

MEETING MINUTES
BOARD OF WATER SUPPLY
September 28, 2018

The Board of Water Supply, County of Kaua'i, met in regular meeting at the Board Conference Room in Līhu'e on Friday, September 28, 2018. Chair Beth Tokioka called the meeting to order at 10:02 a.m. The following Board members were present:

BOARD: Ms. Beth Tokioka, *Chair*
Mr. Sherman Shiraishi, *Vice Chair*
Mr. Lyle Tabata
Mr. Lawrence Dill
Ms. Laurie Ho
Mr. Michael Dahilig (*via teleconference, exited teleconference @ 12:14 p.m.*)

EXCUSED: Mr. Thomas Canute

Quorum was achieved with 6 members present at Roll Call.

STAFF: Mr. Bryan Wienand Mr. Dustin Moises
Mr. Keith Aoki Mr. Michael Hinazumi
Mr. Valentino Reyna Mrs. Sandi Nadatani-Mendez
Mr. Edward Doi Mr. Ryan Smith
Mrs. Marites Yano Mrs. Jonell Kaohelaulii
Mr. Carl Arume Mrs. Mary-jane Akuna
Deputy County Attorney Mahea Krafft

GUESTS: Mr. Chester Hunt, Po'ipū Beach Estates, Kiahuna Mauka Partners
Mr. Lindsay Crawford, Project Manager, Kukui'ula Development
Mr. Dave Hutchinson, Kukui'ula Development

C. ACCEPTANCE OF AGENDA

Mr. Tabata moved to approve the agenda as circulated; seconded by Mr. Shiraishi; with no objections motion carried with 6 ayes.

D. MEETING MINUTES

Review and approval of:

Regular Board Meeting – August 31, 2018

Mr. Shiraishi moved to approve the Regular Board Meeting minutes of August 31, 2018; seconded by Mr. Tabata; with no objections motion carried with 6 ayes.

E. CORRESPONDENCE/ANNOUNCEMENTS

1. Correspondence from Mr. Chester W. Hunt, PB, Chet Hunt Realty regarding Po'ipū Beach Estates, Kiahuna Mauka Partners, TMK: 2-8-031, 093, 094, 096, 100, 101, 103, 110, 125, 131, 133, 148, 152, 156, 164, 169, 175, 176, 178, 188, 191, 192, 105 dated August 28, 2018

Mr. Chester Hunt, Po'ipū Beach Estates, provided his testimony.

Mr. Hunt represents the lot purchasers at the Po'ipū Beach Estates subdivision and were told that the Facilities Reserve Charge (FRC) were paid and later would have to pay \$180.00 to install a water meter. The new rules require the installation of the water meter and payment for water they are not using. A secondary water source in this subdivision is at Waita Reservoir for irrigation which requires a backflow preventer. The total cost to install these meters is \$2,000.00 but the owners are not ready to build. Some owners live on the mainland and

may not build until retirement. If water meters are not installed by November 29, 2018, the new FRC charge (\$9,000) would be effective which could be higher in the future. Mr. Hunt mentioned there is a history of installed backflow preventers that are pumped to run over which costs. Every two years a backflow preventers need to be checked by a certified plumber. Mr. Hunt expressed that it is unfair to charge people for water they are not using.

DISCUSSION:

Mr. Shiraishi commented that Mr. Hunt's request will be considered along with Manager's Report No. 19-13 under H. New Business. Manager Wienand mentioned the information in Manager's Report No. 19-13 was already discussed with Mr. Hunt over the phone regarding putting in a meter and locking it.

Mr. Dill moved to receive correspondence from Mr. Chester W. Hunt, PB, Chet Hunt Realty regarding Po'ipū Beach Estates, Kiahuna Mauka Partners, TMK: 2-8-031, 093, 094, 096, 100, 101, 103, 110, 125, 131, 133, 148, 152, 156, 164, 169, 175, 176, 178, 188, 191, 192, 105 dated August 28, 2018; seconded by Ms. Ho; with no objections, motion carried with 6 ayes.

2. Department of Water, County of Kaua'i, Annual Report, Fiscal Year 2017 – 2018

F. BOARD COMMITTEE & PERMITTED INTERACTION GROUP REPORTS

None.

G. OLD BUSINESS

1. Manager's Report No. 18-82 – Discussion and Possible Action on the Status Update on Water Plan 2020

Mr. Tabata deferred Manager's Report No. 18-82 – Discussion and Possible Action on the Status Update on Water Plan 2020 to the October Board meeting; seconded by Mr. Shiraishi; with no objections, motion carried with 6 ayes. (Deferred per Board Member Dahilig's request.)

