BOARD OF WATER SUPPLY of the COUNTY OF KAU'A'I

REGULAR MEETING
Second Floor, Microbiology Lab Bldg
Kau'a'i County Department of Water
4398 Pua Loke Street, Līhu'e, Kaua'i, Hawai'i 96766

THURSDAY, JANUARY 26, 2012

8:40 a.m.
Or soon thereafter

A. CALL TO ORDER

B. ROLL CALL

C. ACCEPTANCE OF AGENDA

D. MEETING TRANSCRIPTS:
Review and approval of:
Special Board Meeting – December 8, 2011
Special Board Meeting – December 15, 2011
Regular Board Meeting – December 22, 2011

E. CORRESPONDENCE/ANNOUNCEMENTS
None

F. OLD BUSINESS

G. NEW BUSINESS
1. Election of Officers

2. Selection of Attendees for AWWA Conference ACE 12 – June 10-14, 2012, Dallas, Texas


G. NEW BUSINESS – contd.


6. Manager’s Report No. 12-56 - Determination of Reasonable Benefit from Expansion Project Impact Fees without establishing Benefit Zones and approval to have a public hearing on the matter

H. 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

QUARTERLY
1. Employee of the Quarter Award – Fourth Quarter
2. Project Status Update
3. Affordable Housing Update

I. EXECUTIVE SESSION

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

1. Pursuant to Haw. Rev. Stat. §§92-4 and 92-5(a)(4) the purpose of this executive session is to consult with the Board’s attorney on questions and issues pertaining to the Board’s powers, duties privileges, immunities, and liabilities as it relates to dual water systems.
   a. Dual Water Line Issues

J. TOPICS FOR NEXT WATER BOARD MEETING
1. County Human Resources Reorganization Issues

K. TOPICS FOR FUTURE WATER BOARD MEETINGS
1. Employee of the Year Resolution (March 2012)
2. Proposed Budget (March 2012)
3. Amend BAB Project List

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, Lihu‘e, Kauai. Our mailing address is P. O. Box 1706, Lihu‘e, HI 96766
L. **UPCOMING EVENTS**
1. AWWA – Hawaii Section Annual Conference – April 17-20, 2012, Honolulu, Hawaii
2. AWWA – ACE 12 – June 10-14, 2012, Dallas, Texas

M. **NEXT WATER BOARD MEETING**
1. Thursday, February 23, 2012, 10:00 a.m.
2. Thursday, March 22, 2012, 10:00 a.m.
3. Thursday, April 26, 2012, 10:00 a.m.
4. Thursday, May 24, 2012, 10:00 a.m.
5. Thursday, June 28, 2012, 10:00 a.m.
6. Thursday, July 26, 2012, 10:00 a.m.

N. **ADJOURNMENT**
Draft Minutes
COUNTY OF KAUA'I

BOARD OF WATER SUPPLY

RULES COMMITTEE MEETING

Thursday, December 8, 2011.

8:50 - 8:51 and 9:04 - 9:09 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
Michael Dahilig, Chair
Daryl Kaneshiro
Roy Oyama
Clyde Nakaya

STAFF:

David Craddick
Andrea Suzuki, Deputy County Attorney
Marites Yano
Faith Shiramizu
Dustin Moises
Keith Aoki
Gregg Fujikawa
William Eddy
RULES COMMITTEE MEETING

MR. DAHILIG: Call the Rules Committee Meeting of the Board of Water Supply to order. May I have the roll, please.

THE COURT REPORTER: That's me. Hang on.

MR. DAHILIG: We have Mr. Nakaya and Mr. Kaneshiro here as well as myself, so I think the committee is all here and accounted for.

Can I have a motion to accept the agenda.

MR. DILL: Move.

MR. NAKAYA: Second.

MR. DAHILIG: And I will comment that we will be taking executive session first before the old business.

Is there any discussion on the agenda?

Hearing no discussion of the agenda, the agenda is ordered.

Can I have a motion to move into executive session as posted in Item 4 in the agenda.

MR. KANESHIRO: So move.

MR. NAKAYA: Second.

MR. DAHILIG: Is there any discussion on the item?

Hearing no discussion, the motion is ordered.

We are going executive session, please.
(Executive Session at 8:51 to 9:04 a.m. in separate transcript.)

MR. DAHILIG: I'm reconvening the meeting of the rules committee.

Based on consultation with the water manager, it seems appropriate to defer both matters to a further date both to discuss further issues related to duties and liabilities of proposed rule changes as well as further discussion that may be required internally with the staff.

Mr. Manager, is there a date that you would like to provide; a month, two months?

MR. CRADDICK: Two months. Keep in mind, now, if they do something with the rates, the longer we delay on this, the more we're going to not have sufficient funds and rates to cover the debt service. So we need to get moving on it.

MR. DAHILIG: Thank you.

MR. CRADDICK: But it sounds like February might be a better month here.

MR. DAHILIG: When is the board meeting scheduled in January?

MR. CRADDICK: It would be the fourth Thursday.

MR. DAHILIG: The 26th, right?
MR. CRADDICK: Yes.

MR. DAHILIG: Why don't we look at the same
day as the water board meeting.

MR. CRADDICK: In January.

MR. KANESHIRO: In January.

MR. CRADDICK: Because this is -- it's a
whole new rule section, it's going to require probably
like the better part of a day. If you want to -- well,
what's going to happen is maybe you can just bite it off
in sections. You know, if one day we do one section of
it. If we can even do that, we would be making
progress.

MR. DAHILIG: Well, why don't we do this:
Why don't we schedule a nonaction workshop on the matter
for the morning of the water board meeting 8:00 a.m.
Just a workshop on the matter, and then we'll go into
executive session maybe after.

MR. CRADDICK: Theories and philosophies
behind the rules.

MR. DAHILIG: Or would you suggest
something else?

MS. SUZUKI: Maybe allot more time than an
hour.

MR. DAHILIG: More time than two hours?

MR. CRADDICK: No, no, no. We could
definitely do that in an hour. If we're not going to
dig into the meat of the thing and we're just going to
give an overall philosophy of how we came up with it,
you know, framework, that can be done in a fairly short
amount of time.

MS. SUZUKI: It's up to you.

MR. CRADDICK: Yeah, yeah.

MR. DAHILIG: Committee members, why don't
we schedule a workshop meeting for 8:00 a.m. on
January 26 from 8:00 to 10:00 a.m. And then further
action on -- or potential action on further work on the
item two weeks later on February 9th. Does that work
for you, Mr. Manager?

MR. CRADDICK: Yes.

MR. DAHILIG: Committee members, does that
sound okay?

MR. NAKAYA: Fine with me.

MR. DAHILIG: So we'll go ahead and defer
those items based on the discussion and with the
workshop on the last Thursday in January, the nonaction
workshop, and then a posted action workshop on the 9th
of February. Can I have a motion to set those dates.

MR. KANESHIRO: So moved.

MR. DAHILIG: Second?

MR. NAKAYA: Second.
MR. DAHILIG: Is there any objection, any discussion?

Hearing no objection, the deferment is ordered. There being no other business, can I motion to adjourn?

MR. NAKAYA: So move.

MR. OYAMA: Second.

MR. DAHILIG: Meeting adjourned.

(Concluded at approximately 9:09 a.m., December 8, 2011.)

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

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

That on Thursday, December 8, 2011, at 8:50 a.m. that the foregoing RULES COMMITTEE 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 24th day of December, 2011, in Kapaa, Hawaii.

[Terrific Signature]

TERRI R. HANSON, CSR 482
Registered Professional Reporter
APPEARANCES

BOARD MEMBERS:

Larry Dill
Michael Dahilig, Chair
Daryl Kaneshiro
Roy Oyama
Clyde Nakaya

STAFF:

David Craddick
Andrea Suzuki, Deputy County Attorney
Marites Yano
Faith Shiramizu
Dustin Moises
Keith Aoki
Gregg Fujikawa
William Eddy
COUNTY OF KAUAI

BOARD OF WATER SUPPLY

COMMITTEE OF THE WHOLE MEETING

Thursday, December 22, 2011
10:12 - 10:13 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:
Daryl Kaneshiro, chair
Roy Oyama
Raymond McCormick
Randall Nishimura (arrived at 10:13 a.m.)
Clyde Nakaya

STAFF:
David Craddick
Marc Guyot, Deputy County Attorney
Andrea Suzuki, Deputy County Attorney
William Eddy
Marites Yano
Dustin Moises
Gregg Fujikawa
Val Reyna
Aaron Zambo
Faith Shiramizu
COMMITTEE OF THE WHOLE MEETING

MR. KANESHIRO: The Committee of the Whole meeting is now called to order. Let the record reflect that it is 10:12 a.m., and I do have a quorum.

Can we please have a roll call.

MS. SUZUKI: Board Member Nakaya.

MR. NAKAYA: Here.

MS. SUZUKI: Board Member McCormick.

MR. McCORMICK: Here.

MS. SUZUKI: Board Member Oyama.

MR. OYAMA: Here.

MS. SUZUKI: Board Member Kaneshiro.

MR. KANESHIRO: Here.

With that, do I have a motion to accept the agenda?

MR. OYAMA: I move to accept the agenda.

MR. KANESHIRO: Any second?

MR. NAKAYA: Second.

MR. KANESHIRO: All in favor say aye.

Motion carried.

On the old business we have one item, the annual evaluation of the manager and chief engineer, and there's a chart report to the board that each and every one of you have. What I want to do with this old business is to pass this on to the full board. I
believe in a full board we can have an executive session if we want to or not and so forth and have more discussions than that.

So at this time I would request that we make a motion to move this on to the full board. And if I do, do I have any discussions on it, particularly of moving this on to the full board for further action and discussion? None?

We need a motion for that, right, to move it on?

MS. SUZUKI: You can.

MR. KANESHIRO: Move it on. Any objections to moving it on?

Okay. With that, we'll move it on to the full board.

And seeing no other item on my agenda, the Committee of the Whole is now adjourned. Thank you.

(Concluded at approximately 10:13 a.m., December 22, 2011.)

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

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

That on Thursday, December 22, 2011, at 10:12 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 7th day of January, 2012, in Kapaa, Hawaii.

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

BOARD OF WATER SUPPLY

SPECIAL BOARD MEETING

Thursday, December 8, 2011

8:11 - 8:42 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
Michael Dahilig
Daryl Kaneshiro
Roy Oyama, Chair
Clyde Nakaya

STAFF:
David Craddick
Andrea Suzuki, Deputy County Attorney
Marites Yano
Faith Shiramizu
Dustin Moises
Keith Acki
Gregg Fujikawa
William Eddy
Ron Rawls, Kauai County Auditor

SPECIAL GUESTS:
James Nakayama
SPECIAL BOARD MEETING

CHAIRMAN OYAMA: It's 8:11. So we'll call
the meeting to order. It's a special board meeting,
Department of Water, County of Kauai, we're in the
Second Floor, Micro Lab Building, and it's 4398 Pua Loke
Street, Lihue, Kauai 96766. Today is Thursday, December
the 8th, 2011, and it's a special board meeting. It's
called to order. Can we have the roll call, please?

MS. BEARDMORE: Good morning, Mr. Chair.
Mr. McCormick will be unable to attend this morning's
meeting.

Roy Oyama.

CHAIRMAN OYAMA: Here.

MS. BEARDMORE: Mike Dahilig.

MR. DAHILIG: Present.

MS. BEARDMORE: Larry Dill.

MR. DILL: Here.

MS. BEARDMORE: Daryl Kaneshiro.

MR. KANESHIRO: Here.

MS. BEARDMORE: Clyde Nakaya.

MR. NAKAYA: Here.

MS. BEARDMORE: Randall Nishimura.

We have quorum.

CHAIRMAN OYAMA: Thank you very much.

Okay. So we will start with the acceptance of the
agenda.

MR. DAHILIG: Move to approve, Mr. Chair.

CHAIRMAN OYAMA: Thank you very much.

MR. KANESHIRO: Second.

CHAIRMAN OYAMA: Seconded by Mr. Kaneshiro.

Any more discussion?

If not, all in favor say aye.

Opposed no.

Motion carried. Thank you.


We have James Nakayama here. Please come up.

Thank you.

MR. NAKAYAMA: Good morning, everyone. My name is James Nakayama. I'm a senior manager with KMH, LLP. I'm here to present the audited financial statements of the Department of Water, County of Kauai, as of June 30, 2011 and 2010.

First of all, I want to start off by being very appreciative of being renewed for another three years with the department. We've been working for a long time with the department and always appreciate when we have an opportunity to continue working with the department as well.

To start off, to give you an idea of what -- I
think an agenda has been passed out to you today. Just
to kind of give you a highlight, we're going to go
through the basic financial statement, talk about our
opinion and some of the highlights, if you will, of the
financial statement.

If there's any point at which you want to have
questions, feel free to stop me at any point in time.

I'll also go through some required
communication regarding the audit, in particular talking
about some of the significant adjustments that are more
of the nonrecurring nature as we usually have quite a
bit of recurring adjustments, but I wanted to talk about
some significant adjustments that we encountered during
this year's audit.

And, of course, any questions thereafter we can
cover at the end the meeting here.

So you should have all received the final
report regarding the department's financial statements.
And the biggest difference this year, you're going to
find, is that we split the report into two pieces.
Before it was one piece where it included the single
audit reports and GAGAS reports as we audit under
generally accepted government auditing standards. Those
reports will be covered.

Unfortunately, we could not have them ready for
you today. But in the light of trying to expedite the numbers, we wanted to make sure that we get the financial single audit done, and that has been completed for you folks.

As far as financial statement highlights go, the qualified opinion is something we had encountered this year, and we wanted to talk about that first. If we turn to the third page that has the KMH letterhead.

Qualified sounds like a good thing, but unfortunately it's not. It means that there's a modification for our opinions this year because of the departure from generally accepted accounting principles. And let me talk about a little bit of the background in this.

Every year for the past three or four years the department has been complying with GASB 40 -- I believe 5, which is changing the way they account for their proposed retirement benefits.

And prior to that, what was happening is that for -- these are for medical premiums, insurance premiums for retirees. And before what was happening is that the department would pay on a pay-as-you-go basis. And essentially you pay the EUTF, which is -- it's like where all the counties and the state basically work with the EUTF to basically pay for the retirees' premiums and
so forth.

And what happened with the change in the rule is that instead of just paying it as it becomes due, the idea is technically they should be earned as the people are actually working.

So, therefore, the rule has changed such that you need to be accruing the expense as people were earning them.

Also, you had all these employees that are currently working, you have past service obligations you need to accrue as well.

And so instead of trying to suddenly accrue a huge liability on both the county and the department, basically the government accounting standards allow them to amortize that over a certain period of time. I believe in the department's case it's 20 years, if I'm not mistaken.

But what's happening is that -- it's important that the liability that is being incurred by the department every year is -- first of all, actuarially is that the actuary comes in and determines based on the employee base what the liability is.

But the extinguishment of that liability is important because what happens is that you want to make sure that if you do pay the money that the employees
will actually get them. So they have certain rules depending on where you put the money in the trust fund, for example, which is where the monies have to meet certain requirements.

What was determined in November of 2011, the state actually notified -- and we got it maybe secondhand via the county -- that the trust fund did not technically meet the requirement as the trust fund is irrevocable. And therefore, under accounting rules you could not consider those pre-funding contributions, if you will, as something that offsets your liability.

I mean, you still get credit for them, but in essence, you don't get to reduce your liability for it on your balance sheet and you still need to have the liability sitting on your books for that portion.

And so it doesn't change your P&L or the net assets for the department. It basically is a gross out of your assets and your liabilities.

The understanding we have from the EUTF via a copy of a letter we obtained was that their plan is to look to introduce legislation that will basically change the technicality so such that going forward you will not have this issue from the accounting standpoint. Or as of today, technically it should be recorded that way.

But what the department and, I think, the county as well
has elected to do as they kind of discussed this issue
-- it, again, arises very 11th hour here. That they
decided not to make any accounting changes because they
believe it's going to eventually come back.

But from an opinion standpoint because
accounting-wise it's just technically wrong, we have to
qualify our opinion just for that.

So what our opinion says, if you look at the
fourth paragraph there, that's where we have basically a
modification of our opinion that highlights to any
reader of the financial statement that except for this
particular area where we see that you would have to
gross out the balance sheet by approximately
1.4 million.

Otherwise, everything else -- there are no
material differences that we noticed. Otherwise, it was
a clean audit.

But there's different ways we do the
qualifications, but this is what specifically there is.
It was just a technical departure from GASB, and
ultimately it's large enough for us to qualify for this
significant amount.

MR. KANESHIRO: I have a question.
CHAIRMAN OYAMA: Sure.
MR. KANESHIRO: The county practice has
always been to fund it ahead of time, right?

MR. NAKAYAMA: Correct.

MR. KANESHIRO: So what I understand now, you're saying that the practices that the county used to do previously because, as you remember, I was a council member, and we used to always -- was proud of that, that we had the money funded in there because there were other counties in the state that got into problems when they probably did not do that.

MR. NAKAYAMA: Right.

MR. KANESHIRO: So with this new thing that came about now, you're saying that that practice is no more?

MR. NAKAYAMA: No. I think all this is that the liability that -- what the ideal thing is when you pay that amount off is that you take the liability off the department's books, meaning that you kind of fulfilled that liability based on using that. All that means is that the liability still exists there, but you still have credit for those assets.

So the idea is that there's still -- the ideal situation is to try to pre-fund them as much as possible according to that. Unfortunately, the accounting at this point is because the trust fund doesn't meet the rules of accounting standards. It has to be accounted
for this way.

And again, the department has chosen to not make any changes as of yet because the understanding is that the state will take the appropriate action to try to fix the problem and ultimately get it back to where it should be.

But you're correct. I mean, it is something that the state and the counties do struggle to fund, and it's always a year-to-year thing because it is increasing as the discount rate, the substance change.

MR. KANESHIRO: All right. Thank you.

MR. DAHILIG: So essentially what you're saying is that this qualification is pretty much going to be applied to all the accounting audits for all the counties and the state?

MR. NAKAYAMA: My understanding is that the other counties -- their auditors have decided not to qualify for whatever reason. Each auditor has their own opinions on how they apply it.

For us, I think we looked at the size of it, and said -- you know, we went through the options and worked with the department to figure out, is there any negative impact of this qualification.

And the feedback I got, understanding, was that it would be okay. And obviously it's not the ideal
situation, but it wouldn't create any problems from the
department's standpoint.

Ultimately this then rose up to the county and
then they reassessed, and I haven't seen their final
draft, and I'm not sure where they stand. But my
understanding is that they were going to qualify it.

CHAIRMAN OYAMA: Any more questions?

MR. CRADDICK: I don't have any.

MR. NAKAYAMA: So that's the opinion
paragraph that we wanted to go through.

On the financial statements themselves, if you
turn it page nine. I'm going to get back to water sales
in a little bit, but the one thing I do want to kind of
point out is that I think, as you have seen in last
year's financial statement, the Build American Bonds
came in, and those significantly increased your debt.

However, you didn't see an impact on each of
the expenses fully until this year, '11. So that's why
we look at, maybe a third from the bottom, interest
expense, net of amounts capitalized, you'll see is
significantly higher than the previous year. And I just
wanted to point that out to the board.

And with regards to the footnotes themselves,
on page 29, footnote 9a, that last paragraph in that
section is further discussion regarding the situation we
just talked about regarding the OPEB.

Are there any questions in regards to the financial statements?

If not, if you could turn back to page nine.

So as you can see, water sales for 2010 to '11 went from 18.7 to 19.8 million. And when we first got the adjusted numbers, we had not -- you know, this is after all of our adjustments. What we had previously seen is that the unadjusted numbers provided to us was closer to $21.4 million.

And when we obtained that and asked management what the reasons for that, we couldn't get a good explanation. And so that caused us some concern going into that, and we worked with management and the department here to ultimately try to figure out what was the cause of the difference. And there were some adjustments that came through as I've kind of highlighted on our agenda.

And then the adjustments -- excuse me. I'm going through 8, double I, there. But it related to the fire service customers' issue that came up ultimately determined. And what happened was my understanding, and hopefully David can correct me if I'm wrong here, but as of July 1st, 2010, so the beginning of fiscal year '11, there were changes to the billings for fire service
lines, which are, I'm assuming, mostly for commercial
customers that have a detection check meter. And
ultimately even though they have a certain meter size,
they have a smaller meter -- actual 5/8s meter sitting
on top of it to read any actual flow coming out of
there.

And the rule changes were put into place, in my
understanding, so that it would kind of prevent people
from abusing those lines. They're, of course, meant to
be only used in case of fires, but some people are using
them for other reasons. And therefore, the rule changes
were put into place for fairly -- there's a multiple put
on there as far as if you have a situation, then you
have a multiplier of any water being used, I think the
number was 164 times.

So changes were made at the Board of Water
Supply billing system to allow for this. As the year
went by, several customers did see very high increases
in their bills. And obviously, nobody likes to see
that, did complain. Some were caused by leaks, some
were caused by some abuse that was occurring out there.

But as the department -- as we kind of dug
further, the department did realize, though, that there
was an issue with the billings with regards to this
where even though they had done -- they had made the
adjustments to do the multiplier, they had not made the adjustments to put them in the right, I would say meter size, if you will, meaning that if it's a 5/8-inch meter and they were billing on a 8-inch line, they should have been using the -- instead of the 5/8 block rate, should have been using the 8-inch blocks.

And because of that, by keeping it at the 5/8s, they immediately moved to the next box where they quickly end up paying rates essentially double of what they would have paid if it was billed at the 8-inch rate.

And so from that standpoint it was an unintended consequence of doing this change, and I think there was even a subsequent rule change that was being proposed to try to clarify this, that ultimately to make sure that was going to happen. But ultimately as the customers here that were essentially paying -- you know, being penalized too much.

And it affected the department a couple ways in the adjustments. Obviously, if you look at number one, there's an adjustment for the contested billings. So they already knew about those and they knew that they were going to have to adjust those. So there's 132,000.

Then there's folks who actually did pay or in the process of paying. So that is the second one, you
know, they're working with Tess and trying to identify
who these customers are. That's another 288,000. And
ultimately there's going to probably be a little bit
more in that credit.

Even though we end at June 30, 2011, ultimately
there's going to be some adjustments going to have to be
done thereafter where we know that they used water
related to the service lines. It's not a lot of
customers, but ultimately there are some people that
have used it.

And my understanding is the best way to do this
is working with the Board of Water of Kauai to rerun
their billings with what the actual amounts would have
been had it been applied using the 8-inch rate.

But for the purpose of the audit, we couldn't
wait for that. Ultimately we had to go by an estimate.
We worked with management to determine that 50 percent
was kind of the rate that we would use as it applied to
each of the customers. And these are the amounts that
kind of resulted from that.

So ultimately more work still has to be done.
This is just from an audit standpoint being adjusted
for.

The bigger number you see on No. 3 there is for
the unbilled revenue numbers. What also happened with
the multiplier is that -- I'm not sure if all of you are familiar with the unbilled revenue deed, but what the Department of Water does every year is make sure they have a full year's worth of revenue irregardless of when the meters are read. Estimates are taken automatically through the Board of Water Supply billing system where they ultimately spit out -- based on six months of past usage or three billing cycles, they estimate what the bill would be for those days that have been unbilled, if you will. And they come up with a number.

Unfortunately, the fire service lines also -- you can imagine with the multipliers and then the rates also basically increase the unbilled revenues overstating them by $1.3 million as we determined.

So that is something -- it's purely for financial reporting purposes where ultimately show the revenues in the right period, because there's no -- this is, mind you, not real billing to customers. This is just an accounting estimate done at year end that gets reversed in the next period. But it's still important because we're will trying to get the revenues in the right year.

And had this adjustment gone through -- or not have been done, you probably would have recognized too much revenues in 2011, and then probably have a
shortfall in 2012 as part of the result. So that's kind of the ramification of that.

So ultimately we're then left with -- the full adjustments are about 1.7 million. There's still, as you see on the financials, about a one million increase in water sales.

And as auditors when we see this kind of issue is to make sure that's all there is. I think we want to make sure that we have identified all the adjustments. Working with the department they were able to provide analytics based on customers -- the number of customers where they knew there were increases in service charges and service fees and were able to identify and support the million dollar increase in water sales as presented to you. So we felt comfortable ultimately that the numbers that you see on these financial statements are correct.

So I know it's a pretty long discussion there, but ultimately we did a resolution of this. But as you can see, it's not something that we would like to have happen, you know. It's something significant for the audit itself. We wanted to bring people's attention to it because it's not a normal thing to occur.

Obviously, some of this will be discussed further as you talk about internal controls the next
time around. Of course, we could talk to you about it today, but as you can imagine, this issue will be part of that discussion. So we'll talk a little bit more about that later.

But if you have any questions right now about the adjustments.

CHAIRMAN OYAMA: Any questions?

MR. NAKAYAMA: Basically you're saying these adjustments, if we have better internal controls, this wouldn't have happened or?

MR. NAKAYAMA: Well, the idea is that if you have better internal controls, managers should be able to identify this issue before it gets to us. I think there are sometimes beliefs that auditors are meant to catch everything. And I believe management controls should catch, you know, these numbers themselves. Obviously, we're there to check that. But, you know, this is something that should have been caught.

CHAIRMAN OYAMA: Anything else?

MR. NAKAYAMA: Other than that -- I mean, these are just the significant adjustments. On top of that, in the portion above that, which I want to mention, is also on page seven. If you turn back a couple pages. It's more of a timing thing. If this
went to accrue the allotment from the State of Hawaii, and based on the accounting rules, that allotment should have been picked up in 2011. This is 2012. So you see the receivable there on the third line under Receivables caption, due from the State of Hawaii of 1.4 million.

So that was picked up in 2011. Okay.

MR. CRADDICK: When you say it was picked up, picked up on the books in 2011, but collected in '12.

MR. NAKAYAMA: Yes, that's why it's receivable as of year end. So it was paid within the next month, I believe. The county rules for that is usually -- you may be appropriating monies but you would never accrue it based on that because that doesn't mean you're actually going to get them, but once there's an allotment being made at this point we say, yes, the money, of course, is received.

Any other questions or discussion on the financials themselves?

MR. DAHILIG: David, after you're done with the presentation.

MR. NAKAYAMA: Otherwise, again, I wish I could -- we like do it all at once usually. But just because of timing, we wanted to get this first. And then I know that on the agenda this seems a lot, but
that is currently not available at this point.

CHAIRMAN OYAMA: Okay. Very good. Any more questions? We would like to adjust our No. 2, review of single audit report. Okay.

MR. NAKAYAMA: Thank you.

CHAIRMAN OYAMA: Thank you very much.

MR. DAHILIG: I have just one more question.

CHAIRMAN OYAMA: All right.

MR. DAHILIG: David, just to be clear, because we are kind of operating in two realms here and we don't have any internal controls to cross reference this financial statement. But are you -- will you be raising any objections or do you concur with whatever is included in the auditor's report in terms of what is being presented? Do you concur?

MR. CRADDICK: The short answer is yes. But on the retirement thing, I did talk with some board members to kind of get some advice there. What it really comes down to is, did you want to have this ready for the county?

And by qualifying the audit -- if we were going to do a borrowing this next year, I don't think I would. I would have told the county to forget it. We're going to wait until this issue is resolved. But because we
weren't, you know, I doubt that we could go along and concur with the auditors. But board members -- some board members I talked to them, so we're presented now with a document that we can send on to the county if the board accepts it today, and they can complete their audit in a timely manner.

And the other issue is what the fire lines mean. I mean, we probably should have maybe done a little bit more work to have James up to speed when we got the data. But as you know, we definitely recognized the problem earlier. We did a rule change. The rule change is in place.

And we still have not got it implemented with Honolulu Board of Water Supply because they're going through the process of switching over to the new billing system. And now they've deferred that now from April to July. So I'm going to try and push it through, I guess, the existing system and get it in so we can get all these billing corrected. We just can't go on into another year ending with it the way it is. That's for sure.

CHAIRMAN OYAMA: Okay.

MR. DAHILIG: Good.

CHAIRMAN OYAMA: Very good. Thank you very much.
Okay. Board members, action on this item?

MR. DAHILIG: What is the required action
on this item?

CHAIRMAN OYAMA: This item, No. 1.

MR. DAHILIG: To approve or accept?

MS. SUZUKI: I recommend we approve it.

MR. DAHILIG: Move whatever she said.

CHAIRMAN OYAMA: From what I understand
we're approving this because this would go on to the
county. But the other issue is not done because we have
to defer it and it still needs to go to the county. But
we have to get the in-house problems resolved. That's
what I understand. Right?

