A. CALL TO ORDER

B. ROLL CALL

C. ACCEPTANCE OF AGENDA

D. MEETING MINUTES:
   Review and approval of:
   Regular Board Meeting – December 19, 2013
   Rules Committee Meeting – October 4, 2013
   Rules Committee Meeting – October 10, 2013
   Special Board Meeting – September 17, 2013
   Special Board Meeting – November 14, 2013
   IT Workshop Meeting – December 9, 2013
   Review and approval of Executive Session:
   Executive Session – December 19, 2013

E. CORRESPONDENCE/ANNOUNCEMENTS

F. BOARD COMMITTEE REPORTS
   Report of the Finance Committee of the Kaua‘i County Board of Water Supply
   2. Manager’s Report No. 14-24 – Review and discussion and possible action on Proposed Amendments to Part 4, Section 1, General Use Rates
G. OLD BUSINESS

H. NEW BUSINESS
1. Board Committee Appointments for 2014
3. Manager’s Report No. 14-26 – Belt Collins Hawai’i LLC, 6th Contract Amendment for Job No. 02-14 Kapa’a Homesteads 0.5 Million Gallon Storage Tank and Kapahi 1.0 Million Gallon Storage Tank and Connecting Pipelines Waipua-Kapa’a Water System, Kapaa, Kaua’i, Hawai’i
4. Manager’s Report No. 14-27 - Right of Entry Agreement between the Kaua’i Board of Water Supply and Hawaiian Telcom, Inc. affecting TMK: 4-3-8-002:018, Hanamā’ulu, Kaua’i, Hawai’i

I. 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
4. Manager’s Monthly Update Regarding Activities of Note of the Kaua’i County Water Department
   a. Report of the BAB Bond pay down as of December 2013

QUARTERLY
1. Quarterly Update on Project Status
   a. Construction Management Division Status
   b. Engineering Division Design Status

J. EXECUTIVE SESSION
Pursuant to H.R.S. §92-7(a), the Board may, when deemed necessary, hold an executive session on any agenda item without written public notice if the executive session was not anticipated in advance. Any such executive session shall be held pursuant to H.R.S. §92-4 and shall be limited to those items described in H.R.S. §92-5(a).
1. Pursuant to Hawaii Revised Statutes (HRS) Section 92-4, 92-5(a)(4), the Office of the County Attorney requests an Executive Session with the Board to provide the Board with a briefing on Jennings Pacific, LLC, vs. Board of Water Supply of the County of Kauai, David R. Craddick in his official capacity as Manager and Chief Engineer of the County of Kauai Department of Water et. al., Civil No. 12-1-0284 (Fifth Circuit Court) and related matters. This briefing and consultation involves consideration of the powers, duties, privileges, immunities, and/or liabilities of the Board and the Department as they relate to this agenda item.

2. Pursuant to Hawaii Revised Statutes (HRS) Section 92-4, 92-5(a)(4), the purpose of this session is to review the legal opinion submitted by the Deputy County Attorney regarding interpretation of the Department’s Leak Rebate rules and to consider the release of the opinion to the public. This consultation involves the consideration of the powers, duties, privileges, immunities, and/or liabilities of the Board as they relate to agenda item G(3).

3. Pursuant to Hawaii Revised Statutes (HRS) Section 92-4, 92-5(a)(4), the purpose of this executive session is to review executive session minutes dated December 19, 2013. This consultation involves the consideration of the powers, duties, privileges, immunities, and/or liabilities of the Board and the Department as they relate to this agenda item.

K. TOPICS FOR NEXT WATER BOARD MEETING (February 2014)
3. Manager’s Report No. 14-28 - Request Board Approval of the Volunteer Agreement with Mike Fernandes for Grounds Maintenance of our Nonou 0.2 MG Tank Site
4. Correspondence from Katy Chatfield on behalf of Christopher Singleton, dated January 15, 2014 regarding TMK (4) 4-6-006:017

L. TOPICS FOR FUTURE WATER BOARD MEETINGS
4. Draft FY 14-15 Budget (March 2014)

M. UPCOMING EVENTS
1. Public Hearing on Benefit Zones (January 23, 2014, 6:00 pm, DOW Board Room)
2. Community Outreach Meeting (January 27, 2014, 6:00 pm, Kapa’A Middle School Dining Room/Cafeteria) Water Plan 2020 Kahili High Level Well Energy Savings Project, Cost Savings Analysis
3. AWWA 2014 Hawaii Section Conference, O‘ahu, HI (May 6-9, 2014)
4. AWWA 2014 Conference, Boston, MA *(June 8-12, 2014)*
5. Make a Splash, Project WET *(September 18, 2014 Tentative)*
6. HWWA 2014 Conference, Kaua'i, HI *(October 15-17, 2014)*

**N. NEXT WATER BOARD MEETING**
1. Thursday, February 27, 2014, 10:00 a.m.
2. Thursday, March 27, 2014, 10:00 a.m.
3. Thursday, April 24, 2014, 10:00 a.m.
4. Thursday, May 22, 2014, 10:00 a.m.

**O. ADJOURNMENT**
Draft Minutes
MEETING MINUTES
BOARD OF WATER SUPPLY
Thursday, December 19, 2013

The Board of Water Supply, County of Kaua‘i, met in regular meeting at the Board Conference Room in Līhu‘e on Thursday, December 19, 2013. Chairperson Randall Nishimura called the meeting to order at 10:07 a.m. The following Board members were present:

BOARD:  Mr. Randall Nishimura, Chairperson
         Mr. Clyde Nakaya
         Mr. Raymond McCormick
         Mr. Michael Dahilig
         Mr. Hugh Strom
         Mr. Larry Dill
         Mr. Sherman Shiraishi (entered at 10:24 a.m.)

Quorum was achieved with 6 members present at the time of roll call.

STAFF:  Mr. Kirk Saiki
         Mr. Val Reyna
         Ms. Marites Yano
         Mr. Eddie Doi
         Ms. Regina Flores
         Mr. Keith Aoki
         Ms. Kim Tamaoka
         Mr. Jeff Mendez
         Ms. Sandi Nadatani-Mendez
         Mr. Earl Kiamzon
         Ms. Mary-jane Garasi
         Deputy County Attorney Andrea Suzuki

GUESTS:  Mr. James Nakayama, Senior Auditor, KMH, LLP
          Deputy County Attorney, Mr. Steve Hall

ACCEPTANCE OF AGENDA:
Chair Nishimura ordered to rearrange the agenda as necessary to accommodate guests; with no objections.

MEETING MINUTES:
Review and approval of:
Regular Board Meeting – November 21, 2013

Mr. Dahilig moved to approve the Regular Board Meeting minutes of November 21, 2013 as circulated; seconded by Mr. Dill; with no objections, motion was carried with 6 ayes.
Chair Nishimura announced that the review and approval of the Executive Session minutes of October 17, 2013 and November 21, 2013 will be done during Executive Session; with no objections.

E. CORRESPONDENCE/ANNOUNCEMENTS

1. Correspondence from Mr. Jay Furfaro, Council Chair, Kauai County Council, dated December 9, 2013 approving Resolution No. 2013-80 and confirming Mayoral Reappointment to the Board of Water Supply, Mr. Clyde Nakaya on December 4, 2013

Chair Nishimura, Board members and staff congratulated Mr. Clyde Nakaya on his second term and Mayoral reappointment to the Board of Water Supply.

Mr. Dill moved to receive the Correspondence from Mr. Jay Furfaro, Council Chair, Kauai County Council, dated December 9, 2013 approving Resolution No. 2013-80 and confirming Mayoral Reappointment to the Board of Water Supply, Mr. Clyde Nakaya on December 4, 2013; seconded by Mr. Strom; with no objections; motion was carried with 6 ayes.

F. BOARD COMMITTEE REPORTS

Report of the Finance Committee of the Kauai County Board of Water Supply


Mr. Dill reported that the Finance Committee met on December 6th and 12th. A follow up meeting will be scheduled in January. The Finance Committee plans to reach a conclusion which will be referred to the full Board.

Mr. Nakaya moved to receive the Finance Committee Report for Manager’s Report No. 14-16 – Part 4 Fixing Rates for Water Service, Section VII Facilities Reserve Charge and Manager’s Report No. 14-18 – Review, discussion and possible action of Board Policy No. 3 – Expenditure of Water Utility Funds Proposed New Language; seconded by Mr. McCormick; with no objections, motion was carried with 6 ayes.

G. OLD BUSINESS

None

H. NEW BUSINESS


Acting Manager, Mr. Kirk Saiki withdrew Manager’s Report No. 14-20 pending Public Works comments and review of the tracings. The bid date was set for December 20th.
3. Election of Officers for 2014

BACKGROUND:
Chair Nishimura reminded the Board that the officers can only be members (Mr. Nakaya, Mr. Shiraishi and Mr. Strom). Chair Nishimura can no longer serve as Chair after December 31, 2013. Committee members are appointed by the incoming Chairperson. The following nominations were made:

Mr. McCormick nominated Mr. Nakaya as Chair; seconded by Mr. Strom.
Mr. Dahilig moved to close the nominations to elect Mr. Nakaya as Chair for 2014; with no objections; motion carried with 6 ayes.

Mr. Dill nominated Mr. Shiraishi as Vice Chair; seconded by Mr. Strom.
Mr. Dahilig moved to close the nominations to elect Mr. Shiraishi as Vice Chair for 2014; with no objections; motion carried with 6 ayes.

Mr. Dill nominated Mr. Strom as Secretary; seconded by Mr. McCormick.
Mr. Strom nominated Mr. McCormick as Secretary.
Chair Nishimura clarified that Mr. McCormick was not eligible as an Ex-Officio.

Mr. Dahilig moved to close the nominations to elect Mr. Strom as Secretary for 2014; with no objections; motion carried with 6 ayes.

The Board and staff congratulated the new 2014 Officers:

Chair – Mr. Clyde Nakaya
Vice Chair – Mr. Sherman Shiraishi
Secretary – Mr. Hugh Strom

4. Resolution 14-6, Mahalo and Aloha Kaua'i Board of Water Chair, Mr. Randall Nishimura

Mr. Dill personally thanked Chair Nishimura for his leadership and service for the Department who will be missed.

Mr. McCormick moved to receive and to deliver Chair Nishimura’s Resolution 14-6, Mahalo and Aloha Kaua'i Board of Water Chair; seconded by Mr. Dill; with no objections, motion was carried with 6 ayes.

Mr. Dill requested a Point of Order and moved to have Chair Nishimura’s Resolution 14-6 read by the Commission Support Clerk; seconded by Mr. McCormick; with no objections, motion was carried with 6 ayes.

At 10:20 a.m., Chair Nishimura recessed the meeting for a photo op with staff and the new 2014 officers.

At 10:25 a.m., Chair Nishimura reconvened the meeting.

Mr. Dahilig moved to go into Executive Session and read Executive Session Items J1, J2 & J3; seconded by Mr. McCormick; with no objections, motion was carried with 7 ayes.
J. EXECUTIVE SESSION

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

1. Pursuant to Hawaii Revised Statutes (HRS) Section 92-4, 92-5(a)(4), the Office of the County Attorney requests an Executive Session with the Board to provide the Board with a briefing on Jennings Pacific, LLC, vs. Board of Water Supply of the County of Kauai, David R. Craddick in his official capacity as Manager and Chief Engineer of the County of Kauai Department of Water et al., Civil No. 12-1-0284 (Fifth Circuit Court) and related matters. This briefing and consultation involves consideration of the powers, duties, privileges, immunities, and/or liabilities of the Board and the Department as they relate to this agenda item.

2. Pursuant to Hawaii Revised Statutes (HRS) Section 92-4, 92-5(a)(4), the purpose of this executive session is to review executive session minutes dated October 17, 2013. This consultation involves the consideration of the powers, duties, privileges, immunities, and/or liabilities of the Board and the Department as they relate to this agenda item.

Mr. Shiraishi moved to approve the Executive Session minutes dated October 17, 2013; seconded by Mr. Nakaya; with no objections, motion carried with 7 ayes.

3. Pursuant to Hawaii Revised Statutes (HRS) Section 92-4, 92-5(a)(4), the purpose of this executive session is to review executive session minutes dated November 21, 2013. This consultation involves the consideration of the powers, duties, privileges, immunities, and/or liabilities of the Board and the Department as they relate to this agenda item.

Mr. Shiraishi moved to approve the Executive Session minutes dated November 21, 2013; seconded by Mr. Nakaya with no objections, motion carried with 7 ayes.

At 10:47 a.m., Chair Nishimura called the Regular meeting back to order.

H. NEW BUSINESS


BACKGROUND:
Acting Manager, Mr. Kirk Saiki reported that the Department would not enter into the use and access agreement with the Department of Land and Natural Resources (DLNR). The reason is because the Department would be responsible for the maintenance of the river bank improvement. The Department is unsure if the $1.9M grant funds would cover the proposed work.

Mr. Dahilig moved to receive Manager’s Report No. 14-21 - Hanalei Valley Maintenance Agreement and to requested the Acting Manager, Mr. Kirk Saiki on behalf of the Board, to send a letter to decline their request to enter into a agreement; seconded by Mr. McCormick; with no objections, motion was carried with 7 ayes.

7. Manager’s Report No. 14-22 - Grant of Easements “1” and “2” from Robinson Family Partners, a Hawaii general partnership for Subdivision No. S-2006-17, TMK: (4) 1-2-06:002 pors, Waimea, Kauai, Hawaii
BACKGROUND:
Mr. Keith Aoki reported that the Department did not have an existing Grant of Easement (GOE) for the Robinson Family property.

DISCUSSION:
Mr. Dahilig referenced for Deputy County Attorney Andrea Suzuki that the Land Surveyor’s professional stamp on the conveyance documents expired before the execution by the Board.

Deputy County Attorney Andrea Suzuki acknowledged that all parties executed the document before the stamp expired except for the Board signature.

Mr. Shiraishi commented that the Bureau of Conveyances would not reject the document.

Mr. Shiraishi moved to approve and accept Manager’s Report No. 14-22 - Grant of Easements “1” and “2” from Robinson Family Partners, a Hawaii general partnership for Subdivision No. S-2006-17, TMK: (4) 1-2-06:002 pors, Waimea, Kauai, Hawaii; seconded by Mr. Dill; with no objections, motion was carried with 7 ayes.

I. REPORTS
MONTHLY
1. Statement of Kaua‘i County Water Department’s Revenues and Expenditures

PRESENTATION:
Ms. Yano presented fiscal’s Statement of Kaua'i County Water Department’s Revenues and Expenditures and comparative reports.

Chair Nishimura requested Ms. Yano to 1) update the Collective Bargaining (Line 48) if there will be adjustments to the budget and 2) to do a comparison on the approved Bargaining Unit 13 salaries for the next Board meeting.

Mr. Dill moved to accept the Statement of Kaua‘i County Water Department’s Revenues and Expenditures; seconded by Mr. Shiraishi; with no objections; motion was carried with 7 ayes.

2. Report by the Public Relations Specialist on Public Relations Activities

PRESENTATION:
Ms. Tamaoka presented the Public Relations Specialist on Public Relations Activities as follows:

Press Releases:
November 14th – The Department announced intermittent closures of Olohena Road and Waipouli Road on November 14th & 15th which allowed DOW contractors to repave a section of the roads.
November 14th – The Department extended a scheduled water outage to customers in Wailua Houselots along Haleiwo Road, Hale Place and Eggerking Road.
November 18th – The Department announced a water conservation request for the Hanalei community on November 20th. Princeville Utilities Company, Inc. provided residents with water while DOW contractors connected a new water line into the Maka Ridge Facility.
The Garden Island:
November 17th – “Colorful turnout for inaugural relay,” by Dennis Fujimoto

Honolulu Star Advertiser:
November 18th – “Work in Hanalei will limit water for residents,” by Star-Advertiser staff
December 2nd – “Water service restored after Kauai landslides,” by Star-Advertiser staff

Trade Publishing Construction Preview 2014:
PR assisted in the composition of articles for Trade Publishing’s Construction Preview magazine, an annual publication of planned construction projects for the coming year in Hawaii. The Department submitted two articles – one, a list of expected projects for the calendar year 2014; and the second, a synopsis of what’s expected in construction from the Department’s standpoint. Construction Preview 2014 will be published and disseminated in mid-January 2014.

Employee Council (EC):
Kim Tamaoka, Mj Garasi, Christine Erorita and Dustin Moises served juice and water at the 11th Annual Holly Jolly Song Contest on December 13th.

At the time of this report, PR was working with the EC officers on a community service project to host a dinner for the homeless on December 16th at the Pua Loke Arboretum.

Conservation:
A shower conservation half-page ad will be published in the Spring 2014 (February – April) edition of the Kauai Family Magazine.

Miscellaneous:
• Assisted with the planning/set-up of the DOW’s Annual Meeting & Breakfast held on December 13th.
• The Garden Island Newspaper’s Dennis Fujimoto covered the Angel Tree Project. 52 DOW employees participated with Angel Tree this year. Mahalo to Mj Garasi for coordinating the project.

Mr. Shiraishi announced that the American Resort Development Association (ARDA) will donate $1,000 to Make A Splash (MAS) scheduled for September 18, 2014. He requested the donation supplement 5th graders who were not able to make this year’s MAS.

Chair Nishimura requested Ms. Tamaoka to provide transparency for the high level well as a DOW priority.

Mr. McCormick moved to receive the Report by the Public Relations Specialist on Public Relations Activities; seconded by Mr. Shiraishi; with no objections, motion carried with 7 ayes.


PRESENTATION:
Mr. Reyna reported the Water Service Investigator II was filled in-house on November 16th. In November, there were no requests to move temporary hydrant meters.

Mr. Nakaya moved to receive Chief of Operation’s Summary Report on Monthly Operational Activities Report; seconded by Mr. Shiraishi; with no objections, motion was carried with 7 ayes.
4. Manager’s Monthly Update Regarding Activities of Note of the Kaua`i County Water Department

PRESENTATION:

*Acting* Manager, Mr. Saiki referred to the IT Strategic Plan update schedule proposed by Brio (IT consultant) on the last page of the Manager’s Update report. The consultant will update the chart of accounts and Great Plains system. Objective for the new fiscal year is the new chart of accounts and accounting system. Contract Amendment I provides the consultant with $200,000 in compensation which was in the FY 2012-13 Budget that was the Department’s estimate. The contract language allows the consultant to identify additional costs when developing the detailed plan and schedule implementation of the new chart of accounts. The FY 2013-14 Budget includes $558,000 for the implementation of the IT Master Plan. No money to date has been spent from the account. The consultant should be submitting the request for additional compensation in January 2014 (approx. $300,000).

DISCUSSION:

The IT Strategic Plan related to the audit Finding 2013–01 regarding the accounting system update.

Mr. Shiraishi questioned the completion date, June 30, 2015 of the audit and the IT Strategic Plan update target date of 2014. There appears to be a discrepancy on the target dates and asked if the Department could implement the accounting system target date by 2014.

Chair Nishimura clarified when the change request was done there was a substantial delay because the consultant who got the contract was assigned by a different contractor. More discussion would be made during the Final Annual Audit Report/Single Audit agenda item.

Mr. McCormick moved to receive Manager’s Update Regarding Activities of Note of the Kaua`i County Water Department; seconded by Mr. Dill; with no objections, motion was carried with 7 ayes.

a. Report of the BAB Bond pay down as of November 2013

Mr. Dill moved to receive the Report of the BAB Bond pay down as of November 2013; seconded by Mr. Strom; with no objections, motion was carried with 7 ayes.

H. NEW BUSINESS


Mr. Dahilig recused himself from *Manager’s Report No. 14-19* - Billing Dispute – Mr. Hartwell Blake.

*Mr. Hartwell Blake provided his testimony.*

Mr. Blake referred to the October 24, 2013 correspondence he received from the Department. In the correspondence, Mr. Blake read Section IX – Adjustment of Bills for Undetected leaks and Unforeseen Damages … *Adjustment will also be allowed where the high water bill was caused by some unforeseen circumstance such as a storm, flood, explosion, fire and others.* Mr. Blake felt his situation fell under “others” which has not been defined. His property is on a 2 acre parcel with fruit trees where pigs come up and down Waikomo Stream and dig holes in the yard.
Mr. Blake explained he received a call from the Department indicating his water bill was high. No leaks were found in any of the faucets, shower, basins or any green areas around the property. After checking the water meter, the dial continuously kept moving. Mr. Blake soon found that the pigs broke a pipe by the elbow underground which caused the water to run. He has since disconnected the pipe. After researching the cost of fencing his property, it would be expensive and unreasonable. Mr. Blake may have to replace the PVC upright pipes with metal and replace the vertical pipe to normal pipes.

A bow hunter friend tried to eradicate the pigs but was unsuccessful. Traps were set that caught two pigs. Mr. Blake relocated his dogs in a kennel by a guava tree but the pigs continue to eat the guava around the kennel. He felt this was not a normal situation and unfair.

Mr. Reyna added that a mainline or distribution line would be covered but after the water meter, under the Unified Plumbing Code, it would be enforced by the Public Works Building Division.

Mr. Shiraishi and Mr. Dill agreed that the rule must be followed and that Mr. Blake has already received credit for ½ of the water bill amount. (Credit was $854.95; the total bill was $1,178.76 + $649.94 = $1,828)

At 11:20 a.m. Mr. Dahilig exited the meeting.

Mr. Shiraishi moved to defer action Manager’s Report No. 14-19 - Billing Dispute – Mr. Hartwell to staff and for the Department to provide the investigation results to the Board and interpretation from the County Deputy Attorney; seconded by Mr. McCormick; with no objections, motion was carried with 6 ayes.

5. Final Annual Audit for FY 2012-2013

Senior Auditor, Mr. James Nakayama presented the draft Single Audit report related to the Department’s Financial Statement Audit for FY 2012-13, including draft reports on the internal controls of the financial reporting and compliance.

Single Audit Report:
Page 1, Internal Control over Financial Reporting – Opinions were provided on internal controls over financial reporting. The finding types include:

A material weakness could be the worse finding found in an internal control that could occur in material or financials.

A significant deficiency would be brought to the Board’s attention.

There were four (4) findings during the 2013 audit and no instance of non-compliance to the Department.

Page 9, Recurring Findings 2013 01 – Inadequate Use of Accounting Software – Material Weakness
The inadequate use of the accounting software was a material weakness finding from the previous year. The Department made progress during the year to obtain better assessment and training on the utilization of the accounting software.
DISCUSSION:
Mr. Shiraishi questioned the target completion date of June 30, 2015 and how was it determined.

Mr. Nakayama explained that the target completion date would be how long it takes to implement the changes and the remedy for compliance. If there was no remedy is done in 2015, it would be an issue in 2014. If the problem was fixed in 2015, it would be reported of the remedy and would not be reported again.

Page 10, *Recurring Finding 2013-02 – Timely Reconciliation of Sales Entries–Significant Deficiency* -
This was a recurring deficiency relating to reconciling certain accounts with revenues and improvements and are still needed. Management responded by saying the deficiency was due to the billing conversions that occurred in 2013 which was not remedied. No inconsistencies should occur between the billing system and the general ledger.

DISCUSSION:
Chair Nishimura asked staff if they were able to reconcile the sales since the go live date?

Waterworks Controller Ms. Yano commented that this is an issue with timely reconciliation and a staffing issue. The same staff was used during the conversion. She further explained that a reorganization of the Billing Division was submitted to the Department of Personnel Services (DPS) which took two (2) years to approve. A total of three (3) positions were vacant during the conversion (Accountant II, Accountant IV/Billing Supervisor and another vacant position). Staff currently deals with the daily transactions; therefore reconciliation has been delayed. Since Ms. Yano took her position, there has been no reconciliation.

The Department was aware of the short staff but could not recruit until the Accountant II was approved by DPS. The auditors provided Ms. Yano with another way of doing reconciliation. The Accountant II position would be working on the reconciliation that would be completed by the end of the fiscal year.

Mr. Strom requested for a plan with the transition and schedule timelines to see the progress and benchmarks on the reconciliation.

Page 11 & 12, *Recurring Finding 2013-03 – Book to Physical Adjustments – Significant Deficiency*

In 2012, there were no significant explanation for the inadequate monitoring adjustment on the materials inventory for approximately $91,000. In 2013, the same problem occurred with no explanation relating to the adjustments or the source. The auditors discovered that the Operations staff maintaining the system, made changes into the data base directly instead of doing an adjustment to the system. As a result, there was no trail on the adjustments made to the data which did not fix the problem. Mr. Nakayama recommended the source of the adjustments be researched moving forward.

The Department’s reply stated: “The FY 2013 adjustment was indeed lower from the prior year.”
Physical inventory are unaccounted materials and supplies (i.e., repairs or replacement items on work orders, meters, drains, valves, pipes).

Only designated staff have physical access to materials and can make changes to the inventory control. Ideally only one person should have access of materials in and out. The Department did not provide and explanation on the issue.
DISCUSSION:
Mr. Reyna commented that Operations uses the Maintenance Prevention Evaluation Technique (MPET) work order software that keeps track of inventory which may not be sufficient. The software programmers had to adjust a fault in MPET. Some of the materials issued were doubled charged which accounted for the unaccounted missing water meters.

Mr. Strom inquired if monthly reports can be pulled up for review and if there are procedures to review and sign off on the reports.

Mr. Reyna explained that reports are printed if requested but there are no procedures to review monthly reports. Operations does a midyear physical inventory and annual review of materials.

An SOP on inventory controls from the last fiscal year will be provided at the January Board meeting.

Page 13, New Finding 2013 – 04 – Review of Journal Entries – Significant Deficiency - relates to certain audit adjustments recorded in the current year. Condition, cause & context: During the audit, the following errors were discovered:

- Non-accrual of receivable related to State Revolving fund (SRF) loan forgiveness of approximately $891,000. Management identified the need to write-off the loan balance related to the new SRF loan term, however their assessment of the issue was incomplete.
- Overstatement of capitalized interest of $120,000. Reviews were completed for this entry, but did not identify the error in the calculation.
- Improper journal entry related to prior years capitalization of engineering labor of approximately $291,000. There was no documentation that a review was performed on this entry by the Waterworks Controller.

Mr. Nakaya recognized the Department for taking strides and worked to reducing the 17 adjustments to 8 audit adjustments. Best practice is to set up good procedures so that the accounting is done right.

Page 14, II. Summary Schedule of Prior Audit Findings - Refer to Single Audit for details of the reoccurring findings for: 1) 2012-01 Inadequate Use of Accounting Software, 2012-02 timely reconciliation of Sales Entries and 2) 2012-03 Inventory-Book to Physical Adjustments.

Page 3, 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. Funds spent over $5,000 require a Single Audit.

Page 4, Internal Control over Financial Reporting – safety water program and SRF loans. The Department received a clean opinion on compliance.

There were “no findings” reported on the Single Audit portion.

Highlights of Single Audit Report:
1. No significant adjustments
2. Kokolau Tunnel issue
3. Improvements were taken away due to the Kokolau issue
4. Difficulties of timing have been slightly better
5. There were no disagreements with the Manager
The auditor will send a letter to document today’s discussion. There were no significant changes to the report as presented.

Mr. Shiraishi moved to receive the draft Single Audit and to authorize the auditor to finalize the Single Audit Report to the County; seconded by Mr. Nakaya; with no objections, motion was carried with 6 ayes.

Chair Nishimura thanked Mr. Nakayama for the Single Audit presentation.

DISCUSSION:
Mr. Dill requested a report and presentation from the Department on a firm outlined plan to address the material deficiencies on the three (3) reoccurring findings in the January Board agenda.

Mr. Strom provided comments to correct discrepancies …. (inaudible)

Chair Nishimura is comfortable with the structural portion of the accounting system.

Mr. Shiraishi questioned if action was taken to get the accounting system in by June 2014?

Chair Nishimura clarified that money has been budgeted for the consultant but may require a change order by 2014 from the Department. If the implementation is done by 2015, would that eliminate a change order? If the money is needed, would the budget be amended? If there are adequate funds, the Department does not need to come back to the Board.

Ms. Yano explained the evaluation of the chart of accounts has been completed. The consultants will provide a plan for implementation. In Ms. Yano’s opinion, it may take one year to complete the implementation which was the reason 2015 was given as the deadline date (based on Honolulu’s Board of Water Supply’s implementation and testing). The amount of money needed would be determined after hearing back from the consultant.

Mr. Shiraishi was concerned of the reoccurring Finding 2013-01 - Inadequate Use of Accounting Software which should be addressed immediately and to do the change order. He would like a commitment from the Department that the implementation will be in place by June 30, 2014. If the Department cannot commit to the implementation, he would not be in favor of a change order.

Ms. Yano commented that the FY 2013-14 testing would not be complete by June 30, 2014. There is money in place for this fiscal year but has not been spent. A change order would amend the Contract No. 1 for $200K.

If the money is spent and the system is implemented by June 30, 2014, the Department would implement this in the next fiscal year (2014-2015). July 1, 2014 is the go live date and Mr. Shiraishi asked if the Department is adequately staffed and ready to switch to the new accounting system. According to the consultant’s schedule testing and training would start in January. Fiscal is on schedule to date but they are not running parallel systems yet.

Waterworks Information Technology Officer, Mr. Mendez clarified that the system would be upgraded with new modules from now until the go live date.
Chair Nishimura recommended that the Board save the Manager’s Update portion of the consultants accounting system schedule as a benchmark and to post the schedule up in the Board room.

Mr. Strom asked if there are plans for a review of the system prior to going live or would the Department wait for the next audit to be done?

Mr. Nakayama recommended being contacted before going live to make sure the Department is on the right track.

K. **TOPICS FOR NEXT WATER BOARD MEETING** *(January 2014)*

1. Results from Small Business Regulatory Review Board regarding Proposed Part 2 Section IX of the Rules: Adjustment of Bills for Undetected Leaks and Unforeseen Damages
2. DOW Quarterly Reports (Construction & Design Projects)
3. Fiscal’s outlined plans to address material deficiencies from draft Single Audit Report
4. Status Update on Fiscal’s Accounting Software Schedule
5. Review and discussion of Vehicle Policy (to follow county policy or DOW policy)

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

3. Public Hearing Results on Benefit Zones

M. **UPCOMING EVENTS**

2. Community Outreach Meeting *(January 27, 2014)*
3. AWWA 2014 Hawaii Section Conference, O‘ahu, HI *(May 6-9, 2014)*
4. AWWA 2014 Conference, Boston, MA *(June 8-12, 2014)*
5. Make a Splash, Project WET *(September 18, 2014 Tentative)*
6. HWWA 2014 Conference, Kaua‘i, HI *(October 15-17, 2014)*

N. **NEXT WATER BOARD MEETING**

1. Thursday, January 23, 2014, 10:00 a.m.
2. Thursday, February 27, 2014, 10:00 a.m.
3. Thursday, March 27, 2014, 10:00 a.m.
4. Thursday, April 24, 2014, 10:00 a.m.

O. **ADJOURNMENT**

Mr. Shiraishi moved to adjourn; seconded by Mr. Nakaya; with no objections the meeting was adjourned at 12:26 p.m.

Respectfully Submitted,                      Approved,

Edie Ignacio Neumiller                      Sherman Shiraishi
Commission Support Clerk                   Secretary – Board of Water Supply

Regular Meeting: Thursday, December 19, 2013 - Page 12 of 12
Rules Committee Meeting

October 4, 2013
9:00 a.m.

Committee Members Present: Michael Dahilig, Chair; Ray McCormick, Sherman Shiraishi

Board Members Present: Board Chair Randall Nishimura

Staff Present: Deputy Manager Kirk Saiki, Mary-jane Garasi, Marites Yano, Kim Tamaoka, Regina, Deputy County Attorney Andrea Suzuki

Guests: Mr. Kamuela Cobb-Adams, Housing Director, Barbara Pendragon, Housing Agency

Chair Dahilig called the Rules Committee Meeting to order at 9:15 a.m., quorum was achieved.

AGENDA
Mr. McCormick moved to accept the agenda as circulated; seconded by Mr. Sherman Shiraishi with no objections, motioned was carried with 3 ayes.

MINUTES
Mr. Shiraishi moved to approve the Rules Committee meeting minutes of January 23, 2013; seconded by Mr. McCormick; motion was carried with 3 ayes.

OLD BUSINESS
Re: Manager’s Report No. 13-7 – Board Discussion and Possible Action on Part 2 Section IX of the Rules: Adjustment of Bills for Undetected Leaks and Unforeseen Damages

1. DOW Revised Proposed Changes on Part 2 Section IX of the Rules

Deputy County Attorney, Andrea Suzuki provided recommendations:
1) For housekeeping purposes, the title of the rules section is for relief for “undetected leaks.”
2) Paragraph 3 – What was the purpose of one week?: “A customer has one week regardless of the case notified or not.”
3) Paragraph 4 – Last sentence is redundant of Paragraph 3 and would take out the last sentence out.
   Delete: Adjustment will be allowed only if the consumer exercises diligence in stopping the leak.
4) Change property to premise – should be “premises” as Mr. Shiraishi suggested. Deputy County Attorney, Andrea Suzuki did not know why property should be premise.
5) Paragraph 5 – the sentence could be done clearer.
6) Paragraph 6 – change Managers to “Manager” (singular)
7) Paragraph 7 – change premise to “premises” – change rate holder to “consumer”
   The second sentence – “The consumer can appeal a denial if a leak is found more than once within the two (2) years.” This should be clarified not just for any leak but for more than
one undetected leak. The consumer would get the first reduction for the first leak. For a second leak, the consumer would get denied.

Ms. Marites Yano provided recommendations:

1) **Paragraph 2** – Before adjustment is made under this section, the owner shall first request an adjustment and submit “an affidavit from signed under penalties of perjury and” substantiating date to warrant such an adjustment if required by the Department.

2) **Paragraph 5 (last sentence)** - The reduction in high water bill from leaks as noted above will be by charging the first block rate for the Departments best estimate of the excess over the consumer’s normal bill based on the “prior” year’s monthly average.

3) **Paragraph 3(delete last sentence)** – a customer has one week to do this regardless of the case notified or not.

DISCUSSION:

Mr. McCormick and Mr. Shiraishi suggested deleting the one week issue. If the Department is aware of a leak, a notice should be sent to the consumer.

Board Chair Mr. Nishimura mentioned that every year ag farmers come to report of an underground leak. Farmers are given a substantial credit on water rates. By avoiding this portion of the rules of paying their fair share of water this concerns the Department. The Department recommended the consumer to come in to apply for credit once every 10 years.

There have been 20 to 30 recurring cases annually for credit according to Ms. Yano.

The Board could consider letting the frequency and the dollar amount go.

Mr. Shiraishi inquired if the Department could handle the recurring cases on a case-by-case basis. To grant the relief, the consumer would have to submit a substantive statement to comply with the rule.

Ms. Yano further commented by having the consumer attest that their undetected and underground leak is true, it would prevent abuse of fraudulent claims. If the Department finds that there was a misleading, deliberate or intentional fraud on the consumer’s application, the adjustment could be reversed.

Chair Dahilig and Mr. Shiraishi agreed that if you are per jurist, it is a crime.

Chair Dahilig recognized Mr. Shiraishi’s comment be added to the motion that a consumer must attest that their undetected and underground leak is true.

Deputy Manager Kirk Saiki inquired if the referencing of undetected leaks (not separating above or underground leaks) and if any leak activity would be covered under the rule? In a Standard Operating Procedure (SOP) there is a provision that states the Department would not pay for above ground leaks.

Deputy County Attorney Andrea Suzuki stated there is no differentiation of 1) leaks, 2) undetected leaks and 3) underground leaks.
Ms. Yano clarified that the intent of the rule is for undetected and underground leaks. No adjustments are given for faulty plumbing fixtures and exposed water lines.

Deputy Manager Kirk Saiki mentioned there have been claims for exposed piping in walls and pig damage to underground pipes. He asked if the term “exposed” means visible or above ground?

Private Secretary Ms. Garasi provided a comment on behalf of Manager Craddick if underground leaks could be applied to the standards that the Department has which is 18” underground on a property. Ms. Garasi was not sure if materials were applied.

Chair Dahilig recognized Mr. Shiraishi recommendation to limit the relief to underground leaks to the motion.

Chair Dahilig recognized there were no members of the public to speak on the agenda item.

Mr. Shiraishi moved to adopt the 1) recommendations of Deputy County Attorney, Andrea Suzuki and Waterworks Controller, Ms. Marites Yano, 2) that a consumer must attest that their undetected and underground leak is true and 3) recommendation to limit the relief to underground leaks; seconded by Mr. McCormick; with no objections, motion was carried with 4 ayes.

Deputy County Attorney, Andrea Suzuki will prepare final changes for the October 17th Board meeting.

At 9:36 a.m., Chair Dahilig recessed the meeting with no objections.

At 9:44 a.m., Chair Dahilig called the Rules Committee meeting back to order.

NEW BUSINESS
Re: Manager’s Report No.14-13 – Discussion and Possible Action on correspondence received from the Kaua‘i Board of Water Finance Committee to the Rules Committee.

Chair Dahilig referred to the Finance Committee Report to the Rules Committee and past changes to Part 5, on Part 4, Section VI in Ramseyer format.

A standing recommendation received by the full Board two months ago on the Rules Committee report on Part 4 regarding fixture units vs. meter size was a basis for a Facility Reserve Charge (FRC) or Water Development System Fee (WDSF). At the Board meeting, there were concerns with a domino effect of fixture units on all of the Board of Water Supply Rules Parts 2, 3, 4 & 5. This could lead to potential delays and implementation to increase the WSDF amounts set by the R. W. Beck final study done in January 2013. By delaying the project, the Department could fall behind from the study.

Chair Dahilig previously discussed with Finance Chair Mr. Dill concerning whether a whole sale overhaul on how to calculate the FRC/WSDF would impede the ability to implement the new fee schedule. Since there was a report to the Board regarding converting to fixture units, Chair Dahilig asked the committee if they would be comfortable to have the fixture units discussed or fast track the implementation of the R. W. Beck. The implementation of the currency would remain in the regime of meter sizes vs. fixture units. This does not mean going back to meter size over fixture units but instead this should stay in the meter size. Minimal changes would be made to bring the Department’s
regulatory framework to accept the additional changes vs. to wait and for the whole sale and amend Parts 2, 3, 4 & add 5. Chair Dahilig asked the committee to consider meter size to fixture unit conversion on the slow track so that the Finance Committee could weigh the fees.

From the last meeting, Manager Craddick proposed to go back to fixture units. Chair Dahilig mentioned Parts 2, 3, 4 would be amended for Part 5 on the fixture units which would delay fee increases.

The discussion clarification was to use the existing rules and raise the FRC to $17,000 with some adjustments based on the state law and done in the rules. Meter squatting can be integrated in the rules which was Chair Dahilig’s concern. The HRS requirements could be taken and meter squatting could be integrated in Parts 2, 3, & 4 or to do a mini Part 5 vs. the extensive Part 5 which staff would prefer. The discussion on fixture units should continue but not at the cost of the fee implementation.

Chair Dahilig asked if members of the public would like to speak on the agenda item.

Housing Agency Mr. Kamuela Cobb-Adams provided statistics on Hawai‘i’s median household income since statehood has grown 2-1/2 times as fast in the nation. This makes it difficult for people to get housing. Hawai‘i is at the lowest level with housing production rates. There are multiple issues to consider (i.e., cost, competing with the outside market, logistic based on governmental rules). Affordable housing could be 1) kept cheaper or 2) raise incomes. The rental markets are going in weekly with smaller resorts. One third of housing is in time share and 1/3 is in housing. The Housing Agency has come before the Board on creative ways to help with affordable housing. The increase in fee could kill small non profits such as the Habitat for Humanity’s financing.

Mr. Cobb-Adams requested if the rules could apply to certain affordable housing projects. There are projects which the law allows for over 51% of affordable housing units. This would keep the nonprofit projects from coming to Kaua‘i. Two non profits, Kaua‘i Housing Development Corp. and Haoli Maloa were going to do a project together but Haoli Maloa said Kaua‘i was too difficult. Haoli Maloa is now developing on the Big Island.

The Housing Agency advocated for the Board to help get affordable housing. Mr. Cobb-Adams could help the Board draft exemptions for affordable housing. To expedite permitting, the Housing Agency is working on administrative rules to certify affordable housing at 51% or more affordable that would include the Department of Water (DOW) in the permitting process. This certification process could qualify a person for fixture units. Mr. Cobb-Adams is also working with the state representatives to get funding.

At 10:06 a.m., Board Chair Mr. Randall Nishimura exists the meeting.

Ms. Barbara Pendragon, Housing Agency commented that with O‘ahu’s board of Water Supply BWS rules allow a 50% charge for FRC for ‘Ohana housing built on the same parcel. There is flexibility of charging on certain types of structures. She emphasized raising the cost of people’s income with the housing production is low to stop it with affordable units that could be built now would pull jobs from people on Kaua‘i.
DISCUSSION:
Mr. Shiraishi recalled discussions with the Manager on a flat rate based on meter sizes vs. fixture units and that the Housing Agency was comfortable on the flat rate based meter sizes. The Housing Agency could then apply for grants to pay for the cost of the meter.

Mr. Cobb-Adams indicated that the word “comfortable” was not accurate. He would look at a reasonable way to give and take to work together with the Department. Fixture units for the 5/8” meters would be difficult but with larger meters affordable housing could use fixture unit. If affordable housing cannot do 5/8” meters for single family housing, they could do the fixture units fee for higher density housing. The larger meters would allow for dense housing that would benefit the DOW. Fixture units just for affordable housing could decrease labor on the cost.

Deputy County Attorney Andrea Suzuki clarified that for multi-family housing, each unit gets charged one 5/8” meter or is calculated on meter size (whatever is the higher amount, the consumer would get charged).

Chair Dahilig thanked Mr. Cobb-Adams and Ms. Pendragon for their comments.

Mr. Shiraishi indicated the equitable way to go is with fixture units and to keep matters simple and to increase the FRC to what the consultant recommended. The discussion on fixture units should continue. He asked if affordable housing could use a two tier cost.

Paanau Phase 2 used 4” meters (50 units) and Kalepa used 3” (180 units). Chair Dahilig indicated Finance Chair, Mr. Dill’s desire was to have a 2” meter negotiable.

Mr. Cobb-Adams commented that some projects are not in one continuous land and prefers 51% of housing be affordable. The 2” meter would help with bigger projects. The Rice Camp project will have different sizes of meters. Accolades were given to the DOW staff helped with Rice Camp to get the meter sizes.

Chair Dahilig suggested the Rules Committee meet before adjustments are made on the initial Part 5 proposal to the full Board based on the comments at this meeting. A mini Part 5 could be created to integrate HRS and squatting provisions. Changes could be completed by Wednesday, October 9th by Deputy County Attorney Andrea Suzuki.

Ms. Yano suggested if the rates could be the same for all consumers. The DOW could set aside funds as a grant. Every year the grant could be tapped for affordable housing to subsidize the FRC. Chair Dahilig recommended the Department provide a written proposal for the Board to review.

With no further business, Chair Dahilig reconvened the Rules Committee meeting to October 10, 2013 at 3:00 p.m.
Committee Members Present:  Michael Dahilig, Chair, Ray McCormick, Sherman Shiraishi

Board Members Present:  Board Chair Randall Nishimura

Staff Present:  Manager David Craddick, Deputy Manager Kirk Saiki, Marites Yano, Mary-jane Garasi, Kim Tamaoka, Eddie Doi, Regina Flores, Deputy County Attorney Andrea Suzuki

Guests:  Mr. Kamuela Cobb-Adams, Housing Director, Ms. Barbara Pendragon, Housing Planner

Chair Dahilig reconvened the Rules Committee Meeting at 3:08 p.m., quorum was achieved at Roll Call.

OLD BUSINESS

Re:  Manager’s Report No. 13-7 – Board Discussion and Possible Action on Part 2 Section IX of the Rules: Adjustment of Bills for Undetected Leaks and Unforeseen Damages

i. DOW Revised Proposed Changes on Part 2 Section IX of the Rules

Additional handouts were distributed to the Board and Received for the Record, with no objections. The handouts reflect the previous information from the Rules Committee meeting (10-4-13) and Mr. Shiraishi’s suggested changes in Ramseyer format.

Received for the Record was Manager’s Report No. 13-7.

RECEIVED FOR THE RECORD

DEPARTMENT OF WATER
County of Kau‘i

“Water has no Substitute – Conserve It!”

MANAGER’S REPORT NO. 13-7

October 10, 2013

Re:  Board Discussion and Possible Action on Part 2 Section IX, Adjustment of Bills for Undetected Leaks and Unforeseen Damages of the DOW’s Rules & Regulations

RECOMMENDATION:  It is recommended that the Rules Committee adopt Part 2 Section IX of the DOW’s Rules & Regulations and forward recommendation to the full board for action.

BACKGROUND:  Initially, the DOW has recommended the Board to eliminate Part 2 Section IX in its entirety because of the $0.4 to $0.5 million leak rebate given but instead, the DOW plans to keep this rule with the amendments as proposed.
Rules Committee Meeting  
October 10, 2013

Current Calculation:  
An adjustment is based on the consumer’s 6-month average bill (dollars) minus the “high bill” divided in ½. The consumer is responsible for 50% of the charges.

Proposed Calculation:  
An adjustment is based on the consumer’s 12-month average bill (consumption in gallons) minus the “high bill” (consumption in gallons). The difference is charged at the first block rate applicable to the meter size in the Department’s General Use Rates.

Options:  
1. **Approve Recommendation** – This will move the proposed rule to the full board for action on the proposed rule.
2. **Amend Recommendation** – If the committee amends the proposed rule, the DOW will continue to work with the Rules Committee with their recommended changes.
3. **Disapprove Recommendation/Table Item** – The Department will continue to use the DOW’s current rule and administer rebates to those who are eligible.

Thank you for your attention to this matter.

Respectfully submitted,

[Signature]

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

Attached: DOW Revised Proposed Changes on Part 2 Section IX, Adjustment of Bills for Undetected Leaks and Unforeseen Damages of the Rules

MgrpOctober/13-7 Board Discussion & Possible Action on Part2 Section IX of the Rules(10/17/2013)cmjg
Administrative rule material to be repealed is bracketed. New material is underscored. Deleted material is struck through or [bracketed.] In printing this rule amendment, the brackets, bracketed material, underscoring, strikes need not be included.

