A. CALL TO ORDER

B. ROLL CALL

C. ACCEPTANCE OF AGENDA

D. MEETING TRANSCRIPTS:
   Review and approval of:
   Regular Board Meeting – January 26, 2012

E. CORRESPONDENCE/ANNOUNCEMENTS
   1. Letter from Council Vice-Chair JoAnn Yukimura

F. BOARD COMMITTEE REPORTS
   1. Report of the Committee of the Whole of the Kauai County Board of Water Supply
      b. Manager’s Report No. 12–54 – Debt Service Reserve Fund Policy

G. OLD BUSINESS
   1. Listing of Officers and Committee Members 2012

H. NEW BUSINESS
   1. Manager’s Report No. 12-58 - Right of Entry Agreement from KMN, LLC, for S-2009-8 (KMN, LLC Subdivision), TMK: (4) 4-1-06:107, Wailua, Kapaa District, Kauai, Hawaii

NOTE: Special Accommodations for persons with disabilities are available upon request five (5) days prior to the meeting date. Please call the Department of Water, County of Kaua‘i, at 245-5408 or drop by at 4398 Pua Loke Street, Līhu‘e, Kaua‘i. Our mailing address is P. O. Box 1706, Līhu‘e, HI 96766
H. **NEW BUSINESS – contd.**

   3.  *Manager’s Report No. 12-60* - Restore Encumbered Contracts from the 2010-2011 Budget for One (1) Vehicle and One (1) Compact Excavator/Trailer Combination


   5.  *Manager’s Report No. 12-62* - Job 02-11, Second Amendment for (M-02), 100,000 Gallon Tank and Connecting Pipeline, Moloaa, Kauai, Contract No. 429


   7.  *Manager’s Report No. 12-64* – County Human Resources Reorganization

I. **STAFF REPORTS**

   **MONTHLY**
   1.  Statement of Kaua‘i County Water Department’s Revenues and Expenditures
   2.  Report by the Public Relations Specialist on Public Relations Activities
   3.  Chief of Operation’s Summary Report on Monthly Operational Maintenance
   5.  Manager’s Monthly Update Regarding Activities of Note of the Kaua‘i County Water Department

J. **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).*

K. **TOPICS FOR NEXT WATER BOARD MEETING**

   1.  Proposed Budget *(March 2012)*

L. **TOPICS FOR FUTURE WATER BOARD MEETINGS**

   1.  Quarterly Reports *(April 2012)*
   2.  Employee of the Year Resolution *(April 2012)*
   3.  Amend BAB Project List

M. **UPCOMING EVENTS**

   1.  AWWA – Hawaii Section Annual Conference – April 17-20, 2012, Honolulu, Hawaii
   2.  AWWA – ACE 12 – June 10-14, 2012, Dallas, Texas
N. **NEXT WATER BOARD MEETING**
1. Thursday, March 22, 2012, 10:00 a.m.
2. Thursday, April 26, 2012, 10:00 a.m.
3. Thursday, May 24, 2012, 10:00 a.m.
4. Thursday, June 28, 2012, 10:00 a.m.
5. Thursday, July 26, 2012, 10:00 a.m.
6. Thursday, August 23, 2012, 10:00 a.m.

O. **ADJOURNMENT**

NOTE: Special Accommodations for persons with disabilities are available upon request five (5) days prior to the meeting date. Please call the Department of Water, County of Kaua‘i, at 245-5408 or drop by at 4398 Pua Loke Street, Līhu‘e, Kauai. Our mailing address is P. O. Box 1706, Līhu‘e, HI  96766
Draft Minutes
BOARD REPORT

February 23, 2012

Subject: Board’s Committee Reports

The following Board Committee Chair will report at the Regular Meeting what transpired at their respective Committee Meeting:

1. Report of the Committee of the Whole of the Kaua‘i County Board of Water Supply
   b. Manager’s Report No. 12-54 – Debt Service Reserve Fund Policy

Daryl Kaneshiro
Chair – Committee of the Whole

cab
Mgrip/Board- Committee of the Whole Report (2-23-12) cab
COUNTY OF KAUAII

BOARD OF WATER SUPPLY

COMMITTEE OF THE WHOLE MEETING

Thursday, January 26, 2012
8:47 - 8:59 a.m.

Second Floor, Microbiology Lab Building
Kauai County Department of Water
4398 Pua Loke Street
Lihue, Kauai, Hawaii 96766

REPORTED BY:

TERRI R. HANSON, CSR 482
Registered Professional Reporter
APPEARANCES

BOARD MEMBERS:

Larry Dill

(Entered meeting page 7, 8:53 a.m.)

Daryl Kaneshiro, Chair

Raymond McCormick

Randall Nishimura

Clyde Nakaya

STAFF:

David Craddick

William Eddy

Marites Yano

Gregg Fujikawa

Val Reyna

Aaron Zambo

Keith Aoki

Faith Shiramizu

Edward Doi

GUESTS:

Mauna Kea Trask, Deputy County Attorney

JoAnn Yukimura, County Council Member
COMMITTEE OF THE WHOLE MEETING

CHAIRMAN KANESHIRO: Members of the Board,
I want to take up the committee of the whole report
first this morning which was scheduled for 8:30 a.m.
The Committee of the Whole Meeting is now called to
order. At this time can I have a roll call, please.

MR. CRADDICK: Clyde Nakaya.

MR. NAKAYA: Here.

MR. CRADDICK: Randy Nishimura.

MR. NISHIMURA: Here.

MR. CRADDICK: Ray McCormick.

MR. McCORMICK: Here.

MR. CRADDICK: Daryl Kaneshiro.

CHAIRMAN KANESHIRO: Here. With that, we
note for the record we do have a quorum. Mr. Oyama and
also Mr. Dahilig and Mr. Dill are excused at this time.
Can I have acceptance of the agenda on the
committee of the whole agenda, please. Motion to
accept.

MR. NAKAYA: So moved.

CHAIRMAN KANESHIRO: Can I have a second?

MR. NISHIMURA: Second.

CHAIRMAN KANESHIRO: All in favor aye.

Motion carried.

There's one item on this, it's the old
business, sole business is the Manager's Report No. 12-24, emergency operations reserve fund policy. And we've had several discussions on this in our committee meetings, and I believe the manager had some additional material that he wanted to submit to the committee. So if you look at your passouts you'll see that on January 26 the manager, Mr. Craddick, has some additional material and maybe want to comment on those additions.

MR. CRADDICK: What happened at the last meeting, the board said they wanted to see what it would look like if we separated the debt reserve away from the emergency fund. And so what I've done here is I've got 25 percent of just the operating -- this is the audited operating expense less depreciation. So 25 percent of that amount comes to 3.37 million instead of the 5-point some million that we were looking at before.

And although this amount is a lower amount than previously recommended, the previously recommended did include debt service. And I do believe that this amount was sufficient based on the past history of emergencies when comparing our policy to other similar-sized utilities.

Now, I do need to say one thing. You won't get the debt portion of it, but the debt portion of it is
when you add that to this, the sum of the two become
substantially more than we are looking at with just one.
So you may want to wait until you actually get that debt
reserve recommendation into committee and look at both
of these together before you go too far.

But if you want to, you know, this will work
for the emergency reserve if you want to just read that.

MR. NISHIMURA: So you're looking at
reducing it to 25 percent of the operating expenses
opposed to 25 percent of the revenues that was
previously recommended?

MR. CRADDICK: It's not only -- not just
the operating revenues, but it's 25 percent of the
operating costs out of our audit. So not including
depreciation. So the amount goes down to -- from 5
million down to 3.37 million, and so it's a relatively
low number. But the other one, when you use a normal
debt, it is high.

MR. NISHIMURA: Okay. That was my concern
is if you add the two together, we may be well over the
5 million that we had talked about previously.

I would recommend to the committee chair that
we look at the two policies side by side so that we have
a better idea as to the bottom-line impact.

And then also what I would ask the department
to do is that with the BAB bond that we not make
commitments on any of the -- I'm trying to remember the
name they called that, but it was like a discount to the
bond.

MR. CRADDICK: Oh, the subsidy. The
federal subsidy.

MR. NISHIMURA: Subsidy, federal subsidy.
That we not encumber any of that money for any projects
until we can establish these two. And if necessary that
possibly we use some of those funds to fund the reserve
for the debt service portion because I think that would
enable us to quickly create a reserve fund that would at
least, if nothing else, take care of the debt service
side of the house.

MR. CRADDICK: That's it. So if you want
to wait for that debt reserve, you have to get into the
regular board meeting to get referred to committee.

CHAIRMAN KANESHIRO: Back to committee. So
just defer this item. We can defer this item, and then
when we get into the regular board meeting for that.

Is there any other comments or anyone want to
speak on the Manager's Report No. 12-24? Any other
further discussions on this matter?

If not, I would like to have a motion to keep
this in committee and bring this up at the next board
meeting for our committee of the whole.

MR. NISHIMURA: So move, Mr. Chair.

CHAIRMAN KANESHIRO: Do I have a second on that?

MR. MCCORMICK: Second.

CHAIRMAN KANESHIRO: Moved and seconded.

All in favor.

MR. CRADDICK: We don't have to approve committee minutes or anything like that?

CHAIRMAN KANESHIRO: Not in this. Not in our committee. We usually do it in the board meeting, right? Isn't that correct?

MR. CRADDICK: Not the committee minutes. But I kind of get the feeling that there's even a requirement to approve the minutes in committee.

CHAIRMAN KANESHIRO: Is that a requirement? I'm not certain at this time to approve the minutes.

(Larry Dill entered meeting.)

MR. TRASK: If I may have a moment.

MR. NISHIMURA: Mr. Chair, ask for a two-minute recess.

CHAIRMAN KANESHIRO: Two-minute recess at this time.

(A break was had.)

CHAIRMAN KANESHIRO: Committee of the Whole
is now called back to order. Let the record reflect
that we do have Mr. Larry Dill here present.

And I believe we have on the floor a motion to
adjourn the meeting with a second. And we did have some
clarification in regards to the minutes.

And with that being noted, we can move ahead
and adjourn the meeting.

So all in favor say aye.

Any -- none?

With that, the Committee of the Whole is now
adjourned.

(Concluded at approximately 8:59 a.m.,
January 26, 2012.)

* * * * *
STATE OF HAWAII  
    ) ss.
COUNTY OF KAUAI  

I, TERRI R. HANSON, RPR, CSR 482, do hereby certify:

That on Thursday, January 26, 2012, at 8:47 a.m. that the foregoing COMMITTEE OF THE WHOLE MEETING, County of Kauai, Board of Water Supply, was held;

That the foregoing proceedings were taken down by me in machine shorthand and were thereafter reduced to typewritten form under my supervision; that the foregoing represents to the best of my ability, a true and correct transcript of the proceedings had in the foregoing matter.

I certify that I am not an attorney for any of the parties hereto, nor in any way concerned with the cause.

DATED this 10th day of February, 2012, in Kapaa, Hawaii.

TERRI R. HANSON, CSR 482
Registered Professional Reporter
COUNTY OF KAUA'I

BOARD OF WATER SUPPLY

REGULAR MEETING

Thursday, January 26, 2012

9:00 - 9:12 a.m.

9:58 - 11:33 a.m.

Second Floor, Microbiology Lab Building

Kauai County Department of Water

4398 Pua Loke Street

Lihue, Kauai, Hawaii 96766

REPORTED BY:

TERRI R. HANSON, CSR 482

Registered Professional Reporter
APPEARANCES

BOARD MEMBERS:

Larry Dill
Daryl Kaneshiro, Vice-Chair/Chair
Raymond McCormick
Randall Nishimura
Clyde Nakaya

STAFF:

David Craddick
William Eddy
Marites Yano
Dustin Moises
Gregg Fujikawa
Val Reyna
Aaron Zambo
Sandi Nadatani-Mendez
Keith Aoki
Faith Shiramizu
Edward Doi

GUESTS:

Mauna Kea Trask, Deputy County Attorney.
James Nakayama
REGULAR MEETING

MR. KANESHIRO: The Vice-Chair of Board of
Water Supply now calls this regular meeting to order.
For the record, we're in the Second Floor of the
Microbiology Lab Building, Kauai County Department of
Water, 4398 Pua Loke Street, Thursday, January 26, 2012,
at exactly 9:00.

With that, can I have the roll call, please.

MR. CRADDICK: Clyde Nakaya.

MR. NAKAYA: Here. Mr. Chair --

Vice-Chair, I'm going to advise that I need to leave the
meeting at 10:30 to catch a flight to Honolulu.

MR. KANESHIRO: All right. That's noted.

MR. CRADDICK: Randall Nishimura.

MR. NISHIMURA: Present. I also will have
to leave early. I have a problem out in the field that
I need to address. That's why I asked for the previous
recess.

MR. KANESHIRO: We will also note that for
the record.

MR. CRADDICK: Ray McCormick.

MR. MCCORMICK: Here.

MR. CRADDICK: Daryl Kaneshiro.

MR. KANESHIRO: Here.

MR. CRADDICK: Larry Dill.
MR. DILL: Here.

MR. CRADDICK: There's a quorum.

MR. KANESHIRO: Thank you. With that, can I have a motion for the acceptance of the agenda?

MR. DILL: So moved.

MR. NAKAYA: Second.

MR. NISHIMURA: Second.

MR. KANESHIRO: Moved and seconded.

All those in favor.

Motion carried.

I'm going to go over some of the meeting transcripts to approve -- review and approval of the special board meeting for the December 8, 2011, special board meeting December 15, 2011, regular board meeting, December 22nd, 2011.

Any discussions on those transcripts? Any additions?

MR. NISHIMURA: Point of order, Mr. Chair.

MR. KANESHIRO: Yes.

MR. NISHIMURA: Mauna Kea, can we just receive the transcripts as the official record. And there are CDs with the actual recording, I believe. Is that correct?

THE COURT REPORTER: I don't know.

MR. NISHIMURA: Mr. Craddick? The CDs, are
these just PDFs?

MR. CRADDICK: The CD has the PDF of all
the board packet materials. It doesn't have any voice.

MR. NISHIMURA: Do we have a voice record?

MR. CRADDICK: Good question. I don't know
if a voice -- do you make a voice CD of -- copy of --

THE COURT REPORTER: I have my own internal
recording, but we have this recording too that we do.
So we do have it, but I don't know if it's in your
packets or not.

MR. CRADDICK: Okay. I don't believe that
it is in the packet, the voice. We can make sure that's
available.

MR. NISHIMURA: What I would like to
entertain is that because we're doing transcripts that
we receive the written transcripts as well as the voice
recording, and if there are discrepancies between the
two, that the voice recording take precedence over the
written record.

MR. TRASK: I think that's perfectly
allowable if that's the motion, then it will just need
to be seconded and approved.

MR. NISHIMURA: Okay.

MR. KANESHIRO: Do I have a second on the
motion --
MR. NAKAYA: Second.

MR. KANESHIRO: -- that Mr. Nishimura just made.

MR. NAKAYA: Second.

MR. KANESHIRO: Moved and seconded. Any further discussions on this matter?

If not, all those in favor.

Aye.

So the motion would be to receive this at this time.

MR. CRADDICK: We'll make sure that the voice recording ...

MR. KANESHIRO: Okay. We don't have to vote on that again, right, on that part of receiving?

MR. NISHIMURA: No, it would be part of that motion.

MR. KANESHIRO: Part of the motion that we received.

MR. NISHIMURA: That we receive the written and the recorded versions, and that if there's a discrepancy that the recorded version take precedence.

MR. KANESHIRO: Okay. And that's been approved. Okay.

With that, I would like to move into correspondence/announcements. I would make note that we
did have a correspondence come in on January 26 from
Council Member JoAnn Yukimura. And at this time I
request that Mr. Mauna Kea.

MR. TRASK: Yes, Chair, with regards to the
communication that's dated January 26, 2012, directed to
Chair Oyama and Members of the Board of Water Supply, I
reviewed the communication as well as the Sunshine Law,
H.R.S. Chapter 92, specifically Section 92-7(a) and (b).
Given that this communication did come in this morning
and is dated for today, it is not disclosed on the
agenda.

I believe under 92-7(b), No board shall change
the agenda once filed by adding items thereto without a
two-thirds recorded vote of all the members to which the
board is entitled provided no item shall be added to the
agenda if it is of reasonably major importance and the
action thereon by the board will affect the significant
number of persons.

Due to the content of the letter, the fact that
it was received today, I believe that in the spirit of
the Sunshine Law, it should be handed to a member of --
whoever the appropriate person is to be placed on the
next board session, with discussions at that time,
receive and discussion.

MR. KANESHIRO: Okay. With that
recommendation from our counsel, is there any discussions by members?

If not, I would like to have a motion to move this to the next board meeting and have this as an agenda item, and the next board meeting I believe is on February -- what's the date on that?

MR. CRADDICK: Let's see here.

MR. KANESHIRO: Anyway, the February board meeting.

MS. YANO: 23rd.

MR. CRADDICK: 23, right.

MR. KANESHIRO: February 23.

MR. TRASK: And I'd just like to note for the record, this is a matter description, the communication does regard potential conflicts related to Grove Farm. And on today's agenda Grove Farm does not appear on the agenda. So the issues contained within the document I don't think will affect anything today.

MR. KANESHIRO: Okay. Any questions for our counsel at this time by members?

If not, the motion would be to have this brought up in the February 23rd board meeting and possibly also in executive session, is that correct?

MR. TRASK: If the board would like one, we could definitely notice and consult.
MR. KANESHIRO: Okay.

MR. NISHIMURA: So moved, Mr. Chair.

MR. KANESHIRO: Do I have a second on that?

MR. DILL: Second.

MR. KANESHIRO: Seconded. Any other further discussion or questions on this?

If not, all those in favor.

Motion carried.

At this time I would like to, if I could, members to move over to and make some adjustments on our regular board meeting schedule and take up the executive session matter. And the reason for this is that we have members of the board that have other schedules that they have to attend to, and also our Council Mauna Kea also has to leave at a certain time.

So I would like to pick up the executive session first. Based on that, as you all know we need a majority of five members to go into executive session and have some discussion. So at this time I'm not certain we need to make a motion to bring that up, right?

MR. CRADDICK: You have five members.

MR. KANESHIRO: Well, I mean to go into executive session, but to change the part of the agenda into moving into this part of the executive session.
MR. TRASK: I think it's the chair's prerogative to take -- and I believe this is Item I-1 on the agenda.

MR. KANESHIRO: That's correct.

MR. TRASK: I take it at this time there's no objection.

MR. KANESHIRO: That's correct.

MR. TRASK: I guess, for the record, if I may, pursuant to Hawaii Revised Statutes, Sections 92-4 and 92-5(a)(4), the purpose of this executive session is to consult with the board's attorney, for the record, Deputy County Attorney Mauna Kea Trask, on questions and issues pertaining to the board's powers, duties, privileges, immunities, and liabilities as it relates to dual water systems, dual water line issues as set forth in the agenda, Item I-1-a.

A motion to go into executive session would be appropriate at this time, Chair.

MR. DILL: So moved.

MR. NISHIMURA: Second.

MR. KANESHIRO: For the record, I would also recognize that the ex officio member of the board, our Mayor Carvalho, is present and will be participating in the executive session.

MR. NISHIMURA: Point of order, Mr. Chair.
MR. KANESHIRO: Yes.

MR. NISHIMURA: Just for the record, I believe that although the Mayor is an ex officio member, that he does not vote on this.

MR. KANESHIRO: That's correct.

MR. NISHIMURA: During that period.

MR. KANESHIRO: That's correct.

MR. NISHIMURA: Is that correct, Mr. Trask?

MR. TRASK: That's correct. And furthermore, under the charter, under the Mayor's executive powers, he is a nonvoting member on all boards and commissions. In reading that I did contact the Hawaii OIP to discuss this with the attorney of day and received an over-the-phone opinion that ex officio members as members, albeit nonvoting members of the board, are able to sit on an executive sessions provided, again, that they don't vote. There's no inappropriate discussions contained in the executive session that would offend the Sunshine Law.

MR. NISHIMURA: Okay. Thank you.

MR. KANESHIRO: With that, Council Member Yukimura.

COUNCIL MEMBER YUKIMURA: Vice-Chair of the Board, Members of the Board, I do want to just speak on this issue that you're going into, the one that you're
talking about right now on the agenda. My name is JoAnn Yukimura, and I just want some assurance -- I accept the decision about my letter. I just want assurance that there is nothing regarding Grove Farm on the agenda here or in this issue or any other issue.

MR. KANESHIRO: For the record, there's nothing to vote on.

COUNCIL MEMBER YUKIMURA: As long as there's not even discussions on the issue.

MR. KANESHIRO: The discussions are in regards to liability issues.

COUNCIL MEMBER YUKIMURA: Yes. Okay.

Thank you very much.

MR. KANESHIRO: Any questions?

MR. NISHIMURA: I think, for the record, Mr. Chair, I believe that Grove Farm, as with any other rate holder, could be affected. And to that extent, I would say that, you know, to single them out would be perhaps inappropriate depending on what the nature of the discussion is today.

MR. TRASK: And on that, the agenda item is discussion of dual waterline issues. It does not relate specifically to any body and/or person.

And pursuant to the Sunshine Law the board is prohibited from discussing any issues relating to...
anything or any specific person beyond generally
discussing dual water issues. And that's all I'm
prepared to discuss today anyway.

COUNCIL MEMBER YUKIMURA: Thank you.

MR. KANESHIRO: Thank you for that.

On the floor is a motion to go into executive
session.

All those in favor signify by saying aye.

Any opposed?

Hearing none, executive session will be up.

(Executive Session at 9:16 to 9:47 a.m. in
separate transcript.)

(Reconvene Regular Meeting at 9:58 a.m.)

MR. KANESHIRO: Regular meeting is now
called back to order. At this time we're on old
business, review of the single audit report, fiscal year
2011. We have James Nakayama before us. And we do have
a copy or a draft of the single audit report.

With that, Mr. Nakayama, you have the floor.

MR. NAKAYAMA: Thank you. Good morning,

Everybody. As you know, this is not normally that you
want to see me twice a year. It's usually once a year,
but we have it broken into two parts. And so as the
Vice-Chair mentioned, we're going to present to you the
single audit report for the Department of Water, County
of Kauai for June 30, 2011.

Before I dive into the report, I want to provide some context as part of what we do is following auditing standards, we -- KMH is hired by the board, and we report to them, and that's our function. And we have certain things we're required to communicate prior to kind of explain what, you know, we're going to do for the audit in a letter. But most importantly people want to know what happened as findings for the audit and specific things we're required to report.

Being that we're doing this in two parts, some of which we already talked about, some of the adjustments and some of the financial aspects that we went through that. But they are kind of correlated because some of the adjustments we came across, you know, obviously were driven by some findings from relation control deficiencies, if you will.

So there's three things I wanted to kind of go through as far as what we're required to talk about, and all of this will be -- including from my previous presentation in December will be ultimately documented in a full letter to the board. But I just want to still talk about them in person versus just having a letter delivered to you folks.

The three areas we're talking about the
adjustments kind of reiterating again from our last
discussion, going through the difficulties encountered
doing the audit and any significant issues. And it's
then going to tie into the single audit report 'cause
included there are findings that we also have to talk
about. So that's kind of the framework which you will
have to follow as auditors at full auditing standards
are generally accepted auditing standards.

So first of all in the adjustments, if you go
back, the last time we talked about there was a
significant adjustment this year amongst -- we have
adjustments every year, but this is one that was not the
typical adjustment, if you will. It was a $1.7 million
in total adjustment to revenues of which 420,000 was
related to actually billed revenues. The rest of it
were based on estimates. And so some of the findings
we're going to talk about today relate to that.

The difficulties encountered during the audit,
obviously as far as the timing of things, we're not in
the ideal situation. By our contract we're required to
provide a draft by October 15th. And right now based on
starting our field work in the second half of September,
there's no way that we can even get there, you know,
from a timing standpoint. And so the difficulty itself
as far as timing is not a finding in itself, but it is a
difficulty, it's hard because of the length of time it
takes for the department at this time or at the past
year that we encountered or in the past few years is --
doesn't allow us to get done on time. So you're going
to see some of the findings we're talking about today
are related to that as well to try to shorten up that
timing, if you will. There are going to be other
things, but these are some of the other ones
specifically mentioned and provide also to the board's
attention so they're very aware of these things.

Lastly, we will talk about significant issues,
which I'll cover in a little bit. But the first thing,
the meat of it which is the findings and the single
audit report itself.

The findings can be best summarized if we go
into page eight of the report itself, and it's Section
I. It's called Summary of the Auditors' Results, and it
kind of gives a very high-level summary of the results
from a findings perspective.

