

MEETING MINUTES
BOARD OF WATER SUPPLY
Wednesday, November 22, 2017

The Board of Water Supply, County of Kaua'i, met in regular meeting at the Board Conference Room in Līhu'e on Wednesday, November 22, 2017. Chair Sherman Shiraishi called the meeting to order at 8:04 a.m. The following Board members were present:

BOARD: Mr. Sherman Shiraishi, *Chair*
Ms. Laurie Ho
Mr. Lyle Tabata
Mr. Thomas Canute
Ms. Beth Tokioka
Mr. Michael Dahilig (*entered meeting at 8:06 a.m.*)
Mr. Lawrence Dill (*entered meeting at 8:06 a.m.*)

Quorum was achieved with 5 members present at Roll Call.

STAFF: Mr. Kirk Saiki Ms. Marites Yano
Mr. Valentino Reyna Ms. Sandi Nadatani-Mendez
Mr. Edward Doi Mr. Keith Aoki
Mr. Michael Hinazumi Ms. Jonell Kaohelaulii
Mr. Dustin Moises Mr. Ryan Smith
Mr. Carl Arume Ms. MJ Akuna
Ms. Fay Tateishi Ms. Anne Parrott
Deputy County Attorney Mahealani Krafft Mr. Chris Nakamura

GUEST(s) Mr. Hall Parrott, Private Citizen
Mr. Dennis Esaki, Esaki Surveying & Mapping
Mrs. Margaret Phillips, Phillips Living Trust
Mr. Jack Phillips, Phillips Living Trust
Mr. Fred Atkins, Private Citizen
Mr. Donn Nakamura, Accuity, LLP
Mr. Matthew Oda, Accuity, LLP
Mr. Clyde T. Kodani, Kodani & Associates
Ms. Tracy Tonaki, Vice President, D. R. Horton
Mr. David Hamby, Davis Hamby Design
Ms. Maren Arimendez
Mr. M. Harismendy
Ms. Shawn Shimabukuro, Grove Farm Company
Mr. Todd Ozaki, Grove Farm Company
Mr. Christopher Blair, Hotel Coral Reef
Ms. Ida Gatasova, Private Citizen

C. ACCEPTANCE OF AGENDA

Mr. Canute moved to rearrange the Agenda to move up Consent Calendar Item H., Old Business Manager's Report No. 18-72, Item G, No. 1 and New Business Legal Document 18-01, Item I, No. 5; seconded by Ms. Tokioka; with no objections, motion carried with 5 ayes.

H. CONSENT CALENDAR

1. Manager's Report No. 18 – 75 - Discussion and Possible Action on the Amendment to Grant of Easement for Offsite Roadway Improvements for Hokulei Village: Phase I and Phase II, Lihue, Kaua'i, Affecting the Following Landowner:
 - a. Hokulei Village, LLC affecting TMK(s): (4) 3-3-003:046 (por.)

Mr. Dahilig moved to approve Manager's Report No. 18 – 75 - Discussion and Possible Action on the Amendment to Grant of Easement for Offsite Roadway Improvements for Hokulei Village: Phase I and Phase II, Lihue, Kaua'i, Affecting the Following Landowner: a. Hokulei Village, LLC affecting TMK(s): (4) 3-3-003:046 (por.); seconded by Mr. Tabata; with no objections; motion carried with 7 ayes.

2. Manager's Report No. 18 – 76 - Discussion and Possible Action on the Conveyance of Water Facility from D. R. Horton, Schuler Homes, LLC., for the Hooluana at Kohea Loa (S-2006-24) Offsite Plans Project, TMK: (4) 3-7-003:020, Hanamaulu, Kaua'i, Hawai'i

Mr. Clyde Kodani, Kodani and Associates provided his testimony.

Mr. Kodani thanked the staff for assisting with this matter. Mr. Kodani did not see a Conveyance for Water Facility on the Kalepa Check Valve. Manager Saiki responded and said the Manager's Reports on Conveyances less than \$500,000.00 are not needed. Construction Management Officer Mr. Moises commented to refer to the Manager's Monthly Update (page 278 in the packet).

The main reason D. R. Horton was present was to ask the Department when the meters would be installed and if there needs to be a waiver to get the meters in sooner. Manager Saiki said the Department will work with Fiscal and Operations.

Chair Shiraishi recognized a Point of Order from Deputy County Attorney (DCA) Kraft that Mr. Kodani would have to work this matter out administratively.

Ms. Tracy Tonaki, Vice President, D. R. Horton provider her testimony.

Ms. Tonaki thanked all departments in getting Hanamā'ulu's subdivision at Kohea Loa. Thirty homes has been sold; 32 homes under construction with the first home to be completed mid-December. She hopes to get water meters to close escrow and for get people moved in by Christmas.

Mr. Dahilig moved to approve Manager's Report No. 18 – 76 - Discussion and Possible Action on the Conveyance of Water Facility from D. R. Horton, Schuler Homes, LLC., for the Hooluana at Kohea Loa (S-2006-24) Offsite Plans Project, TMK: (4) 3-7-003:020, Hanamaulu, Kaua'i, Hawai'i; seconded by Mr. Tabata, with no objections; motion carried with 7 ayes.

