

MEETING MINUTES  
BOARD OF WATER SUPPLY  
Thursday, December 17, 2015

The Board of Water Supply, County of Kaua'i, met in regular meeting at the Board Conference Room in Lihu'e on Thursday, December 17, 2015. Chair Sherman Shiraishi called the meeting to order at 10:02 a.m. The following Board members were present:

BOARD: Mr. Sherman Shiraishi, *Chair*  
Mr. Clyde Nakaya, *Vice Chair*  
Mr. Michael Dahilig  
Ms. Laurie Ho  
Mr. Wally Rezentes, Jr.  
Mr. Larry Dill (*entered meeting @ 10:33 a.m.*)

Quorum was achieved with 5 members present at the time of roll call.

STAFF: Mr. Kirk Saiki  
Ms. Marites Yano  
Mr. Keith Aoki  
Ms. Kim Tamaoka  
Ms. Sandi Nadatani-Mendez  
Mr. Eddie Doi  
Mr. Carl Arume  
Mr. Chris Nakamura  
Mr. Russell Coyaso  
Ms. MJ Akuna  
Deputy County Attorney, Andrea Suzuki

GUESTS: Mr. Gregg Enright, General Manager, Waimea Plantation Cottages  
Ms. Lori Nielsen-Lemn, Asst. General Manager, Waimea Plantation Cottages  
Ms. Nalani Soares, Waimea Plantation Cottages

**ACCEPTANCE OF AGENDA**

Mr. Nakaya moved to rearrange the Agenda as amended by Chair Shiraishi to move up Resolution No. 16-05 – Farewell to Russell Coyaso (Retiree) Maintenance Worker II, Operations Division after Roll Call; seconded by Ms. Ho; with no objections, motion carried with 5 ayes.

**H. NEW BUSINESS**

1. Resolution No. 16-05 – Farewell to Russell Coyaso (Retiree) Maintenance Worker II, Operations Division

Manager Saiki read Resolution No. 16-05 - Farewell to Russell Coyaso (Retiree) followed by a photo op with the Manager, Board members and Operation's supervisors. Mr. Coyaso was presented his Resolution and a handmade retirement clock made by Operations for his twenty-six (26) years of DOW service.

The Board approved Resolution No. 16-05 – Farewell to Russell Coyaso (Retiree) Maintenance Worker II, Operations Division with no objections.

#### **D. MEETING MINUTES**

##### **Review and approval of:**

Regular Board Meeting – November 19, 2015

Mr. Dahilig moved to approve subject to corrections; seconded by Ms. Ho; with no objections, motion carried with 5 ayes.

Public Hearing – November 10, 2015

Mr. Dahilig moved to approve subject to corrections; seconded by Ms. Ho; with no objections, motion carried with 5 ayes.

##### **Review and Receipt of Meeting Minutes from Transcripts:**

Regular Board Meeting – January 26, 2012

Mr. Dahilig moved to receive subject to corrections; seconded by Ms. Ho; with no objections, motion carried with 5 ayes.

#### **E. CORRESPONDENCE/ANNOUNCEMENTS**

1. Correspondence from Mr. Gregg Enright, General Manager, Waimea Plantation Cottages, LLC., Kikiaola Land Company, located on 9400 Kaumuali'i Highway, Waimea, Kaua'i, Hawai'i received November 27, 2015 regarding Adjustment of Bills for Undetected Leaks and Unforeseen Damages

Chair Shiraishi did not intend to take action on this agenda item today but would defer it. Mr. Enright's letter stated he would like to discuss his request with the Department and the Board to see what type of action or relief Mr. Enright was requesting.

*Mr. Gregg Enright, General Manager, Waimea Plantation Cottages and  
Ms. Lori Nielsen-Lemn, Asst. General Manager,  
Waimea Plantation Cottages provided their testimony.*

Mr. Enright provided an outline of his leak adjustment request to the Board and hoped to get more than the 10.7% which was reimbursed back to the property.

#### **DISCUSSION:**

Chair Shiraishi commented the leak adjustment was calculated based on the existing policy. Manager Saiki also mentioned the old policy leak rebate was more than 50%.

