

MEETING MINUTES
BOARD OF WATER SUPPLY
Thursday, June 26, 2014

The Board of Water Supply, County of Kaua'i, met in regular meeting at the Board Conference Room in Lihu'e on Thursday, June 26, 2014. Chairperson Clyde Nakaya called the meeting to order at 10:04 a.m. The following Board members were present:

BOARD: Mr. Clyde Nakaya, *Chairperson*
Mr. Sherman Shiraishi, *Vice Chair*
Mr. Hugh Strom
Mr. Raymond McCormick
Mr. Larry Dill

EXCUSED/ABSENT: Mr. Michael Dahilig
Ms. Laurie Ho

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

STAFF: Mr. Kirk Saiki
Mr. Val Reyna
Ms. Marites Yano
Mr. Dustin Moises
Mr. Keith Aoki
Ms. Sandi Nadatani-Mendez
Mr. Carl Arume
Mr. Eddie Doi
Mr. Davis Kashima (*Construction Management Intern*)
Ms. Mary-jane Garasi
Deputy County Attorney, Andrea Suzuki

GUESTS: Mr. Tom Shigemoto, Vice President, A&B Properties, Inc.
Ms. Felicia Cowden, Private Citizen
Mr. Robert G. Giraldo, Private Citizen
Mr. Hall Parrott, Private Citizen

ACCEPTANCE OF AGENDA

Mr. Shiraishi moved to accept the agenda; seconded by Mr. Dill; with no objections, motion carried with 5 ayes.

MEETING MINUTES

Review and approval of:

Regular Board Meeting – February 27, 2014

Mr. Shiraishi moved to approve Regular Board Meeting minutes of February 27, 2014; seconded by Mr. Strom; with no objections; motion was carried with 5 ayes.

Regular Board Meeting – March 27, 2014

Mr. Shiraishi moved to approve Regular Board Meeting minutes of March 27, 2014; seconded by Mr. Strom; with no objections; motion was carried with 5 ayes.

Regular Board Meeting – April 24, 2014

Mr. Shiraishi moved to approve Regular Board Meeting minutes of April 24, 2014; seconded by Mr. Strom; with no objections; motion was carried with 5 ayes.

Workshop – March 7, 2014

Mr. Shiraishi moved to approve Workshop minutes of March 7, 2014; seconded by Mr. Strom; with no objections; motion was carried with 5 ayes.

Emergency Meeting – May 28, 2014

Mr. Shiraishi moved to approve Emergency Meeting minutes of May 28, 2014; seconded by Mr. Strom; with no objections; motion was carried with 5 ayes.

Review and approval of Executive Session:

Executive Session – April 24, 2014

Mr. Shiraishi moved to approve Executive Session minutes of April 24, 2014; seconded by Mr. Strom; with no objections; motion was carried with 5 ayes.

Executive Session – May 22, 2014

Mr. Shiraishi moved to approve Executive Session minutes of May 22, 2014; seconded by Mr. Strom; with no objections; motion was carried with 5 ayes.

E. CORRESPONDENCE/ANNOUNCEMENTS

1. Correspondence from Mr. Tom Shigemoto, Vice President, A&B Properties, Inc., dated May 12, 2014 regarding Reallocation of water commitment from Eleele Industrial Park Subdivision, TMK: (4) 2-1-001:051, to 28-acre Eleele Urban Residential Development (4) 2-1-001:Por.3 Eleele, Kōloa, Kaua'i, A&B Properties, Inc., owner

Mr. Tom Shigemoto, Vice President, A&B Properties, Inc. provided his testimony.

Mr. Shigemoto requested the Board to allocate 120,000 gpd to be transferred to a multi-family affordable housing project adjacent north of the solar project in Eleele. Zoning was approved for affordable housing in the 1990's. The zoning allowed for 200 units and the 120,000 gpd would not allow max density. Any amount of water would be accepted for the affordable housing project.

