BOARD OF WATER SUPPLY of the COUNTY OF KAUA'I

REGULAR MEETING

Second Floor, Microbiology Lab Bldg
Kaua'i County Department of Water
4398 Pua Loke Street, Līhu'e, Kaua'i, Hawai'i 96766

THURSDAY, MARCH 22, 2012

10:10 a.m.

Or soon thereafter

A. CALL TO ORDER

B. ROLL CALL

C. ACCEPTANCE OF AGENDA

D. MEETING TRANSCRIPTS:
Review and approval of:
Special Board Meeting – February 9, 2012
Regular Board Meeting – February 23, 2012

E. CORRESPONDENCE/ANNOUNCEMENTS
1. Letter from KMH LLP concerning the Audit

F. BOARD COMMITTEE REPORTS
1. Report of the Committee of the Whole of the Kauai County Board of Water Supply

   a. *Manager's Report No. 12-24* – Emergency Operations Reserve Fund Policy

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

G. OLD BUSINESS
1. *Manager's Report No. 12-24* – Emergency Operations Reserve Fund Policy

2. *Manager's Report No. 12 –54* – Debt Service Reserve Fund Policy

3. *Manager's Report No. 12-63 -* Rewards Program

4. *Manager's Report No. 12-64 –* County Human Resources Reorganization

NOTE: Special Accommodations for persons with disabilities are available upon request five (5) days prior to the meeting date. Please call the Department of Water, County of Kaua'i, at 245-5408 or drop by at 4398 Pua Loke Street, Līhu'e, Kauai. Our mailing address is P. O. Box 1706, Līhu'e, HI 96766

BOARD OF WATER SUPPLY

REGULAR MEETING

March 22, 2012

H. NEW BUSINESS

1. Draft FY2013 Budget

2. *Manager's Report No. 12 – 64 –* Non-Potable water systems

3. *Manager's Report No. 12 – 65 -* Job No. 05-06, BCP Construction, 10th Change Order for Eiwa, Umi, Ekahi, Elua and Hardy Streets 8" Waterline Improvements (WP 2020 Project No. PLH-25), Lihue

4. *Manager's Report No. 12 – 66* - Job No. 02-08, Oceanic Companies, 3rd Change Order, Rehabilitate Eleele Twin 0.4 MG Steel Tanks (WP 2020 Project No. HE-08), Eleele

5. *Managers' Report No. 12 – 67* - Request Board Approval to Extend Funding of Staff Fitness Program.

6. *Manager's Report No. 12 – 68 -* Job No. 12-1, Esaki Surveying, (WP 2020 Job No. H-05), Weke, Anae, Mahimahi and He'e Roads 6" and 8" Main Replacement (2,760'), Hanalei

7. *Manager's Report No. 12-69 -* Request to Expend Funds from Contracted Capital Expenditures

I. STAFF REPORTS

MONTHLY

1. Fiscal Report:
   a. Statement of Kaua'i County Water Department's Revenues and Expenditures
   b. Update on Schedule of Findings on FY2011 Audit
2. Report by the Public Relations Specialist on Public Relations Activities
3. Chief of Operation's Summary Report on Monthly Operational Maintenance
4. Water Resources and Planning Subdivision Report
5. Manager's Monthly Update Regarding Activities of Note of the Kaua`i County Water Department

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 Haw. Rev. Stat §§92-4 and 92-5(a)(4) the purpose of this executive session is to receive and consider a letter from the Department of Personnel Services to the United Public Workers dated March 6, 2012. The purpose of this executive session is to consult with the Board's attorney on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities as it relates to the Department of Personnel Services letter to the United Public Workers dated March 6, 2012.***

BOARD OF WATER SUPPLY

REGULAR MEETING

March 22, 2012

J. EXECUTIVE SESSION – contd.

2. ***Pursuant to Hawai'i Revised Statutes Sections 92-4 and 92-5(a)(4), the purpose of this executive session is to provide the Board with a briefing regarding the proposed employee rewards program. This briefing and consultation with the Board counsel involves the consideration of the powers, duties, privileges, immunities and/or liabilities of the Board and the Department as they relate to this agenda item.***

3. ***Pursuant to Haw. Rev. Stat. §§92-4 and 92-5(a)(4) the purpose of this executive session is to consult with the Board's attorney on questions and issues pertaining to the Board's powers, duties privileges, immunities, and liabilities as it relates to non-potable water systems.***

4. Review of Executive Session Transcripts:
   a. December 8, 2011
   b. December 15, 2011
   c. December 22, 2011
      i. Session 1
      ii. Session 2
   d. January 5, 2012
   e. January 23, 2012
   f. January 26, 2012

K. TOPICS FOR NEXT WATER BOARD MEETING

1. Quarterly Reports *(April 2012)*
2. Employee of the Year Resolution *(April 2012)*

L. TOPICS FOR FUTURE WATER BOARD MEETINGS

1. Amend BAB Project List

M. UPCOMING EVENTS

1. Poipu Beach Party – March 25, 2012
2. AWWA – Hawaii Section Annual Conference – April 17-20, 2012, Honolulu, Hawaii
3. AWWA – ACE 12 – June 10-14, 2012, Dallas, Texas

N. NEXT WATER BOARD MEETING

1. Thursday, April 26, 2012, 10:00 a.m.
2. Thursday, May 24, 2012, 10:00 a.m.
3. Thursday, June 28, 2012, 10:00 a.m.
4. Thursday, July 26, 2012, 10:00 a.m.
5. Thursday, August 23, 2012, 10:00 a.m.
6. Thursday, September 27, 2012, 10:00 a.m.

O. ADJOURNMENT

NOTE: Special Accommodations for persons with disabilities are available upon request five (5) days prior to the meeting date. Please call the Department of Water, County of Kaua'i, at 245-5408 or drop by at 4398 Pua Loke Street, Līhu'e, Kauai. Our mailing address is P. O. Box 1706, Līhu'e, HI 96766

Draft Minutes

COUNTY OF KAUAI

BOARD OF WATER SUPPLY

SPECIAL BOARD MEETING

ORIGINAL

Thursday, February 9, 2012

9:05 - 9:15 a.m.

Second Floor, Microbiology Lab Building

Kauai County Department of Water

4398 Pua Loke Street

Lihue, Kauai, Hawaii 96766

REPORTED BY:

TERRI R. HANSON, CSR 482

Registered Professional Reporter

1 APPEARANCES

2 BOARD MEMBERS:

3 Larry Dill

4 Daryl Kaneshiro, Chair

5 Roy Oyama

6 Clyde Nakaya

7 STAFF:

8 Andrea Suzuki, Deputy County Attorney

9 William Eddy

10 Carol Beardmore

11 (Exited meeting page 3, 9:05 a.m.)

12 Marites Yano

13 Dustin Moises

14 Gregg Fujikawa

15 Val Reyna

16 Keith Aoki

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SPECIAL BOARD MEETING

CHAIRMAN KANESHIRO: Special Board Meeting is now called to order. It's Thursday, February 9th, approximately about 9:05. Can I have a roll call, please?

MS. BEARDMORE: Yes, Mr. Chair. Daryl Kaneshiro.

CHAIRMAN KANESHIRO: Here.

MS. BEARDMORE: Clyde Nakaya.

MR. NAKAYA: Here.

MS. BEARDMORE: Randall Nishimura. Michael Dahilig. Larry Dill.

MR. DILL: Here.

MS. BEARDMORE: Raymond McCormick. Roy Oyama.

MR. OYAMA: Here.

MS. BEARDMORE: We have quorum.

CHAIRMAN KANESHIRO: Thank you for that. We do have a quorum.

(Carol Beardmore exited meeting.)

CHAIRMAN KANESHIRO: May I have a motion to accept the agenda?

MR. NAKAYA: So move.

CHAIRMAN KANESHIRO: Do I have a second on that?

MR. DILL: Second.

CHAIRMAN KANESHIRO: All in favor. Motion is carried.

New business, Manager's Report No. 12-57, Seventh, Eighth and Ninth change orders for Job No. 02-19, Waipouli main replacement, county roads, Water Plan 2020 Project No. WK-12, Kapaa, Kauai.

At this time I'm going to have, manager.

MR. EDDY: Thank you, Chairman.

CHAIRMAN KANESHIRO: It's your floor.

MR. EDDY: Before you is a requested change order in the amount of $255,667.97. It's for our Waipouli main project which is -- it's in Kapaa. I'm not sure if you're familiar with the Waipouli Beach area, Fuji Beach, and it's a project to replace some real old pipelines. We've got quite a bit of 1925 galvanized steel pipe in that area, some 1940 cast iron, and then some more modern PVC.

So the project is underway. The contractor's been digging and installing pipe. And we have encountered some burials and some remains, human remains. And so we're having to deal with that.

And so our special projects, Dustin guys, have really come up with a good solution to handle the finds. And that is to collect them in the appropriate way and

1 reinter them underground at the -- at what they call the
2 Lihi Beach Park. So that's what's before us today.
3 You'll see the Proposed Change Order No. 7 is
4 the reinterment site, $25,587.
5 Proposed Change Order 8 is sifting. So we're
6 actually having to sift through sand. The ground is all
7 sand in that area. So sift through the sand to collect
8 the remains.
9 Change Order 9 is a labor escalation. And
10 we've had several delays on this project, and the
11 contractor is experiencing some additional costs.
12 And then we're asking for a contingency of
13 $120,000 at this time due to the unknowns. We're really
14 not sure if we're going to find more. We kind of expect
15 we're going to find more and -- more remains. And so we
16 need some money to cover for that.
17 So in total the change order is $255,667.
18 CHAIRMAN KANESHIRO: Any questions by
19 members of the board? Go ahead.
20 MR. NAKAYA: So the contingency is 120,000
21 or 100,000?
22 MR. MOISES: 120.
23 MR. NAKAYA: Is that a typo?
24 MR. MOISES: Oh, that's a typo
25 MR. EDDY: Yeah, that is a typo. Sorry.

MR. NAKAYA: Okay.

CHAIRMAN KANESHIRO: Mr. Dill.

MR. DILL: My question is on the biggest item aside from the contingency, the 100,000 for sifting. That's a budget item that will actually only be paid based on the actual quantities we sift, right?

MR. MOISES: Yes.

MR. DILL: So how are we monitoring the quantities?

MR. MOISES: So what we did was Earthworks built boxes, and then they actually sift over the boxes, and we pay them per cubic yard. So they count the cubic yard with our inspector and the cultural monitor and the archeologists and Earthworks.

MR. DILL: Okay. So all those costs for the archeologist as well as Earthworks work is all included in the 250 bucks a yard?

MR. MOISES: Yes, for sifting.

MR. DILL: Okay. All right. Thank you.

CHAIRMAN KANESHIRO: Any other questions?

MR. DILL: I'm sorry. So the 100,000 is a budget number really?

MR. MOISES: Yeah. So right now we're about 40 percent through the project, and we got like 60 yards that they got to sift. You know, since I

1 drafted this they found one more burial. So you can
2 assume that each burial is about six yards that they
3 sift. So what I did was I basically took out the
4 project to the end, and I anticipate 400 cubic yards to
5 sift, and that's how I got the 100 grand. So if we
6 don't use it, then we keep that money.
7 MR. DILL: Okay. All right. Thank you.
8 Sorry, Mr. Chair.
9 CHAIRMAN KANESHIRO: So you feel, Dustin,
10 that the 120,000 should be sufficient to complete the
11 project?
12 MR. MOISES: I think it should be. And if
13 you look at Change Order 4, 5, 6, 7, 8, you know, it's
14 basically all to deal with the burials and the cultural
15 aspect of this project. The AIS is the Archeological
16 Inventory Survey, and we actually dug about 25 holes
17 along the pipeline before we started, and found nothing
18 except fire pits. And then the very first day we
19 started putting in pipeline, we started finding remains.
20 And so the AMP, basically the Archeological
21 Monitoring Plan, and that includes our archeologists
22 being an site. After we went through all of that, we
23 decided to hire a cultural monitor, so that was Change
24 Order No. 6. And so the archeologist basically takes
25 care of everything required by law. And then the

1 cultural monitor is there to make sure that we handle
2 the finds appropriately.
3 So as far as 120 grand goes, you know, what I
4 think is -- we covered all of our labor costs for the
5 archeologist, cultural monitor to sift and monitor the
6 project.
7 But every time we find something, because the
8 reinterment site is not built yet, we actually skip one
9 length of pipe. So this contingency is so that we can
10 pay them to go back and then splice in the pipe at
11 various points.
12 And because we use all of the original
13 contingency up until Change Order 6, you know, I never
14 did a pipeline that I didn't have to redesign at least
15 once because I used to do utilities. So I think the
16 rest of the money would be sufficient to handle the
17 redesign. So I would think that 120 grand should be
18 okay.
19 But keep in mind, after all of these finds, our
20 archeologist has to write a report to SHP, the State of
21 Historic Preservation. So the more finds we get, the
22 longer that report gets and the more expensive it gets.
23 So I'm hoping that that can cover as well.
24 So we might be back, but I guess this whole
25 situation is kind of virgin territory for the water

department. So it's kind of hard to like be sure that this is enough, but I think from what we know and what I foresee, this should cover the vast majority of future expense.

CHAIRMAN KANESHIRO: Thank you. Any further questions?

MR. DILL: How much is the -- so the original contract was 1,947,000?

MR. MOISES: Yes.

MR. DILL: And how much was our original contingency on this project?

MR. MOISES: So I guess this is probably around five percent, so what is that? 129.

MR. DILL: A hundred thousand.

MR. MOISES: Yeah, about a little less than 100,000.

MR. DILL: Okay. Thank you.

MR. MOISES: So we got some extra money because in Change Order 1 we redesigned it to go from about 6,900 since it was near the water table, so we saved some money there. And that basically covered 4, 5 and 6.

CHAIRMAN KANESHIRO: Members, any further questions or comments?

And if not, I will call for a motion on the

floor.

MR. OYAMA: Mr. Chair.

CHAIRMAN KANESHIRO: Yes.

MR. OYAMA: I move to approve the change order.

CHAIRMAN KANESHIRO: Do I have a second on that?

MR. NAKAYA: Second.

CHAIRMAN KANESHIRO: I have a motion on the floor and also seconded. Any further discussion on that?

If not, all of those in favor signify by saying aye.

Any nos.

Hearing none, motion is carried.

At this time seeing no further business --

MR. MOISES: Just to clarify the motion.

CHAIRMAN KANESHIRO: Go ahead.

MR. MOISES: This approved the change order and the additional funding, yeah?

MR. OYAMA: Yeah, yeah. On the project, the report, you know, The 12-57. Okay?

MR. MOISES: Okay. Thanks.

CHAIRMAN KANESHIRO: With that, no further items on the agenda, this meeting is now adjourned.

1 (Concluded at approximately 9:15 a.m.,
2 February 9, 2012.)
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STATE OF HAWAII)
) ss.
COUNTY OF KAUAI)

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

That on Thursday, February 9, 2012, at 9:05 a.m. that the foregoing SPECIAL BOARD MEETING, County of Kauai, Board of Water Supply, was held;

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

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

DATED this 22nd day of February, 2012, in Kapaa, Hawaii.

TERRI R. HANSON, CSR 482
Registered Professional Reporter

Transcript of the February 9, 2012 Special Board Meeting, as recorded by Ralph Rosenberg Court Reporters, Inc.

Approved,

Randall Nishimura
Secretary – Board of Water Supply

COUNTY OF KAUAI

BOARD OF WATER SUPPLY

COMMITTEE OF THE WHOLE MEETING

Thursday, February 23, 2012

10:04 - 10:43 a.m.

Second Floor, Microbiology Lab Building

Kauai County Department of Water

4398 Pua Loke Street

Lihue, Kauai, Hawaii 96766

REPORTED BY:

TERRI R. HANSON, CSR 482

Registered Professional Reporter

1 APPEARANCES

2 BOARD MEMBERS:

3 Daryl Kaneshiro, Chair

4 Roy Oyama

5 Raymond McCormick

6 Randall Nishimura

7 Clyde Nakaya

8 STAFF:

9 Andrea Suzuki, Deputy County Attorney

10 David Craddick

11 William Eddy

12 Carol Beardmore

13 (Exited meeting page 3, 10:06 a.m.)

14 Marites Yano

15 Gregg Fujikawa

16 Val Reyna

17 Aaron Zambo

18 Sandi Nadatani-Mendez

19 GUESTS:

20 JoAnn Yukimura, County Council Member

21 Jan Tenbruggencate

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COMMITTEE OF THE WHOLE MEETING

CHAIRMAN KANESHIRO: Committee of the Whole meeting is now called to order. It's Thursday, February 23, roughly 10:05 a.m. Can I have roll call, please.

MS. BEARDMORE: Yes, Mr. Chair. Daryl Kaneshiro.

CHAIRMAN KANESHIRO: Here.

MS. BEARDMORE: Clyde Nakaya.

MR. NAKAYA: Here.

MS. BEARDMORE: Randall Nishimura.

MR. NISHIMURA: Here.

MS. BEARDMORE: Mike Dahilig, Larry Dill, Raymond McCormick.

MR. McCORMICK: Here.

MS. BEARDMORE: Roy Oyama.

MR. OYAMA: Here.

MS. BEARDMORE: We have quorum.

CHAIRMAN KANESHIRO: Thank you for that. Do I have a motion to accept the agenda?

(Carol Beardmore exited meeting.)

MR. OYAMA: Chair, so move to accept the agenda.

CHAIRMAN KANESHIRO: Second on that, any second

MR. NISHIMURA: Second.

CHAIRMAN KANESHIRO: All those in favor signify by saying aye. Motion carried.

There's two old business still pending in the committee of the whole meeting. Manager's Report No. 12-24, emergency operations reserve fund policy, and also Manager's Reporter No. 12-54, debt service reserve fund policy.

At this time I'll open the meeting up to have some discussions on those matters.

Mr. Craddick, anything new to add?

MR. CRADDICK: Well, we have the benefit of audited reports now, I think, that we didn't have before. I think the number on the reserve fund there it says, 2011 audit shows operating expenses at something. And that number there is actually wrong. It's says 4.164, and it's actually 5.743 million.

MR. NISHIMURA: What was that number again?

MR. CRADDICK: 5.743 million. I thought I had the right number in there, but I guess I grabbed it before the audit was final.

The other number, this goes back to the -- that's the operations number. We would be taking 25 percent of that. And on the debt service, the actual debt service --

MR. NISHIMURA: Can we stay with that operations one?

MR. CRADDICK: Okay, okay, okay.

MR. NISHIMURA: So if the numbers are correct, we're looking at about 2.98, is that correct?

MR. CRADDICK: No. Well, the depreciation is higher there. So what would happen is is the 17.66 million total operating expenses is still the same.

MR. NISHIMURA: Minus 5.7, yeah?

MR. CRADDICK: Yeah, we'd be minusing a larger number, so 25 percent of that ends up coming to 3 million instead of 3.37 million.

MR. NISHIMURA: I get 2.98.

MR. CRADDICK: Yeah, yeah. I'm just kind of -- I can't do decimals in my head.

MR. NAKAYA: You mentioned earlier the audited statements. Do we have it here? Has it been --

MR. CRADDICK: I guess we had it last month, but I don't have it here.

MS. YANO: I have a copy of it.

MR. CRADDICK: Oh, you do. Okay.

MR. NISHIMURA: The final.

MS. YANO: The final.

MR. NAKAYA: Are we going to be able to see

a copy later or?

MS. YANO: Yes.

MR. CRADDICK: This -- you know, the exact dollar amount, I mean, this is to me -- I'm trying to give numbers, you know, order of magnitude numbers, not exact numbers.

If the board approves this policy, then in the budget we would have to give exact numbers 'cause each year -- well, we're basing this on the previous year's one. So I guess it is relevant to have the audit information there. That's for sure. I mean, do you want to bring it and then they can look at it there?

MR. NAKAYA: I mean, this is a procedural thing. As the governing board, aren't we supposed to be able to review that also?

MR. CRADDICK: Yeah, yeah. No, no, you could. You had the audit, I think, back in -- when was it? December, I think.

MR. NAKAYA: But that was just a draft, right?

MR. CRADDICK: No, the audit was final back then.

MS. YANO: It's a final draft, but we haven't printed in the final.

MR. CRADDICK: Yeah, the only thing that

1 was draft was the single audit.
2 MS. YANO: Yeah.
3 CHAIRMAN KANESHIRO: Can we have copies of
4 that as part of the board record?
5 MS. YANO: Yes, in the next board meeting
6 I'll include those copies in the packets.
7 MR. NISHIMURA: Mr. Chair.
8 CHAIRMAN KANESHIRO: Go ahead.
9 MR. NISHIMURA: I'm kind of satisfied with
10 the operations reserve fund. The only question that I
11 would have for the board is whether the policy itself,
12 whether we would need to include the conditions for
13 disbursement.
14 MR. CRADDICK: That's on the back two pages
15 there.
16 MR. NISHIMURA: Yeah. Is it desirable to
17 have the conditions for disbursement? It seems to be
18 fairly specific and perhaps that instead of using
19 numbers, they use percentages. And part of the reason I
20 say that is if you add up the numbers, they exceed the
21 amount.
22 MR. CRADDICK: When you say exceed the
23 amount, I'm not sure.
24 MR. NISHIMURA: 225, 300, 300, 200, and
25 you're getting fairly close to your balance already.

1 MR. CRADDICK: No, nowheres near 'cause the
2 total is 3 million that's in the reserve, so you're not
3 even a million dollars there.
4 MR. NISHIMURA: Okay. I had added it up
5 earlier, and it was more than what it was going to be.
6 And then the five percent, what is that based
7 on, Item 11?
8 MR. CRADDICK: Let's see. I'm looking at
9 that. I'm just saying that if we spend it down, I mean,
10 you're kind of hoping that we don't have another
11 emergency in the next five years where you would bring
12 it back up to the full 25 percent.
13 But basically what's happening there is each
14 year, whatever amount it went down, let's say it went
15 down five percent, well, the next year you'd put the
16 five percent back. But let's say your revenue fund went
17 down ten percent in one emergency -- one emergency.
18 Then the next year you'd put five percent back in, and
19 then the following year you'd do five percent more. So
20 you're not trying to refund the entire account in a
21 single instance.
22 MR. NISHIMURA: If you're doing only five
23 percent, though, it would take you 20 years, yeah?
24 MR. CRADDICK: Well, okay. I should have
25 said that quicker. I'm talking about five percent of

the entire revenues less the depreciation. So the five percent is 120 of the 25 percent.

MR. NISHIMURA: Why don't you address the fund itself rather than the --

MR. CRADDICK: Percent?

MR. NISHIMURA: Well, you can, you know, express this as a percentage, but it should be applied to the -- as applied to the balance of the fund as opposed to the budget.

MR. CRADDICK: Okay. So that instead of saying five percent, then it would be saying we would replace 20 percent of the fund each year?

MR. NISHIMURA: Yes.

MR. CRADDICK: Instead of five percent. So if the whole thing was wiped up, it would take you five years to --

MR. NISHIMURA: Bring it back up.

MR. CRADDICK: -- re-bring it back up.

MR. NISHIMURA: Right.

MR. CRADDICK: It's a good point there 'cause that was a little -- actually I read that two or three times myself.

CHAIRMAN KANESHIRO: Five years. Okay. Any other comments or issues on the emergency operations reserve fund, Manager's Report 12-24 at this time?

1 We'll have Mr. Craddick make those changes.
2 We'll move on to 12-54.
3 MR. NISHIMURA: Do we need to take any
4 action on 12-24 or you're just going to take them as
5 one?
6 CHAIRMAN KANESHIRO: I believe we could
7 take action noting those changes. So, you know, we
8 could take action regarding those changes that you
9 recommend if the board chooses to do so at this time.
10 Unless you want to have some time to review the recent
11 material that was just passed out. And if that's the
12 case, I would say that we defer this to the next
13 meeting, committee meeting, to give the board members an
14 opportunity to review, to go ahead and see what was
15 passed out and then bring this back up at the next
16 committee meeting and hopefully get this out to the full
17 board.
18 Mr. Craddick.
19 MR. CRADDICK: I guess one problem in
20 deferring this is you're expecting the budget next
21 month, and the reason why this is here is so we can do
22 the budget next month. So if you defer, then it moves
23 the budget back. And that number is what it is. And I
24 don't know if you've had a chance to look at it there,
25 Clyde. But, I mean, if the board agrees to this, you're

1 agreeing to a policy, not the exact number.
2 CHAIRMAN KANESHIRO: Right.
3 MR. CRADDICK: And the exact number would
4 come up in the budget, at which time you'd have a chance
5 to review the previous year's audit.
6 MR. NISHIMURA: You can still present your
7 budget with the expectation this will pass, though.
8 MR. CRADDICK: I could, but it would be
9 better not to have a bunch of things hanging.
10 MR. NISHIMURA: So you're not going to have
11 your reserve then. Is that the other option? That
12 money's got to go someplace.
13 MR. CRADDICK: Well, right now because
14 we're in a relatively good cash position -- I mean, we
15 have -- we, in fact, have the reserve no matter what.
16 So it would just be nice if there is a policy and, you
17 know, if we're going to revise the budget, then we would
18 revise it to put something in there to put something in.
19 MR. NISHIMURA: We passed the rates without
20 the policy.
21 MR. CRADDICK: Yeah, yeah.
22 MR. NISHIMURA: And that's what drives this
23 whole thing.
24 MR. CRADDICK: Yeah, yeah, yeah.
25 MR. NISHIMURA: So I would encourage you to

include that in your budget because that was the basis upon which you increased the rates to the rateholders.

MR. CRADDICK: Okay. Good point.

MR. NISHIMURA: Irrespective of whether we have the policy finalized or not.

MR. CRADDICK: Okay. Just can't spend it until we get the policy.

MR. NISHIMURA: That's right.

MR. CRADDICK: Okay.

CHAIRMAN KANESHIRO: That's okay with the board members.

MR. NISHIMURA: Mr. Chair.

CHAIRMAN KANESHIRO: Yes.

MR. NISHIMURA: Move to defer Manager's Report 12-24 to the next committee meeting.

CHAIRMAN KANESHIRO: And based on some of the changes that needed to be made that was presented by board members. Do I have a second on that?

MR. McCORMICK: Second.

CHAIRMAN KANESHIRO: All those this favor. Now we'll move on to -- motion carried.

We'll move on to Manager's Report 12-54.

MR. CRADDICK: Okay. On this one here, let's see. Are there any changes on this one? Yes, there are. The calculation that I give you for the

1 funding example down below, I guess we have -- it's now,
2 Tess, is this number here that you're changing it from
3 3.256 to 4.256?
4 MS. YANO: You're adding one half plus the
5 monthly transfer.
6 MR. CRADDICK: So I just added it up wrong.
7 Okay. That one is not a -- it's just a wrong addition
8 on my part there.
9 And it is just an example. But what we're
10 doing there is we're basically following what would
11 happen for a debt reserve wherein at all times until the
12 debt is paid off, you have half a year's payment in this
13 fund. And when you get to the final payment, you don't
14 put anything in the fund, and you just take the last
15 payment out of this debt reserve fund.
16 So the example here is giving you an example
17 assuming all of our debt is paid on the same two dates
18 during the year. They're not. And so there wouldn't be
19 this -- it wouldn't match exactly this example, but I'm
20 giving you the worst case amount that would be in the
21 fund here. And that number instead of being 3.256, it's
22 4.256. That's in the third line down in the example, it
23 said that would total.
24 CHAIRMAN KANESHIRO: Board members, any
25 questions for Mr. Craddick?

1 MR. NAKAYA: Just for clarification, the
2 eight percent, are you going to be using the eight
3 percent figure or the one over 112? Because there's a
4 difference. There's like 33 basis points.
5 MR. CRADDICK: Yeah. That, I think, is
6 entirely up to you. The eight percent allows for half a
7 year plus one month. I've seen it as small as nothing
8 and as high as ten percent over.
9 MR. NAKAYA: I guess my question is, now if
10 we're using the -- you're saying eight percent in this
11 scenario.
12 MR. CRADDICK: Yeah, because eight percent
13 is the bottom line.
14 MR. NAKAYA: But if you look at your
15 example, eight percent is one over 112.
16 MR. CRADDICK: Yeah, that's right.
17 MR. NAKAYA: 112 is 8.33 percent.
18 MR. CRADDICK: Yeah, yeah, but --
19 MR. NAKAYA: So but it's $21,000
20 difference.
21 MR. CRADDICK: Yeah, yeah, for that.
22 MR. NAKAYA: You know, what are you going
23 to use, the eight percent or the 112?
24 MR. CRADDICK: Just eight percent 'cause
25 it's --

1 MR. NAKAYA: Okay. I just wanted for
2 clarification.
3 MR. CRADDICK: Yeah, yeah.
4 MR. NAKAYA: I know, Dave, this is just an
5 example.
6 MR. CRADDICK: Yeah.
7 MR. NAKAYA: But there's a $21,000
8 difference there.
9 MR. CRADDICK: Yeah. Eight percent is just
10 a whole number, and it's close enough to a month. You
11 know, that it's not zero and it's not ten percent,
12 because neither one of those even comes close to a
13 month.
14 And if you wanted, I mean, I would have no
15 objection making it 8.3333 percent. But I think we're
16 -- fiduciarily-wise it's -- I think the intent is there.
17 And if we actually did an exact loan, they would
18 probably say what it has to be in that, and we could
19 increase it slightly or maybe even decrease it at that
20 point.
21 Or even if you, you know, because we're just
22 doing this and there's no pressure on us to do it, I
23 mean, even if you made it zero right now, it shows that
24 you're setting aside the money that you have to pay the
25 debt service on. So that, I think, is the critical

1 thing to show what we're doing.
2 MR. NAKAYA: Instead of the specific
3 number?
4 MR. CRADDICK: Yeah, yeah.
5 MR. NISHIMURA: That's why I was looking at
6 the policy as opposed to the report.
7 CHAIRMAN KANESHIRO: Okay. Members, any
8 further questions or comments on 12-54, debt service
9 reserve?
10 MR. NISHIMURA: Yeah, the maximum fund
11 balance is 108 percent of the average annual debt
12 service. That's one year's worth, yeah?
13 MR. CRADDICK: But that would remain in
14 there for -- well, it wouldn't even be in there --
15 MR. NISHIMURA: Why do you need 108 percent
16 of your annual?
17 MR. CRADDICK: Because on that day you make
18 half your payment, and it drops to 50 percent at that
19 point. On the same day you put that money in, the money
20 goes out and you pay your debt service. So on the same
21 day it reaches 100, it drops to 50 plus eight percent.
22 So the one that you're holding all the time is
23 the 50 percent. And then just as each month goes you
24 put your money in there. And there, that's your early
25 warning system. If there's one month that goes by and

1 you can't fund that, that should be a signal that we
2 either need to cut expenses, cut jobs or increase rates.
3 And then you've got pretty close to a year in which to
4 do it. You've got at least six months plus however many
5 months you've already paid into it to do that.
6 MR. NISHIMURA: What is the mechanism to
7 assuring that up until now?
8 MR. CRADDICK: Just if the staff tells the
9 board that, Hey, we can't make our payment. You know,
10 we're not going to be able to make our payments in two
11 or three months or board members watching the financial
12 statements knowing what's coming up. But I'm pretty
13 sure nobody keeps that debt service schedule in their
14 head because there's a lot of loans that we have out
15 there. I mean, I don't even know if an accounting, if
16 anybody can keep each one of them in their head. But I
17 won't say that can't do it. But I know I don't try and
18 do it. But that's a sure signal. If you can't make a
19 payment each month into that fund, that's a very clear
20 signal that pops up right there. And, oop, couldn't
21 make the payment this month. Why not?
22 MR. NISHIMURA: Okay. Can you explain item
23 ten?
24 MR. CRADDICK: Okay. What happens there is
25 if you have this half a year payment that is in the fund

1 all the time, you're going to be investing and
2 reinvesting that. And sometimes, again, when you do
3 borrowings, they will tell you in the borrowing in the
4 covenants how long you can keep the money invested. And
5 the reason why is they don't like to have the money tied
6 up in a real long-term investment. You're not getting
7 the interest back and it's not being divided out to the
8 various accounts because there will be more than one
9 account paying into this. And it's just very good to
10 reallocate that out and spread it out to the various
11 accounts on some recurring basis.
12 MR. NISHIMURA: And that's not covered by
13 one?
14 MR. CRADDICK: Covered by one, did you say?
15 MR. NISHIMURA: Yeah.
16 MR. CRADDICK: No. Well, that just says
17 that you'll invest it, but it doesn't tell you how long,
18 you know. I mean --
19 MR. NISHIMURA: What's does highly liquid
20 indicate?
21 MR. CRADDICK: Well, I guess it could be
22 argued that it's somewhere around three months. But,
23 you know, some people may feel it's more or less than
24 that. I don't know. But No. 10 definitely gets
25 specific on allocating the interest out.

1 MR. NISHIMURA: Would it be better to
2 define the liquidity requirement?
3 MR. CRADDICK: You could, you could.
4 That's another way of doing it. But one is the generic,
5 and ten is the specific. That's telling you how liquid
6 it has to be.
7 MR. NAKAYA: So you're saying that in ten
8 the maturity has to be less than three years?
9 MR. CRADDICK: Yes.
10 MR. NAKAYA: That's not liquid.
11 MR. NISHIMURA: That's not liquid.
12 MR. CRADDICK: Okay. Well, there you go.
13 See.
14 MR. NISHIMURA: In my mind that's not
15 liquid.
16 MR. CRADDICK: Okay, okay.
17 MR. NISHIMURA: Because that means you need
18 to see three years ahead and say, I'm going to have a
19 problem.
20 MR. CRADDICK: Yeah. So if you want to
21 reduce it down, that's fine. Just the more you reduce
22 it down, the less interest you get on that money that's
23 sitting there.
24 MR. NAKAYA: I know the thing about earning
25 interest, but isn't the main purpose of this fund to

1 debt?
2 MR. CRADDICK: Yeah.
3 MR. NAKAYA: To save money for debt
4 servicing and not for revenue generating?
5 MR. CRADDICK: No, no. Yeah, that's true,
6 that's true. You're right. Nobody likes their money to
7 sit around idly. It may not be the purpose, but it's
8 still that's the fact.
9 MR. NISHIMURA: What is the longest term
10 investments we have right now?
11 MR. CRADDICK: We have some kind of
12 derivative stuff on Fannie Mae, Freddie Mac that could
13 be, you know, if we had any problems with those two
14 funds, we'd be in trouble, like the student loan fund
15 that the state got involved in.
16 MR. NISHIMURA: So what is the maturity?
17 MR. CRADDICK: Right now they are still
18 marketable and they are liquid. But if something were
19 to happen to Freddy Mae -- or whatever it is, the two
20 housing loan accounts there, you know, we would have to
21 sit and wait for people to pay off their house loans in
22 order to get the money. But right now I don't think
23 there's a real big market for buying those, but the
24 county is very heavily invested in that Fannie Mae,
25 Freddie Mac.

1 MR. NISHIMURA: How liquid is it?
2 MR. CRADDICK: I don't know. I can't tell
3 you. I can't tell you. We don't control that. All I
4 know is when I found out, I asked that they get our
5 money out of there.
6 MR. NISHIMURA: Can you find that out, the
7 longest maturity right now?
8 MS. YANO: We have three years.
9 MR. NISHIMURA. Three years. That's the
10 longest maturity?
11 MS. YANO: Yes.
12 MR. CRADDICK: Okay. Very good.
13 MS. YANO: Our BAB account is 789 days, if
14 I remember correctly.
15 MR. CRADDICK: And now that you mention
16 that, I think I got this number from Dave Spanski.
17 That's why I put three years in there.
18 MR. NISHIMURA: The reserve fund is
19 supposed to cover six months. Is it -- now, I'm just
20 trying this out. Would it be wise to make it so that
21 the maturity is not more than six months? And I
22 understand about the interest-bearing issue.
23 MR. CRADDICK: Well, if you've got that
24 money sitting in triple-A investments, I'm pretty sure
25 the bank would give you a loan on it. And you're

1 comparing the likelihood of not getting a loan with the
2 likelihood of you defaulting on the bond because you
3 don't have money to pay it. And I'm thinking that our
4 likelihood of default is relatively low.
5 And if some very odd catastrophe were to happen
6 and you had that investment in there, you could just go
7 to the bank and say, Hey, can I borrow money on this?
8 And you would get probably 95 percent of it. Because
9 it's -- I mean, it's solid security, triple-A security.
10 It's not like a real estate loan or.
11 I mean, they might charge you more interest
12 than you were getting on it, but you could get the cash
13 to pay off your debt.
14 MR. NAKAYA: It's the increment over
15 whatever you're earning. What are we earning right now?
16 What are we earning on the investments?
17 MS. YANO: Our biggest investment, which is
18 the BAB, is about 1.28 percent, somewhere like 0.15
19 percent, 0.35.
20 MR. NAKAYA: For the rest.
21 MS. YANO: For the rest. We have some old
22 ones, they still have five percent, 2.5.
23 MR. NISHIMURA: So that was my only point
24 is, you know, if this is the reserve, that it be more
25 liquid than revenue generating. Because otherwise we

1 don't need the reserve. If the likelihood is that
2 small, then we should reduce the amount of the reserve.
3 I'm looking at it from the rateholders' perspective, you
4 know.
5 MR. CRADDICK: Well, I don't know. I'm
6 kind looking at it that way myself. And, you know, if I
7 was going to have my money sitting idly, I would want it
8 to get as much interest as I could. And as long as that
9 is available where you can get ahold of the cash when
10 you need it, that it's not in a student loan thing where
11 you have to wait until the loans are paid off before you
12 get your money, if it's not in that kind of an
13 investment, and it's recognized as a liquid -- a fairly
14 liquid asset, lots of people will loan you money on it.
15 And you still have -- are still going to have six months
16 to pay that off. So you've got six months to do
17 something.
18 So keep in mind, you know, when you realize you
19 have a problem, you've still got six months to deal with
20 it.
21 MR. NISHIMURA: Which would have a bigger
22 impact? Having a large reserve fund that doesn't draw
23 -- or that draws a lot of interest versus a smaller fund
24 that doesn't draw as much interest, which will have a
25 bigger impact on water rates?

1 MR. CRADDICK: I don't think this is so
2 much an impact on water rates as it is just --
3 MR. NISHIMURA: Doesn't it tie up your
4 money?
5 MR. CRADDICK: It does tie up the money,
6 but that money you've already committed to pay. When
7 you took the loan out, you've committed to pay that. So
8 it's just how you're going to pay that and how much time
9 do you need -- do you think you need in order to adjust
10 if you see a problem in paying? And I'm trying to give
11 you the better part of a year because that's kind of our
12 history of going through rates is the better part of a
13 year.
14 I mean, if you were willing to, you know, the
15 month that you got the proposal and a rate change and
16 two months later we had the new rates in, which I think
17 you know and I know is impossible here going to the
18 small business and everything like that, back and forth.
19 It's a minimum six months.
20 So then, you know, then suddenly it doesn't
21 look so out of place. You know, it looks like you're
22 setting aside a reserve for about the length of time
23 that it takes you to change your rates, if that's what
24 you want to do.
25 Obviously you could cut jobs quicker, and in

1 worst case if you have to cut expenses, I mean, that
2 basically comes down to cutting employees, that would be
3 another way to make ends meet. But this to me is just
4 something to give protection and time for the board so
5 they're not rushed into doing something in the rates and
6 having time to deliberate that without feeling that
7 they're rushed into something with a hammer hanging over
8 their head.
9 MS. YANO: Sir, I don't think it will have
10 a major impact on the ratepayers because whether we're
11 setting aside a reserve for our debt service or not, we
12 will still be putting that same amount in our budget.
13 So we're just setting a separate account for the debt
14 service, plus the eight percent that we're putting in
15 every month.
16 MR. CRADDICK: See, you've got to pay it
17 anyways, I guess is the way I understand what Tess is
18 saying. Is you've got to pay it anyways if you budget
19 it. But if we have a problem, we have to do something
20 about it. We can't do it in 30 days. You can't change
21 rates in 30 days. I mean, there are emergency
22 provisions, believe it or not, that you could if you had
23 to. But do you want to do that kind of a thing. Do you
24 want to pull an emergency provision to change rates in
25 order to meet a debt payment? You know, I mean, I would

1 hope that would never come. But because this is a
2 reserve fund, it's set up there for some kind of problem
3 that arises. And it's not unusual for people to provide
4 for unexpected events.
5 MR. NISHIMURA: Then I go back to the
6 liquidity requirement. If it's an emergency fund, why
7 are you looking at the revenue generation as the most
8 important thing in this thing?
9 MR. CRADDICK: I'm not looking at it as the
10 most important. I just felt that we could go to a bank
11 to get the money if we had to.
12 MR. NISHIMURA: If you say that the minimum
13 is 58 percent, I can see, you know, allowing up to
14 58 percent of your thing to be in a longer-term
15 investment. But, you know, anything above that should
16 be highly liquid.
17 MR. CRADDICK: Well, nothing -- nothing --
18 let's see here. The 50 percent is going to be sitting
19 there for 20 years. So, I mean, to me three years is
20 kind of highly liquid. The other stuff is very, very
21 short term. You know, I mean, obviously the first
22 payment that you put in couldn't exceed six months
23 investment time.
24 MR. NISHIMURA: But can you make the change
25 to the policy that reflects that?

1 MR. CRADDICK: I'm not sure.
2 MR. NISHIMURA: Right now the policy allows
3 you to keep it in there for three years for the full
4 amount.
5 MR. CRADDICK: Okay, okay, okay. Then, no,
6 you couldn't do the monthly payments that you were
7 putting in for three years. That's for sure. Because
8 you have to pay that at the end of six months. So the
9 first fund can be invested for five months, the second
10 one for four months, the third one for two months, the
11 last one or fifth one for one month. And then, boom,
12 the payment goes out on the sixth month. So, yeah, I
13 can do that if that needs clarification.
14 CHAIRMAN KANESHIRO: Any other comments or
15 changes to the debt reserve fund policy?
16 If not, I'm also going to request for deferral
17 on this given the manager some time to have that
18 clarification made.
19 Members, any comments or questions?
20 MR. OYAMA: Mr. Chair.
21 CHAIRMAN KANESHIRO: Sure.
22 MR. OYAMA: So move to defer the report,
23 Manager's Report 12-54.
24 MR. McCORMICK: Second.
25 CHAIRMAN KANESHIRO: Okay. We have a

motion on the floor and seconded. Any comments or questions before I call for the motion or discussion?

If not, all those in favor signify by saying aye.

Any opposed?

None. Hearing none. Motion carried.

Let's see. Do we have other businesses on this? I believe not. We're adjourned. Committee is adjourned.

(Concluded at approximately 10:43 a.m., February 23, 2012.)

* * * * *

STATE OF HAWAII)
) ss.
COUNTY OF KAUAI)

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

That on Thursday, February 23, 2012, at 10:04 a.m. that the foregoing COMMITTEE OF THE WHOLE MEETING, County of Kauai, Board of Water Supply, was held;

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

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

DATED this 17th day of March, 2012, in Kapaa, Hawaii.

_____
TERRI R. HANSON, CSR 482
Registered Professional Reporter

COUNTY OF KAUAI

BOARD OF WATER SUPPLY

REGULAR MEETING

Thursday, February 23, 2012

10:51 a.m. - 12:36 p.m.

Second Floor, Microbiology Lab Building

Kauai County Department of Water

4398 Pua Loke Street

Lihue, Kauai, Hawaii 96766

REPORTED BY:

TERRI R. HANSON, CSR 482

Registered Professional Reporter

1 APPEARANCES

2 BOARD MEMBERS:

3 Daryl Kaneshiro, Chair

4 Roy Oyama

5 Raymond McCormick

6 Randall Nishimura

7 Clyde Nakaya

8 STAFF:

9 Andrea Suzuki, Deputy County Attorney

10 David Craddick

11 William Eddy

12 Marites Yano

13 Gregg Fujikawa

14 Val Reyna

15 Aaron Zambo

16 Sandi Nadatani-Mendez

17 Faith Shiramizu

18 Debra Calaycay

19 GUESTS:

20 JoAnn Yukimura, County Council Member

21 (Exited meeting page 17, 11:11 a.m.)

22 Jan Tenbruggencate

23 Jeremiah Kaluna

24

25

REGULAR MEETING

CHAIRMAN KANESHIRO: The Regular Board Meeting scheduled for Thursday, February 23rd, 2012, it is now 10:50 a.m. is now called to order.

Can I have the roll call, please.

MS. SUZUKI: Board Member Nakaya.

MR. NAKAYA: Here.

MS. SUZUKI: Board Member Nishimura.

MR. NISHIMURA: Here.

MS. SUZUKI: Board Member McCormick.

MR. McCORMICK: Here.

MS. SUZUKI: Board Member Kaneshiro.

CHAIRMAN KANESHIRO: Here.

MS. SUZUKI: Board Member Oyama.

MR. OYAMA: Here.

MS. SUZUKI: Board Member Dill. Board Member Dahilig. We have quorum.

CHAIRMAN KANESHIRO: Thank you for that. Do I have a motion to accept the agenda? Any motions, Members?

MR. OYAMA: Mr. Chair, so move to accept the agenda.

CHAIRMAN KANESHIRO: Do I have a second on that?

MR. McCORMICK: Second.

1 CHAIRMAN KANESHIRO: With that, all those
2 in favor, signify by saying aye.
3 Any opposed?
4 Hearing none, motion carried.
5 Meeting transcripts, review and approval of the
6 regular board meeting January 26, 2010 (sic).
7 MR. NISHIMURA: Mr. Chair.
8 CHAIRMAN KANESHIRO: Yes, sir.
9 MR. NISHIMURA: On page 24, line 22, the
10 word five occurs, and it should be fire.
11 And I believe on page 32, line 13, that should
12 say accounting system.
13 MR. CRADDICK: What line was that?
14 MR. NISHIMURA: 13.
15 CHAIRMAN KANESHIRO: Page 32.
16 MR. NISHIMURA: Line 13.
17 CHAIRMAN KANESHIRO: All right. The board
18 will recognize those changes. In view of that, do I
19 have a motion to approve the regular board meeting of
20 January 26 with those changes, 2012?
21 MR. NISHIMURA: Mr. Chair.
22 CHAIRMAN KANESHIRO: Sir.
23 MR. NISHIMURA: Move to approve the
24 transcript of the regular board meeting dated
25 January 26, 2012, and that a copy of the oral transcript

also be included with the minutes as modified, and if there are further discrepancies between the written transcript and the audio, that the audio take precedence.

