REGULAR MEETING MINUTES
BOARD OF WATER SUPPLY
Thursday, April 28, 2011

The Board of Water Supply, County of Kaua‘i, met in regular meeting at its office in Līhu‘e on Thursday, March 24, 2011. Chairperson Roy Oyama called the meeting to order at about 10:28 a.m. On roll call, the following answered present:

BOARD:  
Mr. Roy Oyama, Chairperson
Mr. Michael Dahilig
Mr. Larry Dill
Mr. Leland Kahawai
Mr. Raymond McCormick
Mr. Randall Nishimura

Absent & Excused:  
Mr. Daryl Kaneshiro

STAFF:  
Mr. David Craddick
Mr. William Eddy
Mr. Keith Aoki
Mr. Gregg Fujikawa
Mr. Dustin Moises
Ms. Faith Shiramizu
Ms. Marites Yano
Deputy County Attorney Amy Esaki

Quorum was achieved.

AGENDA:
Chair Oyama asked if there were any adjustments to the Agenda; if not the Agenda would stand.

MINUTES:
Finance Committee Meeting – March 22, 2011
Mr. Kahawai moved to receive the March 22 Finance Committee Minutes, seconded by Mr. Nishimura.
Mr. Dill then requested that on page 5 of the Minutes under Item A, that the word Counsel be replaced by Council. Mr. Dill moved that the Minutes be approved as amended, seconded by Mr. Nishimura; by a unanimous vote; motion was carried.

Regular Meeting – March 24, 2011
Mr. Dahilig moved to approve the Regular Meeting Minutes of March 24, 2011, seconded by Mr. Kahawai; by a unanimous vote; motion was carried.

Mr. Nishimura requested that all staff reports be included in the Minutes.
CORRESPONDENCE

Re: Correspondence from Thomas Hazelton concerning water bill
Manager Craddick noted that Mr. Hazelton had requested more of a rebate than our Rules allow, we have already given him a rebate of more than half of the bill in two separate rebates. We have gone overboard and have suggested a payment plan. It was confirmed to Mr. Dill that the bill was $940 and we have reimbursed $540. Ms. Yano gave an overview of the adjustments provided and how it was calculated. Mr. Dahilig asked if this triggers a contested case hearing and Ms. Esaki stated that it comes to the Board and this is as far as it goes, as the Rules do not allow any more than 50%. It was confirmed to Mr. Nishimura that this is PVC pipe on the customer’s side.

Mr. Nishimura moved to receive the correspondence from Mr. Hazelton dated March 30, 2011, seconded by Mr. Kahawai; by a unanimous vote; motion was carried.

Re: Correspondence from Council Chair Furfaro concerning Procurement for an Independent Financial Audit
Manager Craddick stated that the Council Chair is thinking there may be some cost savings if we go together. He thought they were doing their procurement this way, where we could see the cost and whether to go with them or not. They apparently wrapped it all in and there is no separate pricing for DOW and when we got the correspondence from corp. counsel and did our own procurement, they reworded theirs and took out the DOW. They are doing a three-year procurement, as are we, so we will look at this again.

Chair Oyama asked if we should send a note. Mr. Nishimura suggested we accept the letter but take the discussion off-line with the Council Chair. It could require possible charter changes in order to resolve the financial audit issue. For the record, he was waiving the attorney client privilege from an opinion given to him by the county attorney’s office that despite the creation of the auditors’ office, the Board of Water Supply is still responsible for the financial audit for our department. If we decide to go through the procurement with the auditor’s office, who will be responsible for that audit, and the legal ramifications need to be looked at before we decide whether to go that way or not. Mr. Nishimura stated that we still have to do an audit, by Charter we are still responsible for the audit, and the county auditor has their responsibility which cannot be ignored by either body. He understood consolidating costs, but would not recommend getting rid of our responsibility until it can be resolved.

Mr. Nishimura moved to receive the letter from the Council Chair Jay Furfaro for procurement of an independent financial audit and that further discussions be conducted with the County Council to resolve this issue, seconded by Mr. Dill; by a unanimous vote; motion was carried.

Ms. Esaki requested that we revisit Item E.1, the letter from Mr. Hazelton. Ms. Esaki asked if we are responding to Mr. Hazelton. Manager Craddick will send a letter back to him with the Board’s response that there was no action on it, but that he has the option of a payment plan, if he wants to do that.

Re: Communication from Board Member Leland Kahawai regarding his resignation from the Board of Water Supply
Chair Oyama stated that it was with great sorrow and regret that we would accept the resignation of Mr. Kahawai. It is effective today, April 28.
Mr. Nishimura moved to receive the communication from Board Member Kahawai, seconded by Mr. McCormick. On behalf of all the board members, Mr. Nishimura thanked Mr. Kahawai for all his contributions to the Board of Water Supply noting that he had the reins at a difficult time and thanked him for all his help.

With no further discussion, by a unanimous vote; motion was carried.

BOARD COMMITTEE REPORTS

Re: Report of the Rules Committee of the Kaua‘i County Board of Water Supply
The Rules Committee met with one item on the Agenda:

Re: Manager’s Report No. 11-24 – Committee Discussion and Possible Action on Part III
Rule Amendments – Establishing Standards for Subdivision Water Systems
i. Attached Proposed Draft Bill No. 2380
ii. Attached Proposed Draft Bill No. 2401

Chair Dahilig stated the Rules Committee had convened and received the matter for the record. Mr. Nishimura moved to accept the Rules Committee report, seconded by Mr. McCormick; by a unanimous vote; motion was carried.

