

REGULAR MEETING
BOARD OF WATER SUPPLY
Tuesday, January 16, 2007

The Board of Water Supply, County of Kaua'i, met in regular meeting at its office in Lihu'e on Tuesday, January 16, 2007. Chairperson Lynn McCrory called the meeting to order at 10:15 a.m. Chair McCrory welcomed new Board Member Roy Oyama to the Board of Water Supply and looked forward to his contributions.

On roll call, the following answered present:

BOARD: Ms. Lynn McCrory, Chairperson
Mr. Ian Costa (present at about 10:30 a.m.)
Mr. Steven Kyono
Mr. Roy Oyama
Ms. Bernie Sakoda

Absent & Excused: Mr. Donald Fujimoto

STAFF: Ms. Wynne Ushigome
Mr. Paul Ganaden
Mr. Les Yoshioka
Mr. Gregg Fujikawa
Mr. Keith Fujimoto
Mr. Bruce Inouye
Ms. Amy Esaki
Deputy County Attorney James Tagupa

GUESTS: Ms. Tracy Nagata, DH Horton (present from about 10:43 a.m. to 11a.m.)
Mr. David Hinazumi, Grove Farm Co. (present from about 10:43 a.m. to 11 a.m.)
Mr. Dave Jochim, RW Beck

AGENDA

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

MINUTES

Ms. McCrory requested a correction on Page 4, 2nd paragraph from the bottom, 3rd sentence should read: The Board Personnel Committee will meet on a separate day from the regular Board Meeting and the meetings would need to be noticed per the Sunshine Law.

Ms. Sakoda moved to accept the Regular Meeting Minutes of December 14, 2006, as amended, and placed on file, seconded by Mr. Kyono; motion was carried.

CORRESPONDENCE/ANNOUNCEMENTS:

Re: Resignation Letter from Water Board Member Myles Shibata

Re: Affordable Housing Information from the Office of Community Assistance

Re: Press Release "Reminder" of the Water Rate Increase that was Effective January 1, 2007 in The Garden Island Newspaper on January 5, 2007

All Correspondence was received and place on file.

OLD BUSINESS

Re: Discussion and Action Steps concerning Selection Process for new Manager and Chief Engineer of the Kaua'i County Water Department 1) Water Manager's Salary Update and 2) Contract Hire to Assist the Acting Manager

- **Water Manager's Salary Update**

Based on the January 10, 2007 Council meeting agenda, Mayor Bryan Baptiste transmitted the following individuals for Council's confirmation onto the Salary Commission: Robert Crowell, Gini Kapali, Trinette Kauai, Thomas Cooper, Jonathan Chun, Randy Hee and Allan Smith. With the formation of the Salary Commission, the process can begin to move forward in formulating and providing a recommendation to Council before the March 15, 2007 deadline.

In anticipation of the salary commission's recommendations, the Department is reviewing the scope of services of our PR consultant's contract to determine whether a follow-up educational ad campaign could be developed to assist with the dissemination of information to the public. In case there is a need to acquire a PR firm, it would probably be done on an informal solicitation basis if the cost proposals are within the procurement threshold.

Chair McCrory clarified that this solicitation would be used to assist the salary review process in educating the public on the difficulty to acquire and retain qualified County personnel with the present low salaries. This campaign would educate the public and give them a comparison of salaries from the public and private entities.

Acting Manager Ushigome stated that the contract with PR consultant, Stryker, Weiner & Yokota may have expired and our Public Relations Specialist Shiramizu needed to review the present contract with Stryker, Weiner & Yokota to see if we could still include or amend our present contract and will then give them a call. Chair McCrory suggested that the consultant be contacted to verify if this is a valid type of campaign.

Deputy County Attorney Tagupa recommended that the DOW solicit again for a PR contract for the ad campaign relating to the Salary Commission. Chair McCrory concurred.

Chair McCrory discussed that she talked to County Clerk Peter Nakamura recently and there is a possibility that since there is a short fuse per the approved Charter Amendment for the Salary Commission to submit any recommendations to Council

that the Salary Commission may be requesting for an extension from March 31, 2007 to May 9, 2007. The proposed plan is to have the Salary Commission send their recommendation to the Council at the same time as the 2nd budget submittal from the Administration to the Council. The extension request is due to the time constraints of still not confirming the Salary Commission members, which would be done at the end of January, 2007.

Chair McCrory reported that she had met with Mayor Baptiste a couple of weeks or so ago and reminded him about the legal opinion that the Board received from Mr. Gary Slovin that the Board could enact a rule that would allow the Board to set the salaries of the Manager and Deputy Manager. Mayor Baptiste was not comfortable with the legal opinion so Chair McCrory will be having Mr. Slovin contact the Mayor on this matter.

In addition, the Department prepared a negative declaration for submittal to the Small Business Regulatory Review Board (SBRRB) and the Small Business Advisory Committee (SBAC), in the event the Salary Commission's efforts do not adequately provide a fair, equitable and competitive salary for the managers.

- **Contract Hire to Assist the Acting Manager**

Acting Manager Ushigome stated that the Department is preparing a solicitation notice to solicit professional service providers (a company) to assist with the management of the Department. As instructed, Acting Manager Ushigome prepared the solicitation notice; however, as she previously stated, she was very uncomfortable and reluctant to hire a consultant to manage the Department in a purely advisory capacity. Instead, she preferred to hire a temporary contract hire to assist her with completing various projects and tasks. Acting Manager Ushigome explained that the Board previously gave 2 options of either having a consultant management firm or an individual as an assistant that would be hired as an 89-day contract hire. Acting Manager Ushigome stated that she felt that she would not want to hire a consultant management firm as she would still be ultimately responsible for that firm's decisions.

Chair McCrory stated that the hiring of some assistance would help to start tackling the Council's concerns of the DOW.

She added that the Department is also preparing a solicitation notice to solicit legal services, jointly with the professional engineering, administrative and management support services.

Re: Discussion on the Engineering Division's Proposed Position Descriptions of the Two EM-5 Positions that were Approved at the October 17, 2006 Board Meeting for the Engineering Division 1) Request Board Approval of Funding of the 2nd EM-5 Position

Based on recommendations of the County Attorney, I have recused myself from all aspects of the job posting, discussions and advertisement process. Accordingly, the Board shall then be responsible for establishing a sub-committee to process and fill the vacancies. Tentatively, the sub-committee comprised of Steve Kyono, Bernie

Sakoda and Lynn McCrory is scheduled to meet on Tuesday, January 23, 2007 at 8:30 am, here at the Board meeting room.

Chair McCrory requested that all the previous documents to be re-distributed by Personnel Assistant Togioka prior to the Sub-Committee of the Whole at least about one week in advance. Chair McCrory also reminded the secretary to notice the Sub-Committee of the Whole. It was so noted.