3. Manager's Report No. 18 – 77 - Discussion and Possible Action on the Conveyance of Water Facility from D.R. Horton, Schuler Homes, LLC., for the Hooluana at Kohea Loa (S-2006-24) Onsite Plans Project, TMK: (4) 3-7-003:020, Hanamaulu, Kaua'i, Hawai'i

Mr. Dahilig moved to approve Manager's Report No. 18 – 77 - Discussion and Possible Action on the Conveyance of Water Facility from D.R. Horton, Schuler Homes, LLC., for the Hooluana at Kohea Loa (S-2006-24) Onsite Plans Project, TMK: (4) 3-7-003:020, Hanamaulu, Kaua'i, Hawai'i; seconded by Mr. Tabata, with no objections; motion carried with 7 ayes.

4. Manager's Report No. 18 – 78 - Discussion and Possible Action on the Grant of Easement for Hooluana at Kohea Loa Kalepa Tank Control Valve Replacement, Hanamaulu, Lihue, Kauai, Affecting the Following Landowner:

- a. Grove Farm Company, Incorporated affecting TMK(s): (4) 3-8-002:001

Mr. Dahilig moved to approve Manager's Report No. 18 – 78 - Discussion and Possible Action on the Grant of Easement for Hooluana at Kohea Loa Kalepa Tank Control Valve Replacement, Hanamaulu, Lihue, Kauai, Affecting the Following Landowner: a. Grove Farm Company, Incorporated affecting TMK(s): (4) 3-8-002:001; seconded by Mr. Tabata; with no objections; motion carried with 7 ayes.

5. Manager's Report No. 18-79 – Discussion and Possible Action on the Grant of Easement for the Construction Plans for Guardian Storage Facility Kalapaki, Lihue, Kauai, Hawaii Affecting the Following Landowner:
 - a. Island Self Storage, LLC dba Guardian Self Storage affecting TMK: (4) 3-2-005:009

Mr. Dahilig moved to approve Manager's Report No. 18-79 – Discussion and Possible Action on the Grant of Easement for the Construction Plans for Guardian Storage Facility Kalapaki, Lihue, Kauai, Hawaii Affecting the Following Landowner: a. Island Self Storage, LLC dba Guardian Self Storage affecting TMK: (4) 3-2-005:009; seconded by Mr. Tabata; with no objections; motion carried with 7 ayes.

G. OLD BUSINESS

1. Manager's Report No. 18-72 – Discussion and Possible Action on the Denial of Mr. Dennis Esaki's request to Waive the Department of Water's requirement's for Subdivision S-2017-12, Jack Phillips, TMK: 2-3-7:01, 02 & 03, Kalāheo, Kauai, Hawaii

BACKGROUND:

Manager Saiki recommended denial of Mr. Dennis Esaki's request to Waive the Department of Water's requirement's for Subdivision S-2017-12, Jack Phillips, TMK: 2-3-7:01, 02 & 03, Kalāheo.

DISCUSSION:

DCA Krafft stated the waiver indemnification and duty to defend documents were provided to the Board members before the Board meeting and were approved by the land owners. Chair Shiraishi commented that the legal document was well written and thanked DCA Krafft. The document protects the Board and in great detail in her research to set forth the facts and circumstances in which the Board can justify the waiver of the Department's recommendation.

Chair Shiraishi mentioned to not adopt the Manager's recommendation.

Ms. Tokioka thanked DCA Krafft's work of the legal document and that everyone was patient in coming to an agreed conclusion. Chair Shiraishi said the document crystalized what the issues were, notwithstanding County Attorney Mauna Kea Trask's presentation at a previous meeting.

Mrs. Margaret Phillips, Phillips Living Trust provided her testimony.

Mrs. Phillips thanked DCA Krafft on behalf of the owners in working with her the past three weeks. DCA Krafft was gracious in clarifying the language and hopes to move forward in the spirit of cooperation.

The Certificate of Completion (COC) that was reported in the Manager's Report from the October 27th Board meeting, stated the Manager was waiting for the COC for the 1,000 feet of 8 inch water line that was installed in 2003–2004. This took her by surprise and after the October 27th Board meeting, Mrs. Phillips and her husband searched their documents. The documents required for the COC had been completed and submitted to the Department on November 9, 2004 after earlier versions were corrected and reviewed. Following the last submission, the Department installed the five water meters they requested.

Mrs. Phillips is working with Construction Management Officer, Dustin Moises and Mr. Dennis Esaki and his team to resubmit the COC documents and that the COC is not a pre-requisite on the vote today. This has already been built into the waiver agreement.

On behalf of all of the owners of the Ihu Road properties, Mrs. Phillips requests that the Board accept the waiver agreement and agree to waive the Department's requirement for the extra 1,300 feet 8 inch pipe.

Mr. Dahilig asked DCA Krafft if she was comfortable to respond to Mrs. Phillips testimony to move forward or do we need go to into Executive Session?

DCA Krafft mentioned the COC is separate from the waiver. The waiver is solely for the 1,300 foot line requirement of the Department. The 1,300 foot line and COC was all part of the subdivision. The 1,300 foot line is out via the waiver but the COC is a requirement for the subdivision.

Mr. Dahilig moved to receive Manager's Report No. 18-72 – Discussion and Possible Action on the Denial of Mr. Dennis Esaki's request to Waive the Department of Water's requirement's for Subdivision S-2017-12, Jack Phillips, TMK: 2-3-7:01, 02 & 03, Kalāheo, Kaua'i, Hawai'i; seconded by Mr. Dill; with no objections; motion carried with 7 ayes.