And, you know, from here we're going to dive
into -- there's two sections. There's a section on
financial statements and a section on federal awards,
and that's broken up into two separate findings. The
first one we'll talk about here are findings related to
internal control or financial report.
So with the findings, there's three main categories that we classify them into. The worst one is being material weaknesses. These are control deficiencies where something is wrong where it could -- even the potential or has resulted in material differences in your financial statements. And in the findings we'll talk about, they did relate to material adjustments, so some of them are clearly material weaknesses.

And then the level of what doesn't qualify but still is required for us because we want to mention it. If we were sitting in your position as the board as fiduciaries, we'd want to hear about it. We have adjustments and then say, well, we need to call these significant deficiencies because they don't rise to the level of material weakness but still important enough that as a board members we want to communicate those to you.

Everything else under that is something that's called control deficiencies and are not mentioned in this report. However, we do have dialogue with management as far as talking about some of these things as the course of the audit. Any questions so far?

So if you turn to page nine, we'll go through -- there are five findings to talk about today related
to internal controls or financial reporting. We have
three that are material weaknesses and two that are
significant deficiencies. So I'm not going to go into
-- I mean, I think everybody's had to chance to read
through the findings themselves, so I'm not going to try
to repeat every single thing in these findings. But I
do want to give some context, like I'm trying to do to
make sure you understand how these all fit together
because it's, I think, important to understand.

The first one, 11-1 and 11-2 both relate to the
-- specifically to the errors that we found that became
adjustments for revenues in the audit. And 11-1 is what
we look at as more of a preventative control. When you
make a change to the billing rates or any things, what
should you do? You should make sure that those rates or
the changes you make are what you expect them to be.
And so that's at the very front end, if you will, of
anything you do, and these are controls you would expect
to have that would prevent any type of misstatement in
your financial statements. So that's 11-1 in a nutshell
what that is.

11-2 is then your secondary control, where
you're going to say, well, even if, let's say, that goes
wrong, you never want to have only one line of defense,
if you will. You're going to have another layer of
controls that are going to help detect anything that
maybe the first layer of controls go wrong.

And that's what we do in the second section
here called Financial Analysis, where if things -- you
know, still miss it, you can basically do an analysis,
well, something seems wrong here at the financial level,
at a higher-level numbers that we maybe need to
investigate further.

And the idea here, and this is what we call a
detective control because ultimately you're going to see
it at a high level and force you to go back down to see
what happened.

And the idea here on this one is that, you
know, ultimately you have us as the auditors catching
it. That's never what you want to have. You want to
have your control system catch that. Ultimately it did
result in a material adjustment, and ultimately it's why
we have two material weaknesses here for 11-1 and 11-2.
Any questions so far on this?

Again, sorry I'm not going through every single
finding specifically, but we wanted to raise those
points.

Now, 11-3 is on the inadequate use of the
accounting system. This one I would label affects also
the revenue side or the revenue adjustment that we
encountered as well -- in the financial analysis as well as also the ability to be able to close on a timely basis and some of those difficulties we ran into in the course of the audit.

I think in last year's audit when we came out, we were waiting for many years for the department to be done with installation of the system. I think they finally decided to look -- in that progressing with the vendor, but what we wanted to provide comments here to the department is that ultimately either way they want to go as they analyze this, they need to make sure that they more fully utilize the system, because I think that's a very important, pervasive control for the -- for any folks that use systems these days. We realize we're very reliant on our systems. There's too many transactions to try to do manually even though we have better tools out there. And ultimately it did result in some of the issues that we talked about before. And it would help do better financial analysis, if you will, if you had that system in place.

The point for me, why did I separate it? Two reasons, because you still could do financial analysis without the system, but it does help definitely to have one that's -- it's never as easy as pressing a button, but definitely they did encounter some challenges which
we raised here that I think made it harder than you
normally would see.

And it is sometimes difficult because sometimes
we all find with system implementations, it's not only
the system itself but the design in how you structure
that is sometimes, you know, it's a garbage in/garbage
out type of thing. And you want to make sure that it's
designed correctly so it is something useful for the
department on a going-forward basis. So this one
specifically kind of permeates throughout the issues we
kind of faced in the course of the audit.

MR. NISHIMURA: Mr. Chair, I think
Mr. Nakayama has covered the material weakness portion.
Are these the three primary ones?

MR. NAKAYAMA: Those are the three primary
ones. And the only comment I have on four and five
without getting into too much detail, is that these --
you know, they don't rise to the level of material
weaknesses, but these are things we want to raise.

First of all, 11-4 is more -- if you let things
build up over a period of time, don't take care of it on
a monthly basis, it will catch up on you and make the
audit -- you know, the audit takes longer.

And the fifth one, 11-5, you know, I think the
point we want to raise 'cause we -- I think underlying
all this is is there's been a lot of transition for the
department. And I think there's -- you know, that's --
there have been a lot challenges faced with that and
it's probably more in the future as we kind of face more
people retiring.

But the idea for me is I just want -- this
point at 11-5 is to raise also to the board because it's
a common misconception that the auditors are part of
management's control structure 'cause management has to
design and implement controls to basically make sure
financial statements are properly stated.

Then we are the control for the board to
basically work for them to make sure that management is
doing their job. So that's making sure they're
separate. So realizing that from a control standpoint,
it's not a huge issue, but making sure ultimately that
by the time it does get to us, there's very little
chance of error and, of course, it makes for a smoother
audit. And that's kind of what we -- that's the point
we wanted to raise from that last part. But that's kind
of the --

MR. NISHIMURA: If I may, Mr. Chair.

MR. KANESHIRO: Go ahead.

MR. NISHIMURA: My primary question to our
auditor is, I notice you have time frames that you feel,
you know, they should be able to address these issues.

MR. NAKAYAMA: Well, the manager responses
that are provided in there were provided by management,
so they take responsibility for that.

MR. NISIMURA: Okay. So these are target
dates that the department has established for itself?

MR. NAKAYAMA: Correct. It's not
established by us, yes.

MR. NISHIMURA: Okay. And I think one of
the key things that I've been concerned about over the
years is despite the challenges that the department have
-- has in fulfilling its obligations on the financial
side, despite the retirements and all that, we, the
board members, still responsible for the overall.

In your capacity as an auditor, especially with
the first item, would you be able to -- or would you be
able to recommend a means by which, especially in the
case of rates, a means to analyze the rates, you know,
and its financial impacts?

And the reason I ask that is the rates that we
recently approved, almost a year, year and a half to
two, prior now. And we sat through several months of
numbers. And throughout the procedure, one of the
things I had a problem with was, what do these numbers
mean? You know. And is it possible to require some
kind of financial analysis before rates are -- by independent third party?

Because the department hires consultants to generate their recommended rate structure. And as board members, we -- you know, we have not just the operation side to consider but also the rate holders or, if you want, be like a consumer advocate.

MR. NAKAYAMA: Right.

MR. NISHIMURA: And, you know, had we -- if there is or should there be a means that we analyze the analysis by people that understand it as opposed to laypeople like us.

MR. NAKAYAMA: Yeah, it's a tough situation because, like you said, you have a consumer advocate in the PC environment where they have --

MR. NISHIMURA: They have that --

MR. NAKAYAMA: Where there's attorneys, there's accountants looking at these things to help.

MR. NISHIMURA: And we don't.

MR. NAKAYAMA: Right, exactly.

MR. NISHIMURA: And, you know, had that perhaps been in place this five -- you know, five metering thing may not have become an issue. And, you know, I'm just wondering how we can approach that. Is that the department's responsibility to come up with a
recommendation for that?

MR. NAKAYAMA: Well, because I look at it as whenever there's like a rate case, a lot of times you're dealing with estimates that, you know, no matter what you do are not going to be perfect. You're going so say, hey, that's kind of someone's best guess. And you pay a third party, you know, to obviously who have the experts involved to help provide you their analysis. And, of course, the board has to hear them to make sure that they make sense, you know.

And the follow-up that I'm concerned about when we're specifically raising these issues, though, that there should be a lot of work done to say, well, now you've done a lot of work. You have paid somebody a lot of money to say, this is what we expect to happen. And as they follow up, okay, well, this is what we implemented and make sure that matches up. You know, and saying, hey, look, this is what we intended for it to occur.

Because I think, you know, my understanding for this particular process was there was testing done and made sure 'cause the idea -- everybody understood on the table that this would have a significant impact to these.

You know, luckily, again, it wasn't a large
number of customers that got impacted. So that's, you
know, a great thing. But still it's a fairly large
dollar amount. And it was known it was going to be big,
but how big? And in going through that 'cause that's
kind of where, you know, everybody expects it's a big
increase, but how much? And do you really analyze that
and then get into those details and make sure that it
comes out.

If it doesn't, why not? Maybe it's hard to
analyze on one customer because you're just kind of
looking at some of the real detailed mechanics of the
adjustment. So that's why even the detective control at
the very end is good to say, well, step back, does it
really make sense to see all our numbers go up? Because
maybe some things, no matter what, you're not going to
be able to anticipate. And nobody's perfect in this
world. So ultimately that's why you have these
redundant controls set up in place.

So the idea is that's why we kind of want to
recommend these things because ultimately, you're right.
I mean, I think the department has some onus to look at
and do some analysis. Not difficult to do. I think it
just requires them to -- you know, especially in the
time -- if nothing happens year to year, you know, like
you're no change, then it's not too bad.
But if there is something significant or maybe something special doing the system, that's where it requires special attention, special work being done. Potentially you could hire somebody else outside to do that if you feel like there's not enough resource time or what have you in the department. But that's a decision on resources and I think it's a case-by-case basis that, you know. But that's kind of just my thoughts on that.

MR. NISIMURA: Thank you.

MR. KANESHIRO: Any further questions? So on the -- on the target completion date.

MR. NAKAYAMA: Yes.

MR. KANESHIRO: The management would use its annual report?

MR. NAKAYAMA: Right. The department reply and the contact person and the target completion date was provided by the department. They, you know, they looked at the recommendations, first to make sure they agreed with it, then made comments. And obviously you had to determine whether or not it was -- when it would be feasible for them to do.

So that's the findings in a nutshell. And again, I want to kind of -- the context is there. You know, but for us we do want to use this as something
going forward to have improvement every single year. I think we'd like to keep the meetings where we can be more on time, not have to call special meetings going forward. It will take some time. You know, I think the question of whether it's going to be enough time is -- it is going to take a lot of effort from now going forward to get all this done. And so that's no question.

From a prior finding standpoint, those -- both of those got resolved mostly because the -- on the systems side they decided not to pursue the last module. And that's the resolution on that.

From a single audit standpoint, which is the federal audit requirements, there were no findings. There was a clean opinion on the compliance aspect which is always a good thing.

But in connection with this, we have -- you know, I wanted to raise to the board a significant issue that was raised to us during the course of the audit. One of the concerns was raised that primarily the program you -- the only program you have for federal funding purposes is the SRF loan program or state revolving fund where the Department of Health loans you money primarily for certain projects that are deemed -- that meet the requirements, of course, of the Department
of Health and ultimately the Environmental Protection Agency.

The question raised to us was some concerns that although these projects have been already approved and funded by the DOH, whether or not they did really meet the requirements of the EPA. And you're going to say, well, why look into that? Well, it's important to understand that even though you work as a pass-through with the Department of Health for these federal funds, you're still ultimately responsible even though us auditing the department are making sure that it's not only following the Department of Health's check list, if you will, but ultimately the EPA's requirements with regards to use of the funds.

There were three projects that were in question, and this is not from the current or previous year. I know the total outstanding balance of the loans were about $7 million. And the question obviously was the rules of the EPA, and I'm -- David, you can correct me if I'm wrong here -- is really trying to make sure though that -- they want to make sure there's some natural growth allowed for what they're using them for.

But what they didn't want is abuse of the funds or the monies being funded by EPA for maybe like, say, a developer where there's nobody there that is going to
use the water and it's going to be in some desert
they're going to build a water tank and let's not fund
that. And that's what they want to avoid using the
monies for.

And obviously, there is going to be some growth
expectations, but there is -- you know, there's some
questions of what natural growth is and what primarily
for growth is.

And so we felt like there was enough
uncertainty and grayness there, where we said, look,
David, we understand your concerns. What are the
ramifications? If it's not eligible, potentially we
would have to pay back the monies you had been loaned,
and we'll have to obviously fund them elsewhere.

But -- so we pursued this and talked to the
Department of Health, 'cause we read the regulations and
understood what Dave was saying, and we comp-- -- you
know, we asked them how did they compare it because we
want to make sure that it's ultimately right, not just
take their word for it.

The gentleman we talked to didn't work on these
specific projects but did take it upon himself to look
at them and look at the requirements. And he's
mentioned to us that the feds have looked at it, and he
felt like in for Hawaii that the fact of not having
primarily no -- basically the clause that we were 
looking at and concerned about was never really 
something that applies too much in Hawaii itself. 

But nevertheless it's something they felt that 
they've consulted with them, and came back with an email 
back to us saying, no, they believed that it's still in 
compliance with that program.

So it's a good resolution of all this, but it's 
big enough where I wanted to raise it to you folks as 
something that was raised during the course of the 
audit. And obviously as, you know, things get brought 
forward for DOH loans, it's something you want to 
consider making sure that you understand how the DOH 
does -- you know, because some of these, they have a 
benefit. They're the ones being paid those interests. 
So making sure that there's the responsibility by the 
department, of course, and the board here to make sure 
that the federal requirements are being met. And so 
that's kind of what we went through there.

Any questions on that aspect?

MR. DILL: Actually maybe a follow-up to 
Randy's, or if you could comment on the previous of the 
material weaknesses and follow up on those things.

MR. NAKAYAMA: Sure. Certainly.

MR. DILL: I'm not an accountant, but our
role on the water board is to see that these things are addressed satisfactorily. So a couple of these items, for instance, your recommendation is, The department should consider simplifying the current accounting structure and setup of the financial reporting system during it's IT assessment.

MR. NAKAYAMA: Correct.

MR. DILL: I'm okay with your scope of work. Your work is to identify any material weaknesses and make some recommendations as part of the audit. Is there any follow-up part of that where when the department does go through this restructuring of the account system where you would review that and indicate to us that you feel the material weaknesses identified has been adequately addressed?

MR. NAKAYAMA: Right. Every year what we're required to do is follow up on any prior year audit findings. So we will be reporting in our report what has been done, was it -- do we feel that the finding has been addressed.

MR. DILL: Okay. So this target completion date of June 30th, so you wouldn't be looking at it until next audit then?

MR. NAKAYAMA: Correct, yes. Obviously, you know, the department is pretty good about letting me
know and keeping me in touch of what things are going
on. Obviously, as your audit-- as the auditor, we
don't get involved in any implementations because that
would be a conflict for us. We wouldn't be independent
from that standpoint.

But it's always a good idea to check with us,
you know, to make sure that they're on the right track.
And that's what we recommend to a lot of our clients,
and the same thing goes for here where we're not meant
to be just police, if you will. We don't mind weighing
in a little bit, but ultimately it is the department's
responsibility to get that fixed.

MR. DILL: Okay.

MR. NAKAYAMA: Thank you.

MR. NISHIMURA: James, what happened to the
two material weaknesses, specifically more toward rates
and rules?

MR. NAKAYAMA: Sure.

MR. NISHIMURA: If the board were to ask
you to perform such analysis, would that be a conflict
with our current contract with you as our auditor?

MR. NAKAYAMA: Yeah, there could be some
agreed-upon procedures that could be looked at. I mean,
as long as we are dealing with from a more independent
standpoint, it's -- there are definitely a lot of rules
we have to follow from an auditing standards standpoint because independence is important for us. We want to make sure we don't impair that. So depending on the scope and nature.

A lot of times when you deal with other attestation procedures, as long as it's fairly black and white in what you want us to do, as we get to more of where we're actually doing the function of management itself, that's probably where we want to stay away from. But it's definitely something worth -- you know, we can consider, you know, look into it.

MR. NISHIMURA: And the reason I ask that is, you know, if there's a conflict of this, you guys couldn't do it.

MR. NAKAYAMA: Correct, yes.

MR. NISHIMURA: But to use a street phrase, your job is to cover us.

MR. NAKAYAMA: Yes.

MR. NISHIMURA: I would probably recommend that we utilize your services and perhaps even shop it out to someone who would not have that conflict. Is that a possibility to keep that separation? You know, from your audit--

MR. NAKAYAMA: It wouldn't be through us. I don't think normally -- I -- yeah. If it creates a
conflict, I mean, say, for example, they don't have to
be entirely outside of what we do.

MR. NISHIMURA: Okay.

MR. NAKAYAMA: So, you know, basically
that's, you know, what I had to present. Going back to
page eight, I mean, it's -- the reports themselves
aren't, you know, when you look on that and talk about
internal control reporting, make sure material
weaknesses are identified.

We have three of them. Two significant
deficiencies. Federal awards which are -- the report
starts on page three, any material weaknesses regard to
the internal control over the major programs for federal
awards, there were none. Those significant deficiencies
identified that are not considered being material
weaknesses reported.

And we had an unqualified opinion on compliance
for the major program which you only had one, which is a
clean opinion. And that's, you know, pretty much the
results on the single audit aspect of the audit.

And, you know, what will ultimately occur is
that this will get filed along with the -- there's a
standard form that gets filed with the feds. And this
usually gets attached along with your financial
statements. So we'll work with the department to get
that filed. Any other questions?

MR. KANESHIRO: Any other questions for James? If not, thank you.

MR. NAKAYAMA: Thank you very much.

Appreciate.

MR. NISHIMURA: Mr. Chair.

MR. KANESHIRO: Members, is there further discussion on this matter?

MR. NISHIMURA: Procedurally what would be the action that might be --

MR. KANESHIRO: To receive. I believe it is to receive this review, draft review.

MR. DILL: Mine is still stamped draft. Is this considered the final then?

MR. NISHIMURA: Yeah, that was the question.

MR. KANESHIRO: To we receive the draft?

MR. NISHIMURA: Yeah.

MR. CRADDICK: It's good question. I mean, if we receive the draft, we would ask them to finalize it. So unless you were thinking you wanted to change some of these recommendations in here that were -- that we provided them. That would be probably the only thing we could do. And if you thought you wanted to do something like that. You can refer it to the committee
or the finance committee or something like that. But I
don't think there's really much to do. And if you
wanted to do something like what Randy is doing, you
know, if this is finalized or not, you can still do
something like that.

MR. KANESHIRO: Yeah, but that would
pertain to a different matter of correspondence.

MR. CRADDICK: Yeah, yeah, yeah, we'd have
to look into it.

MR. KANESHIRO: Rather than, you know, the
single audit draft itself.

MR. DILL: Yeah, I don't think our
discussion warranted any changes to occur. We just have
to do the follow-up things we had that wouldn't affect
the report.

MR. CRADDICK: Yeah.

MR. KANESHIRO: And that's --

MR. TRASK: In that respect, I would
recommend if there's no further changes, receive the
draft and request it to be finalized.

MR. KANESHIRO: Yeah. With that, do I a
motion on the floor to receive the draft?

MR. NISHIMURA: So move.

MR. McCORMICK: Second.

MR. KANESHIRO: Do I have a second on that?
MR. McCORMICK: Second it.

MR. KANESHIRO: All those in favor.

Motion carried.

Now you're moving on into new business. I believe we have Item 1, election of officers. Want to defer that till the next meeting?

MR. NISHIMURA: I think we just go because Roy doesn't qualify for that. I would suggest that we go ahead with it only because this is already, what? January. We're actually one month behind already.

MR. CRADDICK: Are you going to stay?

MR. KANESHIRO: Mr. Manager.

MR. CRADDICK: Are you going to stay?

MR. NISHIMURA: I will stay as long as I can keep my eyes open.

MR. CRADDICK: Okay, okay.

MR. KANESHIRO: We understand that.

MR. NISHIMURA: And I would -- I nominate Daryl Kaneshiro as chair for this year.

MR. DILL: Can I ask a question? Do the terms run concurrent with the fiscal year?

MR. CRADDICK: No.

MR. NISHIMURA: Right now it's calendar year.

MR. DILL: So we are behind, real behind.
MR. NISHIMURA: Yes, we are.

MR. DILL: And how long are the terms?

MR. NISHIMURA: One year. And you lucky suckers cannot serve.

MR. DILL: That's the best part of being on this board.

MR. MCCORMICK: It is a special part. The best part.

MR. KANESHIRO: Well, there's a nomination on the floor. Is there a second to the motion?

MR. MCCORMICK: Second.

MR. KANESHIRO: Okay. I guess there's a second.

MR. NISHIMURA: I move that we close the nominations, Mr. Chair.

MR. KANESHIRO: Do we have a motion on the floor for other election of officers? Hearing none, I guess, any further discussion? Hearing none, I guess, all those in favor signify by saying aye. Any nos? Okay. Good. I guess, motion carried. Thank you for that.

MR. NISHIMURA: Congratulations, Mr. Chair.

CHAIRMAN KANESHIRO: Thank you.

MR. NISHIMURA: Mr. Chairman, I nominate
Clyde Nakaya as Vice-Chair for the --

MR. DILL: Second.

CHAIRMAN KANESHIRO: Okay. Any further discussion or any other nominees for the position?

MR. NISHIMURA: Move to close the nominations, Mr. Chair.

CHAIRMAN KANESHIRO: All right. With that, given that, all those in favor of Mr. Nakaya being Vice-Chair, signify by saying aye.

Any opposed?

Hearing none, motion carried.

Well, welcome aboard two new officers today.

MR. DILL: Do we need a secretary, Mr. Chair?

CHAIRMAN KANESHIRO: Do we?

MR. CRADDICK: Yes.

MR. NISHIMURA: Yeah, we elect a secretary.

CHAIRMAN KANESHIRO: Elected too or --

MR. CRADDICK: Yeah, it's usually elected, yeah.

MR. MCCORMICK: We need that. Mr. Chair, I nominate Randall Nishimura.

MR. DILL: Second.

MR. NISHIMURA: Mr. Chair --

CHAIRMAN KANESHIRO: With that I will close
the nomination.

MR. NISHIMURA: Mr. Chair --

CHAIRMAN KANESHIRO: No further questions.

MR. NISHIMURA: You're supposed to recognize me. I was going to nominate Roy, you know.

I guess I wouldn't get a second, huh?

MR. MCCORMICK: But you're such a good secretary.

CHAIRMAN KANESHIRO: It's still open. You can go ahead and try.

MR. NISHIMURA: Yeah. I will nominate Roy Oyama, select him for secretary for the year.

CHAIRMAN KANESHIRO: Do I have a second on that? I'm a chair, so I can't make any second to this.

MR. NISHIMURA: As the sitting secretary and the vice-chair is gone, I can sit for you.

MR. DILL: I'll honor Mr. Nishimura by seconding his nomination for the sake of further discussion.

CHAIRMAN KANESHIRO: For the sake of further discussion?

MR. NISHIMURA: Yes. Thank you, Mr. Dill.

MR. MCCORMICK: Mr. Chair, I move we close the nominations. We didn't move fast enough before.

MR. DILL: There's nobody else we can
nominate.

MR. McCORMICK: We're running out.

MR. NISHIMURA: You guys find this real entertaining, yeah?

MR. McCORMICK: It is very entertaining.

CHAIRMAN KANESHIRO: This is serious.

So that with that nomination, we close with two nominees on the floor. All those in favor of -- do you want to do this secret vote or call it?

MR. NISHIMURA: Just raise hands.

CHAIRMAN KANESHIRO: All those in favor of Mr. Nishimura serving as secretary, signify by saying aye.

Any opposed?

Hearing none.

MR. NISHIMURA: Mr. Chair, how do you signify?

CHAIRMAN KANESHIRO: Well, I'm going to call for Mr. Oyama's vote now.

MR. NISHIMURA: Okay.

CHAIRMAN KANESHIRO: Because there are two nominees on the floor as recognized by Mr. Dill. So with that, currently we have you.

And now I'll call for --

MR. CRADDICK: Was it unanimous?
CHAIRMAN KANESHIRO: We don't know yet. We haven't heard -- I got to hear the voices.

MR. CRADDICK: Oh, okay.

CHAIRMAN KANESHIRO: And if we can't make a determination by hearing the voices, then we might have to take a regular --

MR. CRADDICK: Roll call vote.

CHAIRMAN KANESHIRO: That's correct. So the other nomination is Mr. Oyama for secretary. All those in favor signify by saying aye.

MR. NISHIMURA: Aye.

CHAIRMAN KANESHIRO: Any opposed?

(Raised hands.)

CHAIRMAN KANESHIRO: I guess with that, it gives me the opinion by voice vote that Mr. Nishimura is our new secretary for the 2012 year.

MR. NISHIMURA: I thought you guys was my friends.

CHAIRMAN KANESHIRO: Congratulations.

That was the good part. Moving on to selection of attendees for AWWA conference, ACE 12, June 10 through 14, 2012, Dallas, Texas.

For the record, I want to state that I won't be able to make or attend this conference. I do have something in conflict at the same time that has been set
MR. MCCORMICK: Mr. Chair, I'm not available either.

