

REGULAR MEETING
BOARD OF WATER SUPPLY
Wednesday, February 15, 2006

The Board of Water Supply, County of Kaua'i, met in regular meeting at its office in Lihu'e on Wednesday, February 15, 2006. Chairperson Josephine Sokei called the meeting to order at 10:17 a.m. On roll call, the following answered present:

BOARD: Ms. Josephine Sokei, Chairperson
Mr. Ian Costa (present at 10:40 a.m.)
Mr. Donald Fujimoto (left meeting at about 1:20 p.m.)
Mr. Steven Kyono
Ms. Lynn McCrory
Ms. Bernie Sakoda
Mr. Myles Shibata

STAFF: Ms. Wynne Ushigome
Mr. Paul Ganaden
Mr. Les Yoshioka
Mr. Bruce Inouye
Mr. Keith Fujimoto
Mr. Edward Doi
Mr. Galen Nakamura, Special Deputy County Attorney

Absent & Excused: Mr. Gregg Fujikawa

GUESTS: Mr. Edward Tschupp (about 10:20 a.m. to 1:15 p.m.)
Mr. Dave Jochim, RW Beck (via conference call – about 11:03 a.m. to 11:53 a.m.)

AGENDA

Chair Sokei re-ordered the Agenda to have Old Business Agenda Item No. 3 to be taken up first under Old Business Agenda Item No. 1, Water Purification Facility Status Report.

Ms. McCrory moved to approve the Agenda, as amended, seconded by Mr. Kyono; motion was carried.

MINUTES

Ms. McCrory recused herself from voting as she was not at the January 18, 2006 Board Meeting.

Mr. Shibata moved to accept the Regular Meeting Minutes of January 18, 2006, and placed on file, seconded by Mr. Fujimoto; motion was carried.

CORRESPONDENCE/ANNOUNCEMENTS: None

OLD BUSINESS:

Re: Status Report regarding Completion of Grove Farm Properties, Inc.'s Water Purification Facility in Hanama'ulu, Kaua'i

Recommendation: Not Applicable

Funding: Not Applicable

Background:

As reported in the Public Affairs Committee Report, the water purification facility (WPF) was placed into service effective January 3, 2006. Initially, the primary service area was limited to Hanama'ulu with anticipated expansion of the service area to occur in February.

On January 26th, the Department of Water (DOW) experienced mechanical problems at one of its Wailua well sites which necessitated the need to introduce the WPF's source water into the Hanama'ulu end of the Wailua-Kapa'a Water System. The DOW has limited the introduction of the surface water up to the Wailua River by isolating (closing the mainline valves) this section of the Wailua-Kapa'a Water System. Prior to introducing the surface water into the Wailua-Kapa'a Water System, the DOW notified the Department of Health (DOH), Safe Drinking Water Branch of its intention to utilize the surface water to remediate the water demands associated with the loss in pumping capacity.

With the expansion of the service area north towards the coastal area of Wailua, the WPF's production has increased to approximately 1,200 gallons per minute or about 1.5 MGD. Through gradual extension of the surface water service area, over the next several weeks, the new water purification facility production will be ramped up to allow full utilization of the facility as the primary water source for the entire Lihue-Puhi-Hanamaulu Water System and a significant source for the coastal Wailua-Kapaa area.

With the introduction of the surface water into the Wailua-Kapa'a Water System, we anticipate that DOH will also classified this system as a surface water system. In anticipation of this reclassification, the Department's laboratory staff are monitoring both systems and working with the DOH to develop a monitoring plan for the consolidated service area.

To date, the Department has received very few complaints regarding the surface water. Although, it may be too early for problems to be fully developed, as every day goes by with minimal complaints, the Department gains confidence that our concerns about potential wide spread red water occurrences have been mitigated. Again, the studies conducted at the house on the Grove Farm Museum property appear to have been very successful at determining an approach that minimized red water releases when the new water was introduced into the distribution system. Our strategy of incrementally phasing in the new water into limited service areas has also no doubt resulted in a more manageable situation.

The Department staff continues to work with Aqua Engineers, the operators of the facility, to coordinate water production, resolve instrumentation problems and adjust chlorine feed levels in order to maintain appropriate levels of chlorine within the service area distribution system. So far, the Department has not experienced an unmanageable level of chlorine demand within the distribution system. As we build experience with the relationship between chlorine levels at the facility relative to the distribution system, the chlorine levels can be optimized at the facility. Our SCADA system reports continuously on the chlorine residual at the facility and at the Maalo Road control valve station, so we can readily observe chlorine levels at these two locations.

On query by Ms. McCrory, Acting Manager Ushigome stated that the WPF has a 6-month trial period.

Mr. Edward Tschupp was present at the meeting at about 10:20 a.m.

Re: Contract between Kaua'i Water Department and R.W. Beck Inc. for a Strategic and Business Plan for the Kaua'i County Water Department

Recommendation:

No Board action is required at this time. This agenda item is for purposes of receiving further Board input concerning the scope of work for this contract.

Background:

During its January 2006 monthly meeting, the Board, members of the Department, and several representatives of R.W. Beck, Inc. ("RW Beck" or "Beck") discussed a draft scope of work for a contract between RW Beck and the Kaua'i Water Department for a strategic and business plan for the Kaua'i County Water Department.

Based on this discussion, RW Beck has provided the attached revised draft scope of work for the Board's and Department's further discussion and consideration. (This was also provided to all Board members via electronic mail on February 8, 2006.)

As a further result of January's Board meeting, the Department asked RW Beck if it could provide an hourly rate for additional or out of scope work items that may be requested by the Board, or if the Board desired Beck's assistance in implementing the plan. Mr. Dave Jochim of RW Beck stated in his January 9, 2006 e-mail that he did not have an answer yet on this matter.

With the permission of County Engineer and Water Board member Donald Fujimoto, former Manager Ed Tschupp has graciously agreed to be present at the Board's February 15, 2006 meeting to lend his further thoughts and insights regarding this agenda item.

Ms. Lynn McCrory was concerned that our consultant was hired for one year to do a 5-year strategic plan and then they would turn it over to the Department. She felt that the consultants should instead be on board for the next 15 years until the year 2021 to cover our Water Plan 2020 period. She felt that the consultant should be on board to check back with the staff yearly and to move the process along.

Ms. McCrory added that the proposed Strategic Plan was instigated primarily to assist the Department to figure out how to keep the Water Plan 2020 projects on track. She also thought it would make sense to extend the period for another year to the year 2021 to slow the process a little and have more buy in from the staff.

On query by Ms. McCrory, Waterworks Legal Advisor Nakamura stated that he was still researching with the County Attorney whether via the Request for Qualifications (RFQ) process the Department could keep our consultant on contract for 15 years, structure an annual contract, have renewable meeting deliverables, deadlines, etc.