SECTION IX - ADJUSTMENT OF BILLS FOR UNDETECTED UNDERGROUND LEAKS AND UNFORESEEN DAMAGES

1. The Department will reduce high water bills caused by undetected underground leaks in the consumer's supply pipe, by one half of the excess over the consumer's normal bill based on the previous six months' average. Adjustments will also be allowed if a leak is caused by a unforeseen circumstance such as: storm damage, flood, explosion, fire, and or acts of nature.

2. Before adjustment is made under this section, the owner shall first request an adjustment and submit substantiating data to warrant such an adjustment required by the Department. The Department shall make their determination based on the data presented and any other evidence as collected by the Department, if necessary.

3. Adjustment will be allowed only if the consumer exercises diligence in repairing stopping the leak within the period of one week after knowledge they knew or should have known of an undetected underground leak age. Knowledge of the leak can come from a water bill, personal notification from the Department by attaching a notice to the door of the residence, phone or email message from the Department, neighbor notification, or other means. For storms, explosions, or fires, the leak must be stopped within twenty-four (24) hours unless the service holder is unavailable.

3. No adjustments will be made for leakage due to faulty plumbing fixtures, exposed waterlines within his property the premises.

4. Before adjustment is made under this section, the owner shall first request an adjustment and submit substantiating data to warrant such an adjustment if required by the Department. The Department shall make the determination based on the data presented and any other evidence as collected by the Department, if necessary.

Any reduction pursuant to this section will be calculated based on the difference from the consumer's average usage minus the high bill. The consumer's average is based on their prior twelve (12) month consumption. The difference amount in gallons will be charged at the first block rate applicable to the meter size in the Department's General Use Rates.

6. In cases where the consumer has had the service for less than one year the Manager shall decide on the amount of the reduction.

7. Reduction in water bills for underground leaks is allowed only once in two years for the premises the leak is found on. The consumer may appeal denial of rebate if more than one undetected underground leak is found within the two (2) year period.

8. Payment of the leak amount may be made by monthly payment spread over one year but in no case shall it be less than twenty five percent of the average monthly bill per month of payment.
Manager Craddick mentioned a comment made by the Rules Committee if there was a late charge associated with the changes. If the payment plan is in good standing, there would be no late charge.

Chair Dahilig refreshed the committee’s recommended action to review the changes again.
Mr. Shiraishi commented that the penalty provision was inappropriate to include in a section where the bills would be adjusted bills downward. This was the reason he took out Item #8 from the original draft which allowed payment of the original installments. If the consumer’s bill is reduced, they should pay their bill as soon as possible. Mr. McCormick agreed with Ms. Shiraishi’s changes.

Ms. Yano explained than some customers have a $200 monthly bill, then one month the bill jumps to $2,000. It may be hard for those customers to pay the adjustment at one time. The current practice is 50% of the difference which is $1,800 divided by 2 = $900.00. The payment for the customer would be $1,100.

Mr. Shiraishi commented that the rule now would be for the customer to pay the full amount for the whole leak at the 1st block. He referenced the last sentence in Item #5, “The consumer’s reduction or credit shall be calculated using the first block rate applicable to the meter size …” This may require a payment installment plan.

Ms. Yano indicated a payment plan could be incorporated in the Standard Operating Procedure (SOP).

On Item #5, Ms. Yano indicated by using the 1st block, the ag rate would not be given an adjustment because their rate is lower. No other suggestions were provided.

Mr. Shiraishi moved to the revised draft version of Section IX (by Mr. Shiraishi) for approval before the full Board; seconded by Mr. McCormick; with no objections, motion carried with 3 ayes.

**NEW BUSINESS**

Re: Manager’s Report No.14-13 – Discussion and Possible Action on correspondence received from the Kaua‘i Board of Water finance Committee to the Rules Committee.

Received for the record was the mini Part 5 handout.

**RECEIVED FOR THE RECORD**

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**PART 5**

**WATER SYSTEM DEVELOPMENT FEE**

*within the County of Kauai*

1. **Purpose and Authority**
   a. Expansion of capital water facilities is needed in order to accommodate increased demand on the source, storage, and transmission pipeline capacity due to new development and/or additional demand of existing users. New development and/or additional demand shall be assessed facilities reserve charge in proportion to its demand on capital water facilities and the facilities reserve charge shall be expended for public capital water facilities projects. These rules were enacted pursuant to Hawaii Revised Statutes (H.R.S.) §46-141 et seq.
2. **Findings**
   a. In the review of the impact of growth relative to the existing and planned capital water system facilities capacity available to the water system, the Board hereby finds that the recent and anticipated population growth rates and corresponding water demands would place additional burdens on the existing water system. The Board further finds that such growth and increased demand would necessitate an excessive expenditure of public funds in order to create adequate facilities and to promote and protect the public health, safety, and welfare. The Board also finds that it is fair and reasonable to require new costs necessary to accommodate such development. Finally, the Board finds that establishing benefit zones as identified in Hawaii Revised Statutes (H.R.S.) §46-14“ is not necessary as a reasonable benefit can otherwise be derived.
   b. The water system facilities reserve charge, as laid out in Part 4, was created in accordance with a report prepared by an independent consultant as adopted by the Board for the purposes of assessment. The report calculated the costs associated with water development needs as laid out in the Board approved Department of Water facilities needs assessment study entitled “Water Plan 2020” as amended.

3. **Definitions**
   a. Recoupment – the proportionate share of the public facility capital improvement costs of excess capacity in existing capital facilities where excess capacity has been provided in anticipation of the needs of development.

4. **Collection and Expenditure of Facilities Reserve Charge**
   a. Upon collection of the facilities reserve charge, the facilities reserve charge shall be deposited in a special trust fund or interest-bearing account. The portion that constitutes recoupment may be transferred to any appropriate fund.
   b. If the facilities reserve charge is not expended or encumbered within six years from the date of collection, it shall be refunded to the property owner or the property owner’s successor in title plus any accrued interest.
      i. Application for a refund shall be submitted to the Board within one year of the date on which the right to claim arises;
   
      ii. Any unclaimed shall be retained in the special trust fund or interest bearing account and be expended for capital facilities improvement projects
   c. If the Board terminates the facilities reserve charge (or analogous) requirement, all unexpended or unencumbered funds shall be refunded to the developer or the developer’s successor in title plus any accrued interest.
      i. The Board shall give public notice of termination and availability of refunds at least two times. All funds available for refund shall be retained for a period of one year at the end of which any remaining funds may be transferred to the Board’s general fund and expended for any public purposes involving water supply or service as determined by the Board.
   d. Recoupment shall be exempt from subsections (b) and (c).
5. **Facilities Reserve Charge Paid Prior to Enactment of Part 5 Rules**

   a. This Section applies to those Applicants that have paid a “Facilities Reserve Charge” prior to enactment of these Part 5 Rules and have failed to install a water meter on the subject property for which the Facilities Reserve Charge was paid, hereinafter referred to as “Prior Applicants”.

   b. Prior Applicants shall have six (6) months from the date of enactment of these Part 5 Rules, hereinafter referred to as the “Grace Period”, to install a water meter, at no additional Facilities Reserve Charge cost.

   c. After expiration of the Grace Period, Prior Applicants must pay the difference of the original Facilities Reserve Charge paid and the Facilities Reserve Charge in effect at the time the meter is installed.

Received for the record was Deputy County Attorney Andrea Suzuki revised Part 5.

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**PART 5**

**WATER SYSTEM DEVELOPMENT FEE**

within the County of Kauai

and Providing Penalties for the Violations Thereof

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Section I: General Provisions

**A. Purpose and Authority**

The following rules shall govern the assessment of impact fees for Board of Water Supply (Board) capital water facilities expansion for source, storage and transmission pipeline capacity. *Capital water facilities expansion* is needed in order to accommodate increased demands on the capacity of the existing source, storage and transmission pipeline capacity facilities due to new development and/or additional demand of existing users. These rules are authorized pursuant to Hawaii Revised Statutes (H.R.S.) §46-142 and other applicable State law. New development and/or additional demand shall be assessed impact fees for Water System Development Fee in proportion to its impact and demand on capital water facilities, and the impact fees assessed shall be expended for public capital water facilities projects. Prior to this amendment the term Facilities Reserve Charge was used by the Board in its rules and regulations [Eff.: Am] (Auth: HRS 54-33; HRS 46-142) (Imp: HRS 54-33).
B. Findings

In the review of the impact of growth relative to the existing and planned capital water system facilities capacity available to the water system, the Board hereby finds that the recent and anticipated population growth rates and corresponding water demands would place additional burdens on the existing water system. The Board further finds that such growth and increased demand would necessitate an excessive expenditures of public funds in order to create adequate facilities and to promote and protect the public health, safety, and welfare. The Board also finds that it is fair and reasonable to require new development and/or additional demand to pay its proportional share of the capital costs necessary to accommodate such development. Finally, the Board finds that establishing benefit zones as identified in Hawaii Revised Statutes (H.R.S.) §46 is not necessary as a reasonable benefit can be otherwise derived. (Needs to be done)

Section II: Definitions

"Additional Dwelling Unit (ADU)" is as defined in Kauai County Code Section 8-26.1 and means living quarters attached to a main dwelling or within an accessory building located on the same lot as the main dwelling for use as a separate dwelling.

"Additional water service" means the need/request for additional water source, storage or transmission resource capacity.

"Allocation" means quantity and size of meter(s) identified as those required to serve the water needs of a premises for the purpose of reserving a quantity of water to meet the anticipated source, storage and transmission demand of that service.

"Applicant" means any person, individual, corporation, partnership, business, organization, association, or other entity whatsoever that applies for water service from the Department.

"Board" means the Board of Water Supply of the County of Kauai.

"Building permit" means the official document or certificate issued by the County authorizing the construction or alteration of any structure.

"Consumer" shall mean the person, firm, corporation, association, or governmental department, whether owner or tenant, whose name appears on the records of the Department as the party responsible and liable for receiving water service from the Department.
"County" means the County of Kaua‘i, a political subdivision of the State of Hawaii.

"Dedicated water system improvements" means water system improvements that are accepted by the Board for operation and are privately designed and constructed.

"Distribution system" means the water pipelines used to bring water from the transmission system or storage tank to individual service laterals and hydrants.

"Developer" means any person(s) causing an increase in demand on the water system.

"Department of Water" (DOW) means the County of Kaua‘i Department of Water.

"Facilities Reserve Charge" shall mean the name of the fee in effect prior to enactment of this rule.

"Manager" means the Manager and Chief Engineer, Department of Water of the County of Kaua‘i.

"Offset" means a reduction in WSDF designed to fairly reflect the value of off-site related public facility capital improvements provided by a developer pursuant to an agreement with the Department of Water.

"Person" means an individual, firm, partnership, company, corporation, association, syndicate, governmental agency, or any legal entity, including but not limited to a trustee, receiver, assignee, or similar representative thereof.

"Premises" means a parcel of real property and any structures thereon which have water service will require water service or requires additional water service, which includes, but is not limited to individual condominium units.

"Recoupment" means the proportionate share of the public facility capital improvement costs of excess capacity in existing capital facilities where excess capacity has been provided in anticipation of the needs of a development.

"Schedule" means the Water System Development Fees as approved by the Board set out in Part 4 section VII of these rules and regulations.

"Service lateral" means the connection to a distribution pipeline, pipes, fittings, valves, and other appurtenances up to and including the consumer shut-off valve and water-meter box, but not including the water meter.

"Source" means any structure used to develop, potable waters as required in Water System Standards as amended; and any fee simple land required for the improvements.

"Storage tank" means an enclosed reservoir to store potable water as required in Water System Standards as amended, and any fee simple land required for the improvements.
“Subdivider” has the meaning ascribed to it under section I of Part III of the Department’s Rules and Regulations.

“Subdivision” has the meaning ascribed to it under section I of Part III of the Department’s Rules and Regulations.

“Subdivision water system” shall mean the water system, within and adjacent to any subdivision, including distribution lines, valves, hydrants, laterals, and all appurtenances necessary to distribute water and provide for hydrant service for such subdivision in accordance with 2002 State of Hawaii Water Standards as amended.

“Temporary meter” means any meter connected to a hydrant or a service lateral used less than one year allowed by agreement with the Manager.

“Transmission pipeline” means a pipeline that delivers potable water from a source development to a storage tank or distribution system as required in Water System Standards as amended, including any booster pump stations and appurtenances and any fee simple land required for the improvements.

“Water meter” means a device that measures the volume of water delivered to any premises.

“Water Meter Application” is the form filled out to request that a meter be placed in service.

“Water Service Request” means the form filled out inquiring into available water system service and requesting an allocation of source, storage and transmission capacity.

“Water system” means the system operated by the Board.

“Water System Development Fee (WSDF)” is a charge designed to recover a portion of the investment required for water system facilities growth that is assessed by the Board of Water Supply on a developer, new customer, or existing customer who increases their demand for water service. The payment of the Water System Development Fee charge runs with the land not with the payor.

“Water Service Reservation Fee” is the fee you pay for a water reservation which requests to reserve an allocation of source, storage and transmission capacity. This fee is not in addition to these separate and apart from the Water System Development Fee that is paid at the time the meter is installed after a Water-Meter Application is approved.

“Water Service Reservation Request” is a request for a water reservation.
Section III: WSDF Fee Schedule

A. The WSDF imposed shall be as set forth in the WSDF Schedule, in Part 4 of the Department Rules. The WSDF Schedule was adopted in accordance with a report dated January 24, 2013, prepared by an independent consultant Dated January 24, 2013 as adopted retained by the Board for the purposes of WSDF assessment to assess and study water facilities expansion. The report calculated the costs associated with water development needs as laid out in the Department of Water facilities needs assessment study entitled “Water Plan 2020” as amended.

Section IV: Applicability

A. On and after the effective date of this Part 5 Rule, unless exempted pursuant to Section VI, all new developments requiring water supplies from the Department of Water or those requesting additional water supplies from existing water services will be subject to this Chapter of the rules.

1. The above includes but is not limited to, the following:
   a. Irrigation or agricultural use water services.
   b. Additional structures, ADUs or additions to structures.
   c. Requests for additional meters with no changes to the premises.
   d. Additional use on combined fire flow and potable flow meters.
   e. Connections to any DOW water system to provide private fire flow will be subject to a portion of the storage and transmission components of the WSDF.
   f. All accounts that have been inactive (meter removed) for more than one year are subject to the WSDF.
   g. Subdivisions of land and/or lots to be subdivided
   h. Existing lots or premises of record that have no water service.

Section V: Water System Development Fee Computation

A. General Provisions

1. An Applicant for new or additional water supply shall submit to the Department of Water a Water Service Reservation Request, which details the amount of existing fixture units existing (if any) and the amount of fixture units anticipated to be installed by the Applicant.

   a. The Applicant shall submit an affidavit under penalty of false representations before a government official, along with the
2. Upon review and submittal of the Water Service Reservation Request and affidavit, the Department may issue conditional approval and assign an appropriate meter size.

3. In order to secure a reservation of water, pursuant to the Department's conditional approval to the Water Service Request, after submitting a water service request, the Applicant shall pay the appropriate Water Service Reservation Fee. A schedule of such charges shall be issued by the Board on an annual basis. Payment of the Water Service Reservation Fee shall be made before completing any items required by the conditional approval of the Water Service Reservation Request.

3.a. The Manager may secure reservation of water without immediate payment of the fee. A Water Service Reservation Fee shall be paid for any affordable or workforce housing projects approved or sponsored by the County Housing Agency provided fees are collected before installation of the meter.

4. A water reservation shall be perfected when actual installation of the meter is complete. A water reservation shall be valid for a period of one (1) year after payment of the Water Reservation Cost and shall expire unless installation of the meter occurs within that period or an extension of the reservation is granted.
   a. An extension of the reservation may be granted for a single additional one-year period.

   b. Upon expiration, a full refund of the Water Reservation Fee shall be made upon request of the Applicant if the water service that would otherwise be denied and any reservation rights the Applicant held shall be extinguished.

   c. A water reservation can be held for more than a period of one year, as determined by the Manager, for any affordable or workforce housing projects approved or sponsored by the County Housing Agency.

5. A Water Meter Application shall be submitted to effectuate installation of a meter. The Applicant shall pay the WSDF that is in force and effect at the time of submittal of Water Meter Application, i.e., full credit of the Water Service Reservation Fee shall apply to the WSDF due.

   a. Any increased difference of the WSDF between the time of reservation of water and the time of Water Meter Application shall be waived if the Water Meter Application is submitted within one year from the payment of the Water Service Reservation Fee.

6. The Department may negotiate a water system development fee in the schedule when it is determined that the fee required is not the below the maximum allowed. The Department may also negotiate agreements with developers for payment of the actual costs of the installation of the necessary water system facilities or require the installation of the facilities by the developer in lieu of payment of water system development fees.

7. The Department shall assess a non-refundable administrative charge as laid out in Part 4 of the Rules and Regulations. The Department shall waive these fees for any affordable or workforce housing project approved or sponsored by the County Housing Agency.
Section VI: Exemptions from WSDF payment.

A. Premises which were serviced by a meter that was removed and have had a meter removed within one (1) year of the current water meter application are exempt from the WSDF fee up to the current value of the prior fixture units in a number equivalent to the prior amount of fixture units.

B. Detector check meters or other private fire line services to be used solely for fire purposes are exempt from this rule.

C. Temporary meters are exempt from the WSDF provided they are used one year or less.

Section VII: Refund or Reimbursement of WSDF

A. An Applicant that is granted a reduction in the size of water meter shall not be entitled to any WSDF reimbursement.

B. In the event the WSDF has been paid for a subdivision and subsequently the subdivision is reconsolidated so as to reduce the number of buildable lots, the WSDF will be returned for the consolidated lots in the amount paid, provided the reconsolidation is completed within one (1) year following the prior subdivision approval.

1) This shall not apply to any premises which have received approval for a building permit on the premise to be reconsolidated.

C. Refund of the WSDF shall not be made with the termination of water service.

D. If the WSDF is not expended or encumbered within six years, a refund for the amount paid shall go to the Applicant or the Applicant's successor in title, together with any accrued interest (if any).

1) A WSDF refund request shall be submitted to the Department within one (1) year of the date upon which the refund right to claim arises.

2) Any amounts unclaimed within one year of the date the right to refund arises shall be retained in a special trust fund or interest bearing account and shall be expended according to this Part 5 Rule for capital facilities expansion projects.
E. If the WSDF is ever terminated, all unexpended or unencumbered funds shall be refunded as provided in Section VII (D) of this rule.

1) The Board shall give public notices of termination and availability of refunds shall be given by the Board at least two (2) times in a general circulation newspaper with daily distribution.

2) All funds available for refund shall be retained for a period of one year and at the end of said one year period, which any remaining funds may be transferred to the Board’s general fund and expended for any public purpose involving water supply or service as determined by the Board.

F. Recoupment shall be exempt from this section.

Section VIII: Facilities Reserve Charge Paid Prior to Enactment of Part 5 Rules

A. This Section applies to those Applicants that have paid what was known as a “Facilities Reserve Charge” prior to enactment of these Part 5 Rules and have failed to install a water meter on the subject property for which the Facilities Reserve Charge was paid, hereinafter referred to as “Prior Applicants”.

B. Prior Applicants have 6 months from the date of enactment of these Part 5 Rules, to install a water meter, hereinafter referred to as the “Grace Period”, at no additional WSDF cost.

C. After expiration of the Grace Period, Prior Applicants must pay the difference of the original Facilities Reserve Charge paid and the WSDF in effect at the time the meter is installed.

Section IX: Offset

A. When an applicant consumer, or subdivider is required to construct and dedicate water source or water storage facilities, or water transmission pipelines, to the department, the following rules shall apply:

1. The applicable WSDF liability of such applicants, consumers, or subdividers shall be offset by up to 33% each where water source or water storage improvements are constructed, and up to 50% where water transmission pipelines the percentages allowed in Part 4 Section 2 schedule 1 for source, storage or transmission capacity that are constructed. provided that the total amount of all offsets that an applicant, consumer, or subdivider receives shall not exceed 100% of the applicant’s, consumer’s, or subdividers’ WSDF liability and provided further that the offset for any source or storage improvement or transmission pipeline shall not exceed the actual cost of the source or storage improvement or transmission pipeline.
2. The Department, and not the applicant, consumer, or subdivider, shall calculate and determine the total amount of an applicant’s, consumers, or subdividers WSDF offset in any given case. The Department may require the applicant, consumer, or subdivider to submit documentation verifying the actual cost of a source or storage improvement or transmission pipeline.

3. The offsets described in this section shall not apply to water transmission pipeline constructed by a subdivider, applicant or consumer which are is within or adjacent to a subdivision or lands either 1) owned by the applicant, subdivider, or consumer, or 2) developed by the applicant or consumer or subdivider for uses such as, but not limited to residential agricultural, commercial, resort, industrial, governmental, religious, or educational uses. Where water transmission pipelines are constructed within, adjacent to, or outside of such subdivisions or lands, the offsets shall apply only to transmission pipelines constructed outside of and off-site from such subdivision water systems or lands.

Section X: Credit for Grant Funds

A. Credit toward payment of the WSDF shall be available from the receipt of grant funds for added capacity in

Credits against the WSDF imposed are available for any

grant funds received by the Board for system expansion on a dollar for dollar basis as it
relates to:

(1) source development;
(2) the construction of storage tanks;
(3) the construction of transmission pipelines.

The Manager shall determine which improvements are system improvements eligible for credits.

B. Credits shall be afforded applicable only to those Applicants premises that are beneficiaries of the grant funds Grantor of the grant funds, so long as the Applicants premises can be which are served by a system adequate in source, storage or transmission pipeline capacity on a dollar for dollar basis.

C. By grantor any approved credit activity will be recorded and deducted from

the amount of the grant funds until the original dollar basis of the grant is zero, at which
point no further credits will be allowed.

D. When the grant minus credits given is zero no further credits will be allowed.
DISCUSSION:
Deputy County Attorney Andrea Suzuki and Mr. Shiraishi added a few non-substantive corrections to the mini Part 5. The one substantive correction was left out which was a clause to reference contested case (standard clause). If anyone would like to contest the fees assessed against them procedures in Part 1 of the rules will be followed.

Chair Dahilig acknowledged the public who wanted to testify on the agenda item.

Housing Director Kamuela Cobb-Adams provided his testimony.

Mr. Kamuela Cobb-Adams provided his handout that was received for the record. Section 6 was added to Part 5 titled “Facilities Reserve Charge (FRC) for Affordable Housing and Workforce Housing projects.”

At 3:22 p.m., Chair Dahilig called for a 5 minute recess.

At 3:33 p.m., Chair Dahilig called the Rules Committee meeting back to order.
PART V
WATER SYSTEM DEVELOPMENT FEE
within the County of Kauai

1. Purpose and Authority
a. Expansion of capital water facilities is needed in order to accommodate increased demand on the source, storage, and transmission pipeline capacity due to new development and/or additional demand of existing users. New development and/or additional demand shall be assessed facilities reserve charge in proportion to its demand on capital water facilities and the facilities reserve charge shall be expended for public capital water facilities projects. These rules were enacted pursuant to Hawaii Revised Statutes (H.R.S.) §46-141 et seq.

2. Findings
a. In the review of the impact of growth relative to the existing and planned capital water system facilities capacity available to the water system, the Board hereby finds that the recent and anticipated population growth rates and corresponding water demands would place additional burdens on the existing water system. The Board further finds that such growth and increased demand would necessitate an excessive expenditure of public funds in order to create adequate facilities and to promote and protect the public health, safety, and welfare. The Board also finds that it is fair and reasonable to require new costs necessary to accommodate such development. Finally, the Board finds that establishing benefit zones as identified in Hawaii Revised Statutes (H.R.S.) §46-14* is not necessary as a reasonable benefit can otherwise be derived.

b. The water system facilities reserve charge, as laid out in Part 4, was created in accordance with a report prepared by an independent consultant as adopted by the Board for the purposes of assessment. The report calculated the costs associated with water development needs as laid out in the Board approved Department of Water facilities needs assessment study entitled “Water Plan 2020” as amended.

3. Definitions
a. Recoupment – the proportionate share of the public facility capital improvement costs of excess capacity in existing capital facilities where excess capacity has been provided in anticipation of the needs of development.

4. Collection and Expenditure of Facilities Reserve Charge
a. Upon collection of the facilities reserve charge, the facilities reserve charge shall be deposited in a special trust fund or interest-bearing account. The portion that constitutes recoupment may be transferred to any appropriate fund.

b. If the facilities reserve charge is not expended or encumbered within six years from the date of collection, it shall be refunded to the property owner or the property owner’s successor in title plus any accrued interest.

i. Application for a refund shall be submitted to the Board within one year of the date on which the right to claim arises;
ii. Any unclaimed shall be retained in the special trust fund or interest
bearing account and be expended for capital facilities improvement
projects.

  c. If the Board terminates the facilities reserve charge (or analogous) requirement,
all unexpended or unencumbered funds shall be refunded to the developer or the
developer's successor in title plus any accrued interest.
  
  i. The Board shall give public notice of termination and availability of
refunds at least two times. All funds available for refund shall be retained
for a period of one year at the end of which any remaining funds may be
transferred to the Board's general fund and expended for any public
purposes involving water supply or service as determined by the Board.
  
  d. Recoupment shall be exempt from subsections (b) and (c).

5. Facilities Reserve Charge Paid Prior to Enactment of Part 5 Rules

a. This Section applies to those Applicants that have paid a "Facilities Reserve Charge"
prior to enactment of these Part 5 Rules and have failed to install a water meter on
the subject property for which the Facilities Reserve Charge was paid, hereinafter
referred to as "Prior Applicants".

b. Prior Applicants shall have six (6) months from the date of enactment of these Part 5
Rules, hereinafter referred to as the "Grace Period", to install a water meter, at no
additional Facilities Reserve Charge cost.

c. After expiration of the Grace Period, Prior Applicants must pay the difference of the
original Facilities Reserve Charge paid and the Facilities Reserve Charge in effect at
the time the meter is installed.

6. Facility Reserve Charges for Affordable and Work Force Housing Projects

a. The Manager may secure reservation of water without immediate payment of the
Facility Reserve Charge for affordable or workforce housing project, provided
applicable Facility Reserve Charges are collected before installation of appurtenant
meters.

b. The Department shall waive any Administrative fees including in the Facility Reserve
charge for an affordable or workforce housing project.

c. Grant Funds

  1. Grant Funds received by DOW for the purpose of developing source, storage
tank(s), or transmission pipeline(s) may be credited dollar for dollar by the
Manager toward Facility Reserve Charge for affordable or workforce housing
projects.

  2. Credit shall be applicable only to affordable or workforce housing projects
which are served by water systems with adequate source, storage tank, or
transmission pipeline capacity.

  3. Any approved credit application towards Facility Reserve Charges will be
recorded and deducted from the amount of the grant funds until the original
dollar basis of the grant is zero.

  4. When the grant minus credits given is zero no further credits will be allowed.

d. Excess Funds- When Excess funds exceed 1 million dollars, such funds may be
used as grant funds for the development of affordable or workforce housing.
Definitions:

Affordable or Workforce Housing Project means any project confirmed or sponsored by the County Housing Agency as a residential development where the majority of housing lots, single-family dwelling units, or multiple-family dwelling units are affordable housing or workforce housing as defined in Chapter 7A of the Kaua'i County Code 1987, as amended.

Excess Funds means the difference between projected costs and actual cost of the development of source, storage tanks, or transmission pipelines.

"Grant Funds" mean any funds received by DOW that are not in satisfaction of any DOW fees or charges, or payments for water service, and do not require any repayment by DOW.

Mr. Cobb-Adams explained the additional language in Section 6 could not treat affordable housing differently when assessing the FRC. It would be ideal to do fixture units on affordable housing and access the dollar amount by fixture unit but this may not be legal. Section 6 was discussed.

Section 6a. - Manager to delay payment to the last possible point in the development (installation of the meter). This would be significant for single family housing such as Habitat for Humanity (Elele project). Over 10 years, 100 units will be built for the Elele project. For Habitat for Humanity to pay the FRC for 100 units at $17,000 could carry out the cost of the house. By delaying the meter installation, Habitat for Humanity could build 10 units every year, they could pay for the installation closer to the sale of the house for a shorter time. $1.7M over 10 years could accumulate a lot of interest.

Section 6b. – Waiving the Administrative fees included in the FRC. Mr. Cobb-Adams understood that they are not calculated into the cost. The DOW’s cost cannot be waived. Public Works waives some of the costs and off sets by tax payers. Administrative fee is not a debt or cost that has to be paid through FRC.

Section 6c. – Grant Funds.

1) If there were other grant funds sources outside of the FRC, the grant money could be used to obtained credit for affordable housing projects. Changes from the previous language include ... the Manager would have the authority to assign credits.

Example: Affordable housing could obtain funding for the Elele line at $4M for the DOW (other than the income FRC). The $4M could be accessible for affordable housing from the DOW unless the grantor does not assign the fund. The DOW Manager could assign the funding project.

2) Credits are applicable only to affordable or workforce housing projects which are served by a water systems with adequate source, storage tank, or transmission pipeline capacity.

Section 6d. – Excess Funds. When excess funds exceed $1M, such funds may be used as grant funds for the development of affordable or workforce housing. (i.e., if the water system used their interest on FRC for affordable housing). Mr. Cobb-Adams was not sure if the interest was calculated in the cost.
Definitions – Affordable or Workforce Housing Project means an project confirmed or sponsored by the County Housing Agency as a residential development project…. majority is 51% or more as affordable housing.

Excess Funds means the difference between projected costs and actual cost of the development of source, storage tanks, or transmission pipelines.

“Grant Funds” means any funds received by DOW that are not in satisfaction of DOW fees or charges, or payments for water service, and do not require any repayment by DOW.

Deputy County Attorney Andrea Suzuki commented on Mr. Cobb-Adams language regarding grant exceptions. The DOW has more restrictive fees than taxes. Ms. Suzuki was not sure if fixture units to size could be done only for affordable housing. If the Board kept the rules intact with a few changes and does a mini Part 5 – the following options could be considered:

- Assessment for multi-family could be per unit or meter size; whatever is the larger size is charged.
- Affordable housing or multi-family housing could be done by meter size; whatever is the lesser size.

Mr. Cobb-Adams indicated that currently affordable housing or multi-family units pays the higher charge of the two. Affordable housing or multi-family units pay more than a commercial unit with the same size meter.

Manager Craddick commented that the state law requires the DOW to keep the interest in the account and cannot give the interest away. The money would have to be returned with interest. There was approximately $5,000 or $35,000 of DOW interest last year.

If the horizontal well drilling project is a success and saves money, some of the excess money could be pulled (i.e., $1M could be set aside for affordable housing water credits).

Board Chair Nishimura inquired if the grant monies are received, does the money go into the general fund or is it specific to the particular grant?

Manager Craddick replied that the grant monies go towards a particular project. The DOW does not get the money, the state pays the contractor. The only time the DOW would get the money would be if the state is reimbursing the DOW.

Deputy County Attorney Andrea Suzuki referenced Mr. Cobb-Adams language of excess funds in the FRC account. A state law limits funds the DOW does not spend. If the money is not spent it is projected out on future projects or the interest is refunded within in six (6) years.

Ms. Barbara Pendragon, Housing Planner commented this is in the section that deals with the refund funds and unclaimed funds.

Deputy County Attorney Andrea Suzuki explained after the 6th year, the funds can go into the DOW’s general fund.
Board Chair Nishimura questioned the definition of the Affordable or Workforce project as it applies to the FRC. What if after the fact, the affordable housing goes under the 51%? What safeguards would the Housing Agency provide if an affordable housing starts out at 51% but then goes under 51%?

Mr. Cobb-Adams would ask for a relief only if the affordable housing was more than 51% and certified by the Housing Agency. Certification requires the contractor to show their project to the Housing Agency with a recorded legal agreement based on the Housing Agency’s criteria.

An Affordable Housing Ordinance was passed in Chapter 7 which required an agreement. In the Administrative Rules that Housing is working on, the certification process is as follows: 1) Housing Agency approves the certification, 2) Mayor signs the certification and 3) The certification is routed with any application for the project to receive special treatment. The DOW gets a copy of the Housing certification which is the assurance showing if the project is affordable or not.

Mr. Shiraishi commented on Ms. Yano suggestion from the last meeting regarding a grant from the Department for affordable housing. The rules could apply but with affordable housing projects based on the FRC fees but was not sure if this grant was legal.

From the previous Rules meeting “Ms. Yano suggested if the rates could be the same for all consumers. The DOW could set aside funds as a grant. Every year the grant could be tapped for affordable housing to subsidize the FRC. Chair Dahilig recommended the Department provide a written proposal for the Board to review. “

In the grant language, Mr. Cobb-Adams mentioned this could be done but first wanted the DOW to help the Housing Agency get other funding.

Deputy County Attorney Andrea Suzuki recommended this would need to be done by the affordable housing on the rate making side.

Mr. Shiraishi mentioned that the DOW could give affordable housing a break on the fixture units but there could be potential legalities to treat everyone equally. A flat FRC rate on the meter size could be assessed.

Ms. Yano questioned the definition of Grant Funds … grants received by DOW that are not in satisfaction of any DOW fees or charges … Would that mean grant funds are used for green energy? Would this be used as a credit for housing?

Mr. Cobb-Adams stated it will be up to the Manager to grant any monies available for affordable housing.

Chair Dahilig commented that the Rules Committee would consider the FRC in the mini Part 5 version.

Ms. Pendragon inquired if during a six (6) month period if the meter box is in the ground and the customer pays DOW to drop the meter in, could there be any time extension for construction?
Chair Dahilig mentioned a discussion with Finance Chair, Mr. Dill that there could be a possible extension to one year but there has been no motion on this.

Mr. Shiraishi moved to forward the revised Part 5 to the Board for review and consideration; subject to review of legal counsel of Section 6; subject to review and approval by the Finance Committee of the 6 month period in Section 5 and also consideration of grants by the DOW for considerations; seconded by Mr. McCormick.

**DISCUSSION:**
Manager Craddick commented that one (1) year would be okay to extend. Chair Dahilig initially considered the extension to one (1) year.

Mr. Shiraishi withdrew his previous motion.

Mr. Shiraishi moved to submit Part 4 rules to the Board for approval subject to changing the six (6) month deadline in Part 5 to one (1) year; subject to legal review of Part 5, Section 6; subject to consideration of the legality of the DOW providing grants for affordable housing; seconded by Mr. McCormick; with no objections, motion carried with 3 ayes.

Mr. Shiraishi moved to adjourn the Rules Committee meeting at 4:04 p.m.; seconded by Mr. McCormick; with no objections, motion was carried with 3 ayes.
The Board of Water, County of Kaua'i, met in a special meeting at its office in Līhu'e on Tuesday, September 17. Board Chair Randall Nishimura called the meeting to order at 2:05 p.m. On roll call, the following answered present:

**BOARD:**
- Mr. Randall Nishimura, Chairperson
- Mr. Clyde Nakaya
- Mr. Hugh Strom
- Mr. Raymond McCormick
- Mr. Sherman Shiraishi
- Mr. Larry Dill
- Mr. Michael Dahilig (entered @ 2:14 p.m.)

Quorum was achieved with 6 members present at roll call.

**STAFF:**
- Mr. David Craddick
- Mr. Kirk Saiki
- Mr. Dustin Moises
- Mr. Val Reyna
- Mr. Roman Silvestre
- Mr. Carl Arume
- Ms. Sandi Nadatani-Mendez
- Ms. Peggy Yoshioka
- Mr. Dan Kittredge
- Mr. Alfred Levinthol
- Mr. Chris Nakamura
- Ms. Christine Erorita
- Ms. Mary-jane Garasi
- Deputy County Attorney Andrea Suzuki

**GUESTS:**
- Mr. Jim Williams, Mears Consultant
- Mr. Manabu Tagomori, Oceanit Consultant
- Mr. Kevin Gooding, Oceanit Consultant
- Mr. Steve Rapozo, Self
- Ms. Janice Bond, Self
- Mr. Jack Wilhelm, Self
- Mr. Ken Taylor, Self
- Ms. Hoku Hōkee Cabebe, Self
- Ms. Fern Rosenstiel, ‘Ohana O Kaua'i, Self
- Mr. Roy Oyama, Self
- Mr. Myron Dobashi, Self
- Chief Robert Pa, Kingdom of Atooi
- Mr. William Megeo Denie, God, people
- Mr. Hall Parrott, Self
- Mr. Ron MacDonald, All
- Mr. Tom, Godbey, Self
Ms. Elsie Godbey, Self
Ms. Pua Nani Rogers, Hookipa Network
Ms. Carol Bain, Self
Ms. Katherine Muzik, Kulu Wai
Mr. Dustin Barca, ‘Ohana O Kaua'i
Mr. Juan Wilson, Island Breath
Mr. Chris DeAngelo, The Garden Island Newspaper
Mr. Brian O’Brien, Self
Ms. Louise Sausen, Ko pae aina
Ms. JoAnn Yukimura, Self & county politician

ACCEPTANCE OF THE AGENDA:
Mr. Nakaya moved to accept the agenda as circulated; seconded by Mr. Dill; with no objections, motion was carried with 6 Ayes.

NEW BUSINESS:
Re: Discussion and possible action on Kahili Well energy savings project EIS

BACKGROUND
Manager Craddick explained the purpose of the Special meeting was to provide factual information for new Board members about the Kahili Well project. The Board of Water Supply’s goals were to provide safe (no adverse chemicals in the water), reliable (sustainable) and affordable water.

Deputy Manager, Mr. Saiki and Manager Craddick presented the existing water sources which are groundwater sources or vertical wells, tunnels and surface water sources and that the Moku of Puna in the map of existing sources (dots) represented the 50 wells or tunnels. The location of the wells were not shown in the handouts for security reasons.

Deputy Manager, Mr. Saiki explained the Advantages: 1) vertical wells are low in labor cost and 2) wells are interconnected where feasible. Disadvantages: 1) Deep well pumps require high electrical power and 2) Kaua‘i’s high electrical power rates are likely to increase in the future.

DISCUSSION:
A guest questioned the power increase and pointed out that solar power is cheaper than oil.

Deputy Manager, Mr. Saiki mentioned that Photo Voltaic (PV) would be discussed as an alternative.

Surface water sources Advantages: 1) Kaua‘i has abundant surface waters 2) electrical cost of moving the water is lower. A surface water treatment plant is needed to make the surface water potable, but would be costly.

Manager Craddick added that gravity water is not new. The Makaleiha Tunnel is gravity source. The advantage of gravity source of water is no electrical cost. The project is in a water shed area land zoned conservation where no chemicals sprayed in the ground. This well would result in a lower escalation of water rates. There is the potential to produce hydro power at 1100 foot
elevation (Līhu'e has 500 foot elevation) with the elevation difference there is no pressure at the well. Gravity water source has full tunnel flow control.

Mr. Brian O’Brian heard that it would cost $30,000 to test the water for chemicals in the wells and wanted to know if the DOW already tested the project area.

Manager Craddick explained that the water would be tested during the Environmental Impact Statement (EIS).

Mr. Jack Wilhelm’s understanding is that the project is not in a watershed area and asked if the watershed area has been declared? What jurisdiction does it fall under?

Manager Craddick clarified that the project is on Grove Farm land and that Grove Farm has restricted public access to the high protected area. There are no official designations according to the Water Commission processes.

Ms. Nani Rogers commented that the area is designated as an Ahupua’a (watershed) which has natural boundaries. If there is a ridgeline, a river, a mountain, coast mauka to makai it is a watershed. Ms. Rogers requested Manager Craddick check the cultural designations because Awapuia are located on Kaua'i maps.

All public issues would be resolved during the EIS process (site impacts on drilling fluids, archaeological, cultural concerns, storm water, flora and fauna). Adverse impacts on stream flows may limit the water that is sustainably developed. In places where water was developed with vertical wells near streams, stream flows would be reduced. One issue is the high percentage of source in one location. The project would be located in one source and would be addressed in the EIS.

Ms. Rogers understood that this would be the last time a well would be drilled.

Manager Craddick could not say if Kaua'i would not increase population. If the one source was blown up, this could be an issue with a potential disadvantage.

A guest asked wouldn’t a potential source of development be a disadvantage on population growth? An abundance of cheap water would bring in industry use or suburban use of water.

Manager Craddick commented that customers are already here.

A guest questioned if the water rates go down and there is an abundant water, isn’t that a stimulus to population growth?

Manager Craddick had not heard of this issue and could be brought up in the EIS process.

A cross section of the horizontal well was presented on a figure which also showed vertical wells. Control valves will be used to draw water from and shut off water from the well. The well will be drilled through dike formations in the mountain, shown as vertical lines on the figure. The dikes crisscross the Waimea rock formation. Other islands, Waihee, Lāna‘i City and Honolulu have dikes that control the flow. To prevent water from high pressure dike systems are not drained into a low pressure dike system. During the drilling, which is monitored, a solid
louvered casing can be put across the mountain. There are two lines of casing that were in the Request for Proposal (RFP) that were priced.

The Alakai Swap is five (5) miles away from a possible well location. If the well is drilled, it is unknown what the rock formation will be. The contractor would be required to install blow off prevention equipment in the event the wellhead is damaged. The blow off prevention equipment is rated to withstand a pressure of 15,000 psi, 1,200 psi is expected at the wellhead.

Existing vertical wells are pumped and when the water level goes down, there is no barrier stopping the ocean from coming underneath.

At the EIS scoping meeting, the proposed well alignments went perpendicular to the Kahili Mountain Ridge, where there are two (2) existing tunnel sources. In the late 1990’s, the Newcomb snail was found and this was the reason the DOW has not gone to the ridge line to develop. During the EIS process, this site was not a viable source because of the effect on the endangered species. The DOW would work with the land owner to look at other potential sites which may or may not be used.

Within the Moku of Puna, source is supplying all of the customers. The savings goes outside of the Moku because the water rates are island side.

The DOW is in the investigative phase of looking for sites. Permitting has to be done before the EIS is completed to address the communities concerns.

The National and Scope EIS approving agency is Federal. This project’s approving agency is the Board of Water Supply (BOWS). The law requires water quality, archaeology issues, cultural impacts, flora and fauna, alternatives (D Cell), and energy projects, PV and the economic feasibility.

Informational meetings will continue in October. The draft EIS is scheduled to be completed by July 2014, and the Final EIS is scheduled for completion by March 2015. The EIS will cost about $1.1M. The DOW has a $1M grant from the Environmental Protection Agency (EPA) via the Department of Health (DOH). The remainder of the cost is divided by 23,000 customers. The $100,000 cost = $4.35 for every customer to finish the EIS a one-time cost. Yearly money comes to the State from the Federal Government and is loaned to the Counties. Kaua'i and Honolulu borrowed almost the same amount of money. The interest payments that the DOW pays back will go back to the state. With the grant, the DOW would be given back the interest that was already paid.

Ms. Elaine Dunbar asked if the project is under the Oceanic consultant and why aren’t they paying for the EIS? Oceanic or Grove Farm would get the profits on the proposed development. She was unclear if the cost would go down and that they don’t have enough water.

Manager Craddick explained that existing customers would benefit because it could reduce operating costs. There is enough treated water and not surface water but did not know if there were any wells.

Ms. Rogers said the water is from Nonou, Waialeale.
Mr. Wilhelm operated Waialeale surface water treatment plant for eight (8) years. The water is from Waiahi stream diverted by a ditch system through a tunnel and feeds into the formerly known Kanaka pond. The treatment process involves hydrochloride and liquid foam. As a proven technology, the plant is designed for 4.5M gallons of water that currently averages about 2.8M gallons a day. The water feeds into Līhu'e and Hanamaulu and supposedly part of the Hui Development. There is need for this to go beyond Wailua River. There is cultural significance in the operation and utilization of surface water. Mr. Wilhelm posed the question if anyone has seen the tunnels that were dug before and developed by the forefathers. This is for the people that should be kept that way.

Public Relations Program – Manager Craddick reported the EIS process requires public input. To date, meetings were held with special interest groups, government officials (Mayor, council members, and state representatives). Two (2) general public meetings held October 2012 and the EIS scoping meeting on April 2013.

Public concerns were identified: Cultural significance of Mt. Waialeale, impact to stream flows and aquatic ecosystems, reliability of the drilling technology, DOW should seek other alternatives for lowering energy costs and other operating costs.

The issue of more water may encourage more development. This has been a major source of confusion in the public. The DOW proposes to shut down existing sources. The treatment plant costs $1.95 including power cost and $1.75 to operate the plant plus 20 cents per 1,000 gallons. In comparison of high energy wells, out of the 90 cents, 75 cents is the electrical cost to operate.

*The purpose of the well is to cut the existing operating costs and not to make new water sources.*

Ms. Dunbar questioned if horizontal drilling through a mountain are permitted on conservation land and if horizontal drilling has been done in Hawai‘i as planned by the DOW.

Manager Craddick responded there are a number of dike confined tunnels in conservation land around the State. There has not been horizontal drilling in Hawai‘i to develop water.

Ms. Dunbar asked if this is considered a permitted conservation use or would this have to go through the Land Use Commission.

Oceanit consultant, Mr. Kevin Gooding commented that a Conservation District Use Permit would not have to go before the Land Use Commission.

Ms. Louise Sausen inquired if solar panel could be used instead of drilling which would be cheaper?

Manager Craddick stated solar panel would be in the EIS.

Ms. Sausen comes with her Hawaiian cultural background. The islands are Hei motu heivaka (there is only enough sustainably) and Sausen asked where is the water in Kokee? The waterfalls are lost and Kaua‘i is only supporting tourism?

Manager Craddick covered cost to ratepayers is a concern. Many people are okay to increase cost to avoid the project. This will also be looked at during the EIS process.
Public Outreach Program - Towards the completion of the EIS process, Manager Craddick stated there will be additional discussions with the community. The DOW would focus on: 1) holding special meetings with cultural, environmental and interest groups, 2) interest groups would be reestablish who the consultants spoke to in the past, 3) develop community-wide educational outreach materials on the project using news media. DOW staff would administer the PR or outreach assistance from contractors to restart the program.

