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COUNTY OF KAUAI  
BOARD OF WATER SUPPLY  
REGULAR MEETING

Thursday, January 26, 2012

9:00 - 9:12 a.m.

9:58 - 11:33 a.m.

Second Floor, Microbiology Lab Building

Kauai County Department of Water

4398 Pua Loke Street

Lihue, Kauai, Hawaii 96766

REPORTED BY:

TERRI R. HANSON, CSR 482

Registered Professional Reporter

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APPEARANCES

BOARD MEMBERS:

Larry Dill

Daryl Kaneshiro, Vice-Chair/Chair

Raymond McCormick

Randall Nishimura

Clyde Nakaya

STAFF:

David Craddick

William Eddy

Marites Yano

Dustin Moises

Gregg Fujikawa

Val Reyna

Aaron Zambo

Sandi Nadatani-Mendez

Keith Aoki

Faith Shiramizu

Edward Doi

GUESTS:

Mauna Kea Trask, Deputy County Attorney.

James Nakayama

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REGULAR MEETING

MR. KANESHIRO: The Vice-Chair of Board of Water Supply now calls this regular meeting to order. For the record, we're in the Second Floor of the Microbiology Lab Building, Kauai County Department of Water, 4398 Pua Loke Street, Thursday, January 26, 2012, at exactly 9:00.

With that, can I have the roll call, please.

MR. CRADDICK: Clyde Nakaya.

MR. NAKAYA: Here. Mr. Chair -- Vice-Chair, I'm going to advise that I need to leave the meeting at 10:30 to catch a flight to Honolulu.

MR. KANESHIRO: All right. That's noted.

MR. CRADDICK: Randall Nishimura.

MR. NISHIMURA: Present. I also will have to leave early. I have a problem out in the field that I need to address. That's why I asked for the previous recess.

MR. KANESHIRO: We will also note that for the record.

MR. CRADDICK: Ray McCormick.

MR. McCORMICK: Here.

MR. CRADDICK: Daryl Kaneshiro.

MR. KANESHIRO: Here.

MR. CRADDICK: Larry Dill.

1 MR. DILL: Here.

2 MR. CRADDICK: There's a quorum.

3 MR. KANESHIRO: Thank you. With that, can  
4 I have a motion for the acceptance of the agenda?

5 MR. DILL: So moved.

6 MR. NAKAYA: Second.

7 MR. NISHIMURA: Second.

8 MR. KANESHIRO: Moved and seconded.

9 All those in favor.

10 Motion carried.

11 I'm going to go over some of the meeting  
12 transcripts to approve -- review and approval of the  
13 special board meeting for the December 8, 2011, special  
14 board meeting December 15, 2011, regular board meeting,  
15 December 22nd, 2011.

16 Any discussions on those transcripts? Any  
17 additions?

18 MR. NISHIMURA: Point of order, Mr. Chair.

19 MR. KANESHIRO: Yes.

20 MR. NISHIMURA: Mauna Kea, can we just  
21 receive the transcripts as the official record. And  
22 there are CDs with the actual recording, I believe. Is  
23 that correct?

24 THE COURT REPORTER: I don't know.

25 MR. NISHIMURA: Mr. Craddick? The CDs, are

1 these just PDFs?

2 MR. CRADDICK: The CD has the PDF of all  
3 the board packet materials. It doesn't have any voice.

4 MR. NISHIMURA: Do we have a voice record?

5 MR. CRADDICK: Good question. I don't know  
6 if a voice -- do you make a voice CD of -- copy of --

7 THE COURT REPORTER: I have my own internal  
8 recording, but we have this recording too that we do.  
9 So we do have it, but I don't know if it's in your  
10 packets or not.

11 MR. CRADDICK: Okay. I don't believe that  
12 it is in the packet, the voice. We can make sure that's  
13 available.

14 MR. NISHIMURA: What I would like to  
15 entertain is that because we're doing transcripts that  
16 we receive the written transcripts as well as the voice  
17 recording, and if there are discrepancies between the  
18 two, that the voice recording take precedence over the  
19 written record.

20 MR. TRASK: I think that's perfectly  
21 allowable if that's the motion, then it will just need  
22 to be seconded and approved.

23 MR. NISHIMURA: Okay.

24 MR. KANESHIRO: Do I have a second on the  
25 motion --

1 MR. NAKAYA: Second.

2 MR. KANESHIRO: -- that Mr. Nishimura just  
3 made.

4 MR. NAKAYA: Second.

5 MR. KANESHIRO: Moved and seconded. Any  
6 further discussions on this matter?

7 If not, all those in favor.

8 Aye.

9 So the motion would be to receive this at this  
10 time.

11 MR. CRADDICK: We'll make sure that the  
12 voice recording ...

13 MR. KANESHIRO: Okay. We don't have to  
14 vote on that again, right, on that part of receiving?

15 MR. NISHIMURA: No, it would be part of  
16 that motion.

17 MR. KANESHIRO: Part of the motion that we  
18 received.

19 MR. NISHIMURA: That we receive the written  
20 and the recorded versions, and that if there's a  
21 discrepancy that the recorded version take precedence.

22 MR. KANESHIRO: Okay. And that's been  
23 approved. Okay.

24 With that, I would like to move into  
25 correspondence/announcements. I would make note that we

1 did have a correspondence come in on January 26 from  
2 Council Member JoAnn Yukimura. And at this time I  
3 request that Mr. Mauna Kea.

4 MR. TRASK: Yes, Chair, with regards to the  
5 communication that's dated January 26, 2012, directed to  
6 Chair Oyama and Members of the Board of Water Supply, I  
7 reviewed the communication as well as the Sunshine Law,  
8 H.R.S. Chapter 92, specifically Section 92-7(a) and (b).  
9 Given that this communication did come in this morning  
10 and is dated for today, it is not disclosed on the  
11 agenda.

12 I believe under 92-7(b), No board shall change  
13 the agenda once filed by adding items thereto without a  
14 two-thirds recorded vote of all the members to which the  
15 board is entitled provided no item shall be added to the  
16 agenda if it is of reasonably major importance and the  
17 action thereon by the board will affect the significant  
18 number of persons.

19 Due to the content of the letter, the fact that  
20 it was received today, I believe that in the spirit of  
21 the Sunshine Law, it should be handed to a member of --  
22 whoever the appropriate person is to be placed on the  
23 next board session, with discussions at that time,  
24 receive and discussion.

25 MR. KANESHIRO: Okay. With that

1 recommendation from our counsel, is there any  
2 discussions by members?

3 If not, I would like to have a motion to move  
4 this to the next board meeting and have this as an  
5 agenda item, and the next board meeting I believe is on  
6 February -- what's the date on that?

7 MR. CRADDICK: Let's see here.

8 MR. KANESHIRO: Anyway, the February board  
9 meeting.

10 MS. YANO: 23rd.

11 MR. CRADDICK: 23, right.

12 MR. KANESHIRO: February 23.

13 MR. TRASK: And I'd just like to note for  
14 the record, this is a matter description, the  
15 communication does regard potential conflicts related to  
16 Grove Farm. And on today's agenda Grove Farm does not  
17 appear on the agenda. So the issues contained within  
18 the document I don't think will affect anything today.

19 MR. KANESHIRO: Okay. Any questions for  
20 our counsel at this time by members?

21 If not, the motion would be to have this  
22 brought up in the February 23rd board meeting and  
23 possibly also in executive session, is that correct?

24 MR. TRASK: If the board would like one, we  
25 could definitely notice and consult.

1 MR. KANESHIRO: Okay.

2 MR. NISHIMURA: So moved, Mr. Chair.

3 MR. KANESHIRO: Do I have a second on that?

4 MR. DILL: Second.

5 MR. KANESHIRO: Seconded. Any other  
6 further discussion or questions on this?

7 If not, all those in favor.

8 Motion carried.

9 At this time I would like to, if I could,  
10 members to move over to and make some adjustments on our  
11 regular board meeting schedule and take up the executive  
12 session matter. And the reason for this is that we have  
13 members of the board that have other schedules that they  
14 have to attend to, and also our Council Mauna Kea also  
15 has to leave at a certain time.

16 So I would like to pick up the executive  
17 session first. Based on that, as you all know we need a  
18 majority of five members to go into executive session  
19 and have some discussion. So at this time I'm not  
20 certain we need to make a motion to bring that up,  
21 right?

22 MR. CRADDICK: You have five members.

23 MR. KANESHIRO: Well, I mean to go into  
24 executive session, but to change the part of the agenda  
25 into moving into this part of the executive session.

1                   MR. TRASK: I think it's the chair's  
2 prerogative to take -- and I believe this is Item I-1 on  
3 the agenda.

4                   MR. KANESHIRO: That's correct.

5                   MR. TRASK: I take it at this time there's  
6 no objection.

7                   MR. KANESHIRO: That's correct.

8                   MR. TRASK: I guess, for the record, if I  
9 may, pursuant to Hawaii Revised Statutes, Sections 92-4  
10 and 92-5(a)(4), the purpose of this executive session is  
11 to consult with the board's attorney, for the record,  
12 Deputy County Attorney Mauna Kea Trask, on questions and  
13 issues pertaining to the board's powers, duties,  
14 privileges, immunities, and liabilities as it relates to  
15 dual water systems, dual water line issues as set forth  
16 in the agenda, Item I-1-a.

17                   A motion to go into executive session would be  
18 appropriate at this time, Chair.

19                   MR. DILL: So moved.

20                   MR. NISHIMURA: Second.

21                   MR. KANESHIRO: For the record, I would  
22 also recognize that the ex officio member of the board,  
23 our Mayor Carvalho, is present and will be participating  
24 in the executive session.

25                   MR. NISHIMURA: Point of order, Mr. Chair.

1 MR. KANESHIRO: Yes.

2 MR. NISHIMURA: Just for the record, I  
3 believe that although the Mayor is an ex officio member,  
4 that he does not vote on this.

5 MR. KANESHIRO: That's correct.

6 MR. NISHIMURA: During that period.

7 MR. KANESHIRO: That's correct.

8 MR. NISHIMURA: Is that correct, Mr. Trask?

9 MR. TRASK: That's correct. And  
10 furthermore, under the charter, under the Mayor's  
11 executive powers, he is a nonvoting member on all boards  
12 and commissions. In reading that I did contact the  
13 Hawaii OIP to discuss this with the attorney of day and  
14 received an over-the-phone opinion that ex officio  
15 members as members, albeit nonvoting members of the  
16 board, are able to sit on an executive sessions  
17 provided, again, that they don't vote. There's no  
18 inappropriate discussions contained in the executive  
19 session that would offend the Sunshine Law.

20 MR. NISHIMURA: Okay. Thank you.

21 MR. KANESHIRO: With that, Council Member  
22 Yukimura.

23 COUNCIL MEMBER YUKIMURA: Vice-Chair of the  
24 Board, Members of the Board, I do want to just speak on  
25 this issue that you're going into, the one that you're

1 talking about right now on the agenda. My name is JoAnn  
2 Yukimura, and I just want some assurance -- I accept the  
3 decision about my letter. I just want assurance that  
4 there is nothing regarding Grove Farm on the agenda here  
5 or in this issue or any other issue.

6 MR. KANESHIRO: For the record, there's  
7 nothing to vote on.

8 COUNCIL MEMBER YUKIMURA: As long as  
9 there's not even discussions on the issue.

10 MR. KANESHIRO: The discussions are in  
11 regards to liability issues.

12 COUNCIL MEMBER YUKIMURA: Yes. Okay.  
13 Thank you very much.

14 MR. KANESHIRO: Any questions?

15 MR. NISHIMURA: I think, for the record,  
16 Mr. Chair, I believe that Grove Farm, as with any other  
17 rate holder, could be affected. And to that extent, I  
18 would say that, you know, to single them out would be  
19 perhaps inappropriate depending on what the nature of  
20 the discussion is today.