Ms. McCrory stated that it will be really hard to get everyone in the Department to be excited about the Strategic Plan when they all have ongoing work; therefore, she recommended a private sector tool by setting aside some monies for some type of incentive bonus program for the employees that would be paid every year to every employee who works on the Strategic Plan. The incentive bonus plan would be structured to have a range of money for each core group (administration, accounting, engineering, and operations). The dollar amount range would be dependent on the type of work planned for that core group and their actual output. She felt that this would encourage the employees to motivate their work group to work harder in order to get the higher bonus amount. Ms. McCrory added that the amount would be large enough to excite and inspire employees to come up with great ideas to move Water Plan 2020 along and would be paid out quarterly. The consultant would gauge the success of the work group and recommend to the Board for payment of the bonus to the work group.

On query by Mr. Kyono, Ms. McCrory stated that the bonus amount for the work group would be worked out by the consultant and tied to the Strategic Plan and how major the role is for the work group that year.

Mr. Fujimoto stated that Ms. McCrory's idea was a good one; however, he was concerned about the ramifications of having a bonus plan or as he called it, giving out "carrots" to the employees, as he felt that it was human nature to be too dependent on getting the carrots. He felt that instead of working hard steadily, work may be put off to later until the next carrot rewards are due. Mr. Fujimoto suggested that instead the employees need to have a clear directive on what they need to focus on.

Ms. McCrory stated that was the reason why she felt that the bonus plan should start from the bottom of \$1 to whatever designated amount. She added that the consultant would dictate the work schedule for a year and the goals would be laid out and tied together.

Ms. McCrory felt that paying bonus money to the employees as an incentive to creatively move the Water Plan 2020 projects as planned is better than paying the construction vendors more money due to inflation because of delayed projects.

Mr. Fujimoto stated that even bonus plans work for some but not for all so how do you motivate the others. Ms. McCrory hoped that the employees who are motivated and want to have the higher bonus range would encourage the others to perform at a higher level. Mr. Fujimoto still felt that as professionals, this situation is easier said

than done but need to find a way to encourage self-fulfillment of reaching goals rather than constantly getting rewarded with carrots.

Based on Ms. McCrory's statements, Mr. Shibata summarized the following:

- 1) The consultant should be consulted on what he felt was appropriate for Kaua'i, with the rate of growth, if the Strategic Plan for the DOW should be for a 5-year period, 7-year period, 10-year period or 15-year period.
- 2) Is the 5-month period for the Strategic Plan from kick-off to completion enough time to complete a high-quality plan knowing that the DOW has vacant positions for Manager and Chief Engineer, Engineering Division Head and Public Relation Specialist and to also have buy-in from the DOW employees?
- 3) If we make strategic changes, we need to ask the consultant for more details on how to address the human resource part of the change.

Mr. Fujimoto added that he agreed with Ms. McCrory that the consultant contract should be extended. He reiterated his concern about giving out bonuses when we just had a water rate increase. His concern was that once you start this type of program, it is hard to take back. Mr. Fujimoto stated that the employees would need instead a specific direction. He added that there is a big difference with private and public agencies, as with private agencies, it is possible to give bonuses but also possible to fire people. That is not the case with government.

Mr. Costa present at the meeting at about 10:40 a.m.

As a fellow government employee, Mr. Kyono concurred with Mr. Fujimoto that it is always harder dealing with government employees. Mr. Kyono added that there should be assurance that there is equity among the ranks in the bonus plan in order to get concurrence from the unions.

Mr. Shibata stated that a core question for the consultant would be for the first phase, what are the key issues that will motivate the employees and what are the stumbling blocks.

Ms. McCrory discussed that the Board needs to explore different avenues of making sure that the Strategic Plan works and if the bonus plan would not work then at least that avenue was explored.

Mr. Fujimoto added that the challenge for managers is to make the job challenging but not overwhelming, interesting and not boring. He felt that it may be idealistic but it would be the ultimate goal to make it self-rewarding and feel self-worth instead of a having compensation plan. Mr. Fujimoto stated that he expects the consultant to be able to let the staff know how we can do things more efficiently and possibly recommend if we do need more positions. Also, he expects the consultant to let us know how we can motivate employees.

Ms. McCrory reiterated that Water Plan 2020 is an important plan that was used to base the new water rates on, so more so we would want to keep Water Plan 2020 on

track, then possibly spending extra monies due to inflation on the deferred water projects. Therefore, this Strategic Plan is important and our concerted effort to keep the Water Plan 2020 projects on track so we do not have to explain to the public down the road that we had guessed wrong.

Mr. Fujimoto added that the Honolulu Board of Water Supply has a Sustainability Plan that has gotten them excited about protecting the limited water resources for the future. They first established the vision and the employees are excited as they are contributing to be part of the future. This process is being done with their new organization plan and with consultants on board.

Mr. Fujimoto also added that he would first want to go through the consultant process to see their recommendations before seeking alternatives like a bonus plan.

Mr. Shibata stated that one of the questions to our consultant would be what should the expectation of the yearly Water Plan 2020 Project dollar amount be knowing that our track record has been spending 3 million dollars a year when our Financial Plan and Rate Study projected potentially 7 and 11 million dollars.

Acting Manager and Chief Engineer Ushigome stated that it should be taken into account that the bottom line is that Water Plan 2020 was initially very aggressive; therefore, our consultant did adjust the January 1, 2006 water rate increase to about 8-1/2 percent per year based on what is projected that the Department can work on. She added that the Department is now doing projects in the range of about 10 to 12 million dollars as projected.

Chair Sokei questioned whether the staff was involved in the compilation of the projects for Water Plan 2020 and whether it was initially stated that these projects are what we could accomplish in 20 years or what we should accomplish in 20 years? Former Manager Ed Tschupp replied that all the division heads met several times to compile the projects for Water Plan 2020. Chief of Operations Yoshioka stated all the areas that were in dire need of repair and Water Resources and Planning Division Head Fujikawa added the areas where there were a lot of complaints that customers could not build due to a lack of capacity as the waterlines needed to be upgraded to larger waterlines. At that time, the leadership in Engineering Division stood back and viewed their role as, 'tell us what to do and we will go out and do it'.

Mr. Tschupp stated that when the staff was working on compiling and finalizing the projects that would be done under Water Plan 2020, it was former Manager Lau's philosophy that the Department could reach that high standard of finalizing the projects as per the plan. Mr. Tschupp added that the Department was previously doing about 2 million dollars a year of work and the first year of Water Plan 2020 were projected to complete 14 million dollars worth of projects. The first year a lot of the projects went into design and was not ready to be completed. He added that as time went by there was a plateau of projects that expended about 7 million dollars a year.

