

REGULAR MEETING
BOARD OF WATER SUPPLY
Tuesday, February 20, 2007

The Board of Water Supply, County of Kaua'i, met in regular meeting at its office in Lihu'e on Tuesday, February 20, 2007. Chairperson Lynn McCrory called the meeting to order at 11:05 a.m. On roll call, the following answered present:

BOARD: Ms. Lynn McCrory, Chairperson
Mr. Ian Costa (present at about 11:25 a.m.)
Mr. Donald Fujimoto (left at about 12:20 p.m.)
Mr. Steven Kyono (left at about 2:35 p.m.)
Mr. Roy Oyama
Ms. Bernie Sakoda

STAFF: Ms. Wynne Ushigome
Mr. Paul Ganaden
Mr. Les Yoshioka
Mr. Gregg Fujikawa
Mr. Keith Fujimoto
Mr. Bruce Inouye
Ms. Faith Shiramizu
Ms. Amy Esaki
Deputy County Attorney James Itamura

Absent & excused: Deputy County Attorney James Tagupa

GUESTS: Mr. Dave Jochim, RW Beck
Mr. Mark Salmon, RW Beck
Mr. Richard Cuthbert, RW Beck
Ms. Gina Baxter, RW Beck

AGENDA

Mr. Oyama moved to approve the Agenda, seconded by Mr. Fujimoto; motion was carried.

MINUTES

Chair McCrory made the following corrections to the January 16, 2007 minutes:

1. Page 8, 6th Paragraph, Change DR Horton to Grove Farm Co.
2. Page 9, Include under Report of the Sub-Committee of the Whole on Filling the Two (2) EM-5 Position Vacancies that a Sub-Committee Meeting of the Whole was scheduled for Tuesday, January 23, 2007 at 8:30 a.m. at the Board Room and that Sub-Committee members were Chair Lynn McCrory, Bernie Sakoda and Steven Kyono.
3. Page 24, Last Paragraph, change 'the' to 'a' motivation speech....

Ms. Sakoda made the following corrections to the January 16, 2007 minutes:

1. Page 9: 3rd Paragraph under Discussion, Correct Chair Sokei to Chair McCrory
2. Page 23: 2nd Paragraph, Add 'have' half done.....

Mr. Oyama moved to accept the Regular Meeting Minutes of January 16, 2007, as amended, and placed on file, seconded by Ms. Sakoda; motion was carried.

CORRESPONDENCE/ANNOUNCEMENTS:

Re: January 27, 2007 Letter from Lynn McCrory of Pahio Development to the Kaua'i County Council as a Followup from her January 8, 2007 Interview with the Kaua'i County Council for her Membership on the Kaua'i Board of Water Supply

Chair McCrory brought up that at this meeting, the Council requested that a Board member should also attend the Affordable Housing County Meetings since it was stated at previous meetings that decisions needed to be made by the Board. However, the Board decided not to send anyone as one Board member could not make a decision without the consensus of the rest of the Board. Staff was directed that in case of decisions needed that at this meeting they would inform the attendees that they would have to defer an answer, as they need to go back to the full Board for a decision. It was so noted.

Re: January 16, 2007 Letter from Mayor Bryan Baptiste to Mr. Leland Kahawai for Acceptance of a Partial Term on the Kaua'i Board of Water Supply that Expires December 31, 2007

Re: January 31, 2007 Thank You Letter from Mayor Bryan Baptiste to Myles Shibata for His Past Service on the Kaua'i Board of Water Supply

Re: February 6, 2007 Letter from Myles Shibata of Grove Farm Company, Inc. on the Grove Farm/Department of Water Cost Sharing for the 16-Inch Kilohana Transmission Main

Acting Manager Ushigome gave some background of this request to the Board in case this matter is brought before the Board.

All Correspondence was received and placed on file.

OLD BUSINESS

Re: Discussion and Action Steps concerning Selection Process for new Manager and Chief Engineer of the Kaua'i County Water Department 1) Water Manager's Salary Update and 2) Contract Hire to Assist the Acting Manager

- **Water Manager's Salary Update**

Acting Manager Ushigome gave the following update:

Based on the February 14, 2007 Council meeting agenda, Mayor Bryan Baptiste transmitted for confirmation his appointment of Dawn Murata onto the Salary

Commission. Her understanding of the interview process for Ms. Murata is still pending and need to be scheduled prior to her confirmation by Council.

As the March 15, 2007 submittal deadline for the Salary Commission's recommendations looms around the corner, it appeared unlikely the Commission could conduct the necessary research and formulate a recommendation in time; however, the Salary Commission has been meeting every week at 8:00 a.m. If need be, an extension may be granted until May 9, 2007. In anticipation of the salary commission's recommendations, the Department is reviewing the scope of services for the procurement of a PR consultant to assist with the development of an educational ad campaign to facilitate support and assist with the dissemination of information to the public.

- **Contract Hire to Assist the Acting Manager**

The Department advertised a solicitation for professional service providers (a company) to assist with the management of the Department. The notice was posted on the Internet and printed in The Garden Island and Star Bulletin newspapers on February 5, 2007. The deadline to submit a statement of qualifications is March 1, 2007. A copy of the solicitation, "Notice to Providers of Professional Services" was given to the Board for their information.

Based on a query by Mr. Fujimoto, County Attorney Itamura was tasked with checking with the County Attorney's Office if it would be a conflict of interest if a consultant could be hired to assist the manager as well as being hired for consultant work at the DOW. DOW Waterworks Legal Advisor Esaki will assist in this matter. Chair McCrory requested the legal opinion to be submitted to the DOW within a week.

Mr. Costa was present at the meeting at about 11:25 a.m.

Re: Report of the Sub-Committee of the Whole on Filling the Two (2) EM-5 Position Vacancies

Chair McCrory reported that the Subcommittee of the Whole met on Tuesday, January 23, 2007 to review the current Position Descriptions and Tables of Organization for the proposed change within the Engineering Division. This re-organization moves the current EM-7 position to an EM-5 position and adds an EM-5 position. The new Position Descriptions and Tables of Organization were given to the Board for their information, which had staff input and the suggestions were incorporated. This re-organization was for the Board's action at the February 20, 2007 Board meeting. In attendance at the meeting were Chair McCrory, Ms. Sakoda and Mr. Kyono.

HISTORY AND RATIONALE

The re-organization is the result of moving forward to get the Water Plan 2020 started and on a set schedule for completion. The past six years have not moved the Water Plan 2020 forward as planned. The CIP projects that were anticipated being completed were in the range of \$8,000,000 to \$12,000,000 each year, with a lower amount in the early years and an increase in each subsequent year. This did not occur. The CIP spending was in the range of \$3,000,000 to \$5,000,000 each year.

Also occurring during this 6-year period was a sharp increase in the costs of construction driven by world and national construction demands, oil pricing, increased local private sector development, and many other issues. This has resulted in some projects ranging being over budget between 200% – 400%.