Re: Report of the Finance Committee of the Kaua‘i County Board of Water Supply
The Finance Committee met with two items on the Agenda:


Re: Manager’s Report No. 11-28 – Request Board Approval of Facilities Reserve Charge Change
Chair Dill noted that the Finance Committee had met this morning to discuss these two items. They will be meeting again to discuss this in further depth on May 6, 2011.

Mr. Nishimura moved to accept the Finance Committee Report, seconded by Mr. Kahawai; by a unanimous vote; motion was carried.

OLD BUSINESS

Re: Manager’s Report No. 11-24 – Committee Discussion and Possible Action on Part III
i. Attached Proposed Draft Bill No. 2380
ii. Attached Proposed Draft Bill No. 2401

Mr. Nishimura moved to defer action on this item, and recommended to staff that they transmit a copy of their comments to Council that were provided to the Planning Department, seconded by Mr. Kahawai.
Mr. Dahilig stated that, given the proposed rules for adoption does this need to meet the standards of HRS-91, Public Hearing. Manager Craddick noted the Committee would have to make a recommendation back to the Board and from there it goes to the Small Business group and back to the Board, etc. Mr. Dahilig stated this should be started in the form of a Public Hearing. Ms. Esaki noted the process has always been that discussion would be in the Committee first to figure out the language and then transmit to the full Board and then go to the rule-making process. Mr. Dahilig stated that the language should not be to take action then. Manager Craddick stated that the action could be to refer it to public hearing. Ms. Esaki confirmed to Mr. Dahilig that he would rather see “committee discussion on Part III Rules” and delete the word action.

Manager Craddick stated this is how his report was written, asking action from the Board and if you read the report, it says subject to Chapter 91. Mr. Dahilig stated this is more of a notice issue for the Agenda rather than the report and again reiterated his legal viewpoint of the administrative rules process. Manager Craddick suggested leaving this to corp. counsel to figure out the wording this; Ms. Esaki and Ms. Suzuki will work on it.

With no further discussion, by a unanimous vote; motion was carried.

Re: **Manager’s Report No. 11-49 - R.W. Beek Report on Financial Planning Analysis and Water Rate Study**

Mr. Dill moved to defer this item to the next meeting, seconded by Mr. Nishimura; by a unanimous vote; motion was carried.

Re: **Manager’s Report No. 11-28 – Request Board Approval of Facilities Reserve Charge Changes. Request from Special Committee Chair Kahawai to move this item from Special Committee to Finance Committee**

Mr. Dill moved to defer this item to the next meeting, seconded by Mr. Kahawai; by a unanimous vote; motion was carried.
<table>
<thead>
<tr>
<th>Item No.</th>
<th>Goal</th>
<th>Status</th>
<th>Deadline</th>
<th>Measure</th>
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<tbody>
<tr>
<td><strong>Goals from Board</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>1</strong></td>
<td>Bond Float and Water Plan 2020</td>
<td>Encumber $37 million in BAB</td>
<td>Manager provided updated figure of $37 million</td>
<td>End of November 2011</td>
</tr>
<tr>
<td><strong>2</strong></td>
<td>Personnel and Accounting</td>
<td>Improve employee morale, employee survey</td>
<td>Baseline - Year beginning Year end figures</td>
<td></td>
</tr>
<tr>
<td><strong>3</strong></td>
<td>Standards</td>
<td>Source Water Protection Plan</td>
<td>Working on grant funding application</td>
<td></td>
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<tr>
<td><strong>4</strong></td>
<td>Facilities</td>
<td></td>
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<tr>
<td><strong>5</strong></td>
<td>Inter Agency Coordination</td>
<td>Inter agency coordination between DOW, Planning and DPW for smart growth initiatives</td>
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<table>
<thead>
<tr>
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<th>Goals from Staff</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td><strong>Operations</strong></td>
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<tr>
<td></td>
<td>Continue to support and implement the re-organization of the operations division</td>
</tr>
<tr>
<td>2</td>
<td><strong>Engineering</strong></td>
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<tr>
<td></td>
<td>Provide additional temporary storage space for files (approximately 10' x 3' area) until new permanent facilities (new office building) are built</td>
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<tr>
<td></td>
<td>Need to arrange for leak-proofing of containers</td>
</tr>
<tr>
<td></td>
<td>June 30, 2011</td>
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<tr>
<td>3</td>
<td><strong>Special Projects</strong></td>
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<td></td>
<td>Due to recent and anticipated staff departure and retirement within the Department, priority to evaluate and reorganize the current engineering activities and staff structure for the future operations related to the design and construction of projects within the Department of Water, which include Water Plan 2020 as well as privately funded projects. In doing so, make it a priority to attract and retain qualified staff during the reorganization process.</td>
</tr>
<tr>
<td>4</td>
<td><strong>Water Resources and Planning</strong></td>
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<tr>
<td>5</td>
<td><strong>Fiscal</strong></td>
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DISCUSSION

Manager Craddick noted the benchmarks were included in the packet and he has numbered them 1 through 25. The data for the graph is accurate though he has not posted this in the Lobby. No data was gathered prior to 2009. It shows industry percentiles in the 25-75 range. He confirmed to Mr. Dill that this was from the AWWA. Manager Craddick crossed out waste water but it could be used for that also.