Mr. Tschupp discussed that the criteria of how the Water Plan 2020 projects were ranked and prioritized were by 'remaining useful life'. There were a lot of projects that had less than 5 years of 'remaining useful life' and a lot of the projects were high

priority because it was failing. He also felt that some of the projects may have been overstated; whereby, the 'remaining useful life' could have been 5-10 years instead of less than 5 years. Mr. Tschupp added that at that time they were compiling the projects, a project may not have been a priority but it soon became one and had to be added to the priority list, like the Kekaha/Waimea waterline.

Ms. McCrory discussed that she hoped that as part of this strategic planning process that alternatives could be researched to see other methods that can be used to address finishing all the Water Plan 2020 projects as scheduled without putting undue stress on the staff.

Mr. Fujimoto also discussed that this strategic planning process may possibly reveal that the Department should regroup and revise the plan to postpone some of the projects as often times developers will install improvements for their projects. Then maybe later the Department could catch up on Water Plan 2020's projects.

The conference call was placed to our consultant, Mr. Dave Jochim of RW Beck at about 11:03 a.m.

Waterworks Legal Advisor Nakamura informed Mr. Jochim that the Board was discussing what they wanted to come out of this Strategic Plan.

Donald Fujimoto gave Mr. Jochim an update of what the Board was discussing:

1. Ms. McCrory's proposal of an incentive monetary bonus plan.
2. Revise the plan and the consultant contract from 1 year to 15 years; whereby, RW Beck would assist the DOW to implement the plan as well as to keep the Department on track for the next 15 years.

Lynn McCrory suggested that the initial implementation of the Strategic Plan would be longer than the proposed 5-month period as the DOW has several things that need to be addressed (like filling of the vacant positions of Manager, Public Relations Specialist and Engineering Division Head).

1. She also informed Mr. Jochim of her proposed incentive bonus plan that would help to make the employees excited about this plan and monies would need to be set aside yearly for this Strategic and Sustainability Plan. These monies would be divided by the divisions with each employee of that division to get the same amount and at the beginning of year, the Board would set a plan of what they wanted accomplished that year. In each division, there would be a bonus dollar range from a very low dollar amount to a high dollar amount, for example, \$1 to \$5. The dollar amount range would be dependent on the importance of the goals for that year. She felt that this range would encourage the motivated employees to encourage the unmotivated employees to work harder in order for all of that division to get the higher dollar amount. The consultant and the core team will determine if the division's goals were met and how much should each division be paid. The bonuses will be paid quarterly to all of the DOW employees.

Mr. Jochim added that there are companies that does this and has various names that they call it. The company would set performance standards, clearly define measurements, and the trick is to structure the program so that

results cannot be skewed, by optimizing the short-term benefits to the detriment of the long-term goals.

Donald Fujimoto: His concern was that this long-term plan needs to be made realistically; whereby, the employee is doing what they suppose to do to make their job rewarding, not overwhelming and not boring. There would be a need to incorporate the employee's new responsibilities with the employee's existing responsibilities, which may require more employees to fulfill this new concept. A different mindset may be to hire non-engineering college employees to assist with the Strategic Plan and Water Plan 2020, as long as they are self-motivated, self-starters and can comprehend basic math, overall project management and goals and objectives.

Dave Jochim: There are other ways to enhance performance with organizations, like with the concept of working as a team and contributing can be powerful, if it is set up right.

Lynn McCrory: She added that the Department is already paying the vendors inflation rates of about 200% to 400% more than we planned due to the delay of projects. Therefore, she rather pay the employees the incentive bonuses.

Donald Fujimoto: He disagreed on the employees' incentive bonuses.

Myles Shibata: Listening to both sides of the pluses and minuses of the proposed ideas, he would like Mr. Jochim to look at the period of time that he will be getting stakeholder input. Mr. Shibata he felt that it was very important to find out the existing motivations or hurdles that the managers and employees are perceiving and experiencing and then to come up with a menu of options that would be acceptable to those levels of employees that really produce for the department. He felt that spending a lot of time on the front end before jumping into some theoretical model that may have been used elsewhere is best.

Mr. Shibata felt that the consultant would need to really bore down to the employee level to do 1-on-1 surveys to really find out what drives or prevents them from performing. This process is separate from the proposed incentive bonus plan. Mr. Jochim concurred.

On query by Mr. Shibata, Mr. Jochim stated that the proposed 5-year Strategic Plan has to determine the framework needed to help make Water Plan 2020 successful. Mr. Jochim added that the Department's impediments to successfully implementing Water Plan 2020 are organizational issues, other projects that compete for the employee's time and attention, etc. and the Strategic Plan would identify the existing impediments. The Strategic Plan would also look at what motivates the employees and to revisit what, possibly looking at doing things differently, or possibly compiling a 'stop-doing' list that need to be identified, will assist the employees with prioritizing the other existing duties that vie for their time. Bottom line is to make the employees more efficient.

Lynn McCrory: On query by Ms. McCrory, Mr. Jochim stated that there would not be a problem to find someone from RW Beck to visit Kauai for the next 15-year period to make sure that the plan is working.

Edward Tschupp: He felt that it was very important to document all departmental processes (not only for Water Plan 2020) to see the work flow, the interactions needed between or among various DOW divisions to ensure that nothing slips through the cracks. This would also help to give clear direction on who is responsible for various tasks, like land issues, easements, etc.

Mr. Tschupp explained that timelines could be misleading for projects as there are many facets of the design process that could have stumbling blocks that would jeopardize the timeline of a project. Often times, our design consultant would have stumbling blocks like: 1) sub-contracting a surveyor, which is very hard to come by in this busy economical times; and 2) plan review times can be extended at any one of the governmental agencies like the DOW, DOT or Public Works or at all of them. Although the plan for most projects would be to hire a design consultant, budget for the project for the next fiscal year and construct the following year, there are some project timelines that can be misconstrued due to the above extenuating circumstances. These need to be conveyed to the Board so that they have a greater appreciation of the process and why delays can happen and can be lengthy.

Ms. McCrory suggested that in these types of cases a consultant may be the solution to minimize delays. Mr. Tschupp added that it is not always the case as there may be other unexpected processes, which may be the reason for the delays. Ms. McCrory added that we would need to be proactive and look at alternatives on how these things can be done. She felt that experienced consultants would know which projects may cause delays and would know how to remedy it.