This combination of not having projects done when they were initially scheduled has resulted in the initial projects estimated costs of \$151,000,000 increasing to \$178,000,000, using the year 2000-dollar values. The projects that were subsequently added and the re-prioritization done in 2005 are not included in these numbers. Depending on when all the projects can be completed, along with how they will be funded, can result in total costs ranging as high as \$250,000,000 - \$360,000,000.

The recruitment of engineering personnel has not resulted in additional staff to complete the Water Plan 2020. The local consultants and contractors do not have the ability to take on additional work as they are working on private sector developments. With this situation, how to complete the Water Plan 2020 needed outside consulting to look at alternatives.

PROPOSED RE-ORGANIZATION.

R.W. Beck is the consultant to the Department and Board on completing the Water Plan 2020 Sustainability Program. They have proposed a separate Water Plan 2020 Sustainability Program group that will be responsible for the completion. This group will include an Engineer that will be responsible for the Engineering section of this program. This is the new EM-5 position. This position will report to the Department of Water Manager and Chief Engineer. The position will work within the program group.

The second Engineering EM-5 position will continue to work with the community projects (private sector development and public development programs). This position will report to the Deputy Manager-Engineer and to the Manager and Chief Engineer.

This separation of projects will allow the volume of Water Plan 2020 projects to be completed and not to be in competition with the community projects that will continue to be brought into the Department for approval. The community projects will be able to be completed more quickly resulting in a higher customer satisfaction level.

Initially and as we move forward over the years in completing the Water Plan 2020 Sustainability Program, the training of Department of Water staff to assume the various task responsibilities will provide the Department with new skills to continue working with both large and small projects, and provide a higher level of customer service.

RECOMMENDATION.

We ask that the Board of Water Supply to approve the re-organization of the two Position Descriptions and the Tables of Organization. These documents are then to be sent to Kauai County Personnel for their review process.

Discussion:

Mr. K. Fujimoto added that the Core Planning Team (CPT) discussed these positions and Table of Organization as part of the Strategic Plan and not the Sustainability Plan.

Mr. Jochim stated that at the last CPT Workshop the 2 EM-5 positions were brought up as related to the draft Table of Organization that was presented as part of the Sustainability Plan.

Mr. D. Fujimoto felt that these 2 EM-5 positions should be filled with consultants and not be DOW employees and he also reiterated his position that the 2 EM-5 positions could be re-created to pattern after the 2 previous DOW EM-5 positions. Chair McCrory also reiterated that our Personnel Assistant stated that it would not pass the Department of Personnel Services (DPS). Mr. D. Fujimoto felt that to clarify this matter, the Personnel Director or his assistant should be consulted as he would want to know why it could not be done. He felt that the existing structure of 2 EM-5 positions becomes stronger as the Board adds the additional position. Chair McCrory added that these 2 positions would be approved quicker by DPS if the position descriptions are updated and consisted of current duties.

Mr. D. Fujimoto stated that he wanted to make sure that all parties, Board, DOW and RW Beck were all on the same page on drafting the position descriptions of the 2 EM-5 positions. He also wanted the EM-5 for the Water Plan 2020 to be separate from the DOW as he felt in that way, the position would have more authority. He felt that once the standards were set, this position could work independently with the consultants. Chair McCrory was not comfortable with the position being independent, as she wants the Water Plan 2020 position to report directly to the DOW Manager. Mr. D. Fujimoto then explained that if this position is independent that it should be an EM-7 position.

Mr. Kyono concurred as that was his stand from the beginning that the Board should consider that these 2 positions should be EM-7 positions.

Mr. D. Fujimoto stated that since the positions could not be like the old EM-5s, even though he does not see why not, his revised stance is now that the positions should be EM-7 positions. He also stated that since we have to wait anyway to finalize these positions, he recommended that the Board, CPT and RW Beck meet and come to a consensus on the revisions of the 2 EM-5 position descriptions.

Chair McCrory stated that the Board wanted to separate Water Plan 2020 from everything else and somehow Water Plan 2020 will be tackled, although it would depend on costs and to figure out how the plan will be funded. There are unknowns there, but she felt that the Water Plan 2020 process needs to continue otherwise this plan would never get done and the plan would be really over budget.

Mr. Kyono requested an opinion from the Board of Ethics if staff or any Board member would be at risk of applying for the EM-5/EM-7 positions if they assist in any way, including assisting with the drafting of the position descriptions.

Chair McCrory stated that a meeting of the Sub-Committee of the Whole would be setup shortly with all of the Board members volunteering to attend. On query by Chair McCrory, Mr. K. Fujimoto and Mr. Inouye agreed to assist with the drafting of the 2 EM-5 position descriptions. Chair McCrory informed Mr. Fujimoto and Mr. Inouye to share the draft position descriptions with other staff members for review and comments.

Ms. Sakoda requested that the Secretary get copies of past correspondence and minutes to new Board Member Oyama. It was so noted.

Re: Job No. 97-11, 16-Inch Water Replacement along Kuhio Highway, N. Leho Drive to N. Papaloa Road, Wailua, Kaua'i (Water Plan 2020 Project No. WK-03)

Recommendation:

It was recommended that an amount of \$155,000.00 be budgeted from Account 106b, CIP Reserve to cut and cap the existing 12" asbestos cement (AC) waterline at three (3) different locations along Kuhio Highway. In addition, the existing 16" ductile iron (DI) waterline at the junction of Kuhio Highway & **Haleilio** Road and the existing 6" cast iron (CI) waterline at the junction of Kuhio Highway & Kuamoo Road will also be cut and capped. Cutting and capping the existing waterlines is required because the Department of Water (DOW) has decided to not to interconnect the existing 12" AC and 6" CI waterlines along Kuhio Highway. The primary reason for deleting the interconnections from the contract was based on ensuring the safety and quality of our water system. With the numerous pipeline failures experienced along this section of the system, the Department was very concerned of the potential contamination risks associated with physically interconnecting these existing waterlines.

Project Funding:

Contract No. 446, Koga Engineering & Construction, Inc.

Total Funds Certified	\$ 3,318,000.00	
Koga Engineering & Construction, Inc.	\$<3,314,840.65>	
Balance Remaining	\$	3,159.35
Proposed Change Order	\$< 150,325.50>	
Contingency (5%)	\$< 7,833.85>	
Total		\$<158,159.35>
Additional Funds Requested		\$<155,000.00
Account 106b, CIP Reserve		

Background:

The approved construction plans show several interconnections between the new 16" DI waterline and both the existing 12" AC waterline and the existing 6" CI waterline along Kuhio Highway. The original intent was to interconnect and valve off the new 16" waterline from the existing 12" and 6" waterlines; so that the existing waterlines could be used as an emergency backup should it be needed. Subsequent to the acceptance of this design, we have experienced numerous pipeline failures on the existing 12" waterline and no longer find it viable as an emergency backup due to the following reasons:

- If the existing pipeline is pressurized, based on our operations and maintenance records, we will most likely continue to experience leaks from the AC collar rubber joints. The leaks would have to be repaired and all of the negative impacts of pipeline repair, including damage to the highway pavement would continue.
- If the existing pipelines are un-pressurized until such time as they are needed as an emergency backup, we would not be able to ensure sanitary conditions within the waterline. The added potential risk of contamination due to the physical interconnection of an un-pressurized pipeline to our transmission main is a concern for the DOW.