Progress to Date – The DOW’s RFP had no engineers with experience on this type of project. Oceanit hired a sub-consultant, Mears Group, Inc. from Houston, Texas. The DOW needed input to complete a proper EIS. The contract cost for Mears Group to do the EIS investigation, planning, permitting, and project management is $1.9M. The total contract expenditures to date is $450,000 (23%).

Financing to Date - The current funding source is $2.0M (DOH), SRF Grant: $1.0M and State DOH SRF Loan: $1.0M (which is paid back). The Scope of Work: $1.2M site investigation, EIS & permits and Design at $0.7M. If the Board accepts the EIS more money could be spent.

Summary – Kahili gravity high level well would reduce operational costs, increase source reliability 24/7. Being in the upper watershed would minimize contamination sources. Key items in the current contract: EIS preparation and permits. If the EIS is accepted, drilling and testing would be done on the high level well which is currently not part of the contract.

Recommendation to Re-start the Project – Re-start the project with revised public outreach program with better understanding of the project. No additional funds are required. With the Board’s approval, the Manager would authorize the contractor to continue to work based on the contract scope, timeline and costs and require periodic progress reports submitted to the Board.

Chair Nishimura opened up question and answer for the public the next 15 minutes. Each person was asked to state their name and address for the record.

Ms. Fern Rosenstiel, ‘Ohana O Kaua‘i
Question: Is the drilling experimental? There is a misconception in the community.

Manager Craddick: The drilling is not experimental and has never been used in Hawai‘i.

Question: Can this be used throughout the world to tap into water sources?

Mr. Williams, Mears Group: California and North Carolina – drilling into the slopes, hillsides for irrigation and other water sources in a similar manner of drilling.

Question: Clarify the depth you will be drilling?

Manager Craddick: Drilling would start at the elevation of 1,100 ft. which has not been determined until the EIS process is completed. The RFP maximum is 12,000 ft. (2 miles) into the mountain. From all sites, the ridge line is not reached. Some of the dots on the map showed where drilling areas could happen. Drilling close to the ridge would cost less.

Question: What were the comparisons of the ground to the mountain of what was done in North Carolina and in Hawai‘i?
Mr. Williams, Mears: Investigations in Hawai'i would determine the comparisons.

Question: Would other wells stop other forms of fresh water and replace with the other source?

Manager Craddick: The recommendation would be from the EIS process. In order to obtain the DOW’s goal is to not pay for power that is not being used. To be successful, would be to shut down the other wells and remove the power. If someone blew the source up, generators would have to be run and power would be shut off. There needs to be no net effect of the ground water to the ocean and water would be picked up closer to the source.

Question: Was this project to develop additional water sources to the aggregate development for business development or bio tech corporations?

Manager Craddick: This is not correct. The only water customers would get is to operate their bathrooms, sinks and possible labs.

Question: Does everything come from diverted rivers?

Manager Craddick: Was not sure where it comes from and it was not from the DOW.

Ms. Louise Sausen, Hā'ena

Question: Did anyone take the cost of solar power so there is no energy cost? With the amounts used to drill into Mt. Waialeale, it seems it would be less. The only thing Ms. Sausen heard is the energy cost of power and nothing to do with the lack of water.

Manager Craddick: Referred to the packet posted on the web site that showed benefit and cost ratios. Solar power would be in the EIS as an alternative. Shutting down the first 3M gallons of water in the treatment plant would be an expensive cost. The electric cost would be very low but to put in photo voltaic would a small benefit. Wells are in gulches and there would be no where to put the solar panel unless it would be on top of the streets. The consult would have to address this issue.

Mr. Jack Wilhelm, Self

Question: Referred to Oceanit - Figure 2-1 – Conception diagram. How are you going to bore (24”) up where the dikes are?

Manager Craddick: The State Water Commission requires a 3” annulus around the outside of the casing. The first casing will be 18” with 13” pipe in it (18” + 3” + 3” = 24”) with a hole size that is cemented off. The open hole is 18”. If a casing is put inside and sealed off a lower dike system, it could end up with a 13” hole.

Question: How are you going to maintain the horizontal alignment at 12,000 ft? Will elevation be lost as you proceed into the mountain?

Mr. Williams, Mears: It depends on the type of material you are drilling but if it is rock, then no.

Questions: Why and where are the casings going in and how far is it to put a concrete sealing to apply the control valve to open and close? What are the basic dimensions? Where do you remove the drill pipes? How are shavings going to be extracted with a drilling mud? What application are you going to use?
Mr. Williams, Mears: Would prefer to answer the questions one at a time.

Manager Craddick: The answers would be addressed in the EIS and it is anticipated that we would not have to use mud. The contractor would use a technique called reverse circulation. Water is cleaned out and put back in the hole to circulate the air and no chemicals in the water drilling fluid.

Mr. Wilhelm noted that the public was not familiar with what goes on with the project. In the private sector, maintenance is done on the pumps and generators and inspected monthly and is not allowed to sit for a year. This is a required law by the DOH. Chair Nishimura suggested the public could submit questions to the Department or the Board to be addressed through the process before the project goes forward.

Chair Nishimura opened the floor up for public testimony.

Ms. Dunbar expressed that the community took their time to come to the meeting, there would be 15 minutes of questions and answers, but now the Board was moving to something else.

Chair Nishimura clarified that Ms. Dunbar can make her point during testimony. Many of the questions asked may need to go through the EIS process. Chair Nishimura understood that the public does not want the EIS process and that is why testimony was heard.

Chair Nishimura announced that 15 minutes has passed for question and answers. Testimony and questions was limited to 3 minutes. If time permits, the public could testify a second time.

Private Secretary, Ms. Garasi was the time keeper and would alert the speaker that 30 seconds are left for their testimony.

Chair Nishimura instructed the public to state their name and address and to submit any written testimony.

Mr. Steve Rapozo and Ms. Janice Bond signed in for attendance.

Mr. Jack Wilhelm previously provided testimony.

Mr. Ken Taylor, Kapahi – In April, Mr. Taylor was concerned that after the scoping meeting the public was misinformed. He requested another scoping meeting with the proper information. Mr. Taylor questioned how properly was the treatment designed? Are we spending more money pumping water up to the treatment plant? Would the treatment plant be better operated in a different location where gravity feed water goes in and out? The ground water is dropping because the cane fields are not being irrigated and wells are having trouble maintaining their capacity.

Solar panels could be put down where areas have already been disturbed. In 20 to 60 acres a solar field could supply most of the electricity. New technology with battery pack backup would extend the time and could be fed to the grid to move around. He believes that a lot of money is being spent by centrally locating one well and to move the infrastructure from one end of the island to another. All these issues need to be looked at.
Ms. Hoku Cabebe, Wainiha – Is a concerned Hawaiian community member. The places that the project will be is very sacred for her ‘ohana. Wells around her neighborhood are big national security issues. It freaks her out that the DOW is going to stick a well where it is precious to her. Someone could decimate the area to get back at the United States of America and that is a horrible place to put something significant. She begged that the Board should do a better job of taking care of the Hawaiian resources of water. That is why 4,000 people marched last week not because of the GMO bill but because of the future. Ms. Cabebe lived on Kaua'i her whole life and never met most of the Board. This was sad to her and that the Board is in charge of her precious Wai.

Ms. Fern Rosenstiel, ‘Ohana O Kaua‘i, Self – Is deeply concerned about some of the aspects of the project and thanked the Board for looking at sustainable option sources for clean water. The people she works for are very concerned about the sacred mountain and the drilling of the mountain. Moving forward, Ms. Rosenstiel suggested that detailed answers are provided in advance to explain to the community in a clear and concise manner. Open dialog is required in the next few months and looks forward for answers soon.

Mr. Roy Oyama, Self (P.O. Box 266, Kalāheo) – Is looking forward to this project as a first step on how the island of Kaua‘i can be served. The process in government is slow and takes time. Example: If the Facilities Reserve Charge (FRC) was taken care of years ago, the consumer would not be dealing with the high cost of water which is being opposed. Every week, the Honolulu Board of Water Supply encounters problems with water main breaks on the streets. The public in Honolulu are opposed on water delivery cost and are years behind to get back on track like the 2020 Plan on Kaua‘i. The 2020 Plan is not perfect but needs to consider the future. The EIS process would need work which is part of the DOW’s responsibility. Mr. Oyama suggested that everyone work together with the state to get the cost down. The project does not need solar panels because it is based on gravity flow. This is not the expectation to replace all the islands water needs but it would replace the high cost of the water plants to be shut down and to spread the savings to the whole island.

Mr. Myron Obashi signed in for attendance.

Chief Robert Pa, Kingdom of Atooi – This raises a big issue on the title for the lands because the title does not belong to Grove Farm. He asked if the EIS allows the title search of the land? Who is giving permission to use the land? It is Polynesia and not the State of Hawai‘i. The water belongs to the people and not for development of this project. This takes it away from the people. The water system is perfect. Mr. Pa does not drink the tap water from his house but drives to Hā‘ena to drink water from Wi Aloha. Every two days, he collects water in six (6) gallon drums 90% of the time which is not contaminated. Bottled water is bought only if needed.

Syngenta needs to be gone because they are contaminating the water source. The DOW needs to look at ways to get rid of contamination. The DOW is feeding water into Syngenta’s restrooms and toilets which is polluting the water that the DOW is feeding them.

The project does not make any sense and is just another job and another million in the bucket for the DOW and the state. The DOW is running with a flag of a fictitious corporate. The people will come together for the right reasons with just one call. Remember, the Board works for the people and should give the people what they want.
Solar panels as an energy source is the best way to get electricity for the system. Mr. Pa asked why aren’t solar panels being used and in place? Before the EIS starts, there needs to be permission from the people first.

The community hardly knew about this Special meeting and how long it was planned. The meeting should have been open to the public and should not be in a small room. He suggested the meeting should have been at the Convention Hall at a reasonable time. Mother’s and families cannot show up at 2:00 p.m. because the Board has their own agenda to have this meeting at their own time. The meetings should be planned around the public and the people because 90% of the people are left out which appeared to be a plan. This is not Pono (good) and what is not Pono will affect the Board in the long run. If the Board will not involve the Kingdom on what is going on, then the Board is here illegally. There is no clear title of what is being done. The State of Hawaii may be behind your side but the Board does not have God and not to forget the Mānā that is possessed in this land. The Mānā comes before the people and not from the corporate people.

DISCUSSION:
Mr. Nakaya agreed with Mr. Pa that the presentation should have been at a better time to be transparent and with advanced notice.

Mr. Pa commented that the meeting should be stopped where it left off and brought back to the beginning so that everyone understands the presentation. Mr. Pa agreed a better time would allow everyone else to attend the meeting.

Mr. William Megeo Denie, God, people – had nothing further to add.

Mr. Hall Parrott, Psychologist (5806 Kawali Street, Wailua) – Thanked Mr. Craddick for bringing the public up to speed on the project. Mr. Parrott enjoyed the public’s participation to educate themselves and felt a lot of love for community. He sees a very transparent and rigorous process which he is familiar with. This complicated project is being done on the right path. This project will be seen in the future because of the artisan part where we are not pouring power into something to benefit the community. As a result, there will be a better quality of water at a lower temperature coming out of the ground and will have less of an environmental footprint because of the carbon emissions. Mr. Hall supports the project and will continue to attend future meetings to see the project go through.

Mr. Ron McDonald, All – Supported Mr. Pa’s testimony. Mr. McDonald asked where the Board got the permission to start the project. He understood that the water is a possession of the people of this area and that the people were not asked. The surface water is equivalent to $2.00 for 1,000 gallons of water. Water used by the seed companies in west Kaua’i ranges at 65M gallons a day which could provide all the water for the people. Mr. McDonald asked if the drilling is on the mountain to accommodate the DOW’s desire as a contract to guarantee water per day? Who are the investors indebted to?

Since the consultants have done this type of drilling before Mr. McDonald asked if the consultants have drilled a 2 mile boor through volcanic stone?

Mr. Williams, Mears answered “no.”
Mr. McDonald then stated since the consultant wants to experiment on Kaua'i what was the possibility of fracking because he heard the water is encapsulated.

Mr. Williams, Mears answered “no, not at all.”

Mr. McDonald commented that the consultant would try to use water as the drilling fluids. The water would be partly polluted by the time it is out of the ground then would go through a treatment plant before it would be good enough for the people.

Manager Craddick did not think the water would be polluted.

Mr. McDonald commented that the fluids are being put in for drilling. This could be experimental like the 2 mile boor that has never been done before. He asked who is controlling the water on top of Knudsen Gap? All the water falls are gone on the west side of the island and the rivers are flowing with less water. Who is controlling where the water is going? The Hanalei River has 1/3 of the water and the bacteria are thriving. Where did the water go? The Board did not provide any answers and that the DOW controls the water.

Mr. Elsie, Godbey, Self (335 Aina Maki Place, Kapa’a) – asked why were no studies done for wave studies for energy? The island is beautiful and did not see any national parks or world heritage which Mt. Waialeale would be qualify for a historic place. The Hanapēpē River has been losing water since she was born and raised in Hanapēpē. Why is the water so low and polluted?

Ms. Puanani Rogers, (P.O. Box 4702, Maliehuna Road, Kapa’a) – Her family is concerned about the aina and resources because this is where they live and raise their children. The water is important in many ways and spoke on the cultural aspect. She is aware of the science and the physical aspects of the project but asked if the dikes are manmade or natural in the mountain?

Manager Craddick … (inaudible) forces its way up into the lava where there is good pressure that solidifies. The hard rock has very little air holes in it.

Ms. Rogers commented when the EIS is done, who is doing the Cultural Impact Assessment (CIA)? Is the person Hawaiian?

Mr. Kevin Gooding, Oceanit responded Cultural Services Hawai'i (CIA). Some of the CIA are Hawaiian and some are not Hawaiian. They have an office on Kaua'i.

Ms. Rogers wanted assurance that the CIA contacts the cultural practitioners who live on Kaua'i that know about the culture impacts. This will potentially impact the community.

Chair Nishimura clarified for Ms. Rogers and the public of a Regular Board Meeting on Thursday, September 19th at 10:00 a.m.

Mr. Rogers further asked if the aquifer is underground and connected to Mt. Waialeale? Is the aquifer water being sucked out of Mt. Waialeale?

Manager Craddick commented that all water underground is floating on top of the ocean which is connected.
Ms. Rogers repeated that Mt Waialeale is a sacred area where the drilling will be done (like drilling a sword through an Ahupuaa). If another location is preferred with less concerns it may be okay according to Ms. Rogers. Do we need more water or is there enough in the drills and wells? Because this is federally funded and asked if Section 106 was considered?

Carol Bain, Self – This was her first meeting and was present to learn about the project.

Ms. Katherine Muzik, Kulu Wai – is concerned about human behavior (war, violence and drugs). Money could be put into education first and for people to change their behavior by using less water and polluting less. In a previous meeting, gray water was mentioned by Mr. Don Heacock. Half of water used are for washing cars and flushing toilets. Ms. Muzik would like to look at alternatives and changing human behavior before conducting the EIS.

Mr. Dustin Barca, ‘Ohana O Kaua'i (P.O. Box 1142, Hanalei) – personally found it disrespectful that the meeting was last minute and secretive for the 60,000 people on Kaua'i. This is a serious issue of drilling without the whole island involved. The water belongs to the people. Mr. Barca travelled the world and said Kaua'i is like a human being and a natural aquifer. If the face of Kaua'i was taken away it would look like the inside of a human being with veins which is how the water flows. If you stick a hole in a human being the rest of the body would shut down and focus on the one hole. The island revolves around water (natural resources). This experiment is a threat on people’s natural resources and is a dangerous gamble. There are better ways of reserving power and spending money. To save 1,000% operating cost benefit would be worth it but 50% is not worth putting the natural resources on a possible shut down.

Mr. Juan Wilson, Island Breath - signed in for attendance.

Mr. Chris DeAngelo, The Garden Island Newspaper - signed in for attendance.

Mr. Brian O’Brien, Self – signed in for attendance.

Mr. Jan TenBruggencate, Self - signed in for attendance.

Mr. Dennis Esaki, Esaki Surveying – Acknowledged Mr. Manabu Tagomori and the consultants. He recently participated in a workshop with Mr. Bill Tam and understood what the Board is looking at with the water trends which are receding. The reservoirs are getting less water, are impounded and that regenerates the water table. Mr. Esaki suggested that the engineering expertise look at the options and alternatives.

Ms. Elaine Dunbar, Hawai'i’s Protection – The project started from a flaky, shaky start and should be more cautious in the future to go slower. This is an invasive experimental procedure into a sacred site. The EIS process stage seems like it is being hurried. The community is more concerned about what the DOW is doing and not the cost of the project. What is being done is getting louder and wrong. The project will affect stream beds, flora and fauna which will take water away. Ms. Dunbar does not want the project to go forward because the surrounding areas would dry up.

Manager Craddick explained that 9M gallons of water a day is the peak maximum day demand. The average day demand is 6M gallons of water a day.
Ms. Dunbar inquired if Grove Farm is not doing their new residential development, would this project be urgent?

Manager Craddick stated that the project is not for Grove Farm’s residential development. Ms. Dunbar was surprised and commented that the DOW project should be scrapped. In order to proceed and the DOW needs to lower cost and there is no need for more water. If there was a need for more water, the DOW would be saying the islands are past carrying capacity in residential population growth. A provision in the Hawai'i State Constitution covers this.

If Kaua'i is exceeding its residential population, Ms. Dunbar suggested the DOW to go back to the drawing board to address the residential population growth. She was not satisfied with the sketchy answers the consultants provided. These issues should be straighten out before an EIS. If the project proceeds and if people are not treated right, there would be an uproar. The right maps need to be presented. Confidence was lost with the public because the drilling was not planned for the right mountain. The EIS is not the solution and that the problem solving process with public input should be at community meetings.

Ms. Louise Sausen, Ko Pae aina – When Ms. Sausen came to the meeting to get more information but was not provided in the packet and was not shared with the community on the north shore. Ms. Sausen questioned the consultant if they know how the mountain looks underneath. What if the drilling was in another location? All of the water goes down into the ocean and each island has a lens. Once the lens cracks, Kaua'i will have no water then the water will go down into the ocean. Kaho‘olawe’s was bombed and lens is cracked with no water. The consultant could not say there was an aquifer. Once the drilling is done, Ms. Sausen asked would the lens be cracked? Ms. Sausen shared the word “Kapu” on her t-shirt. Years ago, people would not mess with mother nature unless you were sure. From a Hawaiian, this would be a desecration on wi apana and would not even put her foot print on it or allow the consultants to do the project. If the island lens it is cracked, nobody would have water. The island is like a canoe with so much sustainability, people and water. Ms. Sausen would like the infrastructure fixed before it is like Honolulu before drilling into wi apana.

Island wide meetings were scheduled but were cancelled. The DOW needs to go back to the communities. Nobody in Hā‘ena knew about the meeting. Ms. Sausen requested a detailed copy of the packet.

Ms. JoAnn Yukimura, Self & County Council politician – appeared before the Board to address a process issue related to this matter. She requested that Board Member, Hugh Strom recuse himself from participating on this issue and voting due to a conflict of interest. Ms. Yukimura and Mr. Strom previously discussed this matter prior to his confirmation before the County Council. At that time, Ms. Yukimura reluctantly voted against his confirmation. Although Mr. Strom has a lot of credentials, she felt there was a conflict of interest as an officer with his company, Aqua Engineers which sometimes is in competition with the Water Board.

The conflict would be if the horizontal drilling goes through, the plan would be to shut down the surface water treatment plant. Aqua Engineers runs the surface treatment plant and would be adversely affected by this decision. Mr. Strom would also be affected and could not be an effective decision maker on this matter. If Mr. Strom will not recuse himself, he would have to go before the Board of Ethics to get a formal opinion.
Mr. Strom explained that he was cleared by the Board of Ethics and also went before the County Council for approval. Mr. Strom was approved 4-3 and understands and appreciates Ms. Yukimura’s position. Mr. Strom has more to offer on Kaua'i because he grew up in Kapa‘a, Līhu‘e and currently resides in Kōloa than to be sensitive about potential conflicts. If the Board feels there is a conflict, Mr. Strom would recuse himself. He explained the reasons why the water plant was constructed and looks for the opportunity in future meetings to explain to the community why (not to offer his opinion). He would give the community the education they are requesting and with true and clear information that would assist the community and the Board to make the best decision.

Ms. Yukimura added that the Board of Ethics gave a generalized opinion for Mr. Strom but now there is a specific issue. A disclaimer did not rule on specific facts. If Mr. Strom cannot recognize the conflict, the Board of Ethics could make a ruling on this specific case. Ms. Yukimura believes there is a direct conflict of interest.

Chair Nishimura commented that the Board would take the matter under advisement.

Ms. Sausen expressed that there is a conflict because it cost too much for treatment. Mr. Strom handles the treatment plant which was disclosed. She if this was the reason why the mountain will be drilled but if Mr. Strom is doing the treatment? If the Board would come to her community, 4,000 kapunas would stop the project.

Additional testimony was presented.

Ms. Puanani Rogers, (P.O. Box 4702, Maliehuna Road, Kapaa) – Questioned what happens in the water treatment plant? What is done to the water before it comes to the community?

Mr. Strom explained that the water treatment process serves the Līhu‘e area. The water is filtered through a membrane technology which is ultra pure, lab tested daily with continued water monitoring. The water was originally directed to Hanamā‘ulu Bay which only side streams 36M gallons of irrigation water from sugar cane. The DOW can see the same information electronically with real time information. The water is strained then filtered through the membranes and disinfected with chlorine. Ground water is disinfected with chlorine (not fluoride).

Ms. Rogers inquired if the chlorine is added to the water up to the standards of how many millions of gallons of chlorine in the drinking water and if Section 106 is included in the process?

Mr. Strom commented that the guidelines are through the DOH standards. The system is continuously monitored to make sure it is within the parameters 24/7. The DOH inspects the records annually. The annual Water Quality Report is sent to customers by mail.

Mr. Gooding, Oceanit stated that Section 106 is included in the federal process which goes through the National Park Preservation Act. Section 106 is a process of consultation on traditional and customary properties that may be affected.

Chair Nishimura inquired if Section 106 is part of the EIS and if it will be done.
Mr. Pa questioned the Board if they felt Mr. Strom had a conflict of interest.

Chair Nishimura recognized that there is a potential conflict. If Mr. Strom leaves, his vested interest would be against the horizontal well. If Mr. Strom votes against the well, he would be voting against his own interest.

Mr. Shiraishi acknowledged that Mr. Strom’s interest is against the well.

Mr. Pa mentioned that the public is against the well. The people’s interest is that the water belongs to them. The water is not the Board’s or Mr. Strom’s interest. The Board has a process which does not include the community and the people from the land. The Board’s interest is the money. Since Mr. Pa drove to the meeting from Hanalei (without getting paid), he assumed the Board was getting paid. The process includes discussions and communication with the public of the results on the conflict of interest. The Board allows Mr. Strom to be at the meeting knowing there is a conflict of interest.

Chair Nishimura assured Mr. Pa that none of Board members get paid to sit on the Board. The only members who get paid are by Charter and by requirement of the positions of the company.

Deputy County Attorney, Andrea Suzuki added that Mr. Strom can be at the meeting but he cannot vote because the Board was not in a voting stage. The Board has discussed the conflict of interest issue and would have to be posted and put on the agenda. Once the Kahili Well project is noticed, the public can attend the meeting.

The next meeting would be posted at least three (3) weeks before there is any action. Chair Nishimura requested that the Board think about the testimony that was received before going forward.

Mr. Pa and the public appreciated Chair Nishimura’s request to get more notice ahead of time. According to Mr. Pa, the pollution is coming from Kekaha and the problem needs to get fixed before the project starts.

More testimony was provided by the public.

Mr. Brian O’Brien, Kapaa - As the next generation to take care of the water, Mr. O’Brien cares about Kauai. To have all the issues laid out such as using too much water or that the water is taking up too much energy could be based on the Board’s decisions. Drilling in the location of the project may be good, but Mr. O’Brien asked the Board if they could find another spot to drill. The photo presented indicated that all the water is connected and heard that there are chemicals from the sugar cane irrigation. Mr. O’Brien also heard that DDTA and Atrazine was tested in the water and inquired about the cost of the testing.

Manager Craddick indicated that the testing of the water costs $1.5M and that a copy of the test would be provided to Mr. O’Brien after the meeting.

Mr. Ken Taylor, Kapahi – Emphasized the importance to start the project over from the scoping meeting to alleviate challenges in the process. Extra time to move forward from Phase 1 would save the Board action in the future. The Board could consider going back to the community to start over.
Mr. Dustin Barca, Kilauea – Inquired if the ground water is already poisoned and if that was the main reason for the drilling of the water to go higher. Ag is at a much higher level of contamination on drinking water more than what the sugar cane did to the island. To facilitate the consultants to go higher is a point Mr. Barca made than to leave the ground water for drinking alone vs. going higher for water that is less contaminated.

Manager Craddick confirmed that the water all meets EPA requirements and State DOH requirements.

Chair Nishimura opened dialog for the Board to ask the public questions.

Mr. Nakaya asked if the project is specific to the area of the drilling or approachable outside of the zone?

Manager Craddick clarified the north shore area (Hanalei, Wainiha, Hā'ena and possibly Hanapēpē) of the same system could work but the population is not justified to spend money. To run a pipeline from those areas into the high population areas is another issue (Moku and Kapuna area). This would not be worthwhile unless it is done elsewhere. Grove Farm land and other areas can be looked at. The DOW would not go into the Blue Hole area (Mt. Waialeale) based on the testimony today and understood the significance of this area. The south fork at the Wailua River was chosen instead.

There is a chance that stream flow may be affected. All the vertical wells can be measured on the effect of stream flow. A one-to-one effect on stream flow is taken from the stream to the treatment plant. This issue will be dealt in the EIS.

The shortest distance of the area is where the transmission is from the source to the population. The well is one portion of the cost and the transmission line to bring it into the population is the portion of the cost which is equal to the well. Further south in Kalaheo are the deepest wells with the highest energy cost. It costs more to run than the treatment plant because water is pumped from 1,000 below sea level at 1,000 gallons a minutes and 1.5M gallons a day. There have been no ideas to go north.

Chair Nishimura followed up on Mr. Nakaya’s question and recalled a previous communication from the Department which showed a broader area. This area is about ¼ of the area that was presented at a public meeting in September. Chair Nishimura questioned why did the area change?

Manager Craddick referred to the map that showed Hanamā'ulu and indicated that there is a high level development tunnel in the area by Knudsen.

Mr. Gooding further explained the areas in the southern region on the map were not suitable because they are further away from the mountain. Chair Nishimura mentioned the September public presentation discussed a feasibility study which the Board has not seen to date. He agrees with members of the public to do a feasibility study before the EIS. If it is not feasible and if there are options that are justifiable and this may not necessarily be the primary alternative. The Board has not seen explanations of why this particular project is the project.
Manager Craddick explained that a feasibility study and alternatives are required by law and part of the EIS. The Board could segment the EIS process to do the feasibility study first.

Mr. Williams, Mears agreed with doing an economic feasibility study.

Manager Craddick initially told the Board the consultant could do a feasibility study. A letter was sent to the consultant to take out the traffic study which the Board previously sent. There would be a few instructions to set up the Grove Farm area. The land for the traffic study could be taken out of the Grove Farm property under the existing contract at no additional cost.

Mr. Ron McDonald questioned if there would be a conflict of interest for Grove Farm who plans to develop the area to do a feasibility study? If the project is still experimental, how much will it cost? Why doesn’t the Manager admit this is an experimental project?

Manager Craddick mentioned that was an issue but the process is not unusual to hire a contractor to do the study and planning. The RFP process would cost $30M. When details are known, the price could come down.

The DOW does not work that way. The Board members work for the community and are part of the community also. All the work that the DOW does is for the community to have trust in the Department.

Mr. McDonald indicated that before the Board puts the community in debt to do the EIS it would be good to discuss the matter further.

Manager Craddick commented that part of the EIS is a grant and would not put the community in debt. It would cost $4.35 to do the EIS for 23,000 customers.

At 4:24 p.m., Chair Nishimura called the meeting back to order.

On August 13th, Mr. Dahilig requested the Department to put together a Proforma outlining where the cost savings was to pay down the debt service for a potential well. The operation, maintenance and power costs are associated with the current wells if the treatment plant and wells are stopped. If a new well is built, the energy savings would take care of the debt service of drilling the well. Mr. Dahilig added that time should be spent to review a Proforma spreadsheet on the well cost and the savings before $2M is spent on the contract. If a bond is issued it would pay for a drill that would require a debt service over some time.

Mr. Dahilig asked for a Proforma one month ago and received excel sheets which were hard to understand along with two water bills. He felt his questions were not answered. Another question not answered was about other energy type savings (i.e., solar water) to bring down the cost associated with the current operational regime to save power. The energy savings in the long run would not pay the debt service. As a Board member, Mr. Dahilig has a fiduciary duty to the rate payers and needs a financial or business plan analysis before an EIS is done.

Pursuant to Hawai‘i Administrative Rules Section 3-1.25-6 Section 1 which relates to goods and services is issued an immediate Stop Work Order to give both parties time to justify the EIS. Mr. Dahilig requested the Department one more chance to provide the information to the Board.
Manager Craddick indicated that in April he gave the consultant a Stop Work Notice. The last bill paid in April. The bill provided in the Board packet was the power bill from the treatment plant. Mr. Dahilig appreciated the Stop Work Order but still would like more information from the Manager.

Mr. Dill also did not want to move forward with the EIS. He would like the experts provide a complete economic feasibility portion before moving forward with the project.

Mr. Nakaya cannot vote to support the project based on the presentation and would like to see financial numbers to support where vertical wells are lower in labor costs. Verification of the data would be helpful for the Board not just the Manager’s word. The cultural portion is a big issue with the public.

Chair Nishimura recommended to defer this matter to the October 17th Regular Board Meeting. The Department and the consultant will work on the feasibility study and will receive input from the Board members before moving forward.

Mr. Strom expressed the Manager considers the public testimony, perception, education data and sustainability on the project.

Manager Craddick verified that the economic feasibility study would cost between $50,000 to $100,000. The Department would have to look at the alternatives and recommended consultants provide a Performa to the Board.

In the Board packet, the Benefit Cost Ratio was provided by Electrical Engineer, Lyman Murakawa. The $3M gallons were an example and the cost ratio would be $10 in savings for every dollar in costs and that the well and pipeline would be paid in 20 years.

With photo voltaic use, the sun only shines 6 hours of the day. The DOW could expand the treatment plan and put in storage which would cost $55M or could put in batteries that cost $13M. The benefit would be $1 of cost to $1 in benefit explained Mr. Craddick.

Chair Nishimura was not sure if the Mear’s group looked at the Benefit to Cost ratios.

In a previous meeting, the Board decided not to take action based on a Stop Work Order which Mr. Shiraishi commented on. The current proposal was to proceed with the project but the Stop Work Order is still in effect. Mr. Shiraishi proposed that the Board take no action until more information is provided and be put on a future agenda.

Chair Nishimura understood that if the Board needs a consultant for a feasibility study, the Stop Work Order would need to be lifted.

Mr. Dill would support a feasibility study and a strong analysis because this is a significant project.

Mr. Dahilig questioned if there was a study outlined in the scope that could be initiated?
Chair Nishimura mentioned back in September and October this was presented to the public that an alternative water source in the feasibility analysis could incorporated in the EIS review. He questioned if this would be a change in scope.

Mr. Gooding commented that additional alternatives may be reassessed as a result of the EIS comments which would be reviewed by the Manager.

Mr. Tagomori added that financing of additional alternatives would be at no cost increase and the budget would be adjusted. The Board would have to approve the restart of the whole project.

Manager Craddick indicated this would require to a scope change order and to drop the transportation study.

Chair Nishimura inquired why would this be a change of scope? He understood that the economic analysis is included in the proposal.

Mr. Williams added that the cost is identified, not just the pay back. There would be a trade out from the initial studies at a no net cost difference in the proposal. The tasks included the well, solar for the treatment plant and vertical wells, operating cost, capital cost, payback time and the life span. There were no details in the scope to do the detailed work.

Mr. Strom requested a copy of the original proposal with the breakdown for review of what was intended.

The EIS for the whole project is targeted for 2015 as Mr. Tagomori explained. Drilling would be done in 2017 to if there is water or not. If there is no water source, the project would close. To develop source, a transmission pipeline and controls would have to be built. Then there would be an opportunity to put in a hydropower plant. The complete development of the source would be approximately 2020. Currently there has been a four (4) month delay which pushes back the whole process plus the contract price the Board has to consider. The EIS elements can be reprioritized.

Deputy County Attorney, Andrea Suzuki explained the cost impact. The proposal had a traffic impact study with the EIS that may not be required. The funds would be reallocated to the economic feasibility study which Mr. Dill was in favor for but wanted confirmation.

Mr. Dahilig questioned based on the scope and the projected cost, would the energy savings be yielded to eliminate the debt service? He wants a net zero for the rate payers and need to know what the cost benefit ratios are.

Mr. William answered yes but with backup.

Chair Nishimura asked what alternatives have been proposed besides solar?

Mr. Gooding mentioned that the last scope in January included an energy efficiency study that compared powering the water treatment plant with solar and to power various well stations with solar. By comparing the two alternatives with getting the majorly of water from gravity flow water on the proposed HGD well. A potential idea is to refurbish existing tunnels that have been shut down.
Mr. Tagomori added that existing plantation tunnels are free flowing and need to look at bulk head.

Manager Craddick clarified that Akulikuli and Kokolau are spring sources, bulk head could not be done there. If bulk head were to be done, it would stop the flow.

*At 4:57 p.m., Mr. Nakaya & Mr. Dahilig exited the meeting.*

Mr. Rapozo added that the Kaoko tunnel ditch system is intact and free flowing. There are 140M gallons water that flow into Hanalei Bay with normal stream flow each year.

*At 4:59 p.m., Mr. Nakaya re-entered the meeting.*

Kaapoku stream is the highest elevation feeding Hanalei River. If this system was retapped, Mr. Rapozo explained this would alleviate flooding in Hanalei which is part of the stable storm stream feeding Hanamā'ulu. The stream would feed into the proposed plant system which should be looked at. Gravity fed surface water is coming off Alakai and Kawaikini. The surface water overflow is going into Hanalei.

Manager Craddick clarified that the county is looking for solid waste land owned by the state. The Agriculture Development Corporation looked at the feasibility to use it for agricultural land for production with that water. If this water is feasible, it would be used for agriculture first. He does not want to compete with agricultural water.

*At 5:01 p.m. Mr. Dahilig re-entered the meeting.*

--- Original Message ---

From: Koke'e
Sent: Monday, September 16, 2013 9:09 PM
To: Craddick, David
Cc: 
Subject: Re: Kahili High Level Well

MEMORANDUM TO THE BOARD OF WATER SUPPLY, KAUA'I COUNTY

SUBJECT: TESTIMONY IN STRONG SUPPORT OF THE KAHILI HIGH LEVEL WELL

I regret that I am off island and unable to make the meeting on Tuesday, September 17, 2013. I should like to present the following testimony:
The Kahili High Level Well is an elegant and, in the long term, a low-cost solution to the water supply for the area which it serves. Harness the force of gravity for our water, rather than relying on fossil fuels.

I believe that the ancient Hawaiians, who constructed such marvelous auwai, would view the High Level Well as carrying on their traditions of water distribution and management. They would be proud of the engineers who have proposed this solution and the effective use of resources in building the Well.

Me ke aloha,

Frank O. Hay  
Kekaha, Kauai

Mr. Dahilig moved to accept the written testimony from Mr. Frank O. Hay and oral testimony from the public; seconded by Mr. Dill; with no objections, motion carried with 7 ayes.

Mr. Dill moved to request from the contractor for a no cost change order and a robust economic feasibility study and include alternatives for the Board that would justify moving forward with the EIS in exchange of the deletion of the traffic study; seconded by Mr. Dahilig; with no objections, motion was carried with 7 ayes.

The feasibility study would be done in 30 to 60 days which includes the change order.

Mr. McCormick advised that the elimination of the traffic study could affect the DOT and may have to be put back in the contract.

There being no further business, Chair Nishimura adjourned the Special Board meeting at 5:05 p.m.; with no objections.

Respectfully Submitted,       Approved,

Edie Ignacio Neumiller       Sherman Shiraishi  
Commissions Support Clerk    Secretary – Board of Water Supply
The Board of Water, County of Kaua'i, met in a special meeting at its office in Līhu'e on Thursday, November 14, 2013. Vice Chair Clyde Nakaya called the meeting to order at 3:07 p.m. On roll call, the following answered present:

**BOARD:**  Mr. Randall Nishimura, Chairperson (entered at 3:10 p.m.)  
Mr. Clyde Nakaya  
Mr. Hugh Strom  
Mr. Raymond McCormick  
Mr. Sherman Shiraishi  
Mr. Larry Dill  
Mr. Michael Dahilig (entered at 3:16 p.m.)

Quorum was achieved with 5 members present at roll call.

**STAFF:**  Mr. Kirk Saiki  
Ms. Marites Yano  
Mr. Dustin Moises  
Mr. Val Reyna  
Mr. Eddie Doi  
Ms. Kim Tamaoka  
Ms. Mary-jane Garasi  
Deputy County Attorney Andrea Suzuki

**GUEST:**  Mr. James Nakayama, Sr. Auditor, KMH LLP (via teleconference call)

**ACCEPTANCE OF THE AGENDA:**  
Mr. Shiraishi moved to accept the agenda as circulated; seconded by Mr. McCormick; with no objections, motion was carried with 7 Ayes.

**NEW BUSINESS:**  
Re: Draft Annual Audit for FY 2012-2013

**BACKGROUND:**  
Mr. Nakaya understood that the purpose of the draft annual audit was for the Board to approve.

Waterworks Controller, Ms. Marites Yano clarified that the Draft Annual Audit would be submitted to the County Finance Department on November 15, 2013. The Final Audited Financial Statement would be submitted on November 30, 2013.

Mr. Shiraishi commented that the Draft Annual Audit was a representation of what happened the prior fiscal year and for the Board to accept.

*At 3:10 p.m., Board Chair Mr. Nishimura entered the meeting.*
Board Chair Nishimura clarified that the Draft Annual Audit would be accepted. The Board would direct the auditor to finalize the DOW portion and submit to the County Finance to compile and complete the County’s financial package.

Mr. Shiraishi moved to accept the Draft Annual Audit as submitted by the auditors and to forward a copy to the County Finance Department; seconded by Mr. Dill.

DISCUSSION:
Mr. James Nakayama commented that the draft audit is a clean opinion with no significant changes. The final financial package would meet the deadline if there are no other changes by November 30th.

Highlighted differences this year:
Page 10 (page 12 on pdf) - Liabilities and Net Position (1st line) - Long term debt from 2012-2013 doubled because the Building America Bond (BAB) $60M debt have not paid principal; only interest. For FY 2014 the principal payments begin.

Page 11- Statement of Revenues, Expenses and Changes in New Position - Water Sales 2012 – 2013 were $25.8M vs. 2012 at $21M. A 21% increase was related to the rate changes effective 2012 and an increase in consumption. The Department needs to make sure there is cash flow going forward to service the debt.

Change in net position (3rd line from bottom of page) - There was a drop from $21M to $7M. One half of $7M was made of contributions; last year ($22M contributions) were not operations driven.

This year there was $3.5M income vs. $800,000 loss last year which were changes in revenues.

Mr. Dill noted that energy consumption had a 10% increase (from an energy perspective) but the power and pumping line expenditure decreased 10% which did not appear consistent with one another.

Ms. Yano clarified that there was a major expenditure under the power and pumping line that was eliminated in 2013: 1) The expenditure was for the Supervision Control and Data Acquisition (SCADA) maintenance contract for $100,000 and 2) The AMFAC incident expenditure of $50,000 in 2012 was not incurred in 2013.

Another expense that lowered the operating expenditures this year was the Department’s implementation of an SOP on the engineer’s time. The Department used actual rates that were charged for capital jobs. The Department should have charged fixed rate SOP. The difference increased the amount charged to the capital expenditures and lowered some of the operating expenditures in FY2013.

Page 9 - Assets – It was noted by Mr. Shiraishi that $2.5M and Unbilled Accounts of $1M was a big amount and inquired if this was typical for the Department.

Ms. Yano and Mr. Nakayama acknowledged that the Assets and Unbilled Accounts were within the range. The Unbilled Accounts decreased which was due to the billing cycle changes from two (2) months to one (1) month.

Special Meeting: Thursday, November 14, 2013 - Page 2 of 6
Mr. Strom asked if this represented billing lag?

Mr. Nakayama explained that if someone wasn’t billed by the 2nd of the month but was not billed before the end of the year it reflected an estimate which was accrued at the year end.

Page 4 – Finance Highlights, Debt Equity Ratio and Liquidity Ratio - Mr. Dill questioned what type of ratio would Mr. Nakayama recommend as goals?

Mr. Nakayama answered the goals would be to gauge a high liquidity ratio and a low debt equity ratio. The debt service coverage needs to have enough income to cover the debt service payments. If there are a lot of bills and low liquidity rate, there could be ramifications.

No water industry standards were available to share with the Board.

Mr. Strom asked how would a bank look at this?

Mr. Nakaya indicated the Department’s liquidity is solid. The $2.9 debt service coverage for the Department is strong to cover the debt service from the operating income for 2013. This year the Department’s debt service ratio was $2.4 and last year was $2.2. The minimum debt service coverage ratio for a bank is $1.25; anything lower would be a concern.

Mr. Strom questioned what would the projection on the debt service requirement be for 2014 with interest and principal due on the loan.

Mr. Nakayama agreed that if it was not based on this, the debt service will go up.

Ms. Yano stated the total debt service coverage for 2014 was about $8M.

Page 4 (2nd to last bullet) stated: “Operating expenses for the current year totaled $20.9M, a decrease of approximately half a million ($0.55M) as compared to the prior year.” Mr. Dill pointed out Page 6 - There should be an increase (not decrease) for operating expenses at $20.36M for 2012 and $20.9M for 2013.

Page 12 – Cash Flows from Investing Activities – Mr. Dill asked what were the sales and maturity of investments for $440M?

Mr. Nakayama commented that some of the movement of investment accounts reside at the county level. The BAB had more investments and could have been large amounts cycling through the year. The 2012 BAB were not being spent and he unsure how the county cycled the funds. The Department does not have $440M in investments.

Ms. Yano explained when money is cashed out (with BAB investments) it is recorded as a sale and when it is re-invested it is recorded as a purchase. Total sales and purchases added up to $440M. The county could ask questions if the records do not match.

Page 3 – Mr. Dill read “An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.”
Mr. Nakayama confirmed there will be something forth coming with the Single Audit report and the financial reporting on the findings which will be at the December Board meeting.

Page 15, Footnote 2b Basis of Accounting – Two (2) accounting standards were adopted by the Department in 2013. 1) Governmental Accounting Standards Board (GASB) No. 62, Codification on certain standards from FASB - There were no changes to any accounting standards because of the codification at the gas level there were some adjustments. 2) GASB No. 63, introduced a new type of category of financial statements if there were assets, revenues, liability, equity or expenses. Two areas were added with Deferred Inflows and Deferred Outflows of resources which is effective this year. In private industry this is similar to pre-paid expenses and deferred revenues.

As of June 30, 2013, no items met the definition of inflows or outflow which was not seen in the financial statements. There will be a change in equity which was called “net assets” and is now called “net position.” Next year current assets or liabilities will be written off and considered inflows and outflows.

There is a time line for each audit to implement certain standards if they apply to the Department. GASB 65 refers to defers Outflows and Inflows - The Department opt not to adopt GASB 65 which is consistent with the county.

Page 21 - Footnote 5 Property, Plant & Equipment – In the previous year, some assets were held for future use but in the last process of the audit, they had an impairment issue. Impairment issues for a private company are cash flows in assets and are recorded. In government it is driven if you are going to use the asset for its intended purposes.

The Kokolau Tunnel Well was off line and its feasibility was in issue. From gathering of facts, assets and the cost, management’s decision was that although the asset was not connected, steps could be taken to make the tunnel a viable source. Management concluded an impairment adjustment was not necessary and the auditor concurred. This water source may come up for future discussion.

Chair Nishimura inquired if the well is taken off the books and there is desire to rehabilitate the source, would the succeeding work be expansion related activities or repair type activities? This question would be related to the funding source for future Board action.

Mr. Nakayama noted the well is still on the books and an asset of the Department and is not recorded. If the impairment was written down it cannot be written back up. This depends if the well will be usable and if there is a need in the Līhu'e area (Water Plan 2020). Management concluded this was possible. If the Department decides not want to develop the well, it could have an impact on the Department if kept on the books.

If the asset is kept on the books, as indicated by Chair Nishimura, it would depend on the funding source through Water Utility or the Facilities Reserve Charge (FRC).

Mr. Shiraishi commented that the asset should not be impaired.

Ms. Yano verified that the original assets are $1.2M and the net value is $900,000.
Two (2) SRF loans were entered by the Department with loan forgiveness. The first dollar spent was for loan forgiveness and treated as a grant for $1.2M in 2013.

Mr. Nakayama and Ms. Yano will fix the increase which should be a decrease as previously mentioned by Mr. Dill.

Mr. Shiraishi requested to delete the last closing paragraph and to change the language to say there will be accompanying report forthcoming.

Mr. Nakayama thanked the Department, Ms. Yano and the Fiscal staff for their assistance on the audit.

Chair Nishimura stated there was no one from the public to testify on the agenda item.

Mr. Shiraishi moved to accept the draft Financial Audit report as presented by the auditors and to forward it to the County Finance Department for consolidation into their financial packet; seconded by Mr. Dill; with no objections, motion was carried with 7 ayes.

**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).

Chair Nishimura explained to the public that the executive session language is a provision in case the Board may require discussion of executive session matters. This provision is required by Sunshine Law.