MR. CRADDICK: That's correct.

CHAIRMAN OYAMA: All right. Are we going
to act?

MR. DAHILIG: I'll move to approve.

MR. KANESHIRO: I'll second.

CHAIRMAN OYAMA: Mike move to accept what
the attorney is trying to say.

MS. SUZUKI: Mr. Dahilig made a motion to
leave the item and approve it.

CHAIRMAN OYAMA: And Mr. Kaneshiro
seconded. Thank you very much.

So is there additional discussion for this
motion?

MR. NAKAYA: Mr. Chair.

CHAIRMAN OYAMA: Yes.

MR. NAKAYA: I just want to make one comment. The timing, our year end is June 30th here, and it took almost six months to get to this. Is there something we can do to expedite it in the future? I mean, this is my first audit here. Not to show how last year was. But it seems like there was enough information passed on to the auditors to do their job or? I'm just concerned here. We're kind of scrambling for time, yeah.

MR. CRADDICK: I would say we are scrambling for time because the accounting staff, a lot of them including customer service, are all trying to learn the new system for billing because we really thought it was going to be implemented in October of this year. So a lot of their time was focused on that. And we couldn't just let it drop.

But, in fact, you know, it has delayed. And now when Honolulu passed their own rates, they're now moving it from April to July. You know, just like that. So in case of their own, they can do it. And I'm not grumbling because it's a good service they provide us. But that's a fact. I mean, a lot of time is going into
that.

So you have that, the transition of staff going -- I mean, essentially almost every single position is new in this last year, people moving up. Not all the positions are even there. So that's another factor in there.

And I think under the circumstances, we did pretty good because we still got it done on time. It was qualified, and that's not good. There's no question about that, but I think you'll see a vast improvement for next year.

MR. NAKAYA: Going forward?

MR. CRADDICK: Yeah.

MR. NAKAYA: That's all I ask.

MR. CRADDICK: Well, this next month they will have their last position filled.

The issue about the accounting software itself, hopefully we get that when we get to our IT strategic plan as we go forward and get that implemented. But there are still a few issues with that, I would say. You're probably going to hear about that from the auditor.

MR. NAKAYA: And that's all I'm asking, going forward we improve our timeliness. And whatever we can do to assist the county and the county can assist
us so the auditors can work on it.

MR. CRADDICK: In my mind, I guess, I kind of see it as just -- remember the movie, The Perfect Storm, three storms coming in from each side, and it all coalesces at the time of the audit.

I mean, my hat actually goes off to them to even have pulled it off and get it to this stage at this point, quite frankly, if you knew all those things that were going on that hopefully don't continue on.

CHAIRMAN OYAMA: Thank you, Mr. Clyde. You brought up a good point, and David answered it pretty well. And as the process has gone on, I was going to read it. I know several members of the board -- or members of the committee, and they really worked hard to get it to this point.

And I thank the auditors, too, because it's a good job. It was very cool-headedly handled and got to the end result. And I say we congratulate everybody for being so patient. So thank you.

Any more discussion or questions?

If not, all in favor say aye.

Opposed no.

Hearing none, motion carried. Thank you very much.

There is no more business. Move for
adjournment?

MR. DAHILIG: Move.

MR. DILL: Second.

CHAIRMAN OYAMA: Seconded by Mr. Dill to adjourn.

All in favor say aye.

Opposed no.

Hearing none, motion carried.

Adjournment. Thank you.

(Concluded at approximately 8:42 a.m., December 8, 2011.)

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

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

That on Thursday, December 8, 2011, at 8:11 a.m. that the foregoing SPECIAL BOARD 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 24th day of December, 2011, in Kapaa, Hawaii.

[Terrri R. Hanson's Signature]

TERRI R. HANSON, CSR 482
Registered Professional Reporter
Transcript of the December 8, 2011 Special Board Meeting, as recorded by Ralph Rosenberg Court Reporters, Inc.

Approved,

Randall Nishimura
Secretary -- Board of Water Supply
COUNTY OF KAUA'I
BOARD OF WATER SUPPLY
SPECIAL BOARD MEETING

Thursday, December 15, 2011
9:04 - 9:26 and 9:36 - 9:47 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 (arrived late)
Michael Dahilig
Daryl Kaneshiro
Roy Oyama, Chair
Randall Nishimura
Clyde Nakaya

STAFF:

David Craddick
Andrea Suzuki, Deputy County Attorney
Carol Beardmore
Marites Yano
Faith Shiramizu
Dustin Moises
Val Reyna
Gregg Fujikawa
William Eddy
SPECIAL BOARD MEETING

CHAIRMAN OYAMA: The special board meeting please come to order. This is the Board of Water Supply, County of Kauai, Second Floor Micro Lab Building, County of Kauai, Department of Water, 4398 Pua Loke Street, Lihue, Kauai 96766. This is Thursday, December 15, 2011, and it's 9:04 a.m. Call to order.

Can we have the roll call, please.

MS. BEARDMORE: Roy Oyama.

CHAIRMAN OYAMA: Here.

MS. BEARDMORE: Michael Dahilig.

MR. DAHILIG: Present.

MS. BEARDMORE: Larry Dill. Daryl Kaneshiro.

MR. KANESHIRO: Here.

MS. BEARDMORE: Clyde Nakaya.

MR. NAKAYA: Here.


MR. NISHIMURA: Here.

MS. BEARDMORE: We have quorum.

CHAIRMAN OYAMA: Thank you. Item C, Acceptance of Agenda.

MR. KANESHIRO: Move to accept the agenda.

MR. NISHIMURA: Second.
CHAIRMAN OYAMA: Seconded. Okay. Thank you very much. Any discussion?

If not, all in favor say aye.

Opposed no.

Hearing none, motion carried. Thank you.

And then now we are on Item D, New Business, Manager's Report No. 12-48, board discussion and possible action on the proposed amended Rules and Regulations, Part IV, fixing rates for the furnishing of water service in the County of Kauai as it relates to rates and use charges for the furnishing of water service for fiscal year FY 2012 to 2016. Mr. Craddick.

MR. CRADDICK: Yes. For this matter here, it's a recommendation that we request the board to take positive action on the amendment to the Rules and Regulations of the Board of Water Supply for the above-listed section changes and as also recommended by our consultant, RW Beck.

This is a conservative approach and the recommendation is again made with the understanding that at a minimum of once each year the board looks at the rate development fee funds that are being made and checks to see if cash is accumulating due to the development fees fully funding expansion costs and replacement projects are not being completed as funds
either future rate year increases are either delayed or cut back.

And the reason we make this recommendation is if we don't do that, we are -- the rates that we're charging are exceeding our operating costs. But we know that we've gone this specific approach because we don't expect the development fees to be coming in at a high enough rate to pay the first few years of depreci-- or not depreciation, of debt service payments.

And then I don't know -- you know at our public hearing we had a presentation, and no one showed up. I don't know if you want to go through that presentation as part of your packet. I can go through a shorter version of that. I don't think we need the whole thing.

In your packet you did get the letter to small business. It's this page that's handed out here, and it says 071. And if you go to the first group of pages there, they're numbered, I think, up to about 80 or so. And this page just goes in at page 71.

Anyhow, for background on this, the matter first came to the board January of 2011, at which time it was referred to the board's finance committee. After eight committee meetings some of which were referred to a later date, the finance committee made a recommendation to the board.
During this time staff held approximately 14 meetings with various community groups. The only adverse reaction was when people asked to have the rates increased for the purpose of reducing FRC costs. This was opposed by most of the groups when this issue was raised.

Subsequently the board approved the attached revisions of Part IV rules to be sent to small business review board at its November -- at the board's November 4th meeting. A copy of the draft Part IV rules is available as part of this special board meeting packet. That's on the very -- I think the very last pages going from page 201 to -- and there's a whole bunch, and then I think it's 210 there. Yes, 210.

The public hearing for this rule amendment -- oh, and then the small business actually approved this to go to public hearing at their December 7th meeting.

We went to public hearing December 8th. Notice was published November 18th in the newspaper Honolulu's Star Bulletin. The results of the public hearing, it says, were sent, but it's a mistake there. It should be will be sent to the small business review board for their review. And there was no adverse testimony at the public hearing.

We also have the minutes or the transcript of
that public hearing in the packet, too, even though no one was there. You have the actual transcript of that meeting. So if you want this presentation, you have it in there.

Does everybody want to see the presentation that I basically was -- had to give to the community? It may be important because what the small business -- even what the small business letter says, what happened there at the meeting, they had a bare quorum of the board there, and so I needed 100 percent of their vote, positive vote, to go to public hearing.

Starting off, two of them were against it because they seemed to feel that their purview is to go into what rates we needed. And they asked, you know, if the presentation that I gave was intended to fully -- was that the presentation I was giving to the board.

And I said, No, it wasn't.

And then one of the board members there had actually taken a comparison of our costs and revenue, and says, Oh, you know, you're making $2 million more out here than what your cost is.

I said, Well, yes, we are because of the debt service coverage and the fact that our debt service is exceeding our depreciation.

So if you look at the -- it's the last chart in...
the presentation. The presentation is given on page 195 to 199 in the handout portions. And the last graph, what I did was I -- if you can -- can everybody see this one down on the floor over here? It's not numbered, but it was an additional graph that I made up because of that small business reaction to our proposal.

It shows the $2 million. The red line there is our operating costs. The blue line is our revenue. And the revenue does exceed our cost but it needs to because in two years our depreciation -- or our debt service will go up by $2 million.

And then additionally if all of that was coming from the FRC, its portion, we wouldn't have any problem. But we don't expect to see -- or well, I shouldn't say we don't expect. We just don't know if we'll be getting that revenue. And if we do get that revenue, there will be some opportunity to cut back on the proposed rate increase in future years. But right now, with a conservative approach, and I don't have any argument with taking a conservative approach to it.

CHAIRMAN OYAMA: Board members, any questions? Yes, Mr. Nishimura.

MR. NISHIMURA: Does the current rate increase take into account the current status of the BAB funding levels? And what are the projects that are
being funded -- or what projects are being funded?

MR. CRADDICK: The schedule from Beck that was recommended by the finance committee showed the FRC not making any payments into the water revenue fund, and we don't know if that will occur. If we start getting enough money into that fund that it can make the full debt service payment for all of the projects that are expansion related, we could end up -- if we don't do any additional projects, we could end up building up additional cash reserves, which I don't think anybody wants to see.

MR. NISHIMURA: Now the BAB fund, isn't that a separate fund from the water utility fund?

MR. CRADDICK: It's not a fund. It's just that's a borrowing that we did. So it shows as cash right now. But as we spend it down, that disappears. But you're left with the debt service payments for the next -- let's see, we had two years go by, so it would be 23 more years.

MR. NISHIMURA: So those obligations are in the water utility fund right now?

MR. CRADDICK: Yes, yeah, everything is there. So the way we're showing it right now in the current year's budget is we make a transfer from the FRC into the water utility fund to pay the debt service for
the SRF and other bond projects that were expansion related, and this would be no different.

What we're planning on doing is waiting until all of the money got encumbered, and then we would make a one-time adjustment. There would be a one-time transfer of funds if it's available from the FRC into the water utility fund, and we would continue on from there.

If there's not sufficient money in there, then what's going on with the rates is the rates are high enough that we could do an interfund borrowing resolution, and the FRC would basically have to borrow money from the water utility fund, repay it with interest.

And hopefully we would get over that hump of the people that have rushed in to pay the development fee now for the FRC that probably aren't going to be developing right away but because they think the rate will go up, we do have a -- well, we've had a doubling of the number or people that came in for meters this last year.

And how long -- well, the longer it takes to get the FRC in that will continue on, may even accelerate. Because some of the systems are starting to get to the point where we're saying they're adequate and
with the projects that have already been built. So those ones will definitely be seeing probably more people coming in.

CHAIRMAN OYAMA: Any more questions? Sure.

MR. DILL: Have we spoken before about if we approve this rate increase, I think each year the actual annual rate increase would be subject to approval by this board. And you talked about this board being able to review and confirm financial information in the budget basically for the upcoming year to confirm that our rate increase is warranted.

And is there anything that has been since put into place policy protocol-wise to ensure that that information would be received by the board in a timely manner?

MR. CRADDICK: Well, we have to approve our budget by June of every year, and the budgeting process is the only thing that's in place. I mean, you would definitely have all of the information available to you during the budget process.

MR. DILL: Okay. So remind me, schedule-wise, the rate increase is proposed July 1 of every year, is that right?

MR. CRADDICK: This proposal here, the first step is January of this next -- this current
fiscal year, which would be January. And then the other
three are January -- or July 1.

MR. DILL: Okay. And is there a firm
schedule for budget approval or is it just by the
beginning of the fiscal year?

MR. CRADDICK: It really is by June 30th.
And I never hit the case where the budget wasn't
approved by June 30th. We typically try to get the
budget to the board in March and then hopefully it gets
approved by June.

MR. DILL: Okay. Well, I think that
getting it to the board in March would give us adequate
time. But I would like to have that be confirmed that
we get it by, I don't know, first meeting in March or
something like that. Because I think the March meeting
to make sure the board does have adequate time to
justify the rate increases upcoming in the following
fiscal year.

MR. CRADDICK: I think we've done it for
the last two years.

MR. NISHIMURA: My vote is for sale, Larry.

MR. DILL: Is that going to be in the
minutes?

CHAIRMAN OYAMA: Anything you say.

MR. NISHIMURA: Be careful what you wish
for.

I have an overriding concern because of the difference between the supposed 7 and 11 percent. Okay. As you know, I disagree that the rate increase is only an 11-percent increase because the rates -- our revenues will go up by 11 percent, but the rates that the consumers will actually see will go up by much more. And so, you know, my concern with respect to what we're going forward with, I understand, you know, all of the safeguards, and I appreciate the safeguards that Mr. Dill and Mr. McCormick are trying to build in.

And because the BAB represents such a large part of our upcoming debt service, I would like to ask the manager whether he would be willing to take the high-level-water project off of it and substitute replacement projects instead?

MR. CRADDICK: I do not believe before we run out of money in the BAB that that project will have completed the environmental assessment.

MR. NISHIMURA: You did not answer my question. It's either a yes or a no.

MR. CRADDICK: To me I think that's a board decision to do that if they want to do that. If they feel that's a low priority, they can do that. And to say to not do it right now when we're just embarking on
the EIS process -- anyways, the likelihood that any BAB money is going to be there is -- in two years is all money will be spent. That project, I don't think, will be done. We may be presenting the EIS at that point. So I think just functionally we're going to run out of money.

But it's up in the board. If they want to drop it off, they could. I mean, to me, it's not going to make any difference one way or the other because we'll have encumbered all of the funds anyways with other projects.

CHAIRMAN OYAMA: Any more discussion?

MR. CRADDICK: Hopefully that is a good enough answer for you.

MR. NISHIMURA: That's okay.

MR. CRADDICK: Okay.

CHAIRMAN OYAMA: Anyone else? Can we take an action? Or any more discussion? Do I hear a response?

MR. DILL: Mr. Chair, can I ask our legal counsel to give me some wording for the proposal to adopt the rule, I guess?

MS. SUZUKI: You can move to adopt the amended rules and regulations as presented.

MR. DILL: Okay. So I'll move, Mr. Chair,
to adopt the amended rules and regulations as presented.

CHAIRMAN OYAMA: Okay. Mr. Larry moved to adopt the regulations as presented. Second to it?

MR. NISHIMURA: Mr. Chair, for the sake of discussion, I will second the motion.

CHAIRMAN OYAMA: Okay. Seconded. Any discussion at this time?

MR. DAHILIG: Mr. Chair, request a roll call vote.

CHAIRMAN OYAMA: Request a call?

MR. DAHILIG: Request a roll call vote.

CHAIRMAN OYAMA: All right.

MR. NISHIMURA: Mr. Chair.

CHAIRMAN OYAMA: Yes.

MR. NISHIMURA: Move to amend the motion that we delete from the BAB subject to approval of the main motion that we delete the high-level-water project from the BAB project list and that be reflected at the time of further resolution or changes to the borrowing resolution, and that no further funding from the BAB be used for the high-level project once action is taken.

CHAIRMAN OYAMA: Okay. A motion to amend, to remove the high-level project. Any second?

MR. KANESHIRO: Second.

CHAIRMAN OYAMA: Second by Mr. Kaneshiro.
Okay. Discussion first. Calling for discussion.

MR. DAHILIG: Mr. Chair, I'd like to actually move to request that the board go into executive session pursuant to Chapter 92 to consult with the attorney regarding any rights, duties, privileges, or liabilities as a result of removing appropriated funds for a project that may have already commenced.

MR. CRADDICK: No, I think he said going forward from now.

MR. DAHILIG: But I'd like to ask.

CHAIRMANS OYAMA: He wants an executive session. He made a motion, so any second to it?

MR. DILL: I'll second it.

CHAIRMANS OYAMA: Larry seconded it.

All in favor.

Motion carried.

(Executive Session at 9:26 to 9:35 a.m. in separate transcript.)

CHAIRMANS OYAMA: Call the meeting back to order. This is 9:36 a.m. And we are at the stage of the amendment being amended. Yeah.

MR. KANESHIRO: And we have a second on that, also.

CHAIRMANS OYAMA: We have a second on that, and we have a discussion. And we'll continue the
discussion at this time.

MR. NISHIMURA: Mr. Chair, the purpose of the amendment is to make sure that BAB monies are used primarily for projects that will be affected by the rates without the $12 million project on that list that represents almost 20 percent of the BAB.

And if we are going forward with this additional four percent in revenue that we want to create, I would like to see those monies going towards our existing system or replacement of the system as opposed to, you know, using it as insurance for FRC which may still be required, but we're not committing those funds for projects that may be slanted toward the FRC. And that's the purpose of this amendment.

CHAIRMAN OYAMA: Okay. Anybody else? Any more discussion?

If not. We're going to be acting on the motion to amend. Okay.

MR. DILL: I'm sorry, Mr. Chair.

CHAIRMAN OYAMA: Yes.

MR. DILL: Just for clarification. So would you be comfortable, Mr. Nishimura, if FRC revenues did come in and were able to support the project and be funded out of the FRC then?

MR. NISHIMURA: At that point, yes. But
when we're looking forward, we're basically shooting in the dark right now.

MR. DILL: Right.

MR. NISHIMURA: And so if I'm going to shoot in the dark, I want to narrow the picture -- narrow the -- make that target bigger for us, you know. And I think by taking this project off the BAB, we still will go forward -- can go forward with the $2 million, you know, to do feasibility, EA, all that kind of work. And see if in the future it, you know, justifies further funding. I could support that.

But if we're going to increase the rates by potentially an additional four percent over the other option, I would like to see some assurances that that money is being spent on our rate holders as opposed to expansion projects.

And, you know, we can argue the percentage of, you know, expansion versus growth. But for me, if I'm going to support this -- your motion, I've got to have greater reliance on the fact that the monies are going more toward our rate holders as opposed to expansion of the system.

MR. DILL: So just to clarify the motion, you don't have an issue with the first phase of the work?
MR. NISHIMURA: I do not.

MR. DILL: Thank you.

CHAIRMAN OYAMA: Okay. Any more discussion? If not --

MR. CRADDICK: Could we -- I don't know if it's appropriate for me to be asking for a recess, but especially since in my evaluation it says that not full disclosure, I want to make sure that you understand the high-level well is not an expansion project. So deleting them off of there is not going to affect --

MR. NISHIMURA: Why is it not an expansion project?

MR. CRADDICK: Because the purpose of doing it is to stop pumping all of our existing ground water sources. So it would be a replacement of ground water sources. Now, if we hit a bonanza and we got way more water than we're currently pumping, then an argument could be made that we could expand the system with that. But right now it is not being done for the purpose of expanding the water system. It's being done for the purpose of cutting our power costs, and that's all.

MR. NISHIMURA: And you're willing to spend 12 million on that?

MR. CRADDICK: Well, the proposal that came in is slightly over double that.
MR. NISHIMURA: Yeah, I understand that.
But I'm saying with the $60 million bond, you're willing
to expend 20 percent of that for one part of what? Nine
systems?

MR. CRADDICK: Well, if we can save
$2 million a year in power costs, which is basically
what the Lihue, Kapaa system is paying for, we would pay
off that bond before the bond was paid off -- we would
have saved that much money before the bond was paid off.

So I have no -- I mean, I have no objection at
all to dropping that from the project list simply
because I know it's highly unlikely we'll even get to
the point. And I know that $30 million is a big jump to
take. I mean, as we go through the financial analysis
on it, it may end up that putting photovoltaics in is a
cheaper option rather than taking the risk of drilling
that high-level well and finding out we don't get what
we're looking for. But again, it's to replace existing
sources. It's not for the purpose of getting new
source.

CHAIRMAN OYAMA: Any more discussion? Next
step is recording the votes for the -- to amend. Okay.
Are we ready?

MR. DAHILIG: No more questions.

CHAIRMAN OYAMA: No more questions.
Okay. Call a vote to amend the motion. Should we do a roll call vote?

MR. DAHILIG: Yes.

MS. SUZUKI: You want a roll call vote?

MR. DAHILIG: Yes.

CHAIRMAN OYAMA: Okay. Roll call vote.

MR. DILL: Mr. Chair.

CHAIRMAN OYAMA: Yes.

MR. DILL: And I would be open to an amendment -- it is an amendment -- I'm not sure how to put this. To say that we already have a safeguard, if you will, in the contract that any further work beyond on Phase I would have to come back to the board for approval. Rather than outright banning this project from the BAB list right now, just say that its inclusion would be subject to the board approval at a later date if it's justified by the department to do that.

MR. NISHIMURA: Can we bring it back up at that point. My point is to take it off the list for now.

MR. DILL: Okay. Well, if that's the case.

MR. NISHIMURA: Like I said, I'm going to be gone after a year.

MR. DILL: It will be your legacy.

CHAIRMAN OYAMA: Okay. So, Andrea, would
you call a roll call vote as requested.

MS. SUZUKI: Okay. This is a roll call vote for --

CHAIRMAN OYAMA: To amend.

MS. SUZUKI: Board Member Nishimura's amendment?

CHAIRMAN OYAMA: To amend. Yeah. To amend.

MS. SUZUKI: All right. Board Member Nakaya.

MR. NAKAYA: Aye.

MS. SUZUKI: Board Member Nishimura.

MR. NISHIMURA: Aye.

MS. SUZUKI: Board Member Oyama.

CHAIRMAN OYAMA: Aye.

MS. SUZUKI: Board Member Kaneshiro.

MR. KANESHIRO: Aye.

MS. SUZUKI: Board Member Dahilig.

MR. DAHILIG: Aye.

MS. SUZUKI: Board Member Dill.

MR. DILL: Aye.

CHAIRMAN OYAMA: So it's unanimous. That is carried.

So now we will vote as amended. Okay.

MR. NISHIMURA: Before we go forward with
the vote.

CHAIRMAN OYAMA: Sure.

MR. NISHIMURA: I was going do ask Mr. Dill if he felt that the budget be presented to the board no later than March 30th as part of the motion?

MR. DILL: I would like that. If you care to support the amendment, I would support that. So I'd like to amend my motion.

MS. SUZUKI: Amend the amended motion.

MR. DILL: Yes. To include a stipulation that the department submit to the board for review the annual budget no later than the March meeting -- or say March 31st.

CHAIRMAN OYAMA: So that's coming the 27th.

MS. SUZUKI: March 31st or March 27th?

MR. DILL: What's the difference?

MS. SUZUKI: Three or four days.

MR. NISHIMURA: I would say by the March meeting, Larry.

MR. DILL: Okay.

MR. NISHIMURA: And that way you can get it by the meeting, you know.

CHAIRMAN OYAMA: Okay. March meeting.

MR. DILL: Okay. By the March meeting.

Thank you. I'll go with that.
MR. NISHIMURA: I'll second that.

CHAIRMAN OYAMA: Seconded by Mr. Nishimura.

Any discussion? Any question? Are you okay?

Okay. No discussion. So we will vote on the issue.

MR. NAKAKA: Again, I'm going to be supporting this, however, the timeline that -- the March date is very important. Accounting, do you have any problem with that?

MS. YANO: No, I think we started it in February last year.

MR. NAKAYA: That was my main concern that we have the information on a timely basis so we can move forward. That's all I have to say.

CHAIRMAN OYAMA: Okay. Well, that's very good to ask Tess for clearance.

Okay. Now we're going to be voting to amend for adding the March 31st -- or the March meeting deadline. Okay. All right.

MS. SUZUKI: Board Member Nakaya.

MR. NAKAYA: Aye.

MS. SUZUKI: Board Member Nishimura.

MR. NISHIMURA: Aye.

MS. SUZUKI: Board Member Oyama.

CHAIRMAN OYAMA: Aye.
MS. SUZUKI: Board Member Kaneshiro.

MR. KANESHIRO: Aye.

MS. SUZUKI: Board Member Dahilig.

MR. DAHILIG: Aye.

MS. SUZUKI: Board Member Dill.

MR. DILL: Aye.

CHAIRMAN OYAMA: Unanimous, motion carried again. All right.

Now, we will vote for the main motion as amended. That's the final voting for this meeting.

Okay.

Any more discussion on that?

Okay. Roll call.

MS. SUZUKI: Board Member Nakaya.

MR. NAKAYA: Aye.

MS. SUZUKI: Board Member Nishimura.

MR. NISHIMURA: Aye.

MS. SUZUKI: Board Member Oyama.

CHAIRMAN OYAMA: Aye.

MS. SUZUKI: Board Member Kaneshiro.

MR. KANESHIRO: Aye.

MS. SUZUKI: Board Member Dahilig.

MR. DAHILIG: I have reservations.

MS. SUZUKI: Board Member Dill.

MR. DILL: Aye.
CHAIRMAN OYAMA: Unanimous again. Motion passed. Thank you.

Since there's no other business, we are adjourned. Thank you.

(Concluded at approximately 9:47 a.m. December 15, 2011.)

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

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

That on Thursday, December 15, 2011, at 9:04 a.m. that the foregoing SPECIAL BOARD 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 26th day of December, 2011, in Kapaa, Hawaii.

TERRI R. HANSON, CSR 482
Registered Professional Reporter
Transcript of the December 15, 2011 Special Board Meeting, as recorded by Ralph Rosenberg Court Reporters, Inc.

Approved,

Randall Nishimura
Secretary – Board of Water Supply
COUNTY OF KAUAII
BOARD OF WATER SUPPLY
REGULAR MEETING

Thursday, December 22, 2011
10:18 - 11:44 a.m.
1:23 - 1:58 p.m.
2:22 - 2:33 p.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:

Daryl Kaneshiro
Roy Oyama, Chair
Raymond McCormick
Randall Nishimura
Clyde Nakaya

STAFF:

David Craddick
Marc Guyot, Deputy County Attorney
Andrea Suzuki, Deputy County Attorney
William Eddy
Marites Yano
Dustin Moises
Gregg Fujikawa
Val Reyna
Aaron Zambo
Faith Shiramizu
REGULAR MEETING

CHAIRMAN OYAMA: Kauai County Department of Water come to order. This is the regular board meeting, and this is on the Second Floor Micro Lab Building. The address is 4398 Pua Loke Street, Lihue, Kauai, Hawaii 96766. This is Thursday, December 22nd, 2011. And it’s now 10:18 a.m.

So the roll call, please.

MS. SUZUKI: Board Member Nakaya.

MR. NAKAYA: Here.

MS. SUZUKI: Board Member Nishimura.

MR. NISHIMURA: Here.

MS. SUZUKI: Board Member McCormick.

MR. McCORMICK: Here.

MS. SUZUKI: Chair Oyama.

CHAIRMAN OYAMA: Here.

MS. SUZUKI: Board Member Kaneshiro.

MR. KANESHIRO: Here.

MS. SUZUKI: We have a quorum.

CHAIRMAN OYAMA: Thank you. We have a quorum.

So now we are on the Item C, acceptance of agenda. Members, any changes?

MR. KANESHIRO: Move to accept the agenda.

CHAIRMAN OYAMA: Okay. Move to accept.
Any second?

MR. MCCORMICK: Second.

CHAIRMAN OYAMA: Seconded by Ray.

Any discussion?

If not, all in favor say aye.

Opposed no.

Hearing none, motion carried. Thank you.

Now Item D, meeting minutes, review and
approval of regular meeting, October 27, 2011.

MS. SUZUKI: I just have a correction for
that one. On page one where it says I requested a roll
call. I requested a roll call vote. So if we can add
'vote' to the end of that answer.

And then on the next page, not six members are
present, but it was a unanimous vote.


Okay. That is wrong.

Anyone else?

If not, do we move to accept the minutes.

