

**REGULAR MEETING
BOARD OF WATER SUPPLY
Tuesday, March 21, 2006**

The Board of Water Supply, County of Kaua'i, met in regular meeting at its office in Lihu'e on Tuesday, March 21, 2006. Chairperson Josephine Sokei called the meeting to order at 10:22 a.m. On roll call, the following answered present:

BOARD: Ms. Josephine Sokei, Chairperson
Mr. Ian Costa
Mr. Donald Fujimoto
Mr. Steven Kyono
Ms. Lynn McCrory
Mr. Myles Shibata

Absent & Excused: Ms. Bernie Sakoda

STAFF: Ms. Wynne Ushigome
Mr. Paul Ganaden
Mr. Les Yoshioka
Mr. Gregg Fujikawa
Mr. Bruce Inouye
Mr. Keith Fujimoto
Mr. Galen Nakamura, Deputy County Attorney (present at about 10:53 a.m.)

GUESTS: Mr. Terry Kamen, Kiahuna Mauka Partners (KMP) (present 10:20 a.m. to 11:32 a.m.)
Mr. Greg Kamm, Mr. Kamen's Consultant (present 10:30 a.m. to 11:32 a.m.)
Mr. Scott Gates, Kiahuna Mauka Partners (about 10:20 a.m. to 11:32 a.m.)
Mr. Ron Agor, Kaua'i Economic Opportunity (KEO) (about 10:30 a.m. to 1:15 p.m.)
Mr. Felix Gusman, KEO (about 10:30 a.m. to 1:15 p.m.)
Ms. MaBel Fujiuchi, KEO (about 10:30 a.m. to 1:15 p.m.)
Mr. Jimmy Nishida, KEO (about 10:30 a.m. to 1:15 p.m.)
Mr. Ken Rainforth, Public Housing Agency (about 10:35 a.m. to 1:15 p.m.)
Mr. Gary Mackler, Public Housing Agency (about 10:35 a.m. to 1:15 p.m.)
Ms. JoAnne Shimamoto, Public Housing Agency (about 10:35 a.m. to 1:15 p.m.)
Ms. June Renaud, Public Housing Agency (about 10:35 a.m. to 1:15 p.m.)
Mr. Bernard Carvalho, Community Assistance (about 10:35 a.m. to 1:15 p.m.)
Mr. Dave Jochim, RW Beck (via conference call – about 11:03 a.m. to 11:53 a.m.)

AGENDA

Mr. Kyono moved to approve the Agenda, seconded by Mr. Shibata; motion was carried.

MINUTES

Mr. Kyono moved to accept the Regular Meeting Minutes of February 15, 2006, and placed on file, seconded by Mr. Shibata; motion was carried.

CORRESPONDENCE/ANNOUNCEMENTS:

Re: Testimony from the Water Board to the Kaua'i Charter Review Commission on the Proposed Charter Amendment Regarding Manager's Salaries

Attendees to that Charter Review Commission Meeting were Board Members Myles Shibata, Lynn McCrory, and Bernie Sakoda. Former Water Manager Ed Tschupp also attended. The attendees stated that their testimony had positive reactions.

On query by Ms. McCrory, it was stated that the public relations campaign for the last DOW charter amendment probably started once it was known that the Charter Review Commission approved the charter amendment to be on the election ballot. It was so noted that the secretary was tasked to review the previous files to verify the timeline of the previous PR campaign. Received for the record.

Re: March 2, 2006 Notification Letter to the Department of Health, Safe Drinking Water Branch, on the Service Area Expansion of the Water Purification Facility

Received for the record.

OLD BUSINESS:

Re: Status Report regarding Completion of Grove Farm Properties, Inc.'s Water Purification Facility in Hanama'ulu, Kaua'i

Recommendation: Not Applicable

Funding: Not Applicable

Background:

As reported in the Public Affairs Committee Report, the water purification facility's (WPF) service area was expanded to include a portion of Lihue Town. The expanded service area primarily includes the Isenberg Subdivision, Walmart, Wilcox Memorial Hospital, Sun Village, and the Lihue Town Tract, Block C Subdivision.

As part of the Department of Water's (DOW) strategy to phase-in the introduction of the surface water into our distribution system, we limited flows by closing the mainline valves located in the vicinity of the Kuhio Highway and Ahukini Road intersection. Currently, the surface water serves an area extending from the Isenberg Subdivision through Kapaia-Hanamaulu to the Wailua River. On average, the Department is receiving approximately 1.65 MGD from the WPF.

As stated previously, prior to expanding the surface water into Lihue service area, the DOW notified the Department of Health (DOH), Safe Drinking Water Branch of its intention. In addition, the Department notified our critical customers (hospital, medical clinic and kidney dialysis center) of the upcoming introduction of surface water.

Although phasing the introduction of the surface water has undoubtedly provided for a more manageable transition, operationally, this appears to be the last section of the distribution system that can be conveniently isolated from the rest of the Lihue Water System. The next phase will be allowing the WPF's water into the remainder of Lihue service area.

Over the next several weeks with the upcoming expansion and increase in the surface water service area, the Department anticipates needing Aqua Engineers assistance with conducting daily chlorine residual monitoring at approximately nine (9) established sample sites situated between Hanamaulu and the Wailua River. Based on our inquiry and request, Aqua appears to be willing and able to provide the necessary manpower assistance for testing chlorine residual in the distribution system.

The Department's staff continues to work with Aqua Engineers, the operators of the facility, to coordinate water production, resolve instrumentation problems and adjust chlorine feed levels in order to maintain appropriate levels of chlorine within the service area distribution system. In addition, the Department is working with the DOH to develop a monitoring plan for the consolidated Lihue-Hanamaulu-Wailua service area.

Finally, the Department has received very few complaints regarding the surface water. It appears both calls were related to our customer's noticing higher chlorine levels in the drinking water. Again, the studies conducted at the house on the Grove Farm Museum property appear to have been very successful at determining an approach that minimized red water releases when the new water was introduced into the distribution system.

Ms. McCrory asked for the percentage of the Līhu'e Water System that has surface water. Acting Manager Ushigome stated she was not sure of the percentage as the Wailua/Kapa'a coastal areas were not planned to be included at this stage.

Mr. Shibata commended the Department's plan to introduce the new system in phases to make sure that communications with the community is established; therefore, commended all of the hard work. Board concurred.

Re: Discussion and Action Steps concerning Selection Process for new Manager and Chief Engineer of the Kaua'i County Water Department

The Department has placed the Manager and Chief Engineer's job announcement in the two newspapers of general circulation within the State, as well as the major newspapers on Kauai, Maui and Hawai'i. The ad also appears on the websites of AWWA, Hawai'i Section, Hawai'i Water Environment Association's (HWEA), UH Alumni Association and the Department of Water. We were not able to advertise in Wiliki newsletter as suggested by the Board as they have early deadlines and were already working on their April newsletter. As stated in the ad, résumés will be accepted until March 31, 2006. Please note that no résumés have been received yet.

Follow up items from the February 2006 Board meeting included the following:

- Clarification on the residency requirement, the issue regarding the possible legality of the State's one-year residency requirement under H.R.S. §78-1. U.S. District Court Judge David Ezra, in a ruling issued in February 2006, reportedly invalidated this requirement in certain circumstances. According to Waterworks Legal Advisor Galen Nakamura, Judge Ezra's decision, preliminary injunction order is not applicable to the residency requirements for elected and appointed officers of the State or the City; therefore, it appears the one-year residency requirement for the Water Manager's position is still valid.