Mr. Nishimura asked what the proposal was. Manager Craddick stated he had a goal of getting benchmarks to where they are monitored on a regular basis and then the next step is trying to improve upon that. Upon query from Mr. Kahawai, Manager Craddick confirmed that we would work on doing all 25. Mr. Kahawai asked how meeting these benchmarks would improve employee morale. Manager Craddick felt it is better if the staff know what is expected from them and what happens if they change the way they are doing things; it gets the person in competition with other utilities of similar size. Hopefully they would have fun doing it, then the morale goes up.

Mr. Dill supported benchmarking because it creates accountability and clarifies what people are doing and why they are doing it. He thought that this could help morale. Mr. Nishimura agreed with Mr. Dill that from an accountability standpoint it is an effective measure, but from a morale standpoint, he did not see this as a measure of morale. Mr. Dill felt as goals for the manager these are excellent but measurement of morale is a small part of the picture. Mr. Kahawai asked how it improves morale if you do not hit it. Mr. Nishimura felt it should be incorporated as an accountability goal.

Manager Craddick stated that morale is nebulous, it can go one way or another based on something small, such as favored treatment if they are related to someone at the DOW, etc., and what action you would take in that instance. For morale, he felt that may be a Fun Day, if we could get the Operations crew to participate more, that would be an indicator and that could be measurable.

Mr. Dahilig stated that morale is important, it is a clear indicator of the performance of the Manager. He wondered how those goals would translate into an evaluation of the manager’s performance and suggested that for the next meeting we would go into Executive Session to talk about the evaluation of the manager’s performance in terms of morale.

Manager Craddick stated that if it was the Manager’s Goals, he probably would not allow it to go into Executive Session if the Executive Session is talking about individual people. He knows the Board got a letter and was not sure that corp. counsel would allow that letter to be discussed, even in Executive Session. Mr. Dahilig wished to focus on how we take these goals, including the issue of morale which has been openly talked about and how it is translated into an evaluation, and felt the Board should be able to discuss that issue from an evaluation standpoint. He felt the goals are benchmarks for evaluations and it is appropriate for the Board to talk about it for when the evaluation matrix needs to be done, and to have this discussion in Executive Session.

Chair Oyama understood Mr. Dahilig’s position and the Manager’s morale situation. Chair Oyama noted this is not a personal attack on the Manager, but because of the morale, the challenge would be to get the Manager and Board in support and to look at how we could meet the challenge as a goal in that sense. We need the attorney’s guidance. If morale is down there
will not be a lot of energy in the department. This is learning how to work together and help the department to get to a level that we need to be. Chair Oyama stated that this has been going on for quite a long time and stressed that it needs to be worked out.

Manager Craddick stated that if it is about him and his goals he probably would not allow it to go into Executive Session and it would be his choice. Ms. Esaki confirmed that if it was about his evaluation and his goals, if he chooses open session discussion, this is his choice. Chair Oyama then wondered how we would have the morale issue resolved. Manager Craddick stated that we got the letter and if some board member knows more than he knows then it is a personnel matter that can go into Executive Session but he was not sure what the Board could do anyway according to counsel. Manager Craddick can tell the Board Chair what we are doing, under specific instances, but he was not sure what the Board could do about it. Chair Oyama wanted to know how we get teamwork to function.

Mr. Dahilig asked that at the next meeting, we post an Agenda item regarding the evaluation of the manager for public session. Ms. Esaki then reiterated that this is a request to defer any further discussion and that at the next meeting we do an executive session, and Mr. Dahilig noted for public discussion, seconded by Mr. Kahawai.

Mr. Nishimura requested that the motion be repeated, and Mr. Dahilig stated that request was that at the next meeting we post for public session the discussion for the board concerning the evaluation in public session. Mr. Dahilig then added, that the comments today are a waiver of the 92 privilege. Ms. Esaki noted we could still post an executive session agenda item and if the manager waived his right to go into executive session, then it could be discussed in public session.

Mr. Nishimura asked, if we vote on this motion does that mean that all other discussions relating to the goals would have to cease at this point. Ms. Esaki was hearing this as a request to defer discussion because it goes into the evaluation, then based on that all discussion would be deferred.

Deputy Eddy noted the proposed goals #2 from the Board actually says to improve employee morale, employee survey, so maybe an employee survey would be a good tool to give all the employees a chance to do an organized survey and give management a chance to put together an action plan.

Chair Oyama noted that two meetings ago when we started the staff were asked for goals for the manager and no more were submitted. Deputy Eddy wanted all the employees to have an opportunity for input in a survey format.

Manager Craddick noted in the first benchmark, organizational and best practices, #7 is the Continuous Improvement Program and that could possibly involve a survey. We could send that out to staff, it would be a part of the evaluation. At the end of last year in an employee meeting, a voting form was given out to the employees and there were about 28 or so responses. In reviewing #7, Mr. Dill did not see anything relating to employee morale. Mr. Nishimura asked if it would be possible for our HR person to provide us some options for potential surveys that are available for measuring employee morale and include that at the next meeting. Ms. Shiramizu indicated the survey that Manager Craddick mentioned was not very clear when employees did it, in terms of accuracy. They filled out the form not totally understanding what they were doing and felt it needed to be done in a more structured manner as it was vague. Mr. Nishimura asked
if the end result of the survey had been explained to people, and Manager Craddick indicated that they were talking about benchmarks at the meeting.

