THURSDAY, November 18, 2010

10:10 a.m.
Or thereabouts

A. CALL TO ORDER

B. ROLL CALL

C. ACCEPTANCE OF AGENDA

D. MEETING MINUTES: Regular Meeting – October 21, 2010

E. CORRESPONDENCE / ANNOUNCEMENTS
   a. Correspondence from the County Auditor requesting DOW perform their external Audit in conjunction with the County-wide Audit
   b. Grove Farm’s request for Kawaikini School allocation
   c. For the Board’s Information: Board Meeting Dates for Next Year, 2011

F. BOARD COMMITTEE REPORTS

1. Report of the Finance Committee of the Kaua‘i County Board of Water Supply
   a. Claims Payable

2. Report of the Rules Committee of the Kaua‘i County Board of Water Supply
      i. Attached Proposed Draft Bill No. 2380

3. Report of the Committee of the Whole of the Kaua‘i County Board of Water Supply
   a. Manager’s Report No. 11-16 – Request Board approval for Grant Funding from the Department of Health Safe Drinking Water Branch to Develop and Initiate Implementation of a Wellhead Protection Program for the County of Kaua‘i
F. **BOARD COMMITTEE REPORTS – contd.**

   b. *Manager’s Report No. 11-17* – Request Board Approval of the Proposed Revised Organizational Chart to organize for future operations.

4. Report of the Standing Committee  
   a. Standing Committee Report on *Manager’s Report No. 11-28* – Request Board Approval of Facilities Reserve Charge Changes

G. **OLD BUSINESS**

1. *Manager’s Report No. 11-20* – Budget Amendments  
   a. Transfer of $3.8 million in Revenue Funded Payments to BAB

2. Request Board Approval of revisions to Board Policy No. 15 A

H. **NEW BUSINESS**

1. *Manager’s Report No. 11 – 34* - Discussion on whether the Board wants the Manager and Chief Engineer to be on the Board of the Hawaii Rural Water Association.

2. *Manager’s Report No. 11-37* – Memorandum of Agreement with the Department of Finance, County of Kaua‘i, Regarding the Hiring of a Bond Consultant to Provide Post Bond Issuance Compliance Services

3. *Manager’s Report No. 11-38* – Request Board Approval of the following documents from the following applicants for their respective projects:
   a. Conveyance of Water Facility from McBryde Sugar Company, Limited, a Hawaii Corporation and Kukuiula Development Company Hawaii, LLC, a Hawaii limited liability company; for the Manuhonuhonu Tanks, TMK’s: (4) 2-6-03: 001(por), 034(por) and TMK: (4) 2-6-17: 042(por), Koloa, Kauai, Hawaii
   
   b. Grant of Easement U-1 from Kukuiula Development Company Hawaii, LLC, a Hawaii limited liability company; for the Manuhonuhonu Tanks, TMK: (4) 2-6-17: 042(por), Koloa, Kauai, Hawaii

   c. Grant of Easement U-2 from McBryde Sugar Company, LTD., a Hawaii Corporation, for the Manuhonuhonu Tanks; TMK: (4) 2-6-03: 001(por) and TMK: (4) 2-6-03:034(por), Koloa, Kauai, Hawaii.
H. **NEW BUSINESS – contd.**

d. Conveyance of Water Facility from McBryde Sugar Company, Limited, a Hawaii Corporation; and Kukuiula Development Company Hawaii, LLC, a Hawaii limited liability company for the Piwai Well No. 2 and No. 3 and 0.10 MG Tank, TMK’s: (4) 2-5-01: 002(por) and 008(por), Koloa, Kauai, Hawaii


5. Request Board Approval of Resolution No. 5 (10/11) Mahalo and Aloha Keith Fujimoto

6. Request Board Approval of Draft Annual Audit – KMH, LLP

7. *Manager’s Report No. 11-40* - Dedication Deed for Water Tank Sites from McBryde Sugar Company, Limited, a Hawaii Corporation, TMK: (4) 2-6-03:001(por) & TMK: (4) 2-6-03:034(por), Koloa District, Kauai, Hawaii


I. **STAFF REPORTS**

**MONTHLY – For the Months of October and November:**

1. Statement of Kaua‘i County Water Department’s Revenues and Expenditures
2. Report by the Public Relations Specialist on Public Relations Activities
3. Deputy Manager’s Summary Report on Monthly Operational Maintenance
4. Manager’s Monthly Update Regarding Activities of Note of the Kaua‘i County Water Department

**QUARTERLY:**

1. For the Board’s Information on the Kaua‘i County Water Department Briefing on Departmental Projects
2. Strategic Plan Update: Issue Champions & Affordable Housing Reports
J. **EXECUTIVE SESSION**  
*Pursuant to H.R.S. §92-7(a), the Commission 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. Review of Executive Session Minutes: September 16, 2010

2. Pursuant to Hawai‘i Revised Statutes Sections 92-4 and 92-5(a)(4), the purpose of this executive session is to discuss the Board’s duties and liabilities at Department of Water facilities under the Endangered Species Act, 16 United States Code § 1531, et seq., and the Migratory Bird Treaty Act, 16 United States Code § 703, et seq. This briefing and consultation involves the consideration of the powers, duties, privileges, immunities and/or liabilities of the Board and the Department as they relate to this agenda item.

K. **TOPICS FOR NEXT WATER BOARD MEETING**

1. Election of Officers for 2011
2. Board appointment of PA, Finance and Rules Committee
3. Board Discussion on the Next Year’s Goals for the Manager

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

1. Quarterly Report on Manager’s Previous Goals and Next Year’s Goals
2. Projects Briefing
3. Strategic Plan Update: Issue Champions and Affordable Housing Updates

M. **UPCOMING EVENTS**

1. Annual Employee Breakfast - December 2, 2010

N. **NEXT WATER BOARD MEETING**

1. Thursday, November 18, 2010, 10:00 a.m.
2. Thursday, December 16, 2010, 10:00 a.m.
3. Thursday, January 20, 2011, 10:00 a.m.
4. Thursday, February 17, 2011, 10:00 a.m.
5. Thursday, March 17, 2011, 10:00 a.m.
6. Thursday, April 21, 2011, 10:00 a.m.
7. Thursday, May 19, 2011, 10:00 a.m.

O. **ADJOURNMENT**
Draft Minutes
Committee Meetings

October 21, 2010

Board Present:  Randall Nishimura, Ian Costa, Dee Crowell, Donald Fujimoto, Leland Kahawai.
Absent and excused: Raymond McCormick, Roy Oyama

Staff Present:  David Craddock, William Eddy, Gregg Fujikawa, Keith Fujimoto, Dustin Moises, Mariles Yano, Aaron Zambo, DOW Deputy County Attorney Andrea Suzuki and Board’s Deputy County Attorney Amy Esaki.

FINANCE COMMITTEE MEETING:
Finance Committee Vice Chair Leland Kahawai called the meeting to order at about 10:09 a.m. Chair Nishimura recused himself from voting on this item.

Re:  Claims Payable (as of September 30, 2010)

WATER UTILITY FUND: $968,476.19
BOND FUND: $0.00
FRC FUND: $51,628.25
BOND BAB: $969,740.33
TOTAL: $1,989,844.77

Mr. Costa moved that the claims be approved for payment, seconded by Mr. Crowell; by a unanimous vote; motion was carried.

The Finance Committee was duly adjourned at about 10:10 a.m. and went into recess.

The Committee meetings were reconvened at about 10:12 a.m.

RULES COMMITTEE MEETING:
Rules Committee Chair Ian Costa called the meeting to order at about 10:12 a.m.

Re:  Manager’s Report No. 11-23 – Request Approval of Payment of Claims and Disbursement of Funds Policy 15 A

RECOMMENDATION:
Board action was requested to rescind Board Policy No.15 – Payment of Claims and Disbursement of Funds and approve Board Policy No.15 A – Payment of Claim and Disbursement of Funds.

FUNDING:  N/A
BACKGROUND:
The policy change requested would give the Manager and Chief Engineer the authority to sign on behalf of the Board all claim warrant vouchers provided procedures are in accordance with Board Policy No. 15 A.

The current Board Policy regarding disbursal of monies for claims upon the Board of Water Supply with checks issued by the County Finance Director is routinely approved by the Board after Board Finance Committee recommendation to the Board and a Board vote authorizing the Chair to sign the claims. This process is redundant and ministerial at the point the Board is asked to approve the claims. In other words there is no ability to stop legitimate invoices at this point and there is not sufficient time spent to find fraudulent claims. The process is redundant as the Manager has already signed the invoices and relevant staff has approved the invoices. A synopsis of relevant HRS section and current policies were enclosed.

Haw. Rev. Stat ("H.R.S.") 54-25 Disbursement of Fund, the County Treasurer shall disburse all moneys of the board only upon warrants issued by the county auditor or other county authorized signatory on vouchers signed by the chairperson or the acting chairperson of the board, except as provided herein. The Board may delegate through rules and policies adopted pursuant to Chapter 91, its powers and duties regarding the disbursement of funds to the manager and chief engineer.

The Board has changed its rules to allow this delegation to occur subject to following approved policies. Current relevant policies are listed below.

Board Policy No. 3 – allows expenditures for Operation and Maintenance and capital waterworks materials (inventory) purposes when the budgeted amount is not exceeded. Purchases for non-waterworks material less than $5k are also allowed. (This Policy is added for completeness and is not relevant to the request being made and nothing will be changed with this policy.)

Board Policy No. 15 - Payment of Claims, claims against the Department shall be paid monthly upon signature of the Chairman following a review of the claims by the Finance Committee; the claims shall be first signed by the Manager. (This is the Policy which is relevant to this request.)

Board Policy 22 – Budget and Contract Award process. (This Policy is added for completeness and is not relevant to the request being made and nothing will be changed with this policy.)

Procedural processes that are suggested to be affected by Policy No. 15A, if approved by the Board, were enclosed.

Approval of this request will allow the Finance Committee and Board to focus on financial issues that that are not ministerial in duty. The Board could require a personal Bond for the Manager which would be paid by the Board which could protect the Board from fraudulent acts.

DISCUSSION
Mr. Nishimura asked what the Board's considers to be a budgeted item. His primary concern, because millions of dollars are involved, is that items are not moved from one category to another without prior Board knowledge; this was Mr. Nishimura’s only reluctance with this policy.
Committee Meetings
October 21, 2010

However, Manager Craddick stated that this concern is already addressed in Board Policy No. 22, Item 2.d.

Discussion ensued on portions of related Board Policy No. 22 – Budget and Contract Award Process and Board Policy No. 3 – Expenditure of Water Utility Funds.

Mr. D. Fujimoto noted that when we approve the budget, it is for a specific amount for each project, therefore moving funds would need approval. Manager Craddick noted that we are following the policies as written. Mr. Crowell noted that even though the BAB has a prioritized list, projects may jump around. Mr. D. Fujimoto also noted that the only issue that might come up is if we start a project, we are going to make sure that we have the funding to complete it. Manager Craddick reported that once the bond runs out we can’t use that as a certification source for any funds more than we have in the bond fund. Mr. D. Fujimoto stated that, at that point, the difference would come from the revenue side, either a separate bond SRF or other financing from within the department. Manager Craddick stated we cannot start a project that we cannot certify funds for all the way through, though it could have two sources of funding.

Mr. Nishimura suggested that some of the language of the proposed Policy No. 15 A be amended, i.e., that item 1.f should have the words “not approved” deleted, to read: “There shall be no redirection of funds not-approved in the budget”. Also, Item 1.b, “The payment of claims are for those operating expenditures resulting from emergencies in which public health or safety is involved and a report is made at the earliest time to the Board” be deleted as this would fall under emergency claims.

Upon query from Mr. Kahawai, Mr. Nishimura confirmed that any requests for redirection of funds would have to come to the Board, as the Board is responsible for the budget.

Mr. Nishimura confirmed that the requirements of Board Policy No. 22 – Budget and Contract Award Process, and Board Policy No. 3 - Expenditure of Water Utility Funds would remain in place; Board Policy No. 15 A would replace Board Policy No. 15.

Mr. Nishimura moved that Board Policy No. 15 A be approved with the following modifications: Eliminate item 1.b - “The payment of claims are for those operating expenditures resulting from emergencies in which public health or safety is involved and a report is made at the earliest time to the Board”, and Revise item 1.f to read “There shall be no redirection of funds not-approved in the budget”, the remainder of the requirements to be left in place, and the policy shall be renumbered accordingly with the revisions and sent to the full Board for approval, seconded by Mr. Crowell; with no further discussion; by a unanimous vote; motion was carried.

Re: Manager’s Report No. 11-24 – Committee Discussion and Possible Action on Part III Rule Amendments – Establishing Standards for Subdivision Water Systems
i. Attached Proposed Draft Bill No. 2380
RECOMMENDATION
It was recommended that the Board amend the Part III Standards for Subdivision Water Systems noted in the attached rule change.

BACKGROUND
The rule currently allows the Manager to make changes and various Managers have exempted various subdivisions. The Manager would prefer to have regulation established by rule rather than by the current thought or even changing thoughts of the Manager.

The goal of these changes is twofold:

1. To allow subdivisions for governmental purposes to move forward provided water is not needed for the lot. There is always the portion of land that will stay in the hands of the current owner or some other owner. This non-government piece will have whatever rights it had prior to the subdivision. The action may result in a higher cost per sq foot to meet DOW water requirements. In the end it is a decision of the land owner to require or not the government to put in infrastructure improvements before a particular piece of land is subdivided for either purchase or through donation to the government.

2. Allow subdividers with existing land locked lots or boundary changes that do not affect water demand to relocate them to more convenient locations. In this case we limit the changes to lots that are buildable. In other words if they are in a gulch or in a stream or other such non-buildable site we would not allow the change.

Manager Craddick believes this has been referred to the Planning Commission. 
Mr. Crowell moved to defer this item to the next Board Meeting, seconded by Mr. Nishimura.

Mr. Nishimura moved to receive the proposed Draft Bill 2380 for the record, seconded by Mr. Crowell; by a unanimous vote; motion was carried.

There being no further business, the Rules Committee was adjourned at about 10:30 a.m.

COMMITTEE OF THE WHOLE MEETING:
Chair Nishimura called the meeting to order at about 10:30 a.m., and confirmed that with five Board Members present, quorum was achieved.

Re: Manager’s Report No. 11-16 – Request Board approval for Grant Funding from the Department of Health Safe Drinking Water Branch to Develop and Initiate Implementation of a Wellhead Protection Program for the County of Kaua‘i

Manager Craddick noted that we will end up sending this to the Council for approval, and they may or may not approve it. Manager Craddick stated that we need a plan to protect the water sources we have. Manager Craddick thought we should study what needs protection and as an Agency we should look to the future.
Mr. Crowell asked if the funding would pay for the study and Manager Craddick indicated that part is for the study and part is for the ordinance for the Council. Then there is the expectation that we will continue on with the program into the future, and this could involve other staff positions. With this funding we could add a staff position, or hire it out.

Chair Nishimura asked if this was reflected in the organizational chart, but Manager Craddick noted that there was no change to the planning section in the organizational chart.

Upon query from Chair Nishimura if the $200,000 would fund a position for this, Mr. Fujikawa thought the Board needed to look at the end result of this program. Protecting water sources is good but how we go about doing it is in question. Contribution zones are created around the wells and describe an area that may affect people’s use of their land, e.g., a gas station owner may not be allowed to use his land for this purpose because of the potential contaminants. The EPA does not require this at the present time. This will affect a lot of land owners; this is not only a water issue, but also a land issue. Mr. Fujikawa confirmed that this is voluntary program, there is no mandate. Mr. D. Fujimoto noted that this could turn into an ordinance that could dictate land use.

