

MINUTES
BOARD OF WATER SUPPLY
May 28, 2020

The Board of Water Supply, County of Kaua'i, met in regular meeting **via remote** in Lihu'e on Thursday, May 28, 2020. Chair Kurt Akamine called the meeting to order at 10:02 a.m. The following Board members were present:

BOARD: Mr. Kurt Akamine, *Chair*
Ms. Julie Simonton
Mr. Lawrence Dill
Mr. Elesther Calipjo
Mr. Gregory Kamm
Mr. Ka`aina Hull (*joined @ 10:07 am*)
Mr. Troy Tanigawa (*joined @ 10:54 am*)

Quorum was achieved with 5 members present at Roll Call.

STAFF: Mr. Bryan Wienand
(*via remote*) Mr. Eddie Doi Mr. Michael Hinazumi
Mr. Keith Aoki Mr. Dustin Moises
Mrs. Marites Yano Mr. Marcelino Soliz
Mrs. Mary-jane Akuna Mrs. Christine Erorita
Mrs. Jonell Kaohelaulii Mr. Darrell Acob
Mr. Valentino Reyna Mr. Jas Banwait
Deputy County Attorney Mahealani Krafft

C. ACCEPTANCE OF AGENDA

Mr. Dill moved to approve the Agenda as distributed; seconded by Mr. Calipjo; with no objections, motion carried with 5 ayes.

D. MEETING MINUTES

Review and Approval of
Regular Board Meeting – April 17, 2020

Mr. Calipjo moved to approve the Regular Board Meeting minutes of April 17, 2020; seconded by Mr. Dill; with no objections, motion carried with 5 ayes.

E. CORRESPONDENCE/ANNOUNCEMENTS/PUBLIC TESTIMONY

1. Correspondence from Ms. Shawn Shimabukuro, Vice President Grove Farm regarding Grove Farm's Request for Revenue Requirement Shortfall dated February 4, 2020

Received for the Record

Written testimony from Ms. Shawn Shimabukuro regarding Request for Revenue Requirement Shortfall per Water Treatment and Delivery Agreement, dated May 28, 2020 was discussed with Manager's Report No. 20-53 in Executive Session.

Received for the Record

F. BOARD COMMITTEE & PERMITTED INTERACTION GROUP REPORTS (PIG)

1. Report of the Finance Committee of the Kaua'i County Board of Water Supply Draft Budget for Fiscal Year 2020-2021
 - a. Fiscal Year 2020-2021 – Draft Operating Budget
 - b. Fiscal Year 2020-2021 – Draft Capital Outlay Budget

BACKGROUND:

Finance Chair Dill reported that the committee met on May 19th, 20th & 21st and discussed the Draft Operating and the Draft Capital Outlay Budgets for the Fiscal Year 2020-2021. A robust discussion on the proposed budget will take place with the full Board at the Regular Board Meeting on May 28, 2020.

Received for the Record

Mr. Hull joined the meeting at 10:07 a.m.

G. OLD BUSINESS

1. Manager's Report No. 20-40 - Discussion and Possible Action on the 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*)

BACKGROUND: The updated Board Policy No. 31 was "Received for the Record." Waterworks Controller Mrs. Yano went over the update and said the Department of Water (DOW) would maintain a single reserve fund equal to at least 30% of the DOW's last audited operating revenues; by deleting Board Policy No. 26 the Emergency Reserve Fund & Board Policy No. 27 the Debt Service Reserve Fund. The list of expanded restricted uses would include unfunded non-recurring costs (spikes in pension and retirees' health costs). The Department accomplished this update since the January 24, 2020 Regular Board meeting.

DISCUSSION:

Mr. Hull and Finance Chair Dill worked with Mrs. Yano, the Department and the County Finance Department several months ago. Mr. Hull thanked Mrs. Yano for making the adjustments which should free several million dollars that could be discussed at a future Water Rate Study.

