

MEETING MINUTES  
BOARD OF WATER SUPPLY  
Thursday, June 18, 2015

The Board of Water Supply, County of Kaua'i, met in regular meeting at the Board Conference Room in Lihu'e on Thursday, June 18, 2015. Chair Sherman Shiraishi called the meeting to order at 10:04 a.m. The following Board members were present:

BOARD: Mr. Sherman Shiraishi, *Chair*  
Mr. Clyde Nakaya, *Vice Chair*  
Ms. Laurie Ho  
Mr. Michael Dahilig  
Mr. Larry Dill

EXCUSED: Mr. Hugh Strom

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

STAFF: Mr. Kirk Saiki  
Ms. Marites Yano  
Mr. Dustin Moises  
Mr. Keith Aoki  
Ms. Kim Tamaoka  
Ms. Sandi Nadatani-Mendez  
Mr. Val Reyna  
Mr. Carl Arume  
Mr. Eddie Doi  
Mr. Joel Bautista  
Mr. Chris Nakamura  
Ms. Kierstyn Oshita, Admin. Intern  
Ms. Mj Akuna  
Deputy County Attorney, Andrea Suzuki

GUESTS: Carlos Rivera, SVO  
Hall Parrott, Private Citizen

**ACCEPTANCE OF AGENDA**

Mr. Dahilig moved to approve the Agenda as circulated; seconded by Ms. Ho; with no objections; motion carried with 5 ayes.

**MINUTES**

**Review and approval:**

Regular Board Meeting – May 21, 2015

Mr. Dahilig moved to approve the Regular Board Meeting Minutes for May 21, 2015; seconded by Mr. Dill; with no objections, motion carried with 5 ayes.

**E. CORRESPONDENCE**

1. Correspondence from Mr. Ed Kawamura, Jr., East Kaua'i SWCD, Chair and Mr. Peter Tausend, West Kaua'i SWCD, Chair regarding the East and West Kaua'i 2015 Annual Report

Ms. Ho moved to receive the correspondence from Mr. Ed Kawamura, Jr., East Kaua'i SWCD, Chair and Mr. Peter Tausend, West Kaua'i SWCD, Chair regarding the East and West Kaua'i 2015 Annual Report; seconded by Mr. Nakaya; 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. 14-16 – Part 4 Fixing Rates for Water Service, Section VII Facilities Reserve Charge (FRC)

Mr. Dill moved to receive as amended the Manager's Report No. 14-16 – Part 4 Fixing Rates for Water Service, Section VII Facilities Reserve Charge (FRC); seconded by Mr. Nakaya; with no objections; motion carried with 5 ayes.

**G. OLD BUSINESS**

1. Manager's Report No. 14-16 – Part 4 Fixing Rates for Water Service, Section VII Facilities Reserve Charge (FRC)

Ms. Ho moved to Receive for the Record Manager's Report No. 14-16 handout; seconded by Mr. Dahilig; with no objections, motion carried with 5 ayes.

**BACKGROUND:**

Chief of Water Resources and Planning, Mr. Eddie Doi provided a summary of Manager's Report No. 14-16. The proposed rules were discussed at the Finance Committee meeting on May 21, 2015. Minor grammatical language changes were made and a summary to the Part 4, Section VII Rules were a) the definitions were moved up to the front of the Section, b) the Department considered assessing the FRC the level of service. FRC rationalization included the existing Rules and Regulation of the Department of Water (DOW, the Water System Standards, water meter capacity and AWWA Manual of Water Supply Practice M22 (water meter size and flow capacity).

*A major change to the rules that was presented to the Finance Committee meeting was in the Offset Section. The change allows the developer to claim full credit to the FRC for improvements paid for or developed by the developer for source, storage, or transmission facility. (Refer Rules, Item 6 – Offset)*

Where the actual cost of the source, storage or transmission paid for or built by the developer was less than the FRC, current rules only allowed the developer to offset the amount of the actual cost of the source, storage and transmission improvements.