MR. NISHIMURA: Mr. Chair, then I would suggest that Larry and I go look at a lot of dual water systems in conjunction with that conference.

MR. CRADDICK: Probably find them in Texas, too.

MR. MCCORMICK: Big state.

CHAIRMAN KANESHIRO: Find them in Texas. That's seems like a good suggestion.

MR. NISHIMURA: Mr. Chair, I would defer to others if, you know, there is a slot open, then I would. But I would defer to others that may want to go first.

CHAIRMAN KANESHIRO: Usually we have how many slots that can attend?

MR. NISHIMURA: Usually we got budget for three.

MR. CRADDICK: This particular year the employee of the year didn't want to go. So we're looking at something in the next budget year for that. But what I was kind of thinking, if I can think farther ahead, the mayor is an ex officio board member. And I know when Ernie was here he was successful in getting the mayor to go to one or two conferences, and as a
result they got the winter annual meeting of the AWWA here on Kauai, and I'm pretty sure it might not take a whole lot of effort to get the Water Utility Council to meet here since I'm on the Water Utility Council for at least one of their meetings. So if the board can see their way fit maybe to allow one of their -- since he's coming to the meetings now, to go.

MR. DILL: Is the Water Utility Council part of a larger organization, David?

MR. CRADDICK: If he's available.

The Water Utility Council is kind of the executive group for the AWWA.

MR. DILL: Okay.

MR. CRADDICK: They're not the executive board, but they're a pretty high-level group up there and they look at legislative issues and just general policy for the AWWA.

MR. NISHIMURA: Mr. Chair.

CHAIRMAN KANESHIRO: Yes.

MR. NISHIMURA: I move that the chair designate the attendees to the AWWA Conference after polling all the members of the board.

CHAIRMAN KANESHIRO: That's a good suggestion. I will poll the members of the board. Only discuss with the board members at this time forward.
And again, Mr. Craddick did bring up a point about the mayor attending as a possibility.

MR. NISHIMURA: As an option.

CHAIRMAN KANESHIRO: We have some conferences here in Kauai. But we can leave that open for further discussions.

So with this, do I put this motion on deferral do we or do we receive this and move ahead and what would the board do? I believe we can receive this, right, or approve this?

MR. NISHIMURA: Yeah, we could approve the motion.

MR. CRADDICK: The motion is to assign it to you.

MR. NISHIMURA: Yeah. We would authorize you to designate after polling the membership.

CHAIRMAN KANESHIRO: After polling the members of the board. Okay.

MR. NISHIMURA: That is the motion.

CHAIRMAN KANESHIRO: With that, do I have a second on that motion?

MR. MCCORMICK: Second.

CHAIRMAN KANESHIRO: There's a second. Any further discussion on the motion on the floor?
If not, all those signify by saying aye.

Any opposed?

Hearing none, motion is carried.

Mr. Craddick.

MR. CRADDICK: Back on the last agenda there we did the board, but we didn't get the committee people.

MR. NISHIMURA: Point of order, Mr. Chair. That's an appointment process that the chair is authorized to do on the rules.

MR. CRADDICK: Okey doke. So the rules committee then will just appoint people for that.

CHAIRMAN KANESHIRO: Okay. You've got it.

The next item is Item No. 3, Manager's Report No. 12-53, rescinding interim storage policy for the Kekaha-Waimea Water Systems Kauai. Mr. Craddick.

MR. CRADDICK: Okay. On this one here, interim policies dealing with water availability were done with the staff, some of them were done with the board. This is one of the ones that was done with the board for Kekaha-Waimea, and we've just finished the tank out there and feel that the restrictions can be removed for that system. So we're asking that the board approve rescinding that policy, the interim storage policy which limited water service to five meters. And
you can see on that chart below what would roughly be available.

MR. NISHIMURA: Mr. Chair.

CHAIRMAN KANESHIRO: Yes, sir. Go ahead.

MR. NISHIMURA: Move to approve Manager's Report No. 12-53 rescinding the interim storage policy for the Kekaha-Waimea water system.

MR. DILL: Second.

CHAIRMAN KANESHIRO: Okay. We have a motion on the floor and a second. Do we have any further discussion on this matter?

MR. DILL: Do we have a lot of water service applications pending out there?

MR. CRADDICK: Well field 14, I know. Is there more, Gregg, that you know of?

MR. FUJIKAWA: They're not applying because they know that there's a water restriction right now.

MR. DILL: Have you been approached informally with inquiries pretty much?

MR. FUJIKAWA: Not much, no.

MR. DILL: Okay. Thank you, Mr. Chair.

CHAIRMAN KANESHIRO: Okay. Any further questions or discussions on this item?

MR. NISHIMURA: I have a question for Mr. Fujikawa.
CHAIRMAN KANESHIRO: Okay.

MR. NISHIMURA: After the 123 residential, 175 hotel units get their applications in, would it be the recommendation of the department to reinstitute that policy?

MR. FUJIKAWA: I think when that point occurs or in this case it doesn't go -- you know, when it's approaching capacity, I think the water department, the staff will assess the situation at that time.

There's also, yeah, I'd like, Chair -- I mean, Commissioner Nishimura stated that the source capacity is approaching or it's -- if everything goes according and we allow water meter improvements, potentially there might be a choke point on the source capacity for the system is what Mr. Nishimura is talking about.

And maybe potentially or theoretically that might approach -- that point might approach -- source choke point might approach before the storage tank choke point approaches or comes to be.

So when that occurs, if that occurs, because we have current source projects ongoing, hopefully the scenario is that we from now on for Kekaha-Waimea keep ahead of the curve and continue to project and fund capital projects that would allows us not to, you know, impose this type of restriction in the future.
MR. NISHIMURA: Very good, very good. And the reason for the question is, should we revisit when we hit that 123? You know, or perhaps if they get up to 100 and then we say, okay, what -- at that point maybe we need to look at this, you know, whether we need to look at this policy again.

CHAIRMAN KANESHIRO: All right. So noted. Any further discussions or questions regarding Manager's Report No. 12-53?

If not, the motion on the floor is to approve. We have a second on that also.

All those in favor signify by saying aye.

Any opposed?

Hearing none, motion carried.

No. 4, Manager's Report No. 12-54, debt service reserve fund policy. I believe the recommendation would be to move this into the committee of the whole.

MR. NISHIMURA: Mr. Chair.

CHAIRMAN KANESHIRO: Before I do that, we will have some comments and discussion on the item.

Mr. Nishimura.

MR. NISHIMURA: No, I was just going to move to receive and refer to committee of the whole where discussion can take place.

CHAIRMAN KANESHIRO: Mr. Craddick, any
discussions before we call for the motion?

MR. CRADDICK: No.

CHAIRMAN KANESHIRO: So the motion would be to receive it and move to committee of the whole.

MR. DILL: I'll second it.

CHAIRMAN KANESHIRO: Do I have a second?

MR. DILL: I'll second.

CHAIRMAN KANESHIRO: I have a second.

Any further discussion on this matter of 12-54, debt service reserve fund policy?

If not, all those in favor signify by saying aye.

Any Opposed?

Hearing none, motion carried.


MR. CRADDICK: Okay. On this one here, the project that had gotten all the approvals, and we went ahead with the job. And after going ahead with the job, a group came up and questioned whether we had done it right.

And I think what happened was we made a decision rather than sitting on the approval that we got from the planning department, went ahead and did some
additional work that was required. And out of that additional work we ended up being required to have an archaeology monitoring. And this is to pay for that on that project.

And then also we decided not to dig a new trench but to put in a temporary pipeline and remove the existing pipeline to try and minimize the disturbance of any burials that may be in the area.

So even though this is a fairly large amount of money in comparison to the total contract, it's a relatively touchy issue, and the -- I was contemplating just dropping the job altogether, but we have the state is planning on doing some work on that road going up to Wailua Homesteads. So we don't want to come in and try to do something after they have a new road in there. We want to get the work done ahead of that. So …

MR. McCORMICK: Mr. Chair.

CHAIRMAN KANESHIRO: Yes.

MR. McCORMICK: I move to approve Manager's Report No. 12-55.

MR. NISHIMURA: Second.

CHAIRMAN KANESHIRO: Okay. Moved and seconded. At this time some some further discussions or comments?

MR. MOISES: I just want to clarify
something. I don't think staff went on the planning
department approval as to moving ahead with the project.
It was more of an issue with the environmental
assessment that was required. And the Department of
Water has the authority to say whether or not we're
exempt. And it was found that we weren't exempt.

So because the area is culturally sensitive, we
went through an EA and posted a final EA on January 8th.
So that's really the reason why we moved forward with
the project. It wasn't planning.

CHAIRMAN KANESHIRO: Okay. Mr. Dill, do
you have a question?

MR. DILL: Yeah, just a clarification. Is
this entire project within the state highways right of
way?

MR. CRADDICK: No.

MR. MOISES: No, just a portion. Kuamoo
Road, and then once you get to, I guess the Heiau area
at the bottom portion on the left side is all county.

MR. DILL: So you plan to -- I need to
understand the scope -- abandon existing pipelines
within the county property?

MR. MOISES: Yeah, we got to --

MR. CRADDICK: Well, no, not --

MR. MOISES: Well, that was the original
plan, but we're actually going to take everything out anyway. So even though we got in, we're going to take out the existing pipeline in the county land and state right away and put the new line in the same trench as the old. So we take out all the pipe.

MR. DILL: All right. Thank you.

CHAIRMAN KANESHIRO: Okay. Any further questions or discussions on this matter?

If not, I'm going to go ahead and call for the vote on Manager's Report No. 12-55. All those in favor of approval signify by saying aye.

Any none, signify.

Hearing none, motion is carried.

Last item on new business is the Manager's Report No. 12-56, determination of reasonable benefit from expansion project impact fees. With that, Mr. Craddick.

MR. CRADDICK: Okay. On this item here, the state law requires the board to make a determination of whether benefit zones can be isolated areas or the whole -- whether to limit them or not limit them. And this is something that we're supposed to have in place before we do our impact fees. We don't. And so what we're trying to do is do it kind of a little after the fact here.
But anyways, the state law requires a collection expenditure shall be localized to provide a reasonable benefit to a development. The county or board shall establish geographically limited benefit zones for this purpose provided that the zone shall not be required if a reasonable benefit can otherwise be derived. The benefit zone shall be approximate to the particular public facility and the county board. Then the county or board shall explain in writing and disclose at a public hearing the reason for establishing or not establishing the benefit zone.

So pretty fairly well-defined requirements there. And I went back and looked when we did our 2020 plan, near as I could tell, no benefit zones were established. And we do recommend not making specific benefit zones, and the reasons are at the end of the report.

But the types of improvements in the water plan 2020 benefit all new development in the county, and therefore it would be appropriate to treat the entire county as a single service area for purposes of calculating the impact fees.

Secondly, the costs of engineering, maintenance, and operation are not charged or allocated according to system areas because all costs are
considered to go with the betterment of the entire
system, thus not establishing a benefit zone reflects
the current view and operation of the department.

Finally, it's in the public and department's
best interest to create an equitable impact fee so the
board can levy a more proportionate share of the cost of
required improvements on those developments and create
the need for them.

The facilities reserve charge have been in
place here for a long time, since about the '60s it
appeared. And the funds have been collected and spent
countywide since then. Some systems have seen more or
less projects but generally reasonable benefits have
been derived on a uniform basis and no system has been
allowed to go completely without additional water
available for development. Meaning that we still would
give -- even though the system was considered deficient,
we were still giving out one or two meters in various
areas.

Anyways, it should be mentioned, however, that
some larger projects have been required to provide
assistance for that specific development.

We go out to public hearing, that's what the
funding requirements for this would be just go handle
the public hearing.
And the reasons that we have for not establishing is that the water plan 2020 projects benefit the entire water system. Current operations of the department reflect the fact that the entire county water system is one system. Not establishing benefit zones allows for more equitable and proportionate fee. And the reason for establishing a geographically benefit zone is that the costs are focused when the projects of one system are determined only for that system. Probably the best example right now is Hanalei, and we're looking at doing a system that is many tens of thousands of dollars per customer there.

MR. NISHIMURA: So the effect of this would be if there's no benefit zone specific --

MR. CRADDICK: Yeah, specific to the --

MR. NISHIMURA: Then they share amongst all the shareholders or rate holders?

MR. CRADDICK: Right.

MR. NISHIMURA: If there is a benefit zone then, in this case Hanalei, they would have to --

MR. CRADDICK: Shoulder the cost of that.

MR. NISHIMURA: Shoulder the bulk of the cost of it.

MR. CRADDICK: Right. Shoulder all of the cost if you establish benefit zones.
MR. NISHIMURA: And how would that be administered?

MR. CRADDICK: We would just attempt to treat the development in each area, there would be a separate development fee for each area.

MR. NISHIMURA: Okay.

MR. DILL: I thought, David, this also somewhere had operations as well given that --

MR. CRADDICK: Well, operations --

MR. DILL: But then wouldn't we also end up with a different rate for each individual area?

MR. CRADDICK: Well, when you're determining the impact fee, you would have to deduct off the portions of the development that is going to cover deficiencies. And right now that's determined by the system systemwide. An amount comes out of rates. Well, we don't actually take it out of rates, but it's determined systemwide. And you would have to start determining that deficiency, this benefit zone by benefit zone.

So at some point if you decided that the money coming out of rates for this particular system with this deficiency was this much, then that amount would get transferred over to the system of the development. If this one had more deficiencies, then more would be taken
because the rate is determined systemwide. It's not determined --

MR. DILL: But my question, this is talking about for impact fees, it's not talking about rates?

MR. CRADDICK: No, it's not talking about rates. But because we do our rates systemwide and the deficit is determined systemwide, there is actually -- you know, when you see the FRC charges, there's a charge and then there's an actual minus out for system deficiencies, and that minus amount is systemwide. If we start determining that deficiency system by system --

MR. DILL: You'll never finish.

MR. CRADDICK: Maybe.

MR. DILL: Okay. I thought we had had discussions at some earlier meeting using the example of the Wailua Houselots area where we had a fire protection deficiency, and part of the discussion there in funding that project was we would have allocated some sort of assessment fee just to the customers that benefit from that project.

MR. CRADDICK: Okay. But that's not for expansion. This is specifically for system expansion impact fees.

MR. DILL: Okay.

MR. CRADDICK: And if you make a motion to
go one way or the other here today, the motion also has to include to go a public hearing with this because we actually have to have a public hearing on that. And then after that, the board would finally determine which way they were going to go. But we actually have to have a public hearing on this, too.

MR. NISHIMURA: One way or the other.

MR. CRADDICK: Yeah, one way or the other.

MR. NISHIMURA: Question. On the impact fees as a whole, if we create these benefit zones, would that have a net impact of raising or lowering the FRC?

MR. CRADDICK: I think it would raise for some and lower for others.

MR. NISHIMURA: Okay.

MR. DILL: But on the average theoretically it would stay the same, right?

MR. NISHIMURA: On average.

MR. CRADDICK: Correct.

MR. DILL: Do other counties have benefit zones?

MR. CRADDICK: Not in Hawaii that I'm aware of. I do know of some systems that do have separate charges for different parts of the system. But none that I'm aware of in Hawaii. They're all -- but I'm not aware of any in Hawaii that have established these
benefit zones either.

MR. DILL: But you are aware of in Hawaii some places have different FRCs that they have?

MR. CRADDICK: Oh, they're different, but it's -- for the county system it's one fee countywide.

MR. DILL: But not different within each county? Each county charges the same FRC within its jurisdiction?

MR. CRADDICK: Right, correct.

MR. NISHIMURA: So Maui County, whether you live on Maui, Lanai or Molokai, they have the same FRC.

MR. CRADDICK: Right.

MR. DILL: That same rate, right?

MR. CRADDICK: The same -- the same rate, yes. It's one fee.

CHAIRMAN KANESHIRO: Any further discussion on this matter, the Manager's Report No. 12-56.

MR. DILL: I thought -- I'm sorry.

MR. NISHIMURA: Go ahead.

MR. DILL: We're talking about expansion projects.

MR. CRADDICK: Yes.

MR. DILL: Okay. Because I don't see that in this paragraph that you have.

MR. NISHIMURA: FRC.
MR. CRADDICK: Okay. I apologize there.

That Hawaii --

MR. DILL: I guess that's by definition.

MR. CRADDICK: -- Revised Statutes only deals with impact fees and collecting fees for expansion of the water system. It's in the recommendation there. So it is only dealing with the expansion of the water system.

MR. NISHIMURA: What is the urgency of the timing of this?

MR. CRADDICK: Well, we shouldn't move further with our FRC if we don't have some consensus on the board because we're doing the whole thing wrong if we're -- if we --

MR. NISHIMURA: Well, I'm glad we caught it now as opposed to much later.

MR. CRADDICK: Yeah, yeah, that's why it's on the agenda you got. As soon as the county attorney observed on this, and it was something we had to do right away.

MR. DILL: Mr. Chair, I move to approve the Manager's Report No. 12-56 and move forward with this recommendation.

CHAIRMAN KANESHIRO: And also schedule a public hearing on the matter.
Do I have a second on that motion?

MR. MCCORMICK: Second.

CHAIRMAN KANESHIRO: I have a second. Do I have any further discussion on this item?

If not, all those in favor signify by saying aye.

Any opposed?

Hearing none. Motion carried.

MR. NISHIMURA: Mr. Chair.

CHAIRMAN KANESHIRO: Yes.

MR. NISHIMURA: Let the record reflect I'm voting aye with reservations, serious reservations.

CHAIRMAN KANESHIRO: Okay. We will note such that Board Member Nishimura voted aye with reservations.

MR. NISHIMURA: Not just reservations, serious reservations.

CHAIRMAN KANESHIRO: With that, we'll move on to staff reports, monthly, statement of Kauai County Water Department's revenues and expenditures.

MS. YANO: Members of the Board, my report is in your packets. Once you've had a chance to look at it, if you have any questions, please ask.

CHAIRMAN KANESHIRO: Members of the Board, the status summary before you, any questions on any of
the items for Marites?

If not, thank you, for the report.

MS. YANO: Thank you, sir.

CHAIRMAN KANESHIRO: Do we need to make a
motion to receive the report at this time?

MR. NISHIMURA: It would be better.

CHAIRMAN KANESHIRO: Is that what we do
usually?

MR. NISHIMURA: Usually.

CHAIRMAN KANESHIRO: Move to receive.

Okay. Do I have a motion to move to receive the
statement of Kauai County Water Department's revenues
and expenditures?

MR. DILL: So moved.

CHAIRMAN KANESHIRO: Do we take them all at
one time? No. Do we take them as each item?

MR. DILL: I think each report.

MR. NISHIMURA: Each report.

CHAIRMAN KANESHIRO: Okay. Do I have a
second on that?

MR. NISHIMURA: Second.

CHAIRMAN KANESHIRO: All those in favor
signify by saying aye.

Any nos?

Hearing none, motion carried.
Report by the public relations specialist on public relations activities.

MS. SHIRAMIZU: My report is before you. If you have any questions. It's a short report.

CHAIRMAN KANESHIRO: Okay. Any questions by the board members of the report? Any clarifications?

MS. SHIRAMIZU: Can I comment on --

CHAIRMAN KANESHIRO: Okay.

MS. SHIRAMIZU: Dustin's presentation at career day at King Kaumualii. I wasn't there, but I heard that it was a really -- he did a really great job of representing the department, and I think it was good for the students to have that.

CHAIRMAN KANESHIRO: Great. Any questions?

MR. NISHIMURA: Just a comment, Mr. Chair.

CHAIRMAN KANESHIRO: Yes.

MR. NISHIMURA: In rescinding the water restriction policy for Waimea-Kekaha, I would like to ask that --

MR. CRADDICK: No.

MR. NISHIMURA: Yes, yes. Mr. Craddock, the reason we spend all this money is to get rid of those restrictions.

MR. CRADDICK: Okay.

MR. NISHIMURA: And those that have been
waiting deserve the opportunity to apply as with anybody else.

MR. CRADDICK: Yeah.

MR. NISHIMURA: And if we need to reinstitute that policy, we got to reinstitute the policy. But, you know, we've had a lot of guys come in asking for meters, and we've turned them away. And that's the whole point of 2020. Otherwise, why were spending all this money?

And to that extent, I would ask that the department do publicize that. And as a result of this, you've been able to at least temporarily rescind that policy.

MR. CRADDICK: Okay.

CHAIRMAN KANESHIRO: Okay. So noted by Board Member Nishimura that we have a report out on that issue.

Any other discussions on the matter? Mr. Craddick.

MR. CRADDICK: One that I might say. The press release up there at the top, the backflow preventers, the reason we put that out there was to not start a war with the people but the letter says their meters will be removed if they don't put these backflow preventers in. And we're rapidly approaching that day.
And there may be some that get their meters removed.

And when they do, they'll be trying to go to the
newspapers.

We thought it was important to get something
out there. And I think the news report came back and
the word scofflaws there attached to them. So it makes
it a little bit easier for us to, I think, respond to
that rather then the bad water department taking away
these people's services that don't have backflow issues.

MR. NISHIMURA: The guys that are required
to put in backflow, they're getting all ag rates?

MR. CRADDICK: They're not getting -- they
may not be getting ag rates, and they may not even be
connected to the dual water system. But if they are
close enough to it where in under 24 hours they could
hook up. And then you also have the problem that the
next-door neighbor could be hooked up and they could run
a line from their system. So we felt that it certainly
complied with the law to require under our rules.

And just to be safe, we wanted to err on the
side of caution versus letting people go. And I guess,
kind of the example I use is as soon as people realize
that TSA is not going to check grannies and babies,
that's who's going to be set up with the thing that
blows the plane up.
So it is an issue out there. I mean, we live in a different day these days. And it's sad, but we have to look at these kind of things from a different point of view now than we did ten years ago.

MR. DILL: How much time do you give them to comply?

MR. CRADDICK: They've had over six months. And this is the third letter that's gone out.

MR. DILL: Can you estimate the approximate average cost for them to comply?

MR. EDDY: It's in about the $2,000 range.

MR. DILL: Okay.

MR. CRADDICK: And the first person that we had the trouble with, they had their backflow preventer in in about 48 hours. So then -- and we know that some of the local companies here have stocked up on the backflow preventers, so it's not like they're not available.

MR. NISHIMURA: How many of them have come in for -- don't they have to draw a permit to get that work done?

MR. CRADDICK: Do you know how many of the letters went out, Gregg, has anybody --

MR. FUJIKAWA: We sent thirty --

MR. CRADDICK: No, but how many have come
in?

MR. FUJIKAWA: 38 letters went out.

MR. CRADDICK: Have any come in yet to do anything?

MR. FUJIKAWA: Some coming in. Some are progressing toward what we want them to do. And there's a bunch of them, we don't know what the exact number is, but they haven't started any kind of compliance step.

MR. CRADDICK: There's quite of few off-island owners. They have addresses on the mainland. So ... 

MR. NISHIMURA: So they're going to lose their potable water but not their non-potable?

MR. CRADDICK: Correct.

MR. FUJIKAWA: We don't control the non-potable.

MR. NISHIMURA: No, I understand. No, I understand.

MR. DILL: Mr. Chair, move to accept the PR report.

MR. NISHIMURA: Second.

CHAIRMAN KANESHIRO: Received and there's a second.

All those in favor signify by saying aye.

Motion carried.
Item No. 3, Chief of Operations summary report on monthly operational maintenance.

MR. REYNA: Good morning, Members of the Board. Before you is the month of December report for our operations division, the most notable on the report is the retirement of our generator repairer effective December 31st, 2011.

(Chairman Kaneshiro exited meeting.)

MR. REYNA: Also, we have interviewed and selected a candidate for the pipefitter helper position. The new hiree will be reporting for work on February 1st.

If you turn your attention to the second page of the report, the chart shows our overtime applied for in the month of December from a low in November. This is due to numerous SCADA problems we are encountering in the North Shore of the island. Actually not only the North Shore, but Wainiha-Haena subsystem, we're encountering problems there. Kilauea we are encountering SCADA problems, also in Kalaheo. We have one item right now, the FluidIQs technician, that's our SCADA integration consultant, and they're helping us resolve the problems. We have a technician and an engineer programmer on island, and they'll both be here for over two weeks to help us resolve the problems.
If you have any further questions, please let me know.

MR. NISHIMURA: Questions, Board Members? Mauna Kea, can we receive the operations report in the absence of our fourth member or can we just continue to receive reports and then take action?

MR. TRASK: I think we -- let's see.

MR. DILL: We will --

MR. TRASK: I think we can continue. We have sufficient number of votes to take affirmative action.

MR. McCORMICK: Move to receive.

MR. DILL: Second.

MR. NISHIMURA: Moved and seconded to receive the operations report.

Any discussion?

Hearing none, all those in favor say aye.

Opposed.

Motion carried.

Next item is the manager's update.