Mr. Dill felt an employee survey would be valuable and to have for the session and wanted the results of the survey before the next meeting; or should the Board look at the survey questions first.

With no further discussion; by a unanimous vote; motion was carried.

**Re:** Manager's Report No. 11 – 64 - Proposed Budget 2012

Board review, requested changes and approval is required by June 30th 2011.

A summary of the proposed budget was shown in graphic form.

**REVENUES**

The revenues incorporate a 1.7% increase not yet approved by the Board and will be subject to what the Board finally approves for a rate increase during rate deliberations. The assumption is a 3.4% yearly increase implemented in January or halfway through the fiscal year. This does reflect a transfer of 30% or $0.9 million of the debt requirements for the BAB and $1.1 million for SRF and other bond debt from the FRC account to pay for expansion related projects in keeping with the User Pays principle. This can happen for only one and portion years if the FRC charges are not changed to reflect these costs.

Labor costs to review and manage construction of projects that will require or provide additional resources from FRC related projects are not included in these costs and can be covered by a review charge should the Board move to a cleaner user pay. Due to the potential increase of the FRC charges these labor costs are left for future review. The engineering labor costs are capitalized in any case and are taken out of operational costs during the audit but must be included in the budget as the engineering labor costs are real expenses.
We are showing a potential for revenues of $22 million for FY2011 based on December financials which were used to prepare this budget. To do this will incorporate a 2.5% increase in consumption which may not be realized. As we go through the budget and we are able to get more current numbers the revenue projection may, however, be increased.

At this time, however, we are proposing a more conservative number as second half of the year revenues are usually less than the first half of the year.

**EXPENDITURES**

Salaries are budgeted to be about $0.3 million above last year as positions that were vacant for some of last year are now filled. Part of the jump in normal expenditures is related to fully funding employee retirement and medical costs, including a proportional amount of past years that were underfunded. This amount is about $1.3 million over the previous year where this was not budgeted for but adjusted during the audit. Contractual expenses are up because the Water Use and Development Plan required by the CWRM are included this year. Funds were budgeted this current year and there is a chance of coming to the Board to encumber the funds this year, even though the current budgeted number is less than needed if we get a final contract prepared. If this happens the FY 2012 budget will be $0.9 million less than proposed. The largest items in the normal expenditures are the water purchases and the power purchases and these are out of our control unless the Board decides to purchase less water by purchasing the facilities. This would cut about $1 million from the operating budget while adding a $6 million capital purchase that has not been budgeted.

![DOW FY 2012 Expenditures](image)

Debt service has also jumped by about $0.9 million due to a full year of payment on the interest for the BAB’s. The remaining items are the capital projects which are increasing about $1.9 million. In addition to the operating costs there is a substantial capital budget.

**CAPITAL IMPROVEMENTS**

The revenues for the capital projects come from bonds, revenues and FRC charges. There are new projects that we expect to encumber this year, expected payments on existing contracts and remaining reserves.

All of the unencumbered BAB funds of $28.8 million are budgeted to be encumbered. Two of the remaining projects, the DOW building and high level well, could use most of the remaining balance. We will be working closely with the Board on these two projects as more is known. There is a possibility of getting some grant funds which is not shown. The Water Utility Fund has expansion projects totaling
$1.8 million which will not be taken from the WUF without a borrowing resolution. The remaining $3.7 million are replacement projects.

**WORK IN PROGRESS**
The BAB again is the lion’s share of the spend-down. The WUF is older engineering projects.

**CAPITAL PROJECT RESERVES**
The FRCs go to a restricted fund used only for system source, storage and transmission improvements. The FRC reserve will be needed for FY 2013 debt service payments which will total about $2.5 million. Expansion projects are very much underfunded at this time and time is running out to generate additional funds. The Board is reviewing the FRC charges and we expect this to be completed in early FY 2012. The FRC escrow is for projects that have paid FRC charges and are building the facilities needed, thus will qualify for refunds. The largest of this class of projects was Kukui’ula which has been paid back. The WUF reserve is subject to changes as the budget process moves forward.

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Thank you for your attention to this matter and we look forward to working with you to refine the proposed budget.

DISCUSSION
Manager Craddick noted that at the Committee meeting revised numbers were distributed so this is the report based on those numbers.

Mr. Nishimura noted that Mr. Kaneshiro asked that the Finance Committee meet and do further work on the rate study as there may be impacts to the budget for next year. Pending results of the next Finance Committee meeting, he would like another budget meeting scheduled.

Mr. Nishimura moved to defer this item, seconded by Mr. Dahilig; by a unanimous vote; motion was carried.

Re:  **Manager’s Report No. 11 – 65- Hiring Legal Assistance in negotiating the Kahili High Level Well Right of Entry**

Board approval was requested to hire legal assistance in negotiating the Kahili High Level Well Right of Entry.

The Kahili High Level Well project, as is any exploratory drilling project is highly speculative in nature and carries a high level of financial risk. As a result it usually does not warrant giving away the results before they are known. Additionally, DOW must have an unfettered right to develop what it finds as a result of its exploration.

The draft agreement reserves rights which we feel go to the risk taker. No one is prevented from joining in the risk and enjoying the fruits of the risk. The publics rights must be protected in this matter and we feel specialized legal assistance is needed in the negotiation of this Right of Entry.

