

REGULAR MEETING MINUTES
BOARD OF WATER SUPPLY
Thursday, April 15, 2010

The Board of Water Supply, County of Kaua'i, met in regular meeting at its office in Lihu'e on Thursday, April 15, 2010. Chairperson Randall Nishimura called the meeting to order at 10:23 a.m. On roll call, the following answered present:

BOARD: Mr. Randall Nishimura, Chairperson
Mr. Dee Crowell
Mr. Donald Fujimoto
Mr. Leland Kahawai
Mr. Raymond McCormick
Mr. Roy Oyama

Absent & Excused: Mr. Ian Costa

STAFF: Mr. David Craddick
Mr. William Eddy
Mr. Paul Ganaden
Mr. Gregg Fujikawa
Mr. Keith Fujimoto
Mr. Bruce Inouye
DOW Deputy County Attorney Andrea Suzuki
Board's Deputy County Attorney Amy Esaki

Absent & Excused: Ms. Faith Shiramizu

AGENDA:

Chair Nishimura requested to switch the placement of agenda items, Item H2, *Upsizing of the Kaumualii Highway 16-Inch Waterline to a 24-Inch Waterline in Conjunction with the State's Kaumualii Highway Widening, Vicinity of Anonui Street to Vicinity of Lihue Mill Bridge Project, Lihue, Kauai, Hawai'i* of the Agenda's New Business with Item H5, *Resolution No. 11 (09/10), Consisting of Four (4) Additional Projects for the Bond Project List*. Ms. Esaki concurred that since Item H2 project was not part of the bond list, that the resolution should be approved first.

As there were no objections, the Agenda was so re-ordered by Chair Nishimura.

MINUTES:

Mr. Oyama moved to receive the Regular Meeting Minutes of March 18, 2010, seconded by Mr. Kahawai; by a unanimous vote, motion was carried.

CORRESPONDENCE/ANNOUNCEMENTS:

Re: Letter from State Department of Health to the Department of Water on our Micro Lab's Certification for Microbiological Analysis of Drinking Water

Manager Craddick stated that our Micro Lab has been certified for microbiological analysis of drinking water until February 28, 2012.

Mr. D. Fujimoto added that it does not hurt to have more employees certified to do all of the samplings and readings for the lab.

Chair Nishimura requested that Manager Craddick to reconfirm the time frame for the lab certifications and to ensure that someone is responsible to keep the lab certified. It was so noted.

Mr. Crowell moved to receive the letter from the State Department of Health and place on file, seconded by Mr. D. Fujimoto; by a unanimous vote; motion was carried.

Re: Letter from Mr. Eugene Jimenez, Housing Director to the Kaua'i Board of Supply on our Request for an Update of the County's Affordable State Housing Projects

Mr. Oyama moved to receive the letter from the County Housing Agency, seconded by Mr. Kahawai; by a unanimous vote; motion was carried.

The secretary will follow-up with a letter to the County Housing Agency to verify their appearance and presentation at the next Board Meeting to keep the Board apprised of all their upcoming affordable housing projects.

Re: Letter from Department of Water to Grove Farm Co. to Confirm their Request to Expand their Waiahi Treatment Plant

Manager Craddick explained that Grove Farm has already written a letter to confirm the corrections to our minutes of the January 28, 2010 Board Meeting; whereby, the expansion of the treatment plant beyond its maximum capacity and up to 2 million gallons. He added that he would be writing a letter to Grove Farm that the Board approved their request.

Mr. Oyama moved to receive the DOW's letter to Grove Farm Co., seconded by Mr. D. Fujimoto; by a unanimous vote; motion was carried.

BOARD COMMITTEE REPORTS:

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

Due to a possible conflict of interest, Chair Nishimura recused himself from the oversight of the Board's Finance Committee Report; therefore, Vice Chair Crowell presided over the Board's Finance Committee Report.

Finance Chair Oyama reported that at the April 15, 2010 Finance Committee Meeting the Committee approved the Claims Payables for a total of \$1,963,580.08.

Mr. D. Fujimoto moved to receive the Finance Committee Report and place on file, seconded by Mr. Crowell; by a unanimous vote, motion was carried.

Chair Nishimura presided over the rest of the Regular Meeting.

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

Rules Vice Chair D. Fujimoto reported that at the April 15, 2010 Rules Committee Meeting, the following was discussed:

Re: Committee Discussion and Possible Action on Various Proposed Rule Revisions

The Department is moving forward on correcting the errors in the proposed rule revisions and to recommend to the full Board to approve and schedule a public hearing.

Mr. Crowell moved to approve the Rules Committee Report, seconded by Mr. Oyama; by a unanimous vote; motion was carried.

Ms. Suzuki added that she will formalize the rule in Ramseyer Format to prepare for the upcoming public hearing. The Board discussed and decided to hold the public hearing in July, 2010. In the interim, if these Rules are approved by the full Board, Chair Nishimura directed the secretary to start the review process by the Small Business Advisory Committee (SBAC) and the Small Business Regulatory Review Board (SBRRB). It was so noted.

OLD BUSINESS:

Re: Job No. 02-19, WK-12, Waipouli Main Replacement, Lihue-Kapaa Water System, First Contract Amendment with Kodani and Associates, Inc. (MANAGER'S REPORT No. 73)

RECOMMENDATION: It was recommended that the Board approve the first contract amendment for Contract No. 405 with Kodani and Associates, Inc. in the amount of \$48,400.00 for:

- A. Revise pre-final construction drawings, previously approved by the Department.
- B. Coordinate and incorporate the County's proposed bike path design affecting several of the project's roads.
- C. Prepare and process the necessary permits (shoreline setback, variance, etc.) for the project.
- D. Assist with the preparation and processing of the National Pollutant Discharge Elimination System.

