THURSDAY, JULY 23, 2015

10:00 a.m.
Or soon thereafter

A. CALL TO ORDER

B. ROLL CALL

C. ACCEPTANCE OF AGENDA

D. MEETING MINUTES

Review and approval:
Regular Board Meeting – June 18, 2015
Finance Committee Meeting – March 19, 2015
Finance Committee Meeting – March 25, 2015 - Recessed
Finance Committee Meeting – April 1, 2015 - Recessed
Finance Committee Meeting – April 7, 2015 – Recessed
Finance Committee Meeting – May 28, 2015
Committee of the Whole Meeting – December 22, 2011
Committee of the Whole Meeting – January 26, 2012
Committee of the Whole Meeting – February 23, 2012
Committee of the Whole Meeting – March 22, 2012
Committee of the Whole Meeting – April 26, 2012

E. CORRESPONDENCE/ANNOUNCEMENTS

2. Correspondence from KMH LLP regarding Department of Water Audit for year ended June 30, 2015, dated July 2, 2015

F. BOARD COMMITTEE REPORTS

G. OLD BUSINESS

1. Manager’s Report No. 15-42 - Discussion and Possible Action on Board Policy 17, Payment of Communication Devices

Page 1 of 4

NOTE: If you need an ASL Interpreter, materials in an alternate format, or other auxiliary aid support, please contact Edie at 245-5406 or email: eineumiller@kauaiwater.org at least seven (7) calendar days before the meeting.
H. NEW BUSINESS
1. Discussion and Receipt of the American Water Works Association, Anaheim, CA Conference Reports (June 7 – 10, 2015)
   a. Report from Kaua‘i Board of Water Supply Chair, Sherman Shiraishi
   b. Report from Kaua‘i Board of Water Supply Member, Larry Dill
   c. Report from Kaua‘i Board of Water Supply Member, Michael Dahilig
2. Manager’s Report No. 11-28 – Discussion and Possible Action on Former Approved Rules for Part 5, FRC
3. Manager’s Report No. 15-43 – Discussion and Possible Action on Part 4, Section VII FRC to be integrated with Part 5, FRC
4. Manager’s Report No. 16-01 - Discussion and Possible Action on Use and Occupancy Agreement (UOA) No. 237 and a Memorandum of Agreement (MOA) with the State of Hawaii for Job No. 11-10, Water Plan 2020 No. K-18, 8-inch Water Main Replacement along Halewili Road (Kaumuali‘i Highway to Haku Hale Street) Kalāheo, Kaua‘i, Hawai‘i
5. Manager’s Report No. 16-02 - Budget Resolution No. 16-01 (07/15), Budget for Fiscal Year 2015-16
6. Manager’s Report No. 16-03 - Discussion and Possible Action on the Supplemental Agreement on Job No. 02-15, WK28, Wailua Houselots Main Replacement – Phase I
7. Manager’s Report No. 16-04 – Discussion and Possible action for the transfer of funds in the amount of $129,525.00 from the construction budget to the design budget for Job No. 13-05 Water Plan 2020 Project No.WKK-09, Kolo Road Main Replacement for Contract No. 579 for additional design services
8. Manager’s Report No. 16-05 - Discussion and Possible Action on a Memorandum of Agreement (MOA) with the Department of Public Works, County of Kaua‘i (DPW) for Job No. 12-01, Water Plan 2020 No. H-05 Pipeline Replacement along Weke, ‘Aane, Mahimahi and He’e Roads, Hanalei, Hawai‘i
9. Manager’s Report No. 16-06 - Discussion and Possible Action on a Memorandum of Agreement (MOA) with the Department of Public Works, County of Kaua‘i (DPW) for Job No. 13-05 Water Plan 2020 Project No. WKK-09, Kolo Road Main Replacement, Kilauea, Kaua‘i, Hawai‘i
10. Manager’s Report No. 16-07 – Discussion and Possible Action to approve additional funds to the design budget for Job No. 15-7, WP2020 #HE-1 and #HE-10, Water System Reorganization (Hanapepe-Elele Connecting Pipeline)
11. Discussion and Possible Action on the Review of the Manager and Chief Engineer’s Goals and Responsibilities for Fiscal Year 2014-2015

I. STAFF REPORTS
MONTHLY
1. Discussion and Receipt of the Kaua‘i County Water Department’s Statement of Revenues and Expenditures
   a. June Monthly Summary Budget
2. Discussion and Receipt of the Report by the Public Relations Specialist on Public Relations Activities
3. Discussion and Receipt of the Chief of Operation’s Summary Report on Operational Activities
4. Discussion and Receipt of the Manager and Chief Engineer’s Monthly Update Regarding Activities of Note of the DOW

QUARTERLY (April – June 2015)
1. Discussion and Receipt of the DOW’s Quarterly Project Status Update
   a. Construction Management Division Status
   b. Engineering Division Design Status
   c. Water Resources & Planning Division 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 Sections 92-4, 92-5(a)(2), and County Charter Section 3.07(E), the purpose of this executive session with the Board of Water is to discuss matters pertaining to the job performance evaluation of the Manager and Chief Engineer. This session pertains to the Manager and Chief Engineer’s job performance evaluation where consideration of matters affecting privacy will be involved; if the Manager requests an open meeting, an open meeting shall be held.

K. TOPICS FOR NEXT WATER BOARD MEETING (August 2015)
1. Discussion and Possible Action on the DOW’s FY15-16 Supplemental Budget.

L. TOPICS FOR FUTURE WATER BOARD MEETINGS
1. Manager’s Report No. 11-28 – Discussion and Possible Action regarding Part 5 of the Rules, Facilities Reserve Charge – Proposed New Rule, SBRRB Results (awaiting Part 4 Section VII, Facilities Reserve Charge to be submitted together)
3. Discussion and Possible Action of Proposed Delegation of a Meter Restriction Board Policy No. 30
4. Discussion and Possible Action relating to Providing Water Service Outside of the Water Zone
5. Discussion and Possible Action on Board Suggestions for Capital Improvement Projects (CIP) for the 2016 Legislative Session.

M. UPCOMING EVENTS
1. DOW Make a Splash Water Festival (September 24, 2015)
2. HWWA Hawaii Section, Honolulu, HI (October 14-16, 2015)
3. AWWA/Hawai'i Section Hawai'i Water Environment Association 2016 Pacific Water Conference, Honolulu, HI (February 2–6, 2016)
N. NEXT WATER BOARD MEETING
1. Thursday, August 20, 2015, 10:00 a.m.
2. Thursday, September 17, 2015, 10:00 a.m.
3. Thursday, October 22, 2015, 10:00 a.m.
4. Thursday, November 19, 2015, 10:00 a.m.
5. Thursday, December 17, 2015, 10:00 a.m.

O. ADJOURNMENT
Draft Minutes
The Board of Water Supply, County of Kaua‘i, met in regular meeting at the Board Conference Room in Līhu'e on Thursday, June 18, 2015. Chair Sherman Shiraishi called the meeting to order at 10:04 a.m. The following Board members were present:

**BOARD:**
- Mr. Sherman Shiraishi, *Chair*
- Mr. Clyde Nakaya, *Vice Chair*
- Ms. Laurie Ho
- Mr. Michael Dahilig
- Mr. Larry Dill

**EXCUSED:** Mr. Hugh Strom

Quorum was achieved with 5 members present at the time of roll call.

**STAFF:**
- Mr. Kirk Saiki
- Ms. Marites Yano
- Mr. Dustin Moises
- Mr. Keith Aoki
- Ms. Kim Tamaoka
- Ms. Sandi Nadatani-Mendez
- Mr. Val Reyna
- Mr. Carl Arume
- Mr. Eddie Doi
- Mr. Joel Bautista
- Mr. Chris Nakamura
- Ms. Kierstyn Oshita, Admin. Intern
- Ms. Mj Akuna
- Deputy County Attorney, Andrea Suzuki

**GUESTS:**
- Carlos Rivera, SVO
- Hall Parrott, Private Citizen

**ACCEPTANCE OF AGENDA**
Mr. Dahilig moved to approve the Agenda as circulated; seconded by Ms. Ho; with no objections; motion carried with 5 ayes.

**MINUTES**

**Review and approval:**
Regular Board Meeting – May 21, 2015

Mr. Dahilig moved to approve the Regular Board Meeting Minutes for May 21, 2015; seconded by Mr. Dill; with no objections, motion carried with 5 ayes.

**E. CORRESPONDENCE**
1. Correspondence from Mr. Ed Kawamura, Jr., East Kaua‘i SWCD, Chair and Mr. Peter Tausend, West Kaua‘i SWCD, Chair regarding the East and West Kaua‘i 2015 Annual Report
Ms. Ho moved to receive the correspondence from Mr. Ed Kawamura, Jr., East Kaua‘i SWCD, Chair and Mr. Peter Tausend, West Kaua‘i SWCD, Chair regarding the East and West Kaua‘i 2015 Annual Report; seconded by Mr. Nakaya; with no objections, motion carried with 5 ayes.

F. BOARD COMMITTEE REPORTS

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

1. **Manager’s Report No. 14-16** – Part 4 Fixing Rates for Water Service, Section VII Facilities Reserve Charge (FRC)

Mr. Dill moved to receive as amended the **Manager’s Report No. 14-16** – Part 4 Fixing Rates for Water Service, Section VII Facilities Reserve Charge (FRC); seconded by Mr. Nakaya; with no objections; motion carried with 5 ayes.

G. OLD BUSINESS

1. **Manager’s Report No. 14-16** – Part 4 Fixing Rates for Water Service, Section VII Facilities Reserve Charge (FRC)

Ms. Ho moved to Receive for the Record Manager’s Report No. 14-16 handout; seconded by Mr. Dahilig; with no objections, motion carried with 5 ayes.

**BACKGROUND:**

Chief of Water Resources and Planning, Mr. Eddie Doi provided a summary of Manager’s Report No. 14-16. The proposed rules were discussed at the Finance Committee meeting on May 21, 2015. Minor grammatical language changes were made and a summary to the Part 4, Section VII Rules were a) the definitions were moved up to the front of the Section, b) the Department considered assessing the FRC the level of service. FRC rationalization included the existing Rules and Regulation of the Department of Water (DOW, the Water System Standards, water meter capacity and AWWA Manual of Water Supply Practice M22 (water meter size and flow capacity).

*A major change to the rules that was presented to the Finance Committee meeting was in the Offset Section.*

The change allows the developer to claim full credit to the FRC for improvements paid for or developed by the developer for source, storage, or transmission facility. (Refer Rules, Item 6 – Offset)

Where the actual cost of the source, storage or transmission paid for or built by the developer was less than the FRC, current rules only allowed the developer to offset the amount of the actual cost of the source, storage and transmission improvements.

**DISCUSSION:**

Mr. Dahilig called for a Point of Order and noticed that Agenda Item G, 1 and asked the Department if the Finance Committee could receive and consolidate these matters with New Business Item H, 2 **Manager’s Report 15-43** – Discussion and Possible Action on Part 4, Section VII FRC to be integrated with Part 5, FRC that overlap.

Manager Saiki clarified that New Business Item H, 2 asked for Part 4, Section VII FRC to be integrated with Part 5. Old Business Item G, 1 is the actual Part 4, Section VII.

Mr. Dahilig requested to see all three items together: Old Business Item G, 1, New Business Item H, 1 and H, 2 due to the lack of materials that were not available to the Board members at this meeting.
Manager Saiki mentioned that New Business H, 1 and H, 2 will be withdrawn from the agenda due to a few issues that needed to be looked at in Part 5. Action is needed on Part 4 today.

Mr. Dahilig mentioned that Section E references amendments to Part 5, Section 5 which are related together.

Initially Chair Shiraishi wanted to keep all the related agenda items together and to move forward with Part 4 but would like to defer the items until the language is determined for Part 5.

Chief of Water Resources, Eddie Doi mentioned another recommended change to move away from fixture unit method because fixture unit cost was questionable. FRC assessment would be based on the level of service. The FRC study determined the cost per gallon. The DOW proposed to calculate the impact fee based on the level of service multiplied by the cost per gallon (i.e., a single family dwelling pursuant to the Water System Standard (max day demand) would require 750 gallons per day (gpd). 750 gpd x cost per gallon = $114,115.00. Since the level of service for agricultural meters varies depending on the size of the lot, the Department would determine a meter size and the applicant will be assessed by the cost of the meter size. This method is proposed in Part 4, Section VII.

Deputy County Attorney, Andrea Suzuki commented on Section 4e – Section 4 is the same and Section 5 will not change and the Board could move forward. The Board could discuss the substantive issues from switching from the FRC per fixture unit to the level of service charge. Even if the Board proposes Section 5 to the Board, the Board could not accept them which remains the same. The Department would present Part 4 with Section 5 (remains the same). The Board could discuss and take action to approve Section 4, then the Department would come back since the Board approved Section 4, it will move over to Section 5 next (a step-by-step process). The Department will then provide the Board the changes in Part 5 which the former Board already approved. If the Board does not want the changes, the Department would not make those changes.

Mr. Dahilig’s concern was that elements of Part 5 were advanced. The Board’s consent were held in abeyance before going to the Small Business Regulatory Review Board (SBRRB) because the Board was waiting for Part 4. The intention of the previous Board a couple years ago made it clear to allow the administration to make amendments to Part 4.

The Department had valid concerns as Deputy County Attorney, Andrea Suzuki mentioned, that are being crystalized as they work through the process of changing back between fixture units and level of service. There are valid concerns with Part 5 that may not be operable.

Mr. Dahilig mentioned that the intention by the Board with regard to Part 5 was to hold Part 5 in abeyance and to not touch Part 5 until there is action on Part 4. This is counter-intuitive to the intentions of the previous Board. Before Part 4 is advanced, he would like an explanation on what issues are in Part 5 and if pre-judging is irrelevant or not a desirable policy with the intention before it goes to SBRRB.

Deputy County Attorney, Andrea Suzuki commented that the current Part 4 before the Board did not contradict anything in Part 5.

Mr. Dahilig moved to approve to forward Part 4 Fixing Rates for Water Service, Section VII Facilities Reserve Charge (FRC) to the Small Business Regulatory Review Board (SBRRB) for review; seconded by Ms. Ho for discussion.
Chair Shiraishi understood Deputy County Attorney, Andrea Suzuki explanation and provided the following red-line suggestions as follows:

**Section 4 e, Page 4:** “Where an FRC was paid but a water meter was never dropped”…. Instead of the word “dropped” … Replace with “installed”
Instead of “the owner of the property has to” … Replace with “the applicant shall pay the FRC …”

Deputy County Attorney, Andrea Suzuki did not know if this would be the applicant or people who paid their FRC but who just didn’t drop the meter. They may not have been the current property owner who dropped the meter.

Chair Shiraishi commented that in Section 4, the introductory first sentence stated “shall be paid by all applicants”; this would make the language consistent by using “applicant.”

Deputy County Attorney, Andrea Suzuki mentioned “E” could be moved to its own special Section. This would be going off Part 5 of the grace period, where people paid FRC in 1986 but haven’t dropped their meters. The Department wanted to give people a one (1) year leeway period to drop their meters or to pay the difference.

**FRC Offsets, 6 a, Page 6**
“Subject to the provisions of this paragraph 5” – Delete this clause; not applicable.

**FRC Offsets, 6 b, Page 6**
“The offsets described in this Paragraph [4] 5” … Delete “5”

Mr. Dahilig moved to adopt the suggested red line amendments above; seconded by Ms. Ho; with no objections; motion carried with 5 ayes.

**H. NEW BUSINESS**

1. *Manager’s Report No. 11-28* – Discussion and Possible Action on Former Approved Rules for Part 5, FRC

Mr. Dahilig moved to defer to the July Board meeting Manager’s Report No. 11-28 – Discussion and Possible Action on Former Approved Rules for Part 5, FRC; seconded by Mr. Dill; with no objections; motion carried with 5 ayes.

Chair Shiraishi would like this agenda item to be forwarded to the SBRRB after the July meeting.

2. *Manager’s Report No. 15-43* – Discussion and Possible Action on Part 4, Section VII FRC to be integrated with Part 5, FRC

Mr. Dahilig moved to defer to the July Board meeting Manager’s Report No. 11-28 – Discussion and Possible Action on Former Approved Rules for Part 5, FRC; seconded by Mr. Dill; with no objections; motion carried with 5 ayes.

Chair Shiraishi would like this agenda item to be forwarded to the SBRRB after the July meeting.

3. *Manager’s Report No. 15-44* – Discussion and Possible Action to approve the Supplemental Loan Agreement No. 1 to the State Revolving Fund Loan (Project No. DW400-0004) obtained for DOW Water Plan 2020 Job No. PLH-03, Kahili Horizontal Directionally Drilled Well

Regular Meeting: Thursday, June 18, 2015 - Page 4 of 10
BACKGROUND:
Manager Saiki recommended that the Board approve the Supplemental Loan Agreement No. 1 which modifies the existing agreement which would allow the Department to close the SRF loan.

Mr. Dill moved to approve Manager’s Report No. 15-44 – Discussion and Possible Action to approve the Supplemental Loan Agreement No. 1 to the State Revolving Fund Loan (Project No. DW400-0004) obtained for DOW Water Plan 2020 Job No. PLH-03, Kahili Horizontal Directionally Drilled Well; seconded by Mr. Nakaya; with no objections, motion carried with 5 ayes.

4. Manager’s Report No. 15-45 – Discussion and Possible Action to Request Board Approval to enter into Memorandum of Understanding (MOU) between the State of Hawai‘i, Employees Retirement System (ERS) and the County of Kaua‘i, Department of Water (DOW) to participate in the State of Hawaii ERS Actuary

BACKGROUND:
Water Works Controller, Ms. Marites Yano recommended the Board grant the Department approval to participate in the cost sharing of ERS Actuarial Information through Memorandum of Understanding between the State of Hawai‘i, ERS and the County of Kaua‘i, DOW.

Effective Fiscal Year ending June 30, 2015, the Department is required to implement the new accounting and financial reporting of the pension fund activities and benefits of government employees. With the Department’s participation to this memorandum of agreement with the State, the Department will be provided a copy of the ERS actuarial information that is required for the Department’s year-end financial reporting.

Mr. Dill moved to approve Manager’s Report No. 15-45 – Discussion and Possible Action to Request Board Approval to enter into Memorandum of Understanding (MOU) between the State of Hawai‘i, Employees Retirement System (ERS) and the County of Kaua‘i, Department of Water (DOW) to participate in the State of Hawaii ERS Actuary; seconded by Mr. Dill; with no objections, motion carried with 5 ayes.

5. Manager’s Report No. 15-46 – Discussion and Possible Action on Additional Funding for GS2015-5 to purchase a 4 X 2 Pick-up Truck for Fiscal’s Meter Readers in the amount of $3,000

BACKGROUND:
Water Works Controller, Ms. Marites Yano requested the Board’s approved for the transfer of a W/U/Capital Outlay/R&R budget of $3,000.00 from Operations to Fiscal/Billing to purchase a 4 X 2 pickup truck to replace one of the gaining Meter Reader’s vehicles.

The Board approved $25,000 in the original budget for the Meter Reader’s vehicles. During the bid solicitation, one (1) bid was over the $25,000 budget.

The Meter Reader’s vehicles are driven island wide and a truck would be easier to load/unload their equipment (lap top, shovels, and other tools) vs. a car.

DISCUSSION:
Mr. Dill asked if there is a Department policy for Board approval when money needs to be transferred between divisions. When do you need Board approval for any amount? Why is this coming before the Board?
Ms. Yano said there is an approved policy. The Department would come to the Board if the amount of the transfer was over $5,000. At the suggestion of the Manager, the transfer came before the Board for transparency.

Mr. Dill moved to approve Manager’s Report No. 15-46 – Discussion and Possible Action on Additional Funding for GS2015-5 to purchase a 4 X 2 Pick-up Truck for Fiscal’s Meter Readers in the amount of $3,000; seconded by Ms. Ho; with no objections, motion carried with 5 ayes.


Ms. Ho moved to Receive for the Record Manager’s Report No. 15-47 handout; seconded by Mr. Dahilig; with no objections, motion carried with 5 ayes.

BACKGROUND:
Chief of Water Resources and Planning, Mr. Doi recommended to the Board that a policy regarding water meters on private property not be drafted at this time. The DOW’s Rules and Regulations address these concerns.

A concern was brought up with Hokulei Village who wanted to obtain Board approval for conveyance for a water facility that was located within the property. The previous administration allowed the developer to install various water facilities on-site.

A policy would make it easier for staff but it leaves out engineering judgment and unusual circumstances that may occur (i.e., the road being too narrow, then the meter could be on the property). Staff would recommend to the Manager that in some instances, the water facilities could go on private property. Usually the water facilities are outside the property. The report identified existing guidelines in the Rules that address this concern.

Mr. Dill moved to approve Manager’s Report No. 15-47 – Discussion and Possible Action of Board Policy on Water Meters on Private Property; seconded by Mr. Dahilig for discussion.

DISCUSSION:
Chair Shiraishi mentioned this was a previous concern brought by Mr. Dill and Mr. Strom about meters in the pipeline. There was a directive from the Board to come up with a policy.

Mr. Dill commented that this was not the past practice but there was no clear understanding that this was governed by a written policy. Now that there are existing rules in place, the conclusion is that the Department did not follow its own existing rules when they approved those facilities.

Mr. Doi added that the recommendation was to stay outside the property and to have one master meter for Hokulei Phase II. The existing rules allow the Manager good cause to depart from the rules and standards.

Mr. Dill was okay with the recommendation but that the Department should follow existing rules and guidelines.

Chair Shiraishi asked if there were circumstances that justified the installation of the meters and pipes on private property? Any deviation from the rules should be documented as part of the record; as deviation from the rules leads to abuse.
Mr. Doi answered that the Manager could be asked that question because the staff wanted to stay out of the property.

Ms. Ho questioned if this type of situation would be allowable in the future. Mr. Doi answered if Manager Saiki said “no,” the option would go to the Board.

Mr. Dahilig mentioned this agenda item sounded more like a status update from a previous meeting.

Mr. Dill withdrew his 1st motion; Mr. Dahilig withdrew his motion.

Mr. Dill moved to defer indefinitely Manager’s Report No. 15-47 – Discussion and Possible Action of Board Policy on Water Meters on Private Property; seconded by Mr. Dahilig; with no objections, motion carried with 5 ayes.

I. STAFF REPORTS

MONTHLY

1. Discussion and Receipt of the Kaua‘i County Water Department’s Statement of Revenues and Expenditures
   a. May Monthly Summary Budget

BACKGROUND:

Water Works Controller, Ms. Marites Yano presented the Fiscal reports to the Board.

DISCUSSION:

Mr. Dill referenced Water Consumption – 3 Years Comparative Chart, Page 67, 2nd bullet: YTD metered consumption is back to negative 7.7 mg as of May, 2015. Ms. Yano clarified that the 7.7 mg is less than projected as compared with the prior year. This was in reference to Page 79 which is a cumulative decrease of 7.7 mg for FY 2015 compared to 2014.

Mr. Nakaya referred to Professional Services with a Variance is for $1.8M, Page 68 – In May the Department budgeted $2.4M and spend $1.5M. He asked what is the reason 50% has not been spent?

Ms. Yano explained that the Professional Services were thought to be contracted out. These Professional Services are not reoccurring Operating Expenses. The trend of the expenditures is not regular operating expenses such as Salaries and Wages. Some of the Professional Services may have been re-budgeted for the next fiscal year.

Mr. Dill asked if the FRC was operating revenues (Page 73). Ms. Yano responded by saying this was included as operating receipts. The FRC revenue are not used for FRC expenses; receipts and expenses are separated. The report was for all funds which included FRC and BAB although she could make it to not include it in the report where the report is done separately by funds.

Mr. Hall Parrott, Private Citizen provided his testimony.

Mr. Parrott complimented the Department for reporting the financial ratio and burn rate of 70% with good accuracy. He asked if 70% is what the Department was looking for?

Mr. Dill commented that this is through the end of June 30th, 11 months at 92%.

Manager Saiki mentioned that the Department is not spending more than what is budgeted if at 70%; this is a gauge based on encumbrances.
Mr. Parrott commented that this could indicate where the budgeting process is but the Department could look at performance.

Mr. Dahilig moved to receive the Kaua‘i County Water Department’s Statement of Revenues and Expenditures; seconded by Mr. Dill; with no objections, motion carried with 5 ayes.

2. Discussion and Receipt of the Report by the Public Relations Specialist on Public Relations Activities

BACKGROUND:
Public Relations Specialist, Ms. Kimberly Tamaoka highlighted the following:
1. The Source Water Protection grant was extended to end of December.
2. Conducted four (4) Project Wet workshops on off-island last week which were all filled.
3. Another Project Wet workshop will be done in July on O‘ahu.

Ms. Ho moved to receive the Report by the Public Relations Specialist on Public Relations Activities; seconded by Mr. Dill; with no objections; motion carried with 5 ayes.

3. Discussion and Receipt of the Chief of Operation’s Summary Report on Operational Activities

BACKGROUND:
Chief of Operations, Mr. Val Reyna reported that the May overtime increased due to overnighters. In June, the crew has been busy every weekend with many call outs; June’s over time will also increase.

The Unbilled Percentage is above 20% for the second month which is from very dry conditions beginning of this year which caused brush fires and possible unauthorized usage from fire hydrants. A concerned citizen called who witnessed a vehicle or tanker taking water from a DOW fire hydrant. There could also be unknown leaks.

Mr. Reyna commented that the policy could be changed from wet hydrants to dry hydrants but that would affect how the Fire Department responds to fires.

Mr. Dahilig moved to receive the Chief of Operation’s Summary Report on Operational Activities; seconded by Ms. Ho; with no objections; motion carried with 5 ayes.

4. Discussion and Receipt of the Manager and Chief Engineer’s Monthly Update Regarding Activities of Note of the DOW

Ms. Ho moved to Receive for the Record the Personnel Matters Update handout; seconded by Mr. Dill; with no objections, motion carried with 5 ayes.

BACKGROUND:
Manager Saiki highlighted the following:
1. Contracts Awarded –
   Earthworks Pacific for the construction of the Kolo Road Main Replacement for the Kīlauea Water System for $889,525.00.
   Brown and Caldwell for Professional Service Contract for Design Services for Equipment Carport and Roof Over Bins with Photovoltaic (PV) System for $69,792.00.
2. Personnel Matters – Update
   Auto Mechanic I – Started June 16th.
   Customer Service Representative I (Billing) – Started June 16th. Billing is now fully staffed.
   Chief of Water Resources and Planning – Filled by Mr. Eddie Doi on June 1st.

Mr. Dahilig moved to receive the Manager and Chief Engineer’s Monthly Update Regarding Activities of Note of the DOW; seconded by Ms. Ho; with no objections, motion carried with 5 ayes.


Mr. Dahilig moved to receive the Report of the BAB pay down as of May 2015; seconded by Ms. Ho; with no objections, motion carried with 5 ayes.

J. EXECUTIVE SESSION
   Pursuant to H.R.S. §92-7(a), the Board finds it necessary to hold an executive session on the agenda items on Hokulei Village because 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).

K. TOPICS FOR NEXT WATER BOARD MEETING (July 2015)
   1. Manager’s Report No. 11-28 – Discussion and Possible Action on Former Approved Rules for Part 5, FRC
   2. Manager’s Report No. 15-42 – Discussion and Possible Action on Board Policy 17, Payment of Communication Devices
   3. Manager’s Report No. 15-43 – Discussion and Possible Action on Part 4, Section VII FRC to be integrated with Part 5, FRC
   4. Discussion and Possible Action for the Board of Water Supply (Board) to enter into a Use and Occupancy Agreement No. 237 (UOA) and a Memorandum of Agreement (MOA) with the State of Hawaii for Job No. 11-10, Water Plan 2020 No. K-18, 8-inch Water Main Replacement along Halewili Road (Kaumuali‘i Highway to Haku Hale Street) Kālāheo, Kaua‘i, Hawai‘i
   5. Budget Resolution No. 16-1 (07/15), Budget for Fiscal Year 2015-16
   6. Discussion and review of the Manager and Chief Engineer’s goals and responsibilities for Fiscal Year 2015-2016
   7. Discussion and Receipt of the American Water Works Association Anaheim, CA Conference Reports (June 7 – 10, 2015)
      a. Report from Kaua‘i Board of Water Supply Chair, Sherman Shiraishi
      b. Report from Kaua‘i Board of Water Supply Member, Larry Dill
      c. Report from Kaua‘i Board of Water Supply Member, Michael Dahilig

Mr. Dahilig will schedule a Rules Committee Meeting.

L. TOPICS FOR FUTURE WATER BOARD MEETINGS
   1. Manager’s Report No. 11-28 – Discussion and Possible Action regarding Part 5 of the Rules, Facilities Reserve Charge – Proposed New Rule, SBRRB Results (awaiting Part 4 Section VII, Facilities Reserve Charge to be submitted together)
   3. Discussion and Possible Action of Proposed Delegation of a Meter Restriction Board Policy No. 30
4. Discussion and Possible Action relating to Providing Water Service Outside of the Water Zone

Mr. Dill attended an AWWA course titled: “Water Sewer Extension Policies” regarding water service outside of the water zone. He will forward this resource to Manager Saiki to assist with Agenda Item L4.

M. UPCOMING EVENTS
1. DOW Make a Splash Water Festival (September 24, 2015)
2. HWWA Hawaii Section, Honolulu, HI (October 14-16, 2015)

N. NEXT WATER BOARD MEETING
1. Thursday, July 23, 2015, 10:00 a.m.
2. Thursday, August 20, 2015, 10:00 a.m.
3. Thursday, September 17, 2015, 10:00 a.m.
4. Thursday, October 22, 2015, 10:00 a.m.
5. Thursday, November 19, 2015, 10:00 a.m.
6. Thursday, December 17, 2015, 10:00 a.m.

O. ADJOURNMENT

Ms. Ho moved to adjourn the Regular Meeting at 11:16 a.m.; seconded by Mr. Nakaya with no objections, motion carried with 5 ayes.

Respectfully submitted,                           Approved,

Edie Ignacio Neumiller       Laurie Ho
Commission Support Clerk     Secretary – Board of Water Supply
Committee Members Present: Chair Larry Dill called the Finance Committee meeting to order at 8:05 a.m. Chair Dill, Laurie Ho and Hugh Strom answered present at Roll Call. Vice Chair, Clyde Nakaya was also present.

Staff Present: Kirk Saiki, Deputy County Attorney Andrea Suzuki, Marites Yano, Ryan Smith, Keith Aoki, Dustin Moises, Joel Bautista, Sandi Nadatani-Mendez, Kim Tamaoka, Jeff Mendez, Mary-Jane Akuna

AGENDA
Hugh Strom moved to accept the Finance Meeting agenda as circulated; seconded by Laurie Ho; with no objections; motion carried with 3 ayes.

ACCEPTANCE OF MINUTES
Review and approval of
Finance Committee Meeting – August 18, 2014
Chair Dill approved the Finance Committee Meeting minutes of August 18, 2014 with no objections.

Finance Committee Meeting – September 12, 2014
Chair Dill approved the Finance Committee Meeting minutes of August 18, 2014 with no objections.

OLD BUSINESS
Chair Dill commented that the Department will give an update on the Facilities Reserve Charge soon.

NEW BUSINESS
1. Draft Budget for Fiscal Year 2015-2016
   a. Fiscal Year 2015 – 2016 Draft Operating Budget
   b. Fiscal Year 2015 – 2016 Draft Capital Outlay Budget

BACKGROUND:
Manager Saiki commented that the biggest item was projections for more water revenues this year.

YTD Actual Receipts for the current FY, Revenue Water Utility Fund (Page 2 of 18) - reflected $17M in Water Sales divided by 7 x 12 = $29.5M. The budget showed $3M less than the $29.5M. Chair Dill questioned why the Water Sales revenues were so conservative.

Waterworks Controller Ms. Yano explained that revenues from Water Sales were projected based on estimated total consumption in gallons. The total YTD Billed Consumption in gallons divided by the number of months (6 months as of December) times 12 months then multiplied by the existing rate.
Manager Saiki also added the Department looked at the water sales trend the last couple of years which kept dropping. Chair Dill stated the drop in consumption is not shown on the budget.

Chair Dill requested the following:
- To see the Actual Expenditures for FY 2014 to help understand what the actual costs were.
- Include the four (4) columns on the entire budget.
- Provide information on the water consumption trends.

Ms. Yano explained that water sales from January to June were normally lower than the first six (6) months of the fiscal year; July to December. Eight months YTD sales data as of February, 2015 (current year) and prior fiscal year four (4) months sales were analyzed and used to calculate the projection. This is assuming the collection of money the next four (4) months is the same amount.

Water Consumption Comparable Chart which appeared FY 2013 water sales there does not look like there was a great difference in the water usage (Page 57, Regular Board Meeting (RBM) packet). This chart showed that the consumption was down. There was a cumulative decrease in consumption of $130M gallons as of January 2015. This cumulative consumption numbers are taken from “billed consumption report” generated from the CC&B billing system (adjustments are not shown in the chart).

The cash receipts and billed revenues show increases compared to last year. Mr. Dill questioned why was the chart showing a billed revenue increase for this year?

Ms. Yano explained the Estimated YTD Gallons (Page 35 RBM packet) - $3.7M on the General Water Rates. Ag Sales are at 121,000M gallons; Leak Adjustments are 45M gallons; and Net projected consumption gallons is 3.8M gallons. For 2014 – 2015, there might be a consumption at the end of the year at 3.8M gallons which is compared to total projected water sales numbers. No water rate increase will be for the 2015 – 2016 fiscal year.

Ms. Yano did not want to overestimate the water revenue if the decline in water revenue continues to go down. Estimating a higher revenue may lead to higher projection of expenses. This is why the projected revenues were more conservative for this fiscal year.

Leak adjustments are after the meters. Manager Saiki stated that the Department assists customers if there is a leak in their home below ground.

Reading articles from known organizations on water consumption; the trend is going down and Ms. Yano commented that this is a result of a nationwide green energy drive and the use of slow flow fixtures is one of them. If this nationwide effort on water conservation becomes a consumer habit, it is expected that water consumption will likely continue to go down.

Chair Dill referred to the Consumption report, cumulative consumption in gallons for February YTD FY 2015 (Page 56 RMB packet) – if that number is projected for 12 months it = 4M gallons per year. Ms. Yano commented that last four (4) months of last fiscal year’s actual consumption and this year’s eight (8) month YTD consumption were summed up to make the estimate. The estimated revenues can still be adjusted based on actual water usage in future budget meetings.
Cost of Power Adjustment – The Department is using 12 cents per gallon which may go up from 12 cents to 17 cents. Data until March, 2015 was not available yet; need to wait until after March for an exact power adjustment. The Department uses actual pumping cost and water consumption reports from April 2014 to March 2015; the power adjustment is calculated once a year.

Mr. Strom asked if the Department receives a monthly Kaua’i Independent Utility Coop (KIUC) power adjustment surcharge statement. Ms. Yano said “yes” but the Department uses the actual pumping costs from our utility expenses (i.e., the Department looks at what was projected last year and what the actual costs are).

The projected unit cost in the water rate study, the budgeted unit cost and actual unit costs are all taken into account. Last year $0.77 cents per unit projection on power adjustment was used; actual per unit cost was $0.80 cents.

- Ms. Yano will add the Power Pumping Costs to the worksheet.
- Actual Costs will be incorporated to the budget.

FRC Fund Column (Page 1) - Estimated Beginning Balance of FRC Fund - $1.5M with an Ending Balance of negative -$5.2M – Chair Dill asked if the Department was planning to transfer funds from the Water Utility (WU) fund to cover the negative balance in the FRC fund?

Ms. Yano explained that the negative FRC fund is from the proposed capital projects of $6.7M which are not encumbered. If the projects are encumbered, the Department would come back to the Board to transfer money to finance projects under FRC.

- Chair Dill suggested that the Department show how to cover the proposed cost of new capital projects from the new WU General Fund.

WU has an estimated ending balance of $9M – if capital projects need to be financed, the Department would come back to the Board to ask to transfer funds to the FRC fund

- Chair Dill suggested that the Department identify on Page 1 a transfer of $5.2M from the WU general fund to the FRC fund (show the plan for the year).

Ms. Yano commented that if the project needs to be encumbered and the project is already in the approved budget, the report is only be presented in the Manager’s Update. Board approval would not be required.

- Vice Chair, Mr. Nakaya suggested to add a Footnote at the bottom of the page and that the plan will cover the shortage.

Construction Project Management Officer, Dustin Moises commented that if money is moved from FRC and WU, it should be in a Manager’s Report to be transparent to the Board. Chair Dill stated any transfers would require approval from the Board.

Ms. Yano commented that FRC projects listed under BAB proposed projects could be funded from either BAB or WU. The Department could spend down the BAB money to fund projects that are available to go out now.
Under New Capital Outlay – Capital Projects FRC Fund is $6.7M and Bond Fund as $14.3M – Chair Dill asked if these projects will be done this year and will the money be spent this year.

- Mr. Dill suggested to show the financial plan of which projects will be done this year.
- Mr. Dill suggested adding a Footnote to explain how the Department will address the negative balance -$5.2M in the FRC Fund or to fund the $6M projects.

Under the WU General Fund / Transfers In (Out) - Ms. Yano explained that the Department will collect $1.2M from FRC. The negative is a transfer to WU to pay a proportionate share of the BAB loans (principal & interest). The $1.2M is not the equivalent of 30% FRC share in debt service but the Department is transferring what is available.

- Ms. Yano will research the 30% share details.

WU General Fund – Estimated Beginning Balance is $19.4M with Estimated Ending Balance of $10M less the $5M estimated interfund transfer to the FRC fund which makes the estimated ending balance $15M less. This shows a decline in the WU Utility Fund. Chair Dill asked if this is a trend over the years. Ms. Yano commented that the fund balance for the last two (2) years were higher; this depends on how fast capital projects are going out to bid to encumber the funds.

Estimated Beginning Balance - Total is $44M but the Ending Balance Total is $14M which shows that the Department is spending $30M more than revenues this year (part is Bond Fund).

Ms. Yano mentioned that $30M is new capital projects ($27.9M + $2.2M Capital Expenditures). $13.7M are prior year encumbrances which comes to $43.7M Total Capital Expenditures.

Chair Dill asked Mr. Moises if the Department will run out of money based on the expenses on capital projects. Mr. Moises indicated when the rate study was done five (5) years ago, it was based on an era that the DOW was doing $15M to $20M a year which was not sustainable. When the 11.7% increase was set, the earmark was $8M to $10M in capital replacement and rehab projects. In the past three (3) years, besides the new building, the Department has not incurred any big construction costs.

Civil Engineer, Mr. Aoki has several design projects to be completed within two (2) years and Construction Management (CM) will not be able to complete every single project once the bond money will run out. Based on the completion of the design projects, if the tanks are completed, the bond money would be gone. Going forward, the FRC rates needs to be approved in a couple months to get funding. But Engineering is doing $8M to $10M projects. Currently there are three (3) engineers who could do projects for $10M of rehab and replacement. The Department will need to catch up the last two years to spend down BAB and WU. Three (3) years from now, there may be issues that $8M to $10M of WU may not fulfill all the projects. FRC would need to be prioritized.

Mr. Moises has seen the past two (2) years, several customers put in their prior lateral because they thought the FRC would increase. He recalled from a previous Board meeting it was projected that 200 5/8” meters per year would be installed and believes that this amount will be less which would affect the expansion projects.
The New Capital Outlay reflects $8M to $10M in current new design with 10% of construction at $100M. The single construction is not the same 10% (i.e., new building). If there is $8M to $10M value, it could cost $120M to do all the construction.

Manager Saiki stated that the projects would not be budgeted if there was no revenue. The next rate study would be done next year.

Mr. Strom asked if the list of capital projects are renewals or rehabs. Mr. Moises said every pipeline would have a percentage of expansion and every well is mostly FRC. Manager Saiki also added that FRC is collected for the expansion for pipes.

Mr. Strom questioned if the Department does a five (5) year forecast and if it would be in the red? Ms. Yano responded that the Department’s Water Rate Study has a five (5) year projection.

Vice Chair Mr. Nakaya asked how would the Water Rate Study compare to the proforma. The Department uses the project list in the Water Rate Study, explained Ms. Yano. Chair Dill asked how projections are tracked. Ms. Yano stated the Department does not do a comparison like what is done with the budget.

Reserves Established – Chair Dill asked what the Board policies and goals were. Ms. Yano stated that for the Emergency Reserve, 25% is set aside for the Operating Expenses every year less Interest Expense. Operating Expenses is $28,892M (25% is 5.9%); the proposed transfer is $1.1M into the Emergency Reserve ($5.9M). $4.960M is interest expense; Target is $6M. The Debt Reserve goal is 50% of the budgeted Debt Service Reserve of $8M. $8.5M annual Debt Service Reserve requirement is $4.3M.

FRC Fund – Chair Dill asked how was the revenues projects? Ms. Yano projected $1M on FRC receipts based on last year’s estimated revenue (based on a bulk estimate). The Department will not hit $1M. The YTD is $230,000. $1.2M is aggressive based on new FRC rates by July 2015. Chair Dill stated that raising the FRC rate will depress the number of customer that will come in.

Mr. Moises noticed that people are coming in with subdivisions and that the Department may give FRC credits.

It was hard for Mr. Strom to understand the tracking of the projects that were forecasted into the budget.

FRC Fund Revenues/Federal Grants (Page 2 of 18) – is the proportionate share in the BAB subsidy. Thirty percent (30%) was allocated to FRC, same proportion of 30% share in Debt Service/BAB.

- Chair Dill requested to reduce the $1M in FRC and reduce in half to $500,000.
- Ms. Yano will provide a recommendation and will work with Water Resources & Planning Civil Engineer Eddie Doi.

Mr. Dill asked what would a reasonable FRC projection be? Mr. Moises suggested using the $14,000 FRC rate for the 2nd half of the year to January 1, 2016.
Vice Chair Mr. Nakaya referred to the State Grant/Revenues which will increase 100% from $1.5M. Ms. Yano stated that the Department anticipates to encumber the Kīlauea state grant of $1.3M. $2M loan forgiveness from State Revolving Fund (SRF) is a grant. This year the Department estimates to receive $500,000 (reimbursement) since part of the job was done. ($200,000 and $3M were carried over from the previous year.)

Chair Dill referred to the Bond Fund’s balance of $23M (Page 1 of 18) and asked if $14M will be encumbered this year. Ms. Yano explained that $14M are for new projects; $8.3M are encumbrances (new building).

Manager Saiki was not aware about the floating bond in 2017 that the county will be considering which Chair Dill mentioned. The DOW would need to consider the floating bond.

SRF Fund – Chair Dill questioned if the $3.5M would be for the new building.
- Chair Dill requested to see Actual Expenditures for 2014 (in thousands)
- Insert YTD Actuals in Budget (indicate number of months)

Operating Expenses Insurance (Page 3 of 18) – Doubled from $360,000 to $710,000 because the DOW is self-insured ($500,000 deductible) and wanted to have enough coverage if there are big claims.

Salaries & Wages (Page 5 of 18) – Vice Chair Mr. Nakaya referred to the last three (3) items that had no dollar amounts for Ops – Source, Purification and Power and Pumping. The lump sum for FY 2015-2016 of $174,074 came from FY 2013-2014 Operations Budget. The reason why the chart of accounts was zero is because the items did not exist before.
- Vacancies - Chair Dill requested to see a separate report on Vacancies for the next Finance Committee meeting.

Standby Pay (Page 6 of 18) – Reflected the new Hawai'i Government Employees Association (HGEA) agreement. Manager Saiki mentioned that HGEA will try to get a 5% increase which was not reflected in the budget.
- Ms. Yano will check with Chief of Operations Val Reyna on the Standby Pay approved budget amount.

Workman’s Compensation (Page 8 of 18) – Reflected no amount. Ms. Yano explained that expenditures for these are already included in the Salaries & Wages budget; so budget is zero since the usage is unknown during the year but actual usage will be posted under this chart of account to keep track of actual usage. The Department could transfer the Salaries & Wages to this account during the year or truncate the report to show that it is under Salaries & Wages. In the past, the Department did not have a separate chart of account because it was a lump sum budget of Salaries & Wages and was never separated.

Billing Costs (Page 9 of 18) – The Honolulu Board of Water Supply (HBWS) agreement has been finalized and HBWS allowed the Department to use their billing system for three (3) years without paying the cost of investment recovery. After three (3) years, the HBWS will start charging an allocated portion of their investment. Ms. Yano explained, that was the reason the Department came
before the Board to allow the Department to get our own billing system; an estimated capital outlay cost is in this budget. $292,380 will cover the billing system for the year.

Utilities Services (Page 10 of 18) -
- Correct chart of accounts number – Ops 551 for Power and Pumping.

Travel & Per Diem – Board (Page 12 of 18) – Ms. Yano clarified why the budget was cut in half from $25,188 to $15,675. In the FY 2013 – 2014 budget three (3) Board members to attend the national American Water Works Association (AWWA) Conference and not all of the funds were spent. It was then requested that the unused Board travel would be rolled over in the following year. For FY 2015 – 2016, three (3) Board members to attend the national AWWA Conference instead of six (6) members were considered in the budget.

Capital Projects - Rice Street Kapule Intersection (Page 13 of 18) – This was $1 funded and Mr. Aoki explained that a private developer is doing this improvement project and it depended on when the drawings are done and goes to construction. This is part of a water plan upgrade replacement of the existing pipes to oversized pipes. Kaua'i Lagoons is requiring the private developer to do this improvement and the DOW has no control when the project will be completed.

- Ms. Yano will delete this line because it is in Construction Management.
- Change to $1 funded the following items for budgetary reasons:
  - Kūhiʻō Hwy. (N. Papaloa to Waikae Canal Main Replacement)
  - Makanui Road and Kuai Road Main Replacement
  - Wailani Road and Waihohonou Road Main Replacement
  - Hoona, Pane Road Main Replacement

Chair Dill commented that the FRC for $6.7M will go down in Capital Projects.

Mr. Strom asked if the four (4) projects are shelved, they would not be ready until three (3) years. Manager Saiki said design will not be done because there is no money and the projects are low priority.

Blank Projects (Page 14 of 18) –
- Mr. Aoki will research why the following projects are blank for FY 2014-2015 and FY 2015-2016:
  - 18” Cane Haul Road Main
  - Kūhiʻō Hwy. (Hardy-Oxford) 16” Main Replacement
  - Kilaeua 1.0 MG tank

FRC – Purchase Water System 2 (Page 14 of 18) – Zero funded.
- Change to $1 funded.

Water Utility Fund - Kaua'i Water Use Development Update (Page 16 of 18) – Manager Saiki commented that Fukanaga will be getting the draft out soon.
Finance Committee Meeting  
March 19, 2015

Water Utility Fund Capital Purchases (Page 16 of 18) – Zero funded items:
- Delete – Meters
- Delete - 2 WD Truck w/cab
- Delete – Pipelines, Waipouli, Hauiki, Olohena Roads
- Delete – Land Acquisition
- Delete – Wainiha Booster Bump Renovation (Page 18 of 18)

Revenues – Detailed Worksheets
Capital Contributions FY 15-16 is $294,803 – Contributions are $1.3M from the state.

- Be consistent with terminology
- Delete - PHL-03 – Drill and Develop Horizontal Wells (Page 18 of 18)

Admin. Expenses - Publications, Subscriptions & Memberships (Page 13 of 21) –

- Add Footnote for Operations Certifications that will be transferred to Operations

AWWA Annual memberships ($75 x 7 Board Members) (Page 14 of 21) –

- Appropriate funding should be covered for memberships

Recognition Program (Page 15 of 21) - Chair Dill wanted to make sure the Department is addressing employee morale. Manager Saiki commented that the AWWA Conference funded was included in the 2014-2015 Budget which was taken out.

There were new HR Training requests:
- Administration – HR
- HR Training CEU – SES Seminar
- HR training CEU – NBI Seminar
- HR Training CEU – HR Law Seminar

- Ms. Yano will show how the training budget has increased.

At 9:49 a.m., Chair Dill recessed the Finance Committee meeting to Wednesday, March 25, 2015 at 1:30 pm.
Committee Members Present: Chair Larry Dill reconvened Finance Committee meeting from the March 19, 2015 Finance Committee meeting at 1:40 p.m. Chair Dill, Laurie Ho and Hugh Strom answered present at Roll Call.

Staff Present: Kirk Saiki, Marites Yano, Val Reyna, Keith Aoki, Dustin Moises, Joel Bautista, Sandi Nadatani-Mendez, Kim Tamaoka, Mary-Jane Akuna, Carl Arume

Guest(s): Hal Parrott, Private Citizen

AGENDA
Chair Dill Received for the Record the 2016 Confidential Proposed Payroll Budget and the updated Fund Balance Projections; with no objections.

NEW BUSINESS
1. Draft Budget for Fiscal Year 2015-2016
   a. Fiscal Year 2015 – 2016 Draft Operating Budget
   b. Fiscal Year 2015 – 2016 Draft Capital Outlay Budget

DISCUSSION:
Chair Dill referred to the Proposed Payroll Budget and 29 vacancies for the Department of Water (DOW). Proposed salaries included negotiated increases.

Corrections will be made to:
- Fund the Manager and Chief Engineer position 100%.
- Correct spelling in the 1st column for Engineer (not “Eingineer”).

Updated Fund Balance Changes:
Salaries and Wages, Page 4 of 17 - Waterworks Controller Marites Yano reported that the only change made was the Salaries budget as a result of funding the Deputy Manager from 50% to 100%.

Revenue Summary, Page 3 of 17 - Has four (4) columns vs. six (6) columns on the Operating Expense Summary, Page 4 of 17. Ms. Yano explained that she added a column for Actual Expenses FY 2013-2014. Additional changes will be made to update the Fuel budget with actual expenses year to date. The 5th column was also added; remaining balance as of February 28, 2015, the difference between the approved budgets less actual expenses FYTD. The Proposed Budget for 2015-2016 is the last column.

Operating Expense Detail, Pages 7 & 8 of 17 – The red numbers indicate negative balances or expenses are higher than the budget. The cells highlighted in red was intended as a note to signify that the actual expenses for total compensated leaves were added to Salaries & Wages. Totals were deleted to prevent adding the numbers twice. Some other cells were also highlighted but Ms. Yano indicated
that those other color coded cells were used as a marker while preparing the budget worksheet and bears no significance on the budget.

Books, Publications, Subscriptions & Memberships for the Board, Page 33 – Membership for the Board is $75.00.

Recognition Program, Page 35 – Reduced from $8,560 to $500. Manager Saiki stated that part of the money was included for the AWWA conference for the Departmental staff and for the Employee of the Year to attend the AWWA conference.

Chair Dill asked where it shows the Recognition Program is funded in other events besides the AWWA conference. Manager Saiki would like to take out the cash awards and mentioned that the Department’s New Year’s party was funded by Recognition Program.

Last year’s Water Bucks gift cards was appropriated $6,520; $2,040 for Recognition (i.e., retirees are given $25 - $100 per person based on number of years of service). Private Secretary, Mary-jane Akuna clarified that the plaques, Employee of the Year Banquet and AWWA conference travel are from $2,040.

Information Tech Specialist, Ms. Nadatani-Mendez further clarified the $6,520 for Water Bucks (calculation of number of water bucks that can be given per quarter x a certain amount determined by the previous Water Bucks committee. The $2,040 is for employee recognition which is given out every quarter and the New Year’s Party. No monies were allocated for Retirees.

The Water Buck breakdown was provided by Ms. Nadatani-Mendez as follows:
- 80 employees at 2 Water Bucks per employee = $160 Water Bucks per quarter.
- $10 is given out per Water Buck = $1600 per quarter + $25 extra for Employee of the Quarter = $1,625 per quarter x 4 quarters + $30 for Employee of the Year = $6,530.
- The Recognition Program of $2,040 divided by 4 times a year = $510 per quarter divided by 80 employees. No more than $6.38 could be spent for each person.

Ms. Yano commented that the Water Buck comes out of the Recognition Program line item.

Ms. Nadatani-Mendez provided additional information for the new Board members on how the Recognition Program from the Strategic Plan under employee morale. A committee was formed on how to improve employee morale through the Water Bucks which was approved by Department of Personnel Services, the County Attorney’s Office and the Mayor’s Office. The Water Bucks committee receives nominations each quarter.

Ms. Yano brought up the recent New Year’s party and stated that it shouldn’t be paid 100% from the Department’s budget; it could be subsidized instead which is why it was brought up with Manager Saiki. This is why the proposed budget was reduced to $500.

- Chair Dill requested the Department to review the funding for the Recognition Program and to see what is reasonable.
- IT will provide a breakdown on the details for Water Bucks.
Admin. Conference, Airfare and Per Diem (Mainland), Page 16 – had nothing funded for 2014-2015 Budget. Ms. Akuna commented that this was in last year’s budget for $5,000 or $6,000; the airfare and per diem was split vs. registration cost.

Seminars & Workshops, Page 17 of 21 – Indicated $5,500 to zero for FY 2014 – 2015. Registration fees were moved to the Meeting Expenses on Page 38. Ms. Yano commented that the Travel and Per Diem for the Board YTD Expenses was $1,195. Major travel usually occurs within the last quarter of the year.

➢ The Department will add $1,500 to Seminars & Workshops for FY 2015 – 2016 for Air & Travel.

Operating Expense Detail, Admin. OT – Salaries OT, Page 6 of 17 –
➢ Chair Dill requested to reduce OT from $20,000 to $15,000. The Department can come back to the Board for more money.