Mr. Tschupp discussed that he agreed with Mr. Fujimoto that the processes would need to be re-visited to verify if a non-engineer could do some of the work just as well as an engineer could. One of the things that could be worked on with our consultant is to establish policies and procedures for our engineers to model. Mr. Tschupp added that several years ago it was found that the constraints to implement Water Plan 2020 was the lack of engineers, and working with our consultant, the proposed solution then was to hire administrative assistants. At that time, Mr. Tschupp could not convince our Engineering Division Head of the merits of going that route. However, if the employees are informed of the issues at hand from the Board's perspective, our consultant could facilitate discussions with the employees to formulate strategies to have buy-in to having administrative assistants instead of engineers.

Donald Fujimoto: He stated that having a lot of consultants is good but someone has to also watch the consultants. He also thought that every engineer should have a support clerk.

Edward Tschupp: He added that a lot of the higher-level engineers oversee up to 20 projects each and even the junior engineers are handling a lot of the private sector projects. One of the engineers, at one time, had about 40 individual projects going

through his desk. Some of the projects are large and a lot of them are small but they take up the same amount of time.

Myles Shibata: He asked Mr. Jochim if the 5-month time frame for implementation of the plan was realistic in what we are dealing here on Kaua'i.

Dave Jochim: He felt that the time frame was ok. The challenge would be to meet often enough so that we can remember what was done the last time, but not meet too often since everyone is busy. So it was decided to meet every 2-3 weeks and the schedule shows that at the end of the 5-month period, the plan would be ready for Board approval. He noted that the Board requested additional follow-up activities that would be done after the 5-month time frame.

Myles Shibata: On query by Mr. Shibata, Mr. Jochim stated that this 5-month period does consist of time for staff input and endorsement process.

Dave Jochim: The Strategic Planning process consists of the following:

1. Working with the Board on their objectives and strategic direction
2. Identifying issues to resolve in order to get Water Plan 2020 implemented.
3. Prioritizing staff's time
4. Doing Strategies to address the issues
5. Identifying key performance indicators (KPIs) to measure success

On query by Ms. McCrory, Mr. Jochim gave a range of the hourly rates of some of the players that will be handling this plan, like the senior consultant would range from \$175 to \$225 an hour, depending on who it is. A staff engineer would be about \$90 to \$140, depending on who it is and what we are looking for. Office staff is about \$65 to \$85 an hour.

On query by Ms. McCrory, Waterworks Legal Advisor Nakamura stated that a motion is not necessary at this time, as this session was to solely clarify the scope of work and any questions the Board had of our consultant.

SUMMARY:

Donald Fujimoto: He stated that the Board would want to have the scope of work to include a long-term clause, with an option to renew on an annual basis of up to 15 years.

Lynn McCrory: She would still want the consultant to research the possibility of an incentive bonus plan, recommendation for bonus amounts, how to structure that and what is fair. This bonus plan will be tied to the goals and objectives of each year. Bonuses will be paid quarterly. Mr. Shibata added that the DOW has about 75 employees.

On query by Mr. Fujimoto, Ms. McCrory stated that this bonus plan pertains to only the Strategic and Sustainability Plans and is not retroactive.

On query by Mr. Jochim, Ms. McCrory and Mr. Fujimoto concurred that the timing of this proposed incentive bonus plan would be part of the results of the Strategic Plan and would be part of the 15-year plan and tied to the goals of the plan.

Ms. McCrory added that the Board would want the consultant to present options on how to handle this incentive bonus plan. Mr. Jochim also added that they will pick the brains of these other companies that they have been working with that may contribute some ideas on their situations.

Donald Fujimoto: He also asked what kind of sanctions or penalties would we have as he felt that if you offer an incentive bonus plan you would need to have accountability too. Ms. McCrory added that the sanctions would be besides the employee getting the lower end of the bonus dollar range. On query by Ms. McCrory, Mr. Fujimoto stated that he thought it would be okay with the union if the Department offers over and above what is earned then it can also do sanctions. He felt that it cannot be only one way.

Lynn McCrory: On query by Mr. Jochim, Ms. McCrory stated that the Board would want this additional information in about 2-1/2 weeks so it could be included in next month's Board packet. On query by Ms. McCrory, Waterworks Legal Advisor stated that this request would be part of the Strategic Plan but an addition to the existing scope of work.

Waterworks Legal Advisor Nakamura reminded Mr. Jochim of submitting the hourly rates of his consultant's team.

Received for the record.

Lunch Recess: 11:53 a.m. to 12:35 p.m.

Re: Discussion and Action Steps concerning Selection Process for new Manager and Chief Engineer of the Kaua'i County Water Department

A draft advertisement for the new Water Manager, as well as the water manager advertisement that the Honolulu Board of Water Supply recently utilized, were circulated to all Board members on February 2, 2006. A copy of the advertisement was given to the Board members.

As a result of comments and suggestions received from Board members, revisions were made to the Manager's job ad, and the Department has begun the process of placing this ad in the two newspapers of general circulation within the State, as well as the major newspapers on Kauai, Maui and Hawai'i. The ad will also be placed on the Department's web site. As stated in the ad, résumés will be accepted until March 31, 2006.

Further, an issue has arisen regarding the possible legality of the State's one-year residency requirement under H.R.S. §78-1. U.S. District Court Judge David Ezra, in a ruling issued last week, reportedly invalidated this requirement in certain circumstances. The Department's Waterworks Legal Advisor is attempting to secure

a copy of Judge Ezra's decision on the matter and will report back to the Board when he is able to do so.

Until March 31, 2006, the Board may wish to continue discussion on action steps and procedures it wishes to implement to engage a new Manager and Chief Engineer.

Received for the record.

Re: Manager and Chief Engineer's Salary

Waterworks Legal Advisor Nakamura reported that at the Board's January 18, 2006 monthly meeting, the Board requested that he provide recommendations to increase the salary of the Manager and Chief Engineer ("Water Manager") of the Department.

The following was provided in response to that request:

Background:

Sec. 3.11 "*Adoption of a Pay Plan*" of the Kaua'i County Charter ("Charter") states that:

The council by ordinance shall fix the salaries of **all department heads**, officers (excluding councilmembers), and employees who are exempt from civil service. All other officers and employees shall be classified and paid in accordance with law. (Amended 1984, 1988)

(emphasis added). In conjunction with this mandate, Charter Sec. 29.02 "*Purpose and Duties*" at Paragraph B states that:

The [Salary Commission] shall review and recommend the salaries and minimum qualifications of all officers and employees included in Section 3-2.1 of the Kauai County Code 1987, as amended. (Amended 1988)¹

¹ Charter Sec. 29.05 "*Meetings; Rules*" expresses a sentiment similar to Sec. 29.02B, and reads:

The commission shall meet at least once a year to set the salaries for councilmembers and recommend the salaries for all other elected officials and employees as specified in Section 29.02 of this charter. The commission shall establish its rules of procedures and adopt rules and regulations pursuant to law. (Amended 1988)

There may be an inconsistency between the wording of Sec. 29.05 and 29.02B inasmuch as Sec. 29.05 speaks in terms of "all other *elected* officials", and Sec. 29.02B refers to "all officers and employees"; however, the settled interpretation of both the executive and legislative branches of the County has been to apply the recommendations of the salary commission to all elected and appointed officers within Kaua'i County.

