

MEETING MINUTES
BOARD OF WATER SUPPLY
Thursday, May 23, 2013

The Board of Water Supply, County of Kaua'i, met in regular meeting at the Board Conference Room in Lihu'e on Thursday, May 23, 2013. Chairperson Randall Nishimura called the meeting to order at 10:20 a.m. On roll call, the following answered present:

BOARD: Mr. Randall Nishimura, Chairperson
Mr. Raymond McCormick
Mr. Michael Dahilig
Mr. Larry Dill
Mr. Sherman Shiraishi

EXCUSED/ABSENT: Mr. Clyde Nakaya

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

STAFF: Mr. David Craddick
Mr. Kirk Saiki
Mr. Val Reyna
Mr. Gregg Fujikawa
Ms. Marites Yano
Mr. Keith Aoki
Mr. Dustin Moises
Ms. Sandi Nadatani-Mendez
Ms. Mary-jane Garasi

GUESTS: Mr. James Williams, Mears Group Consultant
Mr. Manabu Tagomori, Oceanit Consultant
Ms. Shawn Shimabukuro, Grove Farm
Mr. Royce Kawabata, Grove Farm
Mr. Gerald Ako, Hawai'i Government Employees Association (HGEA)
Deputy County Attorney, Marc Guyot

ACCEPTANCE OF AGENDA:

Mr. Dahilig moved to rearrange the agenda as ordered by Chair Nishimura; seconded by Mr. McCormick; with no objections, motion was carried with 5 ayes.

MEETING MINUTES:

Review and approval of:

Regular Board Meeting – April 25, 2013

Mr. Shiraishi moved to approve the Regular Board meeting minutes of April 25, 2013 as circulated; seconded by Mr. Dahilig; with no objections, motion was carried with 5 ayes.

Chair Nishimura ordered that the Executive Session minutes of April 25, 2013 will be taken up in Executive Session.

CORRESPONDENCE/ANNOUNCEMENTS

Correspondence - None

Chair Nishimura congratulated Private Secretary, Ms. Mary-jane Garasi who recently graduated from Kaua'i Community College and received her Accounting degree.

F. BOARD COMMITTEE REPORTS

1. Manager's Report No. 13-40 - Draft FY2014 Budget
 - a. Draft FY2014 Budget
 - i. Operations Budget
 - ii. Accrual Budget Format
 - iii. Capital Budget

Mr. Dill reported that the Finance Committee approved the FY 2013 – 2014 Operating Budget which will be referred to the full Board. The CIP budget will be presented at the June meeting for adoption.

Mr. McCormick moved to accept the Finance Committee report; seconded by Mr. Shiraishi; with no objections, motion was carried with 5 ayes.

G. OLD BUSINESS

1. Manager's Report No. 13-33 – Manager's Response to Mr. Michael Tresler's letter dated December 18, 2012, Grove Farm's request to increase rates for the Waiahi Surface Water Treatment Plant

BACKGROUND:

Manager Craddick recommended to the Board to approve a rate of \$1.75 per 1,000 gallons for the period of one year. With the understanding the power bill will be put in the Department of Water's (DOW) name until Grove Farm develops its plans to provide electricity from facilities they build. This number would allow the DOW to catch up on the 10% return. Within one year, the DOW would better understand to allow the rate to go up. The plant output was increased to 3 million gallons a day since the second week in April.

DISCUSSION:

The upcoming rate increase is budgeted for FY 2013 - 2014 would remain the same after the fiscal year. There is only four (4) more years on the contract which may require additional increases to get the 10% to the full amount by the end of the term.

Mr. Dill inquired if there was a procedure in place to track so that the DOW pays the appropriate amount per the agreement.

In the contract, Mr. Shiraishi pointed out that Grove Farm is obligated to submit billings on a monthly basis to the DOW and that the DOW has the right to audit. The increase was triggered by Mr. Tresler's letter. If Grove Farm is getting underpaid, they would let the DOW know.

Chair Nishimura wanted confirmation that the power bill would be put in the DOW's name until Grove Farm develops its plans to provide electricity from facilities. Both Manager Craddick and Ms. Shawn Shimabukuro, representing Grove Farm confirmed that this was acknowledged by Mr. Tresler's email.

Mr. Shiraishi moved to accept the Manager's Report No. 13-33 – Manager's Response to Mr. Michael Tresler's letter dated December 18, 2012, Grove Farm's request to increase rates for the Waiahi Surface Water Treatment Plant; seconded by Mr. McCormick; with no objections, motion was carried with 5 ayes.

2. Manager's Report No. 13-40 – Draft FY2014 Budget (rev. from RBM 3-21-13 and FCM 5-21-13)
 - a. Draft FY2014 Budget
 - i. Operations Budget
 - ii. Accrual Budget Format
 - iii. Capital Budget

Chair Nishimura made the Board aware that the budget material was reviewed by the Finance Committee.