IT Overtime, Page 6 of 17– for (3) three of the staff could be done after hours.

IT Expenses, Cell Phones (for office staff), Page 1 of 11 – is based on 81 employees. Chair Dill questions why the telephone expenses were going up to $16,000?

➢ The Department will provide a recommendation on Telephones with Board Policy #17. Policy #17 will also be in the April 23rd Board Agenda.

Chief of Operations Val Reyna commented that Operations has 25 cell phones with a staff of 34. The budget for cell phone expenses is $48,260; total cell phone budget is $74,000.

Admin. IT – Shipping Leased Computer, Page 3 of 11 – went down from $8,000 to $2,290.

Admin./Repairs & Maintenance – Other than Water System, Page 5 of 11 – Items listed as New Requests “Yes” should be “No.”

FIS Hosing, Page 5 of 11 – FIS hosting will not be budgeted for FY 2015 – 2016. $20,000 was spent for FY 2014 – 2015.

Ms. Nadatani-Mendez mentioned that Maintenance will be cut. The computer batteries crashed on New Year’s Day which brought down the system. IT has a program on the UPS to replace them on a regular program? Chair Dill asked if there is a generator back up.

Mr. Strom commented that simple solutions such as a transfer switch (cost $4,200) could reduce OT and inconveniences. Mr. Reyna agreed that an automatic transfer switch would help.

Construction Project Management Officer Dustin Moises added that there is a transfer switch to move the backup generator to power the new building and to cool the servers.

Capital Outlay – Rehabilitation & Replacement/Capital Purchases, Develop capabilities for Asset based Work Order System, Page 10 of 11 - FY 2015 – 2016 is $95,000. This is part of the IT Strategic Plan to look into an Asset Based Work Order System which is partially funded to start next fiscal year. Ms. Nadatani-Mendez commented IT could go through Brio or write a Request for Proposal (RFP).
IT Training & Registration, Page 8 of 11 – increased from $15,000 to $18,761 for in depth financial program training to install a new update or service pack to keep maintenance cost down. This will also be for more IT training and project management.

- Mr. Strom suggested having an executive summary to explain the different changes to show a trail on internal efforts.

Asset Management Program, Page 10 of 11 – This is part of the IT Strategic Plan which is to look at the Asset Based Work Order System which is partially funded. Brio could research for IT or IT could write an RFP. Ms. Nadatani-Mendez is checking the web to see how the software program works.

- Ms. Akuna will forward to Ms. Nadatani-Mendez the State procurement a listing used by Federal and State agencies regarding management programs.

Upgrade Network Cabling, Page 10 of 11 – IT needs to buy new switches for the new building. The existing system will be kept for the new building.

The contingencies are doubling - $13,300 is for Project Management and the $15,875 is for asset base MMIS. The amounts were taken from the IT Strategic Plan.

Develop Web based GIS viewer and mapping layers, Page 11 of 11 – IT will be able to continuously develop layers in-house.

Water Quality Division, Water Sampling Testing Service, Page 2 of 9 – According to Water Microbiologist, Carl Arume the biggest budget amount is the water sample testing services from $65,000 to $85,000 that has to be done this year. It is estimated next year that the contact cost will go down to the $25,000 level.

Training classes, Page 7 of 9 – Doubled. Next year staff members will attend a technical conference.

Ice Machine, Page 9 of 9 – Delivery of the ice machine has been delayed because the A/C is being fixed in the same room. By using regular ice (instead of blue ice), the samples are delivered cooler.

Water Quality Reports (CCR’s), Page 5 of 9 – Ms. Nadatani-Mendez commented that the Water Quality reports could be cut from $10,000 to $8,800 because the booklets are no longer mailed out. Instead, a letter is mailed to the customer with a link to their applicable Water Quality report. 120 hard copies were mailed out of 21,000 customers at their request.

Engineering - Professional Services Budget, Page 2 of 11 –
Civil Engineer, Mr. Keith Aoki commented that the original Capital Budget needs to be adjusted to reflect the Professional Services Budget the last Finance Committee meeting (March 19th). Manager Saiki explained from the last Finance Committee meeting, the Department had to cut back on the number of projects to start because the costs associated with preliminary Engineering reports are now considered as an operating cost and not a capital cost.

Mr. Aoki added that some of the projects that are budgeted for the proposed FY 2015-2016 are currently in negotiations with consultants. If negotiations are not completed, additional funds will be requested to the Board this FY 2014-2015 and would carry over projects for FY 2015-2016 (these are new changes).
Mr. Strom requested a short explanation of the changes which would be helpful for the Board.

Preliminary Engineering Reports (PER), Page 21 of 11 – The six (6) PER are $1 funded (which are new changes).

New Capital Outlay, Page 13 of 17 (handout) – The following four projects will be $1 funded: Kūhi‘ō Hwy. (N. Papaloa to Waikae Canal) Main Replacement, Makahui and Kuai Road Main Replacement, Wailani Road & Waihohonou Road Main Replacement and Hoona, Hoone, Pane Road Main Replacement.

FRC Fund (Capital Projects – Expansion), Page 14 of 17 – The following projects will be $1 funded: Po'ipū 1MG Storage Tank, Wailua Homesteads 1.0 MG Tank, Kapaia SWTP Expansion, land acquisitions: Wailua Homestead Tank and Po'ipū Tank.

Engineering – Operating Expenses, Page 1 of 11 – had significant changes as well as Capital projects.

Capital Purchases, Page 10 of 11 –
- Wailani Road & Waihohonou Road Main Replacement - 72%; cell was hidden which Ms. Yano will check.

Three (3) Engineering Positions – are vacant. The Board approved to change the CE II to CE I. Mr. Aoki added that a CE V has been selected and an offer will be submitted soon. The other CE V will not be filled immediately. The CE III will be given a chance to get his license by October.

Construction Management Division, Page 1 of 14 – Construction Project Management Officer, Mr. Moises provided a summary of the CIP side was the new building. Private projects completed this year was two (2) subdivisions in Kukui‘ula, Eleele Habitat, Rice Camp and Longs Kapa‘a. Because Design was short staffed, he assisted with design and review to get the CIP projects out.

The biggest budget Mr. Moises will be surrendering to get next year is the Construction Manager position but hopes to post the Project Management position in April. Of the reallocations submitted, one reallocation was approved and one reallocation was rejected. A letter was sent to Human Resources requesting an administrative review of the positions which could be finalized by the end of this fiscal year. By July 1st, three people could be hired for CM.

Professional Service, Page 2 of 14 - By the end of this calendar year, Ms. Moises commented that there is a possibility of putting out four (4) to five (5) CIP projects with private developers. A Construction Manager position (as needed for $290,000) would be utilized to assist with these projects if a Project Manager is not hired.

Admin/Meeting Expense, Page 6 & 7 of 14 – is budgeted at $6,000 to $8,000 to send CM staff to a water related construction project management/inspection trainings off-island. Mr. Moises plans to send the CM staff to the mainland in April for training on “Geotechnical Compaction for Non-Engineers.”

Rehabilitation and Replacement/Capital Purchases, Page 8 & 9 of 14 – In 2007 - 2008 the Department lost the exemption to pay the building permit fee on projects. This year, if the design of tanks is completed, $10,000 will be enough to pay the building permit fee up front and the contractor pays the building permit fee in the back end.
Pre-final drawing plans will go through construction by next year as follows: Kolo Road (RFP by April); Kōloa Well D (need to review); ‘Anini Road (need to review); Kōloa Road (will be gotten to by June 2016); Grove Farm tanks (need to review); Līhu’e Baseyard (review done); Kīlauea Tank (review done); and Weke Road (review done). These projects might go to bid this calendar year: Kolo Road, Halewili Road, Weke Road and Kōloa Well D.

Kōloa Well’s (16A/E and 16B) preliminary design budget went up from $1.4M to $1.6M. Mr. Moises noticed that water project estimates in the past were lower than the final engineering estimate because the engineer did not intend to do pre design.

- Chair Dill requested CM and Engineering to do a separate chart on projected Notice to Proceed (NTP) with all of the projects for the next Finance Committee Meeting.

Water Resources and Planning Division, Page 2 of 7 – Hydraulic Model Update was dropped from $500,000 to $300,000.

Manager Saiki reported the progress on the Hydraulic Model, Page 4 of 4 - a consultant has not been procured yet. The Department is working to complete the Facility Reserve Charge (FRC) first before the water model.

Water Use & Development Plan, Page 4 of 4 – has been encumbered and the draft is almost ready to be submitted by the consultant. The Department plans to partner with United States Geographical Survey (USGS) on the ongoing Groundwater Monitoring Project (for stream flow study). USGS is asking for $45,000. The study will include every stream on every island. Manager Saiki will check with Mr. Steven Anthony on why there is a federal study to use the Department’s money.

- Chair Dill agreed that Water Resources and Planning need to get the FRC going.
- Provide the progress on the Water Use & Development Plan.

Training and Development went up by $9,000.

Vacancies – includes CE 1 for the Hydraulic Model and the Chief of the Water Resources and Planning Division. The Hydraulic Model hiring should start for this position.


Changes in the Professional Services, CC&B Support & Change Request, Page 2 of 9 - $30,000 for CC&B request for changes was reduced to $5,000.

Project Management/Billing System Enhancements – Page 3 of 9 - Added $100,000 for a new billing program software in-house due to bringing in the new Customer Information System (CIS).

Billing – Other Services was decreased from $110,000 to $30,000. One of the items that was reduced; Billing System Enhancements, Page 3 of 9 - went from $100,000 down to $20,000.
Bill Processing Fees, Page 4 of 9 – went up by $5,000 per bill charge which is paid to an outside provider. Postage for Water Bills, Page 4 of 9 – went up from $30,000 to $92,400; this is to reflect actual expenses on postage.

Billing System, Page 4 of 9 – The annual billing cost is reduced by $100,020. Charges from Honolulu for billing system software hosting (annual software maintenance and prorated implementation recovery) were reduced from $260K to $70,700. This budget is for technical support paid to the Honolulu Board of Water Supply for the CC&B hosting. The proposed investment recovery cost that HBWS charge DOW for CC&B won’t start till July 1, 2017.

- Customer Service Rep 1 (was filled this month) – The vacant position should be funded 100% which Ms. Yano will correct.
- Ms. Yano will submit a cost analysis at the next Finance Committee meeting.

Lock Box Service/Bank Fee, Page 4 of 9 – for 2015-2016 is $20,000. Ms. Yano explained that when the lock box is in place, bills will go to a P.O. Box; the bank will pick up the bills and will process and post to the Department’s system. Mr. Strom stressed that electronic bill payment would eliminate the handling of cash.

Supplies, Page 5 of 9 – was cut by $200 (based on a 6% cut).

HR Staff Training, Page 7 of 9 – reduced by $5,000.

2W pick up truck, Page 8 of 9 – Billing went to procurement but only received one (1) bid which was over the budget. The pick up truck will be purchased this year.

New Billing System, Page 9 of 9 – is budgeted for training and implementation for $1,000,000.

- Ms. Yano will confirm if the budget includes necessary hardware.

Accounting – Budget from FY 2014-2015, Page 1 of 9 - was $368,775 down to $363,885.

Accounting Position – has been vacant over a year and was 100% budgeted. Chair Dill request that the column is filled out.

New Water Rate Study, Page 2 of 9 – to be encumbered this year and the $135,000 would be eliminated in next year’s budget.

Performance Audit (See Admin Budget), Page 2 of 21 – is budgeted for $150,000. Chair Dill indicated the Board would be receptive if more money is needed.

GFOA Conference, Page 9 of 9 - $3,500 - $7,000. Ms. Yano plans to send one (1) staff from Accounting and one (1) staff from Billing to attend the GFOA Conference in the mainland.

Training, Page 8 of 9 – are miscellaneous training for staff from $2,000 to $5,000.

- Ms. Yano will identify and itemize training so that goals are measured after training and identify who will be going to training.

Fiscal Administrative Expenses - Other Post-Employment Benefits, Page 2 of 16 - Retiree benefits has been fully funded.
Amortization is based on FY 2014 financials FY 2015-2016, $7,323,987 is a non cash expense. Ms. Yano proposed that in the next Water Rate Study, the depreciation expense will be included in the operating expense budget. The equivalent amount of money can be set aside as a capital rehabilitation fund.

- Ms. Yano will change Amortization to Depreciation.

Transfer from FRC, Page 10 of 16 – is a negative expense. The FRC transfer of $1.294M down to negative ($794,000) will go to the WU fund. FRC should pay a portion of the debt service. The transfer of FRC to the WU fund will be used to pay for its proportionate share of the WU loans and bonds debt service.

- Ms. Yano will update the Summary.

Debt Service Reserve (50% of annual debt service, $1.2M transferred), Page 11 of 16 – from $2,100,000 to $100,000 – the 50% funding goal would be achieved.

Emergency Reserve (25% of Operating Revenues, $3.6M transferred), Page 12 of 16 – from $1,200,000 to $1,100,000.

Transfer to WU/FRC Debt Service, Page 13 of 16 – will be $794,000.

Transfer SRF Loan Proceeds from WU, Page 15 of 16 – will be a wash.

Operations, Page 1 of 20 – Chief of Operations, Val Reyna reported that the current fiscal year operating budget is $7.9M and the proposed FY 2015-2016 was cut down to $7.8M.

Capital Outlay reduced the replacement by $400,000. Heavy equipment purchases will be delayed until the finances are better. Some Expansion capital outlay is higher this year.

Design services for emergency generators housing structures at remote sites, Page 2 of 20 – is $50,000.

- This description will be corrected because the $100,000 will be used on the materials for the covered Photo Voltaic (PV) parking.

The consultant has been selected for the PV parking; Operations is going through the scoping and pricing negotiations in the coming week. This project will be contracted and encumbered this year. Based on the Preliminary Engineer Review (PER) will determine if the project will proceed or not.

MMIS – MPET Additional Services $20,000, Page 3 of 20 – The contract with MPET is with IT used by Operations. MPET is for inventory, time cards and work orders.

- Chair Dill was reluctant to budget $20,000 if it is going to go away in a year and requested that this line item be deleted.

Diesel for utility fleet, Page 4 of 20 – amounts remained the same.

Communication Services/Cell phones for standby personnel, Page 5 of 20 – Chair Dill asked why does Operations need 25 cell phones? Mr. Reyna explained that each essential employee is provided with a cell phone. If a crew member is called, they would only answer on the company cell phone, not their personal cell phone.

There are two (2) vacant positions for the Water Plant Operator and Plant Superintendent. Five (5) standby phones - for standby personnel.
Field crews are - 3 man crews
Water plant operator – 1 man crew
Electricians – are 2 man or 3 man crews
Pipefitters – have phones
Supervisors – have 1 phone each

Mr. Reyna said radios are expensive and the crew leaves the radio in the truck.

➢ Chair Dill suggested Mr. Reyna look into cutting to 1 phone per crew and to reduce cost by 30%.

Repairs and Maintenances, Page 8 of 20 – Operations replaced motor with low efficiency motors were completed. Operations also received feedback from Ben Sullivan Energy Manager from the County Office of Economic Development who stated that the Department of Water saved $200,000 on electricity as of December 2015.

Equipment Rentals, Page 7 of 20 – The YTD on the $70,000 is on track at $30,000 spent.

Water Systems, Page 8 of 20 - $1,000 was added for payment on the easement for booster pump station on Wailapa. The easement is being leased from the property owner.

SCADA system Integrator Consultant & Maintenance Contract, Page 8 of 20 – The contractual amount is $150,000 for a maintenance agreement.

Pump Replacement Program – Page 9 of 20 – In July 2014, three (3) pumps broke down: Piwai Well, (burnt motor), Lāwa‘i Well (burnt motor) and Kilohana Well. In the Lāwa‘i Well, all the column pipes/joints were corroded. The corrosion came from the column of water that was not draining out from the check valve. $425,000 are planned for Preventative Maintenance.

Mr. Strom suggested Mr. Reyna share success stories on an electrical return on behalf of the Department.

Roadway Rehab & Repairs, Page 10 of 20 – Chair Dill was disappointed the road repairs budget was cut from $175,000 to $100,000 and asked why? $67,000 was spent on roadway rehab & repairs. The State highway repair included hot mix.

Debris disposal at landfill, Page 10 of 20 – Why is $5,000 budgeted? Operations does not have a proper disposal site or a crusher.

➢ Change line item New Request to “Yes.”

New & Replacement – 5/8” meters, Page 11 of 20 – cut by 30%. Operations is doing more meter repair rather than tossing the meters out. The Operating Supplies are based on current expenditures.

More purchases will be made with defibrillators. Preventative maintenance is done twice a week by the first aid kit supplier who tests the batteries on all defibrillators throughout the Department.

Miscellaneous Rehab Projects (Preventative Maintenance), Page 12 of 20 – These are repair projects (i.e., pump house, remote facilities, Kōloa and Lāwa‘i Wells).

➢ Delete blank Contingency New Request on pages 12 of 13.

Bulk Water Purchases, Page 18 of 20 - bulk water prices remains the same.
Capital Outlay – Rehab and Replacement/Equipment, Page 19 of 20 – Mileage on vehicles are over 100,000 (vehicles average 15,000 – 20,000 miles a year).

- New line item descriptions will be added to the existing line items.

Mr. Strom questioned the budget for a Backhoe and Trailer at $230,000 from FY 2014-2015. Operations plans to tow their own vehicles – $0 budget for FY 2015-2016. Mr. Reyna expressed that the repair line for vehicles is long due to having only one (1) mechanic. More money has been spent by contracting repairs out for vehicles.

Replacing 2007 CK2049 due to age and mileage (F450 pickup with utility body, Page 19 of 20 – The $110,000 will no longer be used for the CK2049 replacement new fiscal year. The $110,000 was requested to be reallocated and to transfer the budget amount to the General Ledger Account for the design to replace the Kīlauea Motor Control Center (MCC). A starter coil needs to be purchased for Kīlauea Deep Well site. Mr. Reyna stressed that there are no longer replacements parts available for the starter coil for the Kīlauea Well. This purchase needs to be prioritize for the MCC for the Kīlauea site because it is an isolated system. Manager Saiki agreed that Mr. Reyna could pull one budget from this list and to add to another line item list.

Mr. Strom suggested a design build approach which cuts costs re pump station control panels.

Capital Outlay – Expansion/Equipment, Page 20 of 20 - Leak Detection Equipment, Updated equipment for leak detection, Page 20 of 20 – will be purchased this year fiscal year.

Mini excavator, Page 20 of 20 – is budgeted for FY 2015-2016 at $60,000. There are currently four (4) Equipment Operators and one (1) more Equipment Operator will be hired. This person will also need equipment but Mr. Reyna was not sure if an extra vehicle was budgeted. New employees are assigned equipment when hired.

- Mr. Strom requested to look to ways to utilize a vehicle when there are new hires.

Asphalt Pavement Recycle, Page 20 of 20 – is $0 funded. This equipment is back ordered for six (6) months. $85K is a lease option with a $4,000/mo. This line item will be revisited next year.

Service vehicle for Electricians, Page 20 of 20 – Chair Dill asked why the electricians need a service vehicle at $90,000. Mr. Reyna commented that one (1) electrician does not have a vehicle.

- Chair Dill recommended to delete the $90,000 (utility body pickup truck, F340, 4 x 4). When the fourth (4th) electrician is hired, Mr. Reyna can come back to the Board to request for funds for a vehicle.

Service vehicle for Assistant Chief of Operations, Page 20 of 20 – is budgeted at $45,000 for a pick up truck, 4 x 4.

Tanker truck, Page 20 or 20 – is $1 funded. Cost of the truck only is over $160,000 without the tanker (200 gallons).

Chair Dill thanked all the Division Heads for their efforts on the budget.

At 5:45 p.m., Chair Dill recessed the Finance Committee meeting to Wednesday, April 1, 2015 at 1:30 pm.
Committee Members Present: Chair Larry Dill reconvened Finance Committee meeting from the March 25, 2015 Finance Committee meeting at 1:44 p.m. Chair Dill, Laurie Ho and Hugh Strom were present.

Staff Present: Kirk Saiki, Marites Yano, Val Reyna, Keith Aoki, Dustin Moises, Sandi Nadatani-Mendez, Mary-Jane Akuna, Carl Arume, Eddie Doi, Deputy County Attorney, Andrea Suzuki

Guest(s): Hal Parrott, Private Citizen

NEW BUSINESS
1. Draft Budget for Fiscal Year 2015-2016
   a. Fiscal Year 2015 – 2016 Draft Operating Budget
   b. Fiscal Year 2015 – 2016 Draft Capital Outlay Budget

Chair Dill moved to Received for the Record the updated Proposed Budget FY 2015 – 2016 and the Confidential FY 2016 Proposed Payroll Budget, with no objections.

DISCUSSION:
Waterworks Controller, Marites Yano went over the pages that applied to the questions from the March 25th Finance Committee meeting.

Admin., Recognition Program, Retirees, Page 15 of 19 – was previously proposed at $500; was changed to $2,600. Manager Saiki explained that the change was for the retiree’s fund.

Travel and Per Diem – Board, Page 17 of 19 – contingency was changed from $3,000 to $1,500.
➢ Add comments to Notes: Meeting expenses for training and development travel for the Board.

IT/Admin. Communication Services, Cell Phones, Page 2 of 11 – changed from $26,400 to $22,500 (See back up of the Monthly Detail for cell phones in the office (not Operations), Page 52 ipad.)
➢ IT will check number for Cell phones/communication devices.
➢ IT will provide a breakdown, for future use to split ipads and ipad accessories cost out of the cell phones and Hotspots.

Hotspot – Cancelled, Page 52 (ipad) – due to no data usage.
➢ IT will check to see why there was a huge jump in cost from $1,697.77 in July to $2,199.82 in November for CM Officer Mobile Hotspot Mobile WIFI (MIFI).

Construction Project Management Officer, Dustin Moises explained that all CM staff can remotely do their work from the cell phone Hotspots. All electronic submittals can be pulled in the field with lap tops (surface pro).
IT Training and Development, Page 8 of 11 – Notes were added; budget amount is the same $18,761. The original amount was $20,000 for IT trainings as clarified by Information Tech. Specialist, Ms. Nadatani-Mendez. A total of three (3) trainings will assist with the IT Strategic Plan. Approximate cost for three (3) trips would be $10,000 budgeted for five (5) IT staff. This past fiscal year, Ms. Nadatani-Mendez attended two (2) trips costing about $3,000. The Manager approves all trips for training. Chair Dill commented that he supports good training.

➢ Describe specific trips … “these types of training … Budgeted five (5) trips to the mainland…”

IT Travel and Per Diem, Page 9 of 11 – Notes were added; Per Diem is part of Training and Development; budget is lumped on Page 8 of 11.

➢ List type of training, if possible, break down Training and Development and Travel and Per Diem.

Network Switches, Page 10 of 11 – Note was changed to: Purchase and Installation/confirmation of network switches to integrate phone system in new building.

Chair Dill asked why the Network Switches were not part of the new building? Mr. Moises explained that all of the telephone wires come through the existing building. Instead of running the new lines into the Microbiology building, they would come into the existing building. According to Waterworks Info. Tech. Officer, Jeff Mendez, switches would be done after post design and could piggy back with the existing system here, then transfer it to the new building, which is also cheaper.

Water Quality, Water Quality Reports (CCR’s) Page 5 of 8 – reduced from $10,000 $2,000. Notices were mailed to customers with their Water Quality Reports. These reports will be directly on their bill with the new billing system which will reduce extra costs.

Engineering, Capital Outlay – Rehab & Replacement/Capital Purchase, Page 8 of 11 – The following items are $1 funded: PLH-28 Hanamalu Main Replacement (Hoohana Street) and WK-11a Upper Wailua Houselets Main Replacement.

Hanapēpē Stream Crossing design; Civil Engineer, Keith Aoki explained that it is not feasible at this time due to access; the bridge needs to be built.

➢ Hanapēpē Stream Crossing is $1.00 funded which was cut off on the bottom of the page.

Preliminary design is classified as Capital Outlay (an asset) but if the project does not go through, the cost is expensed out.

PLH-28 Hanamāʻulu Main Replacement, Page 10 of 11 - is $1 funded; design was taken out.

Hanalei Well No. 2, Page 10 of 11 – increased from $60,000 to $75,000.

'Anini Waterline Phase B, Page 10 of 11 – Engineering is currently in negotiations; reduced original estimate amount to $50,000. Additional funding will be requested to the Board at the April 23rd Board meeting. If approved this fiscal year, the cost will be taken out for the next year’s budget.

Civil Engineer, Keith Aoki explained that projects were $1.00 funded because there is not enough money to do the Preliminary Engineering Reports (PER) so some projects were taken out.

Professional Services, Page 2 of 11 – from the March 25th Finance Committee Meeting, some projects under Professional Services (operating expense) budget were changed to $1.00 funded but the
corresponding design projects under Capital Outlay (capital expense) were not changed. This shows a balance on the operating revenue to fund the operating expenses. PER’s are operating costs and capital purchases are capital costs.

Mr. Aoki commented that the projects budgeted were of higher priority; projects were $1 funded based on by priority. Most of the projects have an expansion component. The overall priority list was between Water Resources and Operations. Chair Dill added that part of priority projects were to generate revenues.

Preliminary Engineering Report – Rehabilitate Jelly Factory BP Station (3-250 gpm), Page 2 of 11 – Manager Saiki explained that the $60,000 is for pre design report and $200,000 is for design.

- $1.00 All Land acquisitions, Page 10 of 11 - Pre design has not been started:
  - Land acquisition Kīlauea Well #3
  - Land acquisition for Jelly Factory BP
  - Land acquisition for Wailua Homesteads tank
  - Land acquisition for Po'ipū Tank
  - Land acquisition for Hā'ena 0.2 MG Tank
  - Land acquisition for SWTP expansion

Construction Management, Page 10 of 14 – Added column titled: Anticipated Notice to Proceed (NTP). Headings were corrected to FY 2014-2015 (after the NTP column).

Mr. Moises commented that Yamada Tank, Page 10 of 14 – is not fully funded. The budget for FY 2015-2016 is $2,288,000. If more funds are needed, CM will come back to the Board.

Cost Allocation Analysis for the new CIS, Page 90 – Ms. Yano explained that this is a one-time investment; with an estimated initial cost of $1.06M; the net present value of a 10 year period is around $1.8M. The agreement with Honolulu Board of Water Supply (HBWS) would require DOW a proportionate share in annual operating cost starting from $100,000 for HBWS to host the billing system. In addition, total cost at the end of amortizing the capital recovery cost is $660,000. If the Department purchased its own billing system, the cost to the Department is estimated to be around $1.06M up front. Using the net present value approach in comparing the two options, the difference is $270,000.

Mr. Strom suggested the Department check to see if Great Plains has the module to do the billing system and to find ways to beat the budget. Ms. Ho agreed to find ways to reduce costs on the billing system. Ms. Yano commented that doing a joint RFP with other water utilities is a possibility that could potentially save more or less 60% on implementation if done at the same time.

Accounting – Training and Development, Page 8 of 10 – The initial budget was $5,000 but was cut down to $2,000. Ms. Yano separated items from Training and Development and created Travel & Per Diem.

Travel & Per Diem, Page 9 of 10 – has itemized explanations. Part of the 2015-2016 budget was taken from GFOA Conference, Page 10 of 10 initially $7,000 down to $1,200. Trainings, Page 8 of 10, was initially $5,000 and was reclassified as Travel & Per Diem.

- Ms. Yano will complete Section 32 – Fiscal.
Emergency Reserve Transfer - Page 1

$1.2M showed a transfer to the Emergency Reserve but after the changes were done in the operating expenses, the Emergency Reserve transfer went down to $1.1M.

Operations – MMIS/MPET – Additional services $20,000, Page 3 of 20 – The 2015-2016 budget was $18,680 deleted to $0 because there would be no additional upgrade services the next fiscal year.

Ops/Power/Pump/Communication Services, Page 5 of 20 – Cell phones were reduced by 30%. The total cell phones is 23 issued to personnel, 3 cell phone for alarm surges; total is 26 cell phones down from $22,000 to $15,400. Cell phone overtime (OT) minutes will be managed and reduced. YTD expenses on actual cell phone lines are still being working on by Accounting.

- Correct the total cell phones to 26 (23 personnel, 3 for alarm surges).

5 DSL Services, Page 5 of 20 –

- Cut 4 DSL Services out of 5 to 1.

Pooling of minutes is working – there is no overage on OT minutes because the Department shares minutes.

Contingency line items were deleted on Page 3 of 20 to Page 13 of 20 which was all zero.

Travel and Per Diem, Page 16 of 20 – The budget was moved.

F 450 pickup with utility body/Replacing 2007 CK2049 due to age and mileage, Page 19 of 20 – deleted $110,000 to zero.

Expansion/Equipment – Mini-Excavator, Page 20 of 20 – from $60,000 to $1.00 funded.

Service Vehicle for Electrician – was deleted from $90,000 to zero.

**PROPOSED PAYROLL BUDGET**

Deputy Manager - was changed to 100% funded.

CE II – Engineering - $1.00 funded (which was 75%).

CM – Waterworks Project Manager was initially 25% but $1.00 funded.

Accountant I – $1.00 funded (was 100%). Interviewed 3 times, offered 3 times and was declined 3 times.

Water Resources & Planning CE I – changed to $1.00 (500%). A proposed reallocation was denied for Engineering Drafting Technician; the proposed salary will change. ($10,436 is the net effect decrease.)

Chief of Water Resources & Planning – Fully funded (100%)

Operations – The following positions were $1.00 funded:

- Water Field Operations Supervisor
- Heavy Equipment Mechanic
- Equipment Operator
- Groundskeeper
- Water Plant Operator I
- Electronics/Plant Electrical Tradesperson II
- Water Plant Supervisor - 10% funded
Admin - CE VII, Position #2350 - $1.00 funded. (This position normally has not been budgeted.)

Operating Expenses, Water Utility General Fund– Page 1, 1st Column – reduced to $27,869,508.
Projected ending balance – went from $9M to $13M (from Capital Outlay Budget).

FRC – went down from $5M to $2.9M.

Power of Cost Adjustment Calculation (sample form), Page 20 & 21 – calculations are done the end of March with actual usage cost.
- Page 2 – Check entire column of Water Sales Revenue Increase/Decrease columns.
- Page 3 – Water Sales Revenues – YTD is for eight (8) mos. Mr. Dill asked why there was a difference. Chair Dill gets $29M (8 mos. to 12 mos.) It appears the rate is under projected the rate.

Ms. Yano based the Water Sales Revenues on prior year’s sales; the first six (6) mos. are higher than the half of the year. Revenue Projection was calculated using the YTD billing summary from CC&B; water consumption was sorted and summed up per block usage. The usage in gallons was used for the Fiscal Year to-Date Consumption (column N). Calculation used: gallons amount X 2 using the projected rate = usage for the whole year (2016). The service charge was based on 99% = $26M.

Mr. Dill asked how are differences in the calculations reconciled? The water billed consumption as of February, 2015 was $2.666M; with the assumption that the usage trend is consistent, Ms. Yano took the monthly average usage by dividing it by 8 mos. (Jul. 1st to Feb. 2015) then multiplied by twelve (X 12) mos. = use 4 billion gallons at the end of the year. As of February 2015, the cumulative usage in gallons in usage was $2.666M. The Department may reach 3.9 billion gallons of billed water consumption at the end of the year; an indication of declining water usage trend and contrary to the 1.1% increase projected in the Water Rate Study. Mr. Dill did not feel comfortable with the difference of numbers.
- Mr. Dill requested an update on the Revenue Projected Budget for the first 8 mos. of the year.

State Grant, Page 3 – $1.3M is for Kīlauea School from last year’s CIP.

State Grant, Page 3 - $2M is from Department of Health for Public Relations Specialist Project Wet.

Utility Service Power & Pump, Page 10 - $3.49M; Actual is $1.999 for 8 mos.
- Check if rates will go up next year.

Construction, Page 13 - $22M of new projects will begin in 18 months. Six (6) projects are near completion with design review.

Federal Grants, Page 18 -
- Be consistent with descriptions. Clarify capital contributions.

Admin/Insurance - Notes - Page 29 – Why did the $200,000 increase to $500,000?
- Add explanation to Notes – Change budget to match deductible.

Supplemental Budget from last year (not budgeted this year) - $375,000 was added to Mr. Reyna’s Operations budget for the three (3) wells.
- Ms. Yano will update the Revenue Projection the first eight (8) months.
- Include YTD columns

At 4:05 p.m., Chair Dill recessed the Finance Committee meeting to Tuesday, April 7, 2015 at 1:30 p.m.
Committee Members Present: Chair Larry Dill reconvened Finance Committee meeting from the April 1, 2015 Finance Committee meeting at 1:40 p.m. Chair Dill, Laurie Ho and Hugh Strom were present.

Staff Present: Kirk Saiki, Marites Yano, Val Reyna, Keith Aoki, Dustin Moises, Sandi Nadatani-Mendez, Mary-Jane Akuna, Carl Arume, Deputy County Attorney, Andrea Suzuki

Guest(s): Hall Parrott, Private Citizen

NEW BUSINESS
1. Draft Budget for Fiscal Year 2015-2016
   a. Fiscal Year 2015 – 2016 Draft Operating Budget
   b. Fiscal Year 2015 – 2016 Draft Capital Outlay Budget

DISCUSSION:
Manager Saiki commented that changes were done from the April 1st Finance Committee meeting. Waterworks Controller, Marites Yano will provide the calculations of the Revenues and cell phone distribution update.

Federal Grants/Facilities Reserve Charge (FRC), Page 3 – was previously labeled Capital Contributions and was changed to Federal Grants. The reclassification was under State Grants and Capital Contributions.

Federal Grants under Revenues/Water Utility Fund, Page 3 – Reclassified SRF loan forgiveness from State Grants into Federal Grants; there was a shift in numbers ($1.8M and $2M). Totals are the same.

Yellow Highlights, Page 18 – is the corresponding change from Capital Contributions to Federal Grants.

Admin/Insurance, Page 29 – Notes added for Insurance and Bonds.

Contingency, Page 38 – Notes added for Board Training & Development – Travel.

Contingency, Page 40 – Notes added for Board trainings.

IT /Admin/Communication Services, Page 42 – Notes added for Cellular Phone. $22K down to $21K. Mr. Dill questioned the $3,000 increase from the previous year. Information Tech. Specialist, Sandi Nadatani-Mendez explained that IT was not in charge of cell phones. IT can now take the numbers from the previous months. She provided cell phone, ipad, MIFI, cost, plan, minutes used, data usage, and text usage details from the IT (Front Office) for February and March. Operations and IT are in separate details. The monthly charges for Operations in March were $1,685.61.

Terminated lines were done yesterday but were not removed in the March billing details, but the cost should go down. In the February billing detail, Equipment Purchases had an added column (includes
Finance Committee Meeting  
April 7, 2015

cell phones and accessories). Purchases on new phones will come from each division’s operating budget.

**IT Training, Page 48** – Original amount was $18,761 rounded to $18K. Each training is estimated to cost is $5,000 (includes registration, all travel cost, & per diem). A total of three training sessions is anticipated. Two (2) IT trainings from this year cost approximately $10,000.

**Engineering, Page 67** – The packet emailed to the Finance Committee was missing FY 2015-2016 column (which was distributed for the record). The Notice to Proceed (NTP) column was added on Pages 67, 68 & 69. Four (4) projects were changed to $1 funded (land acquisitions: Kīlauea Well #3, Jelly Factory Booster Pump & Hā'ena 0.2 MG tank & Moloa'a Tank site). The Kōloa Well land acquisition is ahead of the process.

*At 1:52 p.m., Chair Dill recessed the Finance Committee meeting.*

*At 2:00 p.m., Chair Dill reconvened the Finance Committee meeting.*

**Water Quality - Lab supplies, Page 56** – for FY 2015-2016 is $10,000. Water Microbiologist, Carl Arume requested to adjust/increase lab testing from $12,000 to $16,000. He would like to also add a PH meter. This increases the budget from $10,000 to $14,000.

The next two (2) years will be Professional Services costs.

**Water Quality Reports (CCR’s), Page 56** – for FY 2015-2016 will stay the same at $2,000.

**Transfers to Other Funds, Pages 108 - 123** – was not added from the April 1st Finance meeting.

**Transfers to Other Funds/Transfer from FRC, Page 114** – FY 2015-2015 was -$794,803; FRC receipts transferred to Water Utility (W/U) to cover proportionate share of debt service. The amount is negative because instead of being under Expenses (Page 1), it is shown under Revenues.

**Transfer SRF Loan forgiveness is $1,130,327 (Page 114)** - The remainder of the loan forgiveness will be received in 2015-2016. -$794,803 is money coming in and $1.1M is going out to SRF. These are included as projected receipts under the Revenue section.

**Operations / Cell phones for Standby personnel, Page 128** – No. of phones were changed: 25 to 26.

➢ Ms. Yano will change the word “surges” to “circuits.”

**DSL Service for employees to access SCADA from home, Page 238** – changed to one DLS service.

**Last Column, Increase (Decrease), Page 2** – the numbers were verified.

**Total Projected Revenues, Pages 19 & 20** – is $26.5M based on the summary billings as of December 31, 2014 which is lower than prior year’s budget.

**Revenues/W/U Fund, Page 21** – is based on the summary billings as of March 31, 2015. The fiscal YTD in gallons is 2.8M. Projected Water Sales was lower at $26.3M.

**Refer to Block 1, 2, 3, 4, & 5, Page 21** – See highlighted FYTD Consumption column.

Mr. Dill referenced the YTD through March that there was 10.6% more billed revenue than last year. Cash receipts were 5% more billed revenue than last year. The budget showed a decrease by 10% in water sales compared to this year.
Ms. Yano clarified that the percent increase were based on the approved budget and not on the actual YTD collection as of March.

Mr. Strom inquired how are the volume of water projected in gallons? What is the rationale of the continued declined?

The hydrant includes revenues but Manager Saiki added the Department does not get money from the County for hydrant revenues.

**Actuals in Water Consumption:**
- $47M decline in July
- $8M in August
- Predicting $69M in October

Ms. Yano indicated a $54M cumulative decrease in consumption. Mr. Dill commented that the YTD is $19.5 that is approximately $26M and a little ahead of the schedule.

**Net Rollover from Prior Year, (Anticipated Supplemental Budget), Page 1** – numbers will change after the actual expenditures as of June 30, 2015 are finalized.

**Open Contracts, Pages 16 & 17** – Last column will change and will be updated with actual payments up to June 30, 2015. This will have a rolling effect on the estimated beginning balances for 2016.

- Ms. Yano will update after each month.

Mr. Parrott provided testimony on the Proposed Budget.

Mr. Parrott provided comments on the following:
1) $32M is for Revenues and $40.350M Expenses. He inquired about the deficit spending and asked what fund will this come out of?
2) The beginning balance is $19.364M but on line in the last year’s budget, it showed an ending balance of $6,148.559; the numbers did not match.
3) State Revolving Fund, Page 3 of 17 – The SRF is $1.130M in Grant Funds and $2M in Bond. Mr. Parrott’s observations on line showed different agencies that contribute to the State Revolving Fund. The grants are specially linked to the communities and the number of people or monies that they are making. This is designed to reduce the cost of the project which does not go into the General Fund which is lost. There is no offset balance only the money coming in the General Fund. The SRF shows $2M; the $1.130M is shown as the full transaction which is washed through the General Fund (all columns are zero).

Ms. Yano explained that the $2M was not showing under the transfer as this same amount was not shown as a receipt under the W/U General Fund; which is a wash. It can be shown as a non-revenue receipt with a “transfer out” to wash the transaction.

Mr. Parrott noted that it may be a wash but it does not track because it is split in two places which is being taken out of SRF where the money came from. For transparency, this grant is disappearing into the General Fund, which means it would be spent. He added if the money is kept in the SRF, it is tied to the SRF which is a matter of clarify (Refer to Page 3 of 17). The columns add up but asked if the SRF being tracked?

**SRF/Loan Proceeds, Page 108** – is $2M for FY 2015-2016.
**W/U Loan Proceeds, Page 108** – is $2M for FY 2015-2016
The $2M is not shown on the receipt under W/U which is why a transfer out from W/U to SRF is not shown; this is directly credited under SRF.

Mr. Parrott commented that there is a lack of tracking of what is actually happening and breaking the bond. The W/U and SRF are tied together and where the grant is used to reduce the price and tied to the revolving fund.

- Ms. Yano will add a line item showing money coming in to W/U and money going out from W/U.

Transfers In (Out), Page 1 – The $2M if added will increase the transfer (out) to $2,235,524M and consequently increase the revenue receipts by $2M in W/U (a zero effect). The $2M would be included as Non- Revenue in W/U and a Transfer in(out). This is SRF loan proceeds or capital outlay reimbursement of expenditures. The differentiation with the proceeds from loan forgiveness is – the proceeds is treated as a W/U revenue.

- Mr. Dill requested Ms. Yano to follow up on Mr. Parrott’s comments 1 & 2 above.

Ms. Yano explained that the budget in prior years were prepared on a cash basis where actual cash balance at the end of the year was reported as the fund balance roll over. When Fiscal converted to the new system, Fiscal rolled over the payables and encumbrances which are reductions of the fund balance roll over. The estimated balance used as of February 2015 is the estimated unrestricted balance. Under this new budgeting process, Fiscal is not using the cash basis approach. The balance estimated at the end of the year may come close to $19M.

Budget Comparison, Page 2 – Budgeted Revenue is $32.8M FY 2015-2016 and Budgeted Expenses is $27.8M.

Bond Fund Balance, Page 1 – is $14.4M. Capital Outlays that are bond funded are not operating revenues. The Budgeted Revenue – is $32.8M.

- Mr. Dill requested to see the numbers and how last year’s ending balance of $6M vs. a projected beginning balance of $19.4M. Show the difference.

Ms. Yano commented that the ending balance in last year’s budget is not the actual cash balance at the end of the fiscal year because the budget was prepared using estimated beginning fund balance. This was a change made with the switch over to the new budget process. She will still show the actual cash balance at the end of the year. The estimated beginning balance changed when the budget format was changed. Ms. Yano provided the actual cash balances at the end of 2014 and estimated beginning balances.

Ms. Ho moved to receive the documents for the record; Mr. Strom seconded; with no objections, motion carried unanimously.

- Mr. Dill’s goal is to have the final approval of the beginning and ending balance.
- Ms. Yano will provide the Manager’s Report on the Proposed Budget FY 2015-2016 and will bring the YTD through March.
- Ms. Yano will include the amendments to the Water Quality budget.

A meeting on the final review of the budget package will be scheduled for May 15th at 1:30 p.m. with Manager Saiki, Ms. Yano and Mr. Dill which will then be presented to the Board.

Ms. Ho moved to recommend and accept the numbers in the proposed budget with amendments to the Board for approval subject to final review of the final packet for FY 2016 operating and capital budget package; seconded by Mr. Strom; with no objections, motion carried with 3 ayes.

At 2:56 p.m., Chair Dill adjourned the Finance Committee meeting.
Committee Members Present: Chair Larry Dill called the Finance Committee meeting to order at 1:13 p.m. Chair Dill, Laurie Ho and Hugh Strom answered present at Roll Call. Chair Sherman Shiraishi was also present (entered meeting at 1:14 p.m.).

Staff Present: Kirk Saiki, Deputy County Attorney Andrea Suzuki, Marites Yano, Keith Aoki, Kim Tamaoka, Jonell Kaohelaulii, Mary-Jane Akuna, Eddie Doi, Marites Yano, Anne Parrott

Guests: Carlos Rivera, SVD; Hall Parrott, Private Citizen; Bill Eddy, Grove Farm Company Representative

AGENDA
Mr. Strom moved to accept the agenda as circulated; seconded by Ms. Ho; with no objections, motion carried with 3 ayes.

MINUTES
None.

OLD BUSINESS

BACKGROUND:
Manager Saiki recommended that the Finance Committee approve Part 4, Section VII of the DOW’s Rules and Regulations and move forward with the recommendations to the full Board.

DISCUSSION:
Deputy County Attorney, Andrea Suzuki commented that the recommendation is to delete the FRC Section VII out of Part 4 and to move it to into Part 5.

Acting Chief of Water Resources and Planning, Mr. Eddie Doi commented that the Department is recommending that the Board allow the Department to stop considering the alternative of developing rates using fixture units and implement a flat rate for the meter, which is the basis for the current Facilities Reserve Charge (FRC) charge.

The FRC charge is based on the level of service that is provided to the customer such as a 5/8” meter is based on 750 gallons per day (gpd). The larger meter size is based on the American Water Works Association (AWWA) manual established on flow per meter. With the established size of the 5/8” meter, the volume capacity size of the meter is first prorated for the rest of the meters compared to the 5/8” meter. This would include multiples of the max flow per meter.
Mr. Dill referred to Section VII 3d regarding the proposal of inactive water service. Deputy County Attorney, Andrea Suzuki recommended to take this out for water meters that have been inactive for more than one (1) year. There was a previous concern with the Board that with the service charge being implemented, people would come in to pay the lower FRC charge to activate their account and remove the meter to avoid service charges if the meter was not going to be used. It was believed that they would have to pay whatever FRC was applicable at the time they come in to reactive the meter. Deputy County Attorney, Andrea Suzuki was not comfortable with the legality of this and suggested to properly create an equitable/burden for reactivation of those meters. (Example – The reactivation fee could be the service charge per year.) An impact fee would not appropriately address the problem.

Mr. Strom asked what would the proposal be if a commercial speculator could come in to tie up the capacity for an indefinite time? Deputy County Attorney, Andrea Suzuki replied that the Department is saying impact fees are not the solution to that problem.

Chair Dill acknowledged there may not be an answer to the problem because a person could tie up the system capacity indefinitely with a cheaper rate without an impact on the system.

- Chair Dill recommended hearing the Deputy Attorney’s concerns regarding inactive meters be stricken from the proposal today and to move forward with the FRC and to work on the inactive meters as a separate matter.

Mr. Strom wanted to leave it in the proposal but Deputy County Attorney, Andrea Suzuki commented that legally this cannot be done. Mr. Strom asked how are other islands handling inactive meters with timelines?

- Chair Dill requested the Department to look into how other islands handle inactive meters.

An option was provided by Mr. Doi regarding people who apply for the meter to assess the fees that were built up during that time. This would not be the impact fee; it would be fees that would help maintain the system as if they had the meter in but not using the water. This idea was from what other utilities are doing across the country through Deputy County Attorney, Andrea Suzuki’s research.

Mr. Strom mentioned that the Department is not generating revenue through water sales and there may be something missing. Mr. Doi explained that if there is a vacant lot with a meter and the person is paying a service charge (to maintain the system), they may decide not to build. But if a person comes in later, because capacity is already spoken for, they would be responsible for developing water facilities.

The concern was, at the time, about the service charge. Water fees are based on service charge and service use which fund the overall operations. The concern was that the service charge was what people try to avoid when they come in to activate their account without putting in the meter. The service charge is the flat monthly rate regardless if water is used or not. There are a variety of ways of dealing with this but she did not think double charging with an impact fee is the appropriate way.

Mr. Strom commented that this was a loop hole.
Deputy County Attorney, Andrea Suzuki commented that this would be an incentive for the Board and the Department to address this matter in an appropriate rule (in Part 2 – Reactivation).

Items 3d and 4d were deleted in the red-lined proposal handout. The proposal for FRC Section VII Part 4 out and to move it to into Part 5. Part 5 was a new part that the Rules Committee passed and came up to speed with HRS 146, 141 – Impact Fees. Part 4 had the methodology.

- The Board Chair could put inactive meters on the agenda which would be addressed to the Rules Committee.

Chair Shiraishi commented on the red-line copy that was posted with the agenda. Deputy County Attorney, Andrea Suzuki summarized what the Department was proposing with the current FRC rules which had no substantive change other than the numbers.

**The four (4) substantive changes were highlighted in yellow in Section III: Applicability:**

Section III 2c – Department is already doing this.

**Changes in service that require an increase in meter size.**

Section III 2e – Deputy County Attorney mentioned that the Rules Committee wrote this section to fully reference Part V. Requirement: If you have a meter box, you have to put it in now (grace period).

a. Water service laterals that have failed to install a water meter on the subject property for which the FRC was paid or where water meter has not been in place for a period greater than one year will be required to pay the difference of the original FRC paid and the FRC in effect at the time the water meter is installed as described in Part 5, Section 5 (5) of these Rules.

Section III 3b: Grammatical correction:

b. The Facilities Reserve Charge for multi-family and/or resort development will be the cost of the approved meter size or the cost of $9,880.00 per unit or hotel room, whichever number is larger.

Section V 4: General practice:

4. No FRC refund shall be made for existing meters requiring a decrease in water demand, decrease in meter size, or decrease in existing water supply fixture units; or requests to change service categories.

Chair Shiraishi referred to the redlined copy, Section III, 2d - “Additional units connected to existing services and meters under the categories of single family and multi-family residential units.” He asked if “unit” was defined. The Department can define “unit” as Mr. Doi explained. Another question Chair Shiraishi asked was if he had a single family residence, how would an additional unit be attached to the residence?"

Deputy County Attorney, Andrea Suzuki clarified that this would be an additional dwelling which is not defined in the current rules. Mr. Doi added that the rules could say “additional single family dwelling” or “additional multi-family residential dwelling.” After checking with Planning, he could not find a definition of “unit” either.
Mr. Hall Parrott provided his testimony.

Mr. Parrott provided his suggestions to housekeeping items in the Leidos proposal:
1. The Department’s amount was $14,160 but the updated amount is $14,115 – the amount should be the same.
2. Add “new” to Section VII, 2 (i.e., additional new buildings, additional new units, new service). Chair Dill mentioned this may apply to existing applicants that require additional water.
   - Deputy County Attorney, Andrea Suzuki noted the Department can add “new” ‘and/or additional” as a qualifier.
3. The proposed change is a 307% increase – the optics needs to be considered.
4. The Leidos analysis was based on a $670M proposed project built out between now and 2030 when looking at assessing every customer at $44,000 to build the system out.
5. Consider to look at what the Department can actually do since the Department has the BAB fund.
6. AWWA cautions water boards to be careful when introducing changes to the community and development; fees are rolled into loans.
   - Deputy County Attorney, Andrea Suzuki advised that these comments and edits can be moved to the full Board for consideration.

Chair Dill moved to proceed with the changes to Part 5 and Part 4 as discussed and presented by the Department by addressing the definition of “units” and quantify “new” & “and/or additional” to service.

Chair Shiraishi provided some non-substantive changes and housekeeping items for a lay person to understand. Refer to Section III, 2b - “Additional buildings to be connected to existing services where additional demands or supplies are indicates…” He asked what is the “additional supply?” Should “supplies be stricken?” For the FRC and an additional demand, why should a person pay if there is an additional supply? Mr. Doi mentioned that the intent of Item b is “additional service” or “additional demands.”
   - The Finance Committee agreed to delete “supplies” and that grammatical and housekeeping items would to be corrected by the Department.

Mr. Strom amended Chair Dill’s motion to add an additional edit in Part 5, Section III, 2b to strike “supplies” and to correct non-substantive housekeeping grammatical changes supplied by Chair Shiraishi to the Department; seconded by Ms. Ho; with no objections, motion carried with 3 ayes.
   - Deputy County Attorney, Andrea Suzuki clarified that when this appears on the Board, it will appear as an amendment to Part 4 and Part 5.
   - The Department had proposals to Part 5 that the Board previously approved which will be sorted out as well.

Civil Engineer, Mr. Keith Aoki was aware that the Department was going to delete the portion on impact fees for meters that have not been applied for (i.e., empty meter boxes).
The Rules Committee approved a section in Part 5 that was included per Deputy County Attorney, Andrea Suzuki which is the grace period. Prior meter boxes were taken out that had a one year grace period to drop a meter. Inactive meters more than 365 days, under the previous proposal, was taken out. Manager Saiki commented this will be in Rules Part 4.

Chair Dill referred to Part 5:

a. Water service laterals that have failed to install a water meter on the subject property for which the FRC was paid or where water meter has not been in place for a period greater than one year will be required to pay the difference of the original FRC paid and the FRC in effect at the time the water meter is installed as described in Part 5, Section 5 (5) of these Rules.

**Mr. Bill Eddy, Represented Grove Farm Company provided his testimony.**

Mr. Eddy provided the following requests and comments:

1. To provide testimony on the FRC rule change.
2. To review the changes in the next draft.
3. To focus on the dollar amount.
4. How are the calculations determined?
5. How will the FRC will impact the community?
6. FRC off sets rules & procedures applied and repaid

Chair Shiraishi welcomes comments from the public (community & developers) vs. a public hearing. Any changes could be considered and/or incorporated to the rule.

➢ Chair Dill requested the Department to provide the next draft to Grove Farm Company to review and comment for the Board to consider.

Ms. Ho moved to Receive for the Record the following three (3) documents: *Part 4 – Fixing Rates for the Furnishing of water Service in the County of Kaua'i (COK) – showed brackets to be deleted from Section VII to move into Part 5. (This was what the Department sent with the Agenda to be put in Part 5.), Part 5 - Facilities Reserve Charge (within the COK) – redlined/track changes and Part 5 – Facilities Reserve Charge (within the COK) – non-color/with changes/Ramseyer format; seconded by Mr. Strom; with no objections, motion carried with 3 ayes.*

At 1:56 p.m., Chair Dill adjourned the Finance Committee meeting with no objections.
Committee Members Present: Daryl Kaneshiro, Chair, Roy Oyama, Raymond McCormick, Clyde Nakaya, Randall Nishimura (arrived at 10:13 a.m.)

