

REGULAR MEETING MINUTES
BOARD OF WATER SUPPLY
Thursday, October 21, 2010

The Board of Water Supply, County of Kaua'i, met in regular meeting at its office in Līhu'e on Thursday, October 21, 2010. Chairperson Randall Nishimura called the meeting to order at 10:10 a.m. On roll call, the following answered present:

BOARD: Mr. Randall Nishimura, Chairperson
Mr. Ian Costa (*was excused and left the meeting at about 11:09 a.m.*)
Mr. Dee Crowell
Mr. Donald Fujimoto
Mr. Leland Kahawai

Absent & Excused: Mr. Raymond McCormick
Mr. Roy Oyama

STAFF: Mr. David Craddick
Mr. William Eddy
Mr. Gregg Fujikawa
Mr. Keith Fujimoto
Mr. Dustin Moises
Ms. Marites Yano
Mr. Aaron Zambo
DOW Deputy County Attorney Andrea Suzuki
First Deputy County Attorney Amy Esaki

Quorum was achieved.

AGENDA:

Chair Nishimura requested to reorder the Agenda by going straight to the Finance Committee Report, and then recessing to go back into the Committee Meetings, and then back to the regular order of business. As there were no objections, the Agenda was so reordered as modified.

BOARD COMMITTEE REPORTS

Re: Report of the Finance Committee of the Kaua'i County Board of Water Supply

Chair Nishimura recused himself from voting on this item.

Re: Claims Payable

Finance Vice-Chair Kahawai reported that at the October 21, 2010 Finance Committee Meeting the Committee recommended the Claims Payables for a total of \$1,989,844.77 for approval to the full Board. Mr. Costa moved to receive the Claims Payable and place on file, seconded by Mr. D. Fujimoto; by a unanimous vote; motion was carried.

The Regular meeting was recessed at about 10:11 a.m. to return to the Committee Meetings.

The Regular meeting was reconvened at about 11:04 a.m.

MINUTES:

Mr. Kahawai moved to approve the Regular Meeting Minutes of September 16, 2010, seconded by Mr. Crowell; by a unanimous vote; motion was carried.

Chair Nishimura asked Ms. Esaki to determine if, procedurally, the Minutes should be signed by the Board Secretary, currently Mr. Kahawai, rather than the Manager and Chief Engineer.

CORRESPONDENCE / ANNOUNCEMENTS:

None.

BOARD COMMITTEE REPORTS

Re: Report of the Rules Committee of the Kaua'i County Board of Water Supply

The Rules Committee met with two items on the Agenda:

Re: Manager's Report No. 11-23 – Request Approval of Payment of Claims and Disbursement of Funds Policy 15 A

Chair Costa noted this was approved and recommended to the full Board for action.

Re: Manager's Report No. 11-24 – Committee Discussion and Possible Action on Part III Rule Amendments – Establishing Standards for Subdivision Water Systems

Chair Costa noted that this item was deferred to the next Board Meeting

Mr. Crowell moved to accept the report of the Rules Committee, seconded by Mr. Kahawai; by a unanimous vote; motion was carried.

Re: Committee of the Whole of the Kaua'i County Board of Water Supply

The Committee of the Whole met with two items on the Agenda:

Re: Manager's Report No. 11-16 – Request Board Approval for Grant Funding from the Department of Health Safe Drinking Water Branch for Develop and Initiate Implementation of a Wellhead Protection Program for the County of Kaua'i.

Chair Nishimura noted this item was deferred to the next Board Meeting

Re: Manager's Report No. 11-17 – Request Board Approval of the Proposed Revised Organizational Chart to organize for future operations

Chair Nishimura noted this item was deferred to the next Board Meeting, continuing on with Page Two.

Mr. Crowell moved to accept the report of the Committee of the Whole, seconded by Mr. Costa; by a unanimous vote; motion was carried.

OLD BUSINESS

Re: Manager's Report No. 11-20 – Budget Amendments:

a. Transfer of SRF Funded projects to BAB

RECOMMENDATION

Board approval was requested to recertify the funding for certain DOW projects from SRF loans to BAB funds in the total amount of \$3,883,607.09.

BACKGROUND

Debt service payments for the SRF loans would increase SRF payments \$320K per year above what they currently are. The subsidized debt service for the BAB would be about \$240K. This is a difference of \$80K. Reimbursement of the listed amounts has not been requested by DOW from DOH administered DWSRF. The ratio of yearly savings to yearly income \$80K/\$20,000K amounts to approximately 0.4% less revenue needed in water rates. The bond funds **must** be expended within three years. DOW cash would be conserved for future projects or delaying future rate increases but would not be subject to arbitrage payments or **reduction of federal subsidy** on bond proceeds for failure to pay out bond funds for the purposes authorized. These are the reasons I am recommending this action.

A detailed list of each project affected with relevant information is listed below.

Contract No.	Description	Amount to be Recertified	SRF Int	Loan Fee	SRF Total	TIC w/subsidy BAB Int**	Approx SRF Debt payments
491	Stable Tank	\$ 1,033,673	0.26%	3.50%	3.76%	2.60%	
492	Stable TK Ph II	\$ 277,296	0.26%	3.50%	3.76%	2.60%	
493	Stable TK Ph I	\$ 250,330	0.26%	3.50%	3.76%	2.60%	\$593,243
	sub total	\$ 1,561,299					
497	Kapilimao Tank	\$ 2,091,182	0.32%	3.50%	3.82%	2.60%	\$802,696
498	Kaumualii Hwy	\$ 231,126	0.42%	3.50%	3.92%	2.60%	\$99,839
	Total	\$ 3,883,607				\$1,972,263	\$1,495,778
	BAB pro rata share of interest	\$ 1,972,263					
	<u>SRF interest and loan</u>	\$ 1,495,778					

fee
total (\$476,485) loss

For this transaction there is a net loss of \$476,485 over twenty five years but 1.5% interest on the \$3.9 million is about \$58K per year. I do not expect we would hold on to this money for the length of time needed to make up the difference. We would probably hold it for three years.