BACKGROUND:

Manager Craddick provided the recommendation to the full Board from the Finance Committee meeting to only approve the Operations portion of the budget which includes: \$26.5M for Revenues, \$13.4M for Expenses, \$8.5M for Debt Service, \$1.2M Vehicles and Equipment and \$5.9M for Salaries. The remainder portion is for Capital Expenditures.

Mr. Shiraishi raised the question on the salary budget if the Department anticipated to fully staff approximately twelve (12) vacant positions reflected in another report. Salaries for this fiscal year appear to be below budget.

Manager Craddick explained that the Department always budget for pre/post for full staffing unless there was a reason for not funding a position. In the budget, one position is a Reduction in Force, one position has no number (but is not funded). Pending positions will be filled for the Deputy Secretary and in Engineering and with Water Resources and Planning.

The Manager's Report shows 28 unfilled positions. Mr. Shiraishi commented that putting monies in the budget for unfilled positions is unrealistic and did not know what the Department's plan is to fill the positions. Manager Craddick agreed with Mr. Shiraishi that since these positions are unfilled, why they need to be budgeted. The monies could be put in the line item where the Department could come back to the Board if the positions would be filled later.

All the positions in the organization chart are valid. Since the positions would take time to fill, Mr. Dill suggested to the Department the positions could be budgeted six (6) to nine (9) months out of the year. The Water Resources and Planning CE III position could be funded part of the year.

Chief of Operations, Mr. Reyna added that positions in Operations have been vacant for a while but are included in the budget and assigned for six (6) months or are dollar funded.

DISCUSSION:

Mr. Dahilig requested the Department to fill the positions as soon as possible and not to wait for six (6) months to start hiring staff. He suggested detailed monthly funding for open positions if the Department is looking at the revenue on a priority that cannot be funded out of this budget.

Open positions are funded as a requirement by the Department of Personnel (DPS) which Waterworks Controller, Ms. Yano clarified. The Department estimated the open positions may not be filled by a certain time; therefore they were not funded for the entire year.

Mr. Shiraishi commented that the justification of rates needs to be transparent for the public. From the public's point of view, with many open positions, it may appear that the DOW is overstaffed.

Chair Nishimura agreed with Mr. Shiraishi's comment that the DOW present a lean budget to the rate holders to show that their monies are well spent. If needed, the Department can come before the Board for budget amendments based on the reserves that are built into the budget.

Mr. Dill moved to defer action to the June Board meeting on the DOW operating budget FY 2014 subject to receiving assurance from the Department for funding on vacant positions to reflect when DOW anticipates filling the positions; seconded by Mr. Shiraishi; with no objections, motion was carried with 5 ayes.

H. NEW BUSINESS

1. *Manager's Report No. 13-44* – Water Plan 2020 Project PLH-39, Lihu'e Base Yard Improvements (Phase I), Lihu'e Water System, Lihu'e, Kaua'i, Hawai'i

BACKGROUND:

From the April 25, 2013 Regular Board meeting, the Board directed the DOW staff for an update on the Lihu'e Base Yard Improvement Project.

Based on Mr. Moises previous recommendation, it was not consistent from the last Board meeting and questioned if it was a recommendation at all. The recommendation in this meeting was to request the Board to receive an update on the Water Plan 2020 Project PLH-39, Lihu'e Base Yard Improvements (Phase I), Lihu'e Water System, Lihu'e, Kaua'i, Hawai'i. The DOW staff recommends Board dialog with regards to the pending construction of the project and seeks guidance related to funding of the project construction.

A brief overview was presented to new Board members of when the Board initially approved the Master Plan. An Environmental Assessment (EA) was completed and approved by the Board. After the Master Plan was approved in 2011, the DOW received permission from the County of Kaua'i (COK) to act on their behalf to acquire the adjacent triangle parcel next to the DOW. The triangle was rezoned the latter part of last year from Open to R-1/Special Treatment-Public.

Last week, Mr. Moises received from the Planning Department tentative subdivision approval. Class IV/Use Permits will be submitted to Planning for approval at the end of May or early June. The DOW is at 99% at the final design stage.

Funding: The initial Master Plan funding was budgeted at \$276,719. Once the budget was approved, the DOW did the design Contract Amendment. During design, Contract Amendment #2 and #3 had additional costs. The total funding approved (Planning/Design Phase) was \$914,749.00.

In January 2013, the final planner review was set with a pre-final cost estimate with the building of \$400.00 per sq. ft. and \$2M for the site work. The FY 2013 - 2014 budget estimate indicated \$7M

between a low range and the high range of \$8.7M. The CIP reflected \$6M proposed in the budget with an adjusted estimate of \$7M.