**Ms. Bonnie Bator, citizen provided her testimony**

Ms. Bator thanked the Board to provide comment on the executive session. She felt the executive session was unacceptable and the proposal to hold executive sessions without written public notice and without advance notice.

The public regardless of HRS(s) 92.7(a), 92-4, 92-5(a) as described in those statues, must retain advance written notice of all agenda items of executive sessions.

Written testimony was also Received for the Record at the conclusion of executive session.
Mr. Shiraishi moved to adjourn the Special Board Meeting; seconded by Mr. Dahilig; with no objections, motion was carried with 7 ayes.

Respectfully Submitted,

Edie Ignacio Neumiller
Commission Support Clerk

Approved,

Sherman Shiraishi
Secretary – Board of Water Supply
Board Members Present: Clyde Nakaya, Vice Chair, Michael Dahilig, Ray McCormick, Sherman Shiraishi

Excused/Absent: Randall Nishimura, Chair, Larry Dill, Hugh Strom

Staff Present: Acting Manager Kirk Saiki, Mary-jane Garasi

Guests: Ms. Nancy Learner and Mr. Mark Wehmeyer, Brio Consultants

Vice Chair Nakaya called the Board of Water Supply Workshop Meeting to order at 1:05 p.m., quorum was achieved at Roll Call.

AGENDA
Mr. Dahilig moved to approve the agenda; seconded by Mr. Shiraishi; with no objections.

NEW BUSINESS
a. IT Strategic Plan Brio (IT Consultant) discussion on redevelopment of the Department of Water’s chart of accounts

Acting Manager, Mr. Saiki introduced Ms. Learner and Mr. Wehmeyer to the Board who provided their presentation on the redevelopment of the DOW’s chart of accounts.

PRESENTATION:
Ms. Learner explained that the redevelopment on the chart of accounts and the re-implementation of the financial system has began. The IT Strategic Plan adopted by the Board March 2013. The overview of the project includes plans for the next six (6) months. The consultants also wanted to hear the Board’s goals and expectations for the next year.

Project overview – Last year 10 projects that were adopted. This project will consist of multiple phases and tasks for each project.

Task 1 – Redevelopment of the chart of accounts (Phase 1)
When Phase 1 is completed there will be a finance and accounting system that will replace the existing system that will work with the Department’s financial auditor. The auditor’s feedback on the new system was positive and would like to put it into operation.

Purpose of Phase 1:
- Stream line accounting processes and introduce new controls
- Simplification of the system
- Putting in a new chart of accounts
Standing up the new version of Great Plains software with the new chart of accounts

Future phases will:
- Improve the functions of the system
- Build the interface to the billing system
- Building work management into the system

Completed:
- Educational process with all staff on all of the accounting cycle
- Series of workshops

Began development of new chart of accounts with fiscal staff:
- Fund will be different
- DOW manages multiple funds (operating fund, Facility Reserve Charge (FRC), and bonds)
- Division or Cost center (function or activity)
- Objects/sub objects used for different categories

This is the structure on how to build when dealing with an expense on where it should be charged. When the chart of accounts and budget are loaded into the financial system, information can be seen easily (which was not available in the past). All the divisions would be visible and available for accounting on the division’s operating cost.

January 2014, the Brio consultants will concentrate on the accounting processes. Decisions will be made on the system architecture.

Options that could be blended with the IT department.

Option 1: Managing own computers
Option 2: Team with a host provider company

Budgets for FY 2014-2015 will be developed by staff on spreadsheets that can be loaded into the accounting system with expenditures. This improves the level of reporting. Testing and training will be provided in the new fiscal year FY 2014-2015. The audit for FY 2014-2015 will then be simpler.

Contract - A budget was adopted in 2013-2014 which Brio may need to take some of the money budgeted to complete the implementation and budget development.

Board members goals and expectations on the project, financial system and accounting system will be shared with the staff.

DISCUSSION:
Vice-Chair Mr. Nakaya and Mr. Shiraishi were not aware that the presentation was suppose to be with the Finance Committee. Instead, four members from the Board were present at this meeting and were not prepared to discuss their goals and expectations of the project. Mr. Learner apologized and clarified in the past, the Board had financial concerns on the financial reporting from staff.
Mr. Shiraishi is a new Board member on the financial process and acknowledged that the audit was delayed. It would be good to implement this system for timely information. He also shared at times staff does not have the accessibility to provide the answers quickly during a Board meeting.

Acting Manager, Mr. Saiki commented that the current accounting system is an outdated ledger accounting system forced into an automated computerized system. Instead to trying to modify the system with the program, fiscal forces the program to accept the outdated ledger accounting.

Duplicated processes will be eliminated with the new chart of accounts by doing away with the current system of using pen and paper and comparing it with the computer. The current system has the budget and is managed in one way and expenses/revenues are managed in another way which is difficult to compare. This information can be put into the accounting system so that staff can look into the system to see how the Department is doing financially.

Safeguards and risks if the new software does not work:
No risk – in developing the new chart of accounts and would include the budget
There is a risk – if nothing is done for another year
There is a risk – in the delay of implementing the chart of accounts past July 1, 2014

If the new chart of accounts is set up for July 1, 2014, it would be clean and the financial reporting will be easier for the staff.

Questions for the Board to consider:
1. How much does the Board want to be involved?
2. What needs to be passed with the Board?
3. What needs to be passed with staff moving forward?

Example of process changes:
1. Move from variable charges for customer work (time and materials basis)
2. Move to a flat rate for categories of work (i.e., charge $100) which keeps accounting simple

Pooled cash will minimize bank accounts. Money could be kept in one account but in the accounting books it would be separated by different categories.

Vice Chair, Nakaya expressed it would be appropriate for the Finance Committee to be involved with the cost. The Department would be involved with the procedures.

Mr. Dahilig suggested there should be ease of 1) access, 2) transparency and 3) consistency of the process with the end user.

The contract has not been budgeted for 2013-2014 and the price has not been determined to start up on July 1st because the work has not been completed. The new processes and controls would begin January or early February according. Ms. Learner clarified that the Board previously adopted the plan but is not in the budget.

A new contract amendment would be needed in March but the dollar amount would not be determined until the work is done in January and February.
Option 1: Multiple amendments - $200K now with supplement to be determined
Option 2: Authorize a larger amount with the potential to direct some funds to Phase 2 for interfaces and enhancements

Vice Chair Nakaya and Mr. Dahilig agreed to defer a decision from the Acting Manager who oversees the contract management and to work with Brio consultants. If more funding is required the Acting Manager could request it to the Board.

Mr. Wehmeyer stressed that it will be hard to reach the July 1st deadline if there is a delay. Smaller amendments would be preferred because the amount is not known. A contract assignment was done during the summer but there was a delay with staff because of the audit. The presentation was made with Waterworks Information Technology Officer, Mr. Mendez yesterday but not with staff. Workshops were made with the fiscal/accounting staff last Thursday and Friday. Brio will meet with each budget manager Tuesday to go over the chart of accounts.

Vice Chair Mr. Nakaya requested Brio to provide an amendment amount for the January 23rd Board meeting.

Acting Manager, Mr. Saiki explained that the pool of money will be carved out for the amendment. He will verify if the amount if in this year’s budget. Board approval would be needed to release the funds.

Mr. Dahilig’s concern is that staff must be proficient on the pre-training of the new system before July 1st. The goal is to keep better track of money than to rush the new system. Goals needs to be met and understood and met by the Department.

Ms. Learner explained that follow up intensive training and ongoing support the whole month of June would be done. The system will be done by April 15th in a development environment and in a testing environment. System testing and enhancements would be done in May. Eventually the old system will be archived. The staff is already using the software product which is not brand new and is not a totally new system. Staff currently uses Microsoft 2010 version but will be using the new Microsoft 2013 version.

Mr. Shiraishi requested feedback from staff before implementation and more money is spent.

Objectives discussed by the Board:
1. More timely information is needed than previously available
2. Streamlined audit process
3. Easier access for of information so that requested information is handled better/faster.
4. Sufficient training for staff before July 1st

Acting Manager, Mr. Saiki will prepare a report to the Board for the December 19th Board agenda regarding current staffing until July. Ms. Learner would be available by phone for the December Board meeting if needed.

Vice Chair Mr. Nakaya thanked Mr. Learner and Mr. Wehmeyer for their presentation.

ADJOURNMENT:
At 2:04 p.m., Vice Chair Mr. Nakaya adjourned the meeting; with no objections.
Correspondence
F. Board Committee Reports

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


REPORT PENDING
F. Board Committee Reports

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

2. Manager’s Report No. 14-24 – Review and discussion and possible action on Proposed Amendments to Part 4, Section 1, General Use Rates

REPORT PENDING
Old Business
MANAGER’S REPORT NO. 13-7

January 23, 2014

Re: Board Discussion and Possible Action on Part 2 Section IX, Adjustment of Bills for Undetected Leaks and Unforeseen Damages of the DOW’s Rules & Regulations, Results from Small Business Regulatory Review Board (SBRRB)

RECOMMENDATION: It is recommended that the Board adopt Part 2 Section IX of the DOW’s Rules & Regulations as recommended by the DOW and concurred with the Small Business Regulatory Review Board and to schedule a public hearing for the proposed rule change.

BACKGROUND: Every year, $300,000 - $400,000 leak rebates are given. Initially, the DOW has recommended the Board to eliminate Part 2 Section IX in its entirety but instead, the DOW plans to keep this rule with the amendments as proposed.

After many revisions, the Rules Committee has met on October 4th and moved the attached proposed Rules to the full board for review and action.

The Rules Committee has revised the Rule to strictly limit the number of rebates for a consumer and have narrowed the allowable justification to strictly underground leaks.

Through internal SOP guidelines, the proposed amendment would require the consumer to sign an affidavit attesting that their submitted documents & to attest that their claim is true. If proven not, the DOW will have the rights to recover the rebate if the consumer claims perjury.

The leak elimination proposal was expected to be implemented with the rate changes as the changes eliminate lost revenue. It was expected that $0.4 to $0.5 million in annual leak rebate revenue would not be lost. It was also expected that this proposal be implemented the same time as the monthly billing, which has been delayed.

Prior intentions were to eliminate this part of the rules in its entirety, but instead, the DOW plans to keep this rule with the amendments as proposed.

Initially, testimony was provided on the rule change proposal. Primarily it was directed toward reducing costs in other areas within the Department where funds were thought to be lost. These include overtime and unaccounted for water.

The concern over unaccounted for water is something the staff is working diligently on. Overtime is now primarily a result of construction connections that are done after hours to limit inconvenience from service disruption, SCADA system call outs, and accounting process changes being implemented. Construction related overtime is capitalized with the construction project and would not reduce operating costs by eliminating that activity. Elimination of night overtime may however disrupt customer water use during the day if connections were done during the day. I do not want to infer that connection overtime cannot be looked at as there is other activity related to the connections that are not capitalized, that is not providing any benefit to the system, and is also a drain on revenues.
Another testimony is from a repairman who benefits from our leak rebate. In the event a customer has a water line break in their property, the Department does not find nor fix leaks after the meter. Customers with leaks typically get plumbers of their choice to find and fix their underground leaks. In order for a leak adjustment request to be submitted to the Department, their underground leak must be substantiated with an invoice from their plumber indicating when the leak was fixed and the cost paid by the customer.

The issues raised do not address the issue that customers with non-leaking service lines are subsidizing leaks that are no cause of their own.

On November 21, 2013, the Board approved a motion to send the revised Part 2 Section IX of the DOW’s Rules and Regulations to the Small Business Regulatory Review Board. On November 27, 2013, the Department sent the revised Part 2 Section IX to the Small Business Regulatory Review Board. In a letter dated December 13, 2013, the Small Business Regulatory Review Board informed the Department that their members unanimously agreed that the proposed rules proceed to public hearing.

Current Calculation:
An adjustment is based on the consumer’s 6-month average bill (dollars) minus the “high bill” divided in ½. The consumer is responsible for 50% of the charges.

Proposed Calculation:
An adjustment is based on the consumer’s 12-month average bill (usage consumption in gallons) minus the “high bill” (usage consumption in gallons). The difference is charged at the first tier rate applicable to the meter size in the Department’s General Use Rates.

Options:
1. Approve Recommendation – The Department will schedule a public hearing
2. Amend Recommendation – If the Board amends the proposed rule, the DOW will continue to work with the Board to incorporate proposed changes.
3. Disapprove Recommendation/Table Item – The Department will continue to use the DOW’s current rule and administer adjustments to those who are eligible.

In addition, for the purpose of clarity, the DOW has moved forward with submitting a proposed amendment to the Finance Committee on Part 4, Section I, General Use Rates to amend the language from “blocks” to “tiers” used for this part of the rules in line with the DOW’s CC&B (Customer Care & Billing) program.

Thank you for your attention to this matter.

Respectfully submitted,

Kirk Saiki, P.E.
Acting Manager and Chief Engineer

Attached: DOW Revised Proposed Changes on Part 2 Section IX, Adjustment of Bills for Undetected Leaks and Unforeseen Damages of the Rules (01-23-14)

KS:mjg

Mgrrp/January 2014/13-7 Board Discussion & Possible Action on Part 2 Section IX of the Rules (approved to SBRRB 10/17/13) (1-23-14)mjg
SECTION IX - ADJUSTMENT OF BILLS FOR UNDETECTED UNDERGROUND LEAKS AND UNFORESEEN DAMAGES

1. The Department will reduce high water bills caused by undetected underground leaks in the consumer’s supply pipe provided, however, that no
by one half of the excess over the consumer’s normal bill based on the previous six months’ average. Adjustments will also reduction in a water bill
shall be allowed where the high water bill underground leak was caused by some unforeseen circumstance such as: resulted from storm damage, flood, explosion, fire, and or acts of nature.

2. Before adjustment is made under this section, the owner consumer shall first request an adjustment and submit substantiating evidence and data to warrant such an adjustment required as may be requested by the Department to justify an adjustment in the water bill. The Department shall make
their determination based on the data presented and any other evidence as collected by the Department, if necessary. may, but shall not be required, to conduct its own investigation of the high water bill.

3. An Adjustment in a high water bill will be allowed only if the consumer exercises diligence in repairing and stopping the leak within the period of one week after knowledge that the consumer knew or should have known of an undetected underground leak, age. A consumer’s knowledge of the leak may be inferred by the Department from a high water bill or notification from the Department.

4. No adjustments will be made for leakage due to faulty plumbing fixtures, or for leakage from exposed waterlines within his property the consumer’s premises.

5. Before adjustment is made under this section, the owner shall first request an adjustment and submit substantiating data to warrant such an adjustment if required by the Department. The Department shall make the determination based on the data presented and any other evidence as collected by the Department, if necessary.

If a consumer’s request for adjustment is allowed, the newly adjusted amount due shall be calculated by determining the difference of the high bill consumption amount and the average consumption amount of the previous 12 months, multiplied by the first tier rate in the Department’s General Use Rates. (See equation below)

\[
\text{1st tier rate} \times (\text{consumption on high bill} - \text{(average consumption of previous 12 months)}) = \text{newly adjusted amount due}
\]

Where the consumer has had water service for less than 12 months, the Manager shall make a good faith determination of the reduction.

6. A reduction in high water bills resulting from underground leaks shall be allowed only once in every two-year period, provided that the Department may, in its discretion, and for good cause, may consider and allow a request for reduction more frequently than once in a 2-year period.
MEMORANDUM

TO: Kirk Saiki, P.E., Acting Manager and Chief Engineer
Department of Water – County of Kauai

FROM: Chu Lan Shubert-Kwock, Chairperson
Small Business Regulatory Review Board (Review Board)

DATE: December 13, 2013

SUBJECT: Proposed Amendments of Part II of the Rules and Regulations for Water Service Connections, and Section IX—Adjustments of Bills for Undetected Leaks and Unforeseen Damages, Department of Water, County of Kauai

As you are aware, the Small Business Regulatory Review Board (Review Board) provides recommendations to State and County agencies on proposed rules and proposed rule amendments, pursuant to Chapter 201M, HRS, and the Governor’s Administrative Directive No. 09-01.

Please be advised that at the December 11, 2013 board meeting, the Review Board discussed the above-captioned rule amendments. Upon review, the members unanimously agreed that the proposed rules proceed to public hearing.

Thank you for keeping the Review Board apprised of the regulatory activity at the County of Kauai’s Department of Water.

c: Mayor Bernard P. Carvalho, Jr., County of Kauai
Barbara Bennett, Review Board Discussion Leader
G. OLD BUSINESS


REPORT

PENDING
MANAGER’S REPORT No. 14-18

January 23, 2014

Re: Review, discussion and possible action of Water Supply Policy No. 3, Expenditure of Water Utility Funds Proposed New Language

RECOMMENDATION: It is recommended that the Board adopt proposed amendments to Board Policy No. 3.

BACKGROUND: The amendment to this policy is to establish financial stability for the Department of Water by setting guidelines for the Water Utility Fund Balance. The amendments define the procedures for developing inter-fund loans and the method of loan payback.

OPTIONS:

Approve:
Pros: The Department will be able to stabilize funds with an inadequate balance.
Cons: The Department could become complacent with increasing fees and rates.

Not Approve:
Pros: No Policy change.
Cons: Balances in individual funds could diminish to the point where new work or work in progress needs to stop.

Respectfully submitted,

Marites Yano
Waterworks Controller

CONCURRED:

Kirk Saiki, P.E.
Acting Manager and Chief Engineer

Attachment: Board Policy No. 3, Expenditure of Water Utility Funds revised (12-6-13)
BOARD OF WATER SUPPLY POLICY NO. 3

RE: WATER UTILITY FUND

The Department of Water shall maintain various sub-funds of the Water Utility Fund for the orderly conduct of business as follows:

1. Debt Service Fund (DSF) - is a separate fund set aside to account for debt service to pay principal debts and interest expenditures.

2. Emergency Reserve Fund (ERF) - allocated for emergency purposes; as authorized by the Department’s board policy.

3. Capital Improvement Projects (CIP) Fund – allocated for the acquisition or construction of capital assets.

4. Unrestricted Fund (UF) - allocated for expenditures not reported in another fund, including but not limited to operating expense.

The Water Utility Fund (WUF) shall include revenues from water sales, merchandise and jobbing, meter and service installations and any other reimbursements for labor, equipment and materials provided by the Department to various private entities.

The WUF shall also include grant funds, interest income from short and/or long term investments, late fees and/or any other reimbursements for facilities constructed using Water Utility Funds, etc.

Fund expenditures as subject to the following:

1. All funds must be expended according to the State of Hawaii procurement laws, administrative rules and regulations and any applicable County of Kauai Ordinances.

2. The Manager & Chief Engineer or his designee shall approve operating and capital expenditures as itemized and approved in the department’s annual budget resolution for the operation and maintenance of the water system.

3. The Manager may approve expenditures for budget line items that are exceeded provided the total budgeted amount within each of the following expenditure classifications is not exceeded.
   a. Salaries and provision for accrued vacation
   b. Administrative-office and engineering with the exception of Travel items
   c. Operations and maintenance
   d. Insurance and employee benefits
   e. Debt Service
   f. Miscellaneous Capital Expenditures (as itemized and approved in the budget)

4. Purchases of equipment, furniture, fixtures, etc., in excess of $5,000.00, which will be capitalized and which is not itemized in the budget requires prior Finance Committee approval.
5. Interfund loans shall be done only by resolution outlining the loan terms, conditions and covenants and approved by a super majority of the Board. The loan shall be repaid to the Water Utility Fund based on the current one year US Treasury Yield Curve Rate on the specified date of transfer.

6. A monthly report shall be provided to the board members with the following as applicable:
   a. Report of operating and capital expenditures every month.
   b. Inter fund transfers
   c. New Agreements or Contracts awarded
   d. Approval signature from the Board Chair person will only be given for encumbrances or contract documents that have been reported to the Board through a Manager’s Update or a Report to the Manager from Staff.

7. Expenditures from the DSF and ERF shall be guided by separate policies approved by the Board to manage each respective fund.

APPROVED BY:

Chairperson, Board of Water Supply Date: January 23, 2014

RE: Water Utility Fund

Effective Date: January 23, 2014
Supersedes: October 17, 2006
MANAGER’S REPORT No. 14-19

January 23, 2014

Re: Billing Dispute - Mr. Hartwell Blake

RECOMMENDATION:
The Department recommends that the Board does not grant Mr. Hartwell Blake’s request to reduce his water bill to his normal bill. Mr. Blake has received an adjustment for undetected leaks in accordance with Part 2, Section IX of the Rules and Regulations.

BACKGROUND:
The Department is in receipt of Mr. Blake’s letter addressed to Mr. David Craddick, dated October 11, 2013.

In June and July, 2013, Mr. Blake received water bills from the Department for $1,178.76 and $649.94 respectively. According to Mr. Blake he immediately checked for fixture and underground piping leaks and did not find any. At a later date, Mr. Blake again checked for underground piping leaks and found an irrigation line that was not leaking but running freely. Mr. Blake stated that no one would have turned on the water to the irrigation line and claimed that feral pigs turned the water on.

The Department informed Mr. Blake in a letter dated October 24, 2013 of an adjustment to his water bill with a leak credit of $854.95.

In addition to the leak credit of $854.95 that the Department already granted Mr. Blake, Mr. Blake asked the Board to reduce his water bill of $1,178.76 to his normal bill which would come out to $59.40 based on his monthly average using the previous six months water bills. Mr. Blake’s justification for this request is that the leak was caused by feral pigs that belongs to the State of Hawaii and is beyond his control.

The Department granted the leak adjustment of $854.95 pursuant to the DOW’s Rules & Regulations, Part 2, Section IX as follows:

SECTION IX - ADJUSTMENT OF BILLS FOR UNDETECTED LEAKS AND UNFORESEEN DAMAGES

1. The Department will reduce high water bills caused by undetected leaks in the consumer’s supply pipe by one half of the excess over the consumer's normal bill based on the previous six months’ average. Adjustments will also be allowed where the high water bill was caused by some unforeseen circumstance such as a storm, flood, explosion, fire and others.

It is strongly recommended therefore that the Board deny Mr. Blake’s request for additional adjustment since Mr. Blake’s account was given proper credit accordingly.
Respectfully submitted,

Marites Yano
Waterworks Controller

CONCURRED

Kirk Saiki, P.E.
Acting Manager and Chief Engineer

Attachments: 1) DOW Correspondence sent to Mr. Hartwell Blake, Billing dispute, dated October 24, 2013 and Orion Meter Reading Profile
2) Correspondence received from Mr. Hartwell Blake, Billing Dispute, dated October 11, 2013 and Customer Billing Information
3) DOW Correspondence sent to Mr. Hartwell Blake, Billing Dispute, dated October 10, 2013
Hartwell H.K. Blake  
P.O. Box 159  
Koloa, Kauai, Hawaii 96756  
11 October 2013

David Craddick Manager  
Department of Water  
County of Kauai  
4398 Pua Loke Street  
Lihue, Kauai, Hawaii 96766

RE: Water Bill  
Account #1989113729  
Leak from Private Pipeline

Mr. Craddick:

I would like to appear before the Board of Water Supply on it’s next scheduled meeting to seek redress for water charges that I believe to have been inappropriately assessed against my account.

In June 2013, I was charged $1,178.76. This was substantially more than my average monthly charge of $<100.00 over the past year. See Exhibit ‘A’ attached. Upon receiving the bill I immediately checked all of the faucets inside my home, the toilets, and all of the faucets in my yard. I also asked my tenant to check his faucets and toilet. He reported no leaks in his home or yard.

Since I found no leaks, I assumed the leak was underground. I asked a licensed plumber and my handyman to check for leaks. We found no exceptionally green areas in the yard. I asked a County Plumbing Inspector, my plumber, and my handyman, if they knew of any available devices that could detect underground leaks. They knew of none.

In desperation I again inspected my property for green spots that might be indicative of an underground break. This time I found a pipeline that had been installed to water banana trees in my tenant’s yard. The pipeline was obscured by weeds and grass, and located under a large lychee tree. The pipe was not leaking, it was running freely.

The tenant had not been using this pipeline; the banana trees were long gone. No one would have turned the faucet on. I don’t believe my dogs could have turned it on as they are kenneled and chained. The only other culprits are the feral pigs that use the dry stream bed (Waikomo Stream) to access my property. They forage in the yard at least
three to five nights each week for avocado, guava, lychee, mango, worms, underground
roots, and tubers. They also root around damp areas and have caused substantial damage
to my yard and ornamental plants.

I have seen as many as six pigs passing through my back and front yard. They are
bold enough to eat the fruit that falls just outside the dog kennel because they know the
dogs cannot get to them. They are not afraid of humans although they will maintain a
safe distance and stay out of rock range.

Several pigs have been trapped, but the survivors have become trap-wise.

It is illegal to shoot the pigs, and it is also illegal to let my dogs loose at night.

Neither the State nor the County has undertaken any measures to control these
pests. Leaving the public to its own devices for pig control has limited success at best.

I have been informed that leaks on private property are the responsibility of the
homeowner. The Department had afforded me a discount. I have made monthly
payments for water exclusive of the overage. Since the “leak” was caused by an
instrumentality that belongs to the State of Hawaii and is beyond my control, I request
that I be allowed to pay the actual consumption charges and that the remainder be written
off.

Sincerely,

Hartwell H.K. Blake
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<th>Date</th>
<th>Activity</th>
<th>Description</th>
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<td>Credit Rating</td>
<td>-250, Expires on 08-12-2014, Created on 08-12-2013 by Severance Process</td>
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<td>08-06-2013</td>
<td>Customer Contact</td>
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<tr>
<td>08-01-2013</td>
<td>Customer Contact</td>
<td>BLAKE, HARTWELL, Financial Contacts / Leak Adjustment Contacted: 08-01-2013</td>
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<td>07-30-2013</td>
<td>Customer Contact</td>
<td>BLAKE, HARTWELL, Credit and Collections / Final Notice - Kaul Contacted.</td>
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<td>07-30-2013</td>
<td>Customer Contact</td>
<td>BLAKE, HARTWELL, Credit and Collections / Final Notice to Tenant - Kaul Contacted.</td>
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<td>Field Activity</td>
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<td>09-09-2013 08:25:49AM</td>
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<td>11-15-2011 07:19:38AM</td>
<td>836.000000</td>
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Dear Valued Customer:

As of 09/10/2013, we have not received your payment in the amount of $833.18 on account 1989113729. Have you forgotten? Please check your records. Payment must be received immediately to avoid collection action.

If you have already sent your payment, please disregard this notice and accept our thanks.

Sincerely,

Customer Service Section

18 Oct 2013

I have paid every month's water usage charge. I have not paid the leakage charge that you graciously reduced.

My request to address the Board regarding the balance of the charge is pending.

Blake

10-22-13

MJ

pls. address this for note above.

Thanks.

Tess
URGENT

Water Dept.
Customer Serv. Section
MANAGER’S REPORT No. 14-20

January 23, 2014


RECOMMENDATION:
It is recommended that the Board approve and authorize submission of SRF loan application and identify the dedicated source(s) of revenue which will fund the construction of the project and repayment of the loan with interest due to the recent $1.684M grant availability and provide written approval based on the option chosen in order to submit loan application and execute final agreement in a timely manner.

STATUS OF PROJECT:
We have completed the design of the project and plan to advertise for construction proposals. The SRF loan application requires written approval by the Board or Commission which authorizes the SRF Loan Application and identifies the dedicated source(s) of revenue which will fund the project and repayment of the loan with interest before the execution of final agreement.

The following table provides the anticipated schedule.

<table>
<thead>
<tr>
<th>Activity</th>
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<tr>
<td>RFP Issued</td>
<td>December 20, 2013</td>
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<td>Pre-Proposal Conference</td>
<td>December 30, 2013</td>
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<td>Closing Date for Receipt of Questions / Comments / Material Substitution</td>
<td>January 21, 2014</td>
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<tr>
<td>Notice of Intent to Propose</td>
<td>January 28, 2014</td>
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<tr>
<td>DOW’s Response to Proposer’s Questions</td>
<td>January 28, 2014</td>
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<td>Proposal Due Date</td>
<td>February 6, 2014*</td>
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<td>Selection / Award Notification</td>
<td>March 2014</td>
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<td>Contract Execution Period</td>
<td>March – April 2014</td>
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<td>Contract Tentative Notice to Proceed Date (NTP)</td>
<td>June 2014</td>
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FUNDING:
Job No. PLH-39, Lihue Base Yard Improvements (Phase I)

PLANNING AND DESIGN:
- Contract No. 529, Architects Hawaii, Inc. (W/U) $279,719.00
- Additional Funds Certified (BAB)
- Contract Amendment #1 (Design) $598,413.00
- Contract Amendment #2 (Zoning/EA) $29,325.00
- Contract Amendment #3 (FM-200) $7,292.00

$914,749.00
Total Funding Approved (Planning/Design Phase):

CONSTRUCTION:
The current architect/engineer estimate for the full project is approximately $8M. For funding purposes we have used $8.8M total to account for construction contingency. The final cost estimate was not available by the deadline for this Board meeting.

- The current BAB balance available for this project if the Board were to allocate the remaining funds is $6,482,762.00.
- The current Water Utility CIP Reserve fund balance available is $12,798,232.00
- The State Department of Health has stated that this project will be provided a green energy grant via the Drinking Water State Revolving Fund loan program. The following options are presented.

Option 1: SRF Loan with BAB Funding ($8.8M)
*SRF Loan amount = $4.949 M (Based on approved water rate study SRF loan amounts)
BAB = $3.851M
*Dollar Value includes $1.684M Green Energy Grant

Option 2: SRF Loan with Water Utility Funding ($8.8M)
*SRF Loan amount = $4.949 M (Based on approved water rate study SRF loan amounts)
W/U = $3.851M
*Dollar Value includes $1.684M Green Energy Grant

Option 3: Full SRF Funding
*SRF Loan amount = $8.8 M (Above $4.949M approved water rate study SRF loan amounts)
*Dollar Value includes $1.684M Green Energy Grant

The grant availability is very intriguing but these options for construction funding via Build America Bond (BAB), SRF Loan, and/or SRF Green Project Reserve Grant would increase are long term debt. If no other applicable water utility projects are ready for construction as anticipated, funding of this project by water utility could be in the DOW’s best interest.

As for possible construction funding, it is important to note that the recent water rate study and subsequent increase approved by the Board included funding for the construction of this project within the various “Planned Capital Encumbrances” list used to calculate the increase.

Item 31. Lihue Baseyard Improvements, PLH 39

Estimated Encumbrance 2011 - $ 500,000
Projected Encumbrance 2012 - $1,400,000
Projected Encumbrance 2013 - $2,000,000
Projected Encumbrance 2014 - $4,000,000
Total= $7,900,000

Based on the inclusion of this project for water rate increases that we are currently doing, and seeing increased revenue, this project becomes applicable to use water rate funding as needed and intended.

Option 4: Full Water Utility Funding ($8.8M)
Water Utility: $8,800,000.00

Remaining W/U CIP Reserve Balance after fully funding building: $3,998,232.00
BACKGROUND:
A Master Plan and Environmental Assessment began in 2010 was completed by our consultant in 2011. After official authorization to act on behalf of the property owner, the County of Kauai, to subdivide the land we began the next phase which is the design based on the approved master plan as a guide in 2012. DOW staff has completed the design for a new Administration building for the adjacent triangle parcel and are currently routing plans for signatures. The DOW does not own the adjacent parcel the building is planned for but has attained approval from the County to rezone the parcel from Open (O) to R-1/STP (Special Treatment- Public). The subdivision application has been submitted for the parcel (S-2013-15) and we are working with the Planning Department to address all requirements after attaining Tentative Subd. Approval in May 2013. The Final Subdivision map was submitted in November 2013 for approval. The Class IV/Use Permits will were submitted to Planning for approval in May 2013 and was approved by the Planning Commission in September 2013. The DOW hopes to acquire the parcel prior to/soon after construction completion.

The following graphic depicts the proposed layout at time of Master Plan approval by the Board of Water in July 2011. The general concept layout has remained unchanged since then and is what our current design is based on. New building near Kaumuali’i Highway with parking place between existing facilities and new building. Future County storage building fronting Pua Loke Street. The DOW added sidewalks to accommodate the County’s Complete Streets initiative.
CURRENT COST ESTIMATE:
At the time of the Master Plan process and Board approval prior to design, the estimate for construction as of July 12, 2011 was $7,263,578. Since that time, many of the unknowns have been addressed during the design of the building and improvements are near completion and the current estimate as stated above is $8,707,800.00 as of January 29, 2013. The current estimate is conservative and may not truly represent the current climate for vertical construction and/or civil site work construction. There is a good chance that the actual construction proposals could be below the current estimates and the range based on margins and adjustments for construction as designed is estimated as $6,792,399 - $8,707,800. At the time this report was drafted, the updated final cost estimate was not available. An updated cost estimate should be available in December 2013.

Total Project Construction Estimate: (as of January 29, 2013)

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building</td>
<td>$4,445,609</td>
</tr>
<tr>
<td>Site work</td>
<td>$2,046,790</td>
</tr>
<tr>
<td>FF&amp;E/Signage</td>
<td>$ 300,000</td>
</tr>
<tr>
<td>Margins &amp; Adjustments</td>
<td>$1,915,401</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$8,707,800</strong></td>
</tr>
</tbody>
</table>

The DOW has made every attempt to be fiscally responsible during the design process. The building has been downsized from the initial 17,000 SF to approximately 15,000 SF. The building has been designed as best as possible to meet the current and future needs of staff as represented during the process.

ENERGY EFFICIENCY COMPONENTS:
The new Administration building is not going for LEED certification in order to cut costs but is designed on the same principles to be energy efficient and sustainable with the following features:

- Compact building footprint (2-story) to minimize site development cost, roof heat gain and runoff
- Open public courtyard for natural light and breeze
- Double-plane low-e glass
- High R-value roof and wall insulation
- Low water use plumbing fixtures
- Low maintenance and irrigation landscaping
- Underground retention well to retain runoff
- Rain catchment demonstration garden
- Zoned HVAC
- Solar hot water
- PV System
- Light occupancy sensors
- CFL light fixtures
- Direct/indirect pendent light fixtures over open work areas

GROVE FARM SEWER
The Public Utilities Commission has approved the sewer expansion docket submitted by Puhi Sewer and Water (PS&W) and DOW has worked with PS&W to design a sewer line that meets the minimum standards. The design reflects DOW’s intent to be good stewards and eliminate our individual wastewater system with the proximity of our building to our drinking well and also provide sewer main capacity for our neighbors to connect to in the future should they choose or be required to.
• Grove Farm System: Sewer
  o PROS
    ▪ Incorporated in current design as directed in approved Master Plan
    ▪ Reflects DOW as a good steward due to nearby Grammar School Well
    ▪ Low maintenance for DOW
  o CONS
    ▪ High Costs (App. $750K for construction)

**PLANNING DEPARTMENT CLASS IV/USE PERMIT RECOMMENDATIONS:**
The DOW has worked with the Planning Department during the Use Permit process to incorporate “Complete Streets”.

• Complete Streets –This is a county wide initiative to promote more people friendly land use. DOW has unusual site constraints. There is only one vehicle entrance and exit due to the property shape, uneven topography, etc. Our lot as intended through subdivision is a flag lot and lacks street frontage from Pua Loke Street. With the recent widening of Kaumualii Highway, vehicular access from the highway is not possible. That being said, we were able to incorporate as many features as possible after meeting further with the Planning Department. The new building will have sidewalk access and building entrances fronting both the Pua Loke Street and Kaumualii Highway frontages.

**OPTIONS:**
• Approve Budgeted SRF funding with BAB subsidy (Option 1)
• Approve Budgeted SRF Funding with Water Utility subsidy (Option 2)
• Approve Full SRF funding (Option 3)
• Approve Full Water Utility Funding (Option 4)
• Defer funding approval until contractor proposals received as originally intended

Respectfully submitted,

Dustin Moises, P.E.
Construction Project Management Officer

**CONCURRED:**

Kirk Saiki, P.E.
*Acting* Manager and Chief Engineer

DM:ein

MANAGER’S REPORT No. 14-24

January 23, 2014

Re: Part 4 Fixing Rates for Water Service, Section I General Use Rates, Proposed Rule Amendments

RECOMMENDATION: It is recommended that the Board adopt Part 4 Section I of the DOW’s Rules & Regulations and allow the Department to move forward with a no effect impact statement to the Small Business Regulatory Review Board. (SBRRB)

BACKGROUND: The CC&B (Customer Care & Billing) program has been installed with the Fiscal Billing Division since January of 2013. The program tiers are structured with the Honolulu Board of Water as shown below.

![Image showing the structure of the CC&B program tiers]

The calculations remain to be correct, but to be in concurrence, the Kaua’i DOW proposes Part 4, Section 1 be amended to follow the same structure.

The Fianance Committee has met on January 15, 2014 and has concurred with the DOW’s recommendation and has directed the department to move forth to our Regular Board for action.

Options:
1. Approve
   Pros: The KDOW will be in-line with HBWS’s CC&B Program
   Cons: Another Rule Amendment

2. Not Approve
   Pros: CC&B will not be in-line with the DOW’s Rules and Regulations.
   Cons: Will cause another change order request for the HBWS.

Thank you for your attention to this matter.

Respectfully submitted,

Kirk Saiki, P.E.,
Acting Manager and Chief Engineer

Attached: DOW revised proposed changes on Part 4 Section I (01-23-14)
PART 4
FIXING RATES FOR THE FURNISHING OF WATER SERVICE IN THE COUNTY OF KAUA'I

SECTION I - GENERAL USE RATES

1. **Service Charge.** For each service there shall be a charge per month imposed based on the size of the meter, or its service capacity equivalence in the case of parallel meters, as follows:

<table>
<thead>
<tr>
<th>Meter Size</th>
<th>January 1</th>
<th>July 1</th>
<th>July 1</th>
<th>July 1</th>
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<tbody>
<tr>
<td>5/8&quot;</td>
<td>$12.00</td>
<td>$14.40</td>
<td>$16.00</td>
<td>$17.75</td>
</tr>
<tr>
<td>3/4&quot;</td>
<td>16.75</td>
<td>20.00</td>
<td>22.25</td>
<td>24.75</td>
</tr>
<tr>
<td>1&quot;</td>
<td>24.25</td>
<td>29.50</td>
<td>32.75</td>
<td>36.50</td>
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<tr>
<td>1-1/2&quot;</td>
<td>46.00</td>
<td>53.00</td>
<td>59.00</td>
<td>65.50</td>
</tr>
<tr>
<td>2&quot;</td>
<td>70.00</td>
<td>81.00</td>
<td>90.00</td>
<td>100.00</td>
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<tr>
<td>3&quot;</td>
<td>132.00</td>
<td>146.75</td>
<td>163.00</td>
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<tr>
<td>4&quot;</td>
<td>216.00</td>
<td>240.00</td>
<td>267.00</td>
<td>297.00</td>
</tr>
<tr>
<td>6&quot;</td>
<td>420.00</td>
<td>475.00</td>
<td>528.00</td>
<td>587.00</td>
</tr>
<tr>
<td>8&quot;</td>
<td>680.00</td>
<td>755.00</td>
<td>840.00</td>
<td>934.00</td>
</tr>
</tbody>
</table>

2. **Use Charge.** In addition thereto, there shall be a consumption charge imposed per 1,000 gallons as follows:

<table>
<thead>
<tr>
<th>Use</th>
<th>Effective January 1</th>
<th>Effective July 1</th>
<th>Effective July 1</th>
<th>Effective July 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Block</td>
<td>2012</td>
<td>2012</td>
<td>2013</td>
<td>2014</td>
</tr>
<tr>
<td>0th Block Tier 1</td>
<td>$3.20</td>
<td>$3.40</td>
<td>$3.60</td>
<td>$3.80</td>
</tr>
<tr>
<td>1st Block Tier 2</td>
<td>3.50</td>
<td>3.90</td>
<td>4.35</td>
<td>4.85</td>
</tr>
<tr>
<td>2nd Block Tier 3</td>
<td>4.25</td>
<td>4.50</td>
<td>5.05</td>
<td>5.65</td>
</tr>
<tr>
<td>3rd Block Tier 4</td>
<td>6.85</td>
<td>7.60</td>
<td>8.50</td>
<td>9.50</td>
</tr>
<tr>
<td>4th Block Tier 5</td>
<td>7.20</td>
<td>8.05</td>
<td>8.95</td>
<td>10.00</td>
</tr>
</tbody>
</table>

   The 0th, 1st, 2nd, 3rd, 4th, and 5th block tier consumption thresholds vary with the size of each meter, and shall be as follows in thousands of gallons per monthly billing:

<table>
<thead>
<tr>
<th>Meter Size</th>
<th>0th Block Tier Minimum</th>
<th>0th Block Tier From To</th>
<th>1st Block Tier Minimum</th>
<th>1st Block Tier From To</th>
<th>2nd Block Tier Minimum</th>
<th>2nd Block Tier From To</th>
<th>3rd Block Tier Minimum</th>
<th>3rd Block Tier From To</th>
<th>4th Block Tier Minimum</th>
<th>4th Block Tier From To</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/8&quot;</td>
<td>1</td>
<td>1-7</td>
<td>7-14</td>
<td>14-18</td>
<td>18</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3/4&quot;</td>
<td>2</td>
<td>2-29</td>
<td>29-57</td>
<td>57-85</td>
<td>65</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1&quot;</td>
<td>3</td>
<td>3-68</td>
<td>68-137</td>
<td>137-175</td>
<td>175</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1-1/2&quot;</td>
<td>10</td>
<td>10-189</td>
<td>189-337</td>
<td>337-387</td>
<td>387</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2&quot;</td>
<td>12</td>
<td>12-400</td>
<td>400-750</td>
<td>750-925</td>
<td>925</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3&quot;</td>
<td>50</td>
<td>50-600</td>
<td>600-1200</td>
<td>1200-1,750</td>
<td>1,750</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4&quot;</td>
<td>175</td>
<td>175-1,000</td>
<td>1,000-2,500</td>
<td>2,500-2,750</td>
<td>2,750</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6&quot;</td>
<td>225</td>
<td>225-4,000</td>
<td>4,000-7,500</td>
<td>7,500-10,000</td>
<td>10,000</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>8&quot;</td>
<td>250</td>
<td>250-1,000</td>
<td>1,000-2,500</td>
<td>2,500-12,500</td>
<td>12,500</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3. **Wharfage Fee.** Where applicable, the Department of Transportation’s wharfage fee shall be charged in addition to the above use and service charges.
New Business
# DEPARTMENT OF WATER

County of Kaua‘i

“*Water has no Substitute – Conserve It!*”

## Board of Water Supply

### Officers and Committee Members for 2014

<table>
<thead>
<tr>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Officers – Board of Water Supply:</td>
<td>2014 Officers:</td>
</tr>
<tr>
<td>Chair</td>
<td>Randall Nishimura</td>
</tr>
<tr>
<td>Vice-Chair</td>
<td>Clyde Nakaya</td>
</tr>
<tr>
<td>Secretary</td>
<td>Sherman Shiraishi</td>
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</table>

**Rules Committee:**

<table>
<thead>
<tr>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chair</td>
<td>Michael Dahilig</td>
</tr>
<tr>
<td>Member</td>
<td>Ray McCormick</td>
</tr>
<tr>
<td>Member</td>
<td>Sherman Shiraishi</td>
</tr>
</tbody>
</table>

**Finance Committee:**

<table>
<thead>
<tr>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chair</td>
<td>Larry Dill</td>
</tr>
<tr>
<td>Member</td>
<td>Clyde Nakaya</td>
</tr>
<tr>
<td>Member</td>
<td>Hugh Strom</td>
</tr>
</tbody>
</table>

**Committee of the Whole:**

<table>
<thead>
<tr>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Board Members</td>
<td>Chair: Clyde Nakaya</td>
</tr>
</tbody>
</table>
MANAGER’S REPORT No. 14-25

January 23, 2014

Re: Audit of County Vehicles (2011-2012)

RECOMMENDATION:
The Department recommends that the Board allow the Department to continue to follow the provisions set forth in the County of Kauai Take Home Vehicle Policy 2013 Edition. The County’s Take Home Vehicle Policy was developed to address the findings in the subject audit. The Department has been following the County’s Take Home Vehicle Policy since July 2013.

BACKGROUND:
The County of Kauai completed a Draft Audit Report of County Vehicles (2011 – 2012) and transmitted copies to the Department for review and comment on November 27, 2013. The following is a summary of the Audit findings and recommendations:

Finding 1. The County’s policy over the use of County vehicles is inadequate, leading to possible noncompliance, abuse, waste, and inefficiency.

Sub-finding 1.1. The 2002 Policy summarized and referenced Chapter 105 of the HRS. Therefore, any instances of noncompliance with the policy were also noncompliance State Law.

Recommendation: The County’s July 2013 Take Home Vehicle Policy provides additional clarity in defining the approval process for take home vehicles. It centralizes the documentation of approved take home vehicles.

Sub-finding 1.2. The 2002 Policy did not provide adequate guidance to departments on use of non-take-home vehicles or clear restrictions on use. This resulted in an overall lack of controls and difficulties in determining if abuse was taking place. Each department was responsible for monitoring its own vehicles. Most departments did not have formal procedures for usage and monitoring vehicle. The 2002 Policy did not elaborate on specific examples of what was acceptable and unacceptable use of vehicles.

In addition, the audit noted a lack of security over the Department of Water keys that were returned after hours. The existing policy is that if the vehicle is returned after hours the key box is locked, the keys are left in an unsecured cubby hole until the next workday. While the audit acknowledges that this practice ensures that vehicles are not taken home, it poses a risk that the vehicles are not secured.

Recommendation: The draft Comprehensive Vehicle Policy aims to implement countywide procedures that will make monitoring vehicle usage more consistent across the different departments. Also the Department will develop a more secure method of returning vehicle keys after working hours.
Sub-finding 1.3. Lax monitoring and poor data sources create difficulties in determining if abuse is taking place. There did not appear to be consistent monitoring of vehicle usage through any reporting requirements or procedures.

**Recommendation:** The Department of Finance will require consistency in the manner that overall usage is monitored. For example, monthly odometer readings from each vehicle could be obtained and maintained in a central repository. Anomalies in data should be investigated.