Cost for this would be in the range of $8K-$16K or 40 hours at $200 to $400 per hour.
After the budget amendment request in Manager’s Report No. 11-60, there will be $40 K remaining in the legal assistance and liaison funds budget.

Mr. Nishimura moved to defer this item to the next meeting, seconded by Mr. McCormick; by a unanimous vote; motion was carried.

NEW BUSINESS


RECOMMENDATION:
It is recommended that the Board approve Contract Amendment No. 2 for Contract No. 506 with R.W. Beck, Inc., an SAIC company, in the amount of $20,000.00.

FUNDING:

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<th>Account 27, Contractual Services</th>
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<tr>
<td>R.W. Beck, Inc</td>
<td>(58,000.00)</td>
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<tr>
<td>Contract Amendment 1</td>
<td>(19,900.00)</td>
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<tr>
<td>Proposed Contract Amendment 2</td>
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BACKGROUND:
We have negotiated a contract with R. W. Beck, Inc. to provide professional consulting services necessary to update the Department’s previous Needs Assessment Study and Facility Reserve Charges (FRC) analyses that was completed on July, 2004.

During the review process for the above mentioned FRC study, additional services were provided by R.W. Beck, Inc. to do additional analyses from FRC debt service recovery, additional analyses of rate level changes at various capital funding scenarios, additional analyses of potential rate level changes at various levels of the FRC and other anticipated future analyses as necessary.

The consultant R.W. Beck, Inc. proposed $20,000.00 for this amendment and it appears to be reasonable.

DISCUSSION
Manager Craddock noted we did one amendment for the surface water treatment plant but the interest cost was not included. We thought that there would be enough money left over in the rates portion but there is not, hence the change order. Mr. Nishimura asked if there were further changes that need to be made to this contract and if so, for what purpose. Manager Craddock indicated only if we do not get down to a solution. Every time they run a model if costs us money, each FRC or rate run model is about $6,000 and confirmed to Mr. Nishimura that the request was for $20,000. Ms. Yano noted it came from administration and fiscal budget, part of
the contractual services, we did a reallocation to fund the difference of the unfunded OPEB. $28,500 is what is left in the contractual services budget for this year.

Mr. Kahawai asked if there are more changes to the FRC it would come from this and Manager Craddick concurred. Ms. Yano confirmed to Mr. Kahawai that the first contract amendment was in May 2010, but Mr. Kahawai noted that our budget year is July to June. Ms. Yano stated that this is to show the contract amendment carried forward and then the amendment in May 2010 under this contract but rolled forward to 2011. Mr. Nishimura asked if it is reflected in the Budget Status, and Ms. Yano stated it is in Line 27b.

Mr. Dill moved to approve Manager’s Report No. 11 – 66 - Facility Reserve Charge Study – Contract Amendment No. 2 with R.W. Beck, Inc., seconded by Mr. Dahilig; by a unanimous vote; motion was carried.

Re: Managers Report No. 11-67 - Part IV Rule Changes to Correct Billing Blocks for Monthly Use and Addition of Late Fees

RECOMMENDATION
Board approval of the attached Part IV Rules changes to correct billing blocks for monthly use and the addition of late fees was requested.

The proposed rule changes are not intended for the purpose of generating income. The Rate Blocks are being revised to show monthly charges instead of bi-monthly charges. No additional income is generated should this request be approved. It simply takes half of the current bi-monthly blocks and changes the title to monthly blocks.

The proposed addition of a new Section XI for the addition of late fee’s states as follows:

“A late payment charge may be applied to any delinquent balance payable to the Department. The late payment charge shall be assessed at the rate of half a percent (.5%) for each month or fraction thereof against the delinquent balance, beginning 30 days after the date of the bill. For the purposes of this section, 'delinquent balance' includes any loan, fee, charge, or other liquidated sum which is 30 days past due to the Department, regardless of whether there is an outstanding judgment for that sum, and whether the sum has accrued through contract, subrogation, tort, operation of law, or administrative order.”

DISCUSSION
Manager Craddick reported that, as we are going to monthly billing, we are changing the blocks from bi-monthly to monthly, there is no expected rate increase though he had made some typographical errors. A public hearing would have to be scheduled. On the last page there is a new section regarding Late Charges where we are asking for ½% each month 30 days after the past due date of the bill. We would get some income from this.

Mr. Dill inquired if we have late charge now, but Manager Craddick noted that we do not, we just turn off the water. Our delinquencies are not high, and he noted some people go on a payment plan. Honolulu Board of Water Supply, and Maui, both charge 1% but he chose ½% and he thought 1% was too high. We usually disconnect after about 45 days and only charge for hook-up if it is after hours. After we finish with all the rate studies, we could possibly do a permit fee. Manager Craddick indicated he would have to redo some of the numbers. Again Mr. Dahilig
asked if this had gone to the Small Business people and Manager Craddick stated it does not go to Small Business until the Board makes some recommended action and Manager Craddick described the process.

Mr. Dahilig moved to receive this item with the understanding that there will be numerical changes and ordered that a public hearing be posted prior to the May 26, 2011 meeting at 10:00 a.m., seconded by Mr. McCormick; by a unanimous vote; motion was carried.

Re: Manager's Report No. 11 – 68 - Authorizing the County Attorney to Investigate, Settle and Pay Small Claims Against The Board of Water Supply, County of Kauai

Board approval was requested to authorize the County Attorney to investigate, settle and pay small claims against the Board of Water Supply, County of Kauai.