MR. OYAMA: Second.

CHAIRMAN KANESHIRO: With that, any further discussion on the motion?

If not, all those in favor signify by saying aye.

Opposed?

Hearing none, motion carried.

Next issue is the correspondence and announcements, a letter from Council Vice-Chair JoAnn Yukimura.

At this time I will turn the chair over to Vice-Chair Mr. Nakaya.

MR. NAKAYA: Thank you, Mr Chair. We're on Item No. E, correspondence/announcements, which is a letter from Council Vice-Chair JoAnn Yukimura. First of all, I'd like to ask her to step up.

COUNCIL VICE-CHAIR YUKIMURA: Thank you, Vice-Chair Nakaya, Members of the Board: First of all, I want to apologize to Chair Kaneshiro because the letter that I wrote was misaddressed. I didn't realize he was the chair. So sorry for that.

1 And then also I wanted to thank you all for
2 implementing the 2020 Water Plan. As I speak,
3 Goodfellow Brothers is in my neighborhood replacing the
4 lines in Kupolo and especially Mr. Yokota (ph) is very
5 happy, but everybody in the neighbor is happy that our
6 water pressure is going to be improved and we won't have
7 so many failures and repairs constantly. So thank you
8 very much for that.
9 And thank you for the opportunity to speak.
10 I'm speaking as an individual council member. It's not
11 easy to be here on this matter, and I know it's not easy
12 for Mr. Kaneshiro either. But I know we all believe
13 that the county should be operating at the highest
14 standards of integrity and service. And so I brought
15 this issue before you.
16 As my letter states, Chair Kaneshiro came
17 before the council in January of this year for
18 confirmation of his appointment to this honorable body.
19 And I asked him whether he would recuse himself on a
20 matter relating to Grove Farm Company, and he replied
21 affirmatively. And I relied on his statement when I
22 voted to confirm him. And I would like to be assured
23 that he will not vote on Grove Farm matters.
24 However, I recognize that there is a process
25 for determining whether there is a conflict of interest.

1 Section 20.05(D)(2) of the County Charter says that it
2 shall be the duty of the Board of Ethics, quote, To
3 render advisory opinions or interpretations with respect
4 to applications of the code on request.
5 This is a separate duty from their duty to
6 follow up on complaints. And as a matter of fact, at
7 the last ethics board meeting a fellow council member
8 requested and received such an advisory opinion.
9 So I would like to suggest that it would be in
10 the interest of the public that Mr. Kaneshiro seek an
11 advisory opinion. And it's also important to this body
12 that he obtain an opinion because if he participants in
13 any discussion leading to decision making or in the
14 decision making itself and is later found to be in
15 conflict of interest, it's possible that that vote which
16 your body would make might be rendered null and void.
17 So it would just be good due diligence to have that
18 cleared one way or the other.
19 I'm open to any questions. But that's all I
20 have to say.
21 MR. NAKAYA: Thank you very much.
22 Board Members, any questions for Mrs. Yukimura?
23 Seeing none. Any further discussion?
24 CHAIRMAN KANESHIRO: Can I, Mr. Chair?
25 MR. NAKAYA: Sure.

1 CHAIRMAN KANESHIRO: Thank you.
2 I'm referring to the Board of Water Supply
3 Handbook, and one of the powers and duties of the board,
4 as you know, is to manage and control operations of the
5 water works of the county and all property thereof for
6 the purpose of supplying water to the public.
7 So I want you to know my fiduciary duties as
8 stated within Article 17, Section 17.03 on the powers
9 and duties under the Department of Water as a board
10 member.
11 I also want to refer to County Charter Article
12 5, Code of Ethics, Section 20.04 on disclosure.
13 Disclosure is clear that any elected official,
14 appointed officer, employee or any member of a board or
15 commission who possesses or acquires such interest that
16 might reasonably tend to create a conflict with his
17 duties or authority or who is an owner, officer,
18 executive director or director of an organization or
19 whose member of his immediate family, which includes
20 parents, siblings, spouse or children, is an owner,
21 officer, executive director or director of an
22 organization in any matter pending before him shall make
23 full disclosure of the conflict of interest and shall
24 not participate in said matter.
25 So it is clear under the disclosure part of

1 Article 10 -- 20, Section 20.04 on the disclosures.
2 I also want to refer you to H.R.S., Chapter
3 84-14, conflict of interest. We're talking about a
4 state statute now. State statutes states this:
5 Conflict of interest, no employee shall take any
6 official action directly affecting the business or other
7 undertaking in which he has a substantial financial
8 interest. Remember -- keep this in mind. Financial
9 interest or private undertaking which he is engaged as a
10 legal counsel, advisor, consultant, representation and
11 other agency capacity.
12 If you go back to the definition of financial
13 interest, as I stated, take the word financial interest,
14 H.R.S. specifically states that financial interest means
15 an interest held by an individual, the individual's
16 spouse or dependent children; dependent children; in
17 which he has an ownership interest in a business, a
18 creditor interest in an insolvent business, an
19 employment or prospective employment for which
20 negotiations have begun and ownership interest in real
21 property, personal property, a loan or other debtor
22 interests.
23 Then we move on and look at the Kauai County
24 Code, under the Internal County Regulations, Article 1,
25 Section 3.1.2, specifically states this also. Financial

1 interest means an interest held by an individual, his
2 spouse or his minor children.
3 It also goes to say, A divorce or separation
4 between spouses shall not terminate any relationship
5 which is an ownership in the business, a creditor
6 interest in an insolvent business, an employment or
7 prospective employment for which negotiations have begun
8 and ownership interest in real or personal property, and
9 so forth.
10 So, you know, for me, I'm sitting here thinking
11 that if this same issue is going to be applied to me as
12 Council Member has so eloquently put out the question to
13 me, if I would recuse myself, thinking that I would
14 recuse myself based on the Kauai County Code, Article 10
15 -- 20, H.R.S. 84-14.
16 And, you know, you're talking to a layman
17 person who's sitting here volunteering for a position
18 like this for a board member compared to a so-called
19 attorney who I said was asking a question like this. To
20 me I feel, you know, if this is what Council Member
21 Yukimura wants me to abide by which is above the County
22 Code Section 20, which is above H.R.S. 84-14, so be it.
23 But let me tell you something, Council Member
24 Yukimura, I want to be sure, I want to be sure, that
25 every single elected official, every single board

1 member, every single commission that serves on a
2 commission, and every single employee now of the County
3 of Kauai also abide by your recommendations.
4 If not, you know, I totally feel that Council
5 Member Yukimura is discriminating against me and my
6 family.
7 COUNCIL VICE-CHAIR YUKIMURA: Mr. Chairman,
8 may I respond?
9 MR. NAKAYA: Go ahead.
10 COUNCIL VICE-CHAIR YUKIMURA: I -- you
11 know, the chair of the board has cited many laws, and
12 it's not up to any of us to apply it to ourselves.
13 That's why we have an ethics commission that is -- whose
14 specific duty is to render advisory opinions or
15 interpretations with respect to the application of the
16 code on request.
17 And so I think that is the proper forum to
18 apply it. I could be wrong. And that's why I'm saying
19 don't listen to me. I'm not the one to decide. But at
20 least get an opinion from the board that is under our
21 charter designated to render opinions with respect to
22 ethical -- possible ethical conflict.
23 MR. NAKAYA: So basically your letter here,
24 you're not asking to have Daryl recuse himself. You're
25 just saying, go through the process to see if there's a

1 conflict?
2 COUNCIL VICE-CHAIR YUKUMURA: Right.
3 MR. NAKAYA: Board Members?
4 CHAIRMAN KANESHIRO: Then I believe the
5 same situation should be applied to all members of the
6 board, all members that are elected, all members that
7 serves on commission and all employees of the county
8 government. Because I specifically stated the Article
9 20 of the code of ethics, I specifically stated H.R.S.
10 84-14. And therefore, a request of such should go out
11 to every single one of them.
12 If not, I would say I'm fairly untreated by
13 Council Member Yukimura.
14 COUNCIL VICE-CHAIR YUKIMURA: Actually
15 everyone does have to make disclosure statements. I
16 think all of you had to file them when you became a
17 member of the board.
18 And the other way that the framework of the
19 charter works is either there's a complaint or else a
20 person like this council member who went forward went on
21 his own volition to ask. So, I mean, and if Mr.
22 Kaneshiro can make a complaint against any and everybody
23 who he thinks is in conflict of interest, then that
24 should trigger the advisory -- excuse me -- the ethics
25 commission investigation. So those are the ways under

1 the charter.
2 Now, I've raised the question. I raised it as
3 a part of his confirmation hearing. He answered me with
4 no reservation. I relied on that.
5 But I'm saying even though I did that, let's go
6 through the regular process provided by the charter to
7 make a determination and don't stand on my determination
8 or his determination. But let the body that's
9 responsible under the charter to make that
10 determination.
11 CHAIRMAN KANESHIRO: I also want to make it
12 clear for the record that when the question was posed to
13 me, I was in reference to -- my response was based on
14 Code of Ethics, Article 10 -- 20 -- Article 20, and
15 again, H.R.S. 84-14. So if I needed to clarify that on
16 the floor at that time, I'm sorry I didn't. But as a
17 layman, assuming that Council Member JoAnn Yukimura
18 knows the Code of Ethics, Chapter 20 and also knows
19 H.R.S. 84-14, I assumed this is what I was applying to.
20 So if I'm wrong, fine. But at the same time,
21 you know, I think all the same questions should be asked
22 by Council Member Yukimura to every single commission or
23 board member.
24 COUNCIL VICE-CHAIR YUKIMURA: Thank you.
25 MR. NAKAYA: Your letter, when you said

your intent was based on what Daryl said or was it based on ordinance he just mentioned or just your personal feel- -- I mean, what was this letter based on?

COUNCIL VICE-CHAIR YUKUMURA: It was based on his answer.

CHAIRMAN KANESHIRO: Response. That's correct.

COUNCIL VICE-CHAIR YUKUMURA: To me that he would recuse himself.

CHAIRMAN KANESHIRO: That's correct.

COUNCIL VICE-CHAIR YUKIMURA: And so I just wanted to make sure that that was happening, or if there's -- if my understanding of the conflict of interest law was not accurate, that we would get an opinion from the body that is responsible under the charter.

MR. NAKAYA: Mr. Oyama.

MR. OYAMA: Question.

COUNCIL VICE-CHAIR YUKUMURA: Yes.

MR. NAKAYA: Would it be wise that during his confirmation before that that if you had that concern be cleared through the commission of ethics?

COUNCIL VICE-CHAIR YUKUMURA: Well, I asked him -- there have been council members who have not sought an opinion and they have said, I will recuse

1 myself because I feel I'm in conflict.
2 CHAIRMAN KANESHIRO: That's correct.
3 COUNCIL VICE-CHAIR YUKUMURA: And so I just
4 asked him whether he would.
5 MR. OYAMA: Yeah, I'm asking, wouldn't it
6 be possible that when you know the confirmation is
7 coming up and you have an idea of some -- any areas of
8 grayness, couldn't you bring it up at the --
9 COUNCIL VICE-CHAIR YUKUMURA: Well, it
10 wasn't necessary because he already was -- said he was
11 willing to recuse himself.
12 MR. OYAMA: Yeah, I understand that.
13 COUNCIL VICE-CHAIR YUKIMURA: There appears
14 to be some resistance now, and that's why I'm saying
15 let's clear it up and go to the board.
16 MR. OYAMA: But in my mind if I know I'd be
17 facing it, I personally would go to the ethics
18 commission to clear it before they approve it.
19 COUNCIL VICE-CHAIR YUKUMURA: Yes, I know
20 you would.
21 CHAIRMAN KANESHIRO: Okay. And, you know,
22 I don't have any problem with that either. But what I'm
23 saying is that, you know, you're putting me above
24 everyone else to do exactly this because, you know, for
25 one thing my son is not a minor or a dependent child.

1 For one thing he's neither an officer, director or
2 stockholder of the company. And number two, you know,
3 he's not even a dependent of mine.
4 So I'm just -- you know, I think the question
5 was posed unfairly when you posed the question, and I
6 had relied on you as being a council member for over
7 14 years, as being a previous mayor and has been an
8 attorney that you would ask me a question that would
9 relate to the, you know, Code of Ethics, Article 20 and
10 H.R.S. 84-14.
11 Then if not, then I feel you're treating me
12 unfairly because that question should be asked of every
13 single board member that comes before you. That's how
14 you feel. That's my resistance.
15 COUNCIL VICE-CHAIR YUKIMURA: I understand.
16 CHAIRMAN KANESHIRO: I feel that you've
17 been treating me unfairly and that you're discriminating
18 against me and my family.
19 COUNCIL VICE-CHAIR YUKIMURA: And you can
20 prove that by going to the advisory board -- I mean, to
21 the ethics commission and having them render an opinion
22 that may very well support you, your position. You can
23 clear yourself.
24 CHAIRMAN KANESHIRO: Then I could come
25 after you for discrimination suit, if that's the case.

COUNCIL VICE-CHAIR YUKIMURA: I'm sorry you feel that way.

CHAIRMAN KANESHIRO: I mean, think about it.

MR. NAKAYA: Thank you.

MR. OYAMA: Mr. Chair, we have a former deputy here.

MR. NAKAYA: There's someone in the public want to speak.

(Council Vice-Chair JoAnn Yukimura exited meeting.)

MR. OYAMA: And I think that in good cause.

MR. NAKAYA: Can you step up and state your name.

MR. KALUNA: I would like to remind you young people that are on the board, you were created and you are not an accountant. They used to run you. Remember that.

MR. NAKAYA: Excuse me, sir. Could you state your name for the record.

MR. KALUNA: I wanted to stand up because I'm looking down at you.

MR. OYAMA: Can you identify yourself?

MR. KALUNA: My name is Jeremiah Makaho Kaluna, born in South Kailua (ph) Honolulu, went to

1 mainland to learn the haole way, came back to Kauai as
2 your county engineer before as a board member, as a --
3 working also as a board member. Going to the water
4 department. I love the water department.
5 I really wanted to say that in the old days the
6 county ran this. But they were creating so many
7 problems, the legislature decided to separate you from
8 them. So you're independent. You don't even have to
9 say, yes, sir. You can say, Well, we're concerned, you
10 know, courtesy.
11 But I know there's a lot of the questions
12 asked, questioning you. The law says you are separate.
13 You don't have to say anything. All right.
14 And that's the main thing I wanted to come up
15 and say, that you are independent as well, and I think
16 you know that. I know you want to be nice and talk with
17 them.
18 But see, they separated you because of this
19 thing. They didn't want them to -- the way they were
20 doing it, they weren't separating the two, the county
21 and the water department, creating the water department.
22 You're independent. That's all I wanted to remind you.
23 You're independent. And I like what you're doing.
24 And as you know, I'm not a young guy. I'm an
25 old guy. I've been here a long time on the island. So

1 that's all I wanted to say. I'm listening and I'm
2 saying, aaaaahhh. You do what you think is right. And
3 I know you are, and I believe all of you have read your
4 responsibilities, you know, what you stand for. But
5 always keep in mind, because I do, when the legislature
6 separated you from the county, there was a good reason.
7 Anyway, I just wanted to say Aloha, good
8 morning.
9 MR. NAKAYA: Thank you, Mr. Kaluna.
10 Are there any questions, Board Members?
11 Seeing none --
12 MR. OYAMA: I would just like to thank him.
13 He's been a good supporter of the board. So good to see
14 him around when he's around to give his opinion. Thank
15 you.
16 MR. KALUNA: He's biased, though. I do
17 want to say good morning, and I realize you go through
18 this all the time, and I come because every once in a
19 while something will happen that I remember when I was
20 younger, and even that guy was younger, you know.
21 As we all know, he worked very close with the
22 former mayor, and I met him through the mayor because he
23 was working all the time. But so he's biased a little
24 bit. But I believe when he came here he knows that it
25 is separate than the county.

1 This is what I mean. I'm listening to him this
2 morning, and saying, Wow, he is a tiger. He belongs in
3 the water department.
4 Anyway, maybe he's getting older, that's why.
5 I just wanted to say good morning and say
6 aloha.
7 MR. NAKAYA: Thank you very much.
8 MR. KALUNA: Thank you. Of course, you got
9 a guy who's been good, but I like him because he's
10 quiet.
11 MR. NAKAYA: Board Members, any discussion?
12 CHAIRMAN KANESHIRO: If I may, let me just
13 state this for the record then. Being under the
14 circumstances, I will hope that the board would receive
15 this, and I will go ahead and forward something to the
16 Board of Ethics just to make it easier on everybody and
17 less stressful on everybody.
18 MR. NAKAYA: Thank you, Mr. Kaneshiro. Can
19 I have a motion to receive correspondence for --
20 CHAIRMAN KANESHIRO: I will personally on
21 my side. Nothing to do as a board member. On my side,
22 send something to have the Board of Ethics render an
23 opinion
24 MR. NAKAYA: Mr. Nishimura.
25 MR. OYAMA: I move a receive the letter

1 from Council Member Yukimura.
2 MR. NISHIMURA: As far as receiving this, I
3 got no problem with that. I think a lot of the things
4 that Daryl has pointed out, you know, from a legal
5 standpoint are true. I think that if Councilperson
6 Yukimura does, indeed, feel that strongly, that she
7 should -- the proper venue would have been to have taken
8 this directly to ethics as opposed to bringing it to us.
9 And she has had ample time to do that.
10 So, you know, and I applaud the chair's
11 willingness to submit to ethics. But, you know, to an
12 extent, I would have preferred if it went directly to
13 them rather than dragging the board through all of this.
14 That's all. And I will second Roy's motion.
15 CHAIRMAN KANESHIRO: I thank you for that,
16 Mr. Randy. Had I heard your comments, I could have
17 probably made a different decision. Joking aside.
18 MR. NISHIMURA: First in, first out.
19 CHAIRMAN KANESHIRO: I should have waited
20 for Council Member Yukimura to send this before the
21 Board of Ethics. But let's put it aside. I'll do it
22 from my side, and we can move on to water business.
23 MR. OYAMA: Right. I thank you, Mr. Chair,
24 for that.
25 MR. NAKAYA: Thank you. So that's it for

Item No. E1. Oh, excuse me. Okay. Let's take a vote on the motion to receive correspondence from Council Vice-Chair JoAnn Yukimura. Roll call.

MS. SUZUKI: You want to --

MR. NAKAYA: Okay. All in favor say aye. Nay. Any nays?

Okay. Hearing none, motion is carried.

Now, I would like to turn over the chairmanship back to Mr. Kaneshiro.

CHAIRMAN KANESHIRO: Thank you for that, Mr. Nakaya. You did a marvelous job during this meeting.

Now, back it to our board committee reports. Report of the Committee of the Whole of the Kauai County Board of Water Supply and the Manager's Report No. 12-24, Manager's Report 12-54. I would like to take both of them, and the recommendation from the committee was that we'll move this on to the next committee meeting scheduled for March, at which time we will be hopefully finalizing the policies, both policies in the committee and making some changes that were recommended by the committee members and move this on to the full board.

That's all I have at this time. Do we have to make a motion on any of these committee reports?

1 MR. CRADDICK: I don't think there's
2 any report --
3 (Many people speaking at one time.)
4 CHAIRMAN KANESHIRO: Okay. So with that, I
5 would like to move on to old business. And I would like
6 to take a five-minute recess.
7 MR. OYAMA: So it be.
8 CHAIRMAN KANESHIRO: Some of my chair guys
9 or possibly chair guys on some committees are not here.
10 Anyway, we're going do deal with it in five minutes.
11 (A break was had.)
12 CHAIRMAN KANESHIRO: Board meeting is now
13 called back to order. Under the listing of officers and
14 committee members, as stated, those who are not here
15 usually get to be appointed chair. So I want to make an
16 announcement that under the rules committee, we'll have
17 chair Mike Dahilig. Also serving on that committee as a
18 member we'll have Ray McCormick and Randy Nishimura, who
19 will be serving on that committee, on the rules
20 committee.
21 Under finance committee, again because Larry
22 Dill is not here, chair of finance. And we will have
23 Clyde Nakaya on that committee along with Roy Oyama on
24 that committee, on the finance.
25 So at this time, I'll open it up for any

1 discussion if members have some discussion on this. I
2 guess the chairman can discuss anything they're not
3 here. So the rest of us have the opportunity to have
4 some discussion on their committee.
5 MR. NISHIMURA: I think you've appointed
6 fine, chairperson.
7 CHAIRMAN KANESHIRO: Thank you for that.
8 Thank you for that recognition. With that, I don't
9 believe we need a motion on that, right?
10 MS. SUZUKI: I think the board has to
11 confirm your appointments.
12 CHAIRMAN KANESHIRO: Okay. So, Board
13 Members, with that --
14 MR. NISHIMURA: Mr. Chair.
15 CHAIRMAN KANESHIRO: Yes, go ahead.
16 MR. NISHIMURA: Move to approve the
17 committee assignments designated by the chair.
18 MR. McCORMICK: Second.
19 CHAIRMAN KANESHIRO: Okay. Any further
20 discussion on that?
21 If not, all those in favor signify by saying
22 aye.
23 Any nays?
24 Hearing none. Motion is carried.
25 Manager's Report 12-24, Manager's Report 12-54,

debt service reserve fund policies. Both of them, I believe, are deferred, right?

MR. CRADDICK: Yes.

CHAIRMAN KANESHIRO: So we'll probably have some action taken on the next board meeting on both reports, 12-24, 12-54. So we don't need any motion on that, do we? Do we need to make a motion to defer these being that it was deferred in committee? Why don't we do that. Motion to defer on both item.

MR. NAKAYA: So move.

MR. OYAMA: Second.

CHAIRMAN KANESHIRO: Any discussion?

If not, all those in favor signify by saying aye.

Any opposed?

Hearing none, Manager's Reports 12-24 and 12-54 are deferred.

Under the new business, Manager's Report No. 12-58, right of entry agreement from KMN, LLC.

With that, Mr. Craddick.

MR. CRADDICK: Okay. This is a right of entry from KMN, LLC subdivision, and the right of entry agreement is attached to it there.

MR. NISHIMURA: Mr. Chair.

CHAIRMAN KANESHIRO: Yes.

MR. NISHIMURA: Move to approve Manager's Report 12-58.

MR. OYAMA: Second.

CHAIRMAN KANESHIRO: I have a motion to approve and a second. Any questions? Any further discussion on that matter?

If not, all those in favor.

Any opposed?

Hearing none, motion carried.

Manager's Report No. 12-59, emergency phone replacement. Mr. Craddick.

MR. CRADDICK: Okay. You know, it says, Emergency phone replacement, but it's more like a kind of a staff inconvenience type of emergency more than a procurement emergency. But if any of you have tried to call in, you can leave messages. We can't do interoffice. You know, we have to call each other from line to line. We can't do a -- work the intercom system and things like that. So quite a few inconveniences that we're having to deal with here because of the phone system.

And we did have $10,000 budgeted, but prior to this we usually had 100,000 budgeted. And so we have it under pretty good authority that it wouldn't cost more than this to go with the same system that county has.

1 So I'm asking you for that much to revise the budget to
2 allow an additional 100,000 in the budget.
3 MR. NAKAYA: How many phones are we talking
4 about?
5 MR. CRADDICK: We have about, I believe,
6 it's 55 phones.
7 MS. NADATANI-MENDEZ: 60.
8 MR. CRADDICK: How much?
9 MS. NADATANI-MENDEZ: 60.
10 MR. CRADDICK: 60, yeah, yeah, we're going
11 for 60 because there's a lot of people that don't have
12 phones.
13 MS. NADATANI-MENDEZ: There's a lot of
14 vacant positions.
15 MR. CRADDICK: Yeah.
16 MR. NAKAYA: And what kind of system is it?
17 Voice over or just land --
18 MS. NADATANI-MENDEZ: Looking at voice
19 over.
20 MR. NAKAYA: Will this be enough?
21 MS. NADATANI-MENDEZ: Yeah. You can get
22 more if you'd like.
23 CHAIRMAN KANESHIRO: Any other questions
24 for the manager? Mr. Oyama.
25 MR. OYAMA: Yeah. Just a question on, you

1 know, what kind of recommendation or your phone
2 companies that you are looking at that will be
3 servicing?
4 MR. CRADDICK: There's a statewide
5 procurement with Hawaiian Telephone. We could do that
6 without doing any bid stuff like that, but I believe we
7 are looking at some other ones just so that we know
8 we're not totally out there if things have changed.
9 Prices have come down on these phone systems. So we're
10 looking at a couple of others.
11 MR. OYAMA: Okay. I mean, I would caution
12 that they can provide the service, because I know a lot
13 of people moved around and not have the service.
14 MR. CRADDICK: Well, the other ones that
15 we're looking at are still basically using the same
16 telephone lines we have. So ...
17 MR. OYAMA: Okay. That's the only
18 question.
19 CHAIRMAN KANESHIRO: Any --
20 MR. OYAMA: Mr. Chair, I so move to
21 approve. This is a very urgent business matter.
22 CHAIRMAN KANESHIRO: Do we have a second on
23 that?
24 MR. McCORMICK: Second.
25 CHAIRMAN KANESHIRO: Moved and seconded.

Any further discussion on this item?

If not, all those in favor signify by saying aye.

Any opposed?

Hearing none, motion carried.

Next item on new business is Manager's Report No. 12-59. Oh, sorry, I left my glasses off. I see how it happens.

MR. OYAMA: Put the double glass on. It's better.

CHAIRMAN KANESHIRO: Restore encumbered contracts from the 2010-2011 budget for one vehicle and one compact excavator/trailer combination.

With that, Mr. Craddick.

MR. CRADDICK: Okay. These two items actually bid in the last fiscal year, and the equipment was not delivered at that time. We actually took delivery this year. But we didn't pick up these items in the budget last year. So we're asking that they be put into the budget here. It's a total $120,696 for those two things. We do have them already, but ...

MR. OYAMA: Question.

CHAIRMAN KANESHIRO: Go ahead, Mr. Roy.

MR. OYAMA: I noticed that you have listed here as Cutter Chrysler Jeep Dodge of Pearl City. Have

you checked with the island also?

MR. CRADDICK: Let's see. Bill is not here.

MR. REYNA: That's the very first question here?

MR. CRADDICK: You weren't here either, Val, so --

MR. OYAMA: I mean, it's listed here as Cutter Dodge of Pearl City.

MR. CRADDICK: Pearl city versus Kauai.

MR. OYAMA: Yeah.

MR. REYNA: This truck has been delivered and it's already in use.

MR. CRADDICK: No, no. I think the question is why did we get it from Pearl City versus Kauai? Is that the question?

MR. OYAMA: Yeah.

MR. CRADDICK: And I think when the bid goes out, anybody statewide can bid.

MR. OYAMA: Oh, I see. And this is the lowest bid?

MR. REYNA: They are the lowest bid.

MR. OYAMA: Just looking at fairness to our own island people. But, yeah, I concur. Should the question be --

MR. McCORMICK: Mr. Chair, I move to approve Manager's Report 12-60, restore encumbered contracts.

MR. OYAMA: I second.

CHAIRMAN KANESHIRO: We have a motion to approve that.

Any further discussions?

If not, all those in favor.

Any opposed?

Hearing none, motion carried.

Manager's Report No. 12-61, Job 99-08, first contract amendment with Fukunaga and Associates.

Mr. Craddick.

MR. CRADDICK: Okay. This one if you read in the recommendation, it says, 38,000. But down below on amendment one it says only 8,000. 8,000 is the correct number. So you can drop that three in front of the eight. It's an $8,000 request, and then the rest of it is correct.

CHAIRMAN KANESHIRO: Okay. Any questions for the manager by board members on 12-61?

If not, do I have a motion on the floor?

MR. OYAMA: Mr. Chair, move to approve Manager's Report 12-61.

MR. McCORMICK: Second.

1 CHAIRMAN KANESHIRO: And seconded by Mr.
2 McCormick.
3 Any further discussion on the item?
4 If not, all those in favor --
5 MS. YANO: Sir.
6 CHAIRMAN KANESHIRO: Go ahead.
7 MS. YANO: I just want to bring to your
8 attention that the original request was for 38,000, so
9 my running balance for the CIP reserve balance has
10 changed from 38,000. They requested 15,260. So for the
11 record, the running balance after Manager's Report
12 12-59, 12-60, and 12-61, it comes out to be 2,549,116
13 for that CIP reserve.
14 MR. CRADDICK: So that 27 number is
15 incorrect?
16 MS. YANO: This was used first before the
17 other two requests. So, yeah. It would come down to
18 2.549
19 CHAIRMAN KANESHIRO: 2,511,853.
20 MS. YANO: 2,549,116.
21 CHAIRMAN KANESHIRO: Okay. We'll recognize
22 that and make the changes to that.
23 Any questions on the changes?
24 If not, I believe we have a motion on the floor
25 for approval of the funding of 12-61.

With that, all those in favor signify by saying aye.

Any opposed?

Hearing none, motion carried.

Manager's Report No. 12-62, second amendment for M-02 100,000-gallon tank and connecting pipeline.

Okay. Mr. Manager.

MR. CRADDICK: Okay. This is an amendment to the job, the NPDS permit and slightly larger tank than we were originally planning.

CHAIRMAN KANESHIRO: Any questions for manager or staff on this?

MR. McCORMICK: Mr. Chair, move to approve Manager's Report No. 12-62 for Job 02-11.

MR. OYAMA: Second.

CHAIRMAN KANESHIRO: We have a motion on the floor to approve 12-62.

Any further discussion on the item?

If not, all those approve signify by saying aye.

Any opposed?

Hearing none, Manager's Report No. 12-62 is approved.

Manager's Report 12-63, rewards program.

Mr. Craddick.

1 MR. CRADDICK: Okay. On this one here what
2 we did in the past when we got the employee of the year
3 and quarterly -- employees of the quarter, but what we
4 would do is we would let them go to conventions.
5 And in looking at what the board was doing with
6 its own travel policy and having some kind of report and
7 hopefully getting some kind of good information out of
8 it coming back to the water department, I changed our
9 standard operating procedure on the staff side.
10 And so now people are going to have to do the
11 same thing, identify something at the conference that's
12 beneficial to the water department. When the people go,
13 they have to come back and give some kind of
14 presentation to the water department.
15 And when I did that, then, you know, people
16 were starting to think that if they got employee of the
17 year, employee of the quarter, it was going to be looked
18 at maybe more as a punishment than a reward.
19 So I was talking to some of the people, not the
20 whole rewards committee, but some of them, and made this
21 recommendation to our rewards committee. And they
22 seemed to go along with it subject to the funding.
23 But what we would do now is just give a
24 monetary amount for employees of the quarter and
25 employee of the year, and we still end up costing us

about half of what it would have cost before. And, you know, it's not to say that some of these people might still be able to go to conference anyways, but we know if they go to the conference, we're going to be getting something back, some kind of training from them to the rest of the employees for that expense. And this one here, I think, we'll actually get a larger participation in the rewards program because of this. It seemed to be a fair -- pretty good acceptance on the employees' part of doing this.

CHAIRMAN KANESHIRO: So what I'm hearing is that you'll give the employee of the year an option?

MR. CRADDICK: No, it's not an option.

CHAIRMAN KANESHIRO: Whether he goes to the conference and come back and make a report.

MR. CRADDICK: No, it wouldn't be an option. This would just be the reward. If where the person works, if the supervisor sees fit if there is something beneficial for them and the department, and we can get something back, they're willing to give a presentation, then the other would be offering. But that's has nothing to do --

CHAIRMAN KANESHIRO: Right, but that's something --

MR. CRADDICK: It has nothing to do with

1 this rewards program.
2 CHAIRMAN KANESHIRO: Okay.
3 MR. NAKAYA: You mentioned you presented
4 this to the rewards committee.
5 MR. CRADDICK: Yes.
6 MR. NAKAYA: And what was the feedback?
7 MR. CRADDICK: Well, it's a staff
8 committee. Well, is it rewards committee, Faith?
9 MS. SHIRAMIZU: Excuse me.
10 MR. CRADDICK: You're going to have to fill
11 in here since our --
12 MS. SHIRAMIZU: I'm sorry. We were having
13 a separate discussion.
14 MR. CRADDICK: I know. I know. That's why
15 I called on you.
16 MS. SHIRAMIZU: What was the question?
17 MR. NAKAYA: Well, the question, this was
18 presented to the committee, and what was the feedback
19 from the committee?
20 MS. SHIRAMIZU: You know, Sandy might be
21 able to answer that because I'm no longer on that
22 committee.
23 MS. NADATANI-MENDEZ: We were okay with it.
24 It's just the fact that when you came back and you had
25 to report, the whole purpose of going to the conference

1 was to get training, and you would come back and train
2 the people in that group what you learned. So like say
3 if I went to an IT conference, I wouldn't come back and
4 train everybody in IT because they're not in IT, the
5 only thing is fiscal --
6 MR. CRADDICK: Well, you're talking about
7 the SOP. You're not talking about the rewards. I think
8 the --
9 MS. NADATANI-MENDEZ: Yeah, we're okay with
10 the fact that this is okay as long as when you come
11 back, you're not training everybody in the department.
12 MR. CRADDICK: No, there is no coming back
13 on this. This is just cash.
14 MS. NADATANI-MENDEZ: Cash. Yeah, it was
15 just the funding part of it. That we had to make sure
16 that it was okay to do something like this because we
17 are a county.
18 MR. NAKAYA: So they're okay with instead
19 of the reward being the travel --
20 MS. NADATANI-MENDEZ: Yes.
21 MR. NAKAYA: In turn getting the cash, they
22 were okay with it?
23 MS. NADATANI-MENDEZ: Yeah.
24 MR. NAKAYA: Okay.
25 MR. CRADDICK: Might have to pay a little

tax on the cash, but ...

MR. NAKAYA: Yeah, that's the thing, right?

MR. McCORMICK: Yeah, they do.

MR. NAKAYA: Payroll taxes, yeah. They're aware of that, right?

MR. CRADDICK: Yeah.

MS. NADATANI-MENDEZ: I don't think so. That was never brought up. I can tell you that. It was the whole cash part.

MR. NAKAYA: Yeah, it's like a bonus. You're going to have to pay some taxes on that individually, so I hope they're aware of that.

MS. NADATANI-MENDEZ: Is the FICA part of it.

MR. NISHIMURA: Yeah, I guess, my concern is --

MR. NAKAYA: Collective bargaining.

MR. NISHIMURA: Collective bargaining, and more so, I believe, either DAGS or Board of Water Supply attempted to do this and give bonuses to their -- I don't know if it was managers or what, but they actually ended up having to rescind that because it was viewed as illegal. Now, it's not to discourage some kind of reward program, but it may have to be given in a nonmonetary manner.

1 MR. CRADDICK: Well, actually this came
2 from Marc Guyot. Doing this, so he knew what we were
3 looking at doing, and I don't know if you're ready to
4 answer something like that, Andrea.
5 MS. SUZUKI: Any HR personnel stuff I
6 forward it to Deputy County Attorney Marc Guyot since
7 he's our specialist in that area. So this was forwarded
8 to him. If you would like me to make another request to
9 him, I can.
10 MR. NISHIMURA: Did he respond?
11 MS. SUZUKI: He said it looked good.
12 CHAIRMAN KANESHIRO: I think one of the
13 board members also brought up an issue regarding union.
14 So perhaps maybe we should pose a question to Marc in
15 regards to that.
16 MR. OYAMA: Yeah.
17 CHAIRMAN KANESHIRO: The union issues. So
18 I'm not certain anyone can answer that now.
19 MS. YANO: To address the tax issue, we
20 could include it in the employee's payroll. And so
21 maybe we could just issue them a certificate in that
22 same amount and it's entered into the payroll and so the
23 taxes are taken out when they receive it.
24 MR. CRADDICK: What was your question? You
25 wanted to get something in writing from Marc or what was

1 the -- or, no, the union you were talking about?
2 CHAIRMAN KANESHIRO: Well, she's saying
3 that we can handle this through the employee payroll
4 system, then I find that should be the legality of being
5 able to do that. I don't see anything wrong with that,
6 you know. I guess the question came up, if you just
7 give them a bonus, how would that affect, you know.
8 MR. OYAMA: The union issue.
9 CHAIRMAN KANESHIRO: Separate -- it's a
10 separate issue rather than --
11 MR. CRADDICK: This isn't a bonus.
12 CHAIRMAN KANESHIRO: Well, not a bonus, but
13 a recognition. If you could include that in the --
14 possibly in the payroll, I think. You know with the
15 suggestion that --
16 MS. SUZUKI: Or it would be prize money.
17 MR. CRADDICK: If the prize is non -- I
18 mean, prizes are still taxable. If you win the lottery,
19 you still got to pay taxes.
20 MS. SUZUKI: I know, but --
21 MR. CRADDICK: I don't know that. I mean,
22 if they get it, they have to pay their own taxes and
23 stuff on it. And if we deduct some amount off, that's
24 just going to show up on their total taxes. So each
25 person individually is going to have to do their own

1 taxes.
2 MS. SUZUKI: Do you guys want to submit a
3 request to Guyot?
4 CHAIRMAN KANESHIRO: Do you want to have
5 more questions or try to deal with this more and just
6 defer this item at this point? Is there a critical time
7 for the rewards program?
8 MR. CRADDICK: Nothing other than the
9 budget is coming up and we're trying to get these things
10 resolved before we submit a budget to the board.
11 CHAIRMAN KANESHIRO: Okay. But we should
12 be able to tackle this issue by next meeting, right?
13 MR. CRADDICK: Yeah, yeah, you could. But
14 then we have to guess at what you're going to do and put
15 it in the budget. I don't like guessing.
16 MR. NISHIMURA: What is the total on this?
17 MR. CRADDICK: $1,400.
18 CHAIRMAN KANESHIRO: 1,500.
19 MR. NISHIMURA: I wouldn't worry about it.
20 CHAIRMAN KANESHIRO: Yeah, I mean, the
21 majority of it is travel fund there anyway.
22 MR. CRADDICK: No, we probably would --
23 CHAIRMAN KANESHIRO: Take that out?
24 MR. CRADDICK: Yeah.
25 MR. NISHIMURA: I would just put a dollar

amount, and then we can refine it. We have till June

MR. OYAMA: And if it all clears, you got the project. So I guess defer it is in order, right?

CHAIRMAN KANESHIRO: We would defer this on the board regular meeting schedule and not defer this to committee. I don't see any sense in sending this to committee, finance committee. Just defer it to the next board meeting.

MR. OYAMA: Okay. Mr. Chair, I move to defer this 12-63 report.

MR. McCORMICK: Second.

MS. SUZUKI: And a request for legal opinion?

CHAIRMAN KANESHIRO: Yeah, the request would be that under the circumstances if this is added to payroll, you know, for the employee and how would that affect, if anything, the issues?

MR. OYAMA: Possible wages.

MS. SUZUKI: And the union.

CHAIRMAN KANESHIRO: Well, how would that affect union issues because, I believe, they have a certain pay amount that they have staffed, you know, as union employees with a certain scale. And then, you know, that happens. If everything else is fine, then not a problem. But some questions out there. Because,

as you know, most of the union members at a certain scale, they have comp time or different kind of time and overtime and so forth. And then how would a reward be looked at? That's all. Thank you for that.

So we have a motion on the floor -- do we have a motion on the floor to defer? I don't believe --

MR. NISHIMURA: Yes, we do.

MR. OYAMA: Yeah, we do. I seconded it -- I mean, I made the motion and Ray seconded it.

MR. NISHIMURA: Moved by Ray, seconded by Roy.

CHAIRMAN KANESHIRO: You guys are moving fast.

MR. McCORMICK: No, I seconded it. Moved by Roy. I seconded it.

MR. NISHIMURA: Moved by Roy.

MR. OYAMA: Yeah, yeah.

CHAIRMAN KANESHIRO: Okay. With that motion, all in favor signify by saying aye.

Any opposed?

Hearing none, motion carried.

Manager's Report 12-64, county human resources reorganization.

Mr. Craddick, you have the floor.

MR. CRADDICK: Okay. On this one here, we

have had no official communication from the county in writing, but the previous board chair and myself went and talked to the mayor about this issue. I did send them a copy of this report here and actually invited them to come to this meeting if they wanted to come to this meeting and explain what they're doing better than I might explain it.

MR. NISHIMURA: Who is they?

MR. CRADDICK: The county administration.

MR. NISHIMURA: The task force or who did you send it to?

MR. CRADDICK: The mayor and Gary and --

MR. OYAMA: John Isobe.

MR. NISHIMURA: He retired.

MR. CRADDICK: Yeah, he's not here.

MR. OYAMA: Really. When?

MR. CRADDICK: January 8.

MR. OYAMA: That's old news then.

MR. CRADDICK: Anyhow, there's a couple of things going on. One, there's some talk on the charter review to somehow rework the personnel services or maybe even add an HR department. And then you have the county wanting to start up an HR department without benefit of any charter change, so basically working it under the same -- let's see. What would we call it? Anyways, the

1 same charter that we have now. Instead of calling it a
2 personnel, calling it a human resources.
3 And each department has people in it. And I
4 wish Larry was here today, because I know they have a
5 pretty big component in their section there of people
6 that do HR work. But we have one person that's pretty
7 much dedicated to that.
8 Well, you pull those people out of the office,
9 then is this next group going to provide 100 percent of
10 that service? That's the question.
11 And in listening -- the fire chief seems to do
12 almost 100 percent of their local training, the chief
13 himself. And so, you know, obviously they're not going
14 to be able to pull the chief away to this HR department
15 and provide that service. Somebody's going to have to
16 do it.
17 Training that we do is provided in a similar
18 manner. They can't take that away. We pay out of our
19 own funds a person -- and if office staff is missing,
20 that person will help fill in answering phones, stuff
21 like that. If that person is gone, we don't have that.
22 And then the very last issue, and this Roy and
23 I brought up with the mayor, that we currently pay about
24 900 and some thousand dollars to the county for this
25 service that we're supposed to be getting, and so would

1 they expect us to give more if they took this employee.
2 And so that's really in the bottom line what
3 I'm getting down to is right there, is if they decide
4 that that's what they want to do, pull these employees
5 out, are we going to send money with them or are we
6 going to not send money because we're already paying for
7 the service? And I feel not really getting any service.
8 But we do get it, but it's on a kind of
9 catch-as-catch-can basis.
10 And that's -- that's kind the issue there. So
11 as we close -- I haven't gotten a letter saying, we want
12 the person and we want so much in the budget. So, you
13 know, lacking, I guess, a letter like that, maybe
14 there's nothing for you to do.
15 But if between now and budget time, we got a
16 letter like that, I mean, this isn't something that
17 you'd want to have an emergency board meeting on, I
18 don't think.
19 So if we got some direction from you, it would
20 be very handy. If you don't want to give any direction,
21 that's probably okay, too. We'll muddle through it.
22 But I thought I'd give you a little better presentation
23 of our meeting there that the former board chair and
24 myself had with the mayor.
25 CHAIRMAN KANESHIRO: Any questions,

1 Members?
2 My recommendation is that before we move on
3 with this matter, perhaps we should have a job
4 description of this position. If this position is going
5 over, what are some of the roles that would play in
6 serving the water department?
7 MR. CRADDICK: Yeah, none of that. We
8 don't have any of that now.
9 MR. OYAMA: He's asking that we probably
10 should draw it up.
11 MR. CRADDICK: No, we wouldn't do it.
12 CHAIRMAN KANESHIRO: We got to ask them. I
13 mean, you know, if they do this for a position like
14 this, then what are the responsibilities of that
15 position to the board?
16 MR. OYAMA: Right.
17 CHAIRMAN KANESHIRO: Right now for us to
18 take any action to look at anything like this, you know.
19 MR. OYAMA: It's a good point.
20 CHAIRMAN KANESHIRO: We're just poking in
21 the blind.
22 MR. CRADDICK: Well, you're -- I mean, they
23 can probably take the position whether you say or not.
24 They can't take the money whether you say or not. So
25 what I'm trying to get from you is, should they take the

position, are you willing it give the money with it?

CHAIRMAN KANESHIRO: Well, it depends on what they're going to do with the Department of Water. I mean, if they're going to do it one-fourth or zero, then, of course not. There's got to be some --

MR. OYAMA: They're not taking back our services.

CHAIRMAN KANESHIRO: Yeah. I mean, we need to find out. So go ahead, you're going to take this position, but what's going to happen with water? Some of the duties of the board, is what I'm saying. Is it half? Is it three-quarter? I mean, is it zero? The board can't even make a decision.

MR. CRADDICK: I think then that your answer to this particular request is then, no, we wouldn't send any money without knowing those things.

CHAIRMAN KANESHIRO: I'm not certain. I just brought this up for the questions as chair of this committee.

Come with a straight answer. No.

MR. CRADDICK: Chair of the whole board.

MR. NISHIMURA: That's a lot of water hydrants. That's all I know.

CHAIRMAN KANESHIRO: So, I mean, you know, water is the -- well, let let me ask this: What is the,

1 I would say, the position of the board members at this
2 time?
3 MR. NISHIMURA: Now, this was -- your
4 report was distributed?
5 MR. CRADDICK: Distributed?
6 MR. NISHIMURA: To.
7 MR. OYAMA: Yes.
8 MR. NISHIMURA: The task force or whoever?
9 MR. CRADDICK: Not the task force, 'cause I
10 -- to tell you the truth, I don't know much about it.
11 All I know is that the mayor --
12 MR. OYAMA: John was working on it.
13 MR. CRADDICK: Called the mayor, or called
14 the former board chair and myself to his office
15 explaining what they're doing. Somebody made a request
16 one time to go check over what duties and
17 responsibilities our HR person had. They talked to
18 them, but other than that, what's going on I really
19 don't have anything much that I can report to you on. I
20 don't know what's going on.
21 They did have a full meeting with all the
22 department heads, and all I can do is tell you what
23 happened at that meeting. And from that meeting there
24 -- well, I'm not even going to repeat all the things
25 that were said at that meeting. But it's not going to

be something that -- you know, you're not the only ones with the concern that you've raised here today. Let's put it that way.

MR. OYAMA: Yeah, they didn't have any solid answers for all the questions. That's all I can say. But I know John was involved. That's the reason why I got John from the beginning.