It was further requested that the Board allocate \$48,400.00 from Account 106b, CIP Reserve to fund the contract amendment.

FUNDING:

Total Fund Budgeted \$ 147,500.00

Contract No. 405, Kodani and Associates, Inc.

Job No. 02-19, WK-12, Waipouli

Main Replacement \$ 147,500.00

Amendment #1.<\$ 48,400.00>

Balance Required Account No. 101b, CIP Reserve \$ 48,400.00

Total Project Budget \$195,900.00

BACKGROUND:

The project consultant, Kodani and Associates, Inc. was selected to prepare the construction drawings and specifications for the mainline replacement along Kalokolu, Keaka, Moanakai, Fernandez, Hoi, Panihi, Niulani, Makaha and Kealoha Roads at Waipouli:

The Department placed this project on hold in April 2006 as its work efforts, including construction funding shifted to other priorities. We now, need to complete and finalize the design of the project and requested the project consultant, Kodani and Associates, Inc. for his proposal to update and finalize the work. Their proposal of \$48,400.00 to revise the previously approved work and additional work required, including the preparation and processing of required permits appears reasonable.

Further, it was estimated that the consultant will need approximately 270 calendar days from the notice to proceed for the contract amendment to complete the project. The Department anticipates that the consultants should be able to complete the design by February 1, 2011 subject to timely reviews by the Department of Water and the other governmental agencies.

Mr. D. Fujimoto moved to approve the first contract amendment for Contract No. 440 with Kodani and Associates, Inc. in the amount of \$78,099.80, seconded by Mr. Oyama; by a unanimous vote; motion was carried.

NEW BUSINESS

Re: Mr. Daniel Yamaguchi - Request for Additional Adjustment to his Water Bill for Service Account No. 1003640-10107033

RECOMMENDATION:

It was recommended that the Board deny Mr. Daniel Yamaguchi’s request to dismiss the entire excess charge of \$3,868.36 (correct amount is \$3,788.40) or any further adjustment to his water bill than allowed per Section IX – Adjustment of Bills for Undetected Leaks and Unforeseen Damages, under Part 2 of the Department’s Rules and Regulations.

RATIONALE: While the department sympathizes and feels bad for what happened with the Yamaguchi’s, it is not the responsibility or fault of other rate payers to cover costs related to the fact that the line installed is a low cost line subject to easy

breakage. In addition, there are many people that do not come to the Board asking for adjustment, so if there is to be a policy change it should be applied to everyone not just the people that come to the Board. On an annual basis, reimbursements for leakage are not large and amount to about one half of one percent of all revenues. One alternative is to change the rules and cover water department fixed costs for the wasted water rather than individually give some a break while others pay the costs associated with their faulty waterline construction.

BACKGROUND:

On September 2, 2009 an Automatic Meter Reading (AMR) or radio read was taken for Service Account No. 10033640-10107033 for the billing period 7/07 to 9/02/09. On September 11, 2009, a service request was generated and one of the meter readers was sent to investigate a high consumption reading for the subject service. The meter reader verified the reading to be correct and noticed the dial spinning and notified Mrs. Yamaguchi of their high unusual usage and of a possible leak on their property. Upon her investigation, she discovered an undetected underground leak on their property.

The total consumption for the revised billing period of 07/07/09 to 09/11/09 amounted to 1,322 thousand gallons and a total billing of \$7,581.68. On November 2, 2009, an adjustment was made by the Department of Water in accordance with the Department's Rules. The adjustment allowed for one-half of the excess over the consumer's normal bill based on the previous six month's average. It was determined that a total of 1,319 thousand gallons was in excess of the underground leak and an adjustment of 660 thousand gallons which amounted to \$3,788.40 was made resulting in a corrected consumption of 672 thousand gallons and a corrected billing amount of \$3,793.28.

On November 9, 2009, Mr. Yamaguchi by phone conversation requested an additional adjustment and was denied by letter dated November 9, 2009. On January 6, 2010, the Department received a letter dated January 4, 2010 addressed to the Board of Directors requesting for the Board to review his request to discharge the excess charge of \$3,868.36. As stated in his letter, apparently 2 ½ feet below the ground, a large camphor tree root had broken the PVC pipe causing this surge of water that remained undetected for a month or two. Because of its remote location, we failed to visually detect the problem and not able to hear it.

Following are the information requested by the Board:

Summary of Mr. Hoby Beck's request for a further adjustment and granted by the Board at its meeting held on March 19, 2009:

An additional adjustment was granted to Mr. Hoby Beck by the Board. The Board felt that this situation was special and very unique with extenuating circumstances and accepted the recommendation to further adjust Mr. Beck's adjusted water bill of \$6,328.50 to \$4,275.02, resulting in an additional adjustment of \$2,053.48. The adjustment was based on the following assumption:

Assumption No. 2: Adjustment is calculated based on two-thirds of the excess over the consumer's normal water bill based on the previous six months average and based on the 3rd Block Rate at \$4.40 per 1,000 gallons (Effective Jan. 1, 2007)

	<u>Consumption (000)</u>	<u>Water Charge</u>	<u>Power Adjustment</u>	<u>Total Charge</u>	<u>% of Bill</u>
Billed	2,758	\$12,088.20	\$606.76	\$12,694.96	100.0%
Adjustment	1,837	8,015.80	404.14	8,419.94	66.3%
Corrected to	921	4,072.40	202.60	4,275.02	33.7%

The rationale is the excess consumption due to an undetected leak should not be charged at the highest tiered rate. Use the middle tier to establish the two-thirds reduction instead of (current) one-half.