Re: Quarterly Report on Manager's Top 4 Goals for Year 2007

Recommendation: Not Applicable

Project Funding: Not Applicable

Background:

Manager's Top 4 Goals for the Year 2007:

1. Fill key departmental vacancies and improve office work area (Admin)
2. Improve internal communications-Strategic Business Plan (Admin)
3. Install AMR system (Fiscal-Special Projects-Operations)
4. Develop the Water Use and Development Plan (Water Resources & Planning)

Departmental Vacancies

Current vacancies and status of the filling the positions:

Manager and Chief Engineer pending efforts to increase the salary/compensation
2 EM-5 Positions Board to establish sub-committee to review position descriptions
Waterworks Legal Advisor filled on November 27, 2006
Engineer/Planner July 2007
SCADA/Electronic Tech August 2007

With the recent vacancies in the Engineering Division, temporarily focused working with the Department's personnel assistant and DPS to advertise job announcements for waterworks inspector, and civil engineer positions.

Internal Communications

Assisted by our consultants RW Beck (through the strategic planning process), working on providing a monthly newsletter to our employees. As identified in the strategic planning discussions, we need to improve and facilitate communication between staff and provide feedback regularly.

Acting Manager Ushigome gave kudos to PR Specialist Shiramizu on her great newsletters to enhance our internal communications.

AMR System

The company protesting the bid did not submit an appeal to challenge the Department's determination and denial of protest claim. Pursuant to HRS Section 103D-709, the protester is entitled to file an appeal with the Department of Commerce and Consumer Affairs within 10 days of receipt of the notice. Since the

10-day appeal period has passed, the Department is proceeding to finalize a contract with the selected contractor. Currently, we are in the process of reviewing the Contractor's Detailed Scope of Work (DSOW) and preparing an installation work schedule for the AMR project.

Water Use and Development Plan

Based on our discussion with the State SDWB, source water protection funds may be eligible. At the October HWWA conference, Acting Manager Ushigome had the opportunity to speak with and update Dean Nakano from DLNR-Commission of Water Resources on the status of the County's Water Use and Development. He planned to come back to Kauai and was interested in discussing the plan's scope of work. She will continue to try to schedule a meeting with Dean prior to his departure to become the Deputy Manager at the Honolulu Board of Water Supply on February 1, 2007.

In compliance with the State Water Code, the Kauai Department of Water is tasked with the responsibility to prepare the County's Water Use and Development Plan (WUDP). The WUDP serves as a continuing (land use based) long-range guide for the water resource development for the County.

The Kauai WUDP will set forth "the allocation of water to land use" and needs to be adopted by ordinance and submitted to Commission on Water Resource Management for approval and adoption. We will need to identify stakeholder and provide public involvement in the development of the plan recommendations.

On query by Chair McCrory, Acting Manager Ushigome stated that she would be finalizing the review of the scope of work.

Re: Election of Officers – Request Board Approval for a New Water Board Secretary

Board Member Myles Shibata was elected Water Board Secretary at the December 14, 2006 Board Meeting; however, due to his recent resignation as a Board Member, a new Board Secretary needs to be elected for 2007.

As a result of Mr. Roy Oyama being nominated for the Board's Secretary position, Mr. Kyono moved to approve to have Mr. Roy Oyama as the Board's Secretary, seconded by Ms. Sakoda; motion was carried.

NEW BUSINESS

Re: Request to Testify by Ms. Tracy Nagata of DR Horton, Schuler Div., for Hookena at Puhi (Halelani IE), TMK: (4) 3-3-03: 036 Puhi, Kauai, Hawaii, to Receive Approval for the Issuance of the Permanent Water Meter for their Development

Ms. Tracy Nagata of DR Horton and Mr. David Hinazumi of Grove Farm were present at the meeting.

Acting Manager Ushigome gave the following report:

Recommendation: It was recommended that the Board deny DR Horton's request to receive approval for the issuance of the permanent water meter until all the required water improvements are completed and conveyed to the Department.

Funding: n/a

Discussion:

DR Horton, developers of the Hookena at Puhi requested the issuance of building permit(s) to begin construction of the multi-family condominiums. In order to begin construction, DR Horton requested and executed a Waiver, Release, and Indemnity Agreement with the Department and acknowledged all the required off-site water improvements have not yet been completed; however, the developers wanted to construct both the water facilities and the building structures concurrently.

In addition to the on-site water improvements, the developers specifically agreed and acknowledged that part of the required off-site water improvements for the Project that must be constructed and made operational is a potable water booster pump station and approximately 3,000 lineal feet of 16-inch waterline. The booster pump station referred to the Lihue to Puhi Booster Pump Station (BPS) in the Waiver, Release, and Indemnity Agreement as being constructed by Grove Farm Properties, Inc. DR Horton agreed that water meters and/or fire detector check meter shall not be provided by the Department of Water unless and until the Department accepts and approves all of the Project water improvements and off-site water improvements pursuant to the Department of Water's Rules and Regulations and the delivery of all as-built tracings, cost breakdown, conveyance documents, dedication deeds or easements required and completed by the developer of the property constructing such water improvements.

To date, the Department has not received assurance that the water system improvements are complete.

On query by Chair McCrory, Acting Manager Ushigome confirmed that the booster pump station and the transmission lines from Kilohana Tank to Kuhio Highway were Grove Farm's responsibility.

Ms. Tracy Nagata of DR Horton and Mr. Dave Hinazumi of Grove Farm were present to testify and/or answer any of the Board's questions.

Ms. Nagata thanked the Board for allowing them to be present at this meeting and to give them an update of DR Horton's project, Hookena at Puhi and Grove Farm's booster pump and transmission lines. She reviewed that she had appeared at a previous Board Meeting in August, 2006 and the Board had approved their Waiver, Release and Indemnity Agreement and their building permits. They had said that they would give the Board an update this month on the status of their project. They were at this meeting for that and for an issuance of a water meter.

Since August, 2006 they did get their final building permit for Hookena at Puhi and is now well into construction. For the eight (8) buildings that will be constructed, they

are now framing four (4) of their buildings, with one of the buildings with its roof. They are working off of a temporary hydrant water meter that is located offsite from this project. She appreciated that the DOW allowed them to do that. Their concern now is the issue of fire protection for their construction site, which is oblong shaped. Construction started at the entrance of the site closest to the temporary hydrant water meter and working its way further from the temporary hydrant water meter, which is a fire protection concern for their construction site.

Ms. Nagata further stated that before they can occupy the buildings the DOW and Board need to issue a water meter and provide a Certificate of Occupancy. She added that since the August, 2006 Board Meeting, Grove Farm has received approval of their booster pump drawings, sent out to bid, selected a contractor, and contracted with that company. The construction start date was suppose to be the day of the Board Meeting, January 16, 2007; however, the DOW notified them that they needed to schedule a pre-construction (pre-con) conference prior to their start date. They are hoping that the pre-con can be held soon with construction to start soon thereafter. The transmission lines have been designed and approved by the DOW and are presently at the Department of Transportation with forthcoming review by the Department of Health. The estimated time of final review is sometime next week and she stated that their contractor is ready to start the project once the pre-con is done. The time of completion is 120 days which would be sometime in May, 2007.