**DISCUSSION:**

Mr. Dahilig called for a Point of Order and noticed that Agenda Item G, 1 and asked the Department if the Finance Committee could receive and consolidate these matters with New Business Item H, 2 Manager's Report 15-43 – Discussion and Possible Action on Part 4, Section VII FRC to be integrated with Part 5, FRC that overlap.

Manager Saiki clarified that New Business Item H, 2 asked for Part 4, Section VII FRC to be integrated with Part 5. Old Business Item G, 1 is the actual Part 4, Section VII.

Mr. Dahilig requested to see all three items together: Old Business Item G, 1, New Business Item H, 1 and H, 2 due to the lack of materials that were not available to the Board members at this meeting.

Manager Saiki mentioned that New Business H, 1 and H, 2 will be withdrawn from the agenda due to a few issues that needed to be looked at in Part 5. Action is needed on Part 4 today.

Mr. Dahilig mentioned that Section E references amendments to Part 5, Section 5 which are related together.

Initially Chair Shiraishi wanted to keep all the related agenda items together and to move forward with Part 4 but would like to defer the items until the language is determined for Part 5.

Chief of Water Resources, Eddie Doi mentioned another recommended change to move away from fixture unit method because fixture unit cost was questionable. FRC assessment would be based on the level of service. The FRC study determined the cost per gallon. The DOW proposed to calculate the impact fee based on the level of service multiplied by the cost per gallon (i.e., a single family dwelling pursuant to the Water System Standard (max day demand) would require 750 gallons per day (gpd).  $750 \text{ gpd} \times \text{cost per gallon} = \$114,115.00$ . Since the level of service for agricultural meters varies depending on the size of the lot, the Department would determine a meter size and the applicant will be assessed by the cost of the meter size. This method is proposed in Part 4, Section VII.

Deputy County Attorney, Andrea Suzuki commented on Section 4e – Section 4 is the same and Section 5 will not change and the Board could move forward. The Board could discuss the substantive issues from switching from the FRC per fixture unit to the level of service charge. Even if the Board proposes Section 5 to the Board, the Board could not accept them which remains the same. The Department would present Part 4 with Section 5 (remains the same). The Board could discuss and take action to approve Section 4, then the Department would come back since the Board approved Section 4, it will move over to Section 5 next (a step-by-step process). The Department will then provide the Board the changes in Part 5 which the former Board already approved. If the Board does not want the changes, the Department would not make those changes.

Mr. Dahilig's concern was that elements of Part 5 were advanced. The Board's consent were held in abeyance before going to the Small Business Regulatory Review Board (SBRRB) because the Board was waiting for Part 4. The intention of the previous Board a couple years ago made it clear to allow the administration to make amendments to Part 4.

The Department had valid concerns as Deputy County Attorney, Andrea Suzuki mentioned, that are being crystalized as they work through the process of changing back between fixture units and level of service. There are valid concerns with Part 5 that may not be operable.

Mr. Dahilig mentioned that the intention by the Board with regard to Part 5 was to hold Part 5 in abeyance and to not touch Part 5 until there is action on Part 4. This is counter-intuitive to the intentions of the previous Board. Before Part 4 is advanced, he would like an explanation on what issues are in Part 5 and if pre-judging is irrelevant or not a desirable policy with the intention before it goes to SBRRB.

Deputy County Attorney, Andrea Suzuki commented that the current Part 4 before the Board did not contradict anything in Part 5.

Mr. Dahilig moved to approve to forward Part 4 Fixing Rates for Water Service, Section VII Facilities Reserve Charge (FRC) to the Small Business Regulatory Review Board (SBRRB) for review; seconded by Ms. Ho for discussion.

Chair Shiraishi understood Deputy County Attorney, Andrea Suzuki explanation and provided the following red-line suggestions as follows:

**Section 4 e, Page 4:** “Where an FRC was paid but a water meter was never dropped”....

Instead of the word “dropped” ... Replace with “installed”

Instead of “the owner of the property has to” ... Replace with “the applicant shall pay the FRC ...”

Deputy County Attorney, Andrea Suzuki did not know if this would be the applicant or people who paid their FRC but who just didn’t drop the meter. They may not have been the current property owner who dropped the meter.