MR. CRADDICK: Was he there at the meeting?

MR. OYAMA: No, he wasn't there at the meeting.

MR. CRADDICK: Wasn't there, yeah.

MR. OYAMA: Yeah. Because when they called me, I said, you know, I think we got to talk to the mayor direct. That's what I told him.

MR. NAKAYA: So the county doesn't have a timeline as to when they're planning to implement- --

MR. CRADDICK: They're planning to implement this July 1st with their new budget.

MR. OYAMA: Yeah. And I thought I heard him say that they had the budget for the positions.

MR. CRADDICK: Yeah, yeah, because they're taking them out of the various departments. But they can't pull our money unless, you know, like say, the attorney, we willingly gave.

MR. OYAMA: Yeah. A fair share.

1 MR. CRADDICK: Well, again, you know, when
2 you're paying the 900,000 that you already paid, I think
3 we're probably paying our fair share. But, you know,
4 because we had that bond thing, I mean, there was just
5 too much stuff to have it delayed over there and it was
6 well worth the additional expense. This one here may
7 not be well worth the additional expense.
8 I don't really see what the benefit would be
9 because the issues that they're trying to address, which
10 are basically county liabilities, training and stuff
11 like that, are not the problems we're having. We're
12 having problems with classifications, getting positions
13 filled, and that is not being changed.
14 They're not saying this person is -- who's
15 heading up this HR is going to report to the mayor.
16 It's still under the same civil service commission
17 because they're -- the civil service commission is there
18 because of state law. And it's purposely there to
19 separate it from the administration so the
20 administration doesn't convolute the classification
21 system, if you will.
22 And so they require this independence from the
23 administration. It's my understanding. I talked at
24 length with Malcolm about this, too. And so I kind of
25 put his words in here a little bit, too, on why he feels

1 it is the way it is. Now, it doesn't mean that the
2 county couldn't do an HR department, and I don't know if
3 they can do it with or without the charter.
4 But it sounds to me like they're working --
5 they would still have the head of this group reporting
6 to the civil service commission. And I -- you know, I
7 used the word in here, knee-jerk reaction. But that's
8 just my impression. I'm hoping it's not a knee-jerk
9 reaction that's going on over there.
10 'Cause we're not the only ones having this
11 problem with the classifications and filling positions.
12 There's other departments that are having the same
13 problem. But I don't see what they're doing to address
14 that problem with the proposed changes. It's more
15 training issues and things like that.
16 And I see Debra in the back there. If you got
17 more specific questions, she might be able to help.
18 CHAIRMAN KANESHIRO: I guess, you know, for
19 my recommendation as chair, is that because we know it's
20 unclear as to how the funding of this position, you
21 know, would be in the best interest of DOW, like I said,
22 just to deal with it financially and whether it will
23 speed up organization or reviews of positions or
24 reorganization. Until we have some answers to those
25 questions, you know, maybe we should pose this to them.

1 It should be posed to them.
2 MR. CRADDICK: We definitely can do that,
3 but the real issue is this money more than anything.
4 MR. OYAMA: Well, you should list it, too.
5 You should list it.
6 MR. CRADDICK: And keeping in mind, you
7 know, maybe I'm making a problem out of nothing, because
8 they haven't made any request at this point.
9 MR. OYAMA: Yeah, they didn't put the
10 direction on it.
11 MR. NISHIMURA: Have they submitted the
12 budget to counsel yet?
13 MR. CRADDICK: No yet, I don't believe. I
14 would be in March sometime.
15 MR. OYAMA: They're going to do that after
16 March.
17 MR. CRADDICK: No, no, my understanding is
18 they're doing it for this budget, this setup will be in
19 the budget.
20 MR. OYAMA: Yeah. That's what I'm saying,
21 at the March budget would be firm, I guess, they're
22 going to put in that. So they have to have a plan.
23 CHAIRMAN KANESHIRO: Yeah, and what's the
24 plan, is it what we're asking?
25 MR. OYAMA: Right.

MR. NISHIMURA: Mr. Chair.

CHAIRMAN KANESHIRO: Sir.

MR. NISHIMURA: Move to receive and defer Manager's Report 12-64 to the next meeting?

MR. OYAMA: Second.

CHAIRMAN KANESHIRO: Second?

MR. OYAMA: Yep, second.

CHAIRMAN KANESHIRO: Do we have any further discussions on that?

MR. NISHIMURA: Yes. I'd like to see whatever correspondence that the department has seen to date on this matter.

MR. CRADDICK: Nothing.

MR. NISHIMURA: Nothing?

MR. CRADDICK: Nothing.

MR. NISHIMURA: Not even inviting you to the meeting or an agenda for those meetings or anything like that? So that we can at least get some kind of inkling as to what they're talking about.

MR. CRADDICK: There was no agenda for the meeting.

MR. OYAMA: They called by phone.

MR. CRADDICK: Yeah, called by phone, yeah.

MR. NISHIMURA: Chair, maybe we should go talk story with the mayor.

MR. CRADDICK: We did.

MR. OYAMA: You go, too, Daryl. Take David along.

CHAIRMAN KANESHIRO: Is there a motion on the floor? I'm joking.

Okay. I'll go ahead and follow up on these issues and report back to the board. How is that? At the next board meeting.

MR. OYAMA: Good.

CHAIRMAN KANESHIRO: Deferred on the condition that I can get an appointment with the mayor and discuss this issue.

MR. OYAMA: Very good.

CHAIRMAN KANESHIRO: Along with Randy Nishimura.

MR. NISHIMURA: What day was this?

MR. CRADDICK: Sometime after the 4th of March.

CHAIRMAN KANESHIRO: Okay. So with that, the motion is on the floor that we'll have the chair make a report back to the next board meeting, about the meeting with the mayor and possibly get some more information on this. So going to receive and defer this? Is that how?

MR. OYAMA: Yeah, the motion was and

1 seconded.
2 CHAIRMAN KANESHIRO: Okay. All those in
3 favor.
4 Any opposed?
5 Hearing none, motion carried.
6 Okay. Now, staff reports, monthly staff
7 reports.
8 MS. YANO: Mr. Chair, for the fiscal
9 division, my report on the budget status summary as of
10 December 31, 2011, and it's included in your packet. So
11 if you have any questions, please feel free to ask.
12 CHAIRMAN KANESHIRO: Board members, any
13 questions on the statement of the Water Department's
14 revenues and expenditures presented by Marites?
15 Mr. Craddick, yes, sir.
16 MR. CRADDICK: I'm not a board member, but
17 --
18 CHAIRMAN KANESHIRO: Okay, Manager.
19 MR. CRADDICK: So we don't run afoul in the
20 audit this time, are we -- we don't have the thing --
21 the billing for the fire system corrected yet with
22 Honolulu, right?
23 MS. YANO: I'm working with Laurie at the
24 Honolulu Board of Water Supply, and she gives --
25 MR. CRADDICK: Do you think we should get

1 these numbers adjusted this time so that we're watching
2 the overcharge on the fire system so that we don't go
3 through the same thing we went through last year?
4 MS. YANO: I'm hoping that I could get it
5 resolved not later than next month at least so we could
6 get the exact amount of adjustments. Because we get --
7 we have over 200 AMF accounts. It is impossible to get
8 the actual -- I mean, it can, but it just takes a lot of
9 time to do it manually. So I'm just hoping that the
10 correct rates will be corrected in the billing system so
11 that the actual adjustments would be done.
12 MR. CRADDICK: Anyways, what we'll do is
13 watch this. And if we go beyond next month, then we'll
14 try and get an adjustment to this so that if it goes
15 beyond just hoping that we have an actual something
16 there so that we can reduce the revenues down
17 accordingly so that when we get to audit time we don't
18 have the auditors saying that we weren't watching it
19 this time.
20 So whether -- I mean, we can't depend on
21 Honolulu, I think, at this point. And especially if
22 they go beyond next month. We're getting down to the
23 last quarter. So we'll try and do something there.
24 CHAIRMAN KANESHIRO: Okay. Any further
25 questions on the report of revenues and expenditures?

MR. NISHIMURA: Chair.

CHAIRMAN KANESHIRO: Go ahead.

MR. NISHIMURA: I would like to ask the fiscal department to add something to their report, and that would be a simple update on the audit items, status of audit items.

CHAIRMAN KANESHIRO: So noted. Any other discussion or comments on the presentation?

The motion would be to receive this.

MR. OYAMA: I move to receive.

CHAIRMAN KANESHIRO: Is that right?

MS. SUZUKI: (Moves head up and down.)

CHAIRMAN KANESHIRO: Or approve?

MR. CRADDICK: Receive it and add the update on the audit items.

MR. OYAMA: Right, right.

CHAIRMAN KANESHIRO: Okay. So I have the motion on the floor.

MR. OYAMA: Yes.

CHAIRMAN KANESHIRO: And a second?

MR. NAKAYA: Second.

CHAIRMAN KANESHIRO: Second, we do. All those in favor.

Motion carried.

Report by the PR specialist on PR activities.

1 MS. SHIRAMIZU: So my report, two pages
2 this time, is before you. If you have any questions.
3 CHAIRMAN KANESHIRO: Board Members, any
4 questions or comments?
5 MR. McCORMICK: Forget the raise.
6 CHAIRMAN KANESHIRO: What's that?
7 MR. McCORMICK: Forget the raise.
8 CHAIRMAN KANESHIRO: Okay. With that, we
9 will go ahead --
10 MR. NISHIMURA: Aaaah --
11 CHAIRMAN KANESHIRO: Yes, sir.
12 MR. NISHIMURA: Move to receive.
13 CHAIRMAN KANESHIRO: All right. Do I have
14 a second on that?
15 MR. McCORMICK: Second.
16 CHAIRMAN KANESHIRO: Thank you. All in
17 favor say aye.
18 Any opposed?
19 Hearing none, Motion carried.
20 Chief of operations.
21 MR. REYNA: Good afternoon. Included in
22 your packets is the January 2012 report for operations
23 division. Most notable would be on the personnel. Our
24 utility worker will be retiring effective March 1st.
25 And on the second page, you will note that our

1 overtime went down as compared to last month or the
2 previous month. This is because we did not have any
3 overnight work related to Water Plan 2020, no overnight
4 time for the past month.
5 And also we have intermittently been operating
6 our Amfac shaft. That way we can reduce overtime and
7 holiday -- weekend and holiday overtime for our staff.
8 If you have any questions, please let me know.
9 CHAIRMAN KANESHIRO: Questions, Board
10 Members, or comments?
11 MR. NISHIMURA: Move to receive, Mr. Chair.
12 MR. McCORMICK: Second.
13 CHAIRMAN KANESHIRO: Moved and seconded to
14 receive. All in favor.
15 Any opposed?
16 Hearing none, motion carried.
17 Manager's monthly update.
18 MR. CRADDICK: Planning subdivision and
19 water resources.
20 CHAIRMAN KANESHIRO: Water resources and
21 planning subdivision report.
22 Mr. Fujikawa, I believe we have --
23 MR. FUJIKAWA: You know, we submit this
24 report to the manager on a monthly basis and subdivision
25 action between us and planning.

1 CHAIRMAN KANESHIRO: Any questions by board
2 members on this? You have the item before you.
3 MR. NISHIMURA: Mr. Chair.
4 CHAIRMAN KANESHIRO: Yes.
5 MR. NISHIMURA: Not about this report, but
6 just curious, Gregg, how's that Waikalua, Waikalua?
7 Waiakalua, the backflow preventer stuff? Are they
8 coming in?
9 MR. FUJIKAWA: You know, we gave them a
10 pull-the-meter notice back in February. We were all
11 ready to do that. We identified about 12 really --
12 consumers who we thought was not responding.
13 So last-ditch effort we went and did house
14 calls. We drove up there and talked to them. I did
15 more extensive telephone calls. Today we've been able
16 to talk to all of them, and the findings are that they
17 all understand why this is needed and there's no
18 opposition.
19 We're at a point where they're all proceeding
20 to install the preventers as we require it. And to date
21 the installation has not been 100 percent complete, but
22 we're moving toward that. So there's about 12, a dozen,
23 that said they're going to do it, but they haven't done
24 it yet. But we're tracking that.
25 We think that if everything goes according to

1 plan, that all of the meters should be properly
2 installed and tested within maybe a month and a half.
3 MR. NISHIMURA: Okay. Thank you.
4 MR. FUJIKAWA: They all cite material
5 shortages and need for consultants and stuff. So we're
6 giving them like somebody would.
7 MR. CRADDICK: The two that had hired an
8 attorney also, they're also going ahead, putting it in
9 and not trying to fight it.
10 MR. NISHIMURA: Shucks, Andrea.
11 CHAIRMAN KANESHIRO: Good job. Thank you.
12 MR. NISHIMURA: Shucks, Andrea.
13 MS. SUZUKI: David did some fine letter
14 writing.
15 MR. CRADDICK: With assistance.
16 MR. OYAMA: Well, we thank the department
17 for the hard work and good understanding and diligence
18 to follow through and go through to made them convinced.
19 So that's very good. Thank you. Very good job.
20 MR. FUJIKAWA: It's good that we never
21 crossed the line and tried to sell.
22 MR. OYAMA: That's right. That's right.
23 MR. FUJIKAWA: And not that we're not going
24 to. We have that --
25 MR. OYAMA: Yes, you have the authority.

1 MR. FUJIKAWA: -- alternative, but we
2 haven't decided yet. So ...
3 MR. OYAMA: Yeah, that's kind of the
4 department. I think, you know, you need to be all
5 recognized for that. Very good. When it's all done. I
6 don't know, who's going to throw the party?
7 CHAIRMAN KANESHIRO: David Craddick.
8 MR. NISHIMURA: Roy Oyama.
9 CHAIRMAN KANESHIRO: Okay. With that, do I
10 have a motion on the floor to receive this report?
11 MR. OYAMA: Yep.
12 MR. McCORMICK: Second.
13 CHAIRMAN KANESHIRO: Moved and seconded.
14 All in favor say aye.
15 Any opposed?
16 Hearing none, motion carried.
17 Manager's monthly update.
18 MR. CRADDICK: Okay. There's one contract
19 award for Kukuiolono, that half-million-gallon tank.
20 Personnel, we have -- if we didn't have it, I
21 know we have one more retirement besides what you
22 already heard. And two more -- well, two resignations.
23 So total four employees going to be lost in the next --
24 well, they're not all right away. Some are like next
25 month. Some are in a couple months.

1 The -- let's see. Are we missing the -- we're
2 missing the finance one here, huh? The payouts this
3 month.
4 MR. NISHIMURA: Next page.
5 MR. CRADDICK: Oh, next page. Okay, okay.
6 Sorry.
7 CHAIRMAN KANESHIRO: That's three pages to
8 your report.
9 MR. CRADDICK: Yeah, yeah.
10 MR. OYAMA: Big report.
11 MR. CRADDICK: So the payout amount there,
12 figure out the total here.
13 MR. NISHIMURA: 3.548.
14 MR. CRADDICK: 3.5, yeah. So you can see
15 the contract amounts going out pretty quick now.
16 MR. NISHIMURA: Beginning to worry about
17 your report.
18 MR. CRADDICK: What's that?
19 MR. NISHIMURA: I'm beginning to worry
20 about your report.
21 MR. CRADDICK: Oh, here we go. I couldn't
22 find it on here. At the bottom here, 3.548 million.
23 And then one conveyance of water facility.
24 And then I did go to Washington for -- with
25 NRWA lobbying again. That seems to have been fairly

1 successful. Last year was especially successful. We
2 actually got the things that they dropped out in 2010
3 back in the budget. Then just this morning, EPA put out
4 for bid the training. So in theory we should get that
5 back and get that training program reimplemented.
6 And then the senator did get for us an
7 additional circuit rider for Hawaii, so and that person
8 they've already hired. So that's a benefit to the
9 state. That's it.
10 CHAIRMAN KANESHIRO: Okay. Board Members,
11 any questions for Mr. Craddick? Board comments.
12 Seeing none, I'd like to have a motion to
13 receive the manager's monthly report.
14 MR. OYAMA: So move.
15 CHAIRMAN KANESHIRO: Can I have a second on
16 that?
17 MR. McCORMICK: Second.
18 CHAIRMAN KANESHIRO: All those in favor.
19 Any opposed?
20 Hearing none.
21 There's no executive session issue today, I
22 believe.
23 We'll move on for topics for next water board
24 meeting. We have the proposed budget. Any other items?
25 MR. NISHIMURA: Mr. Chair.

1 CHAIRMAN KANESHIRO: Yes, sir.
2 MR. NISHIMURA: I would like a report for a
3 summary from the department citing their concerns
4 regarding potable (sic) water issues for the board to be
5 able to review.
6 CHAIRMAN KANESHIRO: Summary of --
7 MR. NISHIMURA: Non-potable water system
8 issues. Non-potable water system issues.
9 CHAIRMAN KANESHIRO: Any other topics that
10 board members have?
11 MR. CRADDICK: This is just generic you're
12 talking about?
13 MR. NISHIMURA: System issues. You know, I
14 know you guys got issues, but, you know, we've never
15 seen what the issues are. And it's -- you know, if we
16 and when the time comes to --
17 MR. CRADDICK: Well, okay. That's --
18 MR. NISHIMURA: I'd like to be able to
19 refer to something.
20 MR. CRADDICK: Yeah, that's why I asked you
21 if you're talking about just generic.
22 MR. NISHIMURA: Generic.
23 MR. CRADDICK: And nothing specific.
24 Because the specific one that we're working on is
25 unusual. It's not a non-potable system that we're

1 operating. If it was a non-potable system that we were
2 operating, we wouldn't have any concerns. But in this
3 case the system is not being turned over to us, and it
4 has to operate in perpetuity just like our system has to
5 operate in perpetuity.
6 MR. NISHIMURA: Is that our responsibility?
7 MR. CRADDICK: Yes, because if it doesn't
8 operate and work in perpetuity and all the costumers
9 jump over to our system, we're going to have an
10 $18 million expense.
11 MR. NISHIMURA: No. Then, you know, that
12 should be highlighted as part of --
13 CHAIRMAN KANESHIRO: Right. I want to
14 limit the discussion at this time to bring that up
15 rather than to point some facts out at this time. As
16 chair I would recommend that if you have any additional
17 -- board members have any additional items to discuss on
18 the non-potable or any other items, bring it before our
19 secretary and then have some of that brought up at the
20 next board meeting.
21 MR. OYAMA: I just wanted to point out on
22 the subject of this non-potable, could you list, you
23 know, all of the issues you have and the pro and cons so
24 that we can have a comparison and better understand the
25 area of the problems that is before you and us.

MR. CRADDICK: Okay.

CHAIRMAN KANESHIRO: Okay.

MR. OYAMA: Then we can maybe walk through it in a better process.

MR. CRADDICK: Okay. Now, I won't be at the next board meeting.

CHAIRMAN KANESHIRO: Well, that's fine. Do you have someone who can do the report, and that someone can make the report?

MR. CRADDICK: Yeah.

CHAIRMAN KANESHIRO: I mean, that's why you've got a deputy.

MR. CRADDICK: No problem.

CHAIRMAN KANESHIRO: It's only a report. So it's nothing that action is going to be taken on.

Okay. Any other topics for the next water board meeting, Members?

Again, if you do come up with some of them, we can get that -- have some time, right, Dave, to --

MR. CRADDICK: Yeah, yeah, yeah.

MR. OYAMA: And just started to so that, you know, we could massage it more and more.

CHAIRMAN KANESHIRO: And I'm not certain I can bring this up here, but on our Saturday agenda meetings, can I bring this up here at this as we set the

1 agenda meetings?
2 MR. OYAMA: Yeah, sure.
3 CHAIRMAN KANESHIRO: I was hoping if we
4 could probably set the agenda meeting after we get
5 either some reports out from like this current meeting
6 we have somehow before we set the agenda meeting.
7 MR. OYAMA: Move to --
8 CHAIRMAN KANESHIRO: I mean, it doesn't
9 have to be --
10 MR. OYAMA: A brief.
11 CHAIRMAN KANESHIRO: I mean, a lot of
12 times -- yeah.
13 MR. OYAMA: A brief report.
14 CHAIRMAN KANESHIRO: Yeah, as we try to set
15 agenda meetings, you know, I'm not saying that -- you
16 know, I'm just saying that somehow --
17 MR. OYAMA: At least to pave the way.
18 CHAIRMAN KANESHIRO: Yeah, a person my age
19 sometimes forget, huh, what some of the discussions
20 were? And I try to keep notes on it, but it's good to
21 refer sometimes to what occurred at a board meeting to
22 move along our next. So I'm not how certain we can
23 accomplish that, but I hopefully --
24 MR. OYAMA: The direction of paving the way
25 so that we can be put on the agenda and then we have an

idea what we have.

MR. NISHIMURA: Just a suggestion that you have a draft of the minutes as well.

CHAIRMAN KANESHIRO: Is that a possibility, that we have a --

MR. NISHIMURA: Draft of the transcript or whatever.

CHAIRMAN KANESHIRO: Or something.

MR. NISHIMURA: It doesn't have to be signed.

CHAIRMAN KANESHIRO: A draft is fine. It doesn't have to be in its final form.

MR. OYAMA: But you can't oppose that, that way, right?

CHAIRMAN KANESHIRO: We'll continue that discussion. It's not on the floor right now. I just thought -- I'll throw it out. So we'll see. If it's possible. If not, then fine. We'll try to deal with what we can deal with with my notes. Okay.

Any other topics for next board meeting or getting to the future water board meetings?

There's no action that we need to take on these?

MR. OYAMA: No.

CHAIRMAN KANESHIRO: It's just for

1 discussion purposes.
2 So quarterly reports, employee of the year
3 resolution, amend BAB project list. Members?
4 MR. NISHIMURA: Well, if you're not going
5 to be here, we're still going to get the budget, though,
6 yeah, by next meeting?
7 MR. CRADDICK: Yeah, yeah, yeah. We're
8 working hard to finish that up.
9 MR. NISHIMURA: Just checking.
10 MR. CRADDICK: We finished a month early.
11 CHAIRMAN KANESHIRO: Okay. Moving on to
12 upcoming events, Hawaii section of the AWWA, April 17 to
13 the 20th. So board members, anyone is going to attend,
14 you need to give notice on that. Right, Mr. Craddick?
15 MR. CRADDICK: Well, I think at the last
16 meeting the board assigned you to pick people to go to
17 the national convention.
18 CHAIRMAN KANESHIRO: I know the big one.
19 The national convention. I've already done that.
20 MR. CRADDICK: Okay.
21 CHAIRMAN KANESHIRO: We're going to get to
22 that on number two.
23 MR. NISHIMURA: I'm going to be sick that
24 week.
25 CHAIRMAN KANESHIRO: And for the AWWA

national conference, I know we had a couple of the board members stated at the last meeting that they wouldn't be able to attend, am I correct? It was Mr. McCormick, Mr. Nakaya, I myself cannot, and I also checked in with other board members. Mr. Dahilig also has some commitments and won't be able to attend.

And therefore, I suggested Mr. Roy Oyama, Mr. Larry Dill, and Randy Nishimura go to the conference and bring back all the good information we need and give it to the board. And I believe we had four positions on that to go to the conference?

MS. YANO: I think there's four.

CHAIRMAN KANESHIRO: Four?

MR. EDDY: Four.

MR. CRADDICK: Yes.

CHAIRMAN KANESHIRO: And in turn my suggestion was that maybe we should approach the mayor to go because they're due for a board conference, right, coming up shortly? And the mayor, I believe, is a good guy, a kind of person that can promote Kauai to possibly have a conference here on Kauai.

MR. NISHIMURA: I will auction my trip off, at the Poipu --

CHAIRMAN KANESHIRO: Any additions to that, Mr. Craddick? If not --

MR. CRADDICK: Okay.

CHAIRMAN KANESHIRO: So the suggestion would be that I would write a letter to the mayor, I guess.

MR. OYAMA: Yes.

CHAIRMAN KANESHIRO: And sign as a board member hoping that he will be able to attend or delegate that can help promote the island at the time to speak to some of the members of the AWWA board. Is that correct, Mr. Craddick?

MR. CRADDICK: That's right.

CHAIRMAN KANESHIRO: And hopefully get them here to attend like a conference, along with Randy.

MR. CRADDICK: I think it's possible.

MR. NISHIMURA: I told you, I'm going to be sick that week.

MR. CRADDICK: The weather in Dallas.

CHAIRMAN KANESHIRO: With that, let's move on. Bill?

MR. EDDY: Excuse me, Mr. Chair. I just wanted to let you folks know about one more upcoming event for this.

CHAIRMAN KANESHIRO: Okay.

MR. EDDY: It's a department party at Poipu Beach on March 25th. It's a Sunday. The board is

1 invited.
2 MR. CRADDICK: A beach party without me,
3 huh? Or 25th, you said?
4 MR. EDDY: March 25th.
5 MS. SHIRAMIZU: We were going to move it to
6 the 24th.
7 MR. EDDY: So the board is invited and
8 invited to bring families and guests.
9 MS. SHIRAMIZU: You can contact Carol. She
10 should be contacting you for sign up.
11 MR. NISHIMURA: She sent something out
12 already, yeah.
13 CHAIRMAN KANESHIRO: Okay. Sounds good. I
14 also would like to make a suggestion. If you want
15 another party, you can have it up at the ranch. We're
16 going to have bull riding and chasing sheeps, and horse
17 riding. So that might be fun. Just upcoming events.
18 Okay. With that, next water board meeting,
19 March 22nd. Everyone's okay with that.
20 MR. OYAMA: So far.
21 CHAIRMAN KANESHIRO: We'll cover that for
22 now. It's set. So we'll have some discussions on the
23 other dates at later board meetings.
24 Anything else? If not, this meeting is
25 adjourned.

1 (Concluded at approximately 12:36 p.m.,
2 February 23, 2012.)
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STATE OF HAWAII)
) ss.
COUNTY OF KAUAI)

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

That on Thursday, February 23, 2012, at 10:51 a.m. that the foregoing REGULAR MEETING, County of Kauai, Board of Water Supply, was held;

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

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

DATED this 17th day of March, 2012, in Kapaa, Hawaii.

_____
TERRI R. HANSON, CSR 482
Registered Professional Reporter

COUNTY OF KAUAI

BOARD OF WATER SUPPLY

FINANCE COMMITTEE MEETING

Wednesday, February 29, 2012

9:04 - 10:08 a.m.

Second Floor, Microbiology Lab Building

Kauai County Department of Water

4398 Pua Loke Street

Lihue, Kauai, Hawaii 96766

REPORTED BY:

TERRI R. HANSON, CSR 482

Registered Professional Reporter

APPEARANCES

BOARD MEMBERS:

Larry Dill

Roy Oyama

Randall Nishimura

Clyde Nakaya

STAFF:

David Craddick

William Eddy

Carol Beardmore

(Exited meeting page 3, 9:05 a.m.)

Marites Yano

Dustin Moises

Gregg Fujikawa

Val Reyna

Keith Aoki

Faith Shiramizu

GUEST:

Andrew Baker, via telephone

FINANCE COMMITTEE MEETING

MR. DILL: Call this meeting of the finance committee to order. It is 9:00 a.m., Wednesday, February 29, 2012. We're at the second floor of the Microbiology Lab Building at the Kauai Department of Water in Lihue. And can I ask for a roll call, please.

MS. BEARDMORE: Yes, Mr. Chair. Larry Dill.

MR. DILL: Present.

MS. BEARDMORE: Clyde Nakaya.

MR. NAKAYA: Here.

MS. BEARDMORE: Roy Oyama. We have quorum.

(Carol Beardmore exited meeting.)

MR. DILL: Thank you. And moving on to our agenda. You have the agenda before you. Can I have a motion to accept the agenda, please?

MR. NAKAYA: Move to accept the agenda.

MR. DILL: We don't have anybody for a second. I'll second that. Can I second that?

All in favor.

Thank you. The agenda is accepted.

And our business for discussion today, under new business is our FRC rate schedule.

David, I turn it over to you, please.

MR. CRADDICK: Okay. What I've done is

I've got SAIC to give a small presentation here because both yourself and Clyde are new, and we've never really gone over this from the time it was first given to the board back in 2010 or -- yeah, 2010. So this is Andrew Baker from SAIC, formerly R.W. Beck. And he's basically prepared the schedule that's in your packet.

And so, Andy, I'll turn it over to you there.

MR. BAKER: All right. Thank you, David. Good morning, Members of the Finance Committee and DW staff. I appreciate the opportunity to speak to you today about the facilities reserve charge study update.

I mentioned to David that since I'm using a different software than I've used in the past, so if there are any issues with stopping during the presentation or hearing me clearly, please let me know and I'll get it fixed.

The focus of the presentation today is largely on the methodology involved in the calculations, a brief discussion of the existing facilities reserve charges or FRC, the desired outcome of the analysis and some of the considerations going forward. I'll try to leave time for your questions at the end because I recognize this is a complex issue. I want to be sure that I address any concerns that you have.

The facility reserve charges for the county

1 were last updated in 2004, and prior to that in 1993.
2 The update is necessary to direct changes in project
3 costs with the intent being that the changes -- the
4 charges continue to be equitable and that they
5 appropriately reflect the cost required for certain new
6 developments.
7 It was the Water Plan 2020 effort which was, I
8 believe, completed in 2001 that provided the technical
9 basis for that FRC update in 2004. And that technical
10 groundwork, the long-term capital planning continues to
11 be the basis for parts of this update to the FRC with
12 more recent project and cost information used where it's
13 available.
14 You may note on this draft report that was, I
15 believe, provided as part of your board packet that it
16 refers to both the needs assessment study and the FRC
17 update. The needs assessment study is the portion of
18 the update in which the service standards, additional
19 demands resulting from development, deficiencies in
20 existing facilities, and the projection of capital
21 facility needs are identified. And that's part of what
22 Water Plan 2020 laid the groundwork for. It's also a
23 prerequisite to the FRC calculations that's required by
24 state statute.
25 Just for clarity, the facility reserve charge

is a one-time charge for a new connection. Also commonly referred to as an impact fee or a system development charge. There are a couple different names depending on where you are in the country.

The FRC represents a proportionate share of the cost of providing water service access. The existing charge is 4,600 for a single-family meter. Larger meter sizes are charged a higher fee proportional to their higher typical level of consumption. For most family and hotel or resort connections, they're charged a fee that's based either the meter size of the connection or the single-family rate of 4,600 per unit, whichever of those is higher to appropriately account for the demands that they put on the water system.

There are, broadly speaking, four major steps in the FRC update analysis. First is the needs assessment study, as I mentioned before. As I said, the technical basis for the needs assessment study is Water Plan 2020.

So our process started with a review of the capital program that was identified in that plan. In conjunction with that review, we worked with DW staff to incorporate and updated both the system capacity and the cost of identified projects. Given that there's been a decade since the cost estimates originally used for

1 Water Plan 2020 were observed, I understand there's been
2 a variety of changes that need to be addressed.
3 Out of the needs assessment study we've
4 identified the list of existing system deficiencies, the
5 needs to support projected growth and costs associated
6 with those projects.
7 The second step in the update is an evaluation
8 of the full FRC methodology. Just as there are a number
9 of different terms for an FRC, there are also different
10 methodologies that can be applied depending on the
11 specific details of a water system.
12 The American Water Works Association or AWWA
13 lays out the two most common approaches and its industry
14 standard in one manual.
15 The first method is the system buy-in method
16 which is also sometimes called the equity method. Just
17 for clarity, I'd like to state that it's an equity in
18 terms of investment, not in terms of fairness. It's the
19 goal of both and all of these approaches and the
20 analysis as a whole to be equitable in the assessment of
21 the charges. So I just want to be clear on what they
22 mean by that term.
23 This method considers the situation from the
24 perspective of existing customers have provided equity
25 in the existing system through their rates and fees.

1 And a new customer then, under this approach, should buy
2 into the system by paying a fee so that they have an
3 equity stake equal to existing customers.
4 According to the AWWA, this approach is
5 generally most applicable for systems where there is
6 excess existing capacity so they don't have any
7 immediate development needs.
8 The second method is the incremental cost
9 method. This method considers the situation from the
10 standpoint of new development paying for the incremental
11 cost of system capacity needed to serve new development
12 with the intent of mitigating the impact of new growth
13 on existing customers' rates.
14 This also reflects the situation where new
15 capacity, for example, developing new sources of water,
16 is more expensive on a per-gallon basis than the
17 existing sources of water are. This is a common concern
18 to address because generally the most cost effective or
19 cheaper sources have already been developed.
20 In cases where this method is less applicable
21 is when as with the other methods there is sufficient
22 capacity already in the water system to provide for new
23 growth or, alternatively, when the rate of growth is so
24 rapid that it's difficult to pin down a specific
25 incremental cost because it just fluctuates more rapidly

1 than updates can address it.
2 The other important consideration in evaluating
3 methodology options is consistency with the state impact
4 fee statute. Either of the AWWA-recommended approaches
5 generally conform to the statutory requirements. There
6 are specific considerations that must be included in
7 either analysis, most significant of which is the
8 inclusion of a credit to ensure that new customers don't
9 double pay for the capacity required to serve them. I'm
10 going to address that consideration in more detail in
11 just a little bit.
12 The third step in the calculation of the FR --
13 is the calculation of the FRC and the update to the
14 schedules. There are four components to the FRC
15 calculation; source, storage, transmission/distribution
16 or T&D and the credit which I just mentioned.
17 The source and storage components are fairly
18 similar. Both are calculated based on our review of
19 methodologies using the incremental cost method. It
20 seemed to be the most appropriate -- most consistent
21 approach with the realities of your system. So they're
22 based on the department's incremental cost to develop
23 new source capacity or new storage capacity.
24 I believe the table shown here should match
25 Table C-1 in your board packet, which I must stress is a

1 draft table included for purposes of this discussion.
2 We're still in the process of working with DW staff to
3 finalize these numbers. So the numbers here are here so
4 that we can sort of walk through the calculation steps
5 but not our final numbers by any means.
6 The table lists capital projects that have been
7 identified as being for new capacity. It lists their
8 estimated costs, the amount of new capacity that they
9 will provide, and whether all or a portion of that new
10 capacity will be addressing existing system
11 deficiencies.
12 These numbers are considered in total for all
13 of these source projects identified. And Table C-2 is
14 the same format just for storage projects. They are
15 considered separately.
16 There's an adjustment that's made to account
17 for the increase costs of debts in a portion of these
18 projects. And then that total cost per growth is used
19 to calculate a unit cost of growth related source
20 capacity. The same calculation is made for storage as
21 well.
22 In the case of the transmission/distribution
23 component, it's recognized that there are existing
24 facilities that are able to serve new development, but
25 that additional facilities are also needed because the

1 elements of both the system buy-in and incremental cost
2 methods are employed to determine the T&D component of
3 the FRC.
4 The intent of this calculation is to determine
5 the present value of the total system that will be
6 required to serve demand at the end of the study period
7 in 2030. To accomplish this, the first calcula- -- the
8 total cost of new transmission/distribution projects
9 that have been identified as necessary to serve
10 projected new demand, which is on Table C-3 of your
11 board packet. The same adjustment for a portion being
12 bonds, and that is included as well.
13 On Table C-4, which is a few pages, it works
14 through the calculation steps necessary to determine the
15 present value of the portion of the system that will
16 still be in service in 2030. Step eight, which I've
17 shown here, shows the present value of the whole system.
18 So it is the 38 million number there is from Table C-3.
19 So it's the new projects. And then the next number, the
20 192 million, is the estimated value of the portion of
21 the system that's out there right now that won't have
22 been replaced.
23 So the sum is the present value of the total
24 system that is going to be needed to serve whatever
25 projected demand is at the end of the study period. By

1 dividing that number by that projected demand we get
2 half our unit cost for transmission and distribution
3 capacity, same way that we were calculating that unit
4 cost for source and storage.
5 That FRC credit, which as I mentioned before,
6 is a statutory requirement, is designed to account for
7 the fact that new customers will pay either rates for
8 projects which eliminate existing deficiencies, the
9 storage, repair and replacement projects, and also for
10 debt service on existing facilities. Because through
11 the previous three components that we have calculated a
12 fee that will cover the cost of new capacity, cover all
13 the costs of new capacity that are required to serve the
14 new customers.
15 And because it's not feasible to have the new
16 customers not pay the portion of the rates that goes to
17 existing deficiencies, the approach is instead to apply
18 credit against the fee to account for those future rate
19 payments. As per the statute, this credit is the
20 present value of that difference over a 20-year horizon.
21 So the last step, I believe that's on Table C-6
22 of your packet, is the step of that calculation by the
23 way.
24 The last step is to put all of these components
25 together using the unit costs that were calculated in

1 the previous steps and the level of service standards
2 that were identified in the needs assessment study to
3 determine the charge per equivalent residential unit or
4 single-family.
5 I'd like to reiterate that these numbers are
6 draft and still being updated. We're included the
7 tables here so you can follow through the calculation
8 steps.
9 There are a few additional considerations I'd
10 like to address before we get into questions. The
11 issues of the phase-in period. The question has to be
12 approached more from a policy standpoint than an
13 analytical one as it's very difficult to project the
14 impact. For example, a 50-percent increase in the fee
15 does not necessarily translate directly to a 50-percent
16 increase in revenue.
17 The time frame over which updated fees are
18 phrased in will, of course, have a direct impact on the
19 amount of revenues collected. I believe the current
20 schedule is to phase in over a period of four years.
21 One potential concern with such a protracted
22 phase-in period is that it will make it difficult to
23 project revenue collection for those future years. And
24 I'll get into why that is in just a moment.
25 The relationship with the recent rate package

1 is another consideration. As you likely recall, two
2 rate options were considered. One at a more
3 conservative level is FRC revenues and one more
4 optimistic so it increases the level.
5 This may have given the impression of a direct
6 link between the rates and the FRC. And I'd like to
7 clarify that while the level of rate increases is
8 dependent on the revenues collected, as you can see from
9 the calculations that we've worked through here, the
10 calculation of the FRC is not dependent on the rate
11 increase itself, but it's rather influenced only by what
12 the actual cost of providing that new capacity is.
13 So in my judgment an appropriate course of
14 action, recognizing that there is some relationship
15 between the rates, but it's a one-directional
16 relationship, is to once the phase-in period for any
17 revised FRC fees has been completed, reevaluate the
18 rates.
19 So that once you've seen what the new level of
20 revenues are, this could potentially reduce the need for
21 rate increases in the later years. Another reason that
22 a more condensed phase-in period may be preferred.
23 Last consideration is related to the concern of
24 a rush of people paying for FRCs on projects that may
25 even be in the pipeline just so that they can get in

1 before there is an increase to the fee. This is a
2 significant issue for the department because by
3 accepting that payment for an FRC, the department is
4 committing to provide a system that can support that new
5 required capacity.
6 If a large number of people pay for FRCs now to
7 get in on the lower rate but do not actually install a
8 meter for a number of years, the department will still
9 be obligated to build the capacity for them and will
10 then, of course, be required to maintain that capacity.
11 However, because if no meter gets installed, they won't
12 -- the customer won't begin paying a service charge. A
13 service charge is what is designed to pay for the cost
14 of just maintaining that baseline system capacity.
15 So in that situation there won't be any rate
16 revenue to pay for the cost of maintaining that system.
17 Even though nobody has started using that capacity,
18 there is still a cost associated with that.
19 At this point I'd like to move on and address
20 any general or specific questions that you may have.
21 Thank you.
22 MR. DILL: I'll open up the floor. If
23 anybody on the committee or not on the committee has any
24 questions on the presentation on the FRCs.
25 Okay. Well, I think I do. Thank you for your

presentation. For me, I can tell you it's a lot to digest. I've gone through your earlier submittals and made some notes. And now with your presentation, I'll need to study that some more, as I'm sure we all will.

When we get down to Table, let me see, C-8.

MR. BAKER: Let me pull that up. One moment. Okay.

MR. DILL: So on Table 8-C, if I follow you correctly, all these numbers -- all these calculations result in establishing the FRC for a 5/8-inch water meter.

MR. BAKER: Yes.

MR. DILL: And then that rate is 13,500. And then based --

MR. BAKER: Again, those are drafts, but yes.

MR. DILL: Okay, sir. I understand. And then based on that, we use some -- we do some prorations in order to determine the appropriate FRC for the larger water meters.

MR. BAKER: That's correct.

MR. DILL: Can you go over that, please, how that was done?

MR. BAKER: Absolutely, yes. So there are some standard formulas that are out there, industry

1 standard for the amount of consumption that is expected
2 from different meters, but there's also a wealth of data
3 for your actual system.
4 And for the smaller meter sizes where you have
5 numerous customers at those meter sizes, we used the
6 average metered water use and did a ratio from the
7 average for a 5/8 meter to the larger meter size.
8 So for meter sizes 5/8 through 2 inches, that
9 was the basis for the calculation.
10 MR. DILL: So that's just based on a
11 cross-sectional area?
12 MR. BAKER: I'm sorry. For those meter
13 sizes it's based on the actual average metered
14 consumption, not meter size.
15 MR. DILL: Okay. What I'd like to see in
16 this table, too, as you mentioned, there's a large
17 number of users for the smaller meters. I'd like to
18 know -- and have another column on this table to
19 indicate the number of data points that are used to
20 generate that average.
21 MR. BAKER: Oh, absolutely, yeah, yeah. I
22 can add that. So yeah. So that's based off of the
23 average for those ones. For larger the meter sizes, we
24 recognize that there were not enough customers -- or not
25 enough data points to have a reasonable average. And so

we used -- that was for -- it was for those larger meter sizes that we used the AWWA flow factor which is just based on the cross-sectional area and the flow capacity that that meter can support.

MR. DILL: Okay.

MR. BAKER: I will certainly add to that Table C-8 a column indicating the number of accounts that that average was based on.

MR. DILL: Okay.

MR. NISHIMURA: May I?

MR. DILL: Yeah, go ahead.

MR. NISHIMURA: You mentioned that the 3- to 8-inch meter sizes is based on cross-sectional area. Now, is that based on comparing that against a 5/8-inch meter or against the 2-inch meter?

MR. BAKER: The 3- and 8-inch ones were compared based on cross-sectional areas against the 2-inch. So we used -- what we did is we used the average metered water use for 5/8 to the 2-inch, and then used the 2-inch essentially as an index. And so the ratios for the 3-, 4-, 6-, and 8-inch sizes are indexed to the 2-inch size.

MR. DILL: Okay. My next question is, you have a note there that for the 3/4- and 1-inch meters the averages were skewed by outliers, so you adjusted

1 the ratio to compensate. How did you make that
2 adjustment?
3 MR. BAKER: There were in the -- I believe
4 it was the last two years of data. There were some --
5 the numbers in the data that we received from -- in the
6 fill-frequency analysis from Honolulu Board of Water
7 Supply that the data just did not make sense. It was --
8 it was coming up that in those years there were a lot of
9 -- there's an issue where if they -- the result was that
10 the 3/4-inch average was coming up dramatically high
11 relative to both the 5/8 and the 1-inch and so we
12 deleted those outliers in the calculation.
13 MR. DILL: Okay. So --
14 MR. BAKER: So the ratio is not the -- the
15 average was adjusted by deleting those outliers. Not
16 the straight average.
17 MR. DILL: Okay. Now, when I look at the
18 gallons-per-day column -- well, hang on a moment. Let
19 me --
20 MR. BAKER: Yeah, so the gallons-per-day
21 column is the actual straight average number.
22 MR. DILL: Okay. So it looks like to me
23 the 3/4-inch we adjusted down, but the 1-inch we
24 adjusted up, is that right?
25 MR. BAKER: Yes. Yes, that's correct.

MR. DILL: That's interesting.

MR. BAKER: Yeah, that was an issue about the data being suspect. And we --

MR. DILL: Okay, and that's --

MR. BAKER: It was our engineering judgment to delete certain outliers to provide that. But what we could do there to clarify that is improvise, show the revised number in the gallons-per-day column.

MR. DILL: Yeah, I'd like to see clearly -- you have that note in parentheses two.

MR. BAKER: Yes.

MR. DILL: And if you show the adjusted one, we need to show that as well on the --

MR. BAKER: The gallons per day?

MR. DILL: Yeah, whether or not that's adjusted. Yeah. But also, what --

MR. BAKER: Yeah, I can include those.

MR. DILL: Over what period of time are you taking this average water use? Is this a full year or more longer than that?

MR. BAKER: Offhand, it was -- I believe was for a four-year period, but I'm not certain on that. So I can confirm and get back to you.

MR. DILL: Okay. Thanks. I would like that shown on chart, please, too, on the final report.

1 MR. BAKER: It was either -- I believe it
2 was either a three- or four-year period.
3 MR. DILL: Okay. And then the 8-inch water
4 meter size, the data appears to be way off. And I
5 assume that's just we have a very small data group
6 there.
7 MR. CRADDICK: 8-inch, only two meters.
8 MR. BAKER: Yeah, I think, if I recall
9 correctly, there are --
10 MR. CRADDICK: There's only two meters.
11 They're for the airport.
12 MR. BAKER: Yeah, I was going to say fewer
13 than five.
14 THE WITNESS: The airport and the harbors.
15 MR. BAKER: Very small data set.
16 MR. CRADDICK: And they have fire flow that
17 goes through their meters. So the meter is necessarily
18 much larger than it would otherwise have to be.
19 MR. DILL: Okay. It would be good to have
20 some explanation on that because that data obviously is
21 out of whack, but there's a reason for it, I understand.
22 MR. BAKER: Yeah, I'll add a note there
23 that clarifies that. For those larger size meters,
24 what's often the case is that while their metered
25 consumption may be lower than what they could be

consuming, you still have to provide a system that can support the capacity that they have essentially paid for. That's why for the larger meter sizes where there tends to be a variance between what the meter consumption is and what the capacity that they could be consuming is. That's why we deferred to using the AWWA factors, because it represents the amount of capacity that they could demand and thus the system has to be built for it.

MR. CRADDICK: Larry, can I ask?

MR. DILL: Go ahead.

MR. CRADDICK: Andy, this is David Craddick. I'm sorry I never brought this up before. But after Larry identified that one there, I know something is going on with our airport here where they want to increase their capacity. They can quite easily do it within the meter that they have. We have an agreement with them where they have to limit their capacity on the meters. So if they want more capacity, they have to pay for it.

What would we do? Just use the unit numbers for source, storage and transmission and multiply it times that additional capacity that they need and come up with a special fee for them? Because they'd still be using the same size meter.