Ms. Nagata added that currently they expect the first building of their Hookena at Puhi project to be completed mid-April, 2007. They have started selling their units and are almost completely sold out. On query by Chair McCrory, Ms. Nagata stated that they went through the different phases of affordable requirements and are currently in the last phase that does have a buy-back restriction and restricted to Kauai residents. At the present time, all are at the same affordable price.

On query by Chair McCrory, Ms. Nagata stated that about the high 40s out of 56 units have been contracted.

Mr. Kyono asked Ms. Nagata what is not being addressed by not having the booster pump and the associated pipeline work done that has her asking for the issuance of a water meter. Acting Manager Ushigome stated this project's approval was based on getting water from the Surface Water Purification Facility (SWPF); however, without the booster pump being online, their project's water would be from the DOW's well sources and not from Grove Farm's SWPF. The hydraulic studies confirmed that a booster pump was necessary in order to service their project with water from the SWPF.

On query by Mr. Kyono, Acting Manager Ushigome stated that the problem is not fire protection as it would be serviced from our tanks but keeping up with the water demand. Grove Farm had shown that they have a source from the Hanamaulu SWPF that would be transmitted to Puhi, which the hydraulics study has shown that a booster pump would be required.

Acting Manager Ushigome reiterated that the Board previously approved the Waiver, Release and Indemnity Agreement as we were told that the water facilities would be

completed by March, 2007, which would coincide with the completion of the construction of their project. However, there seem to be a 3-month lag in the completion of the booster pump.

On query by Chair McCrory, Ms. Nagata stated that their project has one completed building and that their project is a multi-family project that would have one master water meter for the whole project.

Chair McCrory stated that it sounded like the booster pump is expected to be completed about April, 2007 with the project expected completion date to be soon after at about mid-May, 2007, which often with delays would probably have the booster pump and the project being completed about the same time.

On query by Mr. Kyono, Ms. Nagata thought that typically a fire hose can reach about 150 feet; therefore, fire hydrants are spaced about 300 feet apart so there is coverage; however, their project has extended about 400 feet further from the temporary fire hydrant that is located on the outskirts of their project.

Acting Manager Ushigome added that is why the DOW typically requires the water facilities to be constructed before the issuance of the project's building permits; however, with the owner/developer requesting advanced building permit, they agreed to sign the Waiver, Release and Indemnity Agreement, which indemnifies the DOW in case of fire.

Chair McCrory felt that although the Board would really want to help this project, DR Horton needed to complete the water requirements, which would probably be completed at the same time as their housing project.

Ms. Sakoda moved to approve the Department's recommendation to deny DR Horton's request for a permanent water meter, seconded by Mr. Oyama; motion was carried.

Ms. Nagata thanked the Board for taking the time to hear their request and Chair McCrory thanked Ms. Nagata for the update on their project as she is very excited for their project.

Ms. Nagata and Mr. Hinazumi left the meeting at about 11:00 a.m.

Re: Appointment of Finance and Rules Committees

Chair Lynn McCrory appointed Ms. Sakoda as Chair of the Rules Committee and Mr. Kyono as the Chair of the Finance Committee with all Board members to be part of both committees.

Mr. Costa moved to approve the appointments, seconded by Mr. Oyama; motion was carried.

Re: Request Board Approval to Form a Sub-Committee of the Whole, Reorganization Review Committee

Recommendation: It was recommended that the Board approval forming a sub-Committee of the Whole to review the proposed reorganization of Department. The sub-committee will review the affected position descriptions and prepare the necessary documentation to effectuate the reorganization process through the County Department of Personnel Services.

Funding: To be determined.

Discussion:

The Board's decision to reallocate the EM-7 (Engineering Division Chief's) position to an EM-5 and effectively creating a second EM-5 position was with the intent and background knowledge that the EM-7 position was formerly upgraded by combining two (2) separate EM-5 section functions. Based on the Board's explanation and discussion, they felt that the previous structure having two (2) EM-5s would assist the Department, since the Department is short staffed.

In addition, at the Board's request, RW Beck formalized and proposed another re-organizational structure to address the Board's desire to implement a WP2020 sustainability program within the Department. Based on this organizational structure, it seems new position descriptions may need to be developed to reflect the desired duties and responsibilities of these future positions.

On query by Chair Sokei, Acting Manager Ushigome stated that the staff would be available if this committee needed any type of assistance.

Mr. Bruce Inouye volunteered to assist the Sub-Committee with their process.

Mr. Kyono moved to approve the Board's Sub-Committee of the Whole, seconded by Ms. Sakoda; motion was carried.

Re: Job No. 97-11, 16-Inch Waterline Replacement along Kuhio Highway, N. Leho Drive to N. Papaloa Road, Wailua, Kaua'i, (Water Plan 2020 Project No. WK-03)

Mr. Inouye gave the following report and was available for questions.

Recommendation:

It was recommended that an amount of \$41,000.00 be budgeted from Account No. 106B, CIP Reserve to revise the size of the piping, valves and fittings for the waterline connection located at the junction of Kuhio Highway and Haleilio Road from 12-inches diameter to 16-inches diameter.

Project Funding:

Contract No. 446, Koga Engineering & Construction, Inc.

Total Funds Certified \$ 3,277,000.00

Koga Engineering & Construction, Inc. \$<3,252,505.00>

Balance Remaining \$ 24,495.00

Proposed Change Order\$< 62,335.65>

Contingency (5%) \$< 3,159.35>

Total <\$65,495.00>

Additional Funds Requested, Account No. 106B, CIP Reserve.....<\$41,000.00>

Background:

While the new 16-inch waterline was being installed, a discrepancy was noticed in the construction plans affecting the waterline connection located at the junction of Kuhio Highway and Haleilio Road. The waterline connection at the Haleilio Road junction will connect the new 16-inch ductile iron waterline located along Kuhio Highway to the existing 16-inch ductile iron waterline located along Haleilio Road. The material list on Sheet 7 of the plans was given to the Board to show the piping, valves and fittings for the waterline connection to be of 12-inch size; therefore, if followed, the two 16-inch waterlines will be connected with 12-inch piping, valves and fittings. The smaller 12-inch piping will create a restriction to the water flowing between the two 16-inch waterlines; therefore, it is recommended that the 12-inch diameter waterline material at the connection area be replaced with 16-inch diameter waterline material.

It is also recommended that the 12-inch tapping tee and the 12-inch tapping valve, which is shown on the waterline material list, be replaced with a 16-inch tee and a 16-inch resilient wedge gate valve w/ 3" bypass (instead of a 16-inch tapping tee and 16-inch tapping valve). The Department has the capability of performing live taps up to a maximum of 12-inches in diameter. If a 16-inch diameter live tap were to be performed, we will have to make special arrangements with the Honolulu Board of Water Supply to ship their tapping machine to Kauai and to fly the Honolulu BWS tapping crew to our island to operate their tapping machine. If a 16-inch tee and 16-inch resilient wedge gate valve is installed (instead of a 16-inch tapping tee and 16-inch tapping valve), we will have to perform a water shutdown to connect this material to the existing waterline; however a check of our water system maps indicate that only a relatively small number of consumers will be affected.