Mr. Hull moved to approve Manager's Report No. 20-40 - Discussion and Possible Action on the Proposed Board Policy No. 31 as distributed to Fund the Net Pension Liability and the Net Other Post Employment Benefit Liability as determined by the Government Accounting Standards Board (*Update*); seconded by Mr. Dill; with no objections, motion carried with 6 ayes. Roll Call: KA, KH, GK, LC, LD, KK

2. Draft Budget for Fiscal Year 2020-2021
 - a) Fiscal Year 2020 - 2021 – Draft Operating Budget
 - b) Fiscal Year 2020 - 2021 – Draft Capital Outlay Budget

"Received for the Record" – The draft budget was updated to reflect revisions by the Finance Committee in its May 19, May 20, and May 21 meetings.

BACKGROUND:

Mrs. Yano recognized Finance Committee Chair Dill, Mr. Hull and Mr. Calipjo for reviewing the proposed drafts presented by each DOW's division. Three Finance Committee meetings were conducted on May 19th, 20th, & 21st. The comparative water usage are the revenue projections for the next fiscal year (FY). The Department's average from 2015 to 2019 yearly water usage was 3.9 million gallons. For FY 2020, water usage went down to -3.6 billion gallons annually. By using the estimated water sales data from April 2020, it resulted in -3.1 billion gallons projected for 2021. \$23M in revenues was projected with the flat sales from April 2020. If historical trends were used, the water sales projections would be \$26M.

DISCUSSION:

Mrs. Yano researched various rate categories such as hotels that Ms. Simonton had requested. Resources were projected for FY 2021 that resulted in the roll over cash at the end of 2020 from cash & cash equivalents, receivables and investments. A left over estimate is \$31.1M to start. The Reserve fund of \$5.2M and \$4.1 with a total reserve of \$9.5M; projected water sales was \$23M; fire hydrants are non-cash revenue at \$2.2M included in operating expenses; \$.3 in other revenues; \$4.5M that was approved by the State legislature for some Water Utility fund projects; \$1.4M grants and other contributions, BAB subsidy and FEMA receivables. Total Resources = \$7.3M. (Page 4)

Mr. Dill mentioned that the Department is changing the way budget liabilities is reflected in the \$31.1M. Mrs. Yano shared that in previous years, the Unrestricted Net fund position was used, for the projected resources. Comparing cash investments receivables, allows to increase the beginning balance used for project projections. The estimated ending balance as of June 30, 2021 is \$6.5M that is available in cash resources. The Unrestricted Net fund position would be negative at the end of the FY if the projected revenues, operating expenses and capital expenditures were spent, it would bring the Department to zero in the cash fund at the end of the FY.

Mr. Dill said previously when the budget was done, the entire amount was recognized and the long term liability was not available for budgeting purposes. What is currently shown is the obligation for the upcoming FY.

Water Utility – Allocation of Available Resources (Page 6-7) - \$28.8M Operating Expenses; \$1.3M for Miscellaneous Capital Outlay Purchases; \$23.3M for new CIP; \$5.2 Debt Principal repayment.

Capital Outlay budget includes all funds (Page 9) – \$22.6M Water Utility fund, \$.7M Facilities Reserve Charge fund, \$6.0M Build America Bond fund. Fund Projections (Page 12); Revenue Summary (Page 13); Operating Expense Summary (Page 14).

Mr. Dill wanted the Board to understand issues on funding of positions and filling vacancies. Travel related expenses to be cut by 60% following the County. Vacancies were trimmed down to \$400,040 as of this Board meeting (Page 187) – There are 31 vacant positions which some are in recruitment and interviews. Each position were reviewed and only funded on how soon the positions may be filled. Travel, per diem, and registration was trimmed down 60% and left 40% from each division's budget under the Administration's budget. This is intended for training & travel only for certification for the job and operations functions.

