MEETING MINUTES
BOARD OF WATER SUPPLY
Thursday, March 21, 2013

The Board of Water Supply, County of Kaua'i, met in regular meeting at the Board Conference Room in Līhu'e on Thursday, March 21, 2013. Chairperson Randall Nishimura called the meeting to order at 10:10 a.m. On roll call, the following answered present:

BOARD: Mr. Randall Nishimura, Chairperson
Mr. Raymond McCormick
Mr. Michael Dahilig
Mr. Larry Dill
Mr. Sherman Shiraishi *(entered meeting @ 10:46 a.m.)*

ABSENT/EXCUSED: Mr. Clyde Nakaya
Mr. Roy Oyama

Quorum was achieved with 4 members present at the time of roll call.

STAFF: Mr. David Craddick
Mr. Kirk Saiki
Mr. Val Reyna
Mr. Gregg Fujikawa
Ms. Marites Yano
Mr. Keith Aoki
Mr. Dustin Moises
Mr. Jeff Mendez
Ms. Sandi Nadatani-Mendez
Ms. Debra Peay
Ms. Mary-jane Garasi
Deputy County Attorney Andrea Suzuki

GUESTS: Deputy County Attorney Marc Guyot
Mr. Gerald Ako, Hawai'i Government Employees Association
Mr. Dale Shimomura, Hawai'i Government Employees Association
Mr. Jerry Kaluna

At 10:11 a.m. Chair Nishimura requested to rearrange the agenda to move the Manager's Report 13-40 - Draft FY2014 Budget after the Acceptance of the Agenda due to one unanticipated item.

ACCEPTANCE OF AGENDA:
Mr. Dahilig moved to rearrange the agenda as ordered by Chair Nishimura; seconded by Mr. Dill; with no objections, motion was carried with 4 ayes.

At 10:11 a.m., Mr. Dill moved to go into executive session on Item H.7., Manager's Report No. 13-40 - Draft FY2014 Budget; seconded by Mr. Dahilig; with no objections, motion was carried with 4 ayes.

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

At 10:22 a.m., Chair Nishimura reconvened the Regular Board Meeting.

H. NEW BUSINESS
7. Manager's Report 13-40 Draft FY2014 Budget

Chair Nishimura suspended the rules for testimony which was relevant to Manager's Report 13-40.

Mr. Gerald Ako, Hawai'i Government Employees Association (HGEA) and Mr. Dale Shimomura, HGEA provided their testimony

Mr. Gerald Ako shared inquiries about the budget. Mr. Ako questioned if the Clerk Typist position was an incumbent position or was it always a temporary position and fully funded. He also question if this position at one time was fully funded that became a temporary position.

From the last budget cycle, Mr. Ako went through the same situation and noticed that there was a position that was fully funded then became partially funded.

Chair Nishimura inquired if there was a Position No. for the Clerk Typist.

Manager Craddick indicated the Position No. is 2479.

Mr. Dale Shimomura added that there was no number but Position No. 2479 is a currently filled number. This happened last year and the Position No. 2479 was slated for a reduction in force where HGEA filed a grievance and subsequent complaint to the Board. The reduction in force was rescinded and the same position has come up again this fiscal year.

Chair Nishimura thanked Mr. Ako and Mr. Shimomura for providing the Board with their comments on the draft FY 2014 budget as opposed coming in June when the Board makes a final decision. The draft budget would be referred to the Finance Committee.

Mr. Ako thanked the Board for allowing time to express their inquiries.

Deputy County Attorney Marc Guyot also thanked Mr. Ako and Mr. Shimomura for attending the Board meeting. Deputy County Attorney Marc Guyot acknowledged a previous correspondence that was sent by HGEA to the Board. To properly address the correspondence, it would be put on the April 25th Board meeting agenda with an invitation for Mr. Ako to attend this meeting.

Mr. Shimomura inquired when is the last day to provide written testimony to the Board?

The Commission Support Clerk indicated that written testimony is due on the 15th of the month.

Manager Craddick requested the Board to review and approve the draft budget by June 30th, but regarding the rates, the recommendation is to not implement the increase until July 1st. May 1st is the deadline to implement in July. There needs to be time to test the fee increase. The second deadline would be June 30th if the fee increase is approved and maybe it would be better to move back to the regular agenda.

Chair Nishimura deferred and moved Agenda Item H.7 Manager's Report No. 13-40 Draft FY2014 Budget to its original place on the agenda; with no objections; motion was carried.

MINUTES:

Review and approval of:

Regular Board Meeting – February 28, 2013

Mr. Dahilig moved to approve the Regular Board Meeting minutes of February 28, 2013; seconded by Mr. Dill; with no objections; motion was carried with 4 ayes.

Review & Receive Executive Session Minutes:

Executive Session – February 28, 2013

Mr. Dahilig moved to defer the Executive Session minutes to the next meeting due to stylistic changes to be made by Deputy County Attorney Andrea Suzuki; seconded by Mr. Dill; motion carried with 4 ayes.

CORRESPONDENCE/ANNOUNCEMENTS

Chair Nishimura made the following announcements:

1. Thanked Mr. Dill and Mr. Dahilig for agreeing to attend the AWWA Conference Denver, CO June 9-13, 2013.
2. Thanked Mr. Shiraishi and Mr. Dahilig who will be attending the 38th Annual AWWA Conference & Exposition Hawai'i Section in Honolulu, May 7-10, 2013.

Chair Nishimura recommended that the conference funds be encumbered for next year if they are not used in the current budget this year. Board members were asked to let the Commission Support Clerk know if they would not like to attend either of the conferences in 2014.

3. Chair Nishimura request the Board to turn in the Manager's Evaluations to the Commission Support Clerk by Monday, April 1st.
4. Chair Nishimura will send the Board information referencing the Manager's Goals for FY2013-2014 for completion before June.
5. Chair Nishimura recommended to tentatively change the October Regular Board meeting to Thursday, October 17, 2013 due to the HWWA being held during October 23-25, 2013.

