

MEETING MINUTES
BOARD OF WATER SUPPLY
Friday, September 23, 2016

The Board of Water Supply, County of Kaua'i, met in regular meeting at the Board Conference Room in Līhu'e on Friday, September 23, 2016. Chair Laurie Ho called the meeting to order at 10:00 a.m. The following Board members were present:

BOARD: Ms. Laurie Ho, *Chair*
Mr. Clyde Nakaya, *Vice Chair*
Mr. Sherman Shiraishi
Ms. Beth Tokioka
Mr. Larry Dill (*entered at 10:09 a.m.*)

EXCUSED: Mr. Michael Dahilig
Mr. Lyle Tabata

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

STAFF: Mr. Kirk Saiki Ms. Kim Tamaoka
Mr. Dustin Moises Ms. Sandi Nadatani-Mendez
Mr. Val Reyna Mr. Carl Arume
Ms. Marites Yano Mr. Ryan Smith
Mr. Keith Aoki Ms. MJ Akuna

GUEST(s): Deputy County Attorney Nick Courson
Mr. Hall Parrott, Private Citizen

ACCEPTANCE OF AGENDA

Mr. Nakaya moved to accept the agenda as distributed; seconded by Ms. Tokioka; with no objections; motion carried with 4 ayes.

D. MEETING MINUTES

Review and approval of:

Regular Board Meeting – August 26, 2016

Mr. Nakaya moved to approve the Regular Board Meeting minutes of August 26, 2016; seconded by Ms. Tokioka; with no objections; motion carried with 4 ayes.

Public Hearing – September 7, 2016

Mr. Nakaya moved to approve the Public Hearing minutes of September 7, 2016; seconded by Ms. Tokioka; with no objections; motion carried with 4 ayes.

E. CORRESPONDENCE/ANNOUNCEMENTS

1. Correspondence from Mr. James Y. Nakayama, Senior Manager, KMH, LLP to Ms. Marites Yano, Waterworks Controller dated August 24, 2016 regarding Board of Water Supply, Department of Water, County of Kaua'i required under Statement on Auditing Standards No. 114

Mr. Shiraishi moved to receive the Correspondence from Mr. James Y. Nakayama, Senior Manager, KMH, LLP to Ms. Marites Yano, Waterworks Controller dated August 24, 2016 regarding Board of Water Supply, Department of Water, County of Kaua'i required under Statement on Auditing Standards No. 114; seconded by Mr. Nakaya; with no objections, motion carried with 4 ayes.

F. BOARD COMMITTEE REPORTS

None

G. OLD BUSINESS

1. Discussion and Receipt of the Department of Water's Capital Improvement Projects (CIP) for the 2017 Legislative Session

BACKGROUND:

Manager Saiki mentioned the draft CIP for the 2017 Legislative Session was presented for comments at the September Board meeting to the Board.

Mr. Shiraishi moved to receive the Department of Water's final Capital Improvement Projects (CIP) for the 2017 Legislative Session; seconded by Mr. Nakaya; with no objections, motion carried with 4 ayes.

At 10:09 a.m., Mr. Dill entered the meeting.

2. Manager's Report 16-38 – Discussion and Possible Action on Amendment of Part 5, Facilities Reserve Charge Section III, Applicability relating to Multi-Family Dwelling Units

BACKGROUND:

Manager Saiki commented that the recommendation is to discuss and not to act on the amendment of Part 5, Facilities Reserve Charge Section III, Applicability relating to Multi-Family Dwelling Units until the next Board meeting. The Manager's reports stated two (2) changes:

Part 5, Section III, Paragraph 3.c. (no existing rule)

The Facilities Reserve Charge for conversion of legally existing single-family units to a multi-family two dwelling unit structure, as provided by law, will be assessed at 50% of the Facilities Reserve Charge for multi-family units, per unit.

Part 5, Section III, Paragraph 3.d. (no existing rule)

For projects developed by the County of Kaua'i Housing Agency or in partnership with the County of Kaua'i Housing Agency, and certified by the County of Kaua'i Housing Agency as affordable housing (defined by Kaua'i County Ordinance 7 A-1.3), the Facilities Reserve Charge shall be \$4,940.00 per unit.

Several tables on Page 2 of the Manager's Report compare the potential financial impacts of the amendments.

Manager Saiki asked the Board, that since the Department is in the process of reviewing the Department's water rates being charged to its consumers, does the Board want to recover the loss of FRC revenues for subsidizing affordable housing or not to recover the FRC losses? The difficulty with recovering lost revenue through the water rates, especially with the first proposed rule change, will be estimating the number of homeowners that will take advantage of the proposed rule. Manager Saiki suggested that the Board consider setting an annual dollar limit for the subsidies so it can be covered by the water rates.

