

MINUTES
BOARD OF WATER SUPPLY
Thursday, May 26, 2022

The Board of Water Supply, County of Kaua'i, met in a regular meeting in Lihu'e on Thursday, May 26, 2022. Chair Julie Simonton called the meeting to order at 10:00 a.m. The following Board members were present:

BOARD:

Ms. Julie Simonton, *Chair*
Mr. Greg Kamm, *Vice Chair* (remote)
Mr. Kurt Akamine, *Secretary* (remote)
Mr. Lawrence Dill

EXCUSED:

Mr. Ka'aina Hull
Mr. Troy Tanigawa

Quorum was achieved with **4** members present at Roll Call.

STAFF:

Manager & Chief Engineer Joseph Tait
Deputy County Attorney Mahealani M. Krafft
Computer Systems Support Technician Darrel Acob
Deputy Manager Judith Hayducko
Civil Engineer Michael Hinazumi

Waterworks Controller Marites Yano
Info. and Education Specialist Jonell Kaohelaulii
Chief of Operations Valentino Reyna
I.T. Specialist Wayne Takabayashi
Private Secretary Mary-jane Akuna

ANNOUNCEMENTS

Next Scheduled Meeting: Thursday, June 23, 2022 – 9:30 a.m.

APPROVAL OF AGENDA

Chair Simonton asked that New Business be moved up to be taken right after Public Testimony

Board Member Dill moved to approve the agenda as amended, seconded by Mr. Kamm; with no objections, motion carried with 4 Ayes.

APPROVAL OF MEETING MINUTES

1. Regular Board Meeting – April 28, 2022
2. Executive Session – April 28, 2022
3. Finance Committee Meeting – May 4, 2022
4. Finance Committee Meeting – May 6, 2022

Private Secretary Mary-jane Akuna stated that the Finance Committee meeting minutes needed to be corrected as her name was not listed under Staff in attendance.

Board member Dill moved to approve the minutes of the Regular Meeting and Executive Session of April 28, 2022 and the Finance Committee Meetings of May 4 and May 6, 2022 with amendments noted by Private Secretary, seconded by Mr. Akamine; with no objections, motion carried with 4 Ayes.

Note: Subsequent to the May 26, 2022 Board meeting, it was determined that the Private Secretary was not required by the Manager to attend, nor was an active participant in the Finance Committee meetings; Chair deemed the correction to the minutes unnecessary.

PUBLIC TESTIMONY

The department received no public testimony prior to the meeting, and there were no registered speakers. There were 5 members of the public joining the meeting remotely.

Public Member, Tara Rojas, provided testimony on Old Business Item 1. And New Business Item 1. She stated that she has read previous meeting minutes regarding billing, understaffing, training and following protocol, long-term water leaks, and long-standing vacant positions that are still not filled. She stated Water is a universal issue that impacts all the board business being discussed today. Because of the new and illegal subdivisions happening on Kauai, specifically in Koloa, and the current water system being less than optimal she is concerned about 50-100 additional units coming in and taxing the other ahupuaa where water is being drawn from. She suggested that the Department be proactive and preventive rather than reactive and asked that they speak against the proposed military radar site noting that would further tax our water system. She highlighted the contamination currently happening on Oahu with the Navy as well as what is happening on Hawaii Island at Kahakuloa. She asked the Board to think about how the use of the wai affects everyone in the community. She feels that the Manager and Chief Engineer seems to be the only person asking the necessary questions to keep the agency accountable and to ensure that things are working right. Ms. Rojas stressed that this is important not only for current generations but also for future generations.

NEW BUSINESS:

Chair Simonton noted that Item 1. would be taken up after the presentation of the Finance Committee Report and Old Business Item 1.

Manager's Report No. MR 22-62 Discussion and Possible Action for Right-of-Entry to University of Hawaii, College of Tropical Agriculture and Human Resources (UH CTAR) Property for the Wailua Homesteads 0.25 MG Tank Project

In response to Vice Chair Kamm Mr. Hinazumi clarified that the .25 MG tank will fulfill the needs for the foreseeable future and there is no need at this time to build a larger tank. He noted that the site has only been cited for a .25 MG tank as anything larger would impact UH CTAR's operations and this was the only available land they were willing to contribute. He added that the Puupilo tank, which is at the same elevation, is addressed in the upcoming budget as part of the CIP for rehabilitation and/or expansion.