This policy is designed to authorize the County Attorney to settle small claims, without the necessity to come to the Board and go into Executive Session for minor claims. Any claims in the amount above $10,000 would still come to the Board for approval.

DISCUSSION
Manager Craddick noted there are a few small claims pending. We thought that the Board had approved this in the past as there were claims for small amounts, but in review of our policies we could not find one like this so we are proposing that the Board approve something like this. Right now the County is $5,000 with workers compensation at $10,000. The amount is at the Board’s discretion.

Ms. Esaki confirmed the county attorney’s limit is $5,000 and up to $10,000 workers compensation County amounts to Mr. Kahawai. In the past when there was a claim, the department came to the Board on the claim and sometimes the Board would instruct a counter-offer.

Mr. Nishimura asked if we have a special account to settle claims and Ms. Yano stated that we did not in the current budget. Mr. Dill noted that the policy states that provided there are “sufficient appropriations”, so we would need a fund. Manager Craddick stated that we could add something in the budget, and Mr. Nishimura stated it should be moved, not added. Ms. Esaki asked if this was for the next fiscal year as there currently is not anything in the budget so for the claims that are pending they would still have to come to the board.

Mr. Nishimura then moved that we approve Manager’s Report No. 11-68 and that the Department be directed to establish an account to be set up in an amount of not less than $10,000 for the remainder of this fiscal year and to provide such adjustments to the 2011-2012 budget, seconded by Mr. Dill.

Mr. Dill asked Ms. Esaki historically how much and how many claims we have seen in the past and Ms. Esaki noted there were only about three, less than $1,000. Mr. Nishimura stated that if we authorize up to $10,000 then we should fund it for $10,000. With no further discussion, by a unanimous vote; motion was carried.
Re: Request Board Approval of Resolution No. 10, (10/11), Mahalo and Aloha Leland Kahawai

It was requested that the Board approve Resolution No. 10 (10/11), Mahalo and Aloha Leland Kahawai, who has resigned from the Board of Water Supply, and whose last Board Meeting will be April 28, 2011.

The resolution was not included in the agenda packet; however, it was available and read at the April 28, 2011 Board Meeting.

Mr. Nishimura moved to approve of Resolution No. 10, (10/11), Mahalo and Aloha Leland Kahawai, seconded by Mr. Dahilig; by a unanimous vote; motion was carried.

Re: Appointment of Replacement Board Vice Chair
Mr. Nishimura nominated Daryl Kaneshiro as Board Vice Chair; Mr. Dahilig moved to close the nominations.

STAFF REPORTS

Re: Statement of Kaua`i County Water Department’s Revenues and Expenditures for February 28, 2011

Manager Craddick noted that on Page 3, Utilities, and Chemicals are high. We have switched to hypochlorite solution which is more expensive than chlorine but will reduce the risk of chlorine leaks in those populated areas. We will budget enough for this in the new budget. Utilities just keeps going up.

Mr. Dahilig moved to receive the February 28, 2011 report, seconded by Mr. Dill; by a unanimous vote; motion was carried.

Re: Public Relations Specialist’s Monthly Update Regarding DOW Public Relations Activities for the month of March, 2011

Public Relations Services: Joy and I met with Ruth and Jan from the Linitaco Company to review our progress and discussed our plans going forward. We also had a preview of the new micro-website. We were joined by David and Bill and later Dustin to discuss our status and set up a plan to send out a monthly update on the status of our WP2020 projects. We will continue to move forward with laying the groundwork for sharing the Story of Water.

Fun Committee: They’re at it again! This time, it’s miniature golf! The date is tentatively set for May 14th.

On March 25th, a brave group of 13 enjoyed the thrill of Ziplining. Mahalo to the Fun Committee for organizing this event. The 13 brave souls that enjoyed the thrill of gliding through the air were, Keith Aoki, Joy Buccat, Daren Delgado, MJ Garasi and Cale Valenciano Akuna, Darren and Kyle Kiyotsuka (husband and son of Amy), Margie and Damien Loo, board member Randy Nishimura and the Shiramizu Ohana, Curtis, Ty and myself.

Regular Meeting: Thursday, April 28, 2011 – Page 16 of 22
**Source Water Protection Plan:** Continue to work with Dan and Erin on our application for the Source Water Protection Plan grant through the Department of Health.

**WaterSense:** The winner of our Fix a Leak Challenge to the 4th graders of all our public schools is Kilauea Elementary School with 39% participation. Kudos again to Joy for putting this new program together and making it happen. She is currently making arrangements for their Subway lunch and prize presentation. Sadly, only 2 schools participated so we are soliciting feedback from teachers at the different schools and looking at ways to improve the communication and implementation for next year.

**Community Events:** On March 22nd, Carl, our Microbiologist did a fantastic job of presenting information and addressing questions from the seniors at the Lihue Neighborhood Center regarding the need to use water filters.

On March 24th, we hosted 2nd graders from King Kaumualii Elementary School. Their field trip topic was “Goods and Service”. They sent a thank you folder with letters, one of which specifically stated that she “liked to see the board room members”.

On April 11th, Joy and I set up a table at King Kaumualii Elementary School for their PTSA sponsored “Go Green” night. The wheel was a popular place to be, as students were required to tell us how they save water at home to get a chance at spinning the wheel for a prize. It was good to see young children understanding the need to conserve water and actually practicing water conservation measures in their home. In addition, parents demonstrated that they also understood this and are teaching their children to be better stewards of this precious resource.