Manager Craddick stated that there is a source protection component to the Water Use and Development Plan. The funding could cover identifying the sources, what the potential inflow area and its contaminants are, and make sure that more of the contamination does not continue on. The ordinance might mean it would affect land uses, but we as an agency probably need to go ahead and identify our sources and get them set aside now, because as the community grows new sources are needed. You never know until you drill the well if you are going to get water or not.

Mr. Crowell noted that there was a federal source water assessment program about seven or eight years ago, and if this is how far they have come during that time period, it could be a minicield. When it affects land use, it is a big issue and we need to tread slowly.

Upon query from Chair Nishimura if we can use these funds to provide information for our water use and development plan, Mr. Fujikawa felt that the grant monies would come with conditions from the Department of Health and in accordance with DOH guidelines. Chair Nishimura felt more information was needed to see if we can use these funds for our plan. Mr. Crowell wondered if anyone else in the country is doing this, and Mr. D. Fujimoto asked if there was a timetable.

Mr. Crowell moved to defer this item to the next Board Meeting with the intention that more information be provided to see if this can fund our plan, seconded by Mr. Kahawai; with no further discussion; by a unanimous vote; motion was carried.

**Re:** Manager’s Report No. 11-17 – Request Board Approval of the Proposed Revised Organizational Chart to organize for future operations.

**RECOMMENDATION:**
Board approval was requested for the Proposed Revised Organizational Chart. For additional discussion, referral to the Committee of the Whole may also be appropriate.
BACKGROUND
In order to better plan for the future, the Department of Water has proposed reorganizational revisions to the Organizational Chart.

The changes include:
3. Changing the EM-7 from 2020 Plan implementer to in charge of both engineering sections. No change in pay level.
5. Private Secretary to oversee Secretary. Secretary to oversee Senior Clerk and Clerk/Typist.

DISCUSSION
Discussion ensued on the differences between the current chart and the proposed chart, starting on Page One – Basic Structure, of the charts, particularly the placement of the MicroLab and which division it falls under as it has moved around on the chart over the years. Mr. Costa noted that the MicroLab does not appear on the proposed chart, and Mr. Kahawai requested that the proposed Page One reflect this addition. Mr. D. Fujimoto agreed that it needs to be shown on the proposed chart, as it does appear on the current chart, even if the division comprises only one or two people. That way the labeling is consistent and easier to follow. Discussion ensued on the differences in engineering and special projects.

Mr. D. Fujimoto commended Manager Craddick for the revised first page, by placing Customers at the top of the organizational chart, as we serve the public.

In comparing Page Two – Administration, of the charts, Mr. D. Fujimoto asked where the HR Department was, and Manager Craddick noted that it had been moved to Page 3, Fiscal, under the Chief Financial Officer. Additional responsibilities had been added to the EM-5 Controller position to make it the EM-7 CFO position by including meter readers, HR, etc. Chair Nishimura asked what happened to the position 9105 which was listed on the current Page Two but not listed on the proposed Page Two.

Mr. Crowell moved to defer this item to the next Board Meeting, continuing on with Page Two – Administration, seconded by Mr. Costa; with no further discussion; by a unanimous vote; motion was carried.

There being no further business, the Committee meetings were duly adjourned at 11:03 a.m.

cab
REGULAR MEETING MINUTES
BOARD OF WATER SUPPLY
Thursday, October 21, 2010

The Board of Water Supply, County of Kaua‘i, met in regular meeting at its office in Līhu‘e on Thursday, October 21, 2010. 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. Ian Costa (was excused and left the meeting at about 11:09 a.m.)  
Mr. Dee Crowell  
Mr. Donald Fujimoto  
Mr. Leland Kahawai

Absent & Excused:  
Mr. Raymond McCormick  
Mr. Roy Oyama

STAFF:  
Mr. David Craddick  
Mr. William Eddy  
Mr. Gregg Fujikawa  
Mr. Keith Fujimoto  
Mr. Dustin Moises  
Ms. Marites Yano  
Mr. Aaron Zambo  
DOW Deputy County Attorney Andrea Suzuki  
First Deputy County Attorney Amy Esaki

Quorum was achieved.

AGENDA:
Chair Nishimura requested to reorder the Agenda by going straight to the Finance Committee Report, and then recessing to go back into the Committee Meetings, and then back to the regular order of business. As there were no objections, the Agenda was so reordered as modified.

BOARD COMMITTEE REPORTS

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

Chair Nishimura recused himself from voting on this item.

Re: Claims Payable
Finance Vice-Chair Kahawai reported that at the October 21, 2010 Finance Committee Meeting the Committee recommended the Claims Payables for a total of $1,989,844.77 for approval to the full Board. Mr. Costa moved to receive the Claims Payable and place on file, seconded by Mr. D. Fujimoto; by a unanimous vote; motion was carried.

The Regular meeting was recessed at about 10:11 a.m. to return to the Committee Meetings.

The Regular meeting was reconvened at about 11:04 a.m.
MINUTES:

Mr. Kahawai moved to approve the Regular Meeting Minutes of September 16, 2010, seconded by Mr. Crowell; by a unanimous vote; motion was carried.

Chair Nishimura asked Ms. Esaki to determine if, procedurally, the Minutes should be signed by the Board Secretary, currently Mr. Kahawai, rather than the Manager and Chief Engineer.

CORRESPONDENCE / ANNOUNCEMENTS:
None.

BOARD COMMITTEE REPORTS

Re: Report of the Rules Committee of the Kaua‘i County Board of Water Supply
The Rules Committee met with two items on the Agenda:

Re: Manager’s Report No. 11-23 – Request Approval of Payment of Claims and Disbursement of Funds Policy 15 A
Chair Costa noted this was approved and recommended to the full Board for action.

Re: Manager’s Report No. 11-24 – Committee Discussion and Possible Action on Part III Rule Amendments – Establishing Standards for Subdivision Water Systems
Chair Costa noted that this item was deferred to the next Board Meeting

Mr. Crowell moved to accept the report of the Rules Committee, seconded by Mr. Kahawai; by a unanimous vote; motion was carried.

Re: Committee of the Whole of the Kaua‘i County Board of Water Supply
The Committee of the Whole met with two items on the Agenda:

Re: Manager’s Report No. 11-16 – Request Board Approval for Grant Funding from the Department of Health Safe Drinking Water Branch for Develop and Initiate Implementation of a Wellhead Protection Program for the County of Kaua‘i.
Chair Nishimura noted this item was deferred to the next Board Meeting

Re: Manager’s Report No. 11-17 – Request Board Approval of the Proposed Revised Organizational Chart to organize for future operations
Chair Nishimura noted this item was deferred to the next Board Meeting, continuing on with Page Two.

Mr. Crowell moved to accept the report of the Committee of the Whole, seconded by Mr. Costa; by a unanimous vote; motion was carried.
OLD BUSINESS

Re: Manager's Report No. 11-20 – Budget Amendments:

a. Transfer of SRF Funded projects to BAB

RECOMMENDATION
Board approval was requested to recertify the funding for certain DOW projects from SRF loans to BAB funds in the total amount of $3,883,607.09.

BACKGROUND
Debt service payments for the SRF loans would increase SRF payments $320K per year above what they currently are. The subsidized debt service for the BAB would be about $240K. This is a difference of $80K. Reimbursement of the listed amounts has not been requested by DOW from DOH administered DWSRF. The ratio of yearly savings to yearly income $80K/$20,000K amounts to approximately 0.4% less revenue needed in water rates. The bond funds must be expended within three years. DOW cash would be conserved for future projects or delaying future rate increases but would not be subject to arbitrage payments or reduction of federal subsidy on bond proceeds for failure to pay out bond funds for the purposes authorized. These are the reasons I am recommending this action.

A detailed list of each project affected with relevant information is listed below.

<table>
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<tr>
<th>Contract No.</th>
<th>Description</th>
<th>Amount to be Recertified</th>
<th>SRF Loan 0.26%</th>
<th>SRF Fee 3.50%</th>
<th>SRF Total 3.76%</th>
<th>BAB Int** 2.60%</th>
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BAB pro rata share of interest $1,972,263
SRF interest and loan $1,495,778

Regular Meeting: Thursday, October 21, 2010 – Page 3 of 20
fee  total  ($476,485)  loss

For this transaction there is a net loss of $476,485 over twenty five years but 1.5% interest on the $3.9 million is about $58K per year. I do not expect we would hold on to this money for the length of time needed to make up the difference. We would probably hold it for three years.

The above listed jobs are not complete except the PH I and PH II Stable Tank pipelines.

**To arrive at the BAB interest cost for the SRF projects I took $3883607/$6000000= 6.472678% of the total BAB interest minus the subsidy $30,470,579 = $1,972,263 This would include issuance costs. This same percentage is used to arrive at the BAB interest related debt service payments above.

The reason the cost is higher for the BAB even though it has the lower interest rate is because the BAB has deferred principal and a longer pay off time (same issue with fifteen year and thirty year mortgage) and on first review does not appear beneficial. The unknown or risk part of this action is the effect of subsidy reduction if we do not spend down the bond proceeds in the required time. However, when we look at the debt service payments noted above we see a different financial view point which you may appreciate.

DISCUSSION
Manager Craddick noted that the County is in the process of hiring a tax consultant. If nothing happens to the subsidy except the arbitrage he does not believe this is a good thing to do. He understands that the arbitrage is the only thing we need to worry about. Manager Craddick wondered if the Board wanted to wait until the tax consultant comes on board, which may be prudent.

Upon query from Chair Nishimura, Ms. Yano noted that in the budget that was approved these contracts were already transferred to the BAB. Manager Craddick stated that we have already paid them out of the General Fund so we can either reimburse ourselves with BAB funds or make a payment request to SRF.

Chair Nishimura asked if there was a 90 day limitation. Manager Craddick noted it is 60 days and none of these funds are 60 days prior to the bond issue, all were paid off since the bond was issued.

Ms. Esaki noted the consultant contract is finalized and they are in the process of having the contract certified for the funds. It should be going out for signature within the next week or two. Manager Craddick noted it will be $15,000 for this year and then some continuing expense. Ms Esaki noted the total is $30,000 but DOW would be paying half. Manager Craddick noted that in the budget there are “unnamed contracts” and this is where the funds would come from. Manager Craddick noted that this would be a Memorandum of Understanding with the County.

Chair Nishimura asked if items 493, 497 and 498 are BAB items. Manager Craddick reported that we are asking to shift the funding sources. Ms. Yano noted the unpaid amounts were transferred to BAB in the budget that was approved.
Manager Craddick felt we should listen to what the tax consultant has to say and make sure there are no penalties if we don’t spend the money down.

Upon query from Chair Nishimura if the budget can be amended if already adopted, Ms. Esaki confirmed that this was possible.

Mr. Crowell moved to defer this item to the next Board Meeting, seconded by Mr. D. Fujimoto; by a unanimous vote; motion was carried.

Re: Manager’s Report No. 11-10 - Request Board Approval to Concur with Mayor Carvalho’s “Consortium for Kaua‘i’s Sustainable Regional General Plan”

RECOMMENDATION
It was recommended that the Board approve DOW participation in the Administration’s effort to form a Consortium for Kaua‘i’s Sustainable Regional General Plan.

BACKGROUND
The County intends to pursue the HUD/DOT/EPA Sustainable Communities Regional Planning Grant by forming a group of stakeholders in the process.

We believe we are an important cog in the wheel. This group should be able to take advantage of the Kaua‘i community collective desire for sustainable development by building the necessary partnerships among Kaua‘i’s governmental agencies, organizations, service providers and non-profit organizations that will be needed to implement a sustainable vision over the long term.

DISCUSSION
Manager Craddick noted that the County has already submitted the grant request, and Mr. D. Fujimoto commented that he thought the grant had been approved, and asked if the Board would like to participate in this. Mr. Crowell wondered what “participate” meant. Mr. D. Fujimoto reported that it is not only the DOW, but also KIUC and other private entities, and asked if the DOW is supporting the Mayor’s projects.

Chair Nishimura’s primary concern is that the General Plan shows that Moloka‘i is where the growth is in the next 20 years and we do not have enough water in that area, so does that by participating in the plan mean that we have to do the development for the water. Mr. Crowell wondered if the DOW was willing to fully participate and not just attend meetings, especially to look at growth where the County wants it versus where a developer wants it.

Manager Craddick noted the 2020 Plan has many scenarios but the level of participation may be more or less than we expect. It is a good time while we are doing the Water Use and Development Plan to tie into this.

Mr. Crowell stressed that if we are increasing the water rates and FRCs if someone comes in for a water meter, then that meter should be available.

Mr. D. Fujimoto felt this would be a good opportunity to get feedback; we should be part of it but not bend over backwards, and not one-sided coming from the County to us. We should share information and make it a unilateral type of agreement.
Manager Craddick wanted to inform the Board that he was not sure of the money involved to spend our time doing this.

Mr. D. Fujimoto asked if we have to fund everything ourselves and not benefit from the grant. Manager Craddick reported that Planning said that they are using this grant to hire a consultant. Mr. D. Fujimoto stated the consultant would be able to provide information that we could not provide. Manager Craddick stated that this is the Board’s decision. Mr. Crowell did not want the DOW to be halfway through and look at the process and then quit.

Mr. Crowell gave an example of Līhu‘e, which is under-utilized, and people cannot even get a water meter in Līhu‘e.

Chair Nishimura felt that if we do this, we need to go all the way. For the staff it may be more work for the department and redirect our efforts; it is difficult to back out once you are in. Mr. D. Fujimoto stated that they are hiring a consultant for the plan with our input and assistance. Chair Nishimura had more concerns about the results of the Plan but Mr. D. Fujimoto felt that if we do not have a say, it would be worse.

Upon query, Mr. Fujikawa had no comment.

With no further discussion, Mr. Crowell moved to approve DOWs participation to join Mayor Carvalho’s “Consortium for Kaua‘i’s Sustainable Regional General Plan”, seconded by Mr. Kahawai; by a unanimous vote; motion was carried.

NEW BUSINESS

Re: Manager’s Report No. 11-27 – Request Board Approval of the following documents from the following applicants for their respective projects:

1. Conveyance of Water Facility from Kukuiula Development Company (Hawaii), LLC, a Hawaii limited liability company for the CC/FF Subdivision (S-2009-3), TMK; (4) 2-6-015-013 (por), Koloa, Kauai, Hawaii

It was recommended that the Conveyance of Water Facility document be approved; whereby, Kukuiula Development Company (Hawaii), LLC, a Hawaii limited liability company, transfer unto the Board of Water Supply, County of Kauai, all of its right, title and interest to:

Waterline:
1,715 linear feet of 12" Ductile Iron Waterline
192 linear feet of 8" Ductile Iron Waterline
98 linear feet of 6" Ductile Iron Waterline
8 each 12" Gate Valve including C.I. valve box & cover
4 each 8" Gate Valve including C.I. valve box & cover
6 each 6" Gate Valve including C.I. valve box & cover
5 each Fire Hydrant Assembly w/ 1 - 4 1/2" & 1 - 2 1/2" outlet
4 each 2.5" Cleanout
1 each 4" Cleanout
1 each 6" Blow-off Valve Assembly
10 each 1-inch Copper Single Service Lateral for 5/8-inch Water Meter
3 each 1-1/2 inch Copper Double Service Lateral for 5/8-inch Water Meter

in place complete, for the CC/FF Subdivision (S-2009-3), TMK: (4) 2-6-015:013 (por), Koloa, Kauai, Hawaii.