21 MR. TRASK: And on that, the agenda item is  
22 discussion of dual waterline issues. It does not relate  
23 specifically to any body and/or person.

24 And pursuant to the Sunshine Law the board is  
25 prohibited from discussing any issues relating to

1 anything or any specific person beyond generally  
2 discussing dual water issues. And that's all I'm  
3 prepared to discuss today anyway.

4 COUNCIL MEMBER YUKIMURA: Thank you.

5 MR. KANESHIRO: Thank you for that.

6 On the floor is a motion to go into executive  
7 session.

8 All those in favor signify by saying aye.

9 Any opposed?

10 Hearing none, executive session will be up.

11 (Executive Session at 9:16 to 9:47 a.m. in  
12 separate transcript.)

13 (Reconvene Regular Meeting at 9:58 a.m.)

14 MR. KANESHIRO: Regular meeting is now  
15 called back to order. At this time we're on old  
16 business, review of the single audit report, fiscal year  
17 2011. We have James Nakayama before us. And we do have  
18 a copy or a draft of the single audit report.

19 With that, Mr. Nakayama, you have the floor.

20 MR. NAKAYAMA: Thank you. Good morning,  
21 Everybody. As you know, this is not normally that you  
22 want to see me twice a year. It's usually once a year,  
23 but we have it broken into two parts. And so as the  
24 Vice-Chair mentioned, we're going to present to you the  
25 single audit report for the Department of Water, County

1 of Kauai for June 30, 2011.

2 Before I dive into the report, I want to  
3 provide some context as part of what we do is following  
4 auditing standards, we -- KMH is hired by the board, and  
5 we report to them, and that's our function. And we have  
6 certain things we're required to communicate prior to  
7 kind of explain what, you know, we're going to do for  
8 the audit in a letter. But most importantly people want  
9 to know what happened as findings for the audit and  
10 specific things we're required to report.

11 Being that we're doing this in two parts, some  
12 of which we already talked about, some of the  
13 adjustments and some of the financial aspects that we  
14 went through that. But they are kind of correlated  
15 because some of the adjustments we came across, you  
16 know, obviously were driven by some findings from  
17 relation control deficiencies, if you will.

18 So there's three things I wanted to kind of go  
19 through as far as what we're required to talk about, and  
20 all of this will be -- including from my previous  
21 presentation in December will be ultimately documented  
22 in a full letter to the board. But I just want to still  
23 talk about them in person versus just having a letter  
24 delivered to you folks.

25 The three areas we're talking about the

1 adjustments kind of reiterating again from our last  
2 discussion, going through the difficulties encountered  
3 doing the audit and any significant issues. And it's  
4 then going to tie into the single audit report 'cause  
5 included there are findings that we also have to talk  
6 about. So that's kind of the framework which you will  
7 have to follow as auditors at full auditing standards  
8 are generally accepted auditing standards.

9           So first of all in the adjustments, if you go  
10 back, the last time we talked about there was a  
11 significant adjustment this year amongst -- we have  
12 adjustments every year, but this is one that was not the  
13 typical adjustment, if you will. It was a \$1.7 million  
14 in total adjustment to revenues of which 420,000 was  
15 related to actually billed revenues. The rest of it  
16 were based on estimates. And so some of the findings  
17 we're going to talk about today relate to that.

18           The difficulties encountered during the audit,  
19 obviously as far as the timing of things, we're not in  
20 the ideal situation. By our contract we're required to  
21 provide a draft by October 15th. And right now based on  
22 starting our field work in the second half of September,  
23 there's no way that we can even get there, you know,  
24 from a timing standpoint. And so the difficulty itself  
25 as far as timing is not a finding in itself, but it is a

1 difficulty, it's hard because of the length of time it  
2 takes for the department at this time or at the past  
3 year that we encountered or in the past few years is --  
4 doesn't allow us to get done on time. So you're going  
5 to see some of the findings we're talking about today  
6 are related to that as well to try to shorten up that  
7 timing, if you will. There are going to be other  
8 things, but these are some of the other ones  
9 specifically mentioned and provide also to the board's  
10 attention so they're very aware of these things.

11           Lastly, we will talk about significant issues,  
12 which I'll cover in a little bit. But the first thing,  
13 the meat of it which is the findings and the single  
14 audit report itself.

15           The findings can be best summarized if we go  
16 into page eight of the report itself, and it's Section  
17 I. It's called Summary of the Auditors' Results, and it  
18 kind of gives a very high-level summary of the results  
19 from a findings perspective.

20           And, you know, from here we're going to dive  
21 into -- there's two sections. There's a section on  
22 financial statements and a section on federal awards,  
23 and that's broken up into two separate findings. The  
24 first one we'll talk about here are findings related to  
25 internal control or financial report.

1           So with the findings, there's three main  
2 categories that we classify them into. The worst one is  
3 being material weaknesses. These are control  
4 deficiencies where something is wrong where it could --  
5 even the potential or has resulted in material  
6 differences in your financial statements. And in the  
7 findings we'll talk about, they did relate to material  
8 adjustments, so some of them are clearly material  
9 weaknesses.

10           And then the level of what doesn't qualify but  
11 still is required for us because we want to mention it.  
12 If we were sitting in your position as the board as  
13 fiduciaries, we'd want to hear about it. We have  
14 adjustments and then say, well, we need to call these  
15 significant deficiencies because they don't rise to the  
16 level of material weakness but still important enough  
17 that as a board members we want to communicate those to  
18 you.

19           Everything else under that is something that's  
20 called control deficiencies and are not mentioned in  
21 this report. However, we do have dialogue with  
22 management as far as talking about some of these things  
23 as the course of the audit. Any questions so far?

24           So if you turn to page nine, we'll go through  
25 -- there are five findings to talk about today related

1 to internal controls or financial reporting. We have  
2 three that are material weaknesses and two that are  
3 significant deficiencies. So I'm not going to go into  
4 -- I mean, I think everybody's had to chance to read  
5 through the findings themselves, so I'm not going to try  
6 to repeat every single thing in these findings. But I  
7 do want to give some context, like I'm trying to do to  
8 make sure you understand how these all fit together  
9 because it's, I think, important to understand.

10 The first one, 11-1 and 11-2 both relate to the  
11 -- specifically to the errors that we found that became  
12 adjustments for revenues in the audit. And 11-1 is what  
13 we look at as more of a preventative control. When you  
14 make a change to the billing rates or any things, what  
15 should you do? You should make sure that those rates or  
16 the changes you make are what you expect them to be.  
17 And so that's at the very front end, if you will, of  
18 anything you do, and these are controls you would expect  
19 to have that would prevent any type of misstatement in  
20 your financial statements. So that's 11-1 in a nutshell  
21 what that is.

22 11-2 is then your secondary control, where  
23 you're going to say, well, even if, let's say, that goes  
24 wrong, you never want to have only one line of defense,  
25 if you will. You're going to have another layer of

1 controls that are going to help detect anything that  
2 maybe the first layer of controls go wrong.

3 And that's what we do in the second section  
4 here called Financial Analysis, where if things -- you  
5 know, still miss it, you can basically do an analysis,  
6 well, something seems wrong here at the financial level,  
7 at a higher-level numbers that we maybe need to  
8 investigate further.

9 And the idea here, and this is what we call a  
10 detective control because ultimately you're going to see  
11 it at a high level and force you to go back down to see  
12 what happened.

13 And the idea here on this one is that, you  
14 know, ultimately you have us as the auditors catching  
15 it. That's never what you want to have. You want to  
16 have your control system catch that. Ultimately it did  
17 result in a material adjustment, and ultimately it's why  
18 we have two material weaknesses here for 11-1 and 11-2.  
19 Any questions so far on this?

20 Again, sorry I'm not going through every single  
21 finding specifically, but we wanted to raise those  
22 points.

23 Now, 11-3 is on the inadequate use of the  
24 accounting system. This one I would label affects also  
25 the revenue side or the revenue adjustment that we

1 encountered as well -- in the financial analysis as well  
2 as also the ability to be able to close on a timely  
3 basis and some of those difficulties we ran into in the  
4 course of the audit.

5 I think in last year's audit when we came out,  
6 we were waiting for many years for the department to be  
7 done with installation of the system. I think they  
8 finally decided to look -- in that progressing with the  
9 vendor, but what we wanted to provide comments here to  
10 the department is that ultimately either way they want  
11 to go as they analyze this, they need to make sure that  
12 they more fully utilize the system, because I think  
13 that's a very important, pervasive control for the --  
14 for any folks that use systems these days. We realize  
15 we're very reliant on our systems. There's too many  
16 transactions to try to do manually even though we have  
17 better tools out there. And ultimately it did result in  
18 some of the issues that we talked about before. And it  
19 would help do better financial analysis, if you will, if  
20 you had that system in place.

21 The point for me, why did I separate it? Two  
22 reasons, because you still could do financial analysis  
23 without the system, but it does help definitely to have  
24 one that's -- it's never as easy as pressing a button,  
25 but definitely they did encounter some challenges which

1 we raised here that I think made it harder than you  
2 normally would see.

3 And it is sometimes difficult because sometimes  
4 we all find with system implementations, it's not only  
5 the system itself but the design in how you structure  
6 that is sometimes, you know, it's a garbage in/garbage  
7 out type of thing. And you want to make sure that it's  
8 designed correctly so it is something useful for the  
9 department on a going-forward basis. So this one  
10 specifically kind of permeates throughout the issues we  
11 kind of faced in the course of the audit.

12 MR. NISHIMURA: Mr. Chair, I think  
13 Mr. Nakayama has covered the material weakness portion.  
14 Are these the three primary ones?

15 MR. NAKAYAMA: Those are the three primary  
16 ones. And the only comment I have on four and five  
17 without getting into too much detail, is that these --  
18 you know, they don't rise to the level of material  
19 weaknesses, but these are things we want to raise.

20 First of all, 11-4 is more -- if you let things  
21 build up over a period of time, don't take care of it on  
22 a monthly basis, it will catch up on you and make the  
23 audit -- you know, the audit takes longer.

24 And the fifth one, 11-5, you know, I think the  
25 point we want to raise 'cause we -- I think underlying

1 all this is is there's been a lot of transition for the  
2 department. And I think there's -- you know, that's --  
3 there have been a lot challenges faced with that and  
4 it's probably more in the future as we kind of face more  
5 people retiring.

6 But the idea for me is I just want -- this  
7 point at 11-5 is to raise also to the board because it's  
8 a common misconception that the auditors are part of  
9 management's control structure 'cause management has to  
10 design and implement controls to basically make sure  
11 financial statements are properly stated.

12 Then we are the control for the board to  
13 basically work for them to make sure that management is  
14 doing their job. So that's making sure they're  
15 separate. So realizing that from a control standpoint,  
16 it's not a huge issue, but making sure ultimately that  
17 by the time it does get to us, there's very little  
18 chance of error and, of course, it makes for a smoother  
19 audit. And that's kind of what we -- that's the point  
20 we wanted to raise from that last part. But that's kind  
21 of the --

22 MR. NISHIMURA: If I may, Mr. Chair.

23 MR. KANESHIRO: Go ahead.

24 MR. NISHIMURA: My primary question to our  
25 auditor is, I notice you have time frames that you feel,

1 you know, they should be able to address these issues.

2 MR. NAKAYAMA: Well, the manager responses  
3 that are provided in there were provided by management,  
4 so they take responsibility for that.