I. NEW BUSINESS

5. Legal Document 18-01 - Discussion and Possible Action on the Waiver of Subdivision Requirements Agreement for Subdivision Application S-2017-12, Jack Phillips et al., TMK: 2-3-7: 01, 02 & 03, Kalāheo, Kaua'i, Hawai'i

Mr. Dahilig moved to approve Legal Document 18-01 - Discussion and Possible Action on the Waiver of Subdivision Requirements Agreement for Subdivision Application S-2017-12, Jack Phillips et al., TMK: 2-3-7: 01, 02 & 03, Kalāheo, Kaua'i, Hawai'i; seconded by Mr. Dill; with no objections; motion carried with 7 ayes.

D. MEETING MINUTES

Review and approval of:

Regular Board Meeting – October 27, 2017

Mr. Dahilig moved to approve the Regular Board Meeting minutes of October 27, 2017; seconded by Mr. Canute; with no objections; motion carried with 7 ayes.

Review and approval of:

Executive Session – October 27, 2017

Mr. Dahilig moved to approve the Executive Session minutes of October 27, 2017 seconded by Mr. Canute; with no objections; motion carried with 7 ayes.

E. CORRESPONDENCE/ANNOUNCEMENTS

None.

F. BOARD COMMITTEE REPORTS

Mr. Dahilig will coordinate a Rules Committee meeting on the Tenant/Landlord issues.

I. NEW BUSINESS (cont'd)

1. Manager's Report No. 18-80 – Discussion and Receipt of the Department of Water's Draft Audit Financial Statements and Independent Auditor's Report by Accuity, Inc. for FY 2016-2017

BACKGROUND:

Waterworks Controller, Ms. Yano introduced Accuity, LLP consultants Mr. Donn Nakamura and Mr. Matthew Oda who presented the Department of Water's Draft Audit Financial Statements and Independent Auditor's Report for FY 2016-2017. There are open items that were received from the Employees Retirement System (ERS) yesterday which will be worked in completing the draft. The disclosures and footnotes will be updated.

Mr. Nakamura went over the Scope of Services, Management's Discussion and Analysis over the past year and the Financial Statement Highlights from the PowerPoint presentation.

Draft Financial Statement (page 11) – Change in Net Position increased by \$4.4M in FY 2017 to \$191M compared to \$10.7M increased in 2016. The smaller increase in 2017 was due to a \$3.4M decrease in contributions and \$2.3M increase in operating expenses was related to salaries and wages and employee benefits compared to FY 2016.

Statements of Cash Flows (pages 12 & 13) – Department cash inflows and outflows throughout the year and were reconciled to the ending cash balance for the year.

Notes to Financial Statements (page 14) – Additional information on significant areas of the financial statements.

New Accounting Pronouncement/Governmental Accounting Standards Board (GASB) Statement No. 75 (pages 17-19) – Related to post-employment benefits plans. There is a liability for Other Post-Employment Benefits (OPEB) related to pensions that will result in a larger liability on the balance sheet. This will not affect the cash flows and out flows related to payments or other post-employment plans. The GASB says there should be a greater recognition obligation on entities in the financial statement on their balance sheets. These entities hold to the employees that earned through their service period which will be effective for FY 2018. Mr. Nakamura will be working with Ms. Yano and Employer Union Health Benefits Trust Fund (EUTF) to make sure it is properly implemented.

Notes to Financial Statement (page 29-36) – Some of the narrative and highlighted information will be updated and provided to management (pages 33-35).

Report of Independent Auditors related on Internal Control of Financial Reporting (page 47 & 49) – Relates to Information Technology General Control Deficiencies (Significant Deficiency) which will be covered by Mr. Oda's presentation.

DISCUSSION:

Mr. Tabata asked what was the biggest influence on decrease cash flow (page 12-13)? Mr. Oda said it was based on the Department's investment purchases. Regarding cash flows from investing activities (page 12), it was broken down by investment purchases. There were \$51.6M fewer sales last year and \$34.6M cash inflow from liquidating compared to last year. Mr. Nakamura added the decrease was not a bad thing because it resulted in an increase in investments. The decrease was not due to an excess of expenses.

PowerPoint presentation (page 3) – The consultants are required to communicate to the Department who are in charge of governance.

Required Communications (page 4) – The tables represented on the left column are what the consultants are required to communicate; the right column are the Applications and how it affects the Department of Water (DOW). Some of the items were not applicable in the report. The consultants are required to provide the fairness of the DOW's financial statements and reported a clean or unmodified opinion on the financials. The scope and the timing of the audit was communicated in a June 2017 contract. There were no significant accounting policies or changes to County policies (which had no changes this year). GASB 75 for FY 2018 will effect the reporting of OPEB liability.

Management judgments and accounting estimates (page 5) – The right column are more difficult and subjective judgments and estimates: 1) Allowance for uncollectible receivables, 2) Revenue recognized related to unbilled accounts, 3) Depreciation and useful life of capital assets, and 4) Calculation of net pension benefits, OPEB and accrued workers' compensation liabilities. The DOW's estimates were reasonable and fair.

Audit adjustments (page 5) – Required to disclose audit adjustments and uncorrected misstatements noted during the audit. There were three adjusting journal entries and five reclassifying journal entries. Many of the entries were related to the pension and management that relied on the consultants to look to see which ones were recurring. Reclassification entries were mostly on the financials within the prior year. The consultants look at the way things were presented last year and suggested reclassifications (details on pages 9-11). During the audit there were no uncorrected misstatements; anything that was proposed, management elected to record in the financial statements.