The above listed jobs are not complete except the PH I and PH II Stable Tank pipelines.

** To arrive at the BAB interest cost for the SRF projects I took $\$3883607/\$60000000=6.472678\%$ of the total BAB interest minus the subsidy $\$30,470579 = \$1,972,263$ This would include issuance costs. This same percentage is used to arrive at the BAB interest related debt service payments above.

The reason the cost is higher for the BAB even though it has the lower interest rate is because the BAB has deferred principal and a longer pay off time (same issue with fifteen year and thirty year mortgage) and on first review does not appear beneficial. The unknown or risk part of this action is the effect of subsidy reduction if we do not spend down the bond proceeds in the required time. However, when we look at the debt service payments noted above we see a different financial view point which you may appreciate.

DISCUSSION

Manager Craddick noted that the County is in the process of hiring a tax consultant. If nothing happens to the subsidy except the arbitrage he does not believe this is a good thing to do. He understands that the arbitrage is the only thing we need to worry about. Manager Craddick wondered if the Board wanted to wait until the tax consultant comes on board, which may be prudent.

Upon query from Chair Nishimura, Ms. Yano noted that in the budget that was approved these contracts were already transferred to the BAB. Manager Craddick stated that we have already paid them out of the General Fund so we can either reimburse ourselves with BAB funds or make a payment request to SRF.

Chair Nishimura asked if there was a 90 day limitation. Manager Craddick noted it is 60 days and none of these funds are 60 days prior to the bond issue, all were paid off since the bond was issued.

Ms. Esaki noted the consultant contract is finalized and they are in the process of having the contract certified for the funds. It should be going out for signature within the next week or two. Manager Craddick noted it will be \$15,000 for this year and then some continuing expense. Ms Esaki noted the total is \$30,000 but DOW would be paying half. Manager Craddick noted that in the budget there are "unnamed contracts" and this is where the funds would come from. Manager Craddick noted that this would be a Memorandum of Understanding with the County.

Chair Nishimura asked if items 493, 497 and 498 are BAB items. Manager Craddick reported that we are asking to shift the funding sources. Ms. Yano noted the unpaid amounts were transferred to BAB in the budget that was approved.

Manager Craddick felt we should listen to what the tax consultant has to say and make sure there are no penalties if we don't spend the money down.

Upon query from Chair Nishimura if the budget can be amended if already adopted, Ms. Esaki confirmed that this was possible.

Mr. Crowell moved to defer this item to the next Board Meeting, seconded by Mr. D. Fujimoto; by a unanimous vote; motion was carried.

Re: Manager's Report No. 11-10 - Request Board Approval to Concur with Mayor Carvalho's "Consortium for Kaua'i's Sustainable Regional General Plan"

RECOMMENDATION

It was recommended that the Board approve DOW participation in the Administration's effort to form a Consortium for Kaua'i's Sustainable Regional General Plan.

BACKGROUND

The County intends to pursue the HUD/DOT/EPA Sustainable Communities Regional Planning Grant by forming a group of stake holders in the process.

We believe we are an important cog in the wheel. This group should be able to take advantage of the Kaua'i community collective desire for sustainable development by building the necessary partnerships among Kaua'i's governmental agencies, organizations, service providers and non-profit organizations that will be needed to implement a sustainable vision over the long term.

DISCUSSION

Manager Craddick noted that the County has already submitted the grant request, and Mr. D. Fujimoto commented that he thought the grant had been approved, and asked if the Board would like to participate in this. Mr. Crowell wondered what "participate" meant. Mr. D. Fujimoto reported that it is not only the DOW, but also KIUC and other private entities, and asked if the DOW is supporting the Mayor's projects.

Chair Nishimura's primary concern is that the General Plan shows that Moloa'a is where the growth is in the next 20 years and we do not have enough water in that area, so does that by participating in the plan mean that we have to do the development for the water. Mr. Crowell wondered if the DOW was willing to fully participate and not just attend meetings, especially to look at growth where the County wants it versus where a developer wants it.

Manager Craddick noted the 2020 Plan has many scenarios but the level of participation may be more or less than we expect. It is a good time while we are doing the Water Use and Development Plan to tie into this.

Mr. Crowell stressed that if we are increasing the water rates and FRCs if someone comes in for a water meter, then that meter should be available.

Mr. D. Fujimoto felt this would be a good opportunity to get feedback; we should be part of it but not bend over backwards, and not one-sided coming from the County to us. We should share information and make it a unilateral type of agreement.

Manager Craddick wanted to inform the Board that he was not sure of the money involved to spend our time doing this.

Mr. D. Fujimoto asked if we have to fund everything ourselves and not benefit from the grant. Manager Craddick reported that Planning said that they are using this grant to hire a consultant. Mr. D. Fujimoto stated the consultant would be able to provide information that we could not provide. Manager Craddick stated that this is the Board's decision. Mr. Crowell did not want the DOW to be half-way through and look at the process and then quit.

Mr. Crowell gave an example of Līhu'e, which is under-utilized, and people cannot even get a water meter in Līhu'e.

Chair Nishimura felt that if we do this, we need to go all the way. For the staff it may be more work for the department and redirect our efforts; it is difficult to back out once you are in. Mr. D. Fujimoto stated that they are hiring a consultant for the plan with our input and assistance. Chair Nishimura had more concerns about the results of the Plan but Mr. D. Fujimoto felt that if we do not have a say, it would be worse.