Amount of additional adjustment for Mr. Daniel Yamaguchi based on Assumption No. 2

Assumption No. 2: Adjustment is calculated based on two-thirds of the excess over the consumer's normal water bill based on the previous six months average and based on the 3rd Block Rate at \$5.40 per 1,000 gallons (Effective Jan. 1, 2008)

	<u>Consumption (000)</u>	<u>Water Charge</u>	<u>Power Adjustment</u>	<u>Total Charge</u>	<u>% of Bill</u>
Billed	1,332	\$7,128.80	\$452.58	\$7,581.68	100%
Adjustment	888	4,795.20	301.92	5,097.12	67%
Corrected to	444	2,333.60	150.96	2,484.56	33%

This would result in a further adjustment to Mr. Yamaguchi's adjusted water bill of \$3,793.28 to \$2,484.56, or an additional adjustment of \$1,308.72.

Total Amount of Adjustments Made Due To Undetected Undergrounds Leaks for Fiscal Year:

FY 07-08	\$123,794.00
FY 08-09	\$149,163.00
FY 09-10 (July to March)	<u>\$ 70,969.00</u>

Sampling of the Number of Billings Adjusted for Undetected Underground Leaks for the Period July 09 to March 10:

<u>Amount of Billings</u>	<u>No. of Billings</u>
\$1,000 to \$3,000	7
\$3,001 to \$6,100	1
\$6,101 to \$8,000	1

Board Discussion:

On a query by Mr. D. Fujimoto, Manager Craddick stated that Mr. Yamaguchi was losing about 20,000 gallons of water per day.

On a query by Mr. D. Fujimoto, Waterworks Controller Ganaden stated that the water bill adjustment is for the period up to when the waterline was fixed and that his normal water bill is for about \$55 for 2 months.

On query by Mr. Kahawai, Waterworks Controller Ganaden stated that the 1st block rate is discounted 50%, 2nd block rate is discounted 75% and the 3rd block rate is discounted a little over 100%. Mr. Kahawai stated that the Department is actually losing money when we do water bill adjustments for 50% as the Department did pay for the water. Manager Craddick that the other customers have to pay for it based on our total expenses and total income for the year. Mr. Crowell noted that the other customers pay for the delivery of the water and not the water.

Manager Craddick discussed that Mr. Ganaden was referencing RW Beck's Water Rate Study that used the first block to recover 50% of the operational costs.

On query by Mr. D. Fujimoto, Manager Craddick stated that the mechanism to avoid these types of high water bill situations due to leakage is to bill our customers monthly. Manager Craddick added that monthly billing would also help with the Department's cash flow and the only negative result would be higher postage for mailing out twice the amount of bills.

On query by Mr. McCormick, Mr. Ganaden stated that the Department does offer payment plans to assist the customers with high water bill payments.

On query by Mr. D. Fujimoto, Mr. Ganaden stated that although going to the Board to request further water bill adjustments is always an option, his staff normally advises our customers with high water bills due to leaks to not go to the Board as the Board denied requests in the past. The Hobey Beck case was the only case with extenuating circumstances that the Board approved.

Manager Craddick added that with so much water being lost, their water pressure must have dropped considerably, so he was surprised that they were unaware of their predicament. Mr. D. Fujimoto stated that there was some construction work being done on Waipouli Road so they may have assumed that their low pressure was due to that work.

Chair Nishimura stated that he can see that the Board has 3 options:

1. deny the request in its entirety
2. adjust their bill in some manner
3. refund the whole amount.

Mr. D. Fujimoto moved that the Board waive part of Mr. Yamaguchi's excess water bill amount as per the process done with Hobey Beck and to have Mr. Yamaguchi pay one-half of the bill and the other half should be based on the 1st tier, which would have Mr. Daniel Yamaguchi pay a total amount of \$2,484.56, seconded by Mr. Oyama.

Mr. Oyama discussed that the letter to Mr. Yamaguchi should state that his situation is unique and that the amount forgiven would be borne by our other customers

Mr. Ganaden cautioned the Board that if the Board approves this request, the staff would not be able to discourage other requestors from coming to the Board for further adjustments. He can understand encouraging a customer to address the Board if the customer's case included a preponderance of justification. He added that the water bill adjustment process is part of the DOW's Rules and Regulations.

Mr. D. Fujimoto pointed out that he can understand charging the customer the higher tier amount if the customer voluntarily used the water but in this case, it was involuntarily. He added that, in addition, there should be other means to detect these types of problems earlier to minimize the excess costs.

On query by Mr. D. Fujimoto, Mr. Ganaden stated that our newly installed Automated Meter Reading (AMR) system is still dependent on when the DOW reads the meter on its next billing cycle.

Manager Craddick calculated that it would cost the DOW approximately \$24,000 of additional postage if the Department billed monthly. He felt that cost is minimal as compared to a better cash flow for the Department and a smaller water bill for our customers.

Mr. Ganaden discussed that with Hobey Beck's case, the Board allowed an adjustment of 2/3 instead of 50%; however, then, our Rules included only one rate block and not 3 rate blocks.

Mr. Crowell added that he would not want to give up the cost of power adjustment cost.

Mr. D. Fujimoto moved to withdraw his original motion and Mr. Oyama withdrew his second.

Mr. D. Fujimoto moved to reducing the cost of Mr. Yamaguchi's excess cost by reducing the cost by 2/3 and adding the power adjustment cost, which will be \$2,333.60 plus the power adjustment cost of \$452.58 for a total of \$2,786.18, seconded by Mr. McCormick.

Mr. Kahawai stated that he understood that Mr. D. Fujimoto's justification is based on Mr. Yamaguchi not using the water intentionally; however, he felt that intentions would be very hard to prove going forward. Mr. D. Fujimoto also understood Mr. Kahawai's point, however, the customer is still being charged for some of the excess usage based on the lower tier plus the power consumption.