In effect, this Charter section establishes two principles: first, that the Kaua'i County Salary Commission ("Commission" or "Salary Commission") recommends the salaries of all appointed and elected officers within Kaua'i County; and second, that these officer's salaries must be established by ordinance adopted by the Kaua'i County Council. As such, unless the Salary Commission's recommendations are adopted as an ordinance, the Commission's recommendations have no effect.²

Pursuant to Charter Sec. 29.02B, the salaries of all elected officers and appointees within Kaua'i County are established in Kaua'i County Code ("K.C.C.") Sec. 3-2.1.³ Under this section, the Water Manager's and Deputy Water Manager's salaries are set at, respectively, \$75,000 per annum and \$69,000 per annum.

The Salary Commission, in its November 15, 2004 recommendation report to the Mayor and County Council, recommended that the annual salary of "Level 1" County department heads such as the Water Manager be raised to \$75,000-81,000 effective July 1, 2005; however, that portion of the Commission's recommendation was rejected by the Council. A copy of both the Commission's November 15, 2004 report and its 2003-2004 Final Report is attached as Attachment #2.

By way of comparison, the current annual salaries of all water managers and deputy managers statewide are as follows:

	Kaua'i DOW	Honolulu BWS	Maui DWS	Hawai'i DWS
Manager	\$75,000	\$140,000	\$92,500	\$109,212
Deputy Manager	\$69,000	\$120,000	\$87,500	\$101,940

As stated, in Kaua'i County the salaries of the Water Manager and Deputy Water Manager are established by the County Council, by ordinance. In Maui County, the manager's and deputy manager's salaries are set by an independent salary commission whose determinations need not be approved by Maui's county council. In both Hawai'i County⁴ and the City and County of Honolulu⁵, the manager's and deputy manager's salaries are set by each respective county's water boards.

² By contrast, the salaries of all councilmembers within Kaua'i County are fixed by the Salary Commission- no council approval is required of the Salary Commission's determinations regarding the salaries of Kaua'i's councilmembers. See Kaua'i Charter Sec. 29.02A.

³ A copy of K.C.C. Sec. 3-2.1 is attached as Attachment #1.

⁴ Interestingly, Hawai'i County Charter Sec. 13-28 (See Attachment #3) dictates that the salaries of all elected and appointed officers within Hawai'i County be established by an independent salary commission. However, Paragraph 5 of Sec. 1-2 of the Rules and Regulations of the Hawai'i County Department of Water Supply states that:

"The powers and duties of the Board shall be as described in Section 8-2, Article VIII of the Charter. Operating within the framework of a semi-autonomous department, the Board, in managing, controlling and operating the public water system of the County and all property thereof, shall have the power:

(a) **To fix the annual salaries of the Manager, Deputy** and all other employees of the Department not covered by the civil service classification plan."

(emphasis added). A question exists as to whether a Hawai'i Water Department administrative rule can supersede a Hawai'i County Charter provision on the same subject matter (i.e. the fixing of salaries of all appointed department heads and deputies within Hawai'i County, including the water manager and deputy

With respect to the method by which the salaries of all appointed and elected officers are set within the various counties in the State of Hawaii, the following practices are observed:

- Hawai'i County: Except for the water manager and deputy water manager, salaries of all elected and appointed officers are established by an independent salary commission whose findings need not be approved by Hawai'i's county council. (See Footnote 3).
- Maui County: Salaries of all elected and appointed officers (including the water manager's and deputy manager's salaries) are set by an independent salary commission whose findings need not be approved by Maui's council.⁶
- City & County of Honolulu: Except for the water manager and deputy water manager, salaries of all elected and appointed officers are set by an independent salary commission under the following procedure:

“Any action of the (Honolulu Salary Commission) altering salaries shall be by resolution accompanied by findings of fact. Said resolution shall be forwarded to the mayor and the council **but shall take effect without their concurrence sixty calendar days after its adoption unless rejected by a three-quarters vote of the council's entire membership**. The council may reject either the entire resolution or any portion of it.”

(emphasis added). Honolulu Charter Sec. 3-122 at Paragraph 2. (See Attachment #5)

Also attached for the Board's information and reference are the salary ranges for all elected and appointed officers (excluding the water manager and deputy water manager) within the City and County of Honolulu (See Attachment #6) and Hawai'i County (See Attachment #7), and the salaries for all such officers (including the water manager and deputy manager) in Maui County (See Attachment #8).

Strategies for Increasing the Water Manager's Salary:

I. 2005-2006 Kaua'i Charter Commission.

The Kaua'i County Charter Commission⁷ (“Charter Commission”) is currently considering possible amendments to Kaua'i's Charter to be proposed to Kaua'i's electorate in the November 2006 general election.

manager); however, notwithstanding this question, the practice within Hawai'i County has been to permit the Hawai'i Board of Water Supply to set its manager's and deputy manager's salaries.

⁵ See Revised Charter of Honolulu (“Honolulu Charter”) Sec. 7-105(b), a copy of which is attached as Attachment #4. Again, although Honolulu's Charter seems to indicate that the deputy manager's salary is established by the City's salary commission (See Honolulu Charter Sec. 3-122 at Paragraph 1, a copy of which is attached as Attachment #5), the actual practice of the City has been to allow the Honolulu Board of Water Supply to set the deputy manager's salary.

⁶ See Maui County Charter Sec. 8.16.1, a copy of which is attached as Attachment #9.

Of interest by several Charter Commission members, but presently not the majority of the Charter Commission, is a proposed amendment to have the Kaua'i County Salary Commission's recommendations for all elected and appointed officers within Kaua'i County be effective unless vetoed by $\frac{3}{4}$ of the members of the Kaua'i County Council (essentially, the same salary fixing scheme currently used in the City and County of Honolulu. See Attachment #5).

One strategy would therefore be to lobby the Charter Commission to include this proposal with its package of proposed amendments to Kaua'i's general electorate in November 2006.

Arguments in favor of this proposal include:

- Such a salary setting method gives more credence and weight to the work of an independent, citizen appointed commission, yet preserves the Council's oversight authority in the setting of appointees' salaries.