Mr. Shiraishi moved to receive Correspondence from Mr. Tom Shigemoto, Vice President, A&B Properties, Inc., dated May 12, 2014 regarding Reallocation of water commitment from Eleele Industrial Park Subdivision, TMK: (4) 2-1-001:051, to 28-acre Eleele Urban Residential Development (4) 2-1-001:Por.3 Eleele, Kōloa, Kaua'i, A&B Properties, Inc., owner and to refer to the Department for a response; seconded by Mr. McCormick; with no objections; motion was carried with 5 ayes.

2. Correspondence from East & West Kaua'i Soil & Water Conservation Districts, received June 3, 2014 regarding the 2014 Annual Report

Mr. Shiraishi moved to receive Correspondence from East & West Kaua'i Soil & Water Conservation Districts, received June 3, 2014 regarding the 2014 Annual Report; seconded by Mr. McCormick; with no objections, motion carried with 5 ayes.

F. BOARD COMMITTEE REPORTS

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

1. Manager's Report No. 14-50 – Draft Budget FY 14-15

Mr. Dill reported that the Finance Committee met in May to work on the Draft Budget for FY 14-15. The proposed Operating Budget would be presented at this meeting. Fiscal will look at the CIP projects that will be prioritized for the proposed funding for FRC generation. The Capital Improvement Projects (CIP) will be approved at the July Board meeting.

Mr. Shiraishi moved to receive the Report of the Finance Committee of the Kaua'i County Board of Water Supply, 1. Manager's Report No. 14-50 – Draft Budget FY 14-15; seconded by Mr. McCormick; with no objections, motion was carried with 5 ayes.

G. OLD BUSINESS

1. Manager's Report No. 13-7 - Part 2 Section IX of the Rules, Adjustment of Bills for Undetected Leaks and Unforeseen Damages Proposed Amendments, Public Hearing Results

BACKGROUND:

Acting Manager and Chief Engineer, Mr. Saiki reported the Department recommended that the Board approve Option 1, adopt the proposed revisions of Part 2 Section IX of the Department of Water's (DOW) Rules and Regulations as recommended by the DOW.

A Public Hearing was held on May 22, 2014 with one public comment regarding ag users. The revision did not allow rebate for ag users. Any ag requested rebate would pay a higher rate (Tier 2) because ag users are subsidized at a lower rate.

Mr. Shiraishi moved to receive Manager's Report No. 13-7 - Part 2 Section IX of the Rules, Adjustment of Bills for Undetected Leaks and Unforeseen Damages Proposed Amendments, Public Hearing Results and for the Board to approve and adopt the revisions of Part 2 Section IX of the Rules, Adjustment of Bills for Undetected Leaks and Unforeseen Damages Proposed Amendments; seconded by Mr. Dill; with no objections; motion was carried with 5 ayes.

2. Manager's Report No. 14-45 – Revised Exhibit B and Revision of Project Name for BAB – Project List Changes – Resolution No. 14-7 (FY 2013), Addition of H-05 – Weke, Anae, and Hee Roads 6" and 8" Main Replacement; LO-08 – Koloa Road Main Replacement

BACKGROUND:

Acting Manager and Chief Engineer, Mr. Saiki reported Exhibit B was revised to show projects that would generate more FRC revenue.

DISCUSSION:

Mr. Shiraishi referenced Exhibit A which listed the four (4) projects which were deleted from the May Board meeting. On revised Exhibit B, the Department identified the four (4) projects that were deleted as generating FRC funds. He questioned staff on why were the four (4) projects deleted from the revised Exhibit A? Why is the Department not allocating Building America Bond (BAB) funds that generate FRC funds? At the May Board meeting, Mr. Dahilig stated he would prefer to borrow money to fund projects that would generate FRC funds.

Civil Engineer VI, Mr. Aoki understood Mr. Dahilig's comment was based on source reasons. The projects deleted were not source projects. The FRC generation list was determined if the main line was increased in size, it would increase the amount of people who could hook up to the line and could collect FRC.

Higher priorities have source and storage projects to collect FRC revenue. If source or storage is deficient, more connections cannot be added to the line. It is possible that FRC will not be generated if source and storage is improved without improving the lines. The transmission is site specific on a development. Fire flow requirements to upgrade a line may be allowed for a development.