BOARD COMMITTEE REPORTS

None

OLD BUSINESS

1. **Manager's Report No. 13-27 – Manager's Response to Mr. Harold Matsunaga's letter, dated January 3, 2013.**

The Commission Support Clerk requested a Point of Order and distributed the updated version to the Manager' Report No. 13-27 which was correct in the Board binders but not on the web site.

DEPARTMENT OF WATER
County of Kaua'i

"Water has no Substitute – Conserve It!"

RECEIVED FOR THE RECORD
MAR 21 2013

MANAGER'S REPORT No.13-27update

March 21, 2013 (*rev from* February 28, 2013)

Re: Manager's Response to Mr. Harold Matsunaga's letter, dated January 3, 2013 *update*

RECOMMENDATION:
There is no action requested from the Board.

BACKGROUND:
The Department of Water is in receipt of Mr. Matsunaga's letter addressed to the Board dated January 3, 2013.

Mr. Matsunaga is declaring that his October 5, 2012 bill in the amount of $351.12 and December 5, 2012 bill for $376.20 were registering incorrect data usage.

Mr. Matsunaga provided testimony to the Board in the February 28th board meeting and provided his own meter readings from January 2-9 and February 27, 2013.

The department has provided Mr. Matsunaga, with the most current meter reading profile which is attached. In the detail report the closest reading matching his report and the date and time checked to see if they matched. In all cases they match within a half hour, some match within 4 minutes. The DOW meter is reading the same as his readings.

A copy of this letter will be sent to Mr. Matsunaga.

Thank you for your attention to this matter.

Respectfully submitted,

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

Attachment: Response letter mailed to Harold Matsunaga (3-11-13)
Response letter mailed to Harold Matsunaga (2-12-13)

DC:mjg

Mgrp/March 2013/13-27 Manager's Response to Mr. Harold Matsunaga's letter, dated January 3, 2013 (3-21-13):mjg

Mr. Dahilig moved to Receive for the Record the updated Manager's Report No. 13-27; seconded by Mr. Dill; with no objections; motion was carried with 4 ayes.

BACKGROUND:
Manager Craddick referred to the meter readings which Mr. Matsunaga took reading No. 7, 8294960 on January 6th at 12:07 p.m. The list of DOW readings reading similar to No. 7 was on January 6th at 12:04 p.m. There is a 3 minute difference on the Department of Water's (DOW) reading. The maximum difference in the reading list is 30 minutes from Mr. Matsunaga's list. Manager Craddick's said DOW's readings followed with Mr. Matsunaga's readings which indicate there were no discrepancies. The usage graph shows the readings always go back to zero showing no leak. This information was mailed to Mr. Matsunaga by Ms. Yano on March 11, 2013.

DISCUSSION:
Chair Nishimura inquired if these types of issues can be addressed before they reach the Board.

Manager Craddick commented that these issues can be addressed before it comes to the Board but Mr. Matsunaga did not provide the readings until he came to the Board meeting in February. Since Mr. Matsunaga wrote a letter, the Department included it on the agenda when received.

Mr. Dahilig moved to receive *Manager's Report No. 13-27* – Manager's Response to Mr. Harold Matsunaga's letter dated January 3, 2013; seconded by Mr. Dill; with no objections, motion was carried with 4 ayes.

NEW BUSINESS

1. **Manager's Report No. 13-34 - Request for Board Approval for Grant of Easement W-1 from Kamalu KB LLC a domestic limited liability company for the 2nd Water Meter Plan for Lot 2, TMK: (4) 4-2-03:051, Wailua Homesteads, Kauai, Hawai'i**

BACKGROUND:
Manager Craddick reported the Easement W-1 from Kamalu KB LLC was a standard Grant of Easement.

Mr. Dahilig moved to approve *Manager's Report No. 13-34* - Request for Board Approval for Grant of Easement W-1 from Kamalu KB LLC a domestic limited liability company for the 2nd Water Meter Plan for Lot 2, TMK: (4) 4-2-03:051, Wailua Homesteads, Kauai, Hawai'i; seconded by Mr. McCormick, motion was carried with 4 ayes.

2. **Manager's Report No. 13-35 - Request Board Approval on the Grant of Easement W-13 from Kaua'i Christian Fellowship, not for profit corporation for the Construction Plans for Domestic Water Meter and 6" RPDA Line for Parcel 21, TMK: (4)2-8-22:021, Kōloa, Kaua'i, Hawai'i**

BACKGROUND:
Manager Craddick reported the Department will be putting in a fire line on the Grant of Easement W-13 from Kauai Christian Fellowship.

Mr. Dill moved to approve *Manager's Report No. 13-35* - Request Board Approval on the Grant of Easement W-13from Kaua'i Christian Fellowship, not for profit corporation for the Construction Plans for Domestic Water Meter and 6" RPDA Line for Parcel 21, TMK: (4)2-8-22:021, Kōloa, Kaua'i, Hawai'i; seconded by Mr. Dahilig; with no objections, motion was carried with 4 ayes.

3. Manager's Report No. 13-36 - Request for Board Approval for Water Plan 2020 Project PLH39, Lihue Base Yard Improvements (Phase I), Lihu'e Water System, Lihu'e, Kaua'i, Hawai'i

BACKGROUND:
Manager Craddick explained the Department will be putting in a fire suppression system that would eliminate damage from water to the servers in the new building. The Change Order will cost $7,000.

Mr. Dill moved to approve *Manager's Report No. 13-36* - Request for Board Approval for Water Plan 2020 Project PLH39, Lihue Base Yard Improvements (Phase I), Lihu'e Water System, Lihu'e, Kaua'i, Hawai'i; seconded by Mr. McCormick; with no objections, motion was carried with 4 ayes.

4. Manager's Report No. 13-37- Request for Board Approval for Job No. 12-04, WP2020 Project No. HE-14, Hanapepe-Eleele Booster Pump Replacement, Kauai, Hawai'i

BACKGROUND:
Manager Craddick reported that the Hanapēpē-Eleele Booster Pump Replacement was dollar funded in the budget. The full amount of the design project is $96,000 from the CIP Reserve Fund for the refurbishment on the booster system.

DISCUSSION:
Mr. Dill questioned how old were the pumps.

Manager Craddick indicated the pumps are so old that parts are no longer available. A designer has been selected.

