

MEETING MINUTES
BOARD OF WATER SUPPLY
February 28, 2020

The Board of Water Supply, County of Kaua'i, met in regular meeting at the Board Conference Room in Lihu'e on Friday, February 28, 2020. Chair Kurt Akamine called the meeting to order at 10:00 a.m. The following Board members were present:

BOARD: Mr. Kurt Akamine, *Chair*
Ms. Laurie Ho
Mr. Lawrence Dill
Mr. Ka'aina Hull
Ms. Julie Simonton
Mr. Jason Kagimoto

EXCUSED: Mr. Elesther Calipjo

Quorum was achieved with 6 members present at Roll Call.

<u>STAFF:</u>	Mr. Bryan Wienand	Mr. Eddie Doi
	Mr. Keith Aoki	Mr. Michael Hinazumi
	Mrs. Marites Yano	Mr. Carl Arume
	Mrs. Mary-jane Akuna	Mr. Chris Nakamura
	Mr. Eric Fujikawa	Mr. Daniel Kittredge
	Mrs. Jonell Kaohelaulii	Mr. Darrell Acob
	Mr. Valentino Reyna	Mr. Jas Banwait
	Deputy County Attorney Mahealani Krafft	Mr. Ryan Smith
	Mr. Steve Kyono, Advisor to the Board	Mr. Shace Yasutake
	Ms. Christine Erorita	Mr. Duane Moriguchi
	Mr. Cleve Shigematsu	Mrs. Kahea Kolo
	Mr. Rayjerry Silva	Mrs. Analyn Flores
	Mr. Elliott Jung	Ms. Tammi Oshiro

GUESTS: Ms. Felicia Cowden, Councilwoman
Mr. Hall Parrott, Private Citizen
Erin Tsuda, Grove Farm Company
Mr. Clyde Kodani, Kodani & Associates Engineers
Mr. William Eddy, Kodani & Associates Engineers
Ms. Nancy Learner, Brio Consultant
Mr. Mark Wehmeyer, Brio Consultant

C. ACCEPTANCE OF AGENDA

Ms. Ho reordered the Agenda to move up Agenda Item Nos. H. New Business: Resolution No. 20-03, Manager's Report No. 20-44 and Manager's Report No. 20-45 before Meeting Minutes; seconded by Mr. Dill; with no objections, motion carried with 6 ayes.

H. NEW BUSINESS

1. Resolution No. 20-03 – Farewell to Cleve Shigematsu (Retiree), Engineering Drafting Technician III, Water Resources & Planning Division

Chief of Water Resources & Planning Mr. Eddie Doi read Cleve Shigematsu' Resolution before the Board and staff. Cleve thanked the Department for giving him the opportunity to work at the Department of Water (DOW). A photo op followed after the presentation.

Mr. Hull moved to adopt and approve Resolution No. 20-03 – Farewell to Cleve Shigematsu (Retiree), Engineering Drafting Technician III, Water Resources & Planning Division; seconded by Ms. Ho; with no objections, motion carried with 6 ayes.

2. Manager's Report No. 20-44 – Discussion and Adoption of Resolution No. 20-04 (2/20), Employee of the Year, Rayjerry Silva, Operations Division

Chief of Operations read Rayjerry Silva's Resolution. Rayjerry thanked the Department and supporting job; a photo op followed with his supervisor.

Mr. Hull moved to adopt and approve Manager's Report No. 20-44 – Discussion and Adoption of Resolution No. 20-04 (2/20), Employee of the Year, Rayjerry Silva, Operations Division; seconded by Ms. Ho; with no objections, motion carried with 6 ayes.

3. Manager's Report No. 20-45 – Discussion and Adoption of Resolution No. 20-05 (2/20), Employee of the Year, Elliott Jung, Fiscal Division

Waterworks Controller Mrs. Yano read and presented Elliott Jung's Resolution and a photo op with a few of the Fiscal staff. Group photos included the Board members with Cleve Shigematsu, Rayjerry Silva and Elliott Jung.