The Board discussed the definition of a resident, as defined under H.R.S., based on this definition, the questions was raised whether someone who lived here, and is going to maintain a place of residency, be eligible to apply for the Manager's position, if they wanted to move back to Kauai?

- Discussions and suggestions by the Board to submit a resolution to the Charter and Salary Commissions recommending raising the Manager's salary 10% higher than the highest paid civil service staff person.

A Charter Review Commission Meeting was held on Monday, March 6, 2006. The Board members that attended and testified at the meeting may give the other Board members and staff a summary of what happened at the meeting.

Until March 31, 2006, the Board may wish to continue discussion on action steps and procedures it wishes to implement to engage a new Manager and Chief Engineer.

An update was given that the Department did receive one application for the Manager's position from a person working at a Water Department on the Mainland who was their laboratory division head.

The Board planned that if there was only 1-2 applicants at the closing date that another revamped ad should go out soon thereafter to all the venues used previously, including the engineering newspaper, Wiliki.

Ms. McCrory stated that the 1-year residency requirement would need to be clarified first in order to verify whether out-of-state applicants qualify or not. Then, if there are 3 or more viable applicants, that a meeting or conference call needs to be setup for the Board to review the applications.

Ms. McCrory requested that the revamped Manager's ad to also be forwarded to the Board for their review and comments.

On query by Mr. Fujimoto, Acting Manager Ushigome stated that the hiring of the Manager is under the purview of the Board and not the County Department of Personnel Services.

Mr. Greg Kamm, Consultant for KMP was present at the meeting at about 10:30 a.m. Mr. Ken Rainforth, Mr. Gary Mackler, Ms. JoAnne Shimamoto and Ms. June Renaud of the Public Housing Agency and Mr. Bernard Carvalho of Community Assistance were all present at the meeting at about 10:35 a.m.

Action Steps to Increase Water Manager's Salary

Mr. Shibata stated that since the Kaua'i Department of Water is semi-autonomous, it was also suggested to run parallel and adopt the Hawai'i Department of Water Supply's model and use the Salary Commission's previous recommendation to have some basis with the Salary Commission' recommendation and have this Board take action. Otherwise, we would have to wait a long time for action.

Mr. Fujimoto questioned whether it was the initial intent to change the Charter to take the Manager off the Department Head salary list so that the Board could authorize the Manager's salary. Ms. McCrory stated that because there is a problem Countywide with minimal salaries, it was decided to recommend that the Salary Commission take care the salaries of all County department heads and their deputies, including the Water Manager because if the Council does not object by $\frac{3}{4}$ of its quorum then the proposed salary increases go into effect.

The Board concurred that they wanted to explore every avenue and have it run concurrently since most processes would take a year or so to come to fruition. They want to eventually be able to raise the Manager's salary so it will attract and keep qualified applicants.

These 2 matters will both be continued until Deputy County Attorney Galen Nakamura is present at the meeting to report on his findings of the 1-year residency requirement for applicants and of the various processes that the Board wants to explore.

Agenda

To accommodate our guests, Mr. Costa moved to defer Old Business No. 3, DOW's Strategic and Business Plan to after New Business, seconded by Mr. Shibata; motion was carried.

NEW BUSINESS

Re: Request of Terry Kamen to appear before the Board on March 21, 2006, Kiahuna Project, Kiahuna Mauka Partners, LLC (KMP), Poipu, Koloa, Kauai, Hawaii

Mr. Terry Kamen, Mr. Greg Kamm and Mr. Scott Gates were present at the meeting.

First Issue: Eligibility for FRC Offset for Mainline Extensions

Recommendation: The Department recommends that the Board not approve the developers' request to allow the on-site segment of the transmission mainline improvements for the Kiahuna Project to qualify for FRC Offset consideration.

Background: KMP is requesting that certain new water transmission mainline improvements be eligible for the FRC Offset for their project. They contend that a section of the new mainline that runs through their project will connect two DOW service zones in order to service one of their subdivision developments (Project No. 1). And, that this connection will allow improved service pressures for the Kiahuna Golf Village Subdivision by transferring the existing subdivision to the higher pressure zone. KMP states that it would have been possible to design the improvements to only serve the KMP development, without connecting the two service zones, however, the connection would provide a more robust system to DOW, and would improve service to existing customers.

KMP further explains that unlike other situations where the developer brings a transmission main to his project, and then into the proposed development site, KMP was connecting two portions of the existing DOW system. This mainline runs along the edge of the property with KMP Project No. 4 attaching to it, as is the case of a typical transmission line. This line is required to be installed regardless of whether KMP Project No. 4 develops their property or not, and as such KMP Project No. 4 (TMK No. 4-2-8-14:32) should be entitled to a full FRC Offset for this portion of the line.

Findings: Based on the developers' Water Master Plan (WMP), the Department's Rules and the "Manager's Interim Directive" to DOW Staff, Multiparty Facilities Reserve Charge (FRC) Offsets", dated January 31, 2006 ("Manager's Interim Directive"), FRC Offsets shall not apply to the on-site segment of KMP's transmission mainline improvement.

The "Potable Water Master Plan for the Kiahuna Project" was prepared for KMP. The WMP verified that Project No. 3 and Project No. 4 (see attached Figure 1) will require transmission mainline improvements that include the following transmission mainline segments:

1. New 16-inch mainline along Omao Road, Omao Tank site to Koloa Road
2. New 12-inch mainline along Koloa Road, (Poipu Road to Weliweli Road) and along Weliweli Road (Koloa Road to Waikomo Road)
3. New 12-inch mainline along Weliweli Road and Hapa Road (Waikomo Road to Pa'u A Laka Street (Kiahuna Golf Village)

The segments of the transmission mainline that may qualify for the FRC Offset are defined by the Department Rules and the Manager's Interim Directive to DOW Staff Multiparty Facilities Reserve Charge (FRC) Offsets, dated January 31, 2006.

Per the DOW's FRC Offset rule, "FRC Offsets shall not apply to water transmission mains constructed by the subdivider, applicant or consumer which are within or adjacent to a subdivision or lands either 1) owned by the applicant or consumer, or 2) developed by the

applicant or consumer..... Where water transmission mains are constructed within, adjacent to or outside of such subdivisions or lands, the offsets shall apply only to mains constructed outside of and off-site from such subdivision or lands.” The provision is understood to limit the applicability of FRC Offsets for pipelines to only the portion of the mainline improvements that are off-site relative to the subdivision, or project area. Mainlines that directly provide service within the subdivisions are not eligible for FRC Offsets.

Per the “Manager’s Interim Directive”, as a practical matter the Manager has previously directed that for projects with a water master plan or other recognized project boundaries, the determination of what improvements are “on-site” or “off-site” would be ascertained by the point at which the pipeline crosses the project or WMP boundary. This definition was adopted to simplify review of whether the pipeline is on-site or off-site by referencing that determination to the specific project, and not having to make a determination based on land ownership of adjacent parcels along the pipeline alignment. What was not recognized in the definition of on-site versus off-site pipeline are those situations where the transmission improvements provided benefits to other parts of the existing water distribution system in addition to allowing service to the specific subdivision or project area. At the November 2005 Board Meeting, the definition of on-site versus off-site was discussed, along with hypothetical examples of situations under which benefits to the existing water system could occur that could be a basis for a different definition, possibly allowing a more liberal interpretation of FRC Offset applicability for transmission. At that time, the Board indicated support for the definition based on the project (or WMP) boundary, regardless of whether the new pipeline would provide additional benefits to the existing water system beyond the boundary line. Consistent with this policy guidance, the “Interim Manager’s Directive” defines on-site versus off-site by the applicable project or WMP boundary.