Staff Present: David Craddick, William Eddy, Marites Yano, Deputy County Attorney Andrea Suzuki, Dustin Moises, Gregg Fujikawa, Val Reyna, Aaron Zambo, Faith Shiramizu

Guest: Deputy County Attorney, Marc Guyot

Chair Kaneshiro called the meeting to order at 10:12 a.m. Quorum was confirmed.

OLD BUSINESS
a. Annual Evaluation of the Manager and Chief Engineer
   1. Chart Report to Board

DISCUSSION:
Chair Kaneshiro commented that he would like to present the Annual Evaluation of the Manager and Chief Engineer and the Chart Report to the full Board. The full Board could go into executive session if the Board chooses to have more discussion.

Chair Kaneshiro ordered to move the Annual Evaluation of the Manager and Chief Engineer and the Chart Report to the full Board, with no objections.

ADJOURNMENT
At 10:13 a.m., Chair Kaneshiro adjourned the Committee of the Whole meeting.

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Committee of the Whole Meeting

Committee Members Present:  Daryl Kaneshiro, Chair, Raymond McCormick, Randall Nishimura, Clyde Nakaya, Larry Dill (arrived at 8:53 a.m.)

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

Guests:  Deputy County Attorney, Mauna Kea Trask, County Council Member JoAnn Yukimura

Chair Kaneshiro called the meeting to order at 8:30 a.m. Quorum was confirmed.

AGENDA
Mr. Nakaya moved to accept the Agenda as circulated; seconded by Mr. Nishimura; with no objections, motion carried with 4 ayes.

OLD BUSINESS

DISCUSSION:
Chair Kaneshiro said there were several discussions regarding the Emergency Operations Reserve Fund Policy. Manager Craddick submitted additional materials which were passed out to the Board members.

At the last meeting, Manager Craddick commented that the Board wanted to see what it would look like if the debt reserve was separated from the emergency fund. The handout showed 25 percent for the operations; this is the audited operating expense less depreciation (25 percent comes to 3.37 million instead of 5 million that the Board looked at previously). Since this amount was a lower amount previously recommended, it did not include debt services. This amount was sufficient based on the past history of emergencies when comparing our policy to other similar-sized utilities.

Manager Craddick added you won’t get the debt portion of it, but the debt portion of it is when you add that to this, the sum of the two become substantially more than we are looking at with just one. He recommended that the Board may want to wait until they actually get that debt reserve recommendation into committee and look at both of these together first before moving forward. This would work for the emergency reserve.

Mr. Nishimura asked Manager Craddick if he was looking to reducing it to 25 percent of the operating expenses opposed to 25 percent of the revenues that was previously recommended.

Manager Craddick explained that it is not only the operating revenues but it is 25 percent of the operating costs out of the audit; not including depreciation. The amount would go down to 5
million down to 3.37 million; a lower number. When you use a normal debt on the other one, it is high.

This was Mr. Nishimura’s concern if you add the two together which may be over the 5 million that was discussed previously. He would recommend to the Committee Chair that the Board look at the two policies side-by-side so that the Board has a better idea on the bottom-line impact.

Mr. Nishimura asked the Department to do this with the Build America Bond (BAB) that no commitments are made on the federal subsidy to encumber any of the money for any projects until these two can be established. If necessary, the Department could use some of those funds to fund the reserve for the debt service portion because he thinks that would enable the Department to quickly create a reserve fund that would take care of the debt service side of the house.

Manager Craddick added if the Board wanted to wait for the debt reserve, this would have to be on the Regular Board Meeting agenda to be referred to Committee.

Mr. Nishimura moved to add Manager’s Report No. 12-24 – Emergency Operations Reserve Fund Policy to the Regular Board Meeting agenda; seconded by Mr. McCormick, with no objections.

Chair Kaneshiro asked for a two-minute recess, with no objections.

Chair Kaneshiro called the meeting back to order.

*At 8:53 a.m., Mr. Dill entered the meeting.*

Chair Kaneshiro commented that there were clarifications to the minutes.

**ADJOURNMENT:**

At 8:59 a.m., Chair Kaneshiro adjourned the meeting, with no objections.
Committee of the Whole Meeting

February 23, 2012
10:00 a.m.

Committee Members Present:  Daryl Kaneshiro, Chair, Roy Oyama, Raymond McCormick, Randall Nishimura, Clyde Nakaya

Absent and/or Excused:  Michael Dahilig, Larry Dill

Staff Present:  David Craddick, William Eddy, Deputy County Attorney Andrea Suzuki, Marites Yano, Gregg Fujikawa, Val Reyna, Aaron Zambo, Sandi Nadatani-Mendez, Carol Beardmore (exited at 10:06 a.m.)

Guests:  JoAnn Yukimura, County Council Member, Jan Tenbruggencate

Chair Kaneshiro called the meeting to order at 10:05 a.m.  Quorum was confirmed.

ACCEPTANCE OF AGENDA

Mr. Oyama moved to accept the agenda as presented seconded by Mr. Nishimura; by a unanimous vote; motion was carried.

OLD BUSINESS


DISCUSSION:
Manager Craddick stated the audited report is available.  The number on the reserve fund for the 2011 audit shows an incorrect operating expense of $4.164 which should be $5.743 million.  The DOW would be taking 25% of this.  Mr. Nishimura asked if $2.98 million is correct.  Manager Craddick stated the depreciation is higher.  The $17.66 million total operating expense is still the same.  The $5.7 million would be minused and 25% of this will end up at $3 million instead of $3.37 million.  Manager Craddick stated if the Board approves this policy the budget would give exact numbers because each year it is based on the previous year’s budget.  The Board members will receive the final audit statement at the next Board meeting.

Mr. Nishimura is satisfied with the operations reserve fund and inquired if it is desirable to have the conditions for disbursement.  Percentages were used instead of numbers.  The added numbers exceed the amount ($225, $300, $200) which are close to the balance.  Manager Craddick stated the reserve fund total is $3 million.  Mr. Nishimura asked about the 5% and what is it based on in Item 11.  Manager Craddick stated if it is spent down and there is no emergency the next five years, it is brought back up to the full 25%.  If the reserve fund went down 10% in one emergency, then the next year 5% is put back in and the following year 5% more is put in.  The entire account is not refunded in a single instance.  This is 5% the entire revenue less the depreciation (5% is 120 of the 25%).  Mr. Nishimura stated this can be expressed as a percentage and it should be applied to the
Chair Kaneshiro stated the Board can take action with the changes mentioned or if the Board needed time to review. Manager Craddick added if this item is deferred to next month, the Board is expecting the budget. The budget discussion at this meeting will be reviewed next month which will move the budget back. If the Board agrees, then the Board is agreeing to a policy, not the exact number. Chair Kaneshiro agreed with Manager Craddick’s statement. Manager Craddick further stated the exact number would come up in the budget and the Board would have a chance to review the previous year’s audit. Mr. Nishimura stated Manager Craddick can still present the budget with the expectation the budget will pass. The DOW is in a good cash position and has the reserve. A policy would be good to have if the budget is revised. Mr. Nishimura stated the rates were passed without a policy. Manager Craddick is encouraged to include this in the budget because this is the basis he increased the rates to the rate holders. The policy does not matter if it is finalized or not. The money cannot be spent until there is a policy,

Mr. Nishimura moved to defer the Manager’s Report No. 12-24 - Emergency Operations Reserve Fund Policy to the next committee meeting based on revisions to be made and presented by the Board members; seconded by Mr. McCormick; by a unanimous vote, motion was carried.

b. Manager’s Report No. 12 – 54 – Debt Service Reserve Fund Policy

DISCUSSION:
Manager Craddick presented the calculation for the funding example of $3.256 to $4.256. Ms. Yano clarified it is the addition of one half plus the monthly transfer. Manager Craddick asked what would happen for a debt reserve. Until the debt is paid off there is half a year’s payment in the fund. Nothing is put in the fund; the last payment is taken out of the debt reserve fund. The example shown is assuming all of the DOW’s debt is paid on the same two dates during the year but they are not. This would not match the example but this is the worst case amount that would be in the fund. The correct number should be $4.256 instead of $3.256. Mr. Nakaya inquired if Manager Craddick was using the 8% figure or the one over 112. There is a difference of 33 basis points. Manager Craddick stated the 8% allows for half a year plus one month and has seen it as small as zero and as high as 10% over. Mr. Nakaya explained that the example of 8% is one over 112 which is 8.33% and amounts to a difference of $21,000. The 8% is a whole number and it is close to a month. He has no objection of making it 8.3333%. If the DOW actually did an exact loan, it can increase slightly or even decrease it. If it was zero, it shows that the money is being set aside and the debt service will have to be paid. It is critical to show what the DOW is doing instead of the specific number.

Mr. Nishimura noted the maximum fund balance is 108% of the average annual debt service which is one years worth. Manager Craddick stated the reason 108% is needed of the average annual debt is because it drops to 50% on the day half of the payment is made. When money is put in on the same day, the money goes out and the debt service is paid. On the same day it reaches 100%, it drops to 50% + 8%. Fifty percent is always held and money is put in each month. If one month that goes by and it cannot be found, this should be an early signal. The DOW needs to cut expenses, cut jobs or increase rates. It takes at least six months plus however many months which have already been paid into it and will take a year to complete.
Manager Craddick explained that the staff can advise the Board that the DOW cannot make payments in two or three months. The Board members can watch the financial statements and know what is coming up. Nobody keeps the debt service schedule in their head because there are a lot of DOW loans.

Manager Craddick explained in Item 10 if there is always half a year payment in the fund, the payments will be invested and reinvested. When borrowing, the covenants will indicate how long to keep the money invested. The money should not be tied up in a long-term investment. The interest will be returned and will not be divided out to various accounts. More than one account will be paying into this. It is good to reallocate to various accounts on a recurring basis. Mr. Nishimura asked if this is not covered by one account. Manager Craddick stated it is invested which does not indicate for how long.

Manager Craddick stated high liquidity could be three months but some people feel it is more or less than three months. Item 10 specifies allocating the interest out and would be better to define the liquidity requirement. The maturity has to be less than three years. Mr. Nishimura stated this would not be liquid because to be able to see three years ahead and say, ”I’m going to have a problem.” Manager Craddick stated the more it is reduced down, there is less interest on the money sitting in the account. Mr. Nakaya and Manager Craddick agreed that the main purpose of this fund is to save money for debt servicing and not for revenue generating.

Manager Craddick stated the DOW’s longest term investment includes Fannie Mae and Freddie Mac. If the DOW had problems with the two funds, the DOW would be in trouble such as student loan funds which the state got involved in. Ms. Yano stated the longest maturity of the fund is three years. The BAB account is 789 days. Manager Craddick added the number of three years was from Mr. Dave Spanski. The funds are still marketable and if something happened to Freddie Mac, the two housing loan accounts would have to wait for people to pay off their house loans to get the money. He does not think there is a big market for buying those, but the county is heavily invested in Fannie Mae and Freddie Mac. Manager Craddick does not know how liquid these funds are and when he found out, he asked to get their money out of there.

Mr. Nishimura stated the reserve fund covers six months and inquired if the maturity can be not more than six months. He understands about the interest-bearing issue. Manager Craddick stated if money is sitting in triple-A investments, the bank would give a loan on it. He feels the possibility of a default is relatively low. If there was an odd catastrophe and the DOW had the investment, money can be borrowed from the bank. There is a possibility of getting 95% of the money because this is a triple-A security. The bank might charge more interest but a person could get cash to pay off a debt. Mr. Nakaya inquired what the DOW is earning on the investments. Ms. Yano stated the BAB is the biggest investment which is 1.28%, 0.15%, and 0.35%. One old investment is at 2.5%.

Mr. Nishimura stated from the rate holder’s perspective, if this is the reserve, it should be more liquid than revenue generating, otherwise, the reserve is not needed. If the possibility is small, then the DOW should reduce the reserve amount. Manager Craddick stated if money is going to sit idle, he would get as much interest on the money. If the cash is available when it is needed and is recognized as liquid asset, individuals would be able to get a loan on the money. It takes six months to pay off the loan.
Mr. Nishimura inquired if there is a bigger impact on the water rates, having a large reserve fund that does not draw or a reserve that draws a lot of interest versus a smaller fund that does not draw as much interest. Manager Craddick answered it ties up the money but this money is already committed to pay. This has been the history of the DOW of going through rates at a minimum of six months. The month the Board received the proposal and a rate change and two months later, the DOW had the new rates in. Manager Craddick thinks this would be impossible. Going to the Small Business is a minimum of six months. It appears the DOW is setting aside a reserve on the length of time it takes to change the rates. If this is what the DOW wants to do, jobs could be cut quicker and cutting expenses would be the worst case. This gives protection and time for the Board to do something to the rates and have time to deliberate without feeling rushed.

Ms. Yano does not think there would be a major impact on the rate payers because whether the DOW is setting aside a reserve for the debt service. The DOW will be putting that same amount in the budget and setting a separate account for the debt service, plus the 8% which is put in every month. Manager Craddick understood the explanation that is has to be paid anyway if it is budgeted. The DOW could not change the rates in 30 days. There are emergency provisions that could be done but is not recommended. Manager Craddick asked if the Board wanted to pull an emergency provision to change rates in order to meet a debt payment. This is a reserve fund and it is set up if a problem arises.

Mr. Nishimura referred back to the liquidity requirement and asked if it is an emergency fund and why Manager Craddick was looking at the revenue generation as most important. Mr. Craddick feels the DOW could go to the bank to get the money if they had to.

Ms. Nishimura feels allowing up to 58% to be a longer-term investment and anything above this should be highly liquid. Manager Craddick stated 50% is going to be sitting in the account for 20 years and feels three years is highly liquid. The other account is very short term. The first payment put in should not exceed the six months investment time. Manager Craddick was not sure if a change to the policy can be made to reflect this. Mr. Nishimura stated the policy allows keeping the full amount in the account for three years. Manager Craddick stated the monthly payment cannot be done if it is being put in for three years. Payment has to be done at the end of six months. The first fund can be invested for three months, the second fund for four months, the third fund for two months and the last fund for one month. The payment goes out on the sixth month. Manager Craddick will provide clarification for the Board at the next committee meeting.

Mr. Oyama moved to defer the Manager’s Report No. 12-54 - Debt Service Reserve Fund Policy to the next committee meeting to allow Manager Craddick time for clarification to be made; seconded by Mr. McCormick; by a unanimous vote, motion was carried.

**ADJOURNMENT**
At 10:43 a.m., Chair Kaneshiro adjourned the Committee of the Whole meeting.
Chair Kaneshiro called the meeting to order at 10:14 a.m. Quorum was confirmed.

**ACCEPTANCE OF AGENDA**
Mr. Oyama moved to accept the agenda as presented; seconded by Mr. Nishimura; with no objections; motion was carried.

**OLD BUSINESS**


**BACKGROUND:**
Mr. Eddy pointed out on the Manager’s Report Background section, some figures were updated from the financial statements which are the final numbers for the 2011 audit. The $2.98 million gives an indication of the relative size of the emergency operations reserve fund that the DOW is proposing to create. This number is based on the operating expenses less the DOW’s depreciation which is 25% of that difference (approximately $3 million). On Item 11, the proposed Policy No. 26, 5% was struck out of unreimbursed funds and language was added. Twenty percent of the value of the fund, prior to being expended, shall be replaced each year until the OER fund is about 25% of the department’s total operating costs excluding depreciation.

Mr. Nishimura requested before the Board takes any action on Manager’s Report No. 12 – 24 - Emergency Operations Reserve Fund Policy, the Board will go into Manager’s Report No. 12 – 54 - Debt Service Reserve Fund Policy for a summary first.
Manager’s Report No. 12 – 54 – Debt Service Reserve Fund Policy (Administration requests deferral of this item)

BACKGROUND:
Mr. Eddy stated there were no changes from the last meeting and requested to defer the Manager’s Report No. 12 – 54 - Debt Service Reserve Fund Policy because Manager Craddick has specific thoughts regarding the debt service funds and the liquidity issues. The Board wanted a definition of highly liquid account and more liquid than revenue generating issues. Clarification was also needed regarding the less than three years in Board Policy No. 27.

DISCUSSION:
Mr. Nishimura stated the liquidity issue is to make sure the DOW can pay off what is due for the next cycle. Mr. Nishimura asked if the department checked if it is allowed to comingle and if the debt and bond issue came in. Ms. Yano stated all reserve payments received from the DOWs investments are going to the water utility account general fund. Mr. Nishimura questioned if the interest generated on the investments can go directly into the reserve fund and not be used for any other purpose. Ms. Yano stated it can be done but is usually paid out and the interest is not put back in. Ms. Yano can set up an account for the monies on the investment bonds that are floated which are not due. The interest payments go to the water utility fund and can go directly to the reserve fund. Mr. Nishimura requested this be done if the debt reserve is being supplemented by one of the investments being received. This is derived from the bond that was floated for the specific issuance. Ms. Yano stated the interest payments received from the debt service fund, is a combination of all of the DOW’s debt service for the SRF loan and different loans in the SRF. The debt service fund will go into a single account, the debt service emergency fund. Separating the interest is allocated per individual loan account.

Ms. Yano explained when an interest is received it is allocated for a particular bond. Accounts are established within the debt service fund which is paid twice a year. The total debt service for the year is a fixed amount divided by 12. A monthly amount is put into the debt service account and every six months it will be paid out.

Mr. Nakaya clarified the DOW earns interest on the bonds for the debt service. When the interest is received, it revolves into the reserve fund account instead of the water. Ms. Yano added the bond float interest can be put into the debt service reserve fund and the interest earned goes into the cash treasury account. Mr. Eddy inquired if there would be a benefit. Mr. Nakaya stated the DOW is going to be using a specific interest income just for debt service reserve.

Mr. Nishimura inquired if the DOW has a debt service fund in the utility fund or in the bond fund to set aside monies to pay out the debt service. Ms. Yano indicated the current and past budget is not set up this way. Mr. Nishimura suggested those monies go into the reserve fund which it is part of the overall money. Another way of dealing within the budget is to set up a subaccount to pay off the debt service and to make sure it is properly funded. Mr. Eddy agreed and stated this is what is being requested in the report. Mr. Nishimura added the debt service reserve is insurance. Accounting is transferring some money from the general account into the debt service fund which 108% is needed. Ms. Yano stated initially accounting started with 50% and equal monthly transfers were done.
Mr. Eddy requested to allow Manager Craddick to discuss the pros and cons of the policy at the next meeting. Mr. Nishimura requested management to complete this before the budget.

Mr. Nishimura motioned to recommend Manager’s Report No. 12 – 24 - Emergency Operations Reserve Fund Policy to the full Board and defer action on Manager’s Report 12 – 54 – Debt Service Reserve Fund Policy to the next meeting; seconded by Mr. Oyama; with unanimous vote; motion carried.

**ADJOURNMENT**
At 10:32 a.m., Chair Kaneshiro adjourned the Committee of the Whole meeting.
Committee of the Whole Meeting

April 26, 2012
10:00 a.m.

Committee Members Present: Daryl Kaneshiro, Chair, Larry Dill, Michael Dahilig, Raymond McCormick, Randall Nishimura

Absent and/or Excused: Clyde Nakaya, Roy Oyama

Staff Present: David Craddick, Deputy County Attorney Andrea Suzuki, Marites Yano, Dustin Moises, Gregg Fujikawa, Val Reyna, Aaron Zambo, Keith Aoki, Joy Buccat, Debra Calaycay

Guests: Marc Guyot, Deputy County Attorney, Janine Rapozo, Daniel Chang, Hawaii Department of Health, Safe Drinking Water Branch, Jeremiah Kaluna

Chair Kaneshiro called the meeting to order at 10:14 a.m. Quorum was confirmed.

ACCEPTANCE OF AGENDA
Mr. Dahilig moved to accept the agenda as presented; seconded by Mr. McCormick; with no objections; motion was carried.

OLD BUSINESS

a. Manager’s Report No. 12 – 54 – Debt Service Reserve Fund

BACKGROUND
Manager Craddick presented and explained concerns on the liquidity issues, the commingling of funds and the Debt Service Reserve Fund Policy. Manager Craddick also read portions from the revised Board Policy No. 27. The issues are combined with deposits into the reserve fund, disbursements from the fund and investment of the fund. The deposits shall be in a separate account and funds shall be deposited from either the water utility fund or the Facilities Reserve Charge (FRC). This depends on the funding source for the debt. Funds shall be deposited on the initial date of debt issuance in amounts equal to six months of debt service payments plus 8%. Then 1/2th of the annual debt service for each issue shall be deposited monthly from the source paying the debt service until there is only one payment remaining on the debt issue. Monthly deposits on the fund shall cease when there is only one payment remaining in full or defease the debt.

Subaccounts shall be established and maintained for each debt obligations in cases where the obligation is funded from a combination of replacement and expansion purposes. Separate subaccounts shall be established. Disbursements are made from the fund. Two signatures shall be required from the Manager Deputy, Controller or Chairperson of the Board. Any balance or overage on the fund after final payment shall be returned to the fund(s) which are paying the debt in
Committee of the Whole Meeting
April 26, 2012

the same ratio that was initially paid into the fund. To ensure payments are made on a timely basis, disbursements from the fund shall occur on or about the day debt service payments are due.

The SRF money shall be invested in permissible interest-bearing instruments as specified by law. Long-term investments are defined as any time funds are invested with an early withdrawal clause that gives less interest if the funds are removed from the investment. They are invested for more than 25% of the time between fund deposit and required payment of the debt. Example: Funds invested with an early withdrawal clause for more than five years that do not need to be paid out until the last debt service payment in 20 years, are long-term investments. The five monthly deposits will be paid out in six months and will be considered long term if it exceeds 60 days but the 5th monthly payment would be paid in 30 days. The fund monies are used to pay a combination to expansion projects or pay a combination of expansion and replacement project debt. The interest shall be deposited into the subaccount as accrued in the same ratio as the subaccounts that were established by the obligation.

Should any specific debt require investment time to maturity of less than three years, the reserves for that specific debt issue shall be invested in accordance with the debt issuance documents. Investments of fund money shall mature no later than the final maturity of any individual debt issuance and shall be vested at the highest interest allowed by law. Sometimes the interest is put back into the fund for arbitrage purposes.

Manager Craddick indicated the DOW is not investing monies for a longer time for pay out. One concern is how the fund will be set up initially because the DOW is not doing debt issuances. The DOW would not take out $4 million immediately. Mr. Nishimura stated if the DOW is only doing up to a minimum of 58%, this should not be an issue. Manager Craddick explained the debt service is for 2014. The DOW is paying full debt service (50% DSR or $4 million, not 50% plus 8%). There is an accumulative balance of all the DOW debt including the treatment plant. The treatment plant was not included because it is a debt which includes a lot of operating costs. The amount being capitalized yearly is small which is in the operating budget. The debt remaining on the treatment plant is seven years. Mr. Craddick stated if the Board wants to have the additional 8% or one extra month is a big issue.

Manager Craddick stated the Farmers Home Administration bond will be paid off within the four years. All bonds with interest rates over 3-1/2% may be paid off. The DOW can get new loans at 2% for new projects at the debt issuances. If the DOW saves $150,000 a year, another $1 million can be borrowed and still have the same debt level the DOW has currently. This is an example of paying off or refinancing a bond. Since not everything is done with the Health Department, this is not being proposed in the budget this year. When the package is completed this year, it will be brought before the Board. Manager Craddick will make sure the package in writing.

Mr. Nishimura is concerned about refinancing debt and the outstanding debt. Manager Craddick stated this was done last year with the bonds. The county does it for the DOW in the bonds and the SRF is dealt with the Health Department. If the DOW can get money at 2% versus paying 4%, money would be saved. The agreement stated this is possible if the projects are on the list. The old projects would be paid off which have high interest rates and new projects can be removed. Loans would be taken out on new projects.
Nr. Nishimura inquired if the DOW is already setting aside monies in a supplemental fund. Ms. Yano stated no monies are set aside. Manager Craddick added the DOW has a lot of cash which is not a concern. All jobs could be encumbered. Currently, the DOW is out of money and if there was a drop in consumption, the DOW could have a problem. Establishing an account is critical. Each year $6.5 million is budgeted. If two years goes by and the cash disappears, the DOW has nothing in reserve.

Mr. Nishimura inquired if the debt service on the budget this year would be $7 million with a six month burden. Manager Craddick explained 50% of the total debt service would be coming out of the budget. The debt service would be funded $1 million per year for the next four years. Mr. Nishimura questioned once the reserve is established, are monthly deposits going into the various subaccounts? Manager Craddick explained a separate fund would be set up with investment transactions. If the DOW cannot make the deposit in one month, there would be a difference between that and the next payment, plus the six months reserve in order to stop construction projects to make the payment or to increase rates.

Mr. Nishimura questioned if the rates fund the FRC projects and can this be justified? Manager Craddick explained the credit amount in the FRC when it is developed, according to the state law, will be given to the customer who is paying the fee for another customer who got on the system without paying the proper amount. The DOW should be taking that amount out of the water use fund or the water revenues every time a customer gets a meter and deposited into the FRC. This would be enough money for the DOW payments and to make the transition into the new rates. Customers who have paid the old rates without putting their meter in would pay the normal water rates, then they can phase into the new development fee sooner. Mr. Nishimura inquired why money would be moved from the water utility to the FRC. Manager Craddick explained the DOW is deducting the true cost to do the projects because some projects need to meet existing deficits. If the existing rate payer is paying true rates, it should go to the FRC account which the DOW is not doing. Example, if a customer comes in for a 5/8-inch meter, they pay $15,000. If $2,000 is taken out of the utility fund and $17,000 goes into the FRC account, this would keep up with the debt service payments. The DOW will not be able to make the debt beyond next year that is required out of the FRC account, if this continues with this year’s CIP program. All expansions programs could be stopped and the DOW would tell customers there is no water and the fee might increase. If the fee increases, the DOW needs to start the projects that are ready to go to bid which the DOW does not have money for.

Mr. McCormick motioned to approve the Manager’s Report No. 12 – 54 – Debt Service Reserve Fund; seconded by Mr. Dill; with unanimous vote, motion carried.

**ADJOURNMENT**

At 10:37 a.m., Chair Kaneshiro adjourned the Committee of the Whole meeting.
Correspondence
June 16, 2015

To: Chairperson, Sherman Shiralshi

Board of Water Supply
Department of Water
4398 Pua Loke Street
Lihu'e, HI 96766

Project Name: Ke Kula Pono LLC, Malia Finazzo-Krueger
Class IV Zoning Permit Z-IV-2015-01
Use Permit U-2015-01
Tax Map Key No.: 4-2-009:018

Background:

In August, 2014, the Planning Department approved Ke Kula Pono for a Use Permit to allow the business to operate a small Group Child Care Facility at the owners’ residence in Wailua Homesteads. The permit was contingent upon approval from all relevant departments (Fire, Engineering, Health, Building, and Water). At the present moment, all departments (Water Department excluded) have provided written documentation indicating that Ke Kula Pono has satisfied any additional requirements necessary to ensure the health, safety, peace, morals, comfort and general welfare to both neighborhood and persons residing within dwelling. Ke Kula Pono has gone to great lengths to ensure that all business conducted at this residence has a primarily positive impacts upon the surrounding neighborhood and environment. There will be and has been no construction to the existing property, the single-family home will be utilized as-is.

In a public hearing that occurred on August 26, 2014, the Planning department along with the Fire, Health and Engineering Departments all approved for Ke Kula Pono to receive a Use Permit. In reviewing the original recommendations, the Planning Commission staff suggested and additional condition (condition #9) be added to ensure compliance with Section 8-3.2 stating “That the applicant provide written approval from all agencies including Building Division prior to commencement of the proposed use.

I have attended multiple Water Board meetings to make attempts to satisfy the DOW. Now that the alternative methodology has been fulfilled, the DOW is require more of me. Attached is the Managers report specifying what was required and the Fire Chief’s letter is also attached.

Requested outcome:

We request that the Board of the Department of Water review our conditions to ensure that appropriate conditions have been requested of the Ke Kula Pono. We feel that the Department may be incorrect in the assessment that the existing facilities along Kuamo'o Road are inadequate to provide the recommended fire flow demands of the proposed Use Permit. This incorrect application has severe
consequences for both home-based small businesses in the Wailua Homestead area, as well as for the children and families who utilize this Child Care Center.

The conditions placed upon Ke Kula Pono’s Use Permit by the Department of Water are:

1. prohibitively expensive, and we feel that the department has wrongly classified this child care center as a “School” (the Land Use category includes retail stores, shopping centers, hotels, and hospitals), thus requiring us to upgrade the hydrant fire flow from its current flow to 2000 GPM. Our child care center has an educational focus for its students, however it is licensed by Department of Human Services as a child-care facility (allowing a maximum of 11 students), and not as a school which would require licensure by the Department of Education. We believe the appropriate Land Use would be to maintain the current category of a Single-Family Home.

Alternative Methodology was one of the Board’s suggestions and I feel as though it has been completed. I have hired an engineer to do an analysis on the hydrant and that analysis has been sent to the Fire Chief. The Fire Chief has approved. Now Eddie Doi is saying that there are more conditions to fulfill and I am not agreeing to that according to the Managers Report-February 23, 2015.

Supporting Information

Please find attached the following supporting information:

1. Jay Higashi’s analysis information and letters sent

2. Manager’s Report 15-23 from February 23, 2015 which was discuss and held after Water’s January 8, comments.

3. DOW comments from Aug 2014 and January 2015

4. Fire Chief’s letter of acceptance

Mahalo,

Malia Finazzo-Krueger Owner/Teacher

Ke Kula Pono LLC
March 31, 2015

Ms. Malia Finazzo-Krueger, MA  
Ke Kula Pono LLC  
5697 Ohelo Road  
Kapa’a, HI 96746

Project: Ke Kula Pono Preschool  
Kapa’a, Hawaii

SSDA Project No.: 2015084.01

Subject: Engineering Qualifications

Dear Ms. Finazzo-Krueger:

In accordance with the County of Kauai, Department of Water, 2008 Amendments, I am submitting my qualifications for their approval to perform the analysis under the “Alternative methodology for satisfying fire protection requirement for non-residential structures”.

Attached is my resume for reference. I am a licensed engineer in the State of Hawaii and I am a licensed fire protection engineer in Washington. Hawaii currently does not have the fire protection license.

I have performed similar analysis using NFPA 1142, Water Supplies for Suburban and Rural Fire Fighting for other projects on Kauai.

Please feel free to call if there are any questions.

Sincerely,

S. S. DANNAWAY ASSOCIATES, INC.

Jay T. Higashi, P.E.  
Vice President and Senior Fire Protection Engineer

Attachments: Resume
JAY T. HIGASHI, P.E.
Vice President and Senior Fire Protection Engineer

EDUCATION: Master of Science in Mechanical Engineering, South Dakota School of Mines and Technology, December 1985.

Bachelor of Science in Mechanical Engineering, South Dakota School of Mines and Technology, May 1984.

Mechanical Engineering, State of Hawaii, 1991
Electrical Engineering, State of Hawaii, 1998

PROFESSIONAL WORK HISTORY:

May 1993 to Present: Vice President and Senior Fire Protection Engineer
S. S. Dannaway Associates, Inc.

This is a private consulting firm providing fire protection engineering, building code consulting services, and Construction Quality Control (CQC) Fire Protection Engineering Services.

Project engineer/manager responsible for the design of fire protection systems for military, state, and commercial facilities. Duties included performing hydraulic calculations, voltage drop calculations, fire alarm audibility calculations and fire hydrant flow tests; designing wet pipe, preaction sprinkler systems, rack storage fire suppression systems, AFFF suppression systems, high-rise fire suppression systems, gaseous suppression systems and fire alarm systems; reviewing fire sprinkler and fire alarm shop drawings; writing specifications; inspecting fire protection systems; providing construction quality control, evaluating existing buildings for code compliance; evaluating new building designs for code compliance; writing fire protection due diligence reports, and attending design, review, and construction meetings.

May 1990 to May 1993: Project Engineer
M & E Pacific Inc.

Responsible for overseeing the design and expansion of the Honolulu International Airport’s Fire Alarm System, and Energy Monitoring and Control System, and Keahole Airport’s Security System. These projects involved planning, coordination, and review of Design Consultant’s work and follow up design clarifications to the Contractors during construction. Also responsible for the design of the Rota Island Resort fire alarm system.

November 1985 to December 1989: Systems Engineer
MTS Systems Corporation

Responsible for cost estimation, specification, design, development, documentation, and customer training on control software for servo-hydraulic material testing machines. Wrote custom control and analysis testing packages for individual customer needs. Directed the work of two engineers to product standard ASTM testing applications.

PROFESSIONAL ORGANIZATIONS:

Society of Fire Protection Engineers - Member, Past President, Hawaii Chapter
American Society of Mechanical Engineers - Associate Member, Past Chairman Hawaii Chapter.
National Fire Protection Association - Member
April 27, 2015

Daryl Date, Fire Captain
PREVENTION BUREAU
COUNTY OF KAUAI
Piikoi Building
4444 Rice Street, Suite 315
Lihue, HI  96766

Project: Ke Kula Pono Preschool
Kapa’a, HI  SSD Project No. 2015084.01

Subject: Fire Flow Analysis in Accordance with NFPA 1

Dear Captain Date:

My client is proposing to use her home at 5697 Ohelo Road, Kapa’a, HI as a preschool. Since this changes the use from residential to commercial, the Department of Water has indicated that a school facility must be provided with 2,000 gpm fire flow according to their Amendments to the Water System Standards. Ms. Finazzo-Krueger had the hydrant nearest the property tested and it provides 849 gpm at 20 psi residual, see attached. I have been in contact with Mr. Eddie Doi, Department of Water, and according to Paragraph 2.(f)(ii) of the Amendments, if an engineering analysis can be provided that is acceptable to the Fire Chief, an alternate fire flow could be provided.

Annex H of NFPA 1 is an alternate method to determine the fire flow requirements for buildings. Based on the use as a preschool, the structure would have to comply with Table H.5.1. For a Type V construction and a fire area between 0 – 3600 square feet, a fire flow of 1,500 gpm at 20 psi will be required. The existing hydrant doesn’t provide this fire flow.

Paragraph H.3.1 of NFPA 1 permits the Authority Having Jurisdiction to modify the fire flow for isolated buildings in small communities where the development of full fire flow requirements is impractical. The lot is currently zoned as R-4 and is 10,007 square feet, so the structures aren’t densely located. The property is located on the corner of Ohelo Road and Kuamoo Road with one exposure approximately 10 feet away. All other structures are more than 60 feet away. Ms. Finazzo-Krueger’s home and the adjacent property are single story structures.

As a day-care home occupancy, the home has been provided with smoke alarms in each sleeping room and the living room in accordance with Section 13.7.2.23.3. Also a multipurpose dry chemical portable fire extinguisher shall be provided with a minimum 2A:10B:C rating. The home has two exit from the front and rear of the house.

The smoke alarms and fire extinguisher provide a level of fire safety above what is required for the building as a one and two family dwelling. The building also has minimal exposures due to the lot size and its location on the corner. The fire hydrant is located at the front of the property.
We request a reduction in the fire flow based on the additional fire safety features being provided and the level of exposures from adjacent buildings. It would be impractical to upgrade the utilities to provide the 1,500 gpm minimum flow since this area is serviced by the Kauai Department of Water and my client could not improve the municipal water supply on her own.

If the reduction in the fire flow is not approved, my client will be forced to close her business.

Please contact me should you have any questions.

Sincerely,

S. S. DANNAWAY ASSOCIATES, INC.

Jay Higashi, PE
Vice President and Senior Fire Protection Engineer

Attachment: TMK Information
            Fire Hydrant Flow Test
### Public Record Data

**TMK # 4-4-2-9-18**  
**5697 OHELO RD**  
**Tenure:** Fee Simple  
**Annual Tax (2013):** $488.42

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### Residential Building Details

**TMK # 4-4-2-9-18**

**Year Built:** 1967  
**Effective year built:** 1974  
**Physical condition:** Average  
**Cost & Design Factor:**  
**Economic Factor:**  
**Percent complete:** 100%  
**Building value:** N/A  
**Attic:** None  
**Pool:** None

**FLOOR AREAS**
- LLLA: 0
- 1st Story: 1,357
- 2nd Story: 0
- Add'l Story: 0
- Half Story: 0
- Attic: 0
- Total SFLA: 1,357
- Basement: 0

**ROOMS**
- Family Rms: 0
- Bedrooms: 3
- Rec Rooms: No
- Total Rms: 5
- Rec Room area: 0

**BATHS**
- Full Baths: 2
- Half Baths: 0
- Add'l Fxt.: 2
- Total Fxt.: 8

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**Zoning:** R-4  
**PITT Code:** 8-H01  
**Land Use:**  
**Census Tract:** 40  
**Lot #:** 1

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3/17/2014 11:51 AM
Fire Hydrant Flow Calculator

- Use the tab key to navigate.
- Tab between each box to update the calculation.
- Be sure to tab past your final entry for a correct calculation.

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<th>Static:</th>
<th>110</th>
<th>psi before flowing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residual:</td>
<td>45</td>
<td>psi while flowing</td>
</tr>
<tr>
<td>Pitot:</td>
<td>18</td>
<td>pitot gage reading</td>
</tr>
<tr>
<td>Diameter:</td>
<td>2.5</td>
<td>size of opening tested</td>
</tr>
<tr>
<td>This hydrant is flowing:</td>
<td>712</td>
<td>GPM from the test outlet</td>
</tr>
<tr>
<td>Projected available hydrant flow:</td>
<td>849</td>
<td>GPM Note 1</td>
</tr>
<tr>
<td>2nd Static:</td>
<td>0</td>
<td>secondary psi before flowing</td>
</tr>
<tr>
<td>2nd Residual:</td>
<td>0</td>
<td>secondary psi while flowing</td>
</tr>
</tbody>
</table>

The main can be expected to flow about: NaN GPM

Notes:

1. Projected available flows calculated at 20 psi residual, or \( \frac{1}{2} \) the static pressure for low pressure hydrants having static pressures of less than 40 psi.

2. This calculator is based on established Hazen-Williams formulas and is provided for convenience and estimation purposes only. The author and FireHydrant.org express no warranty for its suitability for any particular purpose.

Click for Legal Disclaimer
February 23, 2015

Ms. Malia Finazzo-Krueger  
Ke Kula Pono LLC  
5697 Ohelo Lane  
Kapa'a, HI 96746

Re: Manager's Report No. 15-23 - Discussion and Possible Action on the Board's Requests for background comments and recommendations from the Department regarding Class IV Zoning Permit Application Z-IV-2015-1, Use Permit U-2015-1, Group Child Care Center, TMK:4-2-9:18, Ke Kula Pono, LLC. (Maria Finazzo-Krueger, Owner)

Dear Ms. Finazzo-Krueger:

Thank you for providing your testimony before the Board of Water's Regular Meeting and staff on Thursday, February 19, 2015 regarding Manager's Report No. 15-23 - Discussion and Possible Action on the Board's Requests for background comments and recommendations from the Department regarding Class IV Zoning Permit Application Z-IV-2015-1, Use Permit U-2015-1, Group Child Care Center, TMK:4-2-9:18, Ke Kula Pono, LLC. (Maria Finazzo-Krueger, Owner).

As discussed during the meeting, Civil Engineer, Mr. Eddie Doi referenced Exhibit 2 Section (II) (B) "The professional engineer submitting the required certification possesses, at the time the certification is provided, a minimum of three (3) years engineering experience as a licensed professional engineer in responsible charge of fire protection engineering work or has experience, in the Department's judgment, equivalent to such engineering work" ... which was discussed at length with you.

Two (2) options was suggested:
1) The applicant can utilize the alternative methodology described in the "County of Kauai Department of Water 2008 Amendments to the 2002 Water System Standards, 2, Table 100-19. "Fire Flow Requirements," (f) General applicability of Table 100-19A thereto: (ii) Alternative methodology for satisfying fire protection requirement for non-residential structures.
2) The applicant can disagree with the Department's finding and would like the full Board to make a decision.

Please work with Mr. Eddie Doi from the DOW's Water Resources and Planning Division at 245-5417 or edoi@kauaiwater.org. We look forward to a resolution at the Regular Board meeting on March 19, 2015.

Sincerely,

Sherman Shiraishi  
Chairperson  
Kauai Board of Water Supply

4398 Pue Loke St., P.O. Box 1706, Lihue, HI 96766 Phone: 808-245-5400  
Engineering and Fiscal Fax: 808-245-5813, Operations Fax: 808-245-5402, Administration Fax: 808-246-8528
DATE: August 14, 2014
TO: Planning Department
    Michael Dahlig, Director (Jody) *
SUBJECT: Class IV Zoning Permit Z-IV-2015-1, Use Permit U-2015-1, Group Child Care Center, TMK: 4-2-09:018, Ke Kula Pono, LLC. (Maria Finazzo-Krueger, Owner)

DOW COMMENTS:

The Department of Water (DOW) has concerns regarding the availability of the recommended fire flow demands, backflow of water into our system, and the increase of water demand associated with this Class IV Zoning Permit Z-IV-2015-1, Use Permit U-2015-1, for a group child care center to TMK: 4-2-09:018.

The existing transmission facilities along Kuamoo Road are not adequate to provide the recommended fireflow demands of the proposed development. In accordance with the DOW's Rules and Regulations, the requirements of Table 100-19A shall apply when an application is made for any neighborhood business/schools. Table 100-19A identifies fireflow requirements for neighborhood business/schools, and use designation as 2,000 gallons per minute.

We recommend to the Planning Department that any approval of the proposed Class IV Zoning Permit Z-IV-2015-1 and Use Permit U-2015-1 Application be conditioned; whereby, the applicant shall be required to:

1. Submit detailed water demand calculations along with the proposed water meter size for the proposed project for the DOW's review and approval. The Department's comments may change depending on the approved water demand calculations.

2. Prepare and receive DOW's approval of construction drawings for the necessary water system facilities and construct said facilities. These facilities shall include but not be limited to:
   a) A mainline extension to provide the recommended domestic and fireflow demands of the proposed development.
   b) The interior plumbing with the appropriate backflow prevention device.
   c) The fire service connection.
   d) The domestic service connection, if applicable.

3. Pay the applicable charges in effect at the time of payment to the Department. At the present time, these charges shall include but not be limited to the Facilities Reserve Charge (FRC) which is based on the approved meter size.

4. Receive a “Certification of Completion” for the construction of the necessary water system facilities from the DOW.

5. Be made aware that any request for additional water meters or an increase in water meter size will be dependent on the adequacy of the source, storage, and transmission facilities existing at that time.

Edward Doi
Water Resources and Planning Division

Z-IV-2015-1 Ke Kula Pono-Finazzo-Krueger-Childcare Center/F3100
DATE: January 8, 2015

TO: Planning Department
   Michael Dahlig, Director (Jody)

SUBJECT: Class IV Zoning Permit Z-IV-2015-1, Use Permit U-2015-1, Group Child Care Center, TMK: 4-2-09-018, Ke Kula Puno, LLC (Marie Finazzo-Krueger, Owner)

DOW COMMENTS:

The Department of Water (DOW) has concerns regarding the availability of the recommended fireflow demands, backflow of water into our system, and the increase of water demand associated with this Class IV Zoning Permit Z-IV-2015-1, Use Permit U-2015-1, for a group child care center to TMK: 4-2-09-018.

The existing transmission facilities along Kuamoo Road are not adequate to provide the recommended fireflow demands of the proposed development. In accordance with the DOW’s Rules and Regulations, the requirements of Table 100-19A shall apply when an application is made for any neighborhood business/schools. Table 100-19A identifies fire flow requirements for neighborhood business/schools land use designation as 2,000 gallons per minute.

We recommend to the Planning Department that any approval of the proposed Class IV Zoning Permit Z-IV-2015-1 and Use Permit U-2015-1 Application be conditioned; whereby, the applicant shall be required to:

1. Submit detailed water demand calculations along with the proposed water meter size for the proposed project for the DOW’s review and approval. The Department’s comments may change depending on the approved water demand calculations.

2. Prepare and receive DOW’s approval of construction drawings for the necessary water system facilities and construct said facilities. These facilities shall include but not be limited to:
   a) A 12-inch mainline extension approximately 12,245 feet in length and an 8-inch mainline extension approximately 690 feet in length. The 12-inch shall connect to the existing 12-inch mainline on Oloheka Road, running south approximately 12,245 feet along Punopae Road, Opaeka’a Road, Kamalu Road and Kuamoo Road. The 8-inch mainline shall begin at the end of the new 12-inch mainline extension along Kuamoo Road and continue approximately 690 feet to the proposed development.
   b) The interior plumbing with the appropriate backflow prevention device.
   c) The fire service connection.
   d) The domestic service connection, if applicable.

3. Pay the applicable charges in effect at the time of payment to the Department. At the present time, these charges shall include but not be limited to the Facilities Reserve Charge (FRC) which is based on the approved meter size.

4. Receive a “Certification of Completion” for the construction of the necessary water system facilities from the DOW.

5. Be made aware that any request for additional water meters or an increase in water meter size will be dependent on the adequacy of the source, storage, and transmission facilities existing at that time.

Edward Doi
Water Resources and Planning Division

Date
May 20, 2015

Mr. Edward Doi  
DEPARTMENT OF WATER SUPPLY  
COUNTY OF KAUAI  
P.O Box 1706  
Lihue, HI 96766

Project:  Ke Kula Pono Preschool  
Kapa’a, HI  
SSD Project No. 2015084.01

Subject: Alternate Fire Flow Analysis in Accordance with NFPA 1

Dear Mr. Doi:

My client is proposing to use her home at 5697 Ohelo Road, Kapa’a, HI as a preschool. Since this changes the use from residential to commercial, she was informed that a school facility must be provided with 2,000 gpm fire flow according to the Amendments to the Water System Standards. Ms. Finazzo-Krueger had the hydrant nearest the property tested and it provides 849 gpm at 20 psi residual. In accordance with Paragraph 2.(f)(ii) of the Amendments, I have provided an engineering analysis to the Fire Chief to justify the existing fire flow as sufficient for this structure. A copy of this analysis is attached for your reference.

I have discussed the analysis with Captain Date and he indicated the analysis is acceptable. Please confirm that this alternate fire flow is acceptable to the Department of Water.

Sincerely,

S. S. DANNAWAY ASSOCIATES, INC.

Jay T. Higashi, PE  
Vice President and Senior Fire Protection Engineer

Attachment: Letter to Fire Prevention

Cc: Ms. Finazzo-Krueger
June 9, 2015

Department of Water
Attn.: Edward Doi
4398 Pua Loke St.
Lihue, HI 96766

Dear Edward,

The Kauai Fire Department has reviewed the fire protection analysis that was done by S. S. Dannaway Associates, Inc. regarding Ke Kula Pono Preschool in Kapaa, HI. The Fire Chief and I agree to the alternative methodology that was completed by Jay Higashi, PE and Vice President and Senior Fire Protection Engineer.

Sincerely,

[Signature]
Daryl Date
Fire Prevention Captain

[Signature]
Robert F. Westerman
Fire Chief
July 2, 2015

DEPT. OF WATER
COUNTY OF KAUA'I

Board of Water Supply
Department of Water, County of Kauai
Post Office Box 1706
Lihue, HI 96766

This letter is intended to communicate certain matters related to the planned scope and timing of our audit of Department of Water, County of Kauai, State of Hawaii (the Department) financial statements and compliance as of and for the year ended June 30, 2015.

Communication

Effective two-way communication between our Firm and the Board of Water Supply is important to understanding matters related to the audit and in developing a constructive working relationship.

Your insights may assist us in understanding the Department and its environment, in identifying appropriate sources of audit evidence, and in providing information about specific transactions or events. We will discuss with you your oversight of the effectiveness of internal control and any areas where you request additional procedures to be undertaken. We expect that you will timely communicate with us any matters you consider relevant to the audit. Such matters might include strategic decisions that may significantly affect the nature, timing, and extent of audit procedures, your suspicion or detection of fraud or abuse, or any concerns you may have about the integrity or competence of senior management.

We will timely communicate to you any fraud involving senior management and other fraud that causes a material misstatement of the financial statements, illegal acts, instances of noncompliance, or abuse that come to our attention (unless they are clearly inconsequential), and disagreements with management and other serious difficulties encountered in performing the audit. We also will communicate to you and to management any significant deficiencies or material weaknesses in internal control that become known to us during the course of the audit. Other matters arising from the audit that are, in our professional judgment, significant and relevant to you in your oversight of the financial reporting process will be communicated to you in writing after the audit.

Independence

Our independence policies and procedures are designed to provide reasonable assurance that our Firm and its personnel comply with applicable professional independence standards. Our policies address financial interests, business and family relationships, and non-audit services that may be thought to bear on independence. For example, without our permission no partner or professional employee of KMH LLP (KMH) is permitted to have any direct financial interest or a material indirect financial interest in a client or any affiliates of a client. Also, if an immediate family member or close relative of a partner or professional employee is employed by a client in a key position, the incident must be reported and resolved in accordance with Firm policy. In addition, our policies restrict certain non-audit services that
may be provided by KMH and require audit clients to accept certain responsibilities in connection with the provision of permitted non-attest services.

**The Audit Planning Process**

Our audit approach places a strong emphasis on obtaining an understanding of how your entity functions. This enables us to identify key audit components and tailor our procedures to the unique aspects of your operations. The development of a specific audit plan will begin by meeting with you and with management to obtain an understanding of business objectives, strategies, risks, and performance.

As part of obtaining an understanding of your organization and its environment, we will obtain an understanding of internal control. We will use this understanding to identify risks of material misstatement and noncompliance, which will provide us with a basis for designing and implementing responses to the assessed risks of material misstatement and noncompliance. We will also obtain an understanding of the users of the financial statements in order to establish an overall materiality limit for audit purposes. We will conduct formal discussions among engagement team members to consider how and where your financial statements might be susceptible to material misstatement due to fraud or error or to instances of noncompliance, including abuse.

**The Concept of Materiality in Planning and Executing the Audit**

We apply the concept of materiality in both planning and performing the audit, evaluating the effect of identified misstatements or noncompliance on the audit, and the effect of uncorrected misstatements, if any on the financial statements, in forming the opinion in our report on the financial statements and in determining or reporting in accordance with Government Auditing Standards and other compliance reporting requirements. Our determination of materiality is a matter of professional judgment and is affected by our perception of the financial information needs of users of the financial statements. We establish performance materiality at an amount less than materiality for the financial statements as a whole to allow for the risk of misstatements that may not be detected by the audit. We use performance materiality for purposes of assessing the risks of material misstatement and determining the nature, timing, and extent of further audit procedures. Our assessment of materiality throughout the audit will be based on both quantitative and qualitative considerations. Because of the interaction of quantitative and qualitative considerations, misstatements of a relatively small amount could have a material effect on the current financial statements as well as financial statements of future periods. Will we accumulate misstatements identified during the audit, other than those that are clearly trivial. At the end of the audit, we will inform you of all individual unrecorded misstatements aggregated by us in connection with our evaluation of our audit test results.

**Our Approach to Internal Control and Compliance Relevant to the Audit**

Our audit of the financial statements, including compliance, will include obtaining an understanding of internal control sufficient to plan the audit and to determine the nature, timing, and extent of audit
procedures to be performed. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Our review and understanding of the Department's internal control is not undertaken for the purpose of expressing an opinion on the effectiveness of internal control.

We will issue report on internal control related to the financial statements and major programs. These reports describe the scope of testing of internal control and the results of our tests of internal controls. Our reports on internal control will include any significant deficiencies and material weaknesses in the system of which we become aware as a result of obtaining an understanding of internal control and performing tests of internal control consistent with the requirements of the Government Auditing Standards issued by the Comptroller General of the United States, the Single Audit Act, and the U.S. Office of Management and Budget, (OMB) Circular No. A-133.

We will issue a report on compliance with laws, regulations, and the provisions of contracts or grant agreements. We will report on any noncompliance which could have a material effect on the financial statements and any noncompliance which could have a direct and material effect on each major program. Our report on compliance will address material errors, fraud, abuse, violations of compliance requirements, and other responsibilities imposed by state and federal statutes and regulations and assumed contracts; and any state or federal grant, entitlement, or loan program questioned costs of which we become aware, consistent with the requirements of the standards and circular identified above.

Timing of the Audit

We have scheduled preliminary audit field work for the week of July 20, 2015 with final field work commencing the week of September 7, 2015. Management's adherence to its closing schedule and timely completion of information used by us in performance of the audit is essential to timely completion of the audit.

Closing

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to be of service to the Department.

This communication is intended solely for the information and use of the Board of Water Supply and is not intended to be and should not be used by anyone other than these specified parties.

KMH LLP

KMH LLP
Old Business
DEPARTMENT OF WATER
County of Kaua‘i

“Water has no Substitute – Conserve It!”

MANAGER’S REPORT No. 15-42 (report 2)

July 23, 2015

Re: Proposed Revision of Board Policy No. 17, Payment of Communication Devices

RECOMMENDATION:
It is recommended that the Board approve Option 1, the proposed Revisions of Board Policy No. 17

FUNDING:
The funding portion is budgeted in two places as presented in the DOW’s proposed FY15-16 budget:

| Water Utility/IT/Admin/ Communication Services | GL NO. 10-02-10-543-000 | Approved 2015-2016 Budget $21,000 |
| Water Utility/Operations/Pump/ Power/Pump/Communication Services | GL NO. 10-40-50-543-000 | Approved 2015-2016 Budget $37,880 |
| **Total Expenditures** | | **$58,880** |

BACKGROUND:
The Department of Water has found that the attached Board Policy No. 17, payment of telephone charges is obsolete as it pertains to only land line use. Land line telephone charges were only paid for five (5) positions. Since then, with the upgrade of new technology and wireless communication, the use of cellular telephones, mobile wifi, and ipads, has become an essential part of conducting the business of the Department and should be considered as necessary equipment for those assigned one. The DOW did not have a policy in place to maintain assignment and purchase of any communication device, but the Board reviews the recommended budgeted expenditure for the DOW annually.