On January 8, 2007, the DOW notified the State Department of Transportation (DOT) that we find it necessary to eliminate all interconnections between the new 16" DI waterline and the existing 12" AC and 6" CI waterlines and that we will be revising our construction plans accordingly and will instruct the waterline contractor to proceed with the work shown on the revised plans. The previously discussed issue of pipeline abandonment within the Kuhio Highway right-of-way will have to be resolved with the DOT.

Mr. Fujimoto moved to approve the amount of \$155,000.00 from Account 106b, CIP Reserve to cut and cap the existing 12" asbestos cement (AC) waterline at three (3) different locations along Kuhio Highway, seconded by Ms. Sakoda.

Mr. Kyono recused himself from voting due to a conflict of interest as the Highways Engineer for the Department of Transportation.

Mr. Kyono gave some background of this matter; whereby, it is illegal to keep asbestos cement in the ground as it is hazardous waste; therefore, our abandoned waterlines in the ground becomes an issue that the DOW still needs to be resolved with DOT.

Motion was carried.

Re: DOW Legislative Testimonies

Acting Manager Ushigome reported that the Department had secured legislative services with Pacific Management Consultants, Inc. (PMCI). The legislative services scope of work includes the following tasks:

1. Monitor the 2007 legislative session and post session activities for any issues that may be of interest or concern.
2. Provide reports and appropriate bills to the Department of Water on a timely basis.
3. Develop working strategies and plans when required. Assist in promoting beneficial legislation or defeating legislation that is harmful to the department's and Kauai's welfare.
4. Set up a network of relationships for the Department of Water to include introduction and meeting key legislators.

5. Testify on behalf of the Department of Water as necessary.

The Department provided testimony for HB403 and companion SB848 supporting funding for the operation and maintenance of the East Kauai Irrigation System. (Letters dated January 31, 2007 and February 7, 2007 were given to the Board for their info.)

Although there are a number of water-related bills in both the State House and Senate, the following bills were being tracked. One of the most beneficial for the Department is HB1689 relating to capital improvement projects for the benefit of the 14th, 15th and 16th representative districts. The 14th, 15th and 16th representative districts include the geographic areas of Hanalei-Waipouli, Lihue-Koloa, and Koloa-Waimea, respectively. The Department of Water legislative CIP projects for fiscal year 2007-2008 were included in this house bill.

Another bill, PMCI is tracking is HB400 relating to agriculture and appropriates \$4.0M for drought mitigation projects in each County. The bill has move to the Finance committee, we will be supporting this bill and ask that the funding be appropriate equally among the counties.

HB1789 relating to water imposes a moratorium of an unspecified period on the processing of bottled water originating from groundwater sources in the State. According to PMCI, the bill appears not to be moving, double referral, cut-off date by Friday (2/16) needs to go to Finance.

Finally, HB1728 relates to requiring dual line water supply systems in all golf courses. Of concern is the bill requires the DOW in conjunction with the Department of Health to adopt standards for non-potable water distributed through dual line water supply systems and rules in accordance with Chapter 91 protecting existing water quality and the health and safety of the public. The bill has a single referral, deadline is near the end of the month, there is still time and the bill may move on.

Acting Manager Ushigome stated that if the Board members were interested in reviewing the list of proposed bills to please let her know and a listing will be forwarded to them.

Board Chair McCrory also reported on 2 bills which were still alive: HB 259, which would allow the Honolulu Board of Water Supply to issue revenue bonds and HB 1082, which would repeal the experimental modernization projects for the Honolulu Board of Water Supply, which she thought may be related to the bonuses issue. She added that the companion Senate bill for HB 1082 is dead.

Board Chair McCrory also added that there are a few irrigation and water bills where on agricultural lands, if an owner had to buy water from the DOW, it would require that the Department of Agriculture pay the difference between the DOW's water rates and the Department of Ag's water rates. Mr. Oyama stated that this bill was a result of a farm in Kohala; whereby, there is an independent water source that feeds that farm and other farmers on this agricultural subdivision and their water rates are about \$7.00 per 1,000 gallons of water.

Another bill that would direct the PUC to require private water entities to establish an agricultural water rate. The House bill for funding is from the General Fund; but the Senate Bill, which has all of our CIP requests, are funded by General Obligation Bonds so she hoped that the House bill would prevail. She also added that there was an interesting bill that would allow the re-hiring of retired government employees one year after their retirement date without losing their retirement benefits.

Lunch Recess: 12:20 p.m. to 1:00 p.m. Mr. D. Fujimoto left the meeting at about 12:20 p.m.

Re: Presentation by RW Beck on the DOW's Depreciation and Capital Reserve Study

Mr. Richard Cuthbert and Ms. Gina Baxter from R. W. Beck were present at this Board Meeting to provide the Board with an overview of the Depreciation and Capital Reserve Study currently being prepared for the Kaua'i DOW. Mr. Cuthbert conducted a Powerpoint presentation.

Acting Manager Ushigome stated that this study has two key elements: A depreciation study will review and evaluate the reasonableness of DOW's existing depreciation rates and develop recommendations for any changes to average service lives, net salvage rates and annual depreciation accrual rates, if appropriate.

The capital reserve study will develop recommendations as to the appropriate levels of operating, capital and emergency funding reserves for DOW. These reserve levels will be developed so as to include consideration of potential capital replacement funding needs as well as the potential impact on future revenues and operating expenses from a significant negative operational event (e.g. a major hurricane) and ongoing working capital requirements. Evaluation of the need for any new reserve accounts will be included in the study.

In addition to providing an overview of the project, the R. W. Beck team was at the meeting to answer any questions from the Board members on the study. The RW Beck team was also open to hear any suggestions or areas of investigation that the Board members would like to see included in the study.

Mr. Cuthbert gave the following presentation on the Department of Water's Depreciation and Capital Reserve Study:

Purposes of the Study

- Recommend average service lives (and net salvage values) for all plant accounts
- Recommend reserve funding levels
- Operating reserves
- Capital reserves – based on replacement and major refurbishment of existing facilities
- Emergency reserves

- Note that the DOW's depreciation rates have not been looked at since its establishment in the mid-1960's.

Steps in the Study

- Develop detailed inventory of DOW facilities
- Review and revise current useful life estimates
- Develop recommended depreciation rates
- Estimate timing and cost of future asset replacement and refurbishment needs
- Estimate cost escalation factors, in terms of what is the future cost to replace capital facilities
- Develop funding estimates for ongoing operating, capital and emergency reserve levels

Staff Involvement

Mr. Cuthbert thanked the following DOW employees on their assistance in this study.