There were no significant risks or exposures (page 6).

There were no related entity concerns.

There were no documents distributed containing the audit financials statements.

There were no disagreement with management.

There were no consultations made by management.

There were no significant accounting matters prior to the consultant's retention (page 7).

There were no difficulties encountered in performing the audit. The Manager, Ms. Yano and staff were easy to work with.

There was one internal control related to Information Technology (IT) general controls. The previous auditors did not look into IT operations possibly because of the smaller size of IT. The findings were outlined in detail in the Financial Statement Draft in the Board packet (page 49).

Mr. Tabata asked how does this affect the financial reporting? Does IT correlate to any issues with the financial statements? Mr. Oda said it does not affect their opinion but prepared to present unmodified on the financial statements. Mr. Dahilig added is the information coming to the audit accurate and can you rely on it with degree certainty. Mr. Canute asked has it added any control deficiencies as a result of the financials so far? Mr. Nakamura explained they were able to test the information in other ways. Mr. Oda said they would have to tailor their testing robustly in certain areas to mitigate any risk or concerns.

Mr. Oda referred back to the PowerPoint presentation (page 7) - There were no fraud of illegal acts. Other written communications required (page 8).

- 1) Management representation letter – Will be dated the same date when the audit report is completed,
- 2) Schedule of findings – IT and 3) Engagement letter – captured in the contract entered in June 2017.

Adjusted Journal entries (page 9-11) – noted during the audit.

Audit Plan for June 30, 2018 – Timeline (page 12) – Discussion with management to understand any key risks or areas of focus for current year (May 2018).

Planning audit approach (July 2018)

Year-end financial statement fieldwork & testing (August – September 2018)

Draft report to management (Mid-October 2018)

Issue final report (October 31, 2018 if pension allocation and OPEB valuation (implementation of GASB Statement No. 75) audits are completed by ERS and EUTF auditors in a timely manner).

Mr. Nakamura added they are the auditors of the State of Hawai'i and work closely with ERS and EUTF and their auditors.

Chair Shiraishi asked management if there is a deadline for the Board to approve the final draft of the audit to be submitted to the County? Ms. Yano provided a draft of the financial statements to the County with all the information needed and will need the final copy of the financial statements.

Mr. Dahilig said formally the final draft audit will need Board action. Chair Shiraishi was concerned about the timeline and wanted to know if a Special Meeting is required. Ms. Yano said the financial statement does not have to be approved because it is a formality to transmit the financial statements.

Mr. Nakamura commented that other agencies require the Board to approve the draft financial statements. Mr. Dahilig added last year the Board accepted the audited draft the communication as stated. The ERS would not be changed; numbers in the financial statements will not change as indicated by Mr. Nakamura.

Mr. Dahilig mentioned it would be helpful for the Department to look at the corrective action items. Chair Shiraishi requested Waterworks Information Technology Officer Mr. Jeff Mendez to be present at the December Board meeting. An IT report will be added to the December agenda on IT procedure issues. Chair Shiraishi noted the December 31st deadline and also requested to read Standard Operating Procedure 45.

Mr. Dahilig commended the Department for a clean audit this year.

Ms. Yano thanked and acknowledged two Fiscal Accountants Ms. Fay Tateishi and Ms. Anne Parrott who worked tirelessly for doing a good job with the draft financial audit.

Mr. Dahilig moved to accept the Department of Water's Draft Audit Financial Statements and Independent Auditor's Report by Accuity, Inc. for FY 2016-2017 in draft form; seconded by Mr. Canute; with no objections, motion carried with 7 ayes.

Mr. Dahilig moved to rearrange the Agenda to take up the Staff Reports after Executive Session; seconded by Ms. Tokioka; with no objections.

2. *Manager's Report No. 18-81* – Discussion and Possible Action to Begin the Construction Procurement Solicitation for Job No. 18-1, Abandon Hanamā'ulu Well No. 1 and Hanamā'ulu Well No. 2 in the amount of \$200,000.00

BACKGROUND:

Manager Saiki recommended the Board approved \$200,000.00 of new funding to abandon Hanamā'ulu Well No. 1 and Hanamā'ulu Well No. 2. These are test wells which need to be abandoned so that the Adolescent Treatment Center can be built.

DISCUSSION:

Chair Shiraishi asked why it was necessary to complete a condemnation process when the wells will be abandoned? He defined condemnation as “acquiring” property or land.

Civil Engineer Mr. Aoki explained that Hanamā'ulu Well No. 1 and No. 2 test sites were not developed. The condemnation are for other well sites for the existing pipeline running down from Hanamā'ulu Road. One of the wells is not in the condemnation area but part of the same large lot. The condemnation is a different item from the existing facilities the Department has. Chair Shiraishi asked if the condemnation is another expense? Mr. Aoki said the condemnation is a different project. Mr. Dill asked if the condemnation is related to the abandonment? Mr. Aoki explained that one of the condemnation site is where one of the wells is located and this well is not being developed by the Department. The Department is working with Grove Farm to change the site that was not part of the original condemnation which is being switched. The condemnation is for the existing facilities along Maalo Road going to the projection well sites. Hanamā'ulu Well No. 1 and No. 2 are not production wells.