Board Member Dill moved to approve Manager's Report No. 22-62, seconded by Mr. Kamm; with no objections, motion carried with 4 Ayes.

Manager's Report No. MR 22-63 Discussion and Possible Action to execute an annual Use and Occupancy Permit No. 847 between the State of Hawai'i and the Board of Water Supply, County of Kaua'i for non-trenching maintenance, inspection and other uses and activities within the State Highway Right of Way, Kaua'i, Hawai'i.

Board Member Akamine moved to approve Manager's Report No. 22-63, seconded by Mr. Dill; with no objections, motion carried with 4 Ayes.

Manager's Report No. MR 22-65 Discussion and Possible Action of Resolution No. 22-15, Safe Drinking Water State Revolving Fund (DWSRF) for DW434-0012, Water Plan Project K-01, Kalaheo Water System Improvements, Kalaheo-Lawai-Omao Water System, Lihue, Kauai, Hawaii

Vice Chair Kamm interjected to ask if it was okay for testimony to be allowed after the Public Testimony section of the agenda to which Deputy County Attorney Krafft stated yes, and noted that moving forward, that OIP and the Legislature will be changing the requirements for accepting public testimony and we will be asking for testimony prior to each agenda item.

In response to Vice Chair Kamm Mr. Hinazumi stated the loan rate is at a 1.5 percent annual loan fee and a .65 percent interest bringing it to a total of 2.15 percent for the term of 20 years.

In response to Board Member Dill, Mr. Hinazumi provided a status update on the Kalaheo Water System Improvements project noting that bid opening was on May 11. Mr. Dill asked to clarify that the \$13 million dollars were for construction related costs which Mr. Hinazumi confirmed, adding that this is in addition to existing State Legislative grant monies previously approved by the Board. The total project construction cost is \$21,756,000.

Board Member Dill moved to approve Manager's Report No. 22-65, seconded by Mr. Akamine; with no objections, motion carried with 4 Ayes.

Manager's Report No. MR 22-64 Discussion and Possible Action for Job No. 17-10, Water Plan 2020 No. KW-07, Rehabilitate Paua Valley Tank No.1, 0.5 MG Concrete, Kekaha Water System for Additional Construction Funding

Vice Chair Kamm asked how the tank came to have PCB's in it to which Mr. Hinazumi explained that liners and construction practices in the past utilized materials that contained PCB's which at the time of construction were thought to be acceptable. However, recent studies and analysis have determined them to be carcinogenic which has prompted them to taking an active role in removing these types of materials on the interior and exterior of the tanks as well as the tank site itself. Mr. Kamm asked whether this had anything to do with work by the contractor to which Mr. Hinazumi replied no, this was an existing tank constructed under past practices.

In response to Mr. Dill Mr. Hinazumi stated they will be treating approximately 350,000 to 400,000 gallons of water. Mr. Dill noted that it will cost us \$1,000,000 which he feels is a very expensive operation and asked if there are any other options. Mr. Hinazumi noted that they have exhausted all other options as both the EPA and Safe Drinking Water branch require the water be run through activated double-carbon filters and held in a storage tank because of the PCB's. A 50,000 gallon will be built on site to contain the water as the filtering and testing are done.

Mr. Dill asked for an update on other tanks of this vintage. Mr. Hinazumi stated there are two other tanks they are aware of as well as a some other that are being looked into for contamination. The Kauai Inn tank in Lihue and the Paanau tank in Koloa are in need of rehabilitation and have already been drained. The Paua Valley tank issue was due to an oil sheen layer on top and is where most of the PCB contamination seems to be coming from.

Board member Dill moved to approve Manager's Report No. 22-64, seconded by Mr. Akamine; with no objections, motion carried with 4 Ayes.

