

MEETING MINUTES
BOARD OF WATER SUPPLY
Wednesday, November 23, 2016

The Board of Water Supply, County of Kaua'i, met in regular meeting at the Board Conference Room in Lihu'e on Wednesday, November 23, 2016. Chair Laurie Ho called the meeting to order at 10:01 a.m. The following Board members were present:

BOARD: Ms. Laurie Ho, *Chair*
Mr. Lyle Tabata
Mr. Sherman Shiraishi
Ms. Beth Tokioka
Mr. Michael Dahilig (*entered meeting at 10:02 a.m.*)
Mr. Larry Dill (*entered meeting at 10:12 a.m.*)

EXCUSED: Mr. Clyde Nakaya, *Vice Chair*

Quorum was achieved with 4 members present at the time of roll call.

STAFF:

Mr. Kirk Saiki	Mr. Dustin Moises
Mr. Eddie Doi	Ms. Marites Yano
Mr. Val Reyna	Ms. Fay Tateishi
Ms. Ann Parrott	Ms. Rose Navea
Mr. Keith Aoki	Mr. Carl Arume
Ms. Kim Tamaoka	Mr. Michael Hinazumi
Deputy County Attorney Mahealani Krafft	Ms. MJ Akuna

GUEST(s): Mr. James Nakayama, KMH, LLP
Mr. Hall Parrott, Private Citizen

The Commission Support Clerk explained that the elevator was inoperable and the Conference Room downstairs was available for the public who need ADA access to the meeting. A conference call set up was available for the public to listen and provide testimony if needed. If there was written testimony from the public, copies would be made and distributed before any Board action could be made.

At 10:02 a.m. Mr. Dahilig entered the meeting.

ACCEPTANCE OF AGENDA

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

Mr. Tabata approved Chair Ho's order to move Executive Session Item J.1a. before Item O. Adjournment; seconded by Mr. Shiraishi; with no objections, motion carried with 5 ayes.

D. MEETING MINUTES

Review and approval of:

Regular Board Meeting – November 23, 2016

Mr. Tabata moved to approve the Regular Board Meeting minutes of November 23, 2016; seconded by Mr. Shiraishi; with no objections, motion carried with 5 ayes.

E. CORRESPONDENCE/ANNOUNCEMENTS

None.

F. BOARD COMMITTEE REPORTS

None.

At 10:12 a.m., Mr. Dill entered the meeting.

G. OLD BUSINESS

1. Manager's Report No. 16-58 - Discussion and Possible Action on the Department of Water's proposed Part 2 Rules and Regulations for Water Service Connections, Section II General Conditions, subsection 1. Rule amendment relating to the DOW's Standard Operating Procedure for Providing Water Service Outside of the Water Zone

(Note: The current and proposed rule amendment may be viewed in person at the Department of Water office building located at 4398 Pua Loke Street, Lihue. The current and proposed Rule may be accessed on the Department's website kauaiwater.org, the current rule may be found under Rules and Regulations and the proposed rule is in the Agenda under the November 23, 2016 Board Agenda.)

BACKGROUND:

Mr. Dahilig stated that action on the Department's proposed Part 2 Rules and Regulations for Water Service Connections, Section II General Conditions, subsection 1. Rule amendment relating to the DOW's Standard Operating Procedure for Providing Water Service Outside of the Water Zone which came out of a previous Rules Committee meeting.

(Note: At the October 4, 2016 Rules Committee Meeting, Chair Dahilig and Mr. Shiraishi agreed to refer the rule amendment to the Board with a report on the recommended approvals of the rules. The Department will then send the proposed rules to the Small Business Regulatory Review Board with the Standard Operating Procedure for reference purposes with no objections.)

DISCUSSION:

A correction will be made to Section II – General Condition, Page 18, i.e., “as” should be inserted before “it may be subsequently amended” and not crossed out as indicated on the red line copy. Mr. Dahilig had no objection to the correction.

Mr. Dahilig moved to approve as amended and to act on the proposed Part 2 Rules and Regulations for Water Service Connections, Section II General Conditions, subsection 1. *by sending it to the Small Business Regulatory Review Board for comments*; seconded by Mr. Tabata; with no objections; motion carried with 6 ayes.