MR. NISHIMURA: So moved, Mr. Chair.

CHAIRMAN OYAMA: Okay. Thank you. Any
second?

MR. NAKAYA: Second.

CHAIRMAN OYAMA: Okay. Moved and seconded
to accept the minutes.
All in favor say aye.

Opposed no.

Hearing none, motion carried. Thank you.

Now, we're on the meeting transcripts.

MR. NISHIMURA: Mr. Chairman.

CHAIRMAN OYAMA: Yes, sir.

MR. NISHIMURA: Page 37, line 22.

MR. CRADDICK: Which set of minutes? It must be the regular meeting. Must be.

MR. NISHIMURA: Where it should be 'tank' and not 'bank'.

And on page 83, line 17, I believe that they were referring to the Maka Ridge and not Makaha Ridge.

MR. CRADDICK: What page is that, Randy?

MR. NISHIMURA: Page 83, line 17.

CHAIRMAN OYAMA: It says Makaha Ridge, and it should be Maka Ridge.

Any additional?

If not, can we accept it as corrected or amended? Any motion, please.

MR. MCCORMICK: Move to accept.

CHAIRMAN OYAMA: Mr. McCormick move to accept the minutes as corrected.

MR. NISHIMURA: Second.

CHAIRMAN OYAMA: Seconded by Mr. Nishimura.
Okay. Any discussion?
In no, all in favor say aye.
Opposed no.
Hearing none, motion carried.
So this is the public hearing minutes that was.

Excuse me.

MR. NISHIMURA: That was the regular meeting.

CHAIRMAN OYAMA: Oh, the regular meeting.

MR. NISHIMURA: Yeah.

CHAIRMAN OYAMA: Okay. So we accept the regular meeting.

Okay. So we need to accept the public hearing minutes, too. So we're back on the public hearing minutes. We accepted the regular meeting.

MR. NISHIMURA: Where is the public hearing minutes -- transcript?

MR. CRADDICK: It's the first one.

MR. NISHIMURA: Is that at the front?

MR. CRADDICK: I'm guessing that because it was in the packet when the board approved the rates, that it didn't get stuck in this packet also.

MR. NISHIMURA: This is a set that is part of the public hearing, is that the one?

MR. CRADDICK: That's the one. Except the
public hearing was on the 8th, so that's not -- that's the one on the rates.

MR. NISHIMURA: Chair, move to defer this item to the next meeting.

CHAIRMAN OYAMA: Okay. Move to defer public hearing item.

Any second?

MR. MCCORMICK: Second.

CHAIRMAN OYAMA: Moved and seconded. Thank you.

Any discussion?

If not, all in favor say aye.

Opposed no.

Hearing none, motion carried. Thank you.

Moving on. Now we're on Correspondence, Item E, none.

So we're going on to Item F, board committee reports.

No. 1, Report of the Committee of the Whole of the Kauai County, Board of Water Supply.

A. Annual evaluation of manager and chief engineer.

    Item 1, chart report to the board.

    MR. KANESHIRO: Thank you for that, Mr. Chair.
The Committee of the Whole met this morning at about 10:12, and we had the chart report also circulated. And the committee voted to move it to the full board.

CHAIRMAN OYAMA: Okay. Thank you.

MR. NISHIMURA: Move to accept the report of the Committee of the Whole, Mr. Chair.

CHAIRMAN OYAMA: Okay. Thank you. Mr. Nishimura moves to accept the Committee of the Whole report.

Any second.

MR. MCCORMICK: Second.

CHAIRMAN OYAMA: Seconded by Ray. Thank you.

Any discussion?

If not, all in favor say aye.

Opposed no.

Hearing none, motion carried. Thank you.

Item 2, Item F2, report of the Rules Committee of the County Board of Water Supply.

A. Manager's Report No. 11-24, committee discussion and possible action on Part III Rule Amendments, establishing standards for subdivision water systems.

MR. KANESHIRO: Since the chair is not
here, may I call for a short recess.

CHAIRMAN OYAMA: Okay. A recess is called.

Thank you.

(A break was had.)

CHAIRMAN OYAMA: Call the meeting back to order. So any person from the committee want to report on the rules committee?

MR. KANESHIRO: Okay. Again, being that the chair of the rules committee is not here, we deferred this to the next board meeting, previous to the next board meeting in January. Is that correct?

MR. CRADDICK: Yeah, that's my understanding, yes.

MR. KANESHIRO: And at which time we'll have some discussions before our regular board meeting and also have a workshop on the facilities reserve charge issue.

MR. CRADDICK: Yes.

MR. KANESHIRO: So we're going to take both items at that next meeting before our board meeting starts.

CHAIRMAN OYAMA: Okay.

MR. NISHIMURA: Move to accept the report of the rules committee, Mr. Chair.

CHAIRMAN OYAMA: Thank you, Mr. Nishimura.
Any second to it?

MR. MCCORMICK: Second.

CHAIRMAN OYAMA: Seconded by Mr. McCormick.

Thank you, McCormick.

Okay. Any discussion to it?

If not, all in favor say aye.

Opposed no.

Hearing none, motion carried.

Now we're Item F-B, Manager's Report No. 11-28, request board approval of the facilities reserve charge changes.

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

That's part of the rules committee report that we just approved.

CHAIRMAN OYAMA: Yeah, both of those together.

MR. NISHIMURA: Yeah.

CHAIRMAN OYAMA: Yeah. That's the reason I find out that you will survive me. Thank you.

All right. Now we're on item old business, G-1, Manager's Report 11-24, committee discussion and possible action on Rule III rule amendments, establishing standards for subdivision water systems.

MR. KANESHIRO: Mr. Chair, move to defer this matter to the January 2012 meeting.
CHAIRMAN OYAMA: Second?

MR. McCORMICK: Second.

CHAIRMAN OYAMA: Okay.

Any discussion on the motion?

If not, all in favor say aye to defer.

Opposed no.

Okay. Hearing none, motion carried. Thank you.

Now, Manager's Report No. 11-28, request board approval of facilities reserve charge changes.

1. Rule changes to implement FRC in Part IV.

And 2. Rule changes to implement process changes.

Mr. Craddick.

MR. CRADDICK: Okay. Both of those, one is being handled by the rules committee, the other one is being handled by the finances committee. There's no finance meeting on the actual FRC schedule, and the process changes are deferred to that January meeting.

CHAIRMAN OYAMA: Okay. Thank you.

MR. NISHIMURA: Question for the manager. When do you expect the FRC --

CHAIRMAN OYAMA: To schedule?

MR. NISHIMURA: Yeah.

MR. CRADDICK: We actually got it, but I still don't understand how they're handling the
interest. And I asked that question, but the guy is on
vacation through the first week in January.

MR. NISHIMURA: Is it reasonable to expect
you would be able to at least be able to discuss it at
in January or do you think that would go back to
February?

MR. CRADDICK: I don't see --

MR. NISHIMURA: Or maybe March?

MR. CRADDICK: No, I hope not. No, I don't
think.

MR. NISHIMURA: Or April?

MR. CRADDICK: No, no. I'm expecting to
get it in January.

MR. NISHIMURA: So you feel that the
finance committee will be able to meet on that in
January?

MR. CRADDICK: Should be, yeah. There
shouldn't be any reason why not.

MR. NISHIMURA: Mr. Chair, move that we
defer Manager's Report 11-28 to the January 2012
meeting.

CHAIRMAN OYAMA: Thank you, Mr. Nishimura,
to defer 11-28 Manager's Report.

Any second to it?

MR. KANESHIRO: Second.
CHAIRMAN OYAMA: Seconded by Mr. Kaneshiro.

Thank you very much.

All in favor say aye.

Aye.

Opposed no.

Hearing none, motion carried. Thank you.

Now, Item G-3, annual evaluation of the manager and chief engineer.


MR. NISHIMURA: This evaluation portion.

MR. CRADDICK: Yes. What happened at the last meeting, the board gave this chart out or looked at it and have a chance now to respond.

MR. KANESHIRO: Correct. We gave you the opportunity up until now.

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

CHAIRMAN OYAMA: Yes.

MR. NISHIMURA: Is the manager waiving his right to go into executive session on the evaluation?

MR. KANESHIRO: That's why we have Marc here.

MR. CRADDICK: Yes.

MR. GUYOT: Chair and Council Members, I believe this is covered in one of your executive session items. So you may want to move this into that portion.
You can receive the chart, but move the discussion --

MR. CRADDICK: No, no, the chart's already been, I think, received at the last meeting.

MR. GUYOT: So you have your chart already?

MR. CRADDICK: Yes.

MR. GUYOT: Okay. So the actual discussion deliberation is in one of the executive sessions.

MR. CRADDICK: Well, is it up to me?

MR. GUYOT: It is up to you, yeah. That's correct.

MR. CRADDICK: That's okay. We don't need the executive session.

MR. GUYOT: Again for the record, Deputy County Attorney Marc Guyot. Manager and Chief Engineer David Craddick has requested that his evaluation be done in open session, and as such executive session Item No. 1 is no longer an executive session item and may be done in open session.

CHAIRMAN OYAMA: Okay.

MR. CRADDICK: Do you want me to? Okay. The chart that was passed out was, other than the fact that it's not the one that we've been working on for a year for my evaluation, is an issue that I have.

But what you do have here is going to be one that says -- I guess it's board members, and there's one
comment that says, Sensitive to the needs and
perspective of other department heads.

    And I -- the only one that I -- I don't know
how you would say that; not sensitive to is the money
issues from the hydrant charges. And we've been trying
for since I got here to get an accounting of what the
charges are from the county to the water board when we
do that contract. We haven't been able to get it.

    I went to the council budget one year, and they
said they were going to get that to us. And now two
years later we still don't have it. And that is
starting to wear thin on me. I'll have to say that.

    So the evaluation is correct, and I'll leave it
at that.

    Then the one about -- let's see here.
Something about -- what was it here? The material is
basically provided to the board. And if there's a
feeling that information is being withheld, I can tell
you it's not being done intentionally.

    And if I have a clear understanding from board
members what they want other than at the meeting
bringing something up that nobody has discussed, and I
don't think there's anything from the Sunshine Law that
prevents anybody from asking questions to us and trying
to get stuff on there.
I myself -- I would have to say I purposely try not to talk to board members, to keep the discussion on the record. I do discuss things fairly heavily with the board chair. I would have to say probably more than they probably want. But that's all I can say.

I certainly don't consciously sit there and think, oh, what will I keep away from the board, you know, so the decision comes my way? And if there is something that the board wants, you know, I'll do my best to get the information that they need in the packet in a timely manner.

Then the other one, the turnover of people.

MR. NISHIMURA: Where is that one?

MR. CRADDICK: The --

MR. NISHIMURA: What item was that?

MR. CRADDICK: Five, personnel management.

MR. NISHIMURA: Personnel management.

Okay.

MR. CRADDICK: You know, we've definitely gone through our baby boomer, I think, passage. I mean, we still have maybe five left. But two have lost -- you know, the number of people, 350 years in the span of 12 months of knowledge in the water department is certainly not an easy transition, and I myself thought I might be one of the people leaving during that period.
But I find myself going through this transition with the department. It has -- I myself think it has been relatively smooth compared to what it's -- I know a lot of departments have yet to deal with this, and we've done it. And I don't want to say we've come out with flying colors. We've had your growing pains and everything during the year, but I do believe it will get better as we go forward. But that's all I can say there, but it's definitely been a trying year to say the least.

And achieving goals here, I believe we have one again that doesn't feel we're achieving our goals. And the goal sheet that the board set up, I'm not sure which one of those they're talking about, but I don't know of any that weren't achieved. But that's kind of what I was saying there at the beginning, the goal sheet that we worked on for the year doesn't seem to be a part of this evaluation.

But I certainly don't know which one of those goals that was missed on. I think they were -- maybe we didn't post our performance indicators in the lobby there, but we can still do that, and I'll try and get that done.

And I think that's all I have to say.

Are there any questions?
CHAIRMAN OYAMA: Any questions, Board Members?

MR. CRADDICK: But that's my biggest question is, how do we bring those goals that we've worked on for a year into this evaluation form if those really are the goals that we're working towards and evaluating on? I know this is kind of a form that the county came up with, but, you know, I'd like to see some evaluation of those items that we spent so much time working on.

CHAIRMAN OYAMA: You're right. I think we need to enter a good standard form and procedure. And I notice every year it has changed in different ways. So it also puts the board members in different perspectives. So that's not the way to evaluate.

But I think some positive note is the wording that people have put down was what the observation is, and I think that's a fact that at least we should, you know, address that and move on.

MR. NISHIMURA: In terms of the goals, I think he has a valid concern. And I think it's incumbent upon the board to establish a goal. If we're going to follow the county's practice of performing the evaluation in October or roughly get it out in October, somewhere between October and December, those goals
really need to be established by January.

MR. CRADDICK: Yeah.

CHAIRMAN OYAMA: Should that be another committee?

MR. NISHIMURA: The problem with that process is that most of everything else is done on a fiscal basis, which is end of June. And perhaps one of the recommendations we may want to make to the administration is to align all of the evaluations so that, you know, you can basically compare apples and apples.

CHAIRMAN OYAMA: Yeah.

MR. NISHIMURA: Especially -- and part of the problem, too, is with new board members coming on intermittently.

CHAIRMAN OYAMA: Right.

MR. NISHIMURA: That muddies the water even further.

CHAIRMAN OYAMA: Yeah.

MR. NISHIMURA: So one is if we can get the administration to agree that they -- we either do it fiscally or on a calendar basis. And I prefer the fiscal basis because you have a direct relationship to your budget.

CHAIRMAN OYAMA: Right.
MR. NISHIMURA: The other aspect is because most of the board members come on or off at the end of the calendar year.

CHAIRMAN OYAMA: Right.

MR. NISHIMURA: For the new ones to come in and try and be involved, it's a challenge. But that would be a recommendation I would suggest we make to the administration.

CHAIRMAN OYAMA: Good point. Good point. Anyone else? Do you have some, Mr. Kaneshiro?

MR. KANESHIRO: I would agree with Randy that perhaps we have to weigh it based on the fiscal year.

CHAIRMAN OYAMA: Right.

MR. KANESHIRO: Rather than calendar year, especially setting the goals. I think none of them we set the goals --

MR. NISHIMURA: Well, especially this cycle. Ours are fiscal year basis.

MR. KANESHIRO: Yeah.

MR. NISHIMURA: And so when you're looking at the goals, you're taking the old goals and then the new goals. And then how much of the new goals he accomplished when we only got that established, I think, in September, you know.
MR. KANESHIRO: Correct.

MR. NISHIMURA: I think the overriding thing that I would look at is as far as trending, you know, is it going up, going down? I think those are the primary things that perhaps we should take a look at, not just from the board, but his peers and his direct reports as well.

CHAIRMAN OYAMA: Okay. It has been noted. Any other comment?

If not, what direction do you want to take? Any board member?

MR. KANESHIRO: Just to comment. If you take a look at the chart itself, it shows the peers and also the board members. David, I think you've done a pretty good job, getting close to excellent, if you look at it, the overall is what I'm saying. And so if you take both sides, the true chart is the scores from both sides. And it is a good indication that perhaps next year we'll be able to get excellent or superior. If you did it this year.

MR. CRADDICK: I got to get that one that's down there around two up a little higher.

CHAIRMAN OYAMA: Good comments from Mr. Kaneshiro.

If not, we can decide what you want to do with
MR. KANESHIRO: Overall, we need to pass on
some part of this evaluation to the county side, right,
is that correct?

MR. GUYOT: Yes.

MR. KANESHIRO: I know we don't have a
timeline at all currently, but some part of the
evaluation forms would have to go over to the county for
what we did, is that correct?

MR. GUYOT: Yes. Deputy County Attorney
Marc Guyot. In accordance with the salary commission
rules there needs to be a letter from the appointing
authority that the individual has satisfactorily met
their --

MR. CRADDICK: This isn't a loud speaker.

It's just a --

MR. GUYOT: For her to hear. Okay. Good.

I was wondering how sensitive is it? Some of them they
can't hear.

There needs to be a transmission from the
appointing authority indicating that the individual has
met or exceeded their -- actually just following the
terms within the salary commission transmittal
requirements to the director of personnel services, and
that's the requirement that's required.
MR. KANESHIRO: Based on that I would recommend to the board that we pass on the tabulation of both the board, peers and staff rather than the individuals that were done. Just pass the overall evaluation on to the personnel director. So that would be my comment at this time rather than sending all of this over. This, I think, would be sufficient.

MR. GUYOT: Yes, the summary is sufficient for purposes of the salary commission requirements. And, of course, we would recommend that the individual notations and the master forms be held for the personnel files of your manager and chief engineer.

CHAIRMAN OYAMA: Okay. Can we get a motion?

MR. KANESHIRO: So moved.

MR. McCORMICK: Second.

CHAIRMAN OYAMA: So moved, seconded by Mr. McCormick. Any more discussion on that?

MR. NISHIMURA: Mr. Chair.

CHAIRMAN OYAMA: Yes, sir.

MR. NISHIMURA: I'd like to amend the motion and also include in the transmittal that a recommendation be made that the administration consider the evaluation of department heads on a fiscal basis as opposed to a calendar basis.
MR. McCORMICK: Second.

CHAIRMAN OYAMA: Very good. The motion has been amended to change or insert the -- I say the physical word. Fiscal period. Fiscal point of evaluation.

Was it seconded?

MR. NISHIMURA: Mr. McCormick seconded it.

CHAIRMAN OYAMA: Okay. Moved and seconded.

So it's legal yet.

Any discussion to move to amend?

If not, we vote on the motion to move to amend.

All in favor say aye.

Opposed no.

Hearing none, motion carried. Thank you.

Now, since it's approved, we vote on the motion as amended.

Any more discussion on that?

If not, all in favor say aye.

Okay. Opposed no.

Hearing none, motion carried.

It's all done here.

MR. NISHIMURA: Couple minute recess,

Mr. Chair, to take some notes.

CHAIRMAN OYAMA: Sure. Recess is called.

Ten minutes. Thank you.
(A break was had.)

CHAIRMAN OYAMA: The meeting being called back to order, please. Thank you.

So we're on item No. 4, G-4, suggestions for capital improvement projects, CIP, for 2012 legislative session.

MR. CRADDICK: I passed out a new schedule here, and the priorities have changed on this. And the Hanapepe, Elelele transmission line is added in there.

That's all I can say.

And then that comment down at the bottom, that comment is probably going to have to be dropped off of there because we haven't passed our rules yet. This is just something that I was talking with one of the legislators about that that's a possibility if our rules change. So that comment down at the bottom we'll have to drop off there until the rules pass.

CHAIRMAN OYAMA: Okay. That bottom line, Project qualifies for State FRC credits for State projects in other system adequate areas. This will be dropped out from --

MR. CRADDICK: Yes.

CHAIRMAN OYAMA: Because it's not in place.

MR. CRADDICK: Yes.

CHAIRMAN OYAMA: Okay. Thank you.
MR. NISHIMURA: Do you want to expand on that?

MR. CRADDICK: Yeah. Well, right now we don't have a provision, the state is just giving us a grant in aid. There's no provision if the state comes in and wants a water meter for a park or a water meter, say, for ag uses or the university, something like that.

There's a provision in the new rules where if we get grants in aid like that and somebody wants -- the state wants water in an area that's otherwise adequate, they can take the money that was there, and we can give them credits, dollar credits based on the project that we do.

MR. NISHIMURA: On those rules where?

MR. CRADDICK: Those are the ones, the FRC rules that the rules committee is working on.

MR. NISHIMURA: Okay. So right now our rules do not allow for that?

MR. CRADDICK: No. Yeah, they don't.

CHAIRMAN OYAMA: And that's the reason the bottom line is scratched off.

MR. NISHIMURA: Okay.

MR. NAKAYA: Chair.

CHAIRMAN OYAMA: Yes.

MR. NAKAYA: Just to clarify. The numbers
on the chart, like the first one is 1.3. So you're
going to be requesting the amount in the year 2012 to
2013, is that correct?

MR. CRADDICK: Yes, That's the next
legislative session. So that would be January.

MR. NAKAYA: Okay. Another question.

MR. CRADDICK: But once they do it, you
know, it would be signed by the governor, let's say,
maybe by July. So you're actually in the 2012-2013
fiscal year before you can get the money released.

MR. NAKAYA: Just for my personal
information, what's the rest now compared to the prior
request submitted? Some parties changed like No. 2 on
this here and move out for No. 6 on the last report. Is
there any -- what's the reason for this?

MR. CRADDICK: Well, we've got the water
pump running out there at Amfac shaft. And based on my
estimate, it's not going to be ground water under the
influence. We are waiting for a big storm to happen
because I don't think the state is going to say it's
okay until the big storm passes and we still keep
getting the readings that we're getting.

But right now we're getting -- we've done the
microparticulate analysis. EPA's done that. Passed
that. We keep getting -- every now and again we'll get
a one coliform count. Our heterotrophic plate count is
down around -- what is it, Bill? It's less than 50
anyways.

MR. EDDY: Yeah, pretty low.

MR. CRADDICK: And you can have 500 on that
before you --

MR. NAKAYA: I guess, are you just changing
it because the project is ready to go and --

MR. CRADDICK: Yeah, because if we're not

--

MR. NAKAYA: That's my question, have the
detail --

MR. CRADDICK: If we don't have to put in a
treatment plant -- if we don't have to put in a
treatment plant and it's just a well and a pump station,
that can go much quicker.

MR. NAKAYA: My question, is it just moving
up because it's already sooner than what it prior
projected or?

MR. EDDY: Well, it's looking real positive
now. We're getting positive indications --

MR. NAKAYA: I just want an indication as
to why it moved up from six to two.

MR. CRADDICK: Mostly it moved up because
of discussions with our state legislators, I would have
to say.

MR. NAKAYA: Okay.

MR. CRADDICK: But also it was in my discussion to them that that project may be ready to go sooner rather than later.

MR. NAKAYA: That's fine.

MR. CRADDICK: Because of the work that we're doing. The amount did change, too. It went from four million to two million. That may not cover the whole pipeline, but it will at least cover the pump stations. We're trying to get to a level of dollars that they can feel they can move for us.

CHAIRMAN OYAMA: Okay. Any more questions? If not, ready for action on this? Anyone?

MR. NAKAYA: Chair, I move to accept the suggestions for CIP projects for the 2012 legislative session.

CHAIRMAN OYAMA: Thank you very much. Motion to accept the summary request for the state aid. Any second to it?

MR. McCORMICK: Second.

CHAIRMAN OYAMA: Seconded by Mr. McCormick. Thank you.

Any more discussion on the motion?

If not, all in favor say aye.
Opposed no.

Hearing none, motion carried. Thank you.

H, New Business, Item 1, Manager's Report
12-49, Job No. 02-11, Project No. M-02, Construct Moloa tank, 100,000-gallon storage tank, Moloa, Kauai.

Mr. Manager.

MR. CRADDICK: Okay. This one is here
mainly because it's BAB funded. It is for land. It's
not for the tank. The big issue here, I guess, is the
fact that the appraisal came in below the amount of
money that we're asking you for. But the difference
between what we're asking for and the appraisal is
probably not worth the effort to condemn the property.

And, Bill, if you want to explain there just
what your rationale is. I know it's a very good site.

MR. EDDY: Well, we spent quite a few years
trying to find a reliable tank site. And we did locate
a real nice site that's level and it's right next to the
county road, and the owner is a willing seller. And so
it's a real good piece of land for us to build one tank.
Our plans are to build one tank now, have enough land
for a future tank and possibly one to two wells at the
site.

CHAIRMAN OYAMA: That's a good size
property then.
MR. EDDY: It's a half acre.

CHAIRMAN OYAMA: That's pretty good.

MR. NAKAYA: On your report it says -- what is the adjacent property zoned?

MR. EDDY: I believe it's all ag zoned in that area.

CHAIRMAN OYAMA: I believe it's ag.

MR. NAKAYA: So we're offering a higher amount than what the appraised value -- am I reading this correctly, because it says --

MR. CRADDICK: That's correct. That's correct.

MR. NAKAYA: We're offering a higher value because the adjacent property will be affected, the value?

MR. CRADDICK: Well, it's not only adjacent, but it's at the correct elevation. And we don't have a whole lot of choices. The person is willing.

Our next alternative is to go to condemnation. And how much time, you know, to go through an adverse condemnation. This is not a whole lot different than the Kilauea situation. It's a CPR, so you have to deal with other people besides the one that you're actually getting the property from.
And if you went out to this Moloa'a tank, I mean, that should have been changed years ago. We've got wooden plugs in the tank, and it's not a happy situation out there.

We need to get moving on it, and this person here is willing to move with us. They want 30 percent more than the appraised value but --

MR. NAKAYA: It's 59 percent.

MR. CRADDICK: Huh?

MR. NAKAYA: 59 percent. It's 40,000 more.

MR. NISHIMURA: 40,000 more.

MR. NAKAYA: Yeah, so it's 59 percent of what the appraised value is.

MR. CRADDICK: Okay, okay. I think --

MR. NAKAYA: But you're saying that the cost of the condemnation the way it is 40,000?

MR. CRADDICK: Yeah. Some of that is contingency. And I don't think on a land purchase, I'm not even certain we need the contingency. I think that just got added in here because we normally add it in.

MR. EDDY: We really don't expect to -- we don't foresee using the contingency, but we better put it in there.

MR. NAKAYA: My question is, the additional value they're offering, when you said to go through
condemnation it's going to be a lot more expensive for
the department than this 40,000?

MR. EDDY: Actually the true difference is
$30,000. The land cost is 100,000, and then we've got
10,000 for attorneys' fees and going through the --

MR. CRADDICK: Subdivision.

MR. EDDY: CPR, it's a CPR. So we've got
to redo the CPR.

MR. NAKAYA: So the -- actually the land is
100,000?

MR. EDDY: That's right, yeah.

MR. CRADDICK: But we have to do the
subdivision ourselves, so that's included.

MR. NISHIMURA: We are doing the
subdivision?

MR. EDDY: We are, yeah.

MR. CRADDICK: Yeah.

MR. NISHIMURA: So where are the legal
surveyance on these things if we're to --

MR. CRADDICK: That's the 10,000 that's in
there.

MR. NISHIMURA: No. It says, Owner has
requested additional funds to compensate for potential
loss of value and associated legal surveyance --

MR. CRADDICK: No, no, that's why we're
paying the extra.

MR. EDDY: The premium.

MR. CRADDICK: That's the reason we're paying the extra.

MR. KANESHIRO: So the bottom line is you're giving him an offer of 110,000?

MR. CRADDICK: 100,000, the 10 is for work that we have to do.

MR. KANESHIRO: So the land acquisition is actually 100,000?

MR. CRADDICK: Right.

MR. KANESHIRO: Well, okay. And the 10,000 would be to do the CPR assessments and do all that?

MR. EDDY: Yes.

MR. CRADDICK: Right, on our site. What we have to do on our site.

MR. KANESHIRO: So then if the funding that -- you have it right here is really then only 100,000 rather than 110,000?

MR. CRADDICK: That's it.

MR. KANESHIRO: Well, we're reading it as land acquisition.

MR. CRADDICK: Yeah.

CHAIRMAN OYAMA: Okay.

MR. KANESHIRO: And you've tried
negotiating with him after the appraisal was done?

MR. EDDY: We have. We've been negotiating for about a year. I think we would make up this additional money in the ideal site in savings from construction. It's a really buildable site that has minimal site work required and the pipeline lengths are very short. So it's a really good piece of property for us.

MR. KANESHIRO: So over a year then you've been trying to negotiate to pick up this property?

MR. EDDY: We have.

MR. KANESHIRO: It kind of makes sense to me because the property values really dropped this year. So probably last year you might have had a higher appraisal value when you started negotiating, but we know that a lot of the property value really dropped in appraisal. Do an appraisal now is a couple hundred -- you know, it depends on the size of the land. It's a big percentage drop, up to 30 percent possibly, you know, from the previous years.

MR. NAKAYA: When was this appraisal done?

MR. ZAMBO: June and July.

MR. NAKAYA: Of this year?

MR. ZAMBO: Yes.

MR. NISHIMURA: I have a question. How
does this relate to -- go to 610 on the water utility
budget summary status in the financial reports, page
eight.

MR. CRADDICK: That's the item.

MR. EDDY: That is our contract with Esaki
Survey for the tank design.

MR. CRADDICK: But this is the same
project.

MR. NISHIMURA: One is for 50,000 and one
is for 100,000.

MR. CRADDICK: This 125,000, huh?

MR. NISHIMURA: No, the volume of the tank.