5 MR. NISIMURA: Okay. So these are target  
6 dates that the department has established for itself?

7 MR. NAKAYAMA: Correct. It's not  
8 established by us, yes.

9 MR. NISHIMURA: Okay. And I think one of  
10 the key things that I've been concerned about over the  
11 years is despite the challenges that the department have  
12 -- has in fulfilling its obligations on the financial  
13 side, despite the retirements and all that, we, the  
14 board members, still responsible for the overall.

15 In your capacity as an auditor, especially with  
16 the first item, would you be able to -- or would you be  
17 able to recommend a means by which, especially in the  
18 case of rates, a means to analyze the rates, you know,  
19 and its financial impacts?

20 And the reason I ask that is the rates that we  
21 recently approved, almost a year, year and a half to  
22 two, prior now. And we sat through several months of  
23 numbers. And throughout the procedure, one of the  
24 things I had a problem with was, what do these numbers  
25 mean? You know. And is it possible to require some

1 kind of financial analysis before rates are -- by  
2 independent third party?

3 Because the department hires consultants to  
4 generate their recommended rate structure. And as board  
5 members, we -- you know, we have not just the operation  
6 side to consider but also the rate holders or, if you  
7 want, be like a consumer advocate.

8 MR. NAKAYAMA: Right.

9 MR. NISHIMURA: And, you know, had we -- if  
10 there is or should there be a means that we analyze the  
11 analysis by people that understand it as opposed to  
12 laypeople like us.

13 MR. NAKAYAMA: Yeah, it's a tough situation  
14 because, like you said, you have a consumer advocate in  
15 the PC environment where they have --

16 MR. NISHIMURA: They have that --

17 MR. NAKAYAMA: Where there's attorneys,  
18 there's accountants looking at these things to help.

19 MR. NISHIMURA: And we don't.

20 MR. NAKAYAMA: Right, exactly.

21 MR. NISHIMURA: And, you know, had that  
22 perhaps been in place this five -- you know, five  
23 metering thing may not have become an issue. And, you  
24 know, I'm just wondering how we can approach that. Is  
25 that the department's responsibility to come up with a

1 recommendation for that?

2 MR. NAKAYAMA: Well, because I look at it  
3 as whenever there's like a rate case, a lot of times  
4 you're dealing with estimates that, you know, no matter  
5 what you do are not going to be perfect. You're going  
6 so say, hey, that's kind of someone's best guess. And  
7 you pay a third party, you know, to obviously who have  
8 the experts involved to help provide you their analysis.  
9 And, of course, the board has to hear them to make sure  
10 that they make sense, you know.

11 And the follow-up that I'm concerned about when  
12 we're specifically raising these issues, though, that  
13 there should be a lot of work done to say, well, now  
14 you've done a lot of work. You have paid somebody a lot  
15 of money to say, this is what we expect to happen. And  
16 as they follow up, okay, well, this is what we  
17 implemented and make sure that matches up. You know,  
18 and saying, hey, look, this is what we intended for it  
19 to occur.

20 Because I think, you know, my understanding for  
21 this particular process was there was testing done and  
22 made sure 'cause the idea -- everybody understood on the  
23 table that this would have a significant impact to  
24 these.

25 You know, luckily, again, it wasn't a large

1 number of customers that got impacted. So that's, you  
2 know, a great thing. But still it's a fairly large  
3 dollar amount. And it was known it was going to be big,  
4 but how big? And in going through that 'cause that's  
5 kind of where, you know, everybody expects it's a big  
6 increase, but how much? And do you really analyze that  
7 and then get into those details and make sure that it  
8 comes out.

9           If it doesn't, why not? Maybe it's hard to  
10 analyze on one customer because you're just kind of  
11 looking at some of the real detailed mechanics of the  
12 adjustment. So that's why even the detective control at  
13 the very end is good to say, well, step back, does it  
14 really make sense to see all our numbers go up? Because  
15 maybe some things, no matter what, you're not going to  
16 be able to anticipate. And nobody's perfect in this  
17 world. So ultimately that's why you have these  
18 redundant controls set up in place.

19           So the idea is that's why we kind of want to  
20 recommend these things because ultimately, you're right.  
21 I mean, I think the department has some onus to look at  
22 and do some analysis. Not difficult to do. I think it  
23 just requires them to -- you know, especially in the  
24 time -- if nothing happens year to year, you know, like  
25 you're no change, then it's not too bad.

1           But if there is something significant or maybe  
2 something special doing the system, that's where it  
3 requires special attention, special work being done.  
4 Potentially you could hire somebody else outside to do  
5 that if you feel like there's not enough resource time  
6 or what have you in the department. But that's a  
7 decision on resources and I think it's a case-by-case  
8 basis that, you know. But that's kind of just my  
9 thoughts on that.

10           MR. NISIMURA: Thank you.

11           MR. KANESHIRO: Any further questions? So  
12 on the -- on the target completion date.

13           MR. NAKAYAMA: Yes.

14           MR. KANESHIRO: The management would use  
15 its annual report?

16           MR. NAKAYAMA: Right. The department reply  
17 and the contact person and the target completion date  
18 was provided by the department. They, you know, they  
19 looked at the recommendations, first to make sure they  
20 agreed with it, then made comments. And obviously you  
21 had to determine whether or not it was -- when it would  
22 be feasible for them to do.

23           So that's the findings in a nutshell. And  
24 again, I want to kind of -- the context is there. You  
25 know, but for us we do want to use this as something

1 going forward to have improvement every single year. I  
2 think we'd like to keep the meetings where we can be  
3 more on time, not have to call special meetings going  
4 forward. It will take some time. You know, I think the  
5 question of whether it's going to be enough time is --  
6 it is going to take a lot of effort from now going  
7 forward to get all this done. And so that's no  
8 question.

9           From a prior finding standpoint, those -- both  
10 of those got resolved mostly because the -- on the  
11 systems side they decided not to pursue the last module.  
12 And that's the resolution on that.

13           From a single audit standpoint, which is the  
14 federal audit requirements, there were no findings.  
15 There was a clean opinion on the compliance aspect which  
16 is always a good thing.

17           But in connection with this, we have -- you  
18 know, I wanted to raise to the board a significant issue  
19 that was raised to us during the course of the audit.  
20 One of the concerns was raised that primarily the  
21 program you -- the only program you have for federal  
22 funding purposes is the SRF loan program or state  
23 revolving fund where the Department of Health loans you  
24 money primarily for certain projects that are deemed --  
25 that meet the requirements, of course, of the Department

1 of Health and ultimately the Environmental Protection  
2 Agency.

3 The question raised to us was some concerns  
4 that although these projects have been already approved  
5 and funded by the DOH, whether or not they did really  
6 meet the requirements of the EPA. And you're going to  
7 say, well, why look into that? Well, it's important to  
8 understand that even though you work as a pass-through  
9 with the Department of Health for these federal funds,  
10 you're still ultimately responsible even though us  
11 auditing the department are making sure that it's not  
12 only following the Department of Health's check list, if  
13 you will, but ultimately the EPA's requirements with  
14 regards to use of the funds.

15 There were three projects that were in  
16 question, and this is not from the current or previous  
17 year. I know the total outstanding balance of the loans  
18 were about \$7 million. And the question obviously was  
19 the rules of the EPA, and I'm -- David, you can correct  
20 me if I'm wrong here -- is really trying to make sure  
21 though that -- they want to make sure there's some  
22 natural growth allowed for what they're using them for.

23 But what they didn't want is abuse of the funds  
24 or the monies being funded by EPA for maybe like, say, a  
25 developer where there's nobody there that is going to

1 use the water and it's going to be in some desert  
2 they're going to build a water tank and let's not fund  
3 that. And that's what they want to avoid using the  
4 monies for.

5 And obviously, there is going to be some growth  
6 expectations, but there is -- you know, there's some  
7 questions of what natural growth is and what primarily  
8 for growth is.

9 And so we felt like there was enough  
10 uncertainty and grayness there, where we said, look,  
11 David, we understand your concerns. What are the  
12 ramifications? If it's not eligible, potentially we  
13 would have to pay back the monies you had been loaned,  
14 and we'll have to obviously fund them elsewhere.

15 But -- so we pursued this and talked to the  
16 Department of Health, 'cause we read the regulations and  
17 understood what Dave was saying, and we comp- -- you  
18 know, we asked them how did they compare it because we  
19 want to make sure that it's ultimately right, not just  
20 take their word for it.

21 The gentleman we talked to didn't work on these  
22 specific projects but did take it upon himself to look  
23 at them and look at the requirements. And he's  
24 mentioned to us that the feds have looked at it, and he  
25 felt like in for Hawaii that the fact of not having

1 primarily no -- basically the clause that we were  
2 looking at and concerned about was never really  
3 something that applies too much in Hawaii itself.

4 But nevertheless it's something they felt that  
5 they've consulted with them, and came back with an email  
6 back to us saying, no, they believed that it's still in  
7 compliance with that program.

8 So it's a good resolution of all this, but it's  
9 big enough where I wanted to raise it to you folks as  
10 something that was raised during the course of the  
11 audit. And obviously as, you know, things get brought  
12 forward for DOH loans, it's something you want to  
13 consider making sure that you understand how the DOH  
14 does -- you know, because some of these, they have a  
15 benefit. They're the ones being paid these interests.  
16 So making sure that there's the responsibility by the  
17 department, of course, and the board here to make sure  
18 that the federal requirements are being met. And so  
19 that's kind of what we went through there.

20 Any questions on that aspect?

21 MR. DILL: Actually maybe a follow-up to  
22 Randy's, or if you could comment on the previous of the  
23 material weaknesses and follow up on those things.

24 MR. NAKAYAMA: Sure. Certainly.

25 MR. DILL: I'm not an accountant, but our

1 role on the water board is to see that these things are  
2 addressed satisfactorily. So a couple of these items,  
3 for instance, your recommendation is, The department  
4 should consider simplifying the current accounting  
5 structure and setup of the financial reporting system  
6 during it's IT assessment.

7 MR. NAKAYAMA: Correct.

8 MR. DILL: I'm okay with your scope of  
9 work. Your work is to identify any material weaknesses  
10 and make some recommendations as part of the audit. Is  
11 there any follow-up part of that where when the  
12 department does go through this restructuring of the  
13 account system where you would review that and indicate  
14 to us that you feel the material weaknesses identified  
15 has been adequately addressed?

16 MR. NAKAYAMA: Right. Every year what  
17 we're required to do is follow up on any prior year  
18 audit findings. So we will be reporting in our report  
19 what has been done, was it -- do we feel that the  
20 finding has been addressed.

21 MR. DILL: Okay. So this target completion  
22 date of June 30th, so you wouldn't be looking at it  
23 until next audit then?

24 MR. NAKAYAMA: Correct, yes. Obviously,  
25 you know, the department is pretty good about letting me

1 know and keeping me in touch of what things are going  
2 on. Obviously, as your audit- -- as the auditor, we  
3 don't get involved in any implementations because that  
4 would be a conflict for us. We wouldn't be independent  
5 from that standpoint.

6 But it's always a good idea to check with us,  
7 you know, to make sure that they're on the right track.  
8 And that's what we recommend to a lot of our clients,  
9 and the same thing goes for here where we're not meant  
10 to be just police, if you will. We don't mind weighing  
11 in a little bit, but ultimately it is the department's  
12 responsibility to get that fixed.

13 MR. DILL: Okay.

14 MR. NAKAYAMA: Thank you.

15 MR. NISHIMURA: James, what happened to the  
16 two material weaknesses, specifically more toward rates  
17 and rules?