We will be at Koloa Elementary School on April 27th for Career Day.

**Loihi:** Attended Loihi workshops.

**Foodbank:** Funds and groceries were collected and turned in with the County of Kauai Food Drive. Congratulations to our operations division for having 100% participation!

**Service Award Banquet:** The County Service Awards Committee has just sent out the nomination forms for the department, 2010 Employee of the Year. A selection committee will be formed to review the nominations along with the 4 Employee of the Quarters from our WATER Bucks program. Deadline to submit name and write up to the Awards Committee is May 13th.

**DISCUSSION**
Ms. Shiramizu reported that the Loihi workshops, organized by Ms. Yano, were for the new billing program that will be in place in October. Manager Craddick noted that Loihi is the name for the new customer accounting program in Honolulu and they had meetings here to get some of our processes straightened out. It was a week-long training and the staff attended certain portions. This would prepare Public Relations for the letters that will be going out to the customers.

Mr. Dill moved to receive the March Public Relations Update, seconded by Mr. Kahawai, by a unanimous vote; motion was carried.
Re: Deputy Manager’s Summary Report on Monthly Operational Maintenance for the month of March, 2011

Deputy Eddy reported that a few more Operations positions had been filled. A candidate for the Chief of Operations was interviewed last week.

The Labor Report now shows a two-year period on the chart. Next month will show a spike in overtime as there were some major repairs in March.

The Leak Report shows leaks in service laterals increasing, and a lot of construction projects going on and service laterals tend to get broken during new mainline pipeline installations. This also includes repair of those service laterals, most of which are pvc though the new standard is copper.

Upon query from Mr. Nishimura, Deputy Eddy stated that when contractors break the line, we fix it, but charge the contractor. Manager Craddick reported that this is provided we properly laid out the line in the first place. We need to work on this and they have a test tool but more training is needed on how to use it, and we need a metal detector. However, Deputy Eddy indicated that we have one for the west side and one for the east side.

Mr. Nishimura stated that the Kalaheo Well was supposed to be finished last month. Deputy Eddy stated that Well #2 was put on line this month, they are both up and running. He indicated seeing an improved efficiency with the new motors.

Mr. Dill moved to receive the March Deputy Manager’s Summary Report, seconded by Mr. McCormick; by a unanimous vote; motion was carried.

MANAGER’S UPDATE for MARCH 2011 to APRIL 2011

CONTRACTS AWARDED BY THE MANAGER:

Re: Job No. 05-05, Water Plan 2020 Project PLH-30, Nawiliwili, Niulamu, and Kupolo 6-Inch, 8-Inch and 12-Inch Main Replacements (Phase I).

Contract was awarded to Goodfellow Bros., Inc. in the amount of $3,050,000.00

FUNDING:
Account No. 201-01 Bond -BAB $28,402,138.36

Contractor, Goodfellow Bros., Inc ........................................ $ 3,050,000.00
Contingency, approximately 5% ........................................ $ 152,500.00
Total ...................................................................................... <$3,202,500.00>

BALANCE REMAINING
Account No. 201-01 Bond – BAB ........................................... $25,199,638.36

PUMP INSTALLATION PERMITS SIGNED BY MANAGER:
None
WAIVER, RELEASE AND INDEMNITY AGREEMENTS SIGNED BY THE MANAGER:
None

PERSONNEL MATTERS UPDATE:
Updated April 12, 2011

RECRUITMENT & POSITION CHANGES

Ops Division:
1. Lead Pipefitter selection to be filled, effective April 18, 2011.
2. Water Field Operations Superintendent. DOW submitting request to DPS for the list of eligibles.

Fiscal Division:
1. Accountant III interview to be scheduled.

Engineering and Special Projects Divisions:
1. Civil Engineer II (Engineering Division). DOW submitted to DPS for new list of eligibles.

Administration Division:
1. Reallocate Commission Support Clerk to Board Secretary. Pending DPS review.
2. Private Secretary position duties clarified to show Private Secretary / Admin. Office Manager position duties. Pending DPS review.
3. Deputy-Manager Secretary interview to be scheduled.

SUMMARY OF WARRANT VOUCHERS PAID – March 31, 2011
Warrant vouchers were paid in the amount of $1,736,813.39.
Please see attached Warrant Vouchers Report.

STAFF REPORTS - FY 11 – 4:
Conveyance of Water Facility:
1. Beyer TMK: (4) 2-3-002:10 Kalaheo $73,027.20

WATER QUALITY REPORT – FIRST QUARTER 2011
1. Sample site work order for Kuamoo Rd. submitted in September, but no work yet. Operations requested a different site be selected. Currently using the old Poliahu State Park site since they have constructed a new bathroom. Considering using the old site indefinitely.
2. New sites chosen for routine sampling to replace sites that were hard to access or have been removed. More old sites need to be changed. Ongoing.
3. Main break monitoring on hold, pending finalizing procedures and follow up between both the Lab and Operations. In the meantime, Peggy is informally checking on mainline breaks. Operations informs Lab of major breaks or installation of new infrastructure so that we can sample/monitor water quality.
4. Decided to go with Triggered Monitoring Plan for the new GWR. Plan submitted to SDWB (accepted by SDWB). One hit so far. Monitoring plan seems to be workable.
5. Sampling sources to see if any will present problems with fecal indicators if triggered monitoring is required. So far only Garlinghouse Tunnel seems to be problematic. On going.