MR. EDDY: Yeah, our plans right now are to
build a 50,000-gallon tank now and have provisions for
future 50,000-gallon should the demand increase.
There's a lot of potential in that area for development,
but right now the demand is real low.

MR. KANESHIRO: So with the half acre you
have enough to do two tanks?

MR. EDDY: We do.

MR. KANESHIRO: Another 50,000 if need be?

MR. EDDY: If need be, yeah.

MR. NISHIMURA: And this will give you the
area that you would need plus the wells?

MR. EDDY: Yes.
MR. NISHIMURA: And is the plan to subdivide out this property from the CPR?

MR. EDDY: Yeah, yeah, we would carve out a parcel to be owned by the department outright. And I guess governmental subdivisions are allowed to do that with agricultural lots that a private entity wouldn't be allowed to do that type of subdivision.

MR. NISHIMURA: And if the BAB monies weren't available, how would you fund this?

MR. EDDY: Water utility.

MR. CRADDICK: This portion here isn't the expansion right now. We're just trying to replace the tank we have.

Will this be able to handle new customers, the 50,000? Right now the tank is what, about 10,000?

MR. EDDY: It's 5,000.

MR. CRADDICK: 5,000.

MR. EDDY: But the problem is, is that we're limited by source there, that well. So we won't be able to take on new customers until we increase our source.

MR. CRADDICK: So I'm not certain that we would be funding this with the water utility fund. It would probably mostly be coming from the FRC if we're going from 5,000 to 50,000. A portion of it could be
funded with the water utility fund, but ...

MR. EDDY: The department undertook a comprehensive study in the Moloaa area. It was maybe ten years ago, and it took about five years to complete. And the comprehensive study identified the existing demand and future potential for demand, and that's where the 100,000-gallon tank size came out of the study.

And then it's just too big a tank to build at this time. So we decided to split it into phases and build out the 50,000 at this time.

CHAIRMAN OYAMA: Okay. Any more questions? If not, are you ready to act as recommended?

MR. NAKAYA: Mr. Chair, move to approve Manager's Report No. 12-41 (sic) requesting for funding for 121,000.

MR. McCORMICK: 49.

MR. NAKAYA: Oh, 49.

MR. McCORMICK: I'll second that.

CHAIRMAN OYAMA: Seconded. Okay. Thank you.

Any more discussion on that motion?

If not, all in favor say aye.

Opposed no.

Hearing none, motion carried. Thank you.

Now, we are on No. H-2, Manager's Report No.
12-50, agreement for Maka Ridge Facilities
Rehabilitation Plan, Agreement for Job No. 02-17, water
plan 2020 Project, No. H-1, H-2, and H-3, Maka Ridge
Facilities Rehabilitation Plan and Princeville System
Interconnection Plan.

MR. CRADDICK: Okay. On this item here we
have a project there to refurbish the tank, and our
existing pipeline is kind of off the road. We're going
to be putting it in the road, and it doesn't follow the
easement that we have now. So they're giving us a new
easement. The old easement, I'm assuming, is going to
be cancelled.

MR. MOISES: So what we're doing right now
is actually the existing pipeline is within the
easement, and when we put in the new line it's going to
be outside of that. And part of the design, the plan is
to redo the easement after construction is done. But
right now this right of entry is for construction,
because during the building permit review we got some
issues with the public works about what we exempt on for
grading since we're outside of our easement. So once we
get this right of entry, they can sign off on the
building permit. Right now we got a separate right of
entry for our consultant to go in and redefine the
easement probably this time next year.
MR. McCORMICK: Mr. Chair, move to approve
Manager's Report 12-50.

CHAIRMAN OYAMA: Okay. Motion to approve
Manager's Report 12-50.

Any second to the motion?

MR. KANESHIRO: Second.

CHAIRMAN OYAMA: Seconded by Mr. Kaneshiro.

Any discussion to the motion?

If not, all in favor say aye.

Opposed say no.

Hearing none, motion carried.

We're on No. H-3, Manager's Report No. 12-51,
Amendment No. 1 to Contract No. 543 for Job No. 11-03,
WP2020 Project No. MO-03, land and well acquisition,
Moloa'a and Waimea, Kauai.

MR. CRADDICK: Okay. On this one here we
have a number of sites that we're currently using. I
think all of them are state properties, right? Is that
correct?

MR. ZAMBO: There's one private.

MR. CRADDICK: Okay. Most of them,
anyways, are state properties, and we have facilities on
there but no actual executive order really allowing us
to be there, and we're trying to get these things
straightened out so that we're not operating on a piece
of property that we don't have legal access to.

CHAIRMAN OYAMA: Any questions, members?

MR. NISHIMURA: Do we have right of entries to these properties and easements?

MR. CRADDICK: I don't believe we even have that. This just -- it goes way back to the days of Department of Water and Land Development at the state before the water commission back in the '70s and '80s, and somehow it just slipped through the cracks that we didn't have the properties turned over to us. So we're trying to correct that now.

MR. NISHIMURA: Does this actually include the cost of acquiring the land as well?

MR. ZAMBO: On the state land it does. The private land remains to be seen. But the request -- we do have assets in all these locations currently, so it's hard to say. But I'm thinking that -- I would assume the fee would include that.

MR. NISHIMURA: And I go and ask the question again, if BAB funding wasn't available, where would you fund this from?

MR. CRADDICK: The only one that is a new source -- probably a new source is a Moloaa, and that's not the tank site. The other ones are all existing facilities. So I think it would be a mix again of FRC
and water utility fund projects in there, or land
acquisitions rather.

MR. NISHIMURA: Is the Moloaa one in or
around the same area as the other previous one we just
took action on?

MR. CRADDICK: I don't believe it is.

MR. EDDY: No, it's on the other side of
the highway. You know, it's behind the Meadow Gold
Dairy facility up there.

CHAIRMAN OYAMA: So inside?

MR. EDDY: Yeah, inside, right, right at
the base of the mountain there on state land. So that
one is state land. There may be some -- we might have
to buy some easement to get from that property to our
water system.

MR. NISHIMURA: Is that included in this
budget?

MR. EDDY: No.

MR. CRADDICK: But if we do that, this
particular source of water is about 3,000 gallons a day
of water. And to get it to Kilauea, which is the
ultimate goal, and Anahola, we're looking at probably
$11 million project in total.

MR. EDDY: This manager's report is just to
add three sites near this Kekaha/Waimea booster, Kekaha
Well 2 and Waimea Well 8. So the Moloaa was already
approved under a different funding request.

MR. CRADDICK: No, no. You're talking
about the tank or the well? This is the well site.

MR. EDDY: Yes, this is the well site. But
the well site was already approved. So now we're adding
these three sites.

MR. CRADDICK: Okay, okay, okay. That's
the amendment.

MR. EDDY: Yeah. So probably the only one
that would have land acquisition costs on this change
order is the Kekaha/Waimea booster pump, and it's a
booster pump so it's -- I don't think I would say it's
expansion related.

MR. CRADDICK: Serving existing customers?

MR. EDDY: Yeah. It won't allow --

MR. NISHIMURA: Is that the one across from
the -- close by the sewer plant?

MR. EDDY: Yeah, we do have right of entry
for that, construction right of entry.

MR. KANESHIRO: Motion would be to approve
the manager's report.

CHAIRMAN OYAMA: Okay. Mr. Kaneshiro
motion to approve the manager's report.

Any second?
MR. McCORMICK: Second.

CHAIRMAN OYAMA: Seconded by Mr. McCormick. Thank you.

Okay. So any discussion?

If not, all in favor say aye.

Opposed no.

Hearing none, motion carried.

Item 4, Manager's Report No. 12-52, procurement and specifications specialist position.

MR. CRADDICK: Okay. On this one here, if you remember in October we had a letter from the attorney -- county attorney, and the board's motion was rather than waiting until the beginning of the year to start working on this position, get something to you. So we got this to you here, and then it's just dollar funded because I don't really expect to see the position in for the usual amount of time. So this is what we'd be going for in that purchasing specialist IV is somebody who's got a fair amount of knowledge in contracts and doing technical specs.

CHAIRMAN OYAMA: Okay. Members, any questions? Take action?

MR. NISHIMURA: The only comment I have is that if this is primarily for contracts, whether they should be under the engineering section.
MR. CRADDICK: I don't know. It's all accounting.

MR. NISHIMURA: Because right now we have Faith who is doing public relation the doing SRF contracts. I would assume that that would roll into this.

MR. CRADDICK: It could. It could do that.

MR. NISHIMURA: And the primary thing is for -- if it's primarily for projects more than anything else.

MR. CRADDICK: It's purchasing in general.

MR. NISHIMURA: Where are your fees published?

MR. CRADDICK: That's where the biggest outlays are, but it's more an accounting function. It's not an engineering function. And for the rest of the county, it's under the finance person.

MR. NISHIMURA: Okay.

CHAIRMAN OYAMA: Okay. Any more questions? If not, are we ready for action?

MR. CRADDICK: You know, as far as -- you know, it's a good point that he brings up there whether to put it under engineering. I really actually never gave it any thought, and there are some other things going on with that reorganization that that decision may
well, no, it wouldn't because it's under engineering. It wouldn't help that situation any. So never mind. I'll keep my words to myself.

CHAIRMAN OYAMA: Yes, Faith? You woke up, huh? Okay. Any action, No. 4?

MR. KANESHIRO: The action would be that we move to approve the Report No. 12-52 as a dollar-funded position.

CHAIRMAN OYAMA: All right. Any second to the motion?

MR. NAKAYA: Second.

CHAIRMAN OYAMA: Seconded by Mr. Nakaya.

Thank you.

All in favor of the motion please say aye.

Opposed no.

Hearing none, motion carried. Thank you.

Item 5 --

MR. NISHIMURA: Mr. Chair.

CHAIRMAN OYAMA: Yes.

MR. NISHIMURA: I filed a no vote.

CHAIRMAN OYAMA: Oh, you weren't on the vote?

MR. NISHIMURA: Yes.

CHAIRMAN OYAMA: So we got three.
MR. NISHIMURA: Yes, three ayes. Well, four ayes, one no.

CHAIRMAN OYAMA: All right. Thank you.

Now we on No. 5, Manager's Report 12-53, table of organization, fiscal division.

MR. CRADDICK: Maybe -- let's see here.

Can we take a break here?


(A break was had.)

CHAIRMAN OYAMA: The meeting has come back order. The last subject -- are we done with this?

MR. CRADDICK: The last one we were. This is now 53.

CHAIRMAN OYAMA: Okay. We're moving our agenda to the executive session. That would be No. 2 pursuant Rev Stat 92-4 and 92-5(a)(4), the purpose of this executive session is to receive and consider a letter from HGEA dated November 17, 2011. The purpose of this executive session is to consult with the board's attorney on questions and issues pertaining to the board's powers, duties, privileges, immunities, and liabilities as it relates to the HGEA letter dated November 17, 2011.

Okay. Do we want to go into executive session?
MS. SUZUKI: Two-thirds of those present.

MR. NISHIMURA: Two-thirds of those present.

CHAIRMAN OYAMA: Mr. Ray, where are you?

We've got to get him to vote to go into executive session.

MR. CRADDICK: It just says it's two-thirds of those present. Four. Yeah, four.

MR. GUYOT: You need your quorum, and two-thirds are required.

MR. NAKAYA: For executive?

CHAIRMAN OYAMA: We need five, yeah.

MR. NISHIMURA: No. Of those present would be 10 divided 3, which is 3.3, which makes it 4.

CHAIRMAN OYAMA: Are you sure?

MR. GUYOT: If it's unanimous to go into executive.

CHAIRMAN OYAMA: Okay. We have to be unanimous then, right?

MR. CRADDICK: We didn't vote yet.

CHAIRMAN OYAMA: We didn't vote yet, but I'm talking about having enough board members to vote on it now.

MS. SUZUKI: It's two-thirds of the members -- it's two-thirds of the members provided the
affirmative vote constitutes the majority of the members
to which the board is entitled.

CHAIRMAN OYAMA: Okay. Mr. Nishimura is
correct.

MR. NISHIMURA: Can we have a roll call
vote, Mr. Chair?

CHAIRMAN OYAMA: Sure. Roll call vote for
the executive session, please.

MS. SUZUKI: Board Member Kaneshiro.

MR. KANESHIRO: Aye.

MS. SUZUKI: Chair Oyama.

CHAIRMAN OYAMA: Aye.

MS. SUZUKI: Board Member Nishimura.

MR. NISHIMURA: Aye.

MR. CRADDICK: Board Member Nakaya.

MR. NAKAYA: Aye.

CHAIRMAN OYAMA: It's unanimous. Go into
executive session. Thank you very much.

(Executive Session at 11:45 a.m. to 1:01
p.m. in separate transcript. Reconvene
Regular Meeting at 1:23 p.m.)

CHAIRMAN OYAMA: Meeting called back to
order. We're on the Item H-6, dual water lines.

MR. CRADDICK: Wait. Are we doing to
finish this one, 53?
MS. SUZUKI: No. 5.

CHAIRMAN OYAMA: Oh, yeah. No. 5, 12-53.

Yeah.

MR. CRADDICK: On this item here, after the last item, at first I was little inclined to maybe drop this one. But something else that I prefer not to go into right now is occurring within the water department that could make another part of this action just as critical as that purchasing position. And it's listed on here. It says it's a new position, but it's not really a new position. We're reallocating a meter reader field collector representative position to this accountant III position, which would be an understudy to our accountant IV in customer service.

And I would have to say, I think that it's important to do now. So I'm still asking to go forward this with item here if you could see your way clear.

And we'll still, you know, I think, come back about this purchasing IV because we haven't submitted it to personnel yet. We've said we need one. Whether it's here in engineering, we can maybe talk a little bit. That was something I didn't really talk about with staff, and it's something that we could talk about later on.

So this is not really the item for that, even
though it shows it. It's as though you were assuming
you approved the other one, and I just want to go back
and talk a little bit more with staff about that issue.

But this particular one, reallocating this
meter reader supervisor position for this accountant II
position is what we really kind of need to move forward
on today if you can see your way clear to do that
without getting into the details as to the specifics
driving it.

CHAIRMAN OYAMA: Okay. Any questions?

MR. CRADDICK: And maybe the motion could
be, rather than an accountant II, just make it a motion
to approve reallocating the existing position to an
understudy to the current head of the customer service
section so that we have some flexibility in making the
position description. Maybe it doesn't necessarily have
to be an accountant but certainly somebody who knows how
to implement the new system.

CHAIRMAN OYAMA: So under this section,
where would that fall right now?

MR. CRADDICK: The whole customer service
section is under accounting the right now, and it is
under an accountant IV right now. And I guess there's a
lot of history with that accountant IV position, but for
customer service you really need an accountant there. I
don't know. You know, that's some discussion that we need to have going forward. But we definitely need somebody to understudy what goes on there or it would be helpful anyways so that we're not caught when the position is vacated. Because as we're talking there earlier as we were going through my review, this is one position that could leave any time they wanted.

MR. KANESHIRO: So by approving the proposed fiscal table of organization and -- I mean, wouldn't that change? It would change, right?

MR. CRADDICK: Well, you know, you can call it -- right now we call it an accountant II. But if we talk about it as a position that is an understudy to the accountant IV to learn some of those things that are done in that position that are relevant to the new computer system, the accountant IV was with Sandi from our IT section has been -- those have been the two primary people learning that.

A lot of people in the accounting section are going to have to learn to deal with that new system. And whether we call it an accountant II position or not, I guess is a thing. We're calling it accountant II here. But if the motion is made that we can get a -- reallocate this meter reader. If you look at the second page, you can see what we're deleting there. It says,
Meter reader field collection. That's already an existing vacant position. So we're not -- even though the next thing says we're creating a new position, we're actually reallocating this position to that.

And when and if this accountant IV got finished, and this person might get the job, they might not get the job, but at least we have somebody who we had an understudy that could do the job if that person decided to leave right away until we filled the position.

Then once that's all worked out, then that position would go away and this other one would come back. So it's kind of a little bit of, you know, we're calling it a new position, but in fact it's a reallocation of an existing one that's just not filled.

MR. NAKAYA: Is the deletion of this field collector going to affect the collection department?

MR. CRADDICK: Do the meter readers, they report to Mel, too?

MS. YANO: They report to Mel.

MR. CRADDICK: Okay. So, yeah, it's all in the same section.

MR. NAKAYA: Is the deletion of this position, will it affect their job? I mean, their --

MS. YANO: This is vacant right now.
MR. NAKAYA: Pardon me?

MR. CRADDICK: The position is vacant right now.

MS. YANO: This is vacant.

MR. NAKAYA: Okay. I assume you had that position there because at one time, I guess, you need four field collectors.

MR. CRADDICK: No, no. We got the board to approve that position in the last budget in anticipation of going into this new system and billing monthly, and just some events have come up as of recent that make it more important to get an understudy going and --

MR. NAKAYA: So again, my question is, it's not going to affect the field collector by deleting this position?

MS. YANO: It's not because we're not actually deleting one position. We're just changing it into --

MR. NAKAYA: Yeah. Well, I'm just asking you, my thinking with this one field collector is not going to affect the other field collectors or they're going to be working more hours or whatever?

MS. YANO: No, no.

MR. NAKAYA: Okay. That's all.

MR. CRADDICK: Until we go to monthly
reading, which keeps getting pushed back by Honolulu Board of Water Supply. So it's kind of beyond our control there, but right now it's pushed back to July, and we're here.

MR. KANESHIRO: So what's going to happen when you get to that point? Are you going to put another meter reader back inside?

MR. CRADDICK: Well, two things could happen. One, the accountant IV position could be vacant or it could not be -- might not be vacant. If it's not vacant and the person who has learned the job for six months, possibly we could put it back the way it is right now. I mean, they wouldn't need to go for years and years trying to learn that position.

MR. NAKAYA: So then our accountant II person would become a field collector, is that what you're saying?

MR. CRADDICK: No, no, no, no, no. Well, that's the nature. If you take a position that's -- you know, we don't intend to keep that position around long. So if the person did not get that IV job and it was somebody within the water department and they couldn't go back to their other job, that would be a problem. But we would probably try and work it out so that they could go back to their other job if they didn't get the
job. I mean, we wouldn't be promising them that they
would get the job just because they're doing the
understudy work.

CHAIRMAN OYAMA: Okay. Ready to go?

MR. KANESHIRO: So I'm not certain what
motion there is to put on the floor now.

MR. CRADDICK: Well, but what I ask is if
you would make the motion such that if an understudy
position be created or reallocated from the existing
meter reader position, and I think that will allow us
to, first of all, determine does it, first of all, need
to be an accountant position. Because if it doesn't
need to be an accountant position, we might be able to
call it something else. But we could at least -- we
know the board doesn't mind doing this, and then we can
flesh it out a little bit better and get an actual
position description of what the duties of that person
was going to be, and maybe we're only TAing different
people into that position.

It sounds like Tess wants it full time.

MR. KANESHIRO: We need some clarification.

MS. YANO: We could probably ask for
accountant II, but then when we write the job
description, the personnel department could come back to
us and recommend a different --
MR. CRADDICK: Something.

MS. YANO: -- position based on the
description that we have submitted to them. So I would
probably -- such as going on with what is being asked
here is accountant II.

MR. KANESHIRO: So again. I didn't get the
last part.

MS. YANO: Keep the accountant II.

MR. KANESHIRO: So keep the accountant II
position?

MS. YANO: Yeah. And then personnel could
give us a different recommendation with job
descriptions.

MR. KANESHIRO: At which time come back to
the board --

MS. YANO: And rename the position.

MR. KANESHIRO: -- to just make those
changes to the organizational chart?

MR. CRADDICK: Well, what she's saying is,
is we go in with an accountant II position. But because
the position description or the duties that we have,
we're surmising that personnel may say, Oh, no, this
isn't an accountant II position, this is something else.
And that's why I'm kind of asking you not to make it
accountant II position specific where we have some
flexibility if that happens.

But if it helps in the decision, I'm just
telling you that's what may happen and you just might
end up coming back here again to approve something else
that personnel finally approves.

But it may be much simpler just doing
accountant II because right now the position is there,
the description is all there. It's probably something
that we can easily get by personnel, and speed is kind
of of the essence here right now, I think, if we don't
want to go till June still looking for an understudy.
The position may be vacant by then. You never know.

MR. NAKAYA: Can you explain your last --
your last paragraph. The proposal would be delayed.
Okay. It has been budgeted for 38,000 for the field
collector.

MS. YANO: Yes.

MR. NAKAYA: But accountant II salary range
is from 42 to 62 thousand.

MS. YANO: Yes.

MR. NAKAYA: And the change -- the minimum
change is 4,000 annually, but there will be no change in
the salary budget. There's an increase of $4,100.

MR. CRADDICK: The position's been vacant
all this year. So if you pay somebody a little bit
more, you're still not going to use the budget up by the end of the year.

MR. NAKAYA: Can you repeat?

MR. CRADDICK: Okay. We budgeted --

MS. YANO: 37.

MR. CRADDICK: Let's say 10 -- $40,000. Half the year has done by. We haven't used any of it yet. So if we have to pay the next person $12,000.

MR. NAKAYA: You just only -- okay.

MR. CRADDICK: Yeah, you're only using $12,000. You're not --

MS. YANO: We're not asking for additional funding for this year.

MR. CRADDICK: Yeah.

MR. NAKAYA: Next year.

MR. CRADDICK: Maybe next year. Maybe.

MR. NAKAYA: Okay.

MR. CRADDICK: But I will say it's not intended to keep this position permanently once the accountant IV position -- if and when it is vacated and that position is filled, this one would revert back to the meter reader. It's not a permanent change in the accounting. So if you want to make your motion subject to that proviso, then that's --

MR. MCCORMICK: So you're going to change
it from a meter reader to an accountant II.

MR. CRADDICK: Yeah.

MR. McCORMICK: And then when this accountant IV position --

MR. CRADDICK: Here, here.

MR. McCORMICK: -- here becomes vacant --

MR. CRADDICK: When I say here, it's the one doing the customer service work. Not the one doing the --

CHAIRMAN OYAMA: Yeah, right here.

MR. CRADDICK: Yes. Not the one doing the accounting work on that right-hand side of the chart over here. There's two of them right there.

MR. McCORMICK: And then later on it's going to become a meter reader again?

MR. CRADDICK: Yes, yes. Because for the long haul, that's really what we need. If we go to monthly reads, there will be more work permanently in that area.

MS. YANO: We could probably reassess after when the Loihi project is in place where the additional workload is really needed in the office or on the field collection.

MR. NAKAYA: So the purpose of this is to have someone trained backup for the accountant IV?
MS. YANO: Yes.

MR. CRADDICK: That's right.

MR. NAKAYA: Okay. In the event of the --
so accountant IV position is going to be vacated really
not on year or whatever, is that what you're saying?

MS. YANO: Yeah, we don't know when, but
we're anticipating that it could happen any time. So we
want to make sure that somebody is trained in that area
just in case.

MR. NAKAYA: Okay. And you're saying that
there's no guaranteeing that this person will step into
that position. So if you hire someone else for the
accountant IV position, what's going to happen to the
person that you guys hired as an accountant II?

MR. CRADDICK: If we got the position
in-house, then the trick would be to keep the position
they came from open also.

MR. NAKAYA: Again, but give someone else
--

MR. CRADDICK: And maybe you don't put
somebody permanently in there. Maybe there's three or
four people that want to try that job. So you TA
different people into that position to learn it. So you
have more than one person that can do the job. So when
you do a recruitment, you know, you've got a pool of
people to select from, not just one.

MR. NAKAYA: Okay.

CHAIRMAN OYAMA: It's kind of confusing because actually you want to have somebody in place for this position in case you have somebody moving out, right?

MR. CRADDICK: That's correct.

CHAIRMAN OYAMA: So you want someone to be trained to fill that position?

MR. CRADDICK: That's right, yeah, that's right.

CHAIRMAN OYAMA: But you don't have the approval of this yet?

MR. CRADDICK: No.

CHAIRMAN OYAMA: That's why it's confusing.

MR. CRADDICK: What we're doing right now is, Sandi is kind of stepping in and helping out. I mean, quite frankly, she's our primary backup right now if anything goes on with Mel. She's not even in that section, not even an accountant, and yet she's the primary -- she's been going to all the trainings over in Honolulu, probably one of the most qualified right now to do it.

CHAIRMAN OYAMA: That's good to hear.

Break the silence for a while. That's what I'm trying
to do. But the silence didn't come. But that's good.

So okay. Board members, you're hearing the whole gamut. Any more questions, you should ask. I didn't catch on that, too.

MR. KANESHIRO: So again, then we should keep the accountant II position open, right?

MR. CRADDICK: That's what Tess is saying, and that will work. That will work, yeah.

MR. KANESHIRO: Well, you know, with for me, I'm all, as a board member, for any one of our employees to advance into another position. But I'm not certain now what position to keep, because one is saying that the accountant II and --

MR. CRADDICK: All I'm saying is if we go in with an accountant II, I'm speculating on what may happen with personnel services when we go in with the position description. They may come back and say, Oh, this isn't an accountant II job. This is some other job.

And then we've got to come back to the board again. So I'm trying to avoid coming back to the board again by getting a more generic approval right now.

But if that's confusing, just go with what's here, and we'll go to personnel with this and see what happens. You never know. They might approve it. But
Sandi obviously is not an accountant II.

MR. KANESHIRO: Well, I would like to word it in a way that it's a possibility for advancement for whoever it is.

MR. CRADDICK: Yes, yes, I understand.

MR. KANESHIRO: Accountant II, whatever position.

MR. CRADDICK: Yeah, and that's fine.

MR. KANESHIRO: Because that's the whole world of the employees. If you work here, you want to be able to advance. You want to be able to, you know, get up there and do that.

MR. CRADDICK: That's kind of where I'm coming from.

MR. KANESHIRO: So how would I appropriately put that wording into this position? And that's what I'm trying to grapple with.

MR. CRADDICK: Just if you allow us to reallocate this meter reader position to there with a similar pay range to understudy the accountant IV position.

MR. KANESHIRO: Okay.

CHAIRMAN OYAMA: Got it.

MR. KANESHIRO: I think I got it.

MR. CRADDICK: With the proviso that it
reverts backwards once the work is done, the need for it
no longer exists.

MR. KANESHIRO: Okay.

CHAIRMAN OYAMA: I'm ready for the action.

Which way you want to vote? Up to you, Mr. Kaneshiro.

MR. MCCORMICK: I'm still trying to figure
out how to word it. Can we just recommend it as is
here?

MR. CRADDICK: You can, you can. That's
the simple way to do it.

MR. MCCORMICK: I'm a pretty simple guy.

Okay. Mr. Chair, I recommend that we approve
Manager's Report 12-53, the table of organization,
fiscal division.

CHAIRMAN OYAMA: Okay. Motion to approve
the Manager's Report 12-53.

Any second?

MR. MCCORMICK: With the provision that it
revert back after this position is no longer needed.

CHAIRMAN OYAMA: Okay.

MR. MCCORMICK: It's getting muddier.

CHAIRMAN OYAMA: I'm getting puzzled, too.

MR. MCCORMICK: Maybe we ought to just let
it be.

MR. CRADDICK: The only thing I can say is
I had some previous discussion with the missing board member today, and I know he was supporting it provided that was in there. And so I'm trying to -- without him being here trying to incorporate his concern in it without saying that. But it's now said.

I mean, I have the same concern, too. You know, whether it's a board member's concern or not. I mean, I don't want to be creating new positions that we don't need for the long haul. And so, I mean, this is my recommendation to do it, too. I should have thought about it when I did this and it was thought out.

CHAIRMAN OYAMA: Because my concern is not making a position and then a couple months later, change it again.

MR. CRADDICK: Well, it won't be a couple months, I don't think. But let's hope it's not a couple of months.

MR. MCCORMICK: Can we do this? Can we go back to the drawing board and fix this where we can understand it, and I'll withdraw my motion?

CHAIRMAN OYAMA: So we can defer it.

MR. MCCORMICK: Defer it, I guess.

CHAIRMAN OYAMA: You want to defer it?

MR. MCCORMICK: I'm just saying I'm not fully clear.
Would deferring it have a major impact on the
department?

MR. CRADDICK: It could. I could.

MR. KANESHIRO: Can we defer it until the
day of this meeting where you can work on it? And then

MR. CRADDICK: Could, yeah.

MS. YANO: Yeah, I could make it better.

MR. CRADDICK: We could do that, too.

MR. KANESHIRO: And then we can carry on

another.

CHAIRMAN OYAMA: Okay. Mr. McCormick move
to defer this report.

Any second to it?

MR. KANESHIRO: To the end of the agenda.

I second that.

CHAIRMAN OYAMA: Seconded by Mr. Kaneshiro.