At a previous meeting, Mr. Moises indicated that since \$6M was in the budget he would be comfortable putting the project out to bid. If a bid came in at \$7M, the Department would come back to the Board for additional funding. If a bid came in at \$8M and the \$2M was not justified, then the Department would not proceed with construction.

At 10:50 a.m., Mr. Dahilig exited the meeting.

Cost Estimate: In July 2011, the original estimate on the Master Plan for construction was \$7.3M. Since that time, there was a bid estimate for \$8.7M which was padded because there were \$2M of adjustments and contingency. The consultants were not aware of the construction environment. To make the building square footage was stripped down from 17,000 to 15,000.

At 10:51 a.m. Mr. Dahilig re-enters the meeting.

The Department of Health (DOH) was willing to fund the building at \$400,000 through a partial Green Energy principal forgiveness via SRF or the Department could take out a loan. The \$400,000 was out of the \$8.7M budget. Other items were lump sum that might qualify.

Mr. Dahilig was unclear on the funding source and inquired out of the current borrowing capacity of the Department and cash reserves, what could help pay for the project. \$6M was dedicated to the project from the previous budget. The Department could reduce the BAB and use the SRF as options.

New Building Functions vs. Existing Building Functions: The existing DOW Administration building houses the public, Planning and Engineering, Administration and Board functions. The new two story building would house the public, Planning and Engineering, Administration and Board functions. The design is with natural light, open breeze, open stairway, with high efficiency and flexibility to provide open work spaces and private offices for current and future uses. The cost projected for future uses is \$2.50M.

The existing Administration building is about 40 years old. The 7,700 sq.ft. is undersized for its current operations. Renovation could address time and money but does not address the DOW's current and future needs. A combination of renovation and expansion can provide the needed extra floor area but at the expense of more time and money and loss of parking. An interim building would be needed to house the Administration during the renovation work.

An Executive Summary of the Master Plan and a report that was based on what the Board approved on why the DOW planned the renovation of the existing building and to construct the new building. The summary indicated it was beneficial to go to the adjacent parcel rather than renovating the existing building.

The consultant estimated that one-half of the new construction to renovate the existing 7,700 sq. ft. building would cost \$1.6M. If the additional 7,000 sq. ft. is added above to get the 14,700 sq. ft. for a new Administration building it would cost an additional \$2.9M. For \$4.5M the existing Administration building could be renovated but did not include the cost of temporary trailer or offices that would be needed to provide operations.

Leasing Information: To lease the former Border's space (which as 22,000 sq. ft.) for 15,000 sq. ft. was \$3.50 per sq. ft. This would cost less than \$50,000/month to rent not including electrical costs. The former Kaua'i Athletic Club (KAC) space currently has 13,000 sq. ft. available at \$3.50 per sq. ft. for office space adjacent to the existing DOW facility. (The leasing report would be provided to the Board.) The cost to purchase the Border's space and KAC space could be explored.

Energy Efficiency: (Refer to report which was self-explanatory.)

Staff Concerns: Various divisions provided pros and cons of moving to the new building. Staff comments included: running out of space, the new building will provide the space needed, existing building has mold, termites, cockroaches; mice living in desks, and even with vector control, the issue could not be resolved. Division heads do not have private offices to meet for confidential matters, ½ of lunch room is taken up by boxes of files to the roof, roofing lifts up when the doors are closed open and shut, air is not evenly distributed throughout the whole department leaving one side (billing/lobby) cold and the other side hot and muggy. The carpet has holes where tape is constantly being put on, mold growing under the carpets which have been removed, but mold issue is still there, leaking walls from heavy rain, payroll cannot have their confidential files in an office. There was one division who had concerns of spending the money for a new building, but has their office utilized from an old conference room leaving others to hold meeting in the Board room or by their desks without adequate space showing plans, specs, or documents to a customer.

Expansion vs. Replacement: At the last meeting, funding was discussed as well as how much of the building is expansion and how much of the building is replacement. Initially Mr. Moises based it on the expansion of staff compared to what exists now. Currently the front office has 39 positions filled with 11 vacancies. The new building will have nine (9) new positions projected by 2050. If all 11 vacancies are filled, these positions could not be housed in the existing front office building.

Mr. Moises commented of the staff members in the new building, how many expansion projects would they be doing and how would it be associated with the funding of the building. The Department would need guidance on this. Mr. Moises recommended funding the new building.

Planning has addressed all issues for final approval. This will be resubmitted to DOW next week and there should be no hold up on final approval.

DISCUSSION:

Mr. Dill mentioned the CIP and commented on the budget draft from a previous approval of \$4M. \$2M was added to total \$6M with the availability of SRF funds for the project and with bids to come in. The project is justified and makes sense to move forward and does not think going off site would be efficient to expand the DOW location.

