

Mr. Shibata inquired whether we had a way to determine in advance when critical staff was planning to retire? Acting Manager Ushigome stated that not until the staff notifies management.

On query by Ms. McCrory, Acting Manager Ushigome stated that the recruitment is on “a continuous recruitment” for a Civil Engineer VII, EM-7, which is the level of our vacant position of the Engineering Division Head. The Department of Personnel Services (DPS) will be submitting an eligible list of applicants shortly.

On query by Ms. McCrory, Acting Manager Ushigome stated that the 2 applicants for the Water Manager position would need to apply at DPS if they were interested in the Engineering Division Head position.

Ms. McCrory suggested that the 2 applicants that did not qualify for the Water Manager’s position should be notified that there were not qualified due to the recent court decision of the 1-year residency requirement for non-civil service positions. They would, however, qualify if they have lived on Kauai previously and want to move back. They should also be notified of our present vacancies that they may be qualified to apply. Board Chair Sokei concurred that letters should be sent soon.

Acting Manager Ushigome added that there is interest in the Engineering Division Head position internally and possibly from other government agencies since this is a civil service position.

On query by Ms. McCrory, Acting Manager Ushigome stated that the Civil Engineer, EM-7 position was previously on “a continuous recruitment” basis; therefore, upon request to DPS, they made a specific recruitment announcement for the DOW with a deadline date.

Mr. Costa requested at the next Board Meeting to give a time frame and status of the filling of the vacant positions.

Internal Communications

Internal communications remains an area where the Department can make improvements. Hopefully, with the implementation of a needs assessment, we will be able to document our daily process and identify areas where additional resources can be applied effectively.

Open dialogue and evaluation of the Department’s organizational needs under the pending strategic planning effort will hopefully serve an additional purpose in internal communications as well as with staff development planning.

AMR System

The Department manages about 19,000 active meters and is proposing to acquire an AMR system for all of its customers. The primary objectives for the conversion are to:

- reduce long-term costs;
- improve the effectiveness of its meter reading, and;
- enhance services to its customers.

As part of any new change, we will need to develop and provide public notification and informational messages to our customers.

Re: Job No. 94-3, K-10, 0.5 Million Gallon Kalaheo Storage Tank, Kalaheo

RECOMMENDATION: It was recommended that the Board reallocate \$9,998.00 from Account 301b. FRC Fund Balance to provide for contingencies for the contract with ParEn, Inc. for redesign caused by the recent heavy rains.

FUNDING:

Contract No. 282, ParEn, Inc.	
Job No. 94-3, K-10, Pump, Controls, Kalaheo	
0.5 million gallon tank.	\$324,364.00
Total Funds Available:	\$324,366.00
Balance Remaining:	2.00
Contingency.....	<\$10,000.00>
Balance Required: Account No. 301b, FRC Fund Balance	<\$ 9,998.00>
TOTAL PROJECT AMOUNT:.....	\$334,364.00

BACKGROUND:

This project includes the construction of a half million gallon reinforced concrete storage tank along with concrete retaining walls, booster pumps, control and generator buildings, etc. at the Kalaheo well site in upper (north) Kalaheo. The construction for this project started in May 2005. Although there were numerous times that prevented the contractor from working due to the wet weather conditions, construction progressed due to the contractor’s diligence and desire to meet the construction schedule. However, the recent heavy rainfall over the last two months created a condition that completely flooded the area, making the condition of the soil different from the original soils report prepared in 1999. The option to wait 2 or 3 months for the soil to dry out on its own is not available as the negotiations for the Kukuilono Tank site exchange with McBryde will be in jeopardy if this tank is not constructed by January 2007. Further, the Department will be subject to additional cost increases by the contractor due to prolong delays.

Therefore, the Department will be requesting for the project consultant, Park Engineering, to re-evaluate the soil condition and provide revised design plans due to the wet soil condition. As time is of the essence, they have agreed to do this work on an actual cost basis. We anticipate that their cost will not exceed \$10,000.

The Department will be requesting for additional funding for the additional construction work should that cost exceed the available construction contingency.

Mr. Shibata moved to approve the reallocation of \$9,998.00 from Account 301b, FRC Fund Balance to provide for contingencies for the contract with ParEn, Inc. for redesign caused by the recent heavy rains, seconded by Mr. Costa; motion was carried.