Any discussion?

I have a strong feelings, but that's the way it
is. That is what is happening or what he wants done,
and I don't want to say anything irregular. So that's
my position and discussion.

All in favor say aye.

Opposed no.

Motion carried.
Next one, yeah. The next one is the dual line.

MR. CRADDICK: On that item there, where staff is kind of at an impasse on who is responsible if we go with this dual line way out in the future. Do we make the new lot owner, which then our customer, responsible? And this could be very far out. This could be 40 years out. Do we make them responsible or is the developer still responsible? That's the question.

And it's -- I mean, it's very simple to say there's risk there. And beyond that, who do you make responsible for the risk now to get into the more details of it. If you want to go into more detail, then that might be an executive session. But that's very simply the issue that we have at hand, and we can't really get over that log jam.

CHAIRMAN OYAMA: Is there any question?

I had one. Do you have any systems in the state that is in the dual system presently?

MR. CRADDICK: We have two here right now. One was Wailua, which after having approved the things with the dual system, has gone out of service. And consumption is increasing on our system, as it would have to happen if the dual system goes out. And it's creating problems for us because the facilities were
never put in because of the dual system.
And then another one, there's another one out
in Poipu which is kind of too young to evaluate. It
hasn't been around for very long.
Kukuiula said they were going to do one and
didn't, but they put the facilities in. They put in all
the facilities there. And there's more detail that we
can give, but I don't know how much we want to talk
about because this is a specific developer in open
session. It's kind of -- but there are some that didn't
work out existing now.

CHAIRMAN OYAMA: The Wailua home is the
one, the old system?

MR. CRADDICK: Yes, yeah.

CHAIRMAN OYAMA: Okay. That's the Wailua
house lots?

MR. CRADDICK: Yes.

CHAIRMAN OYAMA: And the one at Koloa is
where?

MR. CRADDICK: Gregg, do you know the name
of that subdivision?

MR. FUJIKAWA: It's in the Kiahuna -- one
of the Kiahuna subdivisions.

MR. MOISES: Kiahuna Mauka.

MR. FUJIKAWA: It's right next to the old
source -- the waste water plant, Aqua's waste water plant.

MR. MOISES: Kiahuna Makai is the subdivision.

MR. FUJIKAWA: It's a residential subdivision actually.

CHAIRMAN OYAMA: A small one?

MR. FUJIKAWA: Quite big.

MR. MOISES: Hundred lots.

MR. FUJIKAWA: A hundred lots plus.

CHAIRMAN OYAMA: And the water coming from what source for the dual system? County and was the --

MR. FUJIKAWA: Private, mostly private. Private wells.

CHAIRMAN OYAMA: And you think it's successful?

MR. FUJIKAWA: We don't know yet because the subdivision is new, yeah.

MR. CRADDICK: Not many people in it yet using it.

CHAIRMAN OYAMA: Because you think the best thing to do is investigate all of this, because I think A&B is doing one out in Kalaheo.

MR. FUJIKAWA: Yes.

CHAIRMAN OYAMA: Their own private, right?
MR. FUJIKAWA: It's not a dual system.

CHAIRMAN OYAMA: It's not a dual?

MR. FUJIKAWA: No.

MR. CRADDICK: Just private system.

MR. FUJIKAWA: It's a private domestic system.

CHAIRMAN OYAMA: Okay. Within the state, other islands, do they have any?

MR. CRADDICK: I know Honolulu Honouliuli system is -- they use water from the Honouliuli system for irrigating. Exactly how that works, I'm not certain. But I know the Honolulu Board of Water Supply didn't reduce its standards down because of people taking that water.

CHAIRMAN OYAMA: It's good to have information corrected and do some comparisons then that I understand. Because we're looking at how we can save water, right, on our domestic?

MR. CRADDICK: That's the overall goal. But for this specific one that we're trying to work with, the board wanted some kind of report on. That's the hold-up. And if we can't get over this issue, and we can't get any guidance from the board, then we just got to go back to them and tell them, This is the issue. You know, and -- that's it.
I mean, the board said they wanted a report, and that's the report. That's where we are right now. We cannot -- I mean, I suppose I can just take the bull by the horns and pick one or the either. And that's what I was ready to do.

But then the board said they wanted some. So this actually probably delayed that decision now a month to give this report to the board. And if you have any assistance in that, I appreciate it, what you think. But it's -- we'll do something, whether you say anything or not and go back to the developer and say what we think.

And our inclination is, is to protect our customer because they're going to be our customers out in the future, and we don't want to be the one assessing them with some big charge if something doesn't work.

CHAIRMAN OYAMA: Anybody else, questions?

MR. NAKAYA: It's a dual, is it a potable/non-potable thing?

MR. CRADDICK: Right.

MR. NAKAYA: Why is it on the -- what are we going to decide -- or what are we trying to decide here?

MS. SUZUKI: The board requested an update, so it is just being received.
MR. CRADDICK: That's the update. And if you want to get into more meat of it, we did list it as an executive session because this is a negotiation that's ongoing. And I think we can go into executive session on that if you want to.

CHAIRMAN OYAMA: Do you want to go into executive session? It's up to you people.

MR. NAKAYA: To get more details?

MR. CRADDICK: Yeah.

CHAIRMAN OYAMA: If you want to, we can just start reading it out and go. It's here. Do you want to go?

MR. KANESHIRO: Yeah, why don't we do that.

CHAIRMAN OYAMA: Okay, okay.

MR. KANESHIRO: No. 3.

CHAIRMAN OYAMA: No. 3, yeah. Pursuant to Hawaii Revised Statutes 92-4, 92-5(a)(4) the purpose of this executive session is to consult with the board's attorney on questions and issues pertaining to the board's powers, duties, privileges, immunities, and liabilities as it relates to dual water systems.

MR. KANESHIRO: Make the motion to move into executive session.

CHAIRMAN OYAMA: Okay.

MR. NAKAYA: Second.
CHAIRMAN OYAMA: Seconded by Mr. Nakaya.

MR. CRADDICK: I think you want me here, and would like Gregg here also.

CHAIRMAN OYAMA: Okay. All in favor say aye.

Opposed no.

Okay.

MS. SUZUKI: Can everyone vote on that, like make a roll call vote.

CHAIRMAN OYAMA: Roll call vote, okay.

MS. SUZUKI: At least say something because we need all members.

CHAIRMAN OYAMA: Yes, we've got four.

MR. KANESHIRO: Go ahead. Roll call vote.

MS. SUZUKI: Board Member Nakaya.

MR. NAKAYA: Aye.

MS. SUZUKI: McCormick.

MR. McCORMICK: Aye.

MS. SUZUKI: Oyama.

CHAIRMAN OYAMA: Here.

MS. SUZUKI: Kaneshiro.

MR. KANESHIRO: Aye.

(Executive Session at 1:59 to 2:21 p.m. in separate transcript. Reconvene Regular Meeting at 2:22 p.m.)
CHAIRMAN OYAMA: Meeting called back to order. Discuss the statement of Kauai County Water Department's revenues and expenditures.

The chief of operations here. We can start review of No. 3. Okay.

MR. REYNA: Before you is the report for November for the operations division. For our personnel, we send our personnel to attend some pipe locating orientation and Hawaii One Call Center Class. It's to clarify what the process is for the Hawaii One Call Center that we received from our emails daily and usually at midnight.

We've interviewed candidates for the pipefitter helper position. Evaluations are currently underway. Actually I believe a recommendation as to who should be hired have already been filed, but no final decision had been made yet.

For source and storage, the Department of Health conducted sanitary survey for the Kapaa and the Wailua systems in November. We recently received the report just about less than two weeks ago. And the operations division is preparing the response to the report. They've had the Department of Health recommendations on what we should do based on the findings of their inspector.
Some of these are simple meeting matters for you. On the second page we have the chart. And I think the most important part of that chart is the overtime. From October to November our overtime is down thanks largely to the efforts of our supervisors who are monitoring the overtime work of their subordinates.

If you have any further questions.

MR. CRADDICK: So is that all you did all month? Nothing early in the month?

MR. REYNA: What do you mean early in the month?

MR. CRADDICK: There wasn't any work going on out at Waimea or Kekaha?

MR. REYNA: Yeah. We actually worked on the Amfac shaft early in the month, and that was finally connected and running. It's been running for over a month now. And we've been monitoring the depth-to-water level. Our micro lab has been monitoring bacteria levels and water quality, I think, are the most recent. The result was positive. Positive results -- good results, I mean. Not positive for bacteria, but good results.

The well is actually a really good quantity well. For the past 30 days -- or now it's been over 30 days. We've been getting about 300 GPM regularly.
CHAIRMAN OYAMA: How long are the pumps running?

MR. REYNA: 24 hours pumping, yes.

MR. CRADDICK: But one-inch drawdown and, I think the chlorides leveled off at around 98 or something like that.

MR. REYNA: Yes. So very good quantity and good quality also. But these are all based on dry-weather season. And as the manager mentioned earlier, we're just waiting for a storm event to prove that there will be no surface water intrusion.

CHAIRMAN OYAMA: Yeah. It's a good well, that I can tell you.

MR. CRADDICK: Very good.

CHAIRMAN OYAMA: And then the pump sure can pump a lot.

MR. REYNA: Your friends says it was used as an irrigation well before now. We want to use it as a drinking water well.

CHAIRMAN OYAMA: Yeah. It should be good.

MR. REYNA: Do you have questions?

CHAIRMAN OYAMA: Any questions? Anybody any questions?

Okay. We'll go back to Faith is here now.

MS. SHIRAMIZU: Sorry.
CHAIRMAN OYAMA: We like to hear your voice.

MS. SHIRAMIZU: Thank you. Mahalo. So all I'm going to say is my report is there. Do you have any questions?

CHAIRMAN OYAMA: We like to hear your voice.

MS. SHIRAMIZU: Okay. The only piece that I said I would do a verbal report on was the Employee Council Holly Jolly Contest. I wanted to report that we placed, but we didn't. It was fun, though. The Department of Water worked with the Housing and Office of Economic Development, and they just told us thank you for participating.

CHAIRMAN OYAMA: Any questions for Faith?

Okay. We don't have Marites here yet.

MS. SHIRAMIZU: Marites had to leave for a meeting that she had set up. And she sent Fay up to do the report, but Fay already had had another meeting scheduled for this time. So I don't know if David can.

CHAIRMAN OYAMA: Okay. Do you have any questions for that one?

No. 5, the monthly -- manager's report monthly update.
MR. CRADDICK: Okay. Let's see here. The accountant III, I guess, will be starting work on the 1st of January.

We've gone out for another recruitment for the civil engineer II, one less.

Still no board secretary yet. They're trying to decide that one.

And the voucher is paid, 2.6 million there for November.

And then the conveyance of water systems there, $30,000.

And then as we were talking about the CIP there, I met with our representatives in the state legislature there also this last month. That's it.

CHAIRMAN OYAMA: Okay. Any questions?

Okay. Let's see. We're done.

Okay. Topics for next water board meeting.

Employee of the quarter award, project status update, affordable housing update.

Any more you want to add or any more you want to talk about?

Item L., topics for the future water board meetings. Employee of the year, proposed budget, that's March, and amend BAB project list. That's okay.

Right, David?
MR. CRADDICK: Yes.

CHAIRMAN OYAMA: And then M., upcoming events. We've got the AWWA, ACE 12. That's June 10 to the 14th, Dallas, Texas.

And next next water board meetings; we have Thursday, January 26th, 2012, 10:00 a.m.; then Thursday, February 23rd, 2012, 10:00 a.m.; Thursday, March 22nd, 2012, 10:00 a.m.; and Thursday, April 26th, 2012, 10:00 a.m.

Everybody okay with that? Okay.

And that's it. Ready for adjournment.

MR. CRADDICK: No, no, no, no, 53, back to 53.

MR. KANESHIRO: We've got to come back to the organizational chart.


MR. McCORMICK: I make a motion on Manager's Report 12-53. Motion is to allow the department to move forward with the position redescription or reallocation with the stipulation that this action revert back to the current organization once the accountant IV position is filled.

CHAIRMAN OYAMA: Is that it? Any second?

MR. KANESHIRO: I'll second.
CHAIRMAN OYAMA: Okay. Seconded by Kaneshiro.

Any discussion to the motion?

If not, all in favor say aye.

Opposed no.

Hearing none, motion carried. Thank you.

Now we are ready for adjournment, right?

So we are adjourned. Thank you very much.

(Concluded at approximately 2:33 p.m., December 22, 2011.)

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

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

That on Thursday, December 22, 2011, at 10:18 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 7th day of January, 2012, in Kapaa, Hawaii.

______________________________________________
TERRI R. HANSON, CSR 482
Registered Professional Reporter
Transcript of the December 22, 2011 Regular Board Meeting, as recorded by Ralph Rosenberg Court Reporters, Inc.

Approved,

Randall Nishimura
Secretary – Board of Water Supply
Old Business
Department of Water
County of Kauai

Single Audit Reports
June 30, 2011
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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Water Supply
Department of Water, County of Kauai:

We have audited the financial statements of the Department of Water, County of Kauai (the Department) as of and for the years ended June 30, 2011 and 2010, and have issued our report thereon dated December 7, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Department is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audits, we considered the Department’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department’s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings, items 2011-01 through 2011-03, to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with
governance. We consider the deficiencies described in the accompanying schedule of findings, items 2011-04 and 2011-05, to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Department's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the Department's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Water Supply, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KMH LLP
Honolulu, Hawaii
December 7, 2011
Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Water Supply
Department of Water, County of Kauai:

Compliance

We have audited the compliance of the Department of Water, County of Kauai (the Department) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2011. The Department’s major federal program is identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Department's management. Our responsibility is to express an opinion on the Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-132, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Department's compliance with those requirements.

In our opinion, the Department complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not
for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Department as of and for the year ended June 30, 2011 and have issued our report thereon dated December 7, 2011, which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.
This report is intended solely for the information and use of the Board of Water Supply, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KMH LLP

Honolulu, Hawaii
December 7, 2011
Department of Water, County of Kauai

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

<table>
<thead>
<tr>
<th>Federal Grantor Pass-Through Grantor Program Title</th>
<th>Federal CFDA Number</th>
<th>Pass-Through Grantor's Number</th>
<th>Award</th>
<th>Current Expenditures</th>
<th>Cumulative Expenditures</th>
<th>Remaining Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Protection Agency--</td>
<td>66.468</td>
<td>99-6000449</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passed-Through State Department of Health--</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Drinking Water Treatment Revolving Loan Fund:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kekaha Well DW406-0001</td>
<td>$ 862,822</td>
<td>$ -</td>
<td>$ 799,361</td>
<td>$ 63,461</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wailua Homesteads Well No.3 DW413-0002</td>
<td>418,967</td>
<td>-</td>
<td>397,737</td>
<td>21,230</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poipu Road 16” Main Replacement DW408-0002</td>
<td>5,158,886</td>
<td>-</td>
<td>4,899,230</td>
<td>259,656</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stable 1.0 MG Tank &amp; Connection Pipeline DW400-0001</td>
<td>8,082,617</td>
<td>445,439</td>
<td>6,865,362</td>
<td>1,217,255</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kaumuali'i Highway 12-inch Main Replacement DW406-0005</td>
<td>4,933,117</td>
<td>-</td>
<td>3,757,196</td>
<td>1,175,921</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Waha, Wawae, and Niho Roads Main Replacement DW434-0003</td>
<td>2,118,618</td>
<td>-</td>
<td>1,863,600</td>
<td>255,018</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kapilimao 0.5 MG Tank DW406-0003</td>
<td>4,089,893</td>
<td>1,052,503</td>
<td>3,765,732</td>
<td>324,161</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$25,664,920</strong></td>
<td><strong>$ 1,497,942</strong></td>
<td><strong>$ 22,348,218</strong></td>
<td><strong>$3,316,702</strong></td>
<td><strong>$</strong></td>
<td><strong>$</strong></td>
</tr>
</tbody>
</table>
Department of Water, County of Kauai

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Department and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Loan Security

The Department has pledged its future water revenues as security for repayment of the loans. See Note 6 of the financial statements for further discussion about the loans.
Department of Water, County of Kauai

Schedule of Findings
For the Year Ended June 30, 2011

Section 1 – Summary of Auditors’ Results

Financial Statements
Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \(\checkmark\) Yes \(\_\) No

- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \(\checkmark\) Yes \(\_\) None reported

Noncompliance material to financial statements noted? \(\_\) Yes \(\checkmark\) No

Federal Awards
Internal control over major programs:

- Material weakness(es) identified? \(\_\) Yes \(\checkmark\) No

- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \(\_\) Yes \(\checkmark\) None Reported

Type of auditor’s report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? \(\_\) Yes \(\checkmark\) No

Identification of major programs:

<table>
<thead>
<tr>
<th>CFDA Number</th>
<th>Name of Federal Program or Cluster</th>
</tr>
</thead>
<tbody>
<tr>
<td>66.468</td>
<td>Drinking Water Treatment Revolving Loan Fund</td>
</tr>
</tbody>
</table>

Dollar threshold used to distinguish between type A and type B programs? $300,000

Auditee qualified as low-risk auditee? \(\checkmark\) Yes \(\_\) No
Department of Water, County of Kauai

Schedule of Findings
For the Year Ended June 30, 2011

---

Section II – Financial Statement Findings

Finding No.: 11-01

Billing Changes and Error Determination – Material Weakness

Criteria: Change controls are critical to ensuring that rate or rule changes that impact customer billings are appropriately implemented.

Condition, cause & context: When the Department implemented a rate change for fire safety line customers on July 1, 2010 the water usage rate for these customers was inadvertently doubled. Based on inquiries with management, the Department typically works with the Honolulu Board of Water Supply (HBWS) to run billings in a test environment to ensure that billing changes are applied correctly. However, there was no documentation provided related to this rule change testing results, and the error indicates that the controls did not operate effectively.

Effect: Inadequate testing of billing rate or rule changes may result in significant errors in billings to customers and a misstatement of revenues. In addition, errors like these negatively impact the Department’s reputation with its customers. Due to the line type involved in this situation, water usage is infrequent, but after analysis it was determined that for the year ended June 30, 2011, the error resulted in the overstatement of revenues by approximately $1.7 million of which approximately $420,000 was for actual billings to customers. The remainder of the error related to estimated unbilled revenue accrued annually for financial reporting purposes.

Recommendation: The Department should more thoroughly test and document the results of testing of billing changes implemented in the HBWS’s billing system.

Department reply: There was a continued effort to follow up with the HBWS to resolve the implementation of the fire line rule change. It is still an ongoing effort as we from DOW-Kauai have to work with the HBWS’s deadlines for their ongoing billing conversion.

We are still working on this issue with HBWS. We just received a commitment from HBWS – IT staff to address this issue.

Contact Person: Marites Yano

Target Completion Date: February 28, 2012
Department of Water, County of Kauai

Schedule of Findings
For the Year Ended June 30, 2011

Finding No.: 11-02

Financial Analysis – Material Weakness

Criteria: The Department relies primarily on monthly budget to actual and cash balance reports to measure its financial performance and liquidity needs. Although these reports are not prepared in accordance with U.S. GAAP, analysis of these reports is critical to identifying material misstatements in the financial reporting process.

Condition, cause & context: During our testing of revenues, we noted a contradiction between the results of the budget status report and the financial statements. In the Department’s June 2011 budget status report total water sales cash receipts was relatively flat when compared with the prior fiscal year while water sales revenues increased by approximately $2.6 million according to the unadjusted general ledger provided by management. Upon inquiry with management, no sufficient explanation for the difference could be provided. The current waterworks controller was promoted in 2011 and we did note a lack of proper transition for the significant changes to this position and others throughout the Department. Similar to many other government agencies, the difficult transition experienced was due to high turnover rates caused by a large number of individuals electing to retire at the same time.

Effect: A lack of financial analysis can lead to financial statement errors being undetected. After further analysis by management and KMH, adjustments totaling approximately $1.7 million were proposed and recorded to correct errors related to the overstatement of revenues.

Recommendation: The Department should perform high-level analytical procedures to identify potential financial reporting issues or errors on a regular basis.

Department Reply: The Budget Status Report has traditionally been used as a means to keep track of the Department’s annual budget and at the same time it provides a reconciliation of Kauai DOW’s cash accounts. Additional reports can also be prepared to include the monthly and cumulative Water Sales revenue and other receipts. See response to finding 11-05 for further discussion.

Contact Person: Marites Yano

Target Completion Date: February, 2012
Department of Water, County of Kauai

Schedule of Findings
For the Year Ended June 30, 2011

Finding No.: 11-03

Inadequate Use of Accounting Software – Material Weakness

Criteria: Information systems are an integral part of the control environment. The quality and proper utilization of the information affects management’s ability to prepare reliable financial reports and to make appropriate decisions based on those reports.

Condition, cause & context: For several years, the Department has been in progress with the installation of its accounting software. Although the main modules were fully in place, the implementation of the payroll module was delayed and the Department decided last year not to pursue the implementation of the last module. The Department had installed the system with hopes of increasing its ability to provide timely and accurate financial reporting. Instead the software, as implemented, has not performed as expected. The following are some of the issues noted:

- Too many general ledger accounts;
- Reports not designed to allow for regular financial reporting;
- Significant amount of processing done outside of system – CWIP

The Department is in the process of performing an information technology assessment to determine if a new accounting system should be obtained. Management plans to complete this assessment in 2012.

Effect: Inadequate use of the accounting system puts more pressure on the Departments accounting staff to complete its closing procedures and limits its ability to analyze the information to identify potential errors.

Recommendation: The Department should consider simplifying the current account structure and setup of the financial reporting system during its information technology assessment.

Department Reply: The Accounting Staff concur with the Auditor’s findings and recommendation. It is one of the goals for having an “IT Review & Assessment” - the review and assessment of our existing Accounting package.

Contact Person: Marites Yano

Target Completion Date: June 30, 2012
Department of Water, County of Kauai

Schedule of Findings
For the Year Ended June 30, 2011

Finding No.: 11-04

Timely Reconciliation of Sales Journal – Significant Deficiency

Criteria: Sales journals from HBWS system should be reconciled to the Department’s general ledger on a monthly basis.

Condition, cause & context: We noted during the audit process that management had not reconciled revenues on a timely basis. Due to transition of the waterworks controller position in FY2011, these reconciliations were not performed until after the end of the fiscal year.

Effect: Timely reconciliations are crucial in determining proper account balances. In addition, this condition contributed to the length of the annual closing process.

Recommendation: Revenues should be reconciled regularly and all related adjustments recorded on a timely basis.

Department Reply: The delay in the revenue reconciliations was caused by the lack of adequate transition of the process after the previous controller retired. The Department was not able to address this until after fiscal year end due to other initiatives that required attention. We concur with this finding and have already implemented procedures to ensure timely recording of revenue adjustments.

Contact Person: Marites Yano

Target Completion Date: Effective immediately

Finding No.: 11-05

Inadequate Review of Supporting Documents – Significant Deficiency

Criteria: Supervision and review of accounting staff work is important for an efficient and effective control environment.

Condition, cause & context: During the audit of fixed assets, we noted several instances where the workpapers prepared by Accountant IV had errors that could have been prevented. We understand that the position responsible for these schedules was vacant at the time of the audit and that the Accountant IV was doing the work of two positions. When the Accountant IV is the preparer of the schedule, it should be reviewed by the waterworks controller.
Department of Water, County of Kauai

Schedule of Findings
For the Year Ended June 30, 2011

Effect: Appropriate review helps reduce the risk of errors and ensures that all closing entries have been properly recorded. In addition, a strong control environment results in a more efficient audit process.

Recommendation: Accounting schedules should be reviewed on a timely basis. If the person responsible for the review becomes the preparer, an individual other than the preparer should perform the review, ideally someone at a higher level.

Department Reply: Time was a huge contributing factor with the Lack of Financial Analysis (Finding 11-02) and Inadequate Review of Supporting Documents (Finding 11-05).

We are aware of the fact that there has been a lack of financial analysis and inadequate review of supporting documents; however, this has been unavoidable due to multiple difficulties associated with the retirement of several key personnel in the Accounting Section of the Kauai DOW in the past year. The Accounting Section has had to continue to function despite the retirement of the Accountant IV, Accountant III and Waterworks Controller, all in less than a period of 9 months. These were key personnel in the yearly audit of the Department. With the “Lack of proper transition” as noted by the Auditor, the Accounting Staff had a very steep learning curve but every Staff member did their best to learn their new position.

More time can now be dedicated by the Waterworks Controller to management duties since the Staff are now better trained in their respective areas. We will be able to eliminate any deficiencies once the Accountant III starts in February, 2012.

Contact Person: Marites Yano

Target Completion Date: June 30, 2012

Section III – Findings and Questioned Costs for Federal Awards

No matters were reported.
Department of Water, County of Kauai

Schedule of Findings
For the Year Ended June 30, 2011

Section IV – Summary Schedule of Prior Audit Findings

This section contains the current status of our prior audit recommendations. The recommendations are referenced to the pages of the previous audit report for the year ended June 30, 2010 dated November 30, 2010.

Recommendations

10-01 Maintenance Management Information System – Time Control/Job Costing

Currently, the operations supervisor enters the time and materials spent on each work order into the MMIS system. Manual timesheets are the source documents used for this input, as well as for payroll processing; however, there is no reconciliation between what was inputted into MMIS and what was recorded on the manual timesheets. This may lead to the MMIS system using incorrect data or the continued misunderstanding of how time should be charged to particular work orders.

We recommend that the Fiscal Department obtain a report from MMIS to enter into the manual work orders. The costing should then be compared with labor distribution reports, prepared from the manual timesheets, and differences resolved by the respective department. An ideal alternative would be a MMIS procedure that reconciles the system input with the manual timesheets to identify discrepancies at the front-end of the process.

Resolved.
Department of Water, County of Kauai

Schedule of Findings
For the Year Ended June 30, 2011

10-02 Accounting System

The Department previously maintained an entirely manual accounting system, with the exception of billing and payroll functions, which are out-sourced. Subsequently, the Department installed a financial accounting software package and has implemented all relevant modules except for payroll and project accounting. Maintenance of the manual portions of the accounting system requires additional effort by accounting personnel. The timely preparation and review of financial statements and related information are essential to the discharge of management's duties.

We recommend that the Department continue with its efforts to fully implement the payroll module and its assessment of implementing a project accounting module.