H. NEW BUSINESS

1. Manager's Report No. 19-13 – Discussion and Possible Action for Response to Mr. Chester Hunt, Po'ipū Beach Estates Regarding Request for Exception to Department of Water, County of Kaua'i Rules and Regulations, Part 5 Facilities Reserve Charge, Section IV Collection and Refund of Facilities Reserve Charge, Subsection 6.d. Facilities Reserve Charge Paid Prior to Enactment of Part 5 Rules

BACKGROUND:

Manager Wienand read the recommendations from pages 71-72 as transparency for the Board. He discussed with Mr. Hunt Part 5 Rules, Section IV, subsection 6d that the Manager may grant exceptions to item 6c and if the Manager finds all of the following items are met:

- i. Strict application of the rule would cause an absurd, unfair, or unreasonably harsh result; and
- ii. The Prior Applicant's circumstance or condition is unique or exceptional and the Manager would grant the same request if made by ever similarly situated Prior Applicant; and
- iii. Such exception thereof is as reasonably necessary or expedient and not contrary to law or the intent and purposes of these rules.

Manager Wienand provided his recommendations to confirm the intent of the rules to the Board not only for Po'ipū Beach Estates but for other applications. His recommendation was based on his understanding of the intent of the rules and that the current FRC rules should be applied to all lots with water meter services in the Po'ipū Beach Estates subdivision. All of the infrastructure has been installed source, storage, and transmission; FRC has been paid in full. He said the Department has not been collecting the monthly service charge because applications for the meters have not been submitted. The

Department has a cost to operate and maintain the system by the monthly service charge and consumption charge. FRC is the cost of expansion and connecting to a system based on charges to create that infrastructure. The intent of the rules was to motivate applicants to install water meters so that the Department could recoup the cost to operate and maintain the existing water infrastructure via the monthly service charge.

Manager's recommendation: The 22 lots should be subject to the current FRC rule. The Kiahuna Water Master Plan required a back flow preventer because the non-potable water system is included with the Kiahuna Development.

Manager Wienand agreed with Mr. Hunt regarding the unnecessary cost on the applicant to an extent: if the applicant chooses not to initiate using water and to have the meter installed, the Department could provide an option to lock their water meter until they intend to use water, then at that time the meter can be unlocked and the requirement to install the back flow preventer will still be maintained to protect the water system against potential contamination.

Mr. Shiraishi had concerns on the current recommendation. He said the intent is to charge the applicants the monthly service charge. Mr. Shiraishi asked why force applicants to install the water meter? The meter could be installed when they apply for the water meter. He recommended the Department charge the monthly service fee without installing the meter and to collect the monthly service charge. Mr. Shiraishi was not sure if a rule could be adopted for applicants who paid their FRC regardless if they installed a water meter or not; the Department could start charging the monthly service fee. When an applicant applies the building permit, the meter could be installed at that time. Manager Wienand commented that the intent was to collect the monthly service fee. Mr. Shiraishi asked if the Department could start collecting the monthly service fee whether the meter is installed or not, even if it is not being used? Manager Wienand said staff could check to see if an account could be started for an applicant based on a conditional approval if they have not applied for water service. A second issued is the appropriate allotment of water reserved when someone has a conditional approval would need to be research by staff.

Mr. Dill's concern is when applicants pay the FRC for future use. The Department's challenge is having a lot of capacity in the system that they can't use because it is reserved for applicants who paid a low rate that are not using the system. The Department then spends capital funds on a new development which it not being used because the funds were banked for applicants who paid the FRC at a low rate Mr. Dill asked how much water is the Department currently preserving for those who paid the FRC? Manager Wienand said an extensive analysis would have to be done because it would need to be done by water system with source, storage, and transmission.

Mr. Dahilig mentioned from a development observation, reserved meters cannot be used for an indefinite time. His concern is not being able to provide meters for needed housing lots and the squatting element. If people are banking the meters rather than using the meters, this would provide housing meters to the inventory. He has supported this rule change with an impact on residential construction. Mr. Dahilig agreed with Mr. Shiraishi's comments regarding the monthly service charge. As an administrative matter, the Department can't charge the monthly service fee or to not drop the meter which is not inconsistent with the rules. He added if the system is going to be built and turned over to the Department, there should still be a charge for maintenance. Mr. Dahilig was unsure with the procedures in collecting the service charge on the meter drop. If this is an administrative process, then it should be reviewed.