Although granting Kaua'i's Salary Commission complete authority to fix the salaries of appointees and elected officers (Hawai'i and Maui counties salary fixing model) is more likely to achieve salary increases for the Water Manager, concerns could be raised about totally removing Council oversight in this matter. Concerns could revolve around a Salary Commission that sets salaries with no appreciation of, understanding, or concern as to whether the County "can afford to pay" for salary increases, or a Salary Commission that sets salaries that are, in the public's eye, non-sensible or unreasonable in relation to the work performed (the root concern being that there would be no "check and balance" on the Commission's work). However, a counter-argument is that the electorate in both Hawai'i and Maui counties have entrusted this function to their respective salary commissions with seemingly no substantial adverse repercussions.

Further, the setting of appointees and elected officers salaries, including councilmembers' salaries, is almost always a highly sensitive, politically charged matter- which is perhaps why in every county across the State this function is left to an independent, citizen appointed panel which can conduct its deliberations and decision-making in an independent, objective, and non-political atmosphere. This proposal would give greater effect to the work of a citizen panel, and move closer to a salary setting scheme that the voters of every other county in this State have seen fit to adopt.

- Moving to Honolulu's salary fixing scheme would give the Council the political and policy option of not having to affirmatively act to adopt the Salary Commission's recommendations in order for the Commission's recommendations to take effect. Presently, the Council must take affirmative

⁷ The members of the Charter Commission are Michael Belles, Glenn Takenouchi, Linda Moriarty, Barbara Robeson, Ramon Dela Pena, Louis Abrams, and Galen Nakamura.

action, in the form of the adoption of an ordinance⁸, for the Salary Commission's recommendations to be effective- the proposed salary-fixing method would allow the Council to exercise the option of letting the Commission's recommendations become law without the necessity of any Council action whatsoever.

- "The salaries for the positions of mayor, department heads and deputies have only been raised three times since the Salary Commission was established in December 1988. These salaries have not kept up with inflation since 1988, the year the Salary Commission was established. We note that the recommended salaries are still below those of the Counties of Hawaii and Maui and well below the State and City & County of Honolulu, as well as the private sector." (November 15, 2004 Salary Recommendations of the Kaua'i Salary Commission; See Attachment #2).
- "There are still many county employees who are presently paid more than their manager. Several of these employees are paid over \$88,000 per year, \$8,000 more than the mayor. The majority of this Commission feels that such "pay inversion" is not healthy for the County, and that attempts should be made to reduce the pay inversion occurrences." (November 15, 2004 Salary Recommendations of the Kaua'i Salary Commission; See Attachment #2).

A related argument is that this pay inversion provides no incentive (or rather, creates perhaps a "disincentive") for qualified County civil servants to apply for department-head and deputy-department head positions within the County.

- In attempting to secure qualified County department heads of the needed caliber (including Water Manager), the County is competing with the private sector and must therefore pay salaries commensurate to what persons of the same caliber are being paid within the private sector.

As evidence that the counties in general are competing with the private sector in attracting highly qualified individuals for water manager positions, it perhaps bears noting that the prior job experience of Mr. Clifford Lum, Honolulu Board of Water Supply's new Water Manager, included:

- Being President and Principal-in-Charge of The Limtiaco Consulting Group ("TLCG"), a multi-million dollar Honolulu civil engineering and environmental consultancy. The biography from Honolulu's Board of Water Supply website states that, "Under Mr. Lum's leadership, TLGC grew from a firm of six to more than eleven employees with more than 20 private and public sector clients. TLCG was named one of "Hawaii's Fastest 50" growing companies in 2002 and in 2005 by the Pacific Business News."

⁸ In Kaua'i County the process for a bill to become an ordinance (including any bill to increase appointed and elected officers salaries) involves the following steps: first reading, at which time a bill is usually referred to a Council committee meeting for further consideration and discussion and a separate public hearing is scheduled on the bill. As a result of the public hearing and committee discussion, the bill is either held in committee ("killed"), or referred to the full Council for second and final reading. The bill must then be approved on second and final reading or it does not become law.

- Serving as the Barrett Consulting Group's ("Barrett") Environmental Division Manager, overseeing development of the civil engineering firm's first environmental engineering branch in Hawai'i. Barrett (now known as Earth Tech) was a \$43 million international civil engineering firm with eleven offices in Hawai'i, the US mainland and Guam.
- Prior to the appointment of Mr. Donald Fujimoto as County Engineer, the County was without the services of a County Engineer for well over a year. It is widely perceived that pay was a substantial factor in the County's inability to secure a person for a difficult job with substantial and wide-ranging responsibilities.
- Pay was a major factor that caused Kaua'i's prior Water Manager, Mr. Edward Tschupp, to leave for his current position as Chief of Wastewater Division with the County Department of Public Works. Further, although Mr. Tschupp's current salary is unknown, Kaua'i County's operating budget ordinance indicates that \$93,384 was appropriated for the position held by Mr. Tschupp's predecessor. I am also informed that insufficient pay was a factor that influenced Mr. Tschupp's predecessor, Mr. Ernest Lau, to also leave the Department.

A variant of this strategy would be to lobby the Charter Commission to adopt a proposed amendment that grants the Kaua'i County Water Board independent and explicit authority to fix the salaries of its Manager and Deputy Manager. Although the Department's semi-autonomous status under State and County law argues in favor of such an approach, there may be less support on the Charter Commission for such special interest legislation in favor of two individuals versus general legislation that affects and improves the pay situation of all County elected officers and appointees.

II. County Council Sponsored Charter Amendment.

The Kaua'i County Council has authority independent of the Kaua'i Charter Commission to propose amendments to the Kaua'i County Charter. See Charter Sec. 24.01A.

Therefore, another approach would be to request the Council to adopt proposed Charter amendments either granting the Water Board explicit authority to fix the salaries of its Manager and Deputy Manager, or adopting Honolulu's salary fixing scheme for all of Kaua'i County's appointed and elected officers. Of course, the enactment of any of these proposals would depend on the Council's political willingness to place either proposal on the ballot, as well as the electorate's approval of either proposal.

The arguments for either proposed amendment are the same as those discussed in Section I. *2005-2006 Kaua'i Charter Commission* above.

III. Amendment to Kaua'i County Code Sec. 3-2.1.

Yet another approach would be to lobby the Council to enact an ordinance amendment increasing the Water Manager's salary; however, such an approach could be problematic in several respects.

First, the Water Manager's salary is the same as all other "Level 1" department heads within the County (i.e., the County Engineer, Finance Director, County Attorney, Prosecuting Attorney, Planning Director, Chief of Police, Fire Chief, and County Clerk). Singling out the Water Manager for a pay increase could pressure the Council to consider pay raises for all similarly situated Level 1 Department heads within the County, when the Council is unwilling to do so. Further, a pay difference between the Water Manager and other Level 1 County department heads could lead to morale problems amongst the other department heads.