Manager Saiki added that the ideal situation would be that the Department should not subsidize affordable housing, but if the Department does subsidize affordable housing to get reimbursement from the Kaua'i County, because the County would receive additional income from the new homes through increased property tax revenue. This subject, county reimbursement, was discussed with the county several times, but now appears that the county does not intend to reimburse the Department.

DISCUSSION:

Chair Ho felt uncomfortable in discussing this agenda item without participation and input from Ex-Officio of Planning Mr. Dahilig, who was not at this meeting, since Mr. Dahilig initially proposed these rule changes.

Mr. Shiraishi mentioned that the Affordable Rental Unit (ARU) bill is in the Manager's Report but Manager Saiki stated the ARU bill was not passed by the County Council, but the amendment is still alive. Mr. Shiraishi supports the concept of a discounted FRC for County supported affordable housing but cannot support the portion of the Manager's Report regarding 50% FRC discounts for the conversion of existing units, which Manager Saiki agreed.

Ms. Tokioka added that the door should not be closed with respect to talking to Real Property regarding reimbursement of FRC discounts. She questioned if there could be a compromise. She understands that investing in CIP but there could be other ways of investing the Department's surplus with options to recover the cost. Manager Saiki mentioned there are two (2) sources of income and if one is lowered, the Department would do fewer projects. Mr. Shiraishi commented that if the Department subsidizes affordable housing, the Department would have to make up the difference by raising rates which is *regressive* in that it affects those with lower incomes. Manager Saiki gave an example of a family that qualifies for an affordable home, move in, but then would have to move out because they could not pay their utilities.

Ms. Tokioka said looking at 3.5% increase in water rates is ok, but 4% or 5% could be an acceptable increase in order to cover reduced FRC revenues resulting from discounted FRC rates. Most of the surplus is in allocated CIP but Mr. Dill explained the reason for the surplus CIP is for projects which need to be completed. If this money subsidizes FRC, then the Department would have to collect the FRC all over again from new customers. Mr. Dill mentioned the Department is not being consistent with the rate payer's money that is taken from them. He did not agree in total with both amendments. If the Department desires to recover the FRC that is lost through discounts, financial funding should come from the County as a County Council initiative.

Mr. Nakaya would like to assist with affordable housing and had an issue with the first amendment. He asked how was the \$4,940 discount calculated? Manager Saiki said a Board member helped to create the amendments proposed and the numbers based on an arbitrary 50% discount.

Manager Saiki said the Department may not be directly subsidizing the Lima Ola project, but the Department pushed up water infrastructure improvements in the area in order to facilitate the development of this affordable housing project. Ms. Tokioka said \$4,940 could be too deep a subsidy and would consider a lower discount or the Department could go back to the County for relief. She was in support of Paragraph 3.d.

Mr. Nakaya asked if the rate payers know they would be subsidizing the affordable housing discount. Manager Saiki said some of them do know about subsidizing but don't want their rates raised.

Mr. Shiraishi moved to defer discussion and possible action on Amendment of Part 5, Facilities Reserve Charge Section III, Applicability relating to Multi-Family Dwelling Units to the October meeting; seconded by Mr. Dill; with no objections, motion carried with 5 ayes.

3. Manager's Report No. 16-56 – Discussion and Possible Action on the Manager and Chief Engineer's Goals for FY16-17

BACKGROUND:

From last month's discussion on Manager Saiki's goals for FY16-17, the Board wanted dates added and Public Works wanted performance criteria for electronic Building Permit. (See underlined dates on the goals table in the report.)

- Manager Saiki will provide updated goals in the Manager's Monthly Update report.
- Manager Saiki will correct the goals listed as "end of this fiscal year" to "*end of June 2017*" for consistency.

Mr. Dill moved to approve the Manager and Chief Engineer's Goals for FY16-17; seconded by Ms. Tokioka; with no objections, motion carried with 5 ayes.

H. NEW BUSINESS

None.

At 10:40 a.m., Mr. Dill exited the meeting.

I. STAFF REPORTS

MONTHLY

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

BACKGROUND:

Waterworks Controller Ms. Yano explained that the Budget column is Year-to-Date. The actual spending is \$491,000 that was paid out as of August 2016. The total budget is \$6.9M.

Ms. Tokioka moved to receive the Kaua'i County Water Department's Statement of Revenues and Expenditures; seconded by Mr. Nakaya; with no objections, motion carried with 4 ayes.

At 10:43 a.m., Mr. Dill re-entered the meeting.

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

BACKGROUND:

Public Relations Specialist Ms. Tamaoka highlighted:

1. There was a lot of media coverage about the move to the new building.
2. Ms. Tamaoka thanked everyone for those who volunteered for the Make A Splash (MAS) yesterday. Mr. Dill, Mr. Shiraishi and Ms. Ho. congratulated her on a successful well organized MAS.