The plan discrepancy was discovered after some of the 12-inch waterline connection material was already installed along the new waterline at the Haleilio Road junction, therefore, whatever 12-inch material already installed would have to be removed and replaced.

On query by Mr. Kyono, Mr. Inouye stated that this was a design flaw by our consultant and they concur that it was their mistake. On query by Mr. Kyono, Mr. Inouye stated that the E&O insurance was not contacted. Mr. Kyono felt that since the DOW is only somewhat responsible for the design flaw that we should not have to pay the entire cost. Mr. Kyono explained that E&O insurance is an acronym for errors and omissions and a type of insurance that engineers are required to have.

The insurance company would be involved by checking the design plans and the review process and then some negotiations would take place to set the fault percentage of each party.

On query by Chair McCrory, Mr. Kyono stated that rarely does government entertain this E&O process but more common in the private sector.

Acting Manager Ushigome stated that the Department would look into this matter.

Chair McCrory asked if we would go through this E&O process would it assist the Department to have better plans down the road, as the consultant would be held accountable for their work.

Acting Manager Ushigome requested the Board's approval of this matter and the Department will work on settling this matter with the design consultant so that the construction would not be held up. Also since the sizing of the waterline needed to be corrected, the Board's approval of the funding would keep an ongoing process.

Mr. Costa moved to approve the Manager's recommendation and for the Department to pursue the E&O insurance process, seconded by Mr. Kyono.

Chair McCrory asked whether this was a large amount or not. Mr. Inouye stated that this additional cost was about 1% of the entire project cost. Mr. Inouye that normally the Department asks for 5% contingency but this project had only about 1% contingency.

Chair McCrory asked whether this error that we would use as an example or just to start discussions. Acting Manager Ushigome stated that she felt that going on merit this was a design oversight and should be handled as such.

Deputy County Attorney Tagupa stated that if the Department is going to make a claim that the consultant and his insurance company be notified in writing.

On query by Acting Manager Ushigome, Deputy County Attorney Tagupa stated that the Department could initiate informal discussion with the consultant first to see whether they would share the additional cost of the error. If that does not work, then a formal claim can be made with their insurance company.

Motion was carried.

Re: Conveyance of Water Facility from Michael M. Dyer and Charlene G. Dyer for the Kilauea Waterfall Farms Agricultural Condominium, Waipua Street, TMK: (4) 5-2-12:015, Kilauea, Kauai, Hawaii

Mr. Kyono moved to approve the Conveyance of Water Facility from Michael M. and Charlene G. Dyer, seconded by Ms. Sakoda; motion was carried.

Re: Conveyance of Water Facility from YMCA of Kauai for Zoning Permit Application Z-IV-2004-25, Nuhou Street, TMK: (4) 3-3-03:043, Puhi, Kauai, Hawaii

Mr. Kyono moved to approve the Conveyance of Water Facility from YMCA of Kauai, seconded by Ms. Sakoda; motion was carried.

Re: Right of Entry Agreement from Self-Help Housing Corporation of Hawaii, for Parcel 4 Subdivision, S-2004-34, TMK: (4) 3-3-03:040, Puhi, Kaua'i, Hawai'i

Mr. Inouye gave the following report.

It was recommended that the Right of Entry Agreement document be approved; whereby, Self-Help Housing Corporation of Hawaii, grants the Board, its officers, agents and employees, a right-of-entry over and across 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 S-2004-34, Parcel 4 Subdivision; Puhi Kauai, Hawaii.

Ms. Sakoda moved to approve the Right-of-Entry from the Self-Help Housing Corporation of Hawaii, seconded by Mr. Oyama; motion was carried.

Re: Conveyance of Water Facility from Phillip B. Stonich and Teresa M. Stonich, Lani Road, TMK: (4) 4-5-16:016, Kapaa, Kauai, Hawaii

Mr. Kyono moved to approve the Conveyance of Water Facility from Phillip B. Stonich and Teresa M. Stonich, seconded by Ms. Sakoda; motion was carried.

REPORTS

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

Waterworks Controller Ganaden stated that on Page 3, Line Item 53, Water Purchases, as of November, 2006 report, the DOW has an overrun of about \$266,000. He explained that it was due to when the budget was done it was budgeted to purchase water at 2 million gallons per day, which was the minimum per our agreement with Grove Farm. That would have calculated to 61 million gallons but actual use was about 84 million gallons.

Chair McCrory asked with this present water use overage where would we be getting the water once Grove Farm starts using their allotted 1.0 million gallons per day. Acting Manager Ushigome stated that the amount of water that the DOW purchases also is sold back to our customers as well as Grove Farm. On query by Chair McCrory, Acting Manager Ushigome stated that there has been no complaints so far that the DOW is using more than its allocation.

On query by Chair McCrory, Waterworks Controller Ganaden stated if our water usage continues at this pace, the budget would overrun about 60% over our budget by the end of the fiscal year or about \$2 million. On query by Chair McCrory, Waterworks Controller Ganaden stated that we are buying the water at \$1.48/1,000 gallons and we are selling it at \$2.45/1,000 gallons. Chair McCrory stated that it also explains the increase in water sales.

Received this report for the record.

Re: Manager's Update for December, 2006 to January, 2007

CONTRACTS AWARDED BY THE MANAGER: None.

PUMP INSTALLATION PERMITS SIGNED BY MANAGER: None.

WAIVER, RELEASE, AND INDEMNITY AGREEMENTS SIGNED BY THE MANAGER: YMCA of Kauai, Nuhou Street, TMK: (4) 3-3-03:043, Puhi, Kauai, Hawaii

Affordable Housing Update:

OCA-County Housing Agency forwarded the Administration's Affordable Housing Policy to the County Council for adoption. At the January 3, 2007 Council Committee Meeting, the OCA-Housing Administrator submitted a response letter providing the summary and history of the number of affordable housing units developed from 1975 to present. A copy of the OCA response letter is included for reference under Correspondence/Announcements.

Updates on Affordable Housing Task Force Projects:

1. DHHL – Anahola Residence Lots Unit 6, "Pi'ilani o Kekai, Phase 1: DOW waiting for DHHL's Right-of-Entry for Phase 1. Sample deeds with restrictions that water meter service will not available until the construction is completed have not been submitted to the Department for review.
2. Habitat - Eleele I Luna Subdivision Phase 1: Planning will be re-submitting pre-final maps to the Department.
3. Puhi Self Help Subdivision – DOW processing right-of-entry agreement from subdivider.
4. Kauai Lagoons – Waipouli Courtyard- DOW waiting for submittal of final tracings and payment of FRC. Kauai Lagoons submitted written request to DOW executed a Waiver, Release & Indemnity (WR&I) agreement (including posting a bond) with the Department.