Mr. D. Fujimoto moved to approve the Conveyance of Water Facility from Kukuiula Development Company (Hawaii), LLC, for the CC/FF Subdivision (S-2009-3), TMK: (4) 2-6-015:013 (por), Koloa, Kauai, seconded by Mr. Kahawai; by a unanimous vote; motion was carried.

2. **Grant of Easements W-1 and W-2 from Kukuiula Development Company (Hawaii), LLC, a Hawaii limited liability company for the CC/FF Subdivision (S-2009-3), TMK: (4) 2-6-015:013 (por), Koloa, Kauai, Hawaii**

It was recommended that the Board approve the Grant of Easement document whereby, Kukuiula Development Company (Hawaii), LLC, a Hawaii limited liability company, grant to the Board of Water Supply, County of Kauai, perpetual easements, W-1 and W-2, on, over and under that certain parcel of land located in TMK: (4) 2-6-15:013, Koloa, Kauai, Hawaii, for the reading of water meters and for the construction, installation, re-installation, maintenance, repair and removal of potable water pipelines and related meters, valves, and other associated waterworks facilities improvements and appurtenances, together with the right of ingress and egress at any time to and from the said easement area with or without vehicles or other equipment as the Department of Water shall deem necessary for the proper operation of its water system for the construction plans for “CC/FF Subdivisions S-2009-3”, TMK: (4) 2-6-015:013 (por.), Koloa, Kauai, Hawaii.

Further, Board approval was specifically requested of the indemnification provision in this agreement, wherein the Board agrees to indemnify and hold harmless the Grantee from property damage and injuries to person (including death), when such damages and injuries are caused by the Department’s negligence while using the area.

Mr. D. Fujimoto moved to approve the Grant of Easements W-1 and W-2 from Kukuiula Development Company, for the CC/FF Subdivision (S-2009-3), TMK: (4) 2-6-015:013 (por), Koloa, Kauai, including its indemnification provision, seconded by Mr. Kahawai; by a unanimous vote; motion was carried.

3. **Conveyance of Water Facility from Lokelani Makai Property LLC, a Hawaii limited liability company for the “2nd Water Meter Plan Serving Lots 28-A and 28-B”, TMK: (4) 4-4-05: 039, Lot 28-B, Unit 2, Kapaa, Kauai, Hawaii**

It was recommended that the Conveyance of Water Facility document be approved; whereby, Lokelani Makai Property LLC, a Hawaii limited liability company, transfer unto the Board of Water Supply, County of Kauai, all of its right, title and interest to:

1 each 1-inch Copper Single Service Lateral for 5/8-inch Water Meter

in place complete, for TMK: (4) 4-4-05: 039, Lot 28-B, Unit 2, Kapaa, Kauai, Hawaii.
Manager Craddock noted the client for the project has not signed the COWF as they are not on island. Ms. Esaki noted that the normal procedure is for the COWF to be signed by the client prior to coming to the Board. A proviso could be added that the client would need to sign the document prior to the posting of the next Board Meeting Agenda.

Mr. D. Fujimoto moved to approve the Conveyance of Water Facility from Lokelani Makai Property LLC, for the “2nd Water Meter Plan Serving Lots 28-A and 28-B”, TMK: (4) 4-4-05: 039, Lot 28-B, Unit 2, Kapaa, Kauai, with the contingency that the client sign the Conveyance of Water Facility documents prior to the posting of the next Board Meeting Agenda, seconded by Mr. Kahawai; by a unanimous vote; motion was carried.

4. Conveyance of Water Facility from Lokelani Mauka LLC, a Hawaii limited liability company for the “2nd Water Meter Plan Serving Lots 28-A and 28-B”, TMK: (4) 4-4-05: 128, Lot 28-A, Unit 2, Kapaa, Kauai, Hawaii

It was recommended that the Conveyance of Water Facility document be approved; whereby, Lokelani Mauka LLC, a Hawaii limited liability company, transfer unto the Board of Water Supply, County of Kauai, all of its right, title and interest to:

1 each 1-inch Copper Single Service Lateral for 5/8-inch Water Meter

in place complete, for TMK: (4) 4-4-05: 128, Lot 28-A, Unit 2, Kapaa, Kauai, Hawaii.

Mr. D. Fujimoto moved to approve the Conveyance of Water Facility from Lokelani Mauka LLC, for the “2nd Water Meter Plan Serving Lots 28-A and 28-B”, TMK: (4) 4-4-05: 128, Lot 28-A, Unit 2, Kapaa, Kauai, with the contingency that the client sign the Conveyance of Water Facility documents prior to the posting of the next Board Meeting Agenda, seconded by Mr. Kahawai; by a unanimous vote; motion was carried.

5. Conveyance of Water Facility from Peter F. Fisher, Trustee under that certain Declaration of Trust known as the Peter F. Fisher Trust dated April 24, 2006, and Elizabeth A. Fisher-Lavoie, Trustee under that certain Declaration of Trust known as the Elizabeth A. Fisher-Lavoie Trust dated April 24, 2006 for the “Use Permit U-2008-18, Variance Permit V-2008-6, Class IV Zoning Permit Z-IV-2008-19, Subdivision of Lot 55 (S-2010-09) For Kayak Wailua, LLC”, TMK: (4) 4-1-06: 034, Kapaa, Kauai, Hawaii

It was recommended that the Conveyance of Water Facility document be approved; whereby, Peter F. Fisher, Trustee under that certain Declaration of Trust known as the Peter F. Fisher Trust dated April 24, 2006, and Elizabeth A. Fisher-Lavoie, Trustee under that certain Declaration of Trust known as the Elizabeth A. Fisher-Lavoie Trust dated April 24, 2006, transfer unto the Board of Water Supply, County of Kauai, all of its right, title and interest to:

1 each 1-inch Copper Single Service Lateral for 5/8-inch Water Meter

in place complete, for TMK: (4) 4-1-06: 034, Kapaa, Kauai, Hawaii.
Mr. D. Fujimoto moved to approve the Conveyance of Water Facility from Peter F. Fisher, Trustee under that certain Declaration of Trust known as the Peter F. Fisher Trust dated April 24, 2006, and Elizabeth A. Fisher-Lavoie, Trustee under that certain Declaration of Trust known as the Elizabeth A. Fisher-Lavoie Trust dated April 24, 2006 for the “Use Permit U-2008-18, Variance Permit V-2008-6, Class IV Zoning Permit Z-IV-2008-19, Subdivision of Lot 55 (S-2010-09) For Kayak Wailua, LLC”, TMK: (4) 4-1-06: 034, Kapaa, Kauai, seconded by Mr. Kahawai; by a unanimous vote; motion was carried.

6. Conveyance of Water Facility from Kawaihau 31 Acres LLC, TMK: (4) 4-6-007:017, Kawaihau Road, Kapaa, Kauai, Hawaii.

It was recommended that the Conveyance of Water Facility document be approved; whereby Kawaihau 31 Acres LLC transfers unto the Board of Water Supply, County of Kauai, all of its right, title and interest to a 2½" copper service connection for five (5) - 5/8" water meters, in place complete, in accordance with the as-built construction drawings for WATER INSTALLATION PLAN FOR LOT A-2, TMK: (4) 4-6-007:017, Kawaihau Road, Kapaa, Kauai, Hawaii, prepared by Wagner Engineering Services, Inc.

A Grant of Easement was not required.

Mr. D. Fujimoto moved to approve the Conveyance of Water Facility from Kawaihau 31 Acres LLC, TMK: (4) 4-6-007:017, Kawaihau Road, Kapaa, Kauai, seconded by Mr. Kahawai; by a unanimous vote; motion was carried.

Re: Manager’s Report No. 11- 28 - Request Approval of FRC Changes

RECOMMENDATION:
Board approval was requested for addition of Part V Rules for the application of Facilities Reserve Charges and approval of FRC proposal from RW Beck.

FUNDING: N/A

BACKGROUND: The FRC are currently applied at the time of subdivision and from that time there is a guarantee of water whether a meter is installed in a timely fashion or not. This should not be allowed to continue as there is no way to orderly keep track of who is ready for water or not and the cost of providing the water continues to rise.

The current credit system only allows credit for facilities provided for specific projects related to the improvements. From time to time we receive state appropriations and no credit is given for the improvements.

At the same time there are certain state beneficiaries such as agricultural pursuits in places where the state does not have state operated agricultural systems and DHHLL projects that could be subsidized by dollar value from some of the granted improvements if they are source, transmission or storage related.

The proposed rules deal with these issues. They do not deal with changes to current rules other than Part IV FRC schedule.

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There is another observed inequity in the current and proposed rules in that there are wide ranges of water use when utilizing the current meter or as proposed fixture unit based FRC charge. We currently use system averages by meter size and that by definition means the low uses are subsidizing the high uses. With the fees needing to rise if we are to get out of the subsidy mode, I do not feel fees based on meter size are a sustainable impact fee methodology. An alternate method would be going to a FRC based on gallons which can be increased as consumption goes up. Although the R.W. Beck report develops by the gallon fees the rules do not reflect this and some rules changes to those proposed would need to be made.

DISCUSSION
Mr. D. Fujimoto moved to receive the draft Needs Assessment Study and Facility Reserve Charge Update dated August 20, 2010, for the record, seconded by Mr. Kahawai.

Manager Craddick reported that the consultant was asking if they should be available for this meeting or a separate workshop, and he suggested a separate workshop would be better.

Chair Nishimura then appointed a Standing Committee headed by Mr. Kahawai to review and work with the DOW and consultant and have recommendations from the Standing Committee. Chair Nishimura requested that Mr. Crowell and Mr. D. Fujimoto also be on the Committee. The Chair requested that the record reflect that all Board members send their questions and comments regarding the study no later than the next Agenda meeting, Wednesday, November 3. Chair Nishimura’s question was what accounts for the big difference between the past FRC and the current FRC charges.

Mr. D. Fujimoto requested a presentation from the consultant prior to the Agenda meeting but Manager Craddick indicated the consultant had requested a minimum of two weeks’ notice. Various date options were discussed.

Mr. D. Fujimoto moved to defer this item pending recommendations from the Standing Committee, seconded by Mr. Crowell; by a unanimous vote; motion was carried.

Re: Manager's Report No. 11-29 - Request Board Approval for an Agreement to
Allow Mr. Michael Fernandes to Continue His Volunteer Services by
maintaining the Department’s (inactive) Nonou 0.2 MG Tank Site, Wailua,
Kaua‘i

RECOMMENDATION:
It was recommended that the Board approve the attached Agreement allowing Mr. Michael Fernandes to continue providing voluntary site maintenance of the (inactive) 0.2 MG Nonou Tank Site through the County’s Adopt-A-Park Program located at Wailua Houselots, more particularly on Tax Map Key: (4) 4-1-009-019.

FUNDING:
No funding required for this action.

BACKGROUND:
Mr. Fernandes has been maintaining a portion of the Department's old Nonou Tank site located in Wailua House lots for nearly twenty years through what he claims was an informal mutual agreement in 1998 with a former Department Water Manager. The year 2007, was when Mr. Fernandes initially expressed official interest in continuing the maintenance of the Department's old Nonou Tank Site. He was interested in keeping the Department's tank site maintained because he has the lease for the adjacent pasture lands. Mr. Fernandes has fenced the area between the old tank site and surrounding properties and has indicated that the fence would need replacement due to the age of the current fence. The Department's old Nonou Tank has not been in active use for approximately 26 years as it was replaced by the 2.0 MG Nonou Tank in 1981, but the site may be put back into service in the future.

The old Nonou Tank site was originally executive ordered to the Board of Supervisors and not the Board of Water in about 1959. Therefore, Mr. Fernandes was referred to Mr. Eddie Sarita, who administers the Hoolokahi Volunteer Program which allows citizens to volunteer with the maintenance of County properties. Mr. Sarita and Mr. Fernandes signed the County's Agreement which is attached.

Although the Board is not required to sign the agreement, maintenance of the tank site is generally left to the Department's staff and therefore Board's approval of having Mr. Fernandes continue the maintenance of the tank site is requested.

This was to request Board approval to allow Michael Fernandes to continue his volunteer services by maintaining the Department's inactive Nonou 0.2 MG Tank Site. Mr. Fernandes' current agreement which was approved by the Board at the October 15, 2009 Board Meeting expires on November 17, 2010.

Mr. D. Fujimoto moved to approve the Agreement to Allow Mr. Michael Fernandes to Continue His Volunteer Services by maintaining the Department's (inactive) Nonou 0.2 MG Tank Site, Wailua, Kauai, seconded by Mr. Crowell; by a unanimous vote; motion was carried.

Re: Manager's Report No. 11-30 - Job No. 05-05, PLH-30, Nawiliwili, Niulalu and Kupolo Pipeline Replacements with Belt Collins Hawaii, Nawiliwili, Kauai, Third Contract Amendment.

RECOMMENDATION:
It was recommended that the Board approve the third contract amendment for Contract No. 453 with Belt Collins Hawaii, Ltd. in the amount of $2,680.00, for the additional design to remove the existing waterlines within the State highway right of ways.

FUNDING:
Total Fund Budgeted ........................................... $318,580.00

Contract No. 453, Belt Collins Hawaii, Ltd., Job No. 05-05, PLH-30, Nawiliwili, Niulalu and Kupolo
Pipeline Replacement ........................................ $255,000.00
Amendment #1 .................................................. $ 63,580.00
Amendment #2 .................................................. <$ 7,908.00>
Proposed Amendment #3 ........................................... $ 2,680.00

Total required .......................................................$313,352.00

Balance remaining ....................................................$ 5,228.00

BACKGROUND:
The projects include the design for:
Phase I
- 1,500 Linear Feet of 6-Inch Ductile Iron Pipe along Niulalu Road.
- 1,000 Linear Feet of 12-Inch Ductile Iron Pipe along Nawiliwili Road.
- 2,500 Linear Feet of 6-Inch Ductile Iron Pipe along Kahanamu Road.
- 800 Linear Feet of 12-Inch Ductile Iron Pipe along Paena Loop.
- 2,000 Linear Feet of 6-Inch Ductile Iron Pipe along Mokai Street.
- 500 Linear Feet of 6-Inch Ductile Iron Pipe along Luana Street.
- 500 Linear Feet of 6-Inch Ductile Iron Pipe along Maka Street.
- 800 Linear Feet of 6-Inch Ductile Iron Pipe along Kapene Street.
- 400 Linear Feet of 6-Inch Ductile Iron Pipe and pressure reducing valve station along Uapena Street.

AMENDMENT #3:
- Provide the design plans and specs to remove the existing waterlines to be abandoned within the State highway right of ways.

The State Department of Transportation has required that the existing waterlines that are to be abandoned in their right of ways be removed after the new lines are installed.

Belt Collins has submitted a proposal of $2,680.00 for design this work, which we feel is reasonable. We estimate that this portion of work will add approximately $200,000 to the construction of this project or about 10% to the total estimated construction cost.

Manager Craddick noted that we could not get the State to let us leave the line in place, so we will put in a temporary service line.

Mr. D. Fujimoto moved to approve the Third Contract Amendment with Belt Collins Hawaii for Job No. 05-05, PLH 30, Nawiliwili, Niulalu and Kupolo Pipeline Replacements, Nawiliwili, Kaua‘i, seconded by Mr. Kahawai.