As of June 30th, the DOW has eight-four (84) employees and authorized sixty-six (66) Communication Devices. This includes thirty-nine (39) smart and basic cell phones, eleven (11) Ipads, sixteen (16) Mobile Hot Spots and Aircards, a Telemetry Broadband and a wireless router. During the inventory, the DOW has deactivated the following:

- One (1) Basic Telephone
- One (1) Ipad
- Three (3) Mifi Hotspots

Below is a breakdown of the DOW’s current inventory with sixty-six (66) active devices:

| Back Office | Basic Telephones (15) | Smart Telephones (8) | Alarm Circuits (3) | Raven (1) /MIFI (6) / Aircard (1) |
| 40 Employees | | | | |
| **Total** | **34 Devices** |

| Front Office | Basic Telephones (0) | Smart Telephones (15) | IPAD, 7 for Board (10) | Non-Branded EVDO (1) | MIFI (6) |
| 44 Employees | | | | | |
| **Total** | **32 Devices** |
The DOW is revisiting the baseline of the current contracts with the existing carriers as well as reevaluating the current standard operating procedure to ensure that the issuance, use, and any changes are documented.

The DOW’s Standard Operating Procedure (SOP) No. 42 was revised in May of 2003 by former Manager and Chief Engineer, Mr. Edward Tschupp. This SOP only covered the use of digital phones. Along with SOP 42, SOP 54 was introduced by former Manager and Chief Engineer, Mr. David Craddick. This SOP only covered the use of cellular telephones and emergency radios while operating company vehicles. The DOW is reexamining the details of the historical data. The DOW has found that the internal SOPs are obsolete and does not address a procedure to obtain a device and step-by-step procedures for inventory. An internal SOP will be created specifically for communication devices as it is obtained differently than creating a user account for a computer workspace.

Revisiting the Board’s policy is important to ensure employee performance and detail expectations to address issues concerning the safety, security, and privacy of communication use.

The DOW are aware that both Honolulu Board of Water (BWS) along with Maui Department of Water (DWS) do not have a formal policy on the general procedure regarding the issuance of communication devices but, however; was left up to the discretion of the Manager or Division. With the Kaua'i County Administration, County cell phones alone are provided for the police and fire chiefs.

The amendment to the board policy creates a preliminary baseline for the DOW to incorporate and create a plan and formulize a new, up-to-date assignment and use of these departmental communication devices.

**OPTIONS:**

Option 1 – Approve:

- **Pros:** The DOW will have a set preliminary baseline for issuance of communication devices and to use the most up-to-date technology. The DOW will work to create a more detailed and structured SOP for staff.

- **Cons:** This may leave dissatisfied employees benefiting with the current practice of their invoices paid in full including both business and personal benefit. The DOW employee assigned a communication device such as a cell phone would have to carry two (2).

Option II – Disapprove:

- **Pros:** Status quo.

- **Cons:** Obsolete board policy.

Respectfully submitted,

Kirk Saiki, P.E.
Manager and Chief Engineer

MJA/ein

Attachments: Proposed Board Policy No. 17

RE: Payment of Communication Telephone Charges Devices

Communication Devices, accessories and connections including, but not limited to cellular telephones, digital wireless phones, digital subscriber line (DSL), wireless routers, radio phones/walkie-talkies, telephone pagers, PDAs (personal digital assistants with wireless communications capabilities) or RIM (research in motion) wireless devices are an essential part of conducting the business of the Department and should be considered necessary equipment for those assigned one and used for business purposes only.

Effective the date of appointment, the Department shall pay communication telephone charges at the current plan rate Private Line Rate but not less than $12.40 for telephones and $10.50 for pagers plan reviewed and set forth by the Manager and Chief Engineer for the following positions or as directed by the Manager’s discretion:

1. Water Plants Overseer Manager and Chief Engineer  
2. Water Service Supervisor III Deputy Manager-Engineer  
3. District Water Chief of Operations  
4. Lead Pipefitter Assistant Chief of Water Operations  
5. Plant Electrician Water Service Supervisors  
6. Public Relations and Assistant(s)  
7. Employees who work out in the field (meter readers, inspectors, electricians, operators, pipefitters, standby/after hour crews)  

APPROVED BY:

______________________________  
Chairperson, Board of Water Supply  
Dated: July 23, 2015

Effective date: ____________

Bd. Gen./Bd. Policy No. 17 (7-23-15)
New Business
H. NEW BUSINESS

1. Discussion and Receipt of the American Water Works Association, Anaheim, CA Conference Reports (June 7 – 10, 2015)
   a. Report from Board of Water Supply Chair, Sherman Shiraishi
   b. Report from Board of Water Supply Member, Larry Dill
   c. Report from Board of Water Supply Member, Michael Dahilig (PENDING)
6-8-2015

TO: Dept. Of Water, County of Kauai
    Board of Water, County of Kauai
FR: Sherman Shiraishi
Re: Attendance @ AWWA Conference. June 7 - 10, 2015
*********************************************************************************

Sunday, June 7, 2015

Registered for the Conference.

Monday, June 8, 2015.

8:30 AM - Attended the Opening General Session. The keynote speaker was Wallace J. Nichols, PhD, author of "Blue Mind". Spoke on the benefits of water resources (i.e., lakes, oceans, rivers, etc.) on human moods, health, emotions, etc.

2:00 PM Showing the Value of Water & the System to the Community. Thomas Fishbaugh, Ohio RCAP
   * Water is free, but it's the processing, packaging, & delivery that costs you. Value of water is imperative to the health, safety, and welfare of the community. Packaging and convenience - bottled water vs tap water.
   * Infrastructure is deteriorating but rates are not sufficient to pay for replacement.
   * Affordability test. Anything over 1.5% of average income is perceived to be expensive.
   * Annual rate increases are easier to collect than a one-time big increase. Communication with the public as to the need to raise rates and how money is being used is important to get public support.
   * Asset Management Plan: 2.5% of revenues annually for repair & replacement reserve.

2:30 PM Gary Trachtman - Non-Revenue Water Management: It's What Ur Customers Really Want
   * AWWA has a "Free Water Audit Software".
   * Check Up Program for Small Systems
6-9-2015 - Tuesday

DEVELOPMENT OF ASSET MANAGEMENT AS A CRITICAL BUSINESS MANAGEMENT PARADIGM

9:00 AM Tasneem Hussam - Baltimore's development of an Asset Management Program
   * Managing aging high-risk infrastructure. Baltimore is operating under a consent decree. Shifting away from reactive responses to problems to preventive maintenance. Avoiding excessive burden on customers. Important to focus on proactive maintenance.

9:30 AM Russell Titus, Michael Wolon, David Johnston - Improved Management of Water Infrastructure Assets Using Non-Invasive Acoustics to Determine Rehabilitation Strategy
   * Titus' specialty is water loss management.
   * Replacement vs rehabilitation. Rehabilitation is cheaper and causes less disruption to customers.
   * New Jersey came up with a decision matrix. What methodology is best? Depends on condition of pipe. Acoustic condition assessment is non-intrusive method that detects leak and assesses the condition of the pipe. Pipe wall thickness has bearing on how fast sound passes thru pipe. Helps in asset management system to prioritize projects or repairs. Currently, this technology does not work on plastic pipe.
   * Acoustic Condition Assessment.

10:00 AM Puerto Rico Aqueduct - Nexus of Non-Revenue Water & Asset Management
   * Puerto Rico experiencing 57% water losses.
   * In 2014, started aggressive leak detection. Was difficult to understand the high amount of water loss because leak detection was actively pursued. However, conclusion was that they could not rely only upon complaints from customers; more had to be done. Plan to inventory the assets and determine the condition of those assets. Leaks mask other leaks; repairing 1 major leak may reveal other smaller leaks. Leak detection project was turned over to an independent contractor. 5,000 miles of pipe assessed. 310 incidents of potential theft identified. Numerous valves, hydrants, etc. were "discovered" and added to inventory list. Additional data was obtained to integrate into existing system and improved integration with repair orders and report procedures.

10:30 Collaboration Leads to More Strategic Infrastructure Reliability Programs - David Clark/Brent Yamasaki
   * Prior to 2003, there was no long term approach or plan. In 2006, developed Water Delivery Reliability Plan. Infrastructure Reliability. Doing
vulnerability assessments; i.e., "what may happen?" "what can happen?" Evaluate vulnerability to equipment failure, fire or flooding; high winds, human error or power loss; vehicle impact; seismic.

* Condition Based Maintenance; Predictive Maintenance; Computer Maintenance Management System (IBM.maximo);
* Current California drought has been a major catalyst to efforts to conduct activities in an efficient and effective manner and to coordinate efforts.
* Collaboration. Joint Engineering/Operations Activities. Close bond between engineering and operations is important.

11:00 Case Studies in Applying SIMPLE and Other Tools to Meet ISO 55000 - Linda Blankenship

* Transition from building assets to managing new and old facilities.
Asset Management definition - Management Practices that applies to all assets of the organization; seeks to minimize total costs of acquiring, operating, maintaining and renewing assets; working with limited resources;
* ISO 55000 AM Standard.
* WERF's SIMPLE knowledge Base provides extensive tools. Go to website to get list of tools. Information flow sheets available. Self-assessment tools.

1:00 PM PLANNING & FUNDING UR CAPITAL INFRASTRUCTURE

* Also in attendance was Larry Dill & Mike Dahilig.
* Maintenance & Priorities.
* Economies of scale argument. Smaller utilities hardly did maintenance; huge deferred maintenance. Not looking at the big picture. Bigger systems can provide less water to more accounts. Repair & replacement increase with time. Different equipment wear out differently; e.g., mechanical equipment wear out faster than pipes.

* Repair & replacement policy? Each pipe or equipment should b replaced at end of useful life. New replacements usually more efficient than repairing existing equipment. Depreciation only useful for tax reasons; irrelevant for public utilities.

* Types of Maintenance? (All usually underfunded). Routine; Preventive; Predictive: Deferred.
* Lot of overtime shows that not doing enough maintenance.
* What is predictive maintenance? (As opposed to preventive maintenance). E.g., infrared on pump bearings. Pretty much limited to pumps. Most everything else is preventive maintenance. It's "guessing" that something is going to fail.

* Deferred maintenance. (Usually bad). Many sm utilities to maintain rates, will defer maintenance. Too often, efficiency is adversely affected because utility "limps" along with outdated equipment. Lack of routine maintenance + lack of preventive maintenance = large capital expenditures.
* Need a growth component. Planning process and land use planners and developers will tell you where growth will occur and give data on growth needs.
* Sources of funds for capital. Have the developer pay for it.
* Water & sewer extension policy. Email the speaker for a sample form.

All utilities need such a policy.
* Repair & replacement fund.
* Impact fees. Strict legal rules regarding impact fees. Rational nexus test. Probably need a study to justify the impact fee or increase thereof. If no rational nexus, must refund moneys. Growth should pay for growth and not impact existing customers.
* Can impact fees be waived? No.
* Assessments. Need rational nexus between benefit and cost. Similar to nexus test in impact fees.

Borrowing. Revenue bonds.
State Revolving Fund Loans.
FmHA.

6-10-2015 - Wednesday

8:30 AM Jennifer Best - Land Use Planing As a Source Protection Water Management Tool
  * Impetus for action was 2006 contamination of water supply that resulted in a number of deaths. Clean water act requires source protection plan policies. Implementation of source protection plans to protect wells, lake water intakes, and watersheds. Source Protection Area. Risk Management Office does development review. Water takings must prove they will not impact municipal supply availability. Plans regulate chemicals that may be prohibited in certain areas; e.g., dry cleaning activities prohibited in areas close to wells. Zoning ordinances must comply with protection plans.
  * Source Protection Permit. Required before a building permit or planning application is issued.
  * Outreach program to developers, builders, suppliers, etc.

9:00 Shayne Wood - Incorporating Levelized Costs of Water Into Integrated Water Resource Planning (IWRP)
  Jacksonville, FL. City is bisected by St. Johns River.
  Followed typical IWRP Process.
  What is levelized cost for a water project?

9:30 Tom Bradley - Water Budgeting to Improve Municipal Water Resource Management
  * York Region is part of the Ontario Province; north side of Lake Ontario.
  Water wholesaler; sells to different regions.
MEMORANDUM

To: Sherman Shirashi, Chair, County of Kauai Board of Water Supply

From: Larry Dill

Date: June 18, 2015

Re: AWWA ACE 2015 Conference, June 7-10, Anaheim, California

This year’s AWWA ACE conference was held from June 7th through June 10th at the Anaheim Convention Center in Anaheim, California. I attended the following at the conference:

Sun, June 7

**CRT1 - Introduction to Water and Sewer Operating Environments**
1:00–5:00 p.m.
Officials completing this class will acquire an ability to confidently discuss the workings of water and sewer systems, including a basic understanding of the regulatory environment.

Mon, June 8

**Opening General Session**
8:30 a.m. – 10:00 a.m.
Join other ACE15 attendees in the Opening General Session as AWWA presents Blue Mind, a New York Times Best Seller, and author Dr. Wallace J. Nichols.
Dr. Nichols will discuss the emotional, behavioral, psychological and physical connections that draw humans to water—oceans, rivers and lakes—and the recent findings in neuroscience that indicate proximity to water can improve mood, performance, health and success.
This groundbreaking conversation surrounding Blue Mind combines cutting-edge research with compelling personal stories. Blue Mind not only illustrates the crucial importance of our connection to water, it provides a paradigm shifting ‘blueprint’ for a better life.

**CRT2 - Water and Sewer Infrastructure, Operations, and Maintenance**
1:00 p.m. – 5:00 p.m.
This course explores the mission and inner workings of water treatment and distribution, including maintenance requirements, utility expenditures, and public communications.

Tue, June 9

**Energy Savings through Pipe Selection**
9:00 a.m. – 9:30 a.m.
Presentations cover a range of hydraulic modeling applications beyond standard master planning. Topics include plant hydraulic modeling, energy management, SCADA integration, and CFD models.

Larry Dill
Travel Report
Page 1 of 3
Improved Management of Infrastructure Assets
9:30 a.m. – 10:00 a.m.
This session illustrates how asset management techniques are used to address condition assessment; non-revenue water management; capital program optimization; and system reliability. The session includes an overview of the ISO 55001 requirements and tools to address those requirements.

Puerto Rico Aqueduct and Sewer Authority (PRASA) and the Nexus of Non-Revenue Water and Asset Management (continued session from above)
10:00 a.m. – 10:30 a.m.
This session illustrates how asset management techniques are used to address condition assessment; non-revenue water management; capital program optimization; and system reliability. The session includes an overview of the ISO 55001 requirements and tools to address those requirements.

Scooby Doo and the Night of Utility Fright: Unmasking the Villains at Your Utility
10:30 a.m. – 11:30 a.m.
Utilities across the continent are facing a wide range of issues, and their leaders and decision makers must develop comprehensive solutions to effectively address the issues in a dynamic environment. Panelists will share industry views and successful management strategies to promote sound leadership and collaboration among stakeholders.

Water Industry Luncheon
12:00 p.m. – 1:15 p.m.
Featured Speaker: Laura Ling
The Ballroom in the Convention Center will be the place to be if you want to experience an inspiring presentation by Laura Ling—host, reporter, and co-author of Somewhere Inside: One Sister’s Captivity in North Korea and the Other’s Fight to Bring Her Home. She is also the host and reporter on E! Investigates, a documentary series on the E! Networks. Ling also works as a correspondent reporting on crucial issues from around the world.
In March 2009, while reporting on the trafficking of North Korean women, Ling was detained by North Korean soldiers along the Chinese–Korean border. She and her colleague Euna Lee were arrested and held captive in North Korea for 140 days before being granted a special pardon and returning to the United States. She has since sought to shine a light on the issue of trafficked women as well as bring greater attention to the plight of other imprisoned journalists around the world.

CRT3 - Planning and Funding Your Capital Infrastructure
1:00 p.m. – 5:00 p.m.
Participants will learn to navigate the planning process, develop the resulting capital improvement plan, and prioritize and fund capital projects.
Wed, June 10

**WED00**-What’s Behind the Curtain of Proposition 218 and Recent Court Rulings on Rate Setting in California? Taking the Yellow Brick Road to Setting Defensible Utility Rates
8:30 a.m. – 10:00 a.m.

All of us know that utilities throughout the United States face a growing number of challenges ranging from increasing regulatory requirements to growing capital needs. In California, the operating environment is even more daunting as public utilities must comply with the requirements of Proposition 218 and related court rulings regarding cost of service principles and tiered water rates.

So, what is behind the curtain when it comes to setting utility rates? This presentation will guide attendees down the Yellow Brick Road through the maze of Proposition 218 and court rulings in the context of setting utility rates. The presentation will present ideas to help ensure compliance with cost of service principles and will focus on the outcomes of various legal challenges and intent of state statutes in regard to rate setting.

**Capturing Knowledge and Improving Consistency through Standard Operating Procedures**
10:30 a.m. – 11:00 a.m.

Panelists will facilitate discussion of business process improvements focused on utility-specific critical issues. This session also covers leveraging financial impacts for utilities and their communities.

**Exposition**

When not in the above-mentioned sessions, time was spent at the Conference Exposition, which included more than 500 leading-edge exhibitors, showcasing the best in water industry products and services.
H. NEW BUSINESS

2. Manager's Report No. 11-28 – Discussion and Possible Action on Former Approved Rules for Part 5, FRC

REPORT PENDING
H. NEW BUSINESS

3. Manager's Report No. 15-43 -
Discussion and Possible Action on Part 4, Section VII FRC to be integrated with Part 5, FRC
H. NEW BUSINESS

3. *Manager’s Report No. 15-43 -*
   Discussion and Possible Action on Part 4, Section VII FRC to be integrated with Part 5, FRC
MANAGER’S REPORT No. 16-01

July 23, 2015

Re: Discussion and Possible Action on Use and Occupancy Agreement (UOA) No. 237 and a Memorandum of Agreement (MOA) with the State of Hawaii for Job No. 11-10, Water Plan 2020 No. K-18, 8-inch Water Main Replacement along Halewili Road (Kaumuali‘i Highway to Haku Hale Street) Kalāheo, Kaua‘i, Hawai‘i

RECOMMENDATION:
It is recommended that the Board enter into a Use and Occupancy Agreement No. 237 (UOA) and a Memorandum of Agreement (MOA) with the State of Hawaii for Job No. 11-10, Water Plan 2020 No. K-18, 8-inch Water Main Replacement along Halewili Road (Kaumuali‘i Highway to Kahu Hale Street) Kalāheo, Kaua‘i, Hawai‘i.

Further, Board approval is specifically requested of the indemnification provisions in these agreements, wherein the Board agrees to hold harmless, indemnify and defend the State against all claims, demands, liabilities, suits, actions, judgments, costs and expenses whenever such loss, injury, death or damage arises out of, is connected with or related to (a) occurrences or incidents on, within, under, over or across the Premises or the Project, (b) the exercise of the rights and privileges granted in the agreements, (c) any failure on the part of the Department of Water, County of Kauai (DOWK) to use due care or otherwise perform in accordance with the terms and conditions of the agreements, (d) any act or omission of the DOWK and/or the DOWK’s use and occupancy of the Premises.

BACKGROUND:
The Department of Water (DOW) is proposing to replace the existing waterline providing water service to the Brydswood Terrace Subdivision with a new 8-inch diameter waterline along Halewili Road. The State is requiring that a UOA be completed for all DOW projects that involve installation of new facilities in the State Highway/Road Right-of-Way. The State is requiring the DOW to complete a UOA and MOA for this project. The MOA is required by the State to allow the DOW to abandon an existing PVC waterline when the new 8-inch diameter waterline is installed. The abandonment of the PVC waterline will allow the DOW to save on the cost of removal of the old waterline (estimated at $190,000) and lessen the impact to traffic along the State Highway during construction.

Potential future financial liabilities:
Condition item 13.c. on page 7 of the UOA (“State remedies for failure to cure”) allows for the State, at the option of the State, to cure any defaults of the DOWK in the fulfillment of the DOWK’s obligations under the agreement. The State may charge the DOWK for any costs and expenses incurred in curing any defaults of the DOWK. The DOWK shall immediately pay said costs and expenses to the State upon receiving written notice from the State.

The MOA has a condition similar to the UOA for “State remedies for failure to cure.” The condition is identified in item 14.c. on pages 7 and 8 of the MOA where the State may charge the DOWK for any costs and expenses incurred in curing any defaults of the DOWK. The DOW will be responsible to remove the waterline being abandoned if the State requires the facilities to be removed in order to complete future State work (reference item 17 on pages 11 and 12 of the MOA).
Due to not knowing when or the amount of any financial liabilities that may or may not occur in the future associated with the conditions of the UOA and MOA, specific funding to address potential financial liabilities is not being requested or budgeted at this time. If special funding is required in the future, the necessary funds will be requested from the Board at that time.

**FUNDING:**  
N/A at this time.

**OPTIONS:**  
Enter into an UOA and MOA with the State.

Pros:
1. The completion of an UOA will allow the DOW to meet one of the State’s requirements that will allow the DOW to install new facilities in the State Highway ROW. The UOA will allow the DOW to install new facilities in the State ROW.
2. The completion of the MOA (with UOA) will allow the DOW to abandon old facilities when the new facilities are installed. This will save on construction costs and lessen the impact to traffic on the State Highway during construction.

Cons:
1. The UOA will obligate the DOW with unknown financial liabilities and risk; to some extent, at the discretion of the State.
2. The State will not allow the DOW to do any new improvements in the State Highway ROW (based on current State policy). This would hinder or not allow the DOW to provide safe, affordable water to our customers.
3. The DOW would not be able to provide new water service (meters or hydrants) or replace old facilities in the State Highway ROW.
4. Some of the conditions/terms of the agreement are unrealistic to complete in the time specified and the Department may be deemed to violate the terms of the agreement if the situation arises.
5. Not completing the UOA and the MOA - The State will not allow the project to be constructed.

Respectively submitted,

Keith Aoki, CE VI
Engineering Division

CONCURRED:

Kirk Saiki, P.E.
Manager and Chief Engineer

KA/ein

Attachments: Use and Occupancy Agreement No. 237
Memorandum of Agreement (Associated with UOA No. 237)
USE AND OCCUPANCY AGREEMENT NO. 237

THIS USE AND OCCUPANCY AGREEMENT NO. 237 is made on __________, but effective as of __________, by and between the STATE OF HAWAII, by its Director of Transportation, for the Highways Division, (hereinafter referred to as the "STATE") and BOARD OF WATER SUPPLY, COUNTY OF KAUA'I, whose principal place of business and mailing address is 4398 Pua Loke Street, Lihue, Hawaii 96766 (hereinafter referred to as the "DOWK").

RECITALS:

WHEREAS, the STATE is the owner of those certain parcels of land upon which Kaumualii Highway and Halewili Road, Project No. 50C-02-87, Hawaii (hereinafter referred to as the "Highway") is situated, which parcels contain approximately 8,006 Square Feet, designated as Tax Map Key No. (4) 2-2-1: Road, (hereinafter referred to as the "Property"); and

WHEREAS, the DOWK desires to occupy a portion of the Property, as described in Exhibit A and delineated on Exhibit B attached hereto and incorporated herein by reference (hereinafter referred to as the "Premises"), for the construction, operation, maintenance, and repair of an 8 Inch Water Main Replacement (said Water Main project, together with all improvements, equipment, facilities, components and appurtenances related thereto, is hereinafter referred to as the "Project"); and

WHEREAS, the STATE does not object to granting the DOWK use and occupancy rights over the Premises provided the DOWK fully complies with the terms and conditions set forth below,

NOW, THEREFORE, for good and valuable consideration, and other valuable consideration, the receipt whereof is hereby acknowledged, and the mutual covenants and promises herein made,
and pursuant to Section 264-13, Hawaii Revised Statutes ("HRS"),
the parties do hereby agree as follows:

AGREEMENT:

1. Grant of Use and Occupancy Rights. The STATE
hereby grants to the DOWK the non-exclusive right to use and
occupy the Premises for the purpose of constructing, operating,
maintaining, and repairing the Project.

2. Right to Construct the Project. The DOWK may
construct, maintain and repair the Project on, within, under,
over and across the Premises provided that the DOWK obtains the
STATE’S prior written approval for the plans and specifications
for the Project and any subsequent alterations thereto prior to
commencing the construction of any portion of the Project. The
DOWK shall be solely responsible for all costs and expenses
incurred in connection with the Project and the maintenance of
the Premises, in accordance with paragraph 4, 5 and 16 of this
Agreement, including but not limited to, all design, planning,
engineering, construction, alteration and maintenance costs and
expenses.

3. Work Permit. The DOWK shall obtain a permit from
the STATE for any construction, installation, maintenance,
repair, removal, replacement, reconstruction and upkeep work for
or related to the Project on, within, under, over or across the
Premises prior to commencing such work. Without limiting the
foregoing or any other provision contained herein, the DOWK
shall comply with any and all other requirements of the STATE
relating to any construction, installation, maintenance, repair,
removal, replacement, reconstruction, and upkeep work for or
related to the Project.

4. Work Completion. Upon the completion of any work
performed in, on, under, over or across the Premises by the
DOWK, the DOWK shall remove therefrom within seven (7) days of
completion, all equipment and unused or surplus materials, if any, and shall restore the Premises and any other affected areas to a condition satisfactory to the STATE in its sole discretion. In addition, the DOWK shall provide all as-built drawings of work completed, for the STATE's acceptance within sixty (60) days of the DOWK's final acceptance of the DOWK's contractor's work and the DOWK shall warranty the restoration work for a period of one (1) year from the date of final inspection and acceptance by the STATE. Such warranty shall insure that the DOWK shall be responsible for any failure of the restoration work and any potholes occurring in and along the restoration area for the warranty period. An example of such potholes occurring along the seams of a trench that was restored after installing a water pipeline.

5. **Maintenance.** The DOWK shall, at its sole cost and expense, keep the Premises and the Project in a safe, clean, sanitary, and orderly condition, including, but not limited to, making all necessary repairs to the Project.

6. **Repair.** The DOWK shall not damage, undermine or otherwise destroy any portion of State of Hawaii ("STATE") property, including without limitation, any Highway facilities or improvements or facilities of other Highway tenants or other permitted users of the Highway situated on or near the Premises or any equipment or appurtenances relating thereto, including, but not limited to, sidewalks, storm drains, drainage systems, and underground utility systems. The DOWK shall, at its sole cost and expense, repair, restore and reconstruct that portion of said Property so damaged, undermined or destroyed, including any and all affected facilities, improvements, equipment and appurtenances. All repairs, restoration, and reconstruction shall be completed by the DOWK immediately to the existing, or
better, condition and shall be inspected and approved by the STATE in its sole discretion.

7. **No Obstruction.** The DOWK shall not construct, replace, repair or maintain any improvements or any portion of the Project on, within, under, over or across the Premises in such a manner as to: (a) unnecessarily obstruct traffic, (b) obstruct, in any way whatsoever, the sight lines and distances and view corridors along the Highway; or (c) otherwise constitute a hazard to users of the Highway, as determined by the STATE in its sole discretion; (d) obstruct Highway operations and or (e) obstruct operations of Highway tenants or other permitted users of the Highway on the Property or near the Premises.

8. **Reservation of Rights.** The STATE reserves unto itself the full use and enjoyment of the Premises and the right to grant to others rights and privileges for any and all purposes affecting the Premises, all without charge by and without the consent of the DOWK, provided that such use by the STATE and/or third parties does not unreasonably interfere with the DOWK'S rights to use the Premises under this Agreement. The DOWK shall take steps necessary to ensure that the DOWK exercise of the rights and privileges granted hereunder does not cause any substantial interference with the STATE’S operations in or near the Premises. In addition, the DOWK acknowledges and agrees that this Agreement is for a limited purpose, and that the DOWK shall use the Premises only for the purpose of serving the Project. Any intensification to include modification or expansion of the use of the facilities, from what is approved herein, including but not limited to, connection of additional laterals or extensions that feed or are fed from the Project shall require the written consent of the STATE, which consent may be withheld in the STATE’S sole discretion, and may require
a new request and review and consideration by any user not covered by this Agreement.

9. **STATE Work Within or Affecting the Premises.** If the STATE decides to perform work of any kind on, within, under, over, across, near, or affecting the Premises, the STATE will coordinate such work with the DOWK. The DOWK shall not prevent the STATE from performing such work, provided, however, that the STATE will take certain protective measures to assure that such work does not unreasonably interfere with the DOWK'S use of the Premises as described herein. At the STATE'S sole option, the DOWK, at the DOWK'S sole cost, except as may otherwise be required by law, shall relocate the Project to the extent the Project conflicts with plans of a STATE project.

10. **Indemnity.** The DOWK shall at all times with respect to the Project and the Premises use due care for public safety. It is strictly understood that the STATE shall in no way be held liable for any claims, damages, causes of action or suits resulting from any acts or omissions of the DOWK. The DOWK shall hold harmless, indemnify and defend the STATE, its officers, agents, successors and assigns, and employees, from and against all claims, demands, liabilities, suits, actions, judgments, costs and expenses (including attorney's fees) for loss, injury, death or damage, including, without limitation, claims for property damage, personal injury, or loss or death of persons, whenever such loss, injury, death or damage arises out of, is connected with or related to (a) occurrences or incidents on, within, under, over or across the Premises or the Project, as it relates to DOWK's use of the Premises (b) the exercise of the rights and privileges herein granted, (c) any failure on the part of the DOWK to use due care or otherwise perform in accordance with the terms and conditions of this Agreement, (d) any act or omission of the DOWK and/or the DOWK'S use and
occupancy of the Premises. This provision shall survive the expiration or earlier termination of this Agreement.

11. Assignment. The DOWK'S rights under this Agreement shall not be sold, assigned, conveyed, leased, subleased, mortgaged, or otherwise transferred or disposed of, directly or by operation of law, except with the prior written consent of the STATE which consent may be withheld by the STATE in its sole discretion. In giving any such consent, the STATE need not release the DOWK from any liabilities or obligations hereunder.

12. Insurance. The DOWK has elected to self-insure all liabilities arising out of the DOWK'S operations and activities on the Premises which self-insurance shall be primary and non-contributory with any insurance policy maintained by the STATE. The DOWK shall provide a letter of self-insurance to the STATE upon execution of this Agreement.

   a. Notice of default. If the DOWK defaults on or otherwise fails to perform the DOWK'S obligations under this Agreement, the STATE will issue a written notice of default to the DOWK by hand-delivery or first-class mail.

   b. DOWK to cure defaults. Any and all defaults or failures to perform contained in such notice of default must be resolved and remedied to the STATE'S sole satisfaction within thirty (30) days of the date of the STATE'S written notice to the DOWK or such further time as may be authorized by the STATE in writing, unless there is an immediate safety problem, then the STATE has the right to take immediate action and mitigate damages after-the-fact and DOWK will pay for all costs incurred by the STATE. Without limiting the foregoing, the DOWK'S failure to construct the Project in accordance with the plans
and specifications approved by the STATE shall be deemed a default of this Agreement.

c. STATE remedies for failure to cure. If the DOWK fails to cure said defaults or fails to perform within the required time period, the STATE itself may, but shall not be obligated to, cure or remedy said defaults or failures to perform and charge any costs and expenses incurred in performing said cure or remedy to the DOWK, who shall immediately pay said costs and expenses to the STATE upon receiving notice from the STATE. If the DOWK fails to cure said defaults or fails to perform within the required time period, the STATE may terminate this Agreement and the DOWK'S rights under this Agreement to use the Premises and the Project. Upon such termination and at the STATE'S option, the Project improvements will thereafter belong to the STATE. If the DOWK defaults or fails to perform as required under this Agreement, the STATE shall be entitled to all remedies available under this Agreement and by law, which remedies shall be cumulative and not exclusive. This provision shall survive the expiration or earlier termination of this Agreement.

14. Abandonment. This Agreement and all of the DOWK'S rights hereunder shall terminate, without any action on the part of the STATE, in the event of non-use or abandonment by the DOWK of the Premises or the Project, or any portion thereof, for a period of one (1) year; provided, however, that the DOWK is subject to the provisions of the STATE'S Pipeline Removal Policy, dated September 24, 2002, as the same may be amended, which may include, but not limited to, the DOWK'S execution of an agreement, in form and substance acceptable to the STATE in its sole discretion. The current Pipeline Removal Policy is attached hereto as Exhibit C and made a part hereof.
15. **Termination.** If not otherwise terminated or cancelled, this Agreement may be cancelled in whole or in part at any time by the mutual written agreement of the parties hereto or by the STATE, in its sole discretion upon the STATE’S giving thirty (30) days’ prior written notice to the DOWK by hand delivery or first-class mail, return receipt requested. Any termination or cancellation of this Agreement, in whole or in part, shall not relieve the DOWK of its obligations to indemnify, defend and/or hold harmless the STATE as provided herein and including, but not limited to Paragraphs 10 (Indemnity) and 16 (Hazardous Substances) herein with respect to any such claims, demands, liabilities, suits, actions, judgments, costs and expenses for loss, injury, death or damage arising prior to such termination or cancellation of all or a portion of this Agreement. This provision shall survive the expiration or earlier termination of this Agreement.

16. **Hazardous Substances.**

   a. **Definitions.** For purposes of this Agreement, the DOWK acknowledges and agrees that the following terms shall have the following meanings:

   "Environmental Laws" shall mean all federal, state and local laws of every nature including statutes, ordinances, rules, regulations, codes, notices, standards, directives of every kind, guidelines, permits, licenses, authorizations, approvals, interpretations of the foregoing by any court, legislative body, agency or official, judicial decisions, judicial and administrative orders, rulings or judgments, or rules of common law which currently are in effect or which may come into effect through enactment, issuance, promulgation, adoption or otherwise, which in any way pertain to, relate to, or have any relevance to the environment, health or safety. These environmental laws include, but are not
limited to, regulations and orders of the federal Environmental Protection Agency and the State of Hawaii Department of Health.

"Hazardous Substance" shall include any chemical, substance, radioactive materials, organic or inorganic material, controlled substance, object, condition, waste, living organism, or combination thereof which is, may in the future be, or has been determined by state or federal authority under any Environmental Law to be hazardous to human health or safety or detrimental to the environment. This term shall include, but not be limited to, petroleum hydrocarbons, asbestos, radon, polychlorinated biphenyls, methane, fuels of any kind, and other materials or substances that are, or may in the future be, regulated by the state or federal authorities.

b. DOWK'S Activities and Duties.

b. 1 Compliance with Environmental Laws. The DOWK agrees, at its sole expense and cost, to comply with all Environmental Laws applicable to the Property and the DOWK'S occupancy, activities, operations, and use of the Project and the Premises. This duty shall survive the expiration or earlier termination of this Agreement, which means that the DOWK'S duty to comply with Environmental Laws shall include complying with all Environmental Laws that may in the future apply, or be determined to apply, to the occupancy and activities of the DOWK on the Premises after the expiration or termination of this Agreement. Failure of the DOWK to comply with any Environmental Law shall constitute a breach of this Agreement for which the STATE may, in its sole discretion, terminate this Agreement, exercise its remedies under this Agreement, including, but not limited to, remediation of any condition on behalf of the DOWK at the DOWK'S expense under subparagraph 16.b.5 below (Environmental Investigations and Assessments), subparagraph 16.b.6 below (Remediation) and subparagraph 16.b.7 below
(Restoration and Surrender of Premises), and take any other action at law or in equity that the STATE deems appropriate.

b. 2 Hazardous Substances. The DOWK shall not use, store, treat, dispose, discharge, release, generate, create, or otherwise handle any Hazardous Substances, or allow the same by any of its employees, agents, guests, contractors or third persons, on the Premises without first obtaining the written consent of the STATE (which consent may be withheld by the STATE in its absolute discretion) and shall fully comply with all Environmental Laws, including giving all required notices, reporting to, and obtaining permits from, all appropriate authorities, and shall comply with all provisions of this Agreement.

b. 3 Notice to the STATE. The DOWK shall keep the STATE fully informed at all times regarding all matters related to any Environmental Laws affecting the DOWK, the Project, or the Premises. This duty shall include, but not be limited to, providing the STATE with a current and complete list and accounting of all Hazardous Substances of every kind which are present in, on or about the Premises by or as a result of the DOWK, together with evidence that the DOWK has in effect all required and appropriate permits, licenses, registrations, approvals, and other consents that may be required by any federal, state, or county authority, under any authority or Environmental Laws. The DOWK shall provide said list and accounting at the commencement of this Agreement and shall update said list and accounting whenever any Hazardous Substance not accounted for on said list is or becomes present in, on, or about the Premises by the DOWK or otherwise. The DOWK shall also provide immediate written notice to the STATE of any spills, releases, and/or discharge of Hazardous Substances investigation, enforcement action, compliance order, or order of
any type, or any other legal action, initiated, issued, or any indication of an intent to do so, communicated in any way to the DOWK by any federal, state, or county authority or individual that relates in any way to any Environmental Law or any Hazardous Substance. This written notice to the STATE shall include copies of all written communications from any federal, state, or county agency or authority, including copies of all correspondence, claims, complaints, warnings, reports, technical data, and any other documents received or obtained by the DOWK. At least thirty (30) days prior to termination of this Agreement, or termination of the use and occupancy of the Premises by the DOWK, whichever occurs first, the DOWK shall provide the STATE with written evidence satisfactory to the STATE that the DOWK has fully complied with all Environmental Laws, including any orders issued by any governmental authority that relate to the Premises, and the results of all assessments and investigations that may be ordered by the STATE pursuant to subparagraph 16.b.5 (Environmental Investigations and Assessments) of this provision, or by any governmental agency responsible for enforcement of the Environmental Laws.

b. 4. Disposal/Removal. Except as to the possession and handling of Hazardous Substances for which the DOWK is authorized by law, including those Hazardous Substances for which the DOWK has obtained all currently required permits to store or use certain Hazardous Substances on the Premises, including written permission from the STATE, the DOWK shall cause any Hazardous Substances resulting from the DOWK’s use to be removed and transported from the Premises for disposal solely by duly licensed hazardous substances transporters to duly licensed facilities for final disposal as required by all applicable Environmental Laws. Within ten (10) days of any such disposal, the DOWK shall provide the STATE with copies of
documentary proof including manifests, receipts, or bills of lading, which reflect that said Hazardous Substances have been properly removed and disposed of in accordance with all Environmental Laws. This provision shall survive the expiration or earlier termination of this Agreement.

b. 5. Environmental Investigations and Assessments. The DOWK, at its sole cost and expense, shall cause to be conducted such investigations and assessments of the Premises to determine the presence of any Hazardous Substance on, in, or under the Premises as may be reasonably directed from time to time by the STATE, or by any federal or state authority. The extent and number of any environmental investigations and assessments shall be determined by the STATE or the federal or state authority directing said investigations and assessments to be conducted. The DOWK shall retain a competent and qualified person or entity that is satisfactory to the STATE or governmental authority, as the case may be, to conduct said investigations and assessments. The DOWK shall direct said person or entity to provide the STATE or governmental authority, if so requested, with testable portions of all samples of any soils, water, ground water or other material that may be obtained for testing and provide directly to the STATE and the other governmental authority, at the sole expense of the DOWK, written results of all tests on said samples upon completion of said testing. In any event, the DOWK shall have the option to conduct environmental assessments as aforesaid prior to or at the time of termination of this Agreement in order to determine the condition of the Premises.

b. 6. Remediation. In the event that any Hazardous Substance is used, stored, treated, or disposed on the Premises or any location off the Premises to which it is determined any Hazardous Substance has migrated, by the DOWK, or
its duly authorized employees, or handled, discharged, released by the DOWK or determined to be present on the Premises or any location off the Premises to which it is determined any Hazardous Substances has migrated by or as a result of the DOWK'S actions or the actions of its duly authorized employees, agents, contractors, guests, or invitees, the DOWK shall, at its sole expense and cost, remediate the Premises, or any location off the Premises to which it is determined any Hazardous Substance has migrated, of such Hazardous Substance, and dispose/remove said Hazardous Substance in accordance with subparagraph 16.b.4 (Disposal/Removal) of this provision. This duty to remediate includes strict compliance with all Environmental Laws, as well as any directives by the STATE or other governmental authority, to the DOWK to remediate such Hazardous Substance. This duty to remediate shall include replacement of any materials, such as soils, so removed with material that is reasonably satisfactory to the STATE and governmental authority, as the case may be.

b. 7. Restoration and Surrender of Premises.

The DOWK hereby agrees to timely surrender the Premises upon termination of the Agreement and, prior thereto, shall restore the Premises to the same condition as the Premises existed at the commencement of this Agreement, as determined by the STATE in its sole discretion, reasonable wear and tear excepted. Said surrender and restoration shall be at the sole cost and expense of the DOWK. This duty to restore the Premises includes remediation as described in the previous subsection. Subject to subparagraph 18.b (STATE’S option), this duty also includes, but is not limited to, the removal within seven (7) days of termination or such longer period of time as the STATE may agree to in writing, of all of the DOWK’S improvements, including, without limitation, pipes, pipelines, tanks,
containers, equipment, and appurtenances of any kind that the DOWK has installed or erected on the Premises. In the event the DOWK does not timely restore the Premises to a satisfactory condition, as determined by the STATE in its sole discretion, the DOWK understands and agrees that the STATE may exercise its rights under subparagraph 16.b.9 (STATE'S Right to Act), and until such time as the restoration is completed to the satisfaction of the STATE in its sole discretion, the DOWK shall be liable for any damages and costs that the STATE may have incurred, including penalties, fines, and assessments related to the Premises which may be imposed on the STATE or the DOWK by any governmental authority.

b. 8 Tanks, Pipelines; Inspections and Repairs; Protection of Waters. Unless the STATE specifically agrees in writing prior to their installation, all pipes, pipelines, tanks, containers, or conduits of any kind that may at any time have contained, or may have been intended to contain, Hazardous Substances of any type (hereafter referred to as a "facility"), must be installed above ground level in such manner that allows for periodic inspection and maintenance of the facility for purposes of determining the existence of leaks and discharges from, and deterioration of any kind to, and that allows repair of, the facility. The DOWK shall provide the STATE with prior written notice of the DOWK'S intent to install a facility to allow the STATE ample time, as reasonably determined by the STATE, to inspect the plan for installation of such a facility. Said facility shall not be installed unless and until the facility and its manner of installation are approved, in writing by the STATE. Within ninety (90) days of the commencement of this Agreement, or commencement of possession of the Premises by the DOWK, whichever first occurs, the DOWK shall submit a contingency plan covering the DOWK facilities if any, and as
applicable, to control and remedy any spill, discharge, or leak from any DOWK facility on the Premises during the term of this Agreement, which plan shall include the cleanup of all Hazardous Substances that may be spilled, discharged, or leaked, to the satisfaction of the STATE in its sole discretion. The DOWK shall also submit to the STATE a plan for the DOWK to conduct, or have conducted, regular inspections of all facilities, if any, on the Premises for the purpose of prevention of any leak, discharge, or spill from said facilities. Said contingency plan and inspection plan are subject to the prior written approval of the STATE. The DOWK shall timely obtain and maintain in effect all required permits, licenses, and approvals for such facilities from any governmental authority. Failure to submit said plans, to comply with said plans, or obtain and maintain any required permits, licenses, or approvals constitutes a breach of this Agreement, giving the STATE the right to immediately terminate this Agreement, take possession of the Premises, and pursue any other remedy available to the STATE.

The DOWK shall maintain and employ reasonable debris, pollution and contamination control measures, safeguards and techniques on the Premises to prevent debris, pollution or contamination to ocean waters, streams or waterways, groundwater, including any storm drains within and about the Premises, resulting from the activities or operations of the DOWK and the DOWK’S agents on, within, over, through, across, under or connected with the Premises. The DOWK shall take immediate corrective action in the event of an unauthorized release of Hazardous Substances by the DOWK or its agents to immediately remove or correct the cause of such release, and shall immediately clean the Premises and affected areas and surrounding waters of such Hazardous Substances, pollutants or contaminants to levels satisfactory to the STATE’S and/or other
governmental authority in the STATE'S sole discretion, all at the DOWK'S own cost and expense. This section shall not be construed to require the DOWK to cleanup or respond to any Hazardous Substances existing on the Premises prior to the DOWK'S occupancy of the same.

b. 9. STATE'S Right to Act. In the event the DOWK fails for any reason to comply with any of its duties under this Agreement or under any Environmental Laws within the time set for doing so, or within a reasonable time as determined by the STATE, the STATE shall have the right, but not the obligation, in its sole discretion, to perform those duties, or cause them to be performed. The DOWK hereby grants access to the Premises and the Project at all reasonable hours to the STATE, its agents and anyone designated by the STATE, in order to perform said acts and duties. Any cost, expense, or liability of any type that may be incurred by the STATE in performing said acts or duties shall be the sole responsibility of the DOWK and the DOWK hereby agrees to immediately pay to the STATE all of such costs and expenses incurred by the STATE in performing said acts or duties. This obligation shall extend to any costs and expenses incident to enforcement of the STATE'S right to act, including litigation costs, attorney fees, and the costs and fees for collection of said costs, expenses, or liability.

b. 10. Release and Indemnity. In addition to and without limiting the provisions of Paragraph 10 (Indemnity) above, the DOWK hereby agrees to release, indemnify, defend, and hold harmless the STATE, its officers, employees, agents, successors, and assigns from any liability of any kind, including, but not limited to, any liability for any damages, penalties, fines, judgments, or assessments that may be imposed or obtained by any person, agency, or governmental authority by
reason of any Hazardous Substance that may be present by or as a result of the DOWK'S use of the Premises or the Project by whatever means on, in or under the Premises including, but not limited to, any fines or penalties assessed against the STATE for the DOWK non-compliance with any Environmental Laws.

The DOWK understands and agrees that any claims for damages, penalties, fines, judgments, or assessments that may be assessed against the DOWK or the STATE by any person or governmental authority based on any violation of any Environmental Laws concerning the Premises or the Project shall be paid in full, complied with, and in every way satisfied by the DOWK within the required time, and not by the STATE. In the event both the STATE and the DOWK are liable for any environmental cleanup or remediation of the Premises, the DOWK shall indemnify, defend and hold harmless the STATE in accordance with the terms of this subsection, unless the STATE, or any other entity with an easement or access to the property has been shown to have actually caused the condition complained of. This provision shall survive the expiration or earlier termination of this Agreement.

b. 11. Burden of Proof. In all instances covered in this Paragraph 16 (Hazardous Substances), the DOWK accepts the burden of establishing that it is not responsible for the existence of Hazardous Substances in the Premises or in any location or any location off the premises to which Hazardous Substances have migrated. If the DOWK cannot establish that it is not responsible for the existence of Hazardous Substances in the Premises, or any location off the Premises to which Hazardous Substances have migrated, the DOWK shall be deemed responsible for the existence of the Hazardous Substances.

b. 12. Protection of Waters. The DOWK shall maintain and employ reasonable debris, pollution or
contamination control measures, safeguards and techniques on the premises to prevent debris, pollution or contamination from reaching ocean waters, streams or waterways, groundwater, including any storm drains within and about the Premises, resulting from the activities or operations of the DOWK and the DOWK's employees, agents, contractors or third persons on, within, over, through, across, under or connected with the Premises. The DOWK shall take immediate corrective action in the event of an unauthorized release of Hazardous Substances by the DOWK or its employees, agents, contractors or third persons to immediately remove or correct the cause of such release, and shall immediately clean the Premises and affected areas and surrounding waters of such Hazardous Substances, pollutants or contaminants to levels satisfactory to the DOH, BPA and/or any governmental entity with regulatory jurisdiction over the release, in strict compliance with all Environmental Laws, all at the DOWK's own cost and expense. This subparagraph shall not be construed to require the DOWK to clean up or respond to any Hazardous Substances existing on the Premises prior to the DOWK's occupancy of the same provided, however, that the DOWK acknowledges and agrees that the date of the DOWK's occupancy may be a date prior to the Effective Date such that the DOWK shall be responsible for cleanup or to respond to any Hazardous Substances for the DOWK's occupancy prior to the Effective Date.

17. Removal of Improvements. If the STATE decides to perform work of any kind within, on, over, under, across, near, or affecting the Premises, the DOWK shall be responsible for the removal or relocation of all or any portion of the Project from the Premises deemed necessary by the STATE, without cost and expense to the STATE, within thirty (30) days from the date the STATE requests such removal or such longer period of time as may be approved in writing by the STATE, except as shall be
otherwise required by applicable law. In the event it becomes necessary for the STATE to destroy, remove or alter all or any portion of the Project or improvements, the STATE shall not be obligated to replace or restore those portions of the Project or improvements so destroyed, removed or altered and the DOWK waives any and all right to compensation therefore, except as shall be otherwise required by applicable law.

18. Removal upon Termination. Upon any full or partial termination or cancellation of this Agreement, the DOWK shall, at the DOWK'S sole cost and expense:

a. Remove and restore. Remove any and all portions of the Project installed or constructed on, within, under, over or across the Premises and any improvements, equipment, facilities, components and appurtenances relating thereto and restore the Premises to as good a condition as existed prior to the commencement of this Agreement, satisfactory to the STATE in its sole discretion, and if the DOWK fails to restore the Premises to a condition satisfactory to the STATE, the STATE shall have the right to charge the DOWK, and the DOWK shall be solely responsible for, any and all costs and expenses incurred by the STATE in completing and accomplishing such restoration, including but not limited to, any costs the STATE incurs in removing and disposing of the DOWK'S property; or

b. STATE'S option. At the STATE'S sole option and subject to the provisions of Paragraph 14, (Abandonment) including, but not limited to, the provisions of the STATE'S Pipeline Removal Policy, and any other terms and conditions, or amendments therein, abandon in place the Project and any improvements, equipment, facilities, components and appurtenances relating thereto; provided, however, that such termination or cancellation shall not relieve the DOWK of its
obligations to indemnify, defend and/or hold harmless the STATE pursuant to Paragraphs 10 (Indemnity) and 16 (Hazardous Substances) herein with respect to any such claims, demands, liabilities, suits, actions, judgments, costs and expenses for loss, injury, death or damage arising prior to such termination or cancellation of all or a portion of this Agreement. A Memorandum of Agreement or Memorandum of Understanding must be executed if the Director of Transportation approves abandonment in place.

19. **Compliance with Laws.** The DOWK, at all times during the term of this Agreement, shall comply with all of the requirements of the federal, state and county authorities and shall observe all federal, state and county laws, statutes, ordinances, rules and regulations, now in force or which may hereafter be in force, including, but not limited to, all laws and regulations applicable to the use of areas within the highway right-of-way and/or federal-aid highways.

20. **Binding Effect.** All provisions contained in this Agreement shall be binding upon and inure to the benefit of the respective parties, their successors and permitted assigns, and officers, agents, and employees or any person acting for and on their behalf.

21. **Singular, Plural.** All words used herein the singular number shall extend to and include the plural. All words used in any gender shall extend to and include all genders.

22. **Headings.** The headings and captions herein are for convenience of reference only and are not intended to fully describe, define or limit the provisions of this Agreement to which they may pertain.

23. **Counterparts.** This instrument may be executed in two or more counterparts, and when all counterparts have been
executed, each counterpart shall be considered an original but when assembled shall constitute one and the same instrument, and shall have the same force and effect as though all the signatories had executed a single instrument. Any unexecuted duplicate pages may be omitted from the assembled original document.

24. **No Drafter.** The DOWK and the STATE agree that no party shall be deemed to be the drafter of this Agreement and further that in the event that this Agreement is ever construed by a court of law, such court shall not construe this Agreement or any provision of this Agreement against any party as the drafter of this Agreement.

25. **Prehistoric and Historic Remains.** Any and all prehistoric and historic remains found at, in, on, over, or under the Premises shall be and remain the property of the State of Hawaii, and shall not be disturbed or removed by the DOWK, and/or the DOWK’s successors in interest, assigns, officers, directors, employees, agents, or guests, without the express written approval of the STATE. Upon discovery of any prehistoric or historic remains, the DOWK shall immediately stop and cease any further disturbance of the remains and surrounding portion(s) of the Premises containing the remains, and promptly notify the STATE of such discovery.

26. **Severability.** In the event that any provision of this Agreement is declared invalid or unenforceable by a court, such invalidity or unenforceability shall not affect the validity or enforceability of the remaining terms of this Agreement.

27. **Waiver.** The failure of the STATE to insist upon strict compliance with any term, provision, or condition of this Agreement shall not constitute or be deemed to constitute a
waiver or relinquishment of the STATE'S right to enforce the same in accordance with this Agreement.

28. Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of Hawaii.

29. Nondiscrimination. The use and enjoyment of the Premises shall not be in support of any policy which discriminates upon any basis or in any manner that is prohibited by any applicable federal, state, or county law.