At 10:12 a.m., Mr. Dill entered the meeting.

2. Manager's Report No. 17-12 - Discussion and Possible Action on Use and Occupancy Agreement No. 276 between the State of Hawai'i, Department of Transportation and the Board of Water Supply, County of Kaua'i for Kaumuali'i Highway, Project No. STP-050-1(26), TMK (4) 3-08-05: Road, Lihu'e, Hawaii, Water Plan 2020 Project No. PLH-39, Lihu'e Baseyard Improvements for the Department of Water offsite 12" Waterline

Mr. Dahilig moved to approve Manager's Report No. 17-12 - Discussion and Possible Action on Use and Occupancy Agreement No. 276 between the State of Hawai'i, Department of Transportation and the Board of Water Supply, County of Kaua'i for Kaumuali'i Highway, Project No. STP-050-1(26), TMK (4) 3-08-05: Road, Lihu'e, Hawaii, Water Plan 2020 Project No. PLH-39, Lihu'e Baseyard Improvements for the

Department of Water offsite 12" Waterline; seconded by Ms. Tokioka; with no objections, motion carried with 6 ayes.

3. *Manager's Report No. 17-13* - Discussion and receipt on the 8th Amendment for Belt Collins for Contract No. 427, Job No. 02-14 WP2020 #WK-08 Kapa'a Homesteads 325' Tanks – Two 0.5 Million Gallon Storage Tanks Project for the additional design funding of \$51,911.26 (*Update*)

DISCUSSION:

Ms. Tokioka questioned if an 8th Amendment in design is normal for a project. Manager Saiki replied that it is not normal. Civil Engineer Mr. Aoki added this is a 10 year project and the Department is waiting for an okay from the owners for drainage on their property.

Mr. Shiraishi disclosed that he represented the Yamamoto family prior to his appointment to the Board. He asked if the Department would assume liability under the National Pollutant Discharge Elimination System (NPDES). The report appeared confusing and that the draft Memorandum of Agreement (MOA) will require the owner to assume liability and responsibility for any pollution discharge. He is not sure if the owners would assume liability for any discharge or whether the Department would assume the liability or responsibility for any pollution discharge.

Mr. Aoki explained that during construction, the Department would assume liability. If a drain line is not put on the property, then the owner agrees to accept the additional discharge. If there is drainage on the property, the owners would be responsible. This would not be covered by the NPDES.

Mr. Shiraishi asked what is the benefit to the owner for receiving the discharge? The owners objected to this at the time the project was being worked on. The Yamamoto family would have no incentive to sign the MOA. Manager Saiki said the only incentive would be free water for agriculture purposes.

Mr. Tabata added if the owner changes ownership in the future and the new owner does not want water, where does the water go? Mr. Shiraishi said a binding agreement would be binding upon the successors and assigns of the property and that the agreement would run with the property.

Mr. Aoki clarified that this was a requirement from the Department of Public Works (DPW) to install the system. The Department's design is being addressed from the drainage requirement from the project site. The drain line is designed to go down and connect to a county drainage system on Kapahi Road. The DPW asked the Department to get the owner's permission to accept the additional water to the existing drain line. The DPW has reviewed the proposed drainage plan. When the pumps are running the discharge goes to the county storm water which will go into the system. The water is being forced down the property using a storm drain. Mr. Shiraishi noted that there is no recorded easement for drainage. Manager Saiki suggested that a wall could be put up.

Mr. Dill said the discussion is discharge from startup of the pump (not storm drain run off). He was not aware of any law that governs this issue of discharge from the pump at start up. The discharge from the pump does go through the detention basin. Mr. Dill inquired if the storm water flow coming out of the basin within the pre-development run off peaks that contains the discharge from the pump? If this includes the volume from the run off and the peak from that operation it does not exceed pre-development run off discharge; the Department meets all requirements.

The overall design costs less than \$778,000 and the additional \$51K requested is in the event whether or not owner wants to extend the drain line. The \$51K was approved and no action is needed because this report was to answer the Board's questions from the October meeting. The landowner can move forward on the MOA even though they do not agree to the MOA.

Mr. Tabata will go back to the DPW's engineering division and will respond back to the Department.