The “Manager’s Interim Directive” further addressed the KMP project since the WMP boundary is well defined, and the off-site pipeline are the water mains leading up to the WMP boundary. In conjunction with the KMP project, another developer (Historic Koloa Village, “HKV”), with property adjacent to the proposed new pipeline along a portion of the “off-site” segment of KMP’s WMP, is participating in the cost of pipeline improvements. Participation by HKV renders the pipeline segment fronting the HKV property as “on-site” with respect to transmission FRC Offset; however, the pipeline improvements on either side of the HKV property that are outside of the KMP WMP area will be considered “off-site” with respect to transmission FRC Offsets.

Based on the above rule and directive the off-site transmission mainline that may qualify for FRC Offset consideration is described as follows.

Table: KMP Project Off-site and On-site Transmission Main Segments

Transmission Mainline Segment	Road Alignment	Start	End	Transmission Mainline Type (Off-site, On-site)
16”	Omao Road	Omao Tank	Koloa Rd	Off-site
12”	Koloa Road	Poipu Rd	Weliweli Rd	Off-site
12”	Weliweli Road	Koloa Rd	Waikomo Rd	On-site**
12”	Weliweli Road/ Hapa Road	Waikomo Rd	KMP Project No. 4 boundary (Node 900)	Off-site
12”	Hapa Road	KMP Project No. 4 boundary (Node 900)	Pa’u A Laka (Kiahuna Golf Village)	On-site*

- * Based on determination that the KMP WMP boundary will be located at the entrance to KMP Project No. 4 (vicinity of Node 900) along Hapa Road
- ** Based on the assumption that participation in the 12" transmission mainline by Historic Koloa Village "HKV" renders the segment fronting the HKV development as "on-site" with respect to transmission FRC Offsets for KMP. However the transmission mainline improvements on either side of the HKV property that are outside of the KMP WMP area will be considered "off-site" with respect to KMP transmission FRC Offsets.

Second Issue: Additional reimbursement to first project improvements

Recommendation: The Department recommends that the Board at this time not approve KMP's request to require, without changing the rules, subsequent beneficiaries (developments) to reimburse the first project that install the water line that benefits all parties.

Background: KMP has requested that the Board require, without changing the rules, subsequent beneficiaries (developments) to reimburse the first project that installs the water line that benefits all parties. To have only one project bear this inordinate cost with huge benefit to the other projects seems an unfair application of requirements and unequal treatment. KMP suggested that a fairer condition would be to have something similar to the former Proportionate Share Refund rule.

KMP also stated that the effect of having the same or overlapping requirements for water mainline improvements being placed on various projects in the Koloa-Poipu area is that the first development which gets approval and decides to complete the required transmission improvements carries the burden for the other developments which have the same requirement. An example of this is the Historic Koloa Village, Creekside and the Shops at Koloa, all of which are or will be conditioned on installing a new line along Koloa Road, among other things.

Findings: The Department's conditions for permit and/or water meter approval for other developments in the Koloa area may include transmission requirements for provide adequate domestic and fire protection for the proposed development.

The Board did delete the FRC credits for source and storage facilities and the proportionate share refund for main extensions rules, and adopted the FRC "Offsets" rule on May 19, 2004.

The deletion of the FRC proportionate share refund rule was based on the high amount of administrative and staff effort required for the operation and maintenance of the current mainline extension refund rule. The process was very complex and time consuming. There was no assurance that the developer would receive a refund from others who connected to the main extension with the refund period. As a result the Board amended the rules and adopted the "FRC Offset" rule.

The FRC Offset rule allowed the Department to determine a (one-time) FRC offset for developments that were required to complete certain source, storage or transmission facility system improvements. The rule stated that the applicable FRC liability of such applicant, consumers, or subdividers shall be offset up to 33% each where water source or water storage improvements are constructed, and up to 50% where transmission mains are constructed; provided that the total amount of all offsets that the applicant, consumers, or subdividers receives shall not exceed 100% of the applicant, consumers, or subdividers FRC liability, and provided further that the offset for nay source, storage improvement or transmission main shall not exceed the actual cost of the source or storage improvement or transmission main.

Currently the Department does not have a policy or rule to require subsequent beneficiaries (developments) to reimburse the first project that installs the waterline that benefits all parties. When similar or overlapping system improvements are required for various developments the FRC Offset will be allowed to the development who actually constructs the source, storage improvement or transmission main. All other developments will not be allowed the FRC Offset.

Testimony:

Mr. Terry Kamen was present at the meeting for 2 things: 1) FRC credit for Parcel 32 of the KMP Project; and 2) to help KMP to get guidance from the Water Board to the Planning Department to get some fairness issues settled.

Mr. Kamen gave some background of how his situation started. He presented his project to the DOW several years ago and was told by former Manager Tschupp that the proposed projects in the KMP area would need a water tank and 16,000 feet of waterline. Therefore, Mr. Kamen approached all of the developers in the area so they could cooperatively do the water infrastructure. He approached all of the developers in the area like the Knudsens, Historic Kaua'i Village (HKV), Creekside, and all 5 of the KMP partners and they had Tom Nance design the water system with the construction about ¾ done on the water tank and the waterlines are being blasted.

In the meantime, the DOW's rule for Proportionate Share Refund Agreement (PSRA) for waterline extensions disappeared and then all of his agreements with the developers started to fall apart as the developers want the 'other guy' to build the water system.

Mr. Kamen stated that his first issue is FRC credits for the developer of Parcel 32. They are responsible to build approximately 16,000 feet of transmission line and part of the transmission line goes onto the developer's property instead of Hapa Road and that waterline connects to the 245 zone from the 366 zone and also has a \$100,000 pressure reducing system to take care of the 90-lot subdivision. This transmission line was deemed to be onsite by the Board in November, 2005; therefore, not able to get FRC credits. With discussions thereafter with Former Manager Tschupp, Mr. Kamen was told that he should meet with the Board to state his case that FRC credits should be credited to this transmission line. Mr. Kamen added that this transmission line connects and supports our water system.

Mr. Kamen stated the second issue was that this \$6 million project was supposed to be funded by other developers, along with KMP, which are the main investors. However, the Historic Kaua'i Village (HKV), the Knudsens, and Creekside developers are renegeing on their agreement with KMP once they found out that the PSRA is no longer valid and they will not get their proportionate share back of their cost of the waterline. The other developers decided that they would wait till KMP pays and completes the transmission line and then pay only for their FRC charges for their project. Mr. Kamen added that the other developers have changed their commitment since the onset of this project when the DOW approved this project.

Mr. Kamen suggested if the Board could say to the Planning Department that the DOW wants people to pay their proportionate share of the water they are going to use with the system they are tying into. These would give the developers a heads up to pay their fair share.

KMP has agreed to build the water tank at \$2.5 million and is almost done. KMP has an agreement with DMB to pay for the waterline from the tank to Node 1 and that engineering

for that waterline has been approved by the DOW and will be putting it out to bid and will start construction soon.

Mr. Kamen added that there is no problem with KMP and DMB but the problem starts at Node 1 and goes from Node 1 to the intersection of Kōloa Road.

Deputy County Attorney Galen Nakamura was present at the meeting at about 10:53 a.m.

Mr. Kamm described the 5 project areas for the Board that consists of 817 units of the Water Master Plan.