18 MR. NAKAYAMA: Sure.

19 MR. NISHIMURA: If the board were to ask  
20 you to perform such analysis, would that be a conflict  
21 with our current contract with you as our auditor?

22 MR. NAKAYAMA: Yeah, there could be some  
23 agreed-upon procedures that could be looked at. I mean,  
24 as long as we are dealing with from a more independent  
25 standpoint, it's -- there are definitely a lot of rules

1 we have to follow from an auditing standards standpoint  
2 because independence is important for us. We want to  
3 make sure we don't impair that. So depending on the  
4 scope and nature.

5 A lot of times when you deal with other  
6 attestation procedures, as long as it's fairly black and  
7 white in what you want us to do, as we get to more of  
8 where we're actually doing the function of management  
9 itself, that's probably where we want to stay away from.  
10 But it's definitely something worth -- you know, we can  
11 consider, you know, look into it.

12 MR. NISHIMURA: And the reason I ask that  
13 is, you know, if there's a conflict of this, you guys  
14 couldn't do it.

15 MR. NAKAYAMA: Correct, yes.

16 MR. NISHIMURA: But to use a street phrase,  
17 your job is to cover us.

18 MR. NAKAYAMA: Yes.

19 MR. NISHIMURA: I would probably recommend  
20 that we utilize your services and perhaps even shop it  
21 out to someone who would not have that conflict. Is  
22 that a possibility to keep that separation? You know,  
23 from your audit- --

24 MR. NAKAYAMA: It wouldn't be through us.  
25 I don't think normally -- I -- yeah. If it creates a

1 conflict, I mean, say, for example, they don't have to  
2 be entirely outside of what we do.

3 MR. NISHIMURA: Okay.

4 MR. NAKAYAMA: So, you know, basically  
5 that's, you know, what I had to present. Going back to  
6 page eight, I mean, it's -- the reports themselves  
7 aren't, you know, when you look on that and talk about  
8 internal control reporting, make sure material  
9 weaknesses are identified.

10 We have three of them. Two significant  
11 deficiencies. Federal awards which are -- the report  
12 starts on page three, any material weaknesses regard to  
13 the internal control over the major programs for federal  
14 awards, there were none. Those significant deficiencies  
15 identified that are not considered being material  
16 weaknesses reported.

17 And we had an unqualified opinion on compliance  
18 for the major program which you only had one, which is a  
19 clean opinion. And that's, you know, pretty much the  
20 results on the single audit aspect of the audit.

21 And, you know, what will ultimately occur is  
22 that this will get filed along with the -- there's a  
23 standard form that gets filed with the feds. And this  
24 usually gets attached along with your financial  
25 statements. So we'll work with the department to get

1 that filed. Any other questions?

2 MR. KANESHIRO: Any other questions for  
3 James? If not, thank you.

4 MR. NAKAYAMA: Thank you very much.  
5 Appreciate.

6 MR. NISHIMURA: Mr. Chair.

7 MR. KANESHIRO: Members, is there further  
8 discussion on this matter?

9 MR. NISHIMURA: Procedurally what would be  
10 the action that might be --

11 MR. KANESHIRO: To receive. I believe it  
12 is to receive this review, draft review.

13 MR. DILL: Mine is still stamped draft. Is  
14 this considered the final then?

15 MR. NISHIMURA: Yeah, that was the  
16 question.

17 MR. KANESHIRO: To we receive the draft?

18 MR. NISHIMURA: Yeah.

19 MR. CRADDICK: It's good question. I mean,  
20 if we receive the draft, we would ask them to finalize  
21 it. So unless you were thinking you wanted to change  
22 some of these recommendations in here that were -- that  
23 we provided them. That would be probably the only thing  
24 we could do. And if you thought you wanted to do  
25 something like that. You can refer it to the committee

1 or the finance committee or something like that. But I  
2 don't think there's really much to do. And if you  
3 wanted to do something like what Randy is doing, you  
4 know, if this is finalized or not, you can still do  
5 something like that.

6 MR. KANESHIRO: Yeah, but that would  
7 pertain to a different matter of correspondence.

8 MR. CRADDICK: Yeah, yeah, yeah, we'd have  
9 to look into it.

10 MR. KANESHIRO: Rather than, you know, the  
11 single audit draft itself.

12 MR. DILL: Yeah, I don't think our  
13 discussion warranted any changes to occur. We just have  
14 to do the follow-up things we had that wouldn't affect  
15 the report.

16 MR. CRADDICK: Yeah.

17 MR. KANESHIRO: And that's --

18 MR. TRASK: In that respect, I would  
19 recommend if there's no further changes, receive the  
20 draft and request it to be finalized.

21 MR. KANESHIRO: Yeah. With that, do I a  
22 motion on the floor to receive the draft?

23 MR. NISHIMURA: So move.

24 MR. McCORMICK: Second.

25 MR. KANESHIRO: Do I have a second on that?

1 MR. McCORMICK: Second it.

2 MR. KANESHIRO: All those in favor.

3 Motion carried.

4 Now you're moving on into new business. I  
5 believe we have Item 1, election of officers. Want to  
6 defer that till the next meeting?

7 MR. NISHIMURA: I think we just go because  
8 Roy doesn't qualify for that. I would suggest that we  
9 go ahead with it only because this is already, what?  
10 January. We're actually one month behind already.

11 MR. CRADDICK: Are you going to stay?

12 MR. KANESHIRO: Mr. Manager.

13 MR. CRADDICK: Are you going to stay?

14 MR. NISHIMURA: I will stay as long as I  
15 can keep my eyes open.

16 MR. CRADDICK: Okay, okay.

17 MR. KANESHIRO: We understand that.

18 MR. NISHIMURA: And I would -- I nominate  
19 Daryl Kaneshiro as chair for this year.

20 MR. DILL: Can I ask a question? Do the  
21 terms run concurrent with the fiscal year?

22 MR. CRADDICK: No.

23 MR. NISHIMURA: Right now it's calendar  
24 year.

25 MR. DILL: So we are behind, real behind.

1 MR. NISHIMURA: Yes, we are.

2 MR. DILL: And how long are the terms?

3 MR. NISHIMURA: One year. And you lucky  
4 suckers cannot serve.

5 MR. DILL: That's the best part of being on  
6 this board.

7 MR. McCORMICK: It is a special part. The  
8 best part.

9 MR. KANESHIRO: Well, there's a nomination  
10 on the floor. Is there a second to the motion?

11 MR. McCORMICK: Second.

12 MR. KANESHIRO: Okay. I guess there's a  
13 second.

14 MR. NISHIMURA: I move that we close the  
15 nominations, Mr. Chair.

16 MR. KANESHIRO: Do we have a motion on the  
17 floor for other election of officers?

18 Hearing none, I guess, any further discussion?

19 Hearing none, I guess, all those in favor  
20 signify by saying aye.

21 Any nos? Okay. Good. I guess, motion  
22 carried. Thank you for that.

23 MR. NISHIMURA: Congratulations, Mr. Chair.

24 CHAIRMAN KANESHIRO: Thank you.

25 MR. NISHIMURA: Mr. Chairman, I nominate

1 Clyde Nakaya as Vice-Chair for the --

2 MR. DILL: Second.

3 CHAIRMAN KANESHIRO: Okay. Any further  
4 discussion or any other nominees for the position?

5 MR. NISHIMURA: Move to close the  
6 nominations, Mr. Chair.

7 CHAIRMAN KANESHIRO: All right. With that,  
8 given that, all those in favor of Mr. Nakaya being  
9 Vice-Chair, signify by saying aye.

10 Any opposed?

11 Hearing none, motion carried.

12 Well, welcome aboard two new officers today.

13 MR. DILL: Do we need a secretary,  
14 Mr. Chair?

15 CHAIRMAN KANESHIRO: Do we?

16 MR. CRADDICK: Yes.

17 MR. NISHIMURA: Yeah, we elect a secretary.

18 CHAIRMAN KANESHIRO: Elected too or --

19 MR. CRADDICK: Yeah, it's usually elected,  
20 yeah.

21 MR. McCORMICK: We need that. Mr. Chair, I  
22 nominate Randall Nishimura.

23 MR. DILL: Second.

24 MR. NISHIMURA: Mr. Chair --

25 CHAIRMAN KANESHIRO: With that I will close

1 the nomination.

2 MR. NISHIMURA: Mr. Chair --

3 CHAIRMAN KANESHIRO: No further questions.

4 MR. NISHIMURA: You're supposed to  
5 recognize me. I was going to nominate Roy, you know.

6 I guess I wouldn't get a second, huh?

7 MR. McCORMICK: But you're such a good  
8 secretary.

9 CHAIRMAN KANESHIRO: It's still open. You  
10 can go ahead and try.

11 MR. NISHIMURA: Yeah. I will nominate Roy  
12 Oyama, select him for secretary for the year.

13 CHAIRMAN KANESHIRO: Do I have a second on  
14 that? I'm a chair, so I can't make any second to this.

15 MR. NISHIMURA: As the sitting secretary  
16 and the vice-chair is gone, I can sit for you.

17 MR. DILL: I'll honor Mr. Nishimura by  
18 seconding his nomination for the sake of further  
19 discussion.

20 CHAIRMAN KANESHIRO: For the sake of  
21 further discussion?

22 MR. NISHIMURA: Yes. Thank you, Mr. Dill.

23 MR. McCORMICK: Mr. Chair, I move we close  
24 the nominations. We didn't move fast enough before.

25 MR. DILL: There's nobody else we can

1 nominate.

2 MR. McCORMICK: We're running out.

3 MR. NISHIMURA: You guys find this real  
4 entertaining, yeah?

5 MR. McCORMICK: It is very entertaining.

6 CHAIRMAN KANESHIRO: This is serious.

7 So that with that nomination, we close with two  
8 nominees on the floor. All those in favor of -- do you  
9 want to do this secret vote or call it?

10 MR. NISHIMURA: Just raise hands.

11 CHAIRMAN KANESHIRO: All those in favor of  
12 Mr. Nishimura serving as secretary, signify by saying  
13 aye.

14 Any opposed?

15 Hearing none.

16 MR. NISHIMURA: Mr. Chair, how do you  
17 signify?

18 CHAIRMAN KANESHIRO: Well, I'm going to  
19 call for Mr. Oyama's vote now.

20 MR. NISHIMURA: Okay.

21 CHAIRMAN KANESHIRO: Because there are two  
22 nominees on the floor as recognized by Mr. Dill. So  
23 with that, currently we have you.

24 And now I'll call for --

25 MR. CRADDICK: Was it unanimous?

1                   CHAIRMAN KANESHIRO: We don't know yet. We  
2 haven't heard -- I got to hear the voices.

3                   MR. CRADDICK: Oh, okay.

4                   CHAIRMAN KANESHIRO: And if we can't make a  
5 determination by hearing the voices, then we might have  
6 take a regular --

7                   MR. CRADDICK: Roll call vote.

8                   CHAIRMAN KANESHIRO: That's correct. So  
9 the other nomination is Mr. Oyama for secretary. All  
10 those in favor signify by saying aye.

11                   MR. NISHIMURA: Aye.

12                   CHAIRMAN KANESHIRO: Any opposed?

13                   (Raised hands.)

14                   CHAIRMAN KANESHIRO: I guess with that, it  
15 gives me the opinion by voice vote that Mr. Nishimura is  
16 our new secretary for the 2012 year.

17                   MR. NISHIMURA: I thought you guys was my  
18 friends.

19                   CHAIRMAN KANESHIRO: Congratulations.

20                   That was the good part. Moving on to selection  
21 of attendees for AWWA conference, ACE 12, June 10  
22 through 14, 2012, Dallas, Texas.