Chair Shiraishi commented that in Section 4, the introductory first sentence stated “shall be paid by all applicants”; this would make the language consistent by using “applicant.”

Deputy County Attorney, Andrea Suzuki mentioned “E” could be moved to its own special Section. This would be going off Part 5 of the grace period, where people paid FRC in 1986 but haven’t dropped their meters. The Department wanted to give people a one (1) year leeway period to drop their meters or to pay the difference.

**FRC Offsets, 6 a, Page 6**

~~“Subject to the provisions of this paragraph 5”~~ – Delete this clause; not applicable.

**FRC Offsets, 6 b, Page 6**

~~“The offsets described in this Paragraph [4] 5”~~ ... Delete “5”

Mr. Dahilig moved to adopt the suggested red line amendments above; seconded by Ms. Ho; with no objections; motion carried with 5 ayes.

#### **H. NEW BUSINESS**

1. Manager’s Report No. 11-28 – Discussion and Possible Action on Former Approved Rules for Part 5, FRC

Mr. Dahilig moved to defer to the July Board meeting Manager’s Report No. 11-28 – Discussion and Possible Action on Former Approved Rules for Part 5, FRC; seconded by Mr. Dill; with no objections; motion carried with 5 ayes.

Chair Shiraishi would like this agenda item to be forwarded to the SBRRB after the July meeting.

2. Manager’s Report No. 15-43 – Discussion and Possible Action on Part 4, Section VII FRC to be integrated with Part 5, FRC

Mr. Dahilig moved to defer to the July Board meeting Manager’s Report No. 11-28 – Discussion and Possible Action on Former Approved Rules for Part 5, FRC; seconded by Mr. Dill; with no objections; motion carried with 5 ayes.

Chair Shiraishi would like this agenda item to be forwarded to the SBRRB after the July meeting.

3. Manager’s Report No. 15-44 – Discussion and Possible Action to approve the Supplemental Loan Agreement No. 1 to the State Revolving Fund Loan (Project No. DW400-0004) obtained for DOW Water Plan 2020 Job No. PLH-03, Kahili Horizontal Directionally Drilled Well

**BACKGROUND:**

Manager Saiki recommended that the Board approve the Supplemental Loan Agreement No. 1 which modifies the existing agreement which would allow the Department to close the SRF loan.

Mr. Dill moved to approve *Manager's Report No. 15-44* – Discussion and Possible Action to approve the Supplemental Loan Agreement No. 1 to the State Revolving Fund Loan (Project No. DW400-0004) obtained for DOW Water Plan 2020 Job No. PLH-03, Kahili Horizontal Directionally Drilled Well; seconded by Mr. Nakaya; with no objections, motion carried with 5 ayes.

4. *Manager's Report No. 15-45* – Discussion and Possible Action to Request Board Approval to enter into Memorandum of Understanding (MOU) between the State of Hawai'i, Employees Retirement System (ERS) and the County of Kaua'i, Department of Water (DOW) to participate in the State of Hawaii ERS Actuary

**BACKGROUND:**

Water Works Controller, Ms. Marites Yano recommended the Board grant the Department approval to participate in the cost sharing of ERS Actuarial Information through Memorandum of Understanding between the State of Hawai'i, ERS and the County of Kaua'i, DOW.

Effective Fiscal Year ending June 30, 2015, the Department is required to implement the new accounting and financial reporting of the pension fund activities and benefits of government employees. With the Department's participation to this memorandum of agreement with the State, the Department will be provided a copy of the ERS actuarial information that is required for the Department's year-end financial reporting.

Mr. Dahilig moved to approve *Manager's Report No. 15-45* – Discussion and Possible Action to Request Board Approval to enter into Memorandum of Understanding (MOU) between the State of Hawai'i, Employees Retirement System (ERS) and the County of Kaua'i, Department of Water (DOW) to participate in the State of Hawaii ERS Actuary; seconded by Mr. Dill; with no objections, motion carried with 5 ayes.