Resolved.
New Business
# Board of Water Supply

**Election of Officers for 2012**

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

**Rules Committee:**

| Chair: Michael Dahilig                          | Chair:         |
| Member: Daryl Kaneshiro                         | Member:        |
| Member: Clyde Nakaya                            | Member:        |

**Finance Committee:**

| Chair: Larry Dill                               | Chair:         |
| Member: Raymond McCormick                       | Member:        |
| Member: Randall Nishimura                        | Member:        |

**Committee of the Whole:**

| All Board Members.                              | Chair:         |
| Chairman of the Board                           |                |
Preliminary Schedule

Saturday, June 9
8:00 a.m.–5:00 p.m.  Registration Open

Sunday, June 10
7:00 a.m.–6:00 p.m.  Registration Open
9:00 a.m.–4:00 p.m.  Workshops
10:00 a.m.–4:00 p.m.  Spouse & Guest Tours
1:00–5:00 p.m.  Public Officials Certificate Program
3:00–6:00 p.m.  Exposition Open
4:00–6:00 p.m.  Sneak-Peek Reception
3:00–6:00 p.m.  World Water Cup
4:00–5:30 p.m.  New Product Technology Showcase

Monday, June 11
7:00 a.m.–5:00 p.m.  Registration Open
7:30–8:15 a.m.  First-Time Attendee/New Member Program
8:30–10:00 a.m.  Opening General Session
10:00 a.m.–noon  New Product Technology Showcase
10:00 a.m.–5:00 p.m.  Exposition Open
10:45 a.m.–noon  Pipe Tapping Competition
11:00 a.m.–2:00 p.m.  ACE Expo Café
11:45 a.m.–1:15 p.m.  Water For People Luncheon
noon–12:45 p.m.  Association of Environmental Engineering & Science Professors Session
12:30–2:30 p.m.  Meter Madness
1:00–1:45 p.m.  Opening of Professional Program
1:00–3:30 p.m.  Top Ops Competition
1:00–5:00 p.m.  Public Officials Certificate Program
1:00–5:00 p.m.  Spouse & Guest Tours
2:00–3:30 p.m.  Global Public Private Partnerships Seminar
2:00–5:00 p.m.  Professional and Poster Sessions
2:45–4:15 p.m.  Pipe Tapping Competition
5:00–6:00 p.m.  Public Officials Reception
5:30–7:00 p.m.  International Reception
5:30–7:30 p.m.  Canadian Water Forum

Tuesday, June 12  (Operators’ Day)
7:30 a.m.–5:00 p.m.  Registration Open
8:00–8:45 a.m.  Tuesday Keynote Address
8:00–11:30 a.m.  Public Officials Breakfast and Caucus
8:30 a.m.–2:30 p.m.  Facility Tours
9:00 a.m.–5:00 p.m.  Professional and Poster Sessions
10:00 a.m.–noon                    Women’s Networking Event
10:00 a.m.–4:00 p.m.               Spouse & Guest Tours
10:00 a.m.–5:00 p.m.               Exposition Open
10:30 a.m.–noon                    Pipe Tapping Competition
11:00 a.m.–2:00 p.m.               ACE Expo Café
11:30 a.m.–2:00 p.m.               Water Industry Luncheon
1:00–3:00 p.m.                     Top Ops Competition
1:00–4:00 p.m.                     Career Fair
1:00–5:00 p.m.                     Public Officials Certificate Program
2:00–5:00 p.m.                     Pipe Tapping Competition
3:00–3:30 p.m.                     Top Ops Competition
3:00–4:00 p.m.                     “Best of the Best” Water Taste Test
3:00–4:30 p.m.                     New Product Technology Showcase
3:30–4:00 p.m.                     Top Ops Competition
5:30–7:00 p.m.                     Student, Employer, and Young Professionals Meet & Greet Reception
6:00–8:30 p.m.                     Water For People Fundraiser

Wednesday, June 13
7:30–9:00 a.m.                     Fuller Award Breakfast
7:30 a.m.–5:00 p.m.                Registration Open
8:15 a.m.–5:00 p.m.                Professional and Poster Sessions
9:00 a.m.–noon                     Exposition Open
9:00 a.m.–noon                     Pipe Tapping Competition
9:00 a.m.–2:30 p.m.                Facility Tours
10:00 a.m.–3:00 p.m.               Spouse & Guest Tours
11:00 a.m.–12:30 p.m.              H2OOpen Forum
11:30 a.m.–2:00 p.m.               AAEE/AIDIS/AWWA Luncheon
5:30–6:00 p.m.                     Presidential Gavel Passing Celebration
6:00–7:30 p.m.                     Annual President’s Reception

Thursday, June 14
8:00–11:00 a.m.                    Registration Open
9:00 a.m.–noon                     Professional Sessions
noon                                Close of Conference
MANAGER’S REPORT NO. 12-53

January 26, 2012

Re: Interim Storage Policy for the Kekaha-Waimea Water System, Kaua‘i

Recommendation:
It is recommended that the Board of Water Supply rescind the existing “Interim Storage Policy for the Kekaha-Waimea Water System” approved by the Board of Water Supply on February 16, 2005 which limited water service to the first (5) five single family dwelling units or first (5) five 5/8-inch water meters per existing lot of record.

Funding:
N/A

Background:
Interim Storage Policy for Kekaha-Waimea Water System.
On February 16, 2005 the Board of Water Supply approved an interim storage policy for the Kekaha-Waimea water system. At that time, the existing consumption for the Kekaha-Waimea service zone exceeded the available storage facilities capacity serving this area. The construction of a new 0.5 MG storage tank was scheduled in Water Plan 2020 to begin in fiscal year 2005. Completion of the new storage tank would provide adequate storage capacity for this area.

The following Interim Storage Policy for Kekaha-Waimea Water System was approved:

“The Department of Water will not approve requests for water service beyond the first (5) five single family dwelling units or first (5) five 5/8-inch water meters per existing lot of record. New subdivisions shall be limited to a total of five single family dwellings or five 5/8-inch water meters. This Interim Policy shall not apply to water service and subdivision requests previously approved by the Department of Water, prior to the date of adoption of this policy.”

The construction of Kapilimao 0.5 MG storage tank has been completed and is online which has provided additional capacity to the Kekaha-Waimea 196’ service zone. The table below identifies previous “status of storage facility – 2010 consumption data” (without Kapilimao 0.5 MG Tank) and present “status of storage facility – 2010 consumption date” (including Kapilimao 0.5 MG Tank).

<table>
<thead>
<tr>
<th>Kekaha-Waimea</th>
<th>Capacity (1,000 gals)</th>
<th>Consumption Max Day Demand (MDD) (1000 gals)</th>
<th>Remaining Storage (MDD) (1000 gals)</th>
<th>Residential Unit equivalence (MDD)</th>
<th>Hotel Unit equivalence (MDD)</th>
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<tr>
<td>Total Storage Capacity w/o Kapilimao Tank</td>
<td>1,850</td>
<td>2,079</td>
<td>-229</td>
<td>-306</td>
<td>-437</td>
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<td>Total Storage Capacity with Kapilimao Tank</td>
<td>2,350</td>
<td>2,079</td>
<td>271</td>
<td>361</td>
<td>516</td>
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</tbody>
</table>

Existing Source capacity can accommodate 123 residential units or 175 hotel units.

Respectfully submitted,

Gregg Fujikawa, P.E.
Chief of Water Resources and Planning

Concurred:

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

Mgrp-Rescind Interim Storage Policy for Waimea-Kekaha Water System (1-26-12)
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 years 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 (1/12+1/2) * (6.513) = $3.8 million. This initial reserve would go up by 1/12 * 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

DRC/eb
Mgrp-Debt Service Reserve Fund Policy (1-26-12)
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: __________________________
MANAGERS REPORT No. 12-55

January 26, 2012

Re: Second change order for Job No. 02-16, Koga Engineering, Pipeline Replacement along Wailua, Ohana, Anolani and Kuamoo Roads and Lehia Lane (Water Plan 2020 Project No. WK-36), Kapaa, Kauai.

RECOMMENDATION:
It is recommended that the Board approve additional funding for the second change order and additional project contingency for Contract No. 524 with Koga Engineering and Construction, Inc., for the subject project.

FUNDING:
Job No. 02-16, Pipeline Replacement along Wailua, Ohana, Anolani and Kuamoo Roads and Lehia Lane

Original Funds Certified (BAB): $1,045,800.00

Contract No. 524, Koga Engineering & Construction, Inc. $996,000.00
Change Order #1 $0.00
Proposed Change Order #2 $330,035.00
Proposed additional contingency 66,665.00

Total Funding Required: $1,392,700.00

Additional Funds Required (BAB) $346,900.00

Funds Available from BAB $20,468,201.42

Available Balance: Account # 201-01 BAB Bond $20,121,301.42

BACKGROUND:
This project was originally bid in October of 2010 with a notice to proceed of February 1, 2011. It included the furnishing and installing of materials for the installation of approximately 1,200 linear feet of 8-inch, 800 linear feet of 6-inch water pipes, and 700 linear feet of 2 ½” waterlines and appurtenances including connections to existing waterlines, removal and disposal of existing waterlines within the County of Kauai and State of Hawaii Right-of-Way, new valves, new fire hydrants, installation of new service laterals and meter boxes, transfer of service, reconnection of existing service laterals, installation of air valves and permanent cleanouts with meter boxes, salvaging fire hydrants, valves, and valve boxes, and restoration and repaving work, all in accordance with the plans and specifications.
After the bid and prior to construction beginning, citizens in the area raised questions about the project and, subsequently, the State Historic Preservation Division deemed the site to have historic significance. The initial decision that the project was exempt from an environmental assessment (EA) was invalid. Construction was delayed until the EA was completed, and an archaeological survey and monitoring plan was developed. Due to the historic and cultural significance of the area, it was requested that the DOW minimize new trenching as much as possible. Since the existing main was to be removed within the State R/W during original design, it was decided by DOW that installing a temporary waterline above ground during construction would allow us to satisfy all parties involved by removing the existing waterlines and installing the new waterline in the same trench. Further, the DOW will look to have an archaeological and cultural monitor present during construction. The final EA/FONSI was posted January 8, 2012 and the archaeological survey and monitoring plan submitted to State Historic Preservation Division with the time frame for comments completed.

The contractor, Koga Engineering and Construction, Inc., proposes $330,035.00 for the new scope of work which includes installation and removal of approximately 2,700 linear feet of temporary HDPE piping, directional drilling, removal of existing waterlines in the County right of ways and price increases. Price increases are for materials and labor since the project was originally bid in October 2010, increase for the decrease in production due to installation in the same trench, cultural monitoring services, and contingency for any historic or cultural finds. Their proposal also includes credits for reduced trench excavations for the new main lines as originally designed, trench backfill after the removal of existing AC pipe in the State R/W, and the decrease in material cost for PVC C-900 waterline in lieu of Ductile Iron.

In addition to the $330,035.00 change order #2 request, we also request additional project contingency in the amount $66,665.00 since the project has not started. Thus, the total additional funding request is $346,900.00.

The DOW and our contractor look to start construction in February 2012. We propose a time extension of at least 365 calendar days for the delays and change in the project scope, which appears reasonable.

Respectfully submitted,

Dustin Moises
Waterworks Project Manager

Concurred:

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

DM: cab
Mgrp- Job No. 02-16, 2nd Ch. Ordr-Kega-Pipeline-Wailua-Ohama-Anolani-Kuanoo-Lehia (1-26-12)
MANAGER’S REPORT No.12-56

January 26, 2012

Re: Determination of Reasonable Benefit from Expansion Project Impact Fees without establishing Benefit Zones and approval to have a public hearing on the matter

Recommendation:
Your approval is requested for the determination that a reasonable benefit can be provided to developments without establishing benefit zones. The Department also requests your approval to go to public hearing, pursuant to Hawaii Revised Statute §46-144(2) in order to disclose the reasons for not establishing benefit zones for the purposes of collecting fees for expansion of the water system.

Background:
The Water Board currently has a schedule of impact charges that go towards financing system expansion; these charges are referred to as Facility Reserve Charges. Hawaii State Law, governing impact fees, currently requires the following:

“Collection and expenditure shall be localized to provide a reasonable benefit to the development. A county or board shall establish geographically limited benefit zones for this purpose; provided that zones shall not be required if a reasonable benefit can be otherwise derived. Benefit zones shall be appropriate to the particular public facility and the county or board. A county or board shall explain in writing and disclose at a public hearing reasons for establishing or not establishing benefit zones;”

To our knowledge the Board has not established benefit zones to date. Subsequent to the law being enacted there is no record of the Board ever disclosing at a public hearing reasons for establishing or not establishing “Benefit Zones”.

The Department recommends that a benefit zone not be adopted for several reasons. First, the types of improvements to each type of public facility considered in Water 2020 will benefit all new development in the County and therefore it is 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 required by the BOW water system are not charged or allocated according to system areas because all costs are considered to go to the betterment of the entire system. Thus, not establishing a benefit zone reflects the current view and operation of the Department. Finally, it is in the public’s and the Department’s best interest to create an equitable impact fee so that the Board can levy a more proportionate share of the costs of required improvements on those developments that create the need for them.

Facility Reserve Charges seem to have been in place for Kauai since the 1960’s. It appears that the funds collected have been spent County Wide and water system wide. 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. It should be mentioned, however, that some larger projects have been required to provide systems for that specific development.

**Funding:**

No additional funding required for public hearing.

**Reasons for not establishing geographically limited Benefit Zones:**

1. Water Plan 2020 projects benefit the entire water system.
2. The current operations of the Department reflect the fact that the entire County water system is one system.
3. Not establishing benefit zones allows for a more equitable and proportionate impact fee.

**Reasons for establishing geographically limited Benefit Zones:**

1. Costs are focused when projects in one system are determined only for that system.

Respectfully submitted,

David R. Craddick, P.E., C.E.M.
Manager and Chief Engineer
MANAGERS REPORT No. 12-57

January 26, 2012

Re: Job No. 02-19 - Seventh and eighth change order - Earthworks - for Waipouli Main Replacement – County Roads (Water Plan 2020 Project No. WK-12), Kapaa, Kauai

RECOMMENDATION:
It is recommended that the Board approve additional funding for the seventh and eighth change order and additional project contingency for Contract No. 530 with Earthworks Pacific, Inc., for the subject project.

FUNDING:
Job No. 02-19, Waipouli Main Replacement

Original Funds Certified (BAB): $2,045,000.00

Contract No. 530, Earthworks Pacific, Inc. $1,947,620.00
Change Order #1 (Replace DI with C-900) $-33,987.50
Change Order #2 (Time Extension) $0.00
Change Order #3 (GE Tax Notice) $0.00
Change Order #4 (AIS) $52,420.49
Change Order #5 (AMP) $42,749.00
Change Order #6 (CM) $31,989.00
Proposed Change Order #7 (Re-internment Site) $25,587.00
Proposed Change Order #8 (Sifting) $100,000.00
Proposed additional contingency $100,000.00

Total Funding Required: $2,266,377.99

Additional Funds Required (BAB) $221,377.99

Funds Available from BAB $20,121,301.42

Available Balance: Account # 201-01 BAB Bond $19,899,923.43

BACKGROUND:
This project was originally bid in January 2011 with a notice to proceed of April 4, 2011. It included the furnishing and installing materials for the installation of approximately 215 linear feet of 12-inch, 6,0875 linear feet of 8-inch, 1,000 linear feet of 6-inch water pipes, 10 linear feet of 4-inch and 10 linear feet of 2 ½” waterlines and appurtenances including connections to existing waterlines, removal and disposal of existing waterlines within the County of Kauai and State of Hawaii Right-of-Way, new valves, new fire hydrants, installation of new service laterals...
and meter boxes, transfer of service, reconnection of existing service laterals, installation of air valves and permanent cleanouts with meter boxes, salvaging fire hydrants, valves, and valve boxes, and restoration and repaving work, all in accordance with the plans and specifications.

Prior to construction beginning, the State Historic Preservation Division (SHPD) provided comments during the NPDES permit phase which stated the project location may have historic and cultural significance. Based on their recommendation, the DOW conducted an Archaeological Inventory Survey (AIS) and from that, an Archaeological Monitoring Plan (AMP). During the AIS, approximately 27 areas along the proposed waterline were excavated with only three finds occurring, none of which were iwi. A subsequent AMP was developed for intermittent monitoring on the project when the contractor was disturbing any soil. The DOW also requested in addition to having an archaeologist on-site that the contractor have a cultural monitor as well. Once SHPD’s minimum comments period passed and all monitors were added to the team, the contractor was allowed to begin the project in late November 2011.

Since beginning actual installation in early December, our contractor has encountered approximately 7 locations where iwi has been in the new waterline trench. Through various discussions with SHPD, our archaeologists, cultural monitor, and County Parks and Recreation staff, several items are now required.

**Change order #7 ($25,587.00)**

All parties referenced above agree that the most respectful location for re-internment of iwi finds would be in a location near Fuji Beach. The County of Kauai – Parks Division has use of Lihi Park via Executive Order. After several meetings, they are agreeable to allowing the re-internment site at Lihi Park and are assisting the DOW with going through the proper channels to do so. With time being of the essence to properly relocate the iwi found and to be found in the future, change order #7 will compensate the contractor and its sub-contractors to construct a permanent re-internment site at Lihi Park. The cost includes utilizing a concrete vault from the DOW; cleaning, wrapping and placing all iwi finds in baskets, filling and mounding the vault area with sand, and planting Naupaka around the top of the re-internment area as required. The re-internment site will then be utilized for the upcoming DOW Waipouli Main – Kuhio Highway Project and adjacent County of Kauai Bike Path project as well.

**Change Order #8 ($100,000.00) based on $250/CY + tax**

When iwi is found in sand, such as this project, physical sifting of the material excavated must be done to recover all fragments. To date, roughly 56 cubic yards of sand has been stock piled on-site and must be sifted. The waterline installation is approximately 15% complete and based on the recent finds, more iwi are expected. The process is time consuming but required so change order #8 will compensate the contractor for all sifting known and will be utilized for future sifting required for the remainder of the project.

**Additional Contingency ($100,000.00)**

The iwi finds have also affected pipeline installation since various locations have to be retrenched in order to install new waterline at those locations. This extra work requires items such as solid sleeves to splice in the pipe required and has slowed down production. Further,
although it hasn’t happened yet, it is likely that other items may arise during construction that require redesign, additional compensation, etc. With the project in the early stage of construction, additional contingency of approximately 5% is requested for the remainder of the project for items such as these.

The contractor, Earthworks Pacific, Inc., proposes $25,587.00 for the permanent re-internment site in change order 7 and $250/CY + tax for sifting of sand based on the new scope of work related to historical and cultural finds within the project area. The DOW anticipates nearly 400 CY total being sifted over the duration of the project, thus requests $100,000.00 for change order 8.

In addition to the $125,587.00 for change orders #7 and #8, we also request additional project contingency in the amount of $100,000.00. There is a remainder of original contingency in the amount of $4,209.01, thus, the total additional funding request at this time is $221,377.99.

Respectfully submitted,

[Signature]
Dustin Moises
Waterworks Project Manager

Concurred:

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

DM: eab
Mngrp-Job No. 02-19 -7th and 8th change order-Earthworks-Waipouli Main Replacement-Kapaa (1-26-12)
Staff Reports
STATEMENT OF REVENUES AND EXPENDITURES
WATER_utility fund
November 30, 2011

REVENUES:
Cash on hand as of July 1, 2011 $ 16,914,045.74
Add: Revenues To Date $ 10,546,135.33
Sub-Total $ 27,460,181.07

EXPENDITURES:
Less: Expenditures to Date $ 9,674,185.02

BALANCE AT THE END OF THE MONTH $ 17,785,996.05

SHORT TERM INVESTMENTS - WATER UTILITY FUND

BANK OF HAWAII
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 $ 988,707.22
CUSIP# INT. DUE $ 3,858,707.22

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

SHORT TERM INVESTMENTS - WATER REVENUES

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TOTAL SHORT-TERM INVESTMENTS - WATER UTILITY

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<td>CASH ON HAND-BOH Savings</td>
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<tr>
<td>CASH ON HAND - FHB Savings</td>
<td>11/30/11</td>
</tr>
<tr>
<td>LESS: November Claims Payable</td>
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<td>3/31/11 Payroll</td>
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<tr>
<td>9/15/11 Payroll</td>
<td>09/15/11</td>
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<td>Claims paid in November</td>
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<td>Due to W/U from BAB</td>
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<td>Due to W/U from BAB</td>
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<td>CASH BALANCE AT THE END OF THE MONTH</td>
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<tr>
<td>ITEM</td>
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<td>27a</td>
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<td>27c</td>
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<td>TOTAL ADM, OFF &amp; ENG</td>
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<td>67</td>
<td>Health &amp; Life Insurance - Retirees &amp; OPEB</td>
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<td>TOTAL INSURANCE &amp; EMPLOYEE BENEFITS</td>
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<td>TOTAL NORMAL EXPENDITURES:</td>
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<td>SRF Loan Job 97-5</td>
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<td>Hanapepe River Crossing</td>
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<td>Hanapepe 27&quot; Steel Pipe</td>
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<td>82</td>
<td>SRF Loan Job 98-33 WK-21</td>
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<td>SRF Loan Job 98-6 WK-07</td>
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<td>84</td>
<td>SRF Loan Job 97-11 WK-03</td>
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<td>86</td>
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<td>DOW Bond 2005 Series</td>
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<td>Partial Refund 2001 Series A</td>
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<td>SRF Loan Job WK-27</td>
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<td>89</td>
<td>PH I Stable 1.0 MG Tank</td>
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<td>90</td>
<td>Kaumualii Hwy 12&quot; Main Repl</td>
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<tr>
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<td>SRF Loan Job K-7, LO-13</td>
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<td>Series 2010A</td>
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<td>92</td>
<td>FmHa $300,000 @5%</td>
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<td>20 year Bond</td>
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<td>SRF Loan Job</td>
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<td>Kapililao 0.5 MG Tank</td>
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<td>DOW 2011A</td>
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<td>SRF Loan Job 98-4</td>
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<td>Kapililao Valley Wall</td>
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<td>Job KW-27</td>
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<td>Kapililao 0.5 MG Tank</td>
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<td>SRF Loan</td>
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<td>TOTAL DEBT SERVICE REQ</td>
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<td>TOTAL SALARIES, NORMAL EXPENDITURES, AND DEBT SERVICE REQUIREMENTS:</td>
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PROOF

$25,743,723.99 | $8,557,612.90 | $1,470,375.48 | 33% | $17,186,111.09
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<thead>
<tr>
<th>ITEM</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>
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<tr>
<td>107</td>
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<tr>
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<tr>
<td>519</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>------</td>
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<tr>
<td>609</td>
<td>2/19/04 (101b)</td>
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<tr>
<td></td>
<td>Con 428 Brown Caldwell</td>
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<td>Job 03-02 HW-02, HW-03</td>
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<td>A-04, KW-06 Renovations:</td>
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<tr>
<td></td>
<td>Wainiha Booster, Haena</td>
<td></td>
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<td></td>
<td>Steel Tank, Anahola 0.15</td>
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<td></td>
<td>MG Tank, Kekaha Shaft</td>
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<tr>
<td>610</td>
<td>2/27/04 (101)</td>
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<td>Con 429 Esaki Surveying</td>
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<td></td>
<td>M-01, M-02 Job 02-11</td>
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<tr>
<td></td>
<td>Moloa 50,000 Gal</td>
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<td>SS Storage Tank</td>
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<td>618</td>
<td>9/30/04 (101)</td>
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<td>PLH-41 Contract 52243</td>
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<td>Earthworks Pacific, Inc.</td>
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<td></td>
<td>Ulaula &amp; Ulilii Rds;</td>
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<td>PRV, BP &amp; 6&quot; Main, Lihue</td>
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<tr>
<td>630</td>
<td>6/30/05 (101b, 106b)</td>
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<td></td>
<td>Con 447 Fukunaga &amp; Assoc</td>
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<td></td>
<td>WK-14 Job 04-02 Vivian</td>
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<td>Heights Main Rep</td>
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<td>634</td>
<td>10/20/05 (101b)</td>
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<td>WK-30 Con 450 ParEn Inc.</td>
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<td>Job 04-03 Waiopuili-</td>
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<td>Olohepa Rd. Pipeline</td>
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<tr>
<td>635</td>
<td>9/07/05 (101b)</td>
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<td>Con 449 HI Pacific Eng Inc</td>
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<td>KW-16 Job 05-01 Waimea</td>
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<tr>
<td></td>
<td>Main Replacement</td>
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</table>

11-2011 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>
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</thead>
<tbody>
<tr>
<td>11/28/08 (101)</td>
<td></td>
<td></td>
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<tr>
<td>Con 497 Kauai Builders Ltd.</td>
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<tr>
<td>676 KW-25 Job 05-03 Kapilama 0.5 MG Storage Tank</td>
<td>$221,268.15</td>
<td>$120,566.00</td>
<td>54%</td>
<td>$100,682.15</td>
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<tr>
<td>7/31/09 (101b)</td>
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<tr>
<td>Con 503 Goodfellow Bros.</td>
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<td>Job 04-06 KW-05 Kekaha (Waipoo) Well &quot;B&quot; Renovations</td>
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<td>683</td>
<td></td>
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<td>2/28/2010</td>
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<td>Con 510 SSFM International, Inc.</td>
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<td>Job No. 05-03, KW-25 Kapilama 0.5 MG Tank &amp; Job No. 03-03</td>
<td>$3,515.49</td>
<td>$4,231.75</td>
<td>120%</td>
<td>$716.26</td>
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011 WU BUDGET STATUS
STATEMENT OF REVENUES AND EXPENDITURES
FACILITIES RESERVE CHARGE FUND
November 30, 2011

REVENUES:
Cash on hand as of July 1, 2011 $ 4,367,931.68
Add: Revenues To Date $ 169,171.34
Sub-Total $ 4,557,103.02

EXPENDITURES:
Less: Expenditures To Date $ 21,693.30
BALANCE AT THE END OF THE MONTH $ 4,535,209.72

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 0.14200% INT. DUE 09/14/12 $ 499,290.28
MULTI-BANK
CUSIP# 402194CU6 2.50000% INT. DUE 12/23/13 $ 240,000.00
CUSIP# 70455AAg5 2.30000% INT. DUE 12/31/12 $ 245,000.00
CUSIP# 36150VCH2 5.00000% INT. DUE 08/06/13 $ 97,000.00
CUSIP# 89214PAJ8 5.00000% INT. DUE 08/13/13 $ 97,000.00
CUSIP# 927055AE3 1.50000% INT. DUE 06/17/03 $ 248,000.00
CUSIP# 70155RGT9 1.50000% INT. DUE 09/09/13 $ 249,000.00
CUSIP# 02004MN74 1.50000% INT. DUE 09/03/13 $ 248,000.00

TDI (CSA)
CUSIP#

WINING SPARKS
CUSIP#

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

CASH ON WITH TREASURER - COK 11/30/11 $ 178,570.18
Claims Payable Paid 11/21/11 $ (21,893.30)
CASH ON HAND - FHB Savings (30-288435) 11/30/11 $ 1,932,349.26
Due from BAB Bond Fund
Less: CLAIMS PAYABLE PAID ON 11/30/11 $ 21,893.30 $ 2,111,918.44

CASH BALANCE AT THE END OF THE MONTH $ 4,535,209.72
<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>
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</thead>
<tbody>
<tr>
<td>1/17/2007 (301)</td>
<td></td>
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<tr>
<td>321 Con 471 PORTech Eng. WK-23 Job 93-1 Wallus 255,000 MG Tank Survey</td>
<td>$28,187.00</td>
<td>$ -</td>
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<td>0%</td>
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<tr>
<td>7/19/07 (301, 301b)</td>
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<tr>
<td>322 Con 475 TOMCO Corp A-11 Pump, Controls, Pmp Stn &amp; Pipeline-Anahola Well #</td>
<td>$72,294.00</td>
<td>$ -</td>
<td>$ -</td>
<td>-</td>
<td>0%</td>
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<td>03/31/08 (301, 301b)</td>
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<td>324 Con 488 HDR Engineering WK-39 Kapaa Hmstds 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>
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<td>7/2/2008 (301)</td>
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<td>325 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>-</td>
<td>0%</td>
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<tr>
<td>TOTAL EXPENDITURES</td>
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<td>$21,893.30</td>
<td>$21,893.30</td>
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<td>$5,200,480.38</td>
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# DEPARTMENT OF WATER  
County of Kauai  
STATUS OF THE BUDGET  
JULY 1, 2011 TO JUNE 30, 2012  
November 30, 2011

## BOND 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>
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<tbody>
<tr>
<td>BEGINNING CASH BALANCE</td>
<td>$ 401,056.43</td>
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<td>$ 401,056.43</td>
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<tr>
<td>TOTAL RESOURCES</td>
<td>$ 401,056.43</td>
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<td>0%</td>
<td>$ 401,056.43</td>
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## CAPITAL EXPENDITURES:

<table>
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<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>
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<tr>
<td>201 Bond - CIP</td>
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<td>$ -</td>
<td>$ -</td>
<td>####</td>
<td>$ -</td>
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<tr>
<td>326 Con 518, Unlimited Builders, LLC Job 02-02, Piwai 977° 0.5 MG Storage Tank &amp; Connecting Pipeline, Lawai (part BAB)</td>
<td>$ 401,056.43</td>
<td>$ 401,056.43</td>
<td>$ 24,014.09</td>
<td>100%</td>
<td>$ (0.00)</td>
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<tr>
<td></td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>0%</td>
<td>$ -</td>
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<td>0%</td>
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<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>0%</td>
<td>$ -</td>
</tr>
<tr>
<td>TOTAL EXPENDITURES</td>
<td>$ 401,056.43</td>
<td>$ 401,056.43</td>
<td>$ 24,014.09</td>
<td>100%</td>
<td>$ (0.00)</td>
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## BUILD AMERICA BONDS (BABS) - FUND

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<tr>
<th>Cash Receipts:</th>
<th>Budgeted Receipts</th>
<th>Total Actual Receipts To Date</th>
<th>Receipts For the Month</th>
<th>% Budget Elapsed</th>
<th>Balance of Budget Over Total Actual Receipts</th>
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<tbody>
<tr>
<td><strong>Beginning Cash Balance</strong></td>
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<td>$ -</td>
<td>$ -</td>
<td>$42,251,093.01</td>
<td></td>
</tr>
</tbody>
</table>