Mr. Dill moved to defer to the December Board meeting; seconded by Ms. Tokioka. Mr. Dill and Ms. Tokioka withdrew their motion to defer.

Mr. Dill moved to receive the 8th Amendment for Belt Collins for Contract No. 427, Job No. 02-14 WP2020 #WK-08 Kapa'a Homesteads 325' Tanks – Two 0.5 Million Gallon Storage Tanks Project for the additional design funding of \$51,911.26 (*Update*); seconded by Mr. Dahilig; with no objections, motion carried with 6 ayes.

4. Manager's Report No. 17-14 - Discussion and Possible Action on Amendment No. 3 to the February 19, 2004 Water Treatment and Delivery Agreement between Grove Farm Properties, Inc./Visionary LLC and the Board of Water Supply, County of Kaua'i to Increase the Treatment and Delivery Sales Fee to \$1.90 per 1,000 gallons for the Waiahi Surface Water Treatment Plant

BACKGROUND:

Manager Saiki clarified the funding table and asked the Board to approve the increase rate of \$1.90 per 1,000 (kgal) gallons.

Existing FY 2016-17 Budget	\$1,825,000.00
Paid to Date (9/30/16)	\$384,192.52
Remaining Budget	\$1,440,807.48
Estimated Payment at New Rate (10/1/16 to 6/30/17 at 2.2 MGD)	\$1,136,960.00
1/1/16 to 9/30/16 Estimated Makeup Payment (612,842 kgals at \$0.15/kgal)	\$91,926.25
Total Estimated Payments FY 2016-17	\$1,228,886.25

There are two (2) options to accept the rate increase now. By 2019, when the Department is supposed to take over the plant, the Department would be even or could decline it and negotiate over the remaining payment (\$2M to \$3M range).

DISCUSSION:

Manager Saiki commented when the Department takes over the plant, the payment is ascertainable. The effective date of the table is January 1, 2016 (retroactive).

Mr. Dill asked if there was any language in the agreement with Grove Farm or if there are any adjustments on the rate to be made? Is this a request by either party? What brought this up? Did Grove Farm request this? Manager Saiki said there was an amendment about 2 to 3 years ago and the rate was based on the Department receiving 3M gallons a day. The Department attempted to do 3M but could not (demand for the system is 2.2M gallons.) Grove Farm came back to the Department with a request.

Option 1 Pro stated: "The DOW can eliminate the rate of return owed to Grove Farm at the end of the agreement period." At the end of the agreement period would be to accept the facility or Grove Farm keeps it; the DOW would have to negotiate a new rate. "It is estimated that without a rate change the monies owned to Grove Farm in 2019 will be approximately \$3M" at the current rate.

If the Department doesn't do a rate change, Grove Farm would not get the rate of return at the end of the agreement period, and the Department would pay more at the end of the agreement period. This is based on their cost and rate of return that is based on projected flow.

Mr. Dahilig suggested the Board get a full briefing and with the full contract on this agenda item in an Executive Session before making a decision.

Mr. Dahilig moved to *defer* to the December meeting to allow discussion in **Executive Session** and to review the current MOA contract with Grove Farm on Manager's Report No. 17-14 - Discussion and Possible Action on Amendment No. 3 to the February 19, 2004 Water Treatment and Delivery Agreement between Grove Farm Properties, Inc./Visionary LLC and the Board of Water Supply, County of Kaua'i to Increase the Treatment and Delivery Sales Fee to \$1.90 per 1,000 gallons for the Waiahi Surface Water Treatment Plant; seconded by Mr. Shiraiishi; with no objections, motion carried with 6 ayes.

H. NEW BUSINESS

1. Manager's Report No. 17-15 – Discussion and Possible Action on a Capital Expenditure for the Removal and Replacement of the Air Conditioning System in the Department of Water's Second Floor, Microlab building in the amount of \$18,058.00

BACKGROUND:

Manager Saiki recommended approval of Option 1 and to fund appropriation for the subject Microlab Building Second Floor air conditioning replacement in the amount of \$18,058.

Mr. Tabata moved to approve Capital Expenditure for the Removal and Replacement of the Air Conditioning System in the Department of Water's Second Floor, Microlab building in the amount of \$18,058.00; seconded by Mr. Dill; with no objections, motion carried with 6 ayes.