Mr. Shiraishi commented on the previous FRC that the Department did not install the meter, but now the Department is requesting for an installation of a meter, who pays for that? Manager Wienand clarified that the applicant must pay \$180.00 to have the DOW install a water meter and they can choose not to use the

water service. Dropping in a meter is not a disadvantage to “banking a meter” for the DOW because the monthly service charge is still collected.

Chair Tokioka added that the intent of the FRC in the future would prevent someone to bank water. Since this is the end of the three year window, the Department could start fresh but in the future, water reservations could be problematic.

The recommendation stipulates all lots in Po'ipū Beach Estates shall adhere to the current FRC Rules and apply for water meter installation prior to November 29, 2018 or be subject to the current FRC \$14,115.00 for a 5/8 inch water meter. There were no objections from the Board.

Key Action Items for the next Board meeting (if available):

- Update to be provided by the Manager at the October Board meeting (in the “Manager’s Update,” not as a Manager’s Report since no Board action was required nor will be required).
- Manager indicated the deadline of November 29, 2018 is enough time to submit the 22 applications.
- Manager will research the meter drop discussion with respect to whether the Department should allow applicants to pay only the monthly service charge, but waive the \$180 fee to physically install a water meter if the applicant does not intend to use water.

2. Manager’s Report No. 19-14 – Discussion and Possible Action for Clarification of Intent of Department of Water, County of Kaua’i Rules and Regulations, Part 5 Facilities Reserve Charge, Section IV Collection and Refund of Facilities Reserve Charge, Subsection 6.d. Facilities Reserve Charge Paid Prior to Enactment of Part 5 Rules, with respect to: Request for Exception – Kukui’ula Development Company (Hawai’i), LLC

BACKGROUND:

Manager Wienand indicated that the recommendation for Kukui’ula is similar to the Po'ipū Beach Estates with distinctions. Kukui’ula has a potable water master plan and constructed all of their source, storage, and off-site transmission, with their on-site being constructed incrementally. Approximately three hundred water services have been installed (empty water service laterals that do not have a meter dropped in). No back flow requirements are needed because Kukui’ula does not have a non-potable water system like Po'ipū Beach Estates does. Kukui’ula’s has approximately 950 lots that do not have the on-site transmission main extended to undeveloped lands to be done in the future.

Three key considerations were discussed (Page 80 to 81). Manager Wienand requested to have the Board provide input on the intent of the rules on the undeveloped lots.

- 1) Relationship between the FRC and the monthly services charge - The monthly service charge represent the monthly service cost; the FRC is the cost to connect to the water system for expansion.

Questions on the intent:

Is it the primarily reason to install water meters for areas to collect the monthly service charge? Was it intended to motivate construction for those for undeveloped lots? On the 950 undeveloped lots, was the intent of the Board to credit \$4,600 for each of those services, such that if they came back to install their meter, they would be charged the difference in FRC? Or was the intent that they receive 100% of the liability because they constructed all of the source, storage and transmission and that they have therefore paid the entire FRC regardless of future increases?

- 2) The allocation of water rights to applicants if the Department of Water (DOW) approves requests for water service on a first-come, first-serve basis. Kukui’ula is different from a single family applicant who was approved prior to 2015 and chose not to install a water meter because Kukui’ula has constructed all of their source, storage and transmission. Manager Wienand indicated that water banking is not valid because Kukui’ula constructed all of their source, storage and transmission. The

question to the Board regarding the intent of the Rules is if it the Board's intent to apply the new Rule to undeveloped lots with respect to the allocation of water rights? While it does not appear that it was intended to be applied to this type of circumstance, it is an important consideration because there are other planned developments on Kaua'i with significant allocations of water and the Rules should be applied fairly and consistently.