1 MR. BAKER: That would probably be an
2 appropriate approach as long as you account -- so what
3 are they using the -- you would need to account not just
4 for their average, but also for the peak that they would
5 put on the system. So you can see further up on that
6 Table C-8.
7 MR. CRADDICK: Well, actually that was my
8 next question is, is I notice you're only doing the
9 average and not the peak. And yet we have to build
10 system for the peak.
11 MR. BAKER: Well, for source and storage it
12 does factor for the peak.
13 MR. CRADDICK: Okay.
14 MR. BAKER: So it includes the 1.5 for the
15 max daily demand.
16 MR. CRADDICK: Okay.
17 MR. DILL: Max daily, but not peak.
18 MR. BAKER: Yeah, when you calculate that,
19 you would want to make sure that you use that same
20 formula. For source and storage, you apply -- we're
21 calculating for the peak and not the average.
22 MR. CRADDICK: Okay. Thank you.
23 MR. NISHIMURA: Going back to that same
24 question. If the 3-inch through 8-inch FRC charges are
25 based on potential flow, should that not have already be

1 accounted for and why are we charging additional FRC?
2 MR. CRADDICK: No, it's not accounted for
3 because we gave them a larger meter size than what they
4 needed because of their fire flow requirement. So
5 there's an actual payment --
6 MR. NISHIMURA: Did they pay for the FR --
7 the bigger meter?
8 MR. CRADDICK: Gary -- or Gregg. Gary.
9 Gregg.
10 MR. FUJIKAWA: I don't know. I have to
11 check the files so that I can answer that question.
12 MR. DILL: Go ahead.
13 MR. NISHIMURA: The primary thing is if we
14 paid for FRC and it's a one-time charge, why are we
15 looking at charging another FRC just because they
16 require more capacity?
17 MR. BAKER: Yeah. If there's an existing
18 agreement that limits their capacity, my expectation
19 would be that maybe they had an agreement to pay a
20 reduced FRC at the time, but that's probably something
21 that there should be records on. But you're right, that
22 that's a good consideration is to confirm that if they
23 -- if they did pay the full FRC for an 8-inch meter,
24 then, yeah, that's something that's probably worth
25 looking at more in particular for a special case.

1 MR. DILL: See, our rules committee is
2 currently reviewing all of our FRC application of fees,
3 and I think that's a good subject for them to look at in
4 how these FRCs are actually applied. So I think that's
5 maybe a subject more for them perhaps than for us.
6 MR. CRADDICK: Yeah, I put the note down in
7 here.
8 MR. DILL: And as you may have mentioned
9 earlier, it may good that the rules committee adopt the
10 rules before we adopt these new charges. We'll have to
11 decide that as well.
12 MR. CRADDICK: Well, when Andy was
13 explaining that phase-in, you know, keep in mind the
14 longer we wait -- because this will work. I mean, it
15 works now as it is. But we do have the problem, you
16 know, where we're required to maybe pay the development
17 fee plus put the improvements in or bond them. And
18 that's awkward.
19 But myself, you know, the longer we delay, the
20 more likely we're not going to be able to collect the
21 money that we need to pay the fees. And we just need to
22 push on that side a little bit more on the rules side to
23 get moving.
24 I think after the presentation, the last
25 presentation, I think they understand a little bit more

1 the necessity to do it. Whereas I think there was kind
2 of a feeling that, nah, we didn't really need to do it.
3 It's okay the way it is. Now, I think that the -- I
4 think that feeling has changed a little.
5 MR. DILL: Okay.
6 MR. BAKER: Yeah. And, I mean, the
7 phase-in period is something that merits some
8 consideration. Because there is -- to me four years
9 sounds -- I was surprised when David told me that it was
10 over a four-year period. It's a very long period of
11 time.
12 MR. CRADDICK: Andy, I just threw that out
13 there so the board would have something to look at, you
14 know, that this was a critical issue. And I hadn't
15 really thought much about the timing. It was just easy
16 to divide a hundred percent by four.
17 MR. BAKER: Right, right.
18 MR. CRADDICK: It's just as easy to divide
19 100 percent by four 6-months' periods and move it down
20 to two years, too, so.
21 MR. BAKER: Yeah. I mean, that's something
22 that --
23 MR. CRADDICK: I mean, six months is six --
24 MR. BAKER: I don't know at what point --
25 MR. CRADDICK: Six months is certainly more

1 than ample time to put in a lateral and take your meter,
2 but ...
3 MR. BAKER: Yeah, yeah, yeah. I mean, I
4 don't know at what point you get input from the
5 development community on that issue. But I would be --
6 MR. CRADDICK: We could get swamped
7 staff-wise. I see some faces on the staff here. If a
8 bunch of people -- you know, hundreds of people came in
9 wanting to put laterals in all at once. I mean,
10 staff-wise we might be a little pressed. But if we had
11 to get outside help for the rush, you know, that may be
12 what we have to do.
13 MR. BAKER: Yeah.
14 MR. CRADDICK: If we see that happening.
15 MR. DILL: Andy, a couple of other
16 questions. In a couple of the tables you've got a note,
17 at least in the version that I was looking at, that
18 total differs from totals in Appendix D because of the
19 Grove Farm project. So how did you treat the Grove Farm
20 project that had affect on this?
21 MR. BAKER: Let me find that note on that.
22 Oh, that was a reference to the -- to the sum that was
23 rolled in. There are in the report a number of appendix
24 tables, and the Grove Farm project was not included in
25 those appendix tables because they had been prepared

1 separately from the analysis related to Grove Farm
2 project.
3 So the Grove Farm on these tables, for example,
4 you see on C-1, the calculation was done the same way as
5 for any other project. It looked at the costs, the
6 amount of new capacity that it would provide and what
7 percent of that capacity was for new growth versus
8 existing system needs.
9 So it wasn't treated in this calculation any
10 differently. The note was to clarify that there was a
11 -- that there was a consistency difference with other
12 appendix tables.
13 MR. CRADDICK: Andy, one other issue, too,
14 is once this fee goes in place, we would be able to
15 replace capacity that we take from existing development
16 agreements that we have such as Kukuiula and Grove Farm.
17 So right now just by simply opening a valve, we can take
18 a lot more water and bring it into the system and give
19 that water out to people.
20 It's just that we have to be able to replace
21 it. So the minute we start doing that, we would have to
22 start planning to build a new treatment plant there or
23 expand the existing plant.
24 And I guess that's why this is in here, Larry.
25 Because, I think, right away, you know, we're not going

1 to have the new fee in place, have excess water that
2 Grove Farm is not using and not give it out if we can
3 replace it.
4 We just start planning for building a new
5 treatment plant and give the water out and just make
6 sure when Grove Farm needs the water that it's there.
7 MR. DILL: And is that the case because the
8 department doesn't own that source?
9 MR. CRADDICK: Well, it's not that we don't
10 own it. It's because we have an agreement that it goes
11 to their projects. But if they don't build out
12 100 percent, and they're not going to build out 100
13 percent on the first day, then the capacity is there.
14 So we can use it as easily as they can provided we can
15 replace it so it's there when they need it.
16 MR. DILL: Okay.
17 MR. CRADDICK: And that goes for Kukuiula
18 also. We've got to bunch of wells out there that are
19 not being used anywhere near capacity. We know Kukuiula
20 will not build out for many, many year. So, you know,
21 would we go put more wells in right now? You know, no,
22 we wouldn't. We would use that up and as we approached
23 a limit, then we would at least have the money coming
24 into this fee where we could go and put in additional
25 wells.

MR. DILL: When it was necessary?

MR. CRADDICK: Yes.

MR. DILL: And we have the same sort of agreements with Kukuiula that we have with Grove Farm?

MR. CRADDICK: Believe it or not, Kukuiula has given us those facilities without an agreement. They have been wanting to get an agreement, and we'll have to get an agreement with them for that. But, I mean, that's certainly the understanding that they gave us those facilities for their build-out, and I think everybody knows that here. And they did say that when we accepted the facilities, that they're giving those facilities with the understanding that they will get the --

MR. DILL: Serve their development?

MR. CRADDICK: Yeah, capacity when they need it. So that one there is kind of a gentlemen's agreement, if you will, right now, which does need to be memorialized.

MR. DILL: Anybody else have any more questions for Andy?

I've got a question for you, Andy, on Table C-6.

MR. BAKER: C6, yes. One moment. I'm guessing on this portion of the table.

1 MR. DILL: Yes. In the box, lines 25, 26,
2 27, could you explain that, please?
3 MR. BAKER: Yes. So the state statute
4 requires this -- I'm glad you asked about this because
5 this is a complicated issue because it requires that we
6 do an -- the statute requires that we do an analysis
7 that identifies what portion of the rates that a new
8 customer will be paying will be going to source and
9 storage, repair and replacement projects, existing
10 deficiencies and debt service on existing facilities.
11 And that we then take the -- I calculate the
12 present value of those rate payments over a 20-year
13 horizon. And so what we're doing is we are calculating
14 the present value of the unit costs, a great revenue for
15 R&R, existing deficiencies and existing debt, that is
16 calculated on a per GPD basis in line 24.
17 So we have it for the known study period.
18 Because we just completed the rate study, we have more
19 accurate numbers. For the period -- for the remainder
20 of the 20-year period that we're required to look it
21 over, we just did the six-year average because we really
22 had no better information than that.
23 Doing really detailed 20-year projections is a
24 little suspect. So the best information we have is to
25 take the average of those of what it is over that

1 six-year period. And then we're taking the present
2 value of the individual -- I'm not sure if you can see
3 my mouse pointer when I'm moving this around or not.
4 But we take the present value of these dollars
5 per GPD metered consumption. That's what the 488 is.
6 That's the 20-year present value at a nominal discount
7 rate of six percent.
8 MR. DILL: It would help me to see the
9 actual calculation, Andy.
10 MR. BAKER: Okay. I can send -- I think I
11 sent to David the Excel spreadsheet with all the cells.
12 And he can -- he could provide that to you.
13 MR. CRADDICK: I think, Larry, you have
14 that. You have the Excel format for this.
15 MR. DILL: Okay.
16 MR. CRADDICK: I take that back. I might
17 have sent it to Randy and not you.
18 MR. BAKER: Yeah. So the -- and the Excel
19 formula is -- the calculation is fairly strict. So
20 there's a function in Excel to calculate net present
21 value of a series of values. And so we just -- we take
22 a period of 20 years of these values and it calculates
23 what the net present value is.
24 MR. CRADDICK: Larry, your question here
25 that you're asking is another, I think, important reason

1 on this phase-in because if people pay a fee and then
2 they don't take the meter, they're not helping to pay
3 down this debt service that this credit is given for.
4 So they're getting a credit and yet they never put the
5 meter in, they never use water. And so the quicker we
6 phase those things out and make them pay the higher fee,
7 the more likelihood that we're going to make it with a
8 lower number.
9 MR. BAKER: Yeah. So these calculations
10 all work on the assumption that someone -- a developer
11 pays the fee, puts the meter in within a nominal time
12 frame.
13 MR. CRADDICK: And that's not happening
14 here.
15 MR. BAKER: And there are issues for the
16 finances of the department as a whole, is if there's a
17 very large lag, and David was mentioning to me that
18 there are some people that have paid an FRC ten years
19 ago and haven't installed the meter. But the system --
20 the department is obligated to build a system once they
21 accept that FRC payment to support -- to provide that
22 capacity even if somebody doesn't then put the meter in.
23 So there's a -- there's then -- then they're
24 not paying the service charge, which is supposed to go
25 to cover that system capacity -- the O&M on that

1 system's capacity. So there are implications for having
2 those cases where people put -- pay the FRC and then
3 just sit on it. It's not a revenue positive situation
4 for the department to get the FRC and then not have to
5 ever provide the capacity.
6 MR. DILL: Okay. So if our rules committee
7 establishes rules where folks who pay an FRC sit on the
8 meter, the department decides to refund the FRC if no
9 meter is installed in 12 months or something like that,
10 would that address that concern and would that affect
11 the way your doing this calculation?
12 MR. BAKER: It would not have an impact on
13 the calculation to answer that part of the question.
14 Because, again, as I said, this calculation -- there
15 isn't a good analytical model for how to deal with
16 people acting that way because it's not -- it's not
17 typical for developers to do that. It's sort of an
18 anomaly.
19 So it wouldn't affect the calculation because
20 the calculation doesn't assume that that's going on
21 right now. That would be potentially one approach to
22 deal with it.
23 There is a -- the other way that it could be
24 addressed, and I'm not sure if it makes more or less
25 sense. It's more of a policy question than a finance

1 question. Is that to put a clause in the rules stating
2 that once someone -- once the developer does elect to
3 install the meter, they'd be required to pay the
4 difference in whatever they originally paid and the
5 current FRC.
6 So if they sat on this FRC charge for five
7 years or something, then you could have them pay the
8 difference in between what they previously paid if they
9 haven't installed it after 12 or 18 months or something
10 like that.
11 You give them -- they pay it, you give them
12 12 months to install the meter. If they take longer
13 than that, then if rates have gone up, then you charge
14 the difference at time of meter installation.
15 MR. DILL: Do you have a question?
16 MR. CRADDICK: Andy, just for clarification
17 sake here. An issue came up during our audit on
18 whether, you know, after this work is done if we need an
19 auditor to check it over. And I just wanted to confirm
20 with you. I believe the contract that you have is with
21 the board. It's not with the staff of the water
22 department. It's with the board, and you're actually
23 working for the board, right?
24 MR. BAKER: I believe so, but I will
25 confirm that for you.

1 MR. CRADDICK: Okay.
2 MR. DILL: So on Table 6, Andy.
3 MR. BAKER: Yes.
4 MR. DILL: Line 15, you have less projected
5 FRC revenue. Was that projection taken from the water
6 rate analysis? Or where did you come up with those
7 numbers?
8 MR. BAKER: Yeah, that's taken from the
9 water rate analysis. Because the projection period
10 here, the through 2016 is taken from the water rate
11 analysis. And so I used -- we used the numbers that
12 were in there so we were consistent.
13 MR. DILL: Right, okay.
14 MR. BAKER: There wasn't a new projection
15 of what revenues were going to be.
16 MR. DILL: Okay. I would appreciate -- you
17 have a note in some places where you've taken -- could
18 you just make sure, please, you put a post where you
19 pulled stuff from the water rate study, that you add
20 that notation? You have it in some places.
21 MR. BAKER: There was a note here that the
22 source was for the water rate study. But I'll clarify
23 that, yeah, all of these -- that projection period was
24 based off the water rate study.
25 MR. DILL: Okay. Thanks. You have it on

1 some lines but not others, so I was just curious on that
2 one.
3 MR. BAKER: Yeah, yeah, that's unclear. I
4 apologize for that.
5 MR. DILL: And actually -- and in your
6 notes at the bottom of that, I don't know if you -- in
7 trying to follow your notes at the bottom, I think it's
8 just a housekeeping thing, on lines four, five and six
9 you reference -- you reference lines. I think they're
10 the wrong lines, so it made it kind of hard to follow.
11 MR. BAKER: Oh, yeah, I think you're right
12 there. I'll check on that. I apologize for that.
13 Yeah.
14 MR. DILL: Thank you.
15 MR. NISHIMURA: Can you explain what the
16 lines 23 and 24, how you derived those numbers?
17 MR. BAKER: Yes. And, in fact, I can pull
18 up the calculations themselves. I have to make sure
19 this works here. Yeah, that's where the note is pointed
20 to the wrong point. It should be saying lines 21 and
21 22. Is that coming through okay? It might be a little
22 hard to see. I'm not sure.
23 But the dollars per kilogram -- or per
24 kilogallon, apologize, is the -- is taking line 21 rate
25 revenue calculation divided by the systemwide water

1 sales. That gives a unit basis for rate revenue for
2 these deficiencies per kilogallon. And then the dollars
3 per gallon per day is done by dividing based on version
4 two taking the gallons divided by days.
5 MR. NISHIMURA: Does that mean from a
6 budgetary standpoint that we should be using those
7 numbers for primarily our replacement of whatever it
8 might be, source, storage or transmission, and lock that
9 up from a budgetary standpoint?
10 MR. BAKER: Lock that up in terms of
11 putting it into a separate fund or?
12 MR. NISHIMURA: Or setting it aside
13 specifically for that purpose as opposed to allowing
14 operations to access that money.
15 MR. BAKER: I don't think that that would
16 be necessarily appropriate. I mean, I would be
17 disinclined to say -- I mean, these are sort of average
18 numbers is the idea. We're trying to get a
19 characterization of what goes on on an average basis.
20 But in some years you may need to do a lot of repair and
21 replacement because it just becomes necessary.
22 MR. NISHIMURA: No, I understand that. But
23 what I'm saying is that from an operation standpoint,
24 should that monies be kind of separated from operations
25 use?

1 MR. CRADDICK: You're talking about the
2 deficiencies money, Randy?
3 MR. NISHIMURA: Yes.
4 MR. CRADDICK: Andy, what I'm gathering or
5 I hope he's saying is should this money that we identify
6 here be going over to the FRC charge because these are
7 deficiencies --
8 MR. NISHIMURA: No, that's not because
9 those are rate generated monies.
10 MR. CRADDICK: No, no, they are, but
11 they're for deficiencies, meaning that we gave capacity
12 to people that we didn't have capacity for, and now
13 everybody's having to pay for that. But we're reducing
14 the FRC fee below what we need in order to provide those
15 facilities.
16 So if we put that over to the FRC fund and
17 build the facilities that the deficits were intended,
18 then you're getting the full FRC charge and not charging
19 the new expanded for the fact that we allowed people to
20 get on the system without having adequate capacity.
21 MR. NISHIMURA: I've got to think about
22 that one. Because it's replacement or maybe that's the
23 -- maybe that's not the term that they should be using.
24 MR. CRADDICK: Are you saying it's
25 replacement in here, Andy, or just deficit?

1 MR. BAKER: It's all three of those things
2 together.
3 MR. CRADDICK: Okay, okay.
4 MR. BAKER: It's expenses for repair and
5 replacement, projects for existing deficiencies and
6 existing outstanding indebtedness. And so the intent of
7 the calculation is that a new customer pays a fee. They
8 should be -- they're paying for the full cost of their
9 capacity, but they are joining into a system that has
10 existing outstanding debt and that sort of thing, and so
11 the credit is to --
12 MR. CRADDICK: But none of the debt is for
13 the transmission, storage or source.
14 MR. BAKER: I'm sorry. Repeat that.
15 MR. CRADDICK: None of the debt is for
16 source, transmission or storage. The only debt that
17 they're paying for is line replacement, and that is --
18 you know, everybody gets their turn in there.
19 That's kind of why -- that's one problem I've
20 been having with this thing here where you give that
21 credit because they are not paying the debt. That debt
22 is going on to the FRC.
23 MR. BAKER: Well, no, but there's existing
24 outstanding debt in--
25 MR. CRADDICK: But not for storage,

1 transmission and source. Not that the ratepayers will
2 be paying. Let's put it that way.
3 MR. NISHIMURA: Yes, we are.
4 MR. CRADDICK: Like what?
5 MR. NISHIMURA: Like the reserve we're
6 setting up.
7 MR. CRADDICK: The reserve is partially
8 funded from the FRC, too. Whatever is expansion related
9 will come out of the FRC.
10 MR. NISHIMURA: A part of that is, but the
11 bulk of that reserve is coming out of the rate
12 structure.
13 MR. CRADDICK: It is because the bulk of
14 that money --
15 MR. NISHIMURA: You cannot use that for
16 anything else.
17 MR. CRADDICK: Yeah, but the bulk of it is
18 for system replacement. I mean, three-quarters or
19 two-thirds of the BAB is for system replacement, not for
20 expansion.
21 Anyways, that's one of the issues that we're
22 still working with them on to get that cleared up. So
23 that -- I still don't believe we've covered that
24 properly yet.
25 MR. NISHIMURA: Is the BAB going to be

1 added into this?
2 MR. CRADDICK: The expansion related BAB
3 debt and principal will be added. Well, the projects
4 are listed here. So we just need to get the debt in
5 there, too, the interest payments in there.
6 MR. NISHIMURA: But that should be only for
7 expansion related.
8 MR. CRADDICK: Yeah, only expansion
9 related. So it's only $20 million of the debt, and that
10 would be adjusted, you know, if we don't spend the full
11 20 million, then that will get adjusted.
12 Right now what we have is the BAB, the SRF that
13 is expansion related, and the -- and then ten percent of
14 all the rest of the projects are supposed to be shown as
15 being debt financed in here.
16 MR. NISHIMURA: But they're --
17 MR. CRADDICK: And coming out of this FRC
18 fund, not out of the ratepayers.
19 MR. NISHIMURA: I thought SRF cannot be
20 used for expansion.
21 MR. CRADDICK: No, no, no. Technically is
22 can't, but we did, and we've gone over that with the
23 auditor and the state. And even though they're
24 expansion related for us, the state doesn't consider
25 them expansion related. So they don't care where the

1 money comes from as long as they get paid.
2 And we -- after going over this at length with
3 the auditor, the auditor felt that it was okay what we
4 were doing, and they don't care where the money comes
5 from to pay that debt service on the SRF related
6 projects.
7 But the stable tank, the tank out in Waimea
8 that we just built is definitely for expansion. I mean,
9 that's how we were able to cancel the restrictions out
10 in Waimea was because we built that tank. And it's
11 definitely expansion related, and the FRC is paying for
12 that.
13 That was the adjustment that we did on our
14 audit two years ago, paying all the back -- paying into
15 the water rates from the FRC fund all of the stuff that
16 the rates had paid for from the time the loans were
17 issued.
18 So the FRC has already reimbursed the water
19 ratepayer for all that back debt service that they paid
20 into. And I'm not certain we've explained that properly
21 to Beck yet.
22 So we still will need to work on these numbers,
23 but I was hoping to get a buy-in of the process here
24 today. That this is the process that they've used and
25 subject to getting the projects in here and correct

1 party paying for the debt service, that you accept the
2 process, how they did it.
3 MR. DILL: So you're looking for acceptance
4 of the methodology, the approach?
5 MR. CRADDICK: Yeah, that's pretty much.
6 If we can do that today, I think we'll have covered a
7 great amount of ground.
8 MR. DILL: Speaking for myself, this is a
9 lot of information.
10 MR. CRADDICK: Yeah, it is. I mean, you
11 know, I don't expect to see some motion, you know.
12 MR. DILL: Right.
13 MR. CRADDICK: If there's an understanding
14 that that's what it is. I expect maybe as you read it a
15 little bit, there may be more comments to come back even
16 yet. But this is kind of the first go-round because
17 both yourself and Clyde are new. And so, yes, this is a
18 big -- a lot to absorb over an hour.
19 MR. NISHIMURA: I think it deserves more.
20 MR. DILL: Yeah, I guess I could say
21 preliminarily I think I'm comfortable --
22 MR. CRADDICK: Are we finished with Andy
23 here now, maybe, and can let him go?
24 MR. DILL: Any more questions for Andy?
25 MR. CRADDICK: Okay. Andy, thanks then. I

1 guess we're pau now, and we've got to do some internal
2 soul searching now.
3 MR. BAKER: Yeah, yeah. All right. I'll
4 talk to you later.
5 MR. CRADDICK: Okay. Thank you.
6 MR. BAKER: Thank you. Thank you for
7 giving me the opportunity to speak to you all today.
8 MR. DILL: Thank you.
9 MR. OYAMA: Thank you.
10 MR. BAKER: I'm going to shut down web
11 stuff now.
12 MR. CRADDICK: Okay. Thank you.
13 Yeah. No. You know, I don't expect to hear a
14 motion that this is it, cut and dried.
15 MR. DILL: No. We have a lot of work left
16 to do here, I can see on this. And when the
17 presentation was given and the information provided, you
18 know, I don't feel comfortable. I guess I would -- I
19 could say that on a preliminary basis I have somewhat of
20 a grasp of the approach methodology, and I think I'm
21 comfortable with that.
22 But that's subject to a lot more review still
23 and a better understanding on my part of all the
24 numbers, et cetera. So I'm not sure what the committee
25 can do today other than receive this and to defer for

1 further discussion.
2 MR. CRADDICK: Okay. That's probably good.
3 MR. DILL: Can I -- any other discussion
4 for the committee or? I'll entertain a motion to do
5 something along those lines.
6 MR. NAKAYA: Mr. Chair, I'd like to make a
7 motion to receive the data that we received today and
8 defer it to a committee meeting for more discussion.
9 MR. DILL: All right. Thank you. Have a
10 second?
11 MR. OYAMA: Second.
12 MR. DILL: Any further discussion?
13 All in favor signify by saying aye.
14 All opposed?
15 Hearing none, the motion is approved.
16 MR. CRADDICK: Thank you.
17 MR. DILL: And I think that we can probably
18 entertain a motion to adjourn.
19 MR. NAKAYA: So moved.
20 MR. OYAMA: Second.
21 MR. DILL: All opposed. Hearing none.
22 Thank you.
23 (Concluded at approximately 10:08 a.m.,
24 February 29, 2012.)
25 * * * * *

STATE OF HAWAII)
) ss.
COUNTY OF KAUAI)

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

That on Wednesday, February 29, 2012, at 9:04 a.m. that the foregoing FINANCE COMMITTEE MEETING, County of Kauai, Board of Water Supply, was held;

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

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

DATED this 18th day of March, 2012, in Kapaa, Hawaii.

_____
TERRI R. HANSON, CSR 482
Registered Professional Reporter

Correspondence

KMHLLP

A Hawaii Limited Liability Partnership

February 13, 2012

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

We are pleased to present this report related to our audit of the of financial statements and compliance of the Department of Water, County of Kauai, State of Hawaii (the Department) for the year ended June 30, 2011. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Department's financial and compliance reporting process.

Statement on Auditing Standards No. 114 requires the auditor to communicate certain matters to keep those charged with governance adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. The following summarizes these communications:

The Auditor's Responsibility Under Professional Standards

Our audit of the financial statements of the Department for the year ended June 30, 2011 was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States, has been described to you in our audit contract dated July 28, 2011. We also performed our audit in accordance with the provisions of the Single Audit Act, OMB Circular A-133 and OMB's Compliance Supplements. Those standards, circulars, and the supplements require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe our audit accomplished that objective.

In accordance with *Government Auditing Standards*, we have also performed tests of controls over internal control over financial reporting and tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements that contribute to the evidence supporting our opinion on the financial statements. However, they do not provide a basis for opining on the Corporation's internal control over financial reporting or on compliance and other matters.

Accounting Practices

Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Department. The Department did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period.

Significant or Unusual Transactions

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Alternative Treatments Discussed with Management

We did not discuss with management any alternative treatments within generally accepted accounting principles for accounting policies and practices related to material items during the current audit period.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed us they used all the relevant facts available to them at the time to make the best judgments about accounting estimates and we considered this information in the scope of our audit. Estimates significant to the financial statements include such items as the estimated valuation of unbilled accounts, allowance for doubtful accounts and the fair value of investments held by the Department. The Committee may wish to monitor throughout the year the process used to compute and record these accounting estimates.

Financial Statement Disclosures

Although objective criteria have not been developed to aid in the consistent evaluation of the quality of the Department's accounting principles and disclosures, we believe the accounting principles utilized by management are adequate and the related disclosures are neutral consistent and clear.

Audit Adjustments

There were several audit adjustments made to the original trial balance presented to us to begin our audit. The adjustments are included as Appendix A.

Uncorrected Misstatements

There were no uncorrected misstatements.

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed with Management

During the audit, management informed KMH of concerns regarding three projects from prior years funded by the Department of Health (DOH) State Revolving Fund (SRF) loans did not meet the federal requirements for eligible projects. At June 30, 2011, the loans outstanding on these projects totaled approximately $7.7 million. If these projects are not eligible, the Department would need to immediately repay the funds loaned by the DOH. KMH reviewed applicable regulations and decided to further look into this matter. Based on discussions with DOH personnel, the scope of the specific projects and confirmed that the projects are in compliance in federal regulations. As a result, no further action was deemed necessary.

Difficulties Encountered in Performing the Audit

Under the contract, we are required to deliver a draft of the audited financial statements by October 15. In order to complete the audit on time, the audit needs to commence earlier. Currently the audit begins in the latter half of September with entries being provided to us throughout fieldwork. In the 2011 audit, there were a significant number of entries provided by the Department to record. In our letter, we detail several findings that contributed to the delays encountered. A recent high turnover rate and vacancies at the Department due to recent retirements have only exacerbated the problem. Unless substantial changes are made, these delays will persist.

Report Communicating Significant Deficiencies and Material Weaknesses

We have separately communicated the significant deficiencies and material weaknesses identified during our audit of the financial statements and major awards, as required by the Government Auditing Standards and OMB Circular A-133 (Single Audit Reports). These findings are communicated in the Summary of Findings in the Single Audit Reports as Appendix B.

Certain Written Communications Between Management and Our Firm

A copy of the representations that management has made throughout the audit is attached as Appendix C.

Closing

This report 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 the specified parties.

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.

KMH LLP

KMH LLP

Appendix A
Schedule of Recorded Audit Adjustments

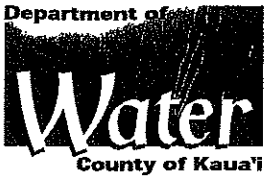
AJE		Debit (Credit)					
		Balance Sheet			Operating Stmt		
		Asset	Liability	Equity	Revenue	Expense	Other
1	Long-term Accrued Vacation and Comp Pay		154,412				
	Reserve For Accumulated Vacation		(137,237)				
	Reserve For Accumulated Comp Time		(17,175)				
	To properly classify current portion of accrued comp & vacation time as of 6/30/11						
2	Long-Term Debt - Reclass Current Portion		259,000				
	Current Portion of Long - Term Debt		(259,000)				
	To properly reclass the current portion of long-term debt						
3	Interest Expense					4,343	
	Loan Fee Expense					56,214	
	Accrued Expenses Payable		(56,214)				
	Accrued Interest Payable		(4,343)				
	To properly state accrued interest and interest expense as of year-end						
4	Accrued Interest Payable		12,997				
	Interest Expense					(12,997)	
	To properly state accrued interest payable and related accrued interest subsidy as of 6/30/11						
5	Misc. Expenses - Trans & Distr Exp - Shop					77,401	
	Materials Inventory - Stock - Meters	(77,401)					
	To properly state inventory as of 6/30/2011						
6	Depreciation Expense					110,664	
	Accumulated Depreciation	(110,664)					
	To properly record depreciation expense for FYE 6/30/11.						
7	Short Term Investments	532,055					
	Unrealized Gain on Investments - STI				(532,055)		
	To adjust investments to fair valueas of 6/30/11.						
8	Long Term Debt - Unamortized Discount		11,729				
	Other Assets	(11,729)					
	To reclassify net bond discount from other asset to debt						
9	Accrued Payable		163,845				
	Injuries & Damages - Workmen's Compensation					(163,845)	
	To adjust Workers' Comp payable to actuarial estimate						
10	Constr. in Progress-DOW	27,785					
	Contracts Payable - Water Utility Fund		(27,785)				
	To accrue for AP amounts erroneously excluded as of 6/30/11						
11	Due from FRC	58,516					
	Due to WU - FRC		(58,516)				
	To properly record interest and due from FRC related to FRC projects funded by SRF loans at 6/30/11						
12	Electric Pumping Equipment	112,671					
	Constr. in Progress-DOW	(112,671)					
	To properly state CIP as of 6/30/2011						
13	Construction in Progress BAB- Goodfellow Job 04-06	638,226					
	Construction in Progress-DOW- Goodfellow Job 04-06	(638,226)					
	To reverse erroneous entry and properly record the transfer from CIP 107.1 to 107.2						
14	Transmission & Distribution Mains	741,142					
	CWIP - Storm, March 2006	(741,142)					
	To properly state CIP as of 06/30/2011						

Appendix A
Schedule of Recorded Audit Adjustments (continued)

		Debit (Credit)					
		Balance Sheet			Operating Stmt		
		Asset	Liability	Equity	Revenue	Expense	Other
15	Capital Lease Obligation		512,830				
	Interest Expense - Capital Lease					309,170	
	Water Purchases - Surface Water Treatment Plant					(792,000)	
	Capital Lease Obligation - Current Portion		(30,000)				
	To properly state the capital lease liability at YE and properly classify current portion as of 6/30/11						
16	Due from State	1,431,562					
	Capital Contributions			(1,431,562)			
	To properly record allotment from the SOH						
17	Aid in Construction - Others				69,080		
	Capital Contributions				(69,080)		
	To properly record CIAC additions as capital contributions (non-operating revenues)						
			845,959				
18	Accounts Payable		(845,959)				
	OPEB Liability						
	To reclassify OPEB liability from A/P						
19	Pumping and Distribution Expense					85,950	
	Transmission & Distribution Expense					724,669	
	Purification Expense					11,475	
	Employee Pensions & Benefits					(822,094)	
	To record Fringe Benefit Allocation						
20	Constr. in Progress-DOW	93,593					
	Accounts Payable - Contract Retainage WU Fund		(93,593)				
	To accrue contract retainage payable to Kauai Builders						
21	Transmission and Distribution Expense					63,817	
	Constr. in Progress-DOW	(63,817)					
	To properly state CIP related to Job 98-31 as of 6/30/11.						
22	Transmission and Distribution Expense					37,451	
	Constr. in Progress-FRC	(37,451)					
	To properly state CIP related to Job 99-1 as of 6/30/11.						
23	Transmission and Distribution Expense					45,315	
	Constr. in Progress-DOW	(45,315)					
	To properly state CIP as of 6/30/11.						
24	Transmission and Distribution Expense					34,120	
	Constr. in Progress-DOW	(34,120)					
	To properly state CIP as of 6/30/11.						
25	Receivable from FRC Fund	1,387,600					
	Constr. in Progress-FRC	(1,387,600)					
	To properly state CIP as of 6/30/11.						
26	Constr. in Progress-Bond	409,000					
	Interest Expense					(409,000)	
	To properly capitalize interest for the year ended 6/30/11.						
27	Capital Contributions						375,600
	Earned Surplus			(375,600)			
	To properly record net FRC receipts as contributions.						
28	Earned Surplus - FRC			709,403			
	Aid in Construction - FRC			(709,403)			
	To properly reclass assets funded by FRC.						
29	Earned Surplus			22,442			
	Cost of Issuance - 2010A BAB Bonds	(7,442)					
	Outside Services					(15,000)	
	To properly state beginning net assets as of 7/1/10.						

Appendix A
Schedule of Recorded Audit Adjustments (continued)

		Debit (Credit)					
		Balance Sheet			Operating Stmt		
		Asset	Liability	Equity	Revenue	Expense	Other
30	Uncollectible Expense					132,327	
	Provision for Uncollectible Accounts	(132,327)					
	To record provision of uncollectible accounts as of 6/30/11.						
31	Water Sales				288,133		
	Accounts Receivable - Water Sales	(196,295)					
	Misc. Operating Reserves	(91,838)					
	To properly state revenues for the year ended 6/30/11.						
32	Accounts Receivable - Water Sales	25,178					
	Accounts Payable - Suspense		(25,178)				
	To properly state accounts receivable as of 6/30/11.						
33	Water Sales				1,302,761		
	Accounts Receivable - Unbilled	(1,302,761)					
	To properly state unbilled accounts receivable as of 6/30/11.						
	Total	**$ 466,529**	**$ 405,772**	**$ (1,784,720)**	**$ 1,058,839**	**$ (522,020)**	**$ 375,600**



Water has no substitute.....Conserve it

December 7, 2011

KMH LLP
1003 Bishop Street, Suite 2400
Honolulu, HI 96813

In connection with your audits of the basic financial statements of the Department of Water (the Department), a component unit of the County of Kauai, Hawaii, as of and for the years ended June 30, 2011 and 2010, we confirm that we are responsible for the fair presentation in the financial statements of financial position, changes in financial position, and cash flows in conformity with accounting principles generally accepted in the United States of America.

We confirm to the best of our knowledge and belief, as of the date of this letter the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America.
2. We are a component unit of County of Kauai, Hawaii as this term is defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards.
3. We are responsible for compliance with laws and regulations applicable to the Department including adopting, approving, and amending budgets.
4. We have identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts including legal and contractual provisions for reporting specific activities in separate funds.
5. We have made available to you:
   a. All financial records and related data of all funds and activities, including those of all special funds, programs, departments, projects, activities, etc., in existence at any time during the periods covered by your audits.
   b. All minutes of the meetings of the governing board and committees of board members or summaries of actions of recent meetings for which minutes have not yet been prepared.
   c. All communications from grantors, lenders, other funding sources or regulatory agencies concerning noncompliance with:
      (1) Statutory, regulatory or contractual provisions or requirements.
      (2) Financial reporting practices that could have a material effect on the financial statements.
6. We have no knowledge of fraud or suspected fraud affecting the entity involving:
   a. Management or employees who have significant roles in the internal control.
   b. Others where the fraud could have a material effect on the financial statements.
7. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.

4398 Pua 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: 808-246-8628

8. We have no knowledge of any allegations of fraud or suspected fraud affecting the Department received in communications from employees, former employees, analysts, regulators, short sellers, or others.

9. We have informed you of all significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the entity's ability to record, process, summarize, and report financial data.

10. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

11. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

12. The following have been properly recorded and/or disclosed in the financial statements:

    a. Related party transactions, including those with the primary government having accountability for the Department as defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements and guarantees, all of which have been recorded in accordance with the economic substance of the transaction and appropriately classified and reported.

    b. Guarantees, whether written or oral, under which the Department is contingently liable.

    c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.

    d. Line of credit or similar arrangements.

    e. Security agreements in effect under the Uniform Commercial Code.

    f. Any other liens or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability or which were subordinated in any way.

    g. The fair value of investments.

    h. Amounts of contractual obligations for construction and purchase of real property or equipment not included in the liabilities or encumbrances recorded on the books.

    i. Any liabilities which are subordinated in any way to any other actual or possible liabilities.

    j. Debt issue provisions.

    k. All leases and material amounts of rental obligations under long-term leases.

    l. All significant estimates and material concentrations known to management which are required to be disclosed in accordance with the AICPA's Statement of Position 94-6, *Disclosure of Certain Significant Risks and Uncertainties*. Significant estimates are estimates at the balance sheet date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal finances within the next year.

    m. Deposits and investment securities category of custodial credit risk.

13. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and

current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made.

a. To reduce receivables to their estimated net collectable amounts.

b. To reduce obsolete, damaged, or excess inventories to their estimated net realizable values.

c. To reduce investments, intangibles, and other assets which have permanently declined in value to their realizable values.

d. For risk retention, including uninsured losses or loss retentions (deductibles) attributable to events occurring through June 30, 2011 and/or for expected retroactive insurance premium adjustments applicable to periods through June 30, 2011.

e. For pension obligations, post-retirement benefits other than pensions and deferred compensation agreements attributable to employee services rendered through June 30, 2011.

f. For any material loss to be sustained in the fulfillment of, or from the inability to fulfill, any service commitments.

g. For any material loss to be sustained as a result of purchase commitments.

h. For environmental clean up obligations.

14. There are no:

a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.

b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Federal Environmental Protection Agency or any equivalent state agencies in connection with any environmental contamination.

c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5 and/or GASB Statement No. 10.

d. Agreements to repurchase assets previously sold.

e. Authorized but unissued bonds and/or notes.

f. Risk financing activities.

g. Special and extraordinary items.

h. Arbitrage rebate liabilities.

i. Impairment of capital assets. The method of measuring the impairment is appropriate.

j. Derivative financial instruments.

k. Debt issue repurchase options or agreements, or sinking fund debt repurchase ordinance requirements.

15. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards No. 5 and/or GASB Statement No. 10.

16. We have no direct or indirect, legal or moral, obligation for any debt of any organization, public or private that is not disclosed in the financial statement.
17. We have satisfactory title to all owned assets.
18. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
19. Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) are properly classified and, if applicable, approved.
20. Capital assets, including infrastructure assets, are properly capitalized, reported, and depreciated.
21. Required supplementary information is properly measured and presented.
22. We have reviewed, approved, and take full responsibility for the financial statements and related notes and acknowledge the auditor's role in the preparation of this information. We have reviewed, approved, and take full responsibility for all accrual adjustments and an acknowledgement of the auditor's role in the preparation of the adjustments.
23. We are responsible for:
    a. Compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the Department.
    b. Establishing and maintaining effective internal control over financial reporting.
24. We have identified and disclosed to you:
    a. All laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determinations of financial statement amounts or other financial data significant to audit objectives.
    b. Violations (and possible violations) of laws, regulations, and provisions of contracts and grant agreements whose effects should be considered for disclosure in the auditor's report on noncompliance.
25. We have a process to track the status of audit findings and recommendations.
26. We are responsible for complying, and have complied, with the requirements of Circular A-133.
27. We have prepared the schedule of expenditures of federal awards in accordance with Circular A-133 and have included expenditures made during the period being audited for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property, cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
28. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that the Department is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on our federal programs.
29. We are responsible for complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of the Department's federal programs and have complied, in all material respects, with those requirements.

30. We have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
31. We have provided you with our interpretations of any compliance requirements that have varying interpretations.
32. We have made available all contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies or pass-through entities related to federal programs.
33. We have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards, including those resulting from other audits or program reviews.
34. We have charged costs to federal awards in accordance with applicable cost principles.
35. We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
36. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
37. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.
38. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by Circular A-133.
39. We have accurately completed the appropriate sections of the data collection form.
40. We have disclosed any known noncompliance occurring subsequent to the period for which compliance is audited.
41. We have disclosed whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies (including material weaknesses), have occurred subsequent of the date as of which compliance is audited.
42. No events or transactions other than those disclosed in the financial statements have occurred subsequent to the balance sheet date that would require adjustment to, or disclosure in, the financial statements.
43. In November 2011, the Department was notified that the trust fund established by the EUTF to collect the Department's OPEB contributions did not meet the requirements of GASB Statement No. 43. As a result, the payments in excess of the pay-as-you-go requirements should not be considered contributions in relation to the ARC and should be recorded as deposits. The EUTF plans to draft legislation to create a qualifying trust in order to treat such payments as contributions. For the years ended June 30, 2011 and 2010, the Department has elected to continue to treat all payments to the EUTF for OPEB as contributions.

44. During the course of your audit, you may have accumulated records containing data which should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

David Craddick
for Manager and Chief Engineer

Marites Yano
Waterworks Controller

Department of Water
County of Kauai

Single Audit Reports
June 30, 2011

Index

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Water Supply
Department of Water, County of Kauai:

We have audited the financial statements of the Department of Water, County of Kauai (the Department) as of and for the years ended June 30, 2011 and 2010, and have issued our report thereon dated December 7, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Department is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audits, we considered the Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings, items 2011-01 through 2011-03, to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with

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governance. We consider the deficiencies described in the accompanying schedule of findings, items 2011-04 and 2011-05, to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

The Department's response to the findings identified in out audit is described in the accompanying schedule of findings. We did not audit the Department's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Water Supply, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KMH LLP

KMH LLP

Honolulu, Hawaii
December 7, 2011

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Water Supply
Department of Water, County of Kauai:

Compliance

We have audited the compliance of the Department of Water, County of Kauai (the Department) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2011. The Department's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Department's management. Our responsibility is to express an opinion on the Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Department's compliance with those requirements.

In our opinion, the Department complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not

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for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Department as of and for the year ended June 30, 2011 and have issued our report thereon dated December 7, 2011, which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

This report is intended solely for the information and use of the Board of Water Supply, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KMH LLP

KMH LLP

Honolulu, Hawaii
December 7, 2011

Department of Water, County of Kauai

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Award	Current Expenditures	Cumulative Expenditures	Remaining Balance
Environmental Protection Agency--	66.468	99-6000449				
Passed-Through State Department of Health--						
Drinking Water Treatment Revolving Loan Fund:						
Kekaha Well DW406-0001			$ 862,822	$ -	$ 799,361	$ 63,461
Wailua Homesteads Well No.3 DW413-0002			418,967	-	397,737	21,230
Poipu Road 16" Main Replacement DW408-0002			5,158,886	-	4,899,230	259,656
Stable 1.0 MG Tank & Connection Pipeline DW400-0001			8,082,617	445,493	6,865,362	1,217,255
Kaumuali'i Highway 12-inch Main Replacement DW406-0005			4,933,117	-	3,757,196	1,175,921
Waha, Wawae, and Niho Roads Main Replacement DW434-0003			2,118,618	-	1,863,600	255,018
Kapilimao 0.5 MG Tank DW406-0003			4,089,893	1,052,503	3,765,732	324,161
Total			$25,664,920	$ 1,497,996	$ 22,348,218	$3,316,702

Department of Water, County of Kauai

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Department and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Loan Security

The Department has pledged its future water revenues as security for repayment of the loans. See Note 6 of the financial statements for further discussion about the loans.

Department of Water, County of Kauai

Schedule of Findings
For the Year Ended June 30, 2011

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? √ Yes ___ No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? reported √ Yes ___ None

Noncompliance material to financial statements noted? ___ Yes √ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___ Yes √ No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Reported ___ Yes √ None

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ___ Yes √ No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
66.468	Drinking Water Treatment Revolving Loan Fund

Dollar threshold used to distinguish between type A and type B programs? $300,000

Auditee qualified as low-risk auditee? √ Yes ___ No

Department of Water, County of Kauai

Schedule of Findings
For the Year Ended June 30, 2011

Section II – Financial Statement Findings

Finding No.: 11-01

Billing Changes and Error Determination – Material Weakness

Criteria: Change controls are critical to ensuring that rate or rule changes that impact customer billings are appropriately implemented.

Condition, cause & context: When the Department implemented a rate change for fire safety line customers on July 1, 2010 the water usage rate for these customers was inadvertently doubled. Based on inquiries with management, the Department typically works with the Honolulu Board of Water Supply (HBWS) to run billings in a test environment to ensure that billing changes are applied correctly. However, there was no documentation provided related to this rule change testing results, and the error indicates that the controls did not operate effectively.

Effect: Inadequate testing of billing rate or rule changes may result in significant errors in billings to customers and a misstatement of revenues. In addition, errors like these negatively impact the Department's reputation with its customers. Due to the line type involved in this situation, water usage is infrequent, but after analysis it was determined that for the year ended June 30, 2011, the error resulted in the overstatement of revenues by approximately $1.7 million of which approximately $420,000 was for actual billings to customers. The remainder of the error related to estimated unbilled revenue accrued annually for financial reporting purposes.