30. Notices. Except as otherwise specifically provided in this Agreement, any notice, consent, request, demand, or other correspondence given under this Agreement shall be in writing and given by delivering the notice in person or by commercial courier, or by sending it by first-class mail, certified mail, return receipt requested, or overnight courier, return receipt requested, with postage prepaid; to: (a) the DOWK at the address as stated on page one herein; or (b) the STATE at the following address: State of Hawaii, Department of Transportation, Highways Division, 869 Punchbowl Street, Honolulu, Hawaii 96813, Attn: Administrator; or (c) such other address as either the DOWK or the STATE may designate, in writing, as its new address for such purpose by notice given to the other in accordance with this section. Any notice hereunder shall be deemed to have been given and received and effective two (2) calendar days after the date when it is mailed, if sent by first-class, certified mail, one (1) calendar day after the date when it is mailed if sent by overnight courier, or upon the date personal delivery is made.

31. Entire Agreement. This instrument constitutes the entire agreement of the parties with respect to the matters set forth in this Agreement, and, except as specifically provided otherwise herein, there are no agreements,
understandings, warranties, or representations between the parties except as set forth herein. This Agreement cannot be modified except by an instrument, in writing, signed by each of the parties. Any termination or cancellation of this Agreement, in whole or in part, shall not relieve the DOWK of its obligations to indemnify, defend and/or hold harmless the STATE as provided herein.

32. Amendments. All amendments to this Agreement must be in writing and must be signed by all parties to this Agreement.

33. No Recordation. This instrument shall not be recorded.

34. No Third Party Beneficiaries. No third party beneficiaries are intended by this Agreement, and the terms and provisions of this Agreement shall not give rise to any right in third parties to enforce the provisions of this Agreement.

[SIGNATURE PAGE IS ON THE FOLLOWING PAGE.]
IN WITNESS WHEREOF, the undersigned have executed this Use and Occupancy Agreement No. 237 the day and year first above written.

STATE OF HAWAI'I
DEPARTMENT OF TRANSPORTATION

APPROVED AS TO FORM AND
AND LEGALITY:

Print Name: Andrea Suzuki
Title: Deputy County Attorney

By: ____________________________
Its: ____________________________

STATE

APPROVED:

Manager and Chief Engineer
Department of Water,
County of Kaua'i

By:
Name: Sherman Shiraishi
Title: Chairperson

BOARD OF WATER SUPPLY
COUNTY OF KAUAA'I

APPROVED AS TO FORM:

Deputy Attorney General
Print Name: ____________________________

DOWK
STATE OF HAWAII

COUNTY OF KAUA'I

On this ______ day of ______________, 2015, before me appeared SHERMAN SHIRAISHI, to me personally known, who, being by me duly sworn, did say that he 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, and said officer acknowledged said 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:___________
EXHIBIT A

"USE AND OCCUPANCY AGREEMENT NO. 237"
(For Water Line Purposes)

Being portions of Kaumualii Highway Improvements
At Kala'awaa Road, Project No. 50C-02-87, Kaumualii
Highway (formerly Kauai Belt Road, Project No. NRH 12-C) and
Haleiwa Road (formerly McBrady Mill Road, P&F Project No. 5A-1)
Land situated at Waialua, Kauai, Hawaii.

Beginning at the Northeast corner of this piece of land, the coordinates of said point of beginning referred to Government Survey Triangulation Station "FOHAKA" being 6,186.62 feet South and 3,131.54 feet East, thence running by azimuths measured clockwise from true South:

1. 350°42′30″ 7.87 feet along remainder of Kaumualii Highway, (formerly Kauai Belt Road Project No. NRH 12-C);
2. 80°42′30″ 25.72 feet along same;
3. 350°42′30″ 5.78 feet along same;
4. 80°42′30″ 3.00 feet along same;
5. 170°42′30″ 5.75 feet along same;
6. 80°42′30″ 48.00 feet along the remainder of Kaumualii Highway (formerly Kauai Belt Road, Project No. NRH 12-C) and Kaumualii Highway Improvements at Haleiwa Road, Project No. 50C-02-87;
7. 350°42′30″ 7.80 feet along the remainder of Kaumualii Highway Improvements at Haleiwa Road, Project No. 50C-02-87;

Licensed Professional Land Surveyor
Certificate 12273-LS
Expires: April 30, 2016
Portugal Surveying, LLC
Lihue, Kauai, Hawaii
June 2, 2014
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<td>10.</td>
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<td>11.</td>
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<td>12.</td>
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<td>22.</td>
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<td>25.</td>
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<td>26.</td>
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<td>27.</td>
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<td>28.</td>
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<td>31.</td>
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<td>146.06</td>
<td>feet along remainders of Kaumualii Highway Improvements at Halewili Road, Project No. 50C-02-87 and Halewili Road (formerly McBryde Mill Road, FAS Project No. 5-A(1));</td>
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<td>34.</td>
<td>123°14'00&quot;</td>
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<td>35.</td>
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<td>feet along same;</td>
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<td>feet along the remainders of Kaumualii Highway Improvements at Halowill Road, Project No. 50C-02-87 and Kaumualii Highway (formerly Kauai Belt Road, Project No. NRH 12-C);</td>
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<td>49</td>
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<td>4.34</td>
<td>feet along the remainder of Kaumualii Highway (formerly Kauai Belt Road, Project No. NRH 12-C);</td>
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<td>50</td>
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<td>16.44</td>
<td>feet along same to the point of beginning and containing an area of 5,005 Square Feet.</td>
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EXHIBIT C

Department of Transportation

Date: 9/24/02

TO:     HWX, AIR Office

FROM:   DWR, M&G

SUBJECT: Expiration of Right-of-Way

Effective immediately it is the policy of the Department of Transportation (DOT) to prohibit the abandonment of pipelines and utilities' easements on DOT properties, including the highway right-of-way. This policy is effective in order to address the increasing problem of unauthorized, abandoned pipelines and utility easements, and the hazards it poses to the transportation properties related to said

Easiest to...to be abandoned in three

utility company's, state, county and federal agencies, and tenants/users that currently have lines within our properties and highway right-of-way of this said policy.

You should also notify any company, agency and tenant/user in the event such company, agency or tenant/user is already using any of the existing abandoned lines to other companies for use in fiber optics, tubing, or other use, and there is no direct agreement for such use with the DOT, they must notify the DOT within five (5) working days of said letter describing the assignee and the current uses and/or activities. They must be further advised that these unauthorized uses and/or activities must be immediately terminated, or a direct agreement with the DOT must be reached for their continued use. The DOT will otherwise take appropriate action against said violators.

To ensure consistency within each of the divisions, a sample letter is attached.

DWR-P, DWR-S, DWR-CZ, M&G, DWR-P, ETX, FPP, LBC (L. Furst, J. Kato, D. Feuss, A. Choate)

as given to all branches/districts 9/23/02.
MEMORANDUM OF AGREEMENT
(Associated with UOA #237)

THIS Memorandum of Agreement (MOA), effective as of
2015, by and between the STATE OF HAWAII, by its
Director of Transportation (hereinafter referred to as the
"STATE"), whose business and mailing address is 869 Punchbowl
Street, Honolulu, Hawaii 96813, and the BOARD OF WATER SUPPLY,
COUNTY OF KAUA’I, whose principal place of business and mailing
address is 4398 Pua Loke Loke Street, Lihue, Hawaii 96766
(hereinafter referred to as the "DOWK").

RECITALS:
WHEREAS, the STATE is the owner of those certain
parcels of land upon which Kaumualii Highway and Halewili Road,
Project Number 50C-02-87 (hereinafter referred to as the
"Highway") is situated, designated as Tax Map Key No. (4) 2-2-1:
Road, and are more particularly shown on Exhibit "A" attached
hereto and made a part hereof (hereinafter referred to as the
"Property"); and

WHEREAS, the DOWK desires to abandon portions of a 4-
inch PVC water line on, within, under and across the Property,
as shown on Exhibit "B" attached hereto and incorporated herein
by reference (hereafter the "Old Facilities"); and

WHEREAS, with the heightened awareness of
environmental concerns related to and arising from abandoned
pipelines and due to the increasing problem of unidentified,
abandoned pipelines on State property, the STATE has effected a
Pipeline Removal Policy as of September 24, 2002, prohibiting
the abandonment of pipelines and utilities’ facilities on all
State properties, including the highway right-of-ways; and

WHEREAS, the DOWK desires a waiver to condition No. 11
of the DOT letter HWY-RM 3.90818, dated February 27, 2014, which
in accordance with the STATE’S Pipeline Removal Policy, stated
"DOWK shall not be allowed to abandon any existing water lines in the State right-of-way and must comply with DOT's PIPELINE REMOVAL POLICY"; and

WHEREAS, the STATE is willing to allow the DOWK to occupy or continue to occupy the Property for the Old Facilities, provided that the DOWK enters into this Agreement for abandonment of the Old Facilities in the Property and further provided that DOWK fully complies with the terms and conditions set forth below,

NOW THEREFORE, in consideration of the mutual covenants and promises herein made, the parties do hereby agree as follows:

AGREEMENT:

1. Right to Abandon the Old Facilities. The DOWK is allowed to abandon the Old Facilities as shown on Exhibit B, which consist of a 4-inch PVC water line, on, within, under, over and across the Property, provided that the DOWK shall:

   a. Take any and all appropriate measures as required by the STATE in order for the DOWK to abandon the Old Facilities. The DOWK must also submit plans for any such measures for review and written approval by the STATE. Written approvals for these plans must be obtained prior to or within one month of the effective date of this MOA.

   b. Submit to the STATE prior to or within one month of the effective date of this MOA a report confirming the material composition of the Old Facilities being abandoned in place. The report must be done in compliance with Paragraph 2, below.

   c. Provide to the STATE as-built plans showing the metes and bounds location and all work performed on the Old Facilities within 90 days after the work has been completed.
2. **Environmental Investigations and Assessments.**
The DOWK, at its sole cost and expense, shall cause to be conducted such investigations and assessments of the Property to determine the presence of any hazardous substance on, in, or under the Property as may be directed by the STATE, in its sole discretion, or by any federal, state or county agency or authority. The extent and number of any environmental investigations and assessments, including all testing and analyses incident thereto, shall be determined by the state or the federal, state or county agency or authority directing said investigations and assessments to be conducted. The DOWK shall retain a competent, certified and qualified person or entity that is satisfactory to the STATE to conduct said investigations, assessments, testing, and analysis incident thereto. The DOWK shall cause said person or entity conducting those assessments, investigations, tests and analyses to provide the STATE and/or governmental authority with the written results of all assessments, investigations, tests and analyses. Pursuant to this Agreement, the DOWK may be required to have environmental assessments conducted as aforesaid, in order to determine the condition of the Property and the extent of remediation that may be required.

3. **Disposal/Removal.** If hazardous substances are found to be present, which hazardous substances were caused by the Old Facilities or use thereof, or by the DOWK'S activities on the Property, the DOWK shall cause such hazardous substances to be removed and transported from the Property for disposal solely by duly licensed hazardous substance transporters to duly licensed facilities for final disposal as required by all applicable environmental laws. The DOWK shall provide the STATE with copies of documentary proof including manifests, receipts
or bills of lading, which reflect that said hazardous substances have been properly removed and disposed of in accordance with all environmental laws.

4. Remediation. In the event that any contamination by any hazardous substance(s) is determined to be present on the Property, which contamination was caused by the Old Facilities or use thereof, or by the DOWK's activities on the Property, the DOWK shall, at its sole expense and cost, remediate the Property of any hazardous substance(s), and dispose/removed said hazardous substance(s) in accordance with paragraph 3 above. This duty to remediate includes strict compliance with all environmental laws, as well as any directives by the STATE to the DOWK to remediate such hazardous substance(s). This duty to remediate shall include replacement of any materials, such as soils, so removed, with material that is satisfactory to the STATE and/or governmental authority, as the case may be.

5. Permits. The DOWK shall obtain all applicable permits from the STATE and all other governmental agencies for any present and future maintenance, repair, removal or similar work for or related to the Old Facilities on, within, under, over, or across the Property prior to commencing any work.

6. Work Completion. Upon the completion of any work performed in, on, under, over or across the Property by the DOWK, the DOWK shall remove therefrom all equipment and unused or surplus materials, if any, and shall restore the Property and any other affected areas to a condition satisfactory to the STATE.

7. Repair. The DOWK shall not damage, undermine or otherwise destroy any portion of State Property, including without limitation, any Highway facilities or improvements or
any Property or facilities of other Highway tenants situated on or near the Property or any equipment or appurtenances relating thereto, including, but not limited to, sidewalks, storm drains, drainage systems, and underground utility systems. The DOWK, shall, at its sole cost and expense, repair, restore and reconstruct any portion of the Property which may be damaged, undermined or destroyed by the presence of the Old Facilities, or any work done on the Old Facilities, including any and all affected facilities, improvements, equipment and appurtenances.

8. No Obstruction. The DOWK shall not construct, replace, repair or maintain any landscaping or any other structure on any portion of the Old Facilities on, within, under, over or across the Property in such a manner as to: (a) unnecessarily obstruct traffic; (b) obstruct, in any way whatsoever, the sight lines and distances and view corridors along the Highway in accordance with Hawaii Administrative Rules Chapter 105 of Title 19; (c) otherwise constitute a hazard to users of the Highway, as determined by the STATE; (d) unreasonably obstruct Highway operations; or (e) unreasonably obstruct operations of other Highway tenants.

9. Reservation of Rights. The STATE reserves unto itself the full use and enjoyment of the Property and the right to grant to others rights and privileges for any and all purposes affecting the Property, all without charge by and without the consent of the DOWK, provided that such use by the STATE and/or third parties does not unreasonably interfere with the DOWK'S rights to use the Property for the purposes covered by this Agreement. The DOWK shall take steps necessary to ensure that the DOWK'S use and occupancy of the Property does not cause any substantial interference with the STATE'S existing operations in or near the Property.
10. **STATE Work Within or Affecting the Property.** If the STATE decides to perform work of any kind within, on, over, under, across, near, or affecting the Property, the STATE will coordinate such work with the DOWK. The DOWK shall cooperate with the STATE'S performance of such work. The STATE will take appropriate protective measures to assure that such work does not unreasonably interfere with the Old Facilities.

11. **Indemnity.** The DOWK shall at all times with respect to the Old Facilities and the Property use due care for public safety. It is strictly understood that the STATE shall in no way be held liable for any claims, damages, causes of action or suits resulting from any acts or omissions of the DOWK. The DOWK shall hold harmless, indemnify and defend the STATE, its officers and employees from and against all claims, demands, liabilities, suits, actions, judgments, costs and expenses (including attorneys' fees) for loss, injury, death or damage, including, without limitation, claims for property damage, personal injury, or death of persons, to the extent that such damage, injury, loss or death is caused by an act or omission of the DOWK connected with or related to the Old Facilities or the DOWK'S use and occupancy of the Property hereunder. In addition to the DOWK'S obligations under paragraph 11, the DOWK shall require that contractors performing construction or other work for the DOWK on the Old Facilities carry comprehensive general liability insurance with a combined minimum single limit of not less than $1,000,000.00 for bodily injury and property damage per occurrence and name the State, its officers and employees, as additional named insureds.

12. **Assignment.** The DOWK'S right under this Agreement and in the Old Facilities shall not be sold, assigned, conveyed, leased, mortgaged, or otherwise transferred or
disposed of, directly or by operation of law, except with the prior written consent of the STATE. In giving any such consent, the STATE need not release the DOWK from any liabilities or obligations hereunder.

13. (RESERVED - See attached addendum regarding insurance)


a. Notice of default. If the DOWK defaults on or otherwise fails to materially perform its obligations under this Agreement, the STATE will issue a written notice of default to the DOWK by hand-delivery or first-class mail.

b. Time to cure defaults. Any and all defaults or material failures to perform contained in such notice of default must be resolved and remedied to the STATE’s satisfaction within thirty (30) days of the date of the STATE’s written notice to the DOWK or such further time as may be authorized by the STATE in writing. In cases when, through no fault of the DOWK, it is not possible to cure a default within 30 days of the STATE’S notice of default, then the DOWK’S obligations under this section shall be deemed satisfied if the DOWK commences within 30 days of the notice of default efforts necessary to result in curing the default as soon as reasonably possible. The DOWK’S failure to abandon the Old Facilities in substantial compliance with the plans and specifications approved by the STATE shall be deemed a default of this Agreement.

c. STATE remedies for failure to cure. If the DOWK fails to cure said defaults or fails to perform within the required time period, the STATE itself may, but shall not be obligated to cure or remedy said defaults or failures to perform and charge any reasonable and necessary costs and expenses
incurred in performing said cure or remedy to the DOWK, who shall immediately pay said costs and expenses to the STATE upon receiving notice from the STATE. If the DOWK fails to cure said defaults or fails to perform within the required time period, the STATE may terminate this Agreement and the DOWK's rights under this Agreement. If the DOWK defaults or fails to perform as required under this Agreement, the DOWK shall immediately remove the Old Facilities and restore the property to a condition acceptable to the STATE. The STATE, at its sole discretion, may grant in writing an extension of time for the removal of improvements if, through no fault of the DOWK, it is not possible to remove the improvements immediately. The STATE shall be entitled to all other remedies available under this Agreement and by law, which remedies shall be cumulative and not exclusive.

15. Termination. If not otherwise terminated or cancelled, this Agreement may be cancelled in whole or in part at any time by the mutual written agreement of the parties hereto, or by the STATE in its sole discretion. This Agreement shall also be deemed terminated upon the STATE or the DOWK's removal of the Old Facilities from the Property in compliance with this Agreement. Any termination or cancellation of this Agreement, in whole or in part, shall not relieve the DOWK of its obligations to indemnify, defend and/or hold harmless the STATE pursuant to Paragraphs 11 (Indemnity) and 16 (Hazardous Substances) herein with respect to any such claims, demands, liabilities, suits, actions, judgments, costs and expenses for loss, injury, death or damage arising prior to such termination or cancellation of all or a portion of this Agreement.

a. **STATE pre-approval required.** The DOWK shall not cause or permit the presence, escape, disposal, discharge or release of any hazardous substances except as permitted by law. The DOWK shall not allow the storage or use of such substances in any manner not sanctioned by law for the storage and use of such substances. As used in this Paragraph 16, the "presence, escape, disposal, discharge or release of any hazardous substances" includes, but is not limited to, oil, fuel, PCB spillage or leakage, improper waste oil disposal, and pollution of any water attributable to the DOWK'S: (1) operation and activities on or connected with the Property; or (2) use and occupancy of the Property.

b. **DOWK'S best knowledge and belief.** If any lender or governmental agency shall ever reasonably require testing to ascertain whether or not the DOWK has caused or permitted the escape, disposal, discharge or release of hazardous substances, then the DOWK shall be responsible for the sole costs thereof. In addition, the DOWK shall execute affidavits, representations and the like from time to time at the STATE'S request concerning the DOWK'S best knowledge and belief regarding the presence of hazardous substances on, within or under the Property and/or the escape, disposal, discharge or release of hazardous substances therefrom.

c. **DOWK'S indemnification.** The DOWK agrees to indemnify, defend, and hold harmless the STATE, its officers, agents and employees from any claims, demands, law suits, actions, judgments, liabilities, losses, damages, costs and expenses arising out of, connected with or related to: (1) the presence, escape, disposal, discharge or release of hazardous substances on, within, under or from the Property caused by the DOWK, its employees, agents, or contractors; (2) the DOWK'S
performance of the DOWK'S obligations under subparagraph 16.e. below; or (3) the DOWK'S failure to comply with any environmental laws, including failure to obtain required permits. These covenants shall survive the expiration or earlier termination of this Agreement.

d. "Hazardous Substances" definition. For the purpose of this Agreement "hazardous substances" shall mean any pollutant, toxic substance, hazardous waste, hazardous material, hazardous substance, petroleum product or oil as defined in or pursuant to the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation, and Liability Act, and the Federal Clean Water Act, all as amended, or any other federal, state or local environmental law, regulation, ordinance, rule, or by-law, whether existing as of the date hereof, previously enforced, or subsequently enacted.

e. DOWK'S clean-up obligation. Upon termination of this Agreement, the DOWK shall, at the DOWK'S sole cost and expense, clean-up to levels satisfactory to the State of Hawaii Department of Health ("DOH") and/or the United States Environmental Protection Agency ("EPA") any hazardous substances released onto the Property by the DOWK its employees, agents or contractors. This section shall not be construed to require the DOWK to clean up or respond to any hazardous substances pre-existing on the Property, provided that the DOWK, its employees, agents, or contractors were not responsible for the presence of said pre-existing hazardous substances on the Property or any hazardous substances not released by the DOWK its employees, agents or contractors.

f. Protection of waters. The DOWK shall maintain and employ reasonable debris, pollution and contamination control measures, safeguards and techniques to
prevent debris, pollution or contamination to ocean waters, streams or waterways resulting from the activities or operations of the DOWK and the DOWK's employees, agents or contractors on, within, over, through, across, under or connected with the Property, and shall take immediate corrective action in the event of an unauthorized release of hazardous substances by the DOWK, its employees, agents, or contractors, to immediately remove or correct the cause of such release, and shall immediately clean the Property and affected areas and surrounding waters of such pollutant or contaminant to levels satisfactory to the DOH and/or EPA, all at the DOWK's sole cost and expense. This section shall not be construed to require the DOWK to clean up or respond to any hazardous substances pre-existing on the Property provided that the DOWK, its employees, agents, or contractors were not responsible for the presence of said pre-existing hazardous substances on the Property or the hazardous substances were not released by the DOWK its employees, agents or contractors.

g. Burden of proof. In all instances, the DOWK accepts the burden of establishing that it is not responsible for the existence of Hazardous Substances on, within, under or from the Property. If the DOWK cannot establish that it is not responsible for the existence of Hazardous Substances on, within, under or from the Property, the DOWK shall be deemed responsible for the existence of Hazardous Substances.

17. Removal or relocation of Old Facilities. Notwithstanding the provisions of Section 264-33, Hawaii Revised Statutes, in consideration of the STATE allowing the DOWK to abandon the Old Facilities in place, if due to construction, reconstruction or maintenance of the Property, the STATE performs work of any kind within, on, over, under, across, near,
or affecting the Property, the DOWK shall be responsible for the complete removal of all or any portion of the Old Facilities from the Property and complete restoration thereof deemed necessary by the State, without cost and expense to the STATE. The STATE'S Pipeline Removal Policy is attached hereto as Exhibit C and incorporated by reference.

18. Removal upon Termination. Upon any full or partial termination or cancellation of this Agreement, the DOWK at its sole cost and expense, shall:

a. Remove and restore. At a time to be determined by the STATE in its sole discretion, the DOWK shall remove any and all portions of the Old Facilities installed or constructed on, within, under, over or across the Property, and any improvements, equipment, facilities, components and appurtenances relating thereto, and reasonably restore that portion of the Property affected by the Old Facilities to as good a condition as existed prior to the commencement of this Agreement, to the satisfaction of the STATE, and if the DOWK fails to do so, the DOWK shall be solely responsible for all reasonable costs and expenses incurred by the STATE in completing and accomplishing such restoration, including but not limited to, any costs the STATE incurs in removing and disposing of the Old Facilities;

b. Surviving Obligations. Such termination or cancellation shall not relieve the DOWK of its obligations to indemnify, defend and hold harmless the STATE pursuant to Paragraphs 11 (Indemnity) and 16 (Hazardous Substances) herein with respect to any such claims, demands, liabilities, suits, actions, judgments, costs and expenses for loss, injury, death or damage arising prior to such termination or cancellation of all or a portion of this Agreement.
19. Compliance with Laws. The DOWK, at all times during the term of this Agreement, shall secure all necessary permits and shall comply with all applicable requirements of the federal, state, and county authorities and shall observe all applicable federal, state and county laws, statutes, ordinances, rules and regulations, now in force or which may hereafter be in force, including, but not limited to, all laws and regulations applicable to the use of areas within the highway right-of-way or federal-aid highways.

20. STATE'S Right to Act. In the event the DOWK fails for any reason to comply with any of its duties under this Agreement or under any environmental laws within the time set for doing so, or within a reasonable time as determined by the STATE, the STATE shall have the right, but not the obligation, in its sole discretion, to perform those duties, or cause them to be performed. The DOWK hereby grants access to the Property and the Old Facilities at all hours to the STATE, its agents and anyone designated by the STATE, in order to perform said acts and duties. Any cost, expense, or liability of any type that may be incurred by the STATE in performing said acts or duties shall be the sole responsibility of the DOWK and the DOWK hereby agrees to immediately pay to the STATE all of such costs and expenses incurred by the STATE in performing said acts or duties. This obligation shall extend to any costs and expenses incident to enforcement of the STATE'S right to act, including litigation costs, attorneys' fees and the costs and fees for collection of said costs, expenses or liability.

21. Prehistoric & Historic Remains. Any and all prehistoric and historic remains found at, in, on, over, or under the Premises shall be and remain the property of the State of Hawaii, and shall not be disturbed or removed by the DOWK,
and/or the DOWK'S successors in interest, assigns, officers, directors, employees, agents, or guests, without the express written approval of the STATE. Upon discovery of any prehistoric or historic remains, the DOWK shall immediately stop and cease any further disturbance of the remains and surrounding portion(s) of the Premises containing the remains, and promptly notify the STATE of such discovery.

22. Amendments. Neither this Agreement, nor any provision hereof, may be amended, discharged, or terminated orally, and any such amendments must be made by an instrument in writing, signed by the parties hereto.

23. Binding Effect. All provisions contained in this Agreement shall be binding upon and inure to the benefit of the respective parties, their successors and permitted assigns, and officers, agents, and employees or any person acting for and on their behalf.

24. Singular, Plural. All words used herein the singular number shall extend to and include the plural. All words used in any gender shall extend to and include all genders.

25. Headings. The headings and captions herein are for convenience of reference only and are not intended to fully describe, define or limit the provisions of this Agreement to which they may pertain.

26. Severability. In the event that any provision of this Agreement is declared invalid or unenforceable by a court, such invalidity or unenforceability shall not affect the validity or enforceability of the remaining terms of this Agreement.

27. Waiver. The failure of the STATE to insist upon strict compliance with any term, provision, or condition of this
Agreement shall not constitute or be deemed to constitute a waiver or relinquishment of the STATE'S right to enforce the same in accordance with this Agreement.

28. Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of Hawaii.

29. Nondiscrimination. The use and enjoyment of the Premises shall not be in support of any policy which discriminates upon any basis or in any manner that is prohibited by any applicable federal, state, or county law.

30. Notices. Except as otherwise specifically provided in this Agreement, any notice, consent, request, demand, or other correspondence given under this Agreement shall be in writing and given by delivering the notice in person or by commercial courier, or by sending it by first-class mail, certified mail, return receipt requested, or overnight courier, return receipt requested, with postage prepaid, to: (a) the DOWK at the address as stated on page one herein; or (b) the STATE at the following address: State of Hawaii, Department of Transportation, Highways Division, 869 Punchbowl Street, Honolulu, Hawaii 96813, Attn: Administrator; or (c) such other address as either the DOWK or the STATE may designate, in writing, as its new address for such purpose by notice given to the other in accordance with this section. Any notice hereunder shall be deemed to have been given and received and effective two (2) calendar days after the date when it is mailed, if sent by first-class, certified mail, one (1) calendar day after the date when it is mailed if sent by overnight courier, or upon the date personal delivery is made.

31. Entire Agreement. This instrument constitutes the entire agreement of the parties with respect to the matters
set forth in this Agreement, and, except as specifically provided otherwise herein, there are no agreements, understandings, warranties, or representations between the parties except as set forth herein. This Agreement cannot be modified except by an instrument, in writing, signed by each of the parties. Any termination or cancellation of this Agreement, in whole or in part, shall not relieve the DOWK of its obligations to indemnify, defend and/or hold harmless the STATE as provided herein.

32. Counterparts. This instrument may be executed in two or more counterparts, and when all counterparts have been executed, each counterpart shall be considered an original but when assembled shall constitute one and the same instrument, and shall have the same force and effect as though all the signatories had executed a single instrument. Any unexecuted duplicate pages may be omitted from the assembled original document.

33. No Recordation. This instrument shall not be recorded.

34. No Third Party Beneficiaries. No third party beneficiaries are intended by this Agreement, and the terms and provisions of this Agreement shall not give rise to any right in third parties to enforce the provisions of this Agreement.

35. No Drafter. The DOWK and the STATE agree that no party shall be deemed to be the drafter of this Agreement and further that in the event that this Agreement is ever construed by a court of law, such court shall not construe this Agreement or any provision of this Agreement against any party as the drafter of this Agreement.
IN WITNESS WHEREOF, the undersigned have executed this Memorandum of Agreement (Associated with UOA No. 237), the day and year first above written.

STATE OF HAWAI'I
DEPARTMENT OF TRANSPORTATION

APPROVED AS TO FORM AND
AND LEGALITY:

Print Name: Andrea Suzuki
Title: Deputy County Attorney

By: ______________________
Its: ______________________ STATE

BOARD OF WATER SUPPLY
COUNTY OF KAUA'I

By: ______________________
Name: Sherman Shiraishi
Title: Chairperson

Manager and Chief Engineer
Department of Water,
County of Kaua'i

APPROVED AS TO
FORM:

Deputy Attorney General
Print Name: _____________________

DOWK
On this ______ day of __________________, 2015, before me appeared SHERMAN SHIRAISHI, to me personally known, who, being by me duly sworn, did say that he 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, and said officer acknowledged said 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:______
EXHIBIT A

"USE AND OCCUPANCY AGREEMENT NO. 237"
(For Water Line Purposes)

Being portions of Kaumuali'i Highway Improvements
At Halewili Road, Project No. 50C-02-87, Kaumuali'i
Highway (formerly Kauai Belt Road, Project No. NRH 12-C) and
Halewili Road (formerly McBryde Mill Road, PAA Project No. 5-A (1))
Land situated at Wahlawa, Koloa, Kauai, Hawaii.

Beginning at the Northeast corner of this piece of land, the coordinates of said point of beginning
referred to Government Survey Triangulation Station "PCHAKLE" being 6,186.62 feet South and
3,131.54 feet East, thence running by azimuth measured clockwise from true South:

1. 350°42'30" 7.87 feet along remainder of Kaumuali'i
   Highway, (formerly Kauai Belt Road
   Project No. NRH 12-C);

2. 80°42'30" 25.72 feet along same;

3. 350°42'30" 5.75 feet along same;

4. 80°42'30"  3.00 feet along same;

5. 170°42'30"  5.75 feet along same;

6. 80°42'30" 48.00 feet along the remainders of Kaumuali'i
   Highway (formerly Kauai Belt Road, Project
   No. NRH 12-C) and Kaumuali'i Highway
   Improvements at Halewili Road, Project No.
   50C-02-87;

7. 350°42'30"  7.00 feet along the remainder of Kaumuali'i Highway
   Improvements at Halewili Road, Project
   No. 50C-02-87;

Licensed Professional Land Surveyor
Certificate 12973-LS
Expires: April 30, 2016
Portugal Surveying, LLC
Lihue, Kauai, Hawaii
June 2, 2014
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25. 168°45'00" 4.92 feet along same;
26. 78°43'00" 30.93 feet along same;
27. 33°14'00" 167.12 feet along same;
28. 303°14'00" 18.83 feet along same;
29. 33°14'00" 20.49 feet along same;
30. 35°14'00" 57.51 feet along same;
31. 33°14'00" 146.06 feet along remainder of Kaumualii Highway Improvements at Halewili Road, Project No. 50C-02-87 and Halewili Road (formerly McBryde Mill Road, FAS Project No. S-A(1));
32. 14°03'00" 13.61 feet along the remainder of Halewili Road (formerly McBryde Mill Road, FAS Project No. S-A(1));
33. 33°14'00" 71.35 feet along same;
34. 123°14'00" 26.04 feet along same;
35. 213°14'00" 91.19 feet along same;
36. 303°14'00" 11.82 feet along same;
37. 213°14'00" 43.05 feet along remainder of Halewili Road (formerly McBryde Mill Road, FAS Project No. S-A(1)) and Kaumualii Highway Improvements at Halewili Road, Project No. 50C-02-87;
38. 303'14"00" 7.76 feet along the remainder of Kaumuali'i Highway Improvements at Halowill Road, Project No. 50C-02-87;
39. 213'14"00" 92.26 feet along same;
40. 213'14"00" 37.51 feet along same;
41. 213'14"00" 18.45 feet along same;
42. 123'14"00" 18.53 feet along same;
43. 213'14"00" 172.52 feet along same;
44. 258'45"00" 22.13 feet along same;
45. 170'42"30" 17.85 feet along same;
46. 260'42"30" 15.85 feet along same;
47. 350'42"30" 17.68 feet along same;
48. 260'42"30" 918.85 feet along the remainders of Kaumuali'i Highway Improvements at Halowill Road, Project No. 50C-02-87 and Kaumuali'i Highway (formerly Kual Belt Road, Project No. NRH 12-C);
49. 170'42"30" 4.34 feet along the remainder of Kaumuali'i Highway (formerly Kual Belt Road, Project No. NRH 12-C);
50. 260'42"30" 16.44 feet along same to the point of beginning and containing an area of 8,006 Square Feet.

[Stamp]

Licensed Professional Land Surveyor
Certificate 12973-L9
Explorer: April 30, 2016
Portugal Surveying, LLC
Lihue, Kauai, Hawaii
June 2, 2014

Page 4 of 4
TO: HWY, HAR, AIR Offices

FROM: DFD/CA Dir

SUBJECT: Departmental Pipeline Removal Policy

Respectfully submitted, it is the current policy of the Department of Transportation (DOT) that all pipeline and utility lines be removed from DOT property. This policy is being adopted in order to address the increasing problem of unauthorized, abandoned pipeline and utility lines, and to minimize the risk of injuries to motorists and passengers.

The DOT will, where possible, revoke the right to use the areas where pipelines and utility lines are located. The DOT will also require the pipelines and utility lines to be removed. These actions will be taken through the issuance of letters to the property owners.

In addition, any plans that the public agency, private, county, and federal agencies and other governmental or private parties have in the vicinity of the existing pipelines and utility lines to other utility companies may be met with resistance. This DOT and Company Agreement is intended to ensure that the rights under this Agreement shall not be subject to sale, lease, conveyance, or otherwise transferred, assigned, or encumbered, except with the prior written consent of the DOT. This Agreement should be noted in any utility agreement forms currently in use. In any such case and/or activity, the appropriate DOT Director must be advised immediately, and appropriate steps must be taken to ensure compliance with the DOT.

Each division is hereby responsible to notify by letter to be signed by the Director to all of their utility companies, state, county, and federal agencies, and tenants/users that currently have lines within our properties and highway right-of-ways subject to this policy.

You should also notify any company, agency, tenant/user that in the event such company, agency, or tenant/user is already leasing any of the existing abandoned lines to other companies for use in fiber optic, utility, or other use, and there is no direct agreement for such use with the DOT, they must notify the DOT within five (5) working days of said letter describing the assignee and the current use and/or activities. They must be further advised that those unauthorized uses and/or activities must be immediately terminated, or a direct agreement with the DOT must be reached for their continued use. The DOT will otherwise take appropriate action against said violators.

To ensure consistency within each of the divisions, a sample letter is attached.

[Sample letter attached]

Signed by all Branch Section Heads 12/14/02.
MANAGER’S REPORT No. 16-02

July 23, 2015

Re: Budget Resolution No. 16-01 for Adoption

RECOMMENDATION:
It is recommended that the Board approve Resolution No. 16-01, Department of Water (DOW) Operating & Capital Budget for FY 2015-2016.

BACKGROUND:
The Kauai Board of Water Supply approved the DOW Operating Budget and New Capital Outlay Budget for FY 2015-2016 on May 21, 2015.


Your approval of Resolution No. 16-01 is hereby recommended.

Respectfully submitted,

Kirk Saiki, P.E.
Manager and Chief Engineer

Attachments: 2015 – 2016 Budget Summary
              Budget Resolution No. 16-01

Mgrrp/July 2015/Manager’s Report 16-02/Budget Resolution No. 16-01 for Adoption (7-23-15):ein
## Revenue Summary

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## Operating Expense Summary

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</table>
## Operating Expense Summary

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<tr>
<th></th>
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<tr>
<td>565-000 Bulk Water Purchase</td>
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Items 601, 602 and 682 are balance sheet items that are tracked as revenues and expenses for convenience during the year.
### Operating Expense Detail

#### Water Utility Fund Operating Expenses

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<tr>
<th>510-010</th>
<th>Salaries and Wages (YTD Actual expenses includes compensated annual leaves and comp time.)</th>
<th>$4,472,433</th>
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### Operating Expense Detail

#### OPERATING EXPENSES (Detail)

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## Operating Expense Detail

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**FY 2015- 2016 budget**

**2015-16 Budget Summary**

**Operating Expense Detail**

**Final 7/17/2015**

**9 of 14**
# Operating Expense Detail

## Operating Expenses (Detail)

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### OPERATING EXPENSES (Detail)

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# New Capital Outlay

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<tr>
<td><strong>CAPITAL Outlay (New Appropriations)</strong></td>
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<td>10-20-00-604-144 WU-Eng-Anini waterline ph b (RR 21%)</td>
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<td>10-20-00-604-146 WU-Eng-Hanapepe-Eleele Connecting Pipeline HE-1 and HE-10 (RR 12%)</td>
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<td>10-20-00-604-149 WU-Eng-Kuhio Hwy (N. Papaloa to Waikaeu Canal) Main Replacement (RR 56%)</td>
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## New Capital Outlay

### CAPITAL Outlay (New Appropriations)

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<td><strong>Water Utility Fund (Capital Projects - R&amp;R - Construction)</strong></td>
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### FRC Fund (Capital Projects - Expansion - Design)

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<td>20-20-00-605-010 FRC-Eng-ALLE-Wailua Homesteads 538 1.0 MG Tank</td>
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<td>20-20-00-605-016 FRC-Eng-ALLE-Poipu 1 MG Storage Tank</td>
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<td>20-20-00-605-017 FRC-Eng-ALLE-18IN Cane Haul Road Main</td>
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<td>20-20-00-605-156 FRC-Eng-land acquisition for Poipu tank</td>
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<td>20-20-00-605-156 FRC-Eng-land acquisition for Haena 0.2 MG tank</td>
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FY 2015-2016 budget
2015-16 Budget Summary
New Capital Outlay
Final 7/17/2015
RESOLUTION NO. 16-01

BE IT RESOLVED by the Board of Water Supply of the Department of Water, County of Kauai, State of Hawaii, that the following sums or so much thereof as may be necessary respectively are hereby appropriated for the objects and purposes hereinafter specified for the period beginning July 1, 2015 and ending June 30, 2016, out of moneys available and received by the Treasury of the County of Kauai for the several funds hereinafter mentioned.

INTRODUCED BY:  ________________________________________________________
Sherman Shiraishi, Chairperson            DATE:   July 23, 2015

DATE:  July 23, 2015

CERTIFICATION

I hereby certify that the foregoing Resolution No. 16-01 was adopted by the Board of Water Supply, County of Kauai at the Regular Meeting held on July 23, 2015.

For Adoption:

Total:

Against Adoption:

Absent:

Laurie Ho, Secretary
Board of Water Supply
MANAGERS REPORT No. 16-03

July 23, 2015

Re: Discussion and Possible Action to approved the Supplemental Loan Agreement No. 1 to the State Revolving Fund Loan (Project No. DW413-0008) obtained for Job No. 02-15, WK28, and Wailua Houselots Main Replacement

RECOMMENDATION:
It is recommended that the Board approve the Supplemental Loan Agreement No. 1.

OPTIONS:

1) Approve the Supplemental Loan Agreement No. 1

   Pros: This will allow SRF loan to be closed out as the DOH has requested that the loan be closed through execution of the Supplemental Loan Agreement No.1.

   Cons: None

2) Do not approve Supplemental Loan Agreement No. 1

   Pros: None

   Cons: This would leave the SRF loan open for a project that is already completed. Will not allow DOH to free up the remaining money for other SRF projects.

FUNDING: Not applicable.

BACKGROUND:
The major components of the project was to furnish and install materials for the installation of approximately 12,226 linear feet of 8-inch, 127 linear feet of 4-inch, 12 linear feet of 6-inch, 12 linear feet of 16-inch, and 22 linear feet of 12-inch ductile iron water mains and appurtenances and connections to existing 4-inch, 6-inch, 8-inch, and 12-inch water mains. Further, furnishing and installing materials for the installation of temporary 4-inch, 6-inch, 8-inch, 12-inch, and 16-inch ductile iron waterlines and connections to existing water facilities in order to service and protect existing customers during the installation of the new 4-inch, 6-inch, 8-inch, 12-inch, and 16-inch ductile iron water main, installation of new water valves, installation of new fire hydrants, installation of new service laterals with meter boxes, installation of new air relief valves with meter boxes, installation of new miscellaneous waterline accessories, cutting and plugging and removal of existing waterlines and service laterals, salvaging of existing fire hydrants, standpipes, valves, and valve boxes, and restoration and repaving work.
The Board entered into a “Final Agreement” on April 15, 2013 for State Revolving Fund Loan (Project No. DW413-0008) obtained for Job No. 02-15, WK28, Wailua House lots Main Replacement. The original loan amount was $4,671,000.00. The DOW CM Division also secured $750,000 in principal forgiveness based on our proposed business case to make it a “green” project by increasing pipeline efficiency. Further, through proactive DOW project management and contractor efforts, the project was completed in 2014 under budget by over $200K.

The State is asking the DOW to complete the Supplemental Loan Agreement No. 1 in order to amend the final loan amount, interest fee and repayment schedule based on final construction costs. The final loan amount is $4,463,084 based on final construction costs. The actual amount loaned is $3,713,084 after deduction of the $750,000 principal forgiveness. The principal forgiveness aspect allowed this project to end up as a net $191,762 savings after factoring in total interest, principal and loan fee. Details of Supplemental Loan Agreement No. 1 are provided in the attachment.

It should be noted that SRF grants make the SRF loan program attractive and beneficial to the DOW. Where grants or 0% interest/loan fee are not available to reduce the costs to equal of the actual construction final costs, the DOW should strive to cash fund all projects necessary to avoid the loan fees and reduce cumulative end costs to our customers.

Respectfully submitted,

Dustin Moises, P.E.
Construction Project Management Officer

CONCURRED:

Kirk Saiki, P.E.
Manager and Chief Engineer

Attachments: Proposed Supplement Agreement No. 1 to Modify an Agreement with the Board of Water Supply, County of Kauai, for State Revolving Loan Fund, Project No. DW413-0008, Wailua House lots Main Replacement, Phase 1

Mgr/nr July 2015/16-03/Discussion and Possible Action to approved the Supplemental Loan Agreement No. 1 to the State Revolving Fund Loan (Project No. DW413-0008) obtained for Job No. 02-15, WK28, and Wailua House lots Main Replacement (7-23-15)
SUPPLEMENTAL AGREEMENT NO. 1

TO MODIFY AN

AGREEMENT WITH THE BOARD OF WATER SUPPLY, COUNTY OF KAUA'I

FOR STATE REVOLVING FUND LOAN

FOR THE CONSTRUCTION OF DRINKING WATER PROJECT

LOAN FROM DRINKING WATER TREATMENT REVOLVING LOAN FUND

Project No. DW413-0008

Project Title: Job No. 02-15, WK28, Wailua House Lots
Main Replacement - Phase I

THIS SUPPLEMENTAL AGREEMENT NO. 1, made and entered
into as of the 15th day of April, 2015, by and between the
DIRECTOR OF THE DEPARTMENT OF HEALTH, STATE OF HAWAII,
("DIRECTOR") and the BOARD OF WATER SUPPLY OF THE COUNTY OF
KAUA'I ("BOARD") (The DIRECTOR and the BOARD are collectively the
"parties"). The BOARD has jurisdiction over the Department of
Water of the County of Kauai, which is a semi-autonomous agency
of the County of Kauai consisting of the BOARD, a manager and
chief engineer, and the necessary staff. The BOARD has the
power to contract, borrow, and to sue and be sued in its own
name, and has its principal office at 4398 Pua Loke Street,

ADM. SERV. OFFICE
LOG NO. 13-127a-15
Lihue, Hawaii 96766. This supplemental agreement is further identified as the DEPARTMENT'S ADM. SERV. OFFICE LOG NO. 13-127a-15. The undersigned parties WITNESS THAT:

WHEREAS, the parties on February 15, 2012, entered into an interim agreement for "State Revolving Fund Loan with The BOARD OF WATER SUPPLY OF THE COUNTY OF KAUAI For The Construction Of Drinking Water Project," which agreement shall be referred to as the "Interim Agreement";

WHEREAS, the parties on April 15, 2013, entered into a "Final Agreement" to replace the "Interim Agreement," which agreement is further identified as the DEPARTMENT'S ADM. SERV. OFFICE LOG NO. 13-127;

WHEREAS, the parties wish to amend section 3, "ESTIMATED COST OF CONSTRUCTION," on page 4, in the Final Agreement by replacing the "Project Budget," Exhibit "A," with a new "Project Budget," Exhibit "F," which is the actual eligible cost breakdown of the project;

WHEREAS, the parties wish to amend paragraph "a" of section 4, "LOAN AMOUNT," on page 5, in the Final Agreement to reduce the loan amount to FOUR MILLION, FOUR HUNDRED SIXTY-THREE
THOUSAND, EIGHTY-FOUR DOLLARS ($4,463,084) to reflect the total amount of payments actually paid to the BOARD;

WHEREAS, the parties wish to amend section 7, "LOAN FEE," on page 7, of the Final Agreement to reflect the new loan repayment schedule, Exhibit "G," with an annual interest rate of 0.50%;

WHEREAS, the parties wish to amend paragraph "a" of section 11, "REPAYMENT OF LOAN," on page 11, in the Final Agreement to reflect the semiannual loan repayment amounts, which are based on the new loan repayment schedule, Exhibit "G";

WHEREAS, the parties wish to add the Loan Repayment Amortization and Fee Schedule, Exhibit "G," to accurately reflect the repayment amounts, due dates, and loan fee payments which are based on payments made to the BOARD according to paragraph "a" and "b" of section 11 of the Final Agreement;

WHEREAS, the parties wish to amend section 11, "REPAYMENT OF LOAN," on page 11, in the Final Agreement to add a new paragraph "i" to reflect the new repayment schedule, Exhibit "G";

WHEREAS, the parties desire to modify, alter, and change the Final Agreement to provide for these changes;

ADM. SERV. OFFICE
LOG NO. 13-127a-15
NOW, THEREFORE, the parties mutually agree that the Final Agreement is hereby modified, altered, and changed as follows:

1. Section 3, titled, "ESTIMATED COST OF CONSTRUCTION," on page 4, of the Final Agreement, is modified to read as follows:

   "3. ESTIMATED COST OF CONSTRUCTION  The estimated cost of the construction is FOUR MILLION, FOUR HUNDRED FORTY-EIGHT THOUSAND, NINE HUNDRED SEVENTY DOLLARS ($4,448,970), and the estimated total eligible cost of the construction project is FOUR MILLION, FOUR HUNDRED FORTY-EIGHT THOUSAND, NINE HUNDRED SEVENTY DOLLARS ($4,448,970). Pursuant to Section 1452(a)(2) of the Safe Drinking Water Act, 42 U.S.C. § 300j-12(a)(2), the only items eligible for DWTRLF participation will be those items specified as "eligible" in a Plans and Specifications Approval Letter dated December 28, 2012. The Project Budget, which is the breakdown of the total eligible cost, is attached hereto as Exhibit "F" and made a part hereof."

2. Paragraph "a" of Section 4, titled, "LOAN AMOUNT," on page 5, of the Final Agreement is modified to read as follows:

ADM. SERV. OFFICE
LOG NO. 13-127a-15

4
"4. **LOAN AMOUNT**

a. Subject to the availability of federal funds, the DIRECTOR shall loan the BOARD a total amount not to exceed FOUR MILLION, FOUR HUNDRED SIXTY-THREE THOUSAND, EIGHTY FOUR DOLLARS ($4,463,084), consisting of SEVEN HUNDRED FORTY-SIX THOUSAND, TWO HUNDRED EIGHTY-FOUR AND 96/100 DOLLARS ($746,284.96) of federal funds under the Capitalization Grant, which shall be paid from Appropriation Account No. S-14-344-H-014207-20-420; ONE HUNDRED SEVENTY-TWO THOUSAND, SEVEN HUNDRED SEVENTY-THREE AND 57/100 DOLLARS ($172,773.57) of state DWSRF match funds, which shall be paid from Appropriation Account No. S-14-344-H-014207-21-421; TWO MILLION, FIVE HUNDRED THIRTY-FIVE THOUSAND, THREE HUNDRED TWENTY-TWO AND 17/100 DOLLARS ($2,535,322.17) of federal funds under the Capitalization Grant, which shall be paid from Appropriation Account No. S-14-344-H-015207-20-420; SEVEN HUNDRED SIXTY-FOUR THOUSAND, SIX HUNDRED NINETY-FIVE AND 30/100 DOLLARS ($764,695.30) of state DWSRF match funds, which shall be paid from Appropriation Account No. S-14-344-H-015207-21-421; and TWO HUNDRED FORTY-FOUR THOUSAND, EIGHT DOLLARS ($244,008) of DWSRF Principal from Repayments Funds, which shall be paid from Appropriation Account No. S-14-344-H-017207-22-422."

ADM. SERV. OFFICE
LOG NO. 13-127a-15
3. Section 7, titled, "LOAN FEE," on page 7, of the Final Agreement, is modified to read as follows:

"7. LOAN FEE

a. The BOARD shall pay the DIRECTOR a semiannual loan fee payable on the same dates that corresponding repayments of the principal and interest on the loan are due, starting on repayment no. 4 on October 15, 2015 of the Loan Repayment Amortization and Fee Schedule, in thirty-five (35) semiannual installments with the last semiannual loan fee at FIVE HUNDRED THREE AND 71/100 DOLLARS ($503.71) on repayment no. 39 on April 15, 2033. The BOARD paid the loan fee amount to the DIRECTOR in three semiannual installments; one semiannual installment of ELEVEN THOUSAND, SIX HUNDRED EIGHTY-FIVE AND 84/100 DOLLARS ($11,685.84) on April 15, 2014; one semiannual installment of SEVENTEEN THOUSAND, ONE HUNDRED FORTY-EIGHT AND 31/100 DOLLARS ($17,148.31) on October 15, 2014; and one semiannual installment of SEVENTEEN THOUSAND, EIGHT HUNDRED FORTY-FIVE AND 15/100 DOLLARS ($17,845.15) on April 15, 2015, based on Exhibit "G," with an annual interest rate of 0.50%. The semiannual loan fee is calculated by taking zero and fifty one-hundredth per cent (0.50%) of the outstanding principal balance at the time the semiannual repayment is due. A Loan

ADM. SERV. OFFICE
LOG NO. 13-127a-15
Repayment Amortization and Fee Schedule, Exhibit "G," with an annual interest rate of 0.50% is attached to accurately reflect the semiannual loan fee payments due under this agreement."

4. Paragraph "a" of section 11, titled, "REPAYMENT OF LOAN", page 11 of the Final Agreement is modified to read as follows:

"11. **REPAYMENT OF LOAN** The loan, including interest shall be repaid as follows:

a. The BOARD shall repay the loan amount, starting on repayment no. 4 on October 15, 2015 of the Loan Repayment Amortization and Fee Schedule, together with all interest accruing thereon, in thirty-five (35) semiannual installments of ONE HUNDRED ONE THOUSAND, ONE HUNDRED TEN AND 75/100 DOLLARS ($101,110.75), with the last semiannual installment at ONE HUNDRED THOUSAND, NINE HUNDRED NINETY-TWO AND 15/100 DOLLARS ($100,992.15) on repayment no. 39 on April 15, 2033. The actual repayments will be based on payments made to the BOARD. The BOARD repaid the principal and interest amounts of the loan to the DIRECTOR in three semiannual installments; one semiannual installment of SIXTY-TWO THOUSAND, NINE HUNDRED SEVENTY-ONE AND 12/100 DOLLARS ($62,971.12) on April 15, 2014; one semiannual installments of

ADM. SERV. OFFICE
LOG NO. 13-127a-15
NIKETY-FOUR THOUSAND, SEVEN HUNDRED TWENTY-ONE AND 90/100 DOLLARS ($94,721.90) on October 15, 2014; and one semiannual installments of ONE HUNDRED ONE THOUSAND, ONE HUNDRED TEN AND 75/100 DOLLARS ($101,110.75) on April 15, 2015, based on an annual interest rate of 0.50%, twenty (20) year amortization (Exhibit “G”). The last semiannual installment of principal and interest shall be repaid to the DIRECTOR not later than twenty (20) years after the date of the Final Agreement, which was established as April 15, 2013.”

5. Paragraph “i” of section 11, titled, “REPAYMENT OF LOAN,” is added to the Final Agreement to read as follows:

“i. The Loan Repayment Amortization and Fee Schedule, which is based on the date of the Final Agreement, payments made to the BOARD, repayment amounts, due dates, and loan fee payments, is attached as Exhibit “G,” with an annual interest rate of 0.50% and is made part of this agreement and effective April 15, 2015. The BOARD shall repay the principal and interest to the DEPARTMENT OF HEALTH according to the repayment due dates as reflected in the latest Loan Repayment Amortization and Fee Schedule Exhibit “G,” with an annual interest rate of 0.50%.”

ADM. SERV. OFFICE
LOG NO. 13-127a-15
IT IS FURTHER UNDERSTOOD AND AGREED THAT this Supplemental Agreement No. 1 is supplemental to the Interim and Final Agreements and all terms, conditions, and provisions thereof, unless specifically modified, altered, and changed herein, remain in full force and effect.
IN WITNESS WHEREOF, the parties hereto have executed this Supplemental Agreement No. 1 effective as of the day and year first above written.