Mr. Shiraishi questioned if source or storage is improved but does not have the line capacity, the Department may have to do the project to generate FRC

Civil Engineer VI, Mr. Doi clarified that there are various criteria on the individual projects listed in Exhibit B and depends if FRC is generated on project or area. The Department is not required to do the projects in Exhibit B which allows the flexibility to use the BAB fund. The Department is already paying the interest and carrying cost on the amount the BAB fund. The CIP was the whole list from the Department based on the importance of the criteria.

The ranking importance on projects in Exhibit B was based on restrictions or where development may occur and which projects could generate FRC. Priority projects nos. 1 & 2 would generate revenue within 4 to 5 years from the design stage.

Mr. Shiraishi moved to amend Exhibit A by adding the four (4) deleted projects: K-18 8" Waterline Replacement along Halewili Road; Ani-01b 'Anini and Kalihiwai Road Main; KP-09 MCC, Chlorination Facilities, Kōloa Well 16-A and 16-E; PLH-35b Kapaia Cane Haul Road 18" Main; seconded by Mr. Strom; with no objections, motion carried with 5 ayes.

Mr. Shiraishi moved to approve the proposed Resolution 14-7 with the amended addition of four (4) projects to be added to Exhibit A; seconded by Mr. McCormick; with no objections, motion carried with 5 ayes.

3. Manager's Report No. 14-50 – Draft Budget FY 14-15

BACKGROUND:

The Department's recommendation was for the Board to review and approve the proposed FY 2014-2015 Operating Budget.

DISCUSSION:

The Department met with the Finance Committee on all of the proposed expenditures. Waterworks Controller, Ms. Yano provided an explanation on the sections of the proposed FY 2014-2015 Operating Budget.

Summary, Tab 3 – Estimated revenues and operating expenses. Possible increases in the proposed budget were shown in 3rd column. Fiscal is within the revenue projections and expenditures are lower than projected.

\$29M was based on lower year to date (YTD) water consumption until January 2014. In the prior years, Ms. Yano usually increases the water usage estimates by .5%. New water rate increases will be effective on July 1, 2014 but the revenue projections were not increased at the same rate as the rate increase. FY 2013-2014 revenue budget from water sales was \$27M; FY 2014-2015 budget is increased by \$2M based on the new rate increase and lower water consumption projections.

Revenues and Operating Expenses are two (2) components of the Operating Budget. Water sales are from the main water revenues. 87% of estimated resources are shown in the Summary; 30% are from grants, investments, income and miscellaneous revenues.

Main components of the Operating Expenses are salaries.

Salaries - \$426,000 increased in proposed budget or 7.5% - due to anticipated pay increases effective July 1st.

Operating Expense - \$3M increase or 17.67% - due to employee benefits related to the pay increases.

Professional Services – \$976,000 increased.

Engineering Services as needed services –From prior years, this was under Miscellaneous Capital Expenditures, which has been reclassified as operating expenditures.

Water Resources & Planning

Professional Services – \$325,000 was added to Hydraulic Modeling budget.

Billing costs - \$235,000 increased based on the implementation of Customer Care and Billing (CC&B). Honolulu Board of Water Supply (HBWS) is proposing a portion on their allocation on their initial investment and support services. The HBWS proposal is \$260K for FY 2014-2015. Fiscal will come back to the Board to request for an agreement renewal (agreement will expire in August or September).

Operating Expenses, Tab 3, Page 4 of 20 - \$26.5M

During the Finance Committee meetings, the Department justified the line items. The Board needed to understand the bigger line items. Capital outlays were re-categorized to operating expense.

Public Relations – \$86,500 increased to \$318,000 due to an anticipated \$230,000 grant from the state with the full amount to be spent. \$230,000 is income and expense. In additional, \$2,000 for Engineering project ads/notices was also budgeted.

Water Resources & Planning (WRP), Tab 11

Professional Services – General, Page 1 of 7 – increased from \$545,824 to \$1M.

WR&P budgeted additional \$375,000 to update the Hydraulic Modeling, which will incorporate the GIS starting this new fiscal year. New Hydraulic Modeling budget is at \$500,000, an increase of \$375,000. \$125,000 was previously budgeted in FY-2014 but was never used. Unused funds at the end of the fiscal year goes to Water Utility Fund ending balance and is rolled over as Water Utility Fund beginning balance for FY 2015. The \$125K plus \$325K (or \$500K) becomes a new budget item in FY 2015.