**Finding 2.** Tax implications related to the benefit value of the use of County vehicles have not been addressed. As a result, the County may be liable for additional payroll withholding taxes and State retirement contributions. The Department was waiting on guidance from Department of Finance to determine the additional compensation and corresponding tax issues related to those employees who take vehicles home on a regular basis.

**Recommendation:** The Department of Finance is overseeing a new process as of July 2013 to ensure that the fringe benefit value of the personal use of County vehicles is recognized. The Department has elected to be a part of this process.

**OPTIONS:**

Option 1 - Board approves the Department’s recommendation to continue to follow the provisions set forth in the County of Kauai Take Home Vehicle Policy 2013 Edition.

- **Pros:** Department will comply with County vehicle policies
  Department does not have to develop a vehicle policy

- **Cons:** County Policy may not accommodate all requirements specific to the Department.

Option 2 - Board does not approve the Department’s recommendation to continue to follow the provisions set forth in the County of Kauai Take Home Vehicle Policy 2013 Edition.

- **Pros:** Department can develop a vehicle policy specifically suited for Department needs

- **Cons:** Department’s vehicle policy may not comply with County vehicle policy
  Department will have to develop a vehicle policy

Respectfully submitted,

Kirk Saiki, P.E.
*Acting* Manager and Chief Engineer

KS:ein

**Attachment:**
- Correspondence from Steven A. Hunt, Director of Finance, Re: Request for Use of Take Home Vehicle, dated 10-14-13
- Take Home Vehicle Policy from Steven A. Hunt, Director of Finance, dated 6-3-13

To: David Craddick, Manager & Chief Engineer

From: Steven A. Hunt, Director of Finance

Subject: Take Home Vehicle Policy

The County of Kaua‘i understands that under certain circumstances, it is in the best interest to authorize an employee to utilize a County owned vehicle for the purpose of travel to and from their residence to their assigned work location.

The attached Take Home Vehicle Policy has been developed to ensure that those that are afforded this privilege adhere to the guidelines as set forth in the policy as well as understand the possible tax implications of this fringe benefit.

Procedures to authorize a Take Home Vehicle:

1) Aside from Police and Fire, all employees that are being recommended to begin taking home or continue to take home a County vehicle shall complete Attachment A of the Take Home Vehicle Policy and forward to the Finance Director for approval;
2) The Finance Director shall approve or deny the request and forward to the Mayor for final approval;
3) Upon approval by the Mayor, the Finance Department will inform the requesting department and employee whether or not the vehicle qualifies as a non-personal use vehicle. If the vehicle does not qualify, the employee will be required to complete Attachment B of the Take Home Vehicle Policy and turn in to the Finance Department on a monthly basis for the necessary tax deduction;
4) Employees that are authorized passengers in Take Home Vehicles (including Labor Wagons) are subject to taxation and must complete Attachment B on a monthly basis; and
5) Employees that are afforded the use of County vehicles from any location other than their assigned work location is still considered a take home vehicle and therefore, subject to the policy including obtaining approval by completing Attachment A.

Attachment A must be turned in to the Director of Finance by Friday, June 14, 2013 for continuation of take home vehicle privileges beginning July 1st. After this date, employees that have not received authorization will not be allowed to take home a County vehicle.

This policy will be effective July 1, 2013 and posted on the County’s Sharepoint site.

Thank you.
COUNTY OF KAUA'I

Take Home Vehicle Policy

2013 EDITION
Aloha!

At the County of Kaua‘i, we strive to provide our employees with the necessary tools and resources to optimize their work efforts. Under certain circumstances, employees shall be authorized to take home County owned vehicles as part of their employment requirement. Continuation of this privilege requires a commitment to following established policies that may change over time.

There have been various communications over the years regarding policies and procedures for County owned vehicles to be taken home. This is the first overall policy with regards to this issue. As an employee, it is important for you to know and understand this policy, including the possible tax implications of this fringe benefit.

Please familiarize yourself with this policy and ask your supervisor if you have any questions or concerns. This document supersedes all previous policies and earlier communications on this matter and serves as an interim policy pending the issuance of the County’s comprehensive Motor Vehicle Policy.

Mahalo for your commitment to making the County of Kaua‘i the best place to work on the beautiful Garden Island!

Mayor Bernard P. Carvalho, Jr.
Policy Title: Take Home Vehicle Policy
Policy ID: COKP0000  Version: 1.0  Effective Date: 07/01/2013

PURPOSE:

The County of Kaua‘i is responsible for ensuring that all County owned vehicles are properly authorized and utilized for the sole purpose of conducting official County business and are operated safely and efficiently in accordance with established State and County laws, regulations and relevant policies and procedures.

In certain circumstances, it is in the best interest of the County to allow an employee to utilize a County owned vehicle for the purposes of travel to and from their residence to their assigned work location.

This document hereby establishes policies and procedures regarding the authorization and use of Take Home Vehicles.

SCOPE:

The Take Home Vehicle Policy is applicable to any employee of the County of Kaua‘i authorized to drive and take home a County owned vehicle.

Employees of the County of Kaua‘i Police Department shall also comply with the Kaua‘i Police Department General Order No. 98-04, Take Home Vehicle-Operation Procedure.

FAILURE TO COMPLY:

Enforcement of this policy is the responsibility of each Department/Agency Head and periodic, random monitoring and audits of compliance may be conducted at the discretion of the Finance Director.

Failure to comply with the County’s Take Home Vehicle Policy shall subject an employee to disciplinary action in accordance with respective collective bargaining agreements, as well as possible income tax ramifications.

BACKGROUND:

Not applicable.

DEFINITIONS:

ANNUAL LEASE VALUE METHOD: Used to determine the value of a vehicle that is provided to an employee for commuting use by using its annual lease value multiplied by the percentage of personal miles out of the total miles driven by an employee. For a vehicle that is provided only part of the year, a prorated annual lease value or a daily lease value may be used.
The annual Lease Value Method shall be used for elected officials or for employees whose compensation is more than or equal to the Federal Government Executive Level V.

ASSIGNED WORK LOCATION: The County of Kaua‘i work site that the employee is officially assigned on a daily basis to perform his or her duties, as determined by the employee’s Department Head.

CALL OUT: Directed and/or voluntary requirement of an employee to report to a work site during off duty time to respond to emergencies which require immediate response to protect life and property.

COMMUTING MILES: Miles traveled with a Take Home Vehicle between the employee’s primary place of residence and assigned work location. (In the situation when an employee is responding to an emergency call out during off duty hours, those miles are not considered commuting miles).

COMMUTING RULE: Used to determine the value of a vehicle that is provided to an employee for commuting use by multiplying each one-way commute (from home to work or from work to home) by $1.50. If more than one employee commutes in the vehicle, this value applies to each employee. This amount must be included in the employee’s wages or reimbursed by the employee.

The Commuting Rule can only be used if an employee is not an elected official or whose compensation is less than or equal to the Federal Government Executive Level V.

COUNTY OWNED VEHICLE: Any licensed motor vehicle owned or leased, and maintained and insured by the County of Kaua‘i; and legally certified and approved to be operated upon a public highway or road.

EMPLOYEE: Any person who is on the County’s current payroll as a fulltime, parttime, or seasonal hire.

OFF DUTY: Begins at the end of a scheduled or unscheduled (Call-Out) work shift and terminates at the start of the next scheduled or unscheduled work shift.

OFFICIAL COUNTY BUSINESS: Activities relating to public duty or responsibility conducted with the knowledge and proper authorization of the County, for the benefit of the County and directly related to County matters.

ON DUTY: Begins at the start of scheduled or unscheduled (Call-Out) work shift and terminates at the end of a scheduled or unscheduled work shift.

PERSONAL USE OF COUNTY OWNED VEHICLE: Includes commuting from one’s residence to assigned work location and from assigned work location to one’s residence and any other uses not considered Official County Business.

PUBLIC SAFETY OFFICER: An individual serving a public agency in an official capacity, with or without compensation, as a law enforcement officer, a firefighter, a chaplain, or a member of a rescue squad or crew.
QUALIFIED NONPERSONAL-USE VEHICLE: Any vehicle an employee is likely to use more than minimally for personal purposes because of its design. Personal use of a qualified nonpersonal-use vehicle is not a taxable fringe benefit for the driver (but applicable to any passengers in the vehicles) and include the following:

1) Clearly marked, through painted insignia or words, police, fire, and public safety officer vehicles;
2) Unmarked vehicles used by law enforcement officers if the use is officially authorized;
3) An ambulance or hearse used for its specific purpose;
4) Any vehicle designed to carry cargo with a loaded gross vehicle weight over 14,000 pounds;
5) Delivery trucks with seating for the driver only, or the driver plus plus a folding jump seat;
6) A passenger bus with a capacity of at least 20 passengers used for its specific purpose;
7) School buses;
8) Tractors and other special-purpose farm vehicles;
9) Bucket trucks, cement mixers, combines, cranes and derricks, dump trucks (including garbage trucks), flatbed trucks, forklifts, qualified moving vans, qualified specialized utility repair trucks, and refrigerated trucks;
10) Pickup trucks clearly marked with permanently affixed decals or special painting with the County seal or other County associated markings and meets either of the following requirements: 1) equipped with at least a hydraulic lift gate, permanent tanks or drums, permanent side boards or panels that materially raise the level of the sides of the truck bed, or other heavy equipment (electric generator, welder, boom, or crane used to tow automobiles or other vehicles); or 2) is used primarily to transport a particular type of load in a construction, manufacturing, processing, farming, mining, drilling, timbering, or other similar operation for which it was specially designed or significantly modified;
11) Vans clearly marked with permanently affixed decals or special painting with the County seal or other County associated markings and has only a seat for the driver and one other person and has either permanent shelving that fills most of the cargo area or an open cargo area and the van always carries merchandise, material or equipment used for County functions; and
12) Any other vehicle listed under Section 14 of the Internal Revenue Service (IRS) Taxable Fringe Benefit Guide as a qualified nonpersonal-use vehicle.

QUALIFIED MOVING VAN: Any truck or van used by a professional moving company in the trade or business of moving household or business goods if 1) no personal use of the van is allowed other than for travel to and from a move site (or for de minimis personal use, such as a stop for lunch on the way between two moving sites; 2) personal use for travel to and from a move site is an irregular practice (that is, not more than five times a month on average); and 3) personal use is limited to situations in which it is more convenient to the employer, because of the location of the move site, for the van not to be returned to the employer's business location.

QUALIFIED SPECIALIZED UTILITY TRUCK: Any truck (not including a van or pickup truck) specifically designed and used to carry heavy tools, testing equipment, or parts if 1) the shelves, racks, or other permanent interior construction which has been installed to carry and store such heavy items is such that it is unlikely that the truck will be used more than a de minimis amount for personal purposes and 2) the employer requires the employee to drive the truck home in order to be able to respond in emergency situations for purposes of restoring or maintaining electricity, gas, telephone, water, sewer, or steam utility services.
TAKE HOME VEHICLE: A County owned vehicle designated to a specific employee for which overnight parking at a non-County site and commute from the employee’s residence to the employee’s assigned work location are duly authorized in writing.

LEGISLATION:

Hawai‘i Revised Statutes (HRS) §105-1, Government Motor Vehicles, certain uses prohibited

Hawai‘i Revised Statutes (HRS) §105-2, Government Motor Vehicles, exceptions

Hawai‘i Revised Statutes (HRS) §105-7, Government Motor Vehicles, inscriptions on County motor vehicles

Sections 13 and 14 of the Internal Revenue Service (IRS) Taxable Fringe Benefit Guide

POLICY:

All County owned vehicles shall be used in the execution of official County business and shall be used in the most efficient, economical, and practical manner possible.

Only authorized County of Kaua‘i employees shall operate County owned vehicles and only County of Kaua‘i employees, contractors and other individuals with related official County business shall be allowed to be a passenger in a County owned vehicle.

All vehicles shall comply with vehicle labeling or inscription requirements as specified by HRS, §105-7 and each driver shall obey all State and local motor vehicle laws and ordinances.

As permitted by law (HRS §105-1 and HRS §105-2), the County shall authorize specific employees to take home vehicles and travel to and from work. Employees are encouraged to use the most direct route to and from their assigned work location and respective residence.

Take Home Vehicles may not be utilized for any other personal or non-County related travel or for pleasure.

With the exception of union collective bargaining agreements or in emergency medical situations, passengers are not allowed in an employee’s Take Home Vehicle during off-duty hours including during an employee’s commute to and from his or her residence or assigned work location.

In general, the personal use (including an employee’s work commute) of a County-owned vehicle is generally a taxable fringe benefit unless the vehicle is defined as a qualified non-personal use vehicle. It is the County’s responsibility to determine the actual value of the fringe benefit and include the taxable portion in the employee’s income.

PROCEDURE(S) THAT APPLY:

A. Authorization for Use of Take Home Vehicle

    Unless provided for in HRS §105-2, Departments/Agencies that believe that an employee should be authorized the use of Take Home Vehicle in accordance with the provisions of
this policy shall complete and submit a Request for Use of Take Home Vehicle Form (Attachment A) to the Department of Finance.

Departments/Agencies shall use reasonable judgment and discretion to determine the operational and cost effective usage necessary to best meet the Department/Agency’s objectives. Typically, employees whose job duties require their direct and immediate response to emergency situations during off duty hours would warrant the need for a Take Home Vehicle.

Authorization for the use of a County Take Home Vehicle shall be granted on an annual basis and shall expire at the end of each calendar year.

When the use of a County Take Home Vehicle is no longer required by an employee, the Department/Agency shall notify the Director of Finance so that the authorization can be cancelled. The reason for the cancellation (e.g., the employee’s separation, retirement, transfer or promotion) shall be stated on the form.

B. Tax Requirements

In accordance with Internal Revenue Service (IRS) Code, 274, employees provided with a Take Home Vehicle that meets the definition of a qualified nonpersonal-use vehicle are exempt from income taxation.

Employees that are provided with a Take Home Vehicle that does not meet the qualified nonpersonal-use criteria are subject to the value of the personal use of the Take Home Vehicle as a taxable fringe benefit.

Based on an employee’s status, the Commuting Rule or Annual Lease Value Method shall be used in computing the value of taxable benefits.

The value of this benefit must be included in an employee’s wages. Federal and State income tax, social security, and Medicare payroll deductions will be made to an employee’s paycheck on a monthly basis.

Employees shall be required to complete the Take Home Vehicle Usage Log (Attachment B) and submit to the Department of Finance on a monthly basis.

Incidental and occasional use of non-exempt Take Home Vehicles shall be considered a nontaxable fringe benefit. Examples are situations whereby an employee’s assigned exempt vehicle is down for repairs, an employee is unable to return the vehicle to the designated baseyard before it closes, an employee will be conducting business away from the employee’s normal assigned work location and outside an employee’s normally scheduled work hours, or impending inclement weather necessitates other employees to be on-call.

**REFERENCE:**

<table>
<thead>
<tr>
<th>Role/Responsibility</th>
<th>Employee/Committee Name(s)</th>
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<tr>
<td>Origination</td>
<td>Finance-Accounting Division</td>
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<tr>
<td>Modification</td>
<td>Finance-Accounting Division</td>
</tr>
<tr>
<td>Review</td>
<td>Mayor’s Office, Attorneys, Personnel Services, Risk Management</td>
</tr>
<tr>
<td>Approval</td>
<td>Mayor’s Office, County Attorney’s Office</td>
</tr>
</tbody>
</table>
County of Kaua‘i
Request for Use of Take Home Vehicle

Unless provided for in HRS §185-2, all employees must complete this form on an annual basis for continued authorization to use and take home a County owned vehicle. The following employees need not complete this form:

1) the governor;
2) the mayor of any county;
3) any member of a police department or fire department or of the staff of a hospital, or any officer or employee of the board of water supply of the city and county of Honolulu, when using a motor vehicle for a personal purpose incidental to the person's service or work (but not for pleasure);
4) any officer or employee of the State who, upon written recommendation of the comptroller, is given written permission by the governor to use, operate, or drive for personal use (but not for pleasure) any motor vehicle owned or controlled by the State;
5) any officer or employee of any county who, upon written recommendation of the budget director, is given written permission by the mayor, to use, operate or drive for personal use (but not for pleasure) any motor vehicle owned or controlled by the county;
6) any officer or employee of the State, or of any county, who, in case of emergency, because of the person's illness, or the person's incapacity caused by accident while at work, or because of the illness of a member of the person's immediate family including a reciprocant beneficiary while the person is at work, is conveyed in a motor vehicle to the person's place of abode, or to a hospital or other place, but every such use of a motor vehicle shall be certified to by the officer or by the head of the department, commission, board, bureau, agency, or instrumentality controlling or possessing the motor vehicle immediately thereafter, and the certificate shall be forthwith filed with the comptroller, in the case of the State, or with the budget director, in the case of the county; and
7) the assigned driver of a Van Go Hawaii vehicle or any other state ridesharing program.

Employee: ___________________________ Position: ___________________________

Department: ___________________________ For Calendar Year: ____________

Vehicle No.: ___________________________

Check one:  
   Qualified nonpersonal-use vehicle (tax exempt)
   Non-qualified nonpersonal-use vehicle (subject to taxation)

Qualified nonpersonal-use vehicles include:
   • Clearly marked, through painted insignia or words, police, fire, and public safety officer vehicles;
   • Unmarked vehicles used by law enforcement officers if the use is officially authorized;
   • An ambulance or hearse used for its specific purpose;
   • Any vehicle designed to carry cargo with a loaded gross vehicle weight over 14,000 pounds;
   • Delivery trucks with seating for the driver only, or the driver plus a folding jump seat;
   • A passenger bus with a capacity of at least 20 passengers used for its specific purpose;
   • School buses;
   • Tractors and other special-purpose farm vehicles;
   • Bucket trucks, cement mixers, combines, cranes and derricks, dump trucks (including garbage trucks), flatbeds, forklifts, qualified moving vans, qualified specialized utility repair trucks, and refrigerated trucks;
   • Pickup trucks clearly marked with permanently affixed decals or special painting with the County seal or other County associated markings and meets either of the following requirements: 1) equipped with at least a hydraulic lift gate, permanent tanks or drums, permanent side boards or panels that materially raise the level of the sides of the truck bed, or other heavy equipment (electric generator, welder, boom, or crane used to tow automobiles or other vehicles); or 2) is used primarily to transport a particular type of load in a construction, manufacturing, processing, farming, mining, drilling, timbering, or other similar operation for which it was specially designed or significantly modified;
   • Vans clearly marked with permanently affixed decals or special painting with the County seal or other County associated markings and has only a seat for the driver and one other person and has either permanent shelving that fills most of the cargo area or an open cargo area and the van always carries merchandise, material or equipment used for County functions; and
   • Any other vehicle listed under Section 14 of the Internal Revenue Service (IRS) Taxable Fringe Benefit Guide as a qualified nonpersonal-use vehicle.
Justification for Use of Take Home Vehicle:

_____ Authorized by collective bargaining agreement

_____ Other (explain)

I have read the County of Kaua‘i’s Take Home Vehicle Policy and understand that a County Take Home Vehicle that does not meet the definition of a Qualified Nonpersonal-Use Vehicle is a taxable fringe benefit and requires the completion of the “Take Home Vehicle Usage Log” on a monthly basis.

________________________  ___________________________
Employee’s signature                      Date

Requested by:

________________________  ___________________________
Department Head                      Date

** ________________________________
_____ Approved

_____ Denied

Reason(s):

________________________

________________________

________________________  ___________________________
Director of Finance                      Date

** ________________________________
_____ Approved

_____ Denied

Mayor  ___________________________

** ________________________________

For Office Use Only

_____ Exempt Vehicle

_____ Non-Exempt Vehicle (subject to taxation)

_____ Commuting Rule

_____ Annual Lease Value Method
COUNTY OF KAUA'I
TAKE HOME VEHICLE USAGE LOG

This form must be completed by employees that are assigned to a Take Home Vehicle that does not meet the definition of a Qualified Nonpersonal-Use Vehicle and therefore, considered a taxable fringe benefit.

Employee: ___________________________ For Month & Year of: ___________________________
Department: ___________________________ Vehicle No.: ___________________________

FOR COMPLETION BY ALL EMPLOYEES EXCEPT ELECTED OFFICIALS-Use the codes below to indicate Take Home Vehicle usage for each day of the month. Taxes will be based on Commuting Rule of $1.50 for each one way commute ($3.00 per day).

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<td>Did not use Vehicle</td>
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<td>Two-way commute</td>
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FOR COMPLETION BY ELECTED OFFICIALS-Taxes will be based on the annual lease value of the Take Home Vehicle multiplied by the percentage of personal miles driven for the month.

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<tr>
<th>Personal Miles driven for the month</th>
<th>Total Miles driven for the month</th>
<th>Percentage of Personal Miles</th>
</tr>
</thead>
</table>

I certify that this statement is true and accurate in all respects and understand that a County Take Home Vehicle that does not meet the definition of a Qualified Nonpersonal-Use Vehicle is a taxable fringe benefit.

Employee Signature ___________________________ Date ___________________________

This form is due to the Department of Finance, Payroll Division no later than 5 working days after the end of each month.
MANAGER’S REPORT NO. 14-26

January 23, 2014

Re: Belt Collins Hawai‘i, LLC 6th Contact Amendment for Job No. 02-14 Kapa‘a Homesteads 0.5 Million Gallon Storage Tank and Kapahi 1.0 Million Gallon Storage Tank and Connecting Pipelines Wailua-Kapa‘a Water System, Kapa‘a Kaua‘i, Hawaii

RECOMMENDATION: It is recommended that the Board approve the sixth amendment for Contract No. 427 with Belt Collins Hawai‘i, LLC in the amount of $2,300.

FUNDING:
Funds Certified.................................................................$757,328.00
Contract No. 427 with Belt Collins Hawaii, LLC .......... $757,328.00
Proposed Amendment #6........................................... $ 2,300.00
Total Proposed Amended Project.......................... $759,628.00 <$759,628.00>
Additional Funds Requested........................................ $ 2,300.00
Funds Available, BAB.......................................................$21,178,478.57
Remaining Balance Available, BAB..............................$21,176,178.57

BACKGROUND:
The current design of the tank foundations by Belt Collins Hawaii, LLC required the use of a deep foundation system to support the tanks. This is based from the results of the geotechnical engineering analysis submitted by Belt Collins Hawai‘i, LLC sub-contractor, Geolabs, Inc. dated September 30, 2011. Two deep foundation alternatives for the tank were presented by Geolabs, Inc.. The alternatives were between drilled shaft and micro pile foundations. The consultant recommended the use of drilled shaft foundations (caissons). The estimated total foundation construction cost is $2.2 million.

Due to the expected high cost of constructing the caissons, the DOW wants a second opinion from another geotechnical firm done to see if they agree with the findings/recommendations of needing a deep foundation for the tanks. Belt Collins Hawai‘i, LLC has submitted a proposal to use Hirata and Associates, Inc. for the second opinion.

If Hirata and Associates does not agree with the recommendations of Geolabs, Inc. the Department will pursue having another engineering analysis and recommendation done by Hirata and Associates. This would require negotiation of a new proposal and additional funding for the new soil analysis and recommendation. Due to the potential savings if a deep foundation for the storage tanks is determined to not be needed, the Department feels that money spent on the second opinion is a good idea.

We reviewed Belt Collins Hawaii, LLC proposal for the additional scope of work and find it acceptable.
OPTIONS:

1. Not to consider a second opinion.
   Cons: Additional $2.2M estimated foundation construction cost.
2. To consider second opinion, if shallow foundation is possible.
   Pros: Eliminate the use of deep foundation and the additional cost of $2.2M.

Respectfully submitted,

Keith Aoki
Civil Engineer VI

Funds Availability Certified:

Marites Yano
Water Works Controller

Approved:

Kirk Saiki, P.E.
Acting Manager and Chief Engineer

KA: ein

Attachment: Sixth Amendment to Contract No. 427

Mgrrp/January 2014/Amendment to Contract No. 427 for Job No. 02-14 Kapa'a Homesteads 0.5 Million Gallon Storage Tank and Kapahi 1.0 Million Gallon Storage Tank and Connecting Pipelines Wailua-Kapa'a Water System, Kapa'a Kaua'i, Hawai'i (1-23-14): ein
SIXTH AMENDMENT TO CONTRACT NO. 427

JOB NO. 02-14
KAPA'A HOMESTEADS 0.5 MILLION GALLON STORAGE TANK
AND
KAPAHU 1.0 MILLION GALLON STORAGE TANK
AND CONNECTING PIPELINES
WAILUA-KAPA'A WATER SYSTEM
KAPA'A, KAUAI, HAWAII

THIS SIXTH AMENDMENT TO CONTRACT NO. 427 by and between the
BOARD OF WATER SUPPLY OF THE COUNTY OF KAUAI, (hereinafter “Board”) and
BELT COLLINS HAWAII LLC, a Hawaii corporation, whose principal place of business is
2153 North King Street, Suite 200, Honolulu, Hawaii 96819 (hereinafter “Contractor”).

WITNESSETH:

WHEREAS, the Board and the Contractor entered into Contract No. 427 on February 17,
2004 for preparation of construction plans and specifications, permitting and associated support
activities for the Kapa'a Homesteads 0.5 MG Storage Tank and preparation of a location and site
selection study for the Kapahi 1.0 MG Storage Tank; and

WHEREAS, the Board and the Contractor entered into a First Amendment to Contract
No. 427 on November 7, 2007 for preparation of construction plans and specifications,
permitting, and associated support activities for the Kapahi 1.0 MG Storage Tank; and bid and
construction period support for construction of the Kapahi 1.0 MG Storage Tank and the Kapa'a
Homesteads 0.5 MG Storage Tank; and

WHEREAS, the Board and the Contractor entered into a Second Amendment to Contract
No. 427 on June 5, 2008 for incorporation of generator shelter plans and specifications produced
under Job No. 03-03 into the plans and specifications for the Kapa'a Homesteads 0.5 MG
Storage Tank; and

WHEREAS, the Board and the Contractor entered into a Third Amendment to Contract
No. 427 on November 26, 2008 to evaluate the feasibility to locate the tank at a neighboring site;
and

WHEREAS, the Board and the Contractor entered into a Fourth Amendment to Contract
No. 427 on March 10, 2010 for investigating and revising the design of the 1.0 MG tank to a
trapezoidal tank requiring additional design work, including surveying, drainage resolution etc.;
and

WHEREAS, the Board and the Contractor entered into a Fifth Amendment to Contract
No. 427 on March 3, 2011 to conduct additional topographic survey to prepare the building
setback study, conduct studies to compare the costs of different tank elevations to establish the
most cost effective tank elevation, conduct additional investigations to verify the design of piles
required for the tank foundation and rendering of tank alternatives for use at a community
meeting; and

WHEREAS, the Department requested the Contractor to seek a second opinion for
gеotechnical consultation services for need for caissons for the foundation of proposed Kapahi
Homestead Tank from another Geotechnical Company; and

WHEREAS, the Board needs the Contractor to add services during construction to the
scope of work; and

WHEREAS, the Contractor is willing and able to do the required work; and

WHEREAS, the time of completion of work under contract No. 427 will end December
31, 2013; and
WHEREAS, unanticipated delays in agency review of construction drawings caused the work to proceed at a pace slower than originally planned and resulting in the contract work extending beyond the contractual limit; and

WHEREAS, the Board is willing to extend the contract through this Amendment until June 30, 2014; and

WHEREAS, the Board desires and the Contractor is willing to amend the scope of work and budget as set forth in Exhibit “A-1” and Exhibit “B-1”, respectively, attached hereto; and

WHEREAS, additional funds of $2,300.00 are appropriated and available to compensate Contractor for the additional work;

WHEREAS, Paragraph 2 of the Contract allows for changes in the scope of work which are mutually agreed to by the parties; and

WHEREAS, Paragraph 13 of the General Terms and Conditions for Professional Services allows for contract modification within the general scope of agreement, subject to mutual agreement of the parties; and

NOW THEREFORE, for and in consideration of the mutual promises, consideration and understandings set forth in the Contract, the Contract is hereby amended as follows:

1. Paragraph 5, Time of Completion of Contractor’s Work, is deleted in its entirety and replaced with:

   “5. Time of Completion of Contractor’s Work. All work shall be completed and submitted on or prior to June 30, 2014. In any event, all work shall be completed as expeditiously as possible.”

2. Exhibit “A” which was attached to Contract No. 427 is deleted in its entirety and replaced with Exhibit “A-1” which is attached hereto and made a part hereof.

3. Exhibit “B” which was attached to Contract No. 427 is deleted in its entirety and replaced with Exhibit “B-1” which is attached hereto and made a part hereof.

The parties further mutually agree that all other provisions of this Contract and the amendments shall remain in full force and effect except as amended herein.

IN WITNESS WHEREOF, the parties have executed this Amendment to the Contract this ______ day of ________, 2014.

APPROVED:

Acting Manager and Chief Engineer

APPROVED AS TO FORM AND LEGALITY:

Deputy County Attorney

BOARD OF WATER SUPPLY
COUNTY OF KAUA’I

By _____________________________
Its Chairperson

CONTRACTOR:
BELT COLLINS HAWAII LLC

By _____________________________
Its

By _____________________________
Its
STATE OF HAWAI'I
COUNTY OF KAUA'I

On this ______ day of ____________, 2014, before me appeared
_____________________________________, who being by me duly sworn, and
that said officer is the Chairperson of the BOARD OF WATER SUPPLY, COUNTY OF
KAUA'I, and that the foregoing instrument was signed on behalf of said Board with authority of
said Board, and that said officer acknowledged the instrument to be the free act and deed of said
Board, and that said Board has no corporate seal.

Notary Public, State of Hawai‘i
Name of Notary: ___________________________
My commission expires: ______________________
STATE OF HAWAI'I

On this ______ day of ________, 2014, before me appeared
_________________________ to me personally known, who, being by me duly sworn, did say he is
the __________________ of BELTCOLLINS HAWAII LLC, a Hawai'i corporation; that
the seal affixed to the foregoing instrument is the seal of said corporation; that said instrument was
signed and sealed on behalf of said corporation by authority of its Board of Directors; and said
officer acknowledged said instrument to be the free act and deed of said corporation.

Notary Public, State of Hawai'i
Name of Notary: __________________________
My commission expires: _______________
EXHIBIT "A-1"

SCOPE OF WORK

JOB NO. 02-14
KAPA'A HOMESTEADS 0.5 MILLION GALLON STORAGE TANK
AND
KAPAHI 1.0 MILLION GALLON STORAGE TANK
AND CONNECTING PIPELINES
WAILUA-KAPA'A WATER SYSTEM
KAPA'A, KAUA'I, HAWA'I

ORIGINAL CONTRACT

The Contractor shall take full charge for designing the Project, and shall be responsible for all surveying and verifying available topographic maps, performing an environmental assessment, processing a use permit application, and completing soils investigation reports, detailed construction plans, specifications, estimates of quantities and cost, a bid proposal, and shall furnish all personnel, materials, transportation and equipment needed in connection therewith. The Contractor shall locate the tank site for and design a 0.5 million gallon reinforced concrete tank with appurtenant piping, electric controls, access roadways and connecting pipelines. The Contractor shall also represent the Kaua'i Department of Water (hereinafter "Department") at all public hearings. Specifically, the Contractor shall perform the following work items:

1. Complete a topographic survey of the 0.5 million gallon storage tank site, which shall be approximately 60,000 square feet in area, and accompanying topographic plans. The surveys shall include the location of boundary corners of lots, all existing utilities, both above and below ground, all connections and existing pipelines, culverts, ditches, edges of roads, and any other structures and facilities which may affect the design of the tank.

2. Locate and establish a bench mark at the 0.5 million gallon storage tank site. True elevations and azimuths shall be used in all construction drawings.

3. Design and prepare final construction plans and specifications for the 0.5 million gallon storage tank, which shall include the following features:
   a. Connecting pipelines and appurtenances;
   b. Tank site grading and site plan design;
   c. The 0.5 million gallon reinforced concrete tank and appurtenances with spillway elevation set at approximately 530.0 feet MSL;
   d. Access roadways;
   e. Chain-link fence;
   f. Tank drainage system;
   g. Consolidate the tank controls and/or telemetry with the two existing 1.0 MG Kapa'a Homesteads Tank and the 0.2 MG Ornelas Tank;
   h. Evaluate and provide for the necessary tank-level control and alarm equipment, including modifications to the existing tanks, booster pumps and well controls, consistent with the Department's supervisory control and data acquisition ("SCADA") system; and
   i. Specifications, proposals and cost estimates

4. Prepare a location and site selection study for the 1.0 million gallon storage tank. After the
tank site is selected, the Board will negotiate a fee with the Contractor to design the 1.0 million gallon tank.

5. Environmental services, consisting of research and preparation of an Environmental Assessment ("EA"). The EA will address all pertinent issues. All environmental services and documents relating to such services shall be prepared pursuant to State of Hawai‘i, County of Kaua‘i, and federal guidelines and National Environmental Policy Act ("NEPA") requirements.

If the proposed action will have little or no effect upon the environment, a Negative Declaration for the tanks shall be filed on the Department’s behalf with the State of Hawai‘i Office of Environmental Quality Control ("OEQC").

If research determines that an EIS is required for this Project, the Department reserves the right to negotiate a separate fee for the preparation of an EIS.

6. A soils investigation, soil analysis, boring, pipe or rod sounding shall be conducted by the Contractor for the 0.5 million gallon storage tank site and be all inclusive to determine the adequacy of the site to support the proposed structures.

7. Calculating, reducing and plotting of survey data on tracing cloth or mylar film to the following drawing scale:

   Tank Site:  1”=20’ with 2 feet contours;
   Cross sections as required.

8. Coordination with all affected government agencies.

9. Prepare and submit a State of Hawai‘i Conservation District Use Application ("CDUA") for the Project.

10. Final parcel and easement maps for the 0.5 million gallon storage tank site, including boundary descriptions for the acquisition of the tank site; provided that the following work items are not included under this Contract:
    a. Boundary and construction stakeout; and
    b. Landscaping and irrigation.

The Contractor shall, on an as-needed basis, provide consultation and advice to the Department during applicable permit application and construction stages of the Project.

11. Prepare a hydraulic analysis to ensure the effective transmission of 2,000 gallons per minute fire flow from the Kapa’a 330 zone to the Kapa’a 313 zone. The site for the 330 zone tank has not been specifically identified, but it is anticipated that it will be in near proximity to the existing Kapa’a Homesteads 1.0 MG tank. The site for the 313 tank will be determined by the Contractor, after the completion of the hydraulic analysis.

The Contractor, in preparing the necessary plans, shall comply with all applicable standards of the County of Kaua‘i and applicable State agencies.

The Contractor shall submit for the Department’s approval the sizes of plans and profiles, as well as drawing scales and title blocks of the final construction drawings.

The Contractor shall endorse all plans, estimates and engineering data furnished to the Department. Such endorsements shall consist of the name of the Contractor and a signature and stamp of the registered engineer and/or surveyor responsible for the work contained thereon.

12. Prepare a draft Notice of Intent (NOI) for an NPDES General Permit for construction of the 0.5 million gallon storage tank. The intent of the draft NOI is to provide a preliminary submittal document for the selected Contractor to supplement and finalize and submit to the
State Department of Health for approval. The disposal of any hydrostatic water used by the Contractor for testing and chlorination purposes is specifically excluded from the scope.

FIRST AMENDMENT

The Contractor shall take full charge for designing the Project, and shall be responsible for all surveying and verifying available topographic maps, performing an environmental assessment, processing a use permit application, and completing soils investigation reports, detailed construction plans, specifications, estimates of quantities and cost, a bid proposal, and shall furnish all personnel, materials, transportation and equipment needed in connection therewith. The Contractor shall design a 1.0 million gallon reinforced concrete tank with appurtenant piping, electric controls, access roadways and connecting pipelines. The Contractor shall also represent the Kauai Department of Water (hereinafter “Department”) at all public hearings. Specifically, the Contractor shall perform the following work items:

1. Schedule Development – prepare and maintain a schedule for design, permitting, construction and all other pertinent activities for purposes of monitoring progress and planning the work. Schedule shall include all significant project activities and milestones, submittal dates of work products, Department review periods, permit submittal dates and review periods, construction bid advertisement and bid opening dates, and other information necessary to ensure efficient progress of the work. This schedule shall be submitted to the Department for review within 15 business days of the start of work.

2. Complete a topographic survey of the planned 1.0 MG storage tank site, which shall be approximately 80,000 square feet in area, and accompanying topographic plans. The surveys shall include the location of boundary corners of lots, all existing utilities, both above and below ground, all connections and existing pipelines, culverts, ditches, edges of roads, and any other structures and facilities which may affect the design of the tank.

3. Locate and establish a bench mark at the 1.0 million gallon storage tank site. True elevations and azimuths shall be used in all construction drawings.

4. Prepare Preliminary Engineering Report (PER) for the Kapalii 1.0 Million Gallon Tank. The PER will develop alternatives for generating 1.0 million gallons of additional storage within the existing Onellass Tank site or within a portion of the adjacent lots. Alternative tank configurations such as a square tank will also be considered. Temporary construction easement and permanent easement/land acquisition requirements will be identified. Construction costs and land acquisition or easement costs will be included in the estimate. Visual impacts of each alternative will be considered. The PER will identify a preferred alternative.

5. Review the alternatives with the land owner and discuss the impacts of the alternatives.

6. Coordinate with the appraiser and provide assistance during land acquisition negotiations.

7. Design and prepare final construction plans and specifications for the 1.0 million gallon storage tank, which shall include the following features:
   a. Connecting pipelines and appurtenances;
   b. Tank site grading and site plan design;
   c. The 1.0 million gallon reinforced concrete tank and appurtenances with spillway elevation set to match the existing Onellass Tank;
   d. Access roadways;
   e. Chain-link fence;
   f. Tank drainage system;
g. Consolidate the tank controls and/or telemetry with the two existing 1.0 MG Kapa'a Homesteads Tank and the 0.2 MG Ornellas Tank;

h. Evaluate and provide for the necessary tank-level control and alarm equipment, including modifications to the existing tanks, booster pumps and well controls, consistent with the Department's supervisory control and data acquisition ("SCADA") system; and

i. Specifications, proposals and cost estimates.

8. Environmental services, consisting of research and preparation of an Environmental Assessment ("EA"). The EA will address all pertinent issues so as to avoid, if possible, the requirement of an Environmental Impact Statement ("EIS"). All environmental services and documents relating to such services shall be prepared pursuant to State of Hawai‘i, County of Kaua‘i, and federal guidelines and National Environmental Policy Act ("NEPA") requirements.

If the proposed action will have little or no effect upon the environment, a Negative Declaration for the tanks shall be filed on the Department's behalf with the State of Hawai‘i Office of Environmental Quality Control ("OEQC").

If research determines that an EIS is required for this Project, the Department reserves the right to negotiate a separate fee for the preparation of an EIS.

9. Prepare Class IV Zoning and Use permit application, and participate in public hearing.

10. A soils investigation, soil analysis, boring, pipe or rod sounding shall be conducted by the Contractor for the 1.0 million gallon storage tank site and be all inclusive to determine the adequacy of the site to support the proposed structures.

11. Calculating, reducing and plotting of survey data on tracing cloth or mylar film to the following drawing scale:

   Tank Site: 1" = 20' with 2 feet contours;
   Cross sections as required.

12. Coordination with all affected government agencies.

13. Prepare and submit a State of Hawai‘i Conservation District Use Application ("CDUA") for the Project.

14. Final parcel and easement maps for the 1.0 million gallon storage tank site, including boundary descriptions for the acquisition of the tank site; provided that the following work items are not included under this Contract:

   a. Boundary and construction stakeout; and
   b. Landscaping and irrigation.

The Contractor, in preparing the necessary plans, shall comply with all applicable standards of the County of Kaua‘i and applicable State agencies.

The Contractor shall submit for the Department's approval the sizes of plans and profiles, as well as drawing scales and title blocks of the final construction drawings.

15. Prepare a draft Notice of Intent (NOI) for an NPDES General Permit for construction of the 1.0 million gallon storage tank. The intent of the draft NOI is to provide a preliminary submittal document for the selected Contractor to supplement, finalize, and submit to the State Department of Health for approval. The disposal of any hydrostatic
water used by the Contractor for testing and chlorination purposes is specifically
excluded from the scope.

16. Incorporate Generator Shelter Hardening drawings and specifications (by others) into the
Kapa’a Homesteads 0.5 MG Tank construction documents. Coordination with generator
shelter designer will be by DOW.

17. Provide services during bidding and construction of the 0.5 million gallon Kapa’a
Homesteads Tank and the 1.0 million gallon Kapahi Tank. Effort may include responses to
bidders’ questions, preparation of contract addenda, review of substitution requests,
periodic construction observation, assistance evaluating change orders, and assistance with
preparation of As-Built drawings.

SECOND AMENDMENT

18. The Contractor shall review and modify the construction specifications and drawings, and
provide as-needed construction support and consultation for Job No. 03-03 Hardening of
Generator Shelters at the Makaleha Tank Site.

THIRD AMENDMENT

19. Complete a topographic survey of the proposed “Porter’s Condominium” site (TMK 4-6-
32:Lot 12), which shall be approximately 3.2 acres in area, and accompanying
topographic plans. The surveys shall include the location of boundary corners defining
the westerly and southerly borders of Lot 12 (adjoining Lots 28, 11, 8, and 7), all existing
utilities, both above and below ground, all connections and existing pipelines, culverts,
ditches, edges of roads, and any other structures and facilities which may affect
the design of a tank.

FOURTH AMENDMENT

20. Revise the design of the 1.0 MG tank to fit the available open area on the Orenellas Tank
site (TMK: 4-6-11:003), including evaluate and provide for optimizing the drain for the
tank and site, including options to drain to the existing ditch right-of- way on the
neighboring property (TMK: 4-6-032:002, 138 through 148).

FIFTH AMENDMENT

21. Complete a topographic survey of the Kapa’a Homestead 0.5 MGTank site (TMK 4-6-
03:Lot 4,10,21 and 34), which will include obtaining 10 cross sections of the adjacent
Makaleha Stream and Kapa’a Stream, and the creation accompanying cross section plans.

22. Establish a Building Setback Line from the existing streams adjacent for parcel being
subdivided for the Kapa’a Homesteads 0.5 MG tank and revise the subdivision map to
add building setback line and road reserves requested by the Department of Public
Works.

23. Conduct additional borings at the Kapahi Tank site and update the geotechnical report,
including the recommendations for the tank foundation.

24. Conduct a cost analysis comparing the different tank layout options with the different
grade elevation options to determine the most cost effective site design.

25. Prepare renderings of two – 0.5 MG tanks and one trapezoidal tank on the existing tank
site.

SIXTH AMENDMENT

26. Provide a second opinion review to the results of geotechnical engineering analysis
submitted by Geolabs, Inc. dated September 30, 2011 recommending the for use of
for caissons
26.27 After acceptance of the final construction plans and specifications, the Contractor shall be available for consultation, review of shop drawings, and preparation of as-built drawings during the construction phase of the Project, or a period of three (3) years from the Department’s final acceptance of the Project’s plan and specifications, whichever period is less.

EXHIBIT "A-1"
## Exhibit "B-1"

### Budget Estimate - Sixth Amendment

**Job No. 02-14**

**Kapa'a Homesteads 0.5 Million Gallon Storage Tank**  
**And**  
**Kapahi 1.0 Million Gallon Storage Tank**  
**And Connecting Pipelines**  
**Wailua-Kapa’a Water System**  
**Kapa’a, Kaua‘i, Hawai‘i**

<table>
<thead>
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<tr>
<td>1. Design Development and Analysis</td>
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<td>2. Environmental Services and Permits</td>
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<td>3. Construction Documentation</td>
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<td>4. Subconsultants</td>
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**First Amendment**

**Final Design, Permitting, and Environmental**  
**Documentation for Kapahi 1.0 MG Storage Tank**

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<td>6. Environmental and Permitting</td>
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<td>7. Subdivision Maps and Application</td>
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<td>8. Construction Plans and Specifications</td>
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<td>9. Opinion of Probable Cost</td>
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**Second Amendment**

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<td>17. Generator Shelter Review, Modifications and As-Needed Construction Support and Consultation by Original Consultant (Kodani &amp; Associates, Inc.)</td>
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**Third Amendment**

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<td>18. Porter’s Condominium Site Survey</td>
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**Fourth Amendment**

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<td>19. Revise the Design of the 1.0 MG Tank</td>
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**Fifth Amendment**

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<td>20. Kapa’Homestead 0.5 MG Tank site survey</td>
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<td>21. Building Setback Line Addition</td>
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<td>22. Additional Geotechnical Investigation at Kapahi Tank</td>
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<td>23. Tank Site and Elevation Option Cost Analysis</td>
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<td>24. Prepare Renderings of Kapahi Tank Site</td>
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**Sixth Amendment**

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<tr>
<td>25. Second opinion for geotechnical consultation services for need for caissons of the proposed tanks foundation.</td>
<td>$2,300.00</td>
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**Lump Sum Contract Total**  
$759,628.00
MANAGER’S REPORT No. 14-27

January 23, 2014

Re: Right of Entry Agreement between the Kaua‘i Board of Water Supply and Hawaiian Telcom, Inc. affecting TMK: (4)-3-8-002:018, Hanamā‘ulu, Kaua‘i, Hawaii

RECOMMENDATION:
Recommend approval of Right-of-Entry to Hawaiian Telcom, Inc. for the subject project.

FUNDING: N/A

BACKGROUND:
Hawaiian Telcom, Inc. needs to replace two existing poles and associated guys/anchors with new pole and cable located within the Department of Water property at Hanamaulu, Lihue with TMK: (4)-3-8-02:018. A Right-of-Entry agreement is needed for Hawaiian Telcom, Inc. to enter the Department’s property to complete their project.

The Board has no liability in signing the Right-of-Entry as the Grantee (Hawaiian Telcom, Inc.) agrees to defend, indemnify and hold harmless the Owner (DOW) from and against claims. Also upon completion of the project, the Department will pursue granting an easement to Hawaiian Telcom, Inc. through the Department’s property, as needed.