Manager Craddick reiterated what Mr. Ganaden stated that this would be precedent setting; initially, Mr. Beck's adjustment was based on extenuating circumstances but this second case would definitely set a precedent for an abundant amount of future requests before the Board. Mr. D. Fujimoto discussed that he felt that the next best

step would be for the Board to look at our policies to see whether water bill adjustments need to be revised to possibly 2/3 adjustment instead of 1/2, depending on the tier group.

Manager Craddick discussed that it would be wise before the Board takes action on this adjustment that it should be verified first on what the financial repercussions would be if all adjustments would be 2/3 instead of 1/2. He added that it may be cost prohibitive. Mr. D. Fujimoto replied then the next step would be to look into billing monthly instead of bi-monthly. He felt that we needed to be proactive to see how we can best help our customers who are caught unaware for these types of situations with exorbitant water bills.

Chair Nishimura asked Deputy County Attorney Esaki if the Board would deny the request and the Board changes the Rules, could the customer subsequently return and re-apply? Ms. Esaki stated that it would not be retroactive.

Chair Nishimura called for the vote. Mr. D. Fujimoto, Mr. Crowell and Mr. McCormick voted aye. Mr. Kahawai, Mr. Oyama and Chair Nishimura voted nay. Due to a lack of a majority vote, the motion died.

Manager Craddick added that the staff will work with the Yamaguchi's on a payment plan.

Chair Nishimura requested for another motion because he had a hard time with this situation because the Board previously did make an adjustment for Hobeck Beck's water bill. He added that the primary reason that he voted previously against Mr. Beck getting an adjustment was because of the precedent that was set. He also felt that the Board should consider making an adjustment for Mr. Yamaguchi, to an extent, but to also incorporate within that motion to revise the adjustment schedule so this action is not specific to any one person but for all our ratepayers that request future water bill adjustments.

Chair Nishimura requested that it is unfair for staff to have to decide on applying adjustments or not; therefore, he recommended that staff draft a proposed rule change to address this situation. Mr. Crowell added that this proposed rule change should be done as soon as possible.

Mr. Kahawai thanked the staff for handling these matters administratively.

Mr. Oyama moved to defer this matter in its entirety to the next Board Meeting so the staff can make a recommendation, seconded by Mr. Crowell; by a unanimous vote; motion was carried.

Re: Request Board Approval of Resolution No. 11 (09/10), Consisting of Four (4) Additional Projects for the Bond Project List (Dollar amounts in millions) (Manager's Report No. 10-74)

1. Addition: Emergency Pipeline Repairs for Moelepe and Hanalei: \$0.75M.

The severe winter storm of November 14, 2009 severed two of our main potable water supply pipelines in the upper Kapahi and Hanalei areas, requiring emergency replacements to restore the water service to the affected areas. The steel pipes that were washed away were replaced with PVC pipes that were of the same size and dimension. The Moelepe pipeline was encased in a 12 in. diameter sleeve and was placed an additional four feet underground. On March 7, 2010, Bond Special Counsel confirmed that these projects met the requisite standards to qualify as allowable projects creditable to the bond proceeds.

2. Addition: Job No. 03-02, HW-01, HW-02, HW-03, Wainiha Booster Pump Station and Haena Steel Tank Renovation: \$2.5M.
Major items of this project are:
 - New booster pump station to replace the existing booster pumps.
 - Approximately 500 feet of 12-inch ductile iron pipeline to replace the existing 8-inch asbestos cement pipeline.
 - Approximately 450 feet of 4-inch ductile iron pipeline for the future Wainiha Well #4.
 - Approximately 600 feet of concrete access road.
 - Repair and paint the (exterior) Haena steel tank.

These two projects are added as each project is either under construction or will be bidding within the month.

3. Addition: Job No. WH-12, Wainiha well #4, control building and connecting pipeline: \$2 million.
Major items of this project are: Planning, Engineering, Drilling, construct control building and pipeline to bring water to Wainiha Tank pipeline.
4. Addition: Upsizing of the Kaumualii Highway 16-inch Waterline to a 24-inch Waterline (State Highways project: Kaumualii Highway Widening, Vicinity of Anonui Street to Vicinity of Lihue Mill Bridge): \$2.55M.
 - The State has a contract to widen Kaumualii Highway from the Lihue Sugar Mill Bridge to just past the Grove Farms Office in Puhi for approximately 6,000 feet.
 - The present scope of work calls for relocating the existing 16" waterline, which is at its service limit, as far as volume goes. The relocation will be accomplished by installing a replacement 16" waterline at an adjacent location, and abandoning the existing 16" waterline.
 - Since the existing 16" waterline is at its service limit, it does not make sense to replace it with a new inadequate sized waterline.
 - In order to increase the service limit, the Department will pay the additional cost to upsize the replacement waterline from 16" diameter to 24" in diameter.

The bond issue amount will remain at \$60 million.

Mr. Crowell recused himself from this agenda matter.

Mr. D. Fujimoto asked if with the addition of these four (4) projects how would it affect the \$60 million budget. Manager Craddick stated that with bond funds, the goal is to run out of money as fast as you can. Mr. D. Fujimoto disagreed as he felt that projects should be funded fully with the bond funds and if not, it would be stated where the fund balance is coming from.

Manager Craddick referenced the priority list with the 4 projects added on the list and the SRF projects deleted. He also stated that the expected amount to spend by the end of the year dropped from \$20 million to \$13 million. This amount includes these 4 additional projects. The big draw on the money is the Kaumuali'i Highway pipeline project, which drawdown starts about from November, 2010 based on the contractor.

Manager Craddick explained that with the bond issue, the DOW has to spend a minimum of 10 percent by the end of one year or \$6 million.

Mr. D. Fujimoto stated that Manager Craddick previously stated that it would not be a problem to spend the monies so with adding the 4 additional projects, at some time the money will run out. Therefore, Mr. D. Fujimoto wanted to know what projects would be short funded.