At 10:46 a.m., Mr. Shiraishi entered the meeting.

Mr. Dill questioned Item #12 that states that there are no modifications in the SCADA and also inquired if the system is hooked up to the SCADA?

Manager Craddick indicated there may be some modifications but there no modifications on how the system is operated.

Manager Craddick assured Mr. Dill that the system is connected to the SCADA. The whole project will cost $96,000 with a 5% contingency.

Chair Nishimura inquired about the anticipated construction cost.

Manager Craddick explained that the construction cost may cost $1M.

Chair Nishimura wanted to make sure that there were funds for the project and if this is part of the replacement plan.

Mr. Dahilig moved to approve *Manager's Report No. 13-37*- Request for Board Approval for Job No. 12-04, WP2020 Project No. HE-14, Hanapepe-Eleele Booster Pump Replacement, Kauai, Hawai'i; seconded by Mr. McCormick; with no objections, motion was carried with 5 ayes.

5. Manager's Report No. 13-38 – Request for Board Approval on Table on Organization Changes in the Administration Division

DISCUSSION:
Mr. Dahilig noticed that the Deputy County Attorney's position is on the Table of Organization (TO) chart reporting to Manager Craddick. Mr. Dahilig questioned that the Board and Manager are in different roles and who is reporting to whom? He would want the Deputy County Attorney to protect the Board. If the Deputy County Attorney reports to the Manager, then the attorney should not be advising the Board.

Deputy County Attorney Andrea Suzuki explained that Manager Craddick will remove the position from the TO because it does not match the County Charter. If the position is under the DOW, the position has no authority to sign documents if it is no longer under the County Attorney's office.

Manager Craddick explained the purpose of hiring the Deputy County Attorney is to represent the staff and not the Board. The County Attorney's office could send another attorney to represent the Board if there was a need. By putting the Deputy County Attorney's position on the TO, was to keep track of the number of positions. Manager Craddick agreed that there may be a better way of clarifying the TO.

BACKGROUND:
Manager Craddick reported that in May 2012, the Board asked to have a presentation on the new organization of the Human Resources (HR) Division under the Mayor which was presented by Marc Guyot at the April 2012 Board meeting.

HR Coordinator Ms. Debra Peay explained that in order for the HR Coordinator's position to exist in the DOW, a position number needed to be assigned. The county took position number #2465 in their current operating budget. The Computer System Support Technician I position number was assigned to the HR Coordinator position number. The plan is to have the Computer System Support Technician I filled which will need a position number, in which then, that number will be taken from the Clerical Assistant position that is vacant effective in the 2014 budget.

Manager Craddick commented that the Deputy County Attorney position has been included in the Administration's TO. This position is officially under the County Attorney's Office. Since the DOW is funding this position, it should be included in the Administration's TO chart. There could be a box to show the Deputy County Attorney reporting to the County Attorney's office. Supporting HR correspondence was provided in the Board packet.

DISCUSSION:

Chair Nishimura needed more clarification regarding the HR Coordinator position number which was taken by the county.

Manager Craddick explained the HR Coordinator funding was approved by the Board which had no number. Since the position was vacant, the county said it could be done. Unfortunately this issue did not come before the Board.

With a new budget, Manager Craddick requested a number for this position to be fully funded. No funding is involved with the request. There will be funding implications in next year's budget.

Mr. Dill requested further discussion at the next Board meeting. With the creation of the HR Department, his understanding of the HR function in other departments (i.e. Public Works or DOW) was that the HR position would be moved to the HR Department. If any HR duties remain, it would be absorbed within the Department. After the HR transition occurred, if HR support was needed, Mr. Dill could call on the HR Department. Mr. Dill was curious why the DOW's HR position did not follow with the HR transition.

Manager Craddick commented that the funding was not sent with the position number and the HR Department was not willing to take over the increased duties.

Mr. Shiraishi recalled serving on the Charter Review Commission, there as a new charter amendment that would have set up a new HR Department. HR duties would be transferred to the HR Department but it did not go through. The Mayor reallocated the HR Department and rather than duplication of services, HR was centralized. The DOW possibly is semi-autonomous.

Chair Nishimura requested further clarification on the existing TO for the Computer System Support Technician I position which had no number (as of October 2012). Chair Nishimura wanted to make sure the number designated on the current TO chart is an actual designated number. Chair Nishimura would like to avoid creating new positions.

Manager Craddick indicated the DOW is not creating new positions because the Computer Support position number came from the Assistant Public Information Officer position which is no longer needed.

Manager Craddick explained that the Computer System Support Technician I had no number after the county took the HR Coordinator position number and replaced it with the vacant Computer Support position. The HR Coordinator needed to have a number to get paid. As a result, DOW used the vacant position number at HR's suggestion.

Chair Nishimura commented that the Board has not received an updated TO chart with the changes since October 2012.

Ms. Peay clarified that the existing TO shows no number but the proposed TO indicated position number #2492 for the Computer System Support Technician I position.

Manager Craddick explained that the Board never got or approved the Computer System Support Technician I position number #2492 which moved from Community Relations Assistant.

Chair Nishimura commented that there could have been a position number once the number was updated.

Mr. Dahilig moved to defer action on Manager's Report 13-38 for the Department to clean up the Table of Organization and to invite a Human Resources representative for further clarification at the April 25th Board meeting; seconded by Mr. McCormick; with no objections, motion was carried with 5 ayes.

6. Manager's Report No. 13-39 – Revision of Board Policy No. 9 – concerning Meter Reading and Rendering of Bills

BACKGROUND:
Manager Craddick explained that the Department felt it was appropriate to change the policy since billing is now done monthly regarding Board Policy No. 9. Previous changes to the public were notified three (3) months in advance of a change but it did not indicate how the change would be publicized. If the Board feels the three (3) months should be left in, Sentence #2 can remain the same.

It is recommended that Item No. 1 & No. 2 of the Board of Water Supply Policy No. 9 be changed to the following:

1. Pursuant to Part 2, Section VIII, Article 1 of our rules and Regulations, meters shall be read and bills shall be rendered monthly.