3) Duration of Kukui'ula's approval – prior to November 2015 developers with approved Master Plans did not have any deadlines for installing their water facilities, primarily because they were responsible for constructing their own source, source, and transmission, which is then conveyed to the DOW after it is constructed. However, in the case of Kukui'ula, the DOW continues to bear the burden of operating and maintaining the water infrastructure that has been constructed to date. This includes all of the source and all of the storage, but only a portion of the transmission and associated water services. The monthly service charge is the fixed rate used to capture the operational and maintenance-related portion of the cost of furnishing water service. The purpose of the current FRC rule is to capture the cost of growth and increased demand on the facilities. The Manager requested clarification on the Board's intent of the new Rules as it applies to approved Master Planned developments as follows:

- a. Was the Board's intent to impose a November 29, 2018 deadline for all developments (including Kukui'ula), island-wide to install all of their water meters, regardless of these types of circumstances?
- b. Or was the intent primarily to impose the deadline on applicants who were not within an approved Water Master Plan?
- c. Furthermore, if it is not the Board's intent to impose the November 29, 2018 deadline on Kukui'ula's undeveloped lots, should an extension be considered?
- d. Or is it the Board's intention to exempt lots that are undeveloped because the DOW is not bearing the burden of operating and maintaining the transmission lines and water services for these areas?

Refer to the Manager's recommendations (Pages 82 & 83).

- 1) Submit applications before the deadline and before the FRC increase.
- 2) Pending Board's input – The 950 undeveloped lots should be given the exception to the rule from November 2015 to present, it would not be reasonable on the installation of the transmission, meter boxes, service laterals, and meters installation contingent on the intent of the rules. The Manager would like to understand the Board's intent to ensure it is applied consistently.

DISCUSSION:

Mr. Shiraishi provided his comments on Section V – FRC Offsets (Page 94) – If Kukui'ula builds all of the water infrastructure in the future, they should be exempt from the FRC cost.

Mr. Dill's concerns are if something happens to any of the facilities, the DOW would be responsible for today's cost for repair or replacement. Kukui'ula should pay the updated FRC to take care of source and source today. Manager Wienand clarified that there is a burden on the Department to maintain source, storage and transmission. The intent of the monthly service charge is on a per meter basis. The specific challenge with Kukui'ula is that the transmission construction is incremental. When would the charge be fair for operations vs. the FRC? Manager Wienand understood the rule that FRC would be a 100% credit. If it was the Board's intent that this was a \$4,600 credit and to come in after November 29, 2018, the difference would be owed because the cost to connect always increases. The lots established should require the monthly service charge because once connected to the Department's system, a current gap occurs on the conveyance when is actually starts. It depends how long it takes to apply for water service and the water banking issue which could be years. The rule could be revisited to

reflect a shorter timeline, such as within 60 days of Certification of Completion an applicant would be charged the monthly service charge whether there is a meter installed or not. Manager Wienand asked the Board is it the intent to get the \$4,600 of credit that was already paid and this no longer applies to the applicant? The FRC needs to be fair and applied consistently.

Mr. Dahilig commented that the impact fee should be on the whole island, not just an area. He added if the Department makes an investment with FRC revenue in one area that may not to pay for the infrastructure; across the island there should be equity. If FRC is not going to be used across the island that will not yield revenue to recoup the cost, some areas may need to jump into the FRC revenue side to pay more. If Kukui'ula was a specific service area for a specific impact fee, he sees the rational by saying "yes," the offsets would apply to an applicant for this area but this is not the case.

Chair Tokioka appreciated the Department's efforts to make this matter equitable and agrees with the Manager's recommendation.

Mr. Tabata disclosed that he emailed Manager Wienand ahead of time on the concerns discussed and compared the cost on the facilities operations with the FRC. He hopes there is a balance on the decisions made for the FRC and extension could be determined but the service fees need to be implemented.

Manager Wienand has not discussed a grace period with Kukui'ula. Ten years is not unreasonable when comparing the intent island wide on single service laterals with 950 lots. He is considering an achievable deadline that is fair based on the size and complexity. The Manager informed the Board that there are other developments who have not come forward for an exception. Chair Tokioka asked if another development does not come forward after November 28th, would they be entitled for an exception? There should be no obligation to one developer to come up with a time line and was not the intent with the Board.

Mr. Dill commented that the intention of the grace period may have been to accommodate information available at the time and to review past minutes. The intent could have been to take a best guess of a grace period. The Department could consider to agree on the build out time frame.

***Mr. Lindsay Crawford, Project Manager, Kukui'ula Development
provided his testimony.***

Mr. Dill commented that the Department's FRC is \$4,600, he asked what is the amount that Kukui'ula paid? Mr. Crawford said Kukui'ula has not reserved a lot of water capacity regarding water banking which is not their intent. He was shocked that Kukui'ula spent \$26M on offsite source, storage and transmission line in addition to not including the onsite 1,000 acre site in Kukui'ula. To get the first subdivision lot, Kukui'ula paid \$26M. If there was a choice, they would not have paid \$26M up front and would rather have paid piece meal, per meter box in 20-30 years. Kukui'ula's water capacity will serve many people in the area for their systems to be robust for many years before the ability to subdivide and create a lot that will draw water from the system years in advance. Mr. Dill respected Mr. Crawford's comments and apologized he did not intend to imply Kukui'ula to bank water intentional or unintentional but it does happen.