Department of Water:

- Paul Ganaden
- Karen Goo
- Gregg Fujikawa
- Les Yoshioka
- Keith Fujimoto

R. W. Beck, Inc.:

- Richard Cuthbert, Project Manager
- Nancy Hughes, Depreciation Expert
- Gina Baxter, Lead Staff Analyst

Methodology:

- Develop detailed asset inventory database
 - Review inventory data
 - Determine solutions for unavailable or inconsistent data
- Develop useful life and net salvage recommendations
 - Interviews with staff and DOW auditors
 - Review utility accounting data
 - Conduct field review
 - Research industry statistics
- Establish magnitude and timing of future replacement costs
 - Escalate original costs to 2007 dollars using *Handy Whitman* indices
- Develop replacement and refurbishment cost estimates with DOW staff
 - Replacement intervals
 - Refurbishment intervals
 - Costs for replacements and major refurbishments
- Review reserve level recommendations with DOW staff and Board
- Combine capital replacement planning analysis with operating and emergency reserve needs
- Review with DOW staff
- Develop final reserve level estimates

- Present results to DOW staff and Board

Schedule:

- September 2006: Notice to proceed.
- November 2006: Site visits.
- January 2007: Working on finalizing the facility database that will be used for this study.
- March – April 2007: Will be doing the depreciation analysis and the various reserve analysis that are necessary for this study.
- May 2007: Will have the initial results of the study.
- June 2007: Will have the final recommendations of the study.

Board Input

- Any questions related to the study?
- Any special issues the Board would like to see addressed in the study?
 - An issue came up at the Board Meeting on net income, that is a complete function of whether the depreciation estimates that are showing up on the audit financial reports are at the right level or not.

On query by Chair McCrory, Mr. Cuthbert stated that Water Plan 2020 was to replace old facilities and for new facilities and they have referenced the plan to make sure that things are coordinated; however, the majority of the study is based on cash requirements associated with the existing facilities and not with the new CIP.

On query by Chair McCrory, Mr. Cuthbert stated that their study would include addressing maintenance costs and emergency work.

On query by Chair McCrory, Mr. Cuthbert stated that this study would not have an immediate impact on the DOW's budget but could be incorporated into next year's budget.

Chair McCrory stated that if Waterworks Controller Ganaden could submit a monthly matching audit financial statement; whereby, it could be seen if there were changes to the depreciation level, it would be helpful to see whether the DOW is operating at a surplus or not.

Re: Purchase of a Replacement Microbiology Laboratory 4x4 Sport Utility Vehicle

Recommendation:

It was recommended that the Board approve funding for a replacement Microbiology Laboratory 4x4 Sport Utility Vehicle (SUV), to replace the existing 1997 Ford Explorer 4x4 SUV (CK1525) that was recently damaged in an automobile accident. The estimated cost for a 4x4 SUV vehicle is \$30,000.00.

Funding:

It was further recommended funding in the amount of \$30,000.00 be provided from Account 106B, CIP Reserve.

Background:

In September of 1996, the Microbiology Laboratory purchased the 1997 Ford Explorer 4x4 SUV for \$26,741.00. Up until the recent accident, it was used on a regular basis by the Laboratory’s Microbiologists to collect water samples from each of the Department of Water’s thirteen (13) Water Systems, as required for drinking water compliance by the State and Federal regulatory agencies.

Unfortunately, the vehicle was involved in a rear-end automobile accident on January 8, 2007, which compromised its structural integrity, deeming it to be unsafe to be driven on public roads by DOT standards. Due to the nature of the damage and age of the vehicle, cost estimates to repair the vehicle far exceeded the vehicle’s value.

Therefore, it was recommended that funding for a replacement 4x4 SUV be approved in lieu of repairing the damaged vehicle. The Department will consider fuel efficiency, cargo capacity, and functionality in determining the size and class of the vehicle.

Mr. Kyono moved to approve funding for a replacement Microbiology Laboratory 4x4 Sport Utility Vehicle (SUV), seconded by Mr. Costa; motion was carried.

Re: Transfer of Funds for Job No. WK-42, Phase I and II, Stable 1.0 MG Tank and Connecting Waterline, Kaapuni Road, Kapaa

RECOMMENDATION: It was recommended that the Board approve the reallocation of \$3,000,000 from Job No. KW-14, Waimea Canyon Drive Mainline Replacement to Job No. WK-42, Stable 1.0 MG Tank and Connecting Waterline.

FUNDING:

Bond Fund, Job No. WK-42, 1.0 MG Stable Tank.... \$2,200,000.00

Engineer’s Estimate:

1.0 MG Stable Tank.....	\$2,502,105.00	
Connecting Pipeline.....	\$2,447,985.00	
Contingency approx. 5%	<u>\$ 249,910.00</u>	
Total:.....		<u>\$5,200,000.00</u>
TOTAL FUNDS REQUIRED:.....		<\$3,000,000.00>

Account No. 101b, CRP Job No. KW-14, Replacement of Waimea Canyon Drive 12-inch Waterline.....		<u>\$3,000,000.00</u>
Balance Remaining		\$ -0-

BACKGROUND:

The major components of this project are:

Phase I:

- 1.0 million gallon tank, replacing the existing 0.20 MG Stable tank that was abandoned approximately 20 years ago.
- Control valve station.
- Supervisory control and data acquisition (SCADA) equipment with a 35’ antenna mast.
- New paved (ac) driveway.

Phase II:

- Installation of approximately 620 feet of 16” ductile iron pipeline.
- Installation of approximately 2,570 feet of 12” ductile iron pipeline.
- Pressure control valve station.
- Repaving approximately 2,500 feet long by 20 feet wide Kaapuni Road.

The Department is awaiting the land use permits; however, in anticipation of the Planning Commission’s approval, we would like to fund the balance required for construction.

The status of the Department’s pending projects were reviewed and it was determined that the 12-inch waterline along Waimea Canyon Drive will not be ready for bidding within this fiscal year. We therefore recommend that the funding required for this project be reallocated from that project to this project.

Mr. Kyono moved to approve the reallocation of \$3,000,000 from Job No. KW-14, Waimea Canyon Drive Mainline Replacement to Job No. WK-42, Stable 1.0 MG Tank and Connecting Waterline, seconded by Mr. Oyama.

On query by Chair McCrory, Mr. K. Fujimoto stated that so far this project is on schedule for completion in December, 2008 as long as the permit is approved by the Planning Department.

Acting Manager Ushigome added that monies for these 3 projects were earmarked for other projects; however, since all cannot be funded, she recommended that funds be reallocated from other projects. It was noted that only Kekaha Shaft 12 was not for affordable housing.

Motion was carried.