Waterworks Controller, Ms. Yano briefly explained the time line of the leak adjustment. (See leak adjustment calculations in board packet.). The first leak adjustment was cancelled by Ms. Nielsen-Lemn because a second leak was discovered on the same line and was repaired timely. A higher leak adjustment on the second leak was given which Ms. Yano said benefited the company.

Mr. Dahilig asked Mr. Enright what is a fair amount to be reimbursed? He said 50% as Manager Saiki mentioned which would be about \$8,000.

Manager Saiki cautioned the Board if the Department deviates from the rule with the next person to come in with a similar leak adjustment, would the Department be obligated to validate the rule?

Chair Shiraishi asked does the Board have the discretion to alter the rule? The rule states there is only one (1) leak rebate every two (2) years with the Manager's discretion.

In Part 2, Section IX, No. 3 of the rule, Ms. Yano read "An adjustment in a high water bill will be allowed only if the consumer exercises diligence in repairing and stopping the leak within one week after the

consumer knew.” Mr. Enright is asking for a leak adjustments on three (3) billing periods and if the leak adjustment is granted, the one (1) year rule would be disregarded. Mr. Enright did not agree with Ms. Yano’s comment because when they received the bill, both leaks were repaired within five (5) days. He did not know there was a second leak until he received a higher bill.

At 10:25 a.m., Mr. Dahilig moved to go into Executive Session to consult with the Deputy County Attorney for clarification on the rule in terms of the Board’s discretion; seconded by Mr. Rezentos, with no objections at Roll Call MD, LH, WR, CN, SS (nay), motion carried with 4 ayes and 1 nay.

*At 10:33 a.m., Mr. Dill entered the Executive Session.*

*At 10:34 a.m., Chair Shiraiishi reconvened the meeting to continue testimony.*

Mr. Dahilig hoped that Mr. Enright understood the Board’s exceptions to the policy. If the remedy to further negotiate with the Manager is not acceptable, this would have to go through an Administrative Hearing (contested case) before the Board.

Mr. Enright appreciated the Board’s time on his testimony.

Mr. Dahilig moved to defer and refer Mr. Gregg Enright’s leak adjustment request to the Manager and Department for further discussion and consideration; seconded by Ms. Ho; with no objections, motion carried with 6 ayes.

Ms. Ho moved to Receive for the Record the Outline handout received from Mr. Gregg Enright; seconded by Mr. Dahilig; with no objections, motion carried with 6 ayes.

**F. BOARD COMMITTEE REPORTS**

None.

**G. OLD BUSINESS**

1. *Manager’s Report No. 16-19* - Discussion and Receipt of the Department of Water’s (DOW) Final Financial Statements and the Independent Auditor’s Report for Fiscal Year 2014-2015

**BACKGROUND:**

Ms. Yano submitted a revised draft of the Finance Statements with a \$49,000 adjustment (not significant) which was a decrease in the net position. The audited Employee Retirement System (ERS) report was received yesterday from KPMG and was the final document the auditors waited for to issue the Final Audit Report. There will be no changes in the numbers but there will be a slight modification in the footnote disclosure (pages 101 & 103). Item 8d will have slight modifications (actuarial allocation for the general employees and police and fire).

The Finance Statements were approved at the last Board meeting, November 19, 2015 with no substantial changes. Ms. Yano requested that the Board approve the final report when it is completed.

The issue of the final report are currently being worked on by the auditors to meet the deadline for the County. A hard copy of the final report would be provided to the Board at the January Board meeting.

Mr. Dahilig moved to receive and to reaffirm\* the motion from the November Regular Board meeting; seconded by Mr. Dill; with no objections; motion carried with 6 ayes.

*\*Motion from the November 19, 2015 Regular Board Meeting: [MD moved to approve the Draft Financial Statements and Independent Auditor’s Report and to approve the forwarding of the Final report after*

receipt of the KPMG report. The Final report will be forwarded to the County if there are no significant changes as approved; WR 2<sup>nd</sup>J – 6 Ayes

#### H. NEW BUSINESS

2. Manager's Report No. 16-23 - Discussion and Possible Action on the Grant of Easement for Kukuiula Parcel FF – Phase 1 (S-2009-03), Poipu, Kaua'i, Affecting the Following Landowner, TMK: 2-6-19:17 (por), Po'ipū, Kaua'i, Hawai'i
  - a. Lodge Hale Development, LLC

#### BACKGROUND:

Manager Saiki recommended the Board approve the Grant of Easement for the Kukui'ula Parcel.