MR. CRADDICK: Yeah. This one here, the first one is, aside from the action that the board just took on the Waimea water system administratively approved water restriction for Lawai-Omao have been lifted since December 23rd and it's attached, I believe,
for your review here. And we'll notice this one along
with the other one, I guess, with a news release.

MR. NISHIMURA: Thank you.

MR. CRADDICK: We have a pump contract that
was awarded. Emergency repair there.

(Chairman Kaneshiro entered meeting.)

MR. CRADDICK: And let's see. Personnel
matters are there, and it's they're quite voluminous
there. So I won't go through every single one of those.

But what's going on right now is is I've sent
-- met with the mayor on a couple of the more important
issues. We've sent a letter to the personnel director,
and if possible if the board could give permission to
the board chair to sign a letter to the Civil Service
Commission Chair if we don't get a timetable in a timely
manner when they're going to finish those items, 'cause
both of them have been the better part of a year, the
board secretary and the engineering reorganization. And
for whatever reason, they're camping on those.

I think it needs to be moved up to a higher
level. And I'm reluctant to write the letter to the
Civil Service Board myself. And if the board can see
their way clear to authorize the chair to send a letter,
I would appreciate it.

MR. NISHIMURA: Have you spoken to the ex
officio member -- other ex officio member about it?

CHAIRMAN KANESHIRO: I did, I did. And he said he was going to call them in and try and find out what was going on because the mayor actually signed both requests to the -- which isn't normal. Normally the mayor doesn't have to sign a request. They just deal with it. But some things are going on there that I'm very reluctant to talk about here in open session.

MR. NISHIMURA: That's fine. So the mayor doesn't have an objection to it?

MR. CRADDICK: No, no, the mayor has no objection.

MR. NISHIMURA: Okay. That makes it easy.

MR. CRADDICK: Anyhow, vouchers paid 1.3 million advance of facilities there that's for them.

Water quality report, it's still going good there at Amfac shaft. We had a big storm, but when we were having a storm, the microparticulate analysis that we have to do went to Seattle that also had a storm. And although our sample got there, they couldn't get it to the place to test it in time before the sample was no longer any good to test. So we'll have to wait for another storm out there in Kekaha.

And then there were some claims that were paid, the attorney. And that's it.
Oh, I take that back. Well, I can have Gregg maybe do this, but you have the monthly subdivision summary there, too, from water resources and planning.

CHAIRMAN KANESHIRO: Any further questions or discussions on the manager's update?

MR. NISHIMURA: Just one question on item six of your water quality report. When did Kalaheo, Lawai, Omao, and Koloa become one system?

MR. CRADDICK: Bill.

MR. EDDY: One to two years ago.

MR. CRADDICK: Is that something we failed to notify you of?

MR. NISHIMURA: This is the first I'm hearing about it.

MR. EDDY: Well, it's been in the water quality report for a while. It really needs to drop off of this. I think it's been reported.

MR. NISHIMURA: Well, if it weren't on there, I wouldn't even know that it was one system.

MR. EDDY: Yeah. I'm pretty sure it was reported before, and it just hasn't been taken off from this.

MR. NISHIMURA: Okay.

CHAIRMAN KANESHIRO: Any other questions for the manager regarding the monthly update activities?
Hearing none, do I have a motion to receive it or decide on it?

MR. MCCORMICK: Mr. Chair, I move to receive the manager's update.

CHAIRMAN KANESHIRO: Second on that?

MR. MCCORMICK: With the authority to send a letter to the Civil Service Commission. Is that it?

MR. CRADDICK: Yes.

MR. MCCORMICK: Yes.

CHAIRMAN KANESHIRO: With that clarification, do we have a second on that motion? I need a second on this.

MR. DILL: I'll second, but I got a question so I want to raise some discussion.

CHAIRMAN KANESHIRO: Go ahead. We will open it up for discussion.

MR. DILL: On the last item, David, the claims.

MR. CRADDICK: Yes.

MR. DILL: It's under remedial recommendations. Can you give us the status of implementation of those recommendations?

MR. CRADDICK: On, what's that?

MR. DILL: On the claims that are mentioned.
CHAIRMAN KANESHIRO: On the claim from page four.

MR. CRADDICK: Those have been settled.

MR. DILL: Right, but there's remedial recommendations for the department to follow up on.

MR. CRADDICK: Oh, oh, oh, oh, oh. Okay.

MR. DILL: Those recommendations.

MR. CRADDICK: Okay, okay. Bill.

MR. EDDY: I've got a clean driving record. I guess we're going to have to set up some driver's training. We did one a few years back, but I guess it's time to go through another round.

MR. CRADDICK: Actually we're doing something a little bigger than that. We're doing work on a vehicle policy that -- to tighten up a little bit better how we handle these things.

MR. DILL: Can I request a report on status or compliance for that at a future meeting?

MR. CRADDICK: Okay.

MR. DILL: When would a reasonable time frame be for that?

MR. CRADDICK: Bill.

MR. EDDY: Time frame for the status or to be completed?

MR. DILL: No. Time frame for it to be
completed. Give me a time frame when you can report 
back to us what your program is for this ongoing driver 
safety program.

    MR. EDDY: Okay. How about, yeah, the next 
meeting I'll report.

    MR. DILL: Okay. What you're going to do?
    MR. EDDY: What we're going to do.
    MR. DILL: Okay. Thank you.

    CHAIRMAN KANESHIRO: Okay. We'll add that 
to the motion on the floor along with a letter, we'll 
get a report at the next board meeting providing 
remedial actions to the taken.

    We have a motion on the floor for that with a 
second.

    MR. DILL: Second.

    CHAIRMAN KANESHIRO: All those in -- we 
already got a second.

    MR. DILL: I'll second it again.

    CHAIRMAN KANESHIRO: Okay. Double whammy.

    -- signify by saying aye.

    Any Opposed.

    Hearing none, motion is carried.

    On to the quarterly, employee of the quarter 
award, fourth quarter.

    MR. CRADDICK: This we actually did earlier
there before the board meeting started.

                             CHAIRMAN KANESHIRO: Right, we took that up already.

                             MR. CRADDICK: Well, not in the board session, but we've got a crew of the employees that were chosen this time instead of just a single individual. It's Warren Rita's crew of which Alan Iwasaki, Raymond Chow, Randy Watanabe, Corey Silva, Darren Lizama and Kevin Pongassi are in the crew.

                             And what happened was there was a line break in pretty bad weather. The guys went out there to do it. And in the process, I guess, one of the customers out there also their line was damaged. And rather than just leaving it, they helped them out and got that fixed up to where the person had water. They went so far, I guess, as to send in a letter to the newspaper. And our guys picked up on it, and this was the result there, that they ended up a group winning the award there for the month.

                             CHAIRMAN KANESHIRO: Okay. So any comments or questions by board members?

                             We'll move on to project status updates.

                             MR. CRADDICK: Did you get -- you got the one there on the -- okay. Okay.

                             CHAIRMAN KANESHIRO: Is that the one you
wanted Gregg to comment on?

MR. CRADDICK: Well, that was on the last one there. If you had any questions on it.

CHAIRMAN KANESHIRO: Project status update.

We have a project status update.

MR. MOISES: I can call on Gregg.

CHAIRMAN KANESHIRO: Okay.

MR. MOISES: So you have the executive summary before you. We kind of got things going on design and construction for several of these projects. I guess things to note is Kahili directional drilled well, we got the contract finalized, issued notice to proceed, and actual fieldwork once we get the right-of-entry from Grove Farm.

The Lihue baseyard, we started improvements.

We got the land transfer, and we post the final EA. So we're in the design process, and we actually are getting close to finalizing the floor plan. And I had a meeting today with planning, and we discussed the rezoning of the triangle.

Other than that, we got a crew through the Kokolau and Kalaheo service plans and design.

And as mentioned earlier, Kuamoo pipeline Job No. WK 36 is -- we have to redesign that, and that's been completed.
As far as construction, Moana Kai we got approved near the beach, we have a new pipeline there. And that was the same situation as Kuamoo in the sense that we have to do archeological work. So we actually hired an archeologist and a cultural monitor, and we started construction in December.

So we finished a few projects in Kapaa. The Vivian Heights pipeline is completed. And Kapaa Homestead pipeline phase II is completed. And Piwai tank got completed, and hence the rescinding of the shortage. And we started Maka Ridge tank rehabilitation, and there was a pipeline.

So, other than that, nothing else really to add. If you've got any questions?

CHAIRMAN KANESHIRO: Okay. Any questions by members of the board?

Thank you for the report, Dustin.

We'll move on to the affordable housing report.

MR. CRADDICK: Okay. I'm not sure what affordable housing project there was there, but that project is complete with restrictions removed. So I guess if there is an affordable housing project, we're not holding it up right now.

Amfac shaft, you know, even though it says 100 percent there that was in order to just get the
source -- I guess determine if the source was under the influence or not. And hopefully we're getting close to that, and we don't have to wait another year for a storm.

But anyhow, Kapahi tank, moving ahead. That's it on those ones.

MR. MOISES: One thing to add, on the second page, in the past, Akulikuli is always stagnant. Now we got movement again now that we got AECOM on board for the treatment plant.

CHAIRMAN KANESHIRO: Any questions, Members, or comments or additions to the report?

Hearing none. We need a motion on the reports. Do we need a motion to receive all three reports, is that correct?

MR. TRASK: Yes, chair.

CHAIRMAN KANESHIRO: Okay. So we'll take all of the three reports and have a motion to receive all of the three quarterly reports at this time. Do I have a motion on the floor? I need a motion on the floor to do that.

MR. DILL: Motion to receive.

MR. MCCORMICK: Motion to receive. Second.

CHAIRMAN KANESHIRO: And seconded by McCormick.
Are there any discussions on the reports provided, on the employee of the quarter award, project status update, and affordable housing update?

If not, all those in favor signify by saying aye.

Any opposed.

Hearing none, motion carried.

Now, we're on to topics for next water board meeting. Mr. Craddick.

MR. CRADDICK: Nothing right now. Nothing right now.

CHAIRMAN KANESHIRO: Nothing.

MR. CRADDICK: At least not the next meeting. The one after that we should be starting into the budget.

MR. NISHIMURA: Mr. Chair.

CHAIRMAN KANESHIRO: Yes, sir.

MR. NISHIMURA: I need to take care of some business, and that would leave the board without quorum. Can I take a few minutes to take a call and see if I can stay for another 15, 20 minutes?

CHAIRMAN KANESHIRO: We'll take a recess at this time for about ten minutes and come back.

(A break was had.)

CHAIRMAN KANESHIRO: Regular meeting is now
called back to order. At this time before Board Member Nishimura leaves --

MR. NISHIMURA: I would suggest, if I could, as far as agenda items, if the department can email all the board members requesting any items that they want to put on the agenda be submitted no less than a couple days before the agenda date.

CHAIRMAN KANESHIRO: For the next water board meeting?

MR. NISHIMURA: Yeah.

CHAIRMAN KANESHIRO: Okay. We'll make note of that and have a correspondence sent out to the board members.

And the topics for future water board meetings, upcoming events and next water board meetings, at this time I don't see any additions or changes to these. So before I call a motion to receive these items, if you have any questions or discussions on the items that I just spoke about? Future water board meetings, upcoming events, and next water board meetings.

If none, the motion would be -- I need a motion to receive these items.

MR. MCCORMICK: Motion to receive.

CHAIRMAN KANESHIRO: Do I have a second on it?
MR. DILL: Second.

CHAIRMAN KANESHIRO: All those in favor.

Any Opposed.

Hearing none, with that, the board meeting is now adjourned.

(Concluded at approximately 11:33 a.m., January 26, 2012.)

* * * * *
STATE OF HAWAI'I
COUNTY OF KAUA'I

I, TERRI R. HANSON, RPR, CSR 482, do hereby certify:

That on Thursday, January 26, 2012, at 9:00 a.m. that the foregoing REGULAR MEETING, County of Kauai, Board of Water Supply, was held;

That the foregoing proceedings were taken down by me in machine shorthand and were thereafter reduced to typewritten form under my supervision; that the foregoing represents to the best of my ability, a true and correct transcript of the proceedings had in the foregoing matter.

I certify that I am not an attorney for any of the parties hereto, nor in any way concerned with the cause.

DATED this 10th day of February, 2012, in Kapaa, Hawaii.

TERRI R. HANSON, CSR 482
Registered Professional Reporter
January 26, 2012

Mr. Roy Oyama  
Chair, and Members of the Board of Water Supply  
4398 Pua Loke Street  
Lihue, HI 96766

Dear Chair Oyama and Members:

When Board Member Daryl Kañeshiro appeared before the County Council on January 25, 2011 at a confirmation hearing for his appointment to this distinguished Board, I asked him whether he would recuse himself on a matter relating to Grove Farm Company because his son is working for Grove Farm. Mr. Kaneshiro stated that he would "Absolutely" recuse himself. Based on that assurance, I voted to confirm him.

It has come to my attention that not only is Mr. Kaneshiro voting on matters relating to Grove Farm; he has a history of advocating for Grove Farm when his duty as a board member is to represent the public interest and the interests of the ratepayers.

I respectfully request that the Board rule that it is inappropriate for Mr. Kaneshiro to vote on or participate in any discussions with Board members during meetings or outside of meetings relating to Grove Farm Company unless he is cleared by the Ethics Commission.

Sincerely,

JoAnn A. Yukimura
Council Vice Chair, Kaua’i County Council
Old Business
Board of Water Supply

Officers and Committee Members for 2012

<table>
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<th>2011</th>
<th>2012</th>
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<td>Current Officers – Board of Water Supply:</td>
<td>2012 Officers:</td>
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<tr>
<td>Chair: Roy Oyama</td>
<td>Chair: Daryl Kaneshiro</td>
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<tr>
<td>Vice-Chair: Daryl Kaneshiro</td>
<td>Vice-Chair: Clyde Nakaya</td>
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<td>Secretary: Randall Nishimura</td>
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Rules Committee:

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<td>Member: Clyde Nakaya</td>
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Finance Committee:

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<th>Chair: Larry Dill</th>
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<td>Member: Raymond McCormick</td>
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<td>Member: Randall Nishimura</td>
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Committee of the Whole:

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<th>All Board Members</th>
<th>Chair: Daryl Kaneshiro</th>
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MANAGER’S REPORT No.12-24 – additional material

January 26, 2012

Re: EMERGENCY OPERATIONS RESERVE FUND

Recommendation:
Your approval is requested for the attached proposed Emergency Fund Policy.

Background:
At the last review of this matter a request was made to separate debt service reserves from operational reserves.

The revised Board Policy No. 26 reflects this request. The 2011 audit shows operating expenses at $17.662 million and depreciation at $4.164 million. Twenty five percent of the difference of these amounts is about $3.37 million. This would be the new operation emergency reserve level instead of the previous 25% of revenues or about $5.25 million.

Although this is a lower amount than previously recommended the previous recommendation included debt reserves also. I believe this amount is sufficient based on past history of emergencies and when comparing our policy with other similar sized utilities with similar emergency potential. There could be other scenarios for emergencies but I will leave it to the Board to decide.

Funding:
Building to 25% of audited operating cost less depreciation over 5 years.

Respectfully submitted,

David R. Craddock, P.E., C.E.M.
Manager and Chief Engineer

Attachment: Draft Board Policy #26 revised to show operation reserves only.
RE: EMERGENCY OPERATIONS RESERVE FUND

The Department of Water shall establish and maintain an Emergency Operations Reserve Fund (EOR). The purpose of the EOR is to provide and secure a monetary sum that may be utilized in times of public emergency, natural or man-made disaster, or other severe crises during which times the Department is unable to collect sufficient revenue to pay necessary operating expenditures.

The EOR shall be an element of the Department’s annual operating budget. The total amount of the EOR to be maintained shall be approximately 25% of the Department’s total operating costs not including depreciation based on the latest available annual audit. The EOR shall be deposited in a separate account which shall be a highly liquid interest bearing fund as allowable by law and requiring two signatures to withdraw funds. The two signatures shall be from among the Manager or Deputy Manager and Comptroller or Chairperson of the Board.

Purpose:
To assure proper oversight of EOR Funds prior to Board action in an emergency.

Conditions for Disbursement of EOR Funds:

1. An emergency for purposes of the EOR is defined as an event which puts public safety and health or Kaua‘i Department of Water assets at risk and for which budgeted funds are insufficient to allow encumbering funds necessary to minimize or reduce the impact of such event.

2. The Board approves the Department’s Annual Operating and Capital Improvement Projects Budget.

3. In the Budget funds are allocated for use in the event of an emergency.

4. The budgeted funds for labor costs shall be exhausted in any budget year before any monies from the emergency operations reserve fund are used for the purpose of labor costs. In the event of an emergency occurring between the time of agenda notice for approval of the next fiscal year budget and the end of the current fiscal year funds not to exceed $225,000 may be used for labor costs. The $225,000 may be increased each year by $2,000 from the date of the adoption of this policy. Emergency funds may be utilized for labor costs in the event of a labor strike or other labor crisis in which budgeted Department staff salaries are not exhausted.

5. The staff is encouraged to have bid standby service contracts not to exceed $300,000 for fuel delivery, operated equipment rental, pipeline repair services, water plant operation services, chlorine application services, plant electrical/electronic services, engineering services, accounting services, billing services, legal services, and management services.
The $300,000 may be increased each year by $3,000 from the date of the adoption of this policy.

6. The staff is encouraged to have bid standby bare equipment rental contracts not to exceed $300,000 for essential equipment in the event existing Department equipment is inoperable or insufficient. The $300,000 may be increased each year by $3,000 from the date of the adoption of this policy.

7. The staff is encouraged to have bid standby material supply contracts not to exceed $200,000 for essential materials in the event existing Department inventory insufficient. The $200,000 may be increased each year by $2,000 from the date of the adoption of this policy.

8. Funds for the above competitively bid standby emergency contracts may be expended from the emergency reserve fund, provided any specific budgeted funds for services, equipment or materials have been exhausted and the standby emergency contracts have been reported to the Board at the time such contracts were entered into and the Board Chair has signed off on the contracts according to Policy No. 22.

9. Every effort shall be taken to follow the procedures should a disaster be declared by the Governor or President so EOR Funds that are reimbursable meet FEMA requirements.

10. No other funds may be appropriated from the EOR Fund without Board approval.

11. Funds that are expended from the EOR Fund shall be replaced as expeditiously as possible. Five percent (5%) of unreimbursed funds shall be replaced per year until the EOR Fund is approximately 25% of the Department's total operating costs not including depreciation based on the latest available annual audit.

APPROVED BY:

Chairperson, Board of Water Supply  Dated: January 26, 2012

Effective date: __________________________
MANAGER’S REPORT No.12-54

January 26, 2012

Re: DEBT SERVICE RESERVE FUND POLICY No. 27

Recommendation:
Your approval is requested for the attached proposed Debt Reserve Fund Policy. We also recommend implementing this policy at the start of the next budget year.

Background:
During the budget process for FY 2012 the Board started setting aside funds for Emergencies. There was a restriction put on the expenditure of funds from the emergency fund until such time as a policy position was taken by the Board. Subsequently the Board wanted to separate the debt service reserve from operational emergency reserves. This is a much more conservative position that is desirable from the perspective of the person owed the debt and rating agencies.

The debt service reserve fund would be funded from the fund that would be required to pay the debt service. In some cases this may result in funding from the Water Revenue fund or the Facilities Reserve Charge fund.

The proposed policy holds 6 months plus 8 eight percent of annual debt payments until the final payment then monthly adds a month of debt service payments to the reserve resulting in a full year’s debt service being in reserve when the semiyearly payment is made.

When that payment is made the reserve would fall back to the 6 months plus 8 eight percent. This continues until the final payment is due. At that time no further payments are made to the reserve. During the course of holding the reserves they are invested according to law.

This policy requires the investments be dispersed at a minimum of every three years or as required by any specific debt issue. At the time the last debt service payment is made on the issue the remaining interest plus the eight percent would be returned to the fund that paid into the reserve when it was started.

Two signatures are required to wire transfer or sign checks from the fund.

Funding Example:
Our current long term debt for bonds and loans is $6.513 million. Half of this plus eight percent of the total is \((1\frac{1}{12}+1\frac{1}{2}) \times (6.513) = 3.8\) million. This initial reserve would go up by \(1\frac{1}{12} \times 6.513 = 0.543\) each month in theory for 6 months. That would total \(3.256\) million. At which time a \$3.257 million payment would be made. This theoretical cash flow would only happen if all debt started and ended on the same day. All debt does not start and end on the same day.
therefore numbers would at all times be less than the example except the initial set up. The recommendation to fund this is to start this next budget year with the full reserve. This example is for FY 2012 and would be different for FY 2014 when principle payments for the BAB are required. Just for your information the total debt service requirement for 2014 is $8.264 million less federal interest subsidy of approximately $0.800 million.

Respectfully submitted,

[Signature]

David R. Craddick, P.E., C.E.M.
Manager and Chief Engineer

Attachment: Draft Board Policy #27
RE: DEBT SERVICE RESERVE FUND

The Department of Water shall establish and maintain a Debt Service Reserve Fund (DSRF) for all outstanding long term debt. The purpose of the DSRF is to provide a reserve source of payment for principal and interest as these obligations are due and to have at all times a 6 six months reserve.

The DSRF shall be an element of the Department’s annual operating budget. The DSRF is to equal no more than 108% one hundred and eight percent of the average annual debt service or as required by debt issuance covenants agreed to by the Board. The DSRF minimum level shall be equal to 58% fifty eight percent of average annual debt service. The DSRF shall be funded through an equity contribution from the fund paying the debt service or as designated by resolution of the Board.

Purpose: To assure proper oversight of DSRF Funds.

Conditions for Deposit, Disbursement and handling of investment of DSRF monies:

1. The DSRF shall be deposited in a separate account which shall be a highly liquid account requiring two signatures to withdraw or authorize wire transfer of funds.

2. Funds shall be deposited into the DSRF from either the Water Revenue fund or the Facility Reserve Charge fund depending on the project being funded by the debt on the initial date of debt issuance equal to 6 six months of debt service payments plus 8% eight percent of the annual debt service.

3. Thereafter, 1/12 one twelfth of the annual debt service requirement for each issue shall be deposited monthly from the source paying the debt service until there is only one payment.

4. Monthly deposits to the fund shall cease when there is only one payment remaining to pay in full or defease the debt.

5. Any balance or overage in the DSRF after the final payment shall be returned to the fund or funds which are paying the debt in the same ratio that was initially paid into the DSRF.

6. Disbursements from the fund shall occur on or about the day debt service payments are required.

7. The two signatures required shall be from among the Manager or Deputy Manager and Comptroller or Chairperson of the Board to sign authorizations for wire transfers or check payments from the fund.

8. DSRF monies shall be invested in permissible interest-bearing instruments as specified by law.
9. When DSRF monies are commingled with more than one debt issue the interest from the DSRF must be allocated to the various accounts that pay into the fund at least one every three years.

10. Should any specific issue require investment time to maturity be less than three years that issue shall be allocated as required in the debt issuance documents.

11. Investments of DSRF monies shall mature no later than the final maturity of any individual debt issuance.

12. At final payment of any issuance any unutilized investment funds that would have been allocated to the various accounts that paid into the fund shall be disbursed to those funds in the same ratio as debt service was paid.

APPROVED BY:

Chairperson, Board of Water Supply

Dated: January 26, 2012

Effective date: __________________________
New Business
MANAGER'S REPORT NO. 12-58

February 23, 2012

Re: Right of Entry Agreement from KMN, LLC, for S-2009-8 (KMN, LLC Subdivision),
    TMK: (4) 4-1-06:107, Wailua, Kapaa District, Kauai, Hawaii

It is recommended that the Right of Entry Agreement document be approved; whereby, KMN, LLC, a Limited Liability Company, grants the Board, its officers, agents and employees, a right-of-entry over and across and onto the subject property for the purposes of conducting all necessary inspections for and on behalf of the Board, and, if appropriate, for constructing, maintaining, conducting water meter readings on, and repairing any and all facilities and improvements for the conveyance of potable water to the lots which will result from the said Subdivision Application No. S-2009-8, KMN, LLC Subdivision.

Further, Board approval is specifically requested for the indemnification provision, wherein the Board agrees to indemnify and hold harmless the Grantor from property loss, damage and injuries to any person (including death), when such damages and injuries are caused by the Department's negligence while using the area.