Upon query, Mr. Fujikawa had no comment.

With no further discussion, Mr. Crowell moved to approve DOWs participation to join Mayor Carvalho's "Consortium for Kaua'i's Sustainable Regional General Plan", seconded by Mr. Kahawai; by a unanimous vote; motion was carried.

NEW BUSINESS

Re: Manager's Report No. 11-27 – Request Board Approval of the following documents from the following applicants for their respective projects:

- 1. Conveyance of Water Facility from Kukuiula Development Company (Hawaii), LLC, a Hawaii limited liability company for the CC/FF Subdivision (S-2009-3), TMK: (4) 2-6-015:013 (por), Koloa, Kauai, Hawaii**

It was recommended that the Conveyance of Water Facility document be approved; whereby, Kukuiula Development Company (Hawaii), LLC, a Hawaii limited liability company, transfer unto the Board of Water Supply, County of Kauai, all of its right, title and interest to:

Waterline:

- 1,715 lineal feet of 12" Ductile Iron Waterline
- 192 lineal feet of 8" Ductile Iron Waterline
- 98 lineal feet of 6" Ductile Iron Waterline
- 8 each 12" Gate Valve including C.I. valve box & cover
- 4 each 8" Gate Valve including C.I. valve box & cover
- 6 each 6" Gate Valve including C.I. valve box & cover
- 5 each Fire Hydrant Assembly w/ 1 - 4 1/2" & 1 - 2 1/2" outlet
- 4 each 2.5" Cleanout
- 1 each 4" Cleanout
- 1 each 6" Blow-off Valve Assembly

- 10 each 1-inch Copper Single Service Lateral for 5/8-inch Water Meter
- 3 each 1-1/2 inch Copper Double Service Lateral for 5/8-inch Water Meter

in place complete, for the CC/FF Subdivision (S-2009-3), TMK: (4) 2-6-015:013 (por), Koloa, Kauai, Hawaii.

Mr. D. Fujimoto moved to approve the Conveyance of Water Facility from Kukuiula Development Company (Hawaii), LLC, for the CC/FF Subdivision (S-2009-3), TMK: (4) 2-6-015:013 (por), Koloa, Kauai, seconded by Mr. Kahawai; by a unanimous vote; motion was carried.

2. Grant of Easements W-1 and W-2 from Kukuiula Development Company (Hawaii), LLC, a Hawaii limited liability company for the CC/FF Subdivision (S-2009-3), TMK: (4) 2-6-015:013 (por), Koloa, Kauai, Hawaii

It was recommended that the Board approve the Grant of Easement document whereby, Kukuiula Development Company (Hawaii), LLC, a Hawaii limited liability company, grant to the Board of Water Supply, County of Kauai, perpetual easements, W-1 and W-2, on, over and under that certain parcel of land located in TMK: (4) 2-6-15:013, Koloa, Kauai, Hawaii, for the reading of water meters and for the construction, installation, re-installation, maintenance, repair and removal of potable water pipelines and related meters, valves, and other associated waterworks facilities improvements and appurtenances, together with the right of ingress and egress at any time to and from the said easement area with or without vehicles or other equipment as the Department of Water shall deem necessary for the proper operation of its water system for the construction plans for "CC/FF Subdivisions S-2009-3", TMK: (4) 2-6-015:013 (por.), Koloa, Kauai, Hawaii.

Further, Board approval was specifically requested of the indemnification provision in this agreement, wherein the Board agrees to indemnify and hold harmless the Grantee from property damage and injuries to person (including death), when such damages and injuries are caused by the Department's negligence while using the area.

Mr. D. Fujimoto moved to approve the Grant of Easements W-1 and W-2 from Kukuiula Development Company, for the CC/FF Subdivision (S-2009-3), TMK: (4) 2-6-015:013 (por), Koloa, Kaua'i, including its indemnification provision, seconded by Mr. Kahawai; by a unanimous vote; motion was carried.

3. Conveyance of Water Facility from Lokelani Makai Property LLC, a Hawaii limited liability company for the "2nd Water Meter Plan Serving Lots 28-A and 28-B", TMK: (4) 4-4-05: 039, Lot 28-B, Unit 2, Kapaa, Kauai, Hawaii

It was recommended that the Conveyance of Water Facility document be approved; whereby, Lokelani Makai Property LLC, a Hawaii limited liability company, transfer unto the Board of Water Supply, County of Kauai, all of its right, title and interest to:

- 1 each 1-inch Copper Single Service Lateral for 5/8-inch Water Meter

in place complete, for TMK: (4) 4-4-05: 039, Lot 28-B, Unit 2, Kapaa, Kauai, Hawaii.

Manager Craddick noted the client for the project has not signed the COWF as they are not on island. Ms. Esaki noted that the normal procedure is for the COWF to be signed by the client prior to coming to the Board. A proviso could be added that the client would need to sign the document prior to the posting of the next Board Meeting Agenda.

Mr. D. Fujimoto moved to approve the Conveyance of Water Facility from Lokelani Makai Property LLC, for the "2nd Water Meter Plan Serving Lots 28-A and 28-B", TMK: (4) 4-4-05: 039, Lot 28-B, Unit 2, Kapaa, Kauai, with the contingency that the client sign the Conveyance of Water Facility documents prior to the posting of the next Board Meeting Agenda, seconded by Mr. Kahawai; by a unanimous vote; motion was carried.

4. Conveyance of Water Facility from Lokelani Mauka LLC, a Hawaii limited liability company for the "2nd Water Meter Plan Serving Lots 28-A and 28-B", TMK: (4) 4-4-05: 128, Lot 28-A, Unit 2, Kapaa, Kauai, Hawaii

It was recommended that the Conveyance of Water Facility document be approved; whereby, Lokelani Mauka LLC, a Hawaii limited liability company, transfer unto the Board of Water Supply, County of Kauai, all of its right, title and interest to:

1 each 1-inch Copper Single Service Lateral for 5/8-inch Water Meter

in place complete, for TMK: (4) 4-4-05: 128, Lot 28-A, Unit 2, Kapaa, Kauai, Hawaii.