#### DISCUSSION:

Mr. Dill asked if all the easements are over Kukui'ula Road because they have not been conveyed to the County yet. Deputy County Attorney Suzuki said they were probably done which was a requirement.

Mr. Dahilig moved to approve as recommended by the Manager on Manager's Report No. 16-23 - Discussion and Possible Action on the Grant of Easement for Kukuiula Parcel FF – Phase 1 (S-2009-03), Poipu, Kauai, Affecting the Following Landowner, TMK: 2-6-19:17 (por), Po'ipū, Kaua'i, Hawai'i, a) Lodge Hale Development, LLC; seconded by Mr. Dill; with no objections; motion carried with 6 ayes.

3. Manager's Report No. 16-24 - Discussion and Possible Action on Board Policy No. 20 Facilities Reserve Charge Credits for Developers of Affordable Housing

#### BACKGROUND:

Chief of Water Resources and Planning, Mr. Eddie Doi recommended the Board rescind Board Policy No. 20 Facilities Reserve Charge (FRC) Credits for Developers of Affordable Housing. There were numerous amendments to the rules and research showed that this policy no longer applies. As of today, the FRC Offsets are allowed for developers who construct an affordable facility. Based the recent enactments to the amendments to the FRC charge, it is appropriate to rescind Board Policy No. 20. Everybody pays FRC to be eligible to receive FRC credits. If a person develops affordable houses they would be considered a subdivider.

#### DISCUSSION:

Mr. Dill mentioned that this would resolve a conflict in the rules.

Mr. Dill moved to approve Manager's Report No. 16-24 - Discussion and Possible Action to rescind Board Policy No. 20 Facilities Reserve Charge Credits for Developers of Affordable Housing; seconded by Mr. Nakaya; with no objections, motion carried with 6 ayes.

4. Manager's Report No. 16-25 - Discussion and Possible Action on Board Policy No. 30 - Proposed Delegation of a Meter Restriction

Manager Saiki withdrew this agenda item. The Department is still working on Board Policy No. 30

5. Manager's Report No. 16-26 - Discussion and Approval to authorize Department of Water, County of Kauai (DOW) to initiate investigation on the feasibility of establishing a Cooperative Agreement with County of Maui, Department of Water

**BACKGROUND:**

The Department is working with the County of Maui, Department of Water, on separate contracts, on a new billing system to be procured separately. If the Customer, Care & Billing (CC&B) system is retained, there may be consultants that could assist in developing the Department's own billing system. If contracts are combined, it may be cost effective.

**DISCUSSION:**

Mr. Dill pointed out the County of Maui, Department of Water is not semi-autonomous which should be covered during agreement discussions. Manager Saiki said there could be a problem if the Department gets a great deal and the County of Maui does not move forward.

Mr. Rezentes queried whether Maui opts out in the course of the contract, would it impact the Department's contract. Manager Saiki mentioned if Maui steps back, the consultant could give the Department a new price, then the Department would go back through the procurement process. Manager Saiki and Ms. Yano will closely review the Cooperative Agreement with the County of Maui, Department of Water before proceeding with procurement.

Mr. Dahilig moved to approve Manager's Report No. 16-26 - Discussion and Approval to authorize Department of Water, County of Kauai (DOW) to initiate an investigation to determine feasibility of establishing a Cooperative Agreement with County of Maui, Department of Water; seconded by Mr. Dill; with no objections, motion carried with 6 ayes.

**I. STAFF REPORTS**

**MONTHLY**

1. Discussion and Receipt of the Kaua'i County Water Department's Statement of Revenues and Expenditures
  - a. November Monthly Summary Budget

**BACKGROUND:**

Waterworks Controller, Ms. Yano noted the Budget Summary vs. Actual on the breakdown of the capital expenditure had a glitch and was not included until the issue was resolved.