Manager Craddick confirmed that the funding comes from revenue. The motion was carried with three aye votes, Chair Nishimura’s vote being silent.

Re: Manager’s Report No. 11-31 - Job No. 94-04, Supervisory Control and Data Acquisition (SCADA) for the Department of Water Second Contract Amendment with Timberline Engineering, Inc.

RECOMMENDATION:
It was recommended that the Board approve the second contract amendment for Contract No.
343 with Timberline Engineering, Inc. to account for the actual work that was done and reconcile the balance to their contract amount.

**FUNDING:**
Total Fund Budgeted .................................................. $902,052.00

Contract No. 343, Timberline Engineering, Inc.,
Job No. 94-04, SCADA Implementation for the
Department of Water .................................................. $902,052.00
Proposed Amendment #2 ............................................ <$109,938.00>

Total required .................................................. $792,114.00
Balance remaining .................................................. $109,938.00

**BACKGROUND:**
The Department of Water executed a contract with Timberline Engineering, Inc. for the design of an island wide supervisory control and data acquisition (SCADA) system for the Department in June 1999. The project is still continuing, however the work for the consultant has been completed. The contract amendment is needed to reconcile the remaining balance and close their contract. Most of the balance noted is for private developers who paid a deposit for the Department to do the work required by their development.

Mr. K. Fujimoto noted that we are trying to close this contract out, so this is the final adjustment.

Mr. D. Fujimoto moved to approve the Second Contract Amendment with Timberline Engineering, Inc. for Job No. 94-04, Supervisory Control and Data Acquisition, seconded by Mr. Crowell; by a unanimous vote; motion was carried.

**Re: Job No. 05-02, H-8, HW-12, Drill and Test Hanalei Well #2, Hanalei, Kauai, Right of Entry Agreement for a portion of Tax Map Key: (4) 5-6-002 parcel 2 and 4 from Joseph N. Kobayashi, Christine Y. Kobayashi, Glenn I. Kobayashi and Nancy K. Kobayashi, Trustee of the unrecorded Nancy Katayama Kobayashi Revocable Living Trust dated October 21, 1990.**

It was recommended that the Board approve the Right of Entry Agreement whereby Joseph N. Kobayashi, Christine Y. Kobayashi, Glenn I. Kobayashi and Nancy K. Kobayashi, Trustee of the unrecorded Nancy Katayama Kobayashi Revocable Living Trust dated October 21, 1990, grants to the Board of Water Supply, County of Kaua‘i, a right of entry affecting a portion of tax map key: (4) 5-6-002 parcel 2 and 4 for the Department and its consultants to access and use an unimproved road to get to the proposed Hanalei Well #2 and 0.5 million gallon tank site on tax map key: (4) 5-6-002 parcel 1 owned by the State of Hawaii.

Further, Board approval was specifically requested of the indemnification provision in this agreement, wherein the Board agrees to indemnify and hold harmless the Grantor from property damage and injuries to person (including death), when such damages and injuries are caused by the Department’s negligence while using the area.
Mr. D. Fujimoto moved to approve the Right of Entry Agreement for Job No. 05-02, H-8, HW-12, Drill and Test Hanalei Well #2, Hanalei, Kauai, for a portion of Tax Map Key: (4) 5-6-002 parcel 2 and 4 from Joseph N. Kobayashi, Christine Y. Kobayashi, Glenn I. Kobayashi and Nancy K. Kobayashi, Trustee of the unrecorded Nancy Katayama Kobayashi Revocable Living Trust dated October 21, 1990, specifically including its indemnification provision, seconded by Mr. Kahawai.

Mr. K. Fujimoto reported that we would probably have to condemn the road, as their conditions for us to use that road will be really expensive. We are using the site that goes past their property.

Mr. D. Fujimoto stated that, as long as we do not approve the funding based on the Right of Entry. Manager Craddick noted this is a BAB project, and this is to find out if the site is any good.

With no further discussion; by a unanimous vote; motion was carried.

**Re: Manager’s Report No. 11-33 - Staff recommendation on Piwai Tank - Akemama Tank Agreement**

**RECOMMENDATION:**
Board approval of the Piwai Tank - Akemama Tank Agreement was recommended.

**FUNDING:**
The Relocation Charge is $373,366.04.

**BACKGROUND:**
These tanks are to fulfill subdivision requirements for the Kukui’ula project.

The Piwai tank is 0.1 MG and the Akemama Tank is 0.25 MG.

DOW was going to have to pay for building the tank to meet standards but this is not required now. DOW is taking responsibility to raise the tank height at a later date in lieu of the above cost. Cost to raise the roof is estimated at $400K and cost to conform to standard was about $750K, plus the land for the new DOW 0.5 MG Tank will be conveyed at no cost.

Chair Nishimura asked if the Agreement is to get the land, and Manager Craddick reported it is for the tank and the land for the new tank also, plus we are not paying for the material charge from concrete to steel. Manager Craddick noted that we agreed to pay the relocation charge. Ms. Suzuki stated that Kukui’ula retains liability for the design for the control valve, while the Board retains liability for the construction of the control valve and any other method used to cure the elevation differential.

Manager Craddick stated that we will probably take the roof off and raise the wall rather than put the control valve in. We are getting the land on the next tank site at no charge. Deputy Eddy noted that we are getting the tank site and sites are hard to find and there is good access for pipelines to the site. Manager Craddick noted the control valve or roof is still a lot of money.
Mr. D. Fujimoto moved to approve the Relocation Charge of $373,366.04 for the Piwai Tank – Akemama Tank Agreement, seconded by Mr. Crowell; by a unanimous vote; motion was carried.

Re:  Manager’s Report No. 11-34 - Board Discussion on the Manager and Chief Engineer being on the Board of the Hawaii Rural Water Association

RECOMMENDATION:
Board approval was requested for participating with the Hawaii Rural Water Association.

FUNDING:  N/A

BACKGROUND:
This could be another funding and training option for the Department. The Hawaii Rural Water Association will be a newly formed chapter under the National Rural Water Association. Manager Craddick recently attended via conference call a workshop to finalize the by-laws and make-up of the Board of Directors of the soon to be started Hawaii Rural Water Association. He understands that the outcome of this workshop will be submitted for official adoption at the formation meeting, which will be held on December 1, 2010 in Maui.

They have requested Manager Craddick’s participation on the Board of Directors to represent the Department of Water in establishing the foundation of the association. This could involve some time and Manager Craddick was requesting Board permission before volunteering. Even with Board approval unless someone nominates him he would not be on the Board.

There is a lot of duplication with AWWA Hawaii Section but the Rural Water Association seems to have a better read on the funding pulse for rural areas.

Chair Nishimura deferred this item to appear on the next meeting agenda and hearing no objections, it was so ordered.

Re:  Manager’s Report No. 11-35 - Request Board Approval of Upsizing of the Kaumualii Highway 16-Inch Waterline to a 24-Inch Waterline and Approximately 1,300 feet of additional 24-inch water line from the beginning of the 24-inch main by the Puhi road/Kaumualii Highway intersection (baseline sta 294+55) and Westward To the Vicinity of Baseline Station 281+50 in Conjunction with the State’s Kaumualii Highway Widening, Vicinity of Anonui Street to Vicinity of Lihue Mill Bridge Project, Lihue, Kauai, Hawaii

RECOMMENDATION:
It was recommended that the Board approve a contract to PAREN INC., dba PARK ENGINEERING in the amount of $137,270.00 to provide design services to upgrade the 16-inch and 12-inch waterlines along Kaumualii Highway, between Puhi Road and the vicinity of the Lihue Mill Bridge to 24-inches and an additional 1,300 feet of 24-inch waterline between Puhi Road and west of Anonui Street.

FUNDING:
Waterworks Build America Projects
Fund.............................................................................................................$150,000.00
Proposal from PARK ENGINEERING.................................................<$137,270.00>
Current balance.................................................................$12,730.00

Background:
There is no change from the Manager’s Update for July 2010 to August 2010. However, the Department is requesting Board approval of the new contract amount so it follows SOP’s and audit issues cannot be raised. Board approval of the updated contract amount will help to eliminate any questions concerning the discrepancy in the updated contract amount of $137,270.00 and the Board’s approval of the original $128,038.00 proposed contract amount.

Park Engineering is requesting an additional $9,232.00 to complete the additional design work, just to the Kaua’i Humane Society end of the current state contract, which appears reasonable. The requested increase along with the original lump sum of $128,038.00 will bring the total contract amount to $137,270.00. A Manager’s Update for July 2010 to August 2010 reported to the Board at the August 19, 2010 Board meeting that the updated contract amount is $137,270.00 and that funding is available from the Waterworks Build America Bonds (BAB). The Department however did not enter into the first contract before the change came up and is asking for this approval as though it is the first action on this matter as a new unbudgeted contract amount of $137,270.00 from the $150,000 allocated for this from the BAB.

Previous background:
The State of Hawaii has a construction contract to widen Kaumualii Highway from the Lihue Sugar Mill Bridge to the gulch just past the Grove Farm Office in Puhi, for a length of approximately 8,000 feet. The original scope of work called for the State to relocate the existing 6,000 feet of 16-inch and 12-inch waterlines which are at their service limit, as far as volume goes. The Department is paying for the additional cost to upsize the replacement waterlines from 16-inch and 12 inch diameter to 24-inch diameter.

All of the current design work had been done by Park Engineering so as chief procurement officer I sole sourced the design for the pipe up sizing and the extra 700 feet of line to get out from under the pavement for future work and an additional 1,300 feet toward the Kaua’i Humane Society. The Board previously approved $128,038.00 for the up sizing of the 16-inch waterlines to 24-inch waterlines (reference Manager’s Report No. 70, dated April 9, 2010) and extending the line past the end of the concrete covered road in the iron bridge direction.

The Department is proposing to install an additional 1,300+ feet of 24-inch waterline from the current starting point at Puhi Road going west along Kaumualii Highway to just past Anonui Street (Kaua’i Humane Society). This would ultimately replace the 15” Kokolau pipeline from Puhi to where the existing replacement ends straight down from the Kaua’i Humane Society. There will still be a missing portion of the Kokolau line from the Kaua’i Humane Society to the end of the previously replaced Kokolau line of approximately 2,400 feet from transition coupling to Kaua’i Humane Society.

We expect that there may be an amendment to this work as Park Engineering is currently designing the state road widening for the end of the current contract past the Kaua’i Humane Society. There is no time table for the state project to go to construction; we will just not be scrambling to catch up with the state work and trying to do the work with change orders.
DISCUSSION
Manager Craddick noted that the extra engineering is to look at the other end of the pipeline from KCC to the end of the pavement toward the Kaua‘i Humane Society. He would have done an addendum but we never signed the first contract, it’s done through sole source as they are contracted to the State.

Mr. Crowell moved to approve the contract to PAREN INC., dba PARK ENGINEERING in the amount of $137,270.00 to provide design services to upgrade the 16-inch and 12-inch waterlines along Kaumualii Highway, between Puhi Road and the vicinity of the Lihue Mill Bridge to 24-inches and an additional 1,300 feet of 24-inch waterline between Puhi Road and west of Anonui Street, seconded by Mr. Kahawai; by a unanimous vote; motion was carried.


RECOMMENDATION:
It was recommended that the Board approve the fourth contract amendment for Contract No. 405 with Kodani and Associates, Inc. in the amount of $11,400.00 to add the replacement of approximately 300 feet of existing corroded 6” cast iron mainline with 12” ductile iron pipe.

We further request that the Board allocate $11,400.00 from Account 201-01, Bond BAB to fund the contract amendment.

FUNDING:
Total Fund Budgeted .......................................................... $ 278,700.00

Contract No. 405, Kodani and Associates, Inc.,
Job No. 02-19, WK-12, Waipouli
Main Replacement ....................................................... $ 147,500.00
Amendment #1 .................................................................. void
Amendment #2 ................................................................. $ 53,600.00
Amendment #3 ................................................................. $ 77,600.00
Amendment #4 ................................................................. $ 11,400.00
Total Required ................................................................. $ 290,100.00
Balance Required ............................................................. $ 11,400.00

Total Required, Account
No. 201-01, Bond BAB ....................................................... < $11,400.00>

Total Project Budget ......................................................... $290,100.00

BACKGROUND:
The project consultant, Kodani and Associates, Inc. was selected to prepare the construction drawings and specifications for the mainline replacement along Kalokolu, Keaka, Moanakai, Fernandez, Hoi, Panihi, Niulani, Makaha and Kealoha Roads at Waipouli.
During the review of the project scope, it was determined that approximately 300 feet of an existing corroded 6” mainline will need to be replaced with a 12” waterline, in addition to that requested in Amendment #3.

The Department anticipates that the consultants should be able to complete the design by February 1, 2011 subject to timely reviews by the Department of Water and the other governmental agencies. Therefore, no additional time will be needed to extend their contract. Their proposal of $11,400.00 for the additional design is reasonable.

Deputy Eddy identified a short segment of old and undersized pipeline on Kuhio Highway in Kapaa. If we do replace it in this project, it will provide a great loop for our system and there will be 12” parallel mains in Kapaa with no service laterals crossing the highway.

Mr. D. Fujimoto moved to approve the fourth contract amendment for Contract No. 405 with Kodani and Associates, Inc. in the amount of $11,400.00 to add the replacement of approximately 300 feet of existing corroded 6” cast iron mainline with 12” ductile iron pipe, seconded by Mr. Crowell; by a unanimous vote; motion was carried.

STAFF REPORTS

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

Re: Public Relations Specialist’s Monthly Update Regarding DOW Public Relations Activities

Re: Deputy Manager’s Summary Report on Monthly Operational Maintenance

Re: MANAGER’S UPDATE for AUGUST, 2010 to SEPTEMBER, 2010

As Chair Nishimura and Mr. Crowell had to leave the Board Meeting and quorum would be lost, all October Staff Reports will be deferred and resubmitted at the November meeting.

CORRESPONDENCE RECEIVED AT THE MEETING

Correspondence was delivered to Chair Nishimura at the meeting from Grove Farm concerning FRC changes. Mr. Crowell moved to receive the correspondence and refer to the Standing Committee for their review, seconded by Mr. Kahawai; by a unanimous vote; motion was carried.

EXECUTIVE SESSION

Pursuant to H.R.S. §92-7(a), the Commission 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. Review of Executive Session Minutes: September 16, 2010
2. Pursuant to Hawai‘i Revised Statutes Sections 92-4 and 92-5(a)(4), the purpose of this executive session is to discuss the Board’s duties and liabilities at Department of Water facilities under the Endangered Species Act, 16 United States Code § 1531, et seq., and the Migratory Bird Treaty Act, 16 United States Code § 703, et seq. This briefing and consultation involves the consideration of the powers, duties, privileges, immunities and/or liabilities of the Board and the Department as they relate to this agenda item.

Chair Nishimura noted that the Executive Session items would be deferred to the November meeting, and hearing no objections, it was so ordered.