**Re: Job No. 98-6, Refurbish 0.2 M.G. Ornellas Tank, Kapaa, Kauai, Hawaii
(Water Plan 2020 Project No. WK-07)**

Recommendation:

It was recommended that an amount of \$14,300.00 be budgeted from Account No. 106B, CIP Reserve for the additional work required to remove and replace a 150 foot section of the existing 6 foot high chain link security fencing with a 2 foot high CMU wall topped with 4 foot high chain link fence.

Project Funding:

Contract No. 431, Oceanic Companies, Inc. – Construction

Total Funds Certified.....	\$ 823,600.00	
Oceanic Companies, Inc.....	\$ <810,943.91>	
Balance Remaining.....		\$ 12,656.09
Proposed Change Order.....	\$ < 25,697.78>	
Contingency (5%).....	\$ < 1,258.31>	
Total.....		<\$ 26,956.09>
Additional Funds Requested.....		<\$ 14,300.00>
Account 106b, CIP Reserve		

Background:

During construction, it was discovered that the runoff from the Ornellas tank site flows into and floods the adjacent landowner’s property. In order to redirect the surface flows away from the adjacent property and prevent flooding, it was recommended that a new 2 foot high CMU wall topped with a 4 foot high chain link fence be constructed to replace a 150 foot section of the existing 6 foot high chain link security fence. The new CMU wall will redirect the site’s surface and roof runoff to the existing drainage swale at the rear of the site and away from the adjacent property.

Ms. Sakoda moved to approve the additional funding of \$14,300, seconded by Ms. McCrory; motion was carried.

NEW BUSINESS

Re: Resolution No. 8 (05/06), Congratulations Lawrence “Larry” Taguma

This matter was deferred until later in the Agenda so Mr. Taguma could be present at the meeting.

Re: Job No. 03-03, KW-24, PLH-12, Generator Shelter Installations at Kapilimao Well and Kilohana Tank and Well.

RECOMMENDATION: It was recommended that the Board approve the reallocation of \$28,490 from Job No. KW-14, Waimea Canyon Drive Mainline Replacement to Job No. 03-03,

KW-24, PLH-12, WK-15, Generator Shelter Installations at Kapilimao Well and Kilohana Tank and Well.

FUNDING:

Account No. 101b, Capital Rehabilitation Projects:	
Job No. 03-03, KW-24, PLH-12, Generator Shelter Installations at Kapilimao Well and Kilohana Tank and Well:.....	
	\$327,450.00
Engineer's Estimate:.....	<u>\$355,940.00</u>
Balance Required:.....	<\$ 28,490.00>
Account No. 101b, Capital Rehabilitation Projects:	
Job No. KW-14, Waimea Canyon Drive	
Mainline Replacement:	<u>\$2,683,000.00</u>
Balance Remaining:	\$2,654,510.00

BACKGROUND:

The construction of the generator shelters at the Kapilimao, Kilohana and Makaleha wells are ready for bidding. It is anticipated that the construction of the Makaleha 0.5 million gallon storage tank would be ready for bidding by the end of summer (2006) and therefore it was decided to include the construction of the generator shelter with that project.

Upon review of the currently budgeted projects, the Waimea Canyon Drive Mainline replacement is several months from bidding. Therefore, to avoid delaying the construction of the shelters at the Kapilimao and Kilohana wells, it was recommended that the Board reallocate a portion of those funds to this project. The Department will review the status of the Waimea Canyon Drive Project for the next fiscal year and appropriate funding at that time.

Mr. Shibata moved to approve the reallocation of \$28,490 from Job No. KW-14, Waimea Canyon Drive Mainline Replacement to Job No. 03-03, KW-24, PLH-12, WK-15, Generator Shelter Installations at Kapilimao Well and Kilohana Tank and Well, seconded by Ms. McCrory; motion was carried.

Re: 6-Inch Waterline along Omao Road, Portion of Job No. LO-11, Omao 6-Inch Main Replacements

Recommendation:

It was recommended that the Board approve the reallocation of \$316,000.00 from Job No. KW-14, Waimea Canyon Drive Mainline Replacement to the 6-inch Waterline along Omao Road, Portion of Job No. LO-11, Omao 6-inch Main Replacements.