2. Any changes will be notified to the public.

Chair Nishimura explained that Policy No. 9 is obsolete with the new billing policy which is the primary reason for the change. The Board has an option to discuss and change the language in Sentence #2 or leave it at three (3) months with any changes.

DISCUSSION:
Mr. Shiraishi questioned if the Board is authorized to make changes to the DOW Board policies at a Regular Board meeting and to be on the agenda?

Chair Nishimura clarified that a Board Policy is subject to the Sunshine Law but not subject to a public hearing.

Mr. Shiraishi prefers the notification language to be as broad as possible rather than setting a specified date of three (3) months and to hold the Board to a strict timeframe.

Mr. Dahilig's concern was that the proposed language as stated does not guarantee how the standard is for publication in the language *"Any changes will be notified to the public."* Mr. Dahilig suggested to strike the "three (3) months" requirement so that the Board's standard is adequately publicized and that adequate notice be given. *"Any changes will be notified to the public"* could be a posted notice at the front door of the Administrative Office.
Mr. Dill suggested the importance to add "*In advance of such change*" and to strike the *"three (3) months" prior.*

Chair Nishimura understood the two suggestions to leave the existing language to read: *"Any intended changes to the above billing period shall be adequately publicized in advance of such change."*

Manager Craddick referred to the word "publicized" which may suggest publicizing in the newspaper which is not an adequate way to notify the public. In the past, the Department has notified the public of any changes in their bill.

Mr. Dahilig indicated that the proposed language in Sentence #2 provides too much discretion and does not meet the standard.

Mr. Shiraishi questioned what is adequate?

Chair Nishimura commented that the intent is to make a real attempt of any billing changes and to follow the policy. This was left to the discretion of the Department under the oversight of the Board.

Civil Engineer V Mr. Keith Aoki suggested instead of using "publicize" to use the language "disclose."

Mr. Dill had no strong sense of the language suggested by Mr. Aoki.

Mr. Shiraishi moved to approve *Manager's Report No. 13-39* – Revision of Board Policy No. 9 concerning Meter Reading and Rendering of Bills to adopt the language change in Sentence #2 to read *"The public shall be notified of any change in advance of such change by letter in the customer's bill or by publication;"* seconded by Mr. Dill; with no objections, motion was carried with 5 Ayes.

7. Manager's Report No. 13-40 - Draft FY2014 Budget

BACKGROUND:
Manager Craddick recommended the Board review the changes in the budget. Approval of the budget is requested by June 30, 2013.

The Department proposed deferring the rate increase. If the Board agrees with the deferral, the Department needs to know before May 1st so that the rate increase can be tested and put in the billing system.

The FY 11–FY 15 rate increases were approved subject to having capital replacement and refurbishment projects going to bid in a timely fashion and yearly Board approval to implement the next year's proposed increase. At this time, the FY 11 and FY 12 increases have been implemented. Each increment of increase revenues is about 11.2% and DOW has seen approximately 16% increase in revenue, because the FY 11 was for half a year. The rate increase is meeting expectations. The revenue is currently projected to be higher than budgeted in the current FY 13 budget by $2M which is without the rate increase until January 2014. There are both higher than anticipated revenues and less than projected cash financed replacement and refurbishment projects that are in progress.

Although most of the replacement and refurbishment projects have gone to bid, they have partially relied more on SRF debt as opposed to cash financing as planned. With the SRF loans DOW has obtained $1.75M in principle forgiveness. This is not a grant in total; it means the loan has interest with a "loan origination charge" and no principle payments.

In addition to project completion, another consideration when the Board approved the FY 11-15 increase was to allow for any shortfall in the Water System Development Fee (WSDF) fund that may have to be covered this next year. It was assumed at that time that 30% of the Build America Bonds (BAB) would go toward system expansion. We have not yet encumbered this amount as we are awaiting action on the WSDF and our design consultants. The BAB will in any case require full principle and interest payments beginning August 2013. While rate payers are not expected to pay the expansion debt, the water revenue fund into which system operation funds are deposited has sufficient reserves to allow inter fund borrowing until the WSDF fees are sufficient to reimburse the water revenue fund even with deferring the rates for half a year.

It is recommended that the Board considers deferring the rate increase as the staff cautiously makes the following recommendation. **This budget is submitted with the recommendation that the already approved rate increase portion for FY 14 which is scheduled to be implemented on July 1st 2013, (of the FY 11 through FY 15 rate increase) will be deferred until January 1st 2014. A recommendation on deferral until the end of the fiscal year is subject to Board action on the WSDF schedule and rules adoption.**

If the decision to implement or change the SAIC proposal on the WSDF is not made prior to January 1st by the Board, it could negatively affect fees coming in. The WSDF fund may not have sufficient funds to make the debt service payments for FY 15. This will necessitate the internal transfer of funds from the revenue fund to the WSDF fund to pay any debt service shortfall. The internal funds transfer may be required in any case even if the WSDF is dealt with in a timely manner due to people rushing in now to obtain service below DOW cost. More detail is given in the rest of the report in the Board packet.

Manager Craddick noted a correction in the revenue of $29.5M should be $37.9M which is in the budget. The graph in the Manager's Report 13-40 is correct in the breakdown of the $37.9M. The salaries are slightly higher as a contingency. There is no word from the county regarding salary increase. In the past, the county employees took a 5% pay cut to avoid a furlough which would allow the increase to come back through a "snapback clause" which is in the Bargaining Unit. There are other provisions with the union that the other employees will receive an increase which is funded at 3%.

Normal expenditures are up by $1M. Employee benefits are higher by $0.34M, partly due to increased funding amortization of Unfunded Actuarial Accrued Liability (UAAL) for active employees and retirees. County Service charge which is non-cash expenditure is higher by $0.16M, utilities budget were increased by $0.63M in anticipation of higher electricity costs that continue to rise and increased bandwidth to accommodate additional users of the new CC&B. Operations' normal expenditures increased by $0.35M and are due in part to higher pumping costs and purchased water cost.

Manager Craddick mentioned a recent letter from Grove Farm requested an increase on the purchase water cost. The DOW has been budgeting as though the treatment plant was running at 3 million gallons. The budget may be used up by pumping 2 million gallons if the rate goes up.