Recommendation: The Department should more thoroughly test and document the results of testing of billing changes implemented in the HBWS's billing system.

Department reply: There was a continued effort to follow up with the HBWS to resolve the implementation of the fire line rule change. It is still an ongoing effort as we from DOW-Kauai have to work with the HBWS's deadlines for their ongoing billing conversion.

We are still working on this issue with HBWS. We just received a commitment from HBWS – IT staff to address this issue.

Contact Person: Marites Yano

Target Completion Date: February 28, 2012

Department of Water, County of Kauai

Schedule of Findings
For the Year Ended June 30, 2011

Section II – Financial Statement Findings (continued)

Finding No.: 11-02

Financial Analysis – Material Weakness

Criteria: The Department relies primarily on monthly budget to actual and cash balance reports to measure its financial performance and liquidity needs. Although these reports are not prepared in accordance with U.S. GAAP, analysis of these reports is critical to identifying material misstatements in the financial reporting process.

Condition, cause & context: During our testing of revenues, we noted a contradiction between the results of the budget status report and the financial statements. In the Department's June 2011 budget status report total water sales cash receipts was relatively flat when compared with the prior fiscal year while water sales revenues increased by approximately $2.6 million according to the unadjusted general ledger provided by management. Upon inquiry with management, no sufficient explanation for the difference could be provided. The current waterworks controller was promoted in 2011 and we did note a lack of proper transition for the significant changes to this position and others throughout the Department. Similar to many other government agencies, the difficult transition experienced was due to high turnover rates caused by a large number of individuals electing to retire at the same time.

Effect: A lack of financial analysis can lead to financial statement errors being undetected. After further analysis by management and KMH, adjustments totaling approximately $1.7 million were proposed and recorded to correct errors related to the overstatement of revenues.

Recommendation: The Department should perform high-level analytical procedures to identify potential financial reporting issues or errors on a regular basis.

Department Reply: The Budget Status Report has traditionally been used as a means to keep track of the Department's annual budget and at the same time it provides a reconciliation of Kauai DOW's cash accounts. Additional reports can also be prepared to include the monthly and cumulative Water Sales revenue and other receipts. See response to finding 11-05 for further discussion.

Contact Person: Marites Yano

Target Completion Date: February, 2012

Department of Water, County of Kauai

Schedule of Findings
For the Year Ended June 30, 2011

Section II – Financial Statement Findings (continued)

Finding No.: 11-03

Inadequate Use of Accounting Software – Material Weakness

Criteria: Information systems are an integral part of the control environment. The quality and proper utilization of the information affects management's ability to prepare reliable financial reports and to make appropriate decisions based on those reports.

Condition, cause & context: For several years, the Department has been in progress with the installation of its accounting software. Although the main modules were fully in place, the implementation of the payroll module was delayed and the Department decided last year not to pursue the implementation of the last module. The Department had installed the system with hopes of increasing its ability to provide timely and accurate financial reporting. Instead the software, as implemented, has not performed as expected. The following are some of the issues noted:

- Too many general ledger accounts;
- Reports not designed to allow for regular financial reporting;
- Significant amount of processing done outside of system – CWIP

The Department is in the process of performing an information technology assessment to determine if a new accounting system should be obtained. Management plans to complete this assessment in 2012.

Effect: Inadequate use of the accounting system puts more pressure on the Departments accounting staff to complete its closing procedures and limits its ability to analyze the information to identify potential errors.

Recommendation: The Department should consider simplifying the current account structure and setup of the financial reporting system during its information technology assessment.

Department Reply: The Accounting Staff concur with the Auditor's findings and recommendation. It is one of the goals for having an "IT Review & Assessment" - the review and assessment of our existing Accounting package.

Contact Person: Marites Yano

Target Completion Date: June 30, 2012

Section II – Financial Statement Findings (continued)

Finding No.: 11-04

Timely Reconciliation of Sales Journal – Significant Deficiency

Criteria: Sales journals from HBWS system should be reconciled to the Department's general ledger on a monthly basis.

Condition, cause & context: We noted during the audit process that management had not reconciled revenues on a timely basis. Due to transition of the waterworks controller position in FY2011, these reconciliations were not performed until after the end of the fiscal year.

Effect: Timely reconciliations are crucial in determining proper account balances. In addition, this condition contributed to the length of the annual closing process.

Recommendation: Revenues should be reconciled regularly and all related adjustments recordedon a timely basis.

Department Reply: The delay in the revenue reconciliations was caused by the lack of adequate transition of the process after the previous controller retired. The Department was not able to address this until after fiscal year end due to other initiatives that required attention. We concur with this finding and have already implemented procedures to ensure timely recording of revenue adjustments.

Contact Person: Marites Yano

Target Completion Date: Effective immediately

Finding No.: 11-05

Inadequate Review of Supporting Documents – Significant Deficiency

Criteria: Supervision and review of accounting staff work is important for an efficient and effective control environment.

Department of Water, County of Kauai

Schedule of Findings
For the Year Ended June 30, 2011

Section II – Financial Statement Findings (continued)

Condition, cause & context: During the audit of fixed assets, we noted several instances where the workpapers prepared by Accountant IV had errors that could have been prevented. We understand that the position responsible for these schedules was vacant at the time of the audit and that the Accountant IV was doing the work of two positions. When the Accountant IV is the preparer of the schedule, it should be reviewed by the waterworks controller.

Effect: Appropriate review helps reduce the risk of errors and ensures that all closing entries have been properly recorded. In addition, a strong control environment results in a more efficient audit process.

Recommendation: Accounting schedules should be reviewed on a timely basis. If the person responsible for the review becomes the preparer, an individual other than the preparer should perform the review, ideally someone at a higher level.

Department Reply: Time was a huge contributing factor with the Lack of Financial Analysis (Finding 11-02) and Inadequate Review of Supporting Documents (Finding 11-05).

We are aware of the fact that there has been a lack of financial analysis and inadequate review of supporting documents; however, this has been unavoidable due to multiple difficulties associated with the retirement of several key personnel in the Accounting Section of the Kauai DOW in the past year. The Accounting Section has had to continue to function despite the retirement of the Accountant IV, Accountant III and Waterworks Controller, all in less than a period of 9 months. These were key personnel in the yearly audit of the Department. With the "Lack of proper transition" as noted by the Auditor, the Accounting Staff had a very steep learning curve but every Staff member did their best to learn their new position.

More time can now be dedicated by the Waterworks Controller to management duties since the Staff are now better trained in their respective areas. We will be able to eliminate any deficiencies once the Accountant III starts in February, 2012.

Contact Person: Marites Yano

Target Completion Date: June 30, 2012

Section III – Findings and Questioned Costs for Federal Awards

No matters were reported.

Department of Water, County of Kauai

Schedule of Findings
For the Year Ended June 30, 2011

Section IV – Summary Schedule of Prior Audit Findings

This section contains the current status of our prior audit recommendations. The recommendations are referenced to the pages of the previous audit report for the year ended June 30, 2010 dated November 30, 2010.

Recommendations	Status
10-01 Maintenance Management Information System – Time Control/Job Costing	
Currently, the operations supervisor enters the time and materials spent on each work order into the MMIS system. Manual timesheets are the source documents used for this input, as well as for payroll processing; however, there is no reconciliation between what was inputted into MMIS and what was recorded on the manual timesheets. This may lead to the MMIS system using incorrect data or the continued misunderstanding of how time should be charged to particular work orders. We recommend that the Fiscal Department obtain a report from MMIS to enter into the manual work orders. The costing should then be compared with labor distribution reports, prepared from the manual timesheets, and differences resolved by the respective department. An ideal alternative would be a MMIS procedure that reconciles the system input with the manual timesheets to identify discrepancies at the front-end of the process.	Resolved.

Department of Water, County of Kauai

Schedule of Findings
For the Year Ended June 30, 2011

Section IV – Summary Schedule of Prior Audit Findings (continued)

Recommendations	Status
10-02 Accounting System	
The Department previously maintained an entirely manual accounting system, with the exception of billing and payroll functions, which are out-sourced. Subsequently, the Department installed a financial accounting software package and has implemented all relevant modules except for payroll and project accounting. Maintenance of the manual portions of the accounting system requires additional effort by accounting personnel. The timely preparation and review of financial statements and related information are essential to the discharge of management's duties.	Resolved.
We recommend that the Department continue with its efforts to fully implement the payroll module and its assessment of implementing a project accounting module.	

KMHLLP

A Hawaii Limited Liability Partnership

February 22, 2012

Ms. Marites Yano
Controller
Department of Water, County of Kauai
4398 Pua Loke Street
Lihue, Hawaii 96766

Dear Tess:

Enclosed please find the following:

- 25 bound copies of the single audit report for the Department of Water, County of Kauai for the year ended June 30, 2010
- 1 copy of our letter to the Board of Water Supply, Department of Water, County of Kauai required under Statement on Auditing Standards No. 114, the Auditor's Communication with those Charged with Governance

If you have any questions or need additional copies, please call me at (808) 527-2263.

Very truly yours,

James Y. Nakayama
Senior Manager

Enclosure(s)

****

I hereby acknowledge receipt of the above items.

Name

Waterworks Controller

Title

2-23-12

Date

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Old Business

DEPARTMENT OF WATER

County of Kaua'i

"Water has no Substitute – Conserve It!"

MANAGER'S REPORT No.12-24 – **additional material**

January 26, 2012

REVISED MARCH 22, 2012

Re: EMERGENCY OPERATIONS RESERVE FUND

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

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

The revised Board Policy No. 26 reflects this request. The 2011 audit shows operating expenses at $17.662 million and depreciation at ~~$4.164~~ $5.743 million. Twenty five percent of the difference of these amounts is about ~~$3.37~~ $2.98 million. This would be the new operation emergency reserve level instead of the previous 25% of revenues or about ~~$5.25~~ $4.96 million.

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

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

Respectfully submitted,

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

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

DRC/cab
Mgrrp-Emergency Operations Reserve Fund (1-26-12) (2-23-12) (3-22-12)

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Board Policy No. 26

RE: EMERGENCY OPERATIONS RESERVE FUND

The Department of Water shall establish and maintain an Emergency Operations Reserve Fund (EOR). The purpose of the EOR is to provide and secure a monetary sum that may be utilized in times of public emergency, natural or man-made disaster, or other severe crises during which times the Department is unable to collect sufficient revenue to pay necessary operating expenditures.

The EOR shall be an element of the Department's annual operating budget. The total amount of the EOR to be maintained shall be approximately 25% of the Department's total operating costs not including depreciation based on the latest available annual audit. The EOR shall be deposited in a separate account which shall be a highly liquid interest bearing fund as allowable by law and requiring two signatures to withdraw funds. The two signatures shall be from among the Manager or Deputy Manager and Comptroller or Chairperson of the Board.

Purpose:
To assure proper oversight of EOR Funds prior to Board action in an emergency.

Conditions for Disbursement of EOR Funds:

1. An emergency for purposes of the EOR is defined as an event which puts public safety and health or Kaua'i Department of Water assets at risk and for which budgeted funds are insufficient to allow encumbering funds necessary to minimize or reduce the impact of such event.
2. The Board approves the Department's Annual Operating and Capital Improvement Projects Budget.
3. In the Budget funds are allocated for use in the event of an emergency.
4. The budgeted funds for labor costs shall be exhausted in any budget year before any monies from the emergency operations reserve fund are used for the purpose of labor costs. In the event of an emergency occurring between the time of agenda notice for approval of the next fiscal year budget and the end of the current fiscal year funds not to exceed $225,000 may be used for labor costs. The $225,000 may be increased each year by $2,000 from the date of the adoption of this policy. Emergency funds may be utilized for labor costs in the event of a labor strike or other labor crisis in which budgeted Department staff salaries are not exhausted.
5. The staff is encouraged to have bid standby service contracts not to exceed $300,000 for fuel delivery, operated equipment rental, pipeline repair services, water plant operation services, chlorine application services, plant electrical/electronic services, engineering services, accounting services, billing services, legal services, and management services.

The $300,000 may be increased each year by $3,000 from the date of the adoption of this policy.

6. The staff is encouraged to have bid standby bare equipment rental contracts not to exceed $300,000 for essential equipment in the event existing Department equipment is inoperable or insufficient. The $300,000 may be increased each year by $3,000 from the date of the adoption of this policy.
7. The staff is encouraged to have bid standby material supply contracts not to exceed $200,000 for essential materials in the event existing Department inventory insufficient. The $200,000 may be increased each year by $2,000 from the date of the adoption of this policy.
8. Funds for the above competitively bid standby emergency contracts may be expended from the emergency reserve fund, provided any specific budgeted funds for services, equipment or materials have been exhausted and the standby emergency contracts have been reported to the Board at the time such contracts were entered into and the Board Chair has signed off on the contracts according to Policy No. 22.
9. Every effort shall be taken to follow the procedures should a disaster be declared by the Governor or President so EOR Funds that are reimbursable meet FEMA requirements.
10. No other funds may be appropriated from the EOR Fund without Board approval.
11. Funds that are expended from the EOR Fund shall be replaced as expeditiously as possible. ~~Five percent (5%) of unreimbursed funds~~ Approximately twenty percent (20%) of the value of the fund prior to being expended shall be replaced per year until the EOR Fund is approximately 25% of the Department's total operating costs not including depreciation based on the latest available annual audit.

APPROVED BY:

_____
Chairperson, Board of Water Supply

Dated: March 22, 2012

Effective date: _____

DEPARTMENT OF WATER
County of Kaua'i

"Water has no Substitute – Conserve It!"

MANAGER'S REPORT No.12-54

January 26, 2012

Re: DEBT SERVICE RESERVE FUND POLICY No. 27

Recommendation:
Your approval is requested for the attached proposed Debt Reserve Fund Policy. We also recommend implementing this policy at the start of the next budget year.

Background:
During the budget process for FY 2012 the Board started setting aside funds for Emergencies. There was a restriction put on the expenditure of funds from the emergency fund until such time as a policy position was taken by the Board. Subsequently the Board wanted to separate the debt service reserve from operational emergency reserves. This is a much more conservative position that is desirable from the perspective of the person owed the debt and rating agencies.

The debt service reserve fund would be funded from the fund that would be required to pay the debt service. In some cases this may result in funding from the Water Revenue fund or the Facilities Reserve Charge fund.

The proposed policy holds 6 months plus 8 eight percent of annual debt payments until the final payment then monthly adds a month of debt service payments to the reserve resulting in a full years debt service being in reserve when the semiyearly payment is made.

When that payment is made the reserve would fall back to the 6 months plus 8 eight percent. This continues until the final payment is due. At that time no further payments are made to the reserve. During the course of holding the reserves they are invested according to law.

This policy requires the investments be dispersed at a minimum of every three years or as required by any specific debt issue. At the time the last debt service payment is made on the issue the remaining interest plus the eight percent would be returned to the fund that paid into the reserve when it was started.

Two signatures are required to wire transfer or sign checks from the fund.

Funding Example:
Our current long term debt for bonds and loans is $6.513 million. Half of this plus eight percent of the total is (1/12+1/2) * (6.513) = $3.8 million. This initial reserve would go up by 1/12 * 6.513 = $0.543 each month in theory for 6 months. That would total $3.256 million. At which time a $3.257 million payment would be made. This theoretical cash flow would only happen if all debt started and ended on the same day. All debt does not start and end on the same day

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therefore numbers would at all times be less than the example except the initial set up. The recommendation to fund this is to start this next budget year with the full reserve.
This example is for FY 2012 and would be different for FY 2014 when principle payments for the BAB are required. Just for your information the total debt service requirement for 2014 is $8.264 million less federal interest subsidy of approximately $0.800 million.

Respectfully submitted,

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

Attachment: Draft Board Policy #27

DRC/cab
Mgrrp-Debt Service Reserve Fund Policy (1-26-12)

DEPARTMENT OF WATER
County of Kaua'i

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Board Policy No. 27

RE: DEBT SERVICE RESERVE FUND

The Department of Water shall establish and maintain a Debt Service Reserve Fund (DSRF) for all outstanding long term debt. The purpose of the DSRF is to provide à reserve source of payment for principal and interest as these obligations are due and to have at all times a 6 six months reserve.

The DSRF shall be an element of the Department's annual operating budget. The DSRF is to equal no more than 108% one hundred and eight percent of the average annual debt service or as required by debt issuance covenants agreed to by the Board. The DSRF minimum level shall be equal to 58% fifty eight percent of average annual debt service. The DSRF shall be funded through an equity contribution from the fund paying the debt service or as designated by resolution of the Board.

Purpose: To assure proper oversight of DSRF Funds.

Conditions for Deposit, Disbursement and handling of investment of DSRF monies:

1. The DSRF shall be deposited in a separate account which shall be a highly liquid account requiring two signatures to withdraw or authorize wire transfer of funds.
2. Funds shall be deposited into the DSRF from either the Water Revenue fund or the Facility Reserve Charge fund depending on the project being funded by the debt on the initial date of debt issuance equal to 6 six months of debt service payments plus 8% eight percent of the annual debt service.
3. Thereafter, 1/12 one twelfth of the annual debt service requirement for each issue shall be deposited monthly from the source paying the debt service until there is only one payment.
4. Monthly deposits to the fund shall cease when there is only one payment remaining to pay in full or defease the debt.
5. Any balance or overage in the DSRF after the final payment shall be returned to the fund or funds which are paying the debt in the same ratio that was initially paid into the DSRF.
6. Disbursements from the fund shall occur on or about the day debt service payments are required.
7. The two signatures required shall be from among the Manager or Deputy Manager and Comptroller or Chairperson of the Board to sign authorizations for wire transfers or check payments from the fund.
8. DSRF monies shall be invested in permissible interest-bearing instruments as specified by law.

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9. When DSRF monies are commingled with more than one debt issue the interest from the DSRF must be allocated to the various accounts that pay into the fund at least one every three years.

10. Should any specific issue require investment time to maturity be less than three years that issue shall be allocated as required in the debt issuance documents.

11. Investments of DSRF monies shall mature no later than the final maturity of any individual debt issuance.

12. At final payment of any issuance any unutilized investment funds that would have been allocated to the various accounts that paid into the fund shall be disbursed to those funds in the same ratio as debt service was paid.

APPROVED BY:

_____

Chairperson, Board of Water Supply

Dated: January 26, 2012

Effective date: _____

DEPARTMENT OF WATER

County of Kaua'i

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MANAGERS REPORT No. 12-63

February 23, 2012

RE: Rewards Program

RECOMMENDATION:
It is recommended that the Board approve a revised employee rewards system.

FUNDING: $1,400.00

Funds Available:

Budget Code #36 - Public Relations	$ 86,500.00	
YTD Expenditures as of 1/31/12	$ (32,903.33)	$ 53,596.67
Funds Requested:		$ (1,400.00)
Funds Remaining		$ 52,196.67

BACKGROUND:

Prior to my tenure with the Department a program was set up to boost employee morale. This program envisioned using a Water Buck system to reward outstanding employee performance.

Currently, each employee receiving a Water Buck in each quarter receives $10, and the winner of the Employee of the Quarter receives $25. Two employees of the quarter then go to the Hawaii AWWA conference each spring, the other two employees of the quarter then attend the HWWA conference in the fall. The employee of the year attends the national AWWA conference on the mainland.

Travel to conferences, both local and mainland, is costly, both fiscally and in terms of time away from staff duties resulting in additional coverage of their role while away and after their return. As the Department of Water is enterprise funded (providing goods or services to the public for a fee that makes the entity self-supporting), we have a fiscal responsibility to our rate-payers to use the funds as wisely as we can.

The participation by employees and benefit to the Department is limited at times with this system of reward. We would like to propose another system of reward.

We propose to increase the Employee of the Quarter reward to $200 and the Employee of the Year award to $600. This amounts to a total of $1400. We believe much more employee effort would be expended with this system versus conference attendance.

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Conference attendees would now be required to report on what benefits conference attendance will have for the Department, and conduct subsequent training for staff in their related field after the conference by the attendee.

Currently conference attendance is approximately $800 for conference fees, $1200 for air travel and per diem charges in the $145 per day range with excess cost added about $800 for a total of $2,800. The proposed reward system saves about $1400 per year.

Respectfully Submitted:

David R. Craddick, P.E., C.E.M.

DRC/cab
Mgrrp-Rewards Program (2-23-12)

DEPARTMENT OF WATER
County of Kaua'i

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MANAGER'S REPORT NO. 12-64

February 23, 2012

Re: County Human Resources Reorganization

Recommendation
We recommend that the Board budget our HR position as usual and provide no funds to the county if they decide to move our HR position to a new HR Department that is proposed to be created.

This matter is being brought to the Board's attention before it becomes a charter or budget issue so we know the Board's standing on the matter.

Background:
The Kauai County Charter Article XV, Section 15.01 states that

"There shall be a Department of Personnel Services consisting of a civil service commission, a director, and the necessary staff for the purpose of establishing a system of personnel administration based upon merit principles devoid of any bias or prejudice and providing a systematic and equitable classification of all positions through adequate job evaluation."

Within that structure, the powers and duties of the civil service commission include:

A. Adopting rules and regulations to carry out the civil service and compensation laws of the State and county. Such Rules and regulations shall distinguish between matters of policy left for determination of the commission and matters of technique and administration to be left for execution by the director.
B. Hear and determine appeals made by any officer or employee aggrieved by actions of the director or appointing authority.
C. Advise the mayor and director of personnel services on problems concerning personnel and classification administration.
D. Execute such powers and duties as may be provided by law.

The Director of Personnel Services, per Charter, is appointed by and may be removed by the commission. It states in the Charter that "the director shall be the head of the Department of Personnel Services and shall be responsible for the proper conduct of all administrative affairs of the department, and for the execution of the personnel program" (see Hawaii Revised Statutes §76-12 and §76-13 attached for further details regarding the authorized duties and powers of the director).

In discussions with the Personnel Director this structure is set up to maintain the independence of the Director in rating new positions. The Personnel Department appears to be underfunded in this endeavor as well as taking funds for existing services provided within each department for the proposed "coordination" being sought. Most of the existing services must still be provided by the department.

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The County of Kauai Administration is proposing to reorganize the Department of Personnel Services into a Human Resources (HR) Department, servicing all County Departments. An HR Taskforce was created to research and report on their findings regarding this reorganization. The proposed plan is yet to be presented to Council this spring with the goal of it being implemented beginning July 1, 2012 without any charter change. **The Water Department was not a part of the reorganization taskforce group. The previous Board Chair and the Manager met with the Mayor on this matter. Our comments were similar to what is proposed today.**

As delineated in the Kauai County Charter, the Civil Service Commission, with its Director and staff, exist to support the County of Kauai. If an improvement is sought through reorganizing the Department of Personnel Services, it can be done from within its existing structure and modified from there. The Director of Personnel Services, appointed by the Civil Service Commission would then be responsible for implementing the reorganization. It is my general feeling a person cannot report to two bosses. If this proposal is going to work Charter Amendments should be enacted with the Charter overriding the state laws or keeping that independent Civil Service structure in place and have a separate HR Director that does report to the Mayor and works for betterment of services provided to the various departments.

By creating a HR Department the intent is to provide consistency throughout the County on personnel functions, eliminating duplicity and providing technical expertise to the Departments throughout the County, as well as decrease liability. **The concern with the intent is these are not the issues that are delaying position and reorganization review and approval.** The proposal to reorganize via a charter amendment was driven by the Cost Control Commission. To create this new Human Resources Department, it is currently proposed that other Department's "Personnel" positions would be transferred to a centralized HR Department. Funding would come from the department's budget.

In other words, the plan to improve the Personnel services to the County of Kauai is to be done throughout the County by removing staff from various departments to implement the goals suggested by the proposed HR Taskforce within the existing Chartered structure. If it is determined that an increase in staff is needed, the Department of Personnel Services must identify positions needed and increase their budget to include fulfilling that need. No specific plans have been presented regarding any of this that we are aware of. To aim to effectuate this reorganization by July 2012 is interesting. Without specific planning, implementation and involvement with the Departments and updated procedures prior to such an endeavor detailing level of service this proposal appears to be a knee-jerk reaction to poor performance by the current setup that will not organizationally change other than to remove current service and replace it with an unknown.

In terms of the budget, the Department of Water currently funds its portion to the County for Personnel Department services and Finance Department services through the Hydrant Contra Account costing the DOW approximately $950,000.00 annually. We also fund one in-house Personnel position in the DOW operating budget. In the proposed transition to an HR Department, the DOW may be expected to additionally fund the transferred DOW HR position, with it being located in the County's new HR Department. This relocated position would not be dedicated to DOW support. It is unclear to us how funding this transferred position while losing the dedicated support we currently receive would be in the best interest of the DOW either

logistically or financially. Keep in mind nothing appears to speed up the organizational reviews and position filling with the HR reorganization.

Additionally, funded or not, it is our concern that the County and the DOW may be in danger of experiencing immediate challenges through reassigning our personnel position to the embryonic HR Department with a lack of transitional implementation directives. The proposed reassignment of the DOW's HR Coordinator to the HR Department coincides with its very creation. There could be a steep learning curve as this new HR department determines how to best to serve all of Kauai County. It seems even more important that we retain the DOW HR position and enhance our interface with this new Department to ensure DOW's personnel servicing needs are effectively met in a timely manner with the current funds we provide.

As an integrated Water Utility team, our employees rely on our internal HR Coordinator for guidance, training, external interface, and overall efficiency in all facets of personnel activity operating as coordinated function. Such support at the departmental level is necessary for smooth employee relations and timely responses, being on-site and familiar with the Water Utility itself. Currently, DOW managers, supervisors and staff have been able to offload to the DOW's HR Coordinator many personnel related tasks to be researched, worked on and completed. Without this position here, these tasks will fall back on DOW employees to pursue such endeavors independently working with HR Specialists who service the County at large.

Finally, we mention that our incumbent DOW HR Coordinator has gained a wealth of experience, having served at the Department of Water for more than 17 years. There has been involvement in the position creation and hiring of practically the entire current DOW staff. Dealing with bargaining unit contracts has developed into specific union personal relations to meet the requirements of the various issues that arise within DOW. Loss of this person as well as the position could present unforeseeable challenges and difficulties as we attempt to navigate DOW personnel responsibilities at the departmental level now and into the future.

Our recommendation, therefore, is that the DOW continues to fully fund the DOW Human Resources Coordinator position, strive to retain the position in-house, and expect equal or better service from the new HR Department under the existing funding relationship we hold with the County's Personnel Department.

Respectfully submitted,

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

DRC/cab
Mgrrp-County Human Resources Reorganization (2-23-12)

Attachment: Reference to sections of HRS

Reference to Hawaii Revised Statues regarding the Civil Service Commission:

§76-12 General powers and duties of director. The director shall:

(1) Represent the public interest in the improvement of human resources administration in the civil service;

(2) Assist in fostering the interest of institutions of learning and civic, professional, and employee organizations in the improvement of human resources standards in civil service;

(3) Advise the chief executive on policies and problems concerning the human resources program; and

(4) Make investigations concerning the administration of human resources policies in the civil service, including any matter respecting the enforcement or effect of this chapter or the rules adopted thereunder, or the action or failure to act of any officer or employee with respect thereto. [L 1955, c 274, pt of §1; RL 1955, pt of §3-17; am L Sp 1959 2d, c 1, §11; HRS §76-12; am L 1994, c 56, §7; am L 2000, c 253, §10]

§76-13 Specific duties and powers of director. The director shall direct and supervise all the administrative and technical activities of the director's department. In addition to other duties imposed upon the director by this chapter, the director shall:

(1) Establish and maintain a roster of all persons in the civil service;

(2) Appoint employees necessary to assist the director in the proper performance of the director's duties and for which appropriations shall have been made;

(3) Foster and develop, in cooperation with appointing authorities and others, programs for the improvement of employee efficiency;

(4) Cooperate fully with appointing authorities, giving full recognition to their requirements and needs, in the administration of this chapter to promote public service by establishing conditions of service that will attract and retain employees of character and capability, and to increase efficiency and productivity in governmental departments by continuously improving methods of human resources administration and maximizing the use of advanced technology;

(5) Encourage and exercise leadership in the development of effective human resources administration within the several departments and make available the facilities of the director's department to this end;

(6) Investigate from time to time the operation and effect of this chapter and the rules adopted thereunder;

(7) Develop and maintain classification systems;

(8) Make recommendations and advise the chief executive on appropriate adjustments for employees excluded from collective bargaining as authorized under chapter 89C; and

(9) Perform any other lawful acts deemed by the director to be necessary or desirable to carry out the purposes and provisions of this chapter. [L 1955, c 274, pt of §1; RL 1955, pt of §3-19; am L 1957, c 157, §1 and c 206, §1; am L Sp 1959 2d, c 1, §11; am L 1964, c 28, §2; HRS §76-13; am L 1976, c 35, §1; gen ch 1985; am L 1989, c 102, §2; am L 1994, c 56, §8; am L 2000, c 253, §11]

New Business

DEPARTMENT OF WATER

County of Kauai

"Water has no Substitute – Conserve It!"

MANAGERS REPORT No. 12-64

March 22, 2012

RE: Non-Potable Water Systems

RECOMMENDATION:
It is for informational purposes only and no Board action is required.

BACKGROUND:
The Board asked for general information on issues related to dual water lines. Below are excerpts from AWWA Manuals of Water Supply Practices M24 2nd third edition regarding dual water systems.

The information given below is related to policies and procedures for managing dual water systems. Technical issues are not part of this presentation. Non-potable water managers are water purveyors. However, unlike potable systems, non-potable purveyors do not have a natural base with inherent demand for the product. The attachment from the AWWA M24 manual all pertain to systems being operated by the water utility that is operating the potable system. Also, the EPA Guidelines for Water Reuse can be found at:
http://www.epa.gov/nrmrl/pubs/625r04108/625r04108.pdf

Another possibility is a developer proposing a dual system they do not intend to turn over to the Board for operation or maintenance that proposes to reduce system infrastructure requirements based on hoped for performance standards.

In this case the system must be operated and maintained in perpetuity as the potable system is operated. At no time should "failure" of the system result in additional expenses for the rate payers. This means the developer or user of the system must bear responsibility for failure or inability to meet its performance standards. Failure is used here with a fairly restricted definition which is a system that doesn't meet its hoped for demand reduction.

Respectfully Submitted:

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

DRC/cab
Mgrrp-Non-Potable Water Systems (3-22-12)

Attachment: AWWA Manual of Water Supply Practices M24:
Section 3 – Planning
Section 6 - Management

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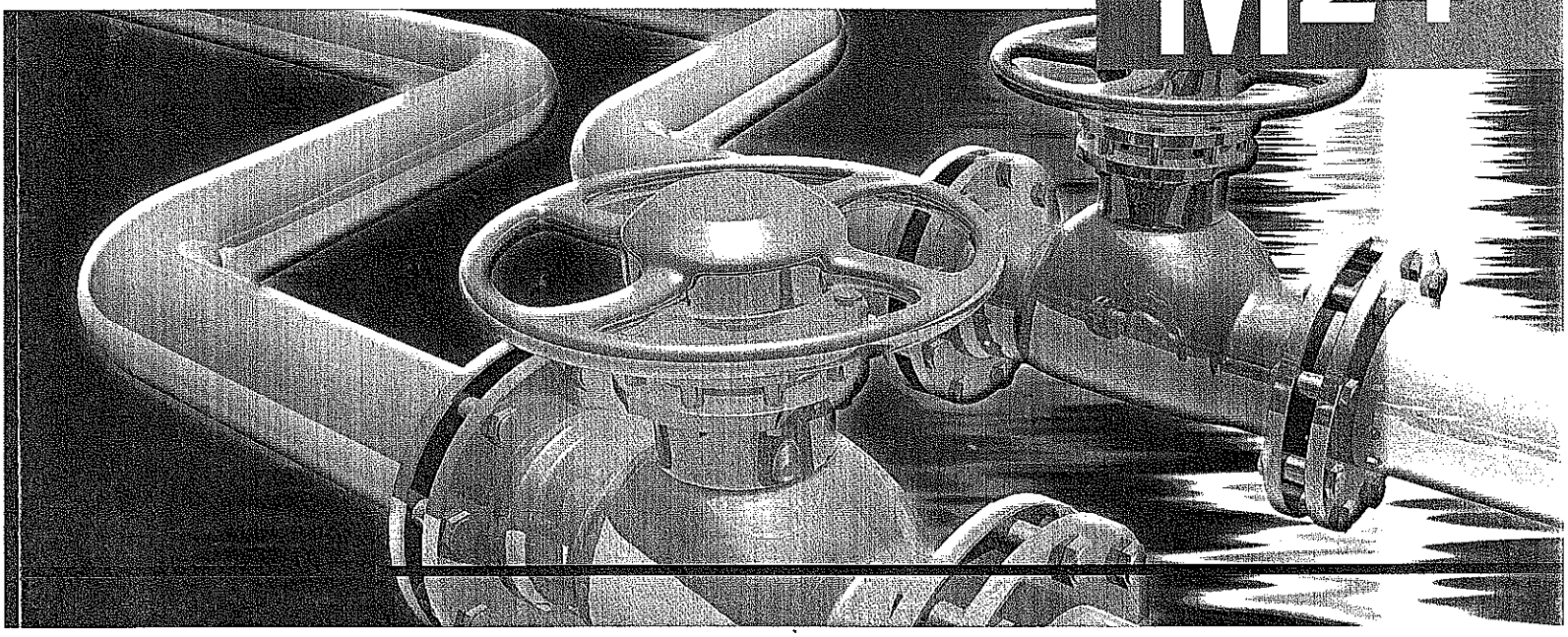
Planning for the Distribution of Reclaimed Water

M24



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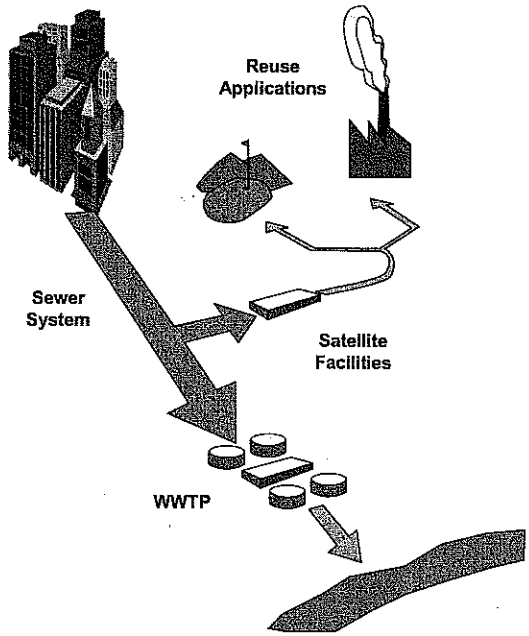

Figure 3-2 Decentralized (satellite) reclamation facility

Demand Projections

The suitability of using historical data for this purpose is questionable where major changes are anticipated. Potable-water and nonpotable-water demands are specific to geographic location, type of user, and many other factors. Water conservation plays an increasingly important role in total water-demand management and may result in a stabilization or decrease in average per capita potable-water use. However, the increase in available supply from water conservation is limited, and a dual system can represent a long-term solution by delivering nonpotable water for appropriate uses.

For existing customers, the reclaimed-water market assessment should utilize potable water consumption data from the utility providing potable water to customers in the study area defined for the project. Consumption data for several of the most recent years should be reviewed to ensure that the data are not skewed based on a particularly wet or dry year. This is especially critical for irrigation applications. Also, reviewing several years of data enables the proper assessment of the stability of a potential customer's potable-water usage. An average annual potable-water consumption for each customer can be developed, using the consumption data.

To calculate the estimated average nonpotable-water demand, the average annual potable-water consumption should be multiplied by the estimated percentage of potable-water demand that can be supplied with reclaimed water. This percentage is based on the customer's use of potable water. Data regarding the type of customer receiving the water can be obtained from the water utility, using the customer's Standard Industrial Code (SIC) and land use zoning. For example, a golf course may be expected to use as much as 95 percent of its potable water for irrigation. This irrigation demand could be met with reclaimed water. Therefore, for planning purposes, 95 percent of the golf course's existing average demand should be used for the reclaimed-water demand for a reclaimed-water project. Similarly, for a commercial user, it may be expected that 40 percent of the potable-water demand is used for irrigation and toilet water flushing. Both of these uses

are suitable for reclaimed water. Therefore, for planning purposes, 40 percent of the commercial user's existing average demand could be used for the reclaimed-water demand for a reclaimed-water project.

All potential users must be contacted to determine water quality and quantity requirements, operating requirements, delivery pressures, points of connection, and existing plumbing and facility layout. Several methods can be used to identify and survey potential reuse customers for the potential demand that may exist for reclaimed water. For established communities, an initial step is to evaluate a community's water meter sales records for potential reuse customers. Data from all large water meters (1 in. or 1 ½ in. and larger) should be compiled for both a dry and a wet year, and the data should be normalized to assess the impact of climate on the projected water use. If existing irrigation meters are installed, the data should be segregated by potable-water meters and irrigation meters. In a recent planning study for Raleigh, N.C. (the capital of North Carolina with a population of 360,000 in 2007), the records indicated that there were almost 3,500 large water meters with an average daily demand of 24 mgd. Approximately 300 irrigation meters registered an average daily demand of 1 mgd or greater (Black & Veatch 2006).

Typically, the largest total water users and irrigation meter sales are identified and surveyed. The survey could consist of a simple questionnaire exploring what opportunities the customer saw for using reclaimed water (see Table 3-1). Experience indicates that it is also useful to call 10 percent of the potential surveyed customers to collect more information after the survey is returned. A listing of potential customers for each type of reclaimed-water use is developed, and telephone interviews conducted to assess potential reuse demand. In areas where a number of golf courses serve the area residents, each should be contacted individually to encourage their use of reclaimed water. The community should also examine its own potential for water reuse.

In new communities, or in areas of expansion in a community, existing customers do not exist, so it is necessary to use zoning maps and a community's comprehensive plan to make projections of future demand in the identified area(s). Such demand projections are obviously tied to land use, but they are also related to a community's interest and adopted regulations regarding the required use of reclaimed water. If a community aggressively pushes the use of reclaimed water, their potential demand will be higher. Some communities may employ mandatory use ordinances to require reclaimed-water use in special cases.

City and county planning agencies typically have information regarding new development and redevelopment that are planned for their jurisdictions. Environmental documents on file with local agencies are additional sources of information regarding future construction projects. Dual plumbing new construction projects for reclaimed-water use is much more cost-effective than retrofitting a site after construction has been completed. Therefore, future customers are typically excellent candidates for reclaimed-water use. By working with the developers of new construction and reconstruction projects in their planning stages, new customers can be cultivated at minimal cost, thereby increasing the cost-effectiveness of the reclaimed-water project.

In summary, there are a variety of data that need to be considered.

- The quality of the supply for the reclaimed water and the level of treatment that will be required to ensure that the quality of the reclaimed water will meet the users' requirements.
- The estimated percentage of each potential reclaimed-water customer's existing potable-water demand that could be met with reclaimed water.
- The estimated demand for reclaimed water from future customers resulting from redevelopment or new development.

- The volume of reclaimed water available and its diurnal pattern, as well as the users' diurnal usage patterns. The seasonal patterns of reclaimed-water supply and demand also should be reviewed. Information on both the diurnal and seasonal patterns will assist in determining the type of storage requirements that may be required for the project. This storage may occur at the utility's facilities, at satellite storage facilities, or at specific customer locations.

All of these factors are considered by specific reclaimed-water use category as described in the following section.

Chapter 6

Management

INTRODUCTION

Other chapters in this manual discuss the technical issues associated with nonpotable-water systems, including planning, engineering, and financing new systems. This chapter addresses managing those systems. Management of a dual distribution system is discussed from the perspective of an purveyor that retails water to multiple consumers like a potable-water system.

Nonpotable-water system managers are water purveyors. However, unlike with potable water, nonpotable-water purveyors do not have a "natural" customer base with inherent demand for the product and services that nonpotable-water purveyors provide. As a result, managers of nonpotable-water systems must be more attentive to running their systems as businesses. In addition, nonpotable-water system managers typically must produce a range of products and services, establish and maintain demand for those products and services, and establish and sustain a positive image.

Management issues associated with developing a new nonpotable-water system is a critical, but short-lived, management responsibility. Most management activities take place between initial development and subsequent upgrades of the infrastructure. This chapter provides guidance on these issues.

Table 6-1 highlights attributes of different nonpotable-water systems and the management issues facing nonpotable-water system managers. Typically, an objective for reclaimed-water systems is to develop and sustain a high demand for nonpotable water as a means to decrease demand for potable-water resources.

MANAGEMENT PHILOSOPHY

Development and management of an urban nonpotable-water system presents many challenges for the purveyors. In many instances the management of a nonpotable-water system is more demanding than that of a potable-water system. Identifying the type(s) of use that will be permissible from a regulatory standpoint and a utility prospective requires considerable analysis. Another concern that must be addressed is the issue of public acceptance of a nonpotable-water system. Public acceptance is of paramount importance if the program is to succeed. The public recognizes the need and benefits of a potable-water system.

Table 6-1 Attributes and management requirements for typical reclaimed-water applications

Type of Use	Typical Relative Demand	Typical Variation in Demand	Typical Quality Requirements	Typical User Education Requirements	Typical Infrastructure Requirements	Typical Management Requirements
Residential						
Irrigation	High	Seasonal	High	High	High	High
In-home	Medium-Low	Low	High	High	High	High
Municipal						
Irrigation, controlled access	Medium-Low	Seasonal	Low	Low	Low	Low
Irrigation, public access	Medium-Low	Seasonal	High	High	High	High
Industrial	High-Medium	Constant	High	High	High	High

However, they do not necessarily see the benefit of a nonpotable-water system. Consumer confidence poses the greatest hurdle to overcome because of the nature of most nonpotable-water systems.

To manage a dual water system successfully, management objectives must be clearly defined. These objectives will vary, depending on the types of reclaimed-water customers, the types of reclaimed-water uses, public attitudes towards nonpotable-water use and other factors. Development of a dual system begins with identifying the type(s) of use that will be pursued and the type of customer(s) that will comprise the system. As part of the development phase, the purveyor must implement an outreach program to develop consumer confidence. Public opinion and attitude towards the nonpotable-water system will dictate the level of success of the nonpotable-water program.

The unique challenges of purveying nonpotable water make management objectives and priorities situation-specific. Typical management objectives for nonpotable-water systems are listed and described in the following sections:

- Protecting public health;
- System policies and procedures;
- Developing the nonpotable infrastructure;
- Understanding customer needs and requirements;
- Establishing a viable customer base;
- Service connections; and
- System operations and maintenance.

PROTECTING PUBLIC HEALTH

Protecting public health is the highest priority for the purveyor. The long record of successful applications of water reuse, both in the United States and throughout the world, demonstrates that water reuse can be practiced in ways that effectively protect public health. Despite the long record of success with water reuse, the management purveyor must be diligent in its attention to protecting public health.

Various entities have established guidelines for water reuse. Chapter 2 discusses regulatory requirements that various states have established for using reclaimed water. Currently, there are USEPA guidelines, but no federal regulations associated with water reuse, although such regulations are likely to be developed in the future. (See Chapter 2 for a more detailed discussion of regulations.) Internationally, the World Health Organization (WHO) has published guidelines for water reuse that are generally less restrictive than the state guidelines. Several countries, some of which have been practicing water reuse for decades, have adopted guidelines for water reuse based on the WHO guidelines.

Even though clear-cut guidelines are lacking, the permitted purveyor must have a well-documented plan for managing the system to protect public health. Procedures for managing a dual distribution system must be established well before the system is placed in operation. The procedures can be modified later as experience is gained in operating the system. Key elements of the management plan should include

- Product quality control
- System integrity control
- Compliance and enforcement
- Staff training
- Public education

Product Quality Control

Prudent water-quality standards should be based on the intended uses of the water and the management program the user intends to implement. Standards for reclaimed water will most likely be prescribed by the state. In many instances, the intended uses of nonpotable water may be broad. The purveyor must evaluate the required water quality for each type of use to determine which practical applications will be accepted. This decision will most likely be based on regulatory requirements, treatment requirements, and budgetary impacts. In addition, the purveyor should develop a strategy (QA/QC sampling) to ensure the system meets and maintains all applicable standards.

System Integrity Control

Procedures should be established to ensure the integrity of the dual distribution system. The nonpotable system should be color-coded and labeled to prevent accidental cross-connection between potable water and nonpotable water by the property owners, contractors, irrigation system installers, and plumbers. Adding specific wording and international symbols for nonpotable-water systems also improves the safety level of the dual distribution system. Leak detection programs, cross-connection control, and backflow prevention are also important components of ensuring a safe system. The guidelines in Chapter 4 can be referenced to avoid cross-connections.

Compliance and Enforcement

An appropriate regional purveyor is responsible for ensuring that the purveyor and the customers are in compliance with all state and local regulations at all times. The purveyor, if delegated, may assume the responsibility for ensuring that the customers are in full compliance. Enforcement procedures must be developed to handle issues when they arise. Compliance should be detailed in local codes as well as in the policies and procedures manual that governs the nonpotable program. The field inspector should have adequate authority to take action to ensure continued compliance. In case of a minor infraction, the inspector may elect to notify the customer of his findings and grant a grace period to

correct the violation without interrupting service. If the violation poses a potential health hazard, the inspector must have the authority to cite the customer for the violation and/or to discontinue service to the site until compliance has been reinstated.

Staff Training

All staff members involved in the operation and maintenance of the dual distribution system should be properly trained. This training must focus on regulatory and local policies as well as cross-connection control, site inspection, treatment, and water quality issues. These training programs should begin prior to the operating process. Some states have developed certification programs that provide training for field operation staff as well as management and production personnel so that everyone involved understands the requirements to ensure that the dual distribution system is operated in a safe and equitable manner. At a minimum, training and certification as a water system distribution manager is recommended for dual distribution systems operations personnel.

Public Education

Public education is essential in protecting public health during the construction and use of dual distribution systems and is a critical component for the success of any reuse program. To promote water reuse a community should adopt an aggressive education program that includes tips on both water conservation and water reuse. Such a program might include a reuse brochure and information on the community Web site. The community might also consider developing a community gathering that focuses on water and water reuse. One such example is the Raleigh, N.C., WaterFest held annually to educate the public on all facets of water reuse (Raleigh, N.C. 2007). The brochure can be distributed with demand surveys that would be mailed to prospective customers. They can also be used as direct mail pieces or as bill inserts, or located at each of the reclaimed-water facilities. Programs at local schools are also an excellent way to promote the use of reclaimed water.