He explained that the waterline in question could have been installed in either in the new 56 foot wide County standard roadway right-of-way that was in the process of being built within Project 4 (Parcel 32) and connecting to Project 5 or on Hapa Road that is undeveloped. The DOW wanted the waterline in the County standard roadway even though the public land is next door. Since the roadways within this project are all private, that waterline on that private road does not qualify to get FRC credits. Mr. Kamm felt that it was simply due to a technical flaw that had that waterline considered to be an onsite waterline, which does not qualify for FRC credits from the DOW. He felt that this waterline situation was quirky and not the intent of the DOW's rules.

Mr. Kamm added that this waterline is connected on both sides to existing County water systems, is a transmission line that will have an easement and the water from this waterline is not only for their project.

On query by Mr. Fujimoto, Acting Manager Ushigome clarified that this current rule states that in order to qualify for the 1-time FRC offset of up to 50% of the cost of the transmission lines, the transmission lines have to be off-site from the project's Water Master Plan. This new rule took the place of the DOW's old rule for Proportionate Share Refund Agreements (PSRA), which would refund the original developer of the transmission line and any developer(s) thereafter their proportionate share of their cost of the transmission line up to 5 years from the completion of the waterline. She further explained that initially when the DOW had the PSRA rule in existence, the DOW had FRC offsets for source and storage but not for waterlines. So in July, 2004, the rule went into effect to eliminate the PSRA and to also include the FRC offset for transmission lines. The PSRA refund calculations were a real burden on the DOW's staff.

Mr. Costa added that KMP's project started before the DOW changed their rules to eliminate the PSRA. Mr. Kamm stated that is part of it but they are not recommending that the DOW change their rules but to only inform the Planning Commission as conditions of these respective projects. He added that prior to the DOW eliminating the PSRA, they had testified against it, although they did fully understand that the DOW did it because it was cumbersome.

Mr. Kamm felt that the number of imminent developments all benefiting from this waterline and KMP trying very hard to move this project forward, not only for their own benefit but for the County water system as well, they are seeking some fairness.

Mr. Kamen stated that initially they had received a letter from Knudsen Trust dated April 8, 2004 that Knudsen Trust was interest in participating in the cost of the waterline installation. Their initial intent was to have all interested parties share the waterline installation cost of \$1.8 million. Then the DOW's rule changed effective July 1, 2004 that eliminated the PSRA rule. Six days later, a letter dated July 7, 2004, Knudsen Trust wrote them that they no longer wanted to participate in the cost of the waterline installation. Mr. Kamen stated that

KMP was operating under the old plan that was approved on March, 2004, that they would have paid the credit.

Mr. Kamm added to clarify that they are still some willing partners like Kukuiula/A&B, Historic Koloa Village (HKV), and Creekside.

Mr. Kamm stated that they are grateful for the FRC credit for the transmission lines; however, it does not come close to the cost of the 16,000 feet of waterline, which was extra expensive due to the hard ground conditions.

Mr. Kamm summarized that they were at this meeting for two reasons: 1) seek FRC credits for Project 4; and 2) ask the Board to direct the DOW to help with submitting to the Planning Commission a condition that if there are a group of developers in the area to give them a mechanism where they all can get together and build the water system instead of only one developer bearing the cost of the waterline. The condition would entail that the DOW would tell the Planning Commission to make it proportionate based on water usage to make it fair. Mr. Kamm added that they are not asking the DOW to administer this process or any monies but only to set the condition.

On query by Mr. Fujimoto, Mr. Kamen estimated that if KMP's waterline cost about \$3.2 million, they would get about \$1.6 million in FRC credits. They would also have to finance the transmission line themselves with no one wanting to contribute to the cost of the waterline as they want to just hookup and pay their FRC.

Mr. Kamen added that their other investors are slowly starting to balk from contributing to the cost of the transmission line.

On query by Acting Manager Ushigome, Mr. Kamen stated that Project 4's waterline was 'on-site' as the DOW told them that the waterline in that area should go into the County's roadway instead on Hapa Road.

Mr. Kamen stated that they are asking for fairness as the developer of Project 4 also had paid his fair share for the cost of the other required water infrastructure for the source and storage.

Acting Manager Ushigome stated that the DOW gives infrastructure requirements independently to the Planning Department because we would not know what the timing of the projects would be. The DOW does not have control how the developers will fund their projects and how they will come to the table.

Mr. Kamen reiterated that they still would recommend that the DOW submit to the Planning Commission the condition of having the developers in that area work together on the required infrastructure and to also retract to the PSRA process without the DOW doing any accounting. Mr. Fujimoto added that he felt that the PSRA concept was sound.

Mr. Costa moved to defer this action until the next Board Meeting to allow the Board the opportunity to work with the deputy county attorney and staff on how the Department could make this work more equitably for the developer, and in the interest of facilitating time for the other meeting attendees, seconded by Ms. McCrory.

For discussion, Ms. McCrory asked if there is a way that it could be tie this back to recording it against the land as any one of these developers could renege on their financial participation. She asked if there could be a legal avenue or some type of covenant of some sort that would be recorded into the ownership of the land that would state that the

developer that paid for the transmission line would get their monies paid back. She felt that otherwise it would be hard to set a time frame. Mr. Kamen added that it did not have to be a deed but a condition of approval.

Mr. Kamm added that basically all of their neighbors have voluntarily been cooperative.

Mr. Costa added that the Planning Commission has been working to develop a mechanism on setting project areas that imminent developers are interested in developing and make a requirement of each of their projects to participate and work together to finance and install the required infrastructure. Mr. Kamen added that they would also be willing to pay for the legal fees to have their attorneys draw up a process that would be submitted to the Planning Commission for their approval.

Mr. Kamen felt that this would be fair. He added that they also have been working with the County Engineer on the traffic program in the area and all the private developers agreed to do their fair share.

Mr. Costa discussed about another process that could be made a condition of approval is that all of the project developers would need to participate in CFD, Community Facilities Development, which is a mechanism where you can make district or regional improvements and the County would float a bond for the cost of the improvements. Then you would define a project area and then over a 10-year period, in their real property assessment, they pay us a nominal fee each year. Mr. Fujimoto added that it could be problematic as depending on the size of land ownership and/or number of homeowners, they would need a certain percentage of willing participants to make the CFD work. Mr. Costa reiterated that it should be made as a condition of project approval that they participate in the CFD.

Mr. Kamm stated that the CFD process could complicate the process in their case as they are moving quickly with the installation of the waterline for their project. It seemed to them they were getting punished for being active with their project, therefore, at this time, all they want is to get some fairness.

Mr. Costa stated that the Board would work with the DOW on their requests.

Motion was carried.

Mr. Kamen, Mr. Kamm and Mr. Gates left the meeting at about 11:32 a.m.

Recess: 11:32 a.m. to 11:48 a.m.

Re: Request for Variance – KEO Emergency Housing and Transitional Housing, Lot 1-A2, Wehe Road, TMK: 3-8-05:1, Lihue, Kauai

Present at the meeting were Mr. Ron Agor and Mr. Felix Gusman, Consultants for Kaua'i Economic Opportunity (KEO), Ms. MaBel Fujiuchi, CEO of KEO, Mr. Jimmy Nishida of KEO; and the County Public Housing Agency were represented with Mr. Ken Rainforth, Mr. Gary Mackler, Ms. JoAnne Shimamoto, & Ms. June Renaud, and Mr. Bernard Carvalho, Community Assistance.

Recommendation:

The Department recommended that the Board not approve Kauai Economic Opportunity, Inc. request for a variance from the current policy of limiting the water allocation to the project by allowing a larger size water meter to service the intended use of the project.