Mr. Hull moved to adopt and approve Manager's Report No. 20-45 – Discussion and Adoption of Resolution No. 20-05 (2/20), Employee of the Year, Elliott Jung, Fiscal Division; with no objections, motion carried with 6 ayes.

D. MEETING MINUTES

Review and approval of:

Regular Board Meeting – January 24, 2020

Ms. Ho moved to approve the Regular Board Meeting minutes of January 24, 2020; seconded by Ms. Simonton; with no objections, motion carried with 6 ayes.

Review and Approval of

Executive Session Meeting – January 24, 2020

Mr. Hull moved to approve the Executive Session Meeting minutes of January 24, 2020; seconded by Ms. Ho; with no objections, motion carried with 6 ayes.

E. CORRESPONDENCE/ANNOUNCEMENTS/PUBLIC TESTIMONY

None.

F. BOARD COMMITTEE & PERMITTED INTERACTION GROUP REPORTS

None.

G. OLD BUSINESS

1. Manager's Report No. 20-40 - Discussion and Possible Action on Proposed Board Policy No. 31 to Fund the Net Pension Liability and the Net Other Post Employment Benefit Liability as determined by the Government Accounting Standards Board (Update)

Attachment No. 3, Proposed Board Policy 31 was "Received for the Record" and distributed to the Board.

BACKGROUND:

Waterworks Controller Ms. Yano revised the initial proposed Board Policy 31 draft from the January 24th Board meeting on funding unexpected spikes occurring in expenses for pension and retirees' health benefit costs in and obligations. The County of Kaua'i's (COK) Reserve Fund Policy was revised on March 22, 2017 with a 30% of the County's previous year's General Fund revenues. This was identified in the recent Comprehensive Annual Financial Report (CAFR).

The DOW has two existing reserve funds established by Board Policies 26 and 27: 1) Emergency Reserve Fund (ERF) and 2) Debt Service Reserve Fund (DSRF) with a combined \$9.3M as of June 30, 2019 which is approximately 30% of the DOW's operating revenue.

Mrs. Yano indicated that the proposed Board Policy 31 would combine the two existing Board Policies 26 & 27. In addition to the two reserve funds, the Department would expand the uses of the reserve fund to address the volatility of expenditures and revenue shortfall. Mrs. Yano said the proposed reserve fund uses will be reprioritized by 1) emergency repairs after a Declaration of Emergency by the Governor or by the Board of Water Supply, 2) funding the debt service requirement and 3) funding the reoccurring unfunded mandates or a spike in pensions, health benefit costs, unfunded legal services, legal claims, or uncovered insurance claims deductibles.

DISCUSSION:

DCA Krafft clarified according to the current policy, issuance of a Declaration of Emergency by the Governor or the Mayor is required to authorize use of ERF funds. She had not reviewed the proposed Board Policy prior to the Board meeting.

Mr. Dill read the purpose of Board Policy 26: "As authorized by the Manager and Chief Engineer the Department may incur obligations or make expenditures from the ERF for use in the event of an emergency, disaster, or other severe crises without additional Board approval." He noted in the ERF Requirements No. 6 – Expenditure of ERF funds: "ERF Requirements No. 6 Expenditure of ERF funds; Reporting 1) "In order to expend ERF funds: i.) The Manager and Chief Engineer must make a determination that an emergency, disaster, or severe crisis exists. Where the Governor of the State of Hawai'i or the Mayor of the County of Kaua'i has issued a proclamation pursuant to HRS 127A for which the expenditure of funds is proposed, such a proclamation satisfies the requirements." Mr. Dill asked DCA Krafft if this implies that the proclamation is necessary for the Manager to make that determination according to the current fund policy. From the three items identified for use of the ERF: 1) emergency response for events causing significant service interruption, 2) funding debt service, and 3) fund non-recurring costs & spikes in pension, the proposed ERF should be structured to provide for a nimble response by the Department for items in the first category. The Manager should be allowed to make the determination without additional Board approval but to require the Manager to report back to the Board at the next meeting. In the proposed Board Policy No. 31 in IV Guidelines No. 2 - "The need to use the DRF must be presented to the Board of Water Supply for approval. The DOW shall request a Special Board Meeting to get approval for the release of funds to be used for the emergency or crisis."