New customers applying for reuse service should clearly understand the composition of the water they will be receiving for their nonpotable needs. The information can be presented in several ways beginning with an orientation session, review of policies that govern the program, and informational writeups and other literature generated by the purveyor to promote reuse.

The information should not be technical in nature, but it should clearly explain the permitted uses and those uses that are not permitted. The information should be concise and in short paragraphs to help maintain the customer focus and interest during this orientation period. Audio/video and other equipment can be used to help the audience understand the details of health and safety issues as well as the treatment process used at the water reclamation facilities. Users should also be encouraged to view and treat reclaimed water in the same manner as all other nonpotable-water supplies, such as irrigation water.

The use of video technology provides the purveyor with a consistent format for the viewer. Redundancy in delivery is encouraged to reduce the potential for miscommunication and misunderstanding. A period for questions and answers should be provided after the audio/video presentation. Other positive reinforcement, such as color-coding and signage explaining that nonpotable water is being used for irrigation or other purposes on the property, is encouraged. Operational procedures such as color-coding, service tap installations, user requirements, as well as the inspection process and why it is necessary should be explained. The need to minimize inadvertent contact with the water by individuals visiting the site and the benefits of the nonpotable-water system to the community should also be made clear to the audience.

SYSTEM POLICIES AND PROCEDURES

Typically, management activities occur in the initial development of the nonpotable-water system and during upgrades to the system's infrastructure. The formation of a policies and procedures manual should occur during the initial development of the nonpotable-water infrastructure. The policies and procedures manual serves as a guidance document and must be developed after determination of a well-defined program for the dual system. This document will assist in developing and maintaining customer confidence for the nonpotable-water system. Development of the nonpotable-water infrastructure identifies the key elements necessary for initial development as well as during subsequent upgrades or modifications to the system.

Policies and Procedures Manual

Once the primary program for the dual system has been targeted, it is crucial to begin developing a policies and procedures manual for the orderly development and management of the system. This document will initially govern the program during the start-up process and provide an important operations tool over the life of the system. The policies and procedures manual should be created well in advance of the system being placed into operation. It will also be of assistance during the promotional phase of the program to build consumer confidence. As the program begins to develop, periodic updates and revisions will be necessary to ensure compliance with federal, state, and local regulations.

Currently, most people in the United States take potable-water service for granted; however, nonpotable-water products and concepts must be marketed to the consumer as a safe and reliable water source that will meet their nonpotable needs and present no health risks to the user and the general public. This should be accomplished through regulatory oversight and well-defined operational policies and procedural protocols.

Managing Nonpotable Uses

Nonpotable water may serve a variety of uses in an urban water-service area. These may range from residential to industrial use and public-use land holdings. The management of the reclaimed-water use may differ for each class of user.

Residential Uses

Indoor residential use. The use of reclaimed water in the residential setting is generally limited to landscape irrigation and, in a few instances, to toilet flushing. While cross-connections in the residential setting are of significant concern, the use of dual distribution systems in single-family residences is gaining some acceptance and the potential for the cross-connections would most likely be in the interior plumbing for toilets. Adequate safeguards should be in place to ensure that "do-it-yourselfers" do not make connections to the wrong supply. Such uses in a condominium, apartment, or high-rise residential building is of less concern because only licensed plumbers would have access to the plumbing system.

Outdoor residential use. Outdoor residential reclaimed-water use is generally for irrigation purposes. All hose bibbs and other connections to the reclaimed-water system should be properly marked to indicate that they convey reclaimed water. As with interior uses previously noted, adequate training of the homeowner with respect to the use of the reclaimed-water system is key to avoiding long-term issues.

Public education plays a significant part in ensuring that the homeowner will treat the reclaimed-water system appropriately. New customer education, as well as repeated reminders through bill stuffers and public education campaigns is an effective public education initiative.

Commercial Uses

Buildings. Commercial and public office buildings offer opportunities for nonpotable-water uses, such as air conditioning and toilet and urinal flushing, and may constitute 80 to 90 percent of the total water usage for large commercial centers. Where reclaimed water is utilized for toilet flushing, local ordinances may prescribe marking those toilets that are associated with reclaimed water. This should be a consideration in every design. In addition, among a number of cities, San Francisco has adopted a code requiring separate plumbing for toilet flushing when reclaimed water is available.

Landscape irrigation. The other large commercial use, particularly in the office and campus setting, is for landscape irrigation. The advent of green roofs for commercial (and public) buildings has provided another demand for the use of reclaimed water in newer commercial construction. Frequently, many of these campus areas will include impoundments for decorative purposes. All of these landscaping applications should be properly marked to indicate that reclaimed water is being used.

Construction. Principal uses for reclaimed water in the construction industry include use in the manufacture of concrete, watering gravel roads and haul roads for dust control and cleanup, increasing the moisture content of earthwork to improve compaction, curing concrete, and washing down at construction sites. In each of these uses, local or state regulations may require adequate marking and other such strategies to ensure that the users of this reclaimed water fully understand its source and level of treatment.

Municipal Uses

While reclaimed water is the "new" water resource and has a variety of uses as described in the following sections, conservation of both potable and nonpotable water should be the hallmark of any program. For example, reclaimed-water use in landscaping can be reduced by xeriscaping (using native plants).

Landscape irrigation. By far the largest urban use of nonpotable water is for landscape irrigation. The places for its use include cemeteries, parks, playgrounds, school yards, street and freeway medians, nurseries, tree farms, golf courses, and building grounds. The quality of the water required for these uses will vary, as noted in Chapter 2. Frequently, many of these areas include impoundments, either for storage or decorative purposes, that help to balance flow demands and impact distribution system design. All such locations should post that the irrigation water is from a reclaimed-water supply.

Lakes and impoundments. When reclaimed water is used for lake makeup, preventing algal growth is nearly impossible, even if the nutrients are mostly (but not completely) removed from the wastewater. After a period of time, nutrients arrive by wind-blown dust and debris and incident precipitation, thus further promoting algal growth. Problems can be minimized by maintaining good circulation, avoiding shallow bays, maximizing side depth and slope (within local regulations), diverting runoff from adjacent areas, and minimizing detention times to no more than 7 to 10 days. Artificial aeration is sometimes beneficial, and the lake perimeter should be kept free of nuisance growth. (WERF, Black & Veatch 2004). All such impoundments and lakes should be adequately marked to indicate that they contain reclaimed water.

Industrial Uses

Industrial uses generally include cooling-water makeup and process rinse and washwater. These uses generally vary by industry type.

Cooling-water makeup. Cooling water is one of the largest water uses at the typical industrial facility and generally requires a reasonably high-quality water so as not to foul the cooling towers. Certain constituents in reclaimed water decrease the number of cycles of concentration and increase corrosion and chemical costs. For example, dissolved

organics and nutrients in reclaimed water can increase the demand for biocides to control algal growth. Calcium, phosphorus, silica, and other minerals form precipitates when concentrated and can also limit the cycles of concentration. Ammonia reduces the effectiveness of copper and brass heat-exchange surfaces. To assess these potential impacts, a detailed constituent-by-constituent comparison between the potable water available to an industry and the quality of the proposed reclaimed water should be prepared. If the industrial user is of sufficient size, they should be consulted to ascertain if additional treatment to remove particularly troublesome constituents would be cost-effective for both parties.

Process use and wash water. Large quantities of water are used in the manufacture of paper products, metal finishing and plating, fume and stack scrubbing, and paint spray booths, among others. If a significant use is identified, there should be discussions with the industry regarding the required water-quality characteristics and quantities needed. Proper control of the reclaimed-water use within the process is important. Generally, this is not a problem in the industrial setting, because each industry has their own method of marking the various inputs to the industrial process. The municipality must work with the industry to assure that an adequate cross-connection program is in place.

Other Uses

Agricultural uses. In many urban areas, crops are being raised that can be irrigated with reclaimed water. The regulations regarding the use of reclaimed water for such irrigation purposes are almost exclusively the purview of the state where water is used. Sometimes, local rules may be even more constraining.

Aquaculture uses. The use of reclaimed water to supplement freshwater sources is increasing. Large fish farms will often treat their wastewater and then recycle it into the fish ponds. Additional reclaimed water from local municipal supplies may also be utilized to supplement the makeup water for the ponds. The regulations regarding the use of reclaimed water for such irrigation purposes are usually the responsibility of the state.

Groundwater recharge. As water supplies are becoming stressed from ever increasing population growth and climate change, groundwater recharge with reclaimed water is becoming increasingly common. There are a variety of methods for accomplishing this. Aquifer recharge programs, like the "Aquifer Replenishment Program" in Orange County, Calif., inject reclaimed water into an aquifer to displace brackish water. Aquifer storage recovery systems require an engineered design and permitting.

DEVELOPING THE NONPOTABLE INFRASTRUCTURE

Management responsibilities for developing the reclaimed-water infrastructure are needed for the development and modification of the nonpotable system. As with a potable-water system, a nonpotable-water system should be developed responsibly to meet demand without incurring unreasonable cost in speculation of potential demand. The key elements to developing the nonpotable-water infrastructure include

- Plan checking
- Field site inspection
- Record drawings
- Customer site documentation

Plan Checking

As with the initial installation, a professional engineer should design any modification to nonpotable- or reclaimed-water facilities and prepare plans and construction specifications.

To ensure consistency in the design of a nonpotable-water distribution system, the purveyor should consider the development of standard specifications and details that relate to the means, methods, and materials of construction for the system. Elements of the nonpotable-water distribution system that may be addressed with standard specification and details include

- Pipeline identification, testing, and placement
- Public notification of reclaimed-water use
- Valve boxes and covers
- Meter and meter boxes
- Backflow-prevention assemblies
- Cross-connection control
- Hose bibbs
- Irrigation system controls
- Holding pumps
- Runoff control

The design engineer should meet with the nonpotable-water distributing purveyor before the start of design to identify specific project design requirements, minimum line sizes, and points of connection. The engineer should provide proof of diligent search of utilities and substructures by providing letters of approval from all known utility companies to the water purveyor. Where there is any question of separation, exploratory substructure excavations should be required to determine actual elevations of existing potable-water and sewer lines. The design of the system should be reviewed and approved by the appropriate state or local regulatory agency prior to the start of construction.

The plan review should be in sufficient detail to ensure identification and separation. The location of blowoffs and drain lines should be coordinated with the regulatory agencies to verify that discharge is only to approved locations.

The designer should review existing project record drawings of customer sites and discuss all desired modifications with the site owner or representative. The location of all utilities and potable-water lines and connections should be verified. During the plan check, all connections to potable-water lines should be identified and clearly indicated to be severed and capped, and backflow-prevention devices installed on potable-water lines and fire-protection water lines. Plans should clearly show the location of all warning signs.

Site Inspection

The inspection of facilities is critical for the safe operation of a dual water distribution system. The potential for cross-contamination is particularly acute in older systems, and extra diligence in inspection is required. Any connection to an existing system that results in conversion from potable to nonpotable water requires close scrutiny and must be approved or witnessed by the nonpotable-water purveyor and the owner or representative of the existing system to ensure that no inter-ties occur between the nonpotable system and the potable-water system.

Multilevel site inspections consisting of a minimum of two inspection trips should be conducted before a user site is connected to the nonpotable-water system. The first site visit by the purveyor presents an opportunity to develop a profile of the user site. The information captured during this visit will be maintained in the customer's file as historical information. It is important during this time to determine what modification(s), if any, will

be required to bring the site into compliance with state and local regulations. The inspector's notes will incorporate any deficiencies and abnormalities that need to be corrected by the customer or their designee.

The findings of the inspector should be documented in the purveyor's files and copied to the customer for their files. If corrective actions are necessary, this document should provide a detailed list of what deficiencies exist and what actions are required. A second inspection should be conducted to confirm that any preexisting deficiencies have been properly corrected and no new conditions have been created.

Pressure testing the nonpotable system should be completed before connection to any existing system. This is frequently accomplished by testing against a *blank* (a closed valve or blind flange) at the main valve. All backflow-prevention devices must be installed on the potable and fire-protection systems, tested in the field, and ready for service.

Before final acceptance of the system, the potable-water services should be shut off; and all fixtures, hose outlets, and other connections designed to remain on the potable-water system should be opened. The nonpotable-water system should then be pressurized and a dye injected into the nonpotable system. The nonpotable system then should be activated and the dye water observed at all intended nonpotable-water outlets. Potable outlets should also be cross-checked to ensure that no dye is present.

Inspecting the construction of a nonpotable-water system is most critical at the points of connection and tie-ins. The system should be tested using potable water prior to connection to the main supply. This can be done against a closed valve. When the system passes pressure and leakage tests, the blank can be removed. The location of the connection point must be inspected and approved by the nonpotable-water purveyor or in the presence of the purveyor's inspector.

The inspection protocol should be defined in the purveyor's System Operational and Maintenance Protocol Manual. The inspector will be responsible for strict adherence to the procedure at all times and monitor the user sites to ensure compliance with all state and local regulations.

In addition to the inspections before the system is put into service, periodic inspections should be performed to ensure ongoing compliance with state and local regulations. The inspector should routinely monitor neighborhoods and user sites looking for conditions such as runoff, ponding, and unacceptable overspray of the resource to street surfaces, sidewalks, and neighboring properties. All inspections should be documented and the property owner notified of the visit and findings. It is further recommended that additional inspections occur when the property changes ownership.

Record Drawings

Facility plans and distribution system drawings should be maintained and kept up-to-date by the engineering section of the purveyor. Additional information that should be maintained with these records includes service connection details and if applicable, Global Positioning System (GPS) coordinates and Geographic Information System (GIS) databases. This type of information becomes useful as the system ages and provides assistance to field staff performing routine and periodic maintenance. This should be a requirement of the use permit, with all modifications or additions to the system noted. The date of the revision should be indicated on the drawings, and copies of each drawing should be kept at the nonpotable-water purveyor for each revision. Plans should show the location of all nonpotable- and potable-water pipelines, valves, regulators, meters, backflow-prevention devices, hydrants, signage, and other system components.

The distributing purveyor should have a system map of the nonpotable system showing the location of all potable- and nonpotable-water lines, valves, regulators, hydrants, blowoffs, meters, air-release valves, and other components. Drawings should include the location of all nonpotable-water services, service size, meter number, and user permit number.

Customer Site Documentation

The purveyor should develop files containing the background documents for each of its customer sites. Documents to be included in the file may start with the letter of intent from the customer. The letter of intent provides information on the intended use for the water. In many cases the use is broad ranged including, but not limited to, urban and agricultural irrigation, cooling towers, machinery operations, toilet flushing, salinity barrier, and other industrial applications. The purveyor should determine whether or not the intended use meets the criteria of the operating permit and whether or not the treatment process and water quality meet the customer's needs. The purveyor may need additional information, such as instantaneous demand and usage rate data, water-quality criteria, and detailed engineering drawings to determine whether or not the application is appropriate.

Other documents may be needed such as legal description of the customer sites, owner's names, responsible agents, service request date, application date and site application date, site inspection reports, agreements, records of infraction, violation of compliance, customer notifications, and any other correspondence related to the customer site.

UNDERSTANDING CUSTOMER NEEDS AND REQUIREMENTS

Managers of nonpotable-water systems must be extremely attentive to operating their systems as businesses. The demand for the product and services of nonpotable-water purveyors is not as inherent as that of potable-water purveyors. As a result, understanding customer needs and requirements is extremely important for the success of a nonpotable-water system.

Obtaining Public Support

Understanding customer needs and requirements begins with a proper planning effort for obtaining public support and obtaining/maintaining consumer confidence. Typically, an objective for reclaimed-water systems is to develop and sustain a high demand for nonpotable water as a means to decrease demand for potable-water resources. This need for obtaining public support is critical for the success of a nonpotable-water system. Informed consumers are absolutely essential in obtaining support for the development of a reclaimed-water system. The public education program should be ongoing, making use of audio and visual technology, and other available means.

Obtaining/Maintaining Consumer Confidence

Obtaining and maintaining consumer confidence and public support is essential if the dual distribution program is to succeed. It begins with the planning phase of program development. The potential for opposition to the development of a dual distribution system has to be addressed before it becomes an issue. The purveyor has to work with community leaders and health officials to build a positive image of reclaimed water. Public health and safety assurances should be one of the most important areas to be addressed.

Surveys have indicated little opposition to reuse for park, lawn, or golf course irrigation, or industrial application (Bruvold 1984). The presumption is that such uses are safe. Questions of safety arise initially from public health agencies concerned about how proposed uses may create the potential for disease transmission by cross-connections or direct contact. Reuse for drinking or bathing must be differentiated from reuse for outside irrigation.

Consumers asked to support a reclaimed-water system and to use the water must be convinced that the product will not, in any way, endanger their health or well-being. Example talking points might include:

- Reclaimed water should be promoted as a valuable tool for creating an abundant supply;
- Reclaimed water helps keep the grass greener;
- Reclaimed water reduces fertilizer usage;
- Reclaimed water can provide water features;
- Reclaimed water is a reliable supply;
- Reclaimed water is reliable even in drought.

Examples of successful nonpotable-water programs should be presented to enhance the positive image of dual distribution systems (Figures 6-1, 6-2, and 6-3).

Information regarding the proposed project must be accurately relayed to the public, voters, and potential users. It is essential that they be given complete and factual information concerning water quality that must meet or exceed all health purveyor requirements. The total cost of the project and the financing should be presented to the various groups using the system.

Currently, there are many successful nonpotable distribution systems across the United States that can provide aid and assistance to facilitate development of new applications. The successful experiences of other similar facilities can promote consumer confidence and public support. The use of news media, flyers, informational mail-outs, and community and town hall meetings in conjunction with the information from other communities enhances the level of consumer understanding and acceptance for the nonpotable-water system.

The water-reclamation facility should be designed, maintained, and operated in such a manner that the effluent has demonstrable excellence. A continuous public information effort should emphasize that excellence so that the community takes pride in the plant and the water it produces. Local school districts should be encouraged to include in their curriculum the study of water supply and wastewater disposal and reclamation. Tours of the wastewater-treatment or water-reclamation plant should be a standard part of the curriculum for the targeted age level. Tours by service clubs, garden clubs, and any other local organizations should also be encouraged. This continual effort helps to ensure a positive feeling about the quality of the water produced by the plant.

Several examples of public relations materials have been developed by AWWA, WEF, WRA, and long-term, well-established nonpotable distributing water agencies. These sources of information should be consulted to assist in the development of a public relations program. A general approach for the development of a public relations program includes the following steps:

- Identify potential affected public and stakeholders;
- Define the scope of the public involvement (will they be allowed to make the final decision?);
- Conduct issues assessment with key stakeholders;
- Assess public opinion; and
- Develop a tailored program for continuous stakeholder involvement.

Figure 6-1 Cemetery watered with reclaimed water

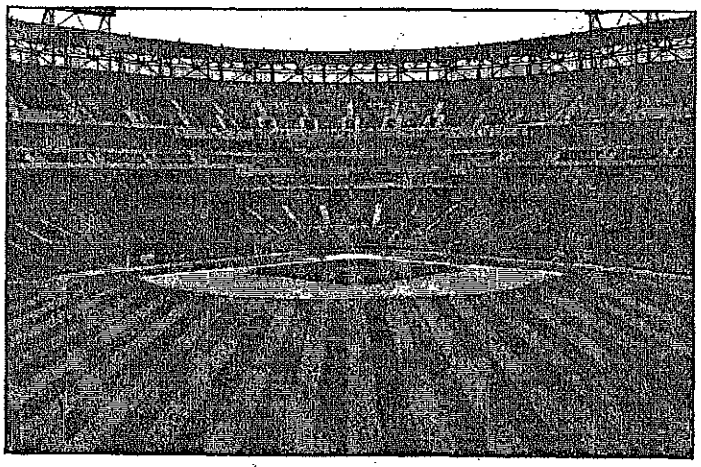

Figure 6-2 A baseball field maintained with reclaimed water

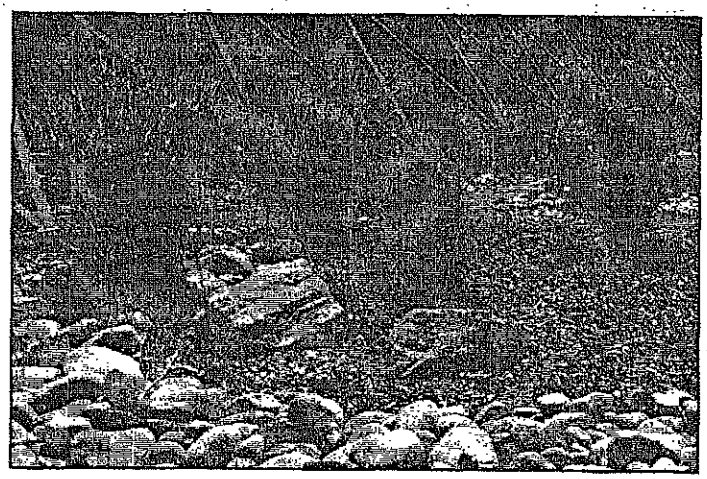

Figure 6-3 Xeriscape watered with reclaimed water at a high school

ESTABLISHING A VIABLE CUSTOMER BASE

One of the key tasks of nonpotable-water purveyors is to establish a viable customer base. To accomplish this, the nonpotable-water purveyor must establish a long-term reclaimed-water market plan with the focus on eliminating the current barriers to water reuse and promoting the value and benefits of using reclaimed water. The barriers to the use of reclaimed water include:

- Reclaimed water viewed as low quality;
- Limited understanding of the value of reclaimed water; and
- Lack of vision.

The value to the consumer of reclaimed water is often misjudged. Reclaimed water is, by generally accepted standards, of reasonable quality and is "manufactured" for the specified usage—irrigation, industrial, etc. The lack of vision regarding the value of reclaimed water is often based on the limited understanding of the value of reclaimed water. The public generally has little idea of how the use of reclaimed water can ultimately save a community money because it has multiple uses that can supplement the use of potable water.

The value and benefits of using reclaimed water include:

- An abundance of water provides recreational benefits, aesthetics, and local and national economic health;
- Provides an alternative to the potable-water supply; and
- Reclaimed-water supply is drought-proof.

The nonpotable-water purveyor should convince customers that potable water is not always the best quality for all uses. It should also be made clear that the value of reclaimed water varies with its intended use and on many occasions, reclaimed water is the best quality for the use. For example, using reverse osmosis (RO) treated reclaimed water as boiler feed minimizes scaling and is of better quality than potable water. The fundamental principals of the development of a market for reclaimed water are further discussed in Chapter 7.

SERVICE CONNECTIONS

Nonpotable-water system managers should establish an application and permitting procedure for customer service connections. The application procedure should conform with the nonpotable distributing purveyor's rules and regulations, and with applicable federal, state, and local statutes, ordinances, regulations, contracts, and other requirements. The permitting procedure should require the user to adhere to the requirements prescribed by the nonpotable distributing purveyor's rules and regulations and to any additional requirements established by federal, state, or local regulators pertaining to nonpotable-water service.

Application Procedure

A procedure should be established for application for service of nonpotable water. This procedure can be very similar to that used for potable-water service. The established procedure should conform with the nonpotable distributing purveyor's rules and regulations, and with applicable federal, state, and local statutes, ordinances, regulations, contracts, and other requirements. The procedure should provide the customer with an opportunity to review the policies and regulations that govern the nonpotable system. The procedure should clearly outline for the customer the need for on-site inspection without prior notification and provide assurances that these inspections will be conducted at reasonable times of the day.

The purveyor establishes acceptable uses of nonpotable water, which may include

landscape irrigation, agricultural irrigation, construction water, industrial process water, toilet flushing, air conditioning, and recreational impoundment. The purveyor should require all detailed site drawings, the letter of intent, and design information at the time the customer application is forwarded to the authorized agent. If applicable, the purveyor may require a demonstration or additional justification to clarify the customer's request and proposed use. The purveyor should have in place a standard approval procedure; however, it should reserve the right to approve or disapprove additional uses on a case-by-case basis.

An application for nonpotable-water service should be made in writing and signed by the applicant. A standard application form should be prepared by the distributing purveyor and should specify the following:

- A description of the property to be served;
- The applicant's relationship to the property (as owner or tenant);
- The purpose for which the property is to be used;
- End use;
- The estimated nonpotable-water demand;
- Delivery requirements with regard to desired pressure and time of day; and
- Water-quality requirements.

The purveyor may find it desirable to require the applicant to obtain prior approval of the proposed use by federal, state, or local agencies that have jurisdiction.

Permits

The issued permit should require the user to adhere to the requirements prescribed by the nonpotable distributing purveyor's rules and regulations and to any additional requirements established by federal, state, or local regulators pertaining to nonpotable-water service. The permit should also set forth the conditions for temporary or permanent interruption of service due to circumstances beyond the control of the purveyor, but necessary to protect the facilities of the purveyor or the public health, safety, and welfare. Examples when termination may be necessary include the following:

- The user's operations do not conform to the applicable requirements; and
- The purveyor's reclamation plant does not meet the requirements of regulatory agencies. Reclaimed-water service would, in such case, be renewed when the reclaimed water again meets the requirements of regulatory agencies or when the purveyor supplements the reclaimed-water system with sources other than the reclamation plant.

The permit should establish maintenance responsibilities. The distributing purveyor should not be liable for any damage resulting from defective plumbing or for broken or faulty services caused by the user. The user should be required to accept the conditions of pressure and service as are provided by the distribution system at the location of the proposed service connection. The purveyor should not be responsible for damage arising from low-pressure or high-pressure conditions or from interruptions of service. Each user should be responsible for designing its system to accommodate the overall requirements of the retailing purveyor. If meters are to be provided for each user, a system should be established to manage modifications that might take place on the user's system following the meter.

The distributing purveyor may want to reserve the right to limit the area of land being supplied nonpotable water to one service connection and one nonpotable-water meter per one ownership. If a property provided with a nonpotable-water service connection and nonpotable-water meter is subdivided, the connection and meter could be considered as

serving the lot or parcel of land that it directly or first enters. Additional application for reclaimed-water service lines would be required for the new subdivided parcel of land.

SYSTEM OPERATIONS AND MAINTENANCE

The operation and maintenance of a nonpotable-water distribution system is very similar to a potable-water distribution system except that extra attention must be paid to public safety and health. Visual inspection on a routine basis is necessary to minimize runoff, ponding, or pooling and to eliminate overspray of reclaimed water. Regular monitoring and testing of the system is recommended to guard against accidental cross-connection with the potable-water system.

Monitoring and Testing

Routinely testing the water quality of the system is a good general practice. A sampling for coliform bacteria from a cross section of the system should be made regularly. Broken sprinkler heads, leaks, unreliable valves, or other components should be repaired as quickly as possible.

A testing program of the system for inadvertent cross-connections should be established. This testing program can be one of two types, a pressure test or a color test. The pressure test is the most reliable but can be the most difficult to perform. The system should be tested about once a year. Portions of the nonpotable system should be isolated for testing purposes.

The pressure test consists of turning off the main supply to the nonpotable system and verifying that water is not flowing to any individual systems. If possible, the procedure should be repeated with the potable system off and the nonpotable system on. This can be difficult, if not impossible, if water is being supplied to a residential area for landscape irrigation.

The dye test consists of putting a nontoxic dye into the nonpotable system and checking for the dye in the potable system. This test is not as reliable as the pressure test because small cross-connections may not be detected. A small volume of nonpotable water may become very diluted when introduced into the potable system.

Emergency Connections to the Potable-Water System

The nonpotable purveyor may approve a temporary connection to the potable-water system if all or a portion of the nonpotable-water system is out of reclaimed-water supply. Before such a temporary connection is made, the nonpotable portion of the system without reclaimed water should be isolated by an air-gap separation from the remainder of the reclaimed-water system. Backflow prevention that meets applicable regulations must be installed on the potable-water line. The emergency connection should be removed before the system is reconnected to the remainder of the nonpotable system.

Safety

The purveyor should guide and supervise the consumer during startup and initial operation to ensure the proper use of nonpotable-water systems. In most cases, if reclaimed water is properly used, continual supervision is not needed. At all times, however, the distributing purveyor must be able to solve any problems that may arise.

Worker safety should be ensured. An education program to inform all purveyor personnel, especially maintenance personnel, that reclaimed water is present and should not be ingested is essential. A program should also be established to conduct or assist each user with an education program for their employees (such as a golf course maintenance staff). Table 6-2 presents Hawaii's guidelines for worker safety.

The level of public education and public safety programs should be in proportion to the potential exposure and risk to the public. A procedure to notify the public in case of system contamination should be established and coordinated through the local emergency management purveyor and local or state Board of Health.

Table 6-2 Guidelines for workers' safety (Adapted from Hawaii State Department of Health Wastewater Branch Guidelines)

An Employee Training Plan shall be made for workers who handle or may be exposed to R-1 and R-2 water.
1. Workers shall be notified that recycled water is in use. Notification shall include the posting of conspicuous, informational signs with wording of sufficient size to be clearly read at the work place. When a worker's primary language is not English, the notification shall be provide in a form the worker understands.
2. Workers shall be informed verbally and in writing that recycled water is not suitable for ingesting and that drinking recycled water may result in potential illness.
3. Potable water shall be supplied for workers for drinking and washing hands and face. When bottled water is provided, the water shall be in a separate, boldly labeled, contamination-proof containers protected from recycled water and dust.
The following provisions, cited in items (1) through (5), shall be made for workers who handle or may be exposed to recycled water other than R-1 and R-2 water:
1. Recycled water shall be managed, and spray and mist of recycled water shall be controlled to minimize contact with workers.
2. Potable water shall be supplied for workers for drinking and washing hands and face. When bottled water is provided, the water shall be in separate, boldly labeled, contamination-proof containers protected from recycled water and dust.
3. Precautions shall be taken to avoid contamination of food taken by workers into recycled water use areas. Food shall not be taken into areas still wet with recycled water.
4. Workers shall be notified verbally and in writing that recycled water is in use and that it is not suitable for ingestion. Notification shall include the posting of conspicuous informational signs with wording of sufficient size to be clearly read. When a worker's primary language is not English, this notification will be provided in a form the worker understands.
5. Workers shall be informed verbally and in writing that the recycled water used is not reliably free of organisms that can cause serious illness, and workers shall be informed of precautions and proper hygienic procedures to protect themselves. The employer or supervisor of workers shall instruct the workers to comply with the following:
a. Workers shall wash hands with soap and water before eating, drinking, and smoking, and at the end of the work period, and shall not stand where visible mist is present.
b. Gloves that are impermeable to water shall be worn if contact between hands and recycled water would otherwise occur.
c. Employees shall keep fingers and hands away from the nose, mouth, and eyes, if fingers and hands have contacted recycled water.
d. Workers with cuts or breaks in the skin shall cover the area with waterproof bandages or other waterproof cover before working with recycled water.
e. Employees should be informed that inanimate objects, such as clothes or tools, can transport pathogenic organisms.
f. Employees should be required to wear shoes or boots at all times to protect their feet from pathogenic organisms in the soil or irrigation water.
Employee training shall include a plan describing the training that the employees will receive to ensure compliance with the Water Reclamation Guidelines. The plan shall identify the entity that will provide the training and the frequency of training.

REFERENCE

Bruvold, W.H. 1984. *Obtaining Public Support for Innovative Reuse Projects*. AWWA Water Reuse Symp. Denver, Colo.: American Water Works Association.

DEPARTMENT OF WATER

County of Kaua'i

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MANAGERS REPORT 12-65

March 22, 2012

Re: Tenth Change order for Job No. 05-06, Eiwa, Umi, Ekahi, Elua and Hardy Streets 8" Waterline Improvements (Water Plan 2020 Project No. PLH-25), Lihue, Kauai

RECOMMENDATION:

It is recommended that the Board approve additional funding for the tenth change order and additional project contingency for Contract No. 523 with BCP Construction of Hawaii, Inc., for the subject project.

FUNDING:

Job No. 05-06, Eiwa, Umi, Ekahi, Elua and Hardy Streets 8" Waterline Improvements

Original Funds Certified (BAB):		$2,694,000.00
Contract No. 23, BCP Construction of Hawaii, Inc.	$2,565,599.00	
Change Order #1 (Dialysis Lateral)	$4,239.00	
Change Order #2 (Concrete Jacket Credit)	$-11,489.00	
Change Order #3 (GET Tax Notice)	$0.00	
Change Order #4 (Tunnel Jackets)	$5,786.00	
Change Order #5 (Shearwater time extension)	$0.00	
Change Order #6 (Piikoi RPDA)	$47,550.00	
Change Order #7 (State Domestic Lateral)	$5,783.00	
Change Order #8 (State RPDA – DOW portion)	$19,890.00	
Change Order #9 (State RPDA – State portion)	$26,223.00	
Proposed Change Order #10 (Add. Paving)	$43,917.00	
Total Funding Required:		$2,707,498.00
Additional Funds Required (BAB)		$13,498.00
Funds Available from BAB		$19,374,324.45
Available Balance: Account # 201-01 BAB Bond		$19,360,826.45

BACKGROUND:

The major components of the projects are:

- 5,920 linear feet of 8-inch ductile iron waterline
- 970 linear feet of 6-inch ductile iron waterline

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- Gate valves
- Service laterals
- Fire hydrants
- 17,650 Square yards AC pavement
- Abandoning existing water facilities

The project is nearing completion and we are in the process of doing the final AC paving overlay for the project area. During construction, there were several conflicts with existing utilities that required DOW redesign. Some of the areas are outside of the original project paving limits so Change Order #10 will compensate the contractor to do the additional paving in various intersections.

The contractor, BCP Construction of Hawaii, Inc., proposes $43,917.00 for the additional paving required for the project in Change Order #10. There is a remainder of original contingency in the amount of $30,419.00, thus, the total additional funding request at this time is $13,498.00.

Respectfully submitted,

Dustin Moises
Waterworks Project Manager

Concurred:

William Eddy, P.E.
Deputy Manager-Engineer

DM/cab
Mgrrp-Job No. 05-06-Tenth C.O.-Eiwa, Umi, Ekahi, Elua, Hardy Streets 8" Waterline Improvements (WP 2020 Project No. PLH-25) Lihue

DEPARTMENT OF WATER
County of Kaua'i

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MANAGERS REPORT 12-66

March 22, 2012

Re: 3rd change order for Job No. 02-08, Rehabilitate Eleele Twin 0.4 MG Steel Tanks (Water Plan 2020 Project No. HE-08), Eleele, Kauai

RECOMMENDATION:
It is recommended that the Board approve additional funding for the 3rd change order and additional project contingency for Contract No. 529 with Oceanic Companies, Inc., for the subject project.

FUNDING:
Job No. 02-08, Rehabilitate Eleele Twin 0.4 MG Steel Tanks

Original Funds Certified (BAB):		$1,843,000.00
Contract No. 529, Oceanic Companies, Inc.	$1,754,850.48	
Change Order #1 (GET notice)	$0.00	
Change Order #2 (Tank 1 interior and exterior adds)	$86,767.57	
Proposed Change Order #3 (Tank 1 inlet)	$12,155.77	
Proposed additional contingency	$139,226.18	
Total Funding Required:		$1,993,000.00
Additional Funds Required (BAB)		$150,000.00
Funds Available from BAB		$19,524,324.45
Available Balance: Account # 201-01 BAB Bond		$19,374,324.45

BACKGROUND:
The major components of the projects are:

- Rehabilitate existing Eleele twin 0.4 MG steel tanks including cathodic protection.
- Booster pump building rehabilitation.
- Site improvements including new PVC coated chain link fencing, gates, asphalt pavement, retaining wall and landscaping.
- Replacement of existing gate valves and relocation of existing reservoir washout and overflow lines.
- New check valve on tank influent lines

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- Driveway improvements.

During construction, the interior and exterior of tank 1 was found to be in worse condition than initially expected. Change order #2 was approved to rehabilitate the tank properly and has been a success. As we continue to excavate around the site, we are finding more unforeseen items. Change order #3 is related to one of these occurrences. Further, we anticipate adding a SCADA component to the new cathodic protection system and doing additional interior and external work on tank 2 that will not fully be known until we remove the interior coating and expose exterior footing.

Change order #3. ($12,155.77)
During probing of the influent line connection to tank 1, it was discovered that the as-builts the design was based on were not accurate. The DOW has redesigned the plan and profile to account for the actual conditions and Change order 4 will compensate the contractor for the additional scope of work.

Additional Contingency. ($139,226.18)
There are cost proposals coming in the future for additional SCADA work with the proposed cathodic protection system for both tanks and we anticipate doing the same work for tank 2 that was done in change order #2 for tank 1.

The contractor, Oceanic Companies, Inc., proposes $12,155.77 for the influent line work in change order 3 and due to the forthcoming change orders for SCADA and tank 2 rehabilitation, an additional $139,226.18 is requested. The DOW will also grant 30 additional days to the contractor's contract end date due to delays beyond their control that extended the time of completion for change order #3.

There is a remainder of original contingency in the amount of $1,381.95, thus, the total additional funding request at this time is $150,000.00.

Respectfully submitted,

Dustin Moises
Waterworks Project Manager

Concurred:

William Eddy, P.E.
Deputy Manager - Engineer

DM/cab
Mgrrp_3rd change order-Job No. 02-08, Rehabilitate Eleele Twin 0.4 MG Steel Tanks (WP 2020 Project No. HE-08)

DEPARTMENT OF WATER
County of Kaua'i

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MANAGER'S REPORT NO. 12 – 67

March 22, 2012

Re: Request Board Approval to Extend Funding of Staff Fitness Program

Recommendation:
The Department recommends that the Board approve the expenditure of up to $5,000 to continue the staff fitness pilot program for the remainder of the fiscal year.

Funding:

Available Funding, Acct # 35 – Operating Reserve Fund		$20,000.00
Total Original Pilot Staff Fitness Program Funding	$5,000.00	
Amount Projected to Complete Original	$4,928.00	
Projected Balance	$72.00	
Proposed Extended Staff Fitness Pilot Program	$4,900.00	
Proposed Contingency (approx. 10%)	$500.00	
Total Proposed Amount	$5,400.00	<$5,400.00>
Acct # 35 Balance Remaining		$14,600.00

Background:
We have completed the three (3) month staff fitness pilot program. This short pilot was successful by several measurements such as increased camaraderie and morale, stress reduction and even increased work productivity among the participants. The longer term benefits of the fitness program will likely include reduction in workman compensation costs and fewer health related absences from work.

Participation in the pilot has been good; there are 14 employees who regular attend the fitness sessions. We conducted a survey amongst the 14 and the survey results indicate that they are enthusiastic about the program and would very much like to continue. Furthermore, we hope to recruit additional participants to join this program should we be able to continue.

Below is a summary of the proposed continued program:

1. A four (4) month staff fitness program extension beginning in March and going through June 2012.
2. The proposed program will consist of 30 minute fitness sessions. One session will be offered twice per week. The sessions will be held during lunch break.
3. A fitness trainer will lead the fitness sessions and provide the fitness equipment.
4. All employees may participate in the program and it is entirely voluntary. We expect 14 plus employees to participate.

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5. The cost of the program will be at the Department's expense pending Board approval. The cost is a flat rate $140 per 30 minute session. $140.00 x 35 sessions = $4,900.00.
6. The proposed program will be on employee time and not Department time.
7. A written agreement and release of liability will be required for each employee who wants to participate. A written medical clearance form will also be required for each participating employee.
8. The program will be evaluated at the end of the four (4) months. The program will be considered successful if there is good participation and positive results.

We are also exploring the possibility of developing a fitness program geared towards our Operations staff. We envision the Operations fitness program to include strength conditioning in addition to the general fitness training. No funds for the proposed Ops program are requested at this time; however, we anticipate requesting funding during the upcoming 2013 budget submittal.

Respectfully submitted,

W. Eddy

William Eddy, P.E.
Deputy Manager-Engineer

WE/cab
Mgrrp-Request Board Approval to Extend Funding of Staff Fitness Program (3-22-12)

DEPARTMENT OF WATER

County of Kaua'i

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MANAGER'S REPORT NO. 12-68

March 22, 2012

Re: Job No. 12-1, Water Plan 2020 Job No. H-05, Weke, Anae, Mahimahi and He'e Roads 6" and 8" Main Replacement (2,760'), Hanalei, Hawaii

RECOMMENDATION:

It is recommended that the Board award a contract to Esaki Surveying and Mapping, Inc. for Job No. 12-1, Water Plan 2020 Job No. H-05, Weke, Anae, Mahimahi and He'e Roads 6" and 8" Main Replacement (2,760'), Hanalei, Hawaii, in the amount of $143,605.00.

FUNDING:

Job No. 12-1, Water Plan 2020 Job No. H-05, Weke, Anae, Mahimahi and He'e Roads 6" and 8" Main Replacement (2,760'), Hanalei, Hawaii

Available Balance: Account # CIP Reserve/Water Utility Fund.....$2,549,116.00
Esaki Surveying and Mapping, Inc.....$143,605.00
Contingency.....$ 14,360.00
Total Funding Required:.....$157,965.00.....<$ 157,965.00>
New Balance: Account # CIP Reserve/Water Utility Fund.....$2,391,151.00

BACKGROUND:

This project includes the replacement and upsizing of the following water lines:

Proj#	Description	Location
H-05	500 lf of 6" DI to Replace 2" PVC (1973)	Mahimahi Road - Kuhio Hwy to Weke Road
H-05	1970 lf of 8" DI to Replace 2" and 2.5" GS (1924)	Weke Road - Malolo Road to Anae Road
H-05	490 lf of 6" DI to Replace 2.5" PVC (1971)	Weke Road - Anae Road to end of Weke Road
H-05	300 lf of 8" DI to Replace 2.5" PVC (1971)	Anae Road - Weke Road to Kuhio Hwy
H-05	110 lf of 2.5" PVC to Replace 1.5" PVC (1971)	Anae Road - Weke Road to beach
H-05	110 lf of 2.5" PVC to Replace 1.5" PVC (1971)	Hee Road - Weke Road to beach

The replacement of the water lines associated with this project will help ensure adequate service to this area in the future. These Hanalei water line improvements were submitted and approved by the State Legislature for partial funding reimbursement of $125,000. A consultant is required to perform the aforementioned work. A review committee was formed and Esaki Surveying and

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Mapping, Inc. was selected by the manager based on the review committee's recommendation. We contacted the consultant and a scope of work and proposal was negotiated.

We reviewed Esaki Surveying and Mapping, Inc. proposal of $143,605.00 for the work and find it acceptable.

Respectfully submitted,

Aaron Zambo, P.E.
Project Manager

Concurred:

William Eddy, P.E.
Deputy Manager-Engineer

AZ/cab

DEPARTMENT OF WATER

County of Kaua'i

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MANAGER'S REPORT No. 12-69

March 22, 2012

RE: Request to Expend Funds from Contracted Capital Expenditures

RECOMMENDATION:

Your approval is requested to re-describe the project shown as "Install of Electrical Saving Device" budgeted in FY 2012 in the amount of $800,000.00. The proposed re-description title is "Energy Saving Projects at Pumping Facilities" and will include the three (3) projects shown below.

FUNDING:

No additional funding is requested. We propose to utilize the current funding in the amount of $800,000.00 in the Water Utility Fund.

BACKGROUND:

The Department budgeted in the current fiscal year a project described as "Install of Electrical Saving Device" in the amount of $800,000.00 from the Water Utility Fund. The intent of this project was to reduce our electrical consumption by installing such devices at our pump facilities. Our engineering staff researched some of the available and marketed electrical savings devices and has found that the technology complexity requires specialized knowledge beyond our capabilities.

Accordingly, we propose to re-describe the current budget item to include other projects for the purposes of energy savings at pump facilities. Below is a list of the proposed projects:

1. Kalaheo Deep Wells 1 & 2 Capacitors, Surge Protection and Soft Starter replacement. This project is currently under design and we expect to bid with a month. The new capacitors will improve the "power factor" at this site resulting in reduced power costs. The total cost is estimated at $75,000.00.

2. Replace old deep well pump motors with premium efficiency motors. The majority of our 51 deep well pumps utilize hollow-shaft motors. Some of these motors are very old with electrical efficiency far below what is currently available. We typically use a motor until it fails and then send it to an electrical repair shop for rewinding. We are proposing to retire our oldest motors and replace them with new premium efficiency motors. We estimate that our electrical costs can be reduced by approximately 5% by utilizing premium efficiency motors. Table No. 1 below is a list of the motors we propose to replace:

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Table No. 1 - Purchase of Premium Efficiency Motors

HP	Quantity	Estimated Unit Purchase Price	Total Estimated Purchase Price	Estimated Annual Power Savings Based on 5% Reduction
10	1	$ 1,420.00	$ 1,420.00	$ 457.26
25	1	$ 3,551.00	$ 3,551.00	$ 1,143.16
30	2	$ 4,260.00	$ 8,520.00	$ 2,743.58
50	4	$ 7,103.00	$ 28,412.00	$ 9,145.26
60	2	$ 8,520.00	$ 17,040.00	$ 5,487.16
75	4	$ 10,650.00	$ 42,600.00	$ 13,717.90
100	3	$ 12,615.00	$ 37,845.00	$ 13,717.90
125	2	$ 15,873.00	$ 31,746.00	$ 11,431.58
150	1	$ 19,131.00	$ 19,131.00	$ 6,858.95
250	1	$ 30,100.00	$ 30,100.00	$ 11,431.58
350	1	$ 40,796.00	$ 40,796.00	$ 16,004.21
Total	22		$ 261,161.00	$ 92,138.54

3. Energy Audit and Implementation of Energy Saving Recommendations. We propose to hire a consultant and contractor to conduct a comprehensive audit of our energy consumption at all deep well and booster pump facilities (70 total). Below is a summary of the proposed energy audit:

   a. Phase 1 – Test "wire to water" efficiency and investigate each site. Identify inefficient pump facility components. Conduct cost analysis. Prepare an engineering report with findings and recommendations. Total estimated cost of approximately $120,000.00.

   b. Phase 2 – Design, prepare plans, specifications and bidding documents for replacement of identified inefficient pump facility components. Provide preliminary cost estimates, services during bidding, construction and close-out. Total estimated cost of approximately $120,000.00.

   c. Phase 3 – Replacement of inefficient pump facility components. This phase will be competitively bid separate from Phases I and II. The cost of this phase is difficult to estimate as the extent is unknown at this time.