The Department has not figured out on a rate increase. The extra 1 million gallons that was never used will adequately cover the rate increase.

Debt Service requirement is higher by $2M. This is the first year DOW is paying towards the principal of our $60M BAB.

Vehicles and Equipment is budgeted at $1.2M, $0.6M higher from previous year. This line item in the budget includes phase 1 IT Plan Implementation of $0.63M as recommended by the Consultants in the IT Review & Study. In addition, new vehicles were budgeted @ $0.36M.

The Emergency Reserve is in its 3rd year of funding. Based on Operating Expenses net of depreciation from last year's (FY 2012) audit, the 25% funding target is fulfilled with the additional $1.2M budget in the FY 2014 budget. This will bring our total Emergency Reserve Fund to $3.6M.

Debt Service Reserve is set up in the amount of $2.1M, 25% of the total Debt Service budget for FY 2014.

Manager Craddick added that the Board did not decide when they passed the Debt Service Reserve on how many years this would be funded. Twenty-five percent is the full year's Debt Service for the 2014 budget. The reserve is only for 50% of the Debt Service payment for the year which can be looked at.

In Capital Improvement projects BAB, there is $20.8M remaining in the account which includes accrued interest of $2.1M as of 2012 and interest in 2013-2014 of $.4M. All of these funds will be encumbered by the end of this fiscal year.

Replacement and Refurbishment projects totals over $6M.

Capital Project Reserves - FRC available funds are estimated at $1.5M after a proportionate share of debt service of $2.5M and WSDF receipts estimated at $1.5M. This estimate is based on a higher WSDF charge. These numbers will have to be revised if the Department does not move forward.

The WSDFs goes to a restricted fund used only for system source, storage and transmission improvements. The WSDF reserve will be needed for FY 2014 debt service payments which will total about $2.5M. Expansion projects are very much underfunded at this time and time is running out to generate additional funds. The Board is reviewing the WSDF charges and is expect this to be completed in early FY 2014. The WUF reserve is subject to changes as the budget process moves forward.

Manager Craddick referred to a 20 year graph showing the net income from operations. In next year, the Department will go back to a positive net income. 1999 was the last time the Department was positive and came out of a steep hole from 2006. Currently the Debt Service exceeds the deprecation. If the net income does not go over into the positive, the Department will not have enough money to pay the debt service as it currently exceeds depreciation. If the Department is going to cash finance projects, the Department has to remain in positive territory until the debt is paid down. From the steepness on the graph, the Department does not have to stay at this same rate of increase. This will level off in about two (2) years.

Manager Craddick indicated the FRC graph will be presented at the Finance Committee meeting. Income was plotted on the FRC graph and the money going out. The balance on the account will go across the zero line and will be negative in FY 2015.

Mr. Dill referred to Background section on Page 1 of the Manager's Report and questioned why the revenue is currently projected to be higher than budgeted in the current FY 13 budget by $2.0M.

Manager Craddick commented that there was a small increase in consumption. At the beginning of the year, some funding was in an automatic payment account and not part of the budget.

Ms. Yano added while approving the final budget last year, the Department decreased the estimated revenues due to the consumption of gallons being flat by 700,000 gallons. There is an increase in 300 million gallons in water consumption as of year-to-date. The trend for consumption is going up along with the water sales revenues.

Manager Craddick explained that the DOW delivers over 12 million gallons a day and has been as high as 14 million gallons a day. There has been a big drop in consumption during this time when the rate increases were in place.

Mr. Dill is interested in the tracking of water consumption for the rest of the year. If the DOW decides to defer the increase to July 1st, with the fact that the revenues are $2M higher as anticipated. If the trend continues, the DOW can defer the increase again. Mr. Dill would like to have the Board updated on the trend.

Manager Craddick indicated Ms. Yano would have the revenue numbers available.

Chair Nishimura inquired if FY 2012-2013 Water Sales on the worksheet was the projection through the end of the year based on rate consumption.

Ms. Yano verified the budget projection of $23M is conservative but estimated that the amount will go over $23M. Fiscal does not want to estimate $2M in the budget. If the projected revenue is not realized, then the budget will become negative.

Chair Nishimura question that the revenues will be $2M higher, but the revenues are not shown on the worksheet. Chair Nishimura requested Ms. Yano to review the worksheet for clarification on the $2M number. The balance at the end of the year is the most important because it affects rates.

Chair Nishimura inquired if the IT plan was incorporated in the budget.

Manager Craddick indicated the first year of the three years was incorporated in the IT Plan.

Chair Nishimura questioned if there was anything in the IT plan that is capitalized as opposed to expense.

Ms. Yano indicated to refer to the IT plan under the capitalized items.

Mr. Dill inquired on the status of the Supervisory Control and Data Acquisition (SCADA) position that was previously mentioned in a prior meeting Manager Craddick to provide and update on Mr. Dill's inquiry in the next meeting.

Chair Nishimura commented on the Fixed Cost which is the biggest expense on Page 198 (*iPad*).

Mr. Dahilig moved to refer *Manager's Report No. 13-40* - Draft FY2014 Budget to the Finance Committee for review and recommendation; seconded by Mr. Shiraishi; with no objections, motion was carried with 5 ayes.

Chair Nishimura added relative to the decision whether to defer the rate increase or not, he suggested the Finance Committee make a recommendation with the FRC being passed or not passed in July or in January.

Manager Craddick commented passing the WSDF increase would not be until the first half of the fiscal year. The DOW will survive for half a year no matter what happens. If the development fee does go in the rate increase should be deferred the second half of the year and to move the rate increase back one complete year.

Mr. Dill understood that the draft budget submitted incorporates an increase in the WSDF effective January 1st.

Manager Craddick clarified that the rate increase should be effective prior to January 1st. $1.5M is expected to come in and the fee has been adjusted downward.

At 11:43 a.m., Mr. Dahilig existed the meeting.

At 11:49 a.m., Mr. Dahilig reentered the meeting.