Administration, Tab 6, Page 2

Other Services – Board - \$110,000 was added.

Salary & Wages – existing positions (budgeted at 100%) and vacant positions with prorated funding (6 mos./9mos.) were based on estimated a timeline and rate increase effective July 1st.

Operating Expense (Detail), Tab 3, Page 6 & 7 of 20

Billing and Accounting (OT) – \$52,000 was budgeted; FY 2014-15 \$105,000 is budgeted and increased based on the new financial accounting system.

Operations (OT) - \$59,000 based on current expenditures of OT was calculated up to April 2014 with the addition of two months.

WR&P (OT) - \$20,000 due to increased workload on the new rules. There has been more demand and issues that is being addressed with the public. As vacancies are filled, less OT will be used.

Engineering (OT) – projected a lower OT amount based on unfilled positions (prorated).

Salaries & Wages, Tab 3, Page 6

Line item #1 - dropped from \$804,553 to \$606,745 – due to the separation of IT in line item #2.

A better estimate will be done next year by each division that will manage their own budget.

Mr. Dill moved to approve the DOW Operating portion of the Draft Budget FY 14-15; seconded by Mr. Strom; with no objections, motion carried with 5 ayes.

H. **NEW BUSINESS**

1. Manager's Report No. 14-54 – Proposed Revised Board Policy No. 26, Emergency Reserve Fund and Proposed Board Policy No. 27, Debt Service Reserve Fund (DSRF)

BACKGROUND:

Acting Manager and Chief Engineer, Mr. Saiki recommended that the Board approve Option 1, the proposed Revision of Board Policy No. 26 – Emergency Reserve Fund (ERF) and Board Policy No. 27 – Debt Service Reserve Fund (DSRF).

DISCUSSION:

On September 2011, the Board approved Board Policy No. 26 – ERF and June 2012 Board Policy No. 27 – DSRF.

When the financial accounting system is implemented, a simplified process will be used with a pooled cash accounting. A pooled cash accounting will maintain a separate ledger fund, which tracks the activities in the ERF and DSRF). This will eliminate actual cash transfers.

This proposal will save on bank fees, which can minimize financial errors.

The proposed section in the current Board Policy No. 26 (paragraph 1) was recommended to be deleted – *“The total amount of the Reserve to be maintained shall be approximately 25% of the Department’s Total Operating Revenues including debt service based on the average of the previous five (5) fiscal years”* and replaced with: “DOW shall establish and maintain Emergency Reserve Fund (ERF) equal to 25% of the Department’s Total Operating Expenses budget, excluding Depreciation.”

Fiscal could set aside 25% of the revenues of the operating expenses based on unanticipated expenses.

The second recommended deletion in the current Board Policy No. 26 (paragraph 1) - *“The Reserve shall be deposited in a separate account which shall be a highly liquid interest bearing fund as allowable by state law requiring two signatures to withdraw funds”* to be replaced with: “The ERF shall be funded

from the DOW's general operating Account and a separate general ledger fund account shall be established and maintained."

The Department could propose a separate Manager's Report regarding a pooled accounting system to maintain one bank account and not to maintain a separate account for ERF or DSRF. Interest could be accrued in the WU general fund.

Item No. 7 was deleted in the current Addendum in Board Policy No. 26 because the Department has a separate DSRF Board Policy.

Mr. Shiraishi questioned what is the bank charge established in a separate account? He preferred a separate account because the Department has the money in an account instead of bookkeeping entries going back and forth which is subject to abuse.

WU, FRC, BAB funds could be kept in one bank account, which eliminates transferring money from one account to another. Based on this proposal, Fiscal would not be transferring from the ERF unless there is an emergency. Fiscal would adjust the ERF based on the 25%. A transfer would not be done to decrease/increase the fund. Fiscal could come to the Board for a proposed project for 25% of the ERF.