DEPARTMENT OF HEALTH,
STATE OF HAWAII

By ____________________________
Its Director of Health

BOARD OF WATER SUPPLY
DEPARTMENT OF WATER,
COUNTY OF KAUI

By ____________________________
Its Chairperson

APPROVED AS TO CONTENT:

[Signature]
Manager and Chief Engineer
DEPARTMENT OF WATER,
COUNTY OF KAUI

APPROVED AS TO FORM:

______________________________
Deputy Attorney General
STATE OF HAWAII

APPROVED AS TO FORM AND LEGALITY:

[Signature]
County Attorney
COUNTY OF KAUI

ADM. SERV. OFFICE
LOG NO. 13-127a-15
PROJECT BUDGET

The BOARD and the DIRECTOR acknowledge that the actual cost of the Project has not been determined as of the effective date of this Agreement. Project cost adjustments may be made as a result of construction bidding or mutually agreed upon Project changes. The final cost shall be established after all Project costs are reviewed subsequent to the Project final construction inspection. Changes in Project costs may also occur as a result of the BOARD's Project audit or an independent audit under the Single Audit Act. Until this Agreement is amended, the BOARD agrees to the following estimates for the Project cost:

1. Architectural engineering basic fees
   (Design allowance) $ 

2. Other architectural engineering fee

3. Project inspection fees - CM

4. Construction and project improvement (Goodfellow Bros, Inc.) 4,449,135.70

5. Equipment

6. Total (Lines 1 through 5) 4,449,135.70

7. Less: Ineligible Exclusions

8. Add: Contingencies 13,948.30

9. Total Eligible Project Amount 4,463,084.00

10. DWTRLF loan requested of Line 9 4,463,084.00

11. BOARD share

12. Other shares

13. Total project costs (Lines 10,11,&12) $4,463,084.00

Exhibit "F"
## Loan Repayment Amortization and Fee Schedule

**Project Description:** Job No. 02-15, WK28, Wailua House lots Main Replacement - Phase I

**Borrower:** County of Kauai

**Loan No.:** DW413-0008

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<th>DATE</th>
<th>PAY No.</th>
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<th>PRINCIPAL</th>
<th>INTEREST &amp; LOAN PRINCIPAL</th>
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ADM. SERV. OFFICE
LOG NO. 13-127a-15

Exhibit "G"

- 2 -

Last Updated: 02/19/15
MANAGER’S REPORT No. 16-04:  

July 23, 2015

Re: Discussion and Possible Action for the transfer of funds in the amount of $129,525.00 from the construction budget to the design budget for Job No. 13-05 Water Plan 2020 Project No. WKK-09, Kolo Road Main Replacement for Contract No. 579 for additional design services

RECOMMENDATION:  
It is recommended that the Board approve the transfer of funds in the amount of $129,525.00 from Account no. 10-21-00-604-032 Water Utility Fund (Kolo Road Main Replacement Construction) to Account no. 10-20-00-604-132 Water Utility Fund (Kolo Road Main Replacement Design) for Contract No. 579 with Fukunaga and Associates, Inc. for additional design services for the Kolo Road Main Replacement.

BACKGROUND:  
The Board entered into contract No. 579 with Fukunaga and Associates, Inc. on February 27, 2014 to complete the design for Job No. 13-05 Water Plan 2020 Project No.WKK-09, Kolo Road Main Replacement. In late March 2015, the State Department of Transportation (DOT) informed the Department of Water (DOW) that the State is requiring that a Use and Occupancy Agreement (UOA) be completed for all DOW projects that involve DOW facilities being installed in the State Highway Right-of-Way. In April 2015, the State DOT clarified that the UOA requirement will also apply to DOW projects that were already under design and reviewed by the DOT before the DOW was notified of the UOA requirement, including the Kolo Road Main Replacement project. Additional design work is required to document/identify the UOA area for the agreement; mapping, metes and bound description, and certified calculations by a surveyor. Additional funds are required to complete the additional work.

State-Aid funding:  
The State has allocated a total of $1.3 million in State-Aid funding for the project; $0.05 million is allocated for Plans, $0.10 million allocated for Design, and $1.15 million allocated for construction.

The total funds certified for the design of the project is $20,475.00. The DOW is requesting that $129,525.00 be transferred from the $1.3 million DOW construction budget to the design budget for the project. The transfer of the $129,525.00 will bring the total amount budgeted for design to $150,000.00 and match the allocated funds for plans and design allocated by the State. The transfer of the funds will allow the DOW to complete additional design services, including the work required for the UOA that may be required for the project.

The DOW will be preparing an amendment to Contract No. 579 in anticipation of a favorable Board approval of the fund transfer request.
FUNDING:

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OPTIONS:

Option 1: Approve the transfer of funds

Pros: This will allow the DOW to enter into a contract amendment for contract no. 579 for the consultant to complete the survey work required for the UOA required by the State.

Option 2: Do not approve the transfer of funds

Cons: The DOW will not be able to amend the contract and complete the UOA. The State will not allow the DOW to use the facilities installed in the State ROW. This will prohibit the DOW from using the proposed improvements in the State ROW and will require design and construction changes to not utilize any new facilities located in the State ROW.

Respectfully submitted,

Keith Aoki, CE VI
Engineering Division

Funding reviewed:

Marites Yano
Water Works Controller

CONCURRED:

Kirk Saiki, P.E.
Manager and Chief Engineer
MANAGER’S REPORT No. 16-05

July 23, 2015

Re: Discussion and Possible Action on a Memorandum of Agreement (MOA) with the Department of Public Works, County of Kaua’i (DPW) for Job No. 12-01, Water Plan 2020 No. H-05 Pipeline Replacement along Weke, ‘Anae, Mahimahi and He’e Roads, Hanalei, Hawai‘i

RECOMMENDATION:
It is recommended that the Board enter into a Memorandum of Agreement (MOA) with the Department of Public Works, County of Kaua’i (DPW) For Job No. 12-01, Water Plan 2020 No. H-05 Pipeline Replacement along Weke, ‘Anae, Mahimahi and He’e Roads, Hanalei, Hawai‘i.

BACKGROUND:
The Department of Water is replacing old waterlines along Weke, ‘Anae, Mahimahi and He’e Roads (County Roads) in Hanalei. The Department of Water (DOW) has proposed to abandon the old waterlines in place when the new waterlines are installed. This will save on the cost of removal of the old waterlines. DPW has agreed to allow the abandonment of the old waterlines if the MOA is completed.

The MOA has provisions for the Board to pay the DPW for the removal of abandoned facilities, if the DPW construction contractor encounters abandoned DOW facilities during future reconstruction of the County Roads. The payment shall be 10 percent (10%) more than the successful bidder’s line item cost. DPW shall provide the Board copies of the invoices which details the completion of the removal of old facilities. The DPW will notify the Board in writing five months prior to the fiscal year in which DPW intends to reconstruct a County Road to allow the DOW time to budget for the old facilities removal.

It is unknown if the removal of abandoned DOW facilities will be required in the future. Specific funding for the removal cost will not be requested or budgeted at this time due to not knowing if funding will actually be needed or when. If special funding is required in the future, the necessary funds will be requested from the Board at that time.

FUNDING: Not applicable at this time.

OPTIONS:
Pros: Enter into a MOA with DPW. This will allow the DOW to abandon old waterline in place when the new waterlines are installed. This will save on construction costs.

Cons: Do not enter into a MOA with DPW. This will require the DOW to change the design of the waterline to include the removal of the old waterlines. This will increase construction costs and delay the start of construction.
Respectively submitted,

Keith Aoki, CE VI
Engineering Division

CONCURRED:

Kirk Saiki, P.E.
Manager and Chief Engineer

KA/ein

Attachment: Exhibit A – project location
Memorandum of Agreement for with the Department of Public Works, County of Kaua‘i (DPW) for Job No. 12-01, Water Plan 2020 No. H-05 Pipeline Replacement along Weke, ‘Anae, Mahimahi and He‘e Roads, Hanalei, Hawai‘i

Mgrrp/July 2015/16-05/Discussion and Possible Action on a Memorandum of Agreement (MOA) with the Department of Public Works, County of Kaua‘i (DPW) for Job No. 12-01, Water Plan 2020 No. H-05 Pipeline Replacement along Weke, ‘Anae, Mahimahi and He‘e Roads, Hanalei, Hawai‘i (7-23-15):ein
MEMORANDUM OF AGREEMENT

FOR

JOB NO. 12-01, WATER PLAN 2020 JOB NO. H-05
PIPELINE REPLACEMENT ALONG WEKE, ‘ANAE, MAHIMAHI AND HE’E ROADS
HANALEI WATER SYSTEM

THIS Memorandum of Agreement (MOA) effective as of _____________, 2015, by and between the BOARD OF WATER SUPPLY, COUNTY OF KAUA‘I (hereinafter referred to as the “BWS”), whose business and mailing address is 4398 Pua Loke Street, Lihue, Hawai‘i 96766 and the DEPARTMENT OF PUBLIC WORKS, COUNTY OF KAUA‘I (hereinafter referred to as the “DPW”), whose principal place of business and mailing address is 4444 Rice Street, Suite 275, Lihue, Hawai‘i 96766.

RECITALS

WHEREAS, the DPW is the owner of certain parcels of lands upon which County roads, Weke, ‘Anae, Mahimahi, and He’e Roads are situated (hereinafter referred to as the “County Roads”); and

WHEREAS, the BWS desires to install new water pipelines while abandoning the existing, old pipelines within portions of the County Roads (“Old Facilities”) for Job No. 12-01, H-05; and

WHEREAS, the DPW is willing to allow the BWS to occupy or continue to occupy portions of the County Roads for the Old Facilities, provided that the BWS enters into this Memorandum of Agreement for the abandonment of the Old Facilities and provided further that the BWS fully complies with the terms and conditions set forth below.

NOW THEREFORE, in consideration of the mutual covenants and promises herein made, the parties do hereby agree as follows:

1. **Right to Abandon the Old Facilities.** The BWS is allowed to abandon the Old Facilities that are located within and under the County Roads in the execution of Job Nos. 12-01, H-05 until such time that the DPW reconstructs the County road that contains the Old Facilities. A map of the Old Facilities in the County Roads is attached hereto as Exhibit “A” and incorporated herein by reference. The term “reconstruction” as used in this Agreement means excavation of the pavement and the soil and facilities below the surface of the pavement.

2. **Notification to the BWS.** The DPW shall notify the BWS in writing five (5) months prior to the fiscal year in which DPW intends to reconstruct a County road to allow the BWS time to budget for the Old Facilities removal.
3. The DPW shall utilize any and all DOW record drawings available during the design of any road reconstruction of the County Roads. However, should the DPW construction contractor encounter abandoned DOW facilities in the County Roads that are not reflected prior to bid proposal, the DOW shall incur any and all costs for potential change orders associated with the conflict.

4. The removal of the Old Facilities shall be limited to one pipe length beyond the trench excavation.

5. Inclusion of Old Facilities Removal in DPW’s Bid Specifications and Contracts. The DPW shall include the removal of the Old Facilities in the bid specifications and contracts relating to the reconstruction of any of the County Roads that contain an Old Facility.

6. Payment for the Removal of the Old Facility. The BWS shall pay the DPW the successful bidder’s line item cost and ten percent (10%) for the removal of the Old Facilities. (For example, if the Successful Bidder’s line item for the removal of the Old Facilities is $75,000.00, the BWS will pay DPW $75,000.00 + [$75,000.00 x 10%] = $82,500.00 when the removal of the Old Facilities is completed). DPW shall provide copies of invoices which details the completion of the removal of the Old Facilities.

7. Termination. If not otherwise terminated or canceled, this Agreement may be canceled by the mutual written agreement of the parties hereto.

8. Headings. The headings and captions herein are for convenience of reference only and are not intended to fully described, define or limit the provisions of this Agreement to which they may pertain.

IN WITNESS WHEREOF, the undersigned have executed this Agreement the day and year first above written.

APPROVED:  

BOARD OF WATER SUPPLY  
COUNTY OF KAUAI

Kirk Saiki, P.E.  
Manager and Chief Engineer  
Department of Water

Sherman Shiraishi  
Chairperson
RECOMMENDED APPROVAL:

Lawrence John Dill, P.E.
County Engineer

APPROVED AS TO FORM
AND LEGALITY:

Andrea Suzuki
Deputy County Attorney

APPROVED:

Ken Shimonishi
Director of Finance
STATE OF HAWAII  )
COUNTY OF KAUAI  ) ss.

On this _____ day of ____________, 2015, before me appeared Sherman Shiraishi to me personally known, who, being by me duly sworn, did say that he is the Chairperson of the Board of Water, County of Kauai, and that the foregoing instrument was signed on behalf of said BOARD, and said officer acknowledged said 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: __________________

Doc. Date: ___________________  # Pages: _________
Notary Name: _____________________  ______ Circuit
Doc. Description: ____________________

____________________________________
Notary Signature  Date (Stamp or Seal)
STATE OF HAWAI'I                                    )
COUNTY OF KAUAI                                    ) ss.

On this _______ day of _________________________, 2015, before me appeared ______________ to me personally known, who, being by me duly sworn, did say that he is the Director of Finance of the County of Kauai, a political subdivision of the State of Hawaii; that said instrument was signed on behalf of said County of Kauai by authority of its Charter; and said ______________ acknowledged said instrument to be the free act and deed of said County of Kauai.

______________________________________________
Notary Public, State of Hawaii

Name of Notary
My commission expires:__________________________

Doc. Date: __________________# Pages: __________

Notary Name: ___________________________ ________ Circuit

Doc. Description: ___________________________

____________________________________________

Notary Signature  Date  (Stamp or Seal)
MANAGER’S REPORT No. 16-06

July 23, 2015

Re: Discussion and Possible Action on a Memorandum of Agreement (MOA) with the Department of Public Works, County of Kaua‘i (DPW) for Job No. 13-05 Water Plan 2020 Project No. WKK-09, Kolo Road Main Replacement, Kilauea, Kaua‘i, Hawai‘i

RECOMMENDATION:
It is recommended that the Board enter into a Memorandum of Agreement (MOA) with the Department of Public Works, County of Kaua‘i (DPW) For Job No. 13-05 Water Plan 2020 Project No.WKK-09, Kolo Road Main Replacement, Kilauea, Kaua‘i, Hawai‘i

BACKGROUND:
The Department of Water is replacing waterlines along Pukalani Place and Kolo Road in Kilauea. The Department of Water (DOW) has proposed to abandon the old waterlines in place when the new waterlines are installed. This will save on the cost of removal of the old waterlines. DPW has agreed to allow the abandonment of the old waterlines if the MOA is completed.

The MOA has provisions for the Board to pay the DPW for the removal of abandoned facilities, if the DPW construction contractor encounters abandoned DOW facilities during future reconstruction of the County Roads. The payment shall be 10 percent (10%) more than the successful bidder’s line item cost. DPW shall provide the Board copies of the invoices which details the completion of the removal of old facilities. The DPW will notify the Board in writing five months prior to the fiscal year in which DPW intends to reconstruct a County Road to allow the DOW time to budget for the old facilities removal.

It is unknown if the removal of abandoned DOW facilities will be required in the future. Specific funding for the removal cost will not be requested or budgeted at this time due to not knowing if funding will actually be needed or when. If special funding is required in the future, the necessary funds will be requested from the Board at that time.

FUNDING: Not applicable at this time.

OPTIONS:
Pros:
1. Enter into a MOA with DPW. This will allow the DOW to abandon old waterline in place when the new waterlines are installed. This will save on construction costs.

Cons:
1. Do not enter into a MOA with DPW. This will require the DOW to change the design of the waterline to include the removal of the old waterlines. This will increase construction costs and delay the start of construction.
Respectively submitted,

Keith Aoki, CE VI
Engineering Division

CONCURRED:

Kirk Saiki, P.E.
Manager and Chief Engineer

KA/ein

Attachment: Exhibit A for County Memorandum of Agreement
Memorandum of Agreement for Job No. 13-05 Water Plan 2020 Job No. WKK-09 Kōloa Road Main Replacement
Kilauea Water System

Mgrp/July 2015/16-06/Discussion and Possible Action on a Memorandum of Agreement (MOA) with the Department of Public Works, County of Kaua'i (DPW) for Job No. 13-05 Water Plan 2020 Project No. WKK-09, Kolo Road Main Replacement, Kilauea, Kaua'i, Hawai'i (7-23-15)/eim
MEMORANDUM OF AGREEMENT

FOR

JOB NO. 13-05 WATER PLAN 2020 JOB NO. WKK-09, KOLO ROAD MAIN REPLACEMENT
KILAUEA WATER SYSTEM

THIS Memorandum of Agreement (MOA) effective as of ________________, 2015, by and between the BOARD OF WATER SUPPLY, COUNTY OF KAUA’I (hereinafter referred to as the “BWS”), whose business and mailing address is 4398 Pua Loke Street, Lihue, Hawai’i 96766 and the DEPARTMENT OF PUBLIC WORKS, COUNTY OF KAUA’I (hereinafter referred to as the “DPW”), whose principal place of business and mailing address is 4444 Rice Street, Suite 275, Lihue, Hawai’i 96766.

RECITALS

WHEREAS, the DPW is the owner of certain parcels of lands upon which County roads, Pukalani Place and Kolo Road are situated (hereinafter referred to as the “County Roads”); and

WHEREAS, the BWS desires to install new water pipelines while abandoning the existing, old pipelines within portions of the County Roads (“Old Facilities”) for Job No. 13-05, WKK-09; and

WHEREAS, the DPW is willing to allow the BWS to occupy or continue to occupy portions of the County Roads for the Old Facilities, provided that the BWS enters into this Memorandum of Agreement for the abandonment of the Old Facilities and provided further that the BWS fully complies with the terms and conditions set forth below.

NOW THEREFORE, in consideration of the mutual covenants and promises herein made, the parties do hereby agree as follows:

1. Right to Abandon the Old Facilities. The BWS is allowed to abandon the Old Facilities that are located within and under the County Roads in the execution of Job Nos. 13-05, WKK-09 until such time that the DPW reconstructs the County road that contains the Old Facilities. A map of the Old Facilities in the County Roads is attached hereto as Exhibit “A” and incorporated herein by reference. The term “reconstruction” as used in this Agreement means excavation of the pavement and the soil and facilities below the surface of the pavement.

2. Notification to the BWS. The DPW shall notify the BWS in writing five (5) months prior to the fiscal year in which DPW intends to reconstruct a County road to allow the BWS time to budget for the Old Facilities removal.
3. The DPW shall utilize any and all DOW record drawings available during the design of any road reconstruction of the County Roads. However, should the DPW construction contractor encounter abandoned DOW facilities in the County Roads that are not reflected prior to bid proposal, the DOW shall incur any and all costs for potential change orders associated with the conflict.

4. The removal of the Old Facilities shall be limited to one pipe length beyond the trench excavation.

5. **Inclusion of Old Facilities Removal in DPW’s Bid Specifications and Contracts.** The DPW shall include the removal of the Old Facilities in the bid specifications and contracts relating to the reconstruction of any of the County Roads that contain an Old Facility.

6. **Payment for the Removal of the Old Facility.** The BWS shall pay the DPW the successful bidder’s line item cost and ten percent (10%) for the removal of the Old Facilities. (For example, if the Successful Bidder’s line item for the removal of the Old Facilities is $75,000.00, the BWS will pay DPW $75,000.00 + [$75,000.00 x 10%] = $82,500.00 when the removal of the Old Facilities is completed). DPW shall provide copies of invoices which details the completion of the removal of the Old Facilities.

7. **Termination.** If not otherwise terminated or canceled, this Agreement may be canceled by the mutual written agreement of the parties hereto.

8. **Headings.** The headings and captions herein are for convenience of reference only and are not intended to fully describe, define or limit the provisions of this Agreement to which they may pertain.

IN WITNESS WHEREOF, the undersigned have executed this Agreement the day and year first above written.

**APPROVED:**

**BOARD OF WATER SUPPLY**

**COUNTY OF KAUA‘I**

Kirk Saiki, P.E.
Manager and Chief Engineer
Department of Water

Chairperson
RECOMMENDED APPROVAL:

Lawrence John Dill, P.E.
County Engineer

APPROVED AS TO FORM AND LEGALITY:

County Attorney

APPROVED:

Director of Finance
On this _______ day of ________________, 2015, before me appeared Sherman Shiraiishi to me personally known, who, being by me duly sworn, did say that he is the Chairperson of the Board of Water, County of Kauai, a political subdivision of the State of Hawaii; that said instrument was signed on behalf of said County of Kauai by authority of its Charter; and said ______________ acknowledged said instrument to be the free act and deed of said County of Kauai.

_________________________________________
Notary Public, State of Hawaii
My commission expires:

<table>
<thead>
<tr>
<th>Doc. Date: ___________________</th>
<th># Pages: ______________</th>
</tr>
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<tbody>
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<td>Circuit ________________</td>
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<td>______________________________</td>
<td>______________________</td>
</tr>
</tbody>
</table>

Notary Signature _______ Date __________ (Stamp or Seal)
STATE OF HAWAII )
COUNTY OF KAUAI ) ss.

On this ______ day of _____________, 2015, before me appeared ________________ to me personally known, who, being by me duly sworn, did say that he is the Director of Finance of the County of Kauai, a political subdivision of the State of Hawaii; that said instrument was signed on behalf of said County of Kauai by authority of its Charter; and said ______________ acknowledged said instrument to be the free act and deed of said County of Kauai.

__________________________________________
Notary Public, State of Hawaii
My commission expires:

<table>
<thead>
<tr>
<th>Doc. Date:</th>
<th># Pages:</th>
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</thead>
<tbody>
<tr>
<td>Notary Name:</td>
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<td>Doc. Description:</td>
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</tbody>
</table>

Notary Signature                                               Date    (Stamp or Seal)
DEPARTMENT OF WATER
County of Kaua‘i
“Water has no Substitute – Conserve It!”

MANAGER’S REPORT No. 16-07:

July 23, 2015

Re: Discussion and Possible Action to approve additional funds to the design budget for Job No. 15-7, WP2020 #HE-1 and HE-10, Water System Reorganization (Hanapepe-Eleele Connecting Pipeline)

RECOMMENDATION:
It is recommended that the Board approve a total of $138,600 in additional funds to the budget for the Hanapepe-Eleele Connecting Pipeline project. The $138,600 includes an additional $69,400 from the Water Utility Fund and a transfer of $69,200 from the FRC funds budgeted for the 18-Inch Cane Haul Road Main (Account no. 20-20-00-605-017) to the Hanapepe-Eleele Connecting Pipeline FRC fund (Account no. 20-20-00-605-012).

BACKGROUND:
The Department of Water (DOW) has prioritized this project to complete the work before the County’s planned resurfacing/paving of the County roads in the Hanapepe town area in early 2017. The project will also provide a backup source (transmission) of water for the Eleele School, Port Allen and residents in the area. The project will help to save energy, as part of the Department’s plan to reorganize the water system to be more energy efficient. This will save energy costs in the future. Other benefits of this project include:

1. The DOW has requested State-Aid funds for this project. The State legislature has appropriated State Funding for this project in their budget. State funds are available, pending the release of the funds by the Governor.

2. The County’s Lima Ola project in Eleele to provide affordable housing in the area is currently working on a Water Master Plan. It is possible that the Hanapepe-Connecting Pipeline project may ultimately assist/benefit the Lima Ola project development.

The DOW budgeted $100,000 to complete a Preliminary Engineering Report (PER) and Environmental Assessment (EA) for the project in the Operating Budget (for Professional Services) and $225,000 in the New Capital Outlay Budget for fiscal year 2015-2016 to complete the design for this project.

Akinaka and Associates, Ltd. were selected to complete the design and the DOW is negotiating a scope and proposal for the design of the project. The consultant’s current proposal for the PER/EA (Operating Professional Services) ($156,569 plus reimbursable items) and design services (New Capital Outlay Budget) ($272,479 plus reimbursable items) are both higher than the budgeted amounts. The total design cost submitted is $441,598. The Department is requesting that the Board approve an estimated amount of additional funds (with contingency) needed to complete a design contract after negotiations are completed. There is a limited amount of time to complete the design and construction of the project before the County’s planned resurfacing of the Hanapepe Town roads in early 2017. Being able to start the design soon will help to meet the goal of completing the design and construction before the County resurfaces the roads in the Hanapepe Town area.
FUNDING:

<table>
<thead>
<tr>
<th>Initial Budget Approved for Hanapepe-Eleele Connecting Pipeline Project</th>
<th></th>
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<tbody>
<tr>
<td>Operation Budget - Professional Service for the Hanapepe-Eleele Connecting Pipeline</td>
<td>$100,000.00</td>
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<tr>
<td>Capital Outlay Budget – FRC Fund for design (account no. 20-20-00-605-12)</td>
<td>$198,000.00</td>
</tr>
<tr>
<td>Capital Outlay Budget – WU Fund for design (account no. 10-20-00-604-12)</td>
<td>$27,000.00</td>
</tr>
</tbody>
</table>

Total amount currently budgeted for project

$325,000.00

Additional Funds Requested for Budget

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<thead>
<tr>
<th>Water Utility (WU) Fund:</th>
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<tbody>
<tr>
<td>Professional Services</td>
<td>$60,000.00</td>
</tr>
<tr>
<td>Capital Outlay – Design</td>
<td>$9,400.00</td>
</tr>
</tbody>
</table>

Total additional (new) WU funds requested

$69,400.00

Transfer of FRC Fund:

Transfer from Capital Outlay Design Budget from Account no. 20-20-00-605-017 (18-Inch Cane Haul Road Main) to Account no. 20-20-00-605-12) Hanapepe-Eleele Connecting Pipeline

$69,200.00

Total (additional funds + transferred funds) for design

$138,600.00

New Budget Approved for Hanapepe-Eleele Connecting Pipeline Project

<table>
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<tr>
<th>Water Utility (WU) Fund (revised):</th>
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</thead>
<tbody>
<tr>
<td>Professional Service ($100,000 + $60,000)</td>
<td>$160,000.00</td>
</tr>
<tr>
<td>Capital Outlay – WU design (account no. 10-20-00-604-12) ($27,000 + $9,400)</td>
<td>$36,400.00</td>
</tr>
</tbody>
</table>

FRC Fund (revised):

| Capital Outlay – FRC design (account no. 20-20-00-605-12) ($198,000 + $69,200) | $267,200.00 |

Total (new) amount budgeted for the Hanapepe-Eleele Connecting Pipeline Project

$463,600.00

Capital Outlay Budget - FRC Fund for design – Remaining amount for (account no. 20-20-00-605-017, 18-Inch Cane Haul Road Main ) ($90,000 - $69,200)

$20,800.00

Estimated Beginning WU Fund Balance

$12.3 million

Estimated Remaining WU Fund Balance

$12.2 million

ADDITIONAL (new and transfer) FUNDS REQUESTED
OPTIONS:

Option 1: Pro: Approving the transfer of funds will allow the DOW to finish the design of the project.

Option 2: Con: Not approving the transfer of funds will delay the completion of the design and would require additional funds to be budgeted for the project in the budget for the next fiscal year.

Respectfully submitted,

Keith Aoki, CE VI
Engineering Division

Funding reviewed:

Marites Yano
Water Works Controller

CONCURRED:

Kirk Saiki, P.E.
Manager and Chief Engineer

KA/ein

Mgrp/July 2015/16-07/Discussion and Possible Action to approve additional funds to the design budget for Job No. 15-7, WP2020 #HE-1 and HE-10, Water System Reorganization (Hanapepe-Eleele Connecting Pipeline) (7-23-15):ein
Discussion and review of the Manager and Chief Engineer’s goals for January 2015 – June 2015

The status of the Manager’s goals was included in every Manager’s Update report.

RECOMMENDATION:
It is recommended that the Board discuss and create goals for the Manager for July 2015-2016 fiscal year.

The Board approved the Manager and Chief Engineer’s goals and responsibilities. The Manager’s goals are as follows:

1. Complete Facilities Reserve Charge (FRC) effective July 1, 2015.
   Update 07/23/15: The Board approved Part 4 Fixing Rates for Water Service, Section VII Facilities Reserve Charge during the June 18th Regular Board meeting. The Department is recommending some changes to Part V Facilities Reserve Charge which will be presented at the full board during the July 23rd Regular Board meeting. If approved, the Department will recommend that Part 4 Fixing Rates for Water Service, Section VII Facilities Reserve Charge be incorporated into Part 5 to keep Facilities Reserve Charge topics in Part V.

   Update 06/18/15: The Department has moved forward with their recommended changes to the full board during the June 18th Regular Board meeting.

   Update 05/21/15: The Department has scheduled a Finance Committee meeting for Thursday, May 28th. A Board report will be transmitted during the June 18, 2015 Regular Board Meeting.

   Update 04/23/15: The Department met with the Finance Committee Chair on April 16, 2015 to present an update of the FRC rules. The Chair requested several changes to the FRC rules. The Department will make the requested changes and submit them to the Finance Committee Chair.

   Update 03/19/15: The DOW has provided an update to Manager’s Report No. 14-16 Part 4 Fixing Rates for Water Service, Section VII Facilities Reserve Charge (FRC) Update No. 3.

   Update: The FRC proposed fee structure is being reviewed by the DOW’s County Attorney.

2. Complete and pass the American Water Works Association (AWWA) Distance Learning Certificate Program courses one (1) year from enrollment. Enrollment must be within 30 days from December 18, 2014.
   a) Management & Supervision Certificate Program
   b) Infrastructure Management Certificate Program

   Update 07/23/15: The Manager has registered for the Management Certificate Program on July 1st and scheduled to complete within ninety (90) days.

   Update 06/18/15: The Manager will be registered for the Management Certificate Program upon his return from the AWWA National Conference.
Update 05/21/15: The Manager will now work on the Infrastructure Management Certificate Program upon his return from the AWWA National Conference in June.

Update 04/23/15: The Manager has completed his AWWA Management & Supervision Certificate Program. This included: Introduction to Utility, Basic Supervision, Hiring Employees & Rules, Management Responsibilities, and Management Styles. The Manager will now work on the Infrastructure Management Certificate Program.

Update 03/19/15: The Manager is currently 90 days in ending on April 20, 2015.

Update 02/19/15: The Manager is currently 30 days in. Once completed, the Manager will register for the Infrastructure Management Certificate Program.

Update 01/22/15: The Manager and Chief Engineer has registered for the Management and Supervision Certificate Program on Friday, January 16th and scheduled to complete within ninety (90) days.

3. Complete the **Sustainable Management of Rural and Small Systems Workshop sponsored by the United States Geological Survey (USDA), Hawaii Rural Water Association** one day workshop on January 20, 2015.  
   Update 01/22/15: Training has been completed.

4. Pending details on how to apply for the State Management Mentoring Grant.  
   Update 03/19/15: This goal has been requested to be deleted by the Board in February.

   Update 01/22/15: This goal is pending review by the Board.

5. Provide clear Manager Reports to the Board, providing background, options and recommendations.  
   Update 01/22/15: Ongoing. All Managers’ Reports excluding updates, Grant of Easement includes a background along with options and recommendations for the Board.

6. Provide Manager’s Reports to the Board by the Friday prior to the Agenda meeting with the exception of the financial reports at the time of posting.  
   Update 01/22/15: On-going. The packets were distributed on the Thursday, prior to the scheduled agenda meeting.

7. Respond to grievances within 30 days.  
   Update 07/23/15: Received UPW #AD-15-07 Step 1 Grievance on July 10, 2015. A response is being prepared.

   Update 06/18/15: No new grievances.

   Update 05/21/15: No new grievances.
**Update 04/23/15:** No new grievances.

**Update 03/19/15:** The UPW Grievance #AD-14-05 Step 2 is concluded. We received the memo from DHR dated 2/25/2015.

**Update 02/19/15:** Step 2 was held at the Department of Human Resources (DHR) on Friday, February 6, 2015.

**Update 01/22/15:** UPW Step Grievance #AD-14-05 received on the morning of December 31, 2014. DOW responded to the Step 1 Grievance in the afternoon of December 31, 2014.

8. Establish monthly reports for non-revenue water.
   **Update 05/21/15:** On-going. Please refer to Operations Monthly Report.
   **Update 01/22/15:** On-going. Please refer to Operations Monthly Report. The report has been submitted to the board during the December 2014, January, February, and March 2015, Regular Board Meeting.

9. Provide timetable to complete the basic GIS model based upon current funding by May 2015.
   **Update 07/23/15:** Currently building GIS Model for Wailua-Kapaa System.
   Will need assistance from Operations to collect gps points (for valves) from the Wailua Bridge to Foodland.
   May need assistance from WRP to find as-built drawings for various locations around Wailua-Kapaa.
   **Update 05/21/15:** The IT section is continuing to work on the Wailua-Kapaa Water System and currently surveying/collecting gps points in Kapaa Homesteads.
   **Update 04/23/15:** The IT division is currently working on the Wailua-Kapaa area. The Koloa-Po’ipū area should be completed by the end of the year with only Waimea-Kekaha system remaining.
   All systems will be completed by February of next year.
   **Update 03/19/15:** On-going.
   **Update 01/22/15:** Kirk will follow up with the IT section to see where this is at.

10. Obtain Human Resources (HR) / Department of Personnel Services (DPS) approval for current Table of Organization. Minimize changes on the Table of Organization (TO).
    **Update 05/21/15:** Table of Organization remains current.
    **Update 04/23/15:** Table of Organization is current.
Update 03/19/15: All current org charts were forwarded to the Kaua‘i County’s Department of Human Resources (DHR) as of 3/9/2015. Updates to org charts will occur as position re-descriptions are approved or new positions are assigned position numbers. For example, the new Civil Engineer (CE) I position in Water Resources & Planning (WR&P) has recently been assigned a position number. The Manager and Chair will need to sign the updated WR&P TO. The original will then be forwarded to DHR.

Update 01/22/15: On-going.

11. Recommend top projects by January 22, 2015 Board meeting as listed.

- Department will refer to the Bond and FRC list for discussion first on when the projects could be completed.
- Target projects in Design & Construction which will be discussed with the Board on which projects will be prioritized.
- Include justification with targets on design and construction.

   a) 10 Source Projects - Include justification for 10 source projects for generating non-revenue and FRC revenue.
   b) 5 Storage Projects.
   c) 10 Transmission Projects.
   d) 30 Distribution/Replacement Projects.
   e) Cost Savings/Demand Reduction Projects.

Update 07/23/15: We are continuing the review and/or negotiation of extra work/cost for the Kilauea 1 MG (Puu Pane) tank, Wainiha Well No. 4, UH Experiment Station Site and Kukuiolono Tank Site Exchange. The Department is proceeding with requesting additional funds and amending contracts, as needed to comply with the State’s requirement to complete Use and Occupancy Agreements (UOA) and Memorandum of Agreements (MOA). The Department is requesting additional funds for the Hanapepe-Eleele Connecting Pipeline (Reorganize Water System, WP2020 No. HE-1 & HE-10) project due to the proposed design cost being higher than was estimated.

Two projects: the Koloa Well “D” Repairs, and the Koloa Well 16A & 16B Well site and building improvements are taking a little longer to complete design than anticipated. The designs for these two projects are now expected to be completed in the next 1-2 months.

The Department selected a consultant for the Haena 0.2 MG Storage tank, 144’ project and is currently in negotiations.

Update 06/18/15: We are continuing the review and/or negotiation of extra work/cost for the Kilauea 1 MG (Puu Pane) tank and Wainiha Well No. 4; The Department is continuing negotiating additional work/fees for the UH Experiment Station Site and Kukuiolono Tank Site Exchange; The Department is in the process of having contract amendments executed for the Kalaheo System Improvements and the Anini waterline projects (after Board approval of additional funds for these projects); Akinaka and Associates, Inc was selected to design the Hanapepe-Eleele connecting pipeline project (Reorganize Water System, WP2020 No. HE-1 & HE-10) and the DOW is currently negotiating a scope and proposal; The Department is in the process of selecting a design consultant for the Haena 0.2 MG Storage tank, 144’.
Update 05/21/15: We are continuing the review and/or negotiation of extra work/cost for the Kilauea 1 MG (Puu Pane) tank, Kalaheo System Improvements, and Wainiha Well No. 4. The Department is also negotiating additional work/fees for the UH Experiment Station Site and Kukuiolono Tank Site Exchange. The Board approved funding for additional work required for the Anini Waterline and the Department is in the process of having the Contract Amendment executed.

The Kōlo Road Main Replacement has been advertised for bidding. The Weke, Anai, Mahimahi and Hee Road (Hanalei) waterline, and the 8” Main Replacement along Halewili Road designs were completed.

In response to the State DOT recent requirement for the DOW to complete Use and Occupancy Agreements (UOA’s), the DOW has begun to negotiate with our consultants to complete the additional work required to complete the UOA’s. The additional work may require additional funds to be approved and will require existing design contracts to be amended for the affected projects.

Update 04/23/15: The Department is continuing the review and/or negotiation of extra work/cost for the Kilauea 1 MG (Puu Pane) tank, Kalaheo System Improvements, and Wainiha Well No. 4. The Department is also negotiating additional work/fees for the UH Experiment Station Site and Kukuiolono Tank Site Exchange. The Department has recently completed negotiations for the Anini Waterline and has submitted a Manager’s Report requesting additional funding for the additional work and is preparing a Contract Amendment in anticipation of the additional funding being approved.

The Weke, Anai, Mahimahi and Hee Road (Hanalei) waterline, 8” Main Replacement along Halewili Road and the Kōlo Road Main Replacement plans have been approved and are ready for the corresponding Request for Proposal’s (RFP’s) to be completed. The Kōlo Road Main Replacement is expected to be advertised for bidding on 4/13/15. The other two projects are expected to be scheduled for construction bidding after the respective RFP’s are finalized.

The State DOT recently informed the DOW that we will need to complete Use and Occupancy Agreements (UOA’s) for all Department projects that will be installing facilities in the State ROW’s, also including projects that had plans previously approved but not constructed, yet. In addition, a Memorandum of Agreement (MOA) may also be required to be completed if abandoning facilities in the State ROW. The DOW will need to negotiate with our consultants to complete these additional requirements. This may require additional funds to be approved and will require existing design contracts to be amended for the affected projects.

Update 03/19/2015: We are continuing the review and negotiation of the submittal of the extra work/cost by several of our consultants. These involve the Kilauea 1 MG (Puu Pane) tank, Anini waterline, Kalaheo System Improvements, and Wainiha Well No. 4. The Department may need to request additional funds for these projects in the near future, pending the outcome of our review/negotiations.
The State and County approved the changes requested by the State for our Weke, Anai, Mahimahi and Hee Road (Hanalei) waterline plans. The RFP is expected to be completed soon and the project can be scheduled to be bid out for construction sometime after the RFP is finalized.

8” Main Replacement Halewili Road. The DOW received a Use and Occupancy Agreement (UOA) along with a Memorandum of Agreement (MOA) from the State. The State clarified that the MOA must also be completed. The DOW is currently reviewing the UOA and the MOA. Upon agreement with the terms and conditions, the DOW will submit a Manager’s Report recommending the Board approve the UOA and the MOA.

Update 02/19/2015: We are currently reviewing/negotiating submitted extra work/cost by several of our consultants. These involve the Kilauea 1.0 MG (Puu Pane) tank, Anini waterline, Kalaheo System Improvements, and Wainiha Well No. 4. The Department may need to request additional funds for these projects in the near future, pending the outcome of our review/negotiations.

The State recertified our Weke, Anai, Mahimahi and He’e Road (Hanalei) waterline plans after requested changes were made. The plans were submitted to PW for review/approval. The RFP is expected to be completed next week (this week relative to the board meeting date). The County has indicated that the MOA must be completed before the County will issue permits for the project. This will allow the DOW to bid out the project before the MOA with the County is actually completed. It is expected that the Department will be able to bid out for construction this month.

8” Main Replacement Halewili Road: The design is basically done except for the completion of the Use and Occupancy agreement (UOA) that the State required to be completed prior to starting construction. The State has informed us that they should be finished drafting the UOA soon. When the draft is done, they will send it to the DOW for review.

Update 01/22/2015: On-going. Exhibit A includes two tables. The first table identifies the six (6) projects that the Department is confident will have designs completed in Fiscal Year 2014-2015. The second table identifies seven (7) design projects that may be completed by the end of the calendar year 2015. It is also noted if the projects will increase system capacity and if they are included on the Build America Bond (BAB) project list.

Exhibit B identifies design projects by five (5) categories and is listed by priority. The categories include: Source; Storage; Transmission; Replacement/Distribution; and Cost Savings or Demand Reducing projects.

The proposed design budget for 2015-2016 includes projects based on priority determined by the DOW. The DOW considered several factors in prioritizing the projects. The factors include: health and safety, increase system capacity, and repair and replacement projects that are needed for the Department to continue providing excellent service to our customers. The factors considered for the projects are noted in the exhibit, along with identifying if they will increase the system capacity and if they are included on the BAB project list.

The projects and priorities are re-evaluated each year in determining the order in which they are planned to be done.

12. Deferred – Complete design of top 10 projects by the end of FY 2014-15. Based on No. 11

Update 01/22/2015: Based on No. 11 above.
EXHIBIT A
Item No. 11, Design Projects

Designs (3) that Engineering completed by the end of fiscal year 2014-2015

<table>
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<tr>
<th>WP 2020 No.</th>
<th>PROJECT</th>
<th>Increase System Capacity</th>
<th>On BAB Project List (yes/no)</th>
<th>% Complete (design)</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>KOLO ROAD MAIN REPLACEMENT (KILAUEA SCHOOL)</td>
<td>yes</td>
<td>yes</td>
<td>100% ^</td>
</tr>
<tr>
<td>2</td>
<td>8&quot; WATER MAIN REPLACEMENT HALEWILI ROAD</td>
<td>no</td>
<td>yes</td>
<td>100% ^</td>
</tr>
<tr>
<td>3</td>
<td>WEKE, ANAE, MAHIMAHI AND HE'E ROADS 6&quot; and 8&quot; MAIN REPLACEMENT (2,760')</td>
<td>yes</td>
<td>yes</td>
<td>100% ^</td>
</tr>
</tbody>
</table>

* relative to plans being approved and RFP for construction bidding ready to be finalized.

^ Does not consider the State's requirement to complete Use and Occupancy Agreements (UOA) or Memorandum of Agreements (MOA). The State DOT has indicated that they will allow construction to start for these projects without completing UOA's or MOA's first.

Designs (8) that may be completed by the end of calendar year 2015

<table>
<thead>
<tr>
<th>WP 2020 No.</th>
<th>PROJECT</th>
<th>Increase System Capacity</th>
<th>On BAB Project List (yes/no)</th>
<th>% Complete (design)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Koloa Well &quot;D&quot; Repairs^^</td>
<td>no</td>
<td>yes</td>
<td>95%</td>
</tr>
<tr>
<td>2</td>
<td>WK-08 Construct Kapaa Homestead 313 Tank, 1.0 MG</td>
<td>yes</td>
<td>yes</td>
<td>90%</td>
</tr>
<tr>
<td>3</td>
<td>WK-39 Kapaa Homesteads Well No. 4</td>
<td>yes</td>
<td>yes</td>
<td>90%</td>
</tr>
<tr>
<td>4</td>
<td>KP-09 Koloa Wells 16A &amp; 16B Well, Site and Building Improvements</td>
<td>no</td>
<td>yes</td>
<td>90%</td>
</tr>
<tr>
<td>5</td>
<td>WKK-15 Construct Kilauea 466 Tank, 1.0 MG</td>
<td>yes</td>
<td>yes</td>
<td>60%</td>
</tr>
<tr>
<td>6</td>
<td>K-05a Construct Kalaheo Kukuiolono 0.5 MG Tank</td>
<td>yes</td>
<td>yes</td>
<td>75%</td>
</tr>
<tr>
<td>7</td>
<td>PLH-01A Replace Grove Farm Tanks #1 &amp; #2</td>
<td>yes</td>
<td>yes</td>
<td>90%</td>
</tr>
<tr>
<td>8</td>
<td>L-08, L-10 Koloa Road 8&quot; (1,700') &amp; Omao 6&quot; (6,200') Main Replacements</td>
<td>yes</td>
<td>yes</td>
<td>90%</td>
</tr>
</tbody>
</table>

^^ Previously a project that Engineering was confident would be completed in the past fiscal year. Now expected to be completed in calendar year 2015.

note: HW-12 Wainiha Well No. 4 was removed from the list of projects, as was shown in the June update.
**EXHIBIT B**

**DESIGN Projects Prioritized by Five (5) Categories**

<table>
<thead>
<tr>
<th></th>
<th>Source projects - 10</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Storage Projects - 5</td>
</tr>
<tr>
<td></td>
<td>Transmission Projects - 10</td>
</tr>
<tr>
<td></td>
<td>Replacement/Distribution Projects - 30</td>
</tr>
<tr>
<td></td>
<td>Cost Savings/Demand Reduction Projects - 3</td>
</tr>
</tbody>
</table>

**Legend for Justification of projects in each category:**

1 = Health and Safety reasons/Operational need  
2 = FRC generating  
3 = Design in progress

<table>
<thead>
<tr>
<th>Source Projects - (10)</th>
<th>Generate FRC</th>
<th>Justification</th>
<th>BAB listed</th>
</tr>
</thead>
<tbody>
<tr>
<td>PLH-42</td>
<td>yes</td>
<td>2, 3</td>
<td></td>
</tr>
<tr>
<td>PLH-36</td>
<td>yes</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>H-08</td>
<td>no</td>
<td>2, 3, yes</td>
<td></td>
</tr>
<tr>
<td>WK-39</td>
<td>yes</td>
<td>2, 3, yes</td>
<td></td>
</tr>
<tr>
<td>WKK-02</td>
<td>yes</td>
<td>2, 3</td>
<td></td>
</tr>
<tr>
<td>HW-12</td>
<td>yes</td>
<td>2, 3, yes</td>
<td></td>
</tr>
<tr>
<td>K-01</td>
<td>yes</td>
<td>2, 3, yes</td>
<td></td>
</tr>
<tr>
<td>KP-20</td>
<td>yes</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>LO-7</td>
<td>yes</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>KW-28</td>
<td>yes</td>
<td>2, yes</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Storage Projects (5)</th>
<th>Generate FRC</th>
<th>Justification</th>
<th>BAB listed</th>
</tr>
</thead>
<tbody>
<tr>
<td>PLH-01a</td>
<td>yes</td>
<td>1, 2, 3</td>
<td></td>
</tr>
<tr>
<td>K-01</td>
<td>yes</td>
<td>1, 2, 3</td>
<td></td>
</tr>
<tr>
<td>WK-08</td>
<td>yes</td>
<td>2, 3, yes</td>
<td></td>
</tr>
<tr>
<td>WKK-15</td>
<td>yes</td>
<td>2, 3, yes</td>
<td></td>
</tr>
<tr>
<td>K-05a</td>
<td>yes</td>
<td>2, 3, yes</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Transmission Projects (10)</th>
<th>Generate FRC</th>
<th>Justification</th>
<th>BAB listed</th>
</tr>
</thead>
<tbody>
<tr>
<td>WKK-9</td>
<td>yes</td>
<td>1, 2, 3</td>
<td></td>
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<tr>
<td>Ani-01b</td>
<td>yes</td>
<td>1, 3, yes</td>
<td></td>
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<tr>
<td>PLH-35b</td>
<td>yes</td>
<td>1, 2, yes</td>
<td></td>
</tr>
<tr>
<td>HE-10</td>
<td>yes</td>
<td>1, 2, yes</td>
<td></td>
</tr>
<tr>
<td>PLH-27</td>
<td>yes</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>WK-25</td>
<td>yes</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>WKK-07</td>
<td>no</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>HE-02</td>
<td>no</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>H-11</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A-08</td>
<td>yes</td>
<td>1, 2</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Replacement / Distribution Projects (30)</th>
<th>Generate FRC</th>
<th>Justification</th>
<th>BAB listed</th>
</tr>
</thead>
<tbody>
<tr>
<td>H-05</td>
<td>yes</td>
<td>1, 2, 3</td>
<td></td>
</tr>
<tr>
<td>LO-8 &amp;10</td>
<td>yes</td>
<td>1, 2, 3</td>
<td></td>
</tr>
<tr>
<td>KP-09</td>
<td>no</td>
<td>1, 3, yes</td>
<td></td>
</tr>
<tr>
<td>K-02</td>
<td>no</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>KW-07</td>
<td>no</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

**SOURCE PROJECTS - (10)**

1. PLH-42: Construct Kokolau Tunnel WTP, 400 gpm (feasibility study)
2. PLH-36: Kapaia SWTP Expansion, 1.0 MGD
3. H-08: Drill & Dev Hanalei Well, 300 gpm
4. WK-39: Kapaia Hmstds well #4
5. WKK-02: Drill & Dev New Kilauea Well (No. 3 or No. 4), 700 gpm
6. HW-12: Drill & Dev Wainiha/Haena Well, 100 gpm
8. KP-20: Drill & Dev Kolaa Well G
9. LO-7: Drill & Dev Omao Well
10. KW-28: Renovate Kekaha Shaft (5842-02) & 12" D.I. (Amfac Shaft)

**STORAGE PROJECTS (5)**

1. PLH-01a: Replace Grove Farm Tanks #1 & #2
2. K-01: Kalaheo 1111' & 1222' Water System Improvements (0.5 MG Tank and pipeline)
3. WK-08: Construct Kapaia Homesteads 313 Tank, 0.9MG
4. WKK-15: Construct Kilauea 466 Tank, 1.0 MG
5. K-05a: Construct Kalaheo Kukuiolono 0.5 MG Tank
**EXHIBIT B**

**DESIGN Projects Prioritized by Five (5) Categories**

<table>
<thead>
<tr>
<th>Number</th>
<th>Category</th>
<th>Project Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Source projects · 10</td>
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</tr>
<tr>
<td>2</td>
<td>Storage Projects · 5</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Transmission Projects · 10</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Replacement/Distribution Projects · 30</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Cost Savings/Demand Reduction Projects · 3</td>
<td></td>
</tr>
</tbody>
</table>

**Legend for Justification of projects in each category:**

1 = Health and Safety reasons/Operational need  
2 = FRC generating  
3 = Design in progress

<table>
<thead>
<tr>
<th>Number</th>
<th>Project Details</th>
<th>Generate FRC</th>
<th>Justification</th>
<th>BAB listed</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>WK-20 Rehabilitate Puupilo Steel Tank, 0.125 MG</td>
<td>no</td>
<td>1</td>
<td>yes</td>
</tr>
<tr>
<td>8</td>
<td>K-18 8” Water Main Replacement Halewili Road</td>
<td>no</td>
<td>1, 3</td>
<td>yes</td>
</tr>
<tr>
<td>9</td>
<td>WK-1 Rehabilitate Moelepe Tunnel &amp; Improve Access Road</td>
<td>no</td>
<td>1, 3</td>
<td>yes</td>
</tr>
<tr>
<td>10</td>
<td>PLH-28 Hanamaulu main (Hoohana Street) replacement</td>
<td>yes</td>
<td>1, 2</td>
<td>yes</td>
</tr>
<tr>
<td>11</td>
<td>Install gate Valves on hydrant Laterals, Poipu Road</td>
<td>no</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Makanui Road Main Replacement</td>
<td>no</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>KP-14 Koloa 6” &amp; 12” Main Replacement (13,756’) (Wailani &amp; Waihohonou Road)</td>
<td>yes</td>
<td>1, 2</td>
<td>yes</td>
</tr>
<tr>
<td>14</td>
<td>KP-15 Hoona &amp; Pane Rd 6”, Hoonani Rd 12” Main Replacement</td>
<td>yes</td>
<td>1, 2</td>
<td>yes</td>
</tr>
<tr>
<td>15</td>
<td>Generator shelters and electrical Improvements for Wells</td>
<td>no</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>WK-11a Upper Wailua House lots Main Replacement</td>
<td>no</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>HE-03b Hanapepe Well A MCC, Chlorination Facilities</td>
<td>no</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>HE-03c Hanapepe Well B MCC, Chlorination Facilities</td>
<td>no</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>HE-6 Hanapepe Wells A and B stream crossing</td>
<td>no</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>Replace hanamaulu booster pump station</td>
<td>no</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>WK-13 Kapaa Town 8” main replacement</td>
<td>no</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>PLH-26 Isenberg/Camp A 6” &amp; 8” Main Replacement</td>
<td>yes</td>
<td>1, 2</td>
<td>yes</td>
</tr>
<tr>
<td>23</td>
<td>Admin building renovations</td>
<td>no</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>24</td>
<td>HW-04 MCC, Chlorination Facilities, Haena Well 66 &amp; Wainiha Well 67 &amp; 2</td>
<td>no</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>KW-09b MCC, Chlorination Facilities, Replace Paua Valley Well w/ submersible</td>
<td>no</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>26</td>
<td>K-13 Puuwai, Poohiwi, Wawae Road 8” Main Replacement (5,500’)</td>
<td>yes</td>
<td>1, 2</td>
<td>yes</td>
</tr>
<tr>
<td>27</td>
<td>KP-19 Koloa Well C 18” Main Replacement</td>
<td>no</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>28</td>
<td>KW-22b MCC, Chlorination Facilities, Waimea Well “2”</td>
<td>no</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>29</td>
<td>LO-05a MCC, Chlorination Facilities, Lawai Wells No. 1 (22) &amp; No. 2</td>
<td>no</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>30</td>
<td>PLH-06 MCC, Chlorination Facilities, Puhi Well 1 (KCC)</td>
<td>no</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

**COST SAVINGS OR DEMAND REDUCING (3)**

<table>
<thead>
<tr>
<th>Number</th>
<th>Project Details</th>
<th>Generate FRC</th>
<th>Justification</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Photo-voltaic system installation on proposed roof over equipment and materials bins</td>
<td>no</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>HE-01 Hanapepe-Eleele Connecting Pipeline</td>
<td>no</td>
<td>1</td>
</tr>
<tr>
<td>3</td>
<td>Toilet/Washing Machine Retrofit program Island wide. Subject to WSDF being in place</td>
<td>no</td>
<td>1</td>
</tr>
</tbody>
</table>
Staff Reports
FISCAL REPORT: JUNE, 2015

MONTHLY BUDGET SUMMARY HIGHLIGHTS:

REVENUES:

- Unadjusted Total Revenue is 3% less than projection.
  - Cumulative water sales revenue as of June, 2015 is $266 thousand (K) or 1% higher than projection.
  - Total FRC Receipts was $439,100 or 56% unrealized from a projection of $1M.
  - Federal Grants. These are from: SRF loan forgiveness of $1.8m and BAB Subsidy receipts of $327,878.
  - State Grants; 89% of the projection is unrealized. $1.3M of this projection is from the State Allotment for the Kilauea School project. It is re-budgeted as projected revenues in the next fiscal year.