Manager's Report No. MR 22-66 Discussion and Possible Action for Water Plan 2020 Project No. K-01, Kalaheo Water System Improvements, Kalaheo-Lawai-Omao Water System, Kalaheo, Kaua'i, Hawai'i for Additional Project Funding

Board member Dill praised the Department for obtaining approval of State monies to help fund this project and thanked our elected representatives for helping to bring in money for the sake of our rate payers.

Board member Dill moved to approve Manager's Report No. 22-67, seconded by Mr. Kamm; with no objections, motion carried with 4 Ayes.

BOARD COMMITTEE REPORTS

1. Report of the Finance Committee of the Board of Water Supply, County of Kauai Draft Budget for Fiscal Year 2022-2023
 - a. Draft Operating Budget FY 2022-2023Draft Capital Outlay Budget FY 2022-2023

Finance Committee Chair Dill provided a summary of the proposed budget the Finance Committee is recommending for approval.

OLD BUSINESS

1. Discussion and Possible Action on Draft Budget for Fiscal Year 2022-2023
 - b. Draft Operating Budget FY 2022-2023
 - c. Draft Capital Outlay Budget FY 2022-2023

Manager Tait noted that this budget is a transitional budget as the Department works toward adjusting the old format and trying to simplify the budget presentation moving forward. He will make the necessary corrections and adjustments in the Supplemental Budget presentation in August. Mr. Tait commented that he is not satisfied with the way the budget has been presented and feels there is a clearer and easier to understand format for not just the Board but for the rate payers as well.

Waterworks Controller Marites Yano provided a summary of the Department's proposed budget. Referencing the Item received for the record, Ms. Yano explained that Page 1 shows how DOW was projecting their fund balances for Fiscal Year 2020 which will be used as a baseline. The following fiscal year, 2021, they transitioned to using the liquid assets, or cash investments. In comparing the new format versus the old format shown on Page 2, it shows how the beginning balance has significantly changed.

Board member Dill referenced the first column on Page 2, Water Utility General Fund, noting that using the old format of using the net position as a starting point, it left us with an estimated ending balance of -\$16,346,018, which would leave us unable to afford the new Capital Outlay CIP of \$20 million. His understanding is that they would have had to take out nearly all the Capital Outlay CIP in order to balance out the Water Utility General Fund, and the new method uses our fund balance projections based on available liquid assets instead. Mr. Dill noted that answers his question on what happened when they changed the reporting method which allowed them to recognize that there were additional funds available which were used in the Capital Outlay.

Manager Tait stated the discussion happening today should have happened back then when the transition was being made to provide that clarity to the Board. Mr. Dill noted that Manager Tait mentioned previously that this budget process has brought to his attention things that can be improved upon in the way this information is reported and tracked. Traditionally, we have not encumbered all the funds we have identified in our projected budget resulting in our ending balances being significantly more. He stated one of the things discussed was that after the close of each Fiscal cycle at an August meeting, the Board would like the Department to provide an audited report to show the actuals versus the projections. Manager Tait stated that because the Department is independently audited, there should be some continuity between what DOW is doing and what the auditors report. He would like to come up with a simplified document to reflect those differences from year to year to make it easier to digest for the Board as well as the public.

Mr. Dill asked how Mr. Hinazumi how confident he is that the projected \$26 million in New Capital Outlay CIP will be actually encumbered. Mr. Hinazumi stated there are a number of projects that will be coming before the Board with requests for approval for award of contracts. There are two significant projects in the Kapaa Homesteads area that have Legislative funding attached to it; he is fairly confident they will be encumbering most if not all of the CIP funds.

Ms. Yano provided an overview of the proposed budget and noted that they will providing the outstanding purchase orders at the August board meeting. Mr. Dill asked for a refresher on the Reserve fund of \$9.2 million and how that amount is determined as well as what expenditures are eligible under that fund. Ms. Yano explained the total new reserve fund is \$9.2 million. This was reduced by \$100,000 which is 30% of revenues based on the prior year's audited financial statements. In comparison, taking the total operating expenses, excluding non-cash items plus \$1,000,000 in insurance reserve, whichever is higher is what is used as the amount of the reserve fund. In this case the operating expense with the insurance reserve is higher. This reserve fund can be used for debt service payment in the event the projected revenues for the current year are not realized, or for emergency situations if there is not enough in the existing budget.