Mr. D. Fujimoto moved to approve the Conveyance of Water Facility from Lokelani Mauka LLC, for the "2nd Water Meter Plan Serving Lots 28-A and 28-B", TMK: (4) 4-4-05: 128, Lot 28-A, Unit 2, Kapaa, Kauai, with the contingency that the client sign the Conveyance of Water Facility documents prior to the posting of the next Board Meeting Agenda, seconded by Mr. Kahawai; by a unanimous vote; motion was carried.

5. Conveyance of Water Facility from Peter F. Fisher, Trustee under that certain Declaration of Trust known as the Peter F. Fisher Trust dated April 24, 2006, and Elizabeth A. Fisher-Lavoie, Trustee under that certain Declaration of Trust known as the Elizabeth A. Fisher-Lavoie Trust dated April 24, 2006 for the "Use Permit U-2008-18, Variance Permit V-2008-6, Class IV Zoning Permit Z-IV-2008-19, Subdivision of Lot 55 (S-2010-09) For Kayak Wailua, LLC", TMK: (4) 4-1-06: 034, Kapaa, Kauai, Hawaii

It was recommended that the Conveyance of Water Facility document be approved; whereby, Peter F. Fisher, Trustee under that certain Declaration of Trust known as the Peter F. Fisher Trust dated April 24, 2006, and Elizabeth A. Fisher-Lavoie, Trustee under that certain Declaration of Trust known as the Elizabeth A. Fisher-Lavoie Trust dated April 24, 2006, transfer unto the Board of Water Supply, County of Kauai, all of its right, title and interest to:

1 each 1-inch Copper Single Service Lateral for 5/8-inch Water Meter

in place complete, for TMK: (4) 4-1-06: 034, Kapaa, Kauai, Hawaii.

Mr. D. Fujimoto moved to approve the Conveyance of Water Facility from Peter F. Fisher, Trustee under that certain Declaration of Trust known as the Peter F. Fisher Trust dated April 24, 2006, and Elizabeth A. Fisher-Lavoie, Trustee under that certain Declaration of Trust known as the Elizabeth A. Fisher-Lavoie Trust dated April 24, 2006 for the "Use Permit U-2008-18, Variance Permit V-2008-6, Class IV Zoning Permit Z-IV-2008-19, Subdivision of Lot 55 (S-2010-09) For Kayak Wailua, LLC", TMK: (4) 4-1-06: 034, Kapaa, Kauai, seconded by Mr. Kahawai; by a unanimous vote; motion was carried.

6. Conveyance of Water Facility from Kawaihau 31 Acres LLC, TMK: (4) 4-6-007:017, Kawaihau Road, Kapaa, Kauai, Hawaii.

It was recommended that the Conveyance of Water Facility document be approved; whereby Kawaihau 31 Acres LLC transfers unto the Board of Water Supply, County of Kauai, all of its right, title and interest to a 2½" copper service connection for Five (5) - 5/8" water meters, in place complete, in accordance with the as-built construction drawings for WATER INSTALLATION PLAN FOR LOT A-2, TMK: (4) 4-6-007:017, Kawaihau Road, Kapaa, Kauai, Hawaii, prepared by Wagner Engineering Services, Inc.

A Grant of Easement was not required.

Mr. D. Fujimoto moved to approve the Conveyance of Water Facility from Kawaihau 31 Acres LLC, TMK: (4) 4-6-007:017, Kawaihau Road, Kapaa, Kauai, seconded by Mr. Kahawai; by a unanimous vote; motion was carried.

Re: Manager's Report No. 11- 28 - Request Approval of FRC Changes

RECOMMENDATION:

Board approval was requested for addition of Part V Rules for the application of Facilities Reserve Charges and approval of FRC proposal from RW Beck.

FUNDING: N/A

BACKGROUND: The FRC are currently applied at the time of subdivision and from that time there is a guarantee of water whether a meter is installed in a timely fashion or not. This should not be allowed to continue as there is no way to orderly keep track of who is ready for water or not and the cost of providing the water continues to rise.

The current credit system only allows credit for facilities provided for specific projects related to the improvements. From time to time we receive state appropriations and no credit is given for the improvements.

At the same time there are certain state beneficiaries such as agricultural pursuits in places where the state does not have state operated agricultural systems and DHHL projects that could be subsidized by dollar value from some of the granted improvements if they are source, transmission or storage related.

The proposed rules deal with these issues. They do not deal with changes to current rules other than Part IV FRC schedule.

There is another observed inequity in the current and proposed rules in that there are wide ranges of water use when utilizing the current meter or as proposed fixture unit based FRC charge. We currently use system averages by meter size and that by definition means the low uses are subsidizing the high uses. With the fees needing to rise if we are to get out of the subsidy mode, I do not feel fees based on meter size are a sustainable impact fee methodology. An alternate method would be going to a FRC based on gallons which can be increased as consumption goes up. Although the R.W. Beck report develops by the gallon fees the rules do not reflect this and some rules changes to those proposed would need to be made.

DISCUSSION

Mr. D. Fujimoto moved to receive the draft Needs Assessment Study and Facility Reserve Charge Update dated August 20, 2010, for the record, seconded by Mr. Kahawai.

Manager Craddick reported that the consultant was asking if they should be available for this meeting or a separate workshop, and he suggested a separate workshop would be better.