Mr. Crawford added that Kukui'ula has transmission lines divided onsite and offsite. Some of the miles of transmission lines are onsite built by Kukui'ula for the subdivisions and more to be built. They did built miles of offsite transmission lines coming down Omao Road with different areas from offsite on to Kukui'ula. Key point: \$26M is for offsite improvement and Kukui'ula fulfilled 100% of the offsite transmission.

On the front end, Mr. Crawford thought that they were done regarding the charge whether there was an intent or not. It will be difficult to undue the representation to Kukui'ula's buyers going forward. It would not be a reason that the Board says that Kukui'ula is exempt as well as for future buyers.

Mr. Crawford asked when the new rules changed in 2015, was the FRC off site calculation done by taking the value work installed (source, storage & transmission)? When the calculation was done previously with Mr. Doi, there was a 33% and 50% factor applied to the \$26M. This was factored down to determine the justified FRC offset amount. This took the \$26M down to one half the amount which was plenty of money x \$4,600 for 1,500 units for an exemption.

Mr. Crawford inquired at present, does the new rule say an applicant gets a 100% credit for source, storage and transmission? Manager Wienand clarified that the new rules adjusted the percentages that are attributed to sources vs. storage vs. transmission that adds to 100%. Kukui'ula's original calculations showed full offset 100%; there is no additional calculations to be made with the new rule.

Manager Wienand asked the Board if the \$4,600 is a credit or does it represent 100% that was paid regardless of what the FRC is? Mr. Doi said the new rules changed the percentage to reflect the actual amount determined by the consultant. If construction on all source, storage and transmission facilities are required for the project, the offset is 100% because there may be times when a developer constructed all source, storage and transmission facilities required for the project and were required to pay a portion of the FRC.

Mr. Shiraishi read Section V, 1a "An Applicant who provides 100% of the necessary source or storage or transmission requirements shall be entitled to an offset for the entire amount ..."; the FRC charge of \$14,000 and Kukui'ula should be exempt.

What is the applicable FRC charge is the Manager's main question to the Board? Mr. Shiraishi mentioned the applicable liability is what is in effect at the time.

Mr. Doi said the original calculation for Kukui'ula covered the 100% but Mr. Tabata questioned if the cost is relevant today of \$14,000? Mr. Doi would have to do another analysis but the new rules would be 100% offset. Chair Tokioka added the cost was paid by the original application process from Kukui'ula.

Mr. Dill commented that applicable liability, if Kukui'ula is asked to pay additional FRC and if Kukui'ula comes in that becomes recognized up to that point which Chair Tokioka agreed. Mr. Tabata suggested DOW, Department of Public Works, Kukui'ula and Mr. Dahilig to meet regarding the review process concerning a fair time line if the Manager decides to determine a new deadline for Kukui'ula. If it is decided that a deadline will not be imposed, the suggested meeting would not be necessary. Mr. Shiraishi mentioned that the extension would be relevant if Manager Wienand interprets the offsets of \$4,600. If Kukui'ula is entitled to 100% of the offsets, then it doesn't matter if they get an extension or not which Mr. Crawford agreed.

The Manager will determine a fair resolution that aligns with the intent of the rules and provides adequate legal protection for the Board as requested by Chair Tokioka.

3. Manager's Report No. 19-15 - Discussion and Possible Action for Clarification of Intent of Department of Water, County of Kaua'i Rules and Regulations, Part 5 Facilities Reserve Charge, Section IV Collection and Refund of Facilities Reserve Charge, Subsection 6.d. Facilities Reserve Charge Paid Prior to Enactment of Part 5 Rules, with respect to: Applicants with Water Facilities Actively in Construction as of November 29, 2018

BACKGROUND:

Manager's recommendation requests that the Board provide input to clarify the intent of the Department of Water's (DOW) Rules and Regulations, Part 5 Section IV6.d., if an applicant requests for exception to the rules with water facilities actively in construction as of November 29, 2018.

This would impact two large developments, Kōloa Village and Foodland in Kīlauea and at present approximately nine (9) applicants of either single or double service laterals who would not meet the deadline. The Manager recommends to give an extension of no more than one (1) year to complete construction and to get their application submitted since they are actively in construction.