5. *Manager's Report No. 15-46* – Discussion and Possible Action on Additional Funding for GS2015-5 to purchase a 4 X 2 Pick-up Truck for Fiscal's Meter Readers in the amount of \$3,000

**BACKGROUND:**

Water Works Controller, Ms. Marites Yano requested the Board's approved for the transfer of a W/U/Capital Outlay/R&R budget of \$3,000.00 from Operations to Fiscal/Billing to purchase a 4 X 2 pickup truck to replace one of the gaining Meter Reader's vehicles.

The Board approved \$25,000 in the original budget for the Meter Reader's vehicles. During the bid solicitation, one (1) bid was over the \$25,000 budget.

The Meter Reader's vehicles are driven island wide and a truck would be easier to load/unload their equipment (lap top, shovels, and other tools) vs. a car.

**DISCUSSION:**

Mr. Dill asked if there is a Department policy for Board approval when money needs to be transferred between divisions. When do you need Board approval for any amount? Why is this coming before the Board?

Ms. Yano said there is an approved policy. The Department would come to the Board if the amount of the transfer was over \$5,000. At the suggestion of the Manager, the transfer came before the Board for transparency.

Mr. Dill moved to approve Manager's Report No. 15-46 – Discussion and Possible Action on Additional Funding for GS2015-5 to purchase a 4 X 2 Pick-up Truck for Fiscal's Meter Readers in the amount of \$3,000; seconded by Ms. Ho; with no objections, motion carried with 5 ayes.

6. Manager's Report No. 15-47 – Discussion and Possible Action of Board Policy on Water Meters on Private Property

Ms. Ho moved to Receive for the Record Manager's Report No. 15-47 handout; seconded by Mr. Dahilig; with no objections, motion carried with 5 ayes.

**BACKGROUND:**

Chief of Water Resources and Planning, Mr. Doi recommended to the Board that a policy regarding water meters on private property *not* be drafted at this time. The DOW's Rules and Regulations address these concerns.

A concern was brought up with Hokulei Village who wanted to obtain Board approval for conveyance for a water facility that was located within the property. The previous administration allowed the developer to install various water facilities on-site.

A policy would make it easier for staff but it leaves out engineering judgment and unusual circumstances that may occur (i.e., the road being too narrow, then the meter could be on the property). Staff would recommend to the Manager that in some instances, the water facilities could go on private property. Usually the water facilities are outside the property. The report identified existing guidelines in the Rules that address this concern.

Mr. Dill moved to approve Manager's Report No. 15-47 – Discussion and Possible Action of Board Policy on Water Meters on Private Property; seconded by Mr. Dahilig for discussion.

**DISCUSSION:**

Chair Shiraishi mentioned this was a previous concern brought by Mr. Dill and Mr. Strom about meters in the pipeline. There was a directive from the Board to come up with a policy.

Mr. Dill commented that this was not the past practice but there was no clear understanding that this was governed by a written policy. Now that there are existing rules in place, the conclusion is that the Department did not follow its own existing rules when they approved those facilities.

Mr. Doi added that the recommendation was to stay outside the property and to have one master meter for Hokulei Phase II. The existing rules allow the Manager good cause to depart from the rules and standards.

Mr. Dill was okay with the recommendation but that the Department should follow existing rules and guidelines.

Chair Shiraishi asked if there were circumstances that justified the installation of the meters and pipes on private property? Any deviation from the rules should be documented as part of the record; as deviation from the rules leads to abuse.

Mr. Doi answered that the Manager could be asked that question because the staff wanted to stay out of the property.

Ms. Ho questioned if this type of situation would be allowable in the future. Mr. Doi answered if Manager Saiki said “no,” the option would go to the Board.

Mr. Dahilig mentioned this agenda item sounded more like a status update from a previous meeting.

Mr. Dill withdrew his 1<sup>st</sup> motion; Mr. Dahilig withdrew his motion.

Mr. Dill moved to *defer indefinitely* Manager’s Report No. 15-47 – Discussion and Possible Action of Board Policy on Water Meters on Private Property; seconded by Mr. Dahilig; with no objections, motion carried with 5 ayes.