The big question Mr. Dill posed was what is the message the Department is sending to the rate payers by expending X amount of dollars at the same time increasing the rates and fees? The DOW needs to look at the rates or other revenues to pay for the building but questioned if this would send the right message to the rate holders. Based on the Finance Committee and the Water System Development Fee (WSDF) discussions, would this undermine the rate proposal system and is this money going to replace, maintain or expand the system.

Based on the monies that were spent from the Building America Bond (BAB), what was provided in actual expansion and capacity of the system? Certain amounts of the meter drops are needed to pay for the debt service that was taken out. There needs to be a buffer to pay out of the BAB.

Mr. Dahilig did not disagree on the building alone. Future discussion was encouraged on a systems perspective of whether money from the BAB was yielding capacity that gives way to the WSDF deposits to pay for the debt service. The Department's highest priority is to make sure bills are paid which is the fiduciary responsibility of the Board. Within 30 years, the DOW will have to pay the debt service. The building is an operational expense and does not build revenue for the DOW. Mr. Moises agreed that further discussion with the Department was warranted. It was also suggested to include the CIP in the Finance Committee meetings.

Mr. Moises added that if the DOW spent \$6M, 90% would be replacement and 10% would be expansion which would help the DOW but in reality it is 70% replacement/30% expansion.

Chair Nishimura's main focus was what can be built for \$6M in a total package (not phasing)? Could the building be postponed? Can the building be built vertical? Could the building be built at 15,000 sq feet and leave the rest as unimproved to accommodate future hires and expansion? Much of the cost in construction is in the finishes.

Mr. Moises commented that it was the first time he heard the question of what can be built for \$6M. Suggested options: The site work could be done, or phasing, or build vertically the next year with 10,000 sq. ft. By going out to bid there is the possibility of building at \$6M or to re-evaluate phasing. After the final agency signs the plans, it could go out to bid by July/August.

With phasing it would delay the cost which Mr. Shiraishi indicated but agreed with Mr. Moises of going out to bid first to see what numbers are submitted.

At a previous Finance Committee meeting, Mr. Moises mentioned that if the formula is the same as last year and if bids came in at \$6M, the DOW would not be short \$2M. To get the Board's approval on the funding of the CIP projects would be important.

Mr. Dahilig questioned if other options such as portable structures were considered? Does the existing building need a total overhaul based on its current structure? Are there current health issues? Is the current space usable as is? Is there anything physically pressing that renovation should be done immediately? Comparison costs could be done as an alternative to replacement.

Dustin said taking workspace out of the picture, the current issues in the existing building included: mold, ADA, A/C, ducting and the entire building is not energy efficient. To renovate structurally would be cost prohibitive.

Chair Nishimura questioned the difference in the consultant's cost estimate which increased by 15%.

Mr. Moises indicated that the master plan done by the Architects Hawai'i who had no subs and nothing finite in design. Recently, final plans based on the master plan from two years ago were received with all consultants on board.

Mr. Dill understood the goal of the report was to present it to the Board, without a request for approval of funding to move forward or not.

The building plans have been in Public Works (PW) since February 1, 2013 which was to be returned on May 2, 2013. To date, no review comments have been received. If final review comments are received from PW by May 31st, it could be turned around by the end of June. Tracings could be signed in July and advertise in August. Mr. Moises was aware that the STP zoning permit process will possibly take three (3) to six (6) months to complete which will be sent out soon. By December, bid numbers should be available.

It was agreed by Mr. Moises to research Chair Nishimura's request regarding what can be built for \$6.0M and to also look into phasing of the new building.

Mr. Dahilig moved to defer Manager's Report No. 13-44 Water Plan 2020 Project PLH-39, Lihu'e Base Yard Improvements (Phase I), Lihu'e Water System, Lihu'e, Kaua'i, Hawai'i; seconded by Mr. Dill; with no objections, motion was carried with 5 ayes.

At 11:36 a.m., Mr. Dahilig exits meeting.

2. Manager's Report No. 13-45 – Job No. PLH-03 WATER SYSTEM ENERGY CONSERVATION PROJECT Kahili Horizontal Directional Drilled Well

BACKGROUND:

Manager Craddick recommended preparing an independent energy alternatives study that would be used to look at alternatives for DOW's future energy and treatment costs. Move forward based on the energy alternatives study subject to the EIS costs not increasing due to a six (6) to nine (9) month delay in the EIS process. Should developing a high level gravity source be the wisest use of our funds, the DOW would go forward with the required process for selecting a drilling site and developing mitigation for the cultural, environmental and technical issues raised. Should some other alternative look more promising, the DOW would move forward with that alternative and drop the current proposed energy savings method.