Chair Nishimura then appointed a Standing Committee headed by Mr. Kahawai to review and work with the DOW and consultant and have recommendations from the Standing Committee. Chair Nishimura requested that Mr. Crowell and Mr. D. Fujimoto also be on the Committee. The Chair requested that the record reflect that all Board members send their questions and comments regarding the study no later than the next Agenda meeting, Wednesday, November 3. Chair Nishimura's question was what accounts for the big difference between the past FRC and the current FRC charges.

Mr. D. Fujimoto requested a presentation from the consultant prior to the Agenda meeting but Manager Craddick indicated the consultant had requested a minimum of two weeks' notice. Various date options were discussed.

Mr. D. Fujimoto moved to defer this item pending recommendations from the Standing Committee, seconded by Mr. Crowell; by a unanimous vote; motion was carried.

Re: *Manager's Report No. 11-29 - Request Board Approval for an Agreement to Allow Mr. Michael Fernandes to Continue His Volunteer Services by maintaining the Department's (inactive) Nonou 0.2 MG Tank Site, Wailua, Kaua'i*

RECOMMENDATION:

It was recommended that the Board approve the attached Agreement allowing Mr. Michael Fernandes to continue providing voluntary site maintenance of the (inactive) 0.2 MG Nonou Tank Site through the County's Adopt-A-Park Program located at Wailua Houselots, more particularly on Tax Map Key: (4) 4-1-009-019.

FUNDING:

No funding required for this action.

BACKGROUND:

Mr. Fernandes has been maintaining a portion of the Department's old Nonou Tank site located in Wailua Houselots for nearly twenty years through what he claims was an informal mutual agreement in 1998 with a former Department Water Manager. The year 2007, was when Mr. Fernandes initially expressed official interest in continuing the maintenance of the Department's old Nonou Tank Site. He was interested in keeping the Department's tank site maintained because he has the lease for the adjacent pasture lands. Mr. Fernandes has fenced the area between the old tank site and surrounding properties and has indicated that the fence would need replacement due to the age of the current fence. The Department's old Nonou Tank has not been in active use for approximately 26 years as it was replaced by the 2.0 MG Nonou Tank in 1981, but the site may be put back into service in the future.

The old Nonou Tank site was originally executive ordered to the Board of Supervisors and not the Board of Water in about 1959. Therefore, Mr. Fernandes was referred to Mr. Eddie Sarita, who administers the Hoolokahi Volunteer Program which allows citizens to volunteer with the maintenance of County properties. Mr. Sarita and Mr. Fernandes signed the County's Agreement which is attached.

Although the Board is not required to sign the agreement, maintenance of the tank site is generally left to the Department's staff and therefore Board's approval of having Mr. Fernandes continue the maintenance of the tank site is requested.

This was to request Board approval to allow Michael Fernandes to continue his volunteer services by maintaining the Department's inactive Nonou 0.2 MG Tank Site. Mr. Fernandes' current agreement which was approved by the Board at the October 15, 2009 Board Meeting expires on November 17, 2010.

Mr. D. Fujimoto moved to approve the Agreement to Allow Mr. Michael Fernandes to Continue His Volunteer Services by maintaining the Department's (inactive) Nonou 0.2 MG Tank Site, Wailua, Kaua'i, seconded by Mr. Crowell; by a unanimous vote; motion was carried.

Re: Manager's Report No. 11-30 - Job No. 05-05, PLH-30, Nawiliwili, Niumalu and Kupolo Pipeline Replacements with Belt Collins Hawaii, Nawiliwili, Kauai, Third Contract Amendment.

RECOMMENDATION:

It was recommended that the Board approve the third contract amendment for Contract No. 453 with Belt Collins Hawaii, Ltd. in the amount of \$2,680.00, for the additional design to remove the existing waterlines within the State highway right of ways.

FUNDING:

Total Fund Budgeted\$318,580.00

Contract No. 453, Belt Collins Hawaii, Ltd., Job
No. 05-05, PLH-30, Nawiliwili, Niumalu and
Kupolo
Pipeline Replacement\$255,000.00
Amendment #1\$ 63,580.00
Amendment #2<\$ 7,908.00>

Proposed Amendment #3 \$ 2,680.00

Total required\$313,352.00

Balance remaining.....\$ 5,228.00

BACKGROUND:

The projects include the design for:

Phase I

- 1,500 Linear Feet of 6-Inch Ductile Iron Pipe along Niumalu Road.
- 1,000 Linear Feet of 12-Inch Ductile Iron Pipe along Nawiliwili Road.
- 2,500 Linear Feet of 6-Inch Ductile Iron Pipe along Kahumoku Road.
- 800 Linear Feet of 12-Inch Ductile Iron Pipe along Paena Loop.
- 2,000 Linear Feet of 6-Inch Ductile Iron Pipe along Mokoiki Street.
- 500 Linear Feet of 6-Inch Ductile Iron Pipe along Luiana Street.
- 500 Linear Feet of 6-Inch Ductile Iron Pipe along Makau Street.
- 800 Linear Feet of 6-Inch Ductile Iron Pipe along Kapene Street.
- 400 Linear Feet of 6-Inch Ductile Iron Pipe and pressure reducing valve station along Uapena Street.

AMENDMENT #3:

- Provide the design plans and specs to remove the existing waterlines to be abandoned within the State highway right of ways.

The State Department of Transportation has required that the existing waterlines that are to be abandoned in their right of ways be removed after the new lines are installed.

Belt Collins has submitted a proposal of \$2,680.00 for design this work, which we feel is reasonable. We estimate that this portion of work will add approximately \$200,000 to the construction of this project or about 10% to the total estimated construction cost.

Manager Craddick noted that we could not get the State to let us leave the line in place, so we will put in a temporary service line.

