COUNTY OF KAUAI

BOARD OF WATER SUPPLY

COMMITTEE OF THE WHOLE MEETING

Thursday, January 26, 2012

8:47 - 8:59 a.m.

Second Floor, Microbiology Lab Building

Kauai County Department of Water

4398 Pua Loke Street

Lihue, Kauai, Hawaii 96766

REPORTED BY:

TERRI R. HANSON, CSR 482

Registered Professional Reporter
APPEARANCES

BOARD MEMBERS:

Larry Dill

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

Daryl Kaneshiro, Chair
Raymond McCormick
Randall Nishimura
Clyde Nakaya

STAFF:

David Craddick
William Eddy
Marites Yano
Gregg Fujikawa
Val Reyna
Aaron Zambo
Keith Aoki
Faith Shiramizu
Edward Doi

GUESTS:

Mauna Kea Trask, Deputy County Attorney
JoAnn Yukimura, County Council Member
COMMITTEE OF THE WHOLE MEETING

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

MR. CRADDICK: Clyde Nakaya.

MR. NAKAYA: Here.

MR. CRADDICK: Randy Nishimura.

MR. NISHIMURA: Here.

MR. CRADDICK: Ray McCormick.

MR. MCCORMICK: Here.

MR. CRADDICK: Daryl Kaneshiro.

CHAIRMAN KANESHIRO: Here. With that, we note for the record we do have a quorum. Mr. Oyama and also Mr. Dahilig and Mr. Dill are excused at this time.

Can I have acceptance of the agenda on the committee of the whole agenda, please. Motion to accept.

MR. NAKAYA: So moved.

CHAIRMAN KANESHIRO: Can I have a second?

MR. NISHIMURA: Second.

CHAIRMAN KANESHIRO: All in favor aye.

Motion carried.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

MR. NISHIMURA: So move, Mr. Chair.

CHAIRMAN KANESHIRO: Do I have a second on that?

MR. McCORMICK: Second.

CHAIRMAN KANESHIRO: Moved and seconded.

All in favor.

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

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

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

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

(Larry Dill entered meeting.)

MR. TRASK: If I may have a moment.

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

CHAIRMAN KANESHIRO: Two-minute recess at this time.

(A break was had.)

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

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

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

So all in favor say aye.

Any -- none?

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

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

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STATE OF HAWAII )
     ) ss.
COUNTY OF KAUAI )

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

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

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

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

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

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TERRI R. HANSON, CSR 482
Registered Professional Reporter