The contractor is directed to continue the EIS process and engage with the public in resolving the issues brought up at the April 11th scoping meeting and subsequent comment period in an amount not to exceed \$50,000. To get wider community understanding of the project and any alternatives that are available would be presented to the public at a later time.

Manager Craddick considered both items because most of the \$50,000 was used up at the April meeting. If the Board decides to close the project down, the rest of the contract amount would be due and payable. If the project is stopped there would be nothing to compare in the energy alternatives.

At 11:39 a.m., Mr. Dahilig re-entered the meeting.

Choice 2 recommendation was provided on Page 6 of the report:

Recommendation:

Choice 2

Pros:

- No cost increase for current contract
- No need to republish the project

Cons:

- Must move forward quickly with an Energy Alternatives Study and complete in 6-9

- Provides direction on well thought out alternatives that evaluate all current source /energy options.
- DOW would have to pay for the energy alternative study.

Chair Nishimura called for a recess 11:41 a.m.

Chair Nishimura reconvened the meeting at 11:44 a.m.

Mr. Dahilig moved to go into executive session at a later time in the agenda to discuss the Contract 539, Job No. PLH-03 Kahili Directionally Drilled Horizontal Well Puhi-Lihue-Hanamaulu-Kapaa Water System Improvements Kauai Hawai'i to consult with Board counsel which involves the consideration of the powers, duties, privileges, immunities and/or liabilities of the Board and the Department as they relate to this contract; seconded by Mr. Dill, with no objections, motion was carried with 5 ayes time of Roll Call.

3. Discussion and review on the Board and Manager's fiduciary responsibilities

At the request of Mr. Shiraishi, the Board would review the roles of the Board and Manager. The role of the Board may be referred to the Rules Committee for further action or policy making.

Mr. Shiraishi moved to receive the Duties of the Board of Water Supply and the Duties of the Manager and Chief Engineer and "The Effective Board Member" narrative dated December 2003 by then Parliamentarian, Mr. Phil Tacbian; seconded by Mr. Dahilig; with no objections, motion was carried with 5 Ayes.

STAFF REPORTS

The Statement of Kaua'i County Water Department's Revenues and Expenditures were taken out of order after the Board HWWA Conference Reports.

Re: Report by the Public Relations Specialist on Public Relations Activities

Press Releases and communication were sent out:

April 23rd - Regarding a scheduled water outage on April 25th affecting customers in the Hanalei area. A follow up press release was sent out after the shutdown requesting for immediate water conservation for the Hanalei-Waipaa area.

May 15th - Regarding a scheduled outage on May 16th in the Kapa'a-Waipouli area.

May 15th - Regarding community announcement of meetings to provide additional information on the Kahili HDD Project.

May 7th - DOW correspondence was mailed to all customers in the Hā'ena-Wainiha district regarding a water monitoring violation that occurred in January 2013.

Directionally Drilled Well: On May 9th, The Garden Island (TGI) newspaper published an article titled "No drilling into Waialeale" regarding the Kahili HDD Project. On May 11th, TGI published a Letter to the Editor from Elaine Dunbar titled, "More than clerical error" which called for an investigation of the DOW and the contractor.

Miscellaneous:

May 6th - PR Intern, Bryanna Pacleb started work in PR.

April 24th - DOW participated in the Kōloa Elementary School Career Day. Over 60 children learned careers water industry careers.

May 9th – Ag Awareness Day with the University of Hawai'i. Mr. Andy Canavan, Micro Lab Division accompanied PR and welcomed 350 students island-wide.

September 26th – Make a Splash water festival scheduled.

PR Specialist submitted her resignation and last day of work will be May 31st.

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

Re: Chief of Operation's Summary Report on Monthly Operational Maintenance

PRESENTATION:

Mr. Reyna reported that Operations is moving forward in filling vacant positions. A current plant operator was promoted to the newly created working supervisor position for the plant operations. Two vacant positions will be filled and interviews should be completed by June.

205 Work Orders were completed in April and 173 Work Orders were completed in March.

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

Re: Manager's Monthly Update Regarding Activities of Note of the Kaua'i County Water Department

PRESENTATION:

Manager Craddick highlighted the following DOW activities in May 2013:

1. **CONTRACTS AWARDED/EXTENSION/AMENDMENTS:**

1) CONTRACT #539 GS-2013-1 ONE (1) 2-WHEEL DRIVE 15,000 LB G.V.W.R. CAB AND CHASSIS WITH SERVICE BODY, UNDERDECK PTO AIR COMPRESSOR, AND ACCESSORIES AWARDED TO ORCHID ISLE AUTO CENTER IN THE AMOUNT OF \$99,160.98

2) CONTRACT AMENDMENT 1 FOR CONTRACT #560 IT REVIEW AND ASSESSMENT, STRATEGIC PLANNING AND IMPLEMENTATION IN THE AMOUNT OF \$200,000.00

3) CONTRACT #570 FOR THE SCADA SERVER SYSTEM REPLACEMENT AND UPGRADE AWARDED TO GLENMOUNT GLOBAL SOLUTIONS, INC. IN THE AMOUNT OF \$164,234.53

2. Personnel Matters Update – Recruitment and position changes remain the same for the following divisions: Operations, Fiscal, Engineering, Water Quality and Water Resources & Planning and Administration.