23                   For the record, I want to state that I won't be  
24 able to make or attend this conference. I do have  
25 something in conflict at the same time that has been set

1 quite some time ago.

2 MR. McCORMICK: Mr. Chair, I'm not  
3 available either.

4 MR. NISHIMURA: Mr. Chair, then I would  
5 suggest that Larry and I go look at a lot of dual water  
6 systems in conjunction with that conference.

7 MR. CRADDICK: Probably find them in Texas,  
8 too.

9 MR. McCORMICK: Big state.

10 CHAIRMAN KANESHIRO: Find them in Texas.  
11 That's seems like a good suggestion.

12 MR. NISHIMURA: Mr. Chair, I would defer to  
13 others if, you know, there is a slot open, then I would.  
14 But I would defer to others that may want to go first.

15 CHAIRMAN KANESHIRO: Usually we have how  
16 many slots that can attend?

17 MR. NISHIMURA: Usually we got budget for  
18 three.

19 MR. CRADDICK: This particular year the  
20 employee of the year didn't want to go. So we're  
21 looking at something in the next budget year for that.  
22 But what I was kind of thinking, if I can think farther  
23 ahead, the mayor is an ex officio board member. And I  
24 know when Ernie was here he was successful in getting  
25 the mayor to go to one or two conferences, and as a

1 result they got the winter annual meeting of the AWWA  
2 here on Kauai, and I'm pretty sure it might not take a  
3 whole lot of effort to get the Water Utility Council to  
4 meet here since I'm on the Water Utility Council for at  
5 least one of their meetings. So if the board can see  
6 their way fit maybe to allow one of their -- since he's  
7 coming to the meetings now, to go.

8 MR. DILL: Is the Water Utility Council  
9 part of a larger organization, David?

10 MR. CRADDICK: If he's available.

11 The Water Utility Council is kind of the  
12 executive group for the AWWA.

13 MR. DILL: Okay.

14 MR. CRADDICK: They're not the executive  
15 board, but they're a pretty high-level group up there  
16 and they look at legislative issues and just general  
17 policy for the AWWA.

18 MR. NISHIMURA: Mr. Chair.

19 CHAIRMAN KANESHIRO: Yes.

20 MR. NISHIMURA: I move that the chair  
21 designate the attendees to the AWWA Conference after  
22 polling all the members of the board.

23 CHAIRMAN KANESHIRO: That's a good  
24 suggestion. I will poll the members of the board. Only  
25 discuss with the board members at this time forward.

1 And again, Mr. Craddick did bring up a point about the  
2 mayor attending as a possibility.

3 MR. NISHIMURA: As an option.

4 CHAIRMAN KANESHIRO: We have some  
5 conferences here in Kauai. But we can leave that open  
6 for further discussions.

7 So with this, do I put this motion on deferral  
8 do we or do we receive this and move ahead and what  
9 would the board do? I believe we can receive this,  
10 right, or approve this?

11 MR. NISHIMURA: Yeah, we could approve the  
12 motion.

13 MR. CRADDICK: The motion is to assign it  
14 to you.

15 MR. NISHIMURA: Yeah. We would authorize  
16 you to designate after polling the membership.

17 CHAIRMAN KANESHIRO: After polling the  
18 members of the board. Okay.

19 MR. NISHIMURA: That is the motion.

20 CHAIRMAN KANESHIRO: With that, do I have a  
21 second on that motion?

22 MR. McCORMICK: Second.

23 CHAIRMAN KANESHIRO: There's a second.

24 Any further discussion on the motion on the  
25 floor?

1           If not, all those signify by saying aye.

2           Any opposed?

3           Hearing none, motion is carried.

4           Mr. Craddick.

5                   MR. CRADDICK: Back on the last agenda  
6 there we did the board, but we didn't get the committee  
7 people.

8                   MR. NISHIMURA: Point of order, Mr. Chair.  
9 That's an appointment process that the chair is  
10 authorized to do on the rules.

11                   MR. CRADDICK: Okey doke. So the rules  
12 committee then will just appoint people for that.

13                   CHAIRMAN KANESHIRO: Okay. You've got it.

14                   The next item is Item No. 3, Manager's Report  
15 No. 12-53, rescind interim storage policy for the  
16 Kekaha-Waimea Water Systems Kauai. Mr. Craddick.

17                   MR. CRADDICK: Okay. On this one here,  
18 some of the inter -- dealing with water availability  
19 were done with the staff, some of them were done with  
20 the board. This is one of the ones that was done with  
21 the board for Kekaha-Waimea, and we've just finished the  
22 tank out there and feel that the restrictions can be  
23 removed for that system. So we're asking that the board  
24 approve rescinding that policy, the interim storage  
25 policy which limited water service to five meters. And

1 you can see on that chart below what would roughly be  
2 available.

3 MR. NISHIMURA: Mr. Chair.

4 CHAIRMAN KANESHIRO: Yes, sir. Go ahead.

5 MR. NISHIMURA: Move to approve Manager's  
6 Report No. 12-53 rescinding the interim storage policy  
7 for the Kekaha-Waimea water system.

8 MR. DILL: Second.

9 CHAIRMAN KANESHIRO: Okay. We have a  
10 motion on the floor and a second. Do we have any  
11 further discussion on this matter?

12 MR. DILL: Do we have a lot of water  
13 service applications pending out there?

14 MR. CRADDICK: Well field 14, I know. Is  
15 there more, Gregg, that you know of?

16 MR. FUJIKAWA: They're not applying because  
17 they know that there's a water restriction right now.

18 MR. DILL: Have you been approached  
19 informally with inquiries pretty much?

20 MR. FUJIKAWA: Not much, no.

21 MR. DILL: Okay. Thank you, Mr. Chair.

22 CHAIRMAN KANESHIRO: Okay. Any further  
23 questions or discussions on this item?

24 MR. NISHIMURA: I have a question for  
25 Mr. Fujikawa.

1                   CHAIRMAN KANESHIRO:   Okay.

2                   MR. NISHIMURA:   After the 123 residential,  
3 175 hotel units get their applications in, would it be  
4 the recommendation of the department to reinstitute that  
5 policy?

6                   MR. FUJIKAWA:   I think when that point  
7 occurs or in this case it doesn't go -- you know, when  
8 it's approaching capacity, I think the water department,  
9 the staff will assess the situation at that time.  
10 There's also, yeah, I'd like, Chair -- I mean,  
11 Commissioner Nishimura stated that the source capacity  
12 is approaching or it's -- if everything goes according  
13 and we allow water meter improvements, potentially there  
14 might be a choke point on the source capacity for the  
15 system is what Mr. Nishimura is talking about.

16                   And maybe potentially or theoretically that  
17 might approach -- that point might approach -- source  
18 choke point might approach before the storage tank choke  
19 point approaches or comes to be.

20                   So when that occurs, if that occurs, because we  
21 have current source projects ongoing, hopefully the  
22 scenario is that we from now on for Kekaha-Waimea keep  
23 ahead of the curve and continue to project and fund  
24 capital projects that would allows us not to, you know,  
25 impose this type of restriction in the future.

1 MR. NISHIMURA: Very good, very good. And  
2 the reason for the question is, should we revisit when  
3 we hit that 123? You know, or perhaps if they get up to  
4 100 and then we say, okay, what -- at that point maybe  
5 we need to look at this, you know, whether we need to  
6 look at this policy again.

7 CHAIRMAN KANESHIRO: All right. So noted.  
8 Any further discussions or questions regarding Manager's  
9 Report No. 12-53?

10 If not, the motion on the floor is to approve.  
11 We have a second on that also.

12 All those in favor signify by saying aye.

13 Any opposed?

14 Hearing none, motion carried.

15 No. 4, Manager's Report No. 12-54, debt service  
16 reserve fund policy. I believe the recommendation would  
17 be to move this into the committee of the whole.

18 MR. NISHIMURA: Mr. Chair.

19 CHAIRMAN KANESHIRO: Before I do that, we  
20 will have some comments and discussion on the item.  
21 Mr. Nishimura.

22 MR. NISHIMURA: No, I was just going to  
23 move to receive and refer to committee of the whole  
24 where discussion can take place.

25 CHAIRMAN KANESHIRO: Mr. Craddick, any

1 discussions before we call for the motion?

2 MR. CRADDICK: No.

3 CHAIRMAN KANESHIRO: So the motion would be  
4 to receive it and move to committee of the whole.

5 MR. DILL: I'll second it.

6 CHAIRMAN KANESHIRO: Do I have a second?

7 MR. DILL: I'll second.

8 CHAIRMAN KANESHIRO: I have a second.

9 Any further discussion on this matter of 12-54,  
10 debt service reserve fund policy?

11 If not, all those in favor signify by saying  
12 aye.

13 Any Opposed?

14 Hearing none, motion carried.

15 New business, Item 5, Manager's Report No.  
16 12-55, second change order for Job No. 02-16. Mr.  
17 Craddick.

18 MR. CRADDICK: Okay. On this one here, the  
19 project that had gotten all the approvals, and we went  
20 ahead with the job. And after going ahead with the job,  
21 a group came up and questioned whether we had done it  
22 right.

23 And I think what happened was we made a  
24 decision rather than sitting on the approval that we got  
25 from the planning department, went ahead and did some

1 additional work that was required. And out of that  
2 additional work we ended up being required to have an  
3 archaeology monitoring. And this is to pay for that on  
4 that project.

5 And then also we decided not to dig a new  
6 trench but to put in a temporary pipeline and remove the  
7 existing pipeline to try and minimize the disturbance of  
8 any burials that may be in the area.

9 So even though this is a fairly large amount of  
10 money in comparison to the total contract, it's a  
11 relatively touchy issue, and the -- I was contemplating  
12 just dropping the job altogether, but we have the state  
13 is planning on doing some work on that road going up to  
14 Wailua Homesteads. So we don't want to come in and try  
15 to do something after they have a new road in there. We  
16 want to get the work done ahead of that. So ...

17 MR. McCORMICK: Mr. Chair.

18 CHAIRMAN KANESHIRO: Yes.

19 MR. McCORMICK: I move to approve Manager's  
20 Report No. 12-55.

21 MR. NISHIMURA: Second.

22 CHAIRMAN KANESHIRO: Okay. Moved and  
23 seconded. At this time some some further discussions or  
24 comments?

25 MR. MOISES: I just want to clarify

1 something. I don't think staff went on the planning  
2 department approval as to moving ahead with the project.  
3 It was more of an issue with the environmental  
4 assessment that was required. And the Department of  
5 Water has the authority to say whether or not we're  
6 exempt. And it was found that we weren't exempt.

7 So because the area is culturally sensitive, we  
8 went through an EA and posted a final EA on January 8th.  
9 So that's really the reason why we moved forward with  
10 the project. It wasn't planning.

11 CHAIRMAN KANESHIRO: Okay. Mr. Dill, do  
12 you have a question?

13 MR. DILL: Yeah, just a clarification. Is  
14 this entire project within the state highways right of  
15 way?

16 MR. CRADDICK: No.

17 MR. MOISES: No, just a portion. Kuamoo  
18 Road, and then once you get to, I guess the Heiau area  
19 at the bottom portion on the left side is all county.

20 MR. DILL: So you plan to -- I need to  
21 understand the scope -- abandon existing pipelines  
22 within the county property?

23 MR. MOISES: Yeah, we got to --

24 MR. CRADDICK: Well, no, not --

25 MR. MOISES: Well, that was the original

1 plan, but we're actually going to take everything out  
2 anyway. So even though we got in, we're going to take  
3 out the existing pipeline in the county land and state  
4 right away and put the new line in the same trench as  
5 the old. So we take out all the pipe.

