

MEETING MINUTES  
BOARD OF WATER SUPPLY  
Thursday, November 20, 2014

The Board of Water Supply, County of Kaua'i, met in regular meeting at the Board Conference Room in Līhu'e on Thursday, November 20, 2014. Vice Chairman Sherman Shiraishi called the meeting to order at 10:02 a.m. The following Board members were present:

BOARD: Mr. Sherman Shiraishi, *Vice Chair*  
Ms. Laurie Ho  
Mr. Hugh Strom  
Mr. Raymond McCormick  
Mr. Larry Dill  
Mr. Michael Dahilig

EXCUSED: Mr. Clyde Nakaya, *Chairperson*

Quorum was achieved with 6 members present at the time of roll call.

STAFF: Mr. Kirk Saiki  
Mr. Val Reyna  
Ms. Marites Yano  
Mr. Dan Kittredge  
Mr. Keith Aoki  
Mr. Eddie Doi  
Ms. Sandi Nadatani-Mendez  
Ms. Kim Tamaoka  
Ms. Mary-jane Akuna  
Deputy County Attorney, Andrea Suzuki

GUESTS: Deputy County Attorney, Nick Courson  
Mr. Hall Parrott, Private Citizen

**ACCEPTANCE OF AGENDA**

Ms. Ho moved to approve the agenda; seconded by Mr. Dill; with no objections, motion carried with 6 ayes.

**MEETING MINUTES**

**Review and approval of Executive Session:**  
Executive Session minutes – October 23, 2014

Mr. Dill moved to approve the Executive Session minutes of October 23, 2014; seconded by Mr. Strom; with no objections, motion carried with 6 ayes.

Vice Chair Shiraishi pointed out that under the Sunshine Law that the Board is required to approve the finalized minutes within 30 days and to avoid unedited drafts. The Commission Support Clerk was aware that draft minutes would be available to the public, if asked within 30 days.

**E. CORRESPONDENCE/ANNOUNCEMENTS**

1. Correspondence from Mr. Kamuela Cobb-Adams, County Housing Director dated November 7, 2014, regarding Lima Ola Workforce Housing Project, Eleele Kauai; Water Master Plan

Mr. Dahilig moved to receive the correspondence from Mr. Kamuela Cobb-Adams, County Housing Director dated November 7, 2014, regarding Lima Ola Workforce Housing Project, Eleele Kauai; Water Master Plan and to include this correspondence in the December 18, 2014 Board meeting agenda; seconded by Mr. Dill; with no objections, motion carried with 6 ayes.

Mr. Kamuela Cobb-Adams will be presenting the Lima Ola Workforce Housing Project at the December meeting confirmed by the Commission Support Clerk.

**F. BOARD COMMITTEE REPORTS**

None

**G. OLD BUSINESS**

1. Final Audit of Financial Statements for FY 2013-2014

**DISCUSSION:**

Waterworks Controller, Ms. Yano commented there were no changes to the draft Audit on the Finance Statement for FY 2013-2014.

Mr. Dahilig moved to accept the Final Audit of Financial Statements for FY 2013-2014; seconded by Ms. Ho; with no objections, motion carried with 6 ayes.

**H. NEW BUSINESS**

1. Manager's Report No. 15-18 – Grant of Easement for Kenneth A. Souza Jr. and Donna M. Souza, for the “Construction Plan for Detector Check Meter and Backflow Preventer,” TMK (4) 3-3-13:031, Puhi, Lihue District, Kauai, Hawaii

Mr. Dahilig moved to approve the Manager's Report No. 15-18 – Grant of Easement for Kenneth A. Souza Jr. and Donna M. Souza, for the “Construction Plan for Detector Check Meter and Backflow Preventer,” TMK (4) 3-3-13:031, Puhi, Lihue District, Kauai, Hawaii; seconded by Mr. Dill; with no objections, motion carried with 6 ayes.

**I. STAFF REPORTS**

**MONTHLY**

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

**BACKGROUND:**

The revised Monthly Budget Summary Report as of October 31, 2014 was “Received for the Record” and distributed to the Board. Waterworks Controller, Ms. Yano explained that the Budget Summary Report format was revised at the request of Mr. Dill regarding the last four columns. The revised Budget Summary Report was changed on the YTD Budget to show the Annual Budget instead of a four month cumulative budget.