Manager Craddick added that with the bond proceeds, we are funding replacement projects on the Water Plan 2020 plan and would want to spend the monies as fast as we can. We will go with the bond proceeds until all are encumbered and the rest of the projects would not be funded. He added that as these projects get bid out and hopefully comes in below the engineer's estimate, our monies will be stretched a little further than it is on paper. The goal is to get Water Plan 2020 done.

Mr. D. Fujimoto questioned the process and wanted to see a list of the actual projects that will be done with the bond proceeds and to also have a detailed schedule. He added that Manager Craddick promised to spend all of the \$60 million but now more projects are being added on to this project list, which is why he is concerned.

On query by Mr. D. Fujimoto, Manager Craddick stated that no projects will be dropped with the addition of these 4 projects.

Chair Nishimura added that there are some projects on the bond project list that are SRF funded and would not be eligible to be used with the bond monies. The funds for those SRF projects total about \$17 million, which would be dropped from the bond project list.

Mr. K. Fujimoto added that there is one project, Wainiha Well No. 4 that was pushed back on the schedule to summer 2010 as this project is still under CDUA review.

Mr. D. Fujimoto moved to approve Resolution No. 11 (09/10), which included the 4 additional projects above, seconded by Mr. Oyama.

Mr. D. Fujimoto added his concern about their fiscal responsibility with procurement that all projects cannot be secured without proper funding. Also, that if a project is

started with bond funds that there must be enough monies to finish the project. Manager Craddick also added that he is aware of the procurement laws and that there may be projects that will have duplicate sources of funding. He will keep the Board informed of the project funding process.

Chair Nishimura requested that the projects that are SRF funded should be taken off the bond project list; however, Manager Craddick recommended that these projects still remain on the list as our last reimbursement request was in February, 2010 and the State has temporarily stopped reimbursements until July, 2010. It is hoped that the SRF refunds will continue but there is no guarantee. Manager Craddick added that he will discuss this matter further with the State Department of Health and report back to the Board.

On query by Chair Nishimura, Manager Craddick stated that a project cannot be dual funded by both SRF and bond monies unless the State gives us approval to stop SRF funding.

Manager Craddick that, in theory, the interest with SRF funding suppose to be lower than bond rates but the bond rates are presently lower.

On query by Chair Nishimura, Mr. Ganaden stated that only the Kapaa pipeline projects do not have SRF fund agreements.

Mr. Kahawai asked if our budget for debt service next year is based on SRF funding? Mr. Ganaden stated that we have SRF commitments for Projects 1-4 on the project listing. Manager Craddick stated that SRF payments are made semi-annually and the first payment is not due until one year after notice to proceed or the SRF agreement is signed, whichever is later. Therefore, the first payment for these SRF loan agreements would not be due till next year at the earliest.

(Mr. Crowell recused himself from this agenda item.) All voted aye, except Chair Nishimura; motion was carried.

Re: Grant of Easement from Herbert N. Kurisu and Yaeko Kurisu for the Installation of a Single Service Lateral for Lot 128-A, TMK: (4) 4-4-006:003, Kapaa, Kawaihau District, Kauai, Hawaii

It was recommended that the Board approve the grant of easement whereby Herbert N. Kurisu and Yaeko Kurisu; grant to the Board of Water Supply, County of Kauai, perpetual easement "W-1" on, over and under that certain parcel of land located at TMK: (4) 4-4-006:003, Kapaa, Kawaihau District, Kauai, Hawaii, for the construction, installation, reinstallation, maintenance, repair and removal of potable water pipelines, related meters, valves, and other associated waterworks facility improvements and appurtenances, together with the right of ingress and egress at any time to, from, and through the easement area, with or without vehicles or equipment, as the Department of Water shall deem necessary for the proper operation of its water system for

the Installation of a Single Service Lateral for Lot 128-A, TMK: (4) 4-4-006:003, Kapaa, Kawaihau District, Kauai, Hawaii.

Further, Board approval is specifically requested of the indemnification provision in this agreement, wherein the Board agrees to indemnify and hold harmless the Grantor from property damage and injuries to person (including death), when such damages and injuries are caused by the Department's negligence while using the area.

Mr. Crowell moved to approve the Grant of Easement from Herbert and Yaeko Kurisu, including its indemnification provision, seconded by Mr. D. Fujimoto; motion was carried.

Re: Conveyance of Water Facility from Herbert N. Kurisu and Yaeko Kurisu for the Installation of a Single Service Lateral for Lot 128-A; TMK: (4) 4-4-006:003, Kapaa, Kawaihau District, Kauai, Hawaii

It was recommended that the Conveyance of Water Facility document be approved; whereby, Herbert N. Kurisu and Yaeko Kurisu, transfer unto the Board of Water Supply, County of Kauai, all of its right, title and interest to: one (1) each, 1-inch copper single service lateral for 5/8-inch water meter, in place complete, for the Installation of a Single Service Lateral for Lot 128-A; TMK: (4) 4-4-006:003, Kapaa, Kawaihau District, Kauai, Hawai'i.

Mr. Crowell moved to approve the Conveyance of Water Facility from Herbert and Yaeko Kurisu, seconded by Mr. D. Fujimoto; motion was carried.

Re: Conveyance of Water Facility from Eduardo J. and Mariana C. Lagundino, husband and wife, and Ferdinand J. Lagundino Jr. for the Water Meter Plan Servicing Lot 14-A-2 Units 1 and 3; TMK: (4) 1-6-003:068, Waimea, Waimea District, Kauai, Hawai'i

It was recommended that the Conveyance of Water Facility document be approved; whereby, Eduardo J. and Mariana C. Lagundino, husband and wife, and Ferdinand J. Lagundino Jr., transfer unto the Board of Water Supply, County of Kauai, all of its right, title and interest to: one (1) each, 1 1/2-inch copper double service lateral for 5/8" water meter, in place complete, for the Water Meter Plan Servicing Lot 14-A-2 Units 1 and 3; TMK: (4) 1-6-003:068, Waimea, Waimea District, Kauai, Hawaii.