OPERATING EXPENSES:

- YTD Operating Expenses before depreciation and amortization is $21 million (M); or 78% burn rate out of $28.7M operating expenses budget.
  - Employee Related Expenses – YTD expenses is $7.5M or 83% of annual salaries budget.
  - Contracts & Services – YTD expenses is $3.6M or 48% of $7.6M annual budget.
  - Exceptional Expenses – YTD expenses is $349K or 70% of $499K budget. This was a carry over budget from FY 2014 for 2 emergency repairs. Both repairs were completed.
  - Fuel & Utilities – YTD expenses is $3.1M or 79% of annual budget.
  - Bulk Water Purchase - YTD expenses is $1.6M or 76% of annual budget.
  - Office & Operating Supplies – YTD expenses is $785K or 62% of annual budget.
  - Training, Travel & Meeting Expenses – YTD expenses is $108K or 41% of annual budget.
  - Annual (unadjusted) Depreciation & Amortization (non-cash expenses) is $7.3M.

NET OPERATING INCOME:

- Net Operating Income before depreciation and amortization is $14.8M.
- Net Operating Income is $7.5M after depreciation & amortization expenses of $7.3M.
- Annual Debt Principal Paid is $4.4M.

CAPITAL BUDGET:

- YTD Capital Projects: Water Utility Fund YTD expenses are $539K.
- YTD Capital Projects: BAB Fund YTD expenses are $237.6K.
- YTD Capital Projects: SRF Loan Fund YTD expenses are $1.91M.
- YTD Capital expenses are $3.4M out of $42.7M YTD capital budget.
WATER CONSUMPTION - 3 YEARS COMPARATIVE CHART:

- Month of June metered consumption was 30mg higher as compared from the same month of last year.
- YTD metered consumption was higher by 22.9mg as compared from the same month of last fiscal year.

OTHER FISCAL ONGOING ACTIVITIES/INITIATIVES:

- GASB 68 – New statement from Government Accounting Standards Board that requires new reporting and accounting of employees’ contributions and pensions will be implemented effective year end closing FY 2015.
- A Memorandum of Understanding with the State of Hawaii ERS was fully executed to co-share in the actuarial study of ERS benefits and contributions for DOW to obtain GASB 68 Reports to employers.
- Fiscal procurement of a new vehicle for one of the Meter Readers is in process.
- New Financial Accounting System (FAS) implementation was on July 1, 2014. We are on the 12th month of post implementation.
- FY 2015 – 2016 Proposed Budget was approved in May board meeting. Awaiting Board’s approval of the Budget Resolution this month.
- The department was approved by the Board to proceed with the initial procurement process for a new billing system or Customer Information System (CIS). Drafting RFP is in process. A proposed budget of $1.1M is included in the FY 2015 – 2016 budget for this project.
- The Department issued Notice to Proceed, pending negotiation to the highest ranked Consultant to undertake Water Rate Study for the next five fiscal years; FY 2017- 2021.
- SOP No. 51 – Charges for Restoration of Water Service – Revision is being drafted to update the charges.
- KMH, LLP Notice to proceed was issued to perform the FY 2015 financial audit.
## I. OPERATING BUDGET

<table>
<thead>
<tr>
<th></th>
<th>Original Budget</th>
<th>Revised Budget</th>
<th>Actual</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Water Sales</td>
<td>$2,445,813.99</td>
<td>$2,445,813.99</td>
<td>$2,871,577.05</td>
<td>$425,763.06</td>
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<tr>
<td>Other Water Revenue</td>
<td>5,416.63</td>
<td>5,416.63</td>
<td>15,655.71</td>
<td>10,239.08</td>
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<td>FRC-Facility Reserve Charge</td>
<td>83,333.37</td>
<td>83,333.37</td>
<td>116,100.00</td>
<td>32,766.63</td>
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<td>Federal Grants</td>
<td>250,092.36</td>
<td>250,092.36</td>
<td>1,610,734.68</td>
<td>1,600,078.38</td>
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<tr>
<td>State Grants</td>
<td>127,000.00</td>
<td>127,000.00</td>
<td>67,055.41</td>
<td>(59,944.59)</td>
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<tr>
<td>Capital Contributions</td>
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<td></td>
<td>1,001,107.00</td>
<td>994,790.50</td>
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<td>Net Increase in Fair Value of Investments</td>
<td>16,858.63</td>
<td>16,858.63</td>
<td>7,702.67</td>
<td>(9,159.71)</td>
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<tr>
<td>Gain or Loss on Disposal of Capital Assets</td>
<td>416.63</td>
<td>416.63</td>
<td></td>
<td>(416.63)</td>
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<tr>
<td>Gain or Loss from the Retirement of Debt</td>
<td>5,000.00</td>
<td>(4,860.42)</td>
<td></td>
<td></td>
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<tr>
<td>Miscellaneous Revenues</td>
<td></td>
<td></td>
<td>14,960.42</td>
<td>14,960.42</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>3,055,043.12</td>
<td>4,635,456.89</td>
<td>6,884,421.77</td>
<td>2,048,966.78</td>
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<tr>
<td><strong>YTD Actual</strong></td>
<td></td>
<td></td>
<td>37,148,516.00</td>
<td>35,852,414.67</td>
</tr>
<tr>
<td><strong>Variances</strong></td>
<td></td>
<td></td>
<td>(3,191,033.00)</td>
<td>(3,299,142.77)</td>
</tr>
<tr>
<td><strong>Salary and Wages (Includes Leaves &amp; CTO)</strong></td>
<td>433,578.76</td>
<td>448,451.18</td>
<td>375,822.54</td>
<td>72,648.64</td>
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<tr>
<td>Temporary Assignment</td>
<td>3,026.00</td>
<td>3,492.06</td>
<td>(923.70)</td>
<td>4,329.87</td>
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<tr>
<td>Overtime</td>
<td>45,166.85</td>
<td>45,166.85</td>
<td>57,899.21</td>
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<td>Repairs and Maintenance-Water System</td>
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<td>61,856.74</td>
<td>70,575.37</td>
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<td></td>
<td>3,191,033.00</td>
<td>(1,950,001.80)</td>
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**Notes:**
- Revenue from Public Fire Protection: $1,989,842.00
- Other Water Revenue: $85,000.00
- FRC-Facility Reserve Charge: $1,000,000.00
- Federal Grants: $2,000,000.00
- State Grants: $1,530,000.00
- Capital Contributions: $1,001,107.00
- Net Increase in Fair Value of Investments: $200,000.00
- Gain or Loss on Disposal of Capital Assets: $5,000.00
- Gain or Loss from the Retirement of Debt: $14,960.42
- Employee-Related Expenses: $4,329.87
- Temporary Assignment: $4,329.87
- Overtime: $5,000.00
- Standby: $8,150.03
- FICA: $6,326.46
- Retirement Contribution: $8,242.91
- Life & Health Insurance: $7,464.18
- Workers Compensation: $1,250.00
- Unemployment Compensation: $884,000.00
- Total Employee-Related Expenses: $89,965.58
- Contracts & Services: $2,041.74
- Rentals and Leases: $2,696.02
- Insurance: $30,000.00
- County Service Charge: $1,989,842.00
- Repairs and Maintenance-Water System: $7,057.57
- Repairs and Maint-Non Water System: $333,533.69
- Total Contracts & Services: $2,456,458.59
- Total YTD Budget: $3,034,892.16
- YTD Actual: $7,611,551.92
- Variances: $3,191,033.00
- Variance %: 1%
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<th>YTD Actual</th>
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<th>Variance %</th>
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<td>FY 2015 Klauea</td>
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<tr>
<td>Total Bulk Water Purchase</td>
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<td>172,860.50</td>
<td>132,621.40</td>
<td>40,239.10</td>
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<td>Training, Travel &amp; Meeting Expenses</td>
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<td>341,268.42</td>
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<tr>
<td>Total Interest Expense</td>
<td>341,268.42</td>
<td>341,268.42</td>
<td>322,259.30</td>
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<td>425,179.36</td>
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<td>Net Operating Income (Loss) Before Depreciation &amp; Amortization</td>
<td>$814,769.04</td>
<td>$655,456.42</td>
<td>$3,129,631.56</td>
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<td>Net Operating Income (Loss)</td>
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<td>(1,781,812.06)</td>
<td>$8,422,379.08</td>
<td>7,521,461.42</td>
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## Department of Water, County of Kauai
### Monthly Budget Summary vs. Actual
#### SUMMARY
8/30/2015

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<th>June</th>
<th>FY 2015</th>
<th>Variance</th>
<th>Variance %</th>
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<td>Original Budget</td>
<td>Revised Budget</td>
<td>Actual</td>
<td>Variance</td>
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<td>166,666.63</td>
<td>166,666.63</td>
<td>(166,666.63)</td>
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<td>Transfers Out/in to Other Funds</td>
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<tr>
<td>Capital Projects (See Attached for Details)</td>
<td>3,347,437.33</td>
<td>3,331,739.61</td>
<td>1,554,315.56</td>
<td>1,777,424.25</td>
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<tr>
<td></td>
<td>June</td>
<td>FY 2015</td>
<td>Variance</td>
<td>Variance %</td>
</tr>
<tr>
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<td>---------------</td>
<td>---------------</td>
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<td>Original Budget</td>
<td>Revised Budget</td>
<td>Actual</td>
<td>Variance</td>
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<td>Capital Projects (See Attached for Details)</td>
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<td>Water Utility - Capital Projects (See Attached for Details)</td>
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<td>Capital Projects (See Attached for Details):</td>
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<td>20-20-00-805-006 FRC-Eng-AlLE-PLH-28 Hanamaua Main (Hochans Street)</td>
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<tr>
<td>June</td>
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<tr>
<td>Original Budget</td>
<td>Revised Budget</td>
<td>Actual</td>
<td>Variance</td>
<td></td>
</tr>
<tr>
<td>30-20-00-664-101 BAB-Eng-ALLR-10-01 Ani-01a Anini &amp; Kalihwai Rd S-</td>
<td>25,424.45</td>
<td>(25,424.45)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>30-20-00-664-105 BAB-Eng-ALLR-09-01 K-01 Kalaehe 1111FT &amp; 1222FT</td>
<td>216,600.00</td>
<td>216,600.00</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>30-20-00-664-110 BAB-Eng-ALLR-11-04 LO-10 Lawai Shihinc Main Rolzmn</td>
<td>412,145.00</td>
<td>29,424.45</td>
<td>532,724.55</td>
<td>93%</td>
</tr>
<tr>
<td>30-20-00-664-112 BAB-Eng-ALLR-11-02 PLH-01a Grove Farm Tanks 1 &amp; 2</td>
<td>29,855.00</td>
<td>5,867.45</td>
<td>23,987.55</td>
<td>80%</td>
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<tr>
<td>30-20-00-664-114 BAB-Eng-ALLR-PLH-39a Lihue Basin Yard Phase 1</td>
<td>153,856.00</td>
<td>57,905.20</td>
<td>85,950.80</td>
<td>56%</td>
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<tr>
<td>30-20-00-664-115 BAB-Eng-ALLR-11-06 WK-01 Rehab Moelese Tunnel</td>
<td>81,340.00</td>
<td>81,340.00</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>30-20-00-665-104 BAB-Eng-ALLL-05-02 HW-12 Dril Waihina-Haena Well</td>
<td>32,430.00</td>
<td>32,430.00</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>30-20-00-665-116 BAB-Eng-ALLL-05-14 WK-08 Kapaa Homesteads Tank</td>
<td>72,190.00</td>
<td>72,190.00</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>30-20-00-665-120 BAB-Cns-ALLL-02-06WKK15-Klauea 466 Tank Puu Pane</td>
<td>12,045.00</td>
<td>12,045.00</td>
<td>100%</td>
<td></td>
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<tr>
<td>30-20-00-665-123 BAB-Eng-96%E-02-01 Land for Kukuiolono Tank Site</td>
<td>182,775.00</td>
<td>182,775.00</td>
<td>100%</td>
<td></td>
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<tr>
<td>30-20-00-665-138 BAB-Eng-31%E-11-07 HE-05 Hanapepe &amp; Koloa Well MCC</td>
<td>52,325.00</td>
<td>52,325.00</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>30-20-00-665-139 BAB-Eng-ALLL-02-11 M-02 100K Trnk &amp; Pipeline Molaas</td>
<td>191,122.00</td>
<td>191,122.00</td>
<td>100%</td>
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<tr>
<td>30-20-00-665-140 BAB-Eng-ALLL-Koloa Well F Land Acquisition</td>
<td>4,166.74</td>
<td>4,166.74</td>
<td>100%</td>
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<tr>
<td>30-21-00-664-101 BAB-Cns-ALLL-10-01 Ani01a Anini &amp; Kalihwai 6IN Main</td>
<td>1,000.00</td>
<td>1,000.00</td>
<td>0.00</td>
<td>1.00</td>
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<tr>
<td>30-21-00-664-102 BAB-Cns-44%R-10-01 Ani01b Anini Rd Wl, DOW-Pirnolv</td>
<td>452,000.00</td>
<td>452,000.00</td>
<td>100%</td>
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<tr>
<td>30-21-00-664-107 BAB-Cns-44%R-XY-YK-09 MCC Chor KoloaWell16-A,E</td>
<td>1,400,000.00</td>
<td>1,400,000.00</td>
<td>100%</td>
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<tr>
<td>30-21-00-664-109 BAB-Cns-19%R-XX-YL-05 W-10-Kolua Al-Piko, Lawai</td>
<td>285,337.00</td>
<td>285,337.00</td>
<td>1,510.40</td>
<td>286,847.40</td>
</tr>
<tr>
<td>30-21-00-664-112 BAB-Cns-43%R-11-02 PLH-01a Grove Farm Tanks 1 - 2</td>
<td>600,000.00</td>
<td>600,000.00</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>30-21-00-664-114 BAB-Cns-ALLL- PH-39a-Lihue Basin Yard Phase 1</td>
<td>401,966.40</td>
<td>401,966.40</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>30-21-00-664-120 BAB-Cns-10%R-52-06WKK15-Klauea 466 Tank Puu Pane</td>
<td>249,966.00</td>
<td>249,966.00</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>30-21-00-664-121 BAB-Cns-ALLL-02-17 H-01 Maka Ridge Tank to Kuhio</td>
<td>401,966.40</td>
<td>401,966.40</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>30-21-00-664-129 BAB-Cns-ALLL-11-10 8IN Wl Hiawilii, Kaum to Hfale</td>
<td>66,666.40</td>
<td>66,666.40</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>30-21-00-664-131 BAB-Cns-ALLL-13-03 Lihue Mill Bridge Widening</td>
<td>151,027.00</td>
<td>151,027.00</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>30-21-00-664-133 BAB-Cns-11%R-12-01 H-05 Weke Aana Hee 6-IN Maars</td>
<td>13,750.00</td>
<td>13,750.00</td>
<td>13,750.00</td>
<td>165,000.00</td>
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<tr>
<td>30-21-00-665-103 BAB-Cns-65%E-10-01 Ani001b Anini Rd Wl, DOW-Pirnolv</td>
<td>154,000.00</td>
<td>154,000.00</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>30-21-00-665-109 BAB-Cns-31%E-XX-YL-05O-10Kolua Al-Piko, Lawai</td>
<td>81,000.00</td>
<td>81,000.00</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>30-21-00-665-112 BAB-Cns-ALLL-02-14 WK-08 Kapaalihiml 1MG Tank Omellass</td>
<td>2,810,099.00</td>
<td>2,810,099.00</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>30-21-00-665-118 BAB-Cns-ALLL-25-12 PLH-01a Grove Farm Tanks 1 - 2</td>
<td>1,200,000.00</td>
<td>1,200,000.00</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>30-21-00-665-120 BAB-Cns-ALLL-07-02 Wk-08 Kapaa Homesteads Well 4</td>
<td>2,250,000.00</td>
<td>2,250,000.00</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>30-21-00-665-138 BAB-Cns-ALLL-90%E-12-01 H-05 Weke Aana Hee 6-IN Maars</td>
<td>1,335,000.00</td>
<td>1,335,000.00</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Total Capital Projects (See Attached for Details)</td>
<td>1,829,692.79</td>
<td>1,669,410.46</td>
<td>36,534.85</td>
<td>1,838,495.61</td>
</tr>
</tbody>
</table>
### Capital Projects (See Attached for Details):

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Original Budget</th>
<th>Revised Budget</th>
<th>Revised YTD Budget</th>
<th>Revised YTD Actual</th>
<th>Variance</th>
<th>Variance %</th>
</tr>
</thead>
<tbody>
<tr>
<td>60-20-00-605-143 SRF-Eng-11-13 PLH-03 DRILL &amp; DEV HORIZONTAL WELLS</td>
<td>12,500.00</td>
<td>333,333.37</td>
<td>4,000,000.00</td>
<td>3,408,325.15</td>
<td>591,674.84</td>
<td>15%</td>
</tr>
<tr>
<td>60-21-00-804-114 SRF-Cns-ALLR- PLH-39a-Lihue Baseyard Phase I</td>
<td>345,833.37</td>
<td>333,333.37</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Total Capital Projects (See Attached for Details)**

<table>
<thead>
<tr>
<th>Original Budget</th>
<th>Revised Budget</th>
<th>Revised YTD Budget</th>
<th>Revised YTD Actual</th>
<th>Variance</th>
<th>Variance %</th>
</tr>
</thead>
<tbody>
<tr>
<td>345,833.37</td>
<td>333,333.37</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
BILLED REVENUES COMPARATIVE REPORT  
As of June, FY 2013, 2014 & 2015

<table>
<thead>
<tr>
<th>Month</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
<th>Cum. Inc (Dec)</th>
<th>% Inc. (Dec.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>July</td>
<td>$2,346,892</td>
<td>$2,389,827</td>
<td>$2,509,308</td>
<td>$119,481</td>
<td>5.00%</td>
</tr>
<tr>
<td>August</td>
<td>$4,399,666</td>
<td>$4,846,625</td>
<td>$5,260,587</td>
<td>$413,962</td>
<td>8.54%</td>
</tr>
<tr>
<td>September</td>
<td>$6,828,224</td>
<td>$7,600,208</td>
<td>$7,985,071</td>
<td>$384,863</td>
<td>5.06%</td>
</tr>
<tr>
<td>October</td>
<td>$9,056,386</td>
<td>$9,747,266</td>
<td>$10,346,368</td>
<td>$599,102</td>
<td>6.15%</td>
</tr>
<tr>
<td>November</td>
<td>$11,423,911</td>
<td>$12,304,399</td>
<td>$12,776,067</td>
<td>$471,668</td>
<td>3.83%</td>
</tr>
<tr>
<td>December</td>
<td>$13,338,790</td>
<td>$14,213,889</td>
<td>$15,232,230</td>
<td>$1,018,341</td>
<td>7.16%</td>
</tr>
<tr>
<td>January</td>
<td>$16,163,728</td>
<td>$16,365,861</td>
<td>$17,516,998</td>
<td>$1,151,137</td>
<td>7.03%</td>
</tr>
<tr>
<td>February</td>
<td>$18,406,878</td>
<td>$18,231,858</td>
<td>$19,858,103</td>
<td>$1,626,245</td>
<td>8.92%</td>
</tr>
<tr>
<td>March</td>
<td>$20,193,748</td>
<td>$19,989,956</td>
<td>$22,109,442</td>
<td>$2,119,486</td>
<td>10.60%</td>
</tr>
<tr>
<td>April</td>
<td>$22,016,200</td>
<td>$21,982,692</td>
<td>$24,694,634</td>
<td>$2,711,942</td>
<td>12.34%</td>
</tr>
<tr>
<td>May</td>
<td>$23,983,717</td>
<td>$24,279,609</td>
<td>$27,149,481</td>
<td>$2,869,872</td>
<td>11.82%</td>
</tr>
<tr>
<td>June</td>
<td>$26,287,935</td>
<td>$26,814,116</td>
<td>$29,896,740</td>
<td>$3,082,624</td>
<td>11.50%</td>
</tr>
</tbody>
</table>

BILLED REVENUES COMPARATIVE CHART

1 revenue comparison
### CASH RECEIPTS COMPARATIVE REPORT
As of June, FY 2013, 2014 & 2015

<table>
<thead>
<tr>
<th>Month</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</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>$2,288,104</td>
<td>($306,066)</td>
<td>-12%</td>
</tr>
<tr>
<td>August</td>
<td>$4,275,571</td>
<td>$5,157,089</td>
<td>$4,704,550</td>
<td>($452,539)</td>
<td>-9%</td>
</tr>
<tr>
<td>September</td>
<td>$6,370,743</td>
<td>$7,551,676</td>
<td>$7,539,105</td>
<td>($12,572)</td>
<td>0%</td>
</tr>
<tr>
<td>October</td>
<td>$9,006,500</td>
<td>$10,458,869</td>
<td>$10,008,958</td>
<td>($449,911)</td>
<td>-4%</td>
</tr>
<tr>
<td>November</td>
<td>$11,197,586</td>
<td>$12,235,628</td>
<td>$11,856,591</td>
<td>($379,037)</td>
<td>-3%</td>
</tr>
<tr>
<td>December</td>
<td>$13,332,029</td>
<td>$14,125,589</td>
<td>$14,467,040</td>
<td>57,115</td>
<td>0%</td>
</tr>
<tr>
<td>January</td>
<td>$15,496,524</td>
<td>$16,359,772</td>
<td>$16,582,316</td>
<td>222,544</td>
<td>1%</td>
</tr>
<tr>
<td>February</td>
<td>$17,978,954</td>
<td>$17,959,235</td>
<td>$18,764,382</td>
<td>804,860</td>
<td>4%</td>
</tr>
<tr>
<td>March</td>
<td>$20,124,259</td>
<td>$20,040,053</td>
<td>$21,084,947</td>
<td>1,044,893</td>
<td>5%</td>
</tr>
<tr>
<td>April</td>
<td>$22,135,604</td>
<td>$21,992,827</td>
<td>$23,582,827</td>
<td>1,589,984</td>
<td>7%</td>
</tr>
<tr>
<td>May</td>
<td>$23,853,871</td>
<td>$23,982,830</td>
<td>$25,718,355</td>
<td>1,735,526</td>
<td>7%</td>
</tr>
<tr>
<td>June</td>
<td>$25,268,445</td>
<td>$25,887,374</td>
<td>$28,363,672</td>
<td>2,188,166</td>
<td>8%</td>
</tr>
</tbody>
</table>

### Cash Receipts Comparative Chart
As of June, FY 2013, 2014 & 2015
## BILLING METERED CONSUMPTION (000 GALLONS) MONTHLY COMPARATIVE CHART

As of June, FY 2013, 2014 & 2015

(expressed in thousands)

<table>
<thead>
<tr>
<th></th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
<th>INC (DEC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>July</td>
<td>436,238</td>
<td>391,161</td>
<td>343,770</td>
<td>-47,391</td>
</tr>
<tr>
<td>August</td>
<td>361,599</td>
<td>383,678</td>
<td>374,728</td>
<td>-8,950</td>
</tr>
<tr>
<td>September</td>
<td>415,176</td>
<td>416,687</td>
<td>346,777</td>
<td>-69,910</td>
</tr>
<tr>
<td>October</td>
<td>384,934</td>
<td>329,255</td>
<td>322,278</td>
<td>-6,977</td>
</tr>
<tr>
<td>November</td>
<td>398,863</td>
<td>345,049</td>
<td>320,209</td>
<td>-24,840</td>
</tr>
<tr>
<td>December</td>
<td>305,276</td>
<td>288,665</td>
<td>321,339</td>
<td>32,674</td>
</tr>
<tr>
<td>January</td>
<td>453,812</td>
<td>317,509</td>
<td>312,153</td>
<td>-5,356</td>
</tr>
<tr>
<td>February</td>
<td>366,974</td>
<td>286,045</td>
<td>325,040</td>
<td>38,995</td>
</tr>
<tr>
<td>March</td>
<td>323,359</td>
<td>261,867</td>
<td>306,207</td>
<td>44,340</td>
</tr>
<tr>
<td>April</td>
<td>334,995</td>
<td>301,084</td>
<td>353,456</td>
<td>52,372</td>
</tr>
<tr>
<td>May</td>
<td>335,320</td>
<td>348,355</td>
<td>335,704</td>
<td>-12,651</td>
</tr>
<tr>
<td>June</td>
<td>388,313</td>
<td>327,741</td>
<td>336,196</td>
<td>8,455</td>
</tr>
</tbody>
</table>

### AFS error in billing AJE

Adjusted

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3 12 mo. consumption comp
<table>
<thead>
<tr>
<th>Month</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
<th>CUM. INC (DEC)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>July</td>
<td>349,500</td>
<td>391,161</td>
<td>343,770</td>
<td>-47,391</td>
<td>-12%</td>
</tr>
<tr>
<td>August</td>
<td>748,067</td>
<td>774,839</td>
<td>718,498</td>
<td>-56,341</td>
<td>-7%</td>
</tr>
<tr>
<td>September</td>
<td>1,172,622</td>
<td>1,191,526</td>
<td>1,065,275</td>
<td>-126,251</td>
<td>-11%</td>
</tr>
<tr>
<td>October</td>
<td>1,507,452</td>
<td>1,520,781</td>
<td>1,387,553</td>
<td>-133,228</td>
<td>-9%</td>
</tr>
<tr>
<td>November</td>
<td>1,857,997</td>
<td>1,865,830</td>
<td>1,707,762</td>
<td>-158,068</td>
<td>-8%</td>
</tr>
<tr>
<td>December</td>
<td>2,164,504</td>
<td>2,154,495</td>
<td>2,029,101</td>
<td>-125,394</td>
<td>-6%</td>
</tr>
<tr>
<td>January</td>
<td>2,505,086</td>
<td>2,472,004</td>
<td>2,341,254</td>
<td>-130,750</td>
<td>-5%</td>
</tr>
<tr>
<td>February</td>
<td>2,790,363</td>
<td>2,758,049</td>
<td>2,666,294</td>
<td>-91,755</td>
<td>-3%</td>
</tr>
<tr>
<td>March</td>
<td>3,100,600</td>
<td>3,019,916</td>
<td>2,972,501</td>
<td>-47,415</td>
<td>-2%</td>
</tr>
<tr>
<td>April</td>
<td>3,381,673</td>
<td>3,321,000</td>
<td>3,325,957</td>
<td>4,957</td>
<td>0%</td>
</tr>
<tr>
<td>May</td>
<td>3,752,552</td>
<td>3,669,355</td>
<td>3,661,661</td>
<td>-7,694</td>
<td>0%</td>
</tr>
</tbody>
</table>
PR SPECIALIST REPORT
July 23, 2015

Press Releases
All press releases reported below were also published on the Department’s Facebook and Twitter social media pages.

- A press release was sent on June 29th to notify Kilauea motorists and residents of the start of construction for the Kolo Road Main Replacement project beginning July 6th. The press release was published on KHON2.com (attached) and an article was published in The Garden Island (attached) and on HawaiiNewsNow.com (attached).

- A press release was sent on June 30th to notify all customers that the Department’s cost of power adjustment rate will remain at $0.12 per thousand gallons for fiscal year 2015-2016.

- A press release was sent on July 2nd to announce that the Department held a blessing ceremony to mark the start of construction for the Kolo Road Main Replacement project. Information about the project’s funding and scope of work were also presented in the press release.

Other Media
- The Department was mentioned in a June 7th article, “Demand for doughnuts,” by The Garden Island (attached). On National Donut Day, the Salvation Army delivered doughnuts to the Department and extended its appreciation for years of partnership with The Angel Tree Program.

- An article, “Drought continues,” by The Garden Island (attached) was published on June 19th. The Department commented that there are currently no significant effects on its water supply and if an extended drought should occur, the Department would initiate strong water conservation and drought education outreach efforts. The story was picked up by the Associated Press and printed in the Honolulu Star Advertiser on June 20th (attached).

- The Department was mentioned in two articles by The Garden Island (attached) about the Mayor-a-Thon event held on June 20th, where the Department sponsored drinking water for all participants.

- The Department was featured as the cover story in Midweek Kauai’s July 15th edition (attached). The story focused on the Department’s 24/7 operations, hard-working employees, upcoming projects, community and educational programs, and Kirk Saiki’s most recent appointment as the Manager and Chief Engineer.

Kolo Road Main Replacement
In addition to the two press releases, the Department sent out post card notices on June 23rd to customers located on or near the project’s construction area. These notices were also posted on the Department’s website and social media pages.
The Department was also invited to attend the Kilauea Neighborhood Association meeting on July 7th. Keith Aoki, Eddie Doi, Kirk Saiki and Kim Tamaoka attended the meeting. Keith Aoki gave a presentation on behalf of the Department and described the project’s scope of work, in addition to answering questions from the community. The Department’s contractor was represented by Kevin Wataya who answered questions regarding construction and traffic.

**Project WET for Source Water Protection Education Grant**

The Department completed four training workshops held in Hilo, Oahu and Molokai from June 8th to June 12th. About 70 educators attended the workshops and gave excellent feedback that will help prepare the Department for future programs on Kauai and throughout the state. The workshops were facilitated by two guest Project WET Coordinators – Julie Scanlin from Idaho and Joni Scharfenberg from Alaska. Both offered a wide range of expertise to the Hawaii educators and provided valuable resources for all.

The Department also completed its second Make a Splash Mini-Festival in Hilo on June 26th at the Na Pua Noeau Summer Enrichment Program for students grades K-5. Presenters included the Department’s Project WET Program, DOH-Safe Drinking Water Branch, Hawaii Rural Water Association and DLNR’s Marine Wildlife Program.

At the time of this report, the Department continues to prepare for its Project WET Educator Workshop to be held on July 21st in Oahu. 26 educators have registered for this workshop.

The Department submitted its Quarter 3 report to DOH on July 9th. The Department has spent $123,473.65 since the start of its contract. Plans are on track to spend the remaining $106,526.35 by the end of the contract on December 31, 2015.

**Community Support**

The Department sponsored drinking water stations for the Mayor-a-Thon event on June 20th at the Kapaa Beach Park. Six of the Department’s 10-gallon water jugs were used throughout the walking path for the more than 1,200 participants. Jonell Kaohelaulii, Kirk Saiki and Kim Tamaoka hosted the drinking water station in the park and served participants throughout the morning. Mahalo to Freddy Levinthol for donating the use of his custom cold water system, and to Peggy Yoshioka and Operations for disinfecting and transporting one water buffalo to the park. Jonell and Kim attended the Mayor-a-Thon recap meeting on July 1st and plan to continue the Department’s sponsorship for next year’s event.

Jonell met with Annette Leftheriotis, the sponsorship and entertainment coordinator for the Kauai County Farm Bureau Fair, on July 8th. The Department is considering a sponsorship package for this year’s Farm Fair.

**Fun Committee**

The Fun committee hosted a Kokee Weekend Camp & Fishing trip from June 26th to 28th. About 25 DOW employees and their families enjoyed trout fishing, a hike to Waipoo Falls and a luncheon provided by the committee at Camp Knudsen. Jonell Kaohelaulii officially joined the Fun Committee and will represent PR to support the committee’s goals to improve employee morale, and to assist in event planning. The committee distributed an employee survey in June, to seek out event suggestions and ways to improve participation for future events.
Miscellaneous:
- Completed the July-August “As the Water Flows” employee newsletter.
- Submitted an advertisement and editorial for Kauai Family Magazine’s 2015 Fall Edition highlighting the Department’s upcoming Make a Splash for Project WET Festival to be held on Sept. 24th.
- Jonell Kaoheleaulii and Joel Bautista attended the Employee Council meeting on June 18th and July 9th.
- Kim Tamaoka attended the Kauai Drought Committee meeting on July 15th.

Respectfully submitted,

Kim Tamaoka
Public Relations Specialist

KT:ein

Attachments:  “Work to begin on Kauai’s Kolo Road,” by KHON2
             “Kilauea water line construction to begin,” by The Garden Island
             “Water line construction project set to begin in Kilauea,” by Hawaii News Now
             “Demand for doughnuts,” by The Garden Island
             “Drought continues,” by The Garden Island
             “Drought continues on Kauai,” by Honolulu Star Advertiser
             “Winners everywhere at Mayor-a-Thon,” by The Garden Island
             “Happy Active Morning,” by The Garden Island
             “Where Would We Be Without Water,” by Midweek Kauai

Work to begin on Kauai’s Kolo Road

By Web Staff Published: June 29, 2015, 8:39 am

Motorists and residents are advised that work will commence on Kolo Road, in the vicinity of Malulani Place to Pukalani Place, beginning Monday, July 6.

This is to allow the Department of Water’s (DOW) contractor Earthworks Pacific, Inc. to begin work on the Kolo Road Main Replacement project, which includes the installation of a new water line into the Kilauea water system.

Work hours will be 7 a.m.-3:30 p.m. Monday through Friday, and may include road closures.

Motorists are advised to drive with caution through this area, follow all traffic control signs and allow extra travel time to get to their destinations.

Residents should be aware that nearby construction equipment and vehicles may be heard during these working hours.

The project is anticipated to complete by January 2016.

For more information, please contact Kevin Wataya, Project Superintendent for Earthworks Pacific, Inc., at 482-4940 or the DOW at 245-5455.
Kilauea water line construction to begin

KILAUEA - A $900,000 construction project to replace Kolo Road's aging water line is set to begin July 6, the Department of Water announced Monday.

The Kolo Road Main Replacement project includes the installation of a new water line into the Kilauea water system along Kolo Road between the vicinity of Malulani Place and Pukalan Place.

"Anytime we can do improvement on the water, it's great for Kilauea," said Bill Troutman, Kilauea Neighborhood Association seniors representative. "The water lines are old. We had it on our house, where it had galvanized pipes after the plantation days and it was rusted out."

The state-funded project will install 1,300 feet of pipe and is set to be complete by January, according to the DOW.

Kim Tamaoka, DOW spokeswoman, said the DOW is unsure how many houses will be affected by the installation. She added that residents will experience some water shortage by the end of the project.

"When a water shutdown has been scheduled for the new connection, we will notify all affected residents on how they should prepare for the time period without water," she said in an email. "If it is scheduled to be an extended water shutdown, then we will provide a water buffalo for residents."

Tamaoka said the new water line will also enhance fire protection for Kilauea Elementary School.

Yoshi L'Hote, KNA president, said he wished the DOW spoke to the community about the project before announcing construction plans.

"I just hope that they'll be more courteous to the people that will be affected by it and they directly contacted those neighbors that everybody on the street is fully aware of the impact that the work will be causing," he said.

Tamaoka said the project also includes the installation of new valves, hydrants, service laterals, meter boxes, air valves, permanent clean-outs, valve boxes, connections to existing water lines and pavement resurfacing and restoration.

The contractor may have intermittent one-lane road closures and will direct traffic appropriately until construction is completed, she said.

Construction hours will be from 7 a.m. to 3:30 p.m. during the week.

Subcontractors Earthworks Pacific, Inc. will spearhead installation of the water line and will be working with county and DOW officials.

"As long as we keep our communications with the county, both the Department of Water and Department of Public Works as well as with the engineer, it should go very smoothly," said Kevin Wataya, project superintendent for Earthworks Pacific.

Earthworks Pacific plans to complete connection of the water line by mid-September.
The project is part of the DOW's Water Plan 2020, a long-range plan that addresses the need to upgrade deteriorating and aging infrastructures on Kauai.

The water distribution system in the areas of Waipake, Kilauea and Kalihiwai include 12-inch pipes that connect the water supply source to Kilauea town and surrounding agricultural-open district, according to the DOW Water Plan 2020.

The blessing for the project will take place on Kolo Road in the vicinity of Kilauea School on Wednesday.

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Posted in Local on Tuesday, June 30, 2015 12:30 am. Updated: 7:03 am.
Water line construction project set to begin in Kilauea

KILAUEA, Hawaii (AP) - A construction project to replace Kolo Road's water line is being launched as part of a long-term plan to address necessary upgrades to Kauai's aging and deteriorating infrastructures.

The Garden Island reports the Department of Water announced the $900,000 Kolo Road Main Replacement project Monday. It will begin July 6.

The state-funded project will include 1,300 feet of pipe and will add a new water line into the Kilauea water system.

Department spokeswoman, Kim Tamaoka, says some residents will experience water shortage by the end of the project. She says all affected residents will be notified when a water shutdown is scheduled.

The project will also include installation of new valves, hydrants, meter boxes, along with pavement resurfacing and restoration.

The project is expected to be completed by January.

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Demand for doughnuts

Sunny Sadaoka and her daughters, including Pokii 1, Ululani 6, and Kulia 3, enjoy some of the National Donut Day pastries from Daylight Donuts in Lihue. The National Donut Day campaign, celebrated on the first Friday in June, benefited the Salvation Army.

LIHUE — The line from Daylight Donuts extended well into the parking lot behind Ace Hardware on Friday morning.

"People were here before 6 a.m.,” said Salvation Army Cadet Helen Reyes. “There were a lot of people waiting for doughnuts, and many were not aware it was National Donut Day.”

Sunny Sadaoka knew and planned ahead.

"I told myself to order ahead, and it completely slipped my mind," Sadaoka said. "I panicked this morning, but was able to get an order in by 7:30 a.m."

Sadaoka and her family were enjoying the fruits of her thoughtfulness while a steady stream of customers were greeted by empty pastry cases, some willing to wait the time it took to for a batch of cooking doughnuts to finish.

The first doughnut was free, but many bought more as proceeds went to Salvation Army.

"This is a lot," said Sarah Duterte of Daylight Donuts. "We made more than 2,000 donuts and had to shut down before the 11 a.m. closing. We just have a few more customers who are picking up orders, but other than that, we're sold out."

Reyes said when she arrived here two years ago, there was no National Donut Day event.

"The Salvation Army is so grateful to Brad Celebrado and all of the Daylight Donut people for partnering with us to have this event," she said. "We even had members of the Salvation Army Advisory Board participating in this event when Sara Miura stopped by for a couple of boxes. Eugene Jimenez said he didn't know what he was going to do with the two boxes he picked up."

Maj. Mario Reyes said the Salvation Army appreciation extended to his trips to deliver doughnuts to some of their partners, including the Central Pacific Bank, the Department of Water, the Kauai Island Utility Cooperative and the Kauai United Way.

"This is such a good feeling," Mario said, watching one of the Sadaoka girls empty the coin container into the Red Kettle. "To be able to meet and talk with the people who support us is such a heart-warming feeling."

National Donut Day, celebrating its 78th year, was started by the Salvation Army as a way to raise funds
and bring awareness to its social services.

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Posted in Local on Sunday, June 7, 2015 1:15 am.
Drought continues

LIHUE — The drought that is gripping Kauai is expected to improve in some areas — and become more severe in others.

“The outlook is that the windward sides should be getting more rain, but unfortunately the leeward sides will stay dry or get drier,” said NWS hydrologist Kevin Kodama. “The existing drought will at least persist, if not get worse.”

A 45-mile stretch of coastline from Kapaa to Polihale is in the throes of a moderate drought, said Tom Birchard, meteorologist for the National Weather Service in Honolulu. The Westside and South Shore have been in a moderate drought since February, with lower portions of the Eastside only just gaining that status last month.

Interior Kauai and Niihau are one mark less severe, which is abnormally dry.

So far this year, rainfall gauges across Kauai have recorded precipitation at levels that are about 50 percent below normal, Birchard said. Lihue Airport had 12 inches of rain from October to April, which is the driest wet season recorded there in the last 30 years.

The culprit is El Nino, an irregularly occurring weather pattern that results in temperature and rainfall changes in the Pacific Ocean.

As June carries on, the lack of rain continues.

The dry conditions have so far had no significant effect on the county’s water supply, said Kim Tamaoka, spokeswoman for the Department of Water. The department’s main water source is groundwater and it takes years for rain to percolate into the groundwater aquifer lens, she said. So although the island is experiencing a lack of rain, it would take a severe and extended drought to generate any cause for concern in terms of public water availability.

In 2014, the average amount of water produced islandwide from May to August by deep wells and the Hanamaulu Surface Water Treatment Plant was 12.85 million gallons per day, she said.

"Currently, there are no indications that any of our systems are decreasing in source water supply," she said in a prepared statement. "However, if an extended drought should happen and its effects are predicted to become a cause for concern, we would initiate strong outreach efforts to the public regarding water conservation and drought education."

The department has never implemented water restrictions. But Tamaoka said it did, during a past drought, issue public notices aggressively urging the public to conserve water.

The NWS has so far received no reports of drought-related impacts from folks on Kauai, such as farmers, who depend on rainfall.

But rainfall hasn’t completely abandoned this island famed for its lush greenery. While summer is expected to be drier than normal in places already plagued by drought, the North Shore and upper coastal portions of the Eastside are predicted to be wetter than normal through September.

Normal monthly rainfall totals for July, August and September are about a half an inch in Waimea, an inch
and a half in Hanapepe, 1 to 2 inches in Lihue and 5 to 6 inches in Wallua, Kodama said. These areas, however, will likely see less rain this year.

Even Mt. Waialeale, previously considered the wettest spot on Earth, is experiencing the pinch. The mountain collected 38 percent less rainfall than normal this year through the end of April, according to data from the National Weather Service. In January, rainfall at the summit totaled little more than 4 inches.

Though Waialeale’s average annual rainfall total is 394 inches, recent years have been starkly different. In 2014 the USGS gauge on Waialeale recorded 267 inches of cumulative rainfall. While still the highest rainfall total in the state, that's 32 percent less than the annual average. It's also the lowest annual total at the site since 1993, when 244 inches fell.

Droughts make for dangerous conditions for brush fires and a change in normally lush landscapes.

Carl Berg, chairman of the Surfrider Foundation's Kauai Chapter, said some of the island’s streams are drying up. With little water flow, there’s fewer bacteria — which is a silver lining of sorts.

Berg said the island’s stream bacteria counts were lower than normal on Saturday when volunteers took water samples and tested them for Enterococcus bacteria at 27 locations.

The last time a moderate drought was recorded on the island was November 2013.

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Posted in Local on Friday, June 19, 2015 1:45 am.
Drought continues on Kauai

By Associated Press

POSTED: 12:08 p.m. HST, Jun 20, 2015

LIHUE, Hawaii (AP) — Scientists say Kauai’s drought is expected to worsen in some areas while improving in others.

The Garden Island Reports that National Weather Service hydrologist Kevin Kodama says windward sides of the island should get more rain but the leeward sides will stay dry.

Interior Kauai and Niihau are abnormally dry, while NWS Honolulu meteorologist Tom Birchard says much of the coastline is dealing with a moderate drought.

Birchard says rain levels across Kauai this year have been about 50 percent below normal.

The culprit is El Nino, the irregular weather pattern that causes temperature and rainfall changes in the Pacific Ocean.

Department of Water spokeswoman Kim Tamaoka says the dry conditions have not had any significant effect of the county's water supply so far.

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Winners everywhere at Mayor-a-Thon

Dennis Fujimoto/The Garden Island

Althea Arinaga waves as she is one of the walkers taking off at the start of the 7th Annual Kauai Mayor-a-Thon, Saturday at the Kapaa Beach Park.

KAPAA — Kapaa Elementary School fourth-grader Zixin He summed up the Kauai Mayor-a-Thon with her award-winning art.

"People from all over are here together," said He, while explaining her drawing that won first place in the General Plan Update art contest sponsored by the Planning Department. "People having peace and aloha spirit in their hearts, and they are not alone."

On Saturday, more than 1,300 people walked, biked, jogged and ran distances of up to eight miles on Ke Ala Hele Makalae, the multi-use path, from the Kapaa Beach Park during the 7th annual Kauai Mayor-a-Thon. The event paid tribute to fathers because it took place the day before Father's Day.

"We had more than 1,200 entries online," said Bev Brody of Get Fit Kauai. "This has got to be at least 200 more people than last year."

The first 600 participants earned trucker caps, but everyone received a free GEICO water bottle. The empty containers were filled by Kim Tamaoka and Jonel Kaohelauii of the Department of Water, who used a jury-rigged pump devised by Kapaa High School football coach Freddy Levinthol, a former Parks employee who knew exactly how to rig the cooler-turned-water dispenser.

Everyone who left the gate of the Kapaa Beach Park in the multi-discipline event were winners in their own right for braving several bouts of dousing rain. They were greeted by a continental breakfast prepared by Mark's Place and Contemporary Flavors Catering featuring a gluten-free scone, morning muffin and assorted fresh fruit, including lychee, from the Kauai Grown program.

"We were by the Kealia pavilions when the first rain came so we could shelter in the pavilions," said one soaked walker. "But the second one came when we were out in the middle. There was nowhere to go — rain, wet."

The event drew visitors as well as residents.

"We were searching for something to do online," said Trena Thomas of Houston, Texas. "We were coming here and found this event. We recently ran the Galveston marathon and this sounded interesting."

Brian Longmore, Jason Iloreta (coming home from Canada to participate), Lorenzo Quinones and Kasey Ozaki won bicycles in the drawing.

Danette Vea earned a stay at the Lawai Beach Resort, and Nadine Roderick was pinching herself in disbelief after being announced the winner of the resort stay at the Kauai Marriott Resort and Beach Club valued at more than $1,000.
Doug Haigh was the winner of the Fathers Survey hosted by the Mayor's Office Life's Choices. Theresa Koki added that the Life's Choices office will be announcing a summit to bring back the Dad's Coalition with new energy.

He, who credits Hector and Sue Perez for her honor, won a bicycle for her first-place win in the art contest prompted by the General Plan Update. The contest drew more than 300 entries from Kauai's schoolchildren, according to Marissa Valenciano of the Planning Department. Other winners included Alihay Flores of King Kaumualii Elementary School, Aaliyah Cadiente-Numaza of Elsie Wilcox Elementary School, and Sisilia Koli as an honorable mention award winner.

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Posted in Sports on Sunday, June 21, 2015 1:00 am. Updated: 6:55 pm.
Happy Active Morning!

Dennis Fujimoto / The Garden Island
Kim Tamaoka, Jonel Kaohelaullii

Benson Peralta of the Philippine Island Hawaiian Island bicycle club said the eight miles, the longest stretch, was still short compared to the rides PIHL riders do.

But he, Rufo Pablo and Lem Soria came out to the Mayor-a-Thon to support Kauai Mayor Bernard Carvalho Jr. and his vision of a healthy, active island, stopping their pre-ride maintenance check to exchange greetings with Kauai County Council member JoAnn Yukimura on Saturday at the Kapaa Beach Park.

The biggest crowd of more than 1,000 people, according to Kenny Ishii, collected at the park to bike, walk, or run several distances on Ke Ala Hele Makalae, the multi-use path, to welcome the morning. Participants received free GEICO water bottles being filled by the Department of Water using the improvised Freedy Levinthol pump.

Get Fit Kauai, in partnership with the County of Kauai, Department of Parks and Recreation, and a host of other community organizations and sponsors spearheaded the event.

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Posted in Check da scene, Tgif on Friday, June 26, 2015 12:45 am.
Where Would We Be
WITHOUT WATER?

Keeping clean water flowing is the job of Kirk Saiki (center), the Department of Water’s new manager and chief engineer. He’s pictured with staff (from left): Val Reyna, Marites Yano, Dustin Moises and Keith Aoki.
How many times have you turned on the faucets in your house today without giving it a second thought? Or let the water run even when you weren’t actually using it? All too often we take water, the precious resource required to sustain life, for granted. Compared to many parts of the world, we are lucky to have such clean, safe drinking water provided to us in such an efficient manner. We have the Department of Water to thank for it.

Dispersing a continuous supply of water around the island is a never-ending job for this Kauai County department. A staff of 82 works together to maintain 400 miles of pipeline, 11 separate water systems from Haena to Kekaha, 50 deep well pumping stations and 58 storage tanks, among many other elements, for some 21,000 customers. Weekends and holidays don’t exist for Kirk Saiki, DOW’s recently appointed manager and chief engineer, who is on-call 24/7, sometimes receiving phone calls at 2 in the morning when a pipeline bursts or other water emergencies occur.

“The water department must operate our water system continuously, every day, without interruptions,” he says.

This year, the department, which is semi-autonomous, generating its own revenue through its accounts, is focusing not only on continuously providing reliable service but also on upgrading aging infrastructure. The idea is to follow the “Water Plan 2020,” implemented in 2001 as a 20-year goal to replace all of the DOW’s aging structures around the island.

In 2015, the plan includes many projects — including increasing the size of waterlines in Kilauea to accommodate expected growth. Construction adjacent to DOW’s current headquarters in Lihue off Kaumualii Highway is part of this year’s plan as well. This $10.6 million undertaking, called “Lihue Baseyard Improvement Project,” will serve as DOW’s new and improved facility. The building will eventually be created and classified as Leadership in Energy and Environmental Design (LEED), taking into account various environmental features such as photovoltaic systems to generate energy.

Most importantly, this year DOW will persist in getting the message across to customers that water is an invaluable resource that must be conserved.

“We care about how much water is used,” says Saiki. “We have a lot of water on this island, but we shouldn’t be wasting it. We say conserve water. What we’re really saying is don’t waste it.”

The environment has been important to Saiki for many years. The Waipahu, Oahu, native has been keeping the planet’s best interests at heart since earning his bachelor of science degree in civil engineering from University of Hawaii-Manoa. He brought his passion for preserving the environment into his three decades of service managing engineering teams, departments and offices in a mixture of industries including water and wastewater. While working as a principal engineer for Lee and Ro Inc. in California, Saiki was given the opportunity to return to Hawaii when he was offered a job as deputy manager-engineer at DOW in 2013. Shortly thereafter, he was promoted to the lead position, and now he’s responsible for the entire operation of DOW. Or, as he says, “from soup to nuts.”

Distributing about 12 million gallons of water around the island every day is not a solo venture, however, and Saiki credits...
his hard-working team for keeping everything running as smoothly as possible.

“Our employees understand that we need to balance the time and work spent on system maintenance, rehabilitation and expansion with the costs involved,” he says.

When asked what Saiki is most proud of accomplishing at DOW, it’s not the projects he’s helped facilitate but the employees that he has the most praise for.

“We have operations and water quality staff who will come to work in the middle of the night to address problems with our water system. We have engineers and inspectors assuring that all our projects are designed and constructed correctly,” he explains.

He even recognized the dedicated staff members who lend their time to train elementary school teachers across the state on how to deliver a water conservation curriculum to their students called Project WET (Water Education for Teachers). This program is tied to a festival for fifth-graders called “Make a Splash,” which also requires the hard work of employees committed to the preservation of clean and safe drinking water.

Educating youths and the rest of the community to be responsible when it comes to water usage is a team effort.

“Water is our most precious natural resource, so it is important for all of us to protect and conserve it. We believe it’s significant for our department to educate our customers and the community about protecting our water resources,” says Saiki.

So the next time you forget to turn off the faucet while brushing your teeth, try to remember all the time and energy that went into providing that convenience for you, and that water is not an infinite resource.

Visit kauaiwater.org for more information.

cocomidweek@gmail.com
DEPARTMENT OF WATER  
County of Kaua‘i  
"Water has no Substitute – Conserve It!"

Operations Division Report for the Month of June 2015

Source and Storage

- Maintenance Workers continued cleaning of various remote facilities island-wide.
- Water Plant Operators performed routine inspection and maintenance at all sites including valve maintenance, piping repair and replacement, chlorination equipment maintenance, and mixing of sodium hypochlorite.
- Electrical workers performed routine electrical maintenance at all sites including SCADA radio troubleshooting, electrical wiring for motor controls, lighting repair and replacement.
- Electrical personnel continued troubleshooting Kalaeo emergency generator and soft starter connection.

Distribution

- Operations Division Field Section crews continue to perform live taps and routine leak repair of service laterals and mainlines.
- Field Section personnel responded to and completed 45 leak repair work orders.
- For the month of June, there was no progress on Lokokai Road 3” PVC distribution line replacement under work order C141516.
- For the month of June, Lele Road 2” GS pipe replacement with 2” PVC pipe resumed. C150210.
- 21 water meters were issued and installed while 6 water meters were repaired.
- We received a total of 45 calls from customers reporting leaks on the mainline, service laterals, meters, meter boxes and fire hydrants including 3 called-in complaint of no water, 8 complaints of low pressure and 1 call reporting broken meter box cover. Work orders were generated and all calls resolved. Leak after the meter needs to be addressed by the customer.