Mr. Dill asked if the Department will come back to the Board for approvals of the condemnation? Mr. Aoki said the condemnation is currently working; Grove Farm does not need Board approval. This would come back to the Board to accept the Grant of Easement.

Chair Shiraishi asked if Mr. Aoki could come back with a cleaner report regarding his concern on the condemnation. Mr. Dahilig added there is not enough information on why this is coming up. He also asked for the Department to provide an explanation on the progression of the condemnation which would be helpful to the Board to act on this item. If this was an urgent matter, does the money need to be spent? Mr. Aoki said this matter affects the adolescent treatment center.

Mr. Tabata asked if the condemnation could be carved out from this report and to do it separately? The wells need to be abandoned so that there are no water properties on the adolescent treatment center property to proceed with construction.

At 9:01 a.m., Mr. Canute exited the meeting.

Chair Shiraishi was unclear of what is going to be approved; abandoning the wells or condemnation. Mr. Aoki said the land that is being acquired is not part of the property. One of the wells is part of the condemnation, but at that time the well was unknown if it was good or not.

Mr. Tabata asked if this is on the property required for the adolescent treatment center? He suggested doing one well at a time. The well dealing with the adolescent treatment center should have been abandoned previously so the work can be accomplished today.

Mr. Dahilig asked Mr. Aoki could come back to the Board in one hour to provide maps and materials to provide the Board more information.

Mr. Dahilig deferred Manager's Report No. 18-81 to the end of the meeting to allow Mr. Aoki to provide maps and condemnation information to the Board; seconded by Mr. Tabata; with no objections, motion carried with 6 ayes.

At 9:08 a.m., Mr. Canute re-entered the meeting.

3. Manager's Report No. 18-82 - Discussion and Possible Action on Water Plan 2020 Prioritization Methodology and Strategic Implementation

BACKGROUND:

Chief of Water Resources and Planning Mr. Doi gave a brief overview of Water Plan 2020 Prioritization Methodology and Strategic Implementation. Goals of Water Plan 2020 included: 1) How prioritization was accomplished, 2) Prioritization criteria, 3) Prioritization list and development of island wide improvements.

Water Plan 2020 was the latest update of the Department's long-range plan which is used as a road map to provide better service to existing and future customers. This comprehensive plan covers all water systems of the DOW. Goals included insuring reliable future water supply, caring for deteriorating and aging water systems, insuring water quality by meeting state and federal water regulations, increasing customer service, operating water system in a sustainable and financially secured manner.

1) How prioritization was accomplished - Project identification and evaluation identified the needed improvements for the island. CIP prioritization project defined and developed project utilization criteria utilized from similar water systems' CIP development. Major criteria used in prioritizing the proposed improvement project included condition assessment, actual condition of the facilities, life expectancy of the facilities, frequency of mainline breaks, age of facility, safety size of pipe to meet fire flow, and other criteria. Policy, Rules and Regulations, Water Systems Standards that identify what the Department should be providing for customer, public health and safety criteria that provides continuous domestic flow and fire suppression flows and pressures.

2) Project prioritization criteria - A large list was generated to see how to improve the water system facilities. The next phase rated each of the projects from 1 to 10 = highest, which that could be weekly breaks or health and safety. Projects are ranked, then are identified which projects were of immediate need, need to do, or can wait, etc. From this procedure, a project listing and development of island wide improvements were done. This phase included more criteria which comprised on what a useful life is remaining and what are the geographic locations of the projects. Cost and time to construct the projects includes whether there is State funding or developer contributions cost share with the Department.

The end of report included a Project Summary Report which shows the status of the projects from Water Plan 2020 initiation and status of added projects as of today.

DISCUSSION:

Mr. Tabata understood the priority of projects set. At a previous Board meeting there was discussion on the Kīlauea water tank system improvements, which had funds that were voted down by the Board. He asked when would projects be presented to the Board to show the island, and what the Department is proposing for improvements to meet all of the criteria. (Example: For this need vs. another part of the island, show how this correlates the priorities set throughout the island.) Mr. Tabata would like to see a graphic of the island on how this project is going to meet this criteria.

Chair Shiraishi mentioned when the Kīlauea wells and storage tank was discussed, he asked how the projects were prioritized related to all projects as a whole by looking at the scores in the packet. The total score on the methodology for Kīlauea Well No. 1 and No. 2 is 14. For Kīlauea Tanks No. 1 and No. 2, the total score is 16. Compared to other projects, it did not rate that high. Chair Shiraishi felt the projects were

needed in the pipeline. The concerns Mr. Tabata and Mr. Dahilig had were how the projects prioritized and other projects that have higher scores. Mr. Tabata added it could be the highest score for that system which needed to be conveyed “why.”

Mr. Dahilig was glad there was a scoring system. His concern was that it does not differentiate the funding source; funding is collected for different things. The way that the scoring system is set up is that all money is “green” but it is not. There needs to be a discipline to follow the scoring system. Some of the things before the Board are not correlating in the first place.

Civil Engineer Mr. Hinazumi clarified that Project No. WKK-02 Kīlauea Wells No. 3 and No. 4 has the highest score of 30 points (Page 197) as well as the Storage tank WKK-15. Projects in the original Water Plan 2020 were slated to go into construction in Phase I in 2001 to 2004. The prioritization of the projects were per system. Toward the end of Water Plan 2020 all projects were brought together into one comprehensive list which were scored island wide. This was partially to utilize funding differences for Capital Improvement Project funding, Capital Replacement funding and Capital Rehab funding at the time. The other considerations were not to do all of the projects in a specific system, which are shown in all of the prioritizations. All projects have moved into Phase III and toward the tail end of Water Plan 2020. Mr. Hinazumi added that all of the decisions were made by the Board and Department to divvy up the projects so there would be a distribution around the island, not just a focus in the Kīlauea area.