Grant of Easement not required.

Mr. Crowell moved to approve the Conveyance of Water Facility from Eduardo J. and Mariana C. Lagundino, and Ferdinand J. Lagundino Jr., seconded by Mr. D. Fujimoto; motion was carried.

Re: Conveyance of Water Facility from Ivan Y. Kaneko for the Installation of Single Service Lateral and Water Meter, Kaneko Estates; TMK: (4) 2-3-002:098, Kalaheo, Koloa District, Kauai, Hawaii

It was recommended that the Conveyance of Water Facility document be approved; whereby, Ivan Y. Kaneko, transfer unto the Board of Water Supply, County of Kauai, all of its right, title and interest to: one (1) each, 1-inch copper single service lateral for 5/8" water meter, in place complete, for the Installation of Single Service Lateral and Water Meter, Kaneko Estates; TMK: (4) 2-3-002:098, Kalaheo, Koloa District, Kauai, Hawaii.

Grant of Easement not required.

Mr. Crowell moved to approve the Conveyance of Water Facility from Ivan Y. Kaneko, seconded by Mr. D. Fujimoto; motion was carried.

Re: Facilities Reserve Charge Study – Request Board Approval for Contract Amendment No.1 (Manager’s Report No. 72)

RECOMMENDATION:

It was recommended that the Board approve contract Amendment No. 1 for Contract No. 506 with R. W. Beck, Inc. in the amount of \$19,900. 00.

It was further recommended that the additional funds required in the amount of \$19,900.00, be taken from Account No. 27, Contractual Services.

FUNDING:

Account No. 27, Contractual Services Total Funds Available:	\$220,000.00
Contract No. 506, R. W. Beck, Inc.....	<\$ 58,000.00>
Balance Remaining.....	\$162,000.00

Contract Amendment #1	<\$ 19,900.00>
Additional Funds Requested, Account No. 106.b, CIP Reserve	<\$ <u>142,100.00</u> >

Total Project Budget.....\$77,900.00

BACKGROUND:

This project includes professional consulting services necessary to update the Department’s previous Needs Assessment Study and Facility Reserve Charges (FRC) analysis that was completed on July, 2004. A major task of the study is to incorporate updated CIP information into it assessment and analysis. This tasks involves a review of the Department’s capital projects that have been completed (both Water Plan 2020 projects and other capital projects) and future capital plans. This tasks also involves the process used by staff to determine assumptions for capital prioritization and cost estimates, recognizing cost estimates should include costs for planning, EIS, design (in-house as well outside design), land acquisition, construction, construction inspection (in-house as well as outside inspection) and project management, including updating capital costs to reflect inflation or other escalation impacts as appropriate.

During the review process for the above mention task, it was determined that a major component of the Department's future capital planning projects is the future utilization of the water treatment plant. It was felt an assessment of the operational and future expansion costs of the water treatment plant should be also be conducted to determine the potential impact it may have on the development of the updated Facility Reserve Charge.

The consultant, R. W. Beck, Inc., proposed \$19,900 to complete this task, which appears reasonable.

Mr. D. Fujimoto moved to approve contract Amendment No. 1 for Contract No. 506 with R. W. Beck, Inc. in the amount of \$19,900.00 and to approve that these funds be taken from Account No. 27, Contractual Services, seconded by Mr. Oyama.

On query by Chair Nishimura, Mr. Ganaden stated that as a capital leasing, we are depreciating the surface water treatment plant. Manager Craddick added that funding of the plant would be a CIP item but this is only a study to determine the operating costs of a new plant with photovoltaic based on current facility.

Chair Nishimura called for the vote. Mr. Crowell and Chair Nishimura abstained from voting and the rest voted aye. Motion was carried.

Re: Request Board Approval of Upsizing of the Kaumualii Highway 16-Inch Waterline to a 24-Inch Waterline in Conjunction with the State's Kaumualii Highway Widening, Vicinity of Anonui Street to Vicinity of Lihue Mill Bridge Project, Lihue, Kauai, Hawai'i (Manager's Report No. 70)

RECOMMENDATION: It was recommended that the Board approve a contract to PARK ENGINEERING in the amount of \$128,038.00 to provide design services to upgrade the 16-inch and 12-inch waterlines along Kaumualii Highway, between Anonui Street in Puhi and the vicinity of the Lihue Mill Bridge to 24-inches.

FUNDING:

Waterworks Build America Project Fund	\$150,000.00
Proposal from PARK ENGINEERING	<\$128,038.00>
Balance Remaining	\$ 21,962.00

BACKGROUND:

The State of Hawaii has a contract to widen Kaumualii Highway from the Lihue Sugar Mill Bridge to just past the Grove Farm Office in Puhi, for a length of approximately 6,000 feet. The current scope of work calls for the State to relocate the existing 16-inch and 12-inch waterlines which are at their service limit, as far as volume goes. The relocation will be accomplished by installing replacement 16-inch and 12-inch waterlines at an adjacent location, and abandoning the existing waterlines. Since the existing waterlines are at their service limit, it would not be prudent to replace them with new inadequately sized 16-inch and 12-inch waterlines. In order to increase the

service limit, the Department will pay for the additional cost to upsize the replacement waterlines from 16-inch and 12-inch diameter to 24-inch diameter.

Park Engineering submitted a proposal of \$128,038.00 for design services to upgrade the 16-inch and 12-inch waterlines to 24-inches, which appears reasonable. Further, it is estimated that the consultant will need approximately 150 calendar days to complete the project, subject to timely reviews by the Department of Water and the other governmental agencies.