The original Budget Summary Report had three sections: 1) Revenues and Expenses section, 2) The "Period as of 10/31/2014 section," and 3) Fiscal Year to Date (YTD section). The FYTD section only showed a four month cumulative budget.

The last two columns of the FYTD section were titled Variance and Variance % which is the difference of the YTD Actual and the Revised YTD Budget. The second column is the YTD Actual Revenue and Expenses. The Variance column was renamed YTD Balance. Ms. Yano explained by taking the "Revised YTD Annual Budget" minus "Actual" columns equals the "Remaining Balance" of estimated expenses that can be spent. The "Variance" column over the "YTD annual Budget" equals "YTD percent."

The Monthly Budget Summary uploaded in the Board packets created some confusion because the report contained different numbers. The report was done when the format was being revised from the original Budget Summary Report against the final Budget Summary Report.

The Summary Highlights indicated the Cumulative Water Sales Revenue was up by 5% which is correct based on the four month cumulative budget.

#### **DISCUSSION:**

Mr. Dill was looking for the YTD Budget vs. YTD Actual Expenses for the last four columns. A clearer picture on the annual expenses would be to show the YTD Actual numbers to the YTD Budget.

Vice Chair Shiraishi had many questions on the revenues with brackets (which looks like the amounts needed to be minus) on the original report. The Board was not able to review the revised Budget Summary report before the meeting. Ms. Yano took responsibility on the confusion of the reports and explained the wrong file was submitted when it was uploaded for the Board packets.

As part of the Board's fiduciary duty, Mr. Dahilig wanted to make sure the Department is solvent. On line item, Net Operating Income (Loss), Fiscal Year 2015 (Page 3 of hand out), there was a \$4M projected net gain. Mr. Dahilig questioned the YTD had a negative delta of \$1.8M and asked how does that translate to an increase of a balance revenue and operating income of \$1.8M? He did not understand the drop in the revenue which would increase the projected net revenue by the end of the year. Vice Chair Shiraishi also agreed with Mr. Dahilig's concern.

Vice Chair Shiraishi read the report statement (Page 78 on iPad) – *The Debt Service \$1.9M was higher than the cumulative budget as of October 31, 2014. This was expected because the budget is spread out monthly while a large payment of DOW debts were made in early August.* Ms. Yano commented that at the end of the year, this would even out. The reason the actual expenses is higher than budgeted was because the format reflected a four month cumulative budget. If the budget was \$4M for the whole year, the report in this format would show the quotient of \$4M divided by 12 x 4 months. A portion of the debt is paid in early August. The payment is not spread out for 12 months because the Department makes debt payments in two increments twice a year (August and February).

The cumulative budget may sometimes be lower based on a four months budget. The new format shows the annual budget; the total budget for the year. By comparing the Total Expenses YTD, the balance is reflected for the remainder of the year. From July to October 2014, the YTD Total Operating Expenses is deducted from the Total Revenues.

Mr. Dill added that if the budget showed a \$12M debt service at \$1M for the month but this was not how payment is made. Annually the Department is within budget. The challenge now is to show how the expenses occurs every month. The Finance Committee will work with Waterworks Controller, Ms. Yano to clarify the report.

Mr. Dill moved to defer discussion on the October Monthly Budget Summary Report to the December Board meeting for clarification on the report; seconded by Mr. Dahilig; with no objections, motion carried with 6 ayes.

Mr. Dahilig moved to approve the Water Service Application Billing Operating Procedure; seconded by Mr. Dill.

**DISCUSSION:**

Vice Chair Shiraishi had concerns with **B1. Authorization** (Page 88 iPad) – *DOW Fiscal – Billing Section is authorized to collect cash or checks from the Customer for any DOW authorized bills of DOW fees and costs. This includes the following positions:* Ms. Yano explained Item No. 2 would become Item No. 1 because no items were listed after the colon and would make the correction.

On **V. Review and Reconcile: Performance by Accountant II** (Page 89 iPad) – Ms. Yano was asked to renumber and correct the items in V. because Item No. 1 was not listed.