Please note that we will also be investigating the possibility of grant funding for these energy savings projects.

Respectfully submitted,

Valentino P. Reyna
Chief of Operations

CONCURRED:

William Eddy, P.E.
Deputy Manager-Engineer

VR/cab
Mgrrp-Request to Expend Funds from Contracted Capital Expenditures (3-22-12)

Staff Reports

DEPARTMENT OF WATER
Budget Status Summary
January 31, 2012

I. WATER UTILITY FUND

	Current Month	Year to Date	
Beginning Balance 07/1/2011			$ 16,914,045.74
Add: Revenues	$ 1,619,592.66	$ 13,747,862.33	$ 13,747,862.33
TOTAL RESOURCES:			**$ 30,661,908.07**
Less: Expenditures	$ 3,109,117.13	$ 14,251,573.98	$ 14,251,573.98
TOTAL EXPENDITURES:			**$ 14,251,573.98**
Ending Balance			**$ 16,410,334.09**

II. FACILITIES RESERVE CHARGE

Beginning Balance 07/1/2011			$ 4,367,931.68
Add: Revenues	$ 38,148.89	$ 258,124.80	$ 258,124.80
TOTAL RESOURCES:			**$ 4,626,056.48**
Less: Expenditures	$ -	$ 21,893.30	$ 21,893.30
TOTAL EXPENDITURES:			**$ 21,893.30**
Ending Balance			**$ 4,604,163.18**

III. BOND FUND

Beginning Balance 07/1/2011			$ 401,056.43
Add: Revenues	$ -	$ -	$ -
TOTAL RESOURCES:			**$ 401,056.43**
Less: Expenditures	$ -	$ 401,056.43	$ 401,056.43
Ending Balance			**$ -**

IV. WATERWORK BUILD AMERICA PROJECT FUND

Beginning Balance 07/1/2011			$ 42,251,093.01
Add: Revenues	$ -	$ -	$ -
TOTAL RESOURCES:			**$ 42,251,093.01**
Less: Expenditures	$ 557,070.05	$ 5,749,466.63	$ 5,749,466.63
Ending Balance			**$ 36,501,626.38**

TOTAL - ALL FUNDS at January 31, 2012 **$ 57,516,123.65**

STATEMENT OF REVENUES AND EXPENDITURES
WATER UTILITY FUND
January 31, 2012

REVENUES:

Cash on hand as of July 1, 2011	$	**16,914,045.74**
Add: Revenues To Date	$	13,747,862.33
Sub-Total	$	**30,661,908.07**

EXPENDITURES:

Less: Expenditures to Date	$	14,251,573.98
BALANCE AT THE END OF THE MONTH	$	**16,410,334.09**

SHORT TERM INVESTMENTS - WATER UTILITY FUND

BANK OF HAWAII

TCD#	8000423145-114	0.20000%	INT. DUE	02/18/11	$	160,000.00

CENTRAL PACIFIC BANK

FIRST HAWAIIAN BANK

	T3002008137	0.09000%	INT. DUE	09/07/12	$	1,200,000.00

MERRILL-LYNCH

CUSIP#	C31331KDM9	0.2800%	INT. DUE	03/09/12	$	1,000,000.00
CUSIP#	C313384N70	0.1300%	INT. DUE	11/08/12	$	998,707.22
CUSIP#			INT. DUE			

SUB-TOTAL FOR PAGE A	$	**3,358,707.22**

SUB-TOTAL FROM PAGE A						$	**3,358,707.22**
10/31/11							
SHORT TERM INVESTMENTS - WATER REVENUES							
MULTI-BANK							
CUSIP#	85508VAC3	2.70000%	INT. DUE	11/18/13	98,000.00		
CUSIP#	06610PAR4	4.50000%	INT. DUE	07/27/12	98,000.00		
CUSIP#							
CUSIP#	3136FRTH6	0.75000%	INT. DUE	06/30/16	1,000,000.00		
U B S							
CUSIP#	C3136FTDU0	1.12500%	INT. DUE	10/26/15	1,997,625.00		
CUSIP#	31331G2N8	2.04000%	INT. DUE	04/29/13			
CUSIP#	313588WG6	0.18000%	INT. DUE	05/01/12	$ 998,260.00	$	**4,191,885.00**
TOTAL SHORT-TERM INVESTMENTS - WATER UTILITY						$	**7,550,592.22**
CASH ON HAND WITH TREASURER - COK				01/31/12		$	**1,126,190.74**
CASH ON HAND-BOH Savings				01/31/12		$	**8,101,664.90**
CASH ON HAND - FHB Savings				01/31/12		$	**25,824.13**
LESS:	January Claims Payable					$	**(2,517,902.16)**
	January Payable in February 2012 Claims Payable Batch						
	Claims paid in January		01/31/12			$	**2,123,894.26**
	Void check					$	**70.00**
	Due to W/U from BAB						
CASH BALANCE AT THE END OF THE MONTH						$	**16,410,334.09**

DEPARTMENT OF WATER
County of Kauai
JULY 1, 2011 TO JUNE 30, 2012
January 31, 2012

WATER UTILITY FUND **% Budget Elapsed 58.33%**

	CASH RECEIPTS:	BUDGETED RECEIPTS	TOTAL RECEIPTS TO DATE	RECEIPTS FOR THE MONTH	%	BALANCE OF BUDGET OVER TOTAL ACTUAL RECEIPTS
	BEGINNING CASH BALANCE	**$ 16,914,045.74**		**$ -**		**$ 16,914,045.74**
1	Water Sales	$ 20,714,175.00	$ 11,789,534.88	$ 1,617,373.06	57%	$ 8,924,640.12
2	Net Miscellaneous Receipts	$ 111,999.00	$ -	$ -	0%	$ 111,999.00
3	Interest Income	$ 355,000.00	$ 36,063.85	$ 2,219.60	10%	$ 318,936.15
4	County Service Charge	$ 925,133.00	$ -		0%	$ 925,133.00
5	State Revolving Fund	$ 1,431,562.00	$ 1,431,562.00	$ -	100%	$ -
5a	Other Receipts	$ -	$ (20,452.50)	$ -	0%	$ 20,452.50
5b	OTHER - BAB Subsidy	$ 715,616.00	$ 511,154.10	$ -	71%	$ 204,461.90
5c	FRC Debt Service Payback	$ 1,989,115.00	$ -			$ 1,989,115.00
5d	Grant, Drought Mitigation	$ 126,500.00	$ -			$ 126,500.00
	TOTAL RESOURCES	**$ 43,283,145.74**	**$ 13,747,862.33**	**$ 1,619,592.66**	**32%**	**$ 29,535,283.41**

	DISBURSEMENTS:	BUDGETED AMOUNT	TOTAL ACTUAL EXPENDITURES TO DATE	EXPENDITURES FOR THE MONTH	%	BALANCE OF BUDGET OVER TOTAL ACTUAL EXPENDITURES
	SALARIES:					
15	salaries over-withdrawn by county Salaries - DOW	$ 5,326,518.00	$ 2,552,118.31	$ 371,606.35	48%	$ 2,774,399.69
16	Provision for Accrued Vacation	$ 100,000.00	$ (2,247.88)		-2%	$ 102,247.88
	TOTAL SALARIES:	**$ 5,426,518.00**	**$ 2,549,870.43**	**$ 371,606.35**	**47%**	**$ 2,876,647.57**
	NORMAL EXPENDITURES					
19	**COUNTY SERVICE CHRG**	**$ 925,133.00**	$ -		**0%**	**$ 925,133.00**
	ADMINISTRATIVE OFFICE and ENGINEERING:					
21	Utilities	$ 210,227.00	$ 124,662.67	$ 15,699.76	59%	$ 85,564.33
22	Postage and Printing	$ 192,000.00	$ 44,114.29	$ 6,326.61	23%	$ 147,885.71
24	Office Equipment Maintenance	$ 147,300.00	$ 16,598.51	$ 4,365.79	11%	$ 130,701.49
24b	05/19/06 Con 461 Four Winds Group MMIS Phases I & II	$ 77,710.00	$ 22,000.00	$ 12,000.00	28%	$ 55,710.00

	ITEM	BUDGETED AMOUNT	TOTAL ACTUAL EXPENDITURES TO DATE	EXPENDITURES FOR THE MONTH	%	BALANCE OF BUDGET OVER TOTAL ACTUAL EXPENDITURES
27	Contractual Services	(6,000.00) $ (9,000.00) $ (31,350.00) $ 899,100.00	$ 74,439.12	$ 20,452.97	8%	$ 778,310.88
27a	Con 521 R. W. Beck Inc. Financial Management Planning & Rate Analysis	$ 8,008.00	$ -		0%	$ 8,008.00
27b	Con 506 R. W. Beck Inc. FRC Study for DOW	$ 32,570.00	$ 15,500.00		48%	$ 17,070.00
27d	Con 535 Fukunaga & Assoc. WRP 01 FY 05-06, Kauai Water Use & Developmnt Plan update	$ 514,000.00	$ -		0%	$ 514,000.00
27e	USGS Joint Funding Agrmt. Water Monitoring Program for the period 10/1/11-9/30/12	$ 31,350.00	$ -		0%	$ 31,350.00
28	Travel and Incidentals - Board	$ 19,768.00	$ 242.80		1%	$ 19,525.20
29	Travel and Incidentals - Staff	$ 37,780.00	$ 16,943.90	$ 164.12	45%	$ 20,836.10
30	Collector's Commission	$ -				$ -
31	Miscellaneous	$ 16,000.00	$ 10,606.21	$ (1,667.65)	66%	$ 5,393.79
32	Auditing Fee	$ 10,000.00 ~~$ 76,000.00~~	$ -		0%	$ 10,000.00
32c	Annual Audit Contract No. 537 KMH, LLP	$ 66,000.00	$ 66,000.00		100%	$ -
33	In-Service Training	$ 59,600.00	$ 25,340.41	$ 785.00	43%	$ 34,259.59
34	Supplies - Office & Eng.	$ 38,000.00	$ 23,657.14	$ 1,303.91	62%	$ 14,342.86
35	Operating Reserve Fund	$ 20,000.00	$ -		0%	$ 20,000.00
36	Public Relations	$ 86,500.00	$ 32,903.33		38%	$ 53,596.67
36.1	Grant: The Nature Conservanc	$ 75,000.00	$ 75,000.00			$ -
36.2	Con 531 Limtiaco Co, Inc. Public Relations Services	$ 59,858.80	$ 34,267.11		57%	$ 25,591.69
36.3			$ -			$ -
37	Computer Support and Supplies	$ 84,500.00	$ - $ 29,685.84	$ 1,046.87	35%	$ 54,814.16
38	Microlab Materials and Supplies	$ 20,000.00	$ - $ - $ 2,769.65	$ 6.03	14%	$ 17,230.35
		$ 2,658,921.80	$ - **$ 614,730.98**	**$ 60,483.41**	**23%**	**$ 2,044,190.82**

	ITEM	BUDGETED AMOUNT	TOTAL ACTUAL EXPENDITURES TO DATE	EXPENDITURES FOR THE MONTH	%	BALANCE OF BUDGET OVER TOTAL ACTUAL EXPENDITURES
OPERATIONS AND 40724						
40	Vehicle - Materials & Service	$ 107,600.00	$ 78,928.91	$ 7,730.28	73%	$ 28,671.09
41	Vehicle - Fuel	$ 168,000.00	$ 84,253.22	$ 4,796.73	50%	$ 83,746.78
42	Utilities	$ 86,400.00	$ 43,214.52	$ 5,408.24	50%	$ 43,185.48
43	Meter Parts	$ 8,300.00	$ -		0%	$ 8,300.00
43a	Electrical Parts	$ 20,000.00	$ 15,970.46	$ 5.50	80%	$ 4,029.54
44	Miscellaneous	$ 5,000.00	$ 509.98		10%	$ 4,490.02
44a	Misc. - Tapping Team	$ 8,000.00	$ -		0%	$ 8,000.00
44b	Misc. - Drought Mitigation	$ 126,500.00	$ 63,859.28	$ 2,582.26	50%	$ 62,640.72
45	Contractual Services	$ (100,000.00) $ 200,000.00	$ 1,474.77		1%	$ 98,525.23
45a	Con 540, FluidIQS, LLC, SCADA Maintenance	$ 100,000.00	$ 37,207.40		37%	$ 62,792.60
47	Materials and Supplies	$ 227,000.00	$ 112,241.94	$ 4,041.72	49%	$ 114,758.06
48	Collective Bargaining Items	$ 24,000.00	$ 10,774.74	$ 524.84	45%	$ 13,225.26
51	Pump Electrical	$ 3,000,000.00	$ 1,824,500.73	$ 245,386.86	61%	$ 1,175,499.27
55	Purchase of Water	$ 2,248,700.00	$ 903,880.15	$ 128,907.58	40%	$ 1,344,819.85
58	Chemicals	$ 60,000.00	$ 28,713.84	$ 2,077.59	48%	$ 31,286.16
59	Safe Drinking Water Act Program	$ 50,000.00	$ 2,532.54		5%	$ 47,467.46
59g	Contract No. 496 10/08 MWH Laboratories	$ -	$ -		0%	$ -
	TOTAL OPERATIONS:	**$ 6,339,500.00**	**$ 3,208,062.48**	**$ 401,461.60**	51%	**$ 3,131,437.52**
		$ 6,339,500.00	$ 3,208,062.48	$ 401,461.60		$ 3,131,437.52
INSURANCE AND EMPLOYEE BENEFITS:						
60	Insurance and Bonds	$ 200,000.00	$ -		0%	$ 200,000.00
60a	Small Claims	$ 10,000.00	$ 3,676.28	$ 3,676.28	37%	$ 6,323.72
61	Workmen's Compensation Insurance	$ 150,000.00	$ -		0%	$ 150,000.00
62	Retirement System	$ 826,676.00	$ 348,174.34	$ 106,246.56	42%	$ 478,501.66
63	FICA Taxes - Employer's	$ 407,479.00	$ 165,961.63	$ 50,168.91	41%	$ 241,517.37
64	Health, Life, & Dental (EUTF)	$ 493,780.00	$ 205,124.59	$ 63,193.15	42%	$ 288,655.41

	ITEM	BUDGETED AMOUNT	TOTAL ACTUAL EXPENDITURES TO DATE	EXPENDITURES FOR THE MONTH	%	BALANCE OF BUDGET OVER TOTAL ACTUAL EXPENDITURES
67	Health & Life Insurance - Retirees & OPEB	$ 1,655,855.00	$ -		0%	$ 1,655,855.00
	TOTAL INSURANCE & EMPLOYEE BENEFITS	**$ 3,743,790.00**	**$ 722,936.84**	**$ 223,284.90**	**19%**	**$ 3,020,853.16**
	TOTAL NORMAL EXPENDITURES:	**$ 13,667,344.80**	**$ 4,545,730.30**	**$ 685,229.91**	**33%**	**$ 9,121,614.50**
		$ 13,667,344.80	$ 4,545,730.30	$ 685,229.91		$ 9,121,614.50
		-				-
	DEBT SERVICE REQUIREMENT:					
80	SRF Loan Job 97-5 Hanapepe River Crossing	$ 96,555.50	$ 96,555.50		100%	$ -
81	SRF Loan Job 97-6 Hanapepe 27" Steel Pipe	$ 53,810.09	$ 53,810.09		100%	$ -
82	SRF Loan Job 98-33 WK-21 Wailua Hmstds Well #3	$ 31,005.96	$ 15,586.82		50%	$ 15,419.14
83	SRF Loan Job 97-2 PLH-31 Lihue Steel Tanks 1 & 2	$ 98,692.86	$ 98,692.86		100%	$ -
84	SRF Loan Job 98-6 WK-07 Ornellas 0.2 MG Tank	$ 63,803.49	$ 32,068.91		50%	$ 31,734.58
85	SRF Loan Job 97-11 WK-03 16" W/L Along Kuhio Hwy	$ 181,669.20	$ 181,669.20	$ 90,345.52	100%	$ -
86	DOW Bond 2005 Issue	$ 214,950.00	$ 214,950.00	$ 74,325.00	100%	$ -
87	DOW Bond 2005 Series, Partial Refund 2001 Series A	$ 149,987.50	$ 149,987.50	$ 74,993.75	100%	$ -
88	SRF Loan Job 98-2 KP-07 KP-08 16" W/L on Poipu Rd	$ 405,375.85	$ 405,375.85		100%	$ -
89	SRF Loan Job WK -42 PH I Stable 1.0 MG Tank	$ 611,331.29	$ 307,186.48		50%	$ 304,144.81
90	SRF Loan Job KW -27 Kaumualii Hwy 12" Main Repl	$ 20,270.97 $ 313,502.00	$ 333,772.97	$ 166,073.93	106%	$ -
91	SRF Loan Job K -7, LO-13 Waha, Wawae & Niho Rds	$ 153,883.08	$ 153,883.08	$ 76,567.40	100%	$ -
92	DOW Bond Series 2010A	$ 2,920,880.60	$ 2,920,880.64	$ 1,460,440.34	100%	$ (0.04)
93	FmHa $300,000 @5% 20 year Bond	$ 18,825.00	$ 18,825.00	$ 17,162.50	100%	$ -
94	SRF Loan Job Kapilimao 0.5 MG Tank	$ 162,415.87 $ 145,847.00	$ 308,262.87		100%	$ -
97.1 95	DOW 2011A Series 2005A(2001A Refnd)	$ 440,830.00	$ 440,830.00			$ -
97	DOW Bond 2001A Issue Series 2005A Refunded	$ (440,830.00) $ 672,819.00	$ -		0%	$ 231,989.00
98	SRF Loan Job 97-1 Kokolau Tunnel Repairs	$ 128,168.93	$ 128,168.93		100%	$ -
99	SRF Loan Job 96-4 Kapilimao Valley Well	$ 69,136.62	$ 34,757.23		50%	$ 34,379.39
	rounding Job KW-27 Kapilimao 0.5 MG Tank SRF Loan	$ (382.78) $ (20,270.97) $ (162,415.87) $ 320,000.00				$ 136,930.38
	TOTAL DEBT SERVICE REQ	**$ 6,649,861.19**	**$ 5,895,263.93**	**$ 1,959,908.44**	**89%**	**$ 754,597.26**
		$ 6,649,861.19 $ -	$ 5,895,263.93	$ 1,959,908.44		$ 754,597.26
	TOTAL SALARIES, NORMAL EXPENDITURES, AND DEBT SERVICE REQUIREMENTS:	**$ 25,743,723.99**	**$ 12,990,864.66**	**$ 3,016,744.70**	**50%**	**$ 12,752,859.33**
	PROOF	$ 25,743,723.99	$ 12,990,864.66	$ 3,016,744.70		$ 12,752,859.33

ITEM	BUDGETED AMOUNT	TOTAL ACTUAL EXPENDITURES TO DATE	EXPENDITURES FOR THE MONTH	%	BALANCE OF BUDGET OVER TOTAL ACTUAL EXPENDITURES
06/30/11					
101 Capital Improvements	$ (50,000.00) $ (30,000.00) $ 435,000.00	$ -		0%	$ 355,000.00
101b Capital Rehabilitation	$ (75,000.00) $ (129,471.19) $ 3,216,244.00	$ -		0%	$ 3,011,772.81
102 Misc. Other Capital Expenditures, OPS	$ 550,000.00	$ 194,035.81	$ 80,890.22	35%	$ 355,964.19
103 (Lease Computers) Office and Engineering	$ 621,701.00	$ 62,336.73	$ 7,031.61	10%	$ 559,364.27
105 Recording Meters	$ -	$ -			$ -
106 Vehicles and Equipment	$ 128,696.25 $ 328,000.00	$ 181,311.96		55%	$ 275,384.29
106b CIP Reserve Fund	$ (128,696.25) $ (716.26) $ (16,077.00) $ (118,562.00) $ (5,000,000.00) $ 7,938,428.20	$ -		0%	$ 2,674,376.69

	ITEM	BUDGETED AMOUNT	TOTAL ACTUAL EXPENDITURES TO DATE	EXPENDITURES FOR THE MONTH	%	BALANCE OF BUDGET OVER TOTAL ACTUAL EXPENDITURES
107	Purchase of Meter and Meter Boxes	$ 160,000.00	$ -		0%	$ 160,000.00
370	7/15/1993 **WK-23** Con #259, Job 93-1 Nishimura, Katayama, .25 MG Walua Tank	$ 53,751.00	$ -		0%	$ 53,751.00
401	8/8/1994 Contract #37348,Job 91-13 R.M. Towill Corp., Drill Hanamaulu Well #1 (Kalepa Well #2)	$ 645.08	$ -		0%	$ 645.08
464	11/20/02 (106b) Contract #309, Job 97-1 **PLH-02** SSFM Engineers, Repair Kokolau Tunnel	$ 118,381.66	$ -		0%	$ 118,381.66
499	8/2/1999 Contract #346, Job 97-7 **KP-06a** Wagner Eng. Replace Lawai Rd. 8" W/L	$ 4,900.00	$ -		0%	$ 4,900.00
519	6/2/2000 **KP-01** Con. #355 Okahara & Assoc., Inc Job 92-4 Koloa Well "F" Pump	$ 6,638.00	$ -		0%	$ 6,638.00

	ITEM	BUDGETED AMOUNT	TOTAL ACTUAL EXPENDITURES TO DATE	EXPENDITURES FOR THE MONTH	%	BALANCE OF BUDGET OVER TOTAL ACTUAL EXPENDITURES
540	1/17/2001 Contract #368 (103) Century Computers Job 98-17 Fin. Acctg.	$ 12,245.67	$ -		0%	$ 12,245.67
561	(02/06/02) Con 384 (101) **LO-07** Fukunaga & Assoc. Job 99-8 Drill Omao Well No. 1	$ 64,600.00	$ -		0%	$ 64,600.00
578	(9/23/02) 101b Con 397 PAREN, Inc. **KW-14, KW-15** Job 02-03 12" W/L Along Waimea Canyon/Kaumualii	$ 3,150.00	$ -		0%	$ 3,150.00
586	12/24/02 (101) Con 401 Control Mfg. Co. Job 94-4 SCADA Systems	$ 93,516.54	$ 30,448.51		33%	$ 63,068.03
587	1/14/03 (101b, 106b) Con 403 RM Towill Corp **WK-28** Job 02-15 Wailua Hslts W/L Repl	$ 84,337.00	$ 1,700.00		2%	$ 82,637.00
588	1/14/03 (101b, 106b) Con 404 Fukunaga & Assoc. **WK-32** Job 02-18 Kapaa Hmstds W/L Repl	$ 51,100.00	$ -		0%	$ 51,100.00
591	2/05/03 (101b, 106b) Con 408 Wagner Eng. Inc. **H-01 H-02 H-03** Job 02-17 Maka Ridge Deepwell, Tank	$ 29,599.20	$ 12,290.00		42%	$ 17,309.20
592	2/12/03 (101b, 106b) Con 409 Esaki Surveying **WK-36** Job 02-16 Ohana Anolani & Kuamoo Rds	$ 101,425.00	$ 24,475.06		24%	$ 76,949.94
601	9/03/03 (101b) Con 420 Hawaii Pacific Eng, Job 02-08 **HE-08** Eleele Twin 0.4 MG Tanks	$ 8,326.68	$ -		0%	$ 8,326.68
607	12/05/03 (101) Con 425 HI Pacific Eng. Job 02-21**PLH-37** Rehab & Deepen Existing Wells	$ 3,149.00	$ -		0%	$ 3,149.00

	ITEM	BUDGETED AMOUNT	TOTAL ACTUAL EXPENDITURES TO DATE	EXPENDITURES FOR THE MONTH	%	BALANCE OF BUDGET OVER TOTAL ACTUAL EXPENDITURES
609	2/19/04 (101b) Con 428 Brown Caldwell Job 03-02 **HW-02, HW-03 A-04, KW-06** Renovations: Wainiha Booster, Haena Steel Tank, Anahola 0.15 MG Tank, Kekaha Shaft	$ 31,460.40	$ 1,874.43		6%	$ 29,585.97
610	2/27/04 (101) Con 429 Esaki Surveying **M-01, M-02** Job 02-11 Moloaa 50,000 Gal SS Storage Tank	$ 125,200.00	$ -		0%	$ 125,200.00
618	9/30/04 (101) **PLH-41** Contract 52243 Earthworks Pacific, Inc. Ulaula & Uliuli Rds; PRV, BP & 6" Main, Lihue	$ 40,058.47	$ 21,049.14		53%	$ 19,009.33
630	6/30/05 (101b, 106b) Con 447 Fukunaga & Assoc **WK-14** Job 04-02 Vivian Heights Main Repl	$ 5,791.00	$ -		0%	$ 5,791.00
634	10/20/05 (101b) **WK-30** Con 450 ParEn Inc. Job 04-03 Waipouli-Olohena Rd. Pipeline	$ 136,280.00	$ -		0%	$ 136,280.00
635	9/07/05 (101b) Con 449 HI Pacific Eng Inc **KW-16** Job 05-01 Waimea Main Replacement	$ 12,147.25	$ 6,269.25		52%	$ 5,878.00

	ITEM	BUDGETED AMOUNT	TOTAL ACTUAL EXPENDITURES TO DATE	EXPENDITURES FOR THE MONTH	%	BALANCE OF BUDGET OVER TOTAL ACTUAL EXPENDITURES
636	10/25/05 (101b, 106b) Con 451 Bow Eng & Dev **PLH-12** Job 05-06 Eiwa, Umi, Akahi, Elua, Hardy St. 8" Main Replacement	$ 26,404.10	$ 15,577.10	$ 4,450.60	59%	$ 10,827.00
638	11/16/05 (101b, 106b) Con 453 Belt Collins HI **PLH-30** Job 05-05 Nawili-wili, Niumalu & Kupolo Main	$ 24,978.00	$ 4,500.00		18%	$ 20,478.00
645	5/19/06 (101, 106b) Con 460 Brown & Caldwell **KW-25** Job 05-03 Kapilimao 0.5 MG Tank	$ 5,775.00	$ -		0%	$ 5,775.00
647	06/10/06 (101b) Con 462 Eng Solutions Inc now Kennedy/Jenks Consultant **KW-05 KW-20** Job 04-06 Waimea Well A & Kekaha B	$ 30,964.00	$ 10,186.38		33%	$ 20,777.62
651	9/21/06 (101b) Con 466 Brown & Caldwell **KW-28** Job 06-01 Amfac Shaft Renovation, State Well No.5842-02 Phase 1A	$ 159,946.39	$ -		0%	$ 159,946.39
668	01/14/08 (101) Con 484 Wagner Eng. Services Job 02-01 Kukuiolono Tank Site Exchange, Kalaheo	$ 5,210.47	$ -		0%	$ 5,210.47

	ITEM	BUDGETED AMOUNT	TOTAL ACTUAL EXPENDITURES TO DATE	EXPENDITURES FOR THE MONTH	%	BALANCE OF BUDGET OVER TOTAL ACTUAL EXPENDITURES
676	11/28/08 (101) Con 497 Kauai Builders Ltd. **KW-25** Job 05-03 Kapilimao 0.5 MG Storage Tank	$ 221,268.15	$ 120,586.00		54%	$ 100,682.15
683	7/31/09 (101b) Con 503 Goodfellow Bros. Job 04-06 KW-05 Kekaha (Waipao) Well "B" Renovations	$ 375.06	$ -		0%	$ 375.06
690	2/28/2010 Con 510 SSFM International, Inc. Job No. 05-03, KW-25 Kapilimao 0.5 MG Tank & Job No. 03-03	$ 716.26 $ 3,515.49	$ 4,231.75		100%	$ (0.00)

	ITEM	BUDGETED AMOUNT	TOTAL ACTUAL EXPENDITURES TO DATE	EXPENDITURES FOR THE MONTH	%	BALANCE OF BUDGET OVER TOTAL ACTUAL EXPENDITURES
693	4/30/2010 USGS Joint funding Agrmt. Water Monitoring Program for the Period 10/1/09 to 3/31/10 & Y10/1/10-9/30/11	$ 7,650.00	$ 7,650.00		100%	$ -
687	3/24/2011 Con 507, Koga Engineering & Construction, Job 02-03, KW-14 12" W/L Kaumualii Hwy, Waimea	$ 817,259.94	$ 562,187.20		69%	$ 255,072.74
xxx	Install Electrical Saving Device	$ 800,000.00	$ -		0%	$ 800,000.00
694	9/1/2011 Con 538, Esaki Surveying & Mapping, Inc. Job 11-05, As Needed Surveying Services	$ 30,000.00	$ -		0%	$ 30,000.00
695	9/22/2011 Con 545, AECOM Technical Service, Job 11-11, K-17, PLH-42 Water Treatment Facilities	$ 129,471.19	$ -		0%	$ 129,471.19
696	9/22/2011 Con 546, SSFM International, Inc Job 11-01, As Needed Construction Management Services	$ 50,000.00	$ -		0%	$ 50,000.00
697	11/23/11 BOD Con ___, Job 02-15, WK-28; Wailua Hse-lts Main Replacement	$ 5,000,000.00	$ -	$ -	0%	$ 5,000,000.00
698	Con ___, Kauai Habitat for Humanity Over Sizing ML Ext-Eleele Luna Subd	$ 118,562.00	$ -	$ -	0%	$ 118,562.00
699	Con ___, Lyon Associates Job 11-10, K-18; 8-inch Main Replacement, Halewili Rd, Kalaheo	$ 75,000.00 $ 16,077.00	$ -	$ -	0%	$ 91,077.00
TOTAL CAPITAL EXPENDITURES:		**$ 17,539,421.75**	**$ 1,260,709.32**	**$ 92,372.43**		**$ 16,278,712.43**
		$ 17,539,421.75	$ 1,260,709.32	$ 92,372.43		$ 16,278,712.43
TOTAL SALARIES, NORMAL EXPENDITURES, DEBT REQUIREMENTS AND CAPITAL EXPENDITURES:		$ - **$ 43,283,145.74**	$ - **$ 14,251,573.98**	**$ 3,109,117.13**	**33%**	$ - **$ 29,031,571.76**

STATEMENT OF REVENUES AND EXPENDITURES
FACILITIES RESERVE CHARGE FUND
January 31, 2012

REVENUES:

Cash on hand as of July 1, 2011		$ **4,367,931.68**
Add: Revenues To Date		$ 258,124.80
Sub-Total		$ **4,626,056.48**

EXPENDITURES:

Less: Expenditures To Date		$ 21,893.30
BALANCE AT THE END OF THE MONTH		$ **4,604,163.18**

SHORT TERM INVESTMENTS-FRC
BANK OF HAWAII

CUSIP#					$	-

CENTRAL PACIFIC BANK

CUSIP#					$	-

FIRST HAWAIIAN BANK

CUSIP#	T30020090	0.15000%	INT. DUE	02/16/12	$	500,000.00
CUSIP#						

MERRILL LYNCH

CUSIP#	313384FB7	0.14200%	INT. DUE	09/14/12	$	499,290.28

MULTI-BANK

CUSIP#	402194CU6	2.50000%	INT. DUE	12/23/13	$	240,000.00
CUSIP#	70455AAG5	2.30000%	INT. DUE	12/31/12	$	245,000.00
CUSIP#	36160VCH2	5.00000%	INT. DUE	08/06/13	$	97,000.00
CUSIP#	89214PAJ8	5.00000%	INT. DUE	08/13/13	$	97,000.00
CUSIP#	92705SAE3	1.50000%	INT. DUE	06/17/03	$	248,000.00
CUSIP#	70153RGT9	1.50000%	INT. DUE	09/09/13	$	249,000.00
CUSIP#	02004MN74	1.50000%	INT. DUE	09/03/13	$	248,000.00

TDI (CSA)

CUSIP#

VINING SPARKS

TOTAL SHORT-TERM INVESTMENTS - FRC				$ **2,423,290.28**
CASH ON WITH TREASURER - COK	01/31/12	$	184,003.97	
Claims Payable Paid				
CASH ON HAND - FHB Savings (30-288435)	01/31/12	$	1,996,868.93	
Due from BAB Bond Fund				
Less: CLAIMS PAYABLE		$	-	$ **2,180,872.90**
CASH BALANCE AT THE END OF THE MONTH				$ **4,604,163.18**

DEPARTMENT OF WATER
County of Kauai

JULY 1, 2011 TO JUNE 30, 2012
January 31, 2012

FACILITIES RESERVE CHARGE **% Budget Elapsed** **58.33%**

	CASH RECEIPTS	BUDGETED RECEIPTS	ACTUAL RECEIPTS TO DATE	RECEIPTS FOR THE MONTH	%	BALANCE OF BUDGET OVER ACTUAL RECEIPTS
	BEGINNING CASH BALANCE	**$ 4,367,931.68**	$ -	$ -		$ 4,367,931.68
4a	(FRC Refunds) Facilities Reserve Charge	$ 504,000.00	$ 238,900.00	$ - $ 36,800.00	47%	$ 265,100.00
5a	Interest Earned	$ 43,750.00	$ 19,224.80	$ 1,348.89	44%	$ 24,525.20
5b	BAB Subsidy	$ 306,692.00			0%	$ 306,692.00
	TOTAL RESOURCES	**$ 5,222,373.68**	**$ 258,124.80**	**$ 38,148.89**	5%	**$ 4,964,248.88**

	CAPITAL EXPENDITURES	BUDGETED AMOUNT	TOTAL ACTUAL EXPENDITURES TO DATE	EXPENDITURES FOR THE MONTH	%	BALANCE OF BUDGET OVER TOTAL ACTUAL EXPENDITURES
301	FRC CIP	$ 500,000.00	$ -	$ -	0%	$ 500,000.00
301b	FRC Fund Balance	$ 125,000.00 $ 2,170,461.48	$ -		0%	$ 2,295,461.48
301c	FRC Debt Service	$ 1,989,115.00	$ -		0%	$ 1,989,115.00
302	10/12/98 Contract #322 GMP Assoc, Inc. Job 87-1 Poipu Storage Tank	$ 2,050.00	$ - $ -	$ -	0%	$ 2,050.00
304	08/01/99 **WK-21** Contract # 345 Fukunaga & Assoc. Job 98-33 Wailua Well 3	$ 10,500.00	$ -	$ -	0%	$ 10,500.00
314	6/28/04 (301, 301b) **LO-04** Con #436 Fukunaga & Assoc Inc Job 02-02 Omao 0.5 MG Tank		$ -		#####	$ -
318	3/8/06 (301, 301b) Con 457 Kodani & Assoc Inc **H-8 HW-12** Job 05-02 Drill & Test Wainiha Well No. 4	$ (125,000.00) $ 285,340.00	$ -		0%	$ 160,340.00
			$ -			$ -

CAPITAL EXPENDITURES	BUDGETED AMOUNT	TOTAL ACTUAL EXPENDITURES TO DATE	EXPENDITURES FOR THE MONTH	%	BALANCE OF BUDGET OVER TOTAL ACTUAL EXPENDITURES
1/17/2007 (301) 321 Con 471 PORTech Eng. **WK-23** Job 93-1 Wailua 250,000 MG Tank Survey	$ 28,187.00	$ -	$ -	0%	$ 28,187.00
7/19/07 (301, 301b) 322 Con 475 TOMCO Corp **A-11** Pump,Controls, Pmp Stn & Pipeline-Anahola Well #	$ 72,294.00	$ -		0%	$ 72,294.00
03/31/08 (301, 301b) Con 488 HDR Engineering 324 **WK-39** Kapaa Hmstds Well No. 4 Drill & Test	$ 138,843.30	$ 21,893.30		16%	$ 116,950.00
7/2/2008 (301) Con 492 Earthworks Pacific 325 **WK-42** Phase II Offsite Waterline on Kaapuni Road for Stable Tank	$ 25,582.90	$ -		0%	$ 25,582.90
	$ -	$ -			$ -
	$ -	$ -			$ -
	$ -	$ -			$ -
	$ -	$ -			$ -
	$ -	$ -			$ -
TOTAL EXPENDITURES	**$ 5,222,373.68**	**$ 21,893.30**	**$ -**		**$ 5,200,480.38**

STATEMENT OF REVENUES AND EXPENDITURES
BOND FUND
January 31, 2012

REVENUES:		
Cash on hand as of July 1, 2011		$ **401,056.43**
Add: Revenues To Date		$ -
Sub-Total		$ **401,056.43**
EXPENDITURES:		
Less: Expenditures To Date		$ 401,056.43
BALANCE AT THE END OF THE MONTH		$ -
SHORT TERM INVESTMENTS - BOND		
BANK OF HAWAII		
FIRST HAWAIIAN BANK		
CUSIP#	$ -	
TOTAL SHORT-TERM INVESTMENTS - BOND		$ -
CASH ON HAND WITH TREASURER - COK	$ -	
LESS CLAIMS PAYABLE ON	$ -	$ -
BALANCE AT THE END OF THE MONTH		$ -

0.00

DEPARTMENT OF WATER
County of Kauai
STATUS OF THE BUDGET
JULY 1, 2011 TO JUNE 30, 2012
January 31, 2012

BOND FUND

% Budget Elapsed 58.33%

CASH RECEIPTS:	BUDGETED RECEIPTS	TOTAL ACTUAL RECEIPTS TO DATE	RECEIPTS FOR THE MONTH	%	BALANCE OF BUDGET OVER TOTAL ACTUAL RECEIPTS
BEGINNING CASH BALANCE	$ 401,056.43	$ -	$ -		$ 401,056.43
	$ -	$ -	$ -	0%	$ -
TOTAL RESOURCES	$ 401,056.43	$ -	$ -	0%	$ 401,056.43
CAPITAL EXPENDITURES:	**BUDGETED AMOUNT**	**TOTAL ACTUAL EXPENDITURES TO DATE**	**EXPENDITURES FOR THE MONTH**	**%**	**BALANCE OF BUDGET OVER TOTAL ACTUAL EXPENDITURES**
201 Bond - CIP	$ -	$ -	$ -		$ -
326 Con 518, Unlimited Builders, LLC Job 02-02, Piwai 677" 0.5 MG Storage Tank & Connecting Pipeline, Lawai (part BAB)	$ 401,056.43	$ 401,056.43		100%	$ -
	$ -	$ -	-	0%	$ -
	$ -	$ -	$ -	0%	$ -
	$ -	$ -	$ -	0%	$ -
TOTAL EXPENDITURES	$ 401,056.43	$ 401,056.43	$ -	100%	$ -

STATEMENT OF REVENUES AND EXPENDITURES
BOND - BAB FUND
January 31, 2012

REVENUES:

Cash on hand as of July 1, 2011	**$ 42,251,093.01**
Add: Revenues To Date	$ -
Sub-Total	**$ 42,251,093.01**

EXPENDITURES:

Less: Expenditures To Date	$ 5,749,466.63
BALANCE AT THE END OF THE MONTH	**$ 36,501,626.38**

SHORT TERM INVESTMENTS - BOND

BANK OF HAWAII

FIRST HAWAIIAN BANK

CUSIP#	1062140	1.2840%	INT. DUE	10/31/13	$ 37,000,000.00	
TOTAL SHORT-TERM INVESTMENTS - BOND						**$ 37,000,000.00**
CASH ON HAND WITH TREASURER - COK				01/31/12	(498,373.62)	
					0.00	
Due to W/U - BAB					0.00	
Due to W/U - BAB					0.00	
					0.00	
Claims paid in January					557,070.05	
LESS CLAIMS PAYABLE ON				01/31/12	(557,070.05)	**$ (498,373.62)**
BALANCE AT THE END OF THE MONTH						**$ 36,501,626.38**

DEPARTMENT OF WATER
County of Kauai
STATUS OF THE BUDGET
JULY 1, 2011 TO JUNE 30, 2012
January 31, 2012

BUILD AMERICA BONDS (BABs) - FUND

% Budget Elapsed 58.33%

CASH RECEIPTS:	BUDGETED RECEIPTS	TOTAL ACTUAL RECEIPTS TO DATE	RECEIPTS FOR THE MONTH	%	BALANCE OF BUDGET OVER TOTAL ACTUAL RECEIPTS
BEGINNING CASH BALANCE	$ 42,251,093.01	$ -	$ -		$ 42,251,093.01
Bond Proceeds	$ -	$ -	$ -	0%	$ -
Interest Income	$ -				$ -
TOTAL RESOURCES	$ 42,251,093.01	$ -	$ -	0%	$ 42,251,093.01

CAPITAL EXPENDITURES:	BUDGETED AMOUNT	TOTAL ACTUAL EXPENDITURES TO DATE	EXPENDITURES FOR THE MONTH	%	BALANCE OF BUDGET OVER TOTAL ACTUAL EXPENDITURES
	$ (346,900.00)				
	$ (100,540.00)				
	$ (121,000.00)				
	$ (49,500.00)				
	$ (201,500.00)				
	$ (32,430.00)				
	$ (42,760.82)				
	$ (115,500.00)				
	$ (2,500,000.00)				
	$ (60,000.00)				
	$ (8,796.00)				
	$ 1,276,268.06				
	$ (95,425.00)				
	$ 8,028.00				
201-01 **BOND - BAB, CIP**	$ 22,511,355.89	$ -		0%	**$ 20,121,300.13**
201-01 **BOND - BAB, CIP**					$ -
218 5/11/2010 CON 513 Jennings Pacific, LLC Job No. 02-18, WK - 32 Kapaa Hmstds Pipe Repl	$ 966,251.51	$ 759,043.06	$ 370,478.54	79%	$ 207,208.45
219 5/11/10 CON 514 Earthworks Pacific Job No. 04-02, WK-14, Pipeline Repl for Vivian hts	$ 615,642.01	$ 476,365.60	$ 65,300.60	77%	$ 139,276.41
220 6/30/10 CON 516 Unlimited Builders, LLC Job No. 03-02, HW-02, Wainiha Booster Pump Stn	$ 2,011,069.79	$ -		0%	$ 2,011,069.79
684 8/11/09 Con 504 Goodfellow Bros., Inc. Job 05-01 KW-16 Waimea Main Replacement	$ 112,544.24	$ -		0%	$ 112,544.24
687 12/18/09 Con 507 Koga Engineering & Const. Job 02-03, KW-14 12" WL Waimea Canyon Drive	$ 8,796.00 $ (1,276,268.06) $ 1,276,268.06	$ -		0%	$ 8,796.00
221 9/30/10 Con 520 (201-01) Fukunaga & Associates Job # 10-01, Ani-01a Pipeline Repl - Anini RD	$ 665,360.00	$ 331,800.00		50%	$ 333,560.00
222 9/30/10 Con 519 (201-01) Park Engineering Job # 10-02, Upsizing of the Kaumualii Hwy. 16"	$ 14,102.70	$ -		0%	$ 14,102.70
TOTAL EXPENDITURES	$ 24,515,066.38	$ 1,567,208.66	$ 435,779.14	6%	$ 22,947,857.72

DEPARTMENT OF WATER
County of Kauai
STATUS OF THE BUDGET
JULY 1, 2011 TO JUNE 30, 2012
January 31, 2012

BUILD AMERICA BONDS (BABs) - FUND

% Budget Elapsed 58.33%

	CAPITAL EXPENDITURES:	BUDGETED AMOUNT	TOTAL ACTUAL EXPENDITURES TO DATE	EXPENDITURES FOR THE MONTH	%	BALANCE OF BUDGET OVER TOTAL ACTUAL EXPENDITURES
223	10/31/10 Con 523 (201-01) BCP Constr. Of Hawaii Job 06-06, P:H-25 Eiwa, Umi, Akahi.. 8" ML Repl	$ 2,027,665.69	$ 1,077,922.02		53%	$ 949,743.67
224	10/31/10 Con 524 (201-01) Koga Eng. & Constr., Inc. Job 02-16, WP 2020 Proj WK 36, Pipeline Repl along Wailua Ohana, Anolani & Kuamoo Rds.	$ 346,900.00 $ 1,045,800.00	$ -		0%	$ 1,392,700.00
225	Con 405 3rd n 4th Amm Kodani & Associates, Inc. Job 02-19, KW-12 Waipouli Main Repl Wailua-Kapaa	$ 13,540.00	$ 6,170.00		46%	$ 7,370.00
227	Con 525 KW-20 R. Electric Waimea Well A Renovations	$ 60,000.00 $ 529,053.35	$ 285,850.82	$ 38,188.62	54%	$ 303,202.53
326	Con # 518 (LO-04) Unlimited Builders, LLC Job # 02-02, Piiwai 677" 0.5MG Storage Tank and Connecting Pipeline - Lawai	$ 725,382.16	$ 561,183.47		77%	$ 164,198.69
592	6/28/11 Con 409 Esaki Surveying & Mapping, Inc.; Job 02-16, WK-36, P/L replace - Wailua	$ 100,000.00	$ -			$ 100,000.00
230	Con 529 (201-01) Oceanic Company, Inc. Job 02-08, HE-08 Rehabilitation of Eleele Twin 0.4 MG Steel Tanks	$ 1,718,184.96	$ 447,044.19		26%	$ 1,271,140.77
621	Con 440 Kodani & Associates, Inc. Kilauea 1.0 MG Tank and Pipeline, Ph I (fr W/U)	$ 201,500.00 $ 88,325.00	$ -			$ 289,825.00
314	Con 436 Fukunaga & Associates Job 02-02 (LO-04) Omao 0.5 MG Tank (fr FRC)	$ 62,996.00	$ -			$ 62,996.00
SUB - TOTAL		$ 6,919,347.16	$ 2,378,170.50	$ 38,188.62		$ 4,541,176.66

DEPARTMENT OF WATER
County of Kauai
STATUS OF THE BUDGET
JULY 1, 2011 TO JUNE 30, 2012
January 31, 2012

BUILD AMERICA BONDS (BABs) - FUND **% Budget Elapsed 58.33%**

	CAPITAL EXPENDITURES:	BUDGETED AMOUNT	TOTAL ACTUAL EXPENDITURES TO DATE	EXPENDITURES FOR THE MONTH	%	BALANCE OF BUDGET OVER TOTAL ACTUAL EXPENDITURES
231	Con 530 (201-01) Earthworks Pacific Job 02-19, WK-12 Waipouli Main Replacement	$ 2,045,000.00	$ 464,424.00		23%	$ 1,580,576.00
232	Con 427 (201-01) Belt Collins Hawaii, Ltd. Job 02-14, Kapaa Hmstds 0.5 MG Storage Tank & Kapahi 1.0 MG Storg Tank	$ 74,965.54	$ 31,746.54	$ 8,677.75	42%	$ 43,219.00
608	Con 427 (201-01) Belt Collins Hawaii, Ltd. Job 02-14, Kapaa Hmstds 0.5 MG Storage Tank & Kapahi 1.0 MG Storg Tank	$ (8,028.00) $ 33,950.00	$ -			$ 25,922.00
233	Con 533 (201-01) Belt Collins Hawaii, Ltd. Job K-01, K-12, Kalaheo 1111' and 1222' Water System Improvements	$ 971,715.72	$ 139,292.05	$ 4,263.34	14%	$ 832,423.67
683	Con 503 (201-01) Goodfellow Brothers, Inc. Job 04-06, KW-05, Kekaha Well "B"" Renovations	$ 42,760.82 $ 262,036.12	$ 104,915.31		56%	$ 199,881.63
235	Con 534 (201-01) Goodfellow Brothers, Inc. Job 05-05, PLH-30, Niumalu & Kupolo 6-inch, 8-inch and 12" Main Replacement PH I	$ 3,202,500.00	$ 873,886.95		27%	$ 2,328,613.05
236	Job 10-02, MOA Dept of Transportation/Kiewit-Kaumualii Hwy widening, Anonui Rd and Lihue Mill Bridge.	$ 151,027.27	$ -		0%	$ 151,027.27
237	6/28/2011 (201-01) Con 536, Esaki Surveying & Mapping, Inc., Job 11-02, PLH-01a Replace Grove Farm Tanks #1 & #2	$ 229,658.00	$ 31,635.00	$ 31,635.00	14%	$ 198,023.00
238	Con 544, HONUA Engineering, Job 11-04 (L-08, L-10) Water Main Replacement & Service Improvement	$ 95,425.00	$ 24,678.75		26%	$ 70,746.25
692	6/28/11 Con 512 - Architects Hawaii, Ltd., Job No. PLH-39; Lihue Baseyard Improvements for DOW	$ 129,603.00 $ 667,096.00	$ 129,708.87	$ 34,726.20	19%	$ 666,990.13
	TOTAL EXPENDITURES	**$ 39,332,123.01**	**$ 5,745,666.63**	**$ 553,270.05**		**$ 33,586,456.38**

DEPARTMENT OF WATER
County of Kauai
STATUS OF THE BUDGET
JULY 1, 2011 TO JUNE 30, 2012
January 31, 2012

BUILD AMERICA BONDS (BABs) - FUND **% Budget Elapsed 58.33%**

	CAPITAL EXPENDITURES:	BUDGETED AMOUNT	TOTAL ACTUAL EXPENDITURES TO DATE	EXPENDITURES FOR THE MONTH	%	BALANCE OF BUDGET OVER TOTAL ACTUAL EXPENDITURES
239	Con 542, (201-01) MEI Corporation Job 02-17, H-01, H-02, H-03 Maka Ridge Facilities Rehab & Princeville Interconnection Plan	$ 2,500,000.00	$ -		0%	$ 2,500,000.00
240	Con 543, (201-01) Oceanit Laboratories, Inc. Job 11-03, M-03 Land & Well Acquisition, Moloaa and Waimea, Kauai	$ 49,500.00 $ 115,500.00	$ 3,800.00	$ 3,800.00	3%	$ 161,200.00
241	Con 457, (201-01) Kodani & Associates Inc. Job 05-02, H-8, HW-12 Drill & Test Hanalei Well #2 & Wainiha Well #4	$ 32,430.00	$ -		0%	$ 32,430.00
242	Job 02-11, M-02 Land Acquisition	$ 121,000.00	$ -		0%	$ - $ 121,000.00
243	Contract 12-550 (201-01) Honua Engineering, Inc. Job 11-06, WK-01	$ 100,540.00	$ -		0%	$ 100,540.00
244	Con 551, (201-01) Esaki Surveying & Mapping, Inc Job K-05A, Kukuiolono 0.5 MG 886' Tank	$ 247,087.00	$ -			$ 247,087.00
610	Con 429, Esaki Surveying & Mapping,Inc. Job 02-11, M-02, 100,000 Gal. Tank & Pipeline, Moloaa		$ -			$ -
			$ -			$ -
			$ -			$ -
			$ -			$ -
	TOTAL EXPENDITURES	**$ 42,498,180.01**	**$ 5,749,466.63**	**$ 557,070.05**		**$ 36,748,713.38**

AUDIT SCHEDULE OF FINDINGS
STATUS UPDATE
As of February 28, 2012

Finding No. 11-01

Department Reply: There was a continued effort to follow up with the Honolulu Board of Water Supply to resolve the implementation of the fire line rule change. It is still an ongoing effort as we from DOW-Kauai have to work with the Honolulu Board of Water Supply's deadlines for their ongoing billing conversion.