Mr. D. Fujimoto moved to approve a contract to PARK ENGINEERING in the amount of \$128,038.00, seconded by Mr. McCormick.

Chair Nishimura noted that the bond issue would be funding this project.

On query by Chair Nishimura, Manager Craddick stated that the estimated project cost was about \$2.55 million.

By a unanimous vote; motion was carried.

STAFF REPORTS

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

Waterworks Controller Ganaden reported that:

1. The DOW received the bond proceeds in March, 2010 in the amount of \$59,464,161.34. The difference between the balance and the bond amount was for cost of issuance.
2. In February, 2010, \$4.5 million SRF reimbursements were received.
3. Provision 16: we budgeted \$50,000 and expended to date \$106,000 for vacation pay for the 5 DOW retirees in December, 2009
 - a. We are still ok on our Salaries account.
4. Account 67: Health and Insurance for Retirees and OPEB Benefits. In February, 2010, \$728,000 was paid by the Department for OPEB liabilities. However, at the same time, the Department of Finance were also deducting OPEB costs from the DOW for which we were reimbursed in March 2010 for \$541,000.

On query by Chair Nishimura, Mr. Ganaden stated that debt service is paid semi-annually.

Mr. D. Fujimoto moved to receive the Statement of Kaua'i County Water Department's Revenues and Expenditures report and placed it on file, seconded by Mr. Crowell; by a unanimous vote, motion was carried.

Re: Public Relations Specialist's Monthly Update Regarding DOW Public Relation Activities

Manager Craddick gave Public Relations Specialist Faith Shiramizu's report:

Re: Public Relations Update

Muscular Dystrophy Association: Three of our employees were participants in the Annual MDA Lockup, two of them were taken by police car to the "jail", then released after turning in their bail money. The third employee felt so guilty, she turned herself in then made bail. Great job Margie, Emi and Rona!

HWWA Annual Conference: Sandi will be sending out Sponsor and Exhibitor Space forms to business in related fields by the end of April. She is also working on finalizing the agreement with the hotel. We will also be meeting with DOH regarding required topics to qualify for funding.

Project WET: A Project WET Educator Workshop will be held at KCC on April 28, 2010. The teachers will be sponsored by KEDB, so there will be no cost to them. As additional incentive, KEDB will be offering bus scholarships to attend our 2010 MAS Water Festival to teachers that attend this workshop.

Contractors Association of Kauai (CAK): The presence of the DOW was felt at the 18th Annual CAK Home Show as we encouraged attendees to participate in a water taste test. They were each allowed to sample "A", "B" and "C", the vote for the water sample they liked best. The three water sources were ground, surface and bottled. And the winner was.....Groundwater!! The results were posted on our website as many of our water tasters were very curious about which one they picked and also which was which. It was fun for those that participated!

Source Protection Plan: A Source Protection Plan Workshop was conducted by Erin Borger from the National Rural Water Association, on March 30th. Erin will be working on a Source Protection Plan for the department. Having this plan in place could provide several benefits, including coordinating land uses, protecting public health and reduce risk of contamination, which would reduce potential costs for treatment or clean up. We are hoping that by this fall, a Monitoring Waiver program will be implemented throughout the State. It will be necessary to have a Source Protection plan in place to qualify for the waiver program as well as becoming eligible for EPA/DOH grants for source protection projects.

USDA: Met with Taani and Jim from USDA regarding funding for three projects. Will be following up with Taani to finish up the applications.

Mr. Oyama moved to receive the Public Relations Update and placed it on file, seconded by Mr. Crowell; by a unanimous vote, motion was carried.

Re: Deputy Manager's Summary Report on Monthly Operational Maintenance

Deputy Eddy reported that a new entrance has been made to the DOW's baseyard. This new entrance was part of accommodating the office expansion as we may need to bring temporary trailers to house some of our staff and would be located by the present entrance to the baseyard.

Mr. Oyama moved to receive the Deputy Manager's Summary Report and placed it on file, seconded by Mr. Crowell.

On query by Chair Nishimura, Deputy Eddy stated that DPS did submit our approved Ops Re-org and he hoped to start the first tier of the Re-org plan soon.

By a unanimous vote, motion was carried.

Re: Manager's Update for March, 2010 to April, 2010

CONTRACTS AWARDED BY THE MANAGER: None.

PUMP INSTALLATION PERMITS SIGNED BY MANAGER: None.

WAIVER, RELEASE AND INDEMNITY AGREEMENTS SIGNED BY THE MANAGER: None.

PERSONNEL MATTERS UPDATE: (Updated April 6, 2010)

RECRUITMENT:

Ops Division:

1. Waterworks Inspector II filled as of April 1, 2010.
2. Lead Pipefitter vacancies due to promotion. Position description pending review by DPS.
3. Operations Division Account Clerk vacancy due to promotion. Pending review of updated position description by DPS.
4. Operations Re-organization pending review by DPS.

Fiscal Division:

1. Accountant II position description update pending review by Department of Personnel Services (DPS).

Engineering Divisions:

1. Civil Engineer V vacancies in Engineering and Special Projects. Interviews being scheduled.
2. Project Assistant (Special Projects Division). Interview questions being prepared.

Administration Division:

1. Computer Systems Support Technician I. Selection is underway.
2. Commission Support Clerk interviews were held. Selection pending.
3. Summer Interns applications being received. Application closing date: April 16, 2010.

Affordable Housing Update

The last Affordable Housing Task Force (AHTF) meeting was held on Monday, April 12, 2010 at Pi'ikoi Conference Room A, with the status of projects below.