The pooled cash account was a recommendation from the IT consultant who is doing the financial accounting system. Currently there are five (5) accounts. All disbursements would be taken from one account. A concentration (main account) controls the subsidiary accounts for deposits and disbursement.

Board Chair Nakaya asked why is there a separate account for deposits? Why can't the deposit go straight into the main account? It was explained by Ms. Yano that when the reconciliation is done, only deposits are shown in the same bank. The deposit account and disbursements become zero at the end of the day, and are transferred into the main account.

Monthly Budget Status Report – Beginning Cash Balance-Restricted (Emergency Reserve) is \$2.4M and \$24.4M for revenues.

Mr. Shiraishi observed the current practice with the Department is not to establish a separate fund and to just do a bookkeeping entry. There are no separate funds at Bank of Hawai'i or First Hawaiian Bank for ERF. He added that it would be misleading if the Department would save on bank service fees if there are no separate accounts.

Ms. Yano commented that a separate bank account has not been established for the ERF.

Mr. Shiraishi expressed the deferral of Manager's Report Manager's Report No. 14-54 to study Board Policies No. 26 & 27 and would like more information on what the existing practice is now. Since Fiscal is currently doing bookkeeping entries, why is it being changed now? It appears that the new policy is overly simplified.

Mr. Shiraishi moved to defer Manager's Report No. 14-54 – Proposed Revised Board Policy No. 26, Emergency Reserve Fund and Proposed Board Policy No. 27, Debt Service Reserve Fund (DSRF) to the July Board Meeting for the Board to review the existing and proposed Board Policy Nos. 26 and 27; seconded by Mr. Dill; with no objections, motion carried with 5 ayes.

2. Manager's Report No. 14-59 – Proposed Board Policy No. 28, Inter-fund Transfer and Board Policy No. 29, Categorization and Funding of Capital Projects

BACKGROUND:

The Department recommended for the Board to approve Option 1, proposed Board Policy No. 28, Inter-fund Transfer and Board Policy No. 29, Categorization & Funding of Capital Projects.

DISCUSSION:

The proposed Board Policy No. 29, Categorization & Funding of Capital Projects assists Accounting and Engineering on what funds could be used for capital projects. Engineering would identify and proposed projects as Replacement and Rehabilitation or Expansion.

FRC funds (restricted account) were created to fund Expansion projects. Monies collected will cover or recover costs of expansion projects. If there are not enough funds in FRC, the Board can approve an Expansion project from the WU or BAB fund. SRF would only be for Replacement & Rehabilitation. If the Board approves an Expansion project from other funds, the Inter-fund Policy would kick in.

At the end of the project, a Manager's Report could be done for the Board to review and approve if the Board would forgive the loan from the FRC or maintain the loan from FRC. An Inter-fund transfer could be generated from WU to FRC to remove the negative in FRC. If there is not enough FRC money to pay off the transfer, it would remain as a loan.

FRC had a lot of funds in previous years but recently the FRC fund has gone down. If there are more FRC projects going out, there wouldn't be enough money to fund the projects. If FRC funds are only used for FRC projects, the Department could do one project every three years. (Example: If there is \$1M in FRC funds on a \$5M project, the WU could supplement the project.)

Mr. Dill clarified that in the anticipated rate design, the WU funds are used for Expansion projects.

Once impact fees/FRC are collected it has to be expended within six (6) years or refunded. Under HRS 46-141, when you receive an impact fee toward an Expansion built project, it would take the Department out of the six (6) year refund requirement.

For accounting purposes, the policy could be used to track future FRC receipts and not be bound by the six (6) year requirement design build of future projects. It could be used to pay deficits by the WU fund. Currently, the Department is not impacted by the six (6) year requirement.

Mr. Shiraishi moved to approve Manager's Report No. 14-59 – Proposed Board Policy No. 28, Inter-fund Transfer and Board Policy No. 29, Categorization and Funding of Capital Projects; seconded by Mr. Dill; with no objections, motion was carried with 5 ayes.

3. Manager's Report No. 14-60 – Resolution 14-10, Approving Authorized Signatories for DOW Bank Accounts

BACKGROUND:

The Department recommended for the Board to approve proposed Resolution No. 14-10 to replace Resolution No. 16, A Resolution Approved Authorized Signatories for DOW Bank Accounts.