Re: Transfer of Funds for Job No. A-11, Anahola Well #3

RECOMMENDATION: It was recommended that the Board approve the reallocation of \$1,008,000 from Job No. WK-28, Wailua Houselots 8” Mainline Replacement to Job No. A-11, Anahola Well No. 3 Development.

FUNDING:

Engineer’s Estimate	\$959,190.00
Contingency approx. 5%	\$ 48,810.00
Total Funds Required:.....	<\$1,008,000.00>

Account No. 101b, CRP Job No. WK-28, Wailua Houselots	
8-inch Mainline Replacement.	\$3,000,000.00
Balance Remaining	<\$1,992,000.00>

BACKGROUND:

The major componenets of this project are:

- Installation of a 350 gallon per minute vertical turbine pump and motor.

- Discharge control piping.
- Pump control building, including chlorination system, motor control center, etc.

The Department is awaiting the land use permits; however in anticipation of the Planning Commission’s approval, we would like to fund the anticipated construction for this project.

The status of the Department’s pending projects were reviewed and it was determined that the Wailua Houselots 8” Mainline Replacement will not be ready for bidding within this fiscal year. We therefore recommend that the funding required for this project be reallocated from that project to these renovation projects.

Mr. Kyono moved to approve the reallocation of \$1,008,000 from Job No. WK-28, Wailua Houselots 8” Mainline Replacement to Job No. A-11, Anahola Well No. 3 Development, seconded by Mr. Oyama; motion was carried.

Re: Job No. 03-02, Phase I, Kekaha Shaft (12) Renovation and Anahola 0.15 MG Tank Renovation

RECOMMENDATION: It was recommended that the Board approve the reallocation of \$1,365,000 from Job No. WK-28, Wailua Houselots 8” Mainline Replacement to Kekaha Shaft Renovation and Anahola 0.15 MG Tank Renovation.

FUNDING:

Engineer’s Estimate	\$1,299,400.00
Contingency approx. 5%	<u>\$ 65,600.00</u>
Total Funds Required:.....	<\$1,365,000.00>
Account No. 101b, CRP Job No. WK-28, Wailua Houselots 8-inch Mainline Replacement (balance remaining)	
.....	<u><\$1,992,000.00></u>
Balance Remaining	\$ 627,000.00

BACKGROUND:

The major components of this project are:

Kekaha Shaft Renovation:

- Renovate existing pump control building, including chlorination room. (60%)
- Realign existing connecting pipeline. (10%)
- New paved (ac) driveway. (30%)

Anahola 0.15 MG Tank Renovation:

- Replace existing tank roofing, including new access hatch, drain gutters, vents. (35%)
- New exterior ladder. (5%)
- Clean and paint interior and exterior tank walls and columns. (30%)
- New paved (ac) driveway. (20%)
- Repair and restore chain link fence and gate. (10%)

The status of the Department’s pending projects were reviewed and it was determined that the Wailua Houselots 8-inch Mainline Replacement will not be ready

for bidding within this fiscal year. We therefore recommend that the funding required for this project be reallocated from that project to these renovation projects.

Mr. Kyono moved to approve the reallocation of \$1,365,000 from Job No. WK-28, Wailua Houselots 8" Mainline Replacement to Kekaha Shaft Renovation and Anahola 0.15 MG Tank Renovation Development, seconded by Mr. Oyama; motion was carried.

Re: Job No. KW-28, Amfac Shaft 11 (State Well No. 5842-02), Phase IB, Facility Testing, Evaluation and Reporting, Kekaha, Kauai

RECOMMENDATION: It was recommended that the Board approve the reallocation of \$337,000 from Job No. WK-28, Wailua Houselots 8" Mainline Replacement to the Amfac Shaft 11 (State Well No. 5842-02), Phase IB, Facility Testing, Evaluation and Reporting.

FUNDING:

101b, Capital Rehabilitation Projects, Kekaha Shaft	
Assessment, Job No. KW-28	\$ 63,000.00
Engineer's Estimate:	
Phase 1B	<\$ 400,000.00>
Total Additional Funds Requested:	<\$ 337,000.00>
Account No. 101b, CRP Job No. WK-28, Wailua Houselots	
8-inch Mainline Replacement.....	\$ 627,000.00
Balance Remaining	\$ 290,000.00

BACKGROUND:

This phase of the project includes conducting the pump capacity and water quality sampling test. The test will determine the sustainable yield and salinity of the well.

The major components of this phase are:

Well testing contractor (to be determined), under subcontract to Brown and Caldwell:

- Remove and dispose of the existing wooden pump control building, including chlorination equipment, electrical controls, existing pump, motor and piping, etc.
- Site preparation, including grading access road, modifying drainage pond, etc.
- Install (temporary) test pump, motor and piping
- Conducting well testing in accordance with DLNR's standards.
- Remove equipment and restore site upon completion of the well test.

Brown and Caldwell consultant services:

- Oversee the work of the well testing contractor.
- Evaluate and report on the well capacity, including the engineer's estimate for the development of the well source.

- Collect, evaluate and report on the water quality of the well, including the preparation of the preliminary engineering report, required by the Department of Health.
- Evaluate and report on the removal and disposal of the two existing 75,000gallon steel tanks (previously used by the plantation).

The status of the Department's pending projects were reviewed and it was determined that the Wailua Houselots 8" Mainline Replacement will not be ready for bidding within this fiscal year. We therefore recommend that the funding required for this project be reallocated from that project to these renovation projects.

Mr. Kyono moved to approve the reallocation of \$337,000 from Job No. WK-28, Wailua Houselots 8" Mainline Replacement to the Amfac Shaft 11 (State Well No. 5842-02), Phase IB, Facility Testing, Evaluation and Reporting, seconded by Mr. Oyama; motion was carried.

Re: Right of Entry Agreement from the Department of Hawaiian Home Lands, for Pi'ilani Mai Ke Kai Subdivision (formerly Anahola Residence Lots, Unit 6), HS-2006-8, TMK: (4) 4-8-03: por. 19 & 21, Anahola, Kawaihau District, Kaua'i, Hawai'i

It was recommended that the Right of Entry Agreement document be approved; whereby, the Department of Hawaiian Home Lands, grants the Board, its officers, agents and employees, a right-of-entry over and across the subject property for the purposes of conducting all necessary inspections for and on behalf of the Board, and, if appropriate, for constructing, maintaining, conducting water meter readings on, and repairing any and all facilities and improvements for the conveyance of potable water to the lots which will result from the said Subdivision Application_HS-2006-8, Pi'ilani Mai Ke Kai Subdivision (formerly Anahola Residence Lots, Unit 6).

Ms. Sakoda moved to approve the Right-of-Entry from the Department of Hawaiian Home Lands, seconded by Mr. Costa; motion was carried.