Funding:

Account No. 101b, Capital Rehabilitation Projects:	
Job No. KW-14, Waimea Canyon Drive	
Mainline Replacement:	\$2,654,510.00
Account No. 101b, Capital Rehabilitation Projects:	
Six-Inch Waterline along Omao Road	
Portion of Job No. LO-11, Omao 6-Inch	
Main Replacements	\$<301,000.00>
5% Contingency:.....	<u>\$< 15,000.00></u>
Total Funding Reallocation Requested:.....	\$ <316,000.00>

Balance Remaining: \$2,338,510.00

Background:

As discussed in our meeting of May 19, 2005, Kukui'ula Development Company (Hawai'i), LLC ("KDC") has been asked by the Department of Water ("DOW") to replace the existing 2½-inch PVC potable waterline which currently serves approximately eleven existing residences immediately south of the existing 'Omao Water Storage Tank. During the design and review of KDC's Omao 16-inch Transmission Line plan, it was mutually determined that replacing approximately 1,100 lineal feet of the existing 2½-inch PVC waterline with a new 6-inch ductile iron waterline, constructing a 6-inch pressure reducing valve (PRV) station, and installing fire hydrants, as necessary would improve and provide adequate fire protection to the area. Further, it was determined the replacement would best be implemented with the construction of KDC's new transmission main improvements to minimize additional disruption to the residents and reduce traffic impacts on Omao Road. .

This proposed waterline replacement clearly provides no benefit to KDC, but only to those eleven Omao residences. KDC, however, is willing to accommodate this improvement, but respectfully requests that the DOW pay its pro rata share of the associated construction cost. The Department's share of the construction cost is estimated to be approximately \$301,000.00 and construction is anticipated to begin in May of this year.

The 2½-inch PVC waterline was originally slated for replacement in the third phase of Water Plan 2020's project schedule; however, upon review of the currently budgeted projects, the Waimea Canyon Drive Mainline replacement project is several months from bidding. Therefore, to avoid delaying the construction of the 6-inch waterline along Omao Road, it is recommended that the Board reallocate a portion of those funds to this project.

Mr. Shibata moved to approve the reallocation of \$316,000.00 from Job No. KW-14, Waimea Canyon Drive Mainline Replacement to the 6-inch Waterline along Omao Road, Portion of Job No. LO-11, Omao 6-inch Main Replacements, seconded by Mr. Costa; motion was carried.

Re: Approval of Funding for Kuhio Highway Emergency Repairs, Vicinity of Mile Post 21.7, (Wailapa Stream), Project No. ER-14(1)

Recommendation:

To authorize the Department to execute a Utility Agreement (UA 1920), Basis of Payment, Records and Accounts Exhibit A (Revised) for the cost of the waterline relocation work for the Kuhio Highway Emergency Repair project.

Funding:

Due to the expedited repair schedule, the State is the processing Utility Agreement 1920 with the Kauai Department of Water. Since we are still in discussions with the State Highways' staff, we have not determined the Departments "fair share" costs for the waterline repair work. (Attached are the documents forwarded for the Department's review and approval.)

Background:

Additional information will be provided at the April 2006 Board Meeting.

Mr. Costa moved to authorize the Department to execute a Utility Agreement (UA 1920), Basis of Payment, Records and Accounts Exhibit A (Revised) for the cost of the waterline relocation work for the Kuhio Highway Emergency Repair project, seconded by Mr. Shibata; motion was carried.

REPORTS

Re: Statement of Kaua'i County Water Department's Revenues and Expenditures

Ms. McCrory will call Waterworks Controller Ganaden with her questions on some miscellaneous items. Received for the record.

Further reports were put on hold since Mr. Taguma was present at the meeting.

Re: Resolution No. 9 (05/06), Congratulations Lawrence "Larry" Taguma

Mr. Taguma was present at the meeting to accept his resolution and he was presented with a lei and Acting Manager Ushigome read Resolution No. 9. *(Note that Mr. Taguma's resolution was corrected to be Resolution No. 9 and not 8.)*

Mr. Costa moved to approve Resolution No. 9 (05/06), Congratulations Lawrence "Larry" Taguma, seconded by Mr. Shibata; motion was carried.