**TOPICS FOR NEXT BOARD MEETING**
1. Election of Officers for 2011
2. Board appointment of PA, Finance and Rules Committee
3. Board Discussion on the Next Year’s Goals for the Manager

**For the Rules Committee**
   i. Attached Proposed Draft Bill No. 2380

**For the Committee of the Whole**
1. Request Board Approval for Grant Funding from the Department of Health Safe Drinking Water Branch to Develop and Initiate Implementation of a Wellhead Protection Program for the County of Kaua‘i
2. Request Board Approval of the Proposed Revised Organizational Chart to organize for future operations

**For the Standing Committee**
1. Request Board Approval of the Facilities Reserve Charge Changes

**TOPICS FOR FUTURE WATER BOARD**
1. Quarterly Report on Manager’s Previous Goals and Next Year’s Goals
2. Projects Briefing
3. Strategic Plan Update: Issue Champions and Affordable Housing Updates

**UPCOMING EVENTS**
1. Annual Employee Breakfast - December 2, 2010

**NEXT WATER BOARD MEETINGS**
1. Thursday, December 16, 2010, 10:00 a.m.
2. Thursday, January 20, 2011, 10:00 a.m.
3. Thursday, February 17, 2011, 10:00 a.m.
4. Thursday, March 17, 2011, 10:00 a.m.
5. Thursday, April 21, 2011, 10:00 a.m.
6. Thursday, May 19, 2011, 10:00 a.m.

**ADJOURNMENT**

There being no further business, the meeting was adjourned at 12:09 p.m.

Respectfully submitted,

[Signature]

Carol A. Beardmore
Commission Support Clerk

Approved,

[Signature]

Leland Kahawai
Secretary – Board of Water Supply

cab
Correspondence
November 3, 2010

Chair Randall Nishimura and Members
Board of Water Supply of the County of Kaua‘i
4398 Pua Loke Street
Līhu‘e, Hawai‘i 96766-1600

Dear Chair Nishimura and Members:

In the 2008 General Election, the voters overwhelmingly approved an amendment to the Kaua‘i County Charter creating the Office of the County Auditor. The amendment also transferred to the County Auditor the responsibility for conducting the County financial audits. Since there was no provision for exempting the financial audits of the Department of Water, I discussed the Charter change with Paul Ganaden and David Craddick shortly after taking office. We agreed that the DOW financial audit should be conducted by the same auditor who performs the County-wide financial statement audit to conform to the Charter amendment and to achieve the following benefits:

1. **Timeliness of the County-wide audit.** Last year, the County-wide financial statement audit was delayed because the results of the DOW audit were not approved by the Board in time. We understand the delay was due to the Board not having a quorum to meet as originally scheduled. If the audit is performed by the same firm, as a part of the same engagement, these timing problems could be anticipated and avoided.

2. **Consistency of audit results.** Although the auditors comply with the same professional standards, auditors exercise some degree of judgment when applying these standards. With different auditors, there may be some audit risk due to these differences when the DOW results are combined into the audit of the rest of the County organization.

3. **Impartiality of the audits.** The general rationale for transferring audit responsibility from a governing body (such as the County Council or your Board) to an auditor’s office is to promote the impartiality of the audit. As the DOW audit is a part of the County-wide audit, transfer of the responsibility for procuring and managing the DOW audit to the Auditor’s Office is consistent with the Charter requirement for an impartial financial audit of all functions of the County.

I understand that the last time this matter was discussed, the Board had some questions. I would be happy to appear before you at a Board meeting to answer these questions or provide more information. Please also feel free to call me at 241-4178.

Very truly yours,

Ernesto G. Pasion
### Board of Water Supply - Calendar 2011

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Dr. Martin Luther King Jr., Day

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Presidents Day

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Kuhio Day

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Good Friday

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Memorial Day

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King Kamehameha day

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Independence day

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Admission Day

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Labor Day

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Veterans' Day

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Thanksgiving Day

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<td>31</td>
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</table>

Christmas Day

- **Board Meeting**
- **Furlough Friday as selected by County**
- **State Holiday**
Old Business
MANAGER'S REPORT NO. 11-24:

September 9, 2010

Re: Committee Discussion and Possible Action on Part III Rule Amendments – Establishing Standards for Subdivision Water Systems

RECOMMENDATION
It is recommended that the Board amend the Part III Standards for Subdivision Water Systems noted in the attached rule change.

BACKGROUND

The rule currently allows the Manager to make changes and various Managers have exempted various subdivisions. I would prefer to have regulation established by rule rather than by the current thought or even changing thoughts of the Manager.

The goal of these changes is twofold:

1. To allow subdivisions for governmental purposes to move forward provided water is not needed for the lot. There is always the portion of land that will stay in the hands of the current owner or some other owner. This non-government piece will have whatever rights it had prior to the subdivision. The action may result in a higher cost per sq foot to meet DOW water requirements. In the end it is a decision of the land owner to require or not the government to put in infrastructure improvements before a particular piece of land is subdivided for either purchase or through donation to the government.

2. Allow subdividers with existing land locked lots or boundary changes that do not affect water demand to relocate them to more convenient locations. In this case we limit the changes to lots that are buildable. In other words if they are in a gulch or in a stream or other such non-buildable site we would not allow the change.

Respectfully submitted,

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

cab
Attachments

DOW Rule Amendment-Part III-Establishing Standards for Subdivision Water Systems (9-16-10).cab
A BILL FOR AN ORDINANCE TO
AMEND CHAPTER 9, KAUA'I COUNTY CODE 1987, AS AMENDED,
RELATING TO THE SUBDIVISION ORDINANCE.

BE IT ORDAINED BY THE COUNCIL OF THE COUNTY OF KAUA'I, STATE
OF HAWAI'I:

SECTION 1. Findings and Purpose:

(a) The Council finds that county agencies, at times impose infrastructure
requirements not in rough proportionality to the impact of a proposed subdivision
application.

(b) The "rough proportionality" takings argument has been successfully
argued at the U.S. Supreme Court to overturn local government exactions (Dolan
vs. City of Tigard) where the degree of the exactions required by the local agency
does not bear the required relationship to the projected impact of the proposed
development.

(c) For the County of Kaua'i, this is especially true with smaller
applications where the applicant is required to upgrade substantial portions of
offsite county infrastructure.

(d) There has been instances where an applicant, in order to provide for
their children a buildable lot and an affordable home, applies for a subdivision that
proposes no additional lots or additional residential density than what is already
allowed, are stopped because of off-site infrastructure requirements imposed.

(e) The purpose of this amendment is to clarify the extent to which County
agencies impose off-site infrastructure requirements and to allow subdivisions that
create no additional lots or additional residential density to proceed without
unwarranted conditions or requirements.

(f) Thresholds already exist in the CZO that allow exemptions to
development standards:

(1) CZO Sec. 8-7.4(c)(4) allows an exemption from one time
subdivision provision in the Agriculture District where: Consolidation and
resubdivision of properties where no additional lots or parcels are created
provided that the resulting properties would not permit greater density."
(2) Sec. 8-3.7 of the CZO allows up to four houses to be served by a driveway, without the requirement of a County standard road.

(g) Conditions requiring infrastructure improvements that are normally applied to subdivisions resulting in an increase in density and places additional demands on the existing public infrastructure, should not apply to consolidations and re-subdivisions where no additional density or demands on the public infrastructure are created.

SECTION 2. Section 9-2.13 of the Kaua'i County Code 1987, as amended, is hereby amended to read as follows:

"Sec.9-2.13 Consolidation of Lots

All consolidation of lots, shall be processed through the Planning Commission and shall require its approval before recordation of any maps or documents pertinent to the consolidation. Consolidation involving not more than four (4) existing lots or parcels of record and re-subdivision where no additional lots or density are created by the resultant properties, shall not be required to provide any off-site county infrastructure improvements, except as needed to connect to an adjacent roadway or utility line. If the resulting lots or parcels do not place an increased demand on public infrastructure, then the Planning Commission shall not impose additional conditions pursuant to Section 9-3.4(b). The Planning Commission shall establish rules and fee for consolidation of lots."

SECTION 3. Section 9-3.4 of the Kaua'i County Code 1987, as amended, is hereby amended to read as follows:

"Sec. 9-3.4 Approval Of Preliminary Subdivision Map.

(a) Compliance and Distribution.

(1) The Planning Department within ten (10) calendar days shall check for compliance of form and contents of the map. If the form and contents are found not to be in compliance, it shall be rejected and returned to the applicant in writing.

(2) After the maps have been preliminarily accepted, the Planning Department shall forward copies to the Department of Public Works, the Department of Water, the State Department of Health, and other affected agencies, departments and utility companies, as the Planning Director determines for comment or approval, except for consolidation and re-subdivision of lots exempted by Sec. 9-2.13.
Accompanying application, if any, for required zoning permits, shall also be referred.

(b) Review. After the preliminary subdivision maps have been preliminarily accepted as to form and contents, the following review schedule shall apply:

<table>
<thead>
<tr>
<th>Various governmental agency review to Planning Director.</th>
<th>Column 1</th>
<th>Column 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>After receipt of the agency reviews, the Planning Director shall prepare a report to the Planning Commission. The Planning Commission shall approve, approve with condition or disapprove preliminary subdivision map.**</td>
<td>30 Calendar Days*</td>
<td>45 Calendar Days*</td>
</tr>
</tbody>
</table>

Column 1: For subdivisions not including streets and improvements where the number of lots to be created is twenty (20) or less.

Column 2: For subdivisions requiring new streets and improvements.

* Or within a longer period as may be agreed to by the applicant.

** If the Planning Commission fails to take action within the time limit prescribed in this Section, unless the applicant asents to a delay, the preliminary subdivision map shall be deemed approved.”

SECTION 4. Severability. If any provision of this ordinance or application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of this ordinance which can be given effect without the invalid provision or application, and to this end, the provisions of this ordinance are declared to be severable.

SECTION 5. This Ordinance shall take effect upon its approval.

Introduced By:

DEREK S. K. KAWAKAMI

Date of Introduction:

Līhu'e, Kaua'i, Hawai'i
MANAGER’S REPORT No. 11-16

August 12, 2010

Re: Request Board Approval to Apply for Grant Funding from the Department of Health Safe Drinking Water Branch to Develop and Initiate Implementation of a Wellhead Protection Program for the County of Kaua‘i

RECOMMENDATION:
Recommend your approval to apply for grant funds available through the Department of Health Safe Drinking Water Branch to develop and initiate implementation of a Wellhead Protection Program.

FUNDING: n/a

BACKGROUND:
The Department of Health Safe Drinking Water Branch has grant monies available through the EPA for projects that address wellhead or source water protection. Erin Borger, Source Water Specialist from the National Rural Water Association, is currently working on a Wellhead/Source Protection Plan for the County of Kaua‘i. The grant money would be used for implementation of the plan.

Mr. Dan Chang from the Department of Health Safe Drinking Water Branch will be available at the Board Meeting to address any of the Board’s questions. Mr. Chang indicated that we would be able to request a minimum of $200,000 or thereabouts, with the dollar amount to be determined as the scope of work for the Wellhead Protection Program is developed.

Respectfully submitted,

Faith Shiramizu
Public Relations Specialist

CONCURRED:

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

FS:rm
Mgrrp/Grant Monies from DOH for Wellhead Protection Program (8-19-10)rm
MANAGER’S REPORT No. 11-17 – Second Revision

October 12, 2010

Re: Request Board Approval of the Proposed Revised Organizational Chart

RECOMMENDATION:
Your approval is requested for the Proposed Revised Organizational Chart. For additional discussion, referral to the Committee of the Whole may also be appropriate.

BACKGROUND
In order to better plan for the future, the Department of Water has proposed reorganizational revisions to the Organizational Chart.

The changes include;

3. Changing the EM-7 from 2020 Plan implementer to in charge of both engineering sections. No change in pay level.
5. Private Secretary to oversee Secretary. Secretary to oversee Senior Clerk and Clerk/Typist.

Respectfully submitted,

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

DRC:cab
Mgr/pr/Revised Organizational Chart (8 19 10) (9 16 10) (10 21 10)
DEPARTMENT OF WATER
County of Kauai

TABLE OF ORGANIZATION

Functional & Staffing Charts
COUNTY OF KAUAI
KAUAI DEPARTMENT OF WATER
ORGANIZATION CHART
FISCAL DIVISION

PREPARED BY:  
DEPARTMENT HEAD  
6/10/09  

ACCOUNTANT IV  
SR-24, Pos. 2304

SUPERVISING METER READER  
SR-14, Pos. 2308

METER READER II  
SR-10, Pos. 2466

METER READER II  
SR-10, Pos. 2462

DATA ENTRY  
Data Entry Operator II  
SR-10, Pos. 2302

DATA ENTRY  
Data Entry Operator I  
SR-8, Pos. 2405

CASHIER II  
SR-12, Pos. 2433

CREDIT & COLLECTION CLERK  
SR-13, Pos. 2447

WATERWORKS CONTROLLER  
EM-5, Pos. 2300

ACCOUNTANT IV  
SR-24, Pos. 2303

JANITOR II  
BC-2, Pos. 2310

ACCOUNTANT III  
SR-22, Pos. 2356

ACCOUNTANT II  
SR-20, Pos. 2435

ACCOUNTANT I  
SR-18, Pos. 2448, Pos. 2488

ACCOUNT CLERK  
SR-11, Pos. 2463
Chief of Operations
EM-5
Pos. 2347

Water Field Operations
Superintendent
SR-24, Pos. 2491

Field Section

Clerk-Dispatcher II
SR-14
Pos. 2403

Account Clerk
SR-11
Pos. 2464

Water Plants
Superintendent
SR-24, Pos. 2490

Plant Section
Chief of Water Resources and Planning
EM-7
Pos. 2460

Civil Engineer VI
EM-5
Pos. 2428

Civil Engineer IV
SR-24
Pos. 2458

Civil Engineer III
SR-22
Pos. 2360

Engineering Drafting Technician III
SR-19, Pos. 2352

Engineering Support Technician III
SR-17, Pos. 2445
DEPARTMENT OF WATER
COUNTY OF KAUAI

Function Statement

BOARD OF WATER SUPPLY
Determines policies and prescribe regulations for the operation and control of all the County-owned water systems on Kauai.

ADMINISTRATION OFFICE
Administer and manage the affairs of the Department in accordance with policies and regulations adopted by the Board and the provisions of the County Charter.

FISCAL DIVISION
Administer the affairs of the Fiscal Division and all programs assigned to it. Assists the Manager in development of the annual budget. Conducts technical studies in the review, analysis, development and establishment of procedures for budgetary, utility and revenue and customer accounting systems and directs their modification and installation. Insures the acquisition of valid and consistent data for use in planning and budgetary, performance control and evaluating managerial decisions and reporting requirements. Prepare financial and statistical reports; conduct internal audits and financial and statistical studies of the Department. Compile and analyze financial, consumption and statistical data for reports and rate making.

Accounting Section
Maintain inventories and property records; prepares time sheets and employee leave records; audit and process disbursement vouchers; responsible for purchasing, storing and issuing of office supplies; maintain physical and fiscal control of storerooms and responsible for purchasing of Department's materials and supplies. Process and maintain all accounts receivables and payables and prepares financial statements, statement of demands, status of the budget and other information required by management. Conducts preparation of annual audit.

Billing Section
Conduct the Department's water-billing operations and its related functions which includes meter reading, pre-auditing water billing data, and maintaining accounts receivable. Establish and maintain meter reading routes and meter reading. Prepare water revenue estimates and unaccounted water reports. Administer and process meter applications and new services, formulate, establish and maintain cashiering service for payment of bills. Maintain records of delinquent and inactive accounts. Service walk-in and mail customers on billing, payment and collection matters; and perform all office and field collection work required to maintain an effective bill collection program. Handle inquiries regarding DOW rates and high water bills.