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

PRESENTATION:
Ms. Yano reported on the Budget Status Summary as of January 31, 2013 on Page 306 (*iPad*). Part of the estimated increase in water sales was the prior year water sales receipts listed under Net Miscellaneous Receipts on Page 3 in the Board packet. The Comparative Revenue between FY 2012-2013 as of February 2013 was presented on Page 326.

Chair Nishimura noticed that the water sales went up 7.7% the first half of the year and inquired if the sales might reach 14% higher by the end of the year.

Ms. Yano was conservative when preparing the projected revenue on the actual sales receipts during the remaining months of the fiscal year. The increase in revenue may be artificial due to the billing switch from bi-monthly to monthly. Ms. Yano was not sure if the DOW was collecting from the bigger accounts during earlier months. The implementation began mid-January.

Mr. Dill commented on the Comparative report for FY 2012-2013 and noted that there was an 11.2% rate increase implemented at 33% ahead in the revenues. The revenues seemed a lot higher than anticipated.

Ms. Yano explained that part of the increase in revenues was from water usage which was the difference.

Manager Craddick commented that if the water usage dropped and revenue still comes up, it is assumed it is from the 11% rate increase. The DOW would make a fair amount of revenue. The years could be split in half to spread out the rate increase even further.

If a rate increase is deferred, Deputy County Attorney Andrea Suzuki would need to review the minutes from November if a Public Hearing needs to be done.

Mr. Dill commented on the strong trend going up which was depicted on the chart and expressed his interest in looking into deferring the rate increase.

Mr. Shiraishi questioned if the DOW is regulated like a Public Utility Commission (PUC).

Mr. Dill explained the DOW is the regulator.

Manager Craddick indicated that the function of the PUC is to regulate profit making companies. The DOW is non-profit.

The difference between the net income and the total income is the system depreciation. As long as the system depreciation is higher than the Debt Service payments, the revenue fund should be all right. The dollar has been depreciating from past years and replacement needs exceed depreciation. There should always be a little more money coming in if projects will be cash financed. The DOW took on a lot of debt and the Debt Service will also exceed the depreciation, even if projects are not done. The Board has covered this contingency with the proposed rates. The development fee would however be paying its share for Debt Service caused by the expansion projects. There would be more money to put into projects versus covering Debt Service of the expansion fund if rates were to remain as currently approved.

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

Re: Report by the Public Relations Specialist on Public Relations Activities

PRESENTATION:
Manager Craddick reported that Public Relations Specialist Ms. Joy Buccat assisted Goodfellow Bros. Inc. in arranging a blessing for work that began in the Wailua Houselots on March 18th.

Board members attended WSDF meetings with the Kaua'i Chamber of Commerce and the Kaua'i Board of Realtors. About 15 WSDF comments were received from The Garden Island newspaper ad and the responses will be provided to the Board members.

Detect-A-Leak week (March 18-24, 2013) began with other Board of Water departments.

A meeting on Atrazine was held on March 22nd at the Waimea Neighborhood Center. Board members were invited to attend. The US Department of Ag (USDA) found Atrazine at six (6) parts per trillion in the water system in Waimea. The Environmental Protection Agency (EPA)

allowable is three (3) parts per billion. It was detected at a level of 3,000 times less. The DOW will inform the community on the DOW's re-sampling of the water system. The detection level is a little less from the USDA report at five (5) parts per trillion. The USDA did not ask the DOW to open any sources. It is unknown where the USDA took the samples and more research needs to be done.

Mr. Dahilig mentioned that at yesterday's County Council meeting Atrazine was discussed and would give insight to the Department from an individual's view on a water sample that was taken from a drinking fountain.

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

Re: Chief of Operation's Summary Report on Monthly Operational Maintenance

PRESENTATION:
Mr. Reyna reported that out of the 176 work orders that were closed from last month, 126 were completed. The completed work orders will be reported every month.

Chair Nishimura thanked Mr. Reyna for the completed work order update.

Mr. McCormick moved to receive Chief of Operation's Summary Report on Monthly Operational Maintenance; seconded by Mr. Shiraishi; with no objections, motion was carried with 5 ayes.

Re: Water Resources and Planning Subdivision Report

PRESENTATION:
Mr. Fujikawa reported on only two (2) water resources responses to Planning.

DISCUSSION:
Chair Nishimura requested a general over view of the report if there are future problems.

Mr. Fujikawa suggested the report could be included in the Manager's Update.

Mr. Dill moved to receive the Water Resources and Planning Subdivision Report; seconded by Mr. Shiraishi; with no objections, motion was carried with 5 ayes.

Re: Manager's Monthly Update Regarding Activities of Note of the Kaua`i County Water Department

PRESENTATION:
Manager Craddick highlighted the following DOW activities in March 2013:

1. There was one (1) Contract Change Order for the Kahili Horizontal Directional Well on a time extension.
2. Personnel Matters – Recruitment and position changes were provided on Page 2.

3. Warrant Vouchers were paid in the amount of $1.2M.
4. Conveyance of Water Facility: $53,2000.00
5. The Vehicle Bill and the Water Impact Bill have all been heard in the first hearing and the cross over hearings for the house and the senate on March 14th and 15th. The last hearings will be in the house Finance and senate Ways & Means Committees. There have been no amendments at this time. A separate bill will change all the procurement officers statewide to deal with issues of another agency.
6. Amfac Shaft – Current updates were added to the time line. The Department of Health requested additional data.
7. CIP - The Eleele line will not go through. The Kīlauea School project will be funded.
8. IT three year Strategic Plan Update –

The Commission Support Clerk requested a Point of Order on the IT attachment distributed to the Board members which was not included in the Manager's Update.