The Board and staff congratulated Mr. Taguma.

Recess: 12:30 p.m. to 12:37 p.m.

OLD BUSINESS (cont'd)

Re: Further Discussion and Amendments to Scope of Work Regarding Contract between R.W. Beck, Inc. and Kaua'i Water Department for Strategic and Business Plan for the Kaua'i County Water Department

Recommendation:

Mr. Dave Jochim, R.W. Beck was present at the April 18, 2006 Board Meeting to allow an open exchange of ideas and provide a "face-to-face" discussion to address the Board of Water Supply's (Board) concerns.

Based on the input received at the March 2006 Board meeting and a call from Lynn McCrory, R. W. Beck provided the a revised scope of work (Exhibit "A") to address the Board's comments, which was in 'track change' to show the Board the revisions that were made. This agenda item was for purposes of reviewing, discussing and receiving any additional Board input concerning the revised scope of work for this contract.

Ms. McCrory stated that she had been in contact with Mr. Jochim over the phone and the issues that were cleared up were:

1. the DOW having the ability to outsource for consultants not only in Hawaii but nationwide; and
2. a reporting mechanism back to the Board in case there may be a point that a change in course is needed, it can be done with haste.

Ms. McCrory had a few more questions and comments:

1. First page of the Scope of Work, it stated that within the next 25 years that the DOW will implement over \$52 million in source. Where is the \$52 million number coming from?

Mr. Jochim stated that it is based on the implementation report that was done for the Board in 2002 or 2003. That is based on the estimated value at that time. The implementation plan at that time stated about \$52 million worth of work that would be done in the first 5 years.

Mr. Jochim stated that one of the first things that they had proposed or suggested to be done is to look at the priorities that were layed out when the plan was done and revisit the costs and look at some different levels of aggression that you would want to pursue the CIP. The answer to that would impact the cash flow, the rate structure, and the staffing and operational issues will be impacted.

Ms. McCrory stated that we are not looking at shutting the island down or cause more traffic jams and or take on more than we could possibly do on our own.

2. Incentive plan needs to include every DOW employee from top to bottom.

Ms. McCrory was interested to know if there were more than 3 utility companies that have incentive plans. Mr. Jochim responded that he selected 3 utility companies for comparison purposes. It is being done in King County, WA, Wisconsin, etc.

Mr. Jochim is researching what kind of matrix they are using to trigger the incentive, how they administer it, etc.

On query by Ms. Sakoda, Mr. Jochim stated that employees' unions were involved in the companies that they were reviewing and those unions were very supportive.

On query by Ms. McCrory on a quarterly basis incentive program, Mr. Jochim stated that King County does their incentive program annually, which may be easier to administer than quarterly. He felt that looking at long-term behavior would be more productive.

On query by Mr. Shibata on how Mr. Jochim would look at manpower, workforce and planning, Mr. Jochim stated that it would depend on how we would want to proceed; however, he would recommend to launch both the planning effort and at the same time to revisit what staff is presently doing and to creatively still get it done. We need to constantly interchangeably look at getting the CIP done while and also to do the other critical day-to-day services. At the same time, different strategies like outsourcing can be looked at.

3. Ms. McCrory asked Mr. Jochim to help the DOW with budgeting of the CIP projects. She brought up about the budget that includes CIP projects that do not get done. She asked Mr. Jochim what could the DOW do, for example, budget \$5 million for CIP and set aside the rest of the monies.

Mr. Jochim stated that the initial question would be what is the current capacity of getting projects out, so need to work with the staff to identify that for a baseline. As a comparison, we could also look at an aggressive schedule and what we need to accomplish that, for example, \$10 million in CIP projects. There would be a lot of outsourcing to get that done. In the meantime, we would need to build internal capabilities. There could also be an interim strategy between these 2 scenarios. Mr. Jochim would also suggest to review this and report back to the Board on what the estimates of cash flows would be needed to sustain these 3 levels of strategies. Other areas to be reviewed would be our rates, how does it affect our organization,

what kind of resources would be needed, how much would that cost per year for consulting costs, etc. Also, would need to look at what is going on the other islands. All of the other islands are also presently addressing their CIP issues, where resources will be competitive and harder to get projects going. Need to also keep in mind that there are also a lot of private projects out there.