Mr. Dahilig moved to defer the *Billing Operating Procedure* to the December Board meeting for clarification/corrections; seconded by Mr. McCormick; with no objections, motion carried with 6 ayes.

Mr. Dahilig moved to approve the *proposed SOP for the Project Cost Accounting*; seconded by Mr. Dill; motion carried with 6 ayes.

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

Mr. Dahilig moved to receive the Report by the Public Relations Specialist on Public Relations Activities; seconded by Ms. Ho; with no objections, motion carried with 6 ayes.

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

**BACKGROUND:**

Chief of Operations, Mr. Reyna reported 27 Operations Division personnel attended CPR and First Aid classes conducted by the Department of Personnel Service.

**DISCUSSION:**

Under the Source and Storage section, Mr. Dill asked what type of work was done by the State Department of Health (DOH) during last month's sanitary survey.

Mr. Reyna explained the work done by DOH was chipping paint on the outside of the tanks, installed caps on hose bids, refurbished screens, cleared vegetation which were all minor maintenance in the remote sites.

Vice Chair, Shiraishi stated that at the May Board Meeting, Mr. Reyna would provide a non-revenue water report within six (6) months for one subsystem which was due at this meeting for November. Mr. Reyna apologized for not having the report ready which was due to pending information from other

division heads. A six (6) month report on non-revenue water for one subsystem would be submitted for the December Board meeting.

Mr. Dill said he “hopes to get eventually island wide every month ... that should be the goal.”

Mr. Dahilig moved to receive the Chief of Operation’s Summary Report on Operational Activities; seconded by Mr. Dill; with no objections, motion carried with 6 ayes.

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

**BACKGROUND:**

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

1) Recruitment and Position Actions

Operations Division:

Assistant Water Plan Operator – Interviews held November 5th & 6<sup>th</sup>.

Heavy Vehicle and Construction Equipment Mechanic – Interviews held November 6<sup>th</sup>.

Clerk Dispatcher II – Interviews held; DOW is working with DPS to fill position.

Fiscal Division:

Accountant I – Will be filled effective December 1<sup>st</sup>.

- 2) Council Meeting – DOW’s invitation to the November 10, 2014 Special Economic Development Workshop Relating to Water - Prior to the November 10<sup>th</sup> meeting, the Department met with the United States Geological Survey (USGS). At the workshop, the Department provided testimony on the inaccuracies which were presented at the October 9<sup>th</sup> workshop.

- 3) 2015 Capital Improvement Projects - will be submitted to the County for the State Legislature.

**DISCUSSION:**

*Acting Manager and Chief Engineer, Mr. Saiki mentioned two (2) years ago lobbying was strong and the DOW received funding for the Kilauea Elementary School. Last year lobbying was minimal on the CIP projects. The Manager usually lobbies with the legislature.*

Vice Chair Shiraishi questioned what is the association between the State Representatives and Senator Ron Kouchi? *Acting Manager and Chief Engineer, Mr. Saiki stated that it was easier when there was a consultant assisting the DOW. The initial conversations with the representatives on the projects was good.*

Senator Kouchi prefers a state benefit or relating to schools for the DOW project (tie in is with the Eleele Elementary School and the Harbor).

Hanapepe/Eleele Transmission Waterline Improvement Project is a priority number 1 CIP project. This project would complement the Lima Ola project and the project Public Works is doing on Hanapepe Road. This project is a replacement project and will allow upsizing to provide better service to the Eleele. There may not be any changes with funding.

Vice Chair Shiraishi did not understand what the role is of the Department in advocating CIP funds and asked if the Department actively seeks funds to build projects? *Acting Manager and Chief Engineer, Mr. Saiki said the Department should be actively seeking funds for the CIP projects.*

Mr. McCormick moved to receive the Manager and Chief Engineer's Monthly Update Regarding Activities of Note of the DOW; seconded by Ms. Ho.

Mr. Dill noted that the Board should not only receive the Manager's Monthly Update but to also show support of the CIP list.

Mr. McCormick withdrew his motion; LH withdrew her 2<sup>nd</sup>.