The draft Standard Operating Procedure 51 (SOP) application to the Fiscal Division titled "Charges, Disconnection & Restoration of Water Service" is still in discussion with the division heads. A revised SOP will be resubmitted when the terms are completed.

**DISCUSSION:**

On draft SOP 51, Chair Shiraishi requested Ms. Yano remove the language referencing credit scores to eliminate any problems with the Federal Fair Credit Reporting Act. Deputy County Attorney, Suzuki clarified that this was not SOP material. This would need to go through a rule change with the proper notice to the public. This is a draft idea and will not be implemented. Chair Shiraishi said this is a good way to identify slower payers to protect the Department.

On Page 158, the Variance (299%) should be a positive not a negative number which was pointed out by Mr. Dill. He referenced line item, Net Operating Income (Loss) Before Depreciation & Amortization – the Revised YTD was \$940,000 with a huge Variance of 609% which was a concern. Ms. Yano mentioned a big factor resulted in over \$1M received for the Facilities Reserve Charge (FRC) (\$1M out of a \$5.7M Variance). When the budget was done for this fiscal year, water usage dropped. The dropped numbers were the baseline when estimating revenues.

Towards the end of the year, the water usage went back up. As part the nationwide initiative, water usage would continue to drop, which was the result of keeping estimates of the water usage conservative.

Another variance was the Contract and Professional Services were not normal expenditures - \$1.9M Variance.

Mr. Rezentes asked what does Fiscal do if the actual results vary from the budget numbers? Do you amend the budget to what you are seeing (up or down) on revenues or expenditures? Ms. Yano said if the revenues are higher, amending the budget is not necessary unless there is a need to add more in the budget expense.

Mr. Dill moved to receive Discussion and Receipt of the Kaua'i County Water Department's Statement of Revenues and Expenditures, b) November Monthly Summary Budget; seconded by Mr. Dahilig; with no objections, motion carried with 6 ayes.

2. Discussion and Receipt of the Report by the Public Relations Specialist on Public Relations Activities

**BACKGROUND:**

Public Relations Specialist Ms. Tamaoka highlighted the following:

1. Project Wet Workshop – was completed this month.
2. Haleko Road Closures - received good coverage during the delays but the road is now open.

Mr. Dahilig moved to receive the Report by the Public Relations Specialist on Public Relations Activities; seconded by Ms. Ho; with no objections, motion carried with 6 ayes.

3. Discussion and Receipt of the Chief of Operation's Summary Report on Operational Activities

**BACKGROUND:**

Chief of Operations, Mr. Reyna referred to the Billed and Unbilled attachments and disclosed what occurred in October and November. The October Billed/Unbilled usage was 19% higher than previous months (a negative Billed/Unbilled percentage). He suspected the meter reading and the billing got caught in between when production looked at the meter reading and when the bill was submitted. There could have been more readings which reflected a higher Billed/Unbilled usage.

In the following month, the production was the same but the Unbilled customers were included into the billing (inversion). He will be reviewing next month's billing to check for an inversion of billing and wants to see if there is a correlation on specific time of the meter reading and the time the last billed meter was read. The Supervisory Control and Data Acquisition (SCADA) reading could then be adjusted.

The Water Audit form is recommended by the American Water Works Association (AWWA) and was distributed to the Board as a top down process and does not contain a lot of field work.

On Page 176, for Fiscal Year 2015 the non-revenue water volume percentage was 20%. The 20% is consistent from an earlier graph; a higher figure volume loss. The cost of operating the system is 13.8% for the calendar year and the Department is below the 15% industry standard.

On Actual cost of water losses, the annual loss is \$242,000 (paperwork errors in meter reading, billing, and data handling). Annual cost of real losses is \$759,000 (leaks) equals a little over \$1M combined losses.

The Department could implement an aggressive leak detection program and meter accuracy program to make sure the master meters are accurate and customer meters are accurate.

**DISCUSSION:**

Chair Shiraishi inquired on the significance of the score of 78 out of 100. Mr. Reyna said Operations is within industry standard.

Mr. Rezentes inquired if the Department has historical figures (based on the \$759,000 real loss amount). This was the first attempt of using this formula and will use to set the bar in the future replied Mr. Reyna.

The Water Loss Control Planning Guide attachment indicated what can be done or needs to be done.