4. Strategic Plan Timeline

On query by Ms. McCrory, Mr. Jochim stated that once they got started they would work with the staff for 60 days and then report back to the Board on their findings. Then they would look at the Board for their direction and how the Board wants to proceed.

On query by Mr. Shibata, Mr. Jochim stated that would have a Gantt Chart type of progress report once the initial meetings are done.

5. Audit's Management Reports

Ms. McCrory wanted to include to address the recommendations from the auditors as a result of the DOW's annual audit. Mr. Jochim that addressing management concerns are part of the process.

On query by Mr. Shibata, Mr. Jochim stated that the followup after the Hawaii Department of Water Supply's (HDWS) Strategic Business Plan process, there would be 2 keepers of the plan. The HDWS decided to create a new public relations person position that would also be the keeper of the plan. They are now in the process of recruiting for this position and once that person is in place, they would then go through the process of the plan. On query by Mr. Shibata, Mr. Jochim stated that typically some of their goals are being met while others are not.

On query by Mr. Shibata, Mr. Jochim stated that the HDWS had mid management level employees oversee their plan.

On query by Ms. McCrory, Mr. Jochim stated that if he does have the green light to start, he recommended that one hour be designated at the next Board Meeting for him to meet with the Board to talk about identifying strategic direction and priorities from the Board. A core planning team need to be established and should meet the day after the Board Meeting to discuss the direction of the Board. Then there would be 3 more team meetings and report back to the Board after the 3rd meeting. Performance measures would then need to be established.

Ms. McCrory suggested if Mr. Jochim would need more than one hour at the next meeting that a separate meeting could be set instead prior to the Board Meeting. Mr. Jochim stated that the hour at the Board Meeting will suffice as he also wanted to meet with the core team the next day.

On request by Mr. Shibata, Mr. Jochim will send more copies for the Board's info of the Big Island's Strategic 5-Year Plan, a Business Plan that includes what will be done next year to implement their plan and a draft of the Board's governance policies.

Ms. McCrory requested that if Mr. Jochim has questions of the Board to submit it to them in advance so they could be best prepared for the next meeting. Mr. Jochim suggested the

Board read these 2 books in preparation to start the plan: Leading Change and Who Moved My Cheese. Ms. McCrory volunteered to buy these 2 books for all of the Board members.

Even if there is a staff shortage at this time, Ms. McCrory wants to move quickly on this plan, which she felt may eliminate more problems in the future. She felt that we have a great staff, who are proud to work at the Department of Water, that we can now move forward to accomplishing a great plan that everyone worked on. She stated how she is already proud that the DOW has already accomplished doing a Water Plan 2020, which not too many other utilities may have done.

Ms. McCrory moved to approve the awarding of a contract to of RW Beck for their Strategic and Business Plan and Water Plan 2020 Sustainability Plan for the Kauai Department of Water as stated in Exhibit "A" dated April 13, 2006 and to authorize the Board Chair to sign the contract, seconded by Mr. Costa; motion was carried.

Mr. Jochim summarized that there would be a workshop at the next Board Meeting and Acting Manager Ushigome will identify a core planning team and setup a series of meetings for the core team.

On query by Mr. Shibata, Waterworks Controller Ganaden stated that there are funds available for the contract once the contract is executed. Deputy County Attorney Nakamura will be contacted to expedite RW Beck's contract so the contract can hopefully be completed before the next Board Meeting so Mr. Jochim can start working with the Board and staff.

The Board thanked Mr. Jochim.

Mr. Costa left the meeting at about 1:12 p.m. Mr. Tschupp left the meeting at about 1:15 p.m.

Re: Discussion and Action Steps concerning Selection Process for new Manager and Chief Engineer of the Kaua'i County Water Department

As there were only two (2) résumés received by the deadline of Friday, March 31, 2006 and as requested by the Board, the Department will re-advertise the Manager and Chief Engineer's job announcement in the two newspapers of general circulation within the State, as well as in the major newspapers on Kauai, Maui and Big Island. The job announcement will also be placed in the engineering newsletter, Wiliki and will be on the websites of AWWA, Hawai'i Section, Hawai'i Water Environment Association's (HWEA), UH Alumni Association and the Department of Water. The new deadline date will be Wednesday, May 31, 2006.