Ms. Tokioka asked if the projects have been re-prioritized from the original prioritization? Over the years, things may have changed. Mr. Hinazumi said the prior prioritization was updated in 2004 and 2007 which were conditional assessments. This was discussed with Operations on what their operational needs were and where they saw major breakdowns and cost factors that drove up the operational cost for the Department. The reason there were no updates since 2007, was due to the recession that caused delays. The next long range plan will take up these considerations to be reprioritized for the future. Ms. Tokioka asked if there is a plan to reprioritize in the interim? Ms. Tokioka asked if anything could be changed with unanticipated priorities? Mr. Hinazumi said currently the recommendation is projects are in design and construction which will carry the Department out the next 5 to 7 years. It will capture all of the needs currently and in line with the next long range plan. The Paua Valley Tank was rated low on the priority list because of immediate needs and rose to the top, moving into design and construction. They are looking at conditional assessments and working closely with the Operations Division.

Chair Shiraishi commented this is useful and addresses the concerns of the Board. Previously, he did not like that the Board did not act on the Kīlauea well and storage tanks based on the questions on prioritization and feels the Department needs those projects. He hoped that the Board would not use the prioritization issue to micro manage what the Department has in the pipeline and to see the project through. The Kīlauea well and storage tanks are not on the agenda but will be brought up at the next Board meeting.

A lot of the Chair’s comments were directed to some of Mr. Dahilig’s concerns which was not an issue of micro managing but a fiduciary responsibility to ensure that if the Board is obligating the County and the DOW to spend money, then the funds that are being used appropriately on what the funds are being collected for. Mr. Dahilig’s main concern was that the Kīlauea tanks were presented as a health and safety issue but was being paid by Facilities Reserve Charge (FRC) revenues. The FRC being used for this will be recouped based on the amount of potential future development and future payments made into the system. It is not the lack of trusting the Department to make an appropriate judgment on a health and safety issue. The Board would be approving a fund blend or for a particular project and should represent on what the Board is asking the rate payers and FRC payers to follow through. He has no objections to the

construction of that system. The concern is how we are paying for both projects and the amount of FRC attributed as presented based on the potential future development and future payment in the Kīlauea area. This area is not due for a large expansion and Mr. Dahilig would like to see the fund blends directly attributed to what is being presented a health and safety matter.

Manager Saiki reminded the Board four years ago, FRC was determined that the entire County was to be looked at as one benefit. The benefit of doing this is when there are smaller systems that may or may not increase, there is a need to expand the system, you can collect FRC from Līhu'e to Waimea to allow the Department to increase capacity in a smaller system.

Mr. Tabata said in general, the presentation did not have explanations that was in the Board packet. The completed jobs should not be shown on the summary. Mr. Hinazumi understood Mr. Tabata's comment and would do a better job.

Chair Shiraishi commented that the priority list is good.

Receive for the Record was *Manager's Report No. 18-82* - Discussion and Possible Action on Water Plan 2020 Prioritization Methodology and Strategic Implementation, with no action needed.

4. Election of Officers for 2018

Mr. Dahilig moved nominate Ms. Beth Tokioka as **Chair**; seconded by Mr. Canute; with no objections, motion carried with 7 ayes.

Ms. Tokioka moved to nominate Mr. Shiraishi as **Vice Chair**; seconded by Ms. Ho; with no objections, motion carried with 7 ayes.

Mr. Tabata moved to nominate Mr. Tom Canute as **Secretary**; seconded by Mr. Dill; with no objections, motion carried with 7 ayes.

Mr. Dill suggested for the future that before a Board member can graduate to the Chair position, they serve as Secretary and/or Vice Chair. The Board should try to set up a slate in the future.

Ms. Tokioka moved to go into Executive Session at 9:36 a.m. for Executive Session Item K, No. 3. and Item K, No. 2; seconded by Mr. Tabata; motion was unanimous.

K. EXECUTIVE SESSION

3. *Pursuant to Hawaii's Revised Statutes §92-4 and §92-5 (a)(4), the purpose of this Executive Session is for the Board to consult with the Board's attorney on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities as they may relate to contractual agreements concerning the Waiahi Surface Water Treatment Plant, the potential construction of the Kapaia Cane Haul Road 18 inch Main project, and required disclosures, including but not limited those required under Chapters 6E, 171, and 343, Hawaii Revised Statutes and Ka Paakai o Ka Aina v. Land Use Commission, 94 Haw. 31 (2000) as relates to those projects.*

***Ms. Shawn Shimabukuro, Grove Farm Company provided her testimony
on Executive Session Item K, No. 3.***

Ms. Shimabukuro commented that this agenda item is regarding a cost share between the Board of Water Supply and Grove Farm Company. Grove Farm is willing to assist and able to answer any questions. The

design was done by Grove Farm Company through Kodani and Associates on the plans for the 18 inch line.

Grove Farm is going through the process looking at exemptions in terms of an Environmental Assessment (EA) using government funds. Grove Farm was under the impression that an EA is required but because there are exemptions, an EA may not be required and could move forward.