Mr. D. Fujimoto moved to approve the Third Contract Amendment with Belt Collins Hawaii for Job. No. 05-05, PLH 30, Nawiliwili, Niumalu and Kupolo Pipeline Replacements, Nawiliwili, Kaua'i, seconded by Mr. Kahawai.

Manager Craddick confirmed that the funding comes from revenue. The motion was carried with three aye votes, Chair Nishimura's vote being silent.

Re: Manager's Report No. 11-31 - Job No. 94-04, Supervisory Control and Data Acquisition (SCADA) for the Department of Water Second Contract Amendment with Timberline Engineering, Inc.

RECOMMENDATION:

It was recommended that the Board approve the second contract amendment for Contract No.

343 with Timberline Engineering, Inc. to account for the actual work that was done and reconcile the balance to their contract amount.

FUNDING:

Total Fund Budgeted	\$902,052.00
Contract No. 343, Timberline Engineering, Inc., Job No. 94-04, SCADA Implementation for the Department of Water	
Department of Water	\$902,052.00
Proposed Amendment #2	<\$109,938.00>
Total required	\$792,114.00
Balance remaining	<u>\$109,938.00</u>

BACKGROUND:

The Department of Water executed a contract with Timberline Engineering, Inc. for the design of an island wide supervisory control and data acquisition (SCADA) system for the Department in June 1999. The project is still continuing, however the work for the consultant has been completed. The contract amendment is needed to reconcile the remaining balance and close their contract. Most of the balance noted is for private developers who paid a deposit for the Department to do the work required by their development.

Mr. K. Fujimoto noted that we are trying to close this contract out, so this is the final adjustment.

Mr. D. Fujimoto moved to approve the Second Contract Amendment with Timberline Engineering, Inc. for Job. No. 94-04, Supervisory Control and Data Acquisition, seconded by Mr. Crowell; by a unanimous vote; motion was carried.

Re: Job No. 05-02, H-8, HW-12, Drill and Test Hanalei Well #2, Hanalei, Kauai, Right of Entry Agreement for a portion of Tax Map Key: (4) 5-6-002 parcel 2 and 4 from Joseph N. Kobayashi, Christine Y. Kobayashi, Glenn I. Kobayashi and Nancy K. Kobayashi, Trustee of the unrecorded Nancy Katayama Kobayashi Revocable Living Trust dated October 21, 1990.

It was recommended that the Board approve the Right of Entry Agreement whereby Joseph N. Kobayashi, Christine Y. Kobayashi, Glenn I. Kobayashi and Nancy K. Kobayashi, Trustee of the unrecorded Nancy Katayama Kobayashi Revocable Living Trust dated October 21, 1990, grants to the Board of Water Supply, County of Kaua'i, a right of entry affecting a portion of tax map key: (4) 5-6-002 parcel 2 and 4 for the Department and its consultants to access and use an unimproved road to get to the proposed Hanalei Well #2 and 0.5 million gallon tank site on tax map key: (4) 5-6-002 parcel 1 owned by the State of Hawaii.

Further, Board approval was specifically requested of the indemnification provision in this agreement, wherein the Board agrees to indemnify and hold harmless the Grantor from property damage and injuries to person (including death), when such damages and injuries are caused by the Department's negligence while using the area.

Mr. D. Fujimoto moved to approve the Right of Entry Agreement for Job No. 05-02, H-8, HW-12, Drill and Test Hanalei Well #2, Hanalei, Kauai, for a portion of Tax Map Key: (4) 5-6-002 parcel 2 and 4 from Joseph N. Kobayashi, Christine Y. Kobayashi, Glenn I. Kobayashi and Nancy K. Kobayashi, Trustee of the unrecorded Nancy Katayama Kobayashi Revocable Living Trust dated October 21, 1990, specifically including its indemnification provision, seconded by Mr. Kahawai.

Mr. K. Fujimoto reported that we would probably have to condemn the road, as their conditions for us to use that road will be really expensive. We are using the site that goes past their property.

Mr. D. Fujimoto stated that, as long as we do not approve the funding based on the Right of Entry. Manager Craddick noted this is a BAB project, and this is to find out if the site is any good.

With no further discussion; by a unanimous vote; motion was carried.

Re: Manager's Report No. 11-33 - Staff recommendation on Piwai Tank - Akemama Tank Agreement

RECOMMENDATION:

Board approval of the Piwai Tank - Akemama Tank Agreement was recommended.

FUNDING:

The Relocation Charge is \$373,366.04.

BACKGROUND:

These tanks are to fulfill subdivision requirements for the Kukui'ula project.

The Piwai tank is 0.1 MG and the Akemama Tank is 0.25 MG.

DOW was going to have to pay for building the tank to meet standards but this is not required now. DOW is taking responsibility to raise the tank height at a later date in lieu of the above cost. Cost to raise the roof is estimated at \$400K and cost to conform to standard was about \$750K, plus the land for the new DOW 0.5 MG Tank will be conveyed at no cost.

Chair Nishimura asked if the Agreement is to get the land, and Manager Craddick reported it is for the tank and the land for the new tank also, plus we are not paying for the material charge from concrete to steel. Manager Craddick noted that we agreed to pay the relocation charge. Ms. Suzuki stated that Kukui'ula retains liability for the design for the control valve, while the Board retains liability for the construction of the control valve and any other method used to cure the elevation differential.

Manager Craddick stated that we will probably take the roof off and raise the wall rather than put the control valve in. We are getting the land on the next tank site at no charge. Deputy Eddy noted that we are getting the tank site and sites are hard to find and there is good access for pipelines to the site. Manager Craddick noted the control valve or roof is still a lot of money.

Mr. D. Fujimoto moved to approve the Relocation Charge of \$373,366.04 for the Piwai Tank – Akemama Tank Agreement, seconded by Mr. Crowell; by a unanimous vote; motion was carried.