On query by Chair McCrory, Mr. K. Fujimoto stated that they published FONSI on January 8, 2007. They are preparing the use permit application. On query by Chair McCrory, Mr. K. Fujimoto stated that he thinks that December, 2008 is still the target date for this project.

Chair McCrory added that she talked to Bernard Carvalho this morning and he confirmed that the County is still looking at December, 2008 as their deadline for the affordable housing projects.

Chair McCrory added that the County has a request for \$150,000 for consultant services up for approval at the next Council meeting. They want to combine the

Mahelona and Hundley projects, with the Kaapuni multi-family project to be separate. The Kekaha project would be separate.

On query by Acting Manager Ushigome, Mr. Costa stated that these projects would not have to go before the Land Use Commission, only the Planning Commission and Council.

On query by Acting Manager Ushigome, Mr. Costa stated that he felt that they have a hard task ahead of them in order to meet the December 2008 deadline. Mr. Costa suggested that they may want to do design/build instead of only design to expedite the process.

5. Kauai Lagoons – Kapule Project: No progress since last month.
6. KEO Transitional Housing Project Phase I & II: Phase 1 is completed. Phase II: DOW approved building permit for Phase II; however, certification of occupancy will not be issued prior to the completion and acceptance of the water system improvements. Final plan drawings need to be submitted to the Department.
7. Koheha Loa (Hanamaulu Triangle) – State LUC approved DOT and DOE amendments to the Lihue-Molokoa-Hanamaulu master plan area.
8. Kalepa Village Phase III & IV – Building permits for the 40 unit multi-family development is being routed to the various agencies for review.
8. County-State parcel affordable housing projects: Kekaha, Kaapuni, Mahelona, Hundley Project sites:
 - OHA approved preparation of MOU with County to allow affordable housing leases on State owned ceded lands.
 - Kaapuni and Mahelona \$150K money bill pending Council approval for RFP to hire a consultant for assessment of project sites.

Ms. Sakoda thanked Acting Manager Ushigome as the Department looked good as Councilman Furfaro was very complimentary at a previous Council Meeting on her prompt written response to his request. Acting Manager Ushigome stated that she did not have to appear at the Council Meeting as a previous agenda item took precedence and a while to finish so they accepted the written response.

Solicitation of Professional Services: Prepared the professional services solicitation for special counsel to assist the Department with representation in civil matters in the court system and legislature including but not limited to: administrative law, contract law, construction law, eminent domain, torts, workers compensation, securities law, labor and employment law.

Chair McCrory recommended that there be 2 separate requests in the RFP process as having only one request would eliminate the smaller firms from submitting proposals. She added that there are good lobbyists that are not attached to legal firms. For the legal services request to eliminate the word legislature and 2nd RFP request would state to request assistance with legislative bills and lobbying.

She discussed that there would be several legislative bills of concern that needs to be watched as it could benefit the County. One of the possible bills, among others,

would be from Senator Chun-Oakland, who plans to introduce this bill that would support a County Infrastructure Capacity Construction Loan Revolving Bill, which would setup a revolving fund for infrastructure.

On query by Chair McCrory, Acting Manager Ushigome stated that the norm is that the ad would run for 30 days with a deadline date thereafter and some review time would be needed, which would probably be about mid-March, 2007. Chair McCrory stated that it would be mid-legislative session by then and too late so she requested an expedited schedule. It was so noted. Waterworks Legal Advisor Esaki will verify the process and check the procurement rules and will work together with Acting Manager Ushigome on this matter.

2007 Legislative Session Proposed CIP Projects: On January 3rd, Paul and I attended the County Council meeting to discuss the upcoming legislative CIP project request for State aid. The Department prepared a written response to address Council member Furfaro's questions; fortunately, the Council received the writing correspondence for the record and the Department was not summons back for additional testimony.

On January 11th, Faith and I made a day-trip to meet with the various State Legislators to discuss our proposed CIP projects. Board Chair McCrory was also in town on another matter and she joined us at the State Capitol Building since her schedule was open.

Acting Manager Ushigome added that Rep. Roland Sagum is planning on adding a CIP project and request funds for plan, design and construction of a regional potable water system for the Kekaha/Waimea Water System.

Re: DOW Quarterly Projects Briefing

A written quarterly report of the status of the DOW's projects, along with an Executive Summary was given to the Board for their information.

Re: Public Relations Specialist's Monthly Update Regarding DOW Public Relation Activities

PR Specialist Shiramizu gave the following report:

Newsletter: Worked on the December issue of, *As the Water Flows*, with instruction and assistance from Sandi, and contributions by Wynne, Joey, Bruce, Keith F., Gregg, Carl, Les and Rona. We hope to feature our board members, divisions and staff in future newsletters to create an atmosphere of familiarity and improve communication. Although a lot of refining is needed in *As the Water Flows*, getting this bit of communication out now outweighs the need for perfection, which we will continue to strive for.

PR Specialist Shiramizu informed the Board members that she would be happy to include any of the Board's input in the newsletter so please let her know.

Employee Events: Distributed work shirts to employees in operations as well as staff that go out in the field. The work shirts with the Department logo are provided so the public can easily recognize our employees as they work in the various communities.

By request of several employees, a Christmas Potluck Party was planned for DOW employees and their families. We had 40-50 people come through, on Tuesday, December 19th, at the Pua Loke Park, enjoying great food, talking story and just hanging out together. We exchanged grab bags, sang a few holiday tunes before Santa's helper (Aunty Bekki) delivered gifts to the children. Everyone received a door prize, thanks to the generous cash donations from Wynne, Gregg, Les, Paul, Bruce, and Keitsu. Additional donations were made by Margie, Tess, Fay, Vicki and Faith. The tent was provided by Bekki and her ohana. Thanks to Tess, Peggy, Margie, Vicki and Fay for organizing our party! Thanks also, to everyone for attending our employee potluck, making it a fun and successful event!

Field Trip: Tagged along on a field trip with Wilcox School FSEA (Future Scientists & Engineers of America), led by Linda Sciaroni. Initially, the plan was to visit the Surface Water Treatment Facility; however, there was a last minute change of plans which took us to the Grove Farm Wastewater Treatment Plant, in Puhi, operated by Aqua Engineers. Although I looked forward to touring the Surface Water Treatment Facility, learning about the Wastewater Treatment Plant was also very interesting. It also afforded me the opportunity to get to learn of other ways Aqua Engineers reaches out to the community and how we can work more closely with them on community projects in the future.

Went on an outing with Keith Fujimoto to the Hapa Road Project and while out there, we also visited the Omao Tank. My plan is to go out on more field trips with engineers to become more familiar with the various projects.