Re: Conveyance of Water Facility from Charles Dipiazza, Unahe Street, TMK: (4) 3-6-19:049, Lihue, Kauai, Hawaii

Mr. Kyono moved to approve the Conveyance of Water Facility from Charles Dipiazza, seconded by Mr. Costa; motion was carried.

REPORTS

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

Received this report for the record.

Re: Manager's Update for January, 2007 to February, 2007

CONTRACTS AWARDED BY THE MANAGER: None.

PUMP INSTALLATION PERMITS SIGNED BY MANAGER: None.

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

Affordable Housing Update:

Updates on Affordable Housing Task Force Projects:

1. DHHL – Anahola Residence Lots Unit 6, Pi'ilani o Kekai, Phase 1:
 - DHHL is preparing license agreement to address conveyance of the water system improvements.
 - Sample deeds with restrictions that water meter service will not available until the construction is completed have been submitted to the Department for review.
 - DHHL and DOW working on sample lessee lease agreements.
 - Site construction has begun; pre-construction meeting with DOW will be scheduled (2-months) prior to waterworks construction.
2. Habitat - Eleele I Luna Subdivision Phase 1: Planning will be re-submitting pre-final maps to DOW.
3. Puhi Self Help Subdivision – DOW approved right-of-entry agreement for the subdivision.
 - On and off-site construction has begun, estimated site work completion is April 07.
 - DOW approval of building permits will be contingent on Grove Farm completing the booster pump station and waterline improvements.
4. Kauai Lagoons – Waipouli Courtyard- DOW waiting for submittal of final tracings.
 - Kauai Lagoons submitted written request for DOW to execute a Waiver, Release & Indemnity (WR&I) agreement (including posting a bond) with the Department.
 - Kauai Lagoons paid the FRC fees on February 5, 2007.

On query by Chair McCrory, Mr. K. Fujimoto stated that he has not heard anything yet on the results of the FONSI. Also on query by Chair McCrory, Acting Manager Ushigome stated that Kauai Lagoons would still need to sign a Waiver, Release and Indemnity Agreement for Building Permits, submit a correlating bond and get approval of their construction drawings.

5. Kauai Lagoons – Kapule Project: No progress since last month.
6. KEO Transitional Housing Project Phase I & II: Phase 1 is completed. Phase II: DOW approved building permit for Phase II; however, certification of occupancy will not be issued prior to the completion and acceptance of the water system improvements. Final plan drawings need to be submitted to the Department.
7. Kalepa Village Phase III & IV – Building permits for the 40 unit multi-family development was submitted to Building Division.
8. County-State parcel affordable housing projects: Kekaha, Kaapuni, Mahelona, Hundley Project sites:
 - OHA approved preparation of MOU with County to allow affordable housing leases on State owned ceded lands.

16-inch Waterline Replacement along Kuhio Highway (N. Leho Drive to N. Papaloa Road): The Department has contacted the design consultant and discussed the additional costs incurred due to the design flaw. We reviewed the timing of the Contractor's request for information and subsequent response by the engineers. However, we are still working with the consultant to resolve the matter equitably.

Solicitation of Professional Services: Prepared the professional services solicitation for special counsel to assist the Department with representation in civil matters in the court system including, but not limited to: administrative law, personnel law, labor and employment law.

We advertised this solicitation in conjunction with the notice for professional engineering support services. The notice was posted on the Internet and printed in the Star Bulletin and The Garden Island newspapers on February 5, 2007.

AWWA 2007 Annual Conference & Exposition (ACE):

This year's ACE is scheduled for June 24-28, 2007 in Toronto, Canada. The conference information is provided in your review. If Board members are planning to attend, please complete the information form and return to Emi Tanihiro. Although we need to register conferees as early as possible to get the best travel rates, the registration should be a firm commitment to attend.

As a reminder, a current passport is required for travel. If you do not already have one, please allow 6 to 8 weeks for processing.

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

PR Specialist Shiramizu gave the following report:

Newsletter: Our January newsletter went out on time, featuring a message from our New Board Chair and an Aloha message from departing Board Member Myles Shibata. A copy of the newsletter was given to the Board. We will feature a short introduction of Roy Oyama, our newest Board Member, in our February newsletter.

Community: Science Fairs have been taking place in most of the middle schools on our island. Mahalo to Keith Fujimoto and Dustin Moises for representing our department by being judges at Waimea Canyon School. Mahalo also to Carl Arume for assisting several students on the island in different capacities with their science projects. [One of the projects that Carl assisted was for PR Specialist Shiramizu's son who took 3rd place, which qualified him to go to the State finals. His project was to test the waters at several beaches.]

American Water Works Association (AWWA), Hawaii Section: AWWA, Hawaii Section will be offering a day and a half workshop on Supervisory Control and Data Acquisition, (otherwise known as SCADA), February 21-22, 2007 at the Hilton Kauai Beach Resort. The workshop will be an introductory course for non-operators,

operators and managers, on the operations and management of a SCADA system. We will have nine employees and one board member attending the workshop. AWWA, HI Section Annual Conference will be on Oahu, May 23-25, 2007, where they will be holding the annual Pipe Tapping Competition. We are putting together our Pipe Tapping Teams and hope to start practices in the earlier part of March.

Employee Events: Margie Loo and PR Specialist Shiramizu will be co-representatives for the Employee Council until further notice. She attended the February Employee Council Meeting. The next event will be Kauai's Great Weigh Out, the County is once again participating with a team of ten, that are known by the name of Politically Challenged V. Our participant from the DOW is Clarita Remigio from our Accounting Section.

Public Relations Contract: Working with Wynne and Amy to establish the scope of work for a Public Relations firm to assist the Department in providing an educational campaign to support the upcoming Salary Commission's recommendations.

Drinking Water State Revolving Fund: We will be receiving the Final Loan Agreement, for Poipu Road by the end of February. We're also working on updating our Project Priority List.

Project WET: Plans for our Project WET Facilitator Training scheduled for March 8th and 9th, are coming together. Wynne and I visited the National Tropical Botanical Garden in Kalaheo to decide if it would be a suitable location for the training and found it to be perfect. The flyer was completed and sent out, the agenda is almost complete and working on updating the workbooks for the training sessions as well as other details for the workshop.

Carpet: The carpet in the hallway and lobby has become a safety concern as the seams are fraying and the carpet is bunching in the hallway, which has the highest traffic. These problems pose a tripping hazard, making them a safety concern. Therefore, she is currently obtaining quotes to replace the carpet in those areas.

Received for the record.

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.

STRATEGIC AND BUSINESS PLAN AND NEEDS ASSESSMENT

Re: Update on the Strategic and Business Plan and Needs Assessment for the Kauai County Water Department

Mr. Dave Jochim and Mr. Mark Salmon of RW Beck were present at the meeting and the final draft of the Strategic Plans was distributed to the Board.