Fleet, Inventory, Warehouse and Baseyard Area

- For the month of June, a total of two hundred eight (208) work orders were issued for Operations Division. Works included: electrical repairs and maintenance; automotive repairs and maintenance including power generator maintenance; water meter installation and replacement; service lateral installations; leak repairs; well, tank site and PRV maintenance; replace damaged meter boxes; replace damaged or leaking hydrant; door-to-door customer notifications for tie-ins of new lines to existing lines as well as notifications regarding scheduled repairs; callouts due to customer complaints/reports; meter replacement requests; contractor’s requests for markings. Of the 208 work orders issued last month, 201 were completed.
- For the month of June 2015, thirty one (31) Hawaii One Call requests for markings were received and twenty six (26) completed.
Respectfully submitted,

Valentino P. Reyna
Chief, Operations Division

VPR/ein

Attachments: Overtime Chart
            Leak Report Chart
            Monthly Billed/Unbilled Water Chart

## Total Hours for the Month

For the Period: June 2013 to June 2015

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<td>6,130</td>
</tr>
<tr>
<td>May-14</td>
<td>4,083</td>
<td>1,081</td>
<td>720</td>
<td>6,130</td>
</tr>
<tr>
<td>Jun-14</td>
<td>3,892</td>
<td>2,150</td>
<td>836</td>
<td>7,130</td>
</tr>
<tr>
<td>Jul-14</td>
<td>4,129</td>
<td>1,542</td>
<td>612</td>
<td>6,184</td>
</tr>
<tr>
<td>Aug-14</td>
<td>4,991</td>
<td>1,889</td>
<td>656</td>
<td>7,630</td>
</tr>
<tr>
<td>Sep-14</td>
<td>3,131</td>
<td>976</td>
<td>621</td>
<td>4,705</td>
</tr>
<tr>
<td>Oct-14</td>
<td>4,130</td>
<td>1,278</td>
<td>485</td>
<td>6,395</td>
</tr>
<tr>
<td>Nov-14</td>
<td>4,095</td>
<td>1,225</td>
<td>392</td>
<td>5,612</td>
</tr>
<tr>
<td>Dec-14</td>
<td>4,076</td>
<td>1,148</td>
<td>775</td>
<td>5,951</td>
</tr>
<tr>
<td>Jan-15</td>
<td>4,624</td>
<td>1,484</td>
<td>312</td>
<td>6,507</td>
</tr>
<tr>
<td>Feb-15</td>
<td>4,882</td>
<td>5,765</td>
<td>319</td>
<td>6,184</td>
</tr>
<tr>
<td>Mar-15</td>
<td>4,935</td>
<td>6,126</td>
<td>347</td>
<td>6,462</td>
</tr>
<tr>
<td>Apr-15</td>
<td>4,732</td>
<td>5,158</td>
<td>512</td>
<td>6,273</td>
</tr>
<tr>
<td>May-15</td>
<td>4,765</td>
<td>7,108</td>
<td>858</td>
<td>8,064</td>
</tr>
</tbody>
</table>
# Work Orders by Job Reason Code for Selected Date Range

## # of W/O's | Job Reason Code | Description
--- | --- | ---
10 | LEAK-BOX | Meter Box Leak Repair
5 | LEAK-CUST | Customer-Side Leak Repair
102 | LEAK-MAIN | Mainline Leak Repair
125 | LEAK-S/L | Service Lateral Leak Repair

## Work Orders by Job Reason Code

- LEAK-BOX: 10 orders (4.1%)
- LEAK-CUST: 5 orders (2.1%)
- LEAK-MAIN: 102 orders (42.1%)
- LEAK-S/L: 125 orders (51.7%)

Total: 100.0%

## Number of Leak Repairs per Month

- LEAK-BOX
- LEAK-CUST
- LEAK-MAIN
- LEAK-S/L

June 2014 to June 2015
MANAGER’S UPDATE

July 23, 2015

Pursuant to Board Policy No. 3

CONTRACTS AWARDED/EXTENSION/AMENDMENTS:

(1) Re: 1st Amendment to Contract No. 579 to Fukunaga & Associates, Inc. for Additional Design Services for Use and Occupancy Agreement in the Amount of $3,240.00

<table>
<thead>
<tr>
<th>Account No. 10-20-00-604-132 WU Fund/Capital Projects-R&amp;R-Design</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfer from Acct No. 10-21-00-604-032</td>
<td>$129,525.00</td>
</tr>
<tr>
<td>Contract No. 579: Fukunaga &amp; Associates, Inc.</td>
<td>$19,500.00</td>
</tr>
<tr>
<td>5% Contingency</td>
<td>$975.00</td>
</tr>
<tr>
<td>Total Funds Certified</td>
<td>$20,475.00</td>
</tr>
</tbody>
</table>

First Amendment:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Additional design services for UOA</td>
<td>$4,950.00</td>
</tr>
<tr>
<td>Deletion of preparation of As-Built Plans</td>
<td>($1,710.00)</td>
</tr>
<tr>
<td><strong>Total Funds Requested for First Amendment</strong></td>
<td><strong>$3,240.00</strong></td>
</tr>
</tbody>
</table>

Total Fund Balance for Acct No. 10-20-00-604-132 | $126,285.00

BACKGROUND:

The Board entered into contract No. 579 with Fukunaga and Associates, Inc. on February 27, 2014 to complete the design for Job No. 13-05 Water Plan 2020 Project No.WKK-09, Kolo Road Main Replacement. In late March 2015, the State Department of Transportation (DOT) informed the Department of Water (DOW) that the State is requiring that a Use and Occupancy Agreement (UOA) be completed for all DOW projects that involve DOW facilities being installed in the State Highway Right-of-Way.

In April 2015, the State DOT clarified that the UOA requirement will also apply to DOW projects that were already under design and reviewed by the DOT before the DOW was notified of the UOA requirement, including the Kolo Road Main Replacement project. Additional design work is required to document/identify the UOA area for the agreement; mapping, metes and bound description, and certified calculations by a surveyor. Additional funds are required to complete the additional work, and contract completion date is extended to March 31, 2016.

(2) Re: Change Order No. 1 for Contract No. 598 to Oasis Water Systems, Inc. to Troubleshoot and Replace Broken Parts for Job No. 15-2 Piwai Well No. 3 Upper Omao, Kaua‘i, Hawai‘i in the amount of $34,425.00

FUNDING:

<table>
<thead>
<tr>
<th>Account No. 10-40-30-560-000 WU/OPS/T and D/REPAIRS and MAINTENANCE-WATER SYSTEM</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2015-2016 Approved Budget for Acct No. 10-40-30-560-000</td>
<td>$425,000.00</td>
</tr>
<tr>
<td>Contract No. 598: Oasis Water Systems, Inc.</td>
<td>$89,730.00</td>
</tr>
<tr>
<td>5% Contingency</td>
<td>$4,487.00</td>
</tr>
</tbody>
</table>
Total Funds Certified $94,217.00

<table>
<thead>
<tr>
<th>CONTRACT CHANGE ORDER NO. 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Troubleshoot and replace broken parts</td>
</tr>
<tr>
<td>Total Change Order No. 1</td>
</tr>
<tr>
<td>Less Contingency (4,487.00)</td>
</tr>
<tr>
<td><strong>Funds Requested for Balance of Change Order No. 1</strong></td>
</tr>
</tbody>
</table>

Total Fund Balance for Account No. 10-40-30-560-000 $390,575.00

**BACKGROUND:**
The work consist of furnishing and paying for all labor, tools, equipment, and materials necessary to troubleshoot Piwai Well No. 3 pump assembly and replace broken parts.

Upon removal and inspection of Piwai Well No. 3 pump, columns, shaft and bearings, it was determined that the following parts are damaged and require replacement. The Graphaloy and brass bearings are all outside of acceptable tolerance and require replacement. The shaft sleeves were also damaged and worn beyond reuse. The shaft couplings torched previously during the last repair have deformation and material damage. The mechanical seal was found to be damaged and requires replacement. Six combination couplings were damaged/corroded and require replacement.

The replacement of the existing Graphaloy bearings with rubber bearings will require an additional 40 hours to remove and install the new bearings. In addition, Line Items 11 and 12 from the original contract will be deducted.

Notice to Proceed given for April 27, 2015. To date, 0 rainout days, 0 material delay days, and 0 change order days have been granted.

(3) **Re: Change Order No. 1 for Contract No. 599 to Oasis Water Systems, Inc. to Troubleshoot and Replace Broken Parts for Job No. 15-3 Kilohana Well B Repair, Kilohana, Kaua‘i, Hawai‘i in the amount of $22,158.57**

**FUNDING:**
Account No. 10-40-30-560-000 WU/OPS/T and D/REPAIRS and MAINTENANCE-WATER SYSTEM

| Fund Balance for Acct No. 10-40-30-560-000 | $135,419.47 |
| Contract No. 599: Oasis Water Systems, Inc. | $47,392.00 |
| 5% Contingency | $2,370.00 |
| **Total Funds Certified** | **$49,762.00** |

<table>
<thead>
<tr>
<th>CONTRACT CHANGE ORDER NO. 1</th>
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<tbody>
<tr>
<td>Troubleshoot and replace broken parts</td>
</tr>
<tr>
<td>Total Change Order No. 1</td>
</tr>
<tr>
<td>Less Contingency (2,370.00)</td>
</tr>
<tr>
<td><strong>Funds Requested for Balance of Change Order No. 1</strong></td>
</tr>
</tbody>
</table>

Total Fund Balance for Account No. 10-40-30-560-000 $113,260.90
BACKGROUND:
The work consist of furnishing and paying for all labor, tools, equipment, and materials necessary to troubleshoot Kilohana Well B pump assembly and replace broken parts.

Upon removal and inspection of Kilohana Well B pump, columns, and check valve, it was determined that the following parts are damaged and require replacement. The discharge head is severely pitted and corroded and requires replacement. The bottom 20 feet of the lead wire for the motor is degraded and requires replacing.

Due to the existing depth of the well versus the original depth of the well it was decided to suction bail the well for twelve additional days. The gravel pack from the well had dislodged and fell to the bottom causing a loss in over 7 feet of well depth.

Notice to Proceed given for May 26, 2015. To date, 0 rainout days, 0 material delay days, and 0 change order days have been granted.

(4) Re: Sole Source Contract No. 608 Awarded to Eurofins/Eaton Analytical for Laboratory Testing Services in the amount of $85,000.00

FUNDING:

| Account No. 10-10-40-540-010 WU/Qual/Purification/Professional Services-General |
|---------------------------------|-----------------|
| Account No. 10-10-40-540-010   |                  |
| Contract No. 608: Eurofins/Eaton Analytical | $85,000.00 |
| Total Funds Certified           | $85,000.00      |
| Total Fund Balance for Acct No. 10-10-40-540-010 | $10,000.00 |

BACKGROUND:
The Department budgeted in the current fiscal year the amount of $95,000.00 for Professional Services to be provided by Eurofins/Eaton Analytical for the analysis samples required by EPA’s Safe Drinking Water Act (SDWA). This will be a sole source contract. Different tests will be done for different SDWA requirements. This year all active sources will need Phase II, V testing. Also, there may be a few sources that may be activated and need UCMR3 testing. There are a few sources that will be coming back online that will need the full suite of tests before they can be put back in service.

WAIVER RELEASE & INDEMNITY APPLICATIONS:

<table>
<thead>
<tr>
<th>Applicant</th>
<th>TMK Location &amp; Building permit</th>
<th>Performance Bond Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

STAFF REPORTS - FY 14-15:

PERSONNEL MATTERS UPDATE

July 13, 2015

RECRUITMENT AND POSITION ACTIONS

Operations Division

2. Account Clerk #2464. As of 7/13/2015, the Department of Human Resources (DHR) is reviewing job applications. Awaiting the referred list of eligibles.

3. Waterworks Construction & Maintenance Supervisor I #2487. As of 7/13/2015, DHR reviewing re-description request.

4. Waterworks Construction & Maintenance Worker #2401. As of 7/13/2015, DHR reviewing re-description request.

**Fiscal Division**

1. Accountant I (Accounting) #2448. As of 7/13/2015, DHR reviewing re-description request.

2. Accountant III (Accounting) #2356. As of 7/13/2015, DHR reviewing re-description request.

3. Accountant IV (Accounting) #2303. As of 7/13/2015, DHR reviewing re-description request.

4. Waterworks Controller #2300. As of 7/13/2015, DHR reviewing re-description request.

**Construction Management Division**

1. Project Manager #2484. As of 7/13/2015, awaiting referred list of eligibles.

**Engineering Division**


**Administration**

1. Commission Support Clerk #2493. As of 7/13/2015, DHR reviewing re-description request.

2. Private Secretary #E-35. As of 7/13/2015, DHR reviewing re-description request.

3. Secretary #2354. As of 7/13/2015, DHR reviewing re-description request.

4. Senior Clerk #2474. As of 7/13/2015, DHR reviewing re-description request.

5. Deputy Manager. As of 7/13/2015, DHR reviewing resumes.

**Pursuant to Board Policy No. 3**

**SUMMARY OF WARRANT VOUCHERS – June 30, 2015 $2,252,473.98**

**Pursuant to Board Policy No. 24**

**CONVEYANCE OF WATER FACILITIES – $76,479.00**

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
<th>Location</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>7/23/15</td>
<td>Haleukana 1865 LLC</td>
<td>TMK: 3-3-013:021</td>
<td>$11,500.00</td>
</tr>
<tr>
<td>7/23/15</td>
<td>Akiko T. Oshima, Trustee of the Akiko T. Oshima Revocable Living Trust</td>
<td>TMK: 4-8-011:021</td>
<td>$28,579.00</td>
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<tr>
<td>7/23/15</td>
<td>Mary Jane T. Fujimura, Renee E. Furukawa, Raymond A. Saiki, Carol Y. Saiki Paler, Lorraine M. Sanow</td>
<td>TMK: 4-1-007:007</td>
<td>$23,500.00</td>
</tr>
<tr>
<td>7/23/15</td>
<td>Peter H. Bahniuk, Trustee of the Peter H. Bahniuk &amp; Stephanie J. Walter Revocable Trust Agreement</td>
<td>TMK: 4-4-001:034</td>
<td>$12,900.00</td>
</tr>
</tbody>
</table>

**CC&B BILLING SYSTEM UPDATE:**

No update submitted by Information Tech Specialist, Sandi Nadatani-Mendez

**IT STRATEGIC PLAN UPDATE:**

No update submitted by Waterworks Info. Tech. Officer, Jeffery Mendez
AFFORDABLE HOUSING UPDATE:
No significant affordable housing activities or meetings.

QUARTERLY UPDATES – (April – June 2015)

WATER QUALITY REPORT
1. New dedicated sample site was installed by contractors in Kukuiula Subdivision. It is not in use now. Awaiting construction of homes downstream. Another station is planned for that neighborhood. Keith Aoki is working with the Lab and contractors to install sample stations in new subdivisions. The new subdivision behind the Poipu Shopping Center will also have a sampling station. They will be added to the updated sampling plan required by new Total Coliform Rule.

2. Oio St. Park in Puhi will be getting a dedicated sample point.

3. Main break monitoring program is currently being revived. 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. May need to remind Operations of our availability to help as they seem to have gotten away from that. Or maybe, they actually do not need us to assist.

4. Continued micro sampling of sources to see if any will present problems with fecal indicators. This is part of the Triggered 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. Required samples are scheduled for 2015 with most of the DOH Lab samples completed. Starting in July we will start collecting samples to be analyzed by Eurofins.

7. Lab part of CCRs done for 2015.


9. New Autoclave installed and waste is being sterilized and disposed of. Media is being made also. It has had a few issues that are being addressed. Exhaust fan now in use to avoid setting off fire alarm.

10. New Reverse Osmosis System installed to prolong the life of the autoclave’s steam generator. A tap is available for use by operations to obtain ultrapure water.

11. UCMR 3 SE2 sampling for Sys. 400 are complete. There are a few samples left from sources that are out of service. To be scheduled later.

12. Phase II and V testing will begin in July this year.

13. Procurement for lab services for fiscal year 15-2016 is initiated. Per our attorney’s recommendation, we are going for a sole source multi-year contract based on some unique qualifications. Sole source obtained and contract being executed.
14. Updating sample site plan and sites on Xcel spreadsheet. Continuing.

15. We received the certification letter for the Lab from the State DOH for bacterial analysis of the drinking water. Next inspection will be next year.

16. Updated procedure for no-drink water situations as encountered in the Wailua Houselots. Apparently, this was not followed in latest episode. Will evaluate on next episode.

17. Lead and copper sampling for 2015 started.


Pursuant to Board Policy No. 25
COUNTY ATTORNEY QUARTERLY REPORT:

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>
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</thead>
<tbody>
<tr>
<td>No Claims this Quarter</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2015 ACE 15 CONFERENCE REPORT
The following is a summary of my attendance at the 2015 AWWA ACE 15 Conference at the Anaheim Convention Center on June 7-10, 2015:

1. June 7, 2015
   a. Registered for the Conference

2. June 8, 2015
   a. 8:00 AM to 10:00 AM - Attended the Opening Session
   b. 10:00 AM to 10:30 AM – Met with Ken Kawahara, President of Akinaka and Associates, to discuss the scope of work for the Hanapepe pipeline project.
   c. 10:30 AM to 12:00 PM – Visited the Manufacturer’s Exhibition Hall.
   e. 4:00 PM to 4:30 PM – Watched Pipe Tapping Competition
f. 6:00 PM to 8:30 PM – Meeting with Keith London (President and CEO) and Travis Tormanen (Board of Directors) of Kennedy Jenks Consultants to discuss projects and capabilities.

a. 9:00 AM to 11:00 AM – TUE 21 Innovations and Technologies in Water Main Rehabilitation. Attended the following sessions: Plastic Water Main and Service Connection Pipes: Oxidative Resistance, Leaching, and Microbial Regrowth Differences, Water Main Rehabilitation in Baltimore’s Congested Urban Environment, Development of a Framework for Potable Water Defect Coding and Condition Rating System, and Navigating the Raw Waters: Choosing the Right Condition Assessment Plan.

b. 11:00 AM to 12:00 PM – Visited Exhibition Hall and watched Pipe Tapping Competition.

c. 12:00 PM to 2:00 PM – Met with Sudhir Pardiwala of Raftelis Financial Consultants to discuss the Scope of Work for the upcoming DOW Rate Study. Raftelis Financial Consultants was selected by DOW to complete the Rate Study.

d. 2:00 PM to 3:00 PM – Met with Edward Durazo of Senior Project Manager with Vali Cooper and Associates, Inc. to discuss the outcome of past construction management projects and new construction management capabilities.

e. 3:00 PM to 4:00 PM – TUE 34 Establishing Water Demands and Proactive Water Supply Management. Attended the following sessions: Improving Resiliency Through “Wiser” Water Management and Optimizing the Sizing of Conjunctive-Use Water Supply Facilities

f. 4:00 PM to 5:00 PM - Visited Exhibition Hall and watched Pipe Tapping Competition.

4. June 10, 2015
a. 9:00 AM to 10:00 AM – Met with Jason Yim, Project Manager for the Castaic Lake Water Agency, to discuss past projects and his possible interest in the Deputy Manager’s position.

b. 10:00 AM to 10:30 AM – Visited the Exhibition Hall

c. 10:30 AM to 11:30 AM – Met with Tom Holliman, Engineering and Operations Manager for East Valley Water District, to discuss past water reuse projects and general engineering and operations practices.

d. 11:30 AM to 2:00 PM - Visited Exhibition Hall and watched Pipe Tapping Competition. Also had discussions with Joanna Seto of the State Department of Health, Cliff Lum and Susan Uyesugi of SSFM and Dean Nakano of Brown and Caldwell.

e. 2:00 PM – Left the Conference.
Respectfully submitted,

Kirk Saiki, P.E.
Manager and Chief Engineer

Attachment: Warrant Vouchers as of June 2015
2010 BAB Spend Down Report as of June 2015
I. **STAFF REPORTS**

4. Discussion and Receipt of the Manager and Chief Engineer’s Monthly Update Regarding Activities of Note of the DOW

WARRANT VOUCHERS

REPORT

PENDING
Quarterly Reports
Quarterly Status of DOW Projects

Period of April 1, 2015–June 30, 2015

CONSTRUCTION MANAGEMENT DIVISION

Submitted by Dustin Moises, P.E.

Department of Water

July 23, 2015
EXECUTIVE SUMMARY

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.

Current WP 2020 Design:

Current WP 2020 Construction:

Upcoming WP 2020 Construction Projects: CM Design/RFP Reviews:
1. Job No. K-18, 8” Waterline replacement along Halewili Road – Final design/RFP Review Completed. RFP being finalized for advertising. Once DOT issues resolved, RFP will be advertised for construction.
2. Job No. H-05, Weke, Anae, and He’e Roads 6” and 8” main replacement – RFP advertised but pricing came in over budget. CM Division met with DOW engineering and consultant to discuss situation and necessary design changes to reduce cost and readvertise project.
4. Job No. PLH-01a – 0.5 MG Grove Farm Tank replacement of Grove Farm Tanks 1 & 2 – Reviewed and provided comments for preliminary design set.

Private Construction Projects:
1. Certificate of completion - 12 projects which include Hokulie Village onsite/offsite and Grove Farm tank demolition.
• Current WP 2020 Design Projects
<table>
<thead>
<tr>
<th>WP 2020 NUMBE R</th>
<th>PROJECT TITLE</th>
<th>% COMPLETE March 2015</th>
<th>% COMPLETE June 2015</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>Q4 2011</td>
<td>$279,719 (P)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>LIHUE BASEYARD IMPROVEMENTS -DESIGN</td>
<td>100</td>
<td>100</td>
<td>Q4 2012</td>
<td>Q1 2014</td>
<td>$635,030 (D)</td>
<td></td>
</tr>
</tbody>
</table>

Design team in construction services phase for duration of construction. Finalized Haleko Redesign. 12” WL/Sidewalk designs.
Current WP 2020 Construction Projects
<table>
<thead>
<tr>
<th>WP 2020 NUMBER</th>
<th>PROJECT TITLE</th>
<th>% COMPLETE March 2015</th>
<th>% COMPLETE June 2015</th>
<th>ORIGINAL ESTIMATE TO COMPLETE</th>
<th>CURRENT ESTIMATE TO COMPLETE</th>
<th>CURRENT CONTRACT AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>WKK-09</td>
<td>KOLO ROAD MAIN REPLACEMENT</td>
<td>-</td>
<td>0</td>
<td>Q4 2015</td>
<td>Q4 2015</td>
<td>$889,525.00</td>
</tr>
<tr>
<td>PLH-39</td>
<td>LIHUE BASEYARD IMPROVEMENTS FOR THE DEPARTMENT OF WATER</td>
<td>8</td>
<td>26</td>
<td>Q1 2017</td>
<td>Q4 2016</td>
<td>$10,616,034</td>
</tr>
</tbody>
</table>

TOTAL = $11,505,559

(1) Change order issued which extended project schedule.
(2) Awaiting close out documents
(3) Awaiting contract dispute resolution
(4) Awaiting DPW road permit signoff
(5) Contract closed out
(6) Liquidated Damages being enforced
(7) Awaiting Building Permit signoff
## Water Plan 2020 Construction Projects

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CONSTRUCTION CONTRACTS AWARDED</strong></td>
<td>1**</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td><strong>CONSTRUCTION CONTRACTS COMPLETED</strong></td>
<td>3*</td>
<td>1*</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>OPEN CONSTRUCTION CONTRACTS (#)</strong></td>
<td>1*</td>
<td>1*</td>
<td>1*</td>
<td>2</td>
</tr>
<tr>
<td><strong>OPEN CONSTRUCTION CONTRACTS ($)</strong></td>
<td>$10,534,064</td>
<td>$13,023,174</td>
<td>$12,987,200</td>
<td>$11,505,559</td>
</tr>
</tbody>
</table>

*Design completed prior to reorganization by Special Projects Division which is current Construction Management Division

** Design completed by Construction Management Division
Upcoming WP 2020 Construction Projects
## Water Plan 2020 CM Design/RFP Reviews

### APRIL 2015 – JUNE 2015

<table>
<thead>
<tr>
<th>WP 2020 No.</th>
<th>PROJECT TITLE</th>
<th>DESIGN STATUS</th>
<th>RFP STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>H-05</td>
<td>WEKE, ANAE, AND HE'E ROADS 6&quot; and 8&quot; MAIN REPLACEMENT (2,760')</td>
<td>REDESIGNING TO REDUCE COST</td>
<td>FINALIZED RFP/READVERTISING AT TBD DATE</td>
</tr>
<tr>
<td>WKK-09</td>
<td>KOLO ROAD MAIN REPLACEMENT (KILAUEA SCHOOL)</td>
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<td>K-18</td>
<td>8&quot; MAIN REPLACEMENT ALONG HALEWILI ROAD</td>
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<td>KOLOA WELL D RETAINING WALL AND SITE REPAIRS</td>
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<td>WKK-15</td>
<td>CONSTRUCT KILAUEA 466 TANK, 1.0 MG</td>
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<td>LO-08/LO-10</td>
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<td>PLH-01A</td>
<td>GROVE FARM TANKS REPLACEMENT</td>
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<td>WK-08</td>
<td>KAPAHI HOMESTEADS 2-0.5 MG STORAGE TANKS</td>
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# Future Water Plan 2020 Construction Projects

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<th>WP 2020 No.</th>
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<td>K-18</td>
<td>8&quot; MAIN REPLACEMENT ALONG HALEWILI ROAD</td>
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<td>H-05</td>
<td>WEKE, ANAE, AND HE’E ROADS 6&quot; and 8&quot; MAIN REPLACEMENT (2,760')</td>
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<td>KOLOA WELLS 16A, 16B, SITE AND BUILDING IMPROVEMENTS</td>
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* Optimistic estimate at this time

**TOTAL = $24.0 M**
Private Construction Projects
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<td>(4) 2-1-04:07</td>
<td>Faith M. Ono Trust</td>
<td>Installation of ssl &amp; 2nd meter 172 Ulaula Road</td>
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<td>(4) 4-4-003:091 / 927</td>
<td>Clayton Chow</td>
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<td>Paul Kyno (Oasis Restaurant)</td>
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<td>David Rita</td>
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<td>(4) 5-1-05:106</td>
<td>Ibie Alshamma (David Carrol)</td>
<td>Installation of second service lateral for Parcel 106</td>
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<td>(4) 3-3-03:46</td>
<td>Property Development Centers, LLC (Safeway Inc)</td>
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<td>Richard Carlson</td>
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<td>(4) 1-3-11:39</td>
<td>John Driver</td>
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<td>(4) 2-8-31:185 / 855</td>
<td>Jack Hendrickson</td>
<td>Water Meter Plan for Lot 185, Halalu Street</td>
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<td>Doreen Tanaka</td>
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<td>(4) 4-8-11:15 Unit A &amp; C</td>
<td>Stephen Tom</td>
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<td>(4) 4-8-6:37</td>
<td>Robert Russell</td>
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<td>(4) 4-9-002:016 / 923</td>
<td>Neal Kakimoto</td>
<td>Water Meter Plan for Lot 59-A-1 Unit 2</td>
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<td>(4) 4-8-11:021</td>
<td>Akiko Oshima</td>
<td>Water Meter plan and hydrant for Aliomanu Road</td>
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<td>5-2-22:25</td>
<td>Ulrich Rachner</td>
<td>Water meter plan for lot 27 A Unit 2</td>
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<td>(4) 5-5-6:16</td>
<td>Janet Henry Simmons</td>
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<td>(4) 5-5-10:73</td>
<td>Jay &amp; Nicole Welch</td>
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<td>5-6-04:05</td>
<td>Regina Mear</td>
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<td>(4) 5-9-03:01 &amp; 29</td>
<td>Katherine Richardson/Jonathan Wichman</td>
<td>Water Service Installation Plan for Lot 148 and Lot 149</td>
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<td>2-3-22:50</td>
<td>Darcie Yukimura</td>
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<td>(4) 4-6-017:49, 50, 129 &amp; 130 / 826</td>
<td>Patricia Tiner</td>
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<td>4-4-3:79</td>
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<td>4-4-14:09 unit 2</td>
<td>Carolynne Manka</td>
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<td>4-4-10:34 unit 2</td>
<td>Yoshiko &amp; Kaimakana Wedemeyer</td>
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<td>Charles and Felisa Greenway</td>
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<td>Anne Huddy Crawford</td>
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<td>4-3-2:12</td>
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<td>4-6-11:14 &amp; 88</td>
<td>Stuart Wakuta</td>
<td>Stuart T. Wakuta Installation of Double service laterals for water meters</td>
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<td>4-5-13:003</td>
<td>South Pacific Bistro, Inc.</td>
<td>Construction plan for South Pacific Bistro, Inc. Sewer lateral</td>
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<td>(4) 4-6-14:83</td>
<td>Michelsen Trust</td>
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<td>(4) 5-1-05:37 / 806</td>
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<td>(4) 5-2-04:77 / 857</td>
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<td>Installation of 2nd Single Service Lateral &amp; Backflow Preventor for Lot 4, Unit 1, Mele Makani Estates, 2405C Makana'ano Place</td>
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<td>(4) 5-1-4:7 &amp; 8</td>
<td>Jeffrey Lindner</td>
<td>Water meter and fire protection service connections for Bertleman's Subdivision</td>
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<td>(4) 5-2-04:69</td>
<td>Sandy Saeman</td>
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<td>(4) 2-8-22:15</td>
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<td>(4) 2--8-31:109</td>
<td>Steve Mocinikar</td>
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<td>3-2-3:08</td>
<td>Thomas and Jami McKnight</td>
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<td>Grove Farm</td>
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<td>Beth Schimmelfennig</td>
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<td>(4) 4-2-009:042 / 910</td>
<td>Jean Sato</td>
<td>Water Meter Plan for Lot 15</td>
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<td>(4) 4-1-13:35</td>
<td>Tad Miura</td>
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<td>Saiki (Various)</td>
<td>Installation of two (2) double service laterals (Saiki Subdivision)</td>
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<td>Harry Trent Bowman</td>
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<td>Thelma Aana</td>
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<td>Waipa Foundation Community Cultural Center</td>
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<td>Cultural Center</td>
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<td>Charles Somers</td>
<td>Water Service Installation Plan for Lot 8-W-9-A (Parcel 35)</td>
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<td>(4) 5-2-04:102, Unit 6</td>
<td>North Shore Christian Church</td>
<td>6&quot; Reduced Pressure Detector Assembly for North Shore Christian Church</td>
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<td>/ 849</td>
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<td>Beth Charlton</td>
<td>2nd 5/8 inch Domestic Service Connection</td>
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<td>(4) 2-5-01:12 / 819</td>
<td>Kauai Bible Church</td>
<td>Water Meter Plan for Lot C-2</td>
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</tr>
<tr>
<td>(4) 2-5-01:Por 2</td>
<td>Kauai Bible Church</td>
<td>Kauai Bible Church Highway Acess</td>
<td>Awaiting closeout docs</td>
<td></td>
</tr>
<tr>
<td>(4) 4-2-006:037</td>
<td>Anthony Lenarth</td>
<td>Installation of Second Single Service Lateral for Lot 2</td>
<td>Awaiting closeout docs</td>
<td></td>
</tr>
</tbody>
</table>
# Staffing Update

<table>
<thead>
<tr>
<th>POSITION #</th>
<th>POSITION TITLE</th>
<th>NAME</th>
<th>STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2470</td>
<td>Construction Management Project Officer</td>
<td>Dustin Moises</td>
<td></td>
</tr>
<tr>
<td>2351</td>
<td>Waterworks Project Manager (being reallocated to Principal Project Manager)</td>
<td>Vacant</td>
<td>DPS denied position reclassification to SR 26 level. Requested administrative review on March 23, 2015. DPS rejected administrative review information provided by DOW on June 8, 2015. DOW contemplating next step.</td>
</tr>
<tr>
<td>2484</td>
<td>Project Manager</td>
<td>Vacant</td>
<td>DPS denied DOW request to post on range in April 2015. Posted at minimum with no success, then posted on range June 24, 2015. Hoping to hire by September 1, 2015.</td>
</tr>
<tr>
<td>2353</td>
<td>Waterworks Inspector III</td>
<td>Daniel Kittredge</td>
<td></td>
</tr>
<tr>
<td>2355</td>
<td>Waterworks Inspector II</td>
<td>Leo Anguay</td>
<td></td>
</tr>
<tr>
<td>2357</td>
<td>Waterworks Inspector II</td>
<td>Alfred Levinthol</td>
<td></td>
</tr>
<tr>
<td>2483</td>
<td>Waterworks Inspector II (being reallocated to Supervising Waterworks Inspector)</td>
<td>Vacant</td>
<td>DPS denied position reclassification to SR 24 level. Requested administrative review on March 23, 2015. DPS rejected administrative review information provided by DOW on June 8, 2015. DOW contemplating next step.</td>
</tr>
</tbody>
</table>
Quarterly Status of DOW Projects

Period of April 1, 2015 – June 30, 2015
ENGINEERING DIVISION

Department of Water
July 23, 2015

Submitted by Keith Aoki
EXECUTIVE SUMMARY

The Department has 22 ongoing DOW design projects. The Engineering Division has completed the following three design projects: the Kolo Road Main Replacement; 8” Water Main Replacement along Halewili Road; and the Weke, Anae, Mahimahi and He’e Roads 6” and 8” Main Replacement.

The Koloa Well D Repairs and Koloa Well 16-A, and 16-B MCC Improvements are expected to be completed with design within the next three months. Several more project may be completed in the next two quarters.

The Department has selected consultants and are currently in negotiations for the Hanapepe-Eleele Connecting Pipeline and the Haena 144’ tank. The consultant selection process has also started for the jelly factory booster pumps.

The significant changes for this quarter are:

Design:
1. Job No. 12-01, Weke, Anae, Mahimahi and He’e Roads 6” and 8” Main Replacement – The design was completed but the estimated cost of construction exceeded the Department allocated funds for construction. The Department is looking into re-designing the project to reduced the construction cost.
2. Job No. 13-05, Kolo Road Main Replacement – The design was completed and is currently in construction.
3. Job No. 11-10, 8” Main Replacement Along Halewili Road - The design was completed.
4. Job No. 02-14, Construct Kapaa Homestead 313 Tank, 1.0MG – Received the revised pre-final drawings from the consultant and currently under review for constructability by the CM Division. The DPW has approved the submitted revised drainage plan to mitigate the drainage issues.
5. Job No. 11-07, MCC, Chlorination Facilities, Koloa Well “16-A” 7 “16-B” – Received the post-final drawings & RFP from the consultant and currently under review by Engineering Division.
6. Job No. 12-04, Eleele Booster Station Rehab - Completed the preliminary review of the plans and forwarded back to the consultant to address the DOW comments.
7. Job No. 13-07, Koloa Well “D” Retaining Wall and Site Repairs – Received the revised final plans from the consultant and currently under review for constructability by the CM.
8. Private Projects: 13 new projects were submitted for Engineering review during this quarter.

July 23, 2015
Design Projects
## WEST SIDE DESIGN PROJECTS
### KEKAHA, WAIMEA, HANAPEPE, ELEELE

<table>
<thead>
<tr>
<th>WP 2020 NUMBER</th>
<th>PROJECT TITLE</th>
<th>% COMPLETE Mar 2015</th>
<th>% COMPLETE Jun 2015</th>
<th>EST. COMPLETE</th>
<th>BUDGET COST</th>
<th>STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>KW-28</td>
<td>Amfac Shaft Renovation, Phase 3</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
<td>Project put on hold.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>KP-09</td>
<td>Koloa Well 16A &amp; 16B MCC Improvements</td>
<td>85</td>
<td>90</td>
<td>Q3 2015</td>
<td>$300,000 (D)</td>
<td>Received post-final drawings &amp; RFP for review.</td>
</tr>
<tr>
<td>HE-14</td>
<td>Eleele Booster Station Rehab</td>
<td>18</td>
<td>40</td>
<td>Q4 2015</td>
<td>$92,000</td>
<td>Prelim plan review completed</td>
</tr>
</tbody>
</table>

July 23, 2015
## SOUTH SIDE DESIGN PROJECTS
### KALAHEO, LAWAI, POIPU, KOLOA

<table>
<thead>
<tr>
<th>WP 2020 NUMBER</th>
<th>PROJECT TITLE</th>
<th>% COMPLETE Mar 2015</th>
<th>% COMPLETE Jun 2015</th>
<th>EST. COMPLETE</th>
<th>BUDGET COST</th>
<th>STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>K-01</td>
<td>Kalaheo Water System Improvements (North)</td>
<td>85</td>
<td>88</td>
<td>Q1 2016</td>
<td>$964,510 (D)</td>
<td>In the process of recording the final subdivision map for the Yamada Tank site. AIS was performed by Consultant’s sub.</td>
</tr>
<tr>
<td>LO-10, LO-08</td>
<td>Koloa Road 8” and Omao Road 6” Main Replacement</td>
<td>85</td>
<td>90</td>
<td>Q3 2015</td>
<td>$86,750 (D)</td>
<td>Plans returned to consultant for revisions. State requiring UOA and MOA to be completed.</td>
</tr>
<tr>
<td>K-05A</td>
<td>Construct Kalaheo 0.5 MG Tank, 886’</td>
<td>75</td>
<td>75</td>
<td>Q3 2015</td>
<td>$216,637 (D)</td>
<td>Under Design / Working out land issues</td>
</tr>
<tr>
<td>K-17</td>
<td>Feasibility Study for Kalaheo, Kokolau, and Akulikuli Treatment Facilities</td>
<td>92</td>
<td>92</td>
<td>Q2 2015</td>
<td>$117,701 (D)</td>
<td>PER in review</td>
</tr>
<tr>
<td>K-18</td>
<td>8” Waterline along Halewili Road (Kaumualii Highway to Haku Hale Road)</td>
<td>95</td>
<td>99</td>
<td>Q2 2015</td>
<td>$82,797 (D)</td>
<td>Plans approved, RFP completed. UOA and MOA for State in progress</td>
</tr>
<tr>
<td></td>
<td>Koloa Well D Repairs</td>
<td>90</td>
<td>95</td>
<td>Q3 2015</td>
<td>$59,088 (D)</td>
<td>Received the revised final plans for review.</td>
</tr>
</tbody>
</table>
## EAST SIDE DESIGN PROJECTS

### LIHUE-PUHI, WAILUA-KAPAA, ANAHOLA

<table>
<thead>
<tr>
<th>WP 2020 NO.</th>
<th>PROJECT TITLE</th>
<th>% COMPLETE Mar 2014</th>
<th>% COMPLETE Jun 2015</th>
<th>EST. COMPLETE</th>
<th>BUDGET COST</th>
<th>STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>PLH-01A</td>
<td>Replace Grove Farm Tanks 1 &amp; 2</td>
<td>85</td>
<td>88</td>
<td>Q3 2015</td>
<td>$229,658(D)</td>
<td>Reviewed pre-final plans were sent back to the consultant for revisions</td>
</tr>
<tr>
<td>PLH-37</td>
<td>Deepen Puhi Well No. 2</td>
<td>PH 1-100</td>
<td>PH 1-100</td>
<td></td>
<td>$ 67,900 BUDGET</td>
<td>Phase II Proposal Pending</td>
</tr>
<tr>
<td>WK-01</td>
<td>Rehabilitate Moelepe Tunnel and Access Road</td>
<td>65</td>
<td>65</td>
<td>Q2 2016</td>
<td>$91,400 (D)</td>
<td>Under Design</td>
</tr>
<tr>
<td>WK-2</td>
<td>Rehab Akulikuli Tunnel (PHASE I)</td>
<td>100</td>
<td>100</td>
<td>Q1 2005 (Ph.1)</td>
<td>$300,000 (D)</td>
<td>Ph.1 - Completed</td>
</tr>
<tr>
<td></td>
<td>Rehab Akulikuli Tunnel (PHASE II)</td>
<td>-</td>
<td>-</td>
<td>Q3 2009 (Ph.2)</td>
<td>$392,000</td>
<td>Ph.2 – on hold</td>
</tr>
<tr>
<td>WK-8</td>
<td>Kapa’a Two-0.5 MG Tank (313 ZONE)</td>
<td>90</td>
<td>92</td>
<td>Q1 2016</td>
<td>$ 681,128 (D)</td>
<td>Pre-final plans currently under review by CM Division for constructability.</td>
</tr>
<tr>
<td>WP 2020 NUMBER</td>
<td>PROJECT TITLE</td>
<td>% COMPLETE Mar 2014</td>
<td>% COMPLETE Jun 2015</td>
<td>EST. COMPLETE</td>
<td>BUDGET COST</td>
<td>STATUS</td>
</tr>
<tr>
<td>----------------</td>
<td>-------------------------------------------------------------------------------</td>
<td>----------------------</td>
<td>----------------------</td>
<td>---------------</td>
<td>--------------</td>
<td>-------------------------------</td>
</tr>
<tr>
<td>WK-23</td>
<td>Wailua Homesteads 0.25 MG Tank site (U.H. Experimental Station) ph 1</td>
<td>30</td>
<td>35</td>
<td>Q1 2016</td>
<td>$ 50,000</td>
<td>Consultant to submit a proposal and scope for soil investigation. DOW wants soil tested prior to pursuing site.</td>
</tr>
<tr>
<td>WK-39</td>
<td>Kapa’a Homesteads Well #4</td>
<td>90</td>
<td>90</td>
<td>Q1 2016</td>
<td>$352,000 (D)</td>
<td>Plan to rebid upon drainage resolution.</td>
</tr>
<tr>
<td>WK-02, PLH-42</td>
<td>Akulikuli Tunnel and Kokolau Tunnel (Feasibility Study)</td>
<td>92</td>
<td>92</td>
<td>Q3 2015</td>
<td>$117,701 (D)</td>
<td>PER In review</td>
</tr>
</tbody>
</table>
## NORTH SHORE DESIGN PROJECTS

**MOLOAA, KILAUEA, ANINI, HANALEI, HAENA**

<table>
<thead>
<tr>
<th>WP 2020 NUMBER</th>
<th>PROJECT TITLE</th>
<th>% COMPLETE Mar 2014</th>
<th>% COMPLETE Jun 2015</th>
<th>EST. COMPLETE</th>
<th>BUDGET COST</th>
<th>STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>M-3</td>
<td>Moloa’a Tank Site Acquisition and other Land Issues</td>
<td>85</td>
<td>90</td>
<td>Q3 2015</td>
<td>$105,000 (P)</td>
<td>ongoing</td>
</tr>
<tr>
<td>M-2</td>
<td>Moloa’a 0.10 MG Tank site acquisition</td>
<td>18</td>
<td>25</td>
<td>Q3 2015</td>
<td>$119,207 (D)</td>
<td>Continuing negotiations with land owner</td>
</tr>
<tr>
<td>WKK-15</td>
<td>Kilauea 1.0 MG Tank (Phase I)</td>
<td>97</td>
<td>60</td>
<td>Q3 2015</td>
<td>$12,700 (P) $236,600 (D)</td>
<td>Design options in review by DOW</td>
</tr>
<tr>
<td>H-8</td>
<td>Drill and Test Hanalei Well #2.</td>
<td>70</td>
<td>70</td>
<td></td>
<td>$425,000 (Combined with Wainiha Well 4)</td>
<td>Site assessment</td>
</tr>
<tr>
<td>WKK-17 (phase 1)</td>
<td>Kolo Road Main Replacement</td>
<td>90</td>
<td>99</td>
<td>Q2 2015</td>
<td>$1,300,000 (design and construction)</td>
<td>Plans &amp; RFP approved for construction. UOA and MOA for State in progress.</td>
</tr>
</tbody>
</table>
## NORTH SHORE DESIGN PROJECTS

### MOLOAA, KILAUEA, ANINI, HANALEI, HAENA

<table>
<thead>
<tr>
<th>WP 2020 NUMBER</th>
<th>PROJECT TITLE</th>
<th>% COMPLETE Mar 2014</th>
<th>% COMPLETE Jun 2015</th>
<th>EST. COMPLETE</th>
<th>BUDGET COST</th>
<th>STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>ANI-01</td>
<td>Kilauea Pipeline to Anini Pipeline Replacement</td>
<td>95</td>
<td>95</td>
<td></td>
<td>$750,760 (D)</td>
<td>Contract amendment was approved for designing the bridge crossing of waterline along Anini Rd and bridge repair</td>
</tr>
<tr>
<td></td>
<td>Phase I</td>
<td>95</td>
<td>95</td>
<td>Q3 2015</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Phase II</td>
<td>85</td>
<td>90</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H-05</td>
<td>Weke, Anae, Mahimahi and He’e Roads, 6” and 8” Main Replacement</td>
<td>95</td>
<td>95</td>
<td>Q1 2015</td>
<td>$143,605 (D)</td>
<td>The consultant will revise the completed plans to reduce the construction cost. CM will finalize the RFP. UOA and MOA for State &amp; County in progress.</td>
</tr>
<tr>
<td>HW-12</td>
<td>Drill &amp; Dev. Wainiha/Haena Well 100 gpm</td>
<td>75</td>
<td>75</td>
<td>Q2 2016</td>
<td>$133,740 (D)</td>
<td>The project will require a change of plans to include a retaining wall per land owner’s request</td>
</tr>
</tbody>
</table>
## Private Projects of Note

<table>
<thead>
<tr>
<th>Area</th>
<th>DEVELOPMENT OR DEVELOPER</th>
<th>PLAN REVIEW STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eleele</td>
<td>Eleele Luna Subdivision, Phase 2, Incr. 2 (S-2006-49)</td>
<td>Completed final review</td>
</tr>
<tr>
<td>Koloa</td>
<td>HH-11 Subdivision (S-2011-20)</td>
<td>Completed pre-final review</td>
</tr>
<tr>
<td>Koloa</td>
<td>Waihohonu – Grove Farm</td>
<td>Plans approved</td>
</tr>
<tr>
<td>Poipu</td>
<td>Village at Poipu New Entry Road (S-2003-48)</td>
<td>Completed pre-final review</td>
</tr>
<tr>
<td>Lihue</td>
<td>Puakea I Subdivision (S-2006-27) Recertification</td>
<td>Pending resubmittal</td>
</tr>
<tr>
<td>Lihue</td>
<td>Puakea II Subdivision (S-2009-21)</td>
<td>Pending resubmittal</td>
</tr>
<tr>
<td>Koloa</td>
<td>Kukui‘ula Subdivision (S-2011-21) - Redesign</td>
<td>Plans approved</td>
</tr>
</tbody>
</table>
# Private Projects of Note

<table>
<thead>
<tr>
<th>Area</th>
<th>DEVELOPMENT OR DEVELOPER</th>
<th>PLAN REVIEW STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lihue</td>
<td>Waiola Subdivision Ph III (S-2009-15)</td>
<td>Pending resubmittal</td>
</tr>
<tr>
<td>Lihue</td>
<td>Kapule-Rice Intersection Improvements</td>
<td>Pending resubmittal</td>
</tr>
<tr>
<td>Lihue</td>
<td>Walani Ahukini Makai Subdivision- offsite (S-2005-41)</td>
<td>Pending resubmittal</td>
</tr>
<tr>
<td>Lihue</td>
<td>Walani Ahukini Makai Subdivision- onsite (S-2005-41)</td>
<td>Pending resubmittal</td>
</tr>
<tr>
<td>Lihue</td>
<td>Wailani Molokoa Subdivision-offsite (S-2005-39)</td>
<td>Pending resubmittal</td>
</tr>
<tr>
<td>Lihue</td>
<td>Wailani Molokoa Subdivision-onsite (S-2005-39)</td>
<td>Pending resubmittal</td>
</tr>
</tbody>
</table>
## Private Projects of Note

<table>
<thead>
<tr>
<th>Area</th>
<th>DEVELOPMENT OR DEVELOPER</th>
<th>PLAN REVIEW STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lihue</td>
<td>Kumupa’a at Kohea Loa (S-2006-12)</td>
<td>Pending resubmittal</td>
</tr>
<tr>
<td>Kapaa</td>
<td>Kulana Subdivision revisions (S-99-49)</td>
<td>Pending resubmittal</td>
</tr>
<tr>
<td>Kilauea</td>
<td>Bertleman Subdivision (S-2000-1) re-certification</td>
<td>approved</td>
</tr>
</tbody>
</table>
Executive Summary

The significant changes for this quarter are:

1. Department Needs Assessment and Facilities Reserve Charge Study – 90% Complete

2. Amendments to the Rules and Regulations to address proposed changes in the Facilities Reserve Charge – 80% Complete
Water Restriction Policy

<table>
<thead>
<tr>
<th>Water System / Sub-System</th>
<th>Restrictions (5/8-inch water meter or number units per lot)</th>
<th>Inadequate Facilities</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upper Lawai</td>
<td>2</td>
<td>Storage</td>
<td>Administration Approved</td>
</tr>
<tr>
<td>Poipu</td>
<td>300</td>
<td>Storage</td>
<td>Board Approved (50% of new tank allowed for new development; 50% to make up storage deficit)</td>
</tr>
<tr>
<td>Wailua Hometeads</td>
<td>5</td>
<td>Storage</td>
<td>Administration Approved</td>
</tr>
<tr>
<td>Upper Wailua Hometeads</td>
<td>2</td>
<td>Storage</td>
<td>Administration Approved</td>
</tr>
<tr>
<td>Kapaa Hometeads</td>
<td>5</td>
<td>Source</td>
<td>Board Approved</td>
</tr>
<tr>
<td>Moloa’a</td>
<td>0</td>
<td>Source and Storage</td>
<td>Water Purchase Agreement</td>
</tr>
<tr>
<td>East Kilauea</td>
<td>1</td>
<td>Storage</td>
<td>Administration Approved</td>
</tr>
<tr>
<td>Kilauea-Kalihiwai</td>
<td>5</td>
<td>Source and Storage</td>
<td>Administration Approved</td>
</tr>
<tr>
<td>Anini</td>
<td>1</td>
<td>Source and Storage</td>
<td>Water Purchase Agreement</td>
</tr>
<tr>
<td>Upper Wainiha Valley</td>
<td>1</td>
<td>Storage</td>
<td>Administration Approved</td>
</tr>
<tr>
<td>Wainiha – Haena</td>
<td>3</td>
<td>Storage</td>
<td>Administration Approved</td>
</tr>
</tbody>
</table>
On-going Projects

- Kauai Water Use and Development Plan
- USGS Ground Monitoring Program
- Kauai Watershed Alliance
- Hydraulic System Models Update
- Conversion of the Department’s map file system from manual to digital format
## Reviewed and Processed Tasks

<table>
<thead>
<tr>
<th>Task</th>
<th>April – June 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subdivision applications; Zoning/Use Permits; Land Use/General Plan Amendment; ADU Clearance Applications</td>
<td>59</td>
</tr>
<tr>
<td>Water Service Requests and Water Service Inquires</td>
<td>78</td>
</tr>
<tr>
<td>Building Permit Applications</td>
<td>183</td>
</tr>
<tr>
<td>Backflow Device Plans</td>
<td>5</td>
</tr>
<tr>
<td>Backflow Inspection Program – No. of Devices</td>
<td>1,553</td>
</tr>
</tbody>
</table>
Significant Developments

Reviewed, Processed and On-going tasks
Kekaha to Elelee

- TMK: 2-1-01:052 S-2006-49 Eleele Iluna Phase II – Increment 1 Subdivision
- TMK: 2-1-01:054 Water Master Plan
  Lima Ola Workforce Housing Developments
- TMK: 2-6-04:010 S-2015-13 A&B/McBryde Sugar/Kukui‘ula
  2-6-15:018
Poipu - Koloa

- TMK: 2-6-04:019  Water Master Plan
  Kukui’ula Workforce Housing

- TMK: 2-9-03:001  Hawaii Dairy Farm

- Koloa – Wailaau Road  Wailaau Water Services
  (twenty-four 5/8-inch water meters)
Puhi-Lihue-Hanamaulu

- TMK: 3-3-03:046 Hokulei Village Phase I (S-2015-7)
  American Savings Bank (BP 14-2298)
  SuperCuts (BP 15-210)
  Panda Express (BP 15-857)
  Verizon (BP 15-1147)
  Subway (BP 15-1310)

- TMK: 3-3-06:019 Kukui Grove Center Renovations (BP 15-696; BP 15-851)

- TMK: 3-5-02:002 Marriott Vacation Club Renovations (BP 15-1538)

- TMK: 3-7-01:030 Wilcox Hospital Renovations (BP 14-3136, BP 15-644)

- Water Master Plan for the former AMFAC/JMB
  Lihue – Hanamaulu Master Planned Community
Wailua - Kapaa

- TMK: 3-9-06:020  Aloha Beach Hotel Renovations (BP 14-1036 & 1037; BP 14-2991 & 2996)
- TMK: 4-2-09:018  Group Child Care Center (Z-IV-2015-1) Malia Finazzo-Krueger; FF requirements
- TMK: 4-3-03:001  Kapaa Highlands / Hokua Place (S-2014-2; Environmental Impact Statement)
- TMK: 4-6-06:017, 019  Makaleha Gardens Subdivision Chris Singleton (S-2013-23)
## Personnel Status

<table>
<thead>
<tr>
<th>Position</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief of Water Resources and Planning</td>
<td>Edward Doi</td>
</tr>
<tr>
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<td>Cleve Shigematsu</td>
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<td>Keith Konishi</td>
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