Background:

Kauai Economic Opportunity, Inc. (KEO) requests a variance to the current policy of limiting the water allocation to the project and requesting additional allocation be granted by approving the use of a larger water meter sufficient for the intended use of the project.

In accordance with the Department of Water's (DOW) current meter restriction policy in Lihue, each lot of record is limited up to three 5/8-inch water meters or three single family dwellings (Department of Water letter to Agor Architecture dated March 2, 2006).

The KEO Emergency Shelter and Transitional project has been conditionally approved for a use and zoning permit (Use Permit U-2006-14 and Zoning Permit Z-IV-2006-17) which includes a 19-bed homeless emergency shelter and eight transitional housing units. According to KEO the water meter requirements for the project exceed the current water meter allocation for this lot.

Finding:

The DOW water meter restriction policy currently restricts the approval of 5/8-inch water meters and single family dwelling units up to three 5/8-inch meters or three single family dwelling units per lot or record. The restrictive water meter policy is based on the lack of adequate water source capacity for the Lihue system. The water meter restriction policy is currently used to condition subdivision, building permit and water meter application approvals.

The Planning Commission approved use and zoning permits for the subject project on January 24, 2006 to allow the establishment of a temporary shelter and transitional housing program for the homeless on the subject property. The permit approval was subject to a condition that the applicant resolves and complies with the recommendations and comments submitted by the DOW.

The DOW zoning and use permit recommendations and comments stated that the DOW had concerns regarding the increase in water demand associated with the Class IV zoning and use permit for the emergency homeless shelter and transitional housing project. The DOW recommended to the Planning Department that any approval of the permit application be conditioned; whereby, the applicant shall be required to:

1. Be made aware the existing source facilities for the Lihue area are operating at capacity; however, the DOW is allowing developments up to three 5/8-inch water meters (or equivalent 3/4-inch water meter) or three single family dwellings per existing lot of record.
2. Submit detailed water demand calculations (domestic and irrigation demand) along with proposed water meter size to the DOW for review and approval. Water demand calculations submitted by your engineer or architect should include fixture count and water meter sizing worksheets.
3. Prepare and receive DOW's approval of construction drawings for necessary water system facilities and construct said facilities.
4. Pay the applicable charges in effect at the time payment is made to DOW. At the present time, these charges shall include but are not limited to the Facilities Reserve Charge, which is based on \$4,600 per unit or the FRC based on the approved water meter size; whichever amount is greater.
5. As applicable, a "Certificate of Completion" notice must be issued by the DOW for the construction of the necessary water system improvements required for the proposed development.
6. Be made aware that the proposed development is located within 1,000 foot radius of our existing well. The applicant will be required to satisfy the Department of Health's concerns regarding waste water disposal for the proposed project, as applicable.

Agor Architecture (Agor) submitted water demand calculations to the DOW by their letter dated February 21, 2006. The DOW was not able to determine the water demand and appropriate water meter size based on their submittal (see attached DOW letter to Agor dated March 2, 2006). Agor was informed that a maximum of three 5/8-inch water meters or three single family dwellings will be allowed for this project because the existing source facilities for the Lihue area are operating at capacity. DOW informed Agor that their drawings also identified eight single family dwelling units that exceeds the current DOW meter restriction policy and suggested they verify the number of units with the Planning Department. To date, Agor has not submitted the revised water demand calculations.

A meeting with KEO, Agor Architecture, Planning Department and DOW was held on March 6, 2006 regarding the project. KEO stated that they have phased the project development into two phases. The first phase includes the relocation of existing office buildings to the subject project site and the second phase includes the renovation and construction of the existing and relocated buildings. KEO stated that the building permit for the first phase will not be routed to DOW; however, the building permit for the second phase will require DOW approval.

At the meeting, the Planning Department verified that the Planning Commission approved an emergency shelter and an eight unit transitional housing program for the subject project. Planning verified that there was no special category for transitional housing units and that the classification would be based on single-family units.

Agor estimated that the preliminary calculations proposed that the existing KEO Office building at the site would be supplied by the existing 5/8-inch meter and that the proposed project would be served by two 5/8-inch meters. Agor also acknowledged that their preliminary calculations indicated that a 1-1/2-inch water meter may be needed. However, Agor will re-calculate and resubmit revised water demand and meter size calculations, shortly.

The DOW stated that the Grove Farm surface water purification facility is in its trial period and that the DOW water meter restrictive policy has not changed. During the trial period Grove Farm and DOW will coordinate with the Department of Health to monitor operations and to establish a tested capacity of the surface water facility. During the trial period the surface source water will be phased into the existing Lihue, Hanamaulu and Puhi service areas. The trial period is scheduled for completion by April 2006; however, the Department will review its available source capacities prior to revising the Lihue water meter policy.

The Department of Water currently is not able to approve the proposed project under the current water meter policy unless additional source facilities are provided for the subject project.

Testimony:

Mr. Agor gave a brief overview of KEO's emergency shelter and transitional housing in Līhū'e, which consists of an emergency home and shelter that could house up to a maximum 22 people and eight (8) transitional housing units.

On query by Ms. McCrory, Mr. Agor stated that they calculated about 2.5 people that would be in the 8 transitional housing units.

On query by Acting Manager Ushigome, Mr. Agor clarified that the emergency shelter could house and consists of 19 beds with up to 3 workers that would not live on-site.

Mr. Fujimoto asked Mr. Agor on the variance of the water meter, if he looked at hydraulically providing the same amount of water with less water meters and a reservoir tank on-site. Mr. Agor stated that he did not.

On query by Mr. Kyono, Acting Manager Ushigome stated that the staff did not have a chance yet to review the water demand calculations. Mr. Agor stated that the two 5/8-inch water meters that are allocated to the property could have 40 gallons per minute (GPM); however, Aqua Engineers calculated that the water demand for their proposed facility would be 48 GPM. Therefore, they are 8 gallons over their allocation of the two 5/8—inch water meters. On query by Mr. Kyono, Mr. Agor stated that this is for domestic water flow.

On query by Mr. Kyono, Mr. Fujikawa stated that the DOW issues are fire flow and the number of single family units that they are proposing for this project. The DOW has a 3 water meter/single family dwelling unit water meter restriction policy.

For the benefit of the meeting attendees, Mr. Fujikawa read the Department's recommendation.

Ms. McCrory stated that it would make her comfortable if their mechanical engineer would stamp the plans (water demand calculations) that shows verification that the amount of water is adequate for the project especially since this a commercial and not a residential project. The Department can then verify their plan submittal. Ms. McCrory added that she is aware that this is a very important project.

Mr. Nishida stated that KEO is asking for 2 variances for their water meter restriction and the amount of 8 transitional housing units (instead of only 3 units). He also stated that even though they satisfied the 3-water meter restriction, that the 8 transitional units would come into play. The 8 transitional units are 1-bedroom apartments. He added that per the Planning Department's description of a 1-bedroom unit, it consists of a bathroom and a kitchen.

Mr. Fujimoto stated that the Board is allowed to approve variances, depending on the project. In this case, they all agree that this is a great project. He felt that the water issue was a marginal issue and the housing issue is more a planning issue than a water issue. The Board is tasked with whether we can afford to give you KEO the water. The DOW is very close now to getting more water from the Water Purification Plant that will end its test phase next month in April, 2006. This assurance makes it easier to grant a variance for this type of project.

Ms. McCrory requested to wait till the test phase is over and the plans are stamped by a mechanical engineer.