Ms. Simonton asked what funds were used in the past (percentages)? Mrs. Yano indicated the Department has not tapped into the ERF. Mr. Kagimoto mentioned if there was a water line break, would that be part of an emergency procurement? No was the response from Mrs. Yano. Ms. Simonton asked if the funds were never used in 10 years, would 30% and not 20% if the money has never been used, the percentage could be increased in the future.

Mrs. Yano confirmed she researched the industry standards and American Water Works Association recommendations and implemented the consultant's recommendations on the ERF and DSF. She reviewed the reserve funds separately and compared the Department to the County, total funds established is in alignment with the County's 30%.

Chair Akamine referenced the revised Board Policy on IV Guidelines, 3c to address the cost of pensions on the unrestricted funds. Mrs. Yano said that revision was addressed on the initial proposal at the January Board meeting.

First Motion:

Mr. Dill deferred Manager's Report No. 20-40 to the March Board meeting to request the Department to modify the policy to allow the Manager to access the Emergency Reserve Fund (ERF) under the guidelines in Paragraph 3a only. Paragraph 3b & 3c will require preliminary approval by the Board. Items 3a can be brought to the Board at the next meeting and to request legal review of the policy; seconded by Ms. Ho; with no objections, motion carried with 6 ayes.

Second Motion:

Mr. Hull moved for the Finance Committee to analyze the unreserved monies incorporated into the Water Rate Study and the priorities of the Department; seconded by Mr. Kagimoto; with no objections, motion carried with 6 ayes.

Mr. Hull indicated that the Finance Committee's first priority is to look at *existing* priorities set for the Department's capital improvements and the Water Rate Study. Other opportunities may be discussed if there are additional monies.

Mrs. Yano was commended for the Fiscal efforts that are being considered on the proposed Board Policy.

2. Manager's Report No. 20-41 - Discussion and Possible Action to approve funding for the Waiahi Surface Water Treatment Plant per the Water Treatment and Delivery Agreement in the amount of \$2,821,347.00 (Update)

BACKGROUND:

Mr. Bryan Wienand clarified and adjusted the Construction Cost table as requested by the Board from the January meeting (Attachment 3). Added to the table: Unit Cost, Units, Total cost for each month and the corresponding 1/3 Grove Farm's cost and 2/3 Board of Water Supply's cost, per the agreement. Total amount remains identical.

Proposed billing and invoicing procedures are as follows:

1. DOW recommended that the Board approve funding in the amount of \$2,821,347.00 as a maximum, not-to-exceed amount for the DOW's 2/3 cost share per the Water Treatment and Delivery Agreement.
2. The DOW will periodically send DOW Construction Management (CM) staff to the job site during construction to inspect and verify the work being done. Grove Farm owns the site with the intent that the DOW would own the site in the future.
3. Waiahi Water Company will submit invoices and supporting documents to the DOW based on the bid items applicable exclusively to Section 12.e of the Water Treatment and Delivery Agreement (i.e. items which the BWS pays the 2/3 cost share). These items are identified in Attachment 3.

The DOW will review and approve the invoices for the project but will only be authorized to approve project spending for applicable items up to the not-to-exceed amount of \$2,821,347.00. Any additional costs would be brought back to the Board with the same cost share.

Mr. Wienand also updated that the DOW would present a check to Waiahi Water Company "within 15 calendar days," "not 10 business days of the receipt of the invoice. Grove Farm's loan has 30 days to make payment. The amount requested is a multi-term amount to be carried into the next fiscal year (FY). Recommendation is for Option 1 to approve funding for \$2,821,347.00.