Ms. McCrory will verify with Deputy County Attorney Galen Nakamura on the following items:

- Since it appears the one-year residency requirement for the Water Manager's position is still valid, the Board wanted to clarify the definition of a resident.

As defined under H.R.S, the questions was raised whether someone who lived here, and is going to maintain a place of residency here, be eligible to apply for the Manager's position, if they wanted to move back to Kauai?

Received for the record.

Re: Discussion and Action Steps to Increase Water Manager's Salary

The following is an update on the various avenues the Board is researching to increase the Water Manager's Salary:

- Salary Commission

Currently, the nine-member salary commission has not been established, nominations and selection have not been finalized. Mayor Baptiste continues to look for individuals to fill three (3) Mayoral seats on the Salary Commission while the Council has filled one (1) of their three (3) seats.

Ms. McCrory has been working on looking for possible candidates to sit on the Salary Commission but so far she has been unsuccessful.

- Charter Commission

Our proposed charter amendment was submitted to the Charter Review Commission at their Monday, March 6, 2006 meeting. As reported, Board members Myles Shibata, Lynn McCrory and Steven Kyono (not Bernie Sakoda) attended and testified at the meeting. They felt that the Charter Review Commission was receptive on our proposed charter amendment.

Subsequently, the Charter Commission scheduled three (3) community meetings to gather input from Kauai residents on the proposed Charter amendments. The meeting dates were Monday, April 3rd and Wednesday, April 12th at the Kilauea and Hanapepe Neighborhood Centers, respectively. The next upcoming meeting is scheduled for Monday, April 24th at the Kapaa Middle School Cafeteria. Water Board members were encouraged to attend and provide testimony on Charter Amendment Number 11, "Shall the Salary Commission recommendations for department heads and County Council members be effective unless vetoed by 5 members of the Council?"

To facilitate and assist in the preparation of providing testimony at the Charter Commission's public meetings, a sample letter was drafted and circulated to the Board members for their review and use. Members could utilize the template letter and customize it to reflect their own individual perspectives and/or elaborate on the issues concerning them

Ms. McCrory reported that so far the following will be attending or submitting testimony to the April 24, 2006 community meeting: Chair Sokei, Ms. Sakoda, Mr. Kyono, Mr. Shibata, and possibly 6 of her friends.

Mr. Shibata stated that this process may take 2-3 years to formalize so we need to work parallel on other avenues.

- Proposed Rule Amendment

The Board decided at the last Board Meeting to have Deputy County Attorney Nakamura work on a proposed rule amendment to allow the Water Board to have authority to set the Water Manager's salary. However, County Attorney Lani Nakazawa does not support such a rule amendment; therefore, Deputy County Attorney Nakamura has been directed to not work on it.

Please note our signature protocol is that the County Attorney signs our rule amendments prior to sending to the Mayor and County Clerk for their signatures, therefore, it seems imperative that the County Attorney concurs and supports the Boards intentions prior to proceeding with the rule making process.

In order to facilitate discussions, the Department requested the County Attorney attend the April 18, 2006 Board Meeting; however, previous commitments prevented her from attending this meeting. Due to Chair Sokei’s request, County Attorney Nakazawa will be attending our May 16, 2006 Board Meeting on her reasons.

- Legislation Amending HRS, Chapter 54 – Water Systems

Another avenue could be to lobby legislation to amend the HRS, whereby allowing the Board to set the salaries of the Managers and Deputy Managers. The Hawaii Revised Statutes provides statutory authority, which establishes and controls the operations of the Water Departments; however, amending the HRS provisions would also affect the other County Water Departments.

Ms. McCrory stated that she could get a lobbyist she knows to assist with the drafting of the legislative proposal but she does not want to proceed until Oahu and Hawaii water boards concur with what Kauai is doing.