We are still working on this issue with HBWS. We just received a commitment from HBWS – IT staff to address this issue.

Target Completion Date: February 28, 2012
Contact Person: Marites Yano

Background: July 1, 2010 Implementation of the Amended Private Fire Lines created billing errors.

The errors in billing were carried until the end of Fiscal Year 2011. Accounts with usage in the Private Fire Lines were over billed. This resulted in over statement of our recorded revenues for FY 2011.

Status Update - In Process

Still working with HBWS. Calculation worksheet was provided to correct the configuration of the rates.

Finding No. 11-02

Department Reply: The Budget Status Report has traditionally been used as a means to keep track of the Department's annual budget and at the same time it provides a reconciliation of Kauai DOW's cash accounts. Additional report can also be prepared to include the monthly and cumulative Water Sales revenue and other receipts.

Target Completion Date: February, 2012

Contact Person: Marites Yano

Background: The Financial Statements vs. Budget Status Report was relatively high.

Status Update - Partly Completed

Finding 11-02 is also related to Finding 11-01

1. The recorded revenues were overstated due to over-billed Private Fire Line Accounts.

- The billing configuration by HBWS is in process. The last update from HBWS which was done on March 4th contains the AFS rate configuration . However this only corrects the billings from this date forward. The prior months for FY 2012 will still need to be configured seperately to generate the adjustments needed for this fiscal year.

2. Perform Analytical Procedures to identify potential issues.

- The Budget Status Report is on a cash basis. A comparative report of our monthly and year-to-date Revenues is now added as a standard report for Fiscal.

Finding 11-03

Department Reply: The Accounting Staff concur with the Auditor's findings and recommendation. One of the goals for having an "IT Review & Assessment" is the review and assessment of our existing Accounting package.

Contact Person: Marites Yano
Target Completion Date: end of FY 2012

Background: Too many general ledger accounts; no reports designed for regular financial reporting and significant amount of processing done outside of the system.

Status Update - In process

We are in the process of selecting an IT Firm Consultant:

1. Received 11 SOQ's
2. Formed an IT Review and Selection Committee
3. Pre-qualified 5 IT Firms
4. In Process: Checking references of these 5 IT Firms
5. Pending: Selection
6. Pending: Contract Awarding

Finding 11-04

Department Reply: The delay in the revenue reconciliations was caused by the lack of adequate transition of the process after the previous controller retired. The Department was not able to address this until after fiscal year end due to other initiatives that required attention. We concur with this finding and have already implemented procedures to ensure timely recording of revenue adjustments.
Target Completion Date: Effective immediately
Contact Person: Marites Yano

Status Update - In process

1. Revenues are recorded and reconciled monthly.
2. Adjustments to the Private Fire Line billings for July, 2011 to December 31, 2011 are still pending.
3. Adjustments to the Private Fire Line billings for July 2011 to June 30, 2011 are still pending.

Although revenues are recorded monthly, adjustments of the AFS billing errors are not yet completed. It is the ultimate goal to have the AFS rates corrected before the end of this fiscal year.

Finding No: 11-02 and 11-05
Department Reply:

Time was a huge contributing factor with the Lack of Financial Analysis (Finding 11-02) and Inadequate Review of Supporting Documents (Finding 11-05).

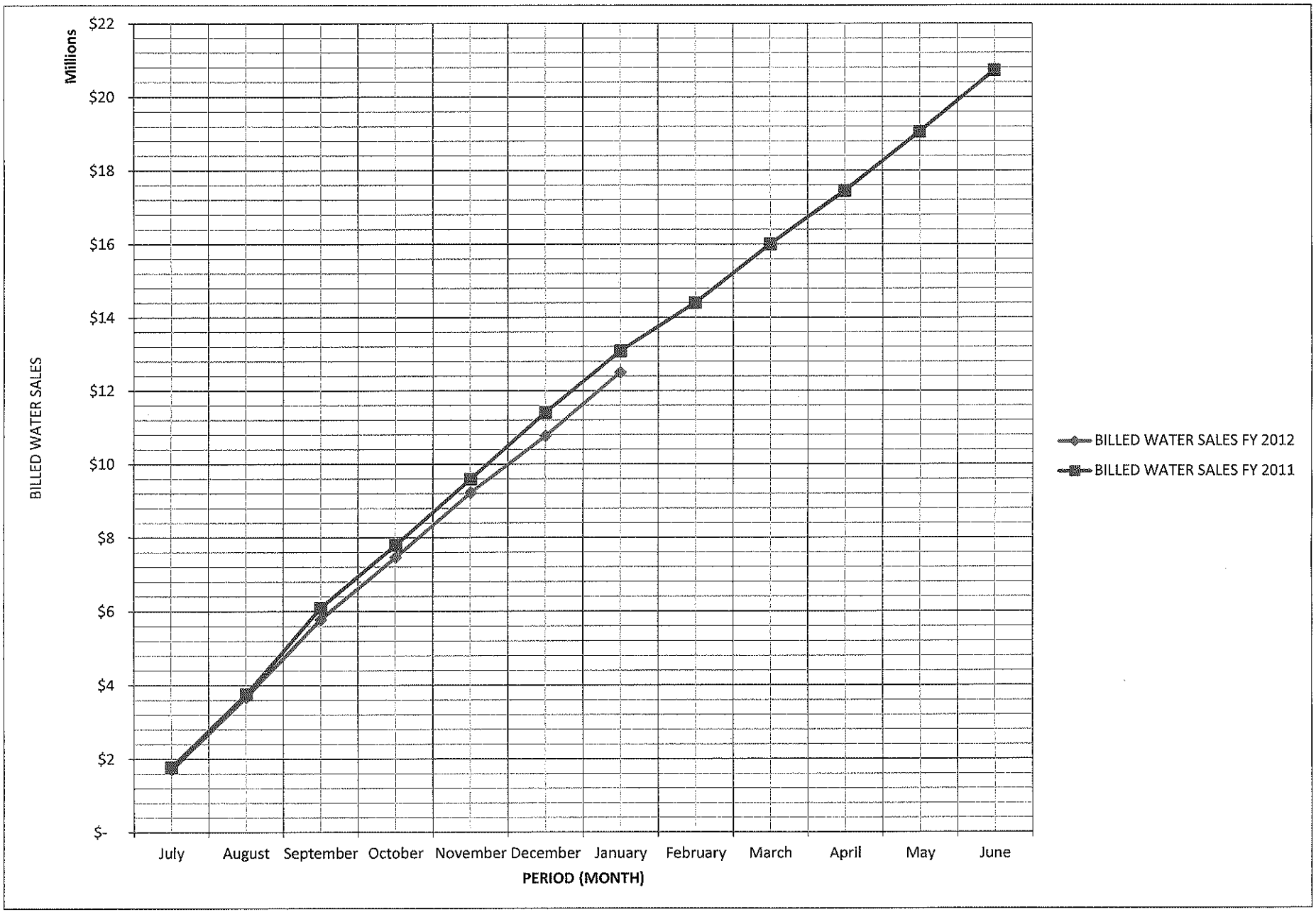
We are aware of the fact that there has been a lack of financial analysis and inadequate review of supporting documents; however, this has been unavoidable due to multiple difficulties associated with the retirement of several key personnel in the Accounting Section of the Kauai DOW in the past year. The Accounting Section has had to continue to function despite the retirements of the Accountant IV, Accountant III and Waterworks Controller all in less than a period of 9 months. These were key personnel in the yearly audit of the Department. With the "Lack of proper transition" as noted by the Auditor, the Accounting Staff had a very steep learning curve but every Staff member did their best to learn their new position.

More time can now be dedicated by the Waterworks Controller to management duties since the Staff are now better trained in their respective areas. We will be able to eliminate any deficiencies once the Accountant III starts in February, 2012.

Background: Incumbents of the top 3 positons in Accounting all retired in a period of 9 months. Constant transitions in Accounting made it difficult to keep up with the regular Accounting tasks. Priorities were set to keep up with deadlines. CWIP schedules was not regularly updated.

Status Update - In process

1. The current staff in Accounting except Accountant III have gone from a "period of transition and training" into "regular routine" in their current positions. Accounting workflow is regular except Fixed Assets. Review is done regularly.
2. The Accountant III position is in charge of our Fixed Assets. The new Accountant III is still going through a period of understanding, learning and executing the processes involved. A progress report may be submitted at the next April 2012 DOW Board meeting.


Millions
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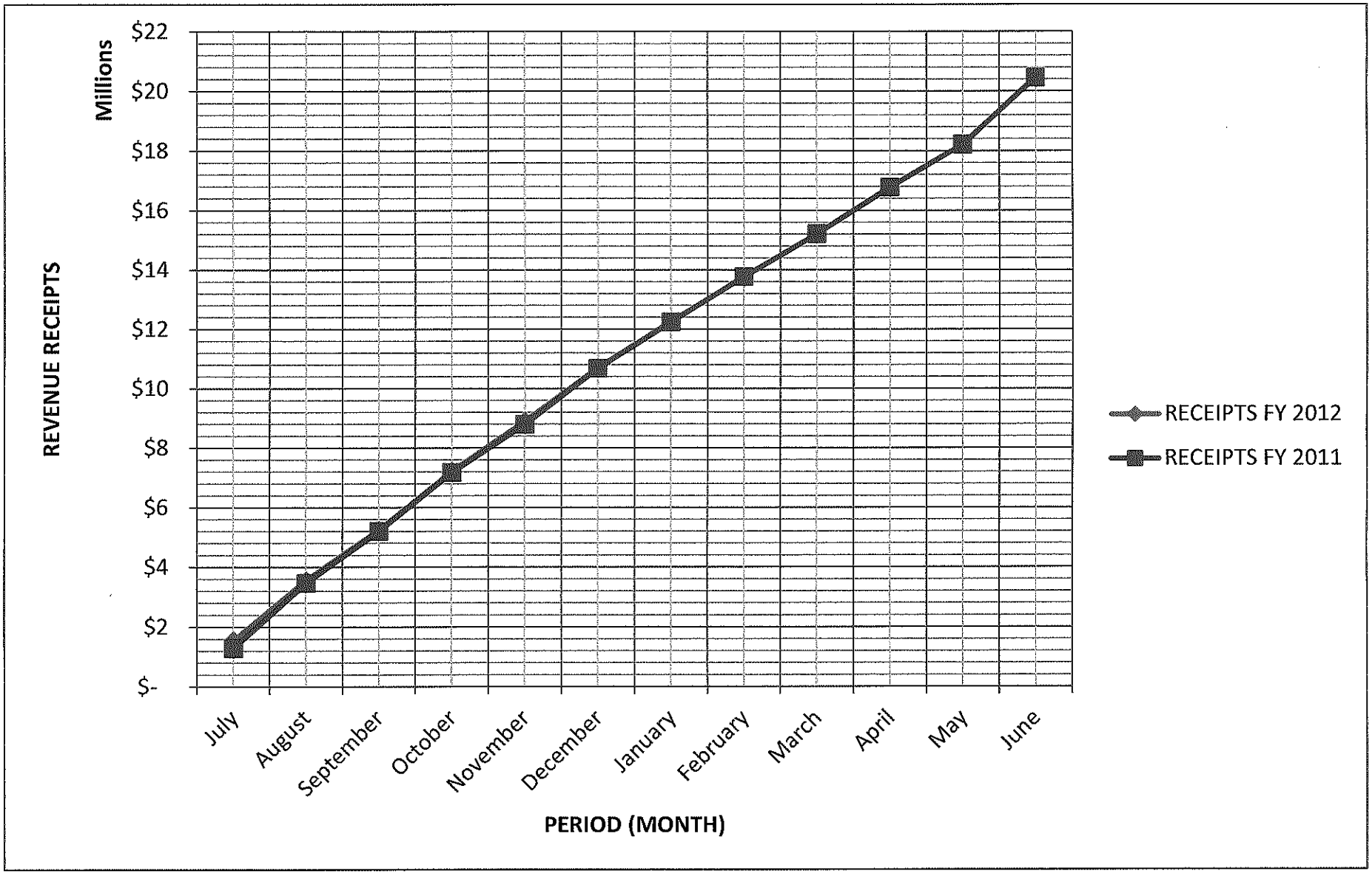
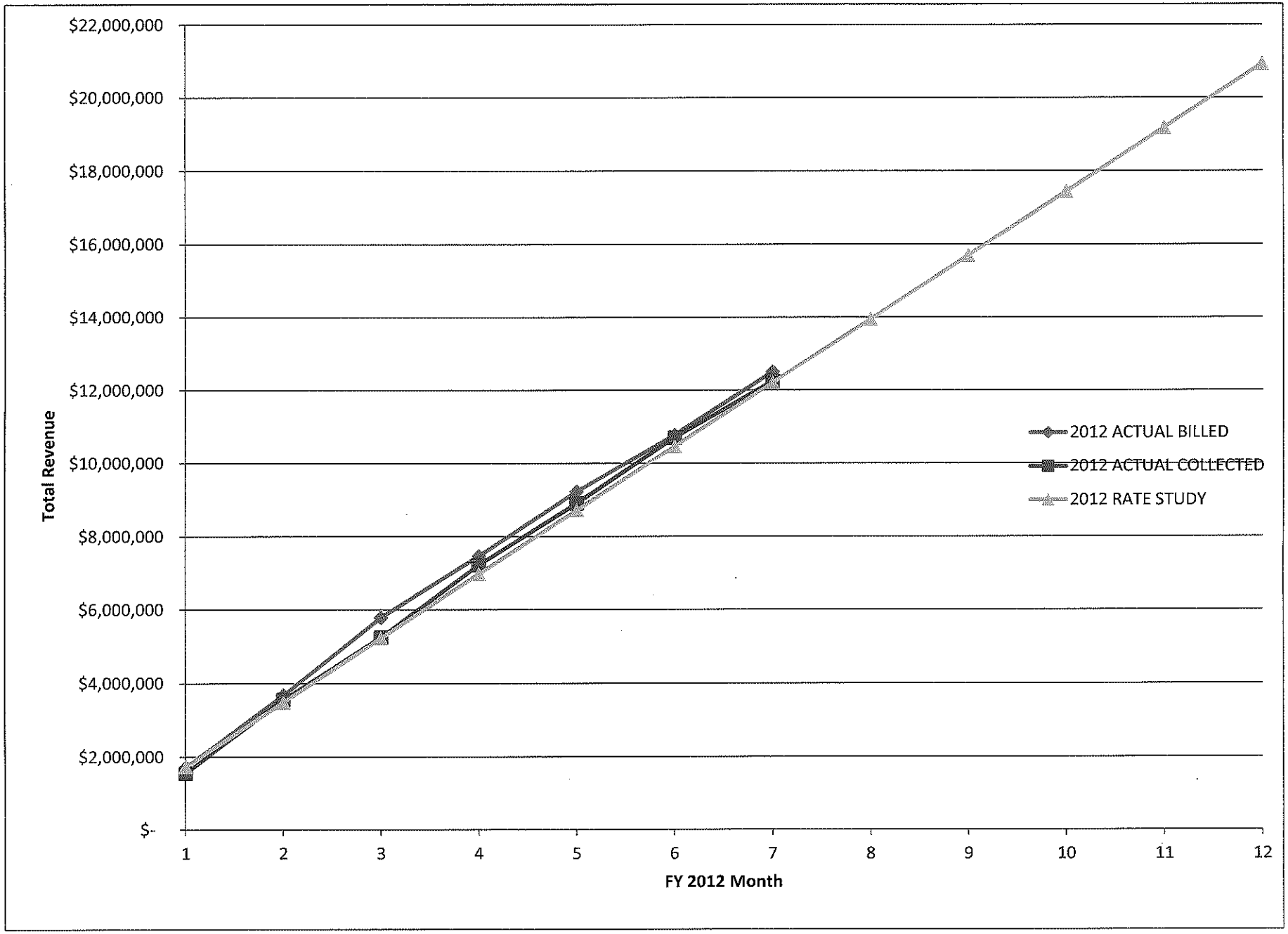
BILLED WATER SALES
July
August
September
October
November
December
January
February
March
April
May
June
PERIOD (MONTH)
BILLED WATER SALES FY 2012
BILLED WATER SALES FY 2011


REVENUE RECEIPTS
Millions
$22
$20
$18
$16
$14
$12
$10
$8
$6
$4
$2
$-
July
August
September
October
November
December
January
February
March
April
May
June
PERIOD (MONTH)
RECEIPTS FY 2012
RECEIPTS FY 2011


$22,000,000
$20,000,000
$18,000,000
$16,000,000
$14,000,000
$12,000,000
$10,000,000
$8,000,000
$6,000,000
$4,000,000
$2,000,000
$-
Total Revenue
1
2
3
4
5
6
7
8
9
10
11
12
FY 2012 Month
2012 ACTUAL BILLED
2012 ACTUAL COLLECTED
2012 RATE STUDY

DEPARTMENT OF WATER
County of Kaua'i

"Water has no Substitute – Conserve It!"

PR SPECIALIST REPORT

March 22, 2012

Press Releases: A blessing was held on Tuesday, February 28th for Job No. 02-16 (WK-36) Pipeline replacement along Kuamoo and Wailua Roads, 'Ohana and Analani Streets and Lehia Lane. A release covering this event as well as an update of the recently completed projects in Kapa'a was sent out. In addition, post card notifications of construction work in the area for this project were mailed to affected customers.

Detect a Leak Week: All of the counties along with CWRM and HRWA have collaborated to send out a unified message to promote Detect-A-Leak Week. Governor Abercrombie and Lt. Governor Schatz issued a proclamation in recognition of Detect-A-Leak-Week, working with our state partner, CWRM. Each county also received a proclamation from our respective mayors. Mayor Carvalho presented a proclamation to Deputy Manager William Eddy, DOW Board Vice-Chair Clyde Nakaya, and Board Secretary, Randall Nishimura, on March 9th.

As part of Detect-A-Leak Week, we will be kicking off our 2nd Annual Water Conservation Contest working with the Department of Education and the Līhu'e Subway.

Leak detection dye tabs and plumbers tape was made available in the DOW lobby area for customers who wanted to detect and fix leaks in their homes.

County Green Team: With the approval of Mayor Carvalho, the County Green Team will be focusing on 4 projects; **1.** Policy on thermostat settings, **2.** Ride share, **3.** Paper reduction campaign and **4.** Disposables to reusables. Team members are working on details and strategies on how to share information on, as well as encourage participation in these projects.

DOW Activities: The Fun Committee has planned a picnic in Po'ipū for Sunday, March 25th. Board members please call or see Carol Beardmore for more information and to sign up.

A Spring Food Drive in conjunction with the County-wide food drive will run from March 5 – April 23, with internal employee incentives.

Notification for Employee of the Year nominations has been sent out.

Water Conservation Advisory Group: The Water Conservation Advisory Group (WCAG) will be holding their fourth meeting to continue discussions and discernment on the State Water Conservation Project. They will focus on goal setting for all water use sectors.

Public Relations: The Limtiaco Company will: Compile a proposed list of groups to set up meetings with and assist with large group meetings and prepare a FAQ sheet. We will move forward as soon as we get closer to a final proposed rate.

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Meetings, Webinars and More:

- Attended the kick off meeting for the Water Use and Development Plan.
- Attended the AWWA webcast on Hexavalent Chromium.
- Attended the Sole Source webinar.
- Assisted with arranging and setting up of refreshments for the reinternment ceremony in Kapa'a.

Respectfully submitted,

Faith Shiramizu
Public Relations Specialist

FS/cab
Mgrrp/PR Specialist Report (3-22-12):cab

Operations Division Report for the Month of February 2012

Personnel

- Utility worker will be retiring effective March 1, 2012
- New Pipefitter Helper started February 1, 2012
- Operations Division personnel attended First-Aid/CPR training on February 6th and 13th and Photovoltaic seminar sponsored by the Public Works, Building Division on February 16th.
- Please see the attached labor report for Operations Division as compiled by the Fiscal Division.

Source and Storage

- AMFAC shaft pumping and water quality sampling was completed as of 10 AM February 9, 2012.
- Corrective actions to address significant deficiencies and recommendations by the sanitary survey inspector commenced and are on-going.
- Kilohana Wells A, B, & I as well as Puhi Wells 5A & 5B were converted to Hypochlor.

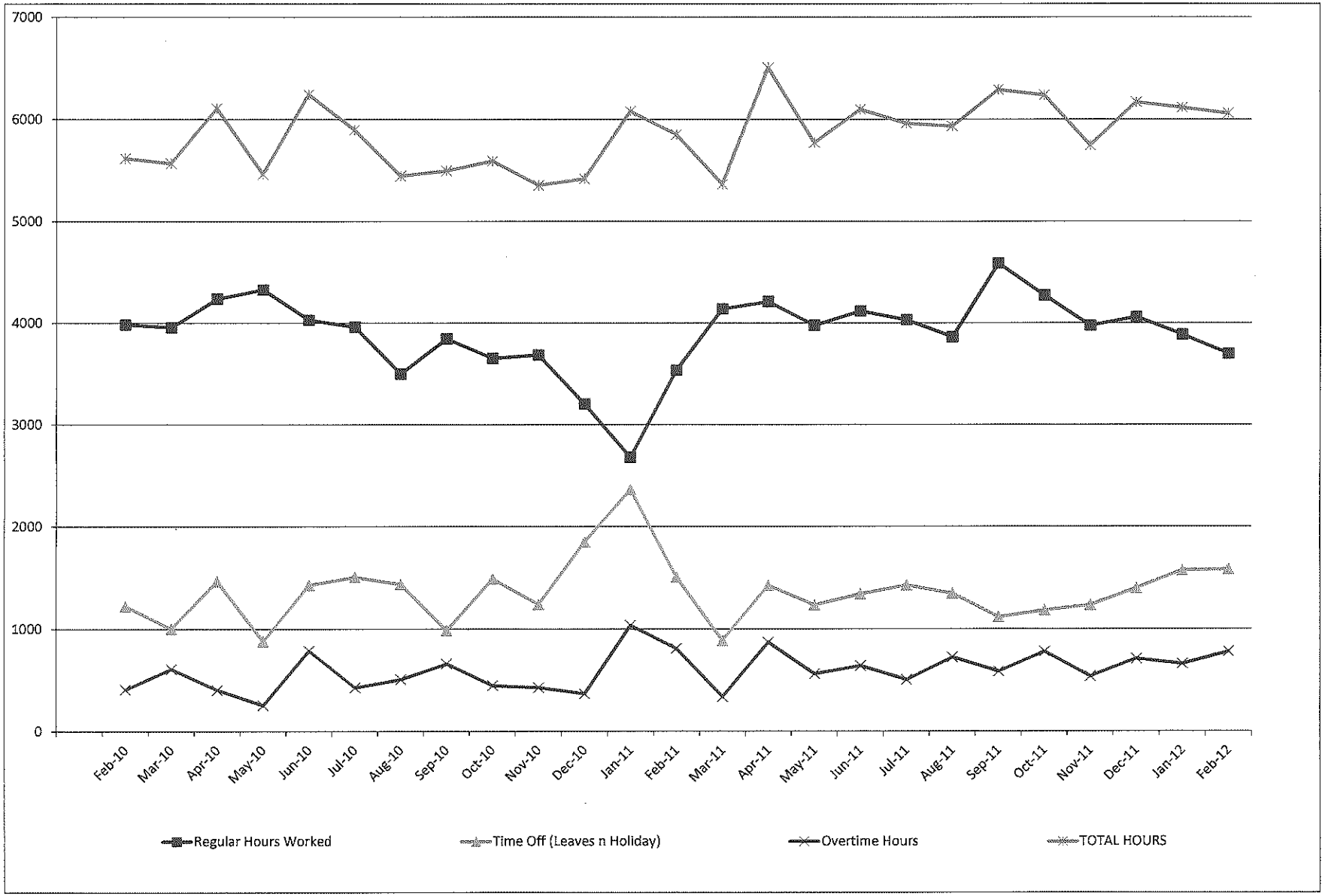
Distribution

- Operations crews continue to perform leak repair of service laterals and mainlines damaged by contractors of Water Plan 2020.
- Operations crews assisted in overnight new waterline tie-in by operating valves along Kaumualii Highway, Makeke Road, Waimea Canyon Drive, Rice Street, Haleko Road, Akahi Street, Ahukini Road, Eiwa Street, and Hardy Street.
- Four (4) new residential water meters were installed and three (3) temporary hydrant meters we installed.

Fleet, Inventory, Warehouse and Baseyard Area

- We received a total of 16 calls from customers reporting leaks on the mainline, service laterals, meters, and fire hydrants including 6 called-in complaints of low water pressure and 3 calls for no water.

Total Hours for the Month
Operations: Plant & Field Divisions
For the Period: February 2010 to February 2012



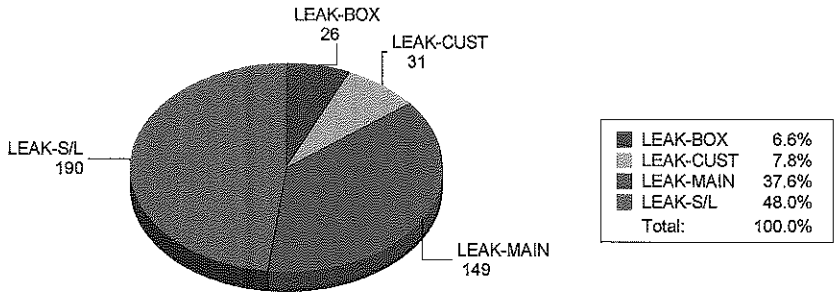
09-Mar-2012

Work Orders by Job Reason Code for Selected Date Range

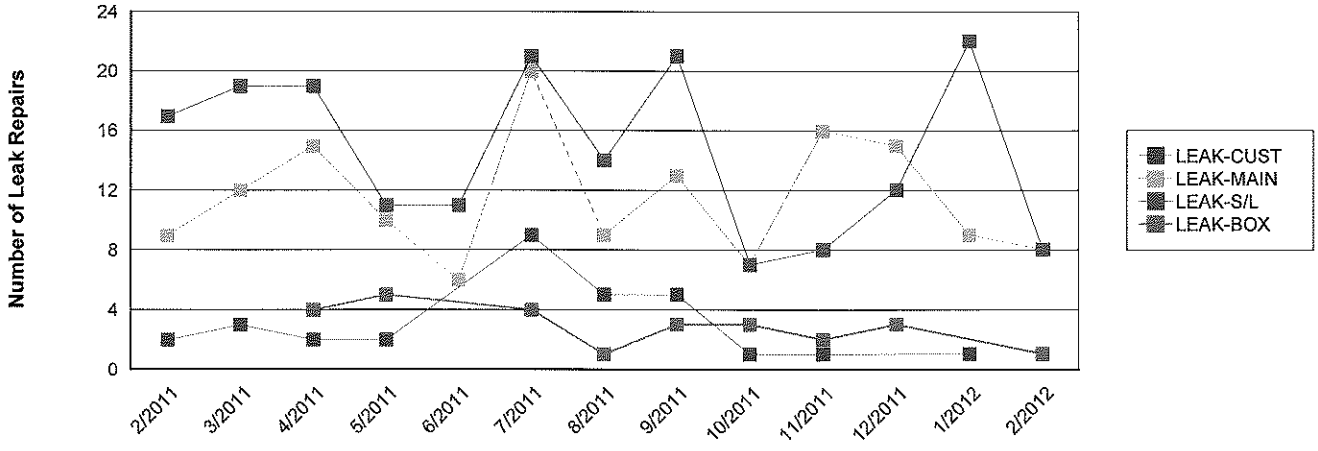
02/01/2011 to 02/29/2012

# of W/O's	Job Reason Code	Description
26	LEAK-BOX	Meter Box Leak Repair
31	LEAK-CUST	Customer-Side Leak Repair
149	LEAK-MAIN	Mainline Leak Repair
190	LEAK-S/L	Service Lateral Leak Repair

Work Orders by Job Reason Code



Number of Leak Repairs per Month



March 23, 2012
MEMO

TO: William Eddy, Deputy Manager - Engineer
FROM: Gregg Fujikawa, Water Resources and Planning Division

SUBJECT: MONTHLY SUBDIVISION SUMMARY

February 2012 Updates/Recommendations

Subdivision Number	TMK Number	Applicant	Received	Response Date	Subject	DOW Response
S-2010-12	4-6-03:004; 4-6-03:010; 4-6-03:021; 4-6-03:034	State of Hawaii (DLNR)	1/25/2012	2/1/2012	1st Time Extension	No Objection/Approved Extension Request
S-2008-04	4-4-02:012; 4-4-02:013; 4-4-02:015; 4-4-02:088	Nia Pia Land Company, Ltd.	1/25/2012	2/1/2012	3rd Time Extension	No Objection/Approved Extension Request

DEPARTMENT OF WATER
County of Kaua'i

"Water has no Substitute – Conserve It!"

MANAGER'S UPDATE

March 22, 2012

MANAGER'S UPDATE for FEBRUARY 2012 to MARCH 2012

CONTRACTS AWARDED BY THE MANAGER:

Re: Water Plan 2020 Project PLH-39, Lihue Base Yard Improvements (Phase I), Lihu'e Water System, Lihu'e, Kaua'i, Hawai'i

Second Contract Amendment for Contract No. 512 was awarded to Architects Hawaii Limited in the amount of $29,325.00:

FUNDING:

Original Funds Certified (W/U):	$279,719.00
Additional Funds Certified (BAB)	$628,000.00
Total Certified Funds	$907,719.00

Contract No. 529, Oceanic Companies, Inc.	$279,719.00	
Contract Amendment #1 (Design)	$598,413.00	
Proposed Contract Amendment #2 (Zoning/EA)	$29,325.00	
Total Proposed Funding	$907,457.00	<$907,457.00>

Remaining Contingency after Contract Amendment #2 (BAB –PLH-39) $262.00

PUMP INSTALLATION PERMITS:
None

WAIVER, RELEASE AND INDEMNITY AGREEMENTS SIGNED BY THE MANAGER:
None

PERSONNEL MATTERS UPDATE:

Updated March 9, 2012

RECRUITMENT AND POSITION CHANGES

Operations Division

1. Pipefitter #2418 and #2443. Interviews scheduled for March 20, 2012.
2. Lead Pipefitter #2481. DPS to re-post job announcement.
3. Water Service Investigator II #2486. DPS to re-post job announcement.
4. Water Field Operations Superintendent #2491. No action at this time.

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5. Power Generator Repairer #2469. Submitted to DPS action to reallocate vacant position to a Heavy Vehicle and Equipment Mechanic I.
6. Plant Electrician #2457. No action.
7. Welder #2441. No action.

Fiscal Division

1. Accountant II (New) – Billing Section. Position descriptions being prepared.
2. Procurement Specialist (New) – Fiscal Division. Position description being prepared.
3. Billing Section positions being updated due to upcoming implementation of new billing system. Continuing to review various position's position descriptions.

Engineering Division and Special Projects Division

1. Engineering, Construction Management (currently Special Projects) and Water Quality Divisions Re-Organization. Pending DPS status report.
2. Civil Engineer VI #2430 (Engineering Division). Vacant. No action. Pending DPS Engineering Re-org review.
3. Civil Engineer VI #2470 (Special Projects Division). Vacant. No action. Pending DPS Engineering Re-org review.
4. Civil Engineer II #2458 (Engineering Division). Future action on this position is pending DPS's decision on requested action for CE II #2468.
5. Civil Engineer II #2468 (Engineering Division). Pending response from DPS.
6. Water Inspector II #2355 (Engineering Division). Interview scheduled for March 15, 2012.
7. Civil Engineer III #2360 (Water Resources and Planning Division). Received list of qualified candidates.

Administration

1. Reallocation of Commission Support Clerk #2493 to Board Secretary. DPS to provide status report.
2. Reallocation of Private Secretary #E-35 to Private Secretary/Administration Office Manager. Pending DPS review and response.
3. Secretary #2354. Job announcement closed 1/27/2012. Pending list of eligibles from DPS.
4. Civil Engineer VII #2350. Vacant. No action.
5. Computer Technician I #2489. Vacant. No action. Dollar funded.

SUMMARY OF WARRANT VOUCHERS PAID – February 29, 2012

Warrant vouchers were paid in the amount of $2,619,507.44.
Please see attached Warrant Vouchers Report.

STAFF REPORTS - FY 12:

Conveyance of Water Facility:

1	Tsao Ohana Trust	TMK: 2-7-07:010	Omao	$4,000.00
		Total		**$4,000.00**

MONTHLY EMPLOYEE MEETING – "DEPARTMENT OF WATER - MISSION STATEMENT"

The Department's Mission Statement was the topic of the February employee meeting. Employees were asked to review our current statement, "Together we provide safe, affordable, and sufficient drinking water through wise management of our resources and with excellent customer service for the people of Kaua'i." Staff was further encouraged to provide thoughts on updating and improving it by making it something that can be easily recognizable and remembered by all.

The below thoughts of our core mission were put forward by the staff at the meeting:

1. Low cost water.
2. Every minute counts.
3. Maintain and operate systems efficiently.
4. Maintain pipe lines not included in WP2020
5. Procure proper tools and equipment as well as ample parts and materials.
6. Keep up with technology.
7. Use common sense.
8. Better communication within the Department.
9. No micro-management.
10. Multi-skilled workers, job mentoring, internal education, up-to-date training.
11. Respect your fellow employees from top to bottom and vice-versa.
12. Accountability – Do your job the best you can; stop passing the buck.
13. Follow SOP's
14. Be fair and be consistent, be transparent.
15. Teamwork.
16. Focus on efficiency and effectiveness in service.
17. Lead by example.

The acronym B.E.S.T. (Be Excellent – Serve Together) was put forth. Further discussion with staff will be conducted to complete the mission statement update.

AFFORDABLE HOUSING UPDATE:

Update will be provided after the next Task Force Meeting is held.

Respectfully submitted,

William Eddy, P.E.
Deputy Manager - Engineer

cab
Mgrrp/Manager's Update (3-22-12):cab

March 22, 2012 BOARD MEETING

DEPARTMENT OF WATER
Summary of Warrant Vouchers Paid
February 29, 2012

WATER UTILITY FUND				
Other Expenses, Department of Water				
Capital Expenditures	$	56,433.05		
Other Expenses, Department of Water				
Normal Expenditures	$	1,092,377.37		
TOTAL WATER UTILITY FUND	$	1,148,810.42	$	1,148,810.42
BOND FUND				
TOTAL BOND FUND			$	-
F R C FUND				
FRC REFUNDS	$	-		
TOTAL FRC FUND	$	-	$	-
BOND - BAB				
JENNINGS PACIFIC, LLC	$	60,087.50		
UNLIMITED BUILDERS, LLC.	$	60,843.81		
BCP CONSTRUCTION OF HAWAII, INC.	$	133,430.24		
OCEANIC COMPANY, INC.	$	171,731.27		
EARTHWORKS PACIFIC, INC.	$	242,721.21		
BELT COLLINS HAWAII, LTD.	$	6,429.80		
GOODFELLOW BROTHERS, INC.	$	453,574.65		
OCEANIT LABORATORIES	$	4,750.00		
GOODFELLOW BROTHERS, INC.	$	160,683.32		
GOODFELLOW BROTHERS, INC.	$	112,524.38		
ARCHITECTS HAWAII, LTD.	$	63,920.84		
TOTAL BAB BOND FUND	$	1,470,697.02	$	1,470,697.02
TOTAL CLAIMS PAYABLE			$	2,619,507.44
WATER UTILITY FUND				
2/29/122 AP	$	1,148,810.42		
Voided Check #016690	$	(70.00)	$	1,148,740.42
BOND FUND			$	-
BOND - BAB:				
			$	1,470,697.02

Bank Transfer Adjustments:
Due to W/U - Transfer Adjustment

DEPARTMENT OF WATER

WATER UTILITY FUND

RECAP OF NORMAL EXPENDITURES

February 29, 2012

	BUDGET CODE		AMOUNT
REFUND - REVENUES FROM WATER SALES	1	$	2,255.98
UTILITIES - ADMINSTRATION & OFFICE	21	$	15,699.76
POSTAGE & PRINTING	22	$	15,546.86
OFFICE EQUIPMENT MAINTENANCE	24	$	24,495.69
CON 461 Four Winds Group MMIS Phases I & II	24.2	$	5,000.00
CONTRACTUAL SERVICES - ADMINISTRATION & OFFICE	27	$	17,905.18
CONTRACTUAL SERVICES - SAIC (R W BECK)	27.3	$	7,570.00
TRAVEL & INCIDENTALS -STAFF	29	$	1,103.48
MISCELLANEOUS - ADMINISTRATION & OFFICE	31	$	3,282.15
IN-SERVICE TRAINING	33	$	6,872.50
SUPPLIES - OFFICE & JANITORIAL	34	$	4,417.35
PUBLIC RELATIONS	36	$	10,000.00
COMPUTER SUPPORT & SUPPLIES	37	$	2,547.12
MICROLAB MATERIALS & SUPPLIES	38	$	865.44
VEHICLE & EQUIPMENT MAINTENANCE	40	$	9,313.86
VEHICLE - FUEL	41	$	21,195.76
UTILITIES	42	$	5,408.24
METER PARTS	43	$	1,707.94
ELECTRICAL PARTS	43.1	$	452.06
MISC - Leak Detection	44.2	$	103.96
CONTRACTUAL SERVICES - OPERATIONS	45	$	701.32
CONTRACTUAL SERVICES - FLUIDIQS, LLC	45.1	$	49,370.00
MATERIALS & SUPPLIES - OPERATIONS	47	$	18,408.98
COLLECTIVE BARGAINING ITEMS	48	$	1,018.51
PUMP ELECTRICAL	51	$	245,386.86
WATER PURCHASE	55	$	127,854.21
CHEMICALS	58	$	4,796.86
MWH LABORATORIES	59	$	1,665.43
HEALTH & LIFE INSURANCE - RETIREES & OPEB	67	$	136,133.34
SRF-Wailua Homesteads Well #3	82	$	15,419.14
SRF-Ornellas 0.2 MG Tank	84	$	31,734.58
SRF-Stable 1.0 MG Tank & Connecting Waterline	89	$	304,144.81
TOTAL NORMAL EXPENDITURES		**$**	**1,092,377.37**

DEPARTMENT OF WATER

WATER UTILITY FUND

RECAP OF CAPITAL EXPENDITURES

February 29, 2012

CAPITAL EXPENDITURES:	**BUDGET CODE**		**AMOUNT**
CAPITAL IMPROVEMENT PROJECTS	101		
MISCELLANEOUS CAPITAL EXPENDITURES	102	$	46,588.00
OFFICE & ENGINEERING EQUIPMENT	103	$	7,544.02
VEHICLES & EQUIPMENT	106	$	2,301.03
CIP RESERVE	106B		
PURCHASE OF METER & METER BOXES	107		
SUB-TOTAL		**$**	**56,433.05**

WATER UTILITY FUND

CONTRACT PAYMENTS - WU		$	-
TOTAL WATER UTILITY -CAPITAL EXPENDITURES		**$**	**56,433.05**

BOND

CONTRACT PAYMENTS - BOND:		**$**	**-**

FRC

Frc Refund -	4a		
FRC PAYMENTS		**$**	**-**

BOND - BAB

CON	513 JENNINGS PACIFIC, LLC	218	$	60,087.50
CON	516 UNLIMITED BUILDERS, LLC.	220	$	60,843.81
CON	523 BCP CONSTRUCTION OF HAWAII, INC.	223	$	133,430.24
CON	529 OCEANIC COMPANY, INC.	230	$	171,731.27
CON	530 EARTHWORKS PACIFIC, INC.	231	$	242,721.21
CON	427 BELT COLLINS HAWAII, LTD.	232	$	6,429.80
CON	534 GOODFELLOW BROTHERS, INC.	235	$	453,574.65
CON	543 OCEANIT LABORATORIES	240	$	4,750.00
CON	503 GOODFELLOW BROTHERS, INC.	683	$	160,683.32
CON	504 GOODFELLOW BROTHERS, INC.	684	$	112,524.38
CON	692 ARCHITECTS HAWAII, LTD.	692	$	63,920.84
CONTRACT PAYMENTS - BAB			**$**	**1,470,697.02**

TOTAL CAPITAL EXPENDITURES	**$**	**1,527,130.07**

DEPARTMENT OF WATER

County of Kaua'i

"Water has no Substitute – Conserve It!"

March 22, 2012

Re: 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 Haw. Rev. Stat §§92-4 and 92-5(a)(4) the purpose of this executive session is to receive and consider a letter from the Department of Personnel Services to the United Public Workers dated March 6, 2012. The purpose of this executive session is to consult with the Board's attorney on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities as it relates to the Department of Personnel Services letter to the United Public Workers dated March 6, 2012.***

2. ***Pursuant to Hawai'i Revised Statutes Sections 92-4 and 92-5(a)(4), the purpose of this executive session is to provide the Board with a briefing regarding the proposed employee rewards program. This briefing and consultation with the Board counsel involves the consideration of the powers, duties, privileges, immunities and/or liabilities of the Board and the Department as they relate to this agenda item.***

3. ***Pursuant to Haw. Rev. Stat. §§92-4 and 92-5(a)(4) the purpose of this executive session is to consult with the Board's attorney on questions and issues pertaining to the Board's powers, duties privileges, immunities, and liabilities as it relates to non-potable water systems.***

4. Review of Executive Session Transcripts:

    a. December 8, 2011
    b. December 15, 2011
    c. December 22, 2011
        i. Session 1
        ii. Session 2
    d. January 5, 2012
    e. January 23, 2012
    f. January 26, 2012

cab
Mgrrp/Executive Session (3-22-12):cab

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