Acting Manager Ushigome gave the following update:

Strategic Plan Implementation: We are finalizing the specific dates to begin the implementation of the Department's Strategic & Business Plan. Initially, RW Beck (Lynn Adams) will be on-site for approximately 1 month, starting February 26th through March 23rd. Subsequently, the on-site work will be limited to one week per month. A draft DOW Plan Implementation Outline and Schedule dated December 14, 2006 is enclosed for your review.

On query by Chair McCrory, Mr. Jochim stated that when Ms. Adams is on island, she will be coordinating the supervisory training with the Hawaii Employers' Council (HEC), coordinating 1-on-1 meetings with the employees as well as an employee survey. Ms. Adams will also work with the issue champions and to start the tactics.

Mr. Jochim added that they will be kicking off the time sheet audit shortly with the plan to collect data that will take about a month or so. Then they plan to be on-site the first week of April, 2007 for about one week. They will be scheduling 1-on-1 meetings with division heads and supervisors.

Affordable Housing Projects: Mr. Mark Salmon stated that the 6 projects that are underway and under design are: 1) Kapilimao Tank - tank site evaluation is underway; archaeological and cultural survey is scheduled for this month; first draft of the environmental assessment (EA) will be ready by the first week of April, 2007; 2) Waimea Shaft - the design consultant finished the plans for pump testing and the contractor will be selected by the end of April, 2007 and the work will be done this summer; the design consultant is in the process of finalizing a scope of work proposal for the design phase; the pump testing will help define what the scope of work should be; 3) Akulikuli Tunnel - there is still some contract issues to work out with SSFM and Mr. Salmon will meet with the DOW staff today or tomorrow to work out some of the issues and will meet with SSFM this Friday, February 23, 2007 on O'ahu. There is one particular issue that may not be resolved, which would result in getting a new consultant for this project; 4) Kawaihau Tank - Belt, Collins has been directed to move forward with the 2-tank option because it needs less land and they are working on the design. The details will need to be worked out with the neighboring landowner; 5) Kapaa Homesteads Tank - The design has been complete and ready for the bid process; however, the land transfer with DLNR and County reviews still need to be completed. Mr. Salmon will check on the status of these projects while on-island; and 6) Kapaa Homesteads Well No. 4 - Still need to select a consultant for this project.

On query by Ms. McCrory, Mr. Salmon will submit to the Board some type of Gantt Chart that the Board could look at the status of all the projects on a monthly basis.

Water Plan 2020 Sustainability Program Implementation Plan: The implementation of the sustainability plan is contingent on effectuating the reorganization of the Department to incorporate the Sustainability Program. Based

on the number of unanswered questions and clarifications requested by the Board, it is imperative that the Department and the Board continue to carefully review and further discuss RW Beck's sustainability program recommendations.

Based on Acting Manager Ushigome's review of the proposed timelines and cost impacts on our customers, she felt that the plan is too aggressive. Although she realizes the consultants are still working on the financial impacts and developing the program costs, from the engineering aspect, she still remains skeptical that even with a programmatic design-build approach, the 240+ projects will not be completed within the 15-year time frame as "promised". Acting Manager Ushigome stated that she discussed her concerns with RW Beck and Dave Jochim will be available to answer any questions or provide clarification to the program objectives.

Discussion:

Acting Manager Ushigome brought up her concern as the Chief Procurement Officer of the extent of the addendum amounts as the norm is not to have addendums more than 20% of the contract price; however the amendments are now 1-1/2 times the original contract amount. RW Beck's contract was for the Strategic Plan with a price of \$338,000 with Addendum No. 1 for \$38,000 to prepare draft Water Board Governance Policies and Work Session No. 11, Addendum No. 2 for \$65,000 for the Affordable Housing Step 1 Activities, and Addendum No. 3 for \$399,500 that consisted of Task 1 - Assist w/Implementation of the Strategic & Business Plan (\$250,000); Task 2 - Time Sheet Process Assessment (\$31,500); Task 3 - Water Plan 2020 Sustainability Program 60-Day Plan (\$118,000).

She felt that this contract has fallen out of its original scope of work and she was concerned about the contact being open ended.

Mr. Jochim stated that when the Affordable Housing projects came to light, it was about August, 2006 and RW Beck was asked to provide a budget to help manage the 4 projects at that time. They provided a budget with the thinking that the Sustainability Program would be getting underway at about this time so they budgeted to the end of December; however, the monies will last until the end of February, 2007. The program has not been approved yet so they were asked to provide a budget to take the affordable housing projects through the end of December, 2008 and subsequently discussions with Acting Manager Ushigome, they were asked to include the management of the 2 additional affordable housing projects of the Akulikuli Tunnel and the Well No. 4 project as there were no DOW project managers.

So the funding requested is for the duration of 2008. They looked at 2 options; whereby, one scenario is to have one person on island on a monthly basis to meet with staff and Oahu consultants to oversee the projects and the other scenario was to have quarterly on-island visits and the other months would be via conference calls. The budget is high because of mostly the travel costs. Therefore, Mr. Jochim recommended that the Affordable Housing projects get rolled into the Sustainability Plan to reduce travel costs of having the consultants work on both plans when on island.

On query by Mr. Kyono, Acting Manager Ushigome stated that the County does not have video conference abilities.

Mr. Jochim recommended that initially monthly meetings would be more efficient to get the projects started and when the projects are moving the monthly meetings could be tapered off. On query by Mr. Kyono, it was stated that for the monthly meetings the consultants would stay about 4 days at a time and for quarterly trips it would be about 1 week stay at a time with at least one day on Oahu to work with the project consultants.

Chair McCrory added that the Department of Land and Natural Resources presently have a personnel shortage that would hinder a speedy resolution on the land transfer.

Acting Manager Ushigome stated again that she felt that added items in the amendment that included working on the governance policies, having an extra workshop day, implementing the Strategic Plan, etc. were acceptable as these amendments are similar to the original contract. Chair McCrory stated that due to the urgency of the Affordable Housing projects, she would be comfortable to have these projects under the original contract. The Sustainability Plan could be under a separate contract.

Acting Manager Ushigome added that her preference would be to go out to re-bid again. Chair McCrory was concerned that the Affordable Housing Projects would not be done by the deadline of December, 2008.

On query by Ms. Sakoda on the legal ramifications, Deputy County Attorney Itamura stated that it could be that it is in the County's best interest.

Chair McCrory stated that back in August, 2006 when the Affordable Housing Projects came about, there was no negative comments about not being able to go forward to include these projects.

Chair McCrory asked for the motion to approve the quarterly face-to-face meetings and ask the County Attorney's Office for a legal opinion to verify the amendments to the original contract. Mr. Costa moved to approve the motion, seconded by Mr. Oyama; motion was carried.

Before Mr. Costa and Mr. Kyono had to leave the meeting, PR Specialist Shiramizu gave an inspirational speech to the Board and staff and distributed a foam puzzle piece that will also be given to each DOW employee in order to visualize that each DOW Board and staff member are all an important piece to have a successful Strategic Plan. The puzzle pieces were complimentary and personally from Chair McCrory. The Board and staff thanked Chair McCrory for her thoughtfulness and generosity.