Drinking Water State Revolving Fund: Continue to work with the Department of Health (DOH) to complete the Pre-award Compliance Review Report Form for the 16" Waterline Replacement along Poipu Road. Also assisting Goodfellow Bros. to complete the MBE/WBE form, which is the last piece that we need to submit to DOH.

Received for the record.

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

This matter was already taken care of in Committee Meetings.

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

This matter was already taken care of in Committee Meetings.

Mr. Kyono left the meeting at about 11:40 a.m. Recess: 11:40 a.m. to 12:27 p.m.

STRATEGIC AND BUSINESS PLAN AND NEEDS ASSESSMENT

Re: Update on the Strategic and Business Plan and Needs Assessment for the Kauai County Water Department

Mr. Dave Jochim of RW Beck was present at the meeting.

Acting Manager Ushigome gave the following update:

Strategic Plan Update: At its November meeting, the Board tasked RW Beck to provide a recommendation to reflect the Board's actions to downgrade the Engineering Division Chief's (EM-7) position to an EM-5 position and to create an additional EM-5 position. This information was presented at the December Board meeting; however, the consultant's recommendations were developed without review and input from the CPT. Since Board members were interested in receiving input and comments from the staff, it was decided to defer further discussions of the reorganization until the CPT had a chance to review and comment on the proposed RW Beck's recommendations.

The CPT met with RW Beck on Friday, December 15, 2006. A significant portion of the discussion focused on the proposed reorganization of the Department. The reorganization structure reflected the consultant's proposed CIP Sustainability Program and also identified the staffing plan (including the additional EM-5 position) within the Department's Table of Organization.

Based on the magnitude and number of comments received from the CPT, RW Beck will be present at the January Board meeting to provide and address concerns raised by the CPT. Of concern is the fact that the consultant's recommendations appear to have been provided without the involvement and discussions with the County Department of Personnel Services and the unions; therefore, how can the Department be assured that the reorganization envisioned is realistic and achievable? Mr. Jochim submitted a written summary of issues that were raised by the CPT with the questions or concerns and the response or suggested resolution that he will be going over later on at this meeting.

Water Plan 2020 Sustainability Program Implementation Plan: The implementation of the sustainability plan is contingent on effectuating the reorganization of the Department to incorporate the Sustainability Program. Based on the number of unanswered questions and clarifications requested by the Board, it is imperative that the Department and the Board continue to carefully review and further discuss RW Beck's sustainability program recommendations.

Mr. Dave Jochim was present to answer questions or provide clarification to the program objectives.

Mr. Jochim stated that there were 18 issues that were brought up by the CPT and only 2 of them were about the 2 EM-5 positions and the rest focused on the table of organization and the sustainability program. He gave an overview of the 18 issues to the Board.

1. Rate impacts: Can the DOW afford to implement the Water Plan 2020 Sustainability Program? RW Beck is still working on additional info for the Board to consider funding this program.
2. Pay parity: If DOW staff is doing the same work on the Program as the consultant staff, why will they not be paid the same? DOW staff salaries and fringe benefits are determined by civil service guidelines that also do not allow a different level of compensation based on specific job assignments.
3. Ensure that small local and State contractors are left out of the work on the Program.

Mr. Jochim stated that other organizations have addressed this concern through inclusion of requirements in the procurement documents that stipulate a minimum percentage or dollar volume of work that must be awarded to local or in-State contractors. These requirements must also be in compliance with applicable local and State laws.

4. DOW staff/program consultant staff reporting relationships: how/who sets priorities for DOW staff assigned to the Program? Mr. Jochim explained that the DOW staff/program consultant employee will work full time with the Program but the priorities will be set by the DOW.

What Department of Personnel Services (DPS) and/or union issues exist? They have not talked to DPS or union yet. Mr. Jochim felt that they would be ok with this Program as no jobs will be lost or eliminated and they are only for alternate means due to a lack of resources.

5. Sensitivity to Reflection on DOW Staff Skills: Several staff felt that by contracting out, the Board had “no confidence” in DOW staff and that the DOW staff did not have the skills to get the work done.

Mr. Jochim stated that is not the case with the Board; the Board recognizes that the implementation of the Program will require resources that exceed the DOW’s current ability to attract, hire and train sufficient internal staff to get the job done. The Board also recognizes that the DOW staff already has a high volume of work.

6. Loss of DOW staff to Program consultants/contractors: A “non-compete” clause is normally included in these types of agreements; whereby, the Program consultant, sub-consultants, and/or contractors cannot recruit and/or hire DOW staff during the term of their agreement with DOW and for one year thereafter.
7. What are the advantages of Alternative Project Delivery (APD)? A request was made by a CPT member to get a specific analysis to demonstrate the advantages of APD over conventional design-bid-build delivery methods, including providing examples (positive and negative) of similar approaches used elsewhere but not in Hawai’i as far as they know and none on Kaua’i. They did get a legal opinion that it was legal in the State of Hawai’i.

8. What are the consequences of non-performance by Program consultant if the APD process does not work? Mr. Jochim felt that they did their due diligence to research and support the APD process. They now need to develop the next step of layer of details. However, they feel that a possible solution in case the APD process does not work is to implement a modified design-bid-build approach.
9. Why not staff key Program positions with DOW staff instead of outside consultants?

Mr. Jochim stated that the answer to Issues 9, 10 and 11 are similar to Issue 5 that we have resources issues and an experience issue on leading this type of program that is worth hundreds of millions of dollars. Also, he felt that it would be better to bring outside expertise to setup project reporting and control type systems and procedures. The consultant would setup the program so the program consultant would work himself out of a job as a goal would be set when the DOW staff would take over the project report and control type systems and key positions.

10. How can DOW staff use the Program to learn new skills and create advancement opportunities?

Working with the Program consultants the DOW staff would gain knowledge, learn new skills and create advancement opportunities and the Program consultant would work itself out of a job as the DOW staff would eventually take over the Program leadership positions.

11. Capturing institutional knowledge from Program consultant. The DOW staff is concern about how to ensure that DOW retains institutional knowledge about its Program after the Program consultant leaves.

The planned approach would imbed Program institutional knowledge within the DOW and not with the Program consultant. One of the important elements of the Program execution plan is the development of standard processes, procedures, engineering details, specifications and business operations for the Program. These standards and business processes, in addition to drawings, documents, correspondence and other forms of communication will be captured and stored for efficient retrieval through the Program's document management system. These processes and systems will remain after the Program is completed.

12. Loss of dollars from the island and State. See Issue 3's response.
13. Perceptions regarding "privatization". Some staff felt that the Program as currently envisioned would enhance the perception that the Board is privatizing DOW.

Program management entails the temporary hiring of outside expertise to provide access to skills and resources not currently within the DOW, similar to

the hiring of outside legal counsel or design consultants. Program management is not privatization. Privatization entails the outright transfer of utility assets and responsibility for utility operation to a private entity. Capital facilities constructed as a result of the Water Plan 2020 Sustainability Program will belong to the DOW, as will full responsibility for management and operation of those facilities.