DISCUSSION:

Mr. Hull asked what if one of the invoices comes back higher than projected on the estimates? Mr. Wienand explained there would be mutual agreements on discrepancies. Membranes would come up April/May and the Boards approval at this meeting would be at the end of the calendar year. He said if a lump sum bid comes in, the Department would know if the specific amount is different. If the bid comes in low, invoice would be at that amount. The Department would deal with increased costs. Costs need to be flexible with the line items up to the cap.

Phase I Membranes - were ordered by Grove Farm and will be done by Aqua Engineers contracted with Grove Farm. Phase II will go out to bid for a general contractor. Ms. Simonton commented if the bids come back more than 5% or 10%, the Department could review the plans to keep costs in line within the Departments purview. Mr. Wienand said the Department's process on projects is to request a contingency with a contractor. In the Agreement, Section 12 states that bids would be mutually agreed upon for capital improvements. If the bid is awarded, it is not addressed in the agreement. Chair Akamine inquired if the Department could be involved in the bidding? DCA Krafft commented that is would be Grove Farm's risk on a contract price and if it qualified with Section 12e of the agreement.

Civil Engineer Mr. Keith Aoki brought up the asterisk (*) at the end of the funding chart (*this amount will be provided following board action on Manager's Report No. 20-40.) Mr. Wienand clarified that the asterisk was intended to allow flexibility on how to handle a multi-term approval for FY2020 and into next FY2021 for transparency but was not relevant. Mr. Hull clarified that the funding source is not the \$26M that was mentioned last month and not a contingency. Other discussions included that line items should show the under or overages and it was suggested that CM provide the updated report with Mr. Wienand as back up on the report.

The scope needs to match what the Department is presenting when working with Grove Farm to the Board and a monthly report that matches the line items in the actual 2004 contract. Mr. Eddy with Kodani & Associates Engineers agreed to have the bid form detailed so that it is not a lump sum bid. Funds are from the Water Utility Fund that addresses the asterisk and there are adequate funds without accessing the current restricted funds.

Mr. Dill moved to approve Manager's Report No. 20-41 - Discussion and Possible Action to approve funding for the Waiahi Surface Water Treatment Plant per the Water Treatment and Delivery Agreement in the amount of \$2,821,347.00 (Update) and 1) a request to the Department to provide a monthly update on status of payments on the contract in sufficient detail to confirm that billing is proceeding in accordance with the Board's approval of the project budget, and 2) that payments should be made to Grove Farm within 15 business days upon submittal of an appropriate invoice; seconded by Ms. Ho; with no objections, motion carried with 6 ayes.

3. Manager's Report No. 20-42 – Discussion and Possible Action to transfer funds from the Professional Services Budget to the Operating Capital Outlay Budget in the amount of \$62,618.73 (Update)

BACKGROUND:

Chief of Operations Mr. Reyna updated and included excerpts from the spatial study. Four columns are identified for Office Spaces Section, Current Area, 2020 Idealized Area (spatial study) & Percent Space Currently Provided. Shared units will include a small meeting room, corridors and walkways and will accommodate 10 staff. Operations proposed to construct the office space and relocate some of the work stations to the old Board Room. Mr. Reyna recommended a fund transfer for planning and building permits.

DISCUSSION:

Additional costs will be part of Operation's budget for next FY:

\$75,000 – Office improvements, construction materials, HVAC, some fixtures, some upgrades on workstations. Mr. Dill indicated support of the request in concept, but requested an estimated total cost of the construction for budget approval on the following:

1. Line items for communication lines & telephone lines
2. Include an estimated cost of construction and all line items
3. Show existing floor plan and proposed floor plan
4. HVAC & vents (will be contracted out)
5. Partitions (main cost)
6. Doors (main cost)
7. Labor costs for a/c and ventilation

Mr. Reyna explained that the previous proposal for the old Board Room is temporary, long term or potential to relocate to another building. Delays would be on the building permits, construction, the expansion move, and the hiring a clerk with no work space. Firm numbers could be done with the consultant on their design, materials and labor costs.