- **Bond Proceeds**
- **Interest Income**

**Total Resources**

<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>% Budget Elapsed</th>
<th>Balance of Budget Over Total Actual Receipts</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Bond - BAB, CIP</strong></td>
<td>$22,511,355.89</td>
<td>$ -</td>
<td>$ -</td>
<td>0%</td>
<td>$20,739,240.13</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></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5/11/2010 CON 513 Jennings Pacific, LLC</td>
<td>$666,251.51</td>
<td>$663,137.83</td>
<td>$104,172.24</td>
<td>72%</td>
<td>$273,113.81</td>
</tr>
<tr>
<td>Job No. 02-18, WK - 32 Kapaa Hmstts Pipe Repl</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5/11/10 CON 514 Earthworks Pacific</td>
<td>$615,642.01</td>
<td>$182,799.00</td>
<td>$1,326.39</td>
<td>30%</td>
<td>$432,843.01</td>
</tr>
<tr>
<td>Job No. 04-02, WK-14, Pipeline Repl for Vivian Hts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>9/30/10 CON 516 Unlimited Builders, LLC</td>
</tr>
<tr>
<td>Job No. 03-02 HW-02, Waialila Booster Pump Str</td>
<td>$112,544.24</td>
<td>$ -</td>
<td></td>
<td>0%</td>
<td>$112,544.24</td>
</tr>
<tr>
<td>Job # 02-03, KW-14 12&quot; WL Waimea Canyon Drive</td>
<td>$1,276,268.66</td>
<td>$ -</td>
<td></td>
<td></td>
<td>9/30/10 Con 516 (201-01) Park Engineering</td>
</tr>
<tr>
<td>Job # 02-03, Upseting the Kaumualii Hwy, 16&quot;</td>
<td>$665,360.00</td>
<td>$192,100.00</td>
<td></td>
<td>29%</td>
<td>$473,260.00</td>
</tr>
<tr>
<td>Job # 10-01, Anil Rd Pipeline Repl - Anil Rl RD</td>
<td>$14,102.70</td>
<td>$ -</td>
<td></td>
<td>0%</td>
<td>$14,102.70</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>EXPENDITURE FOR THE MONTH</th>
<th>% BUDGET ELAPSED</th>
<th>BALANCE OF BUDGET OVER TOTAL ACTUAL EXPENDITURES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Con 530 (201-01) Earthworks Pacific</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>231 Job 02-19, WK-12 Walpole Main Replacement</td>
<td>$2,045,000.00</td>
<td>$347,565.52</td>
<td>$23,068.79</td>
<td>17%</td>
<td>$1,697,434.48</td>
</tr>
<tr>
<td>Con 427 (201-01) Belt Collins Hawaii, Ltd.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>232 Job 02-14, Kapaa Hmstds 0.5 MG Storage Tank &amp; Kapahi 1.0 MG Storg Tank</td>
<td>$74,965.54</td>
<td>$23,068.79</td>
<td>$9,492.79</td>
<td>31%</td>
<td>$51,866.75</td>
</tr>
<tr>
<td>Con 427 (201-01) Belt Collins Hawaii, Ltd.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>608 Job 02-14, Kapaa Hmstds 0.5 MG Storage Tank &amp; Kapahi 1.0 MG Storg Tank</td>
<td>$(8,028.00)</td>
<td>$33,950.00</td>
<td></td>
<td></td>
<td>$25,922.00</td>
</tr>
<tr>
<td>Con 533 (201-01) Belt Collins Hawaii, Ltd.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>233 Job K-01, K-12, Kailua 1111' and 1222' Water System Improvements</td>
<td>$971,715.72</td>
<td>$109,771.65</td>
<td>$9,284.25</td>
<td>11%</td>
<td>$861,944.07</td>
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<tr>
<td>Con 503 (201-01) Goodfellow Brothers, Inc.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>683 Job 04-06, KW-05, Kekaha Well &quot;B&quot; Renovations</td>
<td>$42,760.82</td>
<td>$104,915.31</td>
<td>$104,915.31</td>
<td>56%</td>
<td>$199,881.63</td>
</tr>
<tr>
<td>Con 534 (201-01) Goodfellow Brothers, Inc.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>235 Job 05-05, PLH-30, Nuimalu &amp; Kupolo 6-inch, 8-inch and 12&quot; Main Replacement PH I</td>
<td>$3,202,500.00</td>
<td>$624,520.50</td>
<td>$524,325.89</td>
<td>20%</td>
<td>$2,577,979.50</td>
</tr>
<tr>
<td>Job 10-02, MOA Dept of Transportation/Kiewit-Kaumualii Hwy widening, Anomul Rd and Lihue Mill Bridge.</td>
<td>$151,027.27</td>
<td>$-</td>
<td></td>
<td>0%</td>
<td>$151,027.27</td>
</tr>
<tr>
<td>6/28/2011 (201-01) Con 536, Esaki Surveying &amp; Mapping, Inc., Job 11-02, PLH-01a Replace Grove Farm Tanks #1 &amp; #2</td>
<td>$229,658.00</td>
<td>$-</td>
<td></td>
<td>0%</td>
<td>$229,658.00</td>
</tr>
<tr>
<td>Con 544, HONUA Engineering, Job 11-04 (L-08, L-10) Water Main Replacement &amp; Service Improvement</td>
<td>$95,425.00</td>
<td>$24,678.75</td>
<td>$13,841.25</td>
<td>28%</td>
<td>$70,746.25</td>
</tr>
<tr>
<td>6/28/11 Con 512 - Architects Hawaii, Ltd., Job No. PLH-39; Lihue Baseyard Improvements for DOW</td>
<td>$129,603.00</td>
<td>$667,096.00</td>
<td>$35,392.39</td>
<td>5%</td>
<td>$761,306.61</td>
</tr>
</tbody>
</table>

| TOTAL EXPENDITURES                                       | $39,603,163.01  | $4,132,829.21                    | $1,487,335.49             |                  | $35,470,333.80                               |
PR SPECIALIST REPORT

January 26, 2012

Press Releases

News release regarding final notices for the installation of backflow prevention devices mailed out on January 13th.

Community Outreach

Accompanied and assisted with the Council Committee Meeting presentation on the Department’s accomplishments in terms of reducing water and energy consumption, plans for the future, and an update of the $60 million Department of Water Bond CIP projects.

Accompanied and assisted Civil Engineer, Dustin Moises at King Kaumuali‘i’s Career Day on January 11th.

Organizing and planning the Dedication Ceremony for the completion of the Piwai Tank.

Community Notifications/Press Releases:

Final notices were mailed out to Kīlauea residents along Waiakalua and North Waiakalua Streets that have not yet complied with the installation of backflow prevention devices as required by the Department.

Drought Mitigation Grant:

The six month extension MOA has been approved and executed. Bill is working on the RFP for the leak detection equipment which should be posted by the end of this month.

Respectfully submitted,

Joy Buccat
Clerical Assistant-Community Relations
Operations Division Report for the Month of December 2011

Personnel

- Our Generator Repairer retired effective December 31, 2011.

- A candidate for the vacant Pipefitter Helper position has been chosen and a conditional offer of employment has been sent pending passing of medical and drug tests.

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

Source and Storage

- The Department’s response to the Wailua-Kapa and Lihue-Puhi sanitary surveys was sent to the Department of Health.

- 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.

- Operations crews continue to assist Water Plan 2020 projects by operating valves as well as through house to house notification of customers during scheduled water outage to allow the contractor to tie-in the new lines to the existing lines. For the month of December Hulmalu Road, Niulmala Road, Lalei Place in Lihue as well as Puhi Road and Anonui Street in Puhi were tied-in.

- Eleven (11) new residential water meters were installed and seven (7) residential water meters were replaced per customers’ request.

Fleet, Inventory, Warehouse and Basyard Area

- We received a total of 33 calls from customers reporting leaks on the mainline, service laterals, meters, and fire hydrants including 2 called-in complaints of low water pressure.
## Work Orders by Job Reason Code for Selected Date Range

From 12/01/2010 to 12/31/2011

<table>
<thead>
<tr>
<th># of W/O's</th>
<th>Job Reason Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>29</td>
<td>LEAK-BOX</td>
<td>Meter Box Leak Repair</td>
</tr>
<tr>
<td>34</td>
<td>LEAK-CUST</td>
<td>Customer-Side Leak Repair</td>
</tr>
<tr>
<td>148</td>
<td>LEAK-MAIN</td>
<td>Mainline Leak Repair</td>
</tr>
<tr>
<td>186</td>
<td>LEAK-S/L</td>
<td>Service Lateral Leak Repair</td>
</tr>
</tbody>
</table>

### Work Orders by Job Reason Code

#### Pie Chart
- LEAK-BOX: 29 (7.3%)
- LEAK-CUST: 34 (8.6%)
- LEAK-MAIN: 148 (37.3%)
- LEAK-S/L: 186 (46.9%)

Total: 100.0%

### Number of Leak Repairs per Month

![Number of Leak Repairs per Month Graph](image)

- LEAK-BOX
- LEAK-CUST
- LEAK-MAIN
- LEAK-S/L
MANAGER’S UPDATE

January 26, 2012

MANAGER’S UPDATE for DECEMBER 2011 to JANUARY 2012

WATER RESTRICTION POLICY

Aside from the Board action taken this month on the Waimea water system, the Administratively Approved Water Restriction Policy for the Lawai Omao system has also been lifted since December 23, 2011. It is attached for your review.

CONTRACTS AWARDED BY THE MANAGER:

Re: Job No. 11-14, Pahi Well No. 4 – Deep Well Turbine Pump Assembly Replacement

Contract was awarded to Beylik Drilling and Pump Service, Inc. in the amount of $59,423.00

FUNDING:

Acct #102, Misc. Other Capital Expenditures,
Pump Replacement Program ................................................. $300,000.00
Requested Contract with Beylik .................. $59,423.00
Requested 15% +/- Contingency .................. $8,577.00

$68,000.00 ........................................ <$68,000.00>
Pump Replacement Program Remaining Balance . .................. $232,000.00

PUMP INSTALLATION PERMITS:

None

WAIVER, RELEASE AND INDEMNITY AGREEMENTS SIGNED BY THE MANAGER:

None

PERSONNEL MATTERS UPDATE:

Updated January 13, 2012

RECRUITMENT AND POSITION CHANGES

Operations Division

3. Lead Pipefitter #2481. DPS to post job announcement (intra-, inter-, open) 1/18/2012.
4. Water Service Investigator II #2486. Submitted request to fill vacancy to DPS.
5. Water Field Operations Superintendent #2491 is vacant. No action at this time.

Fiscal Division
1. Accountant III #2356. Pending clearance to work from DPS.
2. Accountant II – Billing Section. Pending DOW finalizing position description & document submittal to DPS.
3. Procurement Specialist – Fiscal Division. Pending DOW finalizing position description & document submittal to DPS.
4. Billing Section positions being updated due to upcoming implementation of new billing system.

Engineering Division and Special Projects Division
1. Engineering, Construction Management (currently Special Projects) and Water Quality Divisions Re-Organization paperwork submitted to Department of Personnel Services.
   a. DPS said they will try to provide a response within two weeks (of 1/13/2012).
   b. Memo to be sent to DPS by 1/18/2012 for timeline on review and creation of this re-organization.
2. Civil Engineer II #2458 (Engineering Division). Requested for referred if eligible from Department of Personnel Services. Posted in newspaper on 12/21/2011. DPS reviewing applications.
3. Civil Engineer II #2468 (Engineering Division). Reallocation to CE III pending DPS review and response.
4. Water Inspector II #2355 (Engineering Division). Referred list received from DPS. Pending interview.
5. Civil Engineer II #2494 (Water Resources and Planning Division). Position has been filled effective 12/1/2011.
6. Civil Engineer III #2360 (Water Resources and Planning Division). Position vacant. Pending request to fill submittal to DPS.

Administration
1. Reallocation of Commission Support Clerk #2493 to Board Secretary. D.O.W. met with D.P.S. on status. Pending DPS review and response. Memo sent to DPS on 1/12/2012 for timeline on reallocation review & action completion.
2. Reallocation of Private Secretary #E-35 to Private Secretary/Administration Office Manager, pending action by DPS. Memo sent to DPS on 1/12/2012 for timeline on reallocation review & action completion.
3. Secretary #2354. No one selected from the referred list. Request for a new referred list sent to DPS on 1/6/2012.
4. Civil Engineer VII. Vacant. No action.

SUMMARY OF WARRANT VOUCHERS PAID – December 31, 2011
Warrant vouchers were paid in the amount of $1,315,406.96

Please see attached Warrant Vouchers Report.

STAFF REPORTS - FY 12:
Conveyance of Water Facility:

1. Randall Smith
   TMK: 5-2-13:005
   Kilauea $15,000.00
2. Manuel DeSilva, Jr. Trust
   TMK: 4-6-07:058
   Kapaa $ 8,900.00
3. M. Ben-Dor Diamonds, Inc.
   TMK: 5-4-04:054
   Hanalei $ 1,200.00
   Pension Plan and Trust
4. Laurie R. Talbo Trust / Darryl
   And Eliza Fujita
   TMK: 4-1-07:042
   Wailua $18,663.00
   Total $43,763.00

Water Quality Report – Fourth Quarter 2011:
1. No new dedicated sample sites to be installed by operations at this time.
2. New sites chosen for routine sampling to replace sites that were hard to access or have been
   removed. More old sites need to be changed. Ongoing.
3. Main break monitoring on hold, pending finalizing procedures and follow up between both the
   Lab and Operations. In the meantime, Peggy is informally checking on mainline breaks.
   Operations or Engineering usually informs the Lab of major breaks or installation of new
   infrastructure so that we can sample/monitor water quality. Ongoing.
4. Decided to go with Triggered Monitoring Plan for the new GWR. Plan submitted to SDWB
   (accepted by SDWB). One hit so far. Monitoring plan seems to be workable.
5. Sampling sources to see if any will present problems with fecal indicators if triggered
   monitoring is required. So far only Garlinghouse Tunnel seems to be problematic. Ongoing.
6. Kalaheo, Lawai/Omao and Koloa became one system under the GWR, Kalaheo/Koloa System
   #434. Keith Aoki has taken the initiative to require developers to install sampling stations in
   future subdivisions. They will be installing the same kind of stations we already have in use.
   Koloa Well F first year initial sampling is complete.
7. Lead and Copper Sampling for this year scheduled for summer 2012, except for Sys #400. It
   will revert to initial sampling regimen due to Kapaa Well #3. When Kapaa Well #3 comes
   online 1/12/12, more sampling will be required by SDWA (Rads, lead, initial chemical suite).
8. Andy is monitoring Kapiliapao chloride levels until Waipao Valley Well is back on line.
   Chlorides are holding steady.
9. Lab certification inspection by DOH should happen before 12/31/2012.
10. Tentative Chemical Sampling for DOH Lab scheduling for 2012 completed. DOH Lab
    requesting more detailed schedule.
11. Amfac Shaft sampling ongoing. No surface water influence detected so far.

COUNTY ATTORNEY QUARTERLY REPORT
This report is submitted pursuant to Board Policy No. 25.

CLAIMS SETTLED:

<table>
<thead>
<tr>
<th>Claimant Name</th>
<th>Date of Incident</th>
<th>Filed with Office</th>
<th>Nature of Claim</th>
<th>Amount Requested</th>
<th>Settlement Amount</th>
<th>Remedial Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Francis Pahia</td>
<td>9/13/2011</td>
<td>10/19/2011</td>
<td>Claimant was rear-ended by employee of the Department of Water</td>
<td>$3,096.60</td>
<td>$3,096.60</td>
<td>DOW should create and implement an ongoing driver improvement program for all employees with driving privileges.</td>
</tr>
<tr>
<td>Christy Michioka</td>
<td>11/9/2011</td>
<td>11/18/2011</td>
<td>Employee of Department of Water reversed into claimant’s parked car</td>
<td>$579.68</td>
<td>$579.86</td>
<td>DOW should create and implement an ongoing driver improvement program for all employees with driving privileges.</td>
</tr>
</tbody>
</table>

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

Respectfully submitted,

[Signature]

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

cab
Mgrp/Manager’s Update (1-26-12): cab
DATE: December 21, 2011

TO: David R. Craddick, Manager and Chief Engineer

FROM: WR/P, edoi

SUBJECT: Rescind Existing Lawai-Omao Administratively Approved Water Restriction Policy

Recommendation:
It is recommended that the Department of Water rescind the existing water restriction that limited development to two single family dwellings and/or two 5/8-inch water meters per existing lot of record for the Lawai-Omao area. Water service request approvals will be on a first come first serve basis.

Background:
Sometime late 1997 the Department of Water administratively approved a water restriction policy for the Lawai-Omao 677’ service zone which limit developments to two single family dwellings or two ~ 5/8-inch water meters per existing lot of record due to inadequate storage capacity.

The construction of Piwai 0.5 MG storage tank has been completed and is online which has provided additional capacity to the Lawai-Omao 677’ service zone. The tables below identify previous “status of storage facility – 2010 consumption data” (without Piwai 0.5 MG Tank) and present “status of storage facility – 2010 consumption data” (including Piwai 0.5 MG Tank).

Without Piwai 0.5 MG Tank

<table>
<thead>
<tr>
<th>Storage Facility</th>
<th>Capacity (1000 gals)</th>
<th>Consumption Max Day Demand (1000 gals)</th>
<th>Remaining Storage (MDD) (1000 gals)</th>
<th>Residential Unit Equivalence (MDD)</th>
<th>Hotel Unit Equivalence (MDD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lawai Tank</td>
<td>250</td>
<td>538</td>
<td>-288</td>
<td>-385</td>
<td>-549</td>
</tr>
</tbody>
</table>

With Piwai 0.5 MG Tank

<table>
<thead>
<tr>
<th>Storage Facility</th>
<th>Capacity (1000 gals)</th>
<th>Consumption Max Day Demand (1000 gals)</th>
<th>Remaining Storage (MDD) (1000 gals)</th>
<th>Residential Unit Equivalence (MDD)</th>
<th>Hotel Unit Equivalence (MDD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lawai and Piwai Tank</td>
<td>750</td>
<td>538</td>
<td>212</td>
<td>282</td>
<td>403</td>
</tr>
</tbody>
</table>

Existing source capacity can accommodate 705 residential units or 1007 hotel units (MDD).

Approved: 

[Signature]

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

Rescind Lawai-Omao water restriction/SD:100

12/23/11 Date
DEPARTMENT OF WATER
Summary of Warrant Vouchers Paid
December 31, 2011

WATER UTILITY FUND
Other Expenses, Department of Water
Capital Expenditures $ 51,764.77
Other Expenses, Department of Water
Normal Expenditures $ 706,572.14
TOTAL WATER UTILITY FUND $ 758,336.91 $ 758,336.91

BOND FUND
UNLIMITED BUILDERS, LLC.
TOTAL BOND FUND $ - $ -

F R C FUND
FRC REFUNDS $ - $ -
TOTAL FRC FUND $ - $ -

BOND - BAB
JENNINGS PACIFIC, LLC $ 370,478.54
EARTHWORKS PACIFIC, INC. $ 65,300.60
R. ELECTRIC, INC. $ 38,188.62
BELT COLLINS HAWAII, LTD. $ 8,677.75
BELT COLLINS HAWAII, LTD. $ 4,263.34
ESAKI SURVEYING & MAPPING, INC. $ 31,635.00
OCEANIT LABORATORIES $ 3,800.00
ARCHITECTS HAWAII, LTD. $ 34,726.20
TOTAL BAB BOND FUND $ 557,070.05 $ 557,070.05

TOTAL CLAIMS PAYABLE $ 1,315,406.96

WATER UTILITY FUND
12/30/11 AP $ 758,336.91 $ 758,336.91

BOND FUND
$ -
F R C FUND
$ -

BOND - BAB:
12/30/11 AP $ 557,070.05 $ 557,070.05

BANK TRANSFER -
$ 1,315,406.96

Bank Transfer Adjustments:
Due to WIU - Transfer Adjustment
<table>
<thead>
<tr>
<th>BUDGET CODE</th>
<th>AMOUNT</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>$1,221.02</td>
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<tr>
<td>16</td>
<td>$2,714.51</td>
</tr>
<tr>
<td>21</td>
<td>$253.25</td>
</tr>
<tr>
<td>22</td>
<td>$2,567.56</td>
</tr>
<tr>
<td>24</td>
<td>$1,182.70</td>
</tr>
<tr>
<td>27</td>
<td>$13,024.03</td>
</tr>
<tr>
<td>29</td>
<td>$755.46</td>
</tr>
<tr>
<td>31</td>
<td>$3,225.79</td>
</tr>
<tr>
<td>32.3</td>
<td>$6,000.00</td>
</tr>
<tr>
<td>33</td>
<td>$50.00</td>
</tr>
<tr>
<td>34</td>
<td>$4,190.72</td>
</tr>
<tr>
<td>36.2</td>
<td>$2,638.84</td>
</tr>
<tr>
<td>37</td>
<td>$5,067.00</td>
</tr>
<tr>
<td>38</td>
<td>$595.15</td>
</tr>
<tr>
<td>40</td>
<td>$11,586.16</td>
</tr>
<tr>
<td>41</td>
<td>$14,000.38</td>
</tr>
<tr>
<td>43.1</td>
<td>$2,610.91</td>
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<tr>
<td>44.2</td>
<td>$883.01</td>
</tr>
<tr>
<td>47</td>
<td>$4,197.75</td>
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<tr>
<td>48</td>
<td>$99.74</td>
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<tr>
<td>58</td>
<td>$2,921.84</td>
</tr>
<tr>
<td>59</td>
<td>$17.44</td>
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<tr>
<td>80</td>
<td>$48,025.15</td>
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<tr>
<td>81</td>
<td>$26,764.28</td>
</tr>
<tr>
<td>83</td>
<td>$49,083.88</td>
</tr>
<tr>
<td>88</td>
<td>$201,621.28</td>
</tr>
<tr>
<td>94</td>
<td>$153,384.69</td>
</tr>
<tr>
<td>97.1</td>
<td>$84,150.00</td>
</tr>
<tr>
<td>98</td>
<td>$63,739.60</td>
</tr>
</tbody>
</table>

**TOTAL NORMAL EXPENDITURES**

$706,572.14

**NORMAL EXPENDITURES**
DEPARTMENT OF WATER  
WATER UTILITY FUND  
RECAP OF CAPITAL EXPENDITURES  
December 31, 2011

<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>
</tr>
<tr>
<td>MISCELLANEOUS CAPITAL EXPENDITURES</td>
<td>102</td>
<td>$ 8,753.77</td>
</tr>
<tr>
<td>OFFICE &amp; ENGINEERING EQUIPMENT</td>
<td>103</td>
<td>$ 5,883.84</td>
</tr>
<tr>
<td>VEHICLES &amp; EQUIPMENT</td>
<td>106</td>
<td>$ 16,078.02</td>
</tr>
<tr>
<td>CIP RESERVE</td>
<td>106B</td>
<td></td>
</tr>
<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>$ 30,715.63</strong></td>
</tr>
</tbody>
</table>

| WATER UTILITY FUND                        |             |            |
| CON 52243 EARTHWORKS PACIFIC, INC.       | 618         | $ 21,049.14|

| CONTRACT PAYMENTS - WU                    |             | $ 21,049.14|
| **TOTAL WATER UTILITY - CAPITAL EXPENDITURES** |             | **$ 51,764.77**|

| BOND                                      |             |            |
| CON                                       |             |            |

| CONTRACT PAYMENTS - BOND:                 |             | $ -        |

| FRC                                       |             |            |

| FRC Refund - 4a                           |             |            |

| FRC PAYMENTS                              |             | $ -        |

| BOND - BAB                                |             |            |
| CON 513 JENNINGS PACIFIC, LLC             | 218         | $ 370,478.54|
| CON 514 EARTHWORKS PACIFIC, INC.         | 219         | $ 65,300.60 |
| CON 525 R. ELECTRIC, INC.                | 227         | $ 38,188.62 |
| CON 427 BELT COLLINS HAWAII, LTD.        | 232         | $ 8,677.75  |
| CON 533 BELT COLLINS HAWAII, LTD.        | 233         | $ 4,263.34  |
| CON 536 ESAKI SURVEYING & MAPPING, INC.  | 237         | $ 31,635.00 |
| CON 543 OCEANIT LABORATORIES              | 240         | $ 3,800.00  |
| CON 692 ARCHITECTS HAWAII, LTD.          | 692         | $ 34,725.20 |

| CONTRACT PAYMENTS - BAB                    |             | **$ 557,070.05**|

| **TOTAL CAPITAL EXPENDITURES**             |             | **$ 608,834.82**|
January 16, 2012

MEMO

TO: David R. Craddick, P.E., C.E.M.
FROM: Gregg Fujikawa, Water Resources and Planning Division

SUBJECT: MONTHLY SUBDIVISION SUMMARY

<table>
<thead>
<tr>
<th>Subdivision Number</th>
<th>TMK Number</th>
<th>Applicant</th>
<th>Received</th>
<th>Response Date</th>
<th>Subject</th>
<th>DOW Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>S-2006-12</td>
<td>3-7-03:020</td>
<td>Hanamauku Large Lot Subdivision</td>
<td>11/17/2011</td>
<td>12/30/2011</td>
<td>Request for Additional Water Meter</td>
<td>Conditionally Approved</td>
</tr>
<tr>
<td>S-2006-24</td>
<td>3-7-03:020</td>
<td>Hooluana At Kohea Loa</td>
<td>11/17/2011</td>
<td>12/30/2011</td>
<td>Request for Additional Water Meter</td>
<td>Conditionally Approved</td>
</tr>
<tr>
<td>S-2011-12</td>
<td>4-2-10:012; 4-2-10:059</td>
<td>Antone Viela Trust</td>
<td>12/20/2011</td>
<td>12/28/2011</td>
<td>Final Subdivision Map Review &amp; Approval</td>
<td>Issued Final Subdivision Approval</td>
</tr>
<tr>
<td>S-2011-14</td>
<td>5-3-06:022; 5-3-06:045</td>
<td>Princeville Prince Golf Course/QEB III LLC</td>
<td>12/20/2011</td>
<td>12/28/2011</td>
<td>Final Subdivision Map Review &amp; Approval</td>
<td>Issued Final Subdivision Approval</td>
</tr>
</tbody>
</table>
The Department of Water, County of Kaua'i

Proudly presents this certificate of achievement to

Alan Iwasaki

awarded one of our

Crew Members of the 4th Quarter

"For performing work above and beyond expectations as described in The Garden Island letter to the editor dated November 6, 2011 by Mr. Gil Scott."

Mahalo to the Department of Water for hard work!

My family and I would like to express our sincerest thanks and deepest aloha to the Department of Water and their great people. On November 1, a water main broke on Papadina Road at the 3800 block. Of course it occurred in the middle of a Kaua'i downpour, which continued unabated into the early morning hours and next day. The crew worked tirelessly through the rain and mud to restore water to the neighborhood. All you have to do is think of the time, the men doing the repair discovered the lateral line, providing service to my home had also been damaged. Five hours later, at 1 a.m., our water service was restored. What needs to be said is the men did the repair in the dark, rainy, muddy and very dangerous traffic conditions. They might of and probably should have called it a day. They could have gone home to their families, clean dry clothes, a well deserved hot meal and safety. Please note they could have but they didn’t. They had fixed the neighborhood problem. Only one home was without service – returning the next day during daylight and safer working conditions would be totally understandable. What the men on the repair crew did was extraordinary. They went back to their base yard, acquired the necessary piping and other repair parts and completed the work so my family might wake up to the comfort and convenience of water service to our home. My family thanks you for the bottom of our hearts. — Gil Scott, Kalaeo

Given this 26th day of January 2012

Manager & Chief Engineer — David Craddock
Wastewater Author — Val Reynolds
The Department of Water, County of Kaua‘i

Proudly presents this certificate of achievement to

Warren Rita

awarded one of our

Crew Members of the 4th Quarter

“For performing work above and beyond expectations as described in The Garden Island letter to the editor dated November 8, 2012 by Mr. Gil Scott.”

Mahalo to the Department of Water for hard work!

My family and I would like to express our sincerest thanks and deepest aloha to the Department of Water and their great people. On Nov. 8 a water main broke on Papalina Road at the 9800 block. Of course it occurred in the middle of a Kaua‘i downpour, which continued unabated into the early morning hours and next day. The crew worked tirelessly through the rain and mud to restore water to the neighborhood. At 5 a.m. the next day, the men doing the repair discovered the lateral line, previous service to my home had also been damaged. Four hours later, at 9 a.m., our water service was restored. What needs to be said is the men did the repair in the dark, rain, muddy and very dangerous traffic conditions. They might of and probably should have called it a day. They could have gone home to their families, clean dry clothes, a well deserved hot meal and safety. Please note they could have but they didn’t. They had fixed the neighborhood problem. Only one home was without service — returning the next day during daylight and safer working conditions would be totally understandable. What the men on the repair crew did was extraordinary. They went back to their base yard, acquired the necessary piping and other repair parts and completed the work so my family might wake up to the comfort and convenience of water service to our home. My family thanks you for the bottom of our hearts.