Re: Manager's Report No. 11-34 - Board Discussion on the Manager and Chief Engineer being on the Board of the Hawaii Rural Water Association

RECOMMENDATION:

Board approval was requested for participating with the Hawaii Rural Water Association.

FUNDING: N/A

BACKGROUND:

This could be another funding and training option for the Department. The Hawaii Rural Water Association will be a newly formed chapter under the National Rural Water Association. Manager Craddick recently attended via conference call a workshop to finalize the by-laws and make-up of the Board of Directors of the soon to be started Hawaii Rural Water Association. He understands that the outcome of this workshop will be submitted for official adoption at the formation meeting, which will be held on December 1, 2010 in Maui.

They have requested Manager Craddick's participation on the Board of Directors to represent the Department of Water in establishing the foundation of the association. This could involve some time and Manager Craddick was requesting Board permission before volunteering. Even with Board approval unless someone nominates him he would not be on the Board.

There is a lot of duplication with AWWA Hawaii Section but the Rural Water Association seems to have a better read on the funding pulse for rural areas.

Chair Nishimura deferred this item to appear on the next meeting agenda and hearing no objections, it was so ordered.

Re: Manager's Report No. 11-35 - Request Board Approval of Upsizing of the Kaumualii Highway 16-Inch Waterline to a 24-Inch Waterline and Approximately 1,300 feet of additional 24-inch water line from the beginning of the 24-inch main by the Puhi road/Kaumualii Highway intersection (baseline sta 294+55) and Westward To the Vicinity of Baseline Station 281+50 in Conjunction with the State's Kaumualii Highway Widening, Vicinity of Anonui Street to Vicinity of Lihue Mill Bridge Project, Lihue, Kauai, Hawaii

RECOMMENDATION:

It was recommended that the Board approve a contract to PAREN INC., dba PARK ENGINEERING in the amount of \$137,270.00 to provide design services to upgrade the 16-inch and 12-inch waterlines along Kaumualii Highway, between Puhi Road and the vicinity of the Lihue Mill Bridge to 24-inches and an additional 1,300 feet of 24-inch waterline between Puhi Road and west of Anonui Street.

FUNDING:

Waterworks Build America Projects

Fund.....	\$150,000.00
Proposal from PARK ENGINEERING.....	<\$137,270.00>
Current balance.....	\$12,730.00

Background:

There is no change from the Manager's Update for July 2010 to August 2010. However, the Department is requesting Board approval of the new contract amount so it follows SOP's and audit issues cannot be raised. Board approval of the updated contract amount will help to eliminate any questions concerning the discrepancy in the updated contract amount of \$137,270.00 and the Board's approval of the original \$128,038.00 proposed contract amount.

Park Engineering is requesting an additional \$9,232.00 to complete the additional design work, just to the Kaua'i Humane Society end of the current state contract, which appears reasonable. The requested increase along with the original lump sum of \$128,038.00 will bring the total contract amount to \$137,270.00. A Manager's Update for July 2010 to August 2010 reported to the Board at the August 19, 2010 Board meeting that the updated contract amount is \$137,270.00 and that funding is available from the Waterworks Build America Bonds (BAB). The Department however did not enter into the first contract before the change came up and is asking for this approval as though it is the first action on this matter as a new unbudgeted contract amount of \$137,270.00 from the \$150,000 allocated for this from the BAB.

Previous background:

The State of Hawaii has a construction contract to widen Kaumualii Highway from the Lihue Sugar Mill Bridge to the gulch just past the Grove Farm Office in Puhi, for a length of approximately 8,000 feet. The original scope of work called for the State to relocate the existing 6,000 feet of 16-inch and 12-inch waterlines which are at their service limit, as far as volume goes. The Department is paying for the additional cost to upsize the replacement waterlines from 16-inch and 12 inch diameter to 24-inch diameter.

All of the current design work had been done by Park Engineering so as chief procurement officer I sole sourced the design for the pipe upsizing and the extra 700 feet of line to get out from under the pavement for future work and an additional 1,300 feet toward the Kaua'i Humane Society. The Board previously approved \$128,038.00 for the upsizing of the 16-inch waterlines to 24-inch waterlines (reference Manager's Report No. 70, dated April 9, 2010) and extending the line past the end of the concrete covered road in the iron bridge direction.

The Department is proposing to install an additional 1,300+ feet of 24-inch waterline from the current starting point at Puhi Road going west along Kaumualii Highway to just past Anonui Street (Kaua'i Humane Society). This would ultimately replace the 15" Kokolau pipeline from Puhi to where the existing replacement ends straight down from the Kaua'i Humane Society. There will still be a missing portion of the Kokolau line from the Kaua'i Humane Society to the end of the previously replaced Kokolau line of approximately 2,400 feet from transition coupling to Kaua'i Humane Society.

We expect that there may be an amendment to this work as Park Engineering is currently designing the state road widening for the end of the current contract past the Kaua'i Humane Society. There is no time table for the state project to go to construction; we will just not be scrambling to catch up with the state work and trying to do the work with change orders.

DISCUSSION

Manager Craddick noted that the extra engineering is to look at the other end of the pipeline from KCC to the end of the pavement toward the Kaua'i Humane Society. He would have done an addendum but we never signed the first contract, it's done through sole source as they are contracted to the State.

Mr. Crowell moved to approve the contract to PAREN INC., dba PARK ENGINEERING in the amount of \$137,270.00 to provide design services to upgrade the 16-inch and 12-inch waterlines along Kaunualii Highway, between Puhi Road and the vicinity of the Lihue Mill Bridge to 24-inches and an additional 1,300 feet of 24-inch waterline between Puhi Road and west of Anonui Street, seconded by Mr. Kahawai; by a unanimous vote; motion was carried.