Ms. Shimabukuro understood the urgency to encumber funds from the legislature before the end of June 30, 2018.

2. *Pursuant to Hawai'i Revised Statutes §92-4 and §92-5 (a) (2) and (4), the purpose of this Executive Session is for the Board 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 from December 18, 2016 to December 17, 2017

At 10:11 a.m., Mr. Dahilig exited the meeting.

A Special Meeting will be scheduled on Monday, December 4, 2017, 9:00 a.m.

At 10:53 a.m., Chair Shiraishi called the Regular Meeting back to order.

I. NEW BUSINESS (cont'd)

2. *Manager's Report No. 18-81* – Discussion and Possible Action to Begin the Construction Procurement Solicitation for Job No. 18-1, Abandon Hanamā'ulu Well No. 1 and Hanamā'ulu Well No. 2 in the amount of \$200,000.00

Presentation Slides 1, 2, & 3 were Received for the Record.

DISCUSSION:

Mr. Aoki continued his presentation by showing Resolution No. 6 on Slide 1 that started the condemnation process and was signed by the Board Chair. Slide 2 was the Stipulation Agreement and Order that came from the condemnation process. Mr. Tabata asked if the condemnation was to be able to get to this well if it was going to be a production well? Since it is not, do we need this? Mr. Aoki commented it would be for Hanamā'ulu Well No. 1.

Slide 3 is the map of the condemnation areas. Off of Maalo Road there are tank sites and two well sites. In the Stipulation Order, the landowner will be giving the Department the sites. The green line is the easement by the pipeline which goes down to the site which will be obtained through a subdivision and the easement for the pipeline, the location of the adolescent treatment center, intersection of Maalo Road and Kapaia Road. At the other side of the adolescent treatment center is Hanamā'ulu Well No. 1 that was not producing enough water. The original order was to subdivide a site by the well. The lot is not needed that was originally ordered and the site where the well is not needed. When the pipeline was installed, it was a control valve station. The original stipulation did not come for this location, it was installed at a different location that was originally planned. In Mr. Aoki's discussion with Grove Farm, the Department is trying to mutually agree that we don't need this site but eventually want to get the land rights to the control valve

station. Grove Farm is agreeable to exchange this site and instead of subdividing the site above would be to subdivide at the control valve station. The site of the control valve station is half the size more than the other site which is giving up more land (refer to map on the Slide 3). If the sites are switched and not own the site, Grove Farm does not want the well on their land and they request the Department abandon the well and at the same time abandon Hanamā'ulu Well No. 2 which is on the Grove Farm land. Mr. Aoki recommended that the Department should abandon the well. If it was a good well and developed the well site, the Department would request to have rights to the well and easement for the connecting pipeline. It is the Department's responsibility to abandon both Hanamā'ulu Well No. 1 and Hanamā'ulu Well No. 2. If the Department decides to not abandon either of the wells, go through with the stipulation and subdivide to use it for the well, they would have to address Grove Farm later.

Mr. Tabata moved to approve Manager's Report No. 18-81 to Begin the Construction Procurement Solicitation for Job No. 18-1, Abandon Hanamā'ulu Well No. 1 and Hanamā'ulu Well No. 2 in the amount of \$200,000.00, without reference to condemnation or stipulation; seconded by Mr. Dill; with no objections motion carried with 6 ayes.

J. STAFF REPORTS
MONTHLY

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

DISCUSSION:

Chair Shiraishi asked if Mr. Dill's changes were made that he requested from the last report? Waterworks Controller Ms. Yano did not make any changes. She referred to the top portion of page 246 which was a condensed summary of page 248, Monthly Budget Summary vs. Actual. Mr. Dill's request will be worked on when the Project Management (PM) software is in place and worked on by the CM Division. Ms. Yano said she is relying on the PM software to generate the information. Mr. Moises provided information on what Mr. Dill was asking for. When the annual budget is approved, Mr. Moises gives the Notice to Proceed (NTP) on January 1st. He mentioned to start the Year-to-Date Variance in January and not July 1st so that the Department is not 6 months behind based on the month of the fiscal year of the NTP. Not every project has a NTP on the 1st day of the fiscal year.

Mr. Dill requested to see the projections of expenditures of projects in the month so that there is a better chance of the budget expenses matching up. Mr. Moises added this could be done in the financial budget. It has to be programed and cannot be based on July 1st; it has to be made in different periods from the start of the year. NTP and variance is in the annual budget. Mr. Dill commented the money is spread evenly and we should actually anticipate where the expenses will occur. For a \$2M project, the Department would save \$1M between January to June or by taking \$1M divided by 6 months would be close. Mr. Dill said he was asking beyond what Mr. Moises was explaining. The same amount of money could be spent on every project on what the extra work would be on actual estimates and on how to spend the money. Mr. Moises added the BAB graph (page 281) has a percentage formula based on historical payments on projects.

Mr. Dill mentioned at Department of Transportation, they base activity and cash flow consumption on the construction schedule and what to expect to pay every month. CM has a construction schedule and line items which is a good first step.

Mr. Moises has the information needed and asked if Fiscal could program through June to be able to produce a report of what Mr. Dill needs.

Mr. Tabata asked once the funds are encumbered, you need to show the ability to pay. Cash flow is not an issue with the Department. If funds are encumbered, the project is moving because it is encumbered to produce a cash flow report.