**I. STAFF REPORTS**  
**MONTHLY**

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

**BACKGROUND:**

Water Works Controller, Ms. Marites Yano presented the Fiscal reports to the Board.

**DISCUSSION:**

Mr. Dill referenced Water Consumption – 3 Years Comparative Chart, Page 67, 2<sup>nd</sup> bullet: YTD metered consumption is back to negative 7.7 mg as of May, 2015. Ms. Yano clarified that the 7.7 mg is less than projected as compared with the prior year. This was in reference to Page 79 which is a cumulative decrease of 7.7 mg for FY 2015 compared to 2014.

Mr. Nakaya referred to Professional Services with a Variance is for \$1.8M, Page 68 – In May the Department budgeted \$2.4M and spend \$1.5M. He asked what is the reason 50% has not been spent?

Ms. Yano explained that the Professional Services were thought to be contracted out. These Professional Services are not reoccurring Operating Expenses. The trend of the expenditures is not regular operating expenses such as Salaries and Wages. Some of the Professional Services may have been re-budgeted for the next fiscal year.

Mr. Dill asked if the FRC was operating revenues (Page 73). Ms. Yano responded by saying this was included as operating receipts. The FRC revenue are not used for FRC expenses; receipts and expenses are separated. The report was for all funds which included FRC and BAB although she could make it to not include it in the report where the report is done separately by funds.

*Mr. Hall Parrott, Private Citizen provided his testimony.*

Mr. Parrott complimented the Department for reporting the financial ratio and burn rate of 70% with good accuracy. He asked if 70% is what the Department was looking for?

Mr. Dill commented that this is through the end of June 30<sup>th</sup>; 11 months at 92%.

Manager Saiki mentioned that the Department is not spending more than what is budgeted if at 70%; this is a gauge based on encumbrances.

Mr. Parrott commented that this could indicate where the budgeting process is but the Department could look at performance.

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

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

**BACKGROUND:**

Public Relations Specialist, Ms. Kimberly Tamaoka highlighted the following:

1. The Source Water Protection grant was extended to end of December.
2. Conducted four (4) Project Wet workshops on off-island last week which were all filled.
3. Another Project Wet workshop will be done in July on O'ahu.

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

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

**BACKGROUND:**

Chief of Operations, Mr. Val Reyna reported that the May overtime increased due to overnights. In June, the crew has been busy every weekend with many call outs; June's over time will also increase.

The Unbilled Percentage is above 20% for the second month which is from very dry conditions beginning of this year which caused brush fires and possible unauthorized usage from fire hydrants. A concerned citizen called who witnessed a vehicle or tanker taking water from a DOW fire hydrant. There could also be unknown leaks.

Mr. Reyna commented that the policy could be changed from wet hydrants to dry hydrants but that would affect how the Fire Department responds to fires.

Mr. Dahilig moved to receive the Chief of Operation's Summary Report on Operational Activities; seconded by Ms. Ho; with no objections, motion carried with 5 ayes.

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

Ms. Ho moved to Receive for the Record the Personnel Matters Update handout; seconded by Mr. Dill; with no objections, motion carried with 5 ayes.

**BACKGROUND:**

Manager Saiki highlighted the following:

1. Contracts Awarded –  
*Earthworks Pacific* for the construction of the Kolo Road Main Replacement for the Kīlauea Water System for \$889,525.00.  
*Brown and Caldwell* for Professional Service Contract for Design Services for Equipment Carport and Roof Over Bins with Photovoltaic (PV) System for \$69,792.00.



2. Personnel Matters – *Update*

Auto Mechanic I – Started June 16<sup>th</sup>.

Customer Service Representative I (Billing) – Started June 16<sup>th</sup>. Billing is now fully staffed.

Chief of Water Resources and Planning – Filled by Mr. Eddie Doi on June 1<sup>st</sup>.

Mr. Dahilig moved to receive the Manager and Chief Engineer’s Monthly Update Regarding Activities of Note of the DOW; seconded by Ms. Ho; with no objections, motion carried with 5 ayes.

a. Report of the BAB pay down as of May 2015

Mr. Dahilig moved to receive the Report of the BAB pay down as of May 2015; seconded by Ms. Ho; with no objections, motion carried with 5 ayes.