We reviewed Hawaiian Telcom, Inc. proposal for the subject project and recommend approval of the Right-of-Entry.

Respectfully submitted,

Keith Aoki, Civil Engineer VI

CONCURRED:

Kirk Saiki, P.E.
Acting Manager and Chief Engineer

Attachment: Right of Entry Agreement between the Kaua‘i Board of Water Supply and Hawaiian Telcom

Mgrp/January 2014/14-27 Right of Entry Agreement between the Kaua‘i Board of Water Supply and Hawaiian Telcom, Inc. affecting TMK: (4)-3-8-002:018, Hanamā‘ulu, Kaua‘i, Hawai‘i (1-23-14):ein
RIGHT-OF-ENTRY

THIS INDENTURE made this 8th day of January, 2014,
by and between the BOARD OF WATER SUPPLY of the County of Kauai, whose mailing
dress is 4398 Pua Loke Street, Lihue, Kauai, Hawaii 96766 (hereinafter the “Owner”),
and Hawaiian Telcom, Inc. whose mailing address is 4040 Halau Street, Lihue, Kauai,
Hawaii 96766 (hereinafter the “Grantee”), and;

WITNESSETH:

For and in consideration of the sum of One Dollar ($1.00) to the Owner paid,
the receipt whereof is hereby acknowledged, the Owner does hereby grant to Hawaiian
Telcom, a temporary construction right-of-entry subject to the following terms and
conditions:

1. The right-of-entry shall be an area over, across and under that certain
property situated, lying and being at Hanamaulu, Lihue, Kauai, Hawaii at Tax Map Key No.
TMK: (4) 3-8-002:018. The specific area of the right-of entry is cross-hatched on the
map attached hereto and incorporated herein as Exhibit “A”.

2. The right-of-entry shall be used by the Grantee for purposes of replacing
existing two poles and associated guys/anchors with one pole and guy/anchor within the
Department of Water property and replacing existing cable on old poles with new cable
on the new pole.

3. The Grantee shall defend, indemnify and hold harmless the Owner from
and against any claims for injuries or damages of any kind occasioned, in whole or in
part, by Grantee’s, its contractor’s, subcontractor’s or agent’s negligent actions or
omissions arising out of its exercise of this right-of-entry.

-1-
4. The Grantee agrees, upon completion of all its work, to restore the Owner's property to its original condition and to repair any and all damaged pavement, shoulder areas, and existing underground structures, pipes or utilities that may be damaged by its work.

5. This right-of-entry shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

6. The Owner warrants and covenants with the Grantee that Owner is the fee simple owner of the property upon which the right-of-entry is located, has full right to convey said right-of-entry and will warrant and defend the right-of-entry granted herein against all adverse claims.

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

8. This right-of-entry shall be effective upon its execution by all of the parties hereto and ending upon the completion of Hawaiian Telcom, Inc. removal and replacing of the overhead telephone poles and associated guys/anchors.

OWNER:

BOARD OF WATER SUPPLY, COUNTY OF KAUAʻI

By: Clyde Nakaya

Its: Chairperson
APPROVED:

[Signature]
Manager and Chief Engineer

GRANTEE:
HAWAIIAN TELCOM, INC.

[Signature]
By: James Sone
Its: Lead Network Engineer

APPROVED AS TO FORM
AND LEGALITY:

[Signature]
Deputy County Attorney
STATE OF HAWAII  
  
COUNTY OF KAUA\I  

On this _____ day of ____________________________, 
before me appeared ____________________________ to me personally known, who 
being by me was duly sworn, and said Officer is the ____________________________ 
of the BOARD OF WATER SUPPLY, COUNTY OF KAUA\I, and that the foregoing 
instrument was signed on behalf of said Board with authority of said Board, and that said 
officer acknowledged the instrument to be the free act and deed of said Board, and that 
said Board has no corporate seal.

_____________________________________
Notary Public, State of Hawaii

Name of Notary: ________________________
My Commission expires: __________________
STATE OF HAWAII
COUNTY OF KAUAI

On this 6th day of January, 2014, before me appeared James Sone to me personally known, who being by me was duly sworn, did say that he is the Lead Network Engineer of Hawaiian Telecom, Inc., a Corporation and that said instrument was signed on behalf of said Company by authority of its Members, and the said Manager acknowledged said instrument to be the free act and deed of said Company.

Lisa Fernandez
Notary Public, State of Hawaii

Notary Public, Fifth Circuit, State of Hawai‘i
Notary's Name: Lisa Fernandez

NOTARY CERTIFICATION
Staff Reports
DEPARTMENT OF WATER  
Budget Status Summary  
November 30, 2013

I. WATER UTILITY FUND

<table>
<thead>
<tr>
<th></th>
<th>Current Month</th>
<th>Year to Date</th>
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<tbody>
<tr>
<td>Beginning Balance</td>
<td></td>
<td>$ 26,657,175.42</td>
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<tr>
<td>Add: Revenues</td>
<td>$ 5,085,332.58</td>
<td>$ 15,942,117.70</td>
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<td>$ 15,942,117.70</td>
<td>$ 15,942,117.70</td>
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<td>TOTAL RESOURCES:</td>
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<td>$ 42,599,293.12</td>
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<tr>
<td>Less: Expenditures</td>
<td>$ 1,156,384.39</td>
<td>$ 15,518,366.63</td>
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<tr>
<td></td>
<td>$ 15,518,366.63</td>
<td>$ 15,518,366.63</td>
</tr>
<tr>
<td>TOTAL EXPENDITURES:</td>
<td></td>
<td>$ 15,518,366.63</td>
</tr>
<tr>
<td>Ending Balance</td>
<td></td>
<td>$ 27,080,926.49</td>
</tr>
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</table>

II. FACILITIES RESERVE CHARGE

|                      |               |               |
| Beginning Balance    | $ 2,663,693.54 |               |
| Add: Revenues        | $ 60,850.51    | $ 550,625.01  |
|                      | $ 550,625.01   | $ 3,214,318.55 |
| TOTAL RESOURCES:     |               | $ 3,214,318.55 |
| Less: Expenditures   | $ -            | $ 60,361.00   |
|                      | $ 60,361.00    | $ 60,361.00   |
| TOTAL EXPENDITURES:  |               | $ 60,361.00   |
| Ending Balance       |               | $ 3,153,957.55 |

III. WATERWORK BUILD AMERICA PROJECT FUND

|                      |               |               |
| Beginning Balance    | $ 26,029,967.39 |               |
| Add: Revenues        | $ -            | $ -           |
|                      | $ -            | $ 26,029,967.39 |
| TOTAL RESOURCES:     |               | $ 26,029,967.39 |
| Less: Expenditures   | $ 93,506.36    | $ 927,368.24  |
|                      | $ 927,368.24   | $ 25,102,599.15 |
| Ending Balance       |               |               |

TOTAL - ALL FUNDS at November 30, 2013

|                      |               | $ 55,337,483.19 |
STATEMENT OF REVENUES AND EXPENDITURES
WATER UTILITY FUND
November 30, 2013

REVENUES:
Cash on hand-Unrestricted as of July 1, 2013 $ 24,257,175.42
Cash on hand-Restricted (Emergency Reserve) $ 2,400,000.00
Add: Revenues To Date $ 15,942,117.70
Sub-Total $ 42,599,293.12

EXPENDITURES:
Less: Expenditures to Date $ 15,518,366.63

BALANCE AT THE END OF THE MONTH $ 27,080,926.49

SHORT TERM INVESTMENTS - WATER UTILITY FUND
BANK OF HAWAII

CENTRAL PACIFIC BANK

FIRST HAWAIIAN BANK

T30020197 0.12000% INT. DUE 01/29/14 $ 1,200,000.00

MERRILL-LYNCH
CUSIP# C31337KS9 0.5200% INT. DUE 04/06/15 $ 1,000,000.00
CUSIP# C3136G1XH7 0.7000% INT. DUE 11/18/16 $ 1,000,000.00
CUSIP# C3133855E7 0.1520% INT. DUE 01/24/14 $ 998,500.00

SUB-TOTAL FOR PAGE A $ 4,198,500.00
## SUB-TOTAL FROM PAGE A

$4,198,500.00

### SHORT TERM INVESTMENTS - WATER REVENUES

#### MULTI-BANK

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### TOTAL SHORT-TERM INVESTMENTS - WATER UTILITY

$11,339,290.28

- CASH ON HAND WITH TREASURER - COK 11/30/13 $3,935,771.80
- CASH ON HAND-FHB Checking (EP) 11/30/13 $50,000.00
- CASH ON HAND - BOH Savings 11/30/13 $7,744,165.46

Bank transfer check in transit outstanding

- CASH ON HAND-FHB Blackrock T-FUND (Sweep Acct) 11/30/13 $4,373,898.11
- CASH ON HAND - FHB Savings 11/30/13 $25,831.78

**LESS:**

- November Claims Payable
  
  $673,765.87

- November Claims paid in November
  
  $300,694.93

- Due to FRC
  
  $14,961.00

**WATER UTILITY FUND CASH BALANCE AT THE END OF THE MONTH**

$27,080,926.49

### TRUST FUND

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<td>CASH ON HAND-FHB Savings Trust Fund 11/30/13</td>
<td>$491,297.18</td>
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**TRUST FUND RECEIPTS** 11/30/13

$811,297.18
### WATER UTILITY FUND

<table>
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<tr>
<th>CASH RECEIPTS:</th>
<th>BUDGETED RECEIPTS</th>
<th>TOTAL RECEIPTS TO DATE</th>
<th>RECEIPTS FOR THE MONTH</th>
<th>% BALANCE OF BUDGET OVER TOTAL ACTUAL RECEIPTS</th>
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<tbody>
<tr>
<td>BEG. CASH BALANCE-Unrestricted</td>
<td>$24,257,175.42</td>
<td>$24,000,000.00</td>
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<td>BEG. CASH BALANCE-Restricted</td>
<td>$2,400,000.00</td>
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<tr>
<td>1 Water Sales</td>
<td>$27,197,204.00</td>
<td>$12,351,320.21</td>
<td>$1,929,961.93</td>
<td>45% $14,845,833.79</td>
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<tr>
<td>Prior Year Receipts</td>
<td>$60,000.00</td>
<td>$ -</td>
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<td>0% $60,000.00</td>
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<tr>
<td>2 Net Miscellaneous Receipts</td>
<td>$85,000.00</td>
<td>$27,378.34</td>
<td>$1,597.15</td>
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<tr>
<td>4 County Service Charge</td>
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<tr>
<td>5 State Revolving Fund</td>
<td>$4,611,752.00</td>
<td>$3,235,031.50</td>
<td>$3,153,773.50</td>
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<td>5a Other Receipts</td>
<td>$2,749,907.00</td>
<td>$1,709.07</td>
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<td>5b OTHER - BAB Subsidy</td>
<td>$649,257.45</td>
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<td>5c FRC Debt Service Payback</td>
<td>$2,495,227.00</td>
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<tr>
<td>5d Grant, Drought Mitigation</td>
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<td>TOTAL RESOURCES</td>
<td>$66,365,752.87</td>
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<th>DISBURSEMENTS:</th>
<th>BUDGETED AMOUNT</th>
<th>TOTAL ACTUAL EXPENDITURES TO DATE</th>
<th>EXPENDITURES FOR THE MONTH</th>
<th>% BALANCE OF BUDGET OVER TOTAL ACTUAL EXPENDITURES</th>
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<tr>
<td>SALARIES:</td>
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<td>County over charge to payroll</td>
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<td>15 Salaries - DOW</td>
<td>$5,555,763.70</td>
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<td>Provision for</td>
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<td>16 Accrued Vacation</td>
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<td>TOTAL SALARIES:</td>
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<td>$372,908.04</td>
<td>$3,727,244.32</td>
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| NORMAL EXPENDITURES         |                 |                                  |                             |                                                   |
| 19 COUNTY SERVICE CHRG      | $1,630,230.00   | $ -                              |                             | 0% $1,630,230.00                                |

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<thead>
<tr>
<th>ADMINISTRATIVE OFFICE and ENGINEERING:</th>
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<tr>
<td>21 Utilities</td>
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<tr>
<td>22 Postage and Printing</td>
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<td>08/13/13</td>
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<td>24b Con 559 Four Winds Group</td>
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<tr>
<td>27</td>
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<tr>
<td>Open FRC Accounts Listing Contractual Services</td>
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<td>Con 521 R. W. Beck Inc. Financial Management Planning &amp; Rate Analysis</td>
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<td>Con 506 R. W. Beck Inc. FRC Study for DOW</td>
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<td>PO-38966, Kauai Water Shed Alliance</td>
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<td>Con 535 Fukunaga &amp; Assoc. WRP 01 FY 05-06, Kauai Water Use &amp; Developrent Plan update</td>
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<td>USGS Joint Funding Agrmnt Water Monitoring Program for the period 10/1/11-09/30/12</td>
<td>$7,837.50</td>
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<td>UH Rainfall Study 02 years $80K and $70K</td>
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<td>Special Counsel Services</td>
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<td>Consultant-Re-establish Open FRC Accounts</td>
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<td>Travel and Incidents - Board</td>
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<td>Travel and Incidents - Staff</td>
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<td>Bank Analysis Fee</td>
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<td>Operating Reserve Fund</td>
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<td>Project WET - Source Protection Education</td>
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<td>Computer Support and Supplies</td>
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<td>Microlab Materials and Supplies</td>
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<td>Vehicle - Materials &amp; Service</td>
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<td>Electrical Parts</td>
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<td>44a</td>
<td>Misc. - Tapping Team</td>
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<td>44b</td>
<td>Misc. - Drought Mitigation</td>
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<td>Contractual Services</td>
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<td>Con 563 Glenmount Global Solutions, SCADA Maint.</td>
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<td>Materials and Supplies</td>
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<td>Collective Bargaining Items</td>
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<td>51</td>
<td>Pump Electrical</td>
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<td>55</td>
<td>Purchase of Water</td>
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<td>TOTAL OPERATIONS:</td>
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<td>Insurance and Bonds</td>
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<td>Small Claims</td>
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<td>Workmen's Compensation Insurance</td>
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<td>Health, Life, &amp; Dental (ETF)</td>
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<td>Unemployment Compensation</td>
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2,178,392.45  621,452.99  148,844.37  1,506,996.76
<table>
<thead>
<tr>
<th>ITEM</th>
<th>BUDGETED AMOUNT</th>
<th>TOTAL ACTUAL EXPENDITURES TO DATE</th>
<th>EXPENDITURES FOR THE MONTH</th>
<th>%</th>
<th>BALANCE OF BUDGET OVER TOTAL ACTUAL EXPENDITURES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health &amp; Life Insurance - Retirees &amp; OPEB</td>
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<td><strong>TOTAL NORMAL EXPENDITURES:</strong></td>
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<td><strong>DEBT SERVICE REQUIREMENT:</strong></td>
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<td>SRF Loan Job 97-5</td>
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<tr>
<td>Hanapepe River Crossing</td>
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<td>Hanapepe 27&quot; Steel Pipe</td>
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<td>Waialua Hrnstds Well #3</td>
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<td>Lihue Steel Tanks 1 &amp; 2</td>
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<td>Ornellas 0.2 MG Tank</td>
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<td>$30,724.86</td>
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<td>16&quot; W/L Along Kuhio Hwy</td>
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<td>Waha, Wawae &amp; Nihao Rds</td>
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<td><strong>DOW Bond Series 2010A</strong></td>
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<td>Kapilino 0.5 MG Tank</td>
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<td><strong>TOTAL SALARIES, NORMAL EXPENDITURES, AND DEBT SERVICE REQUIREMENTS:</strong></td>
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<td></td>
<td>$28,624,354.70</td>
<td>$10,723,874.59</td>
<td>$1,104,706.94</td>
<td>37%</td>
<td>$17,900,480.11</td>
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</table>

**Proof**

$28,624,354.70 - $10,723,874.59 = $17,900,480.11
<table>
<thead>
<tr>
<th>ITEM</th>
<th>BUDGETED AMOUNT</th>
<th>TOTAL ACTUAL EXPENDITURES TO DATE</th>
<th>EXPENDITURES FOR THE MONTH</th>
<th>%</th>
<th>BALANCE OF BUDGET OVER TOTAL ACTUAL EXPENDITURES</th>
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<td>101 Capital Improvements</td>
<td>$ (92,000.00)</td>
<td>$ 720,000.00</td>
<td>$ -</td>
<td>0%</td>
<td>7,115,003.00</td>
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<tr>
<td>101b Capital Rehabilitation</td>
<td>$ 250,410.00</td>
<td>$ -</td>
<td>0%</td>
<td>$ 250,410.00</td>
<td></td>
</tr>
<tr>
<td>Misc. Other Capital</td>
<td>$ (73,436.32)</td>
<td>$ (8,212.47)</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>102 Expenditures, OPS</td>
<td>$ 360,000.00</td>
<td>$ 37,135.48</td>
<td>$ 13,276.90</td>
<td>13%</td>
<td>$ 241,215.75</td>
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<tr>
<td>103 Office and Engineering</td>
<td>$ 760,000.00</td>
<td>$ 74,038.94</td>
<td>$ 4,731.38</td>
<td>9%</td>
<td>$ 700,960.06</td>
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<tr>
<td>105 Recording Meters</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td></td>
</tr>
<tr>
<td>106 Vehicles and Equipment</td>
<td>$ (115,000.00)</td>
<td>$ 465,000.00</td>
<td>$ 12,583.82</td>
<td>3%</td>
<td>$ 337,416.18</td>
</tr>
</tbody>
</table>

Con557 cancelled 7/10/13 rounding differences $ 50,015.00 $ (0.42) $ 12,870,920.08 $ - 0% $ 12,920,934.66
106b CIP Reserve Fund Debt Service Reserve $ 2,100,000.00 $ - $ - 0% $ 2,100,000.00
128 Emergency Reserve $ 3,600,000.00 $ - $ - 0% $ 3,600,000.00
PAGE 5 SUBTOTALS $ 27,389,697.87 $ 123,758.22 $ 18,008.28 $ 27,265,939.65
<table>
<thead>
<tr>
<th>ITEM</th>
<th>BUDGETED AMOUNT</th>
<th>TOTAL ACTUAL EXPENDITURES TO DATE</th>
<th>EXPENDITURES FOR THE MONTH</th>
<th>%</th>
<th>BALANCE OF BUDGET OVER TOTAL ACTUAL EXPENDITURES</th>
</tr>
</thead>
<tbody>
<tr>
<td>107</td>
<td>Purchase of Meter and Meter Boxes</td>
<td>102,500.00</td>
<td>4,842.24</td>
<td>5%</td>
<td>$97,657.76</td>
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<tr>
<td>499</td>
<td>Contract #346, Job 97-7 KP-06a Wagner Eng. Replace Lawai Rd. 8&quot; W/L</td>
<td></td>
<td>-</td>
<td>0%</td>
<td>$1.00</td>
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<tr>
<td>540</td>
<td>Contract #368 (103) Century Computers Job 98-17 Fin. Acctg.</td>
<td>12,245.67</td>
<td>-</td>
<td>0%</td>
<td>$12,245.67</td>
</tr>
<tr>
<td>581</td>
<td>Con 384 (101) LO-07 Fuku nag &amp; Assoc. Job 99-8 Drill Omao Well No. 1</td>
<td>79,860.00</td>
<td>-</td>
<td>0%</td>
<td>$79,860.00</td>
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<tr>
<td>586</td>
<td>Con 401 Control Mfg. Co. Job 94-4 SCADA Systems</td>
<td>63,068.49</td>
<td>&quot;FINAL&quot;</td>
<td>99%</td>
<td>$430.62</td>
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<td>587</td>
<td>Con 403 RM Towll Corp WK-28 Job 02-15 Wallua Hlts W/L Repl</td>
<td>33,825.00</td>
<td>42,100.00</td>
<td>68%</td>
<td>$21,725.00</td>
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<td>588</td>
<td>Con 404 Fuku nag &amp; Assoc. WK-32 Job 02-18 Kapaa Hmstds W/L Repl</td>
<td>51,120.00</td>
<td>-</td>
<td>0%</td>
<td>$51,120.00</td>
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<tr>
<td>591</td>
<td>Con 408 Wagner Eng. Inc. H-01 H-02 H-03 Job 02-17 Maka Ridge Deepwell, Tank</td>
<td>12,309.69</td>
<td>3,000.00</td>
<td>24%</td>
<td>$9,309.00</td>
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<tr>
<td>601</td>
<td>Con 420 Hawaii Pacific Eng. Job 02-08 HE-08 Eleele Twin 0.4 MG Tanks</td>
<td>3,326.68</td>
<td>&quot;FINAL&quot;</td>
<td>100%</td>
<td>$3,326.68</td>
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<tr>
<td>607</td>
<td>Con 425 Hi Pacific Eng. Job 02-21PLH-37 Rehab &amp; Deepen Existing Wells</td>
<td>3,149.40</td>
<td>-</td>
<td>0%</td>
<td>$3,149.40</td>
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<tr>
<td>609</td>
<td>Con 428 Brown Caldwell Job 03-02 HW-02, HW-03 A-04, KW-06 Renovations: Wainaha Booster, Haena Steel Tank, Anahola 0.15 MG Tank, Kekaha Shaft</td>
<td>23,838.45</td>
<td>14,050.14</td>
<td>59%</td>
<td>$9,788.31</td>
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<td>610</td>
<td>Con 429 Esaki Surveying M-01, M-02 Job 02-11 Moloa 50,000 Gal SS Storage Tank</td>
<td>125,200.00</td>
<td>-</td>
<td>0%</td>
<td>$125,200.00</td>
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<tr>
<td>634</td>
<td>WK-30 Con 450 ParEn Inc. Job 04-03 Waipouli-Olo hena Rd. Pipeline</td>
<td>28,420.00</td>
<td>15,930.00</td>
<td>56%</td>
<td>$12,490.00</td>
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<tr>
<td>ITEM</td>
<td>BUDGETED AMOUNT</td>
<td>TOTAL ACTUAL EXPENDITURES TO DATE</td>
<td>EXPENDITURES FOR THE MONTH</td>
<td>%</td>
<td>BALANCE OF BUDGET OVER TOTAL ACTUAL EXPENDITURES</td>
</tr>
<tr>
<td>------</td>
<td>-----------------</td>
<td>----------------------------------</td>
<td>---------------------------</td>
<td>---</td>
<td>---------------------------------------------</td>
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<tr>
<td>638</td>
<td>11/16/05 (101b, 106b) Con 453 Belt Collins Hi PLH-36 Job 05-05 Nawili-will, Numali &amp; Kupolo Main</td>
<td>18,228.00</td>
<td>-</td>
<td>0%</td>
<td>$18,228.00</td>
</tr>
<tr>
<td>647</td>
<td>06/10/06 (101b) Con 462 Eng Solutions Inc now Kennedy/Jenks Consultant KW-05 KW-20 Job 04-06 Waiakamalai Well A &amp; Kekaha B</td>
<td>1,447.00</td>
<td>-</td>
<td>0%</td>
<td>$1,447.00</td>
</tr>
<tr>
<td>651</td>
<td>9/21/06 (101b) Con 466 Brown &amp; Caldwell KW-28 Job 06-01 Amfac Shaft Renovation, State Well No. 5942-02 Phase 1A</td>
<td>540,235.78</td>
<td>-</td>
<td>0%</td>
<td>$540,235.78</td>
</tr>
<tr>
<td>668</td>
<td>1/14/08 (101) Con 484 Wagner Eng. Services Job 02-01 Kukuiolono Tank Site Exchange, Kalohe</td>
<td>5,210.47</td>
<td>-</td>
<td>0%</td>
<td>$5,210.47</td>
</tr>
<tr>
<td>694</td>
<td>9/1/2011 Con 538, Esaki Surveying &amp; Mapping, Inc. Job 11-05, As Needed Surveying Services</td>
<td>30,000.00</td>
<td>-</td>
<td>0%</td>
<td>$30,000.00</td>
</tr>
<tr>
<td>696</td>
<td>9/22/2011 Con 546, SSFM International, Inc. Job 11-01, As Needed Construction Management Services</td>
<td>50,000.00</td>
<td>-</td>
<td>0%</td>
<td>$50,000.00</td>
</tr>
<tr>
<td>697</td>
<td>11/23/11 ROD Con 562, Goodfellow Brothers Job 02-15, WK-28; Wailua Hae- Its Main Replacement</td>
<td>3,822,435.61</td>
<td>2,557,641.32</td>
<td>67%</td>
<td>$1,264,794.29</td>
</tr>
<tr>
<td>699</td>
<td>Con 555, Lyon Associates Job 11-10, K-18; 8-Inch Main Replacement, Haleiwi Rd, Kalaheo</td>
<td>33,370.49</td>
<td>-</td>
<td>0%</td>
<td>$33,370.49</td>
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<tr>
<td>700</td>
<td>9/22/2011 Con 545, AECOM Technical Svc Job 11-11, J-17, PLH-42 Water Treatment Facilities</td>
<td>56,213.69</td>
<td>15,678.83</td>
<td>28%</td>
<td>$40,334.86</td>
</tr>
<tr>
<td>702</td>
<td>Con 539, Mears Group, Inc. PLH-03, Kohal Directionally Drilled Horizontal Well</td>
<td>1,549,438.00</td>
<td>6,550.00</td>
<td>0%</td>
<td>$1,542,888.00</td>
</tr>
<tr>
<td>697</td>
<td>Con 553, Esaki Surveying &amp; Map Job 12-1; H-05, Weke, Ana, Mahimahi and Hee Road; 6&quot; and 8&quot; Main replacement</td>
<td>115,567.17</td>
<td>-</td>
<td>0%</td>
<td>$115,567.17</td>
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<tr>
<td>709</td>
<td>Con 557, Okahara, Job 11-07 HE-03 Hanapepe &amp; Koloa Well MCC Improvements</td>
<td>(50,015.00)</td>
<td>58,761.80</td>
<td>27%</td>
<td>$106,367.00</td>
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<tr>
<td>710</td>
<td>Con 558, R. Electric Job 12-8; Kalepa Back Pressure Valve Replacement</td>
<td>11,602.26</td>
<td>&quot;FINAL&quot;</td>
<td>100%</td>
<td>$11,602.26</td>
</tr>
<tr>
<td>ITEM</td>
<td>BUDGETED AMOUNT</td>
<td>TOTAL ACTUAL EXPENDITURES TO DATE</td>
<td>EXPENDITURES FOR THE MONTH</td>
<td>%</td>
<td>BALANCE OF BUDGET OVER TOTAL ACTUAL EXPENDITURES</td>
</tr>
<tr>
<td>----------------------------------------------------------------------</td>
<td>-----------------</td>
<td>----------------------------------</td>
<td>---------------------------</td>
<td>----------</td>
<td>-----------------------------------------------</td>
</tr>
<tr>
<td>Con 560, EMA Inc. IT Review &amp; Assessment Planning &amp; Implementation</td>
<td>221,500.00</td>
<td></td>
<td></td>
<td>0%</td>
<td>$221,500.00</td>
</tr>
<tr>
<td>Con 561, Gunter Bros. Job 02-19; VK-12; Main Replacement, Kuhio Hwy, Waialua</td>
<td>904,722.53</td>
<td>703,998.03</td>
<td></td>
<td>73%</td>
<td>$200,724.50</td>
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<tr>
<td>Con 564, R. Electric, Inc. Furnish &amp; Install, reduced Voltage soft starters, Power Factor Correction Capacitors, Surge Protective Devices.</td>
<td>51,150.35</td>
<td></td>
<td>$14,332.37</td>
<td>100%</td>
<td>$</td>
</tr>
<tr>
<td>Con 566, Koga Engineering &amp; Job 04-03, VK-30, Pipeline replacement along Waipouli Rd &amp; Clohena Road</td>
<td>1,281,071.70</td>
<td>576,123.70</td>
<td></td>
<td>45%</td>
<td>$704,948.00</td>
</tr>
<tr>
<td>Con 569, Inter Pacific Motors, Inc. (1) 2WD Truck w/Cab &amp; Chassis with Service Body, underdeck PTO Air Compressor</td>
<td>99,160.98</td>
<td></td>
<td></td>
<td>0%</td>
<td>$99,160.98</td>
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<tr>
<td>Con 570, Glenmount Global Solutions, inc., SCADA Server System Replacement and Upgrade</td>
<td>8,212.47</td>
<td>154,234.53</td>
<td>164,234.53</td>
<td>100%</td>
<td>$8,212.47</td>
</tr>
<tr>
<td>Con 571, Allied Machinery Trailer mounted 125 KVA Emergency Diesel Generator</td>
<td>72,395.37</td>
<td>72,395.37</td>
<td></td>
<td>100%</td>
<td>$</td>
</tr>
<tr>
<td>Con 573 Pacific Pipe Co. GS-2013-5 Hydrants &amp; Appurtenances</td>
<td>291,094.10</td>
<td>291,094.10</td>
<td>$1,920.20</td>
<td>100%</td>
<td>$</td>
</tr>
<tr>
<td>Con 577 Oasis Water Systems EP-2013-1 Emergency Replace Pump &amp; Motor Lawai Well #2</td>
<td>73,435.32</td>
<td>10,416.60</td>
<td>$10,416.60</td>
<td>14%</td>
<td>$63,019.72</td>
</tr>
<tr>
<td>8/28/13 (106 + 103) Con 575 Midpac Auto Center (1) SUV 4Dr 4WD &amp; (2) SWD Extended Cab Pickup Truck</td>
<td>120,001.00</td>
<td></td>
<td></td>
<td>0%</td>
<td>$120,001.00</td>
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<tr>
<td>Con 588 Okahara &amp; Associates Job 12-04; HE-14 Hanaapepe Elele BP Replace</td>
<td>/ 92,000.00</td>
<td></td>
<td></td>
<td>0%</td>
<td>$92,000.00</td>
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<tr>
<td>TOTAL CAPITAL EXPENDITURES:</td>
<td>37,741,398.18</td>
<td>4,794,492.04</td>
<td>51,577.45</td>
<td></td>
<td>$32,846,506.14</td>
</tr>
<tr>
<td>TOTAL SALARIES, NORMAL EXPENDITURES, DEBT REQUIREMENTS AND CAPITAL EXPENDITURES:</td>
<td>37,741,398.18</td>
<td>4,794,492.04</td>
<td>51,577.45</td>
<td></td>
<td>$32,846,506.14</td>
</tr>
<tr>
<td></td>
<td>36,365,752.88</td>
<td>15,518,366.63</td>
<td>1,156,394.39</td>
<td>23%</td>
<td>$50,847,386.25</td>
</tr>
</tbody>
</table>
STATEMENT OF REVENUES AND EXPENDITURES  
FACILITIES RESERVE CHARGE FUND  
November 30, 2013

**REVENUES:**

Cash on hand as of July 1, 2013 $ 2,663,693.54  
Add: Revenues To Date $ 550,625.01  
Sub-Total $ 3,214,318.55

**EXPENDITURES:**

Less: Expenditures To Date $ 60,361.00  
BALANCE AT THE END OF THE MONTH $ 3,153,957.55

**SHORT TERM INVESTMENTS-FRC**  
BANK OF HAWAII

<table>
<thead>
<tr>
<th>CUSIP#</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>CENTRAL PACIFIC BANK</td>
<td>$</td>
</tr>
<tr>
<td>FIRST HAWAIIAN BANK</td>
<td>T30020279 0.12000% INT. DUE 02/14/14 $ 500,000.00</td>
</tr>
<tr>
<td>MERRILL LYNCH</td>
<td>CUSIP#</td>
</tr>
</tbody>
</table>
| MULTI-BANK | CUSIP# 402194CU6 2.50000% INT. DUE 12/23/13 $ 240,000.00  
| CUSIP# 70455AAAG5 2.30000% INT. DUE 12/31/12 $ 245,000.00  
| CUSIP# 92705SAE3 1.50000% INT. DUE 06/07/13 $ 248,000.00  
| CUSIP# 003420AXX 1.60000% INT. DUE 09/25/16 $ 249,000.00  
| CUSIP# 02005Q6M0 1.10000% INT. DUE 09/16/16 $ 248,000.00 |

**TDI (CSA)**  
CUSIP#  

**VINING SPARKS**

**TOTAL SHORT-TERM INVESTMENTS - FRC** $ 1,730,000.00

| CASH ON WITH TREASURER - COK 11/30/13 $ 413,005.18 |
| CASH ON HAND - FHB Savings (30-289435) 11/30/13 $ 1,015,552.37 |
| Due from WU |
| Due to WU |
| November Claims paid in November Loss: CLAIMS FOR November 2013 $ (4,600.00) |

**CASH BALANCE AT THE END OF THE MONTH** $ 3,153,957.55
<table>
<thead>
<tr>
<th>FACILITIES RESERVE CHARGE</th>
<th>% Budget Elapsed</th>
<th>41.67%</th>
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<tr>
<td><strong>CASH RECEIPTS</strong></td>
<td>BUDGETED RECEIPTS</td>
<td>ACTUAL RECEIPTS TO DATE</td>
</tr>
<tr>
<td>BEGINNING CASH BALANCE</td>
<td>$ 2,663,693.54</td>
<td>$ -</td>
</tr>
<tr>
<td>(FRC Refunds)</td>
<td></td>
<td></td>
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<tr>
<td>4a Facilities Reserve Charge</td>
<td>$ 1,500,000.00</td>
<td>$ 398,200.00</td>
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<tr>
<td>5a Interest Earned</td>
<td>$ 12,000.00</td>
<td>$ 12,419.90</td>
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<tr>
<td>5b BAB Subsidy</td>
<td>$ 278,253.09</td>
<td>$ 140,005.11</td>
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<tr>
<td><strong>TOTAL RESOURCES</strong></td>
<td>$ 4,453,946.63</td>
<td>$ 650,625.01</td>
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<tr>
<td><strong>CAPITAL EXPENDITURES</strong></td>
<td>BUDGETED AMOUNT</td>
<td>TOTAL ACTUAL EXPENDITURES TO DATE</td>
</tr>
<tr>
<td>301 FRC CIP</td>
<td>$ 150,003.00</td>
<td>$ -</td>
</tr>
<tr>
<td>301b FRC Fund Balance</td>
<td>$ 1,532,886.75</td>
<td>$ -</td>
</tr>
<tr>
<td>301c FRC Debt Service</td>
<td>$ 2,495,227.21</td>
<td>$ -</td>
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<tr>
<td>10/12/98</td>
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<td></td>
</tr>
<tr>
<td>302 Contract #322 GMP Assoc, Inc. Job 87-1 Poipu Storage Tank</td>
<td>$/ 2,050.00</td>
<td>$ -</td>
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<tr>
<td>08/03/99</td>
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<td></td>
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<tr>
<td>304 WK-21 Contract #345 Fukunaga &amp; Assoc. Job 98-33 Wailua Well 3</td>
<td>$ 10,500.00</td>
<td>$ -</td>
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<tr>
<td>318 3/8/06 (301, 301b) Con 457 Kodani &amp; Assoc Inc H-8 HW-12 Job 05-02 Drill &amp; Test Wainiha Well No. 4</td>
<td>$ 110,905.00</td>
<td>$ 60,361.00</td>
</tr>
<tr>
<td>CAPITAL EXPENDITURES</td>
<td>BUDGETED AMOUNT</td>
<td>TOTAL ACTUAL EXPENDITURES TO DATE</td>
</tr>
<tr>
<td>---------------------</td>
<td>-----------------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td>03/31/08 (301, 301b) Con 488 HDR Engineering WK-39 Kapaa Hmstds Well No. 4 Drill &amp; Test</td>
<td>$ 111,950.00</td>
<td>$ -</td>
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<tr>
<td>1/28/13 (301) Con 567 Esaki Surveying &amp; Mapping, Inc.; Job 12-2, WK-23 UHI Experimental Sln 688’ Tank</td>
<td>$ 40,425.00</td>
<td>$ -</td>
</tr>
<tr>
<td></td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td></td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td></td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>TOTAL EXPENDITURES</td>
<td>$ 4,453,946.96</td>
<td>$ 60,361.00</td>
</tr>
</tbody>
</table>
STATEMENT OF REVENUES AND EXPENDITURES
BOND - BAB FUND
November 30, 2013

REVENUES:
Cash on hand as of July 1, 2013 $ 23,782,681.67
Accrued Interest Income at 6/30/13 $ 2,247,305.72
Add: Revenues To Date $ -
Sub-Total $ 26,029,987.39

EXPENDITURES:
Less: Expenditures To Date $ 927,368.24

BALANCE AT THE END OF THE MONTH $ 25,102,599.15

SHORT TERM INVESTMENTS - BOND

BANK OF HAWAII

FIRST HAWAIIAN BANK
CUSIP# 1062140 0.6180% INT. DUE 12/21/15 $ 22,500,000.00

TOTAL SHORT-TERM INVESTMENTS - BOND $ 22,500,000.00

CASH ON HAND WITH TREASURER - COK
11/30/13 408,854.75

BAB Bond Interest Earned with Bond Company
Claims Paid in November 2013
10/31/13 2,247,305.44
39,945.32
LESS CLAIMS FOR November 2013
11/30/13 (93,506.36) $ 2,602,599.15

BALANCE AT THE END OF THE MONTH $ 25,102,599.15
## BUILD AMERICA BONDS (BABs) - FUND

<table>
<thead>
<tr>
<th>CASH RECEIPTS:</th>
<th>BUDGETED RECEIPTS</th>
<th>TOTAL ACTUAL RECEIPTS TO DATE</th>
<th>RECEIPTS FOR THE MONTH</th>
<th>%</th>
<th>BALANCE OF BUDGET OVER TOTAL ACTUAL RECEIPTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>BEGINNING CASH BALANCE</td>
<td>$ 23,782,661.67</td>
<td>$ -</td>
<td>$ -</td>
<td></td>
<td>$ 23,782,661.67</td>
</tr>
<tr>
<td>Interest Income, Accrued</td>
<td>$ 2,247,305.72</td>
<td>$ -</td>
<td>$ -</td>
<td></td>
<td>$ 2,247,305.72</td>
</tr>
<tr>
<td>Bond Proceeds</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
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<tr>
<td>Interest Income, Accrued</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td></td>
<td>$ -</td>
</tr>
<tr>
<td>Project Resources</td>
<td>$ 100,000.00</td>
<td>$ -</td>
<td>$ -</td>
<td>0%</td>
<td>$ 100,000.00</td>
</tr>
<tr>
<td>TOTAL RESOURCES</td>
<td>$ 26,129,967.39</td>
<td>$ -</td>
<td>$ -</td>
<td>0%</td>
<td>$ 26,129,967.39</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>BALANCE OF BUDGET OVER TOTAL ACTUAL EXPENDITURES</th>
</tr>
</thead>
<tbody>
<tr>
<td>201-01 BOND - BAB, CIP</td>
<td>$ (23,795.00)</td>
<td>$ 21,419,673.85</td>
<td>$ -</td>
<td>0% $ 21,395,878.57</td>
</tr>
<tr>
<td>Encumbered Projects</td>
<td>$ (603,320.00)</td>
<td>$ 754,500.00</td>
<td>$ -</td>
<td>$ 151,180.00</td>
</tr>
<tr>
<td>218 5/11/2010 CON 513 Jennings Pacific, LLC</td>
<td>$ 57.00</td>
<td>$ -</td>
<td>$ 57.00</td>
<td>0% $ 57.00</td>
</tr>
<tr>
<td>Job No. 02-18, WK - 32 Kapaa Hmlnds Pipe Repl</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6/30/10 CON 516 Unlimited Builders, LLC</td>
<td>$ 624,290.38</td>
<td>$ 273,670.47</td>
<td>$ 39,945.32</td>
<td>30% $ 650,619.91</td>
</tr>
<tr>
<td>Job No. 03-02, HW-02, Wainiha Booster Pump Stn</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9/30/10 Con 520 (201-01) Fukunaga &amp; Associates</td>
<td>$ 241,960.00</td>
<td>$ -</td>
<td>$ 241,960.00</td>
<td>0% $ 241,960.00</td>
</tr>
<tr>
<td>Job # 10-01, Ani-01a Pipeline Repl - Anini RD</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9/30/10 Con 519 (201-01) Park Engineering</td>
<td>$ 14,102.70</td>
<td>$ -</td>
<td>$ 14,102.70</td>
<td>0% $ 14,102.70</td>
</tr>
<tr>
<td>Job # 10-02, Upsizing of the Kaumualii Hwy. 16&quot;</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL EXPENDITURES</td>
<td>$ 22,727,468.65</td>
<td>$ 273,670.47</td>
<td>$ 39,945.32</td>
<td>1% $ 22,453,798.18</td>
</tr>
</tbody>
</table>

11-2013 BAB BUDGET STATUS
## BUILD AMERICA BONDS (BABs) - FUND

<table>
<thead>
<tr>
<th>CAPITAL EXPENDITURES:</th>
<th>BUDGETED AMOUNT</th>
<th>TOTAL ACTUAL EXPENDITURES TO DATE</th>
<th>EXPENDITURES FOR THE MONTH</th>
<th>%</th>
<th>BALANCE OF BUDGET OVER TOTAL ACTUAL EXPENDITURES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Con 405 3rd n 4th Amm Kodani &amp; Associates, Inc. Job 02-19, KW-12 Waipouli Main Repl Wailua-Kapa'a</td>
<td>$3,651.28</td>
<td>$1,900.00</td>
<td>52%</td>
<td>$1,751.28</td>
<td></td>
</tr>
<tr>
<td>6/28/11 Con 409 Esaki Surveying &amp; Mapping, Inc.: Job 02-16, WK-36, P/L replace - Wailua</td>
<td>$23,264.35</td>
<td>$-</td>
<td></td>
<td>$23,264.35</td>
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</tr>
<tr>
<td>Con 529 (201-01) Oceanic Company, Inc. Job 02-08, HE-08 Rehabilitation of Eleelee Twin 0.4 MG Steel Tanks</td>
<td>$433,425.72</td>
<td>$377,823.97</td>
<td>87%</td>
<td>$55,601.75</td>
<td></td>
</tr>
<tr>
<td>Con 440 Kodani &amp; Associates, Inc. Kilaauea 1.0 MG Tank and Pipeline, Ph I (fr W/U)</td>
<td>$88,040.20</td>
<td>$57,890.00</td>
<td></td>
<td>$28,150.20</td>
<td></td>
</tr>
<tr>
<td>SUB - TOTAL</td>
<td>$546,381.55</td>
<td>$437,613.97</td>
<td></td>
<td>$108,767.58</td>
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</table>

% Budget Elapsed: 41.67%
<table>
<thead>
<tr>
<th>CAPITAL EXPENDITURES:</th>
<th>BUDGETED AMOUNT</th>
<th>TOTAL ACTUAL EXPENDITURE S TO DATE</th>
<th>EXPENDITURE S FOR THE MONTH</th>
<th>%</th>
<th>BALANCE OF BUDGET OVER TOTAL ACTUAL EXPENDITURES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Con 530 (201-01)</td>
<td>$211,787.34</td>
<td>$53,561.04</td>
<td>$53,561.04</td>
<td>25%</td>
<td>$158,226.30</td>
</tr>
<tr>
<td>Earthworks Pacific</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job 02-19, WK-12</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Waipouli Main Replace</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Con 427 (201-01)</td>
<td>$25,817.34</td>
<td>$-</td>
<td></td>
<td>0%</td>
<td>$25,817.34</td>
</tr>
<tr>
<td>Belt Collins Hawaii, Ltd.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job 02-14, Kapaa Hmstds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.5 MG Storage Tank &amp; Kapahi 1.0 MG Storg Tank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Con 427 (201-01)</td>
<td>$25,922.00</td>
<td>$-</td>
<td></td>
<td>0%</td>
<td>$25,922.00</td>
</tr>
<tr>
<td>Belt Collins Hawaii, Ltd.</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job 02-14, Kapaa Hmstds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.5 MG Storage Tank &amp; Kapahi 1.0 MG Storg Tank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Con 533 (201-01)</td>
<td>$412,148.82</td>
<td>$-</td>
<td></td>
<td>0%</td>
<td>$412,148.82</td>
</tr>
<tr>
<td>Belt Collins Hawaii, Ltd.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job K-01, K-12, Kalaeo 1111' and 1222' Water System Improvements</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job 10-02, MOA Dept of Transportation/Kiewit-Kaumualii Hwy widening, Anonui Rd and Lihue Mill Bridge</td>
<td>$151,027.27 $-</td>
<td>0% $151,027.27</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Con 538, Esaki Surveying &amp; Mapping, Inc., Job 11-02, PLH-01a Replace Grove Farm Tanks #1 &amp; #2</td>
<td>$198,023.00 $-</td>
<td>0% $198,023.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6/28/2011 (201-01)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Con 544, HONUA Engineering, Job 11-04 (L-08, L-10) Water Main Replacement &amp; Service Improvement</td>
<td>$29,654.95 $-</td>
<td>0% $29,654.95</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6/28/11 Con 512 - Architects Hawaii, Ltd., Job No. PLH-39; Lihue Baseyard Improvements for DOW</td>
<td>$1,542.70 $1,466.25</td>
<td>95% $76.45</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>692</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL EXPENDITURES</td>
<td>$24,329,773.82</td>
<td>$766,311.73</td>
<td>$93,506.36</td>
<td></td>
<td>$23,563,461.89</td>
</tr>
</tbody>
</table>
### DEPARTMENT OF WATER
County of Kauai
STATUS OF THE BUDGET
JULY 1, 2013 TO JUNE 30, 2014
November 30, 2013

#### BUILD AMERICA BONDS (BABS) - FUND

<table>
<thead>
<tr>
<th>CAPITAL EXPENDITURES:</th>
<th>BUDGETED AMOUNT</th>
<th>TOTAL ACTUAL EXPENDITURE S TO DATE</th>
<th>EXPENDITURE S FOR THE MONTH</th>
<th>%</th>
<th>BALANCE OF BUDGET OVER TOTAL ACTUAL EXPENDITURES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Con 542, (201-01)</td>
<td>$68,705.12</td>
<td>$132,630.64</td>
<td>19%</td>
<td>$554,074.48</td>
<td></td>
</tr>
<tr>
<td>MEI Corporation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job 02-17, H-01, H-02, H-03 Maka Ridge Facilities Rehab &amp; Princeville Interconnection Plan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Con 543, (201-01)</td>
<td>$75,815.00</td>
<td>$5,520.00</td>
<td>7%</td>
<td>$70,935.00</td>
<td></td>
</tr>
<tr>
<td>Oceanit Laboratories, Inc. Job 11-03, M-03 Land &amp; Well Acquisition, Moloa and Waimea, Kauai</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Con 457, (201-01)</td>
<td>$32,430.00</td>
<td></td>
<td>0%</td>
<td>$32,430.00</td>
<td></td>
</tr>
<tr>
<td>Kodani &amp; Associates Inc. Job 05-02, H-8, HW-12 Drill &amp; Test Hanalei Well #2 &amp; Wainaha Well #4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contract 550 (201-01)</td>
<td>$81,340.00</td>
<td></td>
<td>0%</td>
<td>$81,340.00</td>
<td></td>
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<tr>
<td>Honua Engineering, Inc. Job 11-06, WK-01</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Con 551, (201-01)</td>
<td>$202,766.65</td>
<td>$-</td>
<td>0%</td>
<td>$202,766.65</td>
<td></td>
</tr>
<tr>
<td>Easaki Surveying &amp; Mapping, Inc. Job K-05A, Kukuiolono 0.5 MG 886' Tank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Con 429, Easaki Surveying &amp; Mapping, Inc. Job 02-11, M-02, 100,000 Gal. Tank &amp; Pipeline, Moloa</td>
<td>$94,222.00</td>
<td></td>
<td></td>
<td>$94,222.00</td>
<td></td>
</tr>
<tr>
<td>610</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8/28/13 (201-01)</td>
<td>$23,795.00</td>
<td>$22,905.87</td>
<td></td>
<td>$889.13</td>
<td></td>
</tr>
<tr>
<td>Con 428 Brown &amp; Caldwell Job 03-02 Wainaha Pump Stn + Haena Steel Tank HW-02+03</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UA#2155 State of Hawaii Job 10-02, MOA Dept of Transportation/Kuewa-Kauuauli Hwy Improvements, Lihue Mill Bridge to Rice Street.</td>
<td>$603,320.00</td>
<td></td>
<td></td>
<td>$603,320.00</td>
<td></td>
</tr>
<tr>
<td>245</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL EXPENDITURES</td>
<td>$26,129,967.39</td>
<td>$927,368.24</td>
<td>$93,506.36</td>
<td>$25,202,599.15</td>
<td></td>
</tr>
</tbody>
</table>

% Budget Elapsed 41.67%
### FY 2013 vs FY 2014 Billed Revenues Comparative Report

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>July</td>
<td>$2,346,892</td>
<td>$2,389,827</td>
<td>$42,935</td>
<td>1.83%</td>
</tr>
<tr>
<td>August</td>
<td>$4,399,666</td>
<td>$4,918,306</td>
<td>$518,640</td>
<td>11.79%</td>
</tr>
<tr>
<td>September</td>
<td>$6,828,224</td>
<td>$7,671,889</td>
<td>$843,665</td>
<td>12.36%</td>
</tr>
<tr>
<td>October</td>
<td>$9,056,386</td>
<td>$9,818,946</td>
<td>$762,560</td>
<td>8.42%</td>
</tr>
<tr>
<td>November</td>
<td>$11,423,911</td>
<td>$12,376,080</td>
<td>$952,169</td>
<td>8.33%</td>
</tr>
<tr>
<td>December</td>
<td>$13,338,790</td>
<td>$14,285,570</td>
<td>$946,779</td>
<td>7.10%</td>
</tr>
</tbody>
</table>

### Billed Revenues Comparative Chart

**As of December, FY 2013 & 2014**

- **FY 2013**
- **FY 2014**

1 revenue comparison
### Cash Receipts Comparative Report

**As of December, FY 2013 & 2014**

<table>
<thead>
<tr>
<th>Month</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>Cum. Inc (Dec)</th>
<th>% of Inc (Dec)</th>
</tr>
</thead>
<tbody>
<tr>
<td>July</td>
<td>$1,964,915</td>
<td>$2,594,170</td>
<td>$629,255</td>
<td>32%</td>
</tr>
<tr>
<td>August</td>
<td>$4,275,571</td>
<td>$5,157,089</td>
<td>$881,518</td>
<td>21%</td>
</tr>
<tr>
<td>September</td>
<td>$6,370,743</td>
<td>$7,551,676</td>
<td>$1,180,934</td>
<td>19%</td>
</tr>
<tr>
<td>October</td>
<td>$9,006,500</td>
<td>$10,458,869</td>
<td>$1,452,369</td>
<td>16%</td>
</tr>
<tr>
<td>November</td>
<td>$11,197,586</td>
<td>$12,235,628</td>
<td>$1,038,042</td>
<td>9%</td>
</tr>
<tr>
<td>December</td>
<td>$13,332,029</td>
<td>$14,412,589</td>
<td>$1,080,560</td>
<td>8%</td>
</tr>
</tbody>
</table>

### Cash Receipts Comparative Chart
**As of December, FY 2013 & 2014**

- **FY 2013**
- **FY 2014**

![Cash Receipts Comparative Chart](image-url)
### METERED CONSUMPTION (000 GALLONS) COMPARATIVE REPORT

**AS OF DECEMBER, FY 2013 & 2014**

(expressed in thousands)

<table>
<thead>
<tr>
<th></th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>CUM. INC (DEC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>July</td>
<td>436,238</td>
<td>391,161</td>
<td>-45,077</td>
</tr>
<tr>
<td>August</td>
<td>797,837</td>
<td>774,839</td>
<td>-22,998</td>
</tr>
<tr>
<td>September</td>
<td>1,213,013</td>
<td>1,191,526</td>
<td>-21,487</td>
</tr>
<tr>
<td>October</td>
<td>1,597,947</td>
<td>1,520,781</td>
<td>-77,166</td>
</tr>
<tr>
<td>November</td>
<td>1,996,810</td>
<td>1,865,830</td>
<td>-130,980</td>
</tr>
<tr>
<td>December</td>
<td>2,302,086</td>
<td>2,154,495</td>
<td>-147,591</td>
</tr>
</tbody>
</table>

### WATER CONSUMPTION COMPARATIVE CHART

**As of December, FY 2013 & 2014**

![Water Consumption Comparative Chart](chart.png)
Finding No.: 2013-01

Inadequate Use of Accounting Software – Material weakness

Department Reply:

In September, 2012, the Department of Water (DOW) contracted with EMA Consultants (Consultants) to conduct an IT Review, Assessment & Implementation Plan for the DOW. The Consultants recommended a five (5) year IT plan which identified the DOW’s Financial Accounting System (FAS) re-implementation as the first priority. This 5 year IT Implementation Plan was approved by the Board of Water Supply (Board) as recommended and the initial implementation of the FAS review was started during this Fiscal Year (FY) 2013.