14. Procurement issues. Is the method of APD procurement being proposed by RW Beck legal? Has it been done in the State of Hawai'i and/or the County of Kaua'i? See Issue 7's response.

15. What is RW Beck's recommendation? RW Beck needs to assess rate impacts and other issues and recommend a course of action. See Issue 1's response.

A recommendation needs to be made in collaboration with the Board and key DOW staff, which a workshop is recommended as soon as possible to focus on resolution of key issues and develop a recommendation for implementation.

16. What if the proposed Sustainability Program is not approved? What is the alternative if DOW cannot afford to implement the Program as it is currently proposed? What then?

See Issue 1's response and stated that it is understood that the DOW can only implement what it can afford to pay for. The dilemma is that costs will only increase the longer the program is deferred so need to look at options to see how fast DOW can proceed

17. Re-create Special Projects and Design/Construction Divisions; create a 3rd EM-5 position for Water Plan 2020. Some staff felt that the Board should clarify its "go back in time" statement. It was also suggested that there should be 3 divisions, a Special Projects and Design & Construction Division and another EM-5 to oversee the Water Plan 2020 Projects.

The Board has previously stated its willingness to consider further changes down the road, including the possibility of having a 3rd EM-5 position. If an approach as described under Item No. 10 is taken, additional key positions will definitely be required within the DOW.

18. Presentation of the Table of Organization in the Strategic and Business Plan. Many CPT members felt that the Table of Organization in the Strategic and Business Plan should reflect their recommendations as a group prior to the Board's October 2006 action regarding the two EM-5 positions. The CPT recognizes that the Board has final authority in regard to the DOW Table of Organization.

Recognizing that the Strategic and Business Plan is a dynamic document that will be updated on an annual basis, one approach might be to include the Table of Organization originally proposed by the CPT, but to include text that recognizes organization issues are under flux, the Water Plan 2020

Sustainability Program may impact some organization issues, the DOW is still without a permanent Manager and that change will happen.

Acting Manager Ushigome concurred with Mr. Jochim that these were the major concerns of the CPT. She added that it may be unrealistic to solicit local contractors as they are very busy nowadays.

Chair McCrory added that if the local contractors got a heads up that this Program, it would be potentially for 10 -15 years with years of projects and it would be their choice if they would want to hire more people.

Mr. Jochim stated that when we get into the implementation stage, we may want to gather a little different group of people as we get into different types of things. It would still be important for the CPT to meet. Chair McCrory stated that RW Beck will be here all of this year so there would be opportunities for the CPT to meet.

Acting Manager Ushigome stated that this proposal would need to be reviewed by the Department of Personnel Services for input and buy-in as it is out of the box.

Chair McCrory added that she has been trying to contact Senator Inouye's Office for some federal monies that could help to finance our project, especially since Affordable Housing Projects will be included. She also stated that Councilman Jay Furfaro also did mention that the County should also chip in some funding to support the upcoming affordable housing projects that the DOW is also gearing up to work on the infrastructure.

Followup on the December 14, 2006 Board Meeting: Mr. Jochim gave a Powerpoint presentation.

Water Plan 2020 in 2001 had about 212 projects, with 14 projects completed, 21 projects underway, 44 projects added for a total of 221 projects; therefore, there are more projects now than in 2001. The value of these projects in 2001 dollars is about \$180 million. The DOW is currently accomplishing about \$3-5 million a year in CIP projects; therefore, if the DOW remains at this pace, it would take about 30-35 years to complete all of the projects.

RW Beck has been working on updating the capital costs and had been doing it over a 5-year, 10-year and 15-year time span.

| <u>Alternatives</u> | <u>Total Cost</u> | <u>Annual Cost</u> |
|---------------------|-------------------|--------------------|
| 5-year period | \$250 - \$360 | \$50-\$72 |
| 10-year period | \$250 - \$360 | \$25-\$36 |
| 15-year period | \$250 - \$360 | \$17-\$24 |

The plan to do all of the CIP projects is to cut the island in 3 parts: 1) Wailua/Kapaa to Wainiha/Hā'ena; 2) Puhi/Līhu'e/Hanamā'ulu to Wailua/Kapa'a; and 3) Waimea/Kekaha to Kōloa/Poi'pū. Then on a competitive basis a number of projects would be bid out in bundles of group of projects on a design-build process.

Mr. Jochim stated that if the Board decides on the 5-year alternative, there would be about a 25-30% water rate increase; the 10-year alternative, there would be about a 10-14% water rate increase; and the 15-year alternative, there would be about a 8% water rate increase. He added that any water rate increase with double digits would not go over well.

Mr. Jochim gave a summary of the previous financial projects done in 2005 when a rate study was done for a 5-year period until 2010 and the key thing was that the annual CIP dollars as part of this study was based on the DOW's current capacity to execute projects and not based on the accelerated program that we are talking about today. RW Beck looked at rates required to do about \$12 million a year CIP based on staff's estimate as a realistic number of projects to be done if they could get a little more help. However, they have since updated the Operations and Maintenance (O&M) costs since 2005 as they are now seeing an increase in O&M costs, like power costs, etc. They are also working on completing the Sustainability CIP Program.

On query by Chair McCrory, Mr. Jochim stated that based on the previous 2001 Water Plan 2020 analysis and doing \$150 million worth of CIP projects, the monthly water bill was projected to increase from about \$24 a month to about \$68 a month.

Mr. Jochim reviewed the strategies on how we can mitigate these rate impacts. One area is to look at the cost estimates. They have since looked at a number of additional cost indexes or methods of escalating these construction costs. They looked at 3 Oahu and 3 national indexes. They have plotted it and all the indexes that they looked at have put us in a cost range in 2006 dollars by \$225 to \$250 million worth of capital projects.

Mr. Jochim stated that typically design/build methods would create in cost efficiencies. The big efficiency is that by bundling these projects, we would get better economies of scale; they project about 10-15% cost efficiency. This would also improve the bidding environment, as bigger contractors will be interested in these projects for the long haul and would sharpen their pencils.

Mr. Jochim discussed that they are looking at some revised projections using the \$250 million program. So the strategies to look at to reduce the impact of increasing water rates are: 1) look at some longer term financing. Mr. Art Griffith of RW Beck looked at a 15 year program alternatives using the \$250 million CIP cost. He looked at the rate impacts would be using a 20-year debt and existing FRCs, which looks like about 270% increase over today. He then looked at a 30-year debt and increasing the FRC by 40%, which makes some difference but not a huge amount of difference but it helps; 2) They also looked at 3 different rate increase scenarios. They looked at maintaining the 8.5% increase that is currently in place out to 2011 and then the looked at 3 other scenarios, an increase of about 5% a year, at 7% a year and about 8% a year. Per Mr. Jochim, Mr. Griffith said that looking at the scenarios the amount of the program we could afford to build at the end of 2021 was: 1) with the 8.5% increase through 2010 and applying a 5% increase annually beyond that, we would be able to complete about 50% of the program by the end of the 15-year period; 2) with the 8.5% increase through 2010 and applying a 7% annual increase beyond that, we would be able to complete about 85% of the program by

the end of the 15-year period; and 3) with the 8.5% increase through 2010 and applying a 7.7% annual increase beyond that, we would be able to complete 100% of the program by the end of the 15-year period.