The Board agreed and understood the Manager's recommendations that a determination be made for prior applicants, defined by the rules as having paid the previous FRC rate (\$4,600 for a 5/8" water meter), and who have water facilities actively being constructed as of November 29, 2018 that such applicants will be provided a one year extension of the current FRC grace period deadline to obtain Certification of Completion and apply for water service by November 29, 2018 at no additional FRC cost. Manager will provide exception to such applicants who meet all of these requirements on a case-by-case basis. The requirements shown in the Manager's Report, as explained by Manager Wienand, are as follows:

- a) Applicant has paid the previous FRC rate (\$4,600 for a 5/8-inch water meter); and
- b) Applicant has obtained DOW approval of construction plans; and
- c) Applicant has initiated construction prior to November 29, 2018; and
- d) Applicant's project is actively being constructed as of November 29, 2018.

Applicants who have obtained Certification of Completion but who have not applied for water service prior to November 29, 2018 would not be granted an extension to the FRC grace period, as such applicants would be circumventing the intent of the Rules. The term "actively being constructed" is defined as projects which, at a minimum, have all construction submittals approved by the DOW with a pre-construction meeting scheduled.

Manager Wienand also explained that by comparison, applicants who obtained DOW approval for construction plans, but have not initiated construction by November 29, 2018 have not met the intent of the Rules. In doing so, such applicants could potentially delay construction of their water facilities indefinitely, which is contrary to the intent of the Rules. Similarly, for applicants who have completed construction but who have not applied for water service, they should not be granted an extension as such applicants would be circumventing the intent of the Rules. The Board concurred with these determinations.

- 4. Manager's Report No. 19-16 - Discussion and Possible Action for Board Approval to enter into Memorandum of Agreement between the Department of Public Works, County of Kaua'i and the Board of Water Supply, County of Kaua'i and the approval of Funds for the Reconstruction of Weke Road and Reinstallation of Damaged Water Main and Appurtenances in the amount of \$105,000.00

Mr. Shiraiishi moved to approve Manager's Report No. 19-16 - Discussion and Possible Action for Board Approval to enter into Memorandum of Agreement between the Department of Public Works, County of Kaua'i and the Board of Water Supply, County of Kaua'i and the approval of Funds for the Reconstruction of Weke Road and Reinstallation of Damaged Water Main and Appurtenances in the amount of \$105,000.00; seconded by Mr. Dill; with no objections, motion carried with 6 ayes.

5. Manager's Report No. 19-17 – Discussion and Possible Action to Request Board Approval for Indemnification, Attorney's Fees, and Governing Law for use of Revu software between the Board of Water Supply, County of Kaua'i and Bluebeam, Inc.

Mr. Shiraishi moved to approve Manager's Report No. 19-17 – Discussion and Possible Action to Request Board Approval for Indemnification, Attorney's Fees, and Governing Law for use of Revu software between the Board of Water Supply, County of Kaua'i and Bluebeam, Inc.; seconded by Mr. Tabata; with no objections, motion carried with 6 ayes.

6. Discussion and Suggestions of the Department of Water's Capital Improvement Projects for 2019-2020

DISCUSSION:

Manager Wienand explained that the priorities were previously submitted to the legislature in 2016. He added it would be detrimental if the priorities were rearranged on an annual basis. The projects remain prioritized 1 thru 5 because the projects have not been completed. The Manager Wienand was open to suggestions from the Board.

On Priority 2 (Hā'ena-Wainiha Water System), Mr. Dahilig was not in agreement with the justification on the funding to expand affordable housing for \$1.2M. He said if these items relate to repair, he agrees, but expansion in this area will not happen. Mr. Dahilig said if there is expansion, it has to reflect a realistic built out and why the Department needs funding. Manager Wienand could justify to remove the affordable housing component. Mr. Dahilig said if the intent on the priorities is to help with the backfill and the needed R&M projects from a Capital Improvement Projects, he would agree. If the Department explains to the legislature the priority for expansion, then expansion needs to make sense which Manager Wienand agreed. In 2017, the CIP was not submitted to the legislature due to the Department being in transition according to Chair Tokioka.

Ms. Ho questioned Mr. Dahilig on the affordable housing in Hā'ena that had many houses lost in the April flood. Should it be reconstruction instead of expansion? Mr. Dahilig said the land use in the available area is slim. If a system needed to be repaired, it could be flood eligible from FEMA as a disaster relief explanation and justification.