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

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

BACKGROUND:

Chief of Operations Mr. Reyna updated the Board on the following:

1. Hā'ena area got modified with the Federal Communication Commission (FCC) license approval yesterday. Repair parts are pending which are due in four (4) weeks.

Mr. Dill moved to receive the Chief of Operation's Summary Report on Operational Activities; seconded by Ms. Tokioka; with no objections, motion carried with 5 ayes.

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

BACKGROUND:

Manager Saiki provided the following highlights:

1. The move to the new building was very efficient. Dustin is working with the contractor on small changes that need to be done to the building.
2. Customer, Care & Billing (CC&B) will go live on October 3rd. Mr. Ernie Lau with Honolulu Board of Water Supply is making provisions to provide a safety net if there are problems with the conversion. Customers will not see any changes with the conversion if it goes right. Only the logo may change.
3. Personnel – Deputy Manager position. Manager Saiki will meet with Human Resources Coordinator Debra Peay to repost of the Deputy Manager position by the October Board meeting.

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

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

Mr. Dill moved to receive the BAB pay down as of August 2016; seconded by Mr. Nakaya; with no objections, motion carried with 5 ayes.

J. EXECUTIVE SESSION

Pursuant to H.R.S. §92-7(a), the Board may, when deemed necessary, hold an executive session on any agenda item without written public notice if the executive session was not anticipated in advance. Any such executive session shall be held pursuant to H.R.S. §92-4 and shall be limited to those items described in H.R.S. §92-5(a).

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

1. Manager's Report 16-38 – Discussion and Possible Action on Amendment of Part 5, Facilities Reserve Charge Section III, Applicability relating to Multi-Family Dwelling Units
2. Manager's Report No. 16-58 - Discussion and Receipt on Department of Water's Standard Operating Procedure No. XX relating to Providing Water Service Outside of the Water Zone
3. Manager's Report No. 16-62 - Discussion and Possible Action to Approve a Right of Entry Agreement for a portion of the Department of Water's Koloa 1.0 MG Tank site, TMK: (4) 2 7-003:008, Lot 426, Affecting the following:
 - a. Kauai Island Utility Cooperative (KIUC), TMK: (4) 2-7-003:008, Koloa, Kaua'i, Hawai'i
4. Water Financial Plan Rate Study Workshop (October or early November)

DISCUSSION:

Mr. Dill asked if the water rates would be referred to the Finance Committee?

Manager Saiki raised another issue if the Department wanted to be flexible to change the rates every year or every other year, if the affordable housing passes, then the rates could be adjusted. The Board could look at how to raise the rates. If a dollar amount is taken off, the Department has to go to the Small Business Regulatory Review Board, then to public hearing. Rates could be changed by resolution; the rules would not change. Public hearing would still be done quicker. The Finance Committee could discuss this with a recommendation to the full Board to work out the details.

Mr. Shiraishi suggested future meetings on rate changes should go back to the Rules Committee and to recommend to the Board with a resolution on rule changes.

Ms. Yano mentioned the rate study contract ends December 2016 and an amendment could be made.

➤ Manager Saiki will provide a Rate Study update or provide another consultant workshop presentation update in October or early November.

L. TOPICS FOR FUTURE WATER BOARD MEETINGS

1. Discussion and Possible Action on Board Policy regarding Proposed Delegation of a Meter Restriction
2. Workshop presentation regarding the Long Range Plan of the Department of Water's Administration Building
3. 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
4. Draft Annual Audit (*November 2016*)

M. UPCOMING EVENTS

1. HWWA, Hawai'i Section, Maui, HI (*November 2 – 4, 2016*)

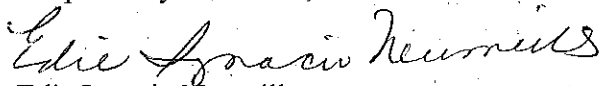
N. NEXT WATER BOARD MEETING

1. Tuesday, October 4, 2016, 1:00 p.m. – *Rules Committee Meeting*
2. Friday, October, 28, 2016, 10:00 a.m. – *Excused: Sherman Shiraishi*
3. **Wednesday**, November 23, 2016, 10:00 a.m.
4. Friday, December 16, 2016 – *Annual Meeting*
5. Friday, December 23, 2016, 10:00 a.m.

O. ADJOURNMENT

Mr. Shiraishi moved to adjourn the Regular Board Meeting at 10:58 a.m.; seconded by Mr. Dill; with no objections, motion carried with 5 ayes.

Respectfully submitted,


Edie Ignacio Neumiller
Commission Support Clerk

Approved,


Sherman Shiraishi
Secretary – Board of Water Supply