6 MR. DILL: All right. Thank you.

7 CHAIRMAN KANESHIRO: Okay. Any further  
8 questions or discussions on this matter?

9 If not, I'm going to go ahead and call for the  
10 vote on Manager's Report No. 12-55. All those in favor  
11 of approval signify by saying aye.

12 Any none, signify.

13 Hearing none, motion is carried.

14 Last item on new business is the Manager's  
15 Report No. 12-56, determination of reasonable benefit  
16 from expansion project impact fees. With that, Mr.  
17 Craddick.

18 MR. CRADDICK: Okay. On this item here,  
19 the state law requires the board to make a determination  
20 of whether benefit zones can be isolated areas or the  
21 whole -- whether to limit them or not limit them. And  
22 this is something that we're supposed to have in place  
23 before we do our impact fees. We don't. And so what  
24 we're trying to do is do it kind of a little after the  
25 fact here.

1           But anyways, the state law requires a  
2 collection expenditure shall be localized to provide a  
3 reasonable benefit to a development. The county or  
4 board shall establish geographically limited benefit  
5 zones for this purpose provided that the zone shall not  
6 be required if a reasonable benefit can otherwise be  
7 derived. The benefit zone shall be approximate to the  
8 particular public facility and the county board. Then  
9 the county or board shall explain in writing and  
10 disclose at a public hearing the reason for establishing  
11 or not establishing the benefit zone.

12           So pretty fairly well-defined requirements  
13 there. And I went back and looked when we did our 2020  
14 plan, near as I could tell, no benefit zones were  
15 established. And we do recommend not making specific  
16 benefit zones, and the reasons are at the end of the  
17 report.

18           But the types of improvements in the water plan  
19 2020 benefit all new development in the county, and  
20 therefore it would be appropriate to treat the entire  
21 county as a single service area for purposes of  
22 calculating the impact fees.

23           Secondly, the costs of engineering,  
24 maintenance, and operation are not charged or allocated  
25 according to system areas because all costs are

1 considered to go with the betterment of the entire  
2 system, thus not establishing a benefit zone reflects  
3 the current view and operation of the department.

4           Finally, it's in the public and department's  
5 best interest to create an equitable impact fee so the  
6 board can levy a more proportionate share of the cost of  
7 required improvements on those developments and create  
8 the need for them.

9           The facilities reserve charge have been in  
10 place here for a long time, since about the '60s it  
11 appeared. And the funds have been collected and spent  
12 countywide since then. Some systems have seen more or  
13 less projects but generally reasonable benefits have  
14 been derived on a uniform basis and no system has been  
15 allowed to go completely without additional water  
16 available for development. Meaning that we still would  
17 give -- even though the system was considered deficient,  
18 we were still giving out one or two meters in various  
19 areas.

20           Anyways, it should be mentioned, however, that  
21 some larger projects have been required to provide  
22 assistance for that specific development.

23           We go out to public hearing, that's what the  
24 funding requirements for this would be just go handle  
25 the public hearing.

1           And the reasons that we have for not  
2     establishing is that the water plan 2020 projects  
3     benefit the entire water system. Current operations of  
4     the department reflect the fact that the entire county  
5     water system is one system. Not establishing benefit  
6     zones allows for more equitable and proportionate fee.  
7     And the reason for establishing a geographically benefit  
8     zone is that the costs are focused when the projects of  
9     one system are determined only for that system.  
10    Probably the best example right now is Hanalei, and  
11    we're looking at doing a system that is many tens of  
12    thousands of dollars per customer there.

13           MR. NISHIMURA: So the effect of this would  
14    be if there's no benefit zone specific --

15           MR. CRADDICK: Yeah, specific to the --

16           MR. NISHIMURA: Then they share amongst all  
17    the shareholders or rate holders?

18           MR. CRADDICK: Right.

19           MR. NISHIMURA: If there is a benefit zone  
20    then, in this case Hanalei, they would have to --

21           MR. CRADDICK: Shoulder the cost of that.

22           MR. NISHIMURA:: Shoulder the bulk of the  
23    cost of it.

24           MR. CRADDICK: Right. Shoulder all of the  
25    cost if you establish benefit zones.

1 MR. NISHIMURA: And how would that be  
2 administered?

3 MR. CRADDICK: We would just attempt to  
4 treat the development in each area, there would be a  
5 separate development fee for each area.

6 MR. NISHIMURA: Okay.

7 MR. DILL: I thought, David, this also  
8 somewhere had operations as well given that --

9 MR. CRADDICK: Well, operations --

10 MR. DILL: But then wouldn't we also end up  
11 with a different rate for each individual area?

12 MR. CRADDICK: Well, when you're  
13 determining the impact fee, you would have to deduct off  
14 the portions of the development that is going to cover  
15 deficiencies. And right now that's determined by the  
16 system systemwide. An amount comes out of rates. Well,  
17 we don't actually take it out of rates, but it's  
18 determined systemwide. And you would have to start  
19 determining that deficiency, this benefit zone by  
20 benefit zone.

21 So at some point if you decided that the money  
22 coming out of rates for this particular system with this  
23 deficiency was this much, then that amount would get  
24 transferred over to the system of the development. If  
25 this one had more deficiencies, then more would be taken

1 because the rate is determined systemwide. It's not  
2 determined --

3 MR. DILL: But my question, this is talking  
4 about for impact fees, it's not talking about rates?

5 MR. CRADDICK: No, it's not talking about  
6 rates. But because we do our rates systemwide and the  
7 deficit is determined systemwide, there is actually --  
8 you know, when you see the FRC charges, there's a charge  
9 and then there's an actual minus out for system  
10 deficiencies, and that minus amount is systemwide. If  
11 we start determining that deficiency system by system --

12 MR. DILL: You'll never finish.

13 MR. CRADDICK: Maybe.

14 MR. DILL: Okay. I thought we had had  
15 discussions at some earlier meeting using the example of  
16 the Wailua Houselots area where we had a fire protection  
17 deficiency, and part of the discussion there in funding  
18 that project was we would have allocated some sort of  
19 assessment fee just to the customers that benefit from  
20 that project.

21 MR. CRADDICK: Okay. But that's not for  
22 expansion. This is specifically for system expansion  
23 impact fees.

24 MR. DILL: Okay.

25 MR. CRADDICK: And if you make a motion to

1 go one way or the other here today, the motion also has  
2 to include to go a public hearing with this because we  
3 actually have to have a public hearing on that. And  
4 then after that, the board would finally determine which  
5 way they were going to go. But we actually have to have  
6 a public hearing on this, too.

7 MR. NISHIMURA: One way or the other.

8 MR. CRADDICK: Yeah, one way or the other.

9 MR. NISHIMURA: Question. On the impact  
10 fees as a whole, if we create these benefit zones, would  
11 that have a net impact of raising or lowering the FRC?

12 MR. CRADDICK: I think it would raise for  
13 some and lower for others.

14 MR. NISHIMURA: Okay.

15 MR. DILL: But on the average theoretically  
16 it would stay the same, right?

17 MR. NISHIMURA: On average.

18 MR. CRADDICK: Correct.

19 MR. DILL: Do other counties have benefit  
20 zones?

21 MR. CRADDICK: Not in Hawaii that I'm aware  
22 of. I do know of some systems that do have separate  
23 charges for different parts of the system. But none  
24 that I'm aware of in Hawaii. They're all -- but I'm not  
25 aware of any in Hawaii that have established these

1 benefit zones either.

2 MR. DILL: But you are aware of in Hawaii  
3 some places have different FRCs that they have?

4 MR. CRADDICK: Oh, they're different, but  
5 it's -- for the county system it's one fee countywide.

6 MR. DILL: But not different within each  
7 county? Each county charges the same FRC within its  
8 jurisdiction?

9 MR. CRADDICK: Right, correct.

10 MR. NISHIMURA: So Maui County, whether you  
11 live on Maui, Lanai or Molokai, they have the same FRC.

12 MR. CRADDICK: Right.

13 MR. DILL: That same rate, right?

14 MR. CRADDICK: The same -- the same rate,  
15 yes. It's one fee.

16 CHAIRMAN KANESHIRO: Any further discussion  
17 on this matter, the Manager's Report No. 12-56.

18 MR. DILL: I thought -- I'm sorry.

19 MR. NISHIMURA: Go ahead.

20 MR. DILL: We're talking about expansion  
21 projects.

22 MR. CRADDICK: Yes.

23 MR. DILL: Okay. Because I don't see that  
24 in this paragraph that you have.

25 MR. NISHIMURA: FRC.

1 MR. CRADDICK: Okay. I apologize there.  
2 That Hawaii --

3 MR. DILL: I guess that's by definition.

4 MR. CRADDICK: -- Revised Statutes only  
5 deals with impact fees and collecting fees for expansion  
6 of the water system. It's in the recommendation there.  
7 So it is only dealing with the expansion of the water  
8 system.

9 MR. NISHIMURA: What is the urgency of the  
10 timing of this?

11 MR. CRADDICK: Well, we shouldn't move  
12 further with our FRC if we don't have some consensus on  
13 the board because we're doing the whole thing wrong if  
14 we're -- if we --

15 MR. NISHIMURA: Well, I'm glad we caught it  
16 now as opposed to much later.

17 MR. CRADDICK: Yeah, yeah, that's why it's  
18 on the agenda you got. As soon as the county attorney  
19 observed on this, and it was something we had to do  
20 right away.

21 MR. DILL: Mr. Chair, I move to approve the  
22 Manager's Report No. 12-56 and move forward with this  
23 recommendation.

24 CHAIRMAN KANESHIRO: And also schedule a  
25 public hearing on the matter.

1 Do I have a second on that motion?

2 MR. McCORMICK: Second.

3 CHAIRMAN KANESHIRO: I have a second. Do I  
4 have any further discussion on this item?

5 If not, all those in favor signify by saying  
6 aye.

7 Any opposed?

8 Hearing none. Motion carried.

9 MR. NISHIMURA: Mr. Chair.

10 CHAIRMAN KANESHIRO: Yes.

11 MR. NISHIMURA: Let the record reflect I'm  
12 voting aye with reservations, serious reservations.

13 CHAIRMAN KANESHIRO: Okay. We will note  
14 such that Board Member Nishimura voted aye with  
15 reservations.

16 MR. NISHIMURA: Not just reservations,  
17 serious reservations.

18 CHAIRMAN KANESHIRO: With that, we'll move  
19 on to staff reports, monthly, statement of Kauai County  
20 Water Department's revenues and expenditures.

21 MS. YANO: Members of the Board, my report  
22 is in your packets. Once you've had a chance to look at  
23 it, if you have any questions, please ask.

24 CHAIRMAN KANESHIRO: Members of the Board,  
25 the status summary before you, any questions on any of

1 the items for Marites?

2 If not, thank you, for the report.

3 MS. YANO: Thank you, sir.

4 CHAIRMAN KANESHIRO: Do we need to make a  
5 motion to receive the report at this time?

6 MR. NISHIMURA: It would be better.

7 CHAIRMAN KANESHIRO: Is that what we do  
8 usually?

9 MR. NISHIMURA: Usually.

10 CHAIRMAN KANESHIRO: Move to receive.  
11 Okay. Do I have a motion to move to receive the  
12 statement of Kauai County Water Department's revenues  
13 and expenditures?