— Gil Scott, Kalaeo

Given this 26th day of January 2012

Manager & Chief Engineer – David Caradick

Water Bill Author – Val Reyna
The Department of Water, County of Kaua‘i

Proudly presents this certificate of achievement to

Raymond Chow

awarded one of our

Crew Members of the 4th Quarter

“For performing work above and beyond expectations as described in The Garden Island letter to the editor dated November 6, 2011 by Mr. Gil Scott.”

Mahalo to the Department of Water for hard work!

My family and I would like to express our sincerest thanks and deepest aloha to the Department of Water and their great people. On Nov. 2 a water main broke on Papalina Road at the 3200 block. Of course, it occurred in the middle of a Kaua‘i downpour, which continued unabated into the early morning hours and next day. The crew worked tirelessly through the rain and mud to restore water to the neighborhood. At 8 p.m. time, the men doing the repair discovered the lateral line, providing service to my home had also been damaged. Five hours later, at 1 a.m., our water service was restored. What needs to be said is the men did the repair in the dark, rainy, muddy and very dangerous traffic conditions. They might of and probably should have called it a day. They could have gone home to their families, clean dry clothes, a well deserved hot meal and safety. Please note they could have but they didn’t. They had fixed the neighborhood problem. Only one home was without service – returning the next day during daylight and safer working conditions would be totally understandable. What the men on the repair crew did was extraordinary. They went back to their base yard, acquired the necessary piping and other repair parts and completed the work so my family might wake up to the comfort and convenience of water service to our home. My family thanks you for the bottom of our hearts. — Gil Scott, Kalaheo

Given this 26th day of January 2012

Manager & Chief Engineer – David O’Rard

Water Buck Author – Val Reyna

[Signatures]
The Department of Water, County of Kaua‘i
Proudly presents this certificate of achievement to

Randy Watanabe

awarded one of our

Crew Members of the 4th Quarter

“For performing work above and beyond expectations as described in The Garden Island letter to the editor dated November 6, 2011 by Mr. Gil Scott.”

Mahalo to the Department of Water for hard work!

My family and I would like to express our sincerest thanks and deepest aloha to the Department of Water and their great people. On Nov. 2 a water main broke on Papalina Road at the 3800 block. Of course it occurred in the middle of a Kaua‘i downpour, which continued unabated into the early morning hours and next day. The crew worked tirelessly through the rain and mud to restore water to the neighborhood. At peak hour time, the men doing the repair discovered the lateral line providing service to my home had also been damaged. Five hours later, at 1 a.m., our water service was restored. What needs to be said is the men did the repair in the dark, rainy, muddy and very dangerous traffic conditions. They might of and probably should have called it a day. They could have gone home to their families, eaten dry clothes, a well deserved hot meal and safety. Please note they could have but they didn’t. They had fixed the neighborhood problem. Only one home was without service — returning the next day during daylight and safer working conditions would be totally understandable. What the men on the repair crew did was extraordinary. They went back to their base yard, acquired the necessary piping and other repair parts and completed the work so my family might wake up to the comfort and convenience of water service to our home. My family thanks you for the bottom of our hearts.

— Gil Scott, Kalaeo

Given this 26th day of January 2012

Manager & Chief Engineer — David Grabbick

Water Buck Author — Val Reyna
The Department of Water, County of Kaua‘i

Proudly presents this certificate of achievement to

Corey Silva

awarded one of our

Crew Members of the 4th Quarter

“For performing work above and beyond expectations as described in The Garden Island letter to the editor dated November 6, 2011 by Mr. Gil Scott.”

Mahalo to the Department of Water for hard work!

My family and I would like to express our sincerest thanks and deepest thanks to the Department of Water and their great people. On Nov. 2 a water main broke on Papalina Road at the 3800 block. Of course it occurred in the middle of a Kaua‘i downpour, which continued unabated into the early morning hours and next day. The crew worked tirelessly through the rain and mud to restore water to the neighborhood. At some hard time, the men doing the repair discovered the lateral line, providing service to my home had also been damaged. Four hours later, at 1 a.m., our water service was restored. What needs to be said is the men did the repair in the dark, rainy, muddy and very dangerous traffic conditions. They might have and probably should have called it a day. They could have gone home to their families, clean dry clothes, a well deserved hot meal and safety. Please note they could have but they didn’t. They fixed the neighborhood problem. Only one home was without service — returning the next day during daylight and safer working conditions would be totally understandable. What the men on the repair crew did was extraordinary. They went back to their base yard, accessed the necessary piping and other repair parts and completed the work so my family might wake up to the comfort and convenience of water service to our home. My family thanks you for the bottom of our hearts.

— Gil Scott, Kalaeo

Given this 26th day of January 2012

Manager & Chief Engineer — David Craddock

Water Buck Author — Val Reyna
Darren Lizama

Crew Member of the 4th Quarter

The Department of Water, County of Kauai

Proudly presents this certificate of achievement to

For performing work above and beyond expectations as described in the Criteria Island letter to the editor dated November 6, 2012, by Mr. G.J. Scott.

Made to the Department of Water for hard work.

My family and I would like to express our sincerest thanks to the Department of Water for their great people. On Nov. 20, 2012, our water main broke on our main road, creating a great deal of chaos for our town. The Department of Water had to come out and fix it on the same day. The people from the Water Department were very professional and helpful. They fixed everything so that we could have water again. They were very nice and did a great job. We appreciate all the work they did, and we are very grateful.

Given this 25th day of January, 2012

Manager & Chief Engineer

David C. Chee

Kauai, Hawaii
The Department of Water, County of Kaua'i
Proudly presents this certificate of achievement to

Kevin Pongasi
awarded one of our

Crew Members of the 4th Quarter

"For performing work above and beyond expectations as described in The Garden Island letter to the editor dated November 6, 2011 by Mr. Gil Scott."

Mahalo to the Department of Water for hard work!

My family and I would like to express our sincerest thanks and deepest ache to the Department of Water and their great people. On Nov. 2 a water main broke on Papalina Road at the 3800 block. Of course it occurred in the middle of a Kaua'i downpour, which continued unabated into the early morning hours and next day. The crew worked tirelessly through the rain and mud to restore water to the neighborhood. At pua hana time, the men doing the repair discovered the lateral line providing service to my home had also been damaged. Five hours later, at 1 a.m., our water service was restored. What needs to be said is the men did the repair in the dark, rainy, muddy and very dangerous traffic conditions. They might of and probably should have called it a day. They could have gone home to their families, clean dry clothes, a well deserved hot meal and safety. Please note they could have but they didn’t. They had fixed the neighborhood problem. Only one home was without service – returning the next day during daylight and safer working conditions would be totally understandable. What the men on the repair crew did was extraordinary. They went back to their base yard, retrieved the necessary piping and other repair parts and completed the work so my family might wake up to the comfort and convenience of water service to our home. My family thanks you for the bottom of our hearts.

– Gil Scott, Kalahea

Given this 26th day of January 2012

D. Craddick
Manager & Chief Engineer – David Craddick

Val Reyna
Water Buck Author – Val Reyna
Quarterly Status of DOW Projects

Department of Water
January 26, 2012
EXECUTIVE SUMMARY

The significant changes for this quarter are:

Design:
1. Job No. PLH-03, (RFP-02-11) Kahili Horizontal Directional Drilled Well. Phase IA contract finalized and notice to proceed issued.
2. Job No. PLH-39, Lihue Baseyard Improvements – The final EA/FONSI was submitted and posted on OEQC website. Received County of Kauai authorization for land transfer and contract amendment #1 was issued notice to proceed for design phase.
3. Job No. K-17, PLH-42, WK-02, Construct Kalaheo, Akulikuli, and Kokolau Tunnel Surface Water Treatment Facilities contract was awarded to AECOM technical services and notice to proceed issued.
4. Job No. MO-03, Land and Well Acquisition for Koloa-Waiheea contract was awarded to Oceanit and given notice to proceed.
5. Job No. WKK-15 (East) Kilauea 1.0 MG Tank second contract amendment with Kodani and Associates issued notice to proceed.
6. Job No. WK-36, Pipeline Replacement along Wailua, Ohana, Anolani and Kuamoo Roads and Lehia Lane, Wailua, redesign completed based on Environmental Assessment comments.

Construction:
1. Job No. WK-36, Archaeological Inventory Survey and Monitoring Plan Reports submitted to State Historic Preservation Division and comment period has ended. Final EA/FONSI submitted to OEQC and posted January 8, 2012. Waterline has been redesigned based on EA comments and construction to begin in February 2012 provided Board approves additional funding.
EXECUTIVE SUMMARY

Continued from previous page:

Construction:

2. Job No. WK-12, Waipouli Main Replacement (County Roads). Earthworks Pacific, Inc. began construction of the project once archaeological Inventory Survey and Monitoring Plan Reports were completed. In addition to an archaeological monitor, the project now has a cultural monitor.

3. Job No. KW-14, 12” Waterline along Kaumualii Highway and Waimea Canyon Drive awaiting DOT sign off.

4. Job No. WK-14, Pipeline replacement for Vivian Heights and Kanaele Road, Phase II connected to existing system and awaiting DPW decision at Kanaele Bridge crossing.


6. As-needed Construction Management Services contract awarded to SSFM International, Inc and notice to proceed given on December 1, 2012.

7. Job No. WK-32 Phase II, Kapaa Homesteads Pipeline Replacement connected to existing system.

8. Job No. LO-04, Piwai 0.5 MG Tank connected to existing system.


10. Job No. PLH-25, Eiwa, Umi, Akahi, Elua, Hardy, Aloh, Uki, and Lalei 8” Waterline Improvements connections were successfully planned around Shearwater Season and is nearly completed.

January 26, 2012
Design Projects
<table>
<thead>
<tr>
<th>WP 2020 NUMBER</th>
<th>PROJECT TITLE</th>
<th>% COMPLETE Sept. 2011</th>
<th>% COMPLETE Dec. 2011</th>
<th>EST. COMPLETE</th>
<th>BUDGET COST</th>
<th>STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>KW-28</td>
<td>AMFAC SHAFT RENOVATION, Phase B</td>
<td>85</td>
<td>90</td>
<td>Q1 2012</td>
<td>$699,147 (D)</td>
<td>Pump installation complete. Awaiting water quality results.</td>
</tr>
<tr>
<td>HE-03</td>
<td>Hanapepe and Koloa Well MCC Improvements</td>
<td>-</td>
<td>-</td>
<td>Q2 2013</td>
<td>$300,000 (D)</td>
<td>Finalizing Contract</td>
</tr>
</tbody>
</table>
## SOUTH SIDE DESIGN PROJECTS
### KALAHEO, LAWAI, POIPU, KOLOA

<table>
<thead>
<tr>
<th>WP 2020 NUMBER</th>
<th>PROJECT TITLE</th>
<th>% COMPLETE Sept. 2011</th>
<th>% COMPLETE Dec. 2011</th>
<th>EST. COMPLETE</th>
<th>BUDGET COST</th>
<th>STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>K-01</td>
<td>Kalaheo Water System Improvements (North)</td>
<td>13</td>
<td>15</td>
<td>Q4 2012</td>
<td>$964,510 (D)</td>
<td>Under Design</td>
</tr>
<tr>
<td>LO-10, LO-08</td>
<td>Koloa Road 6&quot; and 8&quot; Main Replacement</td>
<td>12</td>
<td>28</td>
<td>Q4 2012</td>
<td>$86,750 (D)</td>
<td>Under Design</td>
</tr>
<tr>
<td>K-05A</td>
<td>Construct Kalaheo 0.5 MG Tank, 886'</td>
<td>-</td>
<td>-</td>
<td>Q2 2013</td>
<td>$400,000 (D)</td>
<td>Finalizing Contract</td>
</tr>
<tr>
<td>K-17, WK-02</td>
<td>Construct Kalaheo, Kokolau, and Akulikuli Treatment Facilities</td>
<td>0</td>
<td>5</td>
<td>Q2 2013</td>
<td>$117,701 (D)</td>
<td>Under Design</td>
</tr>
<tr>
<td>K-18</td>
<td>8&quot; Waterline along Haleiwi Road (Kaumualii Highway to Haku Hale Road)</td>
<td>-</td>
<td>-</td>
<td>Q4 2012</td>
<td>$75,000 (D)</td>
<td>Finalizing Contract</td>
</tr>
</tbody>
</table>
# EAST SIDE DESIGN PROJECTS

## LIHUE-PUHI, WAILUA-KAPAA, ANAHOLA

<table>
<thead>
<tr>
<th>WP 2020 NO.</th>
<th>PROJECT TITLE</th>
<th>% COMPLETE Sept. 2011</th>
<th>% COMPLETE Dec. 2011</th>
<th>EST. COMPLETE</th>
<th>BUDGET COST</th>
<th>STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>PLH-01A</td>
<td>REPLACE GROVE FARM TANKS 1 &amp; 2</td>
<td>0</td>
<td>14</td>
<td>Q1 2013</td>
<td>$229,658(D)</td>
<td>Under Design</td>
</tr>
<tr>
<td>PLH-03</td>
<td>KAHILI HORIZONTAL DIRECTIONAL DRILLED WELL</td>
<td>-</td>
<td>-</td>
<td>Q4 2015</td>
<td>$1,924,300 (Phase IA)</td>
<td>Contract Finalized. NTP Issued</td>
</tr>
<tr>
<td>PLH-37</td>
<td>DEEPEN PUHI WELL NO. 2</td>
<td>PH 1 – 100</td>
<td>PH 1 – 100</td>
<td></td>
<td>$67,900 BUDGET</td>
<td>PHASE 2 PROPOSAL PENDING</td>
</tr>
<tr>
<td>PLH-39</td>
<td>LIHUE BASEYARD IMPROVEMENTS (PH 1)</td>
<td>95</td>
<td>100</td>
<td>Q4 2011</td>
<td>$279,719 (P) $598,413 (D)</td>
<td>Master Plan and Final EA completed. County land transfer authorization attained. Design started</td>
</tr>
<tr>
<td></td>
<td>LIHUE BASEYARD IMPROVEMENTS -DESIGN</td>
<td>-</td>
<td>10</td>
<td>Q4 2012</td>
<td></td>
<td></td>
</tr>
<tr>
<td>WK-01</td>
<td>REHABILITATE MOALEPE TUNNEL AND ACCESS ROAD</td>
<td>-</td>
<td>-</td>
<td>Q1 2013</td>
<td>$100,540(D)</td>
<td>Finalizing Contract</td>
</tr>
<tr>
<td>WK-2</td>
<td>REHAB AKULIKULI TUNNEL (PHASE I)</td>
<td>100</td>
<td>100</td>
<td>Q1 2005 (Ph. 1)</td>
<td>$300,000 (D)</td>
<td>Ph.1 – Completed Ph.2 – on hold</td>
</tr>
<tr>
<td></td>
<td>REHAB AKULIKULI TUNNEL (PHASE II)</td>
<td>40</td>
<td>40</td>
<td>Q3 2009 (Ph. 2)</td>
<td>$392,000</td>
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</tr>
<tr>
<td>WK-8</td>
<td>KAPA'A 1.0 MG TANK (313 ZONE) (PHASE I - PLANNING)</td>
<td>91</td>
<td>92</td>
<td>Q1 2012</td>
<td>$881,128 (D)</td>
<td>Finalizing revised scope amendment and fee</td>
</tr>
<tr>
<td>WK-28</td>
<td>WAILUA HOUSELOTS PIPELINE REPLACEMENTS</td>
<td>95</td>
<td>96</td>
<td>Q4 2011</td>
<td>$240,250 (D)</td>
<td>Tracings being routed for signature. Awaiting DPW</td>
</tr>
</tbody>
</table>

January 26, 2012
<table>
<thead>
<tr>
<th>WP 2020 NUMBER</th>
<th>PROJECT TITLE</th>
<th>% COMPLETE Sept. 2011</th>
<th>% COMPLETE Dec. 2011</th>
<th>EST. COMPLETE</th>
<th>BUDGET COST</th>
<th>STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>WK-12</td>
<td>WAIPOULI AREA MAIN REPLACEMENT (KUHIO HIGHWAY)</td>
<td>96</td>
<td>99</td>
<td>Q4 2011</td>
<td>$292,300 (D)</td>
<td>Under Design</td>
</tr>
<tr>
<td>WK-23</td>
<td>WAILUA HOMESTEADS 0.25 MG TANK (U.H. EXPERIMENT STN.)</td>
<td>80</td>
<td>80</td>
<td>PENDING UH R-O-E</td>
<td>$100,000</td>
<td>Added to Oceanit land research scope</td>
</tr>
<tr>
<td>WK-39</td>
<td>KAPAA HOMESTEADS WELL #4</td>
<td>96</td>
<td>99</td>
<td>Q1 2012</td>
<td>$352,000 (D)</td>
<td>Tracings being finalized.</td>
</tr>
<tr>
<td>WK-30</td>
<td>WAIPOULI &amp; HAUUKI ROADS PIPELINE REPLACEMENT</td>
<td>48</td>
<td>75</td>
<td>Q2 2012</td>
<td>$237,400 (D)</td>
<td>Under design</td>
</tr>
<tr>
<td>WK-36</td>
<td>WAILUA AREA MAIN REPLACEMENT (State Right of Way)-Kuhio Highway</td>
<td>56</td>
<td>95</td>
<td>Q1 2012</td>
<td>$157,844 (D)</td>
<td>Redesign, EA, AIS &amp; AMP completed.</td>
</tr>
<tr>
<td>WK-02, PLH-42</td>
<td>AKULIKULI &amp; KOKOLUA TUNNEL REVISIONS</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>Treatment plant to be designed by AECOM with Kalaheo Surface Water Treatment Plant</td>
</tr>
</tbody>
</table>

January 26, 2012
# NORTH SHORE DESIGN PROJECTS

## MOLOAA, KILAUEA, ANINI, HANALEI, HAENA

<table>
<thead>
<tr>
<th>WP 2020 NUMBER</th>
<th>PROJECT TITLE</th>
<th>% COMPLETE Sept. 2011</th>
<th>% COMPLETE Dec. 2011</th>
<th>EST. COMPLETE</th>
<th>BUDGET COST</th>
<th>STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>M-3</td>
<td>MOLOA’A TANK SITE ACQUISITION AND OTHER LAND RESEARCH</td>
<td>5</td>
<td>10</td>
<td>Q4 2012</td>
<td>$105,000 (P)</td>
<td>NTP Issued.</td>
</tr>
<tr>
<td>M-1 M-2</td>
<td>KOOKAU PIPELINE IMPROVEMENTS MOLOA’A 0.10 MG TANK</td>
<td>15</td>
<td>15</td>
<td>Q1 2012</td>
<td>$119,207 (D)</td>
<td>Working on ROE</td>
</tr>
<tr>
<td>WKK-2</td>
<td>KILAUEA WELL NO. 4 Site Selection Study (Phase I)</td>
<td>100</td>
<td>-</td>
<td>Q3 2004</td>
<td>$37,451 (P)</td>
<td>REQUEST MOLOA’A WELL EO</td>
</tr>
<tr>
<td>WKK-15</td>
<td>KILAUEA 1.0 MG TANK (PHASE I)</td>
<td>65</td>
<td>70</td>
<td>Q4 2012</td>
<td>$12,700 (P)</td>
<td>Under design</td>
</tr>
<tr>
<td>H-1, H-2, H-3, H-10</td>
<td>MAKU RIDGE ROAD &amp; PIPELINE IMPROVEMENT (PHASE II)</td>
<td>100</td>
<td>100</td>
<td>Q3 2011</td>
<td>$144,000 (D)</td>
<td>Design Completed</td>
</tr>
<tr>
<td>H-8</td>
<td>Drill and Test Hanalei Well #2.</td>
<td>33</td>
<td>33</td>
<td>Q1 2012</td>
<td>$425,000 (Combined with Wainiha Well 4)</td>
<td>Under design</td>
</tr>
<tr>
<td>HW-12</td>
<td>Drill and Test Wainiha Well #4.</td>
<td>33</td>
<td>99</td>
<td>Q1 2012</td>
<td>$425,000 (Combined with Hanalei Well 2)</td>
<td>Under design</td>
</tr>
</tbody>
</table>

January 26, 2012
# NORTH SHORE DESIGN PROJECTS

MOLOAA, KILAUEA, ANINI, HANALEI, HAENA

<table>
<thead>
<tr>
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<th>% COMPLETE Sept. 2011</th>
<th>% COMPLETE Dec. 2011</th>
<th>EST. COMPLETE</th>
<th>BUDGET COST</th>
<th>STATUS</th>
</tr>
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<tbody>
<tr>
<td>ANI-01</td>
<td>KILAUEA TO ANINI PIPELINE REPLACEMENT</td>
<td>25</td>
<td>37</td>
<td>Q4 2011</td>
<td>$750,760 (D)</td>
<td>Under design</td>
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</table>

January 26, 2012
Construction Projects
# Construction Projects

<table>
<thead>
<tr>
<th>WP 2020 NUMBER</th>
<th>PROJECT TITLE</th>
<th>% COMPLETE</th>
<th>BUDGET COST</th>
</tr>
</thead>
<tbody>
<tr>
<td>KW-05</td>
<td>Kekaha Well B Renovation</td>
<td>75*</td>
<td>$ 681,899</td>
</tr>
<tr>
<td>KW-14</td>
<td>WAIMEA CYN DR. 12&quot; MAIN REPL. &amp; WAIMEA 6&quot; MAIN REPL.</td>
<td>99</td>
<td>$2,108,796</td>
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<tr>
<td>KW-15</td>
<td></td>
<td>99</td>
<td></td>
</tr>
<tr>
<td>KW-16,23</td>
<td>WAIMEA MAIN REPLACEMENT</td>
<td>99</td>
<td>$3,311,289</td>
</tr>
<tr>
<td>WK-14</td>
<td>Phase II VIVIAN HEIGHTS 8- INCH AND 6-INCH WATERLINE REPLACEMENT</td>
<td>99</td>
<td>$2,686,000</td>
</tr>
<tr>
<td>HE-08</td>
<td>ELEELE STEEL TANKS RENOVATION</td>
<td>31</td>
<td>$1,755,000</td>
</tr>
<tr>
<td>HE-10</td>
<td>12&quot; WATERLINE ALONG ULAULA &amp; ULIULI ROADS, 'Ele'ele</td>
<td>99</td>
<td>$ 458,966</td>
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<tr>
<td>LO-04</td>
<td>Piwai Tank</td>
<td>75</td>
<td>$2,540,000</td>
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<tr>
<td>PLH-25</td>
<td>EIWA, UMI, EKAHI, ELUA AND HARDY STREETS 8&quot; MAIN REPLACEMENT</td>
<td>62</td>
<td>$2,566,000</td>
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<tr>
<td>PLH-41</td>
<td>8&quot; PRV, 400 GPM BOOSTER PUMP &amp; CONNECTING MAIN, NAWILIWILI TANK</td>
<td>99</td>
<td>$ 660,000</td>
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<tr>
<td>WK-32</td>
<td>Phase II KAPA'A PIPELINE REPLACEMENT</td>
<td>72</td>
<td>$2,942,000</td>
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<tr>
<td>WK-36</td>
<td>PIPELINE REPLACEMENT ALONG WAILUA, OHANA, ANOLANI, AND KUAMOO ROADS</td>
<td>0</td>
<td>$996,000</td>
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</tbody>
</table>

* Change order issued which extended project schedule.
# Construction Projects

<table>
<thead>
<tr>
<th>WP 2020 NUMBER</th>
<th>PROJECT TITLE</th>
<th>% COMPLETE Sept. 2011</th>
<th>% COMPLETE Dec. 2011</th>
<th>EST. COMPLETE</th>
<th>BUDGET COST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job No. 10-02</td>
<td>Kaumualii Highway Widening Vicinity of Anonui Street to Vicinity of Lihue Mill Bridge</td>
<td>97</td>
<td>98</td>
<td>Q4 2011</td>
<td>$4,350,000</td>
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<tr>
<td>HW-03 Phase II</td>
<td>Wainiha Booster and Haena Tank Renovations</td>
<td>4</td>
<td>4</td>
<td>Q3 2012</td>
<td>$2,070,000</td>
</tr>
<tr>
<td>KW-20</td>
<td>WAI MEA WELL A RENOVATIONS</td>
<td>46</td>
<td>56</td>
<td>Q1 2012</td>
<td>$591,992</td>
</tr>
<tr>
<td>WK-12 COUNTY ROADS</td>
<td>WAIPOULI MAIN REPLACEMENT</td>
<td>0</td>
<td>24</td>
<td>Q4 2012</td>
<td>$1,947,620</td>
</tr>
<tr>
<td>PLH-30</td>
<td>Nawiliwii, Niumalu and Kupolo Pipeline Replacement</td>
<td>3</td>
<td>30</td>
<td>Q3 2012</td>
<td>$3,050,000</td>
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<tr>
<td>H-01, 02, 03</td>
<td>Maka Ridge Facility Rehabilitation Plan and Princeville Interconnection Plan</td>
<td>-</td>
<td>-</td>
<td>Q1 2013</td>
<td>$2,500,000</td>
</tr>
</tbody>
</table>

January 26, 2012
## Pending Water Plan 2020 Projects

<table>
<thead>
<tr>
<th>FY 2011-2012</th>
<th>PROJECT TITLE</th>
<th>STATUS</th>
<th>BUDGET</th>
</tr>
</thead>
<tbody>
<tr>
<td>WP 2020 No.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HE-03</td>
<td>HANAPEPE AND KOLOA WELLS MCC IMPROVEMENTS</td>
<td>CONSULTANT SELECTED</td>
<td>$300,000</td>
</tr>
<tr>
<td>KP-05</td>
<td>CONSTRUCT POIPU 1.0 MG TANK (245')</td>
<td>CONSULTANT SELECTION</td>
<td>$400,000</td>
</tr>
<tr>
<td>K-18</td>
<td>NEW 8&quot; WATERLINE ALONG HALEWILIWILI ROAD (KAUMUALII HIGHWAY TO HAKU HALE ROAD)</td>
<td>CONSULTANT SELECTED</td>
<td>$75,000</td>
</tr>
<tr>
<td>WK-01</td>
<td>REHABILITATE MOALEPE TUNNEL</td>
<td>CONSULTANT SELECTED</td>
<td>$200,000</td>
</tr>
<tr>
<td>K-05a</td>
<td>CONSTRUCT KALAHEO 0.5 MG TANK (886')</td>
<td>CONSULTANT SELECTED</td>
<td>$400,000</td>
</tr>
</tbody>
</table>

January 26, 2012
MANAGER’S REPORT

January 26, 2012

Re: Affordable Housing Projects – Quarterly Summary Status as of December 31, 2011 (formerly prepared by R.W. Beck)

This report is a summary of progress on the Affordable Housing Projects.

Job No. 05-03, KW-25, Kapilima 0.5 million gallon tank:
A. Project construction completed.

Job No. KW-28, Amfac Shaft:
A. DOW Operations installed the pump. Water quality testing has begun and the microlab is awaiting a major storm event to complete testing and further determine source feasibility.

Job No. 02-14, WK-08, Kapahi 1.0 million gallon tank:
A. Proceeding with two 0.5 MG circular tanks at the existing Ornellas Tank site. Final EA/FONSI posted with OEQC. Working to finalize design.

Job No. 02-14, WK-09, Kapaa Homesteads 0.5 million gallon tank:
Project construction completed.

Job No. WK-39, Kapaa Homestead Well #4:
A. Design being revised and tracings will be routed for signatures shortly.
MANAGER'S REPORT
Re: Affordable Housing Projects – Summary Status December 31, 2011 (formerly prepared by RW Beck)
January 26, 2012
Page 2 of 2

Job No. 02-24, WK-02, Akulikuli Tunnel:
A. Department conducted water testing and results indicate treatment is required. DOW staff met and are researching package treatment plants as a solution. The treatment plant will be located at the new Kapahi 1.0 MG tank site and AECOM Technical Services has been selected to design the treatment facility. The contract has been awarded and notice to proceed given on November 1, 2011.

Respectfully submitted,

[Signature]
Dustin Moises
Project Manager

CONCURRED:

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

DM: cab
Mgrrp/Affordable Housing Status Report (1-26-12)
January 26, 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).

1. Pursuant to Haw. Rev. Stat. §§92-4 and 92-5(a)(4) the purpose of this executive session is to consult with the Board’s attorney on questions and issues pertaining to the Board’s powers, duties privileges, immunities, and liabilities as it relates to dual water systems.

   a. Dual Water Line Issues