Updates on AHTF Projects:

1. Habitat - Eleele I Luna Subdivision Phase 2 (107 lots, 1 park): Site construction for the sewer main is underway. Housing agency estimated that on-site infrastructure improvements for Phase II, Increment 1, will be bid out during summer, 2010.
2. Kauai Lagoons – Kapule Project: Water improvements have been conveyed to the Water Board. Planning will check if conveyance documents were submitted to the Planning. Housing Agency is preparing amendments to the zoning ordinance and related housing agreement to change the lease hold ownership to fee simple ownership. Housing estimates that Council may approve amendments by April, 2010.
3. Kukui'ula Employee Housing- "Gap" Housing subdivision and zoning permit. Kukuiula Development Co. will request that the County Council amend the housing agreement that is required by the Zoning Amendment ordinance this week. The Planning Commission and Planning Department is recommending against the KDC proposal.
4. Koheea Loa (Hanamaulu Triangle) - Water system improvements as set forth by the WMP include offsite source, storage and transmission facilities. DR Horton is requesting meetings with DOW, Wastewater and Planning relating to the conditions.
5. Paanau Village, Phase 2: Kaua'i Housing Development Corp (KHDC) was awarded the RFQ to develop 50 units. KHDC submitted the application to the State for low income financing. If successful the project will be able to move on. If not successful Housing Agency may have funds to complete on-site infrastructure. The current owner/subdivider, Kukuiula Development Company must bond the roadway improvements prior to final subdivision map approval and transfer of parcels to the Housing Agency.
6. 'Ele'ele – 75 acre parcel acquisition: Housing Agency executed the purchase agreement with McBryde Sugar Co. to purchase the 75 acre parcel. The Housing Agency has hired a consultant, to prepare a master development plan that may include a water master plan element for the project.

State Land Parcels (County Affordable Housing): No report at meeting.

Next meeting is scheduled for Monday, May 10, 2010 at the Pi'ikoi Conference Room A at 10:00AM-11AM.

Legislative Update: The bills for the delegation of Board authority regarding payment voucher signing has been approved in the Senate and House. Bills have crossed over and senate is discussing Amendment. The funding request for Kilauea has not moved.

Relocation of DOW's Baseyard Entrance: The work going along the road going to Kaumuali'i Highway is for an alternate driveway to access our Baseyard.

DSO Training: 6 students in classes including one from outside the water department. They will be taking their respective tests shortly.

Mr. D. Fujimoto moved to receive the Manager's Update and place on file, seconded by Mr. Oyama; by a unanimous vote; motion was carried.

Re: For the Board's Information on the Kaua'i County Water Department Briefing on Departmental Projects

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

Manager Craddick stated that leaking problems still need to be resolved.

Mr. K. Fujimoto reported that our Waimea waterline projects are under review and there are realignment issues. Mr. McCormick stated that DOT Highways Division will be sending DOW a letter next week to let us know that they are not in agreement to have the waterline in the road.

Mr. D. Fujimoto moved to receive the DOW's Quarterly Projects Briefing Report and place on file, seconded by Mr. Oyama; by a unanimous vote, motion was carried.

Re: Strategic Plan Update: Issue Champions & Affordable Housing Reports

Mr. McCormick moved to defer these 2 reports to the next Board Meeting when the County Housing Agency will do their presentation, seconded by Mr. Crowell; by a unanimous vote; motion was carried.

EXECUTIVE SESSION:

Pursuant to H.R.S. §92-7(a), the Commission 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 H.R.S. §92-4 and shall be limited to those items described in H.R.S. §92-5(a).

EXECUTIVE SESSION AGENDA: None.

Review of Executive Session Minutes: March 18, 2010 (*deferred*)

There was no Executive Session at this Board Meeting.

Re: TOPICS FOR NEXT WATER BOARD MEETING:

1. Request Board Approval of Final Budget for Fiscal Year 2010-11
2. Kaua'i County Housing Agency Update Presentation on their Affordable Housing Projects *(deferred from April 15, 2010 Board Mtg.)*
3. Followup Report on Mr. Daniel Yamaguchi - Request for Additional Adjustment to his Water Bill for Service Account No. 1003640-10107033 *(from April 15, 2010 Board Mtg.)*
4. Quarterly Reports:
 - a. Strategic Plan Update: Issue Champions & Affordable Housing Reports *(deferred from April 15, 2010 Board Mtg.)*

Re: TOPICS FOR FUTURE WATER BOARD MEETINGS

1. Request Board Approval of Final Budget for Fiscal Year 2010-11 *(June, 2010)*
2. Request Board Approval of Resolution No. 1, *(10/11)*, Budget for Fiscal Year 2010-11 *(August, 2010)*
3. Public Hearing for Proposed Rule Revisions *(July, 2010)*
4. Quarterly Reports:
 - a. For the Board's Information on the Kaua'i County Water Department Briefing on Departmental Projects *(July, 2010)*
 - b. Strategic Plan Update: Issue Champions & Affordable Housing Reports *(July, 2010)*

Re: UPCOMING EVENTS

1. AWWA, HI Section Annual Conference in Honolulu – *May 19-21, 2010*
2. AWWA National Conference in Chicago – *June 20-24, 2010*
3. Hawai'i Water Works Association (HWWA) Annual Conference on Kaua'i - *October 13-15, 2010*

Re: NEXT WATER BOARD MEETINGS

1. Thursday, May 13, 2010, 10:00 a.m. (date changed)
2. Thursday, June 17, 2010, 10:00 a.m.
3. Thursday, July 15, 2010, 10:00 a.m.
4. Thursday, August 19, 2010, 10:00 a.m.
5. Thursday, September 16, 2010, 10:00 a.m.
6. Thursday, October 21, 2010, 10:00 a.m.

ADJOURNMENT

There being no further business, the meeting was duly adjourned at 12:33 p.m.

Respectfully submitted,

Rona Miura, Secretary

APPROVED:

David R. Craddick, P.E.
Manager and Chief Engineer

rm