3. Warrant Vouchers were paid in the amount of \$1.3M.

4. Conveyance of Water Facility: 1) Joseph/Anita Durocher, 2) BEB LLC and 3) Gina Razalan.

5. CC&B Billing System Update: After three (3) months of going live, there were issues with the meter read files that were transferred to the new billing system which caused some customers to get System Estimate reads. Phase 2 began in May with Credit and Collections, Late Payment Charge and new rates. On May 13th two (2) staff members traveled to

Honolulu Water Board of Supply to attend Credit and Collections training. When revised SOP's are completed the Billing Section will be working on the procedures. Phase 3 will be done later regarding Summary Billing, low Groundwater Condition and Web Services.

6. Affordable Housing Update: The Kīlauea project received funding but the Eleefe project was not funded.
7. Finance Hardship Cases – The Department is working on a H₂O Help 2 Others Fund project which will be recommended to the Board in the future.

A violation in Wainiha resulted with a TNTC sample that was not re-sampled in time. Notification was done door to door and in the newspaper.

An update on the customer service issues will be presented to the Board at a later time.

Mr. Dill 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 was carried with 5 ayes.

a. Report of the BAB Bond pay down as of May 2013

Mr. Dill moved to receive the Report of the BAB Bond pay down as of May 2013; seconded by Mr. Shiraishi; with no objections, motion was carried with 5 ayes.

Re: Board AWWA Conference Reports – conference was held on May 7 – 10, 2013, Honolulu, Hawai'i

Chair Nishimura announced that Board travel report is required only for out of State travel for Board members per Board Policies. A report from Mr. Dahilig and Mr. Dill will be expected after the AWWA Annual Conference in Colorado (June 9-13, 2013).

Mr. Dill moved to approve the Board AWWA Conference Report held on May 7 – 10, 2013, Honolulu, Hawai'i prepared by Mr. Shiraishi and Mr. Dahilig; seconded by Mr. McCormick, with no objections, motion was carried with 5 ayes.

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

PRESENTATION:

Ms. Yano presented the Budget Status Summary as of March 31, 2013 on the Water Utility Fund, Facilities Reserve Charge and the Bond Fund as well as the Revenue Comparative Report, Water Sales Receipt Comparative Report and the Water Consumption (Gallons) Comparative Report. The consumption in gallons correlates with revenue on whatever is being built.

Chair Nishimura commented that it appears that revenue is gaining in some cases seventeen percent (17%) which should be considered for future rate increase and the timing of such increases. The increase in revenue sought for the rate increases passed last year was supposed to be based upon an 11% increase in revenues. There is a 6% discrepancy and this should be considered in implementing future rates.

Ms. Yano will adjust the Water Consumption to be in billions and not gallons as presented on the comparative report.

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

TOPICS FOR NEXT WATER BOARD MEETING *(June 2013)*

1. Manager's Goals and Evaluations
2. Rules Task Force Report
3. Review of Board Policies to educate Board members
 - a) Department to provide Board record to justify policies
4. Manager's Report 13-40 FY 2014 Budget (to approve the CIP Budget by June meeting)
5. Department to provide a Customer Service update

TOPICS FOR FUTURE WATER BOARD MEETINGS

UPCOMING EVENTS

1. AWWA Annual Conference, Denver, CO *(June 9-13, 2013)-Mr. Dahilig & Mr. Dill to attend*
2. HWWA Hawai'i Section Maui, HI *(October 23-25, 2013)*

NEXT WATER BOARD MEETING

1. Thursday, June 20, 2013, 10:00 a.m.
2. Thursday, July 25, 2013, 10:00 a.m.
3. Thursday, August 22, 2013, 10:00 a.m.
4. Thursday, September 19, 2013, 10:00 a.m.

At 12:12 p.m. Chair Nishimura recessed the Regular Board meeting to go into executive session on Items. J1 & J2.