Respectfully submitted,

Keith Aoki
Civil Engineer V

Concurred:

David R. Craddick, P.E., C.E.M.
Manager and Chief Engineer

KA/cab
Mgrp_ROE-KMN, LLC, for S-2009-8 (KMN, LLC Subdiv), TMK:(4) 4-1-06:107, Wailua, Kapaa
RIGHT-OF-ENTRY AGREEMENT

THIS AGREEMENT is made by and between KMN, LLC a Limited Liability Company, whose mailing address is 1287 Maleko Street, Kailua, Oahu, Hawaii 96734; and whose business address is 1287 Maleko Street, Kailua, Oahu, Hawaii 96734, and its successors and assigns, hereinafter called the "OWNER", and the BOARD OF WATER SUPPLY, COUNTY OF KAUA'I, a political subdivision of the State of Hawaii, whose mailing address is Post Office Box 1706, Lihue, Kauai, Hawaii 96766, and whose business address is 4398 Pua Loke Street, Lihue, Kauai, Hawaii 96766; its successors and assigns, hereinafter called the "BOARD".

WITNESSETH:

WHEREAS, the owner owns that certain real property (ies) situated at Kawailoa District, Island and County of Kauai, State of Hawaii, more particularly identified as Kauai Tax Map Key No. (4) 4-1-006-1-0 7; (hereinafter called "SUBJECT PROPERTY", and as described in the map attached hereto as Exhibit "A" and made a part hereof, and

WHEREAS, the SUBJECT PROPERTY is currently being processed under Subdivision Application No. S-2009-08 for subdivision, into a number of separate lots, before the Planning Commission of the County of Kauai; and
WHEREAS, the Owner is required, pursuant to the Rules and Regulations of the BOARD, to construct and/or to install certain improvements for the conveyance of potable water to the lots which will result from said Subdivision Application No. S-2009-08, pursuant to certain standards established and adopted by said BOARD; and

WHEREAS, at the time of the completion of the required improvements for Subdivision Application No. S-2009-08, the OWNER intends to dedicate and/or convey the roadway, being Lot No. 19-B-10 as depicted on the subdivision maps on file with the Planning Commission, to the County of Kauai and all other necessary water fixtures, facilities, and works to the BOARD, which dedication and/or conveyance cannot be accomplished until such time that certification and inspections of completed work have been conducted by the County of Kauai and the BOARD;

WHEREAS, The OWNER desires that the BOARD, through its officers, agents, and employees, be allowed to conduct all necessary inspections of the work being done pursuant to the said Subdivision Application No. S-2009-08 in order to ensure that said work meets the standards of the BOARD,

NOW, THEREFORE, the parties hereto agree and promise as follows:

1. The Owner does hereby grant the BOARD, its Officers, Agents, Contractors and Employees, a Right-of-Entry over, across and onto the SUBJECT PROPERTY for the exclusive purpose of conducting all necessary work for and on behalf of the BOARD, and, if appropriate, for constructing, maintaining, conducting water meter readings on, and repairing any and all facilities and improvements for the conveyance of potable water to the lots which will result from the said Subdivision Application No. S-2009-08

2. The Board shall indemnify and hold harmless the OWNER against loss or damage to the SUBJECT PROPERTY and the lots which will result from the said Subdivision Application No. S-2009-08 or the property of others, and from liability for injury or death to any person, when such loss, damage, injury or death is caused or occasioned by the negligent act of the BOARD, or its officers, agents and/or employees, in exercising the rights under this Agreement.

3. The Owner hereby warrants and covenants with the BOARD that it is the OWNER of the SUBJECT PROPERTY and has the full right and authority to enter into this Agreement.

4. The term of this Right-of-Entry shall commence upon the execution of the same by the Owner and shall automatically expire, without the submission or presentation of any documents to that effect, at such time that the OWNER executes either: (a) a Grant of Easement with respect to that portion of the SUBJECT PROPERTY which the BOARD deems necessary for the purposes designated and described in Paragraph 1 (one) above and a Conveyance of Water Facilities for those improvements and facilities deemed necessary by the BOARD, or (b) a Dedication Deed in favor of the County of Kauai, by which the OWNER conveys, for public roadway, utilities and other related purposes, the roadway lot depicted on the subdivision maps on file with the Planning Commission, together with all improvements and appurtenances thereon.
5. The term "OWNER", wherever used herein, includes the OWNER and the OWNER's successors and assigns. The term "BOARD", wherever used herein, shall include the Department of Water, County of Kauai, BOARD, its Officers, Agents, Employees, Successors and Assigns.

6. This Agreement may be executed in counterparts. Each counterpart shall be executed by one or more parties hereinbefore named and the several counterparts shall constitute one instrument to the same effect as though the signatures of all the parties are upon the same document.

IN WITNESS WHEREOF, the OWNER and the BOARD has executed this AGREEMENT this 13 day of January, 2012.

OWNER:
KMN, LLC, a Limited Liability Company

By: Christine M O Nakamatsu
Its: President

APPROVED:

Manager and Chief Engineer
Department of Water, County of Kauai
APPROVED AS TO FORM
AND LEGALITY:

[Signature]

Deputy County Attorney

BOARD OF WATER SUPPLY,
COUNTY OF KAUAI

By: ________________________________

Its: ________________________________

STATE OF HAWAII
COUNTY OF KAUAI

) ss.

On this _____ day of ____________, ____, before me appeared ________________________________,
to me personally known, who, being by me duly sworn, did say that _____ is the ____________
of the COUNTY OF KAUAI, BOARD OF WATER SUPPLY, and that the foregoing instrument was signed on behalf
of said Department, and said officer acknowledged said instrument to be the free act and deed of said Department,
and that said Department has no corporate seal.

_________________________________________
Notary Public, State of Hawaii

Name of Notary: ________________________________
My commission expires: ________________________________
On this 13th day of January, 2012, before me personally appeared
Christine M O Nakamatsu to me known, who, being by me duly sworn or affirmed,
did say that she is the President of KMN LLC, a Limited Liability Company,
and that the seal affixed to the foregoing instrument is the corporate seal of said LLC, and that said instrument was
signed and sealed in behalf of said LLC by authority of its Board of Directors, and said Officers acknowledged said
instrument to be the free act and deed of said LLC.

Notary Public, State of Hawaii
Derek S. Kokubun
Name of Notary: August 15, 2018
My commission expires:

Doc. Date: 1/13/12 # Pages: 1
Name: [Redacted] Phone: [Redacted]
Doc. Description: Employee Agreement
Signature 1/13/12
Date

NOTARY CERTIFICATION
DESCRIPTION

LOT 19-B

Being a Portion of Grant 11362 to Masumi Masuda
Being also a Portion of Lot 19 of Wailua House Lots Fourth Series

AT WAILUA, PUNA, KAUAI, HAWAII

Beginning at the Westerly corner of this parcel of land, on the South corner of Lot 19-A, being also the Northeast boundary of Lot 19-C, the coordinates of said point of beginning referred to Government Survey Triangulation Station "MONOU" being 2,418.75 feet South and 6,344.08 feet East, thence running by azimuths measured clockwise from true South:

1. Along the remainder of Grant 11362 on a curve to the left with a radius of 20.00 feet, the chord azimuth and distance being 238° 28' 28.28 feet;

2. 238° 28' 76.06 feet along the remainder of Grant 11362 (Lots 19-A);

3. 148° 28' 105.00 feet along the remainder of Grant 11362 (Lot 19-A);

4. 238° 28' 395.94 feet along Grant 11904 (Lots 13, 12, 11, 10, 9 and 8);

5. 328° 28' 250.00 feet along Grant 9533;

6. 58° 28' 492.00 feet along Grant 11361 (Lots 18-L, 18-J, 18-G, 18-E, 18-C, 18-A-2 and 18-A-1);

7. 148° 28' 165.00 feet along the remainder of Grant 11362 (Lot 19-C) to the point of beginning and containing an AREA of 2.594 Acres.

Description prepared by:
HIRANAKA SURVEYING AND MAPPING
Lihue, Kauai, Hawaii

February 2, 2008

ALAN I. HIRANAKA
LICENSED PROFESSIONAL LAND SURVEYOR
CERTIFICATE NUMBER 11653
NOTE:
1. denotes no vehicular access permitted.

SUBDIVISION OF LOT 19
Wailua House Lots Fourth Series
Being all of Grant 11362
to Masumi Masuda
INTO LOTS 19-A, 19-B AND 19-C
At Wailua Puna, Kauai, Hawaii

Owner: KMN LLC.
Tax Map Key: 4-1-06:16

EXHIBIT A
MANAGERS REPORT No. 12-59

February 23, 2012

RE: Emergency Phone Replacement

RECOMMENDATION:
It is recommended that the Board approve funds for the procurement and installation of a new phone system.

FUNDING:

| Funds Available- Account 106b -CIP Reserve | $2,636,376 |
| Total Funds Required:                   | $120,000   |
| Original Funds Approved:                | ($10,000)  |
| Additional Funds Required:              | $110,000   |
| Available Balance: Account # 106B – CIP Reserve | $2,526,376 |

BACKGROUND:
The current Norstar phone system was installed in 1994 and has reached its end of life. On January 13, our phone system crashed. Hawaiian Telcom sent out a technician to resolve the issue. He got the phones working temporarily, only to have the system go down again the following day. Hawaiian Telcom was dispatched again and we currently have loaner equipment so that we can have some phones available to answer calls. Not everyone has a live phone and there is no voicemail or call-attendant feature. Our current equipment is obsolete and no replacement is available, even the loaner equipment we are borrowing is obsolete.

Because we are using obsolete borrowed equipment, the Hawaiian Telcom technician could offer no guarantees that the equipment would last very long. The borrowed system does not provide everyone with phones and we need to be able to service our customers.

There are new phone systems that can be integrated with our computer network and can provide considerable advantages over our current system. Rather than spending money to patch this system, it seems more appropriate to invest in a new system. An added bonus of this new type of phone system is that it can integrated into our new billing system that we are scheduled to go live in the upcoming months.

Respectfully Submitted:

Jeffery Mendez
Waterworks Information Technology Officer

Concurred:

William Eddy, P.E.
Deputy Manager
Manager’s Report No. 12-60

February 23, 2012

Re: Restore Encumbered Contracts from the 2010-2011 Budget for One (1) Vehicle and One (1) Compact Excavator/Trailer Combination

**Recommendation:**
It is recommended that the Board restore the encumbrance for Contract No. 528 in the amount of $30,540.63 and Contract No. 532 in the amount of $98,155.62.

**Funding:**
Total Available Funding Account 106b, CIP Reserve Fund: $2,765,073
- Contract No. 528: $30,540.63
- Contract No. 532: $98,155.62
Total Funds Requested: $128,696.25
Remaining Account 106b, CIP Reserve Fund: $2,636,376

**Background:**
The Department requested funding for one (1) 4 x 4 Extra Cab Pickup Truck with Tail Gate Lift, and one (1) Compact Excavator and Equipment Trailer in the 2010-2011 Budget. These items were approved and put out to bid in 2010. Contracts were awarded in 2011 to the lowest responsible bidder for each item. Below are the contract details:

<table>
<thead>
<tr>
<th>Item</th>
<th>Vendor</th>
<th>Contract #</th>
<th>Contract Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>One (1) 4 x 4 Extra Cab Pickup Truck with Tail Gate Lift, and</td>
<td>Cutter Chrysler Jeep Dodge of Pearl City</td>
<td>528</td>
<td>$30,540.63</td>
</tr>
<tr>
<td>One (1) Compact Excavator and Equipment Trailer</td>
<td>Allied Machinery</td>
<td>532</td>
<td>$98,155.62</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>$128,696.75</td>
</tr>
</tbody>
</table>

These two contract items, however, were delivered and invoiced by the vendors during the 2011-2012 Fiscal Year. We inadvertently did not list the encumbrances for these two contracts in the 2011-2012 Budget. We now request that the Board restore the encumbrance for Contract No. 528 in the amount of $30,540.63 and Contract No. 532 in the amount of $98,155.62.

Respectfully submitted,

David R. Craddick, P.E.
Manager and Chief Engineer
MANAGER’S REPORT NO. 12-61

February 23, 2012

Re:   First Contract Amendment with Fukunaga and Associates, Inc. for Job 99-08, WP2020 LO-07, Drill and Test Piwai Well #1, Omao, Kauai, Contract No. 384

RECOMMENDATION:
The Department recommends Board approval of Contract Amendment #1, Contract No. 384, with Fukunaga and Associates, Inc. in the amount of $38,000.00 from Water Utility Fund - CIP Reserve.

FUNDING:
Total Project Funds Certified (CIP Reserve, Account #106b) .........................$ 64,600.00

Contract No. 384, Fukunaga and Associates .............$64,600.00
Amendment #1.................................................$ 8,000.00
Contingency ..............................................$ 7,260.00
Total Amended Project Budget.................................$79,860.00...............................................<$ 79,860.00>

Additional Funds Requested (CIP Reserve, Account #106b)..............................$ 15,260.00

BALANCE REMAINING (prior to subject fund request)
CIP Reserve Balance...................................................$2,803,073.00
Total Requested from CIP Reserve..................................<$ 15,260.00>
New CIP Reserve Balance .............................................$2,787,813.00

BACKGROUND:
The Project consists of engineering/project management and hydrogeologic services for the drilling and testing of Piwai Well #1. This includes, but is not limited to, preliminary plans and specifications, cost estimate, preparation of draft environmental assessment, well testing and permitting, and hydrogeologic assessment. Land surveying, filing draft environmental assessment (EA) and response to comments, and issuing final EA were not included in this scope with the assumption that DOW staff would take on this responsibility. We reviewed Fukunaga and Associates, Inc. proposal for additional engineering services of $8,000.00 for the work and find it acceptable.

Respectfully submitted,

Aaron A. Zambo, P.E.
Civil Engineer V

Concurred:

David R. Craddick, P.E., C.E.M.
Manager and Chief Engineer

AZ/cab
Mgrp-Job 99-08-1st Contract Amendment, Fukunaga and Associates, Inc._ Drill and Test Piwai Well #1, Omao-Contract #384 (2-23-12)
MANAGER’S REPORT NO. 12-62

February 23, 2012

Re: Job 02-11, Second Amendment for (M-02), 100,000 Gallon Tank and Connecting Pipeline, Moloaa, Kauai, Esaki Surveying and Mapping, Inc., Contract No. 429

RECOMMENDATION:
The Department recommends Board approval of Contract Amendment #2, Contract No. 429, with Esaki Surveying and Mapping, Inc. in the amount of $74,274.00 from BAB Fund.

FUNDING:
Total Project Funds Certified, Water Utility Fund ................................................. $125,200.00

Contract No. 429 with Esaki................................. $113,400.00
Amendment #1.................................................. $11,800.00
Amendment #2.................................................. $74,274.00
Contingency ..................................................... $19,948.00
Total Amended Project Budget........................................... $219,422.00

Additional Funds Requested (BAB) .................................................. $94,222.00

BALANCE REMAINING (prior to subject fund request)
BAB Fund Balance .............................................. $19,865,633.45
Total Requested from BAB Fund Balance .................................. <$ 94,222.00
New BAB Fund Balance ........................................... $19,771,411.45

BACKGROUND:
The Project originally consisted of design for a 100,000 gallon tank and connecting pipeline, including but not limited to, topographic survey, parcel map, environmental assessment, and construction plans and specification. This scope of work contained in Contract 429 and Amendment #1 is approximately 10 years old. Amendment #2 includes additional costs for a 100,000 gallon tank and connecting pipeline, addition of NPDES permitting, price escalation over the approximate 10 year timeframe, and additional costs for subconsultants. We reviewed Esaki Surveying and Mapping, Inc. proposal for additional engineering services of $74,274.00 for the work and find it acceptable.

Respectfully submitted,

Aaron A. Zambo, PE
Civil Engineer V

Concurred:

David R. Craddick, PE
Manager and Chief Engineer

AZ/cab
Mgrp-Job 02-11-2nd Amendment for (M-02), 100,000 Gallon Tank and Connecting Pipeline-Moloaa-Esaki-Contract No. 429
MANAGERS REPORT No. 12-63

February 23, 2012

RE: Rewards Program

RECOMMENDATION:
It is recommended that the Board approve a revised employee rewards system.

FUNDING: $1,400.00

Funds Available:

<table>
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<tr>
<th>Budget Code</th>
<th>Amount</th>
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<tbody>
<tr>
<td>#36 - Public Relations</td>
<td>$ 86,500.00</td>
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<tr>
<td>YTD Expenditures as of 1/31/12</td>
<td>$(32,903.33)</td>
</tr>
</tbody>
</table>

Total: $53,596.67

Funds Requested: $(1,400.00)

Funds Remaining: $52,196.67

BACKGROUND:

Prior to my tenure with the Department a program was set up to boost employee morale. This program envisioned using a Water Buck system to reward outstanding employee performance.

Currently, each employee receiving a Water Buck in each quarter receives $10, and the winner of the Employee of the Quarter receives $25. Two employees of the quarter then go to the Hawaii AWWA conference each spring, the other two employees of the quarter then attend the HWWA conference in the fall. The employee of the year attends the national AWWA conference on the mainland.

Travel to conferences, both local and mainland, is costly, both fiscally and in terms of time away from staff duties resulting in additional coverage of their role while away and after their return. As the Department of Water is enterprise funded (providing goods or services to the public for a fee that makes the entity self-supporting), we have a fiscal responsibility to our rate-payers to use the funds as wisely as we can.

The participation by employees and benefit to the Department is limited at times with this system of reward. We would like to propose another system of reward.

We propose to increase the Employee of the Quarter reward to $200 and the Employee of the Year award to $600. This amounts to a total of $1400. We believe much more employee effort would be expended with this system versus conference attendance.
Conference attendees would now be required to report on what benefits conference attendance will have for the Department, and conduct subsequent training for staff in their related field after the conference by the attendee.

Currently conference attendance is approximately $800 for conference fees, $1200 for air travel and per diem charges in the $145 per day range with excess cost added about $800 for a total of $2,800. The proposed reward system saves about $1400 per year.

Respectfully Submitted:

[Signature]

David R. Craddick, P.E., C.E.M.

DRC/cab
Mgrrp-Rewards Program (2-23-12)
MANAGER’S REPORT NO. 12-64

February 23, 2012
Re: County Human Resources Reorganization

Recommendation
We recommend that the Board budget our HR position as usual and provide no funds to the county if they decide to move our HR position to a new HR Department that is proposed to be created.

This matter is being brought to the Board’s attention before it becomes a charter or budget issue so we know the Board’s standing on the matter.

Background:
The Kauai County Charter Article XV, Section 15.01 states that

“There shall be a Department of Personnel Services consisting of a civil service commission, a director, and the necessary staff for the purpose of establishing a system of personnel administration based upon merit principles devoid of any bias or prejudice and providing a systematic and equitable classification of all positions through adequate job evaluation.”

Within that structure, the powers and duties of the civil service commission include:

A. Adopting rules and regulations to carry out the civil service and compensation laws of the State and county. Such Rules and regulations shall distinguish between matters of policy left for determination of the commission and matters of technique and administration to be left for execution by the director.
B. Hear and determine appeals made by any officer or employee aggrieved by actions of the director or appointing authority.
C. Advise the mayor and director of personnel services on problems concerning personnel and classification administration.
D. Execute such powers and duties as may be provided by law.

The Director of Personnel Services, per Charter, is appointed by and may be removed by the commission. It states in the Charter that “the director shall be the head of the Department of Personnel Services and shall be responsible for the proper conduct of all administrative affairs of the department, and for the execution of the personnel program” (see Hawaii Revised Statutes §76-12 and §76-13 attached for further details regarding the authorized duties and powers of the director).

In discussions with the Personnel Director this structure is set up to maintain the independence of the Director in rating new positions. The Personnel Department appears to be underfunded in this endeavor as well as taking funds for existing services provided within each department for the proposed “coordination” being sought. Most of the existing services must still be provided by the department.
The County of Kauai Administration is proposing to reorganize the Department of Personnel Services into a Human Resources (HR) Department, servicing all County Departments. An HR Taskforce was created to research and report on their findings regarding this reorganization. The proposed plan is yet to be presented to Council this spring with the goal of it being implemented beginning July 1, 2012 without any charter change. The Water Department was not a part of the reorganization taskforce group. The previous Board Chair and the Manager met with the Mayor on this matter. Our comments were similar to what is proposed today.

As delineated in the Kauai County Charter, the Civil Service Commission, with its Director and staff, exist to support the County of Kauai. If an improvement is sought through reorganizing the Department of Personnel Services, it can be done from within its existing structure and modified from there. The Director of Personnel Services, appointed by the Civil Service Commission would then be responsible for implementing the reorganization. It is my general feeling a person cannot report to two bosses. If this proposal is going to work Charter Amendments should be enacted with the Charter overriding the state laws or keeping that independent Civil Service structure in place and have a separate HR Director that does report to the Mayor and works for betterment of services provided to the various departments.

By creating a HR Department the intent is to provide consistency throughout the County on personnel functions, eliminating duplicity and providing technical expertise to the Departments throughout the County, as well as decrease liability. The concern with the intent is these are not the issues that are delaying position and reorganization review and approval. The proposal to reorganize via a charter amendment was driven by the Cost Control Commission. To create this new Human Resources Department, it is currently proposed that other Department’s "Personnel" positions would be transferred to a centralized HR Department. Funding would come from the department’s budget.

In other words, the plan to improve the Personnel services to the County of Kauai is to be done throughout the County by removing staff from various departments to implement the goals suggested by the proposed HR Taskforce within the existing Chartered structure. If it is determined that an increase in staff is needed, the Department of Personnel Services must identify positions needed and increase their budget to include fulfilling that need. No specific plans have been presented regarding any of this that we are aware of. To aim to effectuate this reorganization by July 2012 is interesting. Without specific planning, implementation and involvement with the Departments and updated procedures prior to such an endeavor detailing level of service this proposal appears to be a knee-jerk reaction to poor performance by the current setup that will not organizationally change other than to remove current service and replace it with an unknown.

In terms of the budget, the Department of Water currently funds its portion to the County for Personnel Department services and Finance Department services through the Hydrant Contra Account costing the DOW approximately $950,000.00 annually. We also fund one in-house Personnel position in the DOW operating budget. In the proposed transition to an HR Department, the DOW may be expected to additionally fund the transferred DOW HR position, with it being located in the County’s new HR Department. This relocated position would not be dedicated to DOW support. It is unclear to us how funding this transferred position while losing the dedicated support we currently receive would be in the best interest of the DOW either
logistically or financially. Keep in mind nothing appears to speed up the organizational reviews and position filling with the HR reorganization.

Additionally, funded or not, it is our concern that the County and the DOW may be in danger of experiencing immediate challenges through reassigning our personnel position to the embryonic HR Department with a lack of transitional implementation directives. The proposed reassignment of the DOW's HR Coordinator to the HR Department coincides with its very creation. There could be a steep learning curve as this new HR department determines how to best to serve all of Kauai County. It seems even more important that we retain the DOW HR position and enhance our interface with this new Department to ensure DOW's personnel servicing needs are effectively met in a timely manner with the current funds we provide.

As an integrated Water Utility team, our employees rely on our internal HR Coordinator for guidance, training, external interface, and overall efficiency in all facets of personnel activity operating as coordinated function. Such support at the departmental level is necessary for smooth employee relations and timely responses, being on-site and familiar with the Water Utility itself. Currently, DOW managers, supervisors and staff have been able to offload to the DOW's HR Coordinator many personnel related tasks to be researched, worked on and completed. Without this position here, these tasks will fall back on DOW employees to pursue such endeavors independently working with HR Specialists who service the County at large.

Finally, we mention that our incumbent DOW HR Coordinator has gained a wealth of experience, having served at the Department of Water for more than 17 years. There has been involvement in the position creation and hiring of practically the entire current DOW staff. Dealing with bargaining unit contracts has developed into specific union personal relations to meet the requirements of the various issues that arise within DOW. Loss of this person as well as the position could present unforeseeable challenges and difficulties as we attempt to navigate DOW personnel responsibilities at the departmental level now and into the future.

Our recommendation, therefore, is that the DOW continues to fully fund the DOW Human Resources Coordinator position, strive to retain the position in-house, and expect equal or better service from the new HR Department under the existing funding relationship we hold with the County's Personnel Department.