J. EXECUTIVE SESSION

*Pursuant to H.R.S. §92-7(a), the Board finds it necessary to hold an executive session on the agenda items on Hokulei Village because 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).*

K. TOPICS FOR NEXT WATER BOARD MEETING (July 2015)

1. Manager’s Report No. 11-28 – Discussion and Possible Action on Former Approved Rules for Part 5, FRC
2. Manager’s Report No. 15-42 - Discussion and Possible Action on Board Policy 17, Payment of Communication Devices
3. Manager’s Report No. 15-43 – Discussion and Possible Action on Part 4, Section VII FRC to be integrated with Part 5, FRC
4. Discussion and Possible Action for the Board of Water Supply (Board) to enter into a Use and Occupancy Agreement No. 237 (UOA) and a Memorandum of Agreement (MOA) with the State of Hawaii for Job No. 11-10, Water Plan 2020 No. K-18, 8-inch Water Main Replacement along Halewili Road (Kaumuali’i Highway to Haku Hale Street) Kalāheo, Kaua’i, Hawai’i
5. Budget Resolution No. 16-1 (07/15), Budget for Fiscal Year 2015-16
6. Discussion and review of the Manager and Chief Engineer’s goals and responsibilities for Fiscal Year 2015-2016
7. Discussion and Receipt of the American Water Works Association Anaheim, CA Conference Reports (*June 7 – 10, 2015*)
  - a. Report from Kaua’i Board of Water Supply Chair, Sherman Shiraishi
  - b. Report from Kaua’i Board of Water Supply Member, Larry Dill
  - c. Report from Kaua’i Board of Water Supply Member, Michael Dahilig

Mr. Dahilig will schedule a Rules Committee Meeting.

L. TOPICS FOR FUTURE WATER BOARD MEETINGS

1. Manager’s Report No. 11-28 – Discussion and Possible Action regarding Part 5 of the Rules, Facilities Reserve Charge – Proposed New Rule, SBRRB Results (awaiting Part 4 Section VII, Facilities Reserve Charge to be submitted together)
2. Manager’s Report No. 14-24 – Discussion and Possible Action regarding Part 4 Section I of the Rules, General Use Rates Proposed Amendments, Small Business Regulatory Review Board (SBRRB) Results (awaiting Part 4 Section VII, Facilities Reserve Charge to be submitted together)
3. Discussion and Possible Action of Proposed Delegation of a Meter Restriction Board Policy No. 30

4. Discussion and Possible Action relating to Providing Water Service Outside of the Water Zone

Mr. Dill attended an AWWA course titled: "*Water Sewer Extension Policies*" regarding water service outside of the water zone. He will forward this resource to Manager Saiki to assist with Agenda Item L4.

**M. UPCOMING EVENTS**

1. DOW Make a Splash Water Festival (*September 24, 2015*)
2. HWWA Hawaii Section, Honolulu, HI (*October 14-16, 2015*)

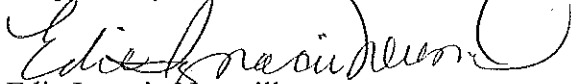
**N. NEXT WATER BOARD MEETING**

1. Thursday, July 23, 2015, 10:00 a.m.
2. Thursday, August 20, 2015, 10:00 a.m.
3. Thursday, September 17, 2015, 10:00 a.m.
4. Thursday, October 22, 2015, 10:00 a.m.
5. Thursday, November 19, 2015, 10:00 a.m.
6. Thursday, December 17, 2015, 10:00 a.m.

**O. ADJOURNMENT**

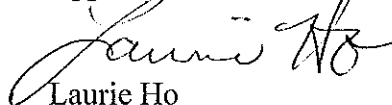
Ms. Ho moved to adjourn the Regular Meeting at 11:16 a.m.; seconded by Mr. Nakaya with no objections, motion carried with 5 ayes.

Respectfully submitted,



Edie Ignacio Neumiller  
Commission Support Clerk

Approved,



Laurie Ho  
Secretary – Board of Water Supply