As of December 9, 2013, the FAS review is ongoing and DOW management and the Consultants all agree that the DOW will continue to use the existing Accounting software with a re-construction of the chart of accounts and the implementation of encumbrance reporting which will enhance our budget tracking and reporting process.

Contact Person: Marites Yano

Target Completion Date: June 30, 2015

PROGRESS REPORT:

See attached Schedule. (Schedule for Task 1 Phase 1)

- Items 1 to 4 – On going
- Items 5 to 7 were completed.
- Moving on to items 8 to 15 (to be completed before the end of this month)

Finding No. 2013-02

Timely Reconciliation of Sales Entries.

Ever since FY 2010-2011, the Department of Water has been a partner with the Maui and Oahu island utilities in implementing the conversion of the (old) Customer Account Services (CAS) bi-monthly billing to the new Customer Care & Billing (CC&B) monthly billing. The “GO LIVE” date of this conversion was implemented on January 22, 2013.

Using the existing Kauai DOW’s Fiscal Division, Billing Section & IT staff during this GO LIVE implementation was a big strain on both Fiscal & IT division/sections for Kauai DOW. Staff had to keep up with daily transactions while keeping up with the required hours of training in preparation for the implementation. Additional labor hours were required to keep up with testing various changes as the implementation progressed. Although the completions of certain tasks were prioritized, other tasks were unavoidably delayed due to understaffing; thus, it was not possible to adequately perform tasks such as the reconciliation of adjustments. Projects of this magnitude require the hiring of a Consultant and additional manpower to help and support existing staff in the planning and implementation process.
In anticipation of this conversion, the department submitted a revised table of organization of the Billing Section in July, 2011 which included the addition of a new Meter Reader/Field Collection Rep. II position in the Meter Reading Section. This position was later approved for reallocation into an Accountant II position in December, 2011. Although the Billing reorganization plan was approved by the DOW Board in the early part of FY 2012, DOW could not fill up the Accountant II position because the County Department of Personnel hadn’t released the approved billing reorganization plan until December 9, 2013. The new Accountant II position was finally advertised for recruitment this month and DOW will be filling up this position immediately. This new Accountant II will be responsible to implement and maintain the monthly reconciliation of sales entries and adjustments going forward.

Contact Person: Marites Yano

Target Completion Date: June 30, 2014

PROGRESS REPORT:

The Billing Section Overview – DOW’s current Customer base is approximately 21,000 households. Thus, over 20 working days per month we process an average minimum of 1,050 customer transactions per day.

These daily tasks include, without limitation: Customer service, new applications, process payments, balance and prepare deposits, meter reading, billing and collection, opening and closing of accounts, inquiries, leak adjustments, customer profiles and phone calls.

CC&B generates an average of 200 or more TO DO’s daily. These TO DO’s require immediate review and action that create new Field Activities to; re-read and/or profile meters, open – close meters, call customers with high and low usage, and to cancel and/or re-bill existing customers.

PERSONNEL/STAFFING STATUS REPORT

- Accountant IV – Vacant from 10/1/2013. Accounting Staff presently doing Temporary Assignments pending Interview of additional eligible lists of candidates/applicants.
- Accountant II – New position, originally created and approved as Meter Reader/ Field Collection Rep II but Reallocated as Accountant II to shadow Accountant IV.
  - Recruitment opened 12/2013, Interviews completed on 1/9/2014. Selection and Hiring is presently being held up pending technical issues that the Department needs to address.
  - 1/21/14, assigned Temporary Assignment to an Accounting staff to start A/R reconciliation.
Recruitment opened 1/12/2014 and ends on January 21, 2014. We anticipate conducting interviews in early February, 2014. Hiring normally takes 1 to 2 months after selection.

Monthly: Bank Reconciliation, Cash Treasury Reconciliation, Sales and Receipts,

March board meeting – an update will be reported on A/R Reconciliation status.

Finding 2012-03:

Book to Physical Adjustments

The sizable inventory adjustment in FY 2012 prompted the Department to conduct a midyear inventory with optimism that we could improve the overall inventory process. The FY 2013 adjustment was indeed lower from the prior year. We will continue to monitor the inventory process in place and find ways to improve the system.

The direct changes to the inventory system databases provided by the Consultant as authorized by operations management was addressed by Management to both parties and further actions like this should not be repeated going forward.

Contact Person: Marites Yano

Target Completion Date: June 30, 2014

PROGRESS REPORT:

1. MPET Consultants enhanced the MPET Inventory Module;
2. Additional MPET training was given to some Operations staff;
3. Set up field crew trucks as roving warehouses.
4. DOW to conduct midyear inventory count on January 31, 2014.

Finding 2012-04:

Review of Journal Entries

The Department concurs with these adjustments. As mentioned above, audit adjustments were decreased as compared to prior year. The Waterworks Controller and Accounting staff recognize that there’s still some room for improvement. We will continue to work together to improve the flow of communication so that new or unusual events that occur can be recorded timely and properly.

We will continue to evaluate and enhance the business accounting practices and procedures that we have in place.

Contact Person: Marites Yano

Target Completion Date: June 30, 2014
**PROGRESS:** On-going. Management has met with Accounting Staff and discussed how we could improve communication and the flow of transactions that affect our general ledger.
Schedule for Task 1 Phase 1 (Preliminary; Modifications for Tasks 1E – 1G Pending)
## UNIT 13 - FILLED POSITIONS
### 4% SALARY INCREASE FUNDING REQUIREMENT
#### FY 2013 - 2014

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>ANNUAL SALARIES, June 30, 2013</td>
<td>883,464</td>
</tr>
<tr>
<td>ANNUAL SALARIES (w/ 5% increase), July 1, 2013</td>
<td>915,744</td>
</tr>
<tr>
<td>BASE PAY Annual Increase Requirement</td>
<td>(32,280)</td>
</tr>
<tr>
<td>Overtime Incurred</td>
<td>98,554</td>
</tr>
<tr>
<td>4% Retroactive differential</td>
<td>(3,942)</td>
</tr>
<tr>
<td>Temporary Assignments</td>
<td>19,598</td>
</tr>
<tr>
<td>4% Retroactive differential</td>
<td>(784)</td>
</tr>
</tbody>
</table>

### UNIT 13 - SALARY INCREASE FUNDING REQUIREMENT

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>DOW - FILLED POSITIONS</td>
<td></td>
</tr>
<tr>
<td>4% SALARY INCREASE FUNDING REQUIREMENT</td>
<td></td>
</tr>
<tr>
<td>FY 2013 - 2014</td>
<td></td>
</tr>
<tr>
<td>Budgeted 5% Allowance for Salary Increases, (all)- FY 2013- 2014</td>
<td>$ 261,388</td>
</tr>
<tr>
<td>Total BU 13 Salary Requirements</td>
<td>(37,006)</td>
</tr>
<tr>
<td>Total BU 01 Salary Requirements</td>
<td>(92,444)</td>
</tr>
<tr>
<td>Total BU 02 Salary Requirements</td>
<td>(4,719)</td>
</tr>
<tr>
<td>Total BU 03 Salary Requirements</td>
<td>(26,168)</td>
</tr>
<tr>
<td>Total BU 04 Salary Requirements</td>
<td>(3,972)</td>
</tr>
<tr>
<td>5% Allowance for Salary Increases Remaining</td>
<td>$ 97,079</td>
</tr>
</tbody>
</table>
Department of Water
County of Kauai

Single Audit Reports
June 30, 2013
<table>
<thead>
<tr>
<th>Table of Contents</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Auditor's Report on Internal Control Over Financial Reporting and on</td>
<td>1</td>
</tr>
<tr>
<td>Compliance and Other Matters Based on an Audit of Financial Statements Performed</td>
<td></td>
</tr>
<tr>
<td>in Accordance With <em>Government Auditing Standards</em></td>
<td></td>
</tr>
<tr>
<td>Independent Auditor's Report on Compliance with Requirements Applicable to Each</td>
<td>3</td>
</tr>
<tr>
<td>Major Program and on Internal Control Over Compliance in Accordance with OMB</td>
<td></td>
</tr>
<tr>
<td>Circular A-133</td>
<td></td>
</tr>
<tr>
<td>Schedule of Expenditures of Federal Awards</td>
<td>5</td>
</tr>
<tr>
<td>Notes to Schedule of Expenditures of Federal Awards</td>
<td>7</td>
</tr>
<tr>
<td>Schedule of Findings and Questioned Costs</td>
<td>8</td>
</tr>
</tbody>
</table>
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, in accordance with the 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, the financial statements of the Department of Water, County of Kauai (the Department), as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Department’s basic financial statements, and have issued our report thereon dated December 3, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Department’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 a 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 considered the deficiency described in the schedule of findings and questioned costs, item 2013-01, to be a material weakness.

A significant deficiency is a deficiency, or a 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 considered the deficiencies described in the schedule of findings and questioned costs, items 2013-02, 2013-03 and 2013-04, to be significant deficiencies.
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free from 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 Findings

The Department’s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Department’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KMH LLP

KMH LLP

Honolulu, Hawaii
December 3, 2013
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:

Report on Compliance for Each Major Federal Program

We have audited the Department of Water, County of Kauai (the Department)’s compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Department’s major federal programs for the year ended June 30, 2013. The Department’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the Department’s major federal programs based on our audit of the types of compliance requirements referred to above. 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-133, 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Example Entity’s compliance.

Opinion on Each Major Federal Program

In our opinion, the Department complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.
Report on Internal Control Over Compliance

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Department's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the Department as of and for the year ended June 30, 2013, and have issued our report thereon dated December 3, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the 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 19, 2013
Department of Water, County of Kauai

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

<table>
<thead>
<tr>
<th>Federal Grantor Pass-Through Grantor</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>PH I Wailua Houselots Main Replacement DW413-0008</td>
<td></td>
<td></td>
<td>$ 4,619,076</td>
<td>$ 1,700,249</td>
<td>$ 1,700,249</td>
<td>$ 2,918,827</td>
</tr>
<tr>
<td>Kahili Horizontal Directional Drilled Well DW400-0004</td>
<td></td>
<td></td>
<td>2,000,000</td>
<td>359,954</td>
<td>450,562</td>
<td>1,549,438</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>$ 6,619,076</td>
<td>$ 2,060,203</td>
<td>$ 2,150,811</td>
<td>$ 4,468,265</td>
</tr>
</tbody>
</table>


Department of Water, County of Kauai

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

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

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Section I – 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

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? \(\_\) Yes \(\checkmark\) No
Department of Water, County of Kauai

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

I. Financial Statement Findings

Finding No.: 2013-01

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

In 2013, the Department has taken steps to consolidate certain general ledger accounts to simplify the closing process. The Department has contracted with a consultant to make the necessary improvements in 2014.

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: We encourage management to continue its efforts with working with a consultant to provide detailed recommendations and training to properly utilize the accounting software.

Department Reply: In September, 2012, the Department of Water (DOW) contracted with EMA Consultants (Consultants) to conduct an IT Review, Assessment & Implementation Plan for the DOW. The Consultants recommended a five (5) year IT plan which identified the DOW’s Financial Accounting System (FAS) re-implementation as the first priority. This 5 year IT Implementation Plan was approved by the Board of Water Supply (Board) as recommended and the initial implementation of the FAS review was started during this Fiscal Year (FY) 2013.
I. Financial Statement Findings (continued)

Currently, the FAS review is ongoing and DOW management and the Consultants all agree that the DOW will continue to use the existing Accounting software with a re-construction of the chart of accounts and the implementation of encumbrance reporting which will enhance our budget tracking and reporting process.

Contact Person: Marites Yano

Target Completion Date: June 30, 2014

Finding No.: 2013-02

Timely Reconciliation of Sales Entries – Significant Deficiency

Criteria: Sales entries 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 monthly basis. 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: Ever since FY 2010- 2011, the Department of Water has been a partner with the Maui and Oahu island utilities in implementing the conversion of the (old) Customer Account Services (CAS) bi-monthly billing to the new Customer Care & Billing (CC&B) monthly billing. The GO LIVE implementation of this conversion was completed on January 22, 2013.
I. Financial Statement Findings (continued)

Using the existing Kauai DOW’s Fiscal Division, Billing Section & IT staff during this GO LIVE implementation was a big strain on both Fiscal & IT division/sections for Kauai DOW. Staff had to keep up with daily transactions while keeping up with the required hours of training in preparation for the implementation. Additional labor hours were required to keep up with testing various changes as the implementation progressed. Although the completion of certain tasks were prioritized, other tasks were unavoidably delayed due to understaffing; thus, it was not possible to adequately perform tasks such as the reconciliation of adjustments. Projects of this magnitude require the hiring of a Consultant and additional manpower to help and support existing staff in the planning and implementation process.

In anticipation of this conversion, the department submitted a revised table of organization of the Billing Section in July 2011 which included the addition of a new Meter Reader/Field Collection Rep. II position in the Meter Reading Section. This position was later approved for reallocation into an Accountant II position in December 2011. Although the Billing reorganization plan was approved by the DOW Board in the early part of FY 2012, DOW could not fill the Accountant II position because the County Department of Personnel hadn’t released the approved billing reorganization plan until December 2013. The new Accountant II position was finally advertised for recruitment this month and DOW will be filling up this position immediately. This new Accountant II will be responsible to implement and maintain the monthly reconciliation of sales entries and adjustments going forward.

Contact Person: Marites Yano

Target Completion Date: June 30, 2014

Finding No.: 2013-03

Inventory – Book to Physical Adjustments – Significant Deficiency

Criteria: Inventory controls should be in place to minimize significant book to physical adjustments. In addition, compensating monitoring controls should be in place to ensure that all the book to physical adjustments have appropriate explanations.
I. Financial Statement Findings (continued)

**Condition, cause & context:** During the course of the 2012 audit, we noted a book to physical adjustment of approximately $91,000 was recorded after the annual physical inventory count. Through our audit procedures, we were able to conclude that materials inventory was properly stated as of year-end. However, management was not able to readily provide an explanation for the adjustment.

In 2013, the book to physical adjustments continued to occur without any clear indication from management on why these adjustments were occurring. In addition, we noted that in early 2013 operations management authorized their consultant to temporarily provide the rights to certain DOW staff to make direct changes to the inventory system databases to “true-up” the inventory balances.

**Effect:** Inadequate monitoring controls over materials inventory can lead to misappropriation of assets being undetected. Furthermore, direct access to system databases should be avoided as these changes do not provide proper audit support.

**Recommendation:** Management should review detailed inventory procedures to identify the potential cause of the large adjustments. In addition, management should reconsider the approval procedures to allow access to system databases.

**Department Reply:** The sizable inventory adjustment in FY 2012 prompted the Department to conduct a midyear inventory with optimism that we could improve the overall inventory process. The FY 2013 adjustment was indeed lower from the prior year. We will continue to monitor the inventory process in place and find ways to improve the system.

The direct changes to the inventory system databases provided by the Consultant as authorized by operations management was addressed by Management to both parties and further actions like this should not be repeated going forward.

**Target Completion Date:** June 30, 2014
Department of Water, County of Kauai

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

I. Financial Statement Findings (continued)

Finding No.: 2013-04

Review of Journal Entries – Significant Deficiency

Criteria: All journal entries should be appropriately reviewed to minimize the risk of error.

Condition, cause & context: During the course of the audit, we discovered the following errors:

- Non-accrual of receivable related to State Revolving Fund (SRF) loan forgiveness (grant) of approximately $891,000. Management did identify the need to write-off loan balance related to this new SRF loan term, however their assessment of the issue was incomplete.
- Overstatement of capitalized interest of $120,000. Reviews were completed for this entry, but did not identify the error in the calculation.
- Improper journal entry related to prior years capitalization of engineering labor of approximately $291,000. Although this entry was discussed, there was no documentation that a review was performed on this entry by the Waterworks Controller.

During the past year, management has taken steps to record adjustments prior to the audit. As a result of this effort, total adjustments decreased from 17 audit adjustments in the prior year to 8 audit adjustments in the current year.

Effect: A lack of appropriate journal entry review may result in future undetected errors.

Recommendation: All journal entries should be appropriately reviewed.

Department Reply: The Department concurs with these adjustments. As mentioned above, audit adjustments were decreased as compared to prior year. The Waterworks Controller and Accounting staff recognize that there’s still some room for improvement. We will continue to work together to improve the flow of communication so that new or unusual events that occur can be recorded timely and properly. We will continue to evaluate and enhance the business accounting practices and procedures that we have in place.

Contact Person: Marites Yano

Target Completion Date: June 30, 2014
**Department of Water, County of Kauai**

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

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### II. 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, 2012 dated November 19, 2012.

<table>
<thead>
<tr>
<th>Recommendations</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2012-01 Inadequate Use of Accounting Software</strong></td>
<td>Ongoing. The Department completed assessment of the existing accounting system. Management is current evaluating the results and developing action steps to remedy the gaps identified by the consultant. See finding 2013-01 for current year finding.</td>
</tr>
</tbody>
</table>

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.

The Department should consider simplifying the current account structure and setup of the financial reporting system during its information technology assessment.
Department of Water, County of Kauai

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

II. Summary Schedule of Prior Audit Findings (continued)

<table>
<thead>
<tr>
<th>Recommendations</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2012-02 Timely Reconciliation of Sales Entries</strong></td>
<td>Ongoing. The Department was still behind in sales reconciliations in FY2013. See finding 2013-02 for current year finding.</td>
</tr>
<tr>
<td>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.</td>
<td></td>
</tr>
<tr>
<td>Revenues should be reconciled regularly and all related adjustments recorded on a timely basis.</td>
<td></td>
</tr>
<tr>
<td><strong>2012-03 Inventory – Book to Physical Adjustments</strong></td>
<td>Ongoing. See finding 2013-03 for current year finding.</td>
</tr>
<tr>
<td>During the course of the audit, we noted a book to physical adjustment of approximately $91,000 was recorded after the annual physical inventory count. Through our audit procedures, we were able to conclude that materials inventory was properly stated as of year-end. However, management was not able to readily provide an explanation for the adjustment.</td>
<td></td>
</tr>
<tr>
<td>Management should review detailed inventory procedures to identify the potential cause of the large adjustments. In addition, management should consider increasing the frequency of the inventory counts.</td>
<td></td>
</tr>
</tbody>
</table>
PR SPECIALIST REPORT

January 23, 2014

Press Releases:

- **Released December 10, 2013** – The Department announced road closures in Wailua House lots from 7:45 a.m. to 3:30 p.m., Dec. 11 to Dec. 20, to allow Goodfellow Brothers Inc. to resurface roads.
- **Released December 13, 2013** – Employees prepared 60 gifts for the Salvation Army’s Angel Tree program on Dec. 13. The Department hopes to continue this tradition for years to come.
- **Released December 13, 2013** – The Department announced intermittent road closures for Olohena Road, west of the Waipouli Road intersection, from 7:45 a.m. to 3:30 p.m., Dec. 16 to Dec. 24. The Department’s contractor, Koga Engineering & Construction Inc., repaved a section of the road affected by the recent waterline installation and assisted the Department of Public Works with underlying groundwater damage.
- **Released December 16, 2013** – The Department announced a water conservation request for the Eleele and Hanapepe area until 10 a.m., Dec. 17. Storage wells in the area were affected by an electrical outage from a storm that occurred Dec. 15.
- **Released December 18, 2013** – The Department announced an upcoming community outreach meeting from 6 to 8 p.m., on Jan. 27, at Kapaa Middle School’s dining room. The meeting is regarding the Water Plan 2020 Kahili Horizontal Directional Drilled Well.
- **Released December 24, 2013** – The Department announced an upcoming public hearing from 6 to 8 p.m., on Jan. 23, at the Department’s Microbiology Lab Building. The hearing is regarding the establishment of benefit zones relating to the collection and expenditure of development impact fees.
- **Released December 30, 2013** – The Department announced Randy Nishimura’s final Board meeting and send off, and the Board’s 2014 officers.

Honolulu Star Advertiser:

- **Published December 10, 2013** – “Kauai County to resurface roads in Wailua House lots,” by Star-Advertiser staff (see attached)

The Garden Island:

- **Published Online December 16, 2013** – “Water conservation request for Eleele, Hanapepe,” by The Garden Island (see attached)
- **Published December 23, 2013** – “DOW announces meeting on well project” by The Garden Island (see attached)

Kahili Horizontal Directional Drilled Well – Community Outreach Meeting

The Department is hosting a community outreach meeting on Jan. 27, at the Kapaa Middle School dining room. PR accompanied Edie Ignacio-Neumiller and Diane Zachary (meeting facilitator) on a visit to KMS to evaluate the logistics needed. In regards to public notices, management decided to forego paid advertisements. PR has submitted the following free Public Service Announcements (PSA) that the media will consider for publication:

- Press Release submitted to the County and all media outlets on Dec. 18
• Press Release published on [www.kauai.gov](http://www.kauai.gov) on Dec. 18
  o The Garden Island published an article on Dec. 23
• Calendar Event submitted to The Garden Island and For Kauai Magazine on Dec. 30
  o Published on [www.thegardenisland.com](http://www.thegardenisland.com) since Jan. 1
  o Published on [www.forkauaionline.com](http://www.forkauaionline.com) since Jan. 3
• Submitted an ongoing PSA request to KONG radio, FM97 and H.Hawaii Media on Dec. 30
  and again on Jan. 21.
• Reminder Press Release submitted to the County and all media outlets on Jan. 21.
• Published on the Department’s Facebook page Jan. 8, 21 and 27.

**Employee Council (EC):**
The Employee Council hosted a community service project dinner for the KEO Homeless Shelter and Women In Need on Dec. 16 at the Pua Loke Arboretum. PR provided the water and ice, and served dinner. PR will attend an Employee Council meeting on Jan. 17 to discuss the Holly Jolly Song Contest and vision for 2014.

**Miscellaneous:**
• Make-A-Splash 2014 letters have been sent to all Kauai elementary schools regarding the tentative festival date and applications for financial assistance.
• PR will attend a Kauai Habitat for Humanity blessing ceremony for Eleele Iluna Subdivision Phase II, on Jan. 17.
• PR will assist management as needed with the Public Hearing regarding “Benefit Zones,” on Jan. 23.

Respectfully submitted,

Kim Tamaoka
Public Relations Specialist

KT:ein

Attachments:  
HSA, “Kauai County to resurface roads in Wailua Houselots” dated December 10, 2013  
TGI, “DOW announces meeting on well project” dated December 23, 2013
Kauai County to resurface roads in Wailua Houselots - Hawaii News - Honolulu Star-Advertiser

Kauai County to resurface roads in Wailua Houselots

By Star-Advertiser staff

POSTED: 09:05 p.m. HST, Dec 10, 2013 LAST UPDATED: 09:05 p.m. HST, Dec 10, 2013

The Kauai Department of Water will resurface roads in Wailua Houselots, from 7:45 a.m. to 3:30 p.m., Wednesday to Dec. 24, weather permitting.

Affected roads are Haleiio Road, Nonou Road, Eggerking Road, Pua Road, Lanakila Road, Hookipa Road, Oo Road, Kula Road, Kamokila Road, Wailana Road and Makani Road.

Traffic control will be in place while the work is being done, the county said in a news release. Motorists are advised to exercise caution while in the area and allow extra travel time.

The contractor is Goodfellow Brothers Inc. The paving marks the final phase of construction for the DOW's Wailua Houselots Main Replacement Phase I, which began in March 2013.

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Water conservation request for Eleele, Hanapepe

| 0 comments

ELEELE — The Department of Water has issued a water conservation request for the Eleele and Hanapepe area until 10 a.m. Tuesday. Residents and businesses are asked to limit water consumption to essential uses only.

Storage wells in the area were affected by an electrical outage from Sunday’s storm, and the DOW is currently addressing those issues.

Essential water needs include: cooking; bathing; and toilet flushing.

Water conservation measures include: refraining from car washing; reducing outdoor irrigation; and using water wisely indoors and outdoors.

Info: 245-5455 during business hours, 7:45 a.m. to 4:30 p.m., or Police Dispatch at 241-1711 after business hours.

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DOW announces meeting on well project

LIHUE — The Kauai Department of Water will hold a community outreach meeting next month to discuss its newly-named “Water Plan 2020 Kahili Horizontal Directional Drilled Well” project.

The meeting is from 6 to 8 p.m. Jan. 27 in the Kapaa Middle School dining room.

In addition to receiving public comments, the DOW will present the project’s Cost-Saving Analysis, the result of a two-month long economic feasibility study.

The 28-page report, released last month and prepared by Plasch Econ Pacific LLC, “evaluates the costs of various water-source alternatives based on component costs and other information assembled by Oceanit and the Mears Group Inc,” according to a DOW release.

Those alternatives include continuing to supply water from the current water-supply system, with no significant changes or upgrades, modifying the Waiahi Water Treatment Plant by adding a solar farm and related improvements to reduce energy costs and moving forward with the horizontal well.

Of the three alternatives, the report found that the well project would be the least expensive. The DOW has estimated it would cost around $60 million.

3 comments:

- **kauaimtnman** posted at 5:12 pm on Mon, Dec 23, 2013.

  Posts: 53

  My concern is the scope of the project (bore size and amount of water being removed) essentially directly into the base of Waialeale Mountain. All I'm saying is ALL the potential impacts of such a project need to be assessed by impartial professionals, not the hired consultant, so we can feel like we have the truth, the whole truth, and nothing but the truth about this $60-million dollar taxpayer-footed bill.

- **WestKauai** posted at 3:25 pm on Mon, Dec 23, 2013.

  Posts: 92

  What un-proven technology? We used horizontal drilling to place conduits under rivers, roads, etc., 30 years ago...It was also used for wells...
So the report evaluate costs. Financial costs. How about environmental costs? How about using Kauai to test an un-proven technology, again?
Operations Division Report for the Month of December 2013

Personnel

- Mele Kalikimaka
- Hau`oli Makahiki Hou

Source and Storage

- Lightning and thunderstorm in the early morning of December 1st damaged our radio communication at the Hanamaulu Wells 3 & 4 causing SCADA failure. Repairs complete.
- Lightning strike on December 15th near the Hanapepe Wells A & B damaged the motor savers and communication modules of both wells. Repairs complete.
- Access road to Paua Valley Well, Paua Valley Tanks and Kekaha Shaft was severely damaged by heavy rains on December 15th rendering the sites inaccessible. Repairs ongoing and the sites are now accessible to small vehicles to allow plant operators to monitor the sites and replenish our disinfection systems.
- Plant Section personnel worked with Water Quality Division in containing high turbidity and low chlorine residual at the Nawiliwili Harbor.

Distribution

- Operations crews continue to perform leak repair of service laterals and mainlines including those that were damaged by contractors performing work for Water Plan 2020 as well as assist Water Plan 2020 project management section in operating valves.
- Assisted other Divisions in preparing water outage notifications by preparing the paper handouts and delivering such notices door-to-door.
- In the early morning of December 1st, landslide due to heavy rains in Waimea damaged the distribution line but was repaired by Operations Division personnel within the same day.
- Speed hump on Kuhio Highway fronting Coconut Marketplace in Kapaa was repaved on December 30, 2013.
- Sixty seven (67) water meters were issued for new installations and replacement requests.

Fleet, Inventory, Warehouse and Baseyard Area

- We received a total of 38 calls from customers reporting leaks on the mainline, service laterals, meters, meter boxes and fire hydrants including 3 called-in complaints of no water and low pressure while 3 calls were received for milky, smelly, and brown water.
- For the month of December, a total of two hundred seven (207) work orders were issued for Operations Division. Works included: electrical repairs and maintenance, automotive repairs and maintenance, water meter installation and replacement, service lateral installations, leak repairs, well and tank site maintenance, replace damaged meter boxes, replace damaged or leaking hydrant, door-to-door customer notifications for tie-ins of new lines to existing lines, callouts due to customer complaints/reports.
• Of the 255 work Orders issued in November, 214 were completed.
• For the month of December 2013, thirty one (31) Hawaii One Call requests for markings were received and completed.

Respectfully submitted,

Valentino P. Reyna
Chief, Operations Division

VPR:ein

Attachments: Overtime Chart
             Leak Report Chart
# of W/O's | Job Reason Code | Description
--- | --- | ---
9 | LEAK-BOX | Meter Box Leak Repair
2 | LEAK-CUST | Customer-Side Leak Repair
84 | LEAK-MAIN | Mainline Leak Repair
94 | LEAK-S/L | Service Lateral Leak Repair

Work Orders by Job Reason Code

![Pie chart showing the distribution of leak repair work orders by job code]

### Number of Leak Repairs per Month

![Line chart showing the number of leak repairs per month from December 2012 to December 2013]
1. All materials taken from the baseyard storeroom shall be ordered and signed for on “Material Issue” form except for expendable items and items of low cost that are not itemized on the inventory, such as sand paper, small nuts and bolts, pipe joint compound, etc.

2. No materials, even expendable items, shall be taken from the baseyard without having been issued by the Clerk-Dispatcher. Exception: In the absence of the Clerk-Dispatcher, materials may be taken after filling out and signing “Material Issue”. This form shall then be left in the place established by the Clerk-Dispatcher.

3. If Material is taken from the baseyard storeroom to be used for electrical, SCADA or Plant Section inventory, so state under job location and description, such as: Waimea Well B Electrical Repair.

When excess material is taken from the baseyard storeroom for a particular job, this may be recorded on a Material Issue designated “Master Sheet” and returned material should be recorded in “Returned” column. This is very important - - materials not returned will be charged against that particular job. Then Material Issue may be written from this Master Sheet to segregate materials used by account numbers.

4. Each Water Plant Operator, Working Supervisor (WS), and Water Service Supervisor shall be provided with a separate “Material Issue” book. All materials used on the job shall be listed on these forms. One (1) original and two (2) copies of these forms shall be turned in daily with that day’s timesheet.

5. All materials ordered for a particular job (that is, materials not out of inventory) even if delivered directly to the job site will be charged to that job by the supplier’s invoice. Excess materials not used will be returned to the baseyard by recording in Material Issue “Returned” column and credited to that job.

6. Therefore, except for expendable items (such as pipe thread lubricant, rags, hack-saw blades, solder, nuts and bolts, gaskets, etc.) All materials used in construction, maintenance or repairs shall be signed for on the “Material Issue” Form.
7. Although Materials Issue (Stores Issue) is now available in M-PET, Department-wide use of the program module will be temporarily on hold pending further training of personnel to ensure a smooth transition from manually written form to computerized format.

Generating a Stores (Materials) Issue

The steps illustrated below should not to be confused with the use of a fully functional Materials Management System to track all aspects of your materials use; rather, it should act as the auditable component for removing one or more items from a storeroom and associating them to a specific job.

From the Module Icons, select Inventory/Material Acquisition/Stores Issue/Add; or if available from the Dashboard, select the “Add Stores Issue” Icon.

Fill in the required (red) fields

Stores Issue Information

Date Needed: - This auto-fills with a date three weeks from today’s date, but can be modified accordingly.
**For Job** – This is an “Action Required” box, meaning a selection (choice) must be made prior to being allowed to save the record.

If this request is **not** for a job, the first click will change the box from green to white and processing may proceed.

If this request is **is** for a job, the second click will change the box from white to a green check and the Job ID field will turn red, meaning that field must be filled in prior to completion.

**Originator Information**

**Originator**: - these auto-fills with the current logged in individual, but can be modified accordingly.

**Storeroom**: - Using the three button look-up, select the storeroom where the items will be removed from.

**Cost Information**

**Job ID**: - If the “For Job” box was checked previously, this field will change to a required field. Using the three button look-up, select the appropriate Job ID.

**Cost Code**: - Using the three button look-up, select the code that best matches where the work is being performed.

**Saving the Stores Issue**

At this point, it is suggested a Save action take place to ensure the data is retained.

Select the Save Icon (top left) to save the information as well as the generation of a Stores Issue D (an informational block will appear containing the Stores Issue ID Number).
Adding the Parts

To Add Parts, place the mouse cursor in the large open area box and using the right mouse option, select the Add New Items(s) function.

This will bring up the Storeroom Parts List from the Storeroom that was selected in the Originator Information portion described earlier. Select the appropriate part(s) and return them by choosing the “Select Items” Icon as circled above.

At this point, the originator fills in the requested quantities (circled) and may Save and Close the Stores Issue by selecting the Save and Close Icon located along the top of the screen and awaits Approval by a supervisor. If the Originator also has Approval Rights, they can select the
“Approve” Icon prior to saving and closing. This action will Save the information, approve it for processing and change the Approval Information from “Pending Review” to “Approved”. Note, once Approved, the Stores Issue is locked and cannot be modified unless first Unapproved.

At The Job Level

Once the Stores Issue is approved, the estimated part quantities will be incorporated into the Job Parts Tab, as illustrated below.
Issuing the Parts

The Store Room Clerk next fills the request by checking the parts out of the storeroom via a Check Out (Inventory/Storeroom Activity/Check-Out/For Stores Issue) or if available from the Dashboard, select the “Add Check Out (Stores Issue)” Icon.

Fill in the required fields, indicating the Storeroom, who took (received) the items and the appropriate Stores Issue number. To add the Stores Issue parts, place the mouse cursor in the large open area box and using the right mouse option, select the Import Stores Issue Part(s).
After populating the Check Out with the Stores Issues part(s), the quantity extracted from the storeroom, is filled in the “Qty” field. Once complete, select the Save and Close to commit the transaction.

At The Job Level
Once the Stores Issue has been satisfied, the issued part quantities will be incorporated into the Job Parts Tab, as illustrated below and the on-hand inventory quantities reduced.

APPROVED:

Kirk Saiki, P.E.
Acting Manager & Chief Engineer
I. INVENTORY SYSTEM

A. The perpetual inventory records are maintained by the clerk-dispatcher, for material and supplies and the meter mechanic for meters and meter parts. Perpetual inventory cards for each stock item are kept up-to-date, showing a record of additions to or reductions to both quantities and dollars. The inventory is valued at weighted average cost. An actual physical count of all materials and supplies in stock is performed at the end of each fiscal period. The records are then compared with actual quantities and any discrepancies corrected and noted.

II. PURCHASING PROCEDURE

A. A purchasing requisition is prepared in triplicate indicating:

1. The item to be purchased.
2. The quantity to be purchased.

B. Proper authorization to make purchase is obtained from division head.

C. One (1) copy (original) of purchase requisition is sent to purchasing; one (1) copy (pink) retained by preparer; one (1) copy (yellow) to clerk-dispatcher.

D. A purchase order is prepared by accounting section indicating:

1. Desired items to be purchased.
2. Quantities to be purchased.
3. Terms of purchase.

E. Order is placed.

1. All purchases and contract for materials, supplies, equipment and services shall be made by advertising for bids, except that such purchases and contracts may be negotiated without advertising if:
   a. The public necessity will not admit the delay incident to advertising.
b. The aggregate amount involved does not exceed $4,000; however, any purchases or contracts involving sums between $1,500 and $4,000 shall be based on competitive bids which shall be in writing. All purchases under $1,500 shall be recorded and such record shall be available for public review.

c. For materials, supplies, equipment and professional services for which it is impractical to secure competition.

d. For equipment determined to be technical equipment and as to which it is determined that the procurement thereof without advertising is necessary to assure standardization of the equipment and interchangeability of parts and that such standardization and interchangeability are necessary in the interest of economy.

F. A copy of the purchase order is sent to the clerk-dispatcher to serve as:

1. A notification of the status of the order.
2. A receiving report.

III. PROCEDURE FOR RECEIVING ITEM

A. Upon receipt of purchased goods, clerk-dispatcher will:
   1. Count or verify quantities of goods received.
   2. Inspect the quality and condition of goods received.

B. A receiving report (copy of purchase order) is prepared by clerk-dispatcher.
   1. Indicates on copy of purchase order the quantity, conditions and description of all items received.
   2. Clerk-dispatcher signs and dates receiving report to confirm goods received.

C. Receiving report is sent to accounting.

D. Accounting compares the receiving report with the sales invoice and purchase order to ascertain that the prices, quantities and terms are in agreement.
   1. Any discrepancy is resolved before approval for payment.

E. From Sales invoices, clerk-dispatcher records on the perpetual inventory cards the:
   1. Date purchased
   2. Purchase order number
   3. Quantity received
   4. Unit cost or price

F. Posting in ledger is made after payment is remitted.

IV. PROCEDURE FOR MATERIAL ISSUE AND RETURN FORM
A. Requisitioning materials from storeroom.
   
   1. Only authorized persons are permitted in the storeroom (Chief of Operations, Water Plants Overseer, Clerk-Dispatcher, and Water Service Supervisor III) during working hours.
   
   2. Inventory items are issued only upon the presentation to authorized person or properly prepared and authorized material issue.
   
   3. Authorized person fills order and signs as issuer.
   
   4. Person receiving materials signs as verifying that items and quantities received are as requested.

B. Returning materials to storeroom:

   1. Excess materials returned are recorded by quantities in the “Returned” column of the material issue designated as the “Master Sheet.”
   
   2. Person returning materials, signs as returner.
   
   3. Authorized person signs as verifying items and quantities returned.

C. Recording of completed material issue:

   1. Clerk-dispatcher records price (stated at average value) of items issued on material issue.
   
   2. Clerk-dispatcher records on perpetual inventory card of each item issued the :
      
      a. date issued or returned
      b. quantity issued or returned
      c. unit cost
      d. material issue number
      e. work order number
   
   3. Clerk-dispatcher forwards:
      
      a. Two (2) copies (white and yellow) of materials issue to accounting.
      b. One (1) copy (pink) to person requesting material.
      c. One (1) copy (gold) retained in material issue book.
   
   4. Accountant records or books material issue.
      
      a. when work order is completed.
      b. monthly for those material issues not pertaining to work orders.
5. The Accounting Department, by comparing material issue control sheets with material issue book (gold copy), verifies that all material issues written have been received and recorded by the Accounting Department.

Note: The Department of Water’s computerized Maintenance and Management Information System (MMS) is currently using MPET.NET which includes Inventory Module. Although available and ready for use, further training of Operations Division and Finance Division personnel is required to ensure a smooth transition from manually written storeroom activity to computerized system.

Performing an Inventory Cycle Count

The steps illustrated below should not to be confused with the use of a fully functional Materials Management System to track all aspects of your materials use; rather, it should act as the auditable component for validating that stock levels are consistent with quantities indicated in the system and to enact measures for better control should issues become apparent.

There are multiple stages that flip-flop between administration and counting to ensure data accuracy at each stage.

Pre-Count

From the Module Icons, select Inventory/Stock Level Management/Cycle Count/Administration; or if available from the Dashboard, select the “Cycle Count Administration” Icon.
The selection of the parts to be considered can be accomplished by selecting the "Add Storeroom Parts" Icon from the menu options or by placing the mouse cursor in the large open area box and using the right mouse option.

The filtering options will permit the selection of specific areas to count and in the case illustrated below was used to select a specific Storeroom and Aisle.
All of the items were highlighted and by using the “Select Item(s) Icon (circled), the 14 items were brought back for initial counting. Any that the user does not want to include in the count can be removed by highlighting and selecting the “Delete Items” Icon.

**Initiating the Counts**

From the Module Icons, select Inventory/Stock Level Management/Cycle Count/Enter Counts; or if available from the Dashboard, select the “Enter Cycle Counts” Icon to incorporate the 14 items into the cycle for counting.
At this point, the Pre-Count has been finalized and the user must close out the form and return to the “Administration” component to move to the next stage. Again, items can be removed if necessary.