Perhaps more problematic is that a substantial question exists as to whether the Council would entertain requests for salary increases absent a recommendation from the Salary Commission inasmuch as the long-standing practice within Kaua'i County has essentially been for the Council, pursuant to Charter Sec. 29.02B, to consider pay increases for appointees and elected officers only upon the recommendation of the Salary Commission.⁹ Possibly even a legal question exists as to whether salaries can be increased without the Salary Commission's recommendation- in all likelihood such an approach would require either the tacit or overt support of the County Attorney.

IV. Adoption of an Administrative Rule Similar to Sec. 1-2 of the Rules and Regulations of the Hawai'i County Department of Water Supply.

Finally, the Board could pursue the approach of Hawai'i County's Board of Water Supply and adopt an administrative rule that establishes the Board's authority to fix the manager's and deputy manager's salary. Arguments in support of such an approach would be:

- Precedent for such an approach already exists in the form of Sec. 1-2 of the Hawai'i County Water Department's administrative rules; and
- The Board's semi-autonomous status and legal authority under State and County law is unique among all other County departments and supports such an approach. A related argument is that by withholding such salary-setting authority from the Board, the County is hindering and interfering with the Board's independent authority to manage, control, and operate the County's waterworks under State and County law.

As noted in Footnote #4 above though, a substantial question exists as to whether such an administrative rule would supersede the County Charter and Code inasmuch

⁹ The Board, though, could conceivably argue that the Water Manager's current salary should be increased to at least \$81,000 per annum in light of the Salary Commission's November 15, 2004 recommendation report. (See Attachment #2). Such an approach would be consistent with any feeling that the Council should only raise salaries upon the recommendation of the Salary Commission.

as Kaua'i's Charter dictates that the salaries of all appointed and elected officers shall be established by the Council, by ordinance. In furtherance of the Charter, K.C.C. Sec. 3-2.1 fixes the salaries of the Water Manager and Deputy Water Manager. In all likelihood, the County Attorney would need to support a finding that such an administrative rule would not contravene Kaua'i's Charter and ordinances.

Paul Ganaden and Rona Miura were acknowledged with their assistance in obtaining vital facts in this memorandum.

Waterworks Legal Advisor Nakamura added that there was a new ACLU ruling from Judge Ezra that stated that the 1-year residency requirement (State Statute 78-1, HRS) does not apply to elected officials. Ms. McCrory read the definition of a resident:

'Someone would have to be a resident of the State for at least one year immediately preceding your appointment. Resident means the person who is physically present at the State at the time that person claims to have established the person's domicile in the State and shows the person's intent is to make Kaua'i the person's permanent residence. In determining that, the following factors shall be considered: 1) maintenance of a domicile or permanent place of residence in the State or absence of a residency in another State and former residency in the State.'

Ms. McCrory asked if a person that use to live here and is going to maintain a place of residency would qualify for the 1-year residency. Waterworks Legal Advisor Nakamura stated that it could possibly qualify.

Ms. McCrory also asked if the person had a second home here and they have a maintenance of a domicile or permanent place of residency in the State, would they qualify even though they did not permanently live in their second home. Waterworks Legal Advisor Nakamura also stated that it could possibly qualify.

Ms. McCrory asked Waterworks Legal Advisor Nakamura to research if there is an option of someone from Kaua'i living elsewhere would have the opportunity to apply for the Manager position if they wanted to move back to Kaua'i.

Ms. McCrory acknowledged the disparity of salaries exist especially when the salary of the civil service staff employee is higher than the Manager and Deputy Manager and how the DOW lost more recently Ed Tschupp and previously Ernie Lau to higher paying civil service positions. Therefore, she felt that maybe with the incentive bonus plan in place, it would help to entice engineers to apply for the vacant Manager position.

The Board discussed various ways to possibly correct this problem; however, the base problem needs to be fixed which is the Kaua'i County Charter. This effort could possibly help other department heads as well. It works well that the Kaua'i Charter Review Commission has been in session so the best avenue is to submit a request to them for their review and to potentially have it on this November's voting ballot.

Mr. Fujimoto suggested that the Department submit a resolution to the Charter Review Commission to recommend this change.

Mr. Fujimoto asked a hypothetical question: If we send a recommendation to the Salary Commission, for example, to raise the Manager's salary 10% over the highest paid civil service staff person, and they refer this to the Council and they approve it, what would happen? Waterworks Legal Advisor Nakamura stated that it becomes law, without changing the Charter. Mr. Fujimoto stated that it made sense to simultaneously forward our recommendation to both the Salary and Charter Review Commissions.

Ms. McCrory stated that she asked some of her business friends on what they thought would be a good percentage to ask for the Manager's salary to be above the highest paid civil service staff person. They mentioned that the salary would have to be somewhere between \$100,000 and \$150,000. Mr. Fujimoto added that he felt that they would have to look at a minimum of 10% over the highest paid civil service DOW staff person and the Deputy Manager's salary would be a minimum of 5% higher than the highest paid civil service DOW staff person. It would be at the Board's discretion if they wanted to go higher. The rest of the Board concurred.

Waterworks Legal Advisor Nakamura urged the Board to go through the Charter Review process and to testify at the next meeting to show their support of our proposed Charter amendment. The Charter Review Commission meets every other week. The next meeting will be on Monday, February 27, 2006. Ms. McCrory and some of the Board members will be testifying at that Charter Review meeting.

Mr. Fujimoto added another alternative to supplement the Manager's salary is to give the Manager an expense account. Waterworks Legal Advisor Nakamura stated that could be do-able as it would be in the Board's authority to do that.

Ms. McCrory discussed that something needs to be done to correct the inequity of the Manager making less than its staff. She added that in Hawai'i there only about 17% of companies in the private sector that have a large staff to oversee. The rest of the companies have 5 or less staff members. Therefore, the public cannot expect government workers to do more for less money. Government workers also have to deal with union situations, etc. that the private sector does not have.

Waterworks Legal Advisor Nakamura will research further into the 1-year residency and will check with the County Attorney if this matter has to go to County Council. He would also follow-up with a resolution to submit to the Charter and Salary Commissions.

The Board was very thankful of Waterworks Legal Advisor Nakamura's extensive report. Received for the record.

Mr. Tschupp left the meeting at about 1:15 p.m.

NEW BUSINESS

Re: Cancellation of Easement for Easement 275 on Map 92 of Land Court Application 1087 (amended), TMK: (4) 3-3-10:48, Lot1397, Lihue, Kauai, Hawaii

It was recommended that the Board approve the Cancellation of Easement for Easement 275 on Map 92 of Land Court Application 1087 (amended), between the Board of Water Supply and Grove Farm Land Corp. for water main purposes over Lot 1397.