MAR 2 1 2013 RECEIVED FOR THE RECORD

SUMMARY OF IT STRATEGIC PLAN CAPITAL AND O&M BUDGET RECOMMENDATIONS	2013-14 Hardware and Software	2013-14 Services	2013-14 New Payroll	2013-14 TOTAL	2014-15 Hardware and Software	2014-15 Services	2014-15 New Payroll	2014-15 TOTAL	2015-16 Hardware and Software	2015-16 Services	2015-16 New Payroll	2015-16 TOTAL
Capital Budget Recommendations, including Contingency	$ 53,550	$ 595,875	$ -	$ 649,425	$ 210,000	$ 666,750	$ -	$ 876,750	$ -	$ 154,875	$ -	$ 154,875
O&M Budget Recommendations, including Contingency	$ 34,650	$ 630	$ 76,600	$ 110,880	$ 43,050	$ 5,880	$ 77,700	$ 126,630	$ 43,050	$ 630	$ 78,750	$ 122,430
TOTAL	$ 88,200	$ 596,505	$ 76,600	$ 760,305	$ 253,050	$ 672,630	$ 77,700	$ 1,003,380	$ 43,050	$ 155,505	$ 78,750	$ 277,305

TOTAL COMBINED IT STRATEGIC PLAN CAPITAL AND O&M BUDGET RECOMMENDATIONS	2013-14 Hardware and Software	2013-14 Services	2013-14 New Payroll	2013-14 TOTAL	2014-15 Hardware and Software	2014-15 Services	2014-15 New Payroll	2014-15 TOTAL	2015-16 Hardware and Software	2015-16 Services	2015-16 New Payroll	2015-16 TOTAL
1. Redevelop chart of accounts and re-implement FIS	$ 15,000	$ 235,000	$ -	$ 250,000	$ 3,000	$ 35,000	$ -	$ 38,000	$ 3,000	$ -	$ -	$ 3,000
2. Relax internet access restrictions	$ 10,000	$ -	$ -	$ 10,000	$ 2,000	$ -	$ -	$ 2,000	$ 2,000	$ -	$ -	$ 2,000
3. SharePoint for document and project management	$ -	$ 108,100	$ -	$ 108,100	$ -	$ 158,100	$ -	$ 158,100	$ -	$ 600	$ -	$ 600
4. Develop web-based GIS viewer and map layers	$ -	$ 90,000	$ -	$ 90,000	$ -	$ 190,000	$ -	$ 190,000	$ -	$ -	$ -	$ -
5. Develop capabilities for asset based work orders	$ -	$ -	$ -	$ -	$ 200,000	$ 117,500	$ -	$ 317,500	$ -	$ 147,500	$ -	$ 147,500
6. Automate SOP's for routine work	$ -	$ -	$ -	$ -	$ -	$ 5,000	$ -	$ 5,000	$ -	$ -	$ -	$ -
7. Use computer-aided map and drawing maintenance tools	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
8. Upgrade Wonderware and Servers	$ 40,000	$ 135,000	$ -	$ 175,000	$ 8,000	$ 135,000	$ -	$ 143,000	$ 8,000	$ -	$ -	$ 8,000
9. Develop KPI reports from CMMS and FIS	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10. Upgrade IT Infrastructure & Expand IT Support	$ 19,000	$ -	$ 72,000	$ 91,000	$ 28,000	$ -	$ 74,000	$ 102,000	$ 28,000	$ -	$ 75,000	$ 103,000
Budget Contingency (5%)	$ 4,200	$ 28,405	$ 3,600	$ 36,205	$ 12,050	$ 32,030	$ 3,700	$ 47,780	$ 2,050	$ 7,405	$ 3,750	$ 13,205
TOTAL BUDGET	$ 88,200	$ 596,505	$ 76,600	$ 760,305	$ 253,050	$ 672,630	$ 77,700	$ 1,003,380	$ 43,050	$ 155,505	$ 78,750	$ 277,305

TOTAL IT STRATEGIC PLAN CAPITAL BUDGET RECOMMENDATIONS	2013-14 Hardware and Software	2013-14 Services	2013-14 New Payroll	2013-14 TOTAL	2014-15 Hardware and Software	2014-15 Services	2014-15 New Payroll	2014-15 TOTAL	2015-16 Hardware and Software	2015-16 Services	2015-16 New Payroll	2015-16 TOTAL
1. Redevelop chart of accounts and re-implement FIS		$ 235,000	$ -	$ 235,000		$ 35,000	$ -	$ 35,000		$ -	$ -	$ -
2. Relax internet access restrictions	$ 10,000	$ -	$ -	$ 10,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
3. SharePoint for document and project management	$ -	$ 107,500	$ -	$ 107,500	$ -	$ 157,500	$ -	$ 157,500	$ -	$ -	$ -	$ -
4. Develop web-based GIS viewer and map layers	$ -	$ 90,000	$ -	$ 90,000	$ -	$ 190,000	$ -	$ 190,000	$ -	$ -	$ -	$ -
5. Develop capabilities for asset based work orders	$ -	$ -	$ -	$ -	$ 200,000	$ 117,500	$ -	$ 317,500	$ -	$ 147,500	$ -	$ 147,500
6. Automate SOP's for routine work	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
7. Use computer-aided map and drawing maintenance tools	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
8. Upgrade Wonderware and Servers	$ 40,000	$ 135,000	$ -	$ 175,000		$ 135,000	$ -	$ 135,000		$ -	$ -	$ -
9. Develop KPI reports from CMMS and FIS	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10. Upgrade IT Infrastructure & Expand IT Support	$ 1,000	$ -	$ -	$ 1,000		$ -	$ -	$ -		$ -	$ -	$ -
Budget Contingency (5%)	$ 2,550	$ 28,375	$ -	$ 30,925	$ 10,000	$ 31,750	$ -	$ 41,750	$ -	$ 7,375	$ -	$ 7,375
TOTAL BUDGET	$ 53,550	$ 595,875	$ -	$ 649,425	$ 210,000	$ 666,750	$ -	$ 876,750	$ -	$ 154,875	$ -	$ 154,875