Mr. Dill referred to Page 112 on the total funding request total of \$4.8M for 2019-2020 and the total for projects at \$34.3M. He asked what is the plan for the remaining projects? Manager Wienand said the request for \$4.8M is positive; additional funding relates to the water rate study for the water system. Future costs will be presented to Board soon. For Project No. 3 (Wailua Kapa'a Water System) Mr. Dill said the Department needs to see the \$1.4M with the obligation and completion. If approved today, \$6.4M would be used for subsequent water rate study. Mr. Dill asked if the request could be \$9.8M for one (1) project and what is the strategy? The legislature may provide funding for several projects if they are spread out vs. one big project. If funding is received for Project No. 4 (Kalāheo-Lāwa'i-Omao Water System) this would be urgent to ensure this project is for next year but if funding is received for Priority No. 1 (Kīlauea Water System), the projects would be reversed; the Department may not even receive any funding.

Chair Tokioka mentioned Column No. 2 (2020-2021) is a cumulative amount for each year as a two (2) year plan. Manager Wienand added that four (4) projects are in design and are ready for construction except for Kīlauea Well (still in design). Mr. Aoki clarified that Priority No. 5 (Wailua-Kapa'a Water System) is not in design yet which depends on the drilling test if it passes or not. The deadline to submit the CIP to the legislature is the end of November.

Chair Tokioka suggested Manager Wienand update the Board based on input from Board Chair and Board Member Dahilig.

I. CONSENT CALENDAR

None.

At 11:49 a.m., Mr. Dahilig moved to go into Executive Session; seconded by Mr. Shiraishi with no objections.

K. EXECUTIVE SESSION

1. Pursuant to Hawai'i 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 this agenda item:

Manager's Report No. 19-18 - Discussion and Possible Action to Request Board Approval on the First Amendment to Special Counsel Contract 651 for additional funds in the amount of \$25,000.00

Mr. Shiraishi moved to approve *Manager's Report No. 19-18* - Discussion and Possible Action to Request Board Approval on the First Amendment to Special Counsel Contract 651 for additional funds in the amount of \$25,000.00; seconded by Mr. Dill; with no objections, motion carried with 6 ayes.

At 12:14 p.m., Mr. Dahilig exited the teleconference.

At 12:14 p.m., Chair recessed the Regular Board meeting, with no objections.

At 12:19 p.m., Regular Board Meeting was called back to order.

J. STAFF REPORTS

MONTHLY

1. Discussion and Receipt of the Kaua'i County Water Department's Statement of Revenues and Expenditures
 - a. July Monthly Summary Budget
 - b. Accounts Receivable Aging Summary

BACKGROUND:

Waterworks Controller Mrs. Yano highlighted that water sales and consumption went down to 71M gallons which was cumulative year to date. The cause could be from rain the past months and possibly irrigation or water conservation.

Received – 6 members

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

BACKGROUND:

Information and Education Specialist Mrs. Kaohelaulii reported before and during Hurricane Lane, Public Relations issued 28 news notifications relating to water service. These service issues announcements demonstrated the consistency of public notifications and consumer awareness that builds consumer trust and loyalty in the Department for the customers. There has been great improvement in communicating with PR from the field staff on their timely repairs for the public which she appreciated.

The Board acknowledged PR's excellent work on Project Wet.

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:

1. Billing & Production Chart regarding the 2.4% (Page 166) – Mr. Reyna is checking on the unusual 2.4% water loss. This could be from a delay in billing which may have corrected itself showing. There were no repairs for that month. Total for the year is 10.9%.

DISCUSSION:

Manager Wienand initiated billing on three (3) accounts owned by Grove Farm Company with a previous agreement dated in the 1950's and no longer valid. This was tied in with Kokolau Tunnel which is now off line since 2011. Puakea Golf Course was also billed but is unsure if these accounts made a dip in the total. Mr. Reyna explained single percentages are usually not consistent but is the goal.

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 Wienand highlighted:

1. Personnel Matters – Continues to be aggressive with the hiring process. September had three (3) new hires and five (5) internal promotions.