Selection of the “Next” Arrow will display the illustrated dialogue box indicating movement to the next stage is about to occur.

**Stage One Count**
As illustrated below, there are 14 items that require an initial (first) count.
To do this, the user closes out the form and returns to the "Enter Counts" component. It is recommended the user print out the form to annotate the physical inventory counts.

The user then fills in the counts in the cells highlighted below, closes the form and returns to the "Administration" component.

At this point, the system highlights those items where the count(s) do not match the systems quantities and prepares to move onto the next stage. It should be noted, that if all the quantities matched, the process would end.
Selection of the “Next” Arrow will display the illustrated dialogue box indicating movement to the next stage is about to occur.

Stage Two Count
As illustrated below, there are 4 items that require a second verification count. Again, the user must close the form and return to the “Enter Counts” component.
As detailed in the Stage One Count, the user should first print out the form to annotate the second physical inventory counts prior to filling in the amounts in the highlighted fields illustrated below.

Upon completion, the user closes out the form and returns to the “Administration” component for an analysis of the results.

Once satisfied, the user selects the “Next” arrow to move onto the next (and final) phase. Selection of the “Next” Arrow will display the illustrated dialogue box indicating movement to the next stage is about to occur.
The user next confirms that the new counts are accurate and moves to update the system with the counts established in the Second Count Stage.

This finalizes the action and returns to the initial Administrative Cycle Count where another count can be initiated or the user can chose to close out the process.

APPROVED:

Kirk Saiki, P.E.
Acting Manager & Chief Engineer

SOP36 – Inventory Procedures
MANAGER’S UPDATE

January 23, 2014

MANAGER’S UPDATE for January 2014

CONTRACTS AWARDED/EXTENSION/AMENDMENTS:

(1) RE: Contract No. 578 awarded to HT&T Hawai‘i LLC dba HT & T Truck Center for the furnishing and delivery of one (1) 64,000 lb GVWR Truck Cab and Chassis with 10 Cubic Yard Dump Body in the amount of $183,197.29

FUNDING:
Account No. 106 Vehicle and Equipment (Operations Division)

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<tr>
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BACKGROUND:
A single bid was received and opened on December 20, 2013. Attached is a summary of the bid result. We have reviewed the bid and find it reasonable and responsive. We recommend accepting the bid from HT&T Truck Center and proceeding with the purchase.

(2) RE: 1st Amendment time extension to March 23, 2014 for Contract No. 557 to Okahara and Associates, Inc. for Job No. 11-07, WP 2020 #KP-09, Kōloa Wells 16A & 16B Well, Site and building improvements, Kōloa, Kaua‘i, Hawai‘i with no additional funding

FUNDING:
NO ADDITIONAL FUNDS REQUESTED

Account No. 101b/101, CRP/CIP

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BACKGROUND:
The MCC and Chlorination Facilities at Koloa Well 16-A, E, & 16B are currently in need of improvements and partially dilapidated. Additionally, Well 16B needs a new pump and modified discharge piping. This project will serve to alleviate those issues.

Due to unanticipated delays in the preparation of preliminary engineering design and agency review of construction drawings caused the work to proceed at a pace slower than originally planned, resulting in the contract work extending beyond the contractual limit. In addition, the DOW needs the Contractor to amend the services during construction.

It is the DOW staff’s opinion that Okahara and Associates, Inc. has made substantial/sufficient progress to the project. We recommend approval for the project completion date to be extended to March 23, 2014 and Amendment to Contract No. 557.

(3) RE: Contract No. awarded to Fukunaga & Associates, Inc. for design services to prepare construction plans and technical specifications for Job No. 13-5, WP2020 #WKK-09, Kōloa Road Main Replacement, Kīlauea Water System in the amount of $19,500.00

FUNDING:
Account No. 101, CRPL PROJECTS

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<td>5% Contingency</td>
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<td><strong>$20,475.00</strong></td>
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Job 13-5, Total Fund Balance                                   $1,279,525.00

BACKGROUND:
The existing water transmission facilities along Kolo Road are inadequate to provide the necessary flow to Kīlauea Elementary School. In order to address this issue, the DOW recommended replacing the existing 8-inch AC water line with 12-inch ductile iron beginning from the existing 12-inch wye at Kūhiʻo Highway and Pukulani Place. The new water shall traverse across Kūhiʻo Highway through Pukulani Place to Kolo Road, and end at existing hydrant #X-17 along Kolo Road.

The design of the project was done in 2007 under the State Department of Accounting & General Services (D.A.G.S.) and the Department of Education (DOE). In 2008 the project was put to bid by the Department of Education (DOE), with a low bid of $837,000; however, due to the shortage of funding, the project was discontinued.

With the current availability of funds from the State, it is the intent of DOW to continue the subject project. We reviewed Fukunaga and Associates, Inc.’s proposal for engineering services of $19,500.00 for the work needed for the project, and find it acceptable.

(4) 1st Amendment time extension to June 10, 2014 for Contract No. 550 to Honua Engineering, Inc. for Job No. 11-06, WP2020 #WK-01, Moalepe Tunnel and Access Road
Improvements & Makaleha Tunnel Entrance Rehabilitation, Kapa'a Water System, Kawaihau, Kaua'i, Hawaii

FUNDING:
NO ADDITIONAL FUNDS REQUESTED

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*First Amendment to contract 550:*

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</table>

BACKGROUND:
Due to unanticipated delays in the preparation of preliminary engineering design caused the work to proceed at a pace slower than originally planned and resulting in the contract work extending beyond the contractual limit. In addition, the DOW needs the Contractor to provide engineering services during construction.

We find it acceptable to extend Honua Engineering’s contract to June 10, 2014.

(5) 2nd Amendment time extension to March 27, 2014 for Contract No. 577 to Oasis Water Systems, Inc. for the Replacement of Pump & Motor Assembly for Lāwa'i Well No. 2

FUNDING:
NO ADDITIONAL FUNDS REQUESTED

<table>
<thead>
<tr>
<th>Account No. 102, Miscellaneous Rehabilitation Projects</th>
<th>$100,000.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract No. 577: Oasis Water Systems, Inc.</td>
<td>$69,936.32</td>
</tr>
<tr>
<td>Contingency</td>
<td>$3,500.00</td>
</tr>
<tr>
<td>Change Order No. 1</td>
<td>$14,158.90</td>
</tr>
<tr>
<td><strong>Total Funds Certified</strong></td>
<td><strong>$87,595.22</strong></td>
</tr>
<tr>
<td>Change Order No. 2</td>
<td></td>
</tr>
<tr>
<td>Contract Time Extension of Sixty (60) days</td>
<td>$0.00</td>
</tr>
<tr>
<td><strong>Total for Change Order No. 2</strong></td>
<td><strong>$0.00</strong></td>
</tr>
<tr>
<td>Account No. 102, Funds Remaining (Balance)</td>
<td>$12,404.78</td>
</tr>
</tbody>
</table>
BACKGROUND:
There have been significant delays in the manufacturing and testing of the new motor due to damages during shipping which resulted in the need to build a new motor and subsequently also delayed the testing.

PUMP INSTALLATION PERMITS:
None

WAIVER RELEASE & INDEMNITY APPLICATIONS:
None

PERSONNEL MATTERS UPDATE

December 30, 2013

RECRUITMENT AND POSITION CHANGES

Operations Division
1. Assistant Chief of Water Operations #2400. Pending list of eligibles from Department of Personnel Services (DPS).
2. Equipment Operator II #2408. Pending list of eligibles.
4. Pipefitter #2456. Pending list of eligibles.
5. Pipefitter Helper. Pending list of eligibles.
7. Waterworks Electronics/Plant Electrical Tradesperson I #2311. Pending list of eligibles.
8. Plant Electrician Helper. Pending list of eligibles.

Fiscal Division
2. Accountant IV #2304 (Billing). On continuous recruitment.
5. Procurement Specialist IV #New Position. Pending list of eligibles.

Engineering Division, Construction Management (CM) Division, Water Quality Division and Water Resources & Planning Division
1. Civil Engineer II #2458. DOW reviewing duties.
2. Project Assistant #2484 re-description. Pending DPS review.
6. Waterworks Project Manager #2351 re-description. Pending DPS review
7. Water Inspector II #2483 re-description. Pending DPS review.
8. Waterworks Inspector III #2353. Pending list of eligibles.

Administration
1. Clerical Assistant (Community Relations). Pending position number assigned by DPS.
3. HR Coordinator #2489. Pending DPS review.
4. Private Secretary #E-35. Pending DPS review.

SUMMARY OF WARRANT VOUCHERS PAID – December 31, 2013
Warrant vouchers were paid in the amount of $1,754,792.53
Please see attached Warrant Vouchers Report.

STAFF REPORTS - FY 14-15:

Conveyance of Water Facility:
1. Jacqueline C. Ohai  TMK: 4-6-028:001  Kawaihau  $9,820.00
2. Kevin Horta  TMK: 3-6-017:018  Līhu'e  $2,800.00
3. Vince E. Flores  TMK: 2-5-006:021  Kōloa  $6,500.00
5. Jay T. Manzano  Trustee of Jay T. Manzano Self Trusted Trust  TMK: 2-3-011:058  Kōloa  $9,824.00

Total  $55,402.22

CC&B BILLING SYSTEM UPDATE:

January 13, 2014

On January 22, 2014 DOW along with HBWS and Maui BWS reached a milestone with CC&B being our one year anniversary of the implementation of the new billing system.

Password Enhancements implementation for Kauai has been completed.

January – June 2014 Focus is to continue “Transition” Scope of work and achieve steady state, which includes: Knowledge transfer/training, updating processes, wrapping up on reports, prep for Year –end audit and New rates for Fiscal Year (FY) 2014-2015.

The Department will need to provide rate increases for FY 2014-2015 by March 31, 2014. HBWS also needs to know ASAP if any new rate/structure will be implemented this upcoming FY.

Sandi is working with DOW’s County Attorney, Ms. Andrea Suzuki on a Payment Arrangement Agreement for customers who have high water bills. UPDATE: DOW now has implemented a Payment Arrangement Agreement for customers who have high water bills.
Removal of Small Readings – Sandi will be working with HBWS to test the removal of the small meter readings from CC&B. Some testing has been done, but we will now be working on User Acceptance testing to make sure our meter reads are processed correctly.

Foreign Address update has been fixed. The existing foreign addresses contained inconsistent name and placement. We are now using the ISO country name and 3-digit standard.

There was an issue with the Zip Code Field where the user could not change the Account/Person/Address Override field – specifically if the zip code change is one that was not currently mapped in the database. The USPS Zip Codes determined to be missing from the database have been added and verified.

Kauai was still receiving Meter Read Download Errors; these errors would cause the meter to not be read. HBWS will run and provide a query of all meters missing the Secondary ID number to be fixed.

Phase 3 will be implemented after Phase II which will include Summary Billing, Low Groundwater Condition, and Web Services.

On June 14, 2013 the department implemented eBill & eStatement where our customers can view their bills online. On December 9, 2013, 374 customers have signed up with eBill and eStatement and 113 out of the 374 customers have elected to receive their bill electronically thereby saving the department paper and postage. As of January 13, 2014, 410 customers have signed up with eBill and eStatement and 128 customers have elected to receive their bills electronically.

On September 30, 2013 - Mel Yamase, one of the main individuals involved in CC&B has retired from the Billing Division. Effective December 2, 2013, IT Specialist, Ms. Sandi Nadatani-Mendez has stopped temporary assigning to the vacant Accountant IV position; currently Rosemarie Navea is filling in.

Since October, staff has been verifying meter reads to make sure the transponders are still working; they have also been filtering those who registered illegal usage from meters who are properly activated. During the 2 month period, billing staff has created 20+ Meter Exchange Field Activities to replace meters because of various reasons. Sandi & the meter readers continue to locate meters that need replacement.

**IT STRATEGIC PLAN UPDATE:**

*January 13, 2014*

BRIO is on site from January 21-24, 2014 to go over the Process & Controls for Great Plains Software and to finalize our Chart of Accounts.

Nancy Lerner and Mark Wehmeyer from BRIO will be here and would like to give an update on the computer plan for Task 1.

**2014 LEGISLATIVE SESSION UPDATE:**

Since the opening of our 2014 legislative session yesterday, the DOW is moving forward and has requested for our legislators to bring back SB987, HB1103.

During the 2013 legislative session, the Committee of Water and Land has recommended the amendments to the Committee on Consumer Protection & Commerce in which it has moved forward to pass the third reading. Although the Public Safety, Intergovernmental and Military Affairs have received favored testimony from the County of Kaua‘i along with the City and County of Honolulu’s Board of Water Supply, they have received opposition from the Land Use Research Foundation in which the committee argued that the timing of the
collection does not allow sufficient flexibility for planning or to account for changes that may be made up until the time the water meters are installed.

The impact fee is utilized to help pay for required infrastructure improvements which are associated with the water meter. With the amendment, this would give the Counties the authority to collect the impact fee at the time of subdivision, which at times, may be years before a building permit is applied for.

We will continue to work with our legislature to ensure that we can move forward with our proposed amendment. Therefore, we strongly support the passage of this bill, Relating to the Boards of Water Supply.

**AFFORDABLE HOUSING UPDATE:**
Update will be provided after the next Task Force Meeting is held.

**QUARTERLY UPDATES – (October - December 2013)**

**WATER QUALITY DIVISION:**
1. No new dedicated sample sites to be installed by operations at this time. Keith Aoki has one planned for the Kukuiula Subdivision. It will be installed by the contractors.
2. Main break monitoring program currently shelved. The plan in place now is that Operations or Engineering informs the Lab of major breaks (that require sampling) or installation of new infrastructure so that Lab can sample/monitor water quality.
3. Manager wants a main break monitoring program. So will try and modify existing one.
4. Continued micro sampling of sources to see if any will present problems with fecal indicators. This is part of the Trigger Monitoring part of the Ground Water Rule.
5. Sample Collection and Reservation System is operational and being utilized. It is very helpful in keeping track of sampling, sample analysis, and scheduling of chemical samples.
6. CCR data was delivered by email this year.
7. One coliform hit in December 2012. Triggered Monitoring at wells completed. No hits. However, we did not take the required number of sample in January 2013 so we did have a Tier 3 violation which requires us to notify the customers in system 413 that the samples were not taken. The notification was done.
9. New Autoclave installed and waste is being sterilized and disposed of.
10. New Reverse Osmosis System installed to prolong the life of the autoclave’s steam generator. A tap will be available for use by operations to obtain ultra-pure water.
11. UCMR 3 and general chemical testing contract is done. UCMR 3 sampling almost complete.
12. Phase II and V testing and other miscellaneous testing completed for 2013.
13. Need to renew procurement for lab services which expires the end of June 2014. This is the same contract that the UCMR 3 is on. UCMR 3 testing goes on into next fiscal year.
14. Princeville notified DOW of having to remove PCB levels in one of its tanks. DOH cleared Princeville System.
15. Updating sample site plan.
16. Peggy is working with Manager and Ops to resolve backflow and dirty water issues at the harbor.
17. Updating procedure for no-drink water situations as encountered in the Wailua Houselots.
18. Lab inspection and certification will occur in 2014.

**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>Emily Ramos</td>
<td>3/20/2013</td>
<td>5/8/2013</td>
<td>Claimant’s car was damaged by equipment that wasn’t properly secured on DOW vehicle</td>
<td>$1,200-$2,600</td>
<td>$700</td>
<td>Field Operations crews were reminded to ensure that all tools, equipment, and cabinets on their vehicles are inspected and secured prior to driving.</td>
</tr>
</tbody>
</table>

DOW’S W.A.T.E.R. COMMITTEE:
Issue No. 1, Morale:

a) The WATER Committee (formerly known as the Rewards Committee) with committee members: Virgil Kapanui, Kevin Pongasi, Margie Loo, Fay Tateishi, Peggy Yoshioka, Karen Delgado and Sandi Nadatani-Mendez back in June 2013 created SOP56 which is the WATER Programs General Rules and Guidelines. The committee is revising the guidelines to also include the Employees of the Year Criteria.

b) The WATER Committee announced the 4th Quarter WaterBucks Winner Via email and will be published in our DOW January 2014 newsletter. The DOW’s recipient of award is Water Resources & Planning Division’s Engineering Support Technician IV, Mr. Keith Konishi. Mr. Konishi is recognized for his positive attitude and willingness to assist Commission Support Clerk, Ms. Edith Ignacio-Neumiller as stated below:

“I would like to award a water back to Mr. Keith Konishi with the Water Resources & Planning Division. In preparation for monthly board meetings, Mr. Konishi has assisted me with many tasks needed before the meeting start. At times, he has asked me when the next meeting is scheduled in anticipation of assisting me. I commend Keith’s positive attitude and willingness to help outside of this normal work assignments. Now that is teamwork without being asked!!! Mahalo Keith!!”

c) The Committee is planning an Employee Appreciation event on March 31st in conjunction with our Employee End of The Month Meeting.

Respectfully submitted,

Kirk Saiki, P.E.
Acting Manager and Chief Engineer

KS:mg

Mgrp/Manager’s Update (01-23-14):mg
Attachments: 2010 BAB Spend Down Report as of December 2013
**DEPARTMENT OF WATER**

**Summary of Warrant Vouchers Paid**

**December 31, 2013**

<table>
<thead>
<tr>
<th>WATER UTILITY FUND</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Expenses, Department of Water</td>
<td></td>
</tr>
<tr>
<td>Capital Expenditures</td>
<td>$269,367.85</td>
</tr>
<tr>
<td>Other Expenses, Department of Water</td>
<td></td>
</tr>
<tr>
<td>Normal Expenditures</td>
<td>$664,894.87</td>
</tr>
<tr>
<td><strong>TOTAL WATER UTILITY FUND</strong></td>
<td>$934,262.72</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>BOND FUND</th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL BOND FUND</strong></td>
<td>$ -</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>F R C FUND</th>
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</tr>
</thead>
<tbody>
<tr>
<td>FRC REFUNDS</td>
<td>$4,600.00</td>
</tr>
<tr>
<td>KODANI &amp; ASSOCIATES, INC.</td>
<td>$5,600.00</td>
</tr>
<tr>
<td><strong>TOTAL FRC FUND</strong></td>
<td>$10,200.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>BOND - BAB</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>STATE OF HAWAII - DOT UA 2155</td>
<td>$603,320.00</td>
</tr>
<tr>
<td>UNLIMITED BUILDERS, LLC.</td>
<td>$29,621.52</td>
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<tr>
<td>FUKUNAGA &amp; ASSOCIATES, INC.</td>
<td>$75,360.00</td>
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<tr>
<td>MEI CORPORATION</td>
<td>$102,028.29</td>
</tr>
<tr>
<td><strong>TOTAL BAB BOND FUND</strong></td>
<td>$810,329.81</td>
</tr>
</tbody>
</table>

**TOTAL CLAIMS PAYABLE**

$1,754,792.53

<table>
<thead>
<tr>
<th>WATER UTILITY FUND</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>12/31/13 AP</td>
<td>$934,262.72</td>
</tr>
<tr>
<td><strong>BOND FUND</strong></td>
<td>$934,262.72</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>F R C FUND:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>12/31/13 AP</td>
<td>$10,200.00</td>
</tr>
<tr>
<td><strong>BOND - BAB:</strong></td>
<td></td>
</tr>
<tr>
<td>12/31/13 AP</td>
<td>$810,329.81</td>
</tr>
<tr>
<td><strong>BANK TRANSFER -</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$1,754,792.53</td>
</tr>
</tbody>
</table>

**Bank Transfer Adjustments:**

$1,754,792.53

$1,754,792.53

12.13 CLAIMS PAYABLE
<table>
<thead>
<tr>
<th>BUDGET CODE</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>REFUND - REVENUES FROM WATER SALES</td>
<td>$6,906.57</td>
</tr>
<tr>
<td>REFUND - FRC</td>
<td>$4,600.00</td>
</tr>
<tr>
<td>PROVISION FOR ACCRUED VACATION</td>
<td>$177.60</td>
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<tr>
<td>UTILITIES - ADMINISTRATION &amp; OFFICE</td>
<td>$15,212.21</td>
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<tr>
<td>POSTAGE &amp; PRINTING</td>
<td>$7,319.36</td>
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<tr>
<td>OFFICE EQUIPMENT MAINTENANCE</td>
<td>$726.08</td>
</tr>
<tr>
<td>CON 461 Four Winds Group MMIS Phases I &amp; II</td>
<td>$9,000.00</td>
</tr>
<tr>
<td>CONTRACTUAL SERVICES - ADMINISTRATION &amp; OFFICE</td>
<td>$11,590.23</td>
</tr>
<tr>
<td>MISCELLANEOUS - ADMINISTRATION &amp; OFFICE</td>
<td>$1,486.11</td>
</tr>
<tr>
<td>IN-SERVICE TRAINING</td>
<td>$8,110.50</td>
</tr>
<tr>
<td>SUPPLIES - OFFICE &amp; JANITORIAL</td>
<td>$6,141.65</td>
</tr>
<tr>
<td>PUBLIC RELATIONS</td>
<td>$683.30</td>
</tr>
<tr>
<td>COMPUTER SUPPORT &amp; SUPPLIES</td>
<td>$14,284.38</td>
</tr>
<tr>
<td>MICROLAB MATERIALS &amp; SUPPLIES</td>
<td>$790.96</td>
</tr>
<tr>
<td>VEHICLE &amp; EQUIPMENT MAINTENANCE</td>
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<tr>
<td>VEHICLE - FUEL</td>
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<tr>
<td>UTILITIES</td>
<td>$6,712.72</td>
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<tr>
<td>ELECTRICAL PARTS</td>
<td>$4,294.52</td>
</tr>
<tr>
<td>MATERIALS &amp; SUPPLIES - OPERATIONS</td>
<td>$44,495.02</td>
</tr>
<tr>
<td>COLLECTIVE BARGAINING ITEMS</td>
<td>$2,102.33</td>
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<tr>
<td>PUMP ELECTRICAL</td>
<td>$248,583.49</td>
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<tr>
<td>WATER PURCHASE</td>
<td>$231,793.91</td>
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<tr>
<td>CHEMICALS</td>
<td>$2,324.47</td>
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<tr>
<td>EUROPHINS EATON ANALYTICAL</td>
<td>$31.71</td>
</tr>
<tr>
<td>EUROPHINS EATON ANALYTICAL</td>
<td>$15,875.00</td>
</tr>
<tr>
<td><strong>TOTAL NORMAL EXPENDITURES</strong></td>
<td><strong>$669,494.87</strong></td>
</tr>
</tbody>
</table>
## January 23, 2014 BOARD MEETING

**WATER UTILITY FUND**

**DEPARTMENT OF WATER**

December 31, 2013

### CAPITAL EXPENDITURES:

<table>
<thead>
<tr>
<th>Description</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>$39,448.41</td>
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<tr>
<td>Office &amp; Engineering Equipment</td>
<td>103</td>
<td>$10,632.66</td>
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<tr>
<td>Vehicles &amp; Equipment</td>
<td>106</td>
<td>$4,411.43</td>
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<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>$54,492.50</strong></td>
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</table>

### WATER UTILITY FUND

<table>
<thead>
<tr>
<th>Description</th>
<th>Contract Number</th>
<th>Vendor</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract Payments - WU</td>
<td></td>
<td></td>
<td><strong>$214,875.35</strong></td>
</tr>
<tr>
<td>Total Water Utility - Capital Expenditures</td>
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<td></td>
<td><strong>$269,367.85</strong></td>
</tr>
</tbody>
</table>

### FRC

<table>
<thead>
<tr>
<th>Description</th>
<th>Contract Number</th>
<th>Vendor</th>
<th>Amount</th>
</tr>
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<tbody>
<tr>
<td>FRC Payments</td>
<td></td>
<td></td>
<td><strong>$5,600.00</strong></td>
</tr>
</tbody>
</table>

### BOND - BAB

<table>
<thead>
<tr>
<th>Description</th>
<th>Contract Number</th>
<th>Vendor</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract Payments - BAB</td>
<td></td>
<td></td>
<td><strong>$810,329.81</strong></td>
</tr>
<tr>
<td>Total Capital Expenditures</td>
<td></td>
<td></td>
<td><strong>$1,085,297.66</strong></td>
</tr>
</tbody>
</table>
The Department of Water, County of Kaua‘i

Proudly presents this certificate of achievement to

Keith Konishi

awarded our

2013 Employee of the 4th Quarter

“I would like to award a water buck to Mr. Keith Konishi with the Water Resources & Planning Division. In preparation for monthly board meetings, Mr. Konishi has assisted me with many tasks needed before the meeting start.

At times, he has asked me when the next meeting is scheduled in anticipation of assisting me. I commend Keith’s positive attitude and willingness to help outside of this normal work assignments.

Now that is teamwork without being asked!!! Mahalo Keith!!!”

Given this 23rd day of January, 2014

Kirk Saiki
Kirk Saiki, Acting Manager & Chief Engineer

Edith Ignacio-Neumiller
Edith Ignacio-Neumiller, Water Buck Author
Quarterly Reports
Quarterly Status of DOW Projects

Period of October 1, 2013– December 31, 2013

CONSTRUCTION MANAGEMENT DIVISION

Submitted by Dustin Moises, P.E.

Department of Water
January 23, 2014
The significant changes for Water Plan 2020 Projects within the CM Division during this quarter are:

The Special Projects Division and Design & Construction Divisions were officially reorganized into the Construction Management and Engineering Divisions in August 2012. This update reflects projects currently within the Construction Management Division.

**Design:**
1. Job No. PLH-39, Lihue Baseyard Improvements – Specifications completed and awaiting DPW tracing signature as of November 27, 2013. SRF providing $1.7M grant if project goes to construction in time.

**Construction:**
1. Job No. WK-32 Phase II, Kapaa Homesteads Pipeline Replacement, DOW and Contractor in discussions over contract requirements and compensation requests.
2. Job No. HW-03, Wainiha Tank and Booster Pump Rehabilitation, construction completed and working to closeout contract.
3. Job No. WK-12, Waipouli Main Replacement – County Roads, final payment processed and contract closed.
4. Job No. WK-28, Wailua Houselots Main Replacement – Waterline connected to system. Working to close out project.
5. Job No. WK-30, Pipeline Replacement along Waipouli and Olohena Roads - Waterline connected to system. Working to finish Olohena Road reconstruction with Dept. of Public Works and close out project.
Design Projects
<table>
<thead>
<tr>
<th>WP 2020 NUMBER</th>
<th>PROJECT TITLE</th>
<th>% COMPLETE December 2012</th>
<th>% COMPLETE March 2013</th>
<th>ORIG. EST. COMPLETE</th>
<th>CURRENT EST. COMPLETE</th>
<th>CURRENT CONTRACT AMOUNT</th>
<th>STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>PLH-39</td>
<td>LIHUE BASEYARD IMPROVEMENTS (PH 1) – MASTER PLAN</td>
<td>100</td>
<td>100</td>
<td>Q4 2011</td>
<td>Q1 2014</td>
<td>$279,719 (P)</td>
<td>Zoning amendment approved by council. Subdivision received tentative subd. approval. Design completed but awaiting DPW tracing signature.</td>
</tr>
<tr>
<td></td>
<td>LIHUE BASEYARD IMPROVEMENTS - DESIGN</td>
<td>99</td>
<td>99</td>
<td>Q4 2012</td>
<td>Q1 2014</td>
<td>$635,030 (D)</td>
<td></td>
</tr>
</tbody>
</table>
Construction Projects
<table>
<thead>
<tr>
<th>WP 2020 NUMBER</th>
<th>PROJECT TITLE</th>
<th>% COMPLETE September 2013</th>
<th>% COMPLETE December 2013</th>
<th>ORIGINAL ESTIMATE TO COMPLETE</th>
<th>CURRENT ESTIMATE TO COMPLETE</th>
<th>CURRENT CONTRACT AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>HE-08</td>
<td>ELEELE STEEL TANKS RENOVATION</td>
<td>99</td>
<td>100</td>
<td>Q3 2012</td>
<td>Q4 2013</td>
<td>$2,029,253</td>
</tr>
<tr>
<td>WK-32</td>
<td>KAPA’A PIPELINE REPLACEMENTS</td>
<td>100(3)</td>
<td>100(3)</td>
<td>Q4 2011</td>
<td>See note (3)</td>
<td>$2,941,279</td>
</tr>
<tr>
<td>HW-03</td>
<td>WAINIHA BOOSTER AND HAENA TANK RENOVATIONS</td>
<td>91</td>
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<td>H-01, 02, 03</td>
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<td>WK-30</td>
<td>PIPELINE REPLACEMENT ALONG WAIPOULI ROAD AND OLOHENA ROAD</td>
<td>61</td>
<td>69</td>
<td>Q4 2013</td>
<td>Q1 2014</td>
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TOTAL = $19,179,015

(1) Change order issued which extended project schedule.
(2) Awaiting close out documents
(3) Awaiting contract dispute resolution
(4) Awaiting close out documents
# Water Plan 2020 Construction Projects

## Previous 4 quarters

<table>
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<tr>
<th>QUARTER</th>
<th>JAN-MAR 2013</th>
<th>APR-JUN 2013</th>
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<th>OCT - DEC 2013</th>
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*Design completed prior to reorganization by Special Projects Division which is current Construction Management Division
## Upcoming Water Plan 2020 Construction Projects

<table>
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<tr>
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<td>KAPAA HOMESTEADS WELL 4</td>
<td>ENG. REVISING DESIGN AND RFP</td>
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<td>WKK-15</td>
<td>PUU PANE WELL 3</td>
<td>CANCELLED PROCUREMENT</td>
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<td>WK-08</td>
<td>KAPAHI TWO 0.5 MG TANKS</td>
<td>ENG. REVISING DESIGN AND RFP</td>
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<td>PLH-39</td>
<td>LIHUE BASEYARD IMPROVEMENTS – ADMIN.</td>
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**TOTAL =** $19.05 M
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<td>(4) 4-8-013:018 / 911</td>
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<td>Gregory Strickland</td>
<td>Installation of Second Single Service Lateral for Parcel 18</td>
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<td>(4) 4-8-06:40 / 862</td>
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<td>(4) 2-4-02:04 / 842</td>
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<td>Susan A. Matsumoto Trust and Joyce Y. Kubota Trust</td>
<td>Single Service Lateral &amp; Double Service Lateral for Lot 60, Kikala Road</td>
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<td>(4) 2-4-011:021 / 908</td>
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<td>Christopher &amp; Patrick Gleason</td>
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<td>Ruth Togioka, Florence S. Togioka Trust, Myles Togioka Trust</td>
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<td>Richard M. Jones Trust and Crystal A. Jones</td>
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<td>Ken Attix</td>
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<td>Melina Friedman ET. AL.</td>
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<td>(4) 5-2-12:35 / 915</td>
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<td>Water Service Installation Plan for Lot 8-W-9-A (Parcel 35)</td>
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<td>Robert &amp; Chris White</td>
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<td>Jack Hendrickson</td>
<td>Water Meter Plan for Lot 185, Halalu Street</td>
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<td>(4) 3-3-12:02 / 664</td>
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<td>Anthony Lenarth</td>
<td>Installation of 2nd Single Service Lateral for Lot 2</td>
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<td>(4) 4-2-005:008 / 847</td>
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<td>Mary Lou Mendes</td>
<td>Relocate of Two Existing Water Meters</td>
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## Staffing Update

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<td>Construction Management Project Officer</td>
<td>Dustin Moises</td>
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<tr>
<td>2351</td>
<td>Waterworks Project Manager</td>
<td>Vacant</td>
<td>Reclassifying Position with HR (Submitted to DPS May 2013)</td>
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<tr>
<td>2484</td>
<td>Project Assistant</td>
<td>Daniel Kittredge</td>
<td>Reallocating Position with HR (Submitted to DPS May 2013)</td>
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<tr>
<td>2353</td>
<td>Waterworks Inspector III</td>
<td>Vacant</td>
<td>Posted position for recruitment on range</td>
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<tr>
<td>2355</td>
<td>Waterworks Inspector II</td>
<td>Leo Anguay</td>
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<tr>
<td>2357</td>
<td>Waterworks Inspector II</td>
<td>Alfred Levinthol</td>
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<td>2483</td>
<td>Waterworks Inspector II</td>
<td>Vacant</td>
<td>Reclassifying Position with HR (Submitted to DPS May 2013)</td>
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Quarterly Status of DOW Projects

Period of October 1, 2013 – December 31, 2013
ENGINEERING DIVISION

Department of Water
January 23, 2014

Submitted by Keith Aoki
EXECUTIVE SUMMARY

The significant changes for this quarter are:

Design:
1. Job No. K-18, 8” Main Replacement Along Halewili Road – Final construction plans signed by DOW; final plans pending approval by other agencies. The Department of Health, Clean Water Branch (DOH-CWB) issues the NPDES permit on December 20, 2013. Archeological Monitoring Plan was added to the scope of work. Finalizing construction request for proposal (RFP).
3. Job No. KP-09, Koloa Wells 16A & 16B Well, Site and Building Improvements – Preliminary Design review comments completed.
4. Job No. WKK-15, Construct Kilauea 466 Tank, 1.0MG – Pre-Final Design review comments completed. A new grading plan was added to the scope of work.
5. Job No. K-01, Kalaheo 111’ & 1222’ Water System Improvements – Additional topographic survey and Archeological Inventory Survey (AIS) were added to the scope of work. Design contract was amended and extended until April 15, 2015.
7. Job No. WK-8, Kapaa 1.0 MG Tank (313 Zone) – A second opinion for geotechnical consultation services for need of a deep foundation was added to the scope of work.
8. Job No. H-05, Weke, Anae, Mahimahi and He’e Roads, 6” and 8” replacement – Draft Environmental Assessment submitted to OEQC.
9. Job No. MO-03, Moloaa and Waimea Land and Well Acquisition – Received tentative approval of subdivision report (S-2014-8) for Waimea Well “A” from the Planning Department.
10. Private Projects: 21 new projects were submitted for Engineering review during this quarter.
Design Projects
<table>
<thead>
<tr>
<th>WP 2020 NUMBER</th>
<th>PROJECT TITLE</th>
<th>% COMPLETE Sept 2013</th>
<th>% COMPLETE Dec 2013</th>
<th>EST. COMPLETE</th>
<th>BUDGET COST</th>
<th>STATUS</th>
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<tbody>
<tr>
<td>KW-28</td>
<td>Amfac Shaft Renovation, Phase B</td>
<td>99</td>
<td>99</td>
<td>Q1 2014</td>
<td>$699,147 (D)</td>
<td>Finalizing Basis of Design Report</td>
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<tr>
<td>KW-28</td>
<td>Amfac Shaft Renovation, Phase 3</td>
<td>0</td>
<td>0</td>
<td>Q4 2014</td>
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<td>Waiting for final Basis of Design Report (KW-28)</td>
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<tr>
<td>HE-03 / KP-09</td>
<td>Hanapepe and Koloa Well MCC Improvements</td>
<td>55</td>
<td>60</td>
<td>Q1 2014</td>
<td>$300,000 (D)</td>
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<tr>
<td>HE-14</td>
<td>Eleele Booster Station Rehab</td>
<td>0</td>
<td>0</td>
<td>Q3 2014</td>
<td>$91,546.00</td>
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<tr>
<td>WP 2020 NUMBER</td>
<td>PROJECT TITLE</td>
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<td>% COMPLETE Dec 2013</td>
<td>EST. COMPLETE</td>
<td>BUDGET COST</td>
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<tr>
<td>K-01</td>
<td>Kalaheo Water System Improvements (North)</td>
<td>85</td>
<td>88</td>
<td>Q1 2015</td>
<td>$964,510 (D)</td>
<td>Under Design</td>
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<tr>
<td>LO-10, LO-08</td>
<td>Koloa Road 8&quot; and Omao Road 6&quot; Main Replacement</td>
<td>80</td>
<td>85</td>
<td>Q2 2014</td>
<td>$86,750 (D)</td>
<td>Under Design</td>
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<tr>
<td>K-05A</td>
<td>Construct Kalaheo 0.5 MG Tank, 886'</td>
<td>50</td>
<td>55</td>
<td>Q2 2014</td>
<td>$216,637 (D)</td>
<td>Under Design / Working out land issues</td>
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<tr>
<td>K-17</td>
<td>Feasibility Kalaheo, Kokolau, and Akulikuli Treatment Facilities</td>
<td>80</td>
<td>90</td>
<td>Q1 2014</td>
<td>$117,701 (D)</td>
<td>Draft Preliminary Engineering Report reviews completed</td>
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<tr>
<td>K-18</td>
<td>8&quot; Waterline along Halewili Road (Kaumualii Highway to Haku Hale Road)</td>
<td>95</td>
<td>98</td>
<td>Q1 2014</td>
<td>$82,797 (D)</td>
<td>DOW approved final plans</td>
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<tr>
<td>LO-19</td>
<td>Piwai-Omao Microturbine</td>
<td>60</td>
<td>60</td>
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<td>Pending Sole Source approval</td>
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<tr>
<td>13-7</td>
<td>Koloa Well D Repairs</td>
<td>0</td>
<td>0</td>
<td>Q4 2014</td>
<td>$59,088.00 (D)</td>
<td>Finalizing Contract</td>
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## EAST SIDE DESIGN PROJECTS

### LIHUE-PUHI, WAILUA-KAPAA, ANAHOLA

<table>
<thead>
<tr>
<th>WP 2020 NO.</th>
<th>PROJECT TITLE</th>
<th>% COMPLETE Sept 2013</th>
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<th>EST. COMPLETE</th>
<th>BUDGET COST</th>
<th>STATUS</th>
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<tbody>
<tr>
<td>PLH-01A</td>
<td>Replace Grove Farm Tanks 1 &amp; 2</td>
<td>65</td>
<td>70</td>
<td>Q2 2014</td>
<td>$229,658(D)</td>
<td>Under Design</td>
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<tr>
<td>PLH-37</td>
<td>Deepen Puhi Well No. 2</td>
<td>PH 1-100</td>
<td>PH 1-100</td>
<td></td>
<td>$ 67,900 BUDGET</td>
<td>Phase II Proposal Pending</td>
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<tr>
<td>WK-01</td>
<td>Rehabilitate Moelepe Tunnel and Access Road</td>
<td>60</td>
<td>65</td>
<td>Q2 2014</td>
<td>$91,400 (D)</td>
<td>Under Design</td>
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<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>
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<td></td>
<td>Rehab Akulikuli Tunnel (PHASE II)</td>
<td>-</td>
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<td>Q3 2009 (Ph.2)</td>
<td>$392,000</td>
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<tr>
<td>WK-8</td>
<td>Kapa’a Two-0.5 MG Tank (313 ZONE) (Phase I - Planning)</td>
<td>96</td>
<td>96</td>
<td>Q2 2014</td>
<td>$ 681,128 (D)</td>
<td>Request a second opinion for geotechnical services</td>
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## EAST SIDE DESIGN PROJECTS
### LIHUE-PUHI, WAILUA-KAPAA, ANAHOLA

<table>
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<tr>
<th>WP 2020 NUMBER</th>
<th>PROJECT TITLE</th>
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<th>STATUS</th>
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<tbody>
<tr>
<td>WK-23</td>
<td>Wailua Homesteads 0.25 MG Tank site (U.H. Experimental Station) ph 1</td>
<td>0</td>
<td>0</td>
<td>Q2 2014</td>
<td>$ 50,000</td>
<td>Notice to Proceed issued.</td>
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<tr>
<td>WK-39</td>
<td>Kapa’a Homesteads Well #4</td>
<td>100</td>
<td>100</td>
<td>Q3 2012</td>
<td>$ 352,000 (D)</td>
<td>RFP processed. Plan to rebid upon drainage resolution.</td>
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<tr>
<td>WK-02, PLH-42</td>
<td>Akulikuli Tunnel and Kokolau Tunnel Feasibility</td>
<td>90</td>
<td>95</td>
<td>Q1 2014</td>
<td>-</td>
<td>DOW is reviewing the Draft of Preliminary Engineering Report.</td>
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# NORTH SHORE DESIGN PROJECTS

## MOLOAA, KILAUEA, ANINI, HANALEI, HAENA

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<thead>
<tr>
<th>WP 2020 NUMBER</th>
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<tbody>
<tr>
<td>M-3</td>
<td>Molo’a Tank Site Acquisition and other Land Issues</td>
<td>78</td>
<td>80</td>
<td>Q3 2014</td>
<td>$105,000 (P)</td>
<td>Waimea Well “A” Approved Tentative Subd. Report</td>
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<tr>
<td>M-1 M-2</td>
<td>Koolau Pipeline Improvements</td>
<td>15</td>
<td>18</td>
<td>Q3 2014</td>
<td>$119,207 (D)</td>
<td>Working on ROE</td>
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<tr>
<td>WKK-15</td>
<td>Kilauea 1.0 MG Tank (Phase I)</td>
<td>95</td>
<td>97</td>
<td>Q1 2014</td>
<td>$12,700 (P) $236, 600 (D)</td>
<td>Final design – Additional grading plan was added</td>
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<tr>
<td>H-8</td>
<td>Drill and Test Hanalei Well #2.</td>
<td>75</td>
<td>75</td>
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<td>$425,000 (Combined with Wainiha Well 4)</td>
<td>On Hold</td>
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<tr>
<td>WKK-17 (phase 1)</td>
<td>Kolo Road Main Replacement</td>
<td>0</td>
<td>0</td>
<td>Q2 2014</td>
<td>$1,300,000 (design and construction)</td>
<td>Contract in process of being executed</td>
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# NORTH SHORE DESIGN PROJECTS

## MOLOAA, KILAUEA, ANINI, HANALEI, HAENA

<table>
<thead>
<tr>
<th>WP 2020 NUMBER</th>
<th>PROJECT TITLE</th>
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<th>BUDGET COST</th>
<th>STATUS</th>
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<tbody>
<tr>
<td>ANI-01</td>
<td>Kilauea Pipeline to Anini Pipeline Replacement</td>
<td>95</td>
<td>95</td>
<td>Q1 2014</td>
<td>$750,760 (D)</td>
<td>Final Drawings to be submitted Pre-Final Drawings</td>
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<tr>
<td></td>
<td>Phase I</td>
<td>80</td>
<td>85</td>
<td>Q1 2014</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Phase II</td>
<td></td>
<td></td>
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<tr>
<td>H-05</td>
<td>Weke, Anae, Mahimahi and He`e Roads, 6” and 8” Main Replacement</td>
<td>75</td>
<td>80</td>
<td>Q1 2014</td>
<td>$143,605 (D)</td>
<td>Under design/ Draft EA submitted to OEQC</td>
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# Pending Water Plan 2020 Projects

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<thead>
<tr>
<th>WP 2020 No.</th>
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<th>BUDGET</th>
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<tbody>
<tr>
<td>WK-25</td>
<td>Kuhio Hwy. (N. Papaloa - Kawaihau Road) 16&quot; and 12&quot;</td>
<td>HOLD – DUE TO SCHEDULING ISSUES</td>
<td>$250,000 (D)</td>
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<tr>
<td>KP-05</td>
<td>Poipu 245 1 MG Tank</td>
<td>UNDER PROCUREMENT</td>
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## Private Projects of Note

<table>
<thead>
<tr>
<th>Area</th>
<th>DEVELOPMENT OR DEVELOPER</th>
<th>PLAN REVIEW STATUS</th>
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<tbody>
<tr>
<td>Eleele</td>
<td>Eleele Luna Subdivision, Phase 2, Incr. 2 (S-2006-49)</td>
<td>Pending resubmittal</td>
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<tr>
<td>Koloa</td>
<td>U/AA Subdivision (S-2011-21)</td>
<td>Pending resubmittal</td>
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<tr>
<td>Koloa</td>
<td>Ala Kukuiula Phase 2A</td>
<td>Pending resubmittal</td>
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<tr>
<td>Koloa</td>
<td>Large Lot 32 Subdivision (S-2013-7)</td>
<td>Plans Approved</td>
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<tr>
<td>Poipu</td>
<td>Village at Poipu New Entry Road (S-2003-48)</td>
<td>Pending resubmittal</td>
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<tr>
<td>Lihue</td>
<td>Puakea II Subdivision (S-2009-21)</td>
<td>Pending resubmittal</td>
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<td>Lihue</td>
<td>Waiola Subdivision, Ph 1 (S-2009-13)</td>
<td>Plans Approved</td>
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<tr>
<td>Lihue</td>
<td>Waiola Subdivision, Ph 2 (S-2009-14)</td>
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## Private Projects of Note

<table>
<thead>
<tr>
<th>Area</th>
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<tbody>
<tr>
<td>Lihue</td>
<td>Waiola Subdivision Ph III (S-2009-15)</td>
<td>Pending resubmittal</td>
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<tr>
<td>Lihue</td>
<td>Kapule-Rice Intersection Improvements</td>
<td>Pending resubmittal</td>
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<td>Lihue</td>
<td>Hokulei Village Offsite Road Improvements (Z-IV-2009-7)</td>
<td>Pending resubmittal</td>
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<tr>
<td>Lihue</td>
<td>Walani Ahukini Makai Subdivision- offsite (S-2005-41)</td>
<td>Pending resubmittal</td>
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<td>Lihue</td>
<td>Wailani Ahukini Makai Subdivision- onsite (S-2005-41)</td>
<td>Pending resubmittal</td>
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<td>Wailani Molokoa Subdivision-offsite (S-2005-39)</td>
<td>Pending resubmittal</td>
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<td>Lihue</td>
<td>Kumupa’a at Kohea Loa (S-2006-12)</td>
<td>Pending resubmittal</td>
</tr>
<tr>
<td>Lihue</td>
<td>Ho’oluana at Kohea Loa- onsite (S-2006-24)</td>
<td>Plans Approved</td>
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## Private Projects of Note

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<tr>
<td>Lihue</td>
<td>Ho’oluana at Kohea Loa- offsite (S-2006-24)</td>
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<tr>
<td>Lihue</td>
<td>Lihue Mill Bridge, Ph 2 (State DOT)</td>
<td>Plans Approved</td>
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<td>Kapaa</td>
<td>Kulana Subdivision revisions (S-99-49)</td>
<td>Pending resubmittal</td>
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