1. *Pursuant to Hawai'i Revised Statutes Sections 92-4 and 92-5(a)(4), the purpose of this executive session is to provide the Board with a briefing regarding the prior communications from HGEA. This briefing and consultation with the Board counsel 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.*
2. *Pursuant to Hawai'i Revised Statutes Sections 92-4 and 92-5(a)(4), the purpose of this executive session is to provide the Board with a briefing regarding Contract No. 539, Job No. PLH-03 Kahili Directionally Drilled Horizontal Well Puhi-Lihue-Hanamaulu-Kapaa Water System Improvements Kauai Hawaii. This briefing and consultation with the Board counsel involves the consideration of the powers, duties, privileges, immunities and/or liabilities of the Board and the Department as they relate to this contract.*

At 2:00 p.m., Chair Nishimura reconvened the Regular Board meeting.

2. Manager's Report No. 13-45 – Job No. PLH-03 WATER SYSTEM ENERGY CONSERVATION PROJECT Kahili Horizontal Directional Drilled Well

Some asked if the \$50,000 to finish current work is part of the recommended energy financial study.

Manager Craddick indicated that the cost of the energy financial study would not be part of the \$50,000. The estimated cost of the energy financial study is approximately \$75K to \$100K.

Mr. James Williams, Mears Group Consultant provided his testimony.

From the Budget Estimate in Exhibit "B", Phase I-A, Chair Nishimura inquired how much of the work was completed to date. Mr. Williams provided the following tasks which were completed by the following percentages:

- A. Geophysical Exploration and Reporting – 5%
- B. Geotechnical Exploration and Reporting – (not done)
- C. Topographical Survey and Reporting – (not done)
- D. Other Investigation Required – 20%
- E. Environmental Impact Statement – 25% - 30%
- F. Archeological and Cultural Resource Reporting – 10%
- G. Zoological and Botanical Reporting - (not done)
- H. Permitting – (not done)
- I. Other Planning and Permitting Required (PR/meetings) – 50% - 75%
- J. Project Management – 40% (done on a per month basis)

Mr. Williams confirmed that there is a provision for termination for convenience and work stoppage. If the Mears Group were to put a hold on the project for six (6), nine (9) or 12 months, a commitment was made to *not* increase the cost of the work to date. If at nine (9) months the project was not going to proceed, the Mears Group would bill the Department for all work to date and no additional work would be charged, only additional time, if any.

The primary obstacles of the project, besides comments from the public include technical, permitting and site access. Engineering has not been scoped yet.

The technical challenges were Chair Nishimura's main concern and how it relates to the overall budget. This potentially worthwhile project has options but will need to address the cultural challenges. This project also needs to be approached in a logical fashion if it is suspended or put on hold for a while.

The reason for this discussion was to see what the DOW's obligations are if the contract is terminated. The May 3, 2013 Project Status Update billing through the end of March. The April billing has not been sent which would be approximately \$50,000. The May billing is on a temporary hold which only includes comments from the public meetings and comments submitted through the DOW web site which ended on May 10th. Out of the \$390,000 contract amount, Manager Craddick added that \$20,000 has not been paid.

Mr. Shiraiishi questioned other than the mistaken slides that were presented at the public hearing, could the Department have handled this differently? Could the Mears Group possibly gotten more input relating to the cultural significance of Waialeale before the holding the meetings? Moving forward how could the Mears Group deal with the public with negative impact?

Mr. Williams proposed speaking to a smaller group of people as a possible improvement.

Mr. Manabu Tagomori, Oceanit Consultant provided his testimony.

Mr. Tagomori and the consultants would move forward by providing a response to the negative cultural comments. Another way of communicating with the public is through the EIS process as part of the public outreach program with additional meetings. If a hold is put on the project, some of the tasks would not be carried on.

Mr. Tagomori explained what triggered the negative press was the map that was shown at the April meeting that had a line going straight into Mt. Waialeale. This was not the intent of the site. To address the questions from the April meeting would be through public education so that the Board can make a decision with the data provided by the public.

When the project started in early 2012, every effort was made to target and inform 70 community interest groups with an early notification. The particular group that was notified early did not attend the April meeting. The early notification was also done before the EIS was started.

The Board did not know the magnitude of the project which caught Mr. Dahilig off guard from the backlash of the public regarding the drilling of Waialeale. Lessons were learned on how communications are done with the Board and the Department. Mr. Dahilig questioned what are the cultural risks with this project before moving forward? There needs to be a serious understanding with the Board on the cultural concerns because these concerns turn into time which translates into money.

Mr. Tagomori clarified that from the beginning of the project, the cultural aspects were known. The Ala Kai swamp could not be drained, the well location is part of the "Kahili" range. There will be people who do not want to drill at all. With the publication of the public meetings set for next week, a letter to the editor in the newspaper appeared titled "Stop the Drilling." These types of comments need to be addressed.

Early communication from the Board and an understanding why there would be drilling into Kahili would have been preferred. The Department knew the cultural risk of Mt. Waialeale which needed to be made clear to the Board because this could shut down a project.