OPERATIONS DIVISION
Administer the affairs of the Operations Division and all programs assigned to it. Conducts operational hydraulic analysis and determines systems weaknesses for improvements and corrections. Makes hydraulic calculations and analysis on consumer service complaints and recommends solutions. Responsible for implementing programs for pump efficiency testing, analyzing recording charts, insuring water quality, preventive maintenance, safety and employee motivation and control. Provide engineering analysis and support for field and plant operations. Liaison to management and other divisions.

Field Section
Conduct all major repair operations involving water mains, hydrants, reservoirs and pump stations. Construct pipelines and appurtenances and miscellaneous force account and jobbing projects. Conduct all carpentry, masonry and heavy equipment operations. Install new service connections and meters. Conduct the installation of interconnections
of new water mains to the existing system. Maintain DOW pump stations, reservoir sites and all other physical water facilities. Provide staffing for 24-hour control of the Department's islandwide water systems.

Plant Section
Investigate and determine causes of abnormalities, interruptions and reductions in water supply. Monitor the quality of water and as needed locate the source and eliminate contamination and other adverse conditions. Maintain 24-hour control over the Department's islandwide water systems. Responsible for all electrical, mechanical and automotive work for the Department. Plan, modify, install, operate and maintain all water system equipment including, but not limited to, electric motors, pumps, hydraulic valves, chlorination equipment, water treatment facilities, reservoirs, valves meters, communication system, welding equipment and leak detection operations. Operate disinfection program to produce good quality water.

WATER RESOURCE AND PLANNING DIVISION
Review and coordinate the planning of water systems of proposed developments (hotels, subdivisions, etc.) to assure compatibility with the Department's water general plan. Determine hydraulic criteria for reservoirs, pumping stations and water mains. Evaluate and develop water network requirements. Conduct long-range planning and research and make analytical studies of water consumption and maximum demand to meet the water needs of Kauai. Prepare population projections and estimates for future water use. Prepare reviews of subdivision and zoning amendments requests as it applies to water. Conduct investigations to obtain and analyze data to determine capabilities of existing water sources. Conduct investigation for the development of potential sources. Conduct and/or administer studies relating to the protection of water sheds and water resources. Maintains maps and records of all water facilities.

ENGINEERING DIVISION
Directs & reviews the specifications & plans for waterworks facilities for both public & private constructed projects. Coordinates construction projects other than WP 2020 (Water Plan 2020). Conducts inspections & monitors work in progress, making final inspections of completed work. Coordinates procurement of professional services & other purchases of goods & services except for Water Plan 2020 projects.

SPECIAL PROJECTS DIVISION
Coordinates & administers engineering consultant contracts. Coordinates & reviews construction plans of private developers. Maintains the department's Water System Standards. Coordinates & implements some of the department's State & Federal programs. Administer and coordinate activities and functions of the Water Quality Laboratory. Monitors integrity & quality of the department's water source & system. Coordinates & administers SCADA, AMR, GIS & any other special projects or maintenance projects which require engineering & procurement support for the department.

Revised: 03/2006
COUNTY OF KAUAʻI
KAUAʻI DEPARTMENT OF WATER
ORGANIZATION CHART
BASIC STRUCTURE

DEPARTMENT HEAD

BOARD CHAIRPERSON

CUSTOMERS

MAYOR

KAUAʻI BOARD OF WATER SUPPLY

ADMINISTRATION OFFICE

FISCAL DIVISION

BILLING SECTION

ACCOUNTING SECTION

DISTRIBUTION DIVISION

PLANT OPERATIONS DIVISION

WATER RESOURCES AND PLANNING DIVISION

ENGINEERING AND PROJECT MANAGEMENT DIVISION

PREPARED BY: [Signature]

DATE: 8/13/2010

APPROVED BY: [Signature]

DATE: [Signature]
MANAGER'S REPORT 11-28

October 12, 2010
Re: Request Approval of FRC Changes

RECOMMENDATION:
Board approval is requested for addition of Part V Rules for the application of Facilities Reserve Charges and approval of FRC proposal from R.W. Beck.

FUNDING: N/A

BACKGROUND:
The FRC are currently paid to the DOW prior to the DOW granting final subdivision approval and from that time there is a guarantee of water whether a meter is installed in a timely fashion or not. This should not be allowed to continue as there is no way to orderly keep track of who is ready for water or not and the cost of providing the water continues to rise.

The current credit system only allows credit for facilities provided for specific projects related to the improvements. From time to time we receive state appropriations and no credit is given for the improvements.

At the same time there are certain state beneficiaries such as agricultural pursuits in places where the state does not have state operated agricultural systems, facilities operated by the State (i.e. schools, maintenance facilities, DHHL projects, etcetera, that could be subsidized by dollar value from some of the legislative granted improvements if they are source, transmission or storage related.

The proposed rules deal with these issues. They do not deal with changes to current rules other than Part IV FRC schedule.

There is another observed inequity in the current and proposed rules in that there are wide ranges of water use when utilizing the current meter size determination of FRC charges which maybe more equitably addressed by fixture unit based FRC charge. We currently use system averages by meter size or water demand calculations to identify appropriate meter size and that by definition means the low uses are subsidizing the high uses. With the fees needing to rise if we are to get out of the subsidy mode, I do not feel fees based on meter size are a sustainable impact fee methodology. An alternate method would be going to a FRC based on gallons which can be increased as consumption demand range goes up. Although the R. W. Beck report develops by the gallon unit costs per gallon the rules do not reflect this and some rules changes to those proposed would need to be made to effectively utilize these unit costs.

Respectfully submitted,

David R. Craddock, P.E.
Manager and Chief Engineer
DRC/cab
Mgrpro/FRC Changes (10-21-10):cab
ITEM A

NOTE: THIS ITEM IS WAITING ON THE BOND COUNCIL

Re: Transfer of SRF Funded Projects to BAB funding.

Dear Chairman and Members;

Your approval is requested to recertify the funding for certain DOW projects from SRF loans to BAB funds in the total amount of $3,883,607.09.

Debt service payments for the SRF loans would increase SRF payments $320K per year above what they currently are. The subsidized debt service for the BAB would be about $240K. This is a difference of $80K. Reimbursement of the listed amounts has not been requested by DOW from DOH administered DWSRF. The ratio of yearly savings to yearly income $80K/$20,000K amounts to approximately 0.4% less revenue needed in water rates. The bond funds must be expended within three years. DOW cash would be conserved for future projects or delaying future rate increases but would not be subject to arbitrage payments or reduction of federal subsidy on bond proceeds for failure to pay out bond funds for the purposes authorized. These are the reasons I am recommending this action.

A detailed list of each project affected with relevant information is listed below.

<table>
<thead>
<tr>
<th>Contract No.</th>
<th>Description</th>
<th>Amount to be</th>
<th>SRF Loan</th>
<th>SRF Fee</th>
<th>Total</th>
<th>BAB Int**</th>
<th>Approx Debt Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>491</td>
<td>Stable Tank</td>
<td>$1,033,673</td>
<td>0.26%</td>
<td>3.50%</td>
<td>3.76%</td>
<td>2.60%</td>
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</tr>
<tr>
<td>492</td>
<td>Stable TK Ph II</td>
<td>$277,296</td>
<td>0.26%</td>
<td>3.50%</td>
<td>3.76%</td>
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</tr>
<tr>
<td>493</td>
<td>Stable TK Ph I</td>
<td>$250,330</td>
<td>0.26%</td>
<td>3.50%</td>
<td>3.76%</td>
<td>2.60%</td>
<td>$593,243</td>
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<td></td>
<td>sub total</td>
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<tr>
<td>497</td>
<td>Kapilimao</td>
<td>$2,091,182</td>
<td>0.32%</td>
<td>3.50%</td>
<td>3.82%</td>
<td>2.60%</td>
<td>$802,696</td>
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</table>
**Tank**

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<tr>
<th>Location</th>
<th>Cost</th>
<th>Interest</th>
<th>Interest</th>
<th>Interest</th>
<th>Total Cost</th>
<th>Total Cost</th>
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<tbody>
<tr>
<td>Kaumualii Hwy</td>
<td>$231,126</td>
<td>0.42%</td>
<td>3.50%</td>
<td>3.92%</td>
<td>$99,839</td>
<td>$1,972,263</td>
</tr>
<tr>
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<td></td>
<td></td>
<td></td>
<td>$1,495,778</td>
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</tbody>
</table>

Total $3,883,607

BAB pro rata share of interest $1,972,263

SRF interest and loan fee $1,495,778

Total ($476,485) loss

For this transaction there is a net loss of $476,485 over twenty five years but 1.5% interest on the $3.9 million is about $58K per year. I do not expect we would hold on to this money for the length of time needed to make up the difference. We would probably hold it for three years.

The above listed jobs are not complete except the PH I and PH II Stable Tank pipelines.

**To arrive at the BAB interest cost for the SRF projects I took $3883607/$60000000= 6.472678% of the total BAB interest minus the subsidy $30,470579 = $1,972,263 This would include issuance costs. This same percentage is used to arrive at the BAB interest related debt service payments above.

The reason the cost is higher for the BAB even though it has the lower interest rate is because the BAB has deferred principal and a longer pay off time (same issue with fifteen year and thirty year mortgage) and on first review does not appear beneficial. The unknown or risk part of this action is the effect of subsidy reduction if we do not spend down the bond proceeds in the required time. However, when we look at the debt service payments noted above we see a different financial view point which you may appreciate.

Thank you for your careful review of this matter and I realize all the factors that enter into this decision are not known at this time.

Respectfully submitted,

[Signature]

David R. Craddock, P.E.
Manager and Chief Engineer

DRC:cab
Mgrp/Budget Amendment-Transfer of SRF Funded Projects to BAB (9-16-10) (10-21-10)(11-18-10):cab
Re: Payment of Claims and Disbursement of Funds

Purpose:

To streamline and improve the procedure for the payment of claims and disbursement of monies of the Board of Water Supply for its operating and capital projects expenditures that have been approved in the Annual Operating and Capital Improvement Budget while maintaining Board of Water Supply oversight.

Procedure:

1. The Board delegates its authority to approve funds disbursement vouchers as described in HRS 54-25 to the Manager and Chief Engineer to approve accounts payable vouchers on its behalf provided that the following conditions are met:

   a. The payment of claims are for those operating and capital projects expenditures approved in the annual operating budget as revised from time to time which have been approved by the Board.

   b. The Department follows applicable procurement procedures.

   c. Payments of claims are in accordance with Board Policy No. 3 - EXPENDITURE OF WATER UTILITY FUNDS.

   d. Payments of claims are in accordance with Board Policy No. 22 – BUDGET AND CONTRACT AWARD PROCESS.

   e. There shall be no redirection of funds in the budget.

2. A Claims Payable Summary Report shall be given to the Board, on a monthly basis.

3. In the absence of the Manager and Chief Engineer and Deputy, the Board Chair is authorized to sign all claim warrant vouchers based on invoices that have been previously approved by the Manager and Chief Engineer or the Deputy.

This action for Board Policy No. 15A was officially approved and effective as of the October 21, 2010 Board Meeting.

APPROVED BY:

Chairperson, Board of Water Supply

Dated: 10/21/10
New Business
MANAGER’S REPORT 11-34

October 12, 2010

Re: Board Discussion on the Manager and Chief Engineer being on the Board of the Hawaii Rural Water Association

RECOMMENDATION:

Board approval is requested for participating with the Hawaii Rural Water Association.

FUNDING: N/A

BACKGROUND: I believe this could be another funding and training option for the Department. The Hawaii Rural Water Association will be a newly formed chapter under the National Rural Water Association. I recently attended via conference call a workshop to finalize the by-laws and make-up of the Board of Directors of the soon to be started Hawaii Rural Water Association. I understand that the outcome of this workshop will be submitted for official adoption at the formation meeting, which will be held on December 1, 2010 in Maui.

They have requested my participation on the Board of Directors to represent the Department of Water in establishing the foundation of the association. This could involve some time and I am requesting your permission before volunteering. Even with your approval unless someone nominates me I would not be on the Board.

There is a lot of duplication with AWWA Hawaii Section but Rural Water Association seems to have a better read on the funding pulse for rural areas.

Attached is what the HRWA will be doing.

Respectfully submitted,

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

DRC/cab
Mgrwp/Board Discussion on Mgr-Chief Engineer on the Board of the Hawaii Rural Water Association (10-21-10):cab
Oct. 13, 2010

1325 South Kihei Road
Suite 200
Kihei, Hawai‘i 96753
808.495.0264
www.hawaiiروا.org

Dave Craddick
Kauai County

Mr. Craddick:

I am writing to outline how your service on the Board of Directors of Hawaii Rural Water Association will be a benefit to the County of Kauai.

As a member of the Board you will set the direction for the association and govern its activity and programs to focus on the needs of water and wastewater systems in Hawaii. Some of the ways that you will do this are as follows:

- Direct input to training and technical assistance,
- Direct input of programs, services and products,
- Target the available resources that are best for your county,
- Provide added leadership to the utility industry in Hawaii,
- Impact the National Agenda for water and wastewater industry
- Input on a national level in ensuring resources and directing water policy in Washington, D.C.
- Systems that participate with Hawaii Rural Water will benefit from thousands of dollars worth of savings not only through operator certification and continuing education courses but through onsite technical assistance and services provided through our contracts. These services and training are provided free of charge to the utility systems.

We hope that you will see the advantages and how your County will benefit if you are in our Board of Directors.

Please contact me if you have any further questions or concerns.

Sincerely,

James Watts
Welcome to Hawaii Rural Water!

In 1976, eight states formed the National Rural Water Association (NRWA) to represent rural and small community water and wastewater systems in the halls of Congress to ensure the availability of funding and technical resources.

That same year the Safe Drinking Water Act was passed requiring standards based on large metropolitan systems. However, the majority of systems in the nation (94%) serve less than 10,000 people and lack the economics of scale.

Since then, NRWA, through its State Affiliates, has grown to represent over 27,000 water and wastewater utilities and is now the largest utility membership association in the nation.

Member utilities in Hawaii will elect a Board of Directors who will then elect a Director to serve on the National Board. Each state has one member on the National Board providing equal input.

Hawaii Rural Water will administer training and technical assistance programs and direct the association's future at the state level to meet local needs with programs, services and products.

Hawaii Rural Water, with your support and involvement, will become a major player ensuring resources and directing water policy on a national level in Washington, D.C.
Craddick, David

From: Ed Tschupp [etschupp@kauai.gov]
Sent: Tuesday, October 19, 2010 11:34 AM
To: Craddick, David; Gary Heu
Cc: Donald Fujimoto
Subject: RE: HRWA

David, I’m glad you were able to attend. Thanks for the brief summary. I was off-island and unable to attend, but agree that a representative on the Board from Kaua’i would be a good thing, and will gladly cast my support behind your candidacy.

Edward Tschupp
Chief, Wastewater Management Division
County of Kauai, Department of Public Works
4444 Rice Street, Suite 275
Lihue, Kauai, Hawaii 96766
(808) 241-4084
etschupp@kauai.gov

From: Craddick, David [mailto:dcordick@kauaiwater.org]
Sent: Thursday, October 07, 2010 1:45 PM
To: Gary Heu
Cc: Ed Tschupp; Donald Fujimoto
Subject: HRWA

Gary

There was an opening meeting yesterday to form the Hawaii Rural Water Association.

This is a group that does water and wastewater CIP loans and grants.

They are better funded than the EPA CRF and SRF programs and interest is comparable.

They do water and wastewater training free.

They do federal and state lobbying for water and wastewater issues.

There will be a meeting Dec. 1st on Maui to set up the Board of Directors.