TOTAL IT STRATEGIC PLAN O&M BUDGET RECOMMENDATIONS	2013-14 Hardware and Software	2013-14 Services	2013-14 New Payroll	2013-14 TOTAL	2014-15 Hardware and Software	2014-15 Services	2014-15 New Payroll	2014-15 TOTAL	2015-16 Hardware and Software	2015-16 Services	2015-16 New Payroll	2015-16 TOTAL
1. Redevelop chart of accounts and re-implement FIS	$ 15,000		$ -	$ 15,000	$ 3,000		$ -	$ 3,000	$ 3,000	$ -	$ -	$ 3,000
2. Relax internet access restrictions			$ -	$ -	$ 2,000	$ -	$ -	$ 2,000	$ 2,000	$ -	$ -	$ 2,000
3. SharePoint for document and project management	$ -	$ 600	$ -	$ 600	$ -	$ 600	$ -	$ 600	$ -	$ 600	$ -	$ 600
4. Develop web-based GIS viewer and map layers	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
5. Develop capabilities for asset based work orders	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6. Automate SOP's for routine work	$ -	$ -	$ -	$ -	$ -	$ 5,000	$ -	$ 5,000	$ -	$ -	$ -	$ -
7. Use computer-aided map and drawing maintenance tools	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
8. Upgrade Wonderware and Servers			$ -	$ -	$ 8,000		$ -	$ 8,000	$ 8,000	$ -	$ -	$ 8,000
9. Develop KPI reports from CMMS and FIS	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10. Upgrade IT Infrastructure & Expand IT Support	$ 18,000	$ -	$ 72,000	$ 90,000	$ 28,000	$ -	$ 74,000	$ 102,000	$ 28,000	$ -	$ 75,000	$ 103,000
Budget Contingency (5%)	$ 1,650	$ 30	$ 3,600	$ 5,280	$ 2,050	$ 280	$ 3,700	$ 6,030	$ 2,050	$ 30	$ 3,750	$ 5,830
TOTAL BUDGET	$ 34,650	$ 630	$ 76,600	$ 110,880	$ 43,050	$ 5,880	$ 77,700	$ 126,630	$ 43,050	$ 630	$ 78,750	$ 122,430

Mr. Dill moved to Receive for the Record the IT attachment to Manager's Update dated March 21, 2013; seconded by Mr. Shiraishi; with no objections, motion was carried with 5 ayes.

Manager Craddick commented that this year's portion is included in the IT budget with a contingency.

9. An email response from the bond counsel Mr. Brian T. Hirai dated March 7, 2013 stated the BAB funds can be used for the second phase of the Līhu'e Mill Bridge project. Mr. Hirai will prepare a formal opinion letter to confirm the same.

Mr. Dahilig moved to receive Manager's Monthly Update Regarding Activities of Note of the Kaua`i County Water Department; seconded by Mr. McCormick; with no objections, motion was carried with 5 ayes.

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

PRESENTATION:
Manager Craddick reported the BAB spend down would not end in March 2014. The funds should be encumbered by December 2013. The BAB bonds were issued in March 2010. According to the legislation, the DOW has three (3) years to encumber the funds. The program will continue until December 2013. There has been discussion in Congress to reduce the subsidy of encumbering all of the funds.

Chair Nishimura clarified that the balance is $20M.

Ms. Yano added that the $20M includes interest.

Manager Craddick commented that the risk is the subsidy at 35% of the interest.

Ms. Yano noted that the subsidy is $1M yearly. The DOW encumbered 2/3 at $600,000 for a worst case scenario.

Chair Nishimura questioned would the subsidy be lost at the end of the three (3) years?

Manager Craddick does not think the whole subsidy would not be lost. The $20 million portion of the subsidy should get done by the end of the program start which was December 2010. A percentage of the subsidy may be lost if the program is not done by the December 2013 deadline.

Mr. Shiraishi inquired if legislation has been enacted to extend the subsidy to the end of the year.

Manager Craddick explained that no legislation has been done only discussion on how to make up the money. If individuals took out the BAB's and during the three year spend down period if the BAB is not used, what would Congress do? Congress would have to legislate if they take the money away. Legislation currently states if a company intended to get the projects out, they should be okay. This legislation intention was in previous Board minutes.

Chair Nishimura recommended in the next Manager's Update to include a statement from bond counsel indicating what are the limits and the DOW's exposure to the programs by principal, interest or subsidy.

Mr. Dill relies on the Fiscal Division and bond counsel to guide the Board on any ramifications. Mr. Dill's understanding of the goal of issuing the bonds is to spend the money on projects and to not put the money in the bank to earn interest. If the DOW does not expend the funds within the three year period, then the DOW is subject to overcharge penalties. The overcharge penalties come into play if the rate of investment exceeds the rate of interest. Mr. Dill agrees to confirm with bond counsel if the DOW would be subject to reduction in interest subsidy from not meeting spend down requirements.

Manager Craddick added that the auditor looked at this closely last year but felt there was no risk at that time.

Chair Nishimura requested information if there could be potential exposure that may affect the budget next year.

Manager Craddick explained that there are $60M projects identified to spend $20M. Not all of the projects are complete in design. The Board's previous priorities for jobs have fallen by the way side because a lot of priorities were for affordable projects that are no longer being pursued with as much drive by the county.

Chair Nishimura clarified that the Board acts on the Department's recommendations.

Mr. Shiraishi moved to receive the Report of the BAB Bond pay down as of March 2013; seconded by Mr. Dill; with no objections; motion was carried with 5 ayes.

TOPICS FOR NEXT WATER BOARD MEETING *(April 2013)*

1. Public Hearing for Benefit Zones
2. Deferral of the Rate Increase

TOPICS FOR FUTURE WATER BOARD MEETINGS

1. Board Adoption of FY2013-2014 Goals of the Manager *(May 2013)*

UPCOMING EVENTS

1. 39th Annual AWWA Hawai'i Section Conference Honolulu, HI *(May 7-10 2013)*
2. AWWA Annual Conference, Denver, CO *(June 9-13, 2013)*
3. HWWA Hawai'i Section Maui, HI *(October 23-25, 2013)*

NEXT WATER BOARD MEETING

1. Thursday, April 25, 2013, 10:00 a.m.
2. Thursday, May 21, 2013, 10:00 a.m.
3. Thursday, June 20, 2013, 10:00 a.m.
4. Thursday, July 25, 2013, 10:00 a.m.

ADJOURNMENT

There being no further business, Chair Nishimura adjourned the Regular Board meeting at 12:20 p.m.; with no objections, motion was carried.

Respectfully Submitted,

Edie Ignacio Neumiller
Commission Support Clerk

Approved,

Sherman Shiraishi
Secretary – Board of Water Supply