Mr. Kyono inquired if the County could not make an agreement with KEO to allow them the water meter as they have one existing water meter and allow 2 more water meters - whatever it takes to make the project work. He added that it would be good to know if there are any other pending projects waiting in the wings.

On query by Mr. Costa, Mr. Fujikawa stated that our Rules state that individual lots are metered as our Rules also has a provision of no resale of water. Waterworks Legal Advisor Nakamura stated that this is how the Department has applied the Rules in the past.

Ms. McCrory asked if KEO's engineer would submit the applicable water meter size for the project to DOW, when or how long it would be that the Department could say that Water Purification Plant has a lot of water capacity – at next Board Meeting?

Mr. Fujimoto stated that he wanted to explore Mr. Kyono's idea to grant KEO the other 2 meters and they can calculate to see if they can work with the three 5/8-inch water meters. He added that they are so close now that they probably would not need a bigger meter and would not need a variance and since timing is an issue, he preferred not to defer this for a month.

Acting Manager Ushigome added that it was already stated that the 3 water meters would not be enough.

Mr. Agor stated that a suggestion was given to combine all 3 water meters and take into consideration the existing office usage and may have enough left over to make the 8. Mr. Fujimoto also suggested they could sacrifice the installation of some of the fixtures, washers, etc. to leave it out for now until they have the capacity to ask for a bigger meter, which would be an administrative task. Mr. Costa also suggested to Mr. Agor to phase it in.

Mr. Agor stated that he firmly believes that if they combine the 3 water meters and taking all facilities into account that they could meet the demand.

Acting Manager Ushigome clarified for the Board that the maximum is three 5/8-inch water meters or three single family dwelling units and on the table is 8 transitional units. The clarification of a unit is anything with a kitchen is considered a separate unit. Based on the current restriction, it is a 3 meter or a 3 unit restriction. The emergency shelter with 19 beds and the 8 transitional units housing is what KEO is asking for.

Mr. Fujimoto stated that he feels comfortable and optimistic that the Water Purification Facility will be a success and in a couple of months there will be excess water for KEO to then increase the size of their water meter. However, in order to proceed now, they need their water meters.

Mr. Agor added that they would not actually need the water till the end of this year, but in order to get their permit approved, they need to address the water issue now to have the DOW sign off on the permit.

Ms. MaBel Fujiuchi, CEO of the Kaua'i Economic Development expressed her thanks and appreciation to the Board as she was happy to see that the Board made every effort to try and look at alternatives to make this project work instead of looking at all the barriers that they may face.

Mr. Fujimoto moved to approve the variance to have eight (8) transitional units and to also give them the additional two 5/8-inch water meters, seconded by Mr. Ian Costa.

Ms. McCrory requested an amendment to also include that KEO's consultant would need to submit a map that is certified by a licensed engineer that verifies and certifies the overall water demand of the property and stamps that plan. Mr. Agor added that would be at the time of the building permit application.

Mr. Fujimoto thanked the staff to make the hard decision to deny this request. However, it comes down to water usage: 1) we are saying that we are not asking for a variance for water usage yet – at some point hopefully when capacity is available, if they need to, they can come in at that time – we are doing this so they can proceed with the building of the facility;

2) Ms. McCrory requested to have a licensed engineer to certify the water usage as they may not need as much water as they think they do.

On query by Mr. Shibata, it was noted that this is transitional housing for people that may have setbacks and have a place to stay until they get back on their feet.

Mr. Costa stated that this project is one of the Mayor's priority projects as he worked with DAGS to get the Executive Order for the land. He added that as far as he knows that Kaua'i is the only island so far that does not have a homeless shelter so this is a huge step for Kaua'i.

Waterworks Legal Advisor advised to include in the motion and have the record reflect that this variance is based on the fact that this project will advance for significant public purpose.

Mr. Fujimoto amended his motion to also include that prior to building permit approval, KEO's consultant would need to submit a map that is certified by a licensed engineer that verifies and certifies the overall water demand of the property and stamps that plan and to be known that this variance is based on the fact that the project advances for significant public purpose, i.e., for transitional housing, seconded by Mr. Costa.

Mr. Fujimoto reiterated that he suggested to Mr. Agor to modify some of the units until later, like doing without washers, etc., so they would be able to work within the limits of their 3 water meters. This would at least keep the process going for this project. He added that when the Water Purification Facility is fully operational, KEO could then come in for a bigger meter if need be and that would be an administrative task.

Motions were carried for the original motion and the amendment.

Mr. Agor thanked the Board and all concerned parties left the meeting at about 12:20 p.m.

Re: Request Board Approval of Funding National Membership Chair Edward Doi's Trip to the American Water Works Association (AWWA) Annual Conference to Attend the AWWA Membership Committee Meeting, June 11-15, 2006 in San Antonio

Recommendation: It was recommended that the Board approve the sum of \$1,900 to allow Edward Doi to travel to attend this year's membership committee meeting (and other functions associated with the Membership Committee, i.e., Membership Booth where volunteers are requested Sunday through Wednesday to staff the booth, Membership Forum Meeting held Tuesday from 9:30 a.m. to 12 noon, etc.)

Funding: Total cost is approximately \$1,900.

Airfare Estimate:	\$1,000
Per Diem Estimate:	<u>\$ 900</u>
	\$1,900

Background: Edward Doi applied for an open position on the American Water Works Association National Membership Committee in early October, 2005. Previous Manager Edward Tschupp approved supporting the requirements that came along with this membership committee position prior to Edward Doi's acceptance of their invitation. In late October, 2005 he was invited to serve as a member of the committee, which is for a 3-year term.

Requirements for the position included but were not limited to attending two meetings during the year, one held at the AWWA Annual Conference and the other would be some time in the beginning of next year, January/February, 2007. AWWA will assist/pay for the cost to attend committee meetings held at the beginning of the year; however, they will not cover expenses for meetings held during the Annual Conference.

Due to the fact that this membership committee position was filled after the DOW's 2005-06 Budget was finalized, funds have not been budgeted for Edward Doi's travel to attend this year's AWWA Membership Committee Meetings that will be held at the AWWA Annual Conference and Exposition in San Antonio, June 11-15, 2006. Funding for future AWWA Annual Conferences will be requested in the upcoming 2006-07 budget.

Acting Manager Ushigome added that Mr. Doi wrote a nice letter in the AWWA, Hawai'i Section Newsletter about AWWA membership. Mr. Kyono added that Mr. Doi did get a national award for the highest recruitment.

Ms. McCrory moved to approve to fund Edward Doi's trip to the AWWA San Antonio Conference, seconded by Mr. Fujimoto; motion was carried.

Re: Conveyance of Water Facility from James Clinton Fuller and Gail Marie Fuller for the Construction Plan for Triple Water Service for the Kilauea Kingdom Hall Subdivision, S-2000-34; TMK: (4) 5-2-09:044; Kilauea, Kauai, Hawaii

Ms. McCrory moved to approve the Conveyance of Water Facility from James Clinton Fuller and Gail Marie Fuller, seconded Mr. Fujimoto; motion was carried.

Re: Discussion and Action Steps concerning Selection Process for new Manager and Chief Engineer of the Kaua'i County Water Department (cont'd)

Deputy County Attorney Galen Nakamura stated that Judge Ezra's decision of not having the 1-year residency requirement is only for government workers; therefore, the 1-year residency still stands for the Manager's position.

On query by Ms. McCrory, Deputy County Attorney Nakamura stated that it may be flexible to include applicants that are originally from Kauai and are looking for a job upon their return to Kauai.