Mr. Reyna thanked the division heads for assisting with the report.

*At 11:16 a.m., Mr. Dahilig exits the meeting.*

*At 11:18 a.m., Mr. Dahilig re-entered the meeting.*

Mr. Rezentes moved to receive the Chief of Operation's Summary Report on Operational Activities; seconded by Ms. Ho; with no objections, motion carried with 6 ayes.

4. Discussion and Receipt of the Manager and Chief Engineer's Monthly Update Regarding Activities of Note of the DOW

**BACKGROUND:**

Manager Saiki highlighted the following:

1. Hā'ena 0.2MG Storage Tank Project – The project was negotiated with Engineering and design started.
2. Personnel Matters (Updates):  
Interviewed candidates and have a proposed selection on the Waterworks Inspector I  
CE III – was introduced to the Board members before the meeting started.  
Deputy Manager Engineer – interviews will begin next week.

Mr. Dahilig moved to receive the Manager and Chief Engineer's Monthly Update Regarding Activities of Note of the DOW; seconded by Ms. Ho; motion carried with 6 ayes.

- a. Report of the BAB pay down as of November 2015

Mr. Dahilig moved to receive the Report of the BAB pay down as of November 2015; seconded by Ms. Ho; motion carried with 6 ayes.

**J. EXECUTIVE SESSION**

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

1. Correspondence from Mr. Gregg Enright, General Manager, Waimea Plantation Cottages, LLC., Kikiaola Land Company, located on 9400 Kaumuali'i Highway, Waimea, Kaua'i, Hawai'i received November 27, 2015 regarding Adjustment of Bills for Undetected Leaks and Unforeseen Damages. (Refer to motion in open session.)

**K. TOPICS FOR NEXT WATER BOARD MEETING (January 2016)**

1. Discussion and Possible Action on the Petition for Subdivision, Designation of Restriction of Access Rights on Cancellations of Portions of Easements and Easement document for Kaumuali'i Highway Widening Līhu'e to West of Maluhia Road Phase 1 Līhu'e to West of Kīpū Road at Līhu'e, Puna, Kaua'i, Hawai'i Federal Aid Project No. STP-050-1 (267) TMK (4)3-4-007:003

**L. TOPICS FOR FUTURE WATER BOARD MEETINGS**

1. Discussion and Possible Action relating to Providing Water Service Outside of the Water Zone
2. Draft Budget for Fiscal Year 2016-2017 (March 2016)
  - a. Fiscal Year 2016 - 2017 – Draft Operating Budget
  - b. Fiscal Year 2016 - 2017 – Draft Capital Outlay Budget
3. Employee of the Year Resolution (April 2016)

**M. UPCOMING EVENTS**

1. AWWA/Hawai'i Section Hawai'i Water Environment Association 2016 Pacific Water Conference, Honolulu, HI (February 2-6, 2016)
2. AWWA, Chicago, IL (June 9 -12 2016)

**N. NEXT WATER BOARD MEETING**

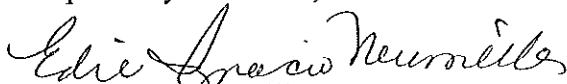
1. Thursday, January 28, 2016, 10:00 a.m.
2. Thursday, February 25, 2016, 10:00 a.m.
3. Thursday, March 31, 2016, 10:00 a.m.
4. Thursday, April 28, 2016, 10:00 a.m.
5. Thursday, May 26, 2016, 10:00 a.m.
6. Thursday, June 30, 2016, 10:00 a.m.

Chair Shiraishi thanked the Board members and staff for their support during his year as the Board Chair.

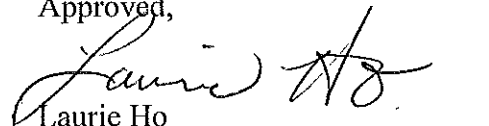
**O. ADJOURNMENT**

Mr. Dahilig moved to adjourn the Regular Board Meeting at 11:21 a.m., seconded by Mr. Dill; with no objections, motion carried unanimously.

Respectfully submitted,

  
Edie Ignacio Neumiller  
Commission Support Clerk

Approved,

  
Laurie Ho  
Secretary – Board of Water Supply