14 MR. DILL: So moved.

15 CHAIRMAN KANESHIRO: Do we take them all at  
16 one time? No. Do we take them as each item?

17 MR. DILL: I think each report.

18 MR. NISHIMURA: Each report.

19 CHAIRMAN KANESHIRO: Okay. Do I have a  
20 second on that?

21 MR. NISHIMURA: Second.

22 CHAIRMAN KANESHIRO: All those in favor  
23 signify by saying aye.

24 Any nos?

25 Hearing none, motion carried.

1           Report by the public relations specialist on  
2 public relations activities.

3           MS. SHIRAMIZU: My report is before you.  
4 If you have any questions. It's a short report.

5           CHAIRMAN KANESHIRO: Okay. Any questions  
6 by the board members of the report? Any clarifications?

7           MS. SHIRAMIZU: Can I comment on --

8           CHAIRMAN KANESHIRO: Okay.

9           MS. SHIRAMIZU: Dustin's presentation at  
10 career day at King Kaumualii. I wasn't there, but I  
11 heard that it was a really -- he did a really great job  
12 of representing the department, and I think it was good  
13 for the students to have that.

14           CHAIRMAN KANESHIRO: Great. Any questions?

15           MR. NISHIMURA: Just a comment, Mr. Chair.

16           CHAIRMAN KANESHIRO: Yes.

17           MR. NISHIMURA: In rescinding the water  
18 restriction policy for Waimea-Kekaha, I would like to  
19 ask that --

20           MR. CRADDICK: No.

21           MR. NISHIMURA: Yes, yes. Mr. Craddick,  
22 the reason we spend all this money is to get rid of  
23 those restrictions.

24           MR. CRADDICK: Okay.

25           MR. NISHIMURA: And those that have been

1 waiting deserve the opportunity to apply as with anybody  
2 else.

3 MR. CRADDICK: Yeah.

4 MR. NISHIMURA: And if we need to  
5 reinstitute that policy, we got to reinstitute the  
6 policy. But, you know, we've had a lot of guys come in  
7 asking for meters, and we've turned them away. And  
8 that's the whole point of 2020. Otherwise, why we  
9 spending all this money?

10 And to that extent, I would ask that the  
11 department do publicize that. And as a result of this,  
12 you've been able to at least temporarily rescind that  
13 policy.

14 MR. CRADDICK: Okay.

15 CHAIRMAN KANESHIRO: Okay. So noted by  
16 Board Member Nishimura that we have a report out on that  
17 issue.

18 Any other discussions on the matter? Mr.  
19 Craddick.

20 MR. CRADDICK: One that I might say. The  
21 press release up there at the top, the backflow  
22 preventers, the reason we put that out there was to not  
23 start a war with the people but the letter says their  
24 meters will be removed if they don't put these backflow  
25 preventers in. And we're rapidly approaching that day.

1 And there may be some that get their meters removed.  
2 And when they do, they'll be trying to go to the  
3 newspapers.

4 We thought it was important to get something  
5 out there. And I think the news report came back and  
6 the word scofflaws there attached to them. So it makes  
7 it a little bit easier for us to, I think, respond to  
8 that rather than the bad water department taking away  
9 these people's services that don't have backflow issues.

10 MR. NISHIMURA: The guys that are required  
11 to put in backflow, they're getting all ag rates?

12 MR. CRADDICK: They're not getting -- they  
13 may not be getting ag rates, and they may not even be  
14 connected to the dual water system. But if they are  
15 close enough to it where in under 24 hours they could  
16 hook up. And then you also have the problem that the  
17 next-door neighbor could be hooked up and they could run  
18 a line from their system. So we felt that it certainly  
19 complied with the law to require under our rules.

20 And just to be safe, we wanted to err on the  
21 side of caution versus letting people go. And I guess,  
22 kind of the example I use is as soon as people realize  
23 that TSA is not going to check grannies and babies,  
24 that's who's going to be set up with the thing that  
25 blows the plane up.

1           So it is an issue out there. I mean, we live  
2 in a different day these days. And it's sad, but we  
3 have to look at these kind of things from a different  
4 point of view now than we did ten years ago.

5           MR. DILL: How much time do you give them  
6 to comply?

7           MR. CRADDICK: They've had over six months.  
8 And this is the third letter that's gone out.

9           MR. DILL: Can you estimate the approximate  
10 average cost for them to comply?

11          MR. EDDY: It's in about the \$2,000 range.

12          MR. DILL: Okay.

13          MR. CRADDICK: And the first person that we  
14 had the trouble with, they had their backflow preventer  
15 in in about 48 hours. So then -- and we know that some  
16 of the local companies here have stocked up on the  
17 backflow preventers, so it's not like they're not  
18 available.

19          MR. NISHIMURA: How many of them have come  
20 in for -- don't they have to draw a permit to get that  
21 work done?

22          MR. CRADDICK: Do you know how many of the  
23 letters went out, Gregg, has anybody --

24          MR. FUJIKAWA: We sent thirty --

25          MR. CRADDICK: No, but how many have come

1 in?

2 MR. FUJIKAWA: 38 letters went out.

3 MR. CRADDICK: Have any come in yet to do  
4 anything?

5 MR. FUJIKAWA: Some coming in. Some are  
6 progressing toward what we want them to do. And there's  
7 a bunch of them, we don't know what the exact number is,  
8 but they haven't started any kind of compliance step.

9 MR. CRADDICK: There's quite of few  
10 off-island owners. They have addresses on the mainland.  
11 So ...

12 MR. NISHIMURA: So they're going to lose  
13 their potable water but not their non-potable?

14 MR. CRADDICK: Correct.

15 MR. FUJIKAWA: We don't control the  
16 non-potable.

17 MR. NISHIMURA: No, I understand. No, I  
18 understand.

19 MR. DILL: Mr. Chair, move to accept the PR  
20 report.

21 MR. NISHIMURA: Second.

22 CHAIRMAN KANESHIRO: Received and there's a  
23 second.

24 All those in favor signify by saying aye.

25 Motion carried.

1           Item No. 3, Chief of Operations summary report  
2 on monthly operational maintenance.

3           MR. REYNA: Good morning, Members of the  
4 Board. Before you is the month of December report for  
5 our operations division, the most notable on the report  
6 is the retirement of our generator repairer effective  
7 December 31st, 2011.

8           (Chairman Kaneshiro exited meeting.)

9           MR. REYNA: Also, we have interviewed and  
10 selected a candidate for the pipefitter helper position.  
11 The new hiree will be reporting for work on  
12 February 1st.

13           If you turn your attention to the second page  
14 of the report, the chart shows our overtime applied for  
15 in the month of December from a low in November. This  
16 is due to numerous SCADA problems we are encountering in  
17 the North Shore of the island. Actually not only the  
18 North Shore, but Wainiha-Haena subsystem, we're  
19 encountering problems there. Kilauea we are  
20 encountering SCADA problems, also in Kalaheo. We have  
21 one item right now, the FluidIQs technician, that's our  
22 SCADA integration consultant, and they're helping us  
23 resolve the problems. We have a technician and an  
24 engineer programmer on island, and they'll both be here  
25 for over two weeks to help us resolve the problems.

1           If you have any further questions, please let  
2 me know.

3           MR. NISHIMURA: Questions, Board Members?

4           Mauna Kea, can we receive the operations report  
5 in the absence of our fourth member or can we just  
6 continue to receive reports and then take action?

7           MR. TRASK: I think we -- let's see.

8           MR. DILL: We will --

9           MR. TRASK: I think we can continue. We  
10 have sufficient number of votes to take affirmative  
11 action.

12           MR. McCORMICK: Move to receive.

13           MR. DILL: Second.

14           MR. NISHIMURA: Moved and seconded to  
15 receive the operations report.

16           Any discussion?

17           Hearing none, all those in favor say aye.

18           Opposed.

19           Motion carried.

20           Next item is the manager's update.

21           MR. CRADDICK: Yeah. This one here, the  
22 first one is, aside from the action that the board just  
23 took on the Waimea water system administratively  
24 approved water restriction for Lawai-Omao have been  
25 lifted since December 23rd and it's attached, I believe,

1 for your review here. And we'll notice this one along  
2 with the other one, I guess, with a news release.

3 MR. NISHIMURA: Thank you.

4 MR. CRADDICK: We have a pump contract that  
5 was awarded. Emergency repair there.

6 (Chairman Kaneshiro entered meeting.)

7 MR. CRADDICK: And let's see. Personnel  
8 matters are there, and it's they're quite voluminous  
9 there. So I won't go through every single one of those.

10 But what's going on right now is is I've sent  
11 -- met with the mayor on a couple of the more important  
12 issues. We've sent a letter to the personnel director,  
13 and if possible if the board could give permission to  
14 the board chair to sign a letter to the Civil Service  
15 Commission Chair if we don't get a timetable in a timely  
16 manner when they're going to finish those items, 'cause  
17 both of them have been the better part of a year, the  
18 board secretary and the engineering reorganization. And  
19 for whatever reason, they're camping on those.

20 I think it needs to be moved up to a higher  
21 level. And I'm reluctant to write the letter to the  
22 Civil Service Board myself. And if the board can see  
23 their way clear to authorize the chair to send a letter,  
24 I would appreciate it.

25 MR. NISHIMURA: Have you spoken to the ex

1 officio member -- other ex officio member about it?

2 CHAIRMAN KANESHIRO: I did, I did. And he  
3 said he was going to call them in and try and find out  
4 what was going on because the mayor actually signed both  
5 requests to the -- which isn't normal. Normally the  
6 mayor doesn't have to sign a request. They just deal  
7 with it. But some things are going on there that I'm  
8 very reluctant to talk about here in open session.

9 MR. NISHIMURA: That's fine. So the mayor  
10 doesn't have an objection to it?

11 MR. CRADDICK: No, no, the mayor has no  
12 objection.

13 MR. NISHIMURA: Okay. That makes it easy.

14 MR. CRADDICK: Anyhow, vouchers paid 1.3  
15 million advance of facilities there that's for them.

16 Water quality report, it's still going good  
17 there at Amfac shaft. We had a big storm, but when we  
18 were having a storm, the microparticulate analysis that  
19 we have to do went to Seattle that also had a storm.  
20 And although our sample got there, they couldn't get it  
21 to the place to test it in time before the sample was no  
22 longer any good to test. So we'll have to wait for  
23 another storm out there in Kekaha.

24 And then there were some claims that were paid,  
25 the attorney. And that's it.

1           Oh, I take that back. Well, I can have Gregg  
2 maybe do this, but you have the monthly subdivision  
3 summary there, too, from water resources and planning.

4           CHAIRMAN KANESHIRO: Any further questions  
5 or discussions on the manager's update?

6           MR. NISHIMURA: Just one question on item  
7 six of your water quality report. When did Kalaheo,  
8 Lawai, Omao, and Koloa become one system?

9           MR. CRADDICK: Bill.

10          MR. EDDY: One to two years ago.

11          MR. CRADDICK: Is that something we failed  
12 to notify you of?

13          MR. NISHIMURA: This is the first I'm  
14 hearing about it.

15          MR. EDDY: Well, it's been in the water  
16 quality report for a while. It really needs to drop off  
17 of this. I think it's been reported.

18          MR. NISHIMURA: Well, if it weren't on  
19 there, I wouldn't even know that it was one system.

20          MR. EDDY: Yeah. I'm pretty sure it was  
21 reported before, and it just hasn't been taken off from  
22 this.

23          MR. NISHIMURA: Okay.

24          CHAIRMAN KANESHIRO: Any other questions  
25 for the manager regarding the monthly update activities?

1           Hearing none, do I have a motion to receive it  
2 or decide on it?

3           MR. McCORMICK: Mr. Chair, I move to  
4 receive the manager's update.

5           CHAIRMAN KANESHIRO: Second on that?

6           MR. McCORMICK: With the authority to send  
7 a letter to the Civil Service Commission. Is that it?

8           MR. CRADDICK: Yes.

9           MR. McCORMICK: Yes.

10          CHAIRMAN KANESHIRO: With that  
11 clarification, do we have a second on that motion? I  
12 need a second on this.