Ms. Simonton moved to approve Manager's Report No. 20-42 – Discussion and Possible Action to transfer funds from the Professional Services Budget to the Operating Capital Outlay Budget in the amount of \$62,618.73 (Update) for planning and permits; seconded by Mr. Kagimoto; with no objections, motion carried with 5 ayes, and 1 No (LD)

H. NEW BUSINESS (cont'd)

4. Manager's Report No. 20-46 - Discussion and Possible Action to Request Board Approval for the Indemnification provision in the Software Licensing Agreement between the Board of Water Supply, County of Kaua'i, and Seiko Epson Corporation

Mr. Dill moved to approve Manager's Report No. 20-46 - Discussion and Possible Action to Request Board Approval for the Indemnification provision in the Software Licensing Agreement between the Board of Water Supply, County of Kaua'i, and Seiko Epson Corporation; seconded by Ms. Ho; with no objections, motion carried with 6 ayes.

5. Manager's Report No. 20-47 - Discussion and Possible Action to Request Board Approval for the Indemnification provision in the Honeywell Software End-User Licensing Agreement between the Board of Water Supply, County of Kaua'i, and Honeywell

Mr. Dill moved to approve Manager's Report No. 20-47 - Discussion and Possible Action to Request Board Approval for the Indemnification provision in the Honeywell Software End-User Licensing Agreement between the Board of Water Supply, County of Kaua'i, and Honeywell; seconded by Ms. Ho; with no objections, motion carried with 6 ayes.

6. Manager's Report No. 20-48 - Discussion and Possible Action to extend the I.T. Support Services with Brio Consulting, LLC until June 30, 2020 for an additional amount of \$144,000.00

BACKGROUND:

Waterworks Controller Mrs. Yano commented that IT was two vacant positions which the Department is currently recruiting. The Brio contract in October 2019 provided on-site professional services and assisted with the backlog of work while two IT staff were on leave. This contracted ends March 15, 2020. Hiring of the two IT positions is unknown at this time. Mrs. Yano recommended to approve the amended contract (Task 1) for the extension for on-site professional services until June 30, 2020 in the amount of \$144,000.00.

DISCUSSION:

Mr. Hull asked what are the barriers in getting the positions filled? Compensation? Chair Akamine is in contact with Department of Human Resources (DHR) with applications and will proceed to move the IT Manager position forward with DHR.

Mr. Dill moved to approve Manager's Report No. 20-48 - Discussion and Possible Action to extend the I.T. Support Services with Brio Consulting, LLC until June 30, 2020 for an additional amount of \$144,000.00; seconded by Mr. Kagimoto; with no objections, motion carried with 6 ayes.

7. Chairperson's Report No. 20-49 – Discussion and Possible Action to delegate the authority to the Board Chair to assign tasks to Mr. Steven Kyono, Advisor

BACKGROUND:

Chair Akamine indicated that Mr. Kyono has served on the Board as an emergency hire in the past and holds a current Hawaii Professional Engineer license. He also serves on the National Council of Examiners for Engineering and Surveying (NCEES). Chair asked the Board to delegate authority to the Acting Manager/Board Chair and Mr. Kyono would provide Monthly Reports to the Board.

Mr. Hull moved to approve Chairperson's Report No. 20-49 – Discussion and Possible Action to delegate the authority to the Board Chair to assign tasks to Mr. Steven Kyono, Advisor; seconded by Ms. Ho; with no objections, motion carried with 6 ayes.

I. CONSENT CALENDAR

None.

J. STAFF REPORTS

MONTHLY

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

BACKGROUND:

Waterworks Controller, Mrs. Yano pointed out a correction on Page 75 of the Fiscal Report which should read as of "January 31, 2020," instead of December 2019.

DISCUSSION:

Mr. Dill pointed out positive variances and asked if expenses are less than projected? Will these items be closer to projected by the end of the year? Mrs. Yano indicated there would be variances. Training and Travel expenses

are 53% - travel occurs mostly in May and June for national conferences. Debt service had a 2% variance that was divided by 12 months.

Ms. Simonton noticed there was \$20M less on capital projects which did not move forward on the projects. Mrs. Yano indicated there are circumstances in holding up some projects.