Mr. Dill referred to line item columns Total Budget of \$25.7M on page 246 and Expensed \$12.4M. Mr. Tabata suggested that line should be called Capital Project Encumbrances. Ms. Yano explained that there is a difference between Operating Expenses and Capital Projects and would need the encumbrance method on Capital Projects that Mr. Dill is requesting. This would not tell Mr. Dill if projects are moving. Mr. Tabata added if projects are moving, it would be in the Manager's Report.

Mr. Moises referred to the Variance on page 254 - the anticipated start date would be up until October 31st to January and should now have an anticipated variance. The limiting factor is the application of the software. The PM application software pulled data but does not push for reporting. A report could be produced from the new application in Great Plains.

Mr. Dill added the report shows a monthly original budget and revised budget but it looks like it is taking 12 months to average which could be input manually to vary anticipated expenses. Information Technology Specialist Ms. Nadatani-Mendez commented that a budget amount for the whole year is divided by 12 months. If it is known when the Department is going to spend the money, it could be pushed to January of next year by divvying it up then.

Mr. Moises said if \$2M is put into a project to start in month 11, the variance on 12 months would say \$2M when looking for the actual cash flow (performance vs. expenses). For a projected expense, it would show month 11 and month 12 but would not show \$2M.

Board received – 6 members

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

BACKGROUND:

Information Specialist Mr. Kaohelaulii highlighted the Management of Project Wet Hawai'i Network – Public Relations recently completed a two-day certification workshop on the Big Island for educators to expand the network. This project was held in conjunction with the State conference and the workshop reached Lanai. Updates received from the network of facilitators from O'ahu and Moloka'i have been proactive. Project Wet will be active statewide within this fiscal year. A big request was made to do a Project Wet Make a Splash on Lāna'i in May. O'ahu has six facilitators that represent different agencies but logistically it is difficult at this time to coordinate. A smaller event this spring will be planned on Moloka'i.

Board received – 6 members

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

BACKGROUND:

Chief of Operations Mr. Reyna highlighted the following - Operation's non-CDL drivers were sent to the Department of Human Resources Driver Improvement Program classes.

DISCUSSION:

Mr. Tabata thanked Mr. Reyna for his help at Pualani Stream. Operations assisted Public Works in fixing the Department's water line due to a storm drain collapse.

Board received – 6 members

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

BACKGROUND:

Manager Saiki highlighted the following:

1. Personnel Matters - Procurement Specialist Position Description was revised and is being reviewed by DHR.
2. Customer Care & Billing (CC&B) System was updated Monday. There were minor glitches that are being fixed. The breakdown of Tier 1 and Tier 2 was not on the back of the bill; it only indicated the cost.

Board received – 6 members

- a. Report of the BAB pay down as of September 2017

Board received – 6 members

L. TOPICS FOR NEXT WATER BOARD MEETING (December 2017)

1. Information Technology (IT) Audit Action Items to be addressed.
(Refer to page 178 & 179 in Board packet for Recommendations by the Auditors.)
Department to update procedures in SOP 45.

Rules Committee meeting will be scheduled to discuss:

2. Manager's Report No. 18-65 (Update) - Discussion and Possible Action on Part 2 Rules and Regulation for Water Service Connection to address Landlord and/or Property Managers and Tenant issues
 - a. Section I – Definitions
 - b. Section III – Conservation Measures and Interruption of Water Supply
 - c. Section IV – Elevation Agreement, Pressure Controls
 - d. Section V – Application for Water Service and Service Connection

M. TOPICS FOR FUTURE WATER BOARD MEETINGS

1. 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
2. Workshop presentation regarding the Long Range Plan of the Department of Water's former Administration Building
3. Discussion and Possible Action on Utility Agreement No. 2257 between the State of Hawai'i Department of Transportation and the Board of Water Supply, County of Kaua'i for the upcoming Hanapēpē River Bridge, Kaumuali'i Highway, Route 50, HI STP SR50 (1) Project, Hanapēpē, Kaua'i Hawai'i Water System Improvements

4. Discussion and Possible Action on the Department of Water's Standard Operations Procedures as it relates to the Board of Water's Rules and Regulation
5. Department of Water Employees of the Year

N. UPCOMING EVENTS

1. Lights on Rice Street Parade (*Friday, December 1, 2017*)
2. Annual Meeting (*Friday, December 8, 2017*)
3. AWWA Conference (*Las Vegas, Nevada, June 11 – 14, 2018*)
4. Make a Splash, Project Wet (*September 20, 2018*)

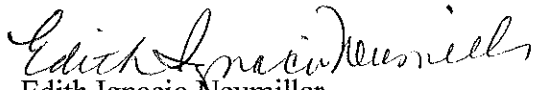
O. NEXT WATER BOARD MEETING

1. Monday, December 4, 2017, 9:00 a.m. – *Special Board Meeting*
2. Friday, December 22, 2017, 10:00 a.m.
3. Friday, January 28, 2018, 10:00 a.m.
4. Friday, February 23, 2018, 10:00 a.m.
5. Friday, March 23, 2018, 10:00 a.m.

P. ADJOURNMENT

Mr. Canute moved to adjourn the Regular Board meeting at 11:19 p.m., seconded by Ms. Ho; with no objections, motion carried with 6 ayes.

Respectfully submitted,


Edith Ignacio Neumiller
Commission Support Clerk

Approved,


Beth Tokioka
Secretary – Board of Water Supply