Percentage funding for positions were indicated in the Vacancy Date column on Page 187. Mr. Hull commented that if a position was vacant more than one year to \$1 fund it and to possibly double equivalent on the private contracts missed to manage the workload. Mr. Kamm agreed. Due to the COVID pandemic, to stimulate the economy is construction projects. Projects should not be held up.

Construction Management Officer Mr. Dustin Moises has one vacancy in recruitment for \$96,000. He was not sure on the stimulus project for the State and government that developers are doing with water related projects. If CM is getting outside stimulus work through Planning Department, Housing Department or Department of Transportation (DOT), it may be necessary to tap into the As Needed CM, which was not included in the CM budget. He asked the Board if there are other critical stimulus packages on facility construction. CM could do a supplemental budget to the Board. If an As Needed construction company works a 40 hour a week, cost can range from \$30K to \$40 a month or \$500,000/year for one engineer and one inspector on projects. As Needed would be used for CIP projects.

Mr. Dill commented that this was discussed during the Finance Committee meetings and that CM projects are supported. Engineering needs to make get projects done. Water Resources & Planning (WR&P) has to make sure that water allocations are made. Applications need to be reviewed and approved timely. In the proposed budget for FY2021, there are funds for private CM. Mr. Moises was not asking for additional funding because the \$700,000 budgeted in the current FY was encumbered for Bowers & Koboda. If DOT had water related projects and if funds increase above the \$700,000, CM would get involved. On the two projects CM plans to use the funds for, Mr. Dill asked if this would be full time for 12 months for each project? (\$40K/mo. x12 mos. = \$480,000). CM would funds Kilauea MCC and would use the Bowers contract for a Project Management Inspector.

The Kukuilono's project is a quick job and would be rebid. Ms. Simonton asked was it necessary to work 40 hours a week on projects? Could project management be modified? Part time to split between two projects? Mr. Moises added this could be written up part time on the project assignment order. Mr. Dill mentioned if CM needs more funds for projects to come back to the Board.

Mr. Dill's other priority is in Engineering's Professional Services for \$50,000 FY2020 budget. Mr. Wienand indicated the contract for \$50,000 would be executed in the next month. FY 2021, Engineering will be adding another \$50,000 for Engineering Service which needs to be corrected with a total of \$100,000 that could be increased later. (Page 76).

WR&P private project support – Chief of WR&P Mr. Doi commented to add \$150,000 or \$200,000.

Mr. Hull clarified to look at the yearlong vacant positions and if they are \$1 funded positions, how much money would be available in the budget?

Mr. Troy Tanigawa join the meeting at 10:54 a.m.

Mr. Dill would not know the funding is if the vacant positions over one year (before July 2019) would be \$1 funded. Mrs. Yano would find out how much money could be generated in a year if vacant positions were \$1 funded after speaking to the division heads. The final budget could be approved at the June Board meeting. Ms. Simonton agreed to \$1 fund the vacant positions and to put it in a pool at the Board's discretion on where to use the money for outside consultants to get projects out. Mrs. Yano proposed to submit a supplemental budget with the adjustments on the vacancies which are less than \$500,000. Mr. Hull's concern was that the full Board would need to have robust discussions during the Board meeting.

Baseyard Master Plan – This budget is over \$1M+ and is a long-term multi-phase project. Mr. Hull mentioned that new members have not heard the Baseyard presentation and are not aware of several million dollars committed to the Department for several years. Mr. Hull recommended to remove the Baseyard line item at \$1.6M (subject to State funding). Ms. Simonton asked if these funds could be used for something else or to go back to the legislature based on the current condition and the use of the funds for shovel ready projects? Mr. Wienand noted the Department requested \$1.6M from the legislature for Phase 1 design and if received, the Department would need to use the funds. If the funds are not received, Engineering would only proceed with a Professional Services contract for Phase 1 design but not from the Department's budget to execute the Professional Service contract to be reimbursed with State aid. Mr. Calipjo asked if the Board approves the \$1.6M for Phase 1 design, the Department would be obligated to construct the building? Mr. Wienand indicated if funds were received for Phase 1, it would be spent. Mr. Hull agreed with Mr. Calipjo that if the \$1.6M was awarded, the Baseyard would have to be built. Ms. Simonton asked if it was appropriate to make this request based on the pandemic? Mr. Calipjo requested more information on the Baseyard Master Plan. Mr. Dill suggested to remove this line item and resubmit it to the legislature for next FY which Mr. Kamm agreed.