Acting Manager Ushigome reported on Waterworks Controller Ganaden’s findings of which government agencies have an expense account for their managers/directors. It was found that the other islands’ water directors do not have an expense account. The Manager and Deputy Manager at the Honolulu Board of Water Supply have the convenience of a credit card for items that are reimbursable. The County of Kauai’s finance director and his division heads have a procurement credit card that is used specifically for charges of air travel and at Young Brothers.

Ms. McCrory summarized that the Board and the DOW will continue to work with the Charter Commission, on a proposed rule amendment with the County Attorney, legislation, and our strategic plan incentive plan.

REPORTS (cont’d)

Re: Manager’s Update for March, 2006 to April, 2006

CONTRACTS AWARDED BY THE MANAGER:

Job No. A-11, Pump and Controls for Anahola Well No. 3

FUNDING:

Anahola Well No. 3.....	\$100,000.00
Total funds available.....	<u>\$100,000.00</u>
Balance Remaining	-0-

“As-Needed” General Engineering Studies and Permitting Services

FUNDING:

Account No. 27, Contractual Services, Eng. Div.	\$100,000.00
Balance Remaining, Contract No. 411	<u>\$ 30,300.00</u>
Total Funding:.....	<u>\$130,300.00</u>

Kodani & Associates.....	<\$130,300.00>
Remaining Balance	-0-

PUMP INSTALLATION PERMITS SIGNED BY MANAGER: None

Automatic Meter Reading (AMR) Project.

The Evaluation Committee and the Department’s AMR consultant continue to finalize contract negotiations with the highest ranked vendor.

Strategic Plan and Needs Assessment

Dave Jochim, RW Beck is scheduled to attend this month’s meeting to provide a “face-to-face” discussion on the revised project scope.

Note: Upon reviewing RW Beck’s revised scope of services, if Board members have any specific questions or need additional information, please transmit to Rona and we will forward requests to Dave Jochim.

Damages Incurred Due to March 2006 Severe Weather Event

The Department has submitted damage assessment estimates with State Civil Defense and requested congressional appropriations through Senator Inouye’s office. Overall, the Department experienced relatively few damages; these are the most significant storm-related incidents and events:

- Kuhio Highway Waterline Replacement (Wailapa Stream) – See attached funding request Item G.5 for details damage caused due to the flooding.
- Wailua Houselots “cross-country” waterline broke causing an extended period of interrupted water service to approximately 30 homes in the upper section of the subdivision. Unfortunately, the waterline alignment runs through several private homeowners’ properties and it appears sections of the residents’ backyard slopes (saturated with weeks of rain) “slid” causing the cast iron (1937) pipeline to break at several sections. As crews tried to repair the waterline and due to the unstable soil conditions combined with the endless rainfall, one (1) homeowner voluntarily relocated to a hotel due to the potential danger if the slope collapsed.

As indicated, several homes were without water for about 2 days as Department of Water crews worked to install a temporary 2-inch bypass line to reconnect service to the affected residents.

Although the “displaced” resident is anxious to return to her home, the Department is processing an emergency procurement for a soils engineer to assess the condition of the backyard slopes. Also, while repairing the waterline the homeowner’s cesspool cover was damaged by the Department’s equipment and subsequently, the existing cesspool may need to be repaired.

- Damages due to erosion were experienced at the construction site of the Kalaheo Tank, Kalaheo-Lawai booster pump station, to the various access roads leading to our remote well and tank sites.

Disaster Assistance and Recovery Center (DARC)...sometimes referred to as a “One Stop Center” was established to assist the people affected by the recent flooding to acquire information on the available programs to aid in their recovery. The DARC was organized by

State Civil Defense in response to the Mayor's and Governor's disaster declarations for the State since March 14th.

The DARC was scheduled at the Kilauea and Kalaheo Neighborhood Centers on March 24th and March 25th, respectively. The Department was represented by Gregg Fujikawa, Water Resources & Planning and Mel Yamase, Fiscal-Billing Section. The overall attendance at Kilauea was 51 residents with 8 water-related inquiries, while Kalaheo had 65 residents seeking assistance with 7 water-related questions. The Board thanked the employees that helped at the DARC.

Water Use & Development Plan In compliance with the State Water Code, the Kauai Department of Water is tasked with the responsibility to prepare the County's Water Use and Development Plan (WUDP). The WUDP serves as a continuing (land use based) long-range guide for the water resource development for the County.