Board member Dill moved to approve the Draft Budget for Fiscal Year 2022-2023, seconded by Mr. Akamine; with no objections, motion carried with 4 Ayes.

NEW BUSINESS (cont.)

1. *Manager's Report No. MR 22-61* Discussion and Possible Adoption of Budget Resolution No. 22-14 of the Department of Water's Operating and Capital Outlay Budgets for Fiscal Year 2023, effective July 1, 2022 – June 30, 2023

Board member Dill moved to approve Manager's Report No. MR 22-61, seconded by Mr. Akamine; with no objections, motion carried with 4 Ayes.

STAFF REPORTS

1. Fiscal - Statement of Revenues and Expenditures
 - a. April Monthly Summary Budget
 - b. Accounts Receivable Aging Summary
2. Public Relations Activities – updates on Public Notices & Announcements, Community Outreach & Education, Upcoming Events, and Project WET

Information and Education Specialist Jonell Kaohelaulii provided a summary of the PR Report submitted highlighting a revision on the date for the Make-A-Splash festival to Thursday, September 15, 2022 as well as their continuing promotion of Department services messages such as signing up for automatic bill paying services, choosing tap water, how to report a leak and National Drinking Water week. She added that DOW employees continue to engage in community causes by supporting local non-profit organizations noting that in April the Department raised over \$1,000 and more than 100 pounds of food for the Kauai Food Bank for the Spring food drive.

3. Operational Activities – Monthly service dashboard & highlights, Monthly comparison of water produced, customer meter read, and water loss

Chief of Operations Val Reyna provided a summary of the Operations report submitted, highlighting that they have addressed previous questions raised by the Board regarding the Operation division's work orders. He noted those that were updated appear in red. There are still a number of work orders for January and February that have not been completed, noting that is when they opened up preventative maintenance for their 93 remote sites; these numbers will be updated as the months go by. Another highlight noted was the monthly water loss of approximately 3 million gallons, which usually correlates to the number of hydrants hit.

Chair Simonton asked if there was any further progress on the Anini leak to which Mr. Reyna stated they are having trouble locating a leak, though they know it is definitely there. They suspect it may be under Anini stream which presents a bigger challenge. He further explained that leaks are hard to find because the pipelines are buried under sand and barely surface. They know there is water loss, but have not been able to locate from where; it is a process of elimination.

4. Manager and Chief Engineer – update on monthly activities, personnel matters, and required communications to the Board

Manager Tait stated he will be saving his updates for the next meeting.

TOPICS FOR NEXT BOARD OF WATER SUPPLY MEETING: *(May)*

1. Board of Water Supply Finance Committee report:
 - Draft Budget for Fiscal Year 2022-2023
 - a. Draft Operating Budget FY 2022-2023
 - b. Draft Capital Outlay Budget FY 2022-2023

TOPICS FOR FUTURE BOARD OF WATER SUPPLY MEETINGS:

1. Recommendation for baseyard improvements
2. Facility Improvement Program/Safety & Security
3. Future organizational changes

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).

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:

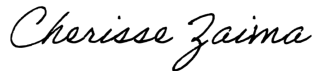
1. Goodfellow Bros.' Request for Reimbursements, Job No. 15-07, Reorganize Water System: Kaumuali'i Highway 16-Inch Main and Emergency Pump Connection, Hanapēpē Road 6-Inch Main Replacement, Job No. 15-07, Water Plan Project No. HE-01, HE-10, Hanapēpē, Kaua'i, Hawai'i

Chair Simonton determined there was no need for an Executive Session.

ADJOURNMENT

The meeting was adjourned at 11:27 a.m.

Respectfully submitted,



Cherisse Zaima
Commission Support Clerk

Approved,


Kurt Akamine (Jun 24, 2022 11:31 HST)

Kurt Akamine
Secretary, Board of Water Supply


RBM (05-26-22) Minutes - for signature

Final Audit Report

2022-06-24

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