Respectfully submitted,

[Signature]

David R. Craddick, P.E., C.E.M.
Manager and Chief Engineer

DRC/cab
Mgrp-County Human Resources Reorganization (2-23-12)

Attachment: Reference to sections of HRS
Reference to Hawaii Revised Statues regarding the Civil Service Commission:

§76-12 General powers and duties of director. The director shall:

1. Represent the public interest in the improvement of human resources administration in the civil service;

2. Assist in fostering the interest of institutions of learning and civic, professional, and employee organizations in the improvement of human resources standards in civil service;

3. Advise the chief executive on policies and problems concerning the human resources program; and

4. Make investigations concerning the administration of human resources policies in the civil service, including any matter respecting the enforcement or effect of this chapter or the rules adopted thereunder, or the action or failure to act of any officer or employee with respect thereto. [L 1955, c 274, pt of §1; RL 1955, pt of §3-17; am L Sp 1959 2d, c 1, §11; HRS §76-12; am L 1994, c 56, §7; am L 2000, c 253, §10]

§76-13 Specific duties and powers of director. The director shall direct and supervise all the administrative and technical activities of the director's department. In addition to other duties imposed upon the director by this chapter, the director shall:

1. Establish and maintain a roster of all persons in the civil service;

2. Appoint employees necessary to assist the director in the proper performance of the director's duties and for which appropriations shall have been made;

3. Foster and develop, in cooperation with appointing authorities and others, programs for the improvement of employee efficiency;

4. Cooperate fully with appointing authorities, giving full recognition to their requirements and needs, in the administration of this chapter to promote public service by establishing conditions of service that will attract and retain employees of character and capability, and to increase efficiency and productivity in governmental departments by continuously improving methods of human resources administration and maximizing the use of advanced technology;

5. Encourage and exercise leadership in the development of effective human resources administration within the several departments and make available the facilities of the director's department to this end;

6. Investigate from time to time the operation and effect of this chapter and the rules adopted thereunder;

7. Develop and maintain classification systems;

8. Make recommendations and advise the chief executive on appropriate adjustments for employees excluded from collective bargaining as authorized under chapter 89C; and
(9) Perform any other lawful acts deemed by the director to be necessary or desirable to carry out the purposes and provisions of this chapter. [L 1955, c 274, pt of §1; RL 1955, pt of §3-19; am L 1957, c 157, §1 and c 206, §1; am L Sp 1959 2d, c 1, §11; am L 1964, c 28, §2; HRS §76-13; am L 1976, c 35, §1; gen ch 1985; am L 1989, c 102, §2; am L 1994, c 56, §8; am L 2000, c 253, §11]
Staff Reports
## DEPARTMENT OF WATER
### Budget Status Summary
#### December 31, 2011

### I. WATER UTILITY FUND

<table>
<thead>
<tr>
<th></th>
<th>Current Month</th>
<th>Year to Date</th>
<th>Current Month</th>
<th>Year to Date</th>
</tr>
</thead>
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<td>Beginning Balance 07/1/2011</td>
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<tr>
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<td>Ending Balance</td>
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### II. FACILITIES RESERVE CHARGE

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<th>Year to Date</th>
<th>Current Month</th>
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<tbody>
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<td>TOTAL RESOURCES:</td>
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### III. BOND FUND

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<th>Current Month</th>
<th>Year to Date</th>
</tr>
</thead>
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<tr>
<td>Ending Balance</td>
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</tr>
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### IV. WATERWORK BUILD AMERICA PROJECT FUND

<table>
<thead>
<tr>
<th></th>
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<th>Year to Date</th>
<th>Current Month</th>
<th>Year to Date</th>
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</thead>
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<td>Less: Expenditures</td>
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**TOTAL - ALL FUNDS at December 31, 2011**

$59,524,569.28
STATEMENT OF REVENUES AND EXPENDITURES
WATER UTILITY FUND
December 31, 2011

REVENUES:
Cash on hand as of July 1, 2011 $ 16,914,045.74
Add: Revenues To Date $ 12,128,269.67
Sub-Total $ 29,042,315.41

EXPENDITURES:
Less: Expenditures to Date $ 11,142,456.85

BALANCE AT THE END OF THE MONTH $ 17,899,858.56

SHORT TERM INVESTMENTS - WATER UTILITY FUND

BANK OF HAWAI'I
TCD# 8000423145-114 0.20000% INT. DUE 02/18/11 $ 160,000.00

CENTRAL PACIFIC BANK

FIRST HAWAIIAN BANK
T30020086 0.18000% INT. DUE 01/20/12 $ 500,000.00
T3002008137 0.09000% INT. DUE 09/07/12 $ 1,200,000.00

MERRILL-LYNCH
CUSIP# C31331KDM9 0.28000% INT. DUE 03/09/12 $ 1,000,000.00
CUSIP# C313384N70 0.13000% INT. DUE 11/08/12 $ 998,707.22
CUSIP# INT. DUE $ 3,858,707.22

SUB-TOTAL FOR PAGE A $ 3,858,707.22
SUB-TOTAL FROM PAGE A  
10/31/11  
$3,858,707.22  

SHORT TERM INVESTMENTS - WATER REVENUES  

MULTI-BANK  
CUSIP#  85508VAC3  2.70000%  INT. DUE  11/18/13  98,000.00  
CUSIP#  0901OFAR4  4.50000%  INT. DUE  07/27/12  98,000.00  
CUSIP#  3136FP2U0  1.00000%  INT. DUE  01/27/16  652,527.78  
CUSIP#  3136FRTH6  0.75000%  INT. DUE  06/30/16  1,000,000.00  

UBS  
CUSIP#  C3136FDU0  1.12500%  INT. DUE  10/26/15  1,997,625.00  
CUSIP#  31331G2N8  2.04000%  INT. DUE  04/29/13  
CUSIP#  313588WG6  0.18000%  INT. DUE  05/01/12  

$998,260.00  $4,844,412.78  

TOTAL SHORT-TERM INVESTMENTS - WATER UTILITY  
CASH ON HAND WITH TREASURER - COK  12/31/11  
$501,942.62  
CASH ON HAND-BOH Savings  12/31/11  
$9,784,291.84  
CASH ON HAND - FHB Savings  12/31/11  
$25,823.56  

LESS:  
December Claims Payable  
December Payable in January 2012 Claims Batch  
3/31/11 Payroll  06/01/11  
8/31/11 Payroll  
9/15/11 Payroll  09/15/11  
9/15/11 PR Benefits  
Claims paid in December  12/31/11  
Void check  
Due to W/U from BAB  

$1,001,675.75  
$(121,393.98)  
$20.00  
$(20.00)  
$(20.00)  
$7,940.27  
$70.00  

CASH BALANCE AT THE END OF THE MONTH  
$17,898,858.56
# DEPARTMENT OF WATER

**County of Kauai**  
**JULY 1, 2011 TO JUNE 30, 2012**  
**December 31, 2011**

## WATER UTILITY FUND

<table>
<thead>
<tr>
<th>CASH RECEIPTS:</th>
<th>BUDGETED RECEIPTS</th>
<th>TOTAL RECEIPTS TO DATE</th>
<th>RECEIPTS FOR THE MONTH</th>
<th>% BUDGET ELAPSED</th>
</tr>
</thead>
<tbody>
<tr>
<td>BEGINNING CASH BALANCE</td>
<td>$16,914,045.74</td>
<td>$ -</td>
<td>$ -</td>
<td>$16,914,045.74</td>
</tr>
<tr>
<td>1 Water Sales</td>
<td>$20,714,176.00</td>
<td>$10,172,161.82</td>
<td>$1,577,803.38</td>
<td>49%</td>
</tr>
<tr>
<td>2 Net Miscellaneous Receipts</td>
<td>$111,999.00</td>
<td>$ -</td>
<td>$ -</td>
<td>0%</td>
</tr>
<tr>
<td>3 Interest Income</td>
<td>$355,000.00</td>
<td>$33,844.25</td>
<td>$4,330.96</td>
<td>10%</td>
</tr>
<tr>
<td>4 County Service Charge</td>
<td>$925,133.00</td>
<td>$ -</td>
<td>$ -</td>
<td>0%</td>
</tr>
<tr>
<td>5 State Revolving Fund</td>
<td>$1,431,562.00</td>
<td>$1,431,562.00</td>
<td>$ -</td>
<td>100%</td>
</tr>
<tr>
<td>5a Other Receipts</td>
<td>$ -</td>
<td>$(20,452.50)</td>
<td>$ -</td>
<td>0%</td>
</tr>
<tr>
<td>5b OTHER - BAB Subsidy</td>
<td>$715,616.00</td>
<td>$511,154.10</td>
<td>$ -</td>
<td>71%</td>
</tr>
<tr>
<td>5c FRC Debt Service Payback</td>
<td>$1,989,115.00</td>
<td>$ -</td>
<td>$ -</td>
<td>$1,989,115.00</td>
</tr>
<tr>
<td>5d Grant, Drought Mitigation</td>
<td>$126,500.00</td>
<td>$ -</td>
<td>$ -</td>
<td>$126,500.00</td>
</tr>
<tr>
<td><strong>TOTAL RESOURCES</strong></td>
<td>$43,283,145.74</td>
<td>$12,128,269.67</td>
<td>$1,582,134.34</td>
<td>28%</td>
</tr>
</tbody>
</table>

## DISBURSEMENTS:

| SALARIES: |
|----------------|--------------------|------------------------|------------------------|------------------|
| Salaries over-withdrawn by county | |
| 15 Salaries - DOW | $5,326,518.00 | $2,180,511.96 | $351,185.51 | 41% | $3,146,006.04 |
| Provision for Accrued Vacation | $100,000.00 | $(2,247.88) | $2,714.51 | -2% | $102,247.88 |
| **TOTAL SALARIES:** | $5,426,518.00 | $2,178,264.08 | $348,937.63 | 40% | $3,248,253.92 |

## NORMAL EXPENDITURES

| 19 COUNTY SERVICE CHRG | $925,133.00 | $ - | $ - | 0% | $925,133.00 |

## ADMINISTRATIVE OFFICE and ENGINEERING:

| 21 Utilities | $210,227.00 | $108,862.91 | $15,663.66 | 52% | $101,264.09 |
| 22 Postage and Printing | $192,000.00 | $35,443.83 | $2,557.56 | 18% | $156,556.17 |
| 24 Office Equipment Maintenance | $147,300.00 | $12,232.72 | $1,182.70 | 8% | $135,067.28 |
| 24b Con 461 Four Winds Group MMIS Phases I & II | $10,000.00 | $ - | $ - | 13% | $67,710.00 |

**12-2011 WU BUDGET STATUS**
<table>
<thead>
<tr>
<th>ITEM</th>
<th>BUDGETED AMOUNT</th>
<th>TOTAL ACTUAL EXPENDITURES TO DATE</th>
<th>EXPENDITURES FOR THE MONTH</th>
<th>%</th>
<th>BALANCE OF BUDGET OVER TOTAL ACTUAL EXPENDITURES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>27</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contractual Services</td>
<td>$ (6,000.00)</td>
<td>$ 899,100.00</td>
<td>$ 53,986.15</td>
<td>$ 13,024.03</td>
<td>6%</td>
</tr>
<tr>
<td>27a</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Con 521 R. W. Beck Inc. Financial Management Planning &amp; Rate Analysis</td>
<td>$ 8,008.00</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>27b</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Con 506 R. W. Beck Inc. FRC Study for DOW</td>
<td>$ 32,570.00</td>
<td>$ 15,500.00</td>
<td>-</td>
<td>-</td>
<td>48%</td>
</tr>
<tr>
<td>27c</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>WRP 01 FY 05-06, Kauai Water Use &amp; Development Plan update</td>
<td>$ 514,000.00</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>27d</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USGS Joint Funding Agrmt. Water Monitoring Program for the period 10/1/11-9/30/12</td>
<td>$ 31,350.00</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>27e</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Travel and Incidentals - Board</td>
<td>$ 19,768.00</td>
<td>$ 242.80</td>
<td>-</td>
<td>-</td>
<td>1%</td>
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<tr>
<td>27f</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Travel and Incidentals - Staff</td>
<td>$ 37,780.00</td>
<td>$ 16,779.78</td>
<td>$ 755.46</td>
<td>-</td>
<td>44%</td>
</tr>
<tr>
<td>30</td>
<td></td>
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<tr>
<td>Collector's Commission</td>
<td>$ -</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>31</td>
<td></td>
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<tr>
<td>Miscellaneous</td>
<td>$ 16,000.00</td>
<td>$ 14,788.86</td>
<td>$ 3,225.79</td>
<td>-</td>
<td>92%</td>
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<td>32</td>
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<td></td>
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<tr>
<td>Auditing Fee</td>
<td>$ 10,000.00</td>
<td>$ 76,000.00</td>
<td>-</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>32c</td>
<td></td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>Annual Audit Contract No. 537 KMH, LLP</td>
<td>$ 66,000.00</td>
<td>$ 66,000.00</td>
<td>$ 6,000.00</td>
<td>-</td>
<td>100%</td>
</tr>
<tr>
<td>33</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>In-Service Training</td>
<td>$ 59,600.00</td>
<td>$ 24,555.41</td>
<td>$ 50.00</td>
<td>-</td>
<td>41%</td>
</tr>
<tr>
<td>34</td>
<td></td>
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<td></td>
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<tr>
<td>Supplies - Office &amp; Eng.</td>
<td>$ 38,000.00</td>
<td>$ 24,657.68</td>
<td>$ 4,190.72</td>
<td>-</td>
<td>66%</td>
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<tr>
<td>35</td>
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<td></td>
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</tr>
<tr>
<td>Operating Reserve Fund</td>
<td>$ 20,000.00</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>36</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Public Relations</td>
<td>$ 88,500.00</td>
<td>$ 32,903.33</td>
<td>-</td>
<td>-</td>
<td>38%</td>
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<tr>
<td>36.1</td>
<td>Grant: The Nature Conservancy</td>
<td>$ 75,000.00</td>
<td>$ 75,000.00</td>
<td>-</td>
<td>-</td>
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<td>36.2</td>
<td>Con 531 Lintalco Co, Inc. Public Relations Services</td>
<td>$ 59,858.80</td>
<td>$ 34,267.11</td>
<td>$ 2,638.84</td>
<td>-</td>
</tr>
<tr>
<td>36.3</td>
<td>Computer Support and Supplies</td>
<td>$ -</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>37</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Microlab Materials and Supplies</td>
<td>$ 84,500.00</td>
<td>$ 26,123.97</td>
<td>$ 5,067.00</td>
<td>-</td>
<td>31%</td>
</tr>
<tr>
<td>38</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL ADM, OFF &amp; ENG</td>
<td>$ 2,658,921.80</td>
<td>$ 554,247.57</td>
<td>$ 54,960.91</td>
<td>-</td>
<td>21%</td>
</tr>
<tr>
<td>ITEM</td>
<td>BUDGETED AMOUNT</td>
<td>TOTAL ACTUAL EXPENDITURES TO DATE</td>
<td>EXPENDITURES FOR THE MONTH</td>
<td>%</td>
<td>BALANCE OF BUDGET OVER TOTAL ACTUAL EXPENDITURES</td>
</tr>
<tr>
<td>------</td>
<td>------------------</td>
<td>----------------------------------</td>
<td>---------------------------</td>
<td>---</td>
<td>-----------------------------------------------</td>
</tr>
<tr>
<td>40</td>
<td>Vehicle - Materials &amp; Service</td>
<td>$107,600.00</td>
<td>$71,198.63</td>
<td>$11,586.16</td>
<td>66%</td>
</tr>
<tr>
<td>41</td>
<td>Vehicle - Fuel</td>
<td>$168,000.00</td>
<td>$79,456.49</td>
<td>$14,000.38</td>
<td>47%</td>
</tr>
<tr>
<td>42</td>
<td>Utilities</td>
<td>$86,400.00</td>
<td>$37,606.28</td>
<td>$5,605.26</td>
<td>44%</td>
</tr>
<tr>
<td>43</td>
<td>Meter Parts</td>
<td>$8,300.00</td>
<td>$ -</td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>43a</td>
<td>Electrical Parts</td>
<td>$20,000.00</td>
<td>$15,964.96</td>
<td>$2,610.91</td>
<td>80%</td>
</tr>
<tr>
<td>44</td>
<td>Miscellaneous</td>
<td>$5,000.00</td>
<td>$509.96</td>
<td></td>
<td>10%</td>
</tr>
<tr>
<td>44a</td>
<td>Misc. - Tapping Team</td>
<td>$8,000.00</td>
<td>$ -</td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>44b</td>
<td>Misc. - Drought Mitigation</td>
<td>$(126,500.00)</td>
<td>$(61,277.02)</td>
<td>$(883.01)</td>
<td>46%</td>
</tr>
<tr>
<td>45</td>
<td>Contractual Services</td>
<td>$200,000.00</td>
<td>$1,474.77</td>
<td></td>
<td>1%</td>
</tr>
<tr>
<td>45a</td>
<td>Con 540, FluidIQs, LLC, SCADA Maintenance</td>
<td>$100,000.00</td>
<td>$37,207.40</td>
<td></td>
<td>37%</td>
</tr>
<tr>
<td>47</td>
<td>Materials and Supplies</td>
<td>$227,000.00</td>
<td>$108,200.22</td>
<td>$4,197.75</td>
<td>46%</td>
</tr>
<tr>
<td>48</td>
<td>Collective Bargaining Items</td>
<td>$24,000.00</td>
<td>$10,249.90</td>
<td>$99.74</td>
<td>43%</td>
</tr>
<tr>
<td>51</td>
<td>Pump Electrical</td>
<td>$3,000,000.00</td>
<td>$1,579,113.87</td>
<td>$219,652.87</td>
<td>53%</td>
</tr>
<tr>
<td>55</td>
<td>Purchase of Water</td>
<td>$2,248,700.00</td>
<td>$774,972.57</td>
<td>$124,064.28</td>
<td>34%</td>
</tr>
<tr>
<td>58</td>
<td>Chemicals</td>
<td>$60,000.00</td>
<td>$26,636.25</td>
<td>$2,921.84</td>
<td>44%</td>
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<tr>
<td>59</td>
<td>Safe Drinking Water Act Program</td>
<td>$50,000.00</td>
<td>$2,532.54</td>
<td>$17.44</td>
<td>5%</td>
</tr>
<tr>
<td>59g</td>
<td>MWH Laboratories</td>
<td>$ -</td>
<td>$ -</td>
<td></td>
<td>0%</td>
</tr>
</tbody>
</table>

**TOTAL OPERATIONS:**

$6,339,500.00  $2,806,600.88  $385,839.64  44%  $3,532,899.12

**INSURANCE AND EMPLOYEE BENEFITS:**

<table>
<thead>
<tr>
<th>ITEM</th>
<th>BUDGETED AMOUNT</th>
<th>TOTAL ACTUAL EXPENDITURES TO DATE</th>
<th>EXPENDITURES FOR THE MONTH</th>
<th>%</th>
<th>BALANCE OF BUDGET OVER TOTAL ACTUAL EXPENDITURES</th>
</tr>
</thead>
<tbody>
<tr>
<td>60</td>
<td>Insurance and Bonds</td>
<td>$200,000.00</td>
<td>$ -</td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>60a</td>
<td>Small Claims</td>
<td>$10,000.00</td>
<td>$ -</td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>61</td>
<td>Workmen's Compensation Insurance</td>
<td>$150,000.00</td>
<td>$ -</td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>62</td>
<td>Retirement System</td>
<td>$826,675.00</td>
<td>$241,927.78</td>
<td></td>
<td>29%</td>
</tr>
<tr>
<td>63</td>
<td>FICA Taxes - Employer's</td>
<td>$407,479.00</td>
<td>$115,792.72</td>
<td></td>
<td>28%</td>
</tr>
<tr>
<td>64</td>
<td>Health, Life, &amp; Dental (EUTF)</td>
<td>$493,780.00</td>
<td>$141,931.44</td>
<td></td>
<td>29%</td>
</tr>
<tr>
<td>ITEM</td>
<td>BUDGETED AMOUNT</td>
<td>TOTAL ACTUAL EXPENDITURES TO DATE</td>
<td>EXPENDITURES FOR THE MONTH</td>
<td>%</td>
<td>BALANCE OF BUDGET OVER TOTAL ACTUAL EXPENDITURES</td>
</tr>
<tr>
<td>------</td>
<td>----------------</td>
<td>----------------------------------</td>
<td>---------------------------</td>
<td>---</td>
<td>-----------------------------------------------</td>
</tr>
<tr>
<td>67</td>
<td>Health &amp; Life Insurance - Retirees &amp; OPEB</td>
<td>$1,655,855.00</td>
<td>$ -</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>TOTAL INSURANCE &amp; EMPLOYEE BENEFITS</td>
<td>$3,743,790.00</td>
<td>$499,651.94</td>
<td>$ -</td>
<td>13%</td>
</tr>
<tr>
<td></td>
<td>TOTAL NORMAL EXPENDITURES:</td>
<td>$13,667,344.80</td>
<td>$3,860,500.39</td>
<td>$440,800.55</td>
<td>28%</td>
</tr>
<tr>
<td></td>
<td>DEBT SERVICE REQUIREMENT:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>80</td>
<td>SRF Loan Job 97-5 Hanapepe River Crossing</td>
<td>$96,555.50</td>
<td>$96,555.50</td>
<td>$48,025.15</td>
<td>100%</td>
</tr>
<tr>
<td>81</td>
<td>SRF Loan Job 97-6 Hanapepe 27&quot; Steel Pipe</td>
<td>$53,810.09</td>
<td>$53,810.09</td>
<td>$26,764.28</td>
<td>100%</td>
</tr>
<tr>
<td>82</td>
<td>SRF Loan Job 98-33 WK-21 Wailua Hmstks Wall #3</td>
<td>$31,005.96</td>
<td>$15,586.62</td>
<td></td>
<td>50%</td>
</tr>
<tr>
<td>83</td>
<td>SRF Loan Job 97-2 PLH-31 Lihue Steel Tanks 1 &amp; 2</td>
<td>$98,692.86</td>
<td>$98,692.86</td>
<td>$49,083.88</td>
<td>100%</td>
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<tr>
<td>84</td>
<td>SRF Loan Job 98-6 WK-07 Ornellas 0.2 MG Tank</td>
<td>$63,603.49</td>
<td>$32,068.91</td>
<td></td>
<td>50%</td>
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<td>85</td>
<td>SRF Loan Job 97-11 WK-03</td>
<td>$181,669.20</td>
<td>$91,323.68</td>
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<tr>
<td>86</td>
<td>DOW Bond 2005 Issue</td>
<td>$214,950.00</td>
<td>$140,625.00</td>
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<td>85%</td>
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<tr>
<td>87</td>
<td>DOW Bond 2005 Series, Partial Refund 2001 Series A</td>
<td>$149,887.50</td>
<td>$74,993.75</td>
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<td>50%</td>
</tr>
<tr>
<td>88</td>
<td>SRF Loan Job 98-2 KP-07 KP-08 16&quot; W/L on Poipu Rd</td>
<td>$405,375.85</td>
<td>$405,375.85</td>
<td>$201,621.28</td>
<td>100%</td>
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<tr>
<td>89</td>
<td>SRF Loan Job WK-42 PH I Stable 1.0 MG Tank</td>
<td>$611,331.29</td>
<td>$307,186.48</td>
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<td>50%</td>
</tr>
<tr>
<td>90</td>
<td>SRF Loan Job KW-27 Kaumualii Hwy 12&quot; Main Repl</td>
<td>$22,270.97</td>
<td></td>
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<td>53%</td>
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<tr>
<td>91</td>
<td>SRF Loan Job K-7, LO-13 Waha, Wawae &amp; Niho Rds</td>
<td>$153,883.08</td>
<td>$77,315.68</td>
<td></td>
<td>50%</td>
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<tr>
<td>92</td>
<td>DOW Bond Series 2010A</td>
<td>$2,920,880.60</td>
<td>$1,460,440.30</td>
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<td>50%</td>
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<tr>
<td>93</td>
<td>FmiHa $300,000 (25%) 20 year Bond</td>
<td>$18,825.00</td>
<td>$1,662.50</td>
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<td>9%</td>
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<tr>
<td>94</td>
<td>SRF Loan Job</td>
<td>$162,415.87</td>
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<td>95</td>
<td>SRF Loan Job Kapilinao 0.5 MG Tank</td>
<td>$145,847.00</td>
<td>$308,262.87</td>
<td>$153,364.69</td>
<td>100%</td>
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<td>97.1</td>
<td>DOW 2011A Series 2005A(2001A Refind)</td>
<td>$440,830.00</td>
<td>$440,830.00</td>
<td>$84,150.00</td>
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<td>DOW Bond 2001A Issue</td>
<td>$(440,830.00)</td>
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<td></td>
<td>Series 2005A Refunded</td>
<td>$672,819.00</td>
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<td>98</td>
<td>SRF Loan Job 97-1 Kokolau Tunnel Repairs</td>
<td>$128,168.93</td>
<td>$128,168.93</td>
<td>$63,739.80</td>
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<td>99</td>
<td>SRF Loan Job 96-4 Kapilinao Valley Well</td>
<td>$66,136.62</td>
<td>$34,757.23</td>
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<td>50%</td>
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<tr>
<td></td>
<td>rounding</td>
<td>$(362.78)</td>
<td></td>
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<td></td>
<td>Job KW-27</td>
<td>$(20,270.67)</td>
<td></td>
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<tr>
<td></td>
<td>Kapilinao 0.6 MG Tank</td>
<td>$(162,415.67)</td>
<td></td>
<td></td>
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<td></td>
<td>SRF Loan</td>
<td>$320,000.00</td>
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<tr>
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<td>TOTAL DEBT SERVICE REQ</td>
<td>$6,649,861.19</td>
<td>$3,935,355.49</td>
<td>$626,758.88</td>
<td>59%</td>
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<td></td>
<td>TOTAL SALARIES, NORMAL EXPENDITURES, AND DEBT SERVICE REQUIREMENTS:</td>
<td>$25,743,723.99</td>
<td>$9,974,119.96</td>
<td>$1,416,507.06</td>
<td>39%</td>
</tr>
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</table>