In the early 90's, the Department of Water prepared a preliminary Kauai WUDP; however, the State Commission on Water Resource Management (CWRM) did not accept or recommend adoption of the plan to the County Council. Updating the Kauai WUDP in accordance with the State Water Code is intended to insure that the future water needs of the island are met.

The Department budgeted \$100K towards updating the Kauai Water Use and Development Plan. Currently, the DOW is finalizing the consultant's scope of work and working with Department of Health to apply for any eligible Drinking Water State Revolving Fund (DWSRF) set-aside monies for source water protection.

AWWA Conference The upcoming Hawaii Section conference is scheduled for May 10-12, 2006 at the Renaissance Ilikai Hotel on Oahu. This year conference focuses on "Innovations in Water Technologies for Preparedness, Security and Longevity".

The closing general session schedule of events on Friday, May 12th at 8:45 am, includes a panel discussion on "*The Kauai Plantation House Water Quality Study: Quick, Reliable and Effective*". The panelists includes Mike Furukawa, Grove Farm and Carl Arume, Kauai DOW Microbiologist will represent the water quality aspect of the study house.

And, always a highlight at conference is both our men's and women's pipe tapping teams. In addition to the pipe tapping teams, the following staff will be attending this years HI-AWWA conference: Terence Yoshida (Engineering & Design), Carl Arume (Special Projects), Edward Doi (WR&P), William Eddy & David Okamoto (Operations) and Wynne Ushigome (Admin).

HWWA Conference

We have started to contact prospective hotels on their availability during the month of October, 2006 for the HWWA Conference that the Kauai Department of Water is hosting this year. We also requested they submit information on their amenities and convention costs.

Received for the record.

Re: DOW Quarterly Projects Briefing

A written quarterly report of the status of the DOW's projects, along with an Executive Summary, was submitted for the Board's information.

Received for the record.

Re: Report of the Public Affairs Committee of the Kaua'i County Board of Water Supply

This matter was already taken care of in Committee Meetings.

Re: Report of the Rules Committee of the Kaua'i County Board of Water Supply

This matter was already taken care of in Committee Meetings.

Re: Report of the Finance Committee of the Kaua'i County Board of Water Supply

This matter was already taken care of in Committee Meetings.

Re: TOPICS FOR NEXT WATER BOARD MEETING

1. Board's Finance, Public Affairs, and Rules Committee Meetings
 - a. Finance Committee: Budget for Fiscal Year 2006-07 (May, 2006)
 - (1) Separate Finance Committee Meeting after May 16, 2006 Board Meeting

Re: TOPICS FOR FUTURE WATER BOARD MEETINGS

1. Board's Finance, Public Affairs, and Rules Committee Meetings
2. Board Approval of Department of Water's Budget for Fiscal Year 2006-07 (June, 2006)
3. Quarterly Report regarding Kaua'i County Water Department Manager's Top 5 Goals for 2006 (July, 2006)
4. Kauai County Water Department Briefing on Departmental Projects (July, 2006)
5. Board Approval of Resolution No. 1 (06/07), Budget for Fiscal Year 2006-07 (August, 2006)

Re: NEXT WATER BOARD MEETINGS

1. Tuesday, May 16, 2006, 10:00 a.m.
2. Tuesday, June 6, 2006, 10:00 a.m. (revised date)
3. Tuesday, July 18, 2006, 10:00 a.m.

Re: WATER BOARD'S UPCOMING EVENTS

1. American Water Works Association (AWWA) National Conference **June 11-15, 2006** at San Antonio, Texas
2. Hawai'i Water Works Association Conference (October, 2006)

EXECUTIVE SESSION

Mr. Shibata moved to defer the approval of the minutes of the March 21, 2006 Executive Session to the next Board Meeting, seconded by Ms. McCrory; motion was carried.

There was no other Executive Session business.

ADJOURNMENT

There being no further business, Mr. Shibata moved to adjourn the meeting at 1:33 p.m., seconded by Ms. Sakoda; motion was carried.

Respectfully submitted,

Rona Miura, Secretary

APPROVED:

Wynne M. Ushigome
Acting Manager and Chief Engineer

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