6. Kalaheo, Lawai/Omao and Koloa have to be one system under the GWR. We propose to call it Kalaheo/Koloa System #434. The proposed system has been submitted to SDWB. We are awaiting approval. Has been approved as of 12/1/09.

7. Keith Aoki has taken the initiative to require developers to install sampling stations in future subdivisions. They will be installing the same kind of stations we already have in use.

AFFORDABLE HOUSING UPDATE:
Update will be provided after the next Task Force Meeting is held.

DISCUSSION
Manager Craddick briefly reviewed highlights of his report.

On the Affordable Housing Update, he noted that the Board had asked about Eleele and he reported that one group is putting in a small line. We have asked Housing, but we are telling the contractor to upsize the line. We have asked them to price it and then pending what Housing tells us, if we have the budget we will do it.

Mr. Nishimura asked on the reallocation to the Board secretary who would be responsible for supervision, and Manager Craddick indicated it would be the administration office secretary, the reallocation.

Upon query from Mr. Nishimura, on the Water Quality report, Manager Craddick would have to report back on when we expect the new sites to be completed.

Mr. Kahawai asked for clarification about #6 on the Water Quality Report and combining the systems into one, it states it has been approved since 2009. Deputy Eddy thought it was approved so it will be deleted from the report.

Manager Craddick confirmed to Mr. Kahawai that contractually we have contracted about $34M of the $60M in the BAB. Manager Craddick stated the next job is Maka Ridge, and then Wailua. Manager Craddick hoped that will get us to the $37M. Mr. Moises noted that Kupolo came in under our estimate.

Mr. Nishimura wants a report from the manager on the proposed projects to replace the High Level Water and the Facility Expansion, the new building. If those fall down, with what would they be replaced. Manager Craddick noted that even if you take those out, there are still some $60M of projects left, mostly tanks but they are not ready to go yet. Mr. Nishimura would like this to be on the spend-down sheet.

Mr. McCormick moved to accept the Manager’s Update, seconded by Mr. Nishimura; by a unanimous vote; motion was carried.

STAFF REPORTS

QUARTERLY
Re: Project Status Update

Regular Meeting: Thursday, April 28, 2011 – Page 20 of 22
DISCUSSION
Mr. Nishimura noted that he has received a lot of positive comments on the Vivian Heights project in Kapaa.

Upon query from Mr. Nishimura, Mr. Moises noted that for Waipouli/Hauiki the scope was redefined with some additional pipeline work. There may be a contract amendment forthcoming. A lot of projects have been added based on Operations needs. The proposals for Kahili were opened and are being reviewed. Mr. Moises reported to Mr. Dill that two proposals were received from mainland firms but they both have Hawaii teams.

Mr. Moises gave a brief overview of the projects in the Update.

Mr. Nishimura asked if we were close to the number in the BAB. Mr. Moises indicated that one of the proposals was vague and we need to give them time to provide something finite, as we need to compare apples to apples.

Mr. Nishimura asked if we have CWRM permission to do this but Manager Craddick stated the consultant has to get the permit. Manager Craddick stated the contract may be phased with engineering and permits in the first phase and construction in another phase. Mr. Moises noted that a finite cost is needed. If we cannot get an EIS completed and not be able to construct, we would know in the first phase.

Mr. Kahawai moved to receive the Project Status Update, seconded by Mr. Nishimura; by a unanimous vote; motion was carried.

Re: Affordable Housing Update

Mr. Moises noted that Kapilimaumo was completed.

Mr. Kahawai moved to receive the Affordable Housing Update; seconded by Mr. Dahilig; by a unanimous vote; motion was carried.

TOPICS FOR NEXT WATER BOARD MEETING
1. Employee of the Year Resolution (May 2011)

TOPICS FOR FUTURE WATER BOARD MEETINGS
1. Final Budget Approval (June 2011)
2. Resolution #1 – Budget for next fiscal year (July 2011)

UPCOMING EVENTS

NEXT WATER BOARD MEETING
1. Thursday, May 26, 2011, 10:00 a.m.
2. Tuesday, June 21, 2011, 10:00 a.m.
3. Thursday, July 28, 2011, 10:00 a.m.
4. Thursday, August 25, 2011, 10:00 a.m.
EXECUTIVE SESSION

Mr. Dahilig moved to go into Executive Session to review the Executive Session Minutes of March 24, 2011, seconded by Mr. McCormick.

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

By a unanimous vote; motion was carried.

Ms. Esaki confirmed that there is a Judge Valenciano ruling that for Executive Sessions, only the Board and the attorneys may be present. Non-attorneys and non-Board members can only stay if invited by the Board. Ms. Esaki remained for the Executive Session, all other staff was excused.

The meeting then went into Executive Session at about 12:13 p.m.

The Regular Meeting reconvened at about 12:22 p.m.

EXECUTIVE SESSION

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

1. Review of Executive Session Minutes from March 24, 2011
   The Minutes were reviewed and approved in Executive Session.

ADJOURNMENT

Mr. McCormick moved to adjourn, seconded by Mr. Kahawai; by a unanimous vote; motion was carried.

There being no further business, the meeting was adjourned at about 12:23 p.m.

Respectfully submitted,

[Signature]

Carol A. Beardmore
Secretary

Approved,

[Signature]

Randall Nishimura
Secretary – Board of Water Supply

cab