2. Manager's Report No. 17-16 – Discussion and Possible Action on the transfer of funding from the Operation Budget to the Capital Budget for the 1st Amendment to Contract No. 593 to Esaki Surveying and Mapping, Inc., for as-needed surveying and mapping in the amount of \$21,000.00

BACKGROUND:

Mr. Aoki recommended that the Board approve the transfer of funds from the *Operation Budget* (account 10-20-10-540-010) to the *Capital Budget* (account 10-20-00-604-159) and expenditure of these funds for Job No. 17-07 Maalo Road Easement, Contract No. 593 (Project Assignment #3) with Esaki Surveying and Mapping, Inc.

DISCUSSION:

Waterworks Controller Ms. Yano explained that when the Department spends more than \$10,000, the Department needs to get Board approval (as referenced in Board Policy No. 3). The \$10,000 was approved at the last meeting. The \$21,000 is for the easement work. The Department does have an "as needed" contract with Esaki.

Correction will be made on the spelling in the funding chart for “Maalo” Road not “Moloa'a” Road (See 3rd line of chart).

Mr. Dill moved to approve Manager's Report No. 17-16 – Discussion and Possible Action on the transfer of funding *from the Operation Budget to the Capital Budget* for the 1st Amendment to Contract No. 593 to Esaki Surveying and Mapping, Inc., for as-needed surveying and mapping in the amount of \$21,000.00; seconded by Mr. Tabata; with no objections, motion carried with 6 ayes.

3. Manager's Report No. 17-17 - Discussion and Receipt of the Department of Water's Financial Statement and KMH LLP's Independent Auditor's Report for FY2015-2016

BACKGROUND:

The draft agenda for the Financial statements as of June 20, 2016 and 2015 and the Independent Auditor's Report was distributed to the Board members and Received for the Record. Mr. James Nakayama went over the draft, results and main points on the Auditor's Report for FY 2016 and highlighted the following:

- Page 11 – Net Position is \$8M increase.
- Page 101 - \$30M liquid on hand.
- Page 126 – No findings this year; a single audit was not needed for FY 2016.
- Agenda Item III –
 - a) GASBS 82 - was adopted.
 - b) Audit adjustments – None.
 - c) Uncorrected misstatements – None.
 - d) Disagreement or significant issues discussed with management – None.
- 3) Significant difficulties encountered in performing the audit – None.

Mr. Nakayama appreciated the staff who got the audit done.

Mr. Shiraishi moved to receive Manager's Report No. 17-17 - Discussion and Receipt of the Department of Water's Financial Statement and KMH LLP's Independent Auditor's Report for FY2015-2016; seconded by Mr. Tabata; with no objections; motion carried with 6 ayes.

At 11:04 a.m. Mr. Dahilig exited the meeting.

I. STAFF REPORTS
MONTHLY

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

BACKGROUND:

Waterworks Controller Ms. Yano added an additional report Year-to-Date Statement of Net Position for comparison (Page 143-144) as requested from the October Board meeting.

Mr. Shiraishi moved to receive the Kaua'i County Water Department's Statement of Revenues and Expenditures, b) October Monthly Summary Budget; seconded by Mr. Tabata; 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. Tamaoka highlighted:

1. Mr. Tamaoka attended the HWWA Conference on Maui and presented Project Wet. Interested individuals from the Honolulu Board of Water Supply and State Department of Health will receive training on November 30th.

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

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

Mr. Shiraishi moved to receive the Chief of Operation's Summary Report on Operational Activities; seconded by Mr. Dill; 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

BACKGROUND:

Manager Saiki provided the following highlights:

1. CONTRACTS AWARDED/EXTENTIONS/AMENDMENTS:
Item (2) – Corrected from the previous Manager's Update. The Esaki Surveying change was from the Operating Budget to the Capital Budget
Item (3) – Correction in accounting change was from the Water Utility General Fund.
2. RECRUITMENT AND POSITION ACTIONS: The Deputy Manager's position was posted and will close on January 17, 2017. The Department has applicants.

Manager Saiki gave an update regarding the Lihu'e area brown water incident this past week. He was not sure how it happened but because of the surface water plant was down for a time and with the pressure changes when the tanks fill, it stirred up the system.