DISCUSSION:

The Board approved on June 2010 Resolution No. 16 designating authorized signature of the DOW bank deposit accounts for: 1) Manager & Chief Engineer, 2) Deputy Manager – Engineer, 3) Waterworks Controller and 4) Accountant IV.

This proposal is recommended to delete DOW Accountant IV from the authorized signatures and replaced with Director of Finance to be in line with the new financial accounting system.

The current system is, disbursement checks are approved by the Director of Finance and the addition of the Director of Finance's signature would eliminate the processing of cutting checks and transferring money to the county's DOW account, walking in the transfer papers to the Treasury, and to the bank.

DOW and the Director of Finance worked together to cut down this process and as a requirement, the Director of Finance asked the Board Chair to be added in the authorized signatories.

The proposed resolution is to add the Board Chair as an authorized signatory.

If checks go over \$25,000, it would require any two of the authorized signatories.

Mr. Shiraishi moved to approve Manager's Report No. 14-60 – Resolution 14-10, Approving Authorized Signatories for DOW Bank Accounts with the addition of Board Chair on the authorized signatures of the DOW bank accounts; seconded by Mr. Strom; with no objections, motion was carried with 5 ayes.

4. Manager's Report No. 14-61 –Kalaheo Wells 1 & 2, DOW update

BACKGROUND:

Acting Manager and Chief Engineer, Mr. Saiki reported the last repair parts for Well 2 would be installed tomorrow. Next week Pump 2 should be up and running. Parts for Well 1 are being worked on.

DISCUSSION:

Chair Nakaya and Mr. Dill thanked the *Acting* Manager and Chief Engineer, Mr. Saiki on the Kalāheo well repairs. Mr. Shiraishi acknowledged Public Works for their assistance on the well repairs.

Mr. Dill requested *Acting* Manager, Mr. Saiki to explain why Well 1 did not get repaired sooner. *Acting* Manager, Mr. Saiki will provide an "after action" report on the Kalāheo Wells 1 & 2 at a future Board meeting.

Mr. Shiraishi moved to receive Manager's Report No. 14-61 – Kalaheo Wells 1 & 2, DOW update; seconded by Mr. Dill; with no objections, motion was carried with 5 ayes.

5. Manager's Report No. 14-62 - Grant of Easement for Existing Water Meter for Lot 14-A-2, Meter #8103032, Kapa'a, Kauai, Affecting the Following Landowner:
1. Melvin K Soong, affecting TMK(s): (4) 4-6-015:048, Kapa'a, Kauai, Hawai'i

DISCUSSION:

Mr. Dill noticed in the report the existing meter was located on private property (exception of the rule).

Mr. Moises explained that a new water meter was on Lot A1. On the plans, the existing water meter was on private property and was given an easement rather than relocating to the county right-of-way. DOW accepted both methods, which is why the private contractor did not relocate the site.

Mr. Shiraishi moved to approve Manager's Report No. 14-62 - Grant of Easement for Existing Water Meter for Lot 14-A-2 Meter #8103032, Kapa'a, Kauai, Affecting the Following Landowner: 1) Melvin K Soong,

affecting TMK(s): (4) 4-6-015:048, Kapa'a, Kauai, Hawai'i; seconded by Mr. Strom; with no objections, motion was carried with 5 ayes.

I. STAFF REPORTS
MONTHLY

2. Report by the Public Relations Specialist on Public Relations Activities

BACKGROUND:

Acting Manager and Chief Engineer presented the Report by the Public Relations Specialist on Public Relations Activities for Ms. Kim Tamaoka who was not present. The Public Relations Specialist report reflected the Kalāheo Well 1 & 2 press releases.

DISCUSSION:

Mr. Strom received a complaint call from a Lāwa'i resident that received a CTY/automated phone call which should of only went to Kalāheo residents. Information Specialist, Ms. Sandi Nadatani-Mendez explained not all Kalāheo residents were getting the calls; therefore the calls were expanded to parts of Lāwa'i.

Mr. Dill moved to receive the Report by the Public Relations Specialist on Public Relations Activities; seconded by Mr. Strom; with no objections, motion was carried with 5 ayes.