A CD on the project was provided to the Board with the EIS notification requirements but it did not show the drilling location. Mr. Tagomori indicated the drilling location was first shown at the April meeting. Oceanit emailed the slide at the last minute on April 10th. As a result, the Department did not have enough time to review the slide the morning before the April 11th meeting. The slide also showed the scale of the tunnel at 12,000 ft. which was added at the last minute.

From the public meeting comments, Manager Craddick did not understand the issue of two (2) taro farmers getting adequate water in two areas (Niunalu and Kilauea). These groups could maintain resistance to the project and may be their way of getting the DOW to force Grove Farm to release more water into the streams. Designation usually comes with competition for water resources. There is a perception this is a new water project but it really is replacing existing water.

From working with the Hawai'ian community, Mr. Tagomori said he was not surprised with the comments on the cultural issue. In all of his experience, the cultural issue has been the same. The Department needs to explain the project and go out to win over the public through education. There are ways to work with the cultural issue.

Mr. Tagomori mentioned the Request for Proposal (RFP) called for an exploratory test well which proved there was a source of water. Currently the Kahili project is in phase development. The basic core issue is to find the water or not by drilling a hole. The cost of \$30M needs to be weighed against the cost per 1,000 gallons to be developed. If a 10M gallon source is hit, the cost would come down on the cost per unit.

Manager Craddick apologized for the scene at the last Board meeting which was inappropriate and apologized to Mr. Moises on the questioning of his understanding of the project.

Mr. Moises did not sign the report because he did not buy into the recommendation. If option 1 would have been recommendation to cancel or suspend the project Dustin may have signed. If both Option 1 and Option 2 were recommended, Mr. Moises may have signed the report.

Mr. Moises agreed with Manager Craddick's recommendation for an energy alternative study which could include cultural and environmental impacts.

The report suggested holding off on decisions until after the meetings are held. The Department could then give the Board a better prospective of where the Department is at.

A recommendation made by Mr. Dahilig was for the Board to get direction and to discuss a plan on a public roll out of the project and the next steps at the next meeting.

Mr. Shiraishi commented that the scheduling of the meetings was a hasty reaction of what happened at the April meeting and may not be carefully enough thought out. It would be beneficial for the Department to have cultural experts speak up in favor of the project presentation and proactively rebut the negative comments.

The intent of the public meetings, as Manager Craddick pointed out, is to present a list of energy alternatives and to receive public input on energy alternatives instead of pushing the project.

Mr. Manabu Tagomori questioned if the project is cancelled, how the funding from DOH would be impacted. The DOH could take the funding back and give it to another county or keep the funding on Kaua'i for another project.

At 2:47 p.m., Mr. Shiraishi exited the meeting.

At 2:48 p.m. Mr. Shiraishi re-entered the meeting.

At 2:49 p.m., Mr. Dahilig exited the meeting.

Mr. Moises indicated the SRF funding could be repurposed for Kaua'i.

A concern was raised by Chair Nishimura with the last lines in the report which stated: "Unless The Board puts a complete hold or cancels the project, the DOW staff will continue with community outreach. The contractor will not be involved with this effort." If the Board does not direct the Department otherwise, Manager Craddick confirmed that the Department will continue the outreach.

Mr. Dill commented that cancelling the meetings does not make any sense. The potential benefits of the project are the same and the Board should continue to explore this. By postponing the meetings it would allow the Board to reevaluate and address the public's concerns.

The suggestion to suspend or continue slower on the contract would be a \$50,000 cost difference.

At 2:51 p.m., Mr. Dahilig re-entered the meeting.

Option 1 was Mr. Moises choice to not expend any funds until the Department does an alternative study which may take six (6) to nine (9) months at an approximate cost of \$100K.

Board members Mr. Shiraishi, Mr. McCormick and Mr. Dahilig agreed to cancel the public meetings and to start fresh.

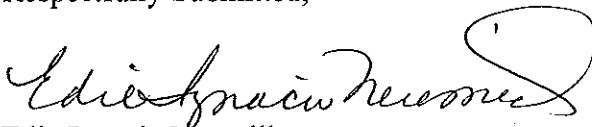
The Board acknowledged continuing the services with the Mears Group.

Mr. Dill moved to cancel all currently scheduled community meetings and for the Department to make a recommendation before the next Board meeting on how the Department will voice their concerns from the April 11th scoping meeting before going forward; seconded by Mr. McCormick, motion carried with 5 ayes.

ADJOURNMENT

There being no further business, Chair Nishimura adjourned the Regular Board meeting at 2:55 p.m.; with no objections, motion was carried.

Respectfully Submitted,



Edie Ignacio Neumiller
Commission Support Clerk

Approved,



Sherman Shiraishi
Secretary – Board of Water Supply