BOARD OF WATER SUPPLY of the COUNTY OF KAUA‘I

COMMITTEE OF THE WHOLE MEETING
Second Floor, Microbiology Lab Bldg
Kaua‘i County Department of Water
4398 Pua Loke Street, Līhu‘e, Kaua‘i, Hawai‘i  96766

THURSDAY, JANUARY 26, 2012

8:30 a.m.

or soon thereafter

AGENDA

1. ROLL CALL

2. ACCEPTANCE OF AGENDA

3. OLD BUSINESS

4. ADJOURNMENT

NOTE: Special Accommodations for persons with disabilities are available upon request five (5) days prior to the meeting date. Please call the Department of Water, County of Kauai, at 245-5408 or drop by at 4398 Pua Loke Street, Lihue, Kauai. Our mailing address is PO Box 1706, Lihue, HI  96766.
Re: EMERGENCY OPERATIONS RESERVE FUND

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

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

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

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

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

Respectfully submitted,

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

Attachment: Draft Board Policy #26 revised to show operation reserves only.