13          MR. DILL: I'll second, but I got a  
14 question so I want to raise some discussion.

15          CHAIRMAN KANESHIRO: Go ahead. We will  
16 open it up for discussion.

17          MR. DILL: On the last item, David, the  
18 claims.

19          MR. CRADDICK: Yes.

20          MR. DILL: It's under remedial  
21 recommendations. Can you give us the status of  
22 implementation of those recommendations?

23          MR. CRADDICK: On, what's that?

24          MR. DILL: On the claims that are  
25 mentioned.

1 CHAIRMAN KANESHIRO: On the claim from page  
2 four.

3 MR. CRADDICK: Those have been settled.

4 MR. DILL: Right, but there's remedial  
5 recommendations for the department to follow up on.

6 MR. CRADDICK: Oh, oh, oh, oh, oh. Okay.

7 MR. DILL: Those recommendations.

8 MR. CRADDICK: Okay, okay. Bill.

9 MR. EDDY: I've got a clean driving record.  
10 I guess we're going to have to set up some driver's  
11 training. We did one a few years back, but I guess it's  
12 time to go through another round.

13 MR. CRADDICK: Actually we're doing  
14 something a little bigger than that. We're doing work  
15 on a vehicle policy that -- to tighten up a little bit  
16 better how we handle these things.

17 MR. DILL: Can I request a report on status  
18 or compliance for that at a future meeting?

19 MR. CRADDICK: Okay.

20 MR. DILL: When would a reasonable time  
21 frame be for that?

22 MR. CRADDICK: Bill.

23 MR. EDDY: Time frame for the status or to  
24 be completed?

25 MR. DILL: No. Time frame for it to be

1 completed. Give me a time frame when you can report  
2 back to us what your program is for this ongoing driver  
3 safety program.

4 MR. EDDY: Okay. How about, yeah, the next  
5 meeting I'll report.

6 MR. DILL: Okay. What you're going to do?

7 MR. EDDY: What we're going to do.

8 MR. DILL: Okay. Thank you.

9 CHAIRMAN KANESHIRO: Okay. We'll add that  
10 to the motion on the floor along with a letter, we'll  
11 get a report at the next board meeting providing  
12 remedial actions to the taken.

13 We have a motion on the floor for that with a  
14 second.

15 MR. DILL: Second.

16 CHAIRMAN KANESHIRO: All those in -- we  
17 already got a second.

18 MR. DILL: I'll second it again.

19 CHAIRMAN KANESHIRO: Okay. Double whammy.  
20 -- signify by saying aye.

21 Any Opposed.

22 Hearing none, motion is carried.

23 On to the quarterly, employee of the quarter  
24 award, fourth quarter.

25 MR. CRADDICK: This we actually did earlier

1 there before the board meeting started.

2 CHAIRMAN KANESHIRO: Right, we took that up  
3 already.

4 MR. CRADDICK: Well, not in the board  
5 session, but we've got a crew of the employees that were  
6 chosen this time instead of just a single individual.  
7 It's Warren Rita's crew of which Alan Iwasaki, Raymond  
8 Chow, Randy Watanabe, Corey Silva, Darren Lizama and  
9 Kevin Pongassi are in the crew.

10 And what happened was there was a line break in  
11 pretty bad weather. The guys went out there to do it.  
12 And in the process, I guess, one of the customers out  
13 there also their line was damaged. And rather than just  
14 leaving it, they helped them out and got that fixed up  
15 to where the person had water. They went so far, I  
16 guess, as to send in a letter to the newspaper. And our  
17 guys picked up on it, and this was the result there,  
18 that they ended up a group winning the award there for  
19 the month.

20 CHAIRMAN KANESHIRO: Okay. So any comments  
21 or questions by board members?

22 We'll move on to project status updates.

23 MR. CRADDICK: Did you get -- you got the  
24 one there on the -- okay. Okay.

25 CHAIRMAN KANESHIRO: Is that the one you

1 wanted Gregg to comment on?

2 MR. CRADDICK: Well, that was on the last  
3 one there. If you had any questions on it.

4 CHAIRMAN KANESHIRO: Project status update.  
5 We have a project status update.

6 MR. MOISES: I can call on Gregg.

7 CHAIRMAN KANESHIRO: Okay.

8 MR. MOISES: So you have the executive  
9 summary before you. We kind of got things going on  
10 design and construction for several of these projects.  
11 I guess things to note is Kahili directional drilled  
12 well, we got the contract finalized, issued notice to  
13 proceed, and actual fieldwork once we get the  
14 right-of-entry from Grove Farm.

15 The Lihue baseyard, we started improvements.  
16 We got the land transfer, and we post the final EA. So  
17 we're in the design process, and we actually are getting  
18 close to finalizing the floor plan. And I had a meeting  
19 today with planning, and we discussed the rezoning of  
20 the triangle.

21 Other than that, we got a crew through the  
22 Kokolau and Kalaheo service plans and design.

23 And as mentioned earlier, Kuamoo pipeline Job  
24 No. WK 36 is -- we have to redesign that, and that's  
25 been completed.

1           As far as construction, Moana Kai we got  
2 approved near the beach, we have a new pipeline there.  
3 And that was the same situation as Kuamoo in the sense  
4 that we have to do archeological work. So we actually  
5 hired an archeologist and a cultural monitor, and we  
6 started construction in December.

7           So we finished a few projects in Kapaa. The  
8 Vivian Heights pipeline is completed. And Kapaa  
9 Homestead pipeline phase II is completed. And Piwai  
10 tank got completed, and hence the rescinding of the  
11 shortage. And we started Maka Ridge tank  
12 rehabilitation, and there was a pipeline.

13           So, other than that, nothing else really to  
14 add. If you've got any questions?

15           CHAIRMAN KANESHIRO: Okay. Any questions  
16 by members of the board?

17           Thank you for the report, Dustin.

18           We'll move on to the affordable housing report.

19           MR. CRADDICK: Okay. I'm not sure what  
20 affordable housing project there was there, but that  
21 project is complete with restrictions removed. So I  
22 guess if there is an affordable housing project, we're  
23 not holding it up right now.

24           Amfac shaft, you know, even though it says  
25 100 percent there that was in order to just get the

1 source -- I guess determine if the source was under the  
2 influence or not. And hopefully we're getting close to  
3 that, and we don't have to wait another year for a  
4 storm.

5 But anyhow, Kapahi tank, moving ahead. That's  
6 it on those ones.

7 MR. MOISES: One thing to add, on the  
8 second page, in the past, Akulikuli is always stagnant.  
9 Now we got movement again now that we got AECOM on board  
10 for the treatment plant.

11 CHAIRMAN KANESHIRO: Any questions,  
12 Members, or comments or additions to the report?

13 Hearing none. We need a motion on the reports.  
14 Do we need a motion to receive all three reports, is  
15 that correct?

16 MR. TRASK: Yes, chair.

17 CHAIRMAN KANESHIRO: Okay. So we'll take  
18 all of the three reports and have a motion to receive  
19 all of the three quarterly reports at this time. Do I  
20 have a motion on the floor? I need a motion on the  
21 floor to do that.

22 MR. DILL: Motion to receive.

23 MR. McCORMICK: Motion to receive. Second.

24 CHAIRMAN KANESHIRO: And seconded by  
25 McCormick.

1           Are there Any discussions on the reports  
2 provided, on the employee of the quarter award, project  
3 status update, and affordable housing update?

4           If not, all those in favor signify by saying  
5 aye.

6           Any Opposed.

7           Hearing none, motion carried.

8           Now, we're on to topics for next water board  
9 meeting. Mr. Craddick.

10           MR. CRADDICK: Nothing right now. Nothing  
11 right now.

12           CHAIRMAN KANESHIRO: Nothing.

13           MR. CRADDICK: At least not the next  
14 meeting. The one after that we should be starting into  
15 the budget.

16           MR. NISHIMURA: Mr. Chair.

17           CHAIRMAN KANESHIRO: Yes, sir.

18           MR. NISHIMURA: I need to take care of some  
19 business, and that would leave the board without quorum.

20           Can I take a few minutes to take a call and see  
21 if I can stay for another 15, 20 minutes?

22           CHAIRMAN KANESHIRO: We'll take a recess at  
23 this time for about ten minutes and come back.

24           (A break was had.)

25           CHAIRMAN KANESHIRO: Regular meeting is now

1 called back to order. At this time before Board Member  
2 Nishimura leaves --

3 MR. NISHIMURA: I would suggest, if I  
4 could, as far as agenda items, if the department can  
5 email all the board members requesting any items that  
6 they want to put on the agenda be submitted no less than  
7 a couple days before the agenda date.

8 CHAIRMAN KANESHIRO: For the next water  
9 board meeting?

10 MR. NISHIMURA: Yeah.

11 CHAIRMAN KANESHIRO: Okay. We'll make note  
12 of that and have a correspondence sent out to the board  
13 members.

14 And the topics for future water board meetings,  
15 upcoming events and next water board meetings, at this  
16 time I don't see any additions or changes to these. So  
17 before I call a motion to receive these items, if you  
18 have any questions or discussions on the items that I  
19 just spoke about? Future water board meetings, upcoming  
20 events, and next water board meetings.

21 If none, the motion would be -- I need a motion  
22 to receive these items.

23 MR. McCORMICK: Motion to receive.

24 CHAIRMAN KANESHIRO: Do I have a second on  
25 it?

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MR. DILL: Second.

CHAIRMAN KANESHIRO: All those in favor.

Any Opposed.

Hearing none, with that, the board meeting is  
now adjourned.

(Concluded at approximately 11:33 a.m.,  
January 26, 2012.)

\* \* \* \* \*

1 STATE OF HAWAII )  
 ) ss.  
2 COUNTY OF KAUAI )

3 I, TERRI R. HANSON, RPR, CSR 482, do hereby  
4 certify:

5 That on Thursday, January 26, 2012, at 9:00  
6 a.m. that the foregoing REGULAR MEETING, County of  
7 Kauai, Board of Water Supply, was held;

8 That the foregoing proceedings were taken down by  
9 me in machine shorthand and were thereafter reduced to  
10 typewritten form under my supervision; that the  
11 foregoing represents to the best of my ability, a true  
12 and correct transcript of the proceedings had in the  
13 foregoing matter.

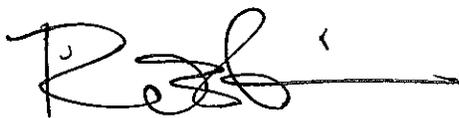
14 I certify that I am not an attorney for any of  
15 the parties hereto, nor in any way concerned with the  
16 cause.

17 DATED this 10th day of February, 2012, in Kapaa,  
18 Hawaii.

19 \_\_\_\_\_  
20 TERRI R. HANSON, CSR 482  
21 Registered Professional Reporter  
22  
23  
24  
25

Transcript of the January 26, 2012 Regular Board Meeting, as recorded by Ralph Rosenberg Court Reporters, Inc.

Approved,

A handwritten signature in black ink, appearing to be 'R. Nishimura', with a long horizontal line extending to the right.

Randall Nishimura  
Secretary – Board of Water Supply

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TRANSCRIPT CORRECTION SHEET

County of Kauai, Board of Water Supply  
Regular Meeting  
Date: January 26, 2012

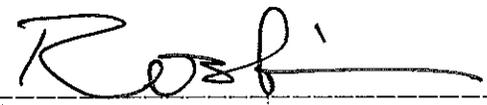
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Signature

date: 4-26-12