On query by Mr. Costa, Ms. McCrory stated that she felt that she would not want to have a time lag; therefore, if there are only 1-2 applications received for the Manager's vacant position, then the Department should re-advertise soon after the deadline date of March 31, 2006. If there are 3 or more valid applications, then the Department should schedule a meeting for the Board members to review the applications.

Mr. Costa moved to direct the staff to continue the recruitment till May 31, 2006 for the Manager's position, seconded by Ms. McCrory.

The ad will be revised to hopefully be more eye-catching to attract more applicants to apply. Motion was carried.

Re: Contract between Kaua'i Water Department and R.W. Beck Inc. for a Strategic and Business Plan for the Kaua'i County Water Department

Recommendation:

The Board of Water Supply (Board) to review the revised scope of work for a Strategic and Business Plan for the Kauai County Water Department. Based on the input received at the February 2006 Board meeting, R. W. Beck provided the attached scope of work (Exhibit "A") to address the Board's comments. This agenda item is for purposes of reviewing, discussing and receiving any additional Board input concerning the revised scope of work for this contract.

Background:

Attached is the revised Exhibit "A" dated March 8, 2006, which incorporates and addresses the Board's and Department's ideas and queries. The following is a brief summary of the input provided by the Board during its February 2006 monthly meeting:

- Request RW Beck's hourly billing rate for additional or out-of-scope work items
 - Desire option to extend Beck's contract annually, up to the year 2021 (15 years) to assist the Department in implementing the recommendations and findings developed in the strategic plan
- *Follow up required to determine whether (legally) does the RFQ process allows the Department to (potentially) enter into a 15-year consultant contract?*
- Identify some type of employee (bonus) incentive program to encourage and motivate higher productivity among the Department's workgroups, provide proposed cost associated with developing performance standards and defined "measurable" goals
- *Follow up required to determine whether the "bonus" pay incentives will raise employee equity issues by the labor unions.*
- Delete requirement that a quality management system (QMS) be designed and implemented to meet the ISO 9001:2000 standard
 - Review whether the proposed 5-month timeframe (given the significant number of key position vacancies) is sufficient to develop a comprehensive plan with the necessary "buy-in" from the staff

On query by Mr. Fujimoto, Ms. McCrory stated that the revised scope of work does not address the goal to finish Water Plan 2020.

Conference Call with Dave Jochim

Ms. McCrory stated that she had some issues on Mr. Jochim's revised scope of work. She gave Mr. Jochim a little history on the reason for the Strategic Plan is to complete Water Plan 2020 in 2020 or soon thereafter. Ms. McCrory stated that the issues were:

1. The biggest issue is that the revised scope of work does not include the major issue that RW Beck would take the lead to oversee Water Plan 2020 throughout the 15-year period, as the Board had requested. Mr. Jochim stated that he probably did not clearly understand what the Board had wanted.

2. The Board wanted to look into an incentive plan for short-term and long-term and wanted RW Beck to propose an incentive plan.

Mr. Fujimoto stated that he understood this plan to be the sole purpose to accomplish the Water Plan 2020 within projected timetable and to look at the staffing and check where the DOW needs help to meet these goals.

Ms. McCrory added that maybe it is not the Department to do the work but maybe the solution would be to have a larger company that could assist the Department with parts of Water Plan 2020 that the staff would need help with. Ms. McCrory's concern is that according to her calculations, the DOW is already 200 to 300 percent over budget and Water Plan 2020 is already behind 3-5 years and does not want the Plan to be even more behind and the costs even higher. She felt that if the projects are done quicker, it would cost the Department less money.

Mr. Fujimoto added that it would be up to RW Beck to evaluate the present organizational abilities and which areas could possibly be outsourced.

Mr. Jochim stated that he will work with Acting Manager Ushigome in the next few days to work on revising the scope of work and will submit it to the Department. Ms. McCrory asked that the Department, in turn, email it to the Board members. Then if the Board had questions, it could be addressed before the next Board Meeting.

Mr. Shibata stated that since our Department budget is upcoming, do we need some preliminary hours of work that the consultant thinks they may want to deliver. Mr. Jochim confirmed that this budget would be needed for the sustainability plan.

Ms. McCrory added that since the Department has position vacancies with the Manager, Engineering Division Chief and our Public Relations Specialist, the plan would not start right away. She asked Mr. Jochim to submit a budget for the first six months and the last six months of 2006.

Mr. Shibata inquired whether Mr. Jochim had any limitations on when he can start this process? Mr. Jochim responded that once he gets a notice to proceed he can start. Mr. Shibata asked if it would be a problem to start this plan with the 3 major vacancies? Mr. Jochim stated that you would prefer to have these positions filled but it would probably take awhile to fill it; therefore, he felt that since our problems would not go away, it would be best to start. Also, he stated that the plan in place for the key staff would need to be revisited yearly; therefore, it would probably be timely with the vacant positions being probably filled by then.

Ms. McCrory asked for ideas on how they could incorporate incentives or bonus in the Manager's compensation packet as well as for the departmental employees. She would appreciate a quick response on this.

Mr. Jochim will call Acting Manager Ushigome on Thursday to followup. The Board thanked Mr. Jochim for his time.

Received for the record.

Re: Action Steps to Increase Water Manager's Salary

Since Deputy County Attorney was present at the meeting, Ms. McCrory informed him that the Board has discussed and wanted to try to work concurrently on the following: 1) do a

rule amendment like one of our counterparts that did a rule amendment to have the Manager's salary to be what the Salary Commission recommends; 2) work on a incentive program; and 3) work with the Charter Review Commission to have our charter amendment on the upcoming election ballot.

Ms. McCrory discussed the timetable for a rule amendment, which probably could not happen until our May, 2006 Board Meeting. It was also discussed that our counterpart's Salary Commission's salary recommendation was done in 2004; therefore, she asked if a percent could be added for a cost of living increase. Deputy County Attorney Nakamura stated that, in theory, their rule states that the Board will set the Manager's salary. On query by Ms. McCrory, Deputy County Attorney Nakamura stated that the stumbling blocks would probably be the County Attorney or Council.

Mr. Shibata concurred that it felt that it was the Board's duty to look at all possibilities to increase the Manager's salary; otherwise, the Board would be back to square one with the Manager's position still vacant. The other Board members concurred that they would need to look at new and creative ideas to correct the Manager's low salary in order to fill the vacant Manager's position.

Ms. McCrory directed Deputy County Attorney Nakamura to draft the proposed rule amendment. The rule amendment would state that the Board would have the authority to set the Manager's and Deputy Manager's salaries.

Waterworks Controller Ganaden was tasked to check on setting up a Manager's expense account in the budget, what account it would come from, what is a reasonable amount, and to check with the auditors for advice on how they felt about this and how would they create such an account.

The Board decided that presently since the highest paid County employee makes about \$100,000 annually, plus 10% more for an increase, for a total of \$110,000 and the present salary of the Manager is \$75,000, the difference would be \$35,000/\$45,000 for an expense account. These monies would be set aside in the budget for legitimate Manager's expenses and to cover any type of salary increase that the Board could muster for the Manager's position.

Mr. Kyono also tasked the Department to check with the other water departments and other State agencies to see if they have expense accounts and how they have setup their accounts.

Mr. Shibata asked how will the Board determine the process to set the salaries? He felt that this was more important as having a higher salary would eliminate the need for an expense account. Mr. Fujimoto stated at a previous Board Meeting it was stated that using the premise of having the Manager make 10% more and the Deputy Manager make 5% more than the highest paid civil service employee.