Mr. Jochim stated that looking at this information going forward, what kind of rate increase would be reasonable to be able to maintain on a consistent basis and to look at how much of the CIP projects can we accomplish in the 15-year period. He added that this does not mean that we only do only one-half of our CIP, what this means is that we only will half done in the first 15 years and then re-prioritizing projects and getting projects done beyond the 15 years.

Mr. Jochim stated that the last question is where do we go from here. He suggested scheduling a ½ day workshop in February with the Board and key staff members when Chair McCrory returns from vacation to through the different scenarios with the objective to identify a strategy or plan to move forward. Secondly, identify the internal leadership needed to move this forward in terms of the EM-5 positions and how this program will interface with the Department. He also reminded that the Department needed to brief the Council on this matter. Chair McCrory already told the Council that the DOW would brief them at the end of March, 2007.

Chair McCrory asked if there is no advantage to us either to bond for longer periods so that our rate increases need not go into effect and whether we can issue revenue bonds. Mr. Jochim stated that Mr. Griffith is still working with the County's Finance Director on this matter. Another issue Chair McCrory brought up was to seek additional funding via grants/low-interest loans to fund affordable housing projects.

Chair McCrory also stated that if the bonding capacity is there and available, it could probably lower the water rates. She added that once the Board has answers to these financial questions, then the workshop could be set.

On query by Chair McCrory, Waterworks Controller Ganaden stated that Mr. Richard Cuthbert of RW Beck is doing our Depreciation Study and will be reporting at our February 20, 2007 Board Meeting. Chair McCrory wanted to also hear this presentation before setting the workshop date.

On query by Chair McCrory, Chief of Operations Yoshioka stated that their Maintenance Management Information System (MMIS) keeps track of the areas that have had water leaks, etc. Chair McCrory stated that this report would help to re-evaluate the priority of the projects.

On query by Chair McCrory, Chief of Operations Yoshioka stated that the criteria for the prioritization of the projects were amount of repairs needed for the line, the size of the line in preparation for growth, and the age of the line.

Ms. Sakoda asked Chief of Operations Yoshioka to compile a report of waterline repairs that would assist them before they meet for their workshop. This would assist them to compare the high priority projects that required many repairs and the projects that are already on Water Plan 2020 list of projects. Chief of Operations Yoshioka added that the present high priority projects are already under design or scheduled for replacement.

Acting Manager Ushigome added her concern about bundling of projects that could be unrealistic to do a lot of construction at once as Kauai basically has only one road that would adversely affect motorists and businesses alike. So there needs to be a balance to what we need to do and to consider the daily living of our island's residents. Chair McCrory concurred and also stated that construction would probably be done at night. Acting Manager Ushigome noted that night work would also increase the cost of construction.

Chair McCrory suggested that the Department make a list of issues that we already know would create problems and we could give the contractors this list of community impacts as a heads up before they bid. Mr. Jochim added that these community impacts, restrictions, island protocol, etc. would be part of the procurement documents.

Mr. Jochim also reported that he would be meeting with DOW staff tomorrow on the County's affordable housing projects so there was nothing much to report today. He did mention that when they met last, there was some progress on some land acquisitions and right-of-entry issues.

Mr. Jochim stated that the Board had the final draft copy of the Strategic Planning document distributed to them at the meeting that they could review later. If they had any major comments, they could submit it to the Department and they would make the changes. They will be finalizing the document with the recognition that this is a fluid document that will never be perfect and will become obsolete upon its printing, that is why this document needs to be updated annually.

Mr. Jochim added that they had submitted a draft plan to Acting Manager Ushigome to be implementing the Strategic Plan. Ms. Lynn Adams will be temporarily located at the DOW for about a month to assist the DOW on the plan's implementation. She and others will return to the DOW on a regular basis for the next year for about a week or so at a time.

On query by Chair McCrory, Mr. Jochim stated that since the contract was signed, he would work on further paperwork for the time card study. Chair McCrory stated that she had to report back to the Council within 6 months on this time card study.

On query by Chair McCrory, Acting Manager Ushigome stated that RW Beck will be in contact with the Hawaii Employers' Council (HEC) to setup supervisory training. Chair McCrory also suggested that someone should attend the HEC's Intergenerational Training to help understand the different generations in the workplace and how they are motivated.

Chair McCrory stated that a comment from the Core Planning Team (CPT) was that the Board was not informed on what happened at the CPT Workshops; therefore, she requested to get copies for all of the Board of all the workshop minutes and newsletters that were generated from the workshops. It was so noted.

Chair McCrory also stated that she wanted all the new DOW employees to have the Who Moved My Cheese books, copies of the previous newsletters, and the

motivational speech from our PR Specialist Shiramizu since she is in charge of the CPT's Issue No. 1 on improving the DOW's morale.

Received for the record.

TOPICS FOR NEXT WATER BOARD MEETING

1. Board's Finance and Rules Committee Meetings
 - a. Presentation by our Auditors on the Department of Water's Draft Annual Audit for July 1, 2005 to June 30, 2006
2. DOW Depreciation and Capital Reserve Study

TOPICS FOR FUTURE WATER BOARD MEETINGS

1. Board's Finance and Rules Committee Meetings
2. Request to Testify by William C. Rita on their Water Requirement for Subdivision No. 2006-42, Lot 88A, Kalāheo Homestead, 1st Series, Kalāheo, Kaua'i, Hawai'i

NEXT WATER BOARD MEETINGS

1. Tuesday, February 20, 2007, 10:00 a.m.
2. Tuesday, March 20, 2007, 10:00 a.m.
3. Tuesday, April 17, 2007, 10:00 a.m.

WATER BOARD'S UPCOMING EVENTS

1. AWWA, HI Section Workshop on Kaua'i (February 21-22, 2007)
2. AWWA, HI Section Annual Conference at the Hawai'i Convention Center on O'ahu (May 23-25, 2007)
3. AWWA National Conference (June 24-28, 2007)

N. EXECUTIVE SESSION:

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

1. **Review of Executive Session Minutes: None.**
2. **There was no Executive Session Meeting.**

ES-1: Pursuant to Haw. Rev. Stat. §§92-4, 92-5(a)(4), the purpose of this executive session is to permit the Board of Water Supply to deliberate upon and consult with the Board's legal counsel on questions and issues relating to an agenda item.

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

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

ADJOURNMENT

There being no further business, Ms. Sakoda moved to adjourn the meeting at 1:45 p.m., seconded by Mr. Oyama; motion was carried.

Respectfully submitted,

Rona Miura, Secretary

APPROVED:

Wynne M. Ushigome
Acting Manager and Chief Engineer

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