Easement 275 was granted for the existing 12-inch waterline installed within TMK: (4) 3-3-10: 48, which is the property that the Kukui Grove Pavilion is located on. The section of existing 12-inch waterline installed within TMK: (4) 3-3-10: 48 will be abandoned and replaced by a new 12-inch waterline located along the County-owned Nuhou Street and Pīkake Street. Easement 275 will not be required once the existing 12-inch waterline is abandoned. Further, until the new 12-inch waterline is activated, the existing 12-inch waterline will remain in service under authority of a temporary right-of-entry being concurrently executed between the Department and Grove Farm Land Corp.

Mr. Shibata moved to approve the Cancellation of Easement for Easement 275, seconded by Mr. Kyono; motion was carried.

REPORTS

Re: Statement of Kaua'i County Water Department's Revenues and Expenditures

On query by Ms. McCrory, Waterworks Controller Ganaden stated that the State Revolving Funds (SRF) will be received once funds are expended for the Kapa'a waterline construction project, which will be starting soon. The Department can then ask for reimbursements. Mr. Inouye stated that project will start late March, 2006 or early April, 2006. Therefore, some SRF funds will probably be received soon thereafter.

Also on query by Ms. McCrory, Waterworks Controller Ganaden stated that the funds for our Strategic Plan are under Item No. 27, Contractual Services.

Ms. McCrory asked about the Bond Fund, do we pay somebody interest for buying that bonds? Does the County absorb that interest? Where does that show? Waterworks Controller Ganaden stated that we would probably need to reclassify that is why we show \$3.4 million in proceeds and the rest would be the interest. Ms. McCrory agreed that would be a good idea.

Received for the record.

Re: Manager's Update for January, 2006 to February, 2006

Contracts Awarded by the Manager:

Re: Bid for Laboratory Services:

MWH Labs, Division of MWH Americas, Inc. was the only bidder to submit a bid before the deadline. Their bid consisted of several types of services we may need this year and the budgeted amount is \$150,000 from Account No. 59, Lab Services.

Re: Bid for Laboratory's SUV:

A contract was awarded to King Auto Center for a new SUV for the Laboratory.

Funding: Budgeted in Account No. 106,

Vehicles & Equipment.....	\$25,000.00
King Auto Center's Jeep Liberty	<\$23,573.00>
	\$ 1,427.00

Re: Job No. 94-4, SCADA Implementation

Contract No. 401, Control Manufacturing Company

Job No. 94-4, SCADA Implementation for the

Department of Water.....\$4,987,121.49

Total Funds Available:.....\$5,025,000.00

Balance Remaining \$37,878.51

Control Manufacturing Company

CMC's **Change Order No. 22**.....<\$
8,203.79>

Balance: \$29,674.72

TOTAL CONTRACT AMOUNT:\$4,995,325.28

Pump Installation Permits Signed by Manager: None

Automatic Meter Reading (AMR) Project.

The Department received a total of five responses to its Request for Proposal (RFP) for this project. Three of these proposals were considered to be responsive. On December 6 and 7, 2005, the Department interviewed the three responsive firms. Following the interviews, the Department requested a "best and final" offer from the three vendors. The vendor's best and final offers were due on January 13th, subsequently, the AMR evaluation committee reviewed and scored the proposals. The Evaluation committee will begin to negotiate a contract with the highest ranked vendor. At present, it appears the highest ranked proposal is within the budgeted amount.

Strategic Plan and Needs Assessment

We are negotiating the project scope with the consultant. Deputy Manager Wynne Ushigome will be the Project Manager for this project, and will be identifying a project steering committee. Interaction with the Board will be scheduled during the course of the project. Contracting for this project is expected to be completed in early 2006.

Pending Grievance Regarding a Reallocation Action.

No additional information is available on the Step 2 Grievance regarding a reallocation action within the Department of Water. The possibility remains that the applicable bargaining unit will seek arbitration, so Board approval and funding for a special council with expertise in labor relations arbitration and litigation may be requested.

Developer Discussions.

The Developer of the Jensen of Hawai'i subdivision has not contacted the manager for further discussions following the Board action at the October 2005 meeting. Discussions continue with Kikiaola on their projects, and the Department continues to work with other developers on their project requirements. We anticipate that the Knudsen Trust will soon be seeking to execute a cost sharing agreement for the development of Koloa Well F for their Villa at Poi'pu project. Our discussions with the development community regarding FRC offset policies are continuing.

Received for the record.

Mr. Fujimoto left the meeting at about 1:20 p.m.

Re: Report of the Public Affairs Committee of the Kaua'i County Board of Water Supply

This matter was already taken care of in Committee Meetings.

Re: Report of the Rules Committee of the Kaua'i County Board of Water Supply

This matter was already taken care of in Committee Meetings.

Re: Report of the Finance Committee of the Kaua'i County Board of Water Supply

This matter was already taken care of in Committee Meetings.

Re: TOPICS FOR NEXT WATER BOARD MEETING

1. Board's Finance, Public Affairs, and Rules Committee Meetings

Re: TOPICS FOR FUTURE WATER BOARD MEETINGS

1. Board's Finance, Public Affairs, and Rules Committee Meetings
2. Follow-up Report on Infrastructure Rebates to the Kaua'i County Water Department
3. Quarterly Report regarding Kaua'i County Water Department Manager's Top 5 Goals for 2006 (April, 2006)
4. Kauai County Water Department Briefing on Departmental Projects (April, 2006)

Re: NEXT WATER BOARD MEETINGS

1. Tuesday, March 21, 2006, 10:00 a.m.
2. Tuesday, April 18, 2006, 10:00 a.m.
3. Tuesday, May 16, 2006, 10:00 a.m.

Re: WATER BOARD'S UPCOMING EVENTS

1. Annual AWWA Hawaii Section Conference on O'ahu, **May 9 - 12, 2006**
2. American Water Works Association (AWWA) National Conference **June 11-15, 2006** at San Antonio, Texas

EXECUTIVE SESSION

Pursuant to Hawaii 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).

This consultation involves consideration of the powers, duties, privileges, immunities, and/or liabilities of the Board and the Department of Water as they relate to this agenda item.

The Board may take any appropriate action or make any decision arising from its deliberations concerning this item, including approval or modification of the proposed settlement in this case. Actions may be taken or decisions may be made in executive session pursuant to Haw. Rev. Stat. §92-5(b).

No executive session was convened at this Regular Meeting.

ADJOURNMENT

There being no further business, the meeting was duly adjourned at 1:25 p.m.

Respectfully submitted,

Rona Miura, Secretary

APPROVED:

Wynne M. Ushigome
Acting Manager and Chief Engineer

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