1. Statement of Kaua'i County Water Department's Revenues and Expenditures

BACKGROUND

Ms. Yano presented the Statement of Kaua'i County Water Department's Revenues and Expenditures.

DISCUSSION:

Ms. Yano noted that the DSRF budget started in FY 2014 for \$2.1M and additional \$2.1M this year; \$2.4M ERF funds were set aside and an additional \$1.2M for FY 2014 was budgeted in ERF. The DSRF & ERF transfers will be done at the end of this year.

Ms. Yano will label ERF and DSRF in the new Budget Format and list more details.

Mr. Dill moved to receive the Statement of Kaua'i County Water Department's Revenues and Expenditures; seconded by Mr. Strom; with no objections, motion was carried with 5 ayes.

3. Chief of Operation's Summary Report on Monthly Operational Activities Report

BACKGROUND:

Mr. Reyna thanked everyone that was involved with the Kalāheo Well pump repairs. He also thanked Public Works who immediately provided the tanker trucks and the Micro Lab staff who monitored the quality of drinking water in the tanker trucks and in the service to the customers. The Operations crew took turns working 12-hour shifts during the repairs.

Mr. Dill moved to receive the Chief of Operation's Summary Report on Monthly Operational Activities Report; seconded by Mr. Shiraishi; with no objections, motion was carried with 5 ayes.

4. Manager's Monthly Update Regarding Activities of Note of the Kaua'i County Water Department

BACKGROUND:

Acting Manager and Chief Engineer, Mr. Saiki highlighted the following:

1. CONTRACTS AWARDED/EXTENSIONS/AMENDMENTS:
Award Professional Services contract to KMH, LLP (KMH) for financial audits of the DOW's Financial Statement for Fiscal Years ending June 20, 2014, June 30, 2015, and June 30, 2016 in the amount of \$80,000.00
2. WAIVER RELEASE & INDEMNITY APPLICATIONS:
 - Signed Waiver Release & Indemnity for Kukui'Ula for six (6) lots.
 - Waiver Release pending for Hokulei Village.
3. Recruitment:
Operations - Completing last Equipment Operator position interview.
Construction Management – Reallocations pending in Department of Personnel,
Engineering Division – Reviewing CE V candidate's application for consideration.
4. CC&B Billing Update:
Letters were sent to all ag users indicating ag rates will expire on June 30th. Second renewal letters will be sent out soon.
5. IT Update:
Accounting system is backing up to the cloud. July 1st will begin the transfer of the new accounting system.
6. Affording Housing Update:
Meetings with Housing Director, Kamuela Cobb-Adams has continued. A meeting on July 1st with Housing's consultant will discuss the Hydraulic Model in Eleele. A&B Property which Mr. Tom Shigemoto spoke of today will possibly be included in the model.

Mr. McCormick moved to receive Manager's Monthly Update Regarding Activities of Note of the Kaua'i County Water Department; seconded by Mr. Shiraishi; with no objections, motion carried with 5 ayes.

- a. Report of the BAB pay down as of May 2014

Mr. McCormick moved to receive the Report of the BAB pay down as of May 2014; seconded by Mr. Shiraishi; with no objections, motion carried with 5 ayes.

J. EXECUTIVE SESSION

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

1. *Pursuant to Hawaii Revised Statutes (HRS) Section 92-4, 92-5(a)(4), the purpose of this executive session is to review executive session minutes dated April 24, 2014. This consultation involves the consideration of the powers, duties, privileges, immunities, and/or liabilities of the Board and the Department as they relate to this agenda item. [Approved in open session)]*

2. *Pursuant to Hawaii Revised Statutes (HRS) Section 92-4, 92-5(a)(4), the purpose of this executive session is to review executive session minutes dated May 22, 2014. This consultation involves the consideration of the powers, duties, privileges, immunities, and/or liabilities of the Board and the Department as they relate to this agenda item. [Approved in open session)]*

Chair Nakaya read the following Executive Session language:

3. Pursuant to Hawai'i Revised Statutes Sections 92-4 and 92-5(a)(5) and 92-5(a)(4), the purpose of this executive session is to investigate proceedings regarding criminal misconduct and to consult with the Board's attorney on questions and issues pertaining to the Board's powers, duties, privileges, immunities and liabilities as it relates to said misconduct.