Mr. Dill moved to approve to 1) \$1 fund positions vacant prior to FY 2020, 2) Add \$100K to Professional Service for Engineering's line item open ended services, 3) Create a line item for open ended engineering services of \$150K for WR&P budget, and 4) Remove funding for Baseyard Master Plan; No 2nd – *Motion died*

Mr. Hull did not second and explained that he wanted to see and discuss the items in more detail before approval. After discussions are completed he suggested to defer the proposed draft budget to the next meeting.

Ms. Simonton request more information from Mr. Moises on the CIP projects to modify CM's approach on requirements, to save funds to get a projects out (priority), to be creative and to stretch dollars. She mentioned Kukuilono's has a requirement for a trailer for a construction manager which is not good use of the funds. CM could try to get two projects out instead. Mr. Moises and Mr. Wienand will be reviewing the Kukuilono specs. The \$750K budget amount will be left in the budget and CM will see how costs can be saved for the next FY.

Mr. Hull moved to *defer* the Draft Budget to the June Board meeting or sooner; 1) Mrs. Yano will adjust the numbers to reflect \$1 funding vacant positions since FY2020, 2) Provide additional funds for private contracts in the Engineering, WR&P and IT Divisions, 3) Remove the line item for the Baseyard Master plan; seconded by Mr. Kamm, with no objections, motion carried with 6 ayes. Roll Call: KA, JS, KH, LD, LC GK

(See Amended motion under Manager's Update.)

H. NEW BUSINESS

1. Resolution No. 20-07 – Farewell to Keith K. Konishi (Retiree), Engineering Support Technician IV, Water Resources & Planning Division

BACKGROUND:

On behalf of WR&P Mr. Doi expressed his appreciation for Mr. Keith Konishi at work and outside of work. Mr. Konishi always assisted staff if they needed help on WR&P matters. Mr. Doi wished Mr. Konishi the best of luck on his retirement and his contributions to the Department. Mr. Konishi will formerly receive his Resolution after it has been executed.

Mr. Hull moved to approve and adopt Resolution No. 20-07 – Farewell to Keith K. Konishi (Retiree), Engineering Support Technician IV, Water Resources & Planning Division; seconded by Ms. Simonton; with no objections, motion carried with 7 ayes.

2. Manager's Report No. 20-52 - Discussion and Possible Action on Change Order No. 9 for Water Plan 2020 Project No. WK-39 Drill & Develop Kapa'a Homesteads Well No. 4 & Package A-Well and Drainage Package of Water Plan 2020 Project No. WK-08, Job No. 02-14, Kapa'a Homesteads 325' Tanks, Two 0.5 MG Tanks Projects, Kapa'a, Kaua'i, Hawai'i for additional construction funding in the amount of \$11,279.99

BACKGROUND:

Mr. Moises commented that due to Mayor Derek Kawakami's directives because of the COVID 19, on March 25, 2020 a Stop Work Order was issued on several DOW projects. Projects were not considered essential related to repair and maintenance of water utility work or affordable housing. CM had to limit overhead during down time. The contractor submitted required costs and labor was NPDS inspections. There was \$700K left in contingency and the COVID 19 Stop Work Order is \$8,642.00. The contingency was left in case the Esaki project continues which was less than \$10,000.00.

DISCUSSION:

Mr. Calipjo inquired on the status of the Esaki project. Chair Akamine shared that the Department has been speaking Mr. Esaki's attorney and terms about purchasing the easement. The Department sent out a Request for Proposal (ROP) for a commercial appraiser with no bidders but the ROP went out again. Mr. Esaki is willing if the Department can agree on a price to move forward.