Mr. Costa left the meeting at about 2:05 p.m.

Mr. Jochim gave a Powerpoint Presentation on the Water Plan 2020 Sustainability Program

Issue No. 1: The Water Plan 2020 Sustainability Program must be affordable.

- Current Water Plan 2020 CIP Status
 - On today's dollar, the expected price of Water Plan 2020 will be about \$250 million

- Proposed Contracting Approach

- Construction cost index comparison
- Financial Impacts of Three Alternatives
- How much of the CIP can be completed if rate increases are constrained? (15 year CIP)
- Historical Comparison of Rate Projections
- Breakdown of Typical Water Bill
- Typical Water Bill Comparison (single family residence; 10,000 gallons per month)
 - 5 year plan: 30% annual rate increase to complete the projects.
 - 10 year plan: 14-15% annual rate increase to complete the projects.
 - 15 year plan: 8% annual rate increase to complete the projects. (coincides with our current annual water rate increases that have been approved until the year 2010). They have estimated that after the year 2010, if the water rates increase at 5% annually, one –half of the Water Plan 2020 projects will get done; at 7% water rate increase, 85% of the projects will get done.

With the last 8-1/2% water rate increase in 2010, the projected monthly water bill will be a little more than \$40. The Big Island's monthly bill is about \$40 now with it also going up as they also have an extensive CIP program and likewise with Maui. Oahu is about \$25 a month with it also going up in 2010 to be pretty comparable to the other islands.

On query by Chair McCrory, Mr. Cuthbert stated that all islands have issues with their CIP Program. Mr. Jochim added that Kauai is about 2 years ahead of the other islands with our CIP program.

Mr. Cuthbert added that with the rate increases being inevitable, it may be that we need to advertise the comparison of the high costs of bottled water versus the lower costs of County water.

- What will Program Management cost?
 - with the starting date at July 1, 2007, the estimated cost would be about a little over \$600,000 a year and it goes up to the \$2 million range. The DOW will take over the program after one cycle of contracts go through or after about 5-6 years, the program manager position would be eliminated.

Issue No. 2: Water Plan 2020 Sustainability Program objectives must be realistic.

Sustainability Program considerations

- Schedule

- 15-years?
- Longer?
- Rate Ceiling
- 8 percent?
- Other?
- Community Impacts
- Duration
- Mitigation

If the rates need to be less than that, then some of the projects would need to be deferred, as there may be some projects that could wait.

Mr. Jochim felt that 15 years is attainable but no sooner; however, the question becomes are there other compelling reasons why we would want to stretch it out.

From a water rates perspective, what can the customer afford? From his experience, double-digit rate increases will be too problematic. The question becomes can Kauai sustain annual water rate increases of 8%?

Programmatic Environmental Assessment provides multiple benefits

- Early identification of impacts
- Mitigation requirements
- Community input
- Framework for permits and design requirements
- What will be the community impacts and what needs to be done to mitigate the impacts?
 - 1) to identify early impacts; 2) starting talking early about mitigation requirements; 3) will also start early the community input process; 4) required permits, subsequent design requirements, etc. to mitigate the issues.
 - one of the issues to mitigate is that about 26 miles of pipelines are in the State DOT's right-of-way
 - how it affects Kauai's tourism
 - mitigation options
 - avoid the problems altogether if possible
 - look into various methods of trenchless construction
 - pipe bursting
 - horizontal directional drilling
 - work at off-peak hours

Issue No. 3: DOW staff issues must be addressed.

Staff concerns that we have heard:

- Program is too aggressive
- Compensation issues
 - Need to be addressed by DPS and State Civil Service
- Career opportunities
 - Potentially there are 6 new positions that would be created to take care of Water Plan 2020 that will be initially be consultants but will turn into staff positions once the consultants turn over the program to the DOW. (This will also take care of the following bullet items below.)
- Retaining program knowledge
- Maintaining quality and adherence to DOW standards

Key DOW “Shadow” Position Availability Schedule

Draft workshop agenda

- Resolve remaining issues
- Agree on Program direction
- Develop schedule
- Identify next steps

Recommendations:

- Target a 15-year CIP completion
- Responsive to community
- Achievable
- Most flexibility
- Initiate Programmatic Environmental Assessment
- Plan to transition DOW into Program Management role

Suggested Next Steps

- Schedule March workshop
- Identify internal leadership
- Brief County Council: (A handout should be made to pass out to the Council.)

Mr. Kyono left the meeting at about 2:35 p.m. near the conclusion of Mr. Jochim’s presentation.

With discussions with Chair McCrory, Mr. Cuthbert stated that the initial intent of Water Plan 2020 was to look at the program in basically 5 year increments to re-examine the effectiveness of the program, looking at changing conditions, etc. He has heard that the County Council wants the DOW to do this program; however, the affordability of the program needs to be addressed and to review the program every 5 years.

Chair McCrory stated that the Depreciation and Reserve Study that Mr. Cuthbert is tasked to do would help to see the DOW’s financial situation and would assist the Board’s decision making. Mr. Cuthbert added that they will have preliminary numbers soon.

Received for the record.

TOPICS FOR NEXT WATER BOARD MEETING

1. Board’s Finance and Rules Committee Meetings
2. Request Board Approval of the Department of Water’s Final Annual Audit for Fiscal Year July 1, 2005 to June 30, 2006

TOPICS FOR FUTURE WATER BOARD MEETINGS

1. Board’s Finance and Rules Committee Meetings
2. Request to Testify by William C. Rita on their Water Requirement for Subdivision No. 2006-42, Lot 88A, Kalāheo Homestead, 1st Series, Kalāheo, Kaua’i, Hawai’i
3. For the Board’s Information on the Quarterly Report regarding the Manager’s Top 4 Goals for 2007 for the Kaua’i Department of Water (April, 2007)
4. For the Board’s Information on the Kauai County Water Department Briefing on Departmental Projects (April, 2007)

NEXT WATER BOARD MEETINGS

1. Tuesday, March 20, 2007, 10:00 a.m.
2. Tuesday, April 17, 2007, 10:00 a.m.
3. Tuesday, May 15, 2007, 10:00 a.m.

WATER BOARD'S UPCOMING EVENTS

1. AWWA, HI Sec. Workshop on Kaua'i (February 21-22, 2007)
2. AWWA, HI Sec. Annual Conference at Oahu's HI Convention Center May 23-25, 2007)
3. AWWA National Conference (June 24-28, 2007)

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).

1. **Review of Executive Session Minutes: None.**
2. **There was no Executive Session Meeting.**

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 an agenda item.

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).

ADJOURNMENT

There being no further business, the meeting was duly adjourned at 2:40 p.m.

Respectfully submitted,

Rona Miura, Secretary

APPROVED:

Wynne M. Ushigome
Acting Manager and Chief Engineer

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