At 12:12 p.m., Chair Nakaya ordered the Board to go into Executive Session; with no objections with 5 ayes at Roll Call: (HS, RM, SS, LD, CN)

At 12:28 p.m., Chair Nakaya called the Regular Board Meeting back to order.

Chair Nakaya asked the public if there was anyone who wished to speak on an agenda item.

Ms. Felicia Cowden, private citizen provided her testimony.

Ms. Cowden introduced herself to the Board who is running for County Council. She attended the Board meeting to better understand the DOW challenges, finance elements (debt load and debt services). After thanking the Board for her testimony, she requested questions to be asked after the meeting.

K. TOPICS FOR NEXT WATER BOARD MEETING (July 2014)

1. Board discussion and possible action for Unaccounted Water Reporting
2. Meter Restriction Board Policy
3. Correspondence from Honolulu Board of Water Supply regarding Cost for Billing Services and Agreement regarding FY 2015 Cost Allocation for Billing Services, dated February 21, 2014
4. *Acting* Manager and Chief Engineer Job Performance Evaluation
5. *Manager's Report No. 14-54* – Proposed Revised Board Policy No. 26, Emergency Reserve Fund and Proposed Board Policy No. 27, Debt Service Reserve Fund (DSRF)
6. After Action Report on the Kalāheo Wells 1 & 2
8. Approval of Capital Improvement Project (CIP) for 2015

DISCUSSION:

Chair Nakaya reminded the Board members to submit their evaluations.

The Board members agreed to meet after the July Board meeting to review and discuss the Manager and Chief Engineer position selection. (The ad deadline is June 30th.)

L. TOPICS FOR FUTURE WATER BOARD MEETINGS

1. FY 14-15 Budget Resolution (*August 2014*)
2. *Manager's Report No. 14-24* - Part 4 Section I of the Rules, General Use Rates Proposed Amendments, SBRRB Results (awaiting Part 4 Section VII, Facilities Reserve Charge to be submitted together)
3. *Manager's Report No. 11-28* – Part 5 of the Rules, Facilities Reserve Charge – New Rule, SBRRB Results (awaiting Part 4 Section VII, Facilities Reserve Charge to be submitted together)
4. Source Limitation Board Policy
5. Suggestions for Capital Improvement Projects (CIP) for 2015

M. UPCOMING EVENTS

1. Table of Organization Workshop (*Date Pending*)
2. Make a Splash, Project WET (*September 18, 2014*)

3. HWWA 2014 Conference, Kaua'i, HI (*October 15-17, 2014*) - Ms. Sandi Nadatani-Mendez is currently working on the HWWA 2014 Conference agenda.
4. Annual Meeting (*December 12, 2014*)

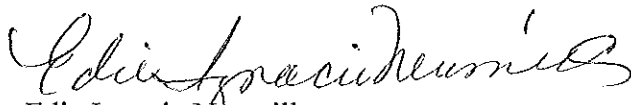
N. **NEXT WATER BOARD MEETING**

1. Thursday, July 24, 2014, 10:00 a.m.
2. Thursday, August 28, 2014, 10:00 a.m.
2. Thursday, September 25, 2014, 10:00 a.m.
3. Thursday, October 23, 2014, 10:00 a.m.

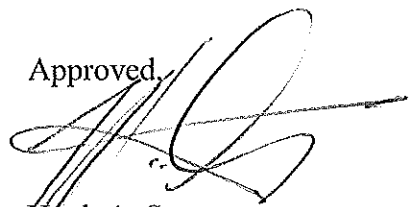
O. **ADJOURNMENT**

Mr. Shiraishi moved to adjourn the Regular Board meeting at 12:33 p.m.; seconded by Mr. Dill; with no objections, motion carried with 5 ayes.

Respectfully submitted,


Edie Ignacio Neumiller
Commission Support Clerk

Approved,


Hugh A. Strom
Secretary – Board of Water Supply