<p>| PROOF | $25,743,723.99 | $9,974,119.96 | $1,416,507.06 | | $15,769,604.03 |</p>
<table>
<thead>
<tr>
<th>ITEM</th>
<th>BUDGETED AMOUNT</th>
<th>TOTAL ACTUAL EXPENDITURES TO DATE</th>
<th>EXPENDITURES FOR THE MONTH</th>
<th>% BALANCE OF BUDGET OVER TOTAL ACTUAL EXPENDITURES</th>
</tr>
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<tbody>
<tr>
<td>06/30/11</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>101 Capital Improvements</td>
<td>$ (50,000.00)</td>
<td>$ 435,000.00</td>
<td>-</td>
<td>0% $ 355,000.00</td>
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<tr>
<td>101b Capital Rehabilitation</td>
<td>$ (129,471.19)</td>
<td>$ 3,216,244.00</td>
<td>-</td>
<td>0% $ 3,086,772.81</td>
</tr>
<tr>
<td>Misc. Other Capital Expenditures, OPS</td>
<td>$ 550,000.00</td>
<td>$ 113,145.59</td>
<td>$ 8,753.77</td>
<td>21% $ 438,854.41</td>
</tr>
<tr>
<td>(Lease Computers)</td>
<td>$ 621,701.00</td>
<td>$ 55,305.12</td>
<td>$ 5,883.64</td>
<td>9% $ 568,305.88</td>
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<tr>
<td>105 Recording Meters</td>
<td>$ -</td>
<td>$ -</td>
<td>-</td>
<td>-</td>
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<tr>
<td>106 Vehicles and Equipment</td>
<td>$ 328,000.00</td>
<td>$ 181,311.96</td>
<td>$ 16,078.02</td>
<td>55% $ 146,888.04</td>
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<tr>
<td>106b CIP Reserve Fund</td>
<td>$ 7,938,428.20</td>
<td>$ -</td>
<td>-</td>
<td>0% $ 7,938,428.20</td>
</tr>
<tr>
<td>ITEM</td>
<td>BUDGETED AMOUNT</td>
<td>TOTAL ACTUAL EXPENDITURES TO DATE</td>
<td>EXPENDITURES FOR THE MONTH</td>
<td>%</td>
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<tr>
<td>107</td>
<td>$160,000.00</td>
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<tr>
<td>370</td>
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<td>401</td>
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<td>464</td>
<td>$118,381.66</td>
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<tr>
<td>499</td>
<td>$4,900.00</td>
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<tr>
<td>519</td>
<td>$6,638.00</td>
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<tr>
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<td>BUDGETED AMOUNT</td>
<td>TOTAL ACTUAL EXPENDITURES TO DATE</td>
<td>EXPENDITURES FOR THE MONTH</td>
<td>%</td>
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<tr>
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<tr>
<td>578</td>
<td>$3,150.00</td>
<td>$3,150.00</td>
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<td>0%</td>
</tr>
<tr>
<td>586</td>
<td>$63,068.03</td>
<td>$30,448.51</td>
<td>$33%</td>
<td>$63,068.03</td>
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<td>587</td>
<td>$82,637.00</td>
<td>$1,700.00</td>
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<tr>
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<td>$0</td>
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<tr>
<td>591</td>
<td>$17,309.20</td>
<td>$12,290.00</td>
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<td>$76,949.94</td>
<td>$24,475.06</td>
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<tr>
<td>ITEM</td>
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<td>TOTAL ACTUAL EXPENDITURES TO DATE</td>
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<td>%</td>
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<tr>
<td>------</td>
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<tr>
<td>609</td>
<td>2/19/04 (101b) Con 429 Brown Caldwell</td>
<td>$1,874.43</td>
<td>6%</td>
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<tr>
<td></td>
<td>Job 03-02 HW-02, HW-03 A-04, KW-06 Renovations: Wainiha Booster, Haena Steel Tank, Anahola 0.15 MG Tank, Kekaha Shaft</td>
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<tr>
<td>610</td>
<td>2/27/04 (101) Con 429 Esaki Surveying</td>
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<tr>
<td></td>
<td>M-01, M-02 Job 02-11 Moloa 60,000 Gal SS Storage Tank</td>
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<td>618</td>
<td>9/30/04 (101) PLH-41 Contract 52243 Earthworks Pacific, Inc. Uluula &amp; Uluuli Rds; PRV, BP &amp; 6&quot; Main, Lihue</td>
<td>$21,049.14</td>
<td>53%</td>
<td>$19,009.33</td>
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<td>630</td>
<td>6/30/05 (101b, 106b) Con 447 Fukunaga &amp; Assoc WK-14 Job 04-02 Vivian Heights Main Rpl</td>
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<td>634</td>
<td>10/20/05 (101b) WK-30 Con 450 ParEn Inc. Job 04-03 Waipouli-Oloheha Rd. Pipeline</td>
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<td>9/07/05 (101b) Con 449 Hi Pacific Eng Inc KW-16 Job 05-01 Waimena Main Replacement</td>
<td>$6,269.25</td>
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<td>$5,878.00</td>
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<td>ITEM</td>
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<td>EXPENDITURES FOR THE MONTH</td>
<td>%</td>
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<td>636</td>
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<tr>
<td>10/25/05 (101b, 106b) Con 451 Bow Eng &amp; Dev PLH-12 Job 05-06 Elwa, Umi, Akahi, Elua, Hardy St. 8” Main Replacement</td>
<td></td>
<td>$11,126.50</td>
<td>42%</td>
<td>$15,277.60</td>
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<tr>
<td>638</td>
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<td>11/16/06 (101b, 106b) Con 453 Belt Collins Hi PLH-30 Job 05-05 Newill-will, Numalu &amp; Kupolo Main</td>
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<td>$4,500.00</td>
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<td>5/19/06 (101, 106b) Con 460 Brown &amp; Caldwell KW-25 Job 05-03 Kapilamao 0.5 MG Tank</td>
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<td>$5,775.00</td>
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<td>$5,775.00</td>
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<td>06/10/06 (101b) Con 462 Eng Solutions Inc now Kennedy/Jenks Consultant KW-05 KW-20 Job 04-06 Waiheke Well A &amp; Kekaha B</td>
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<td>$10,186.38</td>
<td>33%</td>
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<td>01/14/08 (101) Con 484 Wagner Eng. Services Job 02-01 Kukulolo Tank Site Exchange, Kalaheo</td>
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<td>TOTAL ACTUAL EXPENDITURES TO DATE</td>
<td>EXPENDITURES FOR THE MONTH</td>
<td>%</td>
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<td>576</td>
<td>$221,288.15</td>
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<td>ITEM</td>
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<tr>
<td>693</td>
<td>$7,650.00</td>
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<td>687</td>
<td>Con 507, Koga Engineering &amp; Construction, Job 02-03, KW-14 12&quot; W/L Kaumualii Hwy, Waimea</td>
<td>$817,259.94</td>
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<td></td>
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<td>Con 538, Esaki Surveying &amp; Mapping, Inc. Job 11-05, As Needed Surveying Services</td>
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<td>Con 545, AECOM Technical Service, Job 11-11, K-17, PLH-42 Water Treatment Facilities</td>
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<tr>
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<tr>
<td>TOTAL CAPITAL EXPENDITURES:</td>
<td>$17,539,421.75</td>
<td>$1,168,336.89</td>
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<td>TOTAL SALARIES, NORMAL EXPENDITURES, DEBT REQUIREMENTS AND CAPITAL EXPENDITURES:</td>
<td>$43,283,145.74</td>
<td>$11,142,456.85</td>
<td>$1,468,271.83</td>
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<td>EXPENDITURES FOR THE MONTH</td>
<td>%</td>
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<td>------</td>
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<tr>
<td>12/27/02 Contract #50153 Kodani &amp; Associates, Inc. Job 02-05 Ulaula Rd (Eleele) 12&quot; W/L; 8&quot; PRV, 400 gpm BP &amp; 6&quot; MIL Lihue Water System</td>
<td>$4,200.00</td>
<td>$</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>#</td>
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<tr>
<td>TOTAL:</td>
<td>$4,200.00</td>
<td>$</td>
<td>-</td>
<td>$</td>
</tr>
</tbody>
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STATEMENT OF REVENUES AND EXPENDITURES
FACILITIES RESERVE CHARGE FUND
December 31, 2011

REVENUES:
Cash on hand as of July 1, 2011 $ 4,367,931.68
Add: Revenues To Date $ 219,975.91
Sub-Total $ 4,587,907.59

EXPENDITURES:
Less: Expenditures To Date $ 21,693.30

BALANCE AT THE END OF THE MONTH $ 4,566,014.29

SHORT TERM INVESTMENTS-FRC
BANK OF HAWAII
CUSIP# $ -

CENTRAL PACIFIC BANK
CUSIP# $ -

FIRST HAWAIIAN BANK
CUSIP# T30020090 0.1500% INT. DUE 02/16/12 $ 500,000.00
CUSIP# $ -

MERRILL LYNCH
CUSIP# 313384FB7 0.1420% INT. DUE 09/14/12 $ 499,290.28

MULTI-BANK
CUSIP# 402194CU6 2.5000% INT. DUE 12/23/13 $ 240,000.00
CUSIP# 70455AAG5 2.3000% INT. DUE 12/31/12 $ 245,000.00
CUSIP# 36160VCH2 5.0000% INT. DUE 08/06/13 $ 97,000.00
CUSIP# 89214PAJ8 5.0000% INT. DUE 08/13/13 $ 97,000.00
CUSIP# 92705SAE3 1.5000% INT. DUE 06/17/09 $ 248,000.00
CUSIP# 70153RGT9 1.5000% INT. DUE 09/09/13 $ 248,000.00
CUSIP# 02004MN74 1.5000% INT. DUE 09/03/13 $ 248,000.00

TDI (CSA)
CUSIP#

VINING SPARKS
CUSIP#

TOTAL SHORT-TERM INVESTMENTS - FRC $ 2,423,290.28

CASH ON WITH TREASURER - COK $ 182,695.57
Claims Payable Paid 11/21/11
CASH ON HAND - FH8 Savings (30-288435) $ 1,960,025.44
Due from BAB Bond Fund
Less: CLAIMS PAYABLE PAID ON 11/30/11 $ - $ 2,142,724.01

CASH BALANCE AT THE END OF THE MONTH $ 4,566,014.29
## Facilities Reserve Charge

### Cash Receipts

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<thead>
<tr>
<th>Description</th>
<th>Budgeted Receipts</th>
<th>Actual Receipts to Date</th>
<th>Receipts for the Month</th>
<th>% Budget Elapsed</th>
<th>Balance of Budget over Actual Receipts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Cash Balance</td>
<td>$4,367,931.68</td>
<td>$</td>
<td>$</td>
<td></td>
<td>$4,367,931.68</td>
</tr>
<tr>
<td>(FRC Refunds)</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>4a Facilities Reserve Charge</td>
<td>$504,000.00</td>
<td>$202,100.00</td>
<td>$27,600.00</td>
<td>40%</td>
<td>$301,900.00</td>
</tr>
<tr>
<td>5a Interest Earned</td>
<td>$43,750.00</td>
<td>$17,875.91</td>
<td>$3,204.57</td>
<td>41%</td>
<td>$25,874.09</td>
</tr>
<tr>
<td>5b BAB Subsidy</td>
<td>$306,662.00</td>
<td></td>
<td></td>
<td>0%</td>
<td>$306,662.00</td>
</tr>
<tr>
<td><strong>Total Resources</strong></td>
<td><strong>$5,222,373.68</strong></td>
<td><strong>$219,976.91</strong></td>
<td><strong>$30,804.57</strong></td>
<td><strong>4%</strong></td>
<td><strong>$5,002,397.77</strong></td>
</tr>
</tbody>
</table>

### Capital Expenditures

<table>
<thead>
<tr>
<th>Description</th>
<th>Budgeted Amount</th>
<th>Actual Expenditures to Date</th>
<th>Expenditures for the Month</th>
<th>% Budget Elapsed</th>
<th>Balance of Budget over Total Actual Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>301 FRC CIP</td>
<td>$150,000.00</td>
<td>$</td>
<td>$</td>
<td>0%</td>
<td>$150,000.00</td>
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<tr>
<td>301b FRC Fund Balance</td>
<td>$2,295,461.48</td>
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<td>$</td>
<td>0%</td>
<td>$2,295,461.48</td>
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<tr>
<td>301c FRC Debt Service</td>
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<td>$</td>
<td>0%</td>
<td>$1,999,115.00</td>
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<tr>
<td>10/12/99</td>
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<td></td>
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</tr>
<tr>
<td>302 Contract #322</td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>GMP Assoc, Inc Job 87-1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poipu Storage Tank</td>
<td>$2,050.00</td>
<td>$</td>
<td>$</td>
<td>0%</td>
<td>$2,050.00</td>
</tr>
<tr>
<td>08/01/99</td>
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<tr>
<td>304 WK-21 Contract #345</td>
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</tr>
<tr>
<td>Fukunaga &amp; Assoc, Job 98-33 Wallua Well 3</td>
<td>$10,500.00</td>
<td>$</td>
<td>$</td>
<td>0%</td>
<td>$10,500.00</td>
</tr>
<tr>
<td>6/28/04 (301, 301b)</td>
<td></td>
<td></td>
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<tr>
<td>LO-04 Con #436 Fukunaga&amp; Assoc Inc Job 02-02</td>
<td>$500.00</td>
<td>$</td>
<td>$</td>
<td>0%</td>
<td>$500.00</td>
</tr>
<tr>
<td>Omao 0.5 MG Tank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>314</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>3/8/06 (301, 301b)</td>
<td></td>
<td></td>
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<tr>
<td>318 Con 457 Kodani &amp; Assoc Inc</td>
<td>$125,000.00</td>
<td>$</td>
<td>$</td>
<td>0%</td>
<td>$125,000.00</td>
</tr>
<tr>
<td>H-8 HW-12 Job 05-02 Drill &amp; Test Wainiha Well No. 4</td>
<td>$285,340.00</td>
<td>$</td>
<td>$</td>
<td>0%</td>
<td>$285,340.00</td>
</tr>
</tbody>
</table>

011 FRC BUDGET STATUS
<table>
<thead>
<tr>
<th>CAPITAL EXPENDITURES</th>
<th>BUDGETED AMOUNT</th>
<th>TOTAL ACTUAL EXPENDITURES TO DATE</th>
<th>EXPENDITURES FOR THE MONTH</th>
<th>%</th>
<th>BALANCE OF BUDGET OVER TOTAL ACTUAL EXPENDITURES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/17/2007 (301)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>321 Con 471 PORTech Eng. WK-23 Job 93-1 WaIua 250,000 MG Tank Survey</td>
<td>$28,187.00</td>
<td>$ -</td>
<td>$ -</td>
<td>0%</td>
<td>$28,187.00</td>
</tr>
<tr>
<td>7/19/07 (301, 301b)</td>
<td></td>
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<tr>
<td>322 Con 475 TOMCO Corp A-11 Pump Controls, Pmp Str &amp; Pipeline-Anahola Well #</td>
<td>$72,294.00</td>
<td>$ -</td>
<td>$ -</td>
<td>0%</td>
<td>$72,294.00</td>
</tr>
<tr>
<td>03/31/08 (301, 301b)</td>
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<tr>
<td>323 Con 488 HDR Engineering WK-39 Kapaa Hmtds Well No. 4 Drill &amp; Test</td>
<td>$138,843.30</td>
<td>$21,893.30</td>
<td></td>
<td>16%</td>
<td>$116,950.00</td>
</tr>
<tr>
<td>7/2/2008 (301)</td>
<td></td>
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<tr>
<td>324 Con 492 Earthworks Pacific WK-42 Phase II Offsite Waterline on Kaapuni Road for Stable Tank</td>
<td>$25,582.90</td>
<td>$ -</td>
<td>$ -</td>
<td>0%</td>
<td>$25,582.90</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL EXPENDITURES</td>
<td>$5,222,373.68</td>
<td>$21,893.30</td>
<td>$ -</td>
<td></td>
<td>$5,200,480.38</td>
</tr>
</tbody>
</table>
STATEMENT OF REVENUES AND EXPENDITURES
BOND FUND
December 31, 2011

REVENUES:
Cash on hand as of July 1, 2011 $ 401,056.43
Add: Revenues To Date
Sub-Total $ 401,056.43

EXPENDITURES:
Less: Expenditures To Date $ 401,056.43

BALANCE AT THE END OF THE MONTH

SHORT TERM INVESTMENTS - BOND

BANK OF HAWAII

FIRST HAWAIIAN BANK
CUSIP# $ -

TOTAL SHORT-TERM INVESTMENTS - BOND

CASH ON HAND WITH TREASURER - COK
Claims paid in October
LESS CLAIMS PAYABLE ON

BALANCE AT THE END OF THE MONTH $ - 0.00
<table>
<thead>
<tr>
<th>CASH RECEIPTS:</th>
<th>BUDGETED RECEIPTS</th>
<th>TOTAL ACTUAL RECEIPTS TO DATE</th>
<th>RECEIPTS FOR THE MONTH</th>
<th>%</th>
<th>BALANCE OF BUDGET OVER TOTAL ACTUAL RECEIPTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>BEGINNING CASH BALANCE</td>
<td>$ 401,056.43</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 401,056.43</td>
</tr>
<tr>
<td>TOTAL RESOURCES</td>
<td>$ 401,056.43</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CAPITAL EXPENDITURES:</th>
<th>BUDGETED AMOUNT</th>
<th>TOTAL ACTUAL EXPENDITURES TO DATE</th>
<th>EXPENDITURES FOR THE MONTH</th>
<th>%</th>
<th>BALANCE OF BUDGET OVER TOTAL ACTUAL EXPENDITURES</th>
</tr>
</thead>
<tbody>
<tr>
<td>201 Bond - CIP</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Con 518, Unlimited Builders, LLC Job 02-02, 326 Piwai 677&quot; 0.5 MG Storage Tank &amp; Connecting Pipeline, Lawai (part BAB)</td>
<td>$ 401,056.43</td>
<td>$ 401,056.43</td>
<td>$ -</td>
<td>100%</td>
<td>$ -</td>
</tr>
<tr>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>0%</td>
<td>$ -</td>
<td></td>
</tr>
<tr>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>0%</td>
<td>$ -</td>
<td></td>
</tr>
<tr>
<td>TOTAL EXPENDITURES</td>
<td>$ 401,056.43</td>
<td>$ 401,056.43</td>
<td>$ -</td>
<td>100%</td>
<td>$ -</td>
</tr>
</tbody>
</table>
STATEMENT OF REVENUES AND EXPENDITURES
BOND - BAB FUND
December 31, 2011

REVENUES:
Cash on hand as of July 1, 2011 $ 42,251,093.01
Add: Revenues To Date $ -
Sub-Total $ 42,251,093.01

EXPENDITURES:
Less: Expenditures To Date $ 5,192,396.58

BALANCE AT THE END OF THE MONTH $ 37,058,696.43

SHORT TERM INVESTMENTS - BOND
BANK OF HAWAII
FIRST HAWAIIAN BANK
CUSIP# 1062140 1.2840% INT. DUE 10/31/13 $ 38,000,000.00

TOTAL SHORT-TERM INVESTMENTS - BOND $ 38,000,000.00

CASH ON HAND WITH TREASURER - COK 12/31/11 118,263.60
Due to W/U - BAB 0.00
Due to W/U - BAB 0.00
Claims paid in November
LESS CLAIMS PAYABLE ON 12/31/11 (1,059,567.37) $(941,303.57)
BALANCE AT THE END OF THE MONTH $ 37,058,696.43
STATEMENT OF REVENUES AND EXPENDITURES
BOND - BAB FUND
December 31, 2011

REVENUES:
Cash on hand as of July 1, 2011 $ 42,251,093.01
Add: Revenues To Date $ -
Sub-Total $ 42,251,093.01

EXPENDITURES:
Less: Expenditures To Date $ 5,192,396.58

BALANCE AT THE END OF THE MONTH $ 37,058,696.43

SHORT TERM INVESTMENTS - BOND

BANK OF HAWAII

FIRST HAWAIIAN BANK
CUSIP# 1062140 1.2840% INT. DUE 10/31/13 $ 38,000,000.00

TOTAL SHORT-TERM INVESTMENTS - BOND $ 38,000,000.00

CASH ON HAND WITH TREASURER - COK 12/31/11 118,263.80
Due to W/U - BAB 0.00
Due to W/U - BAB 0.00

Claims paid in November
LESS CLAIMS PAYABLE ON 12/31/11 ($1,059,567.37) $(941,303.57)

BALANCE AT THE END OF THE MONTH $ 37,058,696.43
## BUILD AMERICA BONDS (BABS) - FUND

<table>
<thead>
<tr>
<th>CASH RECEIPTS:</th>
<th>BUDGETED RECEIPTS</th>
<th>TOTAL ACTUAL RECEIPTS TO DATE</th>
<th>RECEIPTS FOR THE MONTH</th>
<th>%</th>
<th>BALANCE OF BUDGET OVER TOTAL ACTUAL RECEIPTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>BEGINNING CASH BALANCE</td>
<td>$42,251,093.01</td>
<td>$ -</td>
<td>$ -</td>
<td>-</td>
<td>$42,251,093.01</td>
</tr>
<tr>
<td>Bond Proceeds</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>0%</td>
<td>$ -</td>
</tr>
<tr>
<td>Interest Income</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>TOTAL RESOURCES</td>
<td>$42,251,093.01</td>
<td>$ -</td>
<td>$ -</td>
<td>0%</td>
<td>$42,251,093.01</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CAPITAL EXPENDITURES:</th>
<th>BUDGETED AMOUNT</th>
<th>TOTAL ACTUAL EXPENDITURES TO DATE</th>
<th>EXPENDITURES FOR THE MONTH</th>
<th>%</th>
<th>BALANCE OF BUDGET OVER TOTAL ACTUAL EXPENDITURES</th>
</tr>
</thead>
<tbody>
<tr>
<td>201-01 BOND - BAB, CIP</td>
<td>$22,511,355.89</td>
<td>$ -</td>
<td>-</td>
<td>0%</td>
<td>$20,468,230.13</td>
</tr>
<tr>
<td>201-01 BOND - BAB, CIP</td>
<td>$ -</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$ -</td>
</tr>
<tr>
<td>216 Jennings Pacific, LLC</td>
<td>$966,251.51</td>
<td>$935,431.63</td>
<td>$242,293.80</td>
<td>97%</td>
<td>$30,819.88</td>
</tr>
<tr>
<td>5/11/10 CON 514</td>
<td>$615,642.01</td>
<td>$182,769.00</td>
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<td>30%</td>
<td>$432,843.01</td>
</tr>
<tr>
<td>5/30/10 CON 516</td>
<td>$2,011,069.79</td>
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<td>0%</td>
<td>$2,011,069.79</td>
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<tr>
<td>5/11/09 CON 504 Goodfellow Bros., Inc.</td>
<td>$112,544.24</td>
<td>$ -</td>
<td></td>
<td>0%</td>
<td>$112,544.24</td>
</tr>
<tr>
<td>684 Koga Engineering &amp; Const.</td>
<td>$8,796.00</td>
<td>$1,279,288.06</td>
<td>$1,279,288.06</td>
<td>0%</td>
<td>$8,796.00</td>
</tr>
<tr>
<td>9/30/10 Con 520 (201-01) Fukanaga &amp; Associates</td>
<td>$665,360.00</td>
<td>$331,800.00</td>
<td>$331,800.00</td>
<td>50%</td>
<td>$333,560.00</td>
</tr>
<tr>
<td>9/30/10 Con 519 (201-01)</td>
<td>$14,102.70</td>
<td>$ -</td>
<td></td>
<td>0%</td>
<td>$14,102.70</td>
</tr>
<tr>
<td>TOTAL EXPENDITURES</td>
<td>$24,861,966.38</td>
<td>$1,450,030.63</td>
<td>$381,993.80</td>
<td>6%</td>
<td>$23,411,836.75</td>
</tr>
</tbody>
</table>
## BUILD AMERICA BONDS (BABs) - FUND