At the pre meeting yesterday we agreed there would be four public directors and three private directors.

At the first meeting in December anyone there can vote member or not.

It would be prudent to have someone there representing Kaua’i wastewater.

Also so Kaua’i gets a seat on the Board.

David R. Craddick, PE
Manager and Chief Engineer
MANAGER’S REPORT 11-37

November 8, 2010

Re: Memorandum of Agreement with the Department of Finance, County of Kaua‘i, Regarding the Hiring of a Bond Consultant to Provide Post Bond Issuance Compliance Services

RECOMMENDATION:
Board approval is requested to approve the subject Memorandum of Agreement (MOA) with the Department of Finance, County of Kaua‘i, regarding the hiring of a consultant to comply with the bond document transcripts for the Series 2005 Tax-Exempt General Obligation Bonds and Series 2010 Taxable General Obligation Bonds (Build America Bonds (BABs)).

FUNDING:
Funding in the amount of $15,000.00 is requested for the current fiscal year. No additional funding requirements for this MOA are anticipated for future fiscal years. Funding for this MOA is available in the Water Utility Fund, Account #27, as shown below:

Account #27, Contractual Services (Fiscal Division) .................................................. $270,000.00

- Bond Administration Fee ...................................................... <$10,000.00>
- HBWS Computer Service – Billing System ......................... <$52,000.00>
- Armored Car Service .......................................................... <$8,000.00>
- Financial Management Planning and Rate Analysis .................. <$80,000.00>
- Total Encumbered ..................................................................... <$150,000.00>

Requested Funding for County MOA .................................................. <$15,000.00>

Total Encumbered and Requested Funds .................................. <$165,000.00>

Balance Account #27, Contractual Services (Fiscal Div.) .. $105,000.00

BACKGROUND:
The County of Kaua‘i has two (2) bonds that have “post issuance” compliance requirements as mandated by federal law and enforced by the IRS. The two (2) bonds are Series 2005 Tax-Exempt General Obligation Bonds and Series 2010 Taxable General Obligation Bonds (Build America Bonds (BABs)). The Board of Water is party to both the 2005 and 2010 bonds.

The County Department of Finance is responsible to administer the bonds and ensure compliance with all regulations. Finance has determined that researching and preparing required reporting documents is beyond their current capacity and as such, they are contracting the professional services of a compliance specialist. The proposed total contract amount is $30,000.00.
Re: Memorandum of Agreement with the Department of Finance, County of Kaua‘i, Regarding the Hiring of a Bond Consultant to Provide Post Bond Issuance Compliance Services

Page 2
November 8, 2010

Finance is requesting that the Board share the cost of the professional services contract and reimburse Finance one-half (1/2) of the consultant’s invoice or statements. The subject MOA documents the cost share details.

I have reviewed the subject MOA and find that it is reasonable and prudent. I recommend approval of the subject MOA.

Respectfully submitted,

William Eddy
Deputy Manager-Engineer

WE/cab
Mgrp/MOA with County Finance Dept Hire Consultant for Bond Issue Compliance (11-18-10):cab
MEMORANDUM OF AGREEMENT

This Memorandum of Agreement ("Agreement" hereafter) is entered into this _____ day of ________________, 2010 by the Department of Finance, County of Kaua‘i, hereinafter referred to as "Finance "and the Board of Water Supply of the County of Kauai, hereinafter referred to as "BOW"

I. Purpose of Agreement

The purpose of this Agreement is to set forth the understanding and agreement of the parties of their respective responsibilities regarding the hiring of a consultant knowledgeable in post issuance compliance requirements and federal laws to assist Finance and BOW in complying with the various requirements, including but not limited to the bond document transcripts for the Series 2005 Tax-Exempt General Obligation Bonds and Series 2010 Taxable General Obligation Bonds (Build America Bonds (BABS) and Recovery Zone Economic Development Bonds (RZEDB).

II. Agreement

The parties agree as follows:

A. Finance will procure the services of the consultant in compliance with the Hawai‘i State Procurement Code and will certify the contract with Finance’s funds.

B. The Director of Finance or his designee will be the officer-in-charge of the Contract.

C. Consultant shall assist both Finance and BOW to comply with all post issuance compliance requirements, including but not limited to federal requirements for the 2005 and 2010 bond issues, any reporting requirements and responding to any questions posed by the parties.

D. The parties shall be equally responsible for the cost of the contract. Finance will pay the Consultant and will present a copy of the Consultant’s invoice or
statement to BOW for reimbursement. BOW will reimburse to Finance one-half (1/2) of the consultant's invoice or statement.

E. The parties anticipate that the initial first year's cost of retaining the Consultant will not exceed Thirty Thousand and No/100 dollars ($30,000.00) inclusive of travel cost and applicable taxes. In the event services of the Consultant is required for future fiscal years, Finance will notify BOW of any additional monies necessary for the contract.


Wallace G. Rezentes, Jr.
Director of Finance

Randall Nishimura
Board of Water Supply, County of Kauai
MANAGER’S REPORT NO. 11-39:

November 4, 2010.

Re: Request Board Approval of Conveyance of Water Facility and Grant of Easement Documents

We request Board’s approval of the following documents from the following applicants for their respective projects:

a. Conveyance of Water Facility from McBryde Sugar Company, Limited, a Hawaii Corporation and Kukuiula Development Company Hawaii, LLC, a Hawaii limited liability company; for the Manuhonuhonu Tanks, TMK’s: (4) 2-6-03:001(por), 034(por) and TMK: (4) 2-6-17:042(por), Koloa, Kauai, Hawaii

b. Grant of Easement U-1 from Kukuiula Development Company Hawaii, LLC, a Hawaii limited liability company; for the Manuhonuhonu Tanks, TMK: (4) 2-6-17:042(por), Koloa, Kauai, Hawaii

c. Grant of Easement U-2 from McBryde Sugar Company, Ltd., a Hawaii Corporation, for the Manuhonuhonu Tanks; TMK: (4) 2-6-03:001(por) and TMK: (4) 2-6-03:034(por), Koloa, Kauai, Hawaii.

d. Conveyance of Water Facility from McBryde Sugar Company, Limited, a Hawaii Corporation; and Kukui‘ula Development Company Hawaii, LLC, a Hawaii limited liability company for the Piwai Well No. 2 and No. 3 and 0.10 MG Tank, TMK’s: (4) 2-5-01: 002(por) and 008(por), Koloa, Kauai, Hawaii

Respectfully submitted,

[Signature]

William Eddy
Deputy Manager and Engineer

Attachments
Mgr/CO/OF/GOE Cover Sheet-(11-18-10).cab
BOARD REPORT

November 4, 2010

Re:  Conveyance of Water Facility from McBryde Sugar Company, Limited, a Hawaii Corporation and Kukuiula Development Company Hawaii, LLC, a Hawaii limited liability company; for the Manuhomuholu Tanks, TMK's: (4) 2-6-03: 001(por), 034(por) and TMK: (4) 2-6-17: 042(por), Koloa, Kauai, Hawaii

It is recommended that the Conveyance of Water Facility document be approved; whereby, McBryde Sugar Company, Limited, a Hawaii Corporation and Kukuiula Development Company Hawaii, LLC, a Hawaii limited liability company, transfer unto the Board of Water Supply, County of Kauai, all of its right, title and interest to:

<table>
<thead>
<tr>
<th>Structures and Improvements/Pumping Plant</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
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<tr>
<td>4,208</td>
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<td>11</td>
</tr>
<tr>
<td>2</td>
</tr>
<tr>
<td>7</td>
</tr>
</tbody>
</table>
Re: Conveyance of Water Facility from McBryde Sugar Company, Limited, a Hawaii Corporation and Kukuiula Development Company Hawaii, LLC, a Hawaii limited liability company; for the Manuhonuho'ou Tanks, TMK's: (4) 2-6-03: 004(por), 034(por) and TMK: (4) 2-6-17: 042(por), Koloa, Kauai, Hawaii

November 4, 2010

Page 2 of 3

**Electrical Pumping Equipment**

2
EA Booster Pumps (Grundfos CR(E) 20)

2
EA Motors (Baldor 5 HP, 3450 RPM)
4" HVT-FV Flow Transmitter (Venturi Pressure Vessel w/SCADA system)

2
EA Flow Switch (Omega Vane FSW-40)

1
EA 8" Altitude Valve

2
EA Flow Tube Differential Pressure Transmitter

1
EA Station Electric System:
   a. Building Electric Service
   b. Booster Pump Control
   c. Gate Security Switch
   d. Door Security Switch
   e. Altitude Valve Control
   f. Discharge Pressure Transmitter
   g. Flow Control Switch
   h. SCADA
   i. Pressure Control Switch
   j. Limit Switch

**Distribution Reservoirs and Standpipes**

1
EA 1 MG (1,000,000 gal.) Reinforced Concrete Tank

1
EA 0.2 MG (200,000 gal.) Reinforced Concrete Tank
Re: Conveyance of Water Facility from McBryde Sugar Company, Limited, a Hawaii Corporation and Kukuiula Development Company Hawaii), LLC, a Hawaii limited liability company; for the Manuhonuhonu Tanks, TMK's: (4) 2-6-03: 001(por), 034(por) and TMK: (4) 2-6-17: 042(por), Koloa, Kauai, Hawaii

November 4, 2010
Page 3 of 3

1 EA Water Level Indicator (Varec 6700)
1 EA Tank Level Transmitter (Foxboro)
1 EA Differential Pressure Transmitter
233 LF 12" Ductile Iron Overflow Line
2 EA Chlorination Vault
2 EA Sampling Tap
2 EA 6" Peripheral Drain

Transmission and Distribution Mains

1,018 LF 16" Ductile Iron Pipe Waterline
2,014 LF 12" Ductile Iron Pipe Waterline
1,028 LF 6" Ductile Iron Pipe Blow off Line
1 LF 16" inch Resilient Wedge Gate Valve
3 EA 12" Gate Valve
2 EA 1" Air Relief Valve Connection

in place complete, for the Manuhonuhonu Tanks, TMK’s: (4) 2-6-03: 001(por), 034(por) and TMK: (4) 2-6-17: 042(por), Koloa, Kauai, Hawaii.

This facility is subject to the Acquisition and Funding Agreement between the County of Kauai and Kukui‘ula.

Respectfully submitted,

Keith Aoki, Engineer
Engineering Division

KA:ca
BOARD REPORT

November 4, 2010

Re: Grant of Easement U-1 from Kukuiula Development Company Hawaii, LLC, a Hawaii limited liability company; for the Manuhonuhonu Tanks, TMK: (4) 2-6-17: 042(por), Koloa, Kauai, Hawaii

It is recommended that the Board approve the Grant of Easement document whereby, Kukuiula Development Company Hawaii, LLC, a Hawaii limited liability company, grant to the Board of Water Supply, County of Kauai, a perpetual easement, U-1, on, over and under that certain parcel of land located in TMK: (4) 2-6-17:042(por), Koloa District, Kauai, Hawaii, for the reading of water meters and for the construction, installation, re-installation, maintenance, repair and removal of potable water pipelines and related meters, valves, and other associated waterworks facilities improvements and appurtenances, together with the right of ingress and egress at any time to and from the said easement area with or without vehicles or other equipment as the Department of Water shall deem necessary for the proper operation of its water system for the construction plans for the Manuhonuhonu Tanks, Koloa District, Kauai, Hawaii.

Further, Board approval is specifically requested of the indemnification provision in this agreement, wherein the Board agrees to indemnify and hold harmless the Grantee from property damage and injuries to person (including death), when such damages and injuries are caused by the Department’s negligence while using the area.

Respectfully submitted,

[Signature]
Keith Aoki, Engineer
Engineering Division

KA: cab
Mgrp-GOE-U-1-Kukuiula-Manuhonuhonu Tanks-Koloa (11-18-10): cab
BOARD REPORT

November 4, 2010

Re: Grant of Easement U-2 from McBryde Sugar Company, Ltd., a Hawaii Corporation, for the Manuhonuhonu Tanks; TMK's: (4) 2-6-03: 001(por) and TMK: (4) 2-6-03:034(por), Koloa, Kauai, Hawaii.

It is recommended that the Board approve the Grant of Easement document whereby, McBryde Sugar Company, Ltd., a Hawaii corporation, grant to the Board of Water Supply, County of Kauai, a perpetual easement, U-2, on, over and under that certain parcel of land located in TMK: (4) 2-6-03:001(por) and TMK: (4) 2-6-03:034(por), Koloa District, Kauai, Hawaii, for the reading of water meters and for the construction, installation, re-installation, maintenance, repair and removal of potable water pipelines and related meters, valves, and other associated waterworks facilities improvements and appurtenances, together with the right of ingress and egress at any time to and from the said easement area with or without vehicles or other equipment as the Department of Water shall deem necessary for the proper operation of its water system for the construction plans for the Manuhonuhonu Tanks, Koloa District, Kauai, Hawaii.

Further, Board approval is specifically requested of the indemnification provision in this agreement, wherein the Board agrees to indemnify and hold harmless the Grantee from property damage and injuries to person (including death), when such damages and injuries are caused by the Department's negligence while using the area.

Respectfully submitted,

Keith Aoki, Engineer
Engineering Division

KA: cab
Mgrp-GOB-U-2-Kukui'ula-Manuhonuhonu Tanks-Koloa (11-18-10): cab
BOARD REPORT

November 4, 2010

Re: Conveyance of Water Facility from McBryde Sugar Company, Limited, a Hawaii Corporation; and Kukui‘ula Development Company Hawaii, LLC, a Hawaii limited liability company for the Piwai Well No. 2 and No. 3 and 0.10 MG Tank, TMK’s: (4) 2-5-01: 002(por) and 008(por), Koloa, Kauai, Hawaii

It is recommended that the Conveyance of Water Facility document be approved; whereby, McBryde Sugar Company, Limited, a Hawaii Corporation, and Kukui‘ula Development Company (Hawaii), LLC, a Hawaii limited liability company, transfer unto the Board of Water Supply, County of Kauai, all of its right, title and interest to:

Structures and Improvements/Pumping Plant

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 EA</td>
<td>Control Building Well No. 2 (Concrete Block Masonry 34' X 15'4&quot; with Bitumen Roofing)</td>
</tr>
<tr>
<td>1 EA</td>
<td>Control Building Well No. 3 (Concrete Block Masonry 34' X 15'4&quot; with Bitumen Roofing)</td>
</tr>
<tr>
<td>4,520 SY</td>
<td>2&quot; of AC over 6&quot; ABC - 12' wide access road (includes site)</td>
</tr>
<tr>
<td>140 LF</td>
<td>Reinforced Concrete Paving</td>
</tr>
<tr>
<td>4,902 LF</td>
<td>8&quot; x 6&quot; Concrete Header Curb</td>
</tr>
<tr>
<td>813 LF</td>
<td>6 foot Chain Link Fence</td>
</tr>
<tr>
<td>2 EA</td>
<td>6 foot Chain Link Fence 14' wide Double Swing Gates</td>
</tr>
<tr>
<td>6 EA</td>
<td>CRM Swale Transition</td>
</tr>
<tr>
<td>1,300 LF</td>
<td>4-foot Concrete Swale</td>
</tr>
<tr>
<td>100 LF</td>
<td>36&quot; Corrugated Metal Pipe</td>
</tr>
<tr>
<td>70 LF</td>
<td>30&quot; Corrugated Metal Pipe</td>
</tr>
<tr>
<td>30 EA</td>
<td>24&quot; Corrugated Metal Pipe</td>
</tr>
<tr>
<td>2 EA</td>
<td>36&quot; Flared End Section</td>
</tr>
<tr>
<td>2 EA</td>
<td>30&quot; Flared End Section</td>
</tr>
<tr>
<td>2 EA</td>
<td>24&quot; Flared End Section</td>
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</tbody>
</table>