Re: Manager's Report No. 11-36 - Job No. 02-19, WK-12, Waipouli Main Replacement, Lihue-Kapaa Water System, Fourth Contract Amendment with Kodani and Associates, Inc.

RECOMMENDATION:

It was recommended that the Board approve the fourth contract amendment for Contract No. 405 with Kodani and Associates, Inc. in the amount of \$11,400.00 to add the replacement of approximately 300 feet of existing corroded 6" cast iron mainline with 12" ductile iron pipe.

We further request that the Board allocate \$11,400.00 from Account 201-01, Bond BAB to fund the contract amendment.

FUNDING:

Total Fund Budgeted\$ 278,700.00

Contract No. 405, Kodani and Associates, Inc.,
Job No. 02-19, WK-12, Waipouli

Main Replacement.....	\$ 147,500.00
Amendment #1	void
Amendment #2	\$ 53,600.00
Amendment #3	\$ 77,600.00
Amendment #4	<u>\$ 11,400.00</u>
Total Required.....	\$ 290,100.00
Balance Required.....	\$ 11,400.00

Total Required, Account
No. 201-01, Bond BAB < \$11,400.00 >

Total Project Budget..... \$290,100.00

BACKGROUND:

The project consultant, Kodani and Associates, Inc. was selected to prepare the construction drawings and specifications for the mainline replacement along Kalokolu, Keaka, Moanakai, Fernandez, Hoi, Panihi, Niulani, Makaha and Kealoha Roads at Waipouli.

During the review of the project scope, it was determined that approximately 300 feet of an existing corroded 6" mainline will need to be replaced with a 12" waterline, in addition to that requested in Amendment #3.

The Department anticipates that the consultants should be able to complete the design by February 1, 2011 subject to timely reviews by the Department of Water and the other governmental agencies. Therefore, no additional time will be needed to extend their contract. Their proposal of \$11,400.00 for the additional design is reasonable.

Deputy Eddy identified a short segment of old and undersized pipeline on Kuhio Highway in Kapaa. If we do replace it in this project, it will provide a great loop for our system and there will be 12" parallel mains in Kapaa with no service laterals crossing the highway.

Mr. D. Fujimoto moved to approve the fourth contract amendment for Contract No. 405 with Kodani and Associates, Inc. in the amount of \$11,400.00 to add the replacement of approximately 300 feet of existing corroded 6" cast iron mainline with 12" ductile iron pipe, seconded by Mr. Crowell; by a unanimous vote; motion was carried.

STAFF REPORTS

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

Re: Public Relations Specialist's Monthly Update Regarding DOW Public Relations Activities

Re: Deputy Manager's Summary Report on Monthly Operational Maintenance

Re: MANAGER'S UPDATE for AUGUST, 2010 to SEPTEMBER, 2010

As Chair Nishimura and Mr. Crowell had to leave the Board Meeting and quorum would be lost, all October Staff Reports will be deferred and resubmitted at the November meeting.

CORRESPONDENCE RECEIVED AT THE MEETING

Correspondence was delivered to Chair Nishimura at the meeting from Grove Farm concerning FRC changes. Mr. Crowell moved to receive the correspondence and refer to the Standing Committee for their review, seconded by Mr. Kahawai; by a unanimous vote; motion was carried.

EXECUTIVE SESSION

Pursuant to H.R.S. §92-7(a), the Commission 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. Review of Executive Session Minutes: September 16, 2010

2. Pursuant to Hawai'i Revised Statutes Sections 92-4 and 92-5(a)(4), the purpose of this executive session is to discuss the Board's duties and liabilities at Department of Water facilities under the Endangered Species Act, 16 United States Code § 1531, et seq., and the Migratory Bird Treaty Act, 16 United States Code § 703, et seq. This briefing and 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.

Chair Nishimura noted that the Executive Session items would be deferred to the November meeting, and hearing no objections, it was so ordered.

TOPICS FOR NEXT BOARD MEETING

1. Election of Officers for 2011
2. Board appointment of PA, Finance and Rules Committee
3. Board Discussion on the Next Year's Goals for the Manager

For the Rules Committee

1. Committee Discussion and Possible Action on Part III Rules Amendments – Establishing Standards for Subdivision Water Systems.
 - i. Attached Proposed Draft Bill No. 2380

For the Committee of the Whole

1. Request Board Approval for Grant Funding from the Department of Health Safe Drinking Water Branch to Develop and Initiate Implementation of a Wellhead Protection Program for the County of Kaua'i
2. Request Board Approval of the Proposed Revised Organizational Chart to organize for future operations

For the Standing Committee

1. Request Board Approval of the Facilities Reserve Charge Changes

TOPICS FOR FUTURE WATER BOARD

1. Quarterly Report on Manager's Previous Goals and Next Year's Goals
2. Projects Briefing
3. Strategic Plan Update: Issue Champions and Affordable Housing Updates

UPCOMING EVENTS

1. Annual Employee Breakfast - December 2, 2010
2. AWWA National Conference, Washington , D.C., June 12-16, 2011

NEXT WATER BOARD MEETINGS

1. Thursday, December 16, 2010, 10:00 a.m.

2. Thursday, January 20, 2011, 10:00 a.m.
3. Thursday, February 17, 2011, 10:00 a.m.
4. Thursday, March 17, 2011, 10:00 a.m.
5. Thursday, April 21, 2011, 10:00 a.m.
6. Thursday, May 19, 2011, 10:00 a.m.

ADJOURNMENT

There being no further business, the meeting was adjourned at 12:09 p.m.

Respectfully submitted,



Carol A. Beardmore
Commission Support Clerk

Approved,



Leland Kahawai
Secretary – Board of Water Supply

cab