*Acting* Manager and Chief Engineer, Mr. Saiki provided Mr. Strom additional information on how the CIP numbers are developed through estimates, previous costs and from consultants.

Mr. Dill moved to receive the Manager and Chief Engineer's Monthly Update Regarding Activities of Note of the DOW and approve the CIP Proposed Projects for 2015 Legislative Session and for the Department to seek funds from the Legislature; seconded by Ms. Ho; with no objections, motion carried with 6 ayes.

a. Report of the BAB pay down as of October 2014

Mr. McCormick moved to receive the Report of the BAB pay down as of October 2014; seconded by Ms. Ho; with no objections, motion carried with 6 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 **October 23, 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 Sections 92-4, 92-5(a)(4), and the purpose of this executive session is to provide the Board of Water with a briefing regarding the process of hiring a new Manager and Chief Engineer. Furthermore, this briefing and consultation with the Board of Water's legal counsel involves the powers, duties, privileges and/or liabilities of the Board of Water as it relates to this agenda item. (Not Entertained)*

**K. TOPICS FOR NEXT WATER BOARD MEETING (December 2014)**

- 1. Part 4 Fixing Rates for Water Service, Section VII Facilities Reserve Charge Update (Reference Manager's Report No. 14-16)*
- 2. 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) (Update)*
- 3. Manager's Report No. 14-24 – Discussion and Possible Action regarding 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) (Update)*

**DISCUSSION:**

Acting Manager and Chief Engineer, Mr. Saiki explained that the Department is working on the Facilities Reserve Charge (FRC). Two challenges the Department encountered was that the consultant was bought out (changed hands) again and there was a contract change. The previous consultant, Andy Baker no longer works for the company. The Department is exploring the costs for larger meters 6 inch & 8 inch meters, if appropriate.

One of Vice Chair Shiraishi's conditions if he was nominated for Board Chair, these issues needed to be resolved this year.

**Mr. Dahilig requested the Department:**

- Submit Part 5 to the Small Business Regulatory Review Board (SBRRB).  
(Note: Part 5 was previously approved by the Board.)
  - Bring back Manager's Report No. 11-28 and Manager's Report No. 14-24 to the Rules Committee and/or the full Board.
  - Provide a status update on Manager's Report No. 11-28 and Manager's Report No. 14-24 at the December Board meeting.
4. Manager's Report No. 15-14 - Discussion and Possible Action on the Manager's Recommendation regarding the Reallocation of Water Capacity Approved for Industrial Use from Eleele Industrial Park Subdivision, TMK: 2-1-01:51 to 28-acre Eleele Urban Residential Development, TMK: 2-2-1:Por. 3, A&B Properties, Inc., Eleele, Kaua'i
  5. Discussion and Possible Action of Proposed Delegation of a Meter Restriction Board Policy No. 30
  6. Election of Officers for 2015

**L. TOPICS FOR FUTURE WATER BOARD MEETINGS**

**M. UPCOMING EVENTS**

1. DOW Annual Meeting *(December 12, 2014)*
2. AWWA Hawaii Section, Honolulu, HI *(February 3-5, 2015)*
3. AWWA Annual Conference, Anaheim, CA *(June 7-10, 2015)*


**N. NEXT WATER BOARD MEETING**

1. Wednesday, December 3, 2014 – *Special Board Meeting, 1:00 pm*
2. Thursday, December 18, 2014, 10:00 a.m.
3. Thursday, January 22, 2015, 10:00 a.m.
4. Thursday, February 19, 2015, 10:00 a.m.
5. Thursday, March 19, 2015, 10:00 a.m.

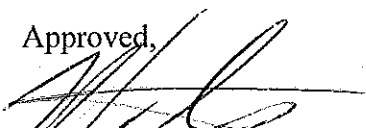
**O. ADJOURNMENT**

Mr. Dahilig moved to adjourn the meeting at 10:51 a.m.; seconded by Mr. Dill; with no objections, motion carried with 6 ayes.

Respectfully submitted,

  
Edie Ignácio Neumiller  
Commission Support Clerk

Approved,

  
Hugh A. Strom  
Secretary – Board of Water Supply