Mr. Dill moved to approve Manager's Report No. 20-52 - Discussion and Possible Action on Change Order No. 9 for Water Plan 2020 Project No. WK-39 Drill & Develop Kapa'a Homesteads Well No. 4 & Package A-Well and Drainage Package of Water Plan 2020 Project No. WK-08, Job No. 02-14, Kapa'a Homesteads 325' Tanks, Two 0.5 MG Tanks Projects, Kapa'a, Kaua'i, Hawai'i for additional construction funding in the amount of \$11,279.99; seconded by Ms. Simonton; with no objections, motion carried with 7 ayes. Roll Call: KA, JS, KH, LD, LC, GK, TT

3. Manager's Report No. 20-53 - Discussion and Possible Action on correspondence from Grove Farm regarding Grove Farm's Request for Revenue Requirement Shortfall

BACKGROUND:

Ms. Simonton referred to Grove Farm's letter dated February 4, 2020 regarding a revenue requirement shortfall of \$500,000. After a meeting with Mrs. Yano and Mr. Wienand, Ms. Simonton called a colleague who has worked with the Public Utilities Commission (PUC). PUC's comment was that income tax was not appropriate to be included in the rate of return analysis based on Grove Farm's calculations. This would change the amount due by the DOW from \$5.8M to \$2.2M. There are discrepancies on methodology.

DISCUSSION:

Mrs. Yano added that the original agreement with Grove Farm did not include the net income on the difference on Grove Farm's methodology and the Department's proposal.

Action postponed until after Executive Session.

I. STAFF REPORTS MONTHLY

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

BACKGROUND:

Mrs. Yano referred to the Performance for April (Page 321) – Metered consumption is down 23%.

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. Jonell Kaohelaulii provide the following highlights:

1. Several public notices were sent in May regarding 1) Customer service during COVID, 2) Water Emergency Guidelines for hurricane season, 3) Department of Water recommendation and Department of Health's request on weekly flushing for schools and hotels.
2. The Department celebrated National Drinking Water in May. Staff was acknowledged as essential that provides safe drinking water on Kaua'i.
3. Celebrated Awareness week in a joint effort with other National Water Utilities on social media. American Water Works Association slogan hashtag #therewhenyouneedit and Department of Water's hashtag #waterisessential was heavily promoted in May. Mrs. Kaohelaulii acknowledged all DOW employees and the Board of Water Supply in honor of National Drinking Water that occurred May 3 – 9, 2020.

Received for the Record

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

BACKGROUND:

Mr. Valentino Reyna provided highlights:

1. Kapilimao Well site - Sodium Hypochlorite On-Site Generation was advertised. Two manufacturers have shown interest. Operations no longer use gas chlorine which was converted to Sodium Hypochlorite and is safe for personnel and easy to handle. Installed the first on-site service of Sodium Hypochlorite at the Makaleiha Well site part of the resiliency program. The Mahaleiha Well site can service Mahelona Hospital. Kapilimao Well is located to service Kaua'i Veterans Memorial Hospital.

Received for the Record

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

DISCUSSION:

Chair Akamine highlighted the following items:

1. **SEVENTH AMENDMENT TO CONTRACT NO. 535 JOB NO. WRP 01 FY05-06 KAUAI WATER USE AND DEVELOPMENT PLAN UPDATE WITH FUKUNAGA AND ASSOCIATES, INC. FOR A CONTRACT TIME EXTENSION OF ONE HUNDRED EIGHTY CALENDAR DAYS WITH NO ADDITIONAL FUNDING**
2. **CONTRACT NO. 638, CONDUCTING THE DEPARTMENT OF WATER'S FINANCIAL STATEMENTS FOR ITS 4TH FISCAL YEAR ENDING JUNE 30, 2020 WITH ACCUITY, LLP IN THE AMOUNT OF \$91,600.00**
3. **THIRD AMENDMENT TO CONTRACT NO. 639, JOB NO. 17-10, WP2020 #KW-07, REHABILITATE PAUA VALLEY TANK #1, 0.5 MG CONCRETE WITH KAI HAWAII, INC. IN THE AMOUNT OF \$4,779.00**
4. **CONTRACT NO. 697 SOLICITATION #GS-2020-5 FOR THE FURNISHING AND DELIVERY ONE (1) RUBBER TRACK OPEN CAB EXCAVATOR AWARDED TO ALLIED MACHINERY CORP. IN THE AMOUNT OF \$68,497.35**
5. **CONTRACT NO. 698, #HH-2019-2020, HRS \$103D-305 SMALL PURCHASE, HEADHUNTER SERVICES AWARDED TO BISHOP & COMPANY, INC. IN THE AMOUNT OF \$20,000.00**
6. Personnel Matters – Various openings to be filled especially the Manager and Chief Engineer and Deputy Engineer.

7. Advisor Report to the Board of Water Supply (Update) - Mr. Steven Kyono supported the Department as of April.

Mrs. Yano mentioned there were no funds budgeted for Mr. Kyono for the next FY.

Mr. Dill moved to amend the original budget motion to consider an additional fund for services of the Advisor to the Board and Department; seconded by Ms. Simonton; with no objections, motion carried with 7 ayes.

Received for the Record

Chair Akamine read the Executive Session language.

Ms. Simonton moved to go into Executive Session and to include, as resources, Mr. Bryan Wienand and Mrs. Marites Yano on Item J2 first, then Adjourn the Meeting Executive Session after Item J1; seconded by Mr. Hull; with no objections, motion carried with 7 ayes.

J. 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)

1. Pursuant to Hawai'i Revised Statutes § 92-4 and § 92-5(a)(2) and (4), the purpose of this Executive Session is for the Board to consider the hiring, evaluation, dismissal, or discipline of the an officer or employee or of charges brought against the officer or employee, where consideration of matters affecting privacy will be involved; provided that if the individual concerned requests an open meeting, an open meeting shall be held; and 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.
2. 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 it relates to Manager's Report No. 20-53 Discussion and Possible Action on correspondence from Grove Farm regarding Grove Farm's Request for Revenue Requirement Shortfall.

K. TOPICS FOR NEXT BOARD OF WATER SUPPLY MEETING (June 2020)

1. Discussion and Possible Action to approve the Proposed Operating and Capital Budget for Fiscal Year 2021

L. TOPICS FOR FUTURE BOARD OF WATER SUPPLY MEETINGS

1. Department of Water Performance Audit (Update)
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
5. Manager's Report No. 20-51 – Discussion and Possible Action regarding the communication from the Salary Commission requesting for the Board's opinion on the challenges that the Board is facing while hiring a Manager & Chief Engineer(*Update*)
6. Baseyard Master Plan Workshop

M. UPCOMING EVENTS

1. Make a Splash Project WET Festival (Tentative, September 18, 2020)

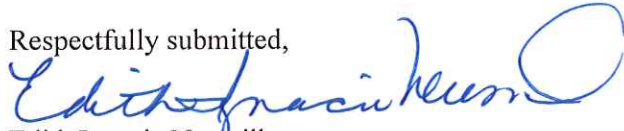
N. NEXT WATER BOARD MEETING

1. Friday, June 26, 2020, 10:00 a.m.
2. Friday, July 24, 2020, 10:00 a.m.
3. Friday, August 28, 2020, 10:00 a.m.
4. Friday, September 25, 2020, 10:00 a.m.

O. ADJOURNMENT

Mr. Hull moved to Adjourn the Regular board meeting at 12:21 p.m.; seconded by Ms. Simonton, with no objections, motion carried.

Respectfully submitted,



Edith Ignacio Neumiller
Commission Support Clerk

Approved,



Elesther Calipjo
Secretary, Board of Water Supply