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

- a. Report of the BAB pay down as of October 2016

Ms. Tokioka moved to receive the Report of the BAB pay down as of October 2016; seconded by Mr. Tabata; with no objections, motion carried with 5 ayes.

K. TOPICS FOR NEXT WATER BOARD MEETING (December 2016)

1. Manager's Report 16-38 – Discussion and Possible Action on the Proposed Rule Amendments to Part 5, Facilities Reserve Charge Section III, Applicability relating to Multi-Family Dwelling Units
2. Discussion and Possible Action on a Right of Entry Agreement for a portion of the Department of Water's Koloa 1.0 MG Tank site, TMK: (4) 2 7-003:008, Lot 426, Affecting the following:
 - a. Kauai Island Utility Cooperative (KIUC), TMK: (4) 2-7-003:008, Koloa, Kaua'i, Hawai'i
3. Mahalo and Aloha Board Member, Clyde Nakaya

At 11:13 a.m., Mr. Dahilig re-entered the meeting.

L. TOPICS FOR FUTURE WATER BOARD MEETINGS

1. Discussion and Possible Action on Financial Management Planning and Water Rate Analysis for the Department of Water, an update by Raftelis Financial *(February 2017)*
2. Employees of the Year Resolution *(February 2017)*
3. Draft Budget for Fiscal Year 2017-2018 *(March 2017)*
 - a. Fiscal Year 2017 - 2018 – Draft Operating Budget
 - b. Fiscal Year 2017 - 2018 – Draft Capital Outlay Budget
4. Discussion and Possible Action on Board Policy regarding Proposed Delegation of a Meter Restriction
5. Workshop presentation regarding the Long Range Plan of the Department of Water's former Administration Building
6. Discussion and Possible Action on Proposed Board Policy for Delegating Routine Actions from the Water Board to the Department of Water's Manager and Chief Engineer regarding Right of Entry

M. UPCOMING EVENTS

1. Department of Water's Annual Meeting *(December 16, 2016)*
2. HWWA & HWEA Pacific Water Conference, Honolulu, HI *(February 14 – 16, 2017)*
3. AWWA Annual Conference, Philadelphia, PA *(June 11 - 15, 2017)*

N. NEXT WATER BOARD MEETING

1. Friday, December 23, 2016, 10:00 a.m.
2. Friday, January 27, 2017, 10:00 a.m.
3. Friday, February 24, 2017, 10:00 a.m.
4. Friday, March 24, 2017, 10:00 a.m.

At 11:16 a.m. Chair Ho recessed the Regular meeting before going into Executive Session.

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 Hawai'i Revised Statutes §92-4 and §92-5 (a) (2) and (4), the purpose of this Executive Session is for the Commission to evaluate the performance of the Manager and Chief Engineer, where consideration of matters affecting privacy will be involved; provided that if the individual concerned requests an open meeting, an open meeting shall be held, and to consult with its attorney on issues pertaining to the Board's powers, duties, privileges, immunities, and/or liabilities as they may relate to this agenda item

- a. Annual Evaluation of the Department of Water's Manager and Chief Engineer for Fiscal Year 2015-2016

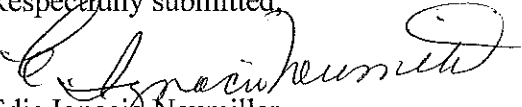
Added for the January Board Meeting – Executive Session:

2. Manager's Report No. 17-14 - Discussion and Possible Action on Amendment No. 3 to the February 19, 2004 Water Treatment and Delivery Agreement between Grove Farm Properties, Inc./Visionary LLC and the Board of Water Supply, County of Kaua'i to Increase the Treatment and Delivery Sales Fee to \$1.90 per 1,000 gallons for the Waiahi Surface Water Treatment Plant *(Deferred to Executive Session – December 2016)*

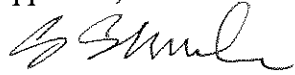
O. ADJOURNMENT

The Regular Meeting was adjourned at 11:52 a.m. after Executive Session, with no objections.

Respectfully submitted,


Edie Ignacio Neumiller
Commission Support Clerk

Approved,


Sherman Shiraishi
Secretary – Board of Water Supply