Ms. McCrory reiterated that the Board should look at all avenues.

Ms. McCrory hoped to have the proposed rule amendment finalized by Deputy County Attorney Nakamura and a special meeting set to follow, if need be, or at the next April 18, 2006 Board Meeting to approve this proposed rule amendment.

REPORTS

Re: Statement of Kaua'i County Water Department's Revenues and Expenditures

Ms. McCrory verified with Waterworks Controller Ganaden on the bond fund that he was going to restate it to show the interest expense. It was so noted by Waterworks Controller Ganaden.

Received for the record.

Re: Manager's Update for February, 2006 to March, 2006

Contracts Awarded by the Manager: None

Pump Installation Permits Signed by Manager: Anahola Well No. 3 (Well No. 0818-03)

Automatic Meter Reading (AMR) Project.

The Evaluation Committee and the Department's AMR consultant conducted contract negotiations with the highest ranked vendor. The meetings were held on March 13th and 14th at the Department of Water. At present, it appears the highest ranked proposal is within the budgeted amount.

Strategic Plan and Needs Assessment

We are negotiating a revised project scope with the consultant based on input from the Board. Interaction with the Board will be scheduled during the course of the project. Contracting for this project is expected to be completed in early 2006. Once the scope of work is defined, a project manager and steering team will be established to facilitate and manage the project.

American Water Works Association (AWWA) Kaua'i Workshop

The AWWA Kaua'i Workshop was held February 23-24, 2006 at the old Radisson Kaua'i Beach Hotel. The main topic of discussion was the Water Purification Facility (WPF).

Attendees were: Bill Eddy, Lance Nakata, David Okamoto, Galen Shigeta, Neal Iseri, Darwin Bukoski, Serf Galvez, Keitsu Fujimoto, Dustin Moises, Carl Arume, Andy Canavan, Peggy Yoshioka, Gregg Fujikawa, Keith Aoki, Wynne Ushigome, Debra Togioka and Rona Miura.

USGS Well Drilling Program Ended

U.S. Geological Service (USGS) will be ending its cooperative drilling program this fiscal year. According to USGS, the main reason is the drill rig is 16 years old, experiencing frequent breakdowns, and diminishing capacity. The drill rig recently completed a monitoring well at the Oceanview Subdivision on the Big Island. USGS plans to turn over the possession of the rig to the Counties for auction through a drill broker. Any proceeds from the sale will be divided among the participating Counties (Big Island, Maui and Kauai).

Building Code Adoption

The Department of Public Works, Building Division is proposing the adoption of the following:

- 2003 International Building Code;
- 2003 International Residential Code;
- 2005 National Electric Code, and;
- 2003 Uniform Plumbing Code.

In addition to the adoption of these Codes, the Building Division is proposing to charge the Department of Water permit fees for construction of our improvements. Currently, all County facilities are exempt from paying all permit fees, however, the proposed changes include language to the effect that county facilities are exempt from paying all permit fees, except for the Department of Water.

If these proposed code adoptions are approved, the Department of Water will possibly incur additional costs for the permit fees. As an example (using the current building permit fees structure), the permit fees for a \$2.0 Million storage tank is approximately \$6,432.

Although it was raised that the Department of Water is semi-autonomous and should pay its fees, Mr. Shibata questioned that our customers would then be taxed twice. Mr. Fujimoto added that the process is preliminary; therefore, anyone can still submit to Mr. Doug Haigh at the County's Building Division and comments and concerns like what Mr. Shibata had.

Mr. Kyono moved to receive the report for the record, seconded by Mr. Fujimoto; motion was carried.

Re: Report of the Public Affairs Committee of the Kaua'i County Board of Water Supply

This matter was already taken care of in Committee Meetings.

Re: Report of the Rules Committee of the Kaua'i County Board of Water Supply

This matter was already taken care of in Committee Meetings.

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

This matter was already taken care of in Committee Meetings.

Re: TOPICS FOR NEXT WATER BOARD MEETING

1. Board's Finance, Public Affairs, and Rules Committee Meetings
2. Quarterly Report regarding Kaua'i County Water Department Manager's Top 5 Goals for 2006
3. Kauai County Water Department Briefing on Departmental Projects

Re: TOPICS FOR FUTURE WATER BOARD MEETINGS

1. Board's Finance, Public Affairs, and Rules Committee Meetings
 - a. Finance Committee: Budget for Fiscal Year 2006-07 (May, 2006)
2. Follow-up Report on Infrastructure Rebates to the Kaua'i County Water Department
3. Board Approval of Department of Water's Budget for Fiscal Year 2006-07 (June, 2006)
4. Board Approval of Resolution No. 1 (06/07), Budget for Fiscal Year 2006-07 (August, 2006)

Re: NEXT WATER BOARD MEETINGS

1. Tuesday, April 18, 2006, 10:00 a.m.
2. Tuesday, May 16, 2006, 10:00 a.m.
3. Tuesday, June 6, 2006, 10:00 a.m. (revised date)

Re: WATER BOARD'S UPCOMING EVENTS

1. Annual AWWA Hawaii Section Conference on O'ahu, **May 9 - 12, 2006**
2. American Water Works Association (AWWA) National Conference **June 11-15, 2006** at San Antonio, Texas

EXECUTIVE SESSION

Pursuant to Hawaii Revised Statutes (HRS) §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 HRS §92-4 and shall be limited to those items described in HRS §92-5(a).

ES-1: Pursuant to Haw. Rev. Stat. §§92-4, 92-5(a)(4), the purpose of this executive session is to permit the Board of Water Supply to deliberate upon and consult with the Board's legal counsel on questions and issues relating to the Request by Terry Kamen on his Kiahuna Project, Kiahuna Mauka Partners, LLC (KMP), TMK: 2-8:14:32, Poipu, Koloa, Kauai, Hawai'i

This consultation involves consideration of the powers, duties, privileges, immunities, and/or liabilities of the Board and the Department of Water as they relate to this agenda item.

The Board may take any appropriate action or make any decision arising from its deliberations concerning this item, including approval or modification of the proposed settlement in this case. Actions may be taken or decisions may be made in executive session pursuant to Haw. Rev. Stat. §92-5(b).

ES-2: Pursuant to Haw. Rev. Stat. §§92-4, 92-5(a)(4), the purpose of this executive session is to permit the Board of Water Supply to deliberate upon and consult with the Board's legal counsel on questions and issues relating to the Request by Ron Agor to Testify on the Kaua'i Economic Opportunity (KEO) Transitional Emergency Housing Project, Z-2006-17, LThu'e, Kaua'i

This consultation involves consideration of the powers, duties, privileges, immunities, and/or liabilities of the Board and the Department of Water as they relate to this agenda item.

The Board may take any appropriate action or make any decision arising from its deliberations concerning this item, including approval or modification of the proposed settlement in this case. Actions may be taken or decisions may be made in executive session pursuant to Haw. Rev. Stat. §92-5(b).

Ms. McCrory moved to go into Executive Session at 1:10 p.m., seconded by Mr. Shibata; motion was carried.

There was no public testimony.

Executive Session Item No. 1 was discussed in Executive Session but Executive Session Item No. 2 was not discussed.

The meeting reconvened at 2:25 p.m.

ADJOURNMENT

There being no further business, Mr. Costa moved to adjourn the meeting at 2:25 p.m., seconded by Mr. Kyono; motion was carried.

Respectfully submitted,

Rona Miura, Secretary

APPROVED:

Wynne M. Ushigome
Acting Manager and Chief Engineer

rm