Received – 6 members

L. TOPICS FOR NEXT WATER BOARD MEETING (October 2018)

1. Hawai'i Water Works Association Conference, Līhu'e, Hawai'i (November 7-9, 2018), Kōloa Landing (*Update*) Will be provided in the Manager's Update Report
2. Discussion and Receipt of the DOW's Quarterly Project Status Update (*July – September 2018*)
 - a. Construction Management Division Status
 - b. Engineering Division Design Status
 - c. Water Resources & Planning Division Status
3. Discussion and Receipt of the Kaua'i County Water Department's Statement of Revenues and Expenditures
 - c. Build America Bond Quarterly Report (*July – September 2018*)
4. Resolution No. 19-XX – Discussion and Adoption of Resolution No. 19-XX, Mahalo Department of Water Participants 2018 Make a Splash Water Festival
5. Manager's Report No. 18-82 – Discussion and Possible Action on the Status Update on Water Plan 2020
6. Manager's Report No. 19-13 – Discussion and Possible Action for Response to Mr. Chester Hunt, Po'ipū Beach Estates Regarding Request for Exception to Department of Water, County of Kaua'i Rules and Regulations, Part 5 Facilities Reserve Charge, Section IV Collection and Refund of Facilities Reserve Charge, Subsection 6.d. Facilities Reserve Charge Paid Prior to Enactment of Part 5 Rules (*Update*)
7. Manager's Report No. 19-14 – Discussion and Possible Action for Clarification of Intent of Department of Water, County of Kaua'i Rules and Regulations, Part 5 Facilities Reserve Charge, Section IV Collection and Refund of Facilities Reserve Charge, Subsection 6.d. Facilities Reserve Charge Paid Prior to Enactment of Part 5 Rules, with respect to: Request for Exception – Kukui'ula Development Company (Hawai'i), LLC

8. Discussion and Suggestions of the Department of Water's Capital Improvement Projects for 2019-2020 (*Update*)

M. TOPICS FOR FUTURE WATER BOARD MEETINGS

1. Manager's Report No. 17-29 (*Update*) - Discussion and Possible Action on the Financial Management Planning and Water Rate Analysis for the Department of Water for July 2018 through June 2023 and submit an Impact Statement to the Small Business Regulatory Review Board (*November 2018*)
2. Discussion and Receipt of the Department of Water's Draft Audit Financial Statements and Independent Auditor's Report by Accuity, Inc. for FY 2017-18 (*November 2018*)
3. Election of Officers for 2019 (*November 2018*)
4. Board Meeting Dates for 2019 (*November 2018*)
5. Department of Water Employees of the Year Resolution (*November 2018*)
6. Resolution No. 19-XX - Farewell to Warren Rita (Retiree), Lead Pipefitter, Operations Division (*December 2018*)
7. Workshop presentation regarding the Table of Organization
8. Department of Water Performance Audit (*Update*)
9. Discussion and Possible Action to hire a consultant to provide a Policy in the Development of Priorities for the Current Rate Study & 2018-2019 Budget Process for:
 - a. Capital Budget
 - b. Operating Budget
 - c. Reserves
 - d. Debt
10. Workshop presentation regarding the Master Plan of the Department of Water's former Administration Building, Baseyard, Micro Lab, Information Technology (*2019*)

N. UPCOMING EVENTS

1. HWWA Conference, Līhu'e, Hawaii (*November 7 – 9, 2018*), Kōloa Landing
2. Annual Employee Meeting (*December 7, 2018*)
3. HWWA & HWEA Pacific Water Conference, Honolulu, Hawaii (*February 21 – 23, 2019*)

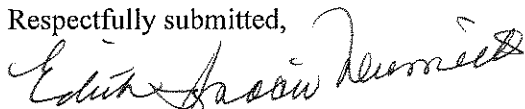
O. NEXT WATER BOARD MEETING

1. Friday, October 26, 2018, 10:00 a.m.
2. **Wednesday**, November 21, 2018, 10:00 a.m.
3. Friday, December 28, 2018, 10:00 a.m.
4. Friday, January 25, 2019, 10:00 a.m.

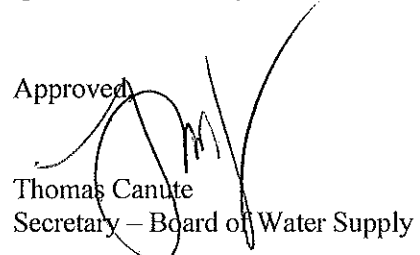
P. ADJOURNMENT

Mr. Shiraishi moved to adjourn the Regular Board meeting at 12:31 p.m.; seconded by Mr. Dill; with no objections, motion carried with 5 ayes.

Respectfully submitted,


Edith Ignacio Neumiller
Commission Support Clerk

Approved


Thomas Canute
Secretary – Board of Water Supply