<table>
<thead>
<tr>
<th>CAPITAL EXPENDITURES:</th>
<th>BUDGETED AMOUNT</th>
<th>TOTAL ACTUAL EXPENDITURES TO DATE</th>
<th>EXPENDITURES FOR THE MONTH</th>
<th>%</th>
<th>BALANCE OF BUDGET OVER TOTAL ACTUAL EXPENDITURES</th>
</tr>
</thead>
<tbody>
<tr>
<td>223 10/31/10 Con 523 (201-01) BCP Constr. Of Hawaii Job 06-06, P:H-25 Elwa, Umi, Akahi., 8&quot; ML Repl</td>
<td>$2,027,665.69</td>
<td>$759,320.91</td>
<td>$108,460.97</td>
<td>37%</td>
<td>$1,268,344.78</td>
</tr>
<tr>
<td>224 10/31/10 Con 524 (201-01) Koga Eng. &amp; Constr., Inc. Job 02-16, WP 2020 Proj WK 36, Pipeline Repl along Waialua Ohana, Anoiani &amp; Kukui Rds.</td>
<td>$1,045,800.00</td>
<td>$1,045,800.00</td>
<td>0%</td>
<td>0%</td>
<td>$1,045,800.00</td>
</tr>
<tr>
<td>225 Con 405 3rd n 4th Amm Kodani &amp; Associates, Inc. Job 02-19, KW-12 Waipouli Main Repl Waialua-Kapaa</td>
<td>$13,540.00</td>
<td>$6,170.00</td>
<td>46%</td>
<td>$7,370.00</td>
<td></td>
</tr>
<tr>
<td>227 Con 525 KW-20 R. Electric</td>
<td>$60,000.00</td>
<td>$247,662.20</td>
<td>47%</td>
<td>$341,391.15</td>
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</tr>
<tr>
<td>326 Con # 518 (LO-04) Unlimited Builders, LLC Job #02-02, Pihiwal 677&quot; 0.5MG Storage Tank and Connecting Pipeline - Lawai</td>
<td>$725,382.16</td>
<td>$561,183.47</td>
<td>$118,040.33</td>
<td>77%</td>
<td>$164,198.69</td>
</tr>
<tr>
<td>592 6/28/11 Con 409 Esaki Surveying &amp; Mapping, Inc.; Job 02-16, WK-36, P/L replace - Waialua</td>
<td>$100,000.00</td>
<td>$100,000.00</td>
<td>$100,000.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>230 Con 529 (201-01) Oceanic Company, Inc. Job 02-08, HE-08 Rehabilitation of Eleele Twin 0.4 MG Steel Tanks</td>
<td>$1,718,184.96</td>
<td>$447,044.19</td>
<td>25%</td>
<td>$1,271,140.77</td>
<td></td>
</tr>
<tr>
<td>440 Con 440 Kodani &amp; Associates, Inc. Kilauea 1.0 MG Tank and Pipeline, Ph I (fr WJU)</td>
<td>$201,500.00</td>
<td>$88,325.00</td>
<td>$289,825.00</td>
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</tr>
<tr>
<td>621 Con 436 Fukunaga &amp; Associates Job 02-02 (LO-04) Omao 0.5 MG Tank (fr FRC)</td>
<td>$62,996.00</td>
<td>$62,996.00</td>
<td>$62,996.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SUB - TOTAL</td>
<td>$6,572,447.16</td>
<td>$2,021,380.77</td>
<td>$226,501.30</td>
<td>$4,551,066.39</td>
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</tr>
<tr>
<td>CAPITAL EXPENDITURES:</td>
<td>BUDGETED AMOUNT</td>
<td>TOTAL ACTUAL EXPENDITURES TO DATE</td>
<td>EXPENDITURES FOR THE MONTH</td>
<td>% Budget Elapsed</td>
<td>BALANCE OF BUDGET OVER TOTAL ACTUAL EXPENDITURES</td>
</tr>
<tr>
<td>-----------------------</td>
<td>-----------------</td>
<td>----------------------------------</td>
<td>---------------------------</td>
<td>-----------------</td>
<td>-----------------------------------------------</td>
</tr>
<tr>
<td>Con 530 (201-01)</td>
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<td></td>
</tr>
<tr>
<td>Job 02-19, WK-12</td>
<td>$2,045,000.00</td>
<td>$464,424.00</td>
<td>$116,858.48</td>
<td>23%</td>
<td>$1,580,576.00</td>
</tr>
<tr>
<td>Waipouli Main Replacement</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Con 427 (201-01)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Belt Collins Hawaii, Ltd.</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Job 02-14, Kapaa Hnstds</td>
<td>$74,965.54</td>
<td>$23,068.79</td>
<td></td>
<td>31%</td>
<td>$51,896.75</td>
</tr>
<tr>
<td>0.5 MG Storage Tank &amp; Kapahi 1.0 MG Storg Tank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Con 427 (201-01)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Belt Collins Hawaii, Ltd.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job 02-14, Kapaa Hnstds</td>
<td>$(8,028.00)</td>
<td>$(8,028.00)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.5 MG Storage Tank &amp; Kapahi 1.0 MG Storg Tank</td>
<td>$33,950.00</td>
<td>$-</td>
<td></td>
<td></td>
<td>$25,922.00</td>
</tr>
<tr>
<td>Con 533 (201-01)</td>
<td></td>
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<td></td>
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<tr>
<td>Belt Collins Hawaii, Ltd.</td>
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<tr>
<td>Job K-01, K-12, Kaliheo 1111' and 1222' Water System Improvements</td>
<td>$971,715.72</td>
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<td>$836,687.01</td>
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<td>Goodfellow Brothers, Inc.</td>
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<td>Job 04-00, KW-05, Kekaha Well 'B' Renovations</td>
<td>$42,760.82</td>
<td>$262,036.12</td>
<td>$104,915.31</td>
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<td>$199,881.63</td>
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<td>Job 05-05, PLH-30, Niulalu &amp; Kupolo 6-inch, 8-inch and 12&quot; Main Replacement PH I</td>
<td>$3,202,500.00</td>
<td>$873,886.95</td>
<td>$249,366.45</td>
<td>27%</td>
<td>$2,328,613.05</td>
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<td>Job 10-02, MOA Dept of Transportation/Ki'iwit-Kaumualii Hwy widening, Anonul Rd and Lihue Mill Bridge</td>
<td>$151,027.27</td>
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<td>0%</td>
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<tr>
<td>6/28/2011 (201-01)</td>
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<td>Con 536</td>
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<tr>
<td>Eseki Surveying &amp; Mapping, Inc., Job 11-02, PLH-01a Replace Grove Farm Tanks #1 &amp; #2</td>
<td></td>
<td></td>
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<td>26%</td>
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<tr>
<td>$129,603.00</td>
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<td>$39,332,123.01</td>
<td>$5,192,396.58</td>
<td>$1,058,567.37</td>
<td></td>
<td></td>
<td>$34,139,726.43</td>
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</tbody>
</table>

TOTAL EXPENDITURES | $39,332,123.01 | $5,192,396.58 | $1,058,567.37 | $34,139,726.43 |
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<tr>
<th>CAPITAL EXPENDITURES:</th>
<th>BUDGETED AMOUNT</th>
<th>TOTAL ACTUAL EXPENDITURE TO DATE</th>
<th>EXPENDITURE FOR THE MONTH</th>
<th>%</th>
<th>BALANCE OF BUDGET OVER TOTAL ACTUAL EXPENDITURES</th>
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<td>Con 542, (201-01)</td>
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<td>MEI Corporation</td>
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<td>xxx</td>
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<td>TOTAL EXPENDITURES</td>
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<td>$1,059,567.37</td>
<td>$37,088,696.43</td>
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</table>
DEPARTMENT OF WATER
County of Kaua‘i

"Water has no Substitute – Conserve it!"

PR SPECIALIST REPORT

February 23, 2012

**Press Releases:** A release was sent out regarding the Board and Manager recognizing our Employees of the 4th Quarter, Warren Rita, Alan Iwasaki, Raymond Chow, Corey Silva, Darren Lizama, Randy Watanabe and Kevin Pongasi.

The Piwai Tank blessing and dedication appeared in the front page of The Garden Island. Board Chair Daryl Kaneshiro opened the program by welcoming the group. Other speakers were, Mayor Bernard Carvalho Jr., Council Chair Jay Farfaro, Project Manager Dustin Moises, and Kahu Kahaunaele who presided over the blessing and dedication. Kudos to Joy Buccafurt for organizing the event and mahalo to her helpers, Koni Silva, Craig Shirai, Bill Eddy, Ryan Smith, Val Reyna, Dustin Moises and Faith Shiramizu.

A blessing is scheduled for Tuesday, February 28th for Job No. 02-16 (WK-36) Pipeline replacement along Kuamoo and Wailua Roads, ‘Ohana and Analani Streets and Lehua Lane. Post card notifications for this project will also be sent to affected customers.

**Department of Health:** Management and several staff members met with representatives from the EPA and DOH Safe Drinking Water Branch regarding the State Revolving Fund as part of their statewide tour. Gary Gill, Deputy Director of the Environmental Health Administration, welcomed everyone and expressed how important it is to spend down the funds that have been allocated for projects. Susan Polanco de Couet, Environmental Protection Specialist from the EPA, emphasized the importance of submitting requests for reimbursement to demonstrate activity with the funds. Alain Carey from the SRF office updated the group on the new loan fee structure for DWSRF loans and principal forgiveness funds available for Green Project Reserve (GRF) projects.

Bill tasked the engineers to complete project proposals to be added to the DWSRF Priority List for 2013. They were submitted to DOH by Bill.

I also met with Dan Chang to discuss the Wellhead Protection Plan as well as other grant funding opportunities.

**County Green Team:** The County Green Team in their past two meetings has created a list of suggestions to improve resource use in county operations. Four projects of the 13 were selected to be presented to the Mayor.

**Blackboard Connect CTY:** Joy and I participated in a Webinar regarding the new Blackboard Connect 5 program. This new program is supposed to make it easier and quicker to send out emergency messages. The county has not signed on for it yet and is getting input from county users that have participated in the webinar.

**DOW Activities:** The Fitness Program set up by the department will be concluding at the end of February. All participants have filled out an evaluation/survey about their current and possible future participation in the program. We will meet to discuss future options for this program.
The Fun Committee has planned a picnic in Poʻipū for Sunday, March 25th. Board members, please call or see Carol Beardmore for more information and to sign up.

**State Collaboration:** All of the counties will be partnering with HBWS in the summer water conservation promotion. MOA’s have been executed which will have our logo included in the television conservation ads as well as allow us access to use the material for local advertising.

All of the counties along with CWRM and HRWA are sending out a unified message to promote Detect-A-Leak Week. In addition, we are working with our Mayors to have Proclamations done for our respective counties to help promote the detection and fixing of leaks.

I attended a Commercial, Institutional and Industrial (CII) Customer Water Use Efficiency Survey Training with Virgil Kapanui and Chris Nakamura from operations. The training, sponsored by HBWS, was conducted by Maddaus Water Management out of California. (They have written many of the books and manuals sold by the AWWA Bookstore.) Because it was a hands on workshop, the space was limited and we were lucky to able to have three of us attend. They provided instruction and then field trips where a water use efficiency survey was actually conducted by the participants. We were able to practice measuring and inputting the results onto our laptops using a program they provided. The workshop and survey was conducted at the Hawai‘i Prince Hotel Waikīkī where three of their staff were dedicated to this group and escorted as well as answered questions for the three groups that were allowed access to areas of the hotel normally restricted to employees only.

**DBEDT - LEAD BY EXAMPLE Program:** The timing of the CII workshop was perfect as we begin the process of enrolling in the Lead By Example for Government Program. The CII training was organized so there will be people in the state that can assist DBEDT with the water portion of this program which covers: Recycling and Waste Reduction, Energy Conservation, Water Conservation, and Pollution Prevention. By going through this process, it will not only help us to make adjustments to save in these areas which in turn should cut back on our expenditures but it can also assist us in determining areas that we can improve or adjust with the plans for our new building.

**Backflow Preventer Letters to Waiakalua Customers:** The WRP staff has been doing an outstanding job of working with customers required to install backflow preventers. As updates are provided, Joy has been working diligently to keep Representative Kawakami, Mayor Carvalho and members of the County Council apprised of the status on this project.

**Testimony for HB2832:** Submitted testimony in support of House Bill 2832 relating to drought mitigation, which could provide funding for various drought mitigation measures pertaining to Agriculture.

Respectfully submitted,

Faith Shiramizu
Public Relations Specialist

FS/cab
Mgrrp/PR Specialist Report (2-23-12):cab
Operations Division Report for the Month of January 2012

Personnel

- Utility worker will be retiring effective March 1, 2012

- New Pipefitter Helper to start February 1, 2012

- Please see the attached labor report for Operations Division as compiled by the Fiscal Division.

Source and Storage

- Monitoring of AMFAC shaft on-going. Pumping is done intermittently to conserve on gas consumption of the generator as well as overtime work during the weekend.

- Corrective actions to address significant deficiencies and recommendations by the sanitary survey inspector commenced and are on-going.

Distribution

- Operations crews continue to perform leak repair of service laterals and mainlines damaged by contractors of Water Plan 2020.

- Twenty five (25) new residential water meters were installed and eleven (11) residential water meters were replaced per customers’ request while two (2) temporary hydrant meters we installed.

Fleet, Inventory, Warehouse and Baseyard Area

- We received a total of 22 calls from customers reporting leaks on the mainline, service laterals, meters, and fire hydrants including 5 called-in complaints of low water pressure and 3 calls for no water.
### Work Orders by Job Reason Code for Selected Date Range

01/01/2011 to 01/31/2012

<table>
<thead>
<tr>
<th># of W/O's</th>
<th>Job Reason Code</th>
<th>Description</th>
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<td>26</td>
<td>LEAK-BOX</td>
<td>Meter Box Leak Repair</td>
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<tr>
<td>32</td>
<td>LEAK-CUST</td>
<td>Customer-Side Leak Repair</td>
</tr>
<tr>
<td>143</td>
<td>LEAK-MAIN</td>
<td>Mainline Leak Repair</td>
</tr>
<tr>
<td>195</td>
<td>LEAK-S/L</td>
<td>Service Lateral Leak Repair</td>
</tr>
</tbody>
</table>

#### Work Orders by Job Reason Code

![Pie Chart](chart.png)

- LEAK-BOX: 6.8%
- LEAK-CUST: 8.1%
- LEAK-MAIN: 36.1%
- LEAK-S/L: 49.2%
- Total: 100.0%

#### Number of Leak Repairs per Month

![Line Chart](chart2.png)

- LEAK-BOX
- LEAK-CUST
- LEAK-MAIN
- LEAK-S/L
<table>
<thead>
<tr>
<th>Recommended Tentative Approval</th>
<th>Subdivision Report</th>
<th>Date</th>
<th>Applicant</th>
<th>Application Number</th>
<th>Response Date</th>
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</thead>
<tbody>
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<td>Recommended Tentative Approval</td>
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<td>Patrick Ibbies</td>
<td>4-4-04:03-4-4-04:03-4-4-04:03-4-4-04:03</td>
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**January 2012 Updates/Recommendations**

**SUBJECT: MONTHLY SUBDIVISION SUMMARY**

FROM: Greg Fitzgerald, Water Resources and Planning Division

TO: David Credick, Manager & Chief Engineer

**MEMO**

February 23, 2012
MANAGER’S UPDATE

February 23, 2012

MANAGER’S UPDATE for JANUARY 2012 to FEBRUARY 2012

CONTRACTS AWARDED BY THE MANAGER:

Re: Water Plan 2020 Job No. K-05A, Kukuiolono 0.5 MG, 886’ Tank, Kauai, Hawaii

Contract was awarded to Esaki Surveying and Mapping, Inc. in the amount of $224,624.00.

FUNDING:

Water Plan 2020 Job No. K-05A, Kukuiolono 0.5 MG, 886’ Tank............................ $ 224,624.00
Contingency (~10%) ................................................................. $ 22,463.00
Total Requested from Account 201-01 Bond (BAB) ........................................ $ 247,087.00

BALANCE REMAINING (prior to subject fund request)

   BAB Fund Balance .............................................................. $19,771,411.45
   Total Requested from BAB Fund Balance ...................................... < $247,087.00>
   New BAB Fund Balance ....................................................... $19,524,324.45

PUMP INSTALLATION PERMITS:

None

WAIVER, RELEASE AND INDEMNITY AGREEMENTS SIGNED BY THE MANAGER:

None

PERSONNEL MATTERS UPDATE:

Updated February 10, 2012

RECRUITMENT AND POSITION CHANGES

Operations Division

1. Pipefitter #2418 and #2443. Received list of qualified applicants. Coordinating interview panel.
2. Lead Pipefitter #2481. DPS to re-post job announcement.
3. Water Service Investigator II #2486. DPS to re-post job announcement.
4. Water Field Operations Superintendent #2491. No action at this time.
5. Power Generator Repairer #2469. Preparing revised position description.
6. Plant Electrician #2457. No action.
7. Welder #2441. No action.
Fiscal Division
1. Accountant II (New) – Billing Section. Position descriptions being prepared.
3. Billing Section positions being updated due to upcoming implementation of new billing system. Continuing to review various positions’ position descriptions.

Engineering Division and Special Projects Division
1. Engineering, Construction Management (currently Special Projects) and Water Quality Divisions Re-Organization. Pending DPS status report.
3. Civil Engineer VI #2470 (Special Projects Division). Vacant. No action. Pending DPS Engineering Re-org review.
4. Civil Engineer II #2458 (Engineering Division). Future action on this position is pending DPS’s decision on requested action for CE II #2468.
5. Civil Engineer II #2468 (Engineering Division). Pending response from DPS.
6. Water Inspector II #2355 (Engineering Division). No names on eligible list. DPS to re-post job announcement.
7. Civil Engineer III #2360 (Water Resources and Planning Division). Received list of qualified eligibles. Coordinating interview panel.

Administration
1. Reallocation of Commission Support Clerk #2493 to Board Secretary. DPS to provide status report.
2. Reallocation of Private Secretary #E-35 to Private Secretary/Administration Office Manager. Pending DPS review and response.
3. Secretary #2354. Job announcement closed 1/27/2012. Pending list of eligibles from DPS.

SUMMARY OF WARRANT VOUCHERS PAID — January 31, 2012
Warrant vouchers were paid in the amount of $3,548,394.45.

Please see attached Warrant Vouchers Report.

STAFF REPORTS - FY 12:
Conveyance of Water Facility:

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<th>Name</th>
<th>TMK</th>
<th>Location</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Kimberly Johnson</td>
<td>2-4-13:010</td>
<td>Kalaheo</td>
<td>$1,875</td>
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<td>Total</td>
<td></td>
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<td>$1,875</td>
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TRIP TO WASHINGTON, DC - CONGRESSIONAL MEETINGS for NRWA

The training portion of work that Hawaii Rural Water does is now being bid out. Subject to the Administration budget there appears to be support for 2013 funding at last year’s level. The 2012 budget request was all funded except the Source Water Program. Hawaii was not in the program so nothing was lost when the Source Water Program was not funded.

The 2013 request was $15 million for technical assistance from USDA.

USDA Source Water Protection Program is $6.5 million.

EPA operator training is a $15 million competitive bid to group representing a majority of rural water and waste water systems with a national training program.

AFFORDABLE HOUSING UPDATE:

Update will be provided after the next Task Force Meeting is held.

Respectfully submitted,

David R. Craddick, P.E., C.E.M.
Manager and Chief Engineer

cab
Mgrrp/Manager’s Update (2-23-12): cab
DEPARTMENT OF WATER
Summary of Warrant Vouchers Paid
January 31, 2012

WATER UTILITY FUND
Other Expenses, Department of Water
Capital Expenditures $ 92,372.43
Other Expenses, Department of Water
Normal Expenditures $ 2,396,454.65
TOTAL WATER UTILITY FUND $ 2,488,827.08 $ 2,488,827.08

BOND FUND

TOTAL BOND FUND $ - $ -

FRC FUND

FRC REFUNDS $ - $ -
TOTAL FRC FUND $ - $ -

BOND - BAB
JENNINGS PACIFIC, LLC $ 242,293.80
EARTHWORKS PACIFIC, INC. $ 116,856.48
BCP CONSTRUCTION OF HAWAII, INC. $ 108,460.97
FUKUNAGA & ASSOCIATES, INC. $ 139,700.00
BELT COLLINS HAWAII, LTD. $ 25,257.06
GOODFELLOW BROTHERS, INC. $ 249,366.45
UNLIMITED BUILDERS, LLC. $ 118,040.33
ARCHITECTS HAWAII, LTD. $ 59,590.28
TOTAL BAB BOND FUND $ 1,059,567.37 $ 1,059,567.37

TOTAL CLAIMS PAYABLE $ 3,548,394.45

WATER UTILITY FUND
1/31/12 AP $ 2,488,827.08 $ 2,488,827.08

BOND FUND

FRC FUND

BOND - BAB:
1/31/12 AP $ 1,059,567.37 $ 1,059,567.37

BANK TRANSFER -

$ 3,548,394.45

Bank Transfer Adjustments:
Due to WRU - Transfer Adjustment

1 12 CLAIMS PAYABLE
<table>
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<td>CON 461 Four Winds Group MMIS Phases I &amp; II</td>
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<td>CONTRACTUAL SERVICES - ADMINISTRATION &amp; OFFICE</td>
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<td>SRF - 16&quot; WATERLINE ALONG KUHIO HWY, LEHO RD.</td>
<td>$90,345.52</td>
</tr>
<tr>
<td>The Bank of New York Mellon-Bond</td>
<td>$74,325.00</td>
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<tr>
<td>The Bank of New York Mellon-Bond SR 2005A</td>
<td>$74,993.75</td>
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<tr>
<td>SRF-Kekaha-Elepaio to Huakai Road</td>
<td>$166,073.93</td>
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<tr>
<td>SRF-Waha, Wawae and Niho Rds Main replacement</td>
<td>$76,567.40</td>
</tr>
<tr>
<td>The Bank of New York Mellon-BAB</td>
<td>$1,460,440.34</td>
</tr>
<tr>
<td>USDA Rural Development</td>
<td>$17,162.50</td>
</tr>
</tbody>
</table>

**TOTAL NORMAL EXPENDITURES** $2,396,454.65
DEPARTMENT OF WATER
WATER UTILITY FUND
RECAP OF CAPITAL EXPENDITURES
January 31, 2012

<table>
<thead>
<tr>
<th>CAPITAL EXPENDITURES:</th>
<th>BUDGET CODE</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAPITAL IMPROVEMENT PROJECTS</td>
<td>101</td>
<td></td>
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<tr>
<td>MISCELLANEOUS CAPITAL EXPENDITURES</td>
<td>102</td>
<td>$ 80,890.22</td>
</tr>
<tr>
<td>OFFICE &amp; ENGINEERING EQUIPMENT</td>
<td>103</td>
<td>$ 7,031.61</td>
</tr>
<tr>
<td>VEHICLES &amp; EQUIPMENT</td>
<td>106</td>
<td></td>
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<tr>
<td>CIP RESERVE</td>
<td>106B</td>
<td></td>
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<tr>
<td>PURCHASE OF METER &amp; METER BOXES</td>
<td>107</td>
<td></td>
</tr>
<tr>
<td><strong>SUB-TOTAL</strong></td>
<td></td>
<td><strong>$ 87,921.83</strong></td>
</tr>
</tbody>
</table>

**WATER UTILITY FUND**

| CON                                      | 451 BOW ENGINEERING & DEVELOPMENT INC. | 636 | $ 4,450.60 |
| CONTRACT PAYMENTS - WU                   |                                         |     |           |
| **TOTAL WATER UTILITY - CAPITAL EXPENDITURES** |                                     |     | **$ 92,372.43** |

**BOND**

| CON                                      |                                         |     |           |
| CONTRACT PAYMENTS - BOND:                |                                         |     |           |
| **FRC**                                  |                                         |     |           |
| Frc Refund -                             | 4a                                      |     |           |
| **FRC PAYMENTS**                         |                                         |     |           |

**BOND - BAB**

| CON                                      | 513 JENNINGS PACIFIC, LLC               | 218 | $ 242,293.80 |
| CON                                      | 520 FUKUNAGA & ASSOCIATES, INC.         | 221 | $ 139,700.00 |
| CON                                      | 523 BCP CONSTRUCTION OF HAWAII, INC.   | 223 | $ 108,460.97 |
| CON                                      | 530 EARTHWORKS PACIFIC, INC.           | 231 | $ 116,858.48 |
| CON                                      | 533 BELT COLLINS HAWAII, LTD.          | 233 | $ 25,257.05  |
| CON                                      | 534 GOODFELLOW BROTHERS, INC.          | 235 | $ 249,366.45 |
| CON                                      | 518 UNLIMITED BUILDERS, LLC.           | 326 | $ 118,040.33 |
| CON                                      | 692 ARCHITECTS HAWAII, LTD.            | 692 | $ 59,590.28  |
| **CONTRACT PAYMENTS - BAB**              |                                         |     | **$ 1,059,567.37** |
| **TOTAL CAPITAL EXPENDITURES**           |                                         |     | **$ 1,151,939.80** |
February 23, 2012

Re: 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).