Received for the Record

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

BACKGROUND:

Information & Education Specialist Mrs. Kaohelaulii highlighted the following:

1. Coordinated the 2020 outreach education & events calendar. March 16th - 20th is the annual DOW Fix a Leak Week in partnership with Environment Protection Agency Water Sense Program. Leak detection kits will be expanded in three districts (Waimea, Līhu'e DOW office & Kīlauea sites).

Received for the Record

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. Darren Lizama, Water Service Supervisor was commended for his quick customer service recently by a customer who was impressed to get their leak answer within a few minutes of their call.
2. Three hydrants were hit; an average of 3 hydrants hits per month on County roads.

Received for the Record

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

Received for the Record

L. TOPICS FOR NEXT BOARD OF WATER SUPPLY MEETING (March 2020)

1. Resolution Mahalo and Aloha Board Member, Laurie Ho
2. Appointment by Chair Kurt Akamine for Vice Chair effective April 1, 2020
3. Draft Budget for Fiscal Year 2020 -2021 a) Operating; b) Capital
4. *Manager's Report No. 20-40* - Discussion and Possible Action on Proposed Board Policy No. 31 to Fund the Net Pension Liability and the Net Other Post Employment Benefit Liability as determined by the Government Accounting Standards Board (Update)

M. TOPICS FOR FUTURE BOARD OF WATER SUPPLY MEETINGS

1. Department of Water Performance Audit (Update)

DISCUSSION:

Ms. Ho questioned if a Department's performance audit would assist the Board's fiduciary responsibilities? She added that this has been put off for a long time. Chair Akamine said there could be a possible resolution regarding this matter from the County Council. The Board could consider this in the future.

2. Table of Organization Workshop
3. Discussion and Possible Action to establish Fiscal Policies and Procedures
4. Report of the Finance Committee of the Kaua'i County Board of Water Supply, Financial Management Planning and Water Rate Analysis for the Department of Water's FY2020 through FY2024 held on November 4, 2019

N. UPCOMING EVENTS

1. Tuesday, March 31, 2020, 5:00 p.m. – Public Hearing for Proposed Amendments to the Rules and Regulations Part 5 related to Facilities Reserve Charge Section III, Applicability for Guest House with Kitchen and Additional Rental Units
2. AWWA ACE 20th Conference (June 14-17, 2020, Orlando, Florida)
3. AWWA HWWA & HWEA 6th Annual Joint Conference (TBA)

O. NEXT WATER BOARD MEETING

1. Friday, March 27, 2020, 10:00 a.m.
2. Friday, April 17, 2020, 10:00 a.m.
3. Friday, May 29, 2020, 10:00 a.m.
4. Friday, June 26, 2020, 10:00 a.m.

Chair called for a short recess at 11:51 a.m.
Chair called the meeting back to order at 11:52 a.m.

At 11:52 a.m., Ms. Ho read the following Executive Session language.

Mr. Hull moved to invite Mr. Steve Kyono, Advisor to the Board to attend the Executive meeting; seconded by Ms. Ho; with no objections, motion carried with 6 ayes.

K. EXECUTIVE SESSION

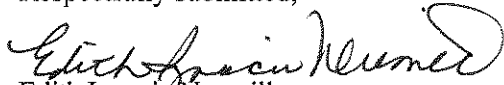
Pursuant to Hawai'i Revised Statutes (HRS) §92-7(a), the Board may, when deemed necessary, hold an executive session on any agenda item without written public notice if the executive session was not anticipated in advance. Any such executive session shall be held pursuant to HRS §92-4 and shall be limited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

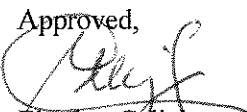
Chair called the meeting back to order at 12:06 p.m.; with no objections.

P. ADJOURNMENT

The Regular Board meeting adjourned at 12:06 p.m.; with no objections.

Respectfully submitted,


Edith Ignacio Neumiller
Commission Support Clerk

Approved,

Elesther Calipjo
Secretary, Board of Water Supply