Electrical Pumping Equipment

<table>
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<tr>
<th>Item</th>
<th>Description</th>
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<tbody>
<tr>
<td>2 EA</td>
<td>Submersible Pumps (Goulds 12CMC)</td>
</tr>
<tr>
<td>2 EA</td>
<td>Motors (Goulds 250 HP)</td>
</tr>
<tr>
<td>2 EA</td>
<td>Chlorine Analyzer (NEMA)</td>
</tr>
<tr>
<td>2 EA</td>
<td>Hydro Pneumatic Tank (3000 gallons)</td>
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<tr>
<td>158 LF</td>
<td>1&quot; Schedule 80 PVC pipe Chlorine Solution Line</td>
</tr>
<tr>
<td>107 LF</td>
<td>1/2&quot; Copper Sensing Line</td>
</tr>
<tr>
<td>98 LF</td>
<td>1 1/2&quot; Copper Pressure Line</td>
</tr>
<tr>
<td>184 LF</td>
<td>2&quot; Copper Suction Line</td>
</tr>
<tr>
<td>33 LF</td>
<td>2 1/2&quot; Copper Line</td>
</tr>
<tr>
<td>61 LF</td>
<td>4&quot; Ductile Iron Pipe Drain Line</td>
</tr>
<tr>
<td>2 EA</td>
<td>CRM Headwall</td>
</tr>
</tbody>
</table>
Re: Conveyance of Water Facility from McBryde Sugar Company, Limited, a Hawaii Corporation; and Kukui'ula Development Company Hawaii, LLC, a Hawaii limited liability company for the Piwai Well No. 2 and No. 3 and 0.10 MG Tank, TMK's: (4) 2-5-01: 002(por) and 008(por), Koloa, Kauai, Hawaii

November 4, 2010
Page 2 of 3

<table>
<thead>
<tr>
<th>#</th>
<th>Unit</th>
<th>Description</th>
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<tbody>
<tr>
<td>140</td>
<td>LF</td>
<td>12&quot; Ductile Iron Pipe Blow-off Line</td>
</tr>
<tr>
<td>1</td>
<td>EA</td>
<td>Shallow Drop Manhole with Bilco Hatch</td>
</tr>
<tr>
<td>2</td>
<td>EA</td>
<td>8&quot; Flow Transmitter (Venturi)</td>
</tr>
<tr>
<td>2</td>
<td>EA</td>
<td>Flow Switch (Omega Vane FSW-42A)</td>
</tr>
<tr>
<td>2</td>
<td>EA</td>
<td>Flow Tube Differential Pressure Transmitter</td>
</tr>
<tr>
<td>2</td>
<td>EA</td>
<td>Discharge Piping Pressure Transmitter (Nema 316)</td>
</tr>
<tr>
<td>2</td>
<td>EA</td>
<td>Station Electric System</td>
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<tr>
<td></td>
<td></td>
<td>a. Building Electric Service</td>
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<tr>
<td></td>
<td></td>
<td>b. Well Pump Control</td>
</tr>
<tr>
<td></td>
<td></td>
<td>c. Door Magnetic Switch</td>
</tr>
<tr>
<td></td>
<td></td>
<td>d. Gate Magnetic Switch</td>
</tr>
<tr>
<td></td>
<td></td>
<td>e. Limit Switch</td>
</tr>
<tr>
<td></td>
<td></td>
<td>f. Discharge Pressure Transmitter</td>
</tr>
<tr>
<td></td>
<td></td>
<td>g. Flow Control Switch</td>
</tr>
<tr>
<td></td>
<td></td>
<td>h. Heater</td>
</tr>
<tr>
<td></td>
<td></td>
<td>i. Flow Transmitter</td>
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<tr>
<td></td>
<td></td>
<td>j. Well Level Transmitter</td>
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<tr>
<td></td>
<td></td>
<td>k. Water Level Transmitter</td>
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<tr>
<td></td>
<td></td>
<td>l. Solenoid Valve Connection</td>
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<td></td>
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<td>m. Alarm Circuit</td>
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<td>n. Analog Instrumentation Circuit</td>
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<td></td>
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<td>o. Chlorine Weight Transmitter</td>
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<tr>
<td></td>
<td></td>
<td>p. Chlorine Residual Transmitter</td>
</tr>
<tr>
<td></td>
<td></td>
<td>q. SCADA</td>
</tr>
</tbody>
</table>

Distribution Reservoirs and Standpipes

<table>
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<th>#</th>
<th>Unit</th>
<th>Description</th>
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<tbody>
<tr>
<td>1</td>
<td>EA</td>
<td>0.1 MG (100,000 gal.) Reinforced Concrete Tank</td>
</tr>
<tr>
<td>1</td>
<td>EA</td>
<td>Water Level Indicator (Varec)</td>
</tr>
<tr>
<td>1</td>
<td>EA</td>
<td>Tank Level Transmitter</td>
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<tr>
<td>5</td>
<td>LF</td>
<td>1&quot; Copper Sensing Line</td>
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<tr>
<td>80</td>
<td>LF</td>
<td>12&quot; Ductile Iron Washout Line</td>
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<td>1</td>
<td>EA</td>
<td>12&quot; Flap Valve</td>
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<td>28</td>
<td>LF</td>
<td>12&quot; Ductile Iron Overflow Line</td>
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<tr>
<td>1</td>
<td>EA</td>
<td>Sampling Tap</td>
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<tr>
<td>1,012</td>
<td>SY</td>
<td>2&quot; of AC over 6&quot; ABC - 12' wide access road (includes site)</td>
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<tr>
<td>350</td>
<td>LF</td>
<td>6 foot Chain Link Fence</td>
</tr>
<tr>
<td>1</td>
<td>EA</td>
<td>6 foot Chain Link Fence 14' wide Double Swing Gates</td>
</tr>
<tr>
<td>2</td>
<td>EA</td>
<td>CRMSwale Transition</td>
</tr>
<tr>
<td>372</td>
<td>LF</td>
<td>4-foot Concrete Swale</td>
</tr>
</tbody>
</table>
Re: Conveyance of Water Facility from McBryde Sugar Company, Limited, a Hawaii Corporation; and Kukui‘ula Development Company Hawaii, LLC, a Hawaii limited liability company for the Piwai Well No. 2 and No. 3 and 0.10 MG Tank, TMK’s: (4) 2-5-01: 002(por) and 008(por), Koloa, Kauai, Hawaii

November 4, 2010
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**Transmission and Distribution Mains**

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<td>2,118</td>
<td>LF</td>
<td>16&quot; Ductile Iron Pipe Waterline</td>
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<td>1,525</td>
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<td>12&quot; Ductile Iron Pipe Waterline</td>
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<td>25</td>
<td>LF</td>
<td>8&quot; Ductile Iron Pipe Blow off Line</td>
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<tr>
<td>36</td>
<td>LF</td>
<td>6&quot; Ductile Iron Pipe Blow off Line</td>
</tr>
<tr>
<td>9</td>
<td>LF</td>
<td>16&quot; inch Resilient Wedge Gate Valve</td>
</tr>
<tr>
<td>9</td>
<td>EA</td>
<td>12&quot; Gate Valve</td>
</tr>
<tr>
<td>1</td>
<td>EA</td>
<td>8&quot; Gate Valve</td>
</tr>
<tr>
<td>1</td>
<td>EA</td>
<td>8&quot; Flap Valve</td>
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<tr>
<td>2</td>
<td>EA</td>
<td>6&quot; Gate Valve</td>
</tr>
<tr>
<td>2</td>
<td>EA</td>
<td>6&quot; Flap Valve</td>
</tr>
<tr>
<td>2</td>
<td>EA</td>
<td>1&quot; Air Relief Valve Connection</td>
</tr>
<tr>
<td>3</td>
<td>EA</td>
<td>Cleanout</td>
</tr>
</tbody>
</table>

in place complete, for the Piwai Well No. 2 and No. 3 and 0.10 MG Tank, TMK’s: (4) 2-5 01:002(por) and 008(por), Koloa, Kauai, Hawaii

This facility is subject to the Acquisition and Funding Agreement between the County of Kauai and Kukui‘ula.

Respectfully submitted,

[Signature]

Keith Aoki, Engineer
Engineering Division

KA:cab
Mgrp-COWF-Piwai Well No. 2 and No. 3 and 0.10 MG Tank_McBryde_Kukui‘ula-Koloa (11-18-10):cab
MANAGER’S REPORT NO. 11-39

November 8, 2010

Re: Job No. K-01, Yamada Tank Site Acquisition, TMK: (4) 2-4-003:007, Puuwai Road, Kalaeo, Kauai, Hawaii.

RECOMMENDATION: It is recommended that the Board add the Yamada Tank site to the list of sites to be acquired under Account 101, Capital Improvement Land Acquisitions.

FUNDING:
101. Capital Improvement Land
Acquisitions (Koloa, Kilauea, Hanalei).................................$2,426,600.00

Koloa Tank site purchase........................<$500,000.00>
Balance remaining..............................................$1,926,600.00

Yamada Tank site purchase................<$301,400.00>
Balance remaining..............................................$1,625,200.00

BACKGROUND:
The Board approved the agreement to purchase the Yamada Tank site at its September 17, 2009 meeting agreeing to purchase the site for $301,400.00 (the County’s Real Property assessed value at that time). It is intended that a 35’ diameter, 0.5 million gallon tank and booster pump will be constructed on the property, taking up about 10% of the 0.71 acre property being acquired, replacing the existing 0.2 MG Nursery Tank.

Respectfully submitted,

Keith Fujimoto
Project Engineer

CONCURRED:

David R. Craddock, P.E.
Manager and Chief Engineer

KF:cab
BOARD REPORT

November 9, 2010

Re: Request Board Approval of Resolution No. 5, (10/11), Mahalo and Aloha Retiree Keith Fujimoto

It is requested that the Board approve Resolution No. 5 (10/11), Mahalo and Aloha Keith Fujimoto, who will be retiring from the Department of Water as of December 1, 2010.

The resolution is not included in your agenda packet; however, it will be available and read at the Thursday, November 18, 2010 Board Meeting.

Respectfully submitted,

William Eddy
Deputy Manager and Engineer

cab
Mgrp/Res. No. 5 (10/11), Keith Fujimoto - Retiree (11-18-10):cab
Department of Water
County of Kauai

Financial Statements
As of June 30, 2010 and 2009
Together with Independent Auditor’s Report
## Index

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<tr>
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</tr>
</tbody>
</table>
Independent Auditor's Report

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

We have audited the accompanying 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, 2010 and 2009 as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2a, the financial statements present only the Department and do not purport to, and do not, present fairly the financial position of the County of Kauai, Hawaii, as of June 30, 2010 and 2009, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Department of Water, as of June 30, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 25, 2010 on our consideration of the Department of Water, County of Kauai's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is
an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management’s discussion and analysis on pages 3 through 7, as well as the schedule of funding progress for the Hawaii Employer-Union Health Benefits Trust Fund on page 36, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financials statements that collectively comprise the Department of Water, County of Kauai’s basic financial statements. The accompanying supplemental information included in Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying 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 has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KMH LLP

Honolulu, Hawaii

November 2010
Note: Management’s Discussion and Analysis (MD&A; pages 3 through 7) have been omitted from this draft since this section is still in process. The MD&A is a summary of the financial statements and results and therefore has no impact to the financial results and findings in the attached draft. A draft including the MD&A will be provided at the Board of Water Supply Meeting on November 18, 2010.
### Department of Water, County of Kauai

**Statements of Net Assets**  
June 30, 2010 and 2009

<table>
<thead>
<tr>
<th>Assets</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$9,211,462</td>
<td>$4,038,671</td>
</tr>
<tr>
<td>Equity interest in pooled investments</td>
<td>7,427,118</td>
<td>7,156,930</td>
</tr>
<tr>
<td>Receivables:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts, net of allowance for doubtful accounts</td>
<td>2,032,624</td>
<td>2,230,868</td>
</tr>
<tr>
<td>of approximately $218,000 and $160,000, respectively</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unbilled accounts</td>
<td>1,327,238</td>
<td>1,082,990</td>
</tr>
<tr>
<td>Grants and subsidies</td>
<td>635,254</td>
<td>-</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>246,068</td>
<td>80,203</td>
</tr>
<tr>
<td>Total receivables</td>
<td>4,241,184</td>
<td>3,394,061</td>
</tr>
<tr>
<td>Materials and supplies</td>
<td>947,861</td>
<td>865,772</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>61,077</td>
<td>41,719</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>21,888,702</td>
<td>15,497,153</td>
</tr>
<tr>
<td><strong>Restricted Assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Facility reserve charge funds:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>1,304,738</td>
<td>484,641</td>
</tr>
<tr>
<td>Equity interest in pooled investments</td>
<td>4,250,588</td>
<td>5,841,486</td>
</tr>
<tr>
<td>Accrued interest receivable</td>
<td>52,872</td>
<td>64,653</td>
</tr>
<tr>
<td><strong>Total restricted assets</strong></td>
<td>5,608,198</td>
<td>6,390,780</td>
</tr>
<tr>
<td><strong>Other Assets</strong></td>
<td>807,068</td>
<td>271,222</td>
</tr>
<tr>
<td><strong>Utility Plant:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>In service</td>
<td>223,914,069</td>
<td>204,354,658</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(76,276,107)</td>
<td>(71,717,505)</td>
</tr>
<tr>
<td>Construction work in progress</td>
<td>147,637,962</td>
<td>132,637,153</td>
</tr>
<tr>
<td><strong>Total property, plant and equipment</strong></td>
<td>166,644,477</td>
<td>149,511,005</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$254,928,874</td>
<td>$174,395,923</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
Department of Water, County of Kauai
Statements of Net Assets (continued)
June 30, 2010 and 2009

<table>
<thead>
<tr>
<th>Liabilities and Net Assets</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current portion of long-term debt</td>
<td>$1,818,000</td>
<td>$1,176,000</td>
</tr>
<tr>
<td>Current portion of capital lease obligation</td>
<td>483,000</td>
<td>455,000</td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>3,942,835</td>
<td>3,169,438</td>
</tr>
<tr>
<td>Contracts payable, including retainages</td>
<td>1,222,446</td>
<td>434,095</td>
</tr>
<tr>
<td>Customer advances for construction</td>
<td>923,449</td>
<td>964,739</td>
</tr>
<tr>
<td>Accrued vacation and compensatory pay</td>
<td>502,000</td>
<td>492,000</td>
</tr>
<tr>
<td>Customer deposits</td>
<td>352,160</td>
<td>344,062</td>
</tr>
<tr>
<td>Due to primary government</td>
<td>4,297</td>
<td>764</td>
</tr>
<tr>
<td>Post-retirement health care benefits payable</td>
<td>-</td>
<td>238,509</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td><strong>9,248,187</strong></td>
<td><strong>7,274,607</strong></td>
</tr>
</tbody>
</table>

| Restricted Liabilities:                       |            |            |
| Contracts payable, including retainages       | 14,235     | 385,177    |
| Other liabilities                             | 284,622    | -          |
| **Total restricted liabilities**              | **298,857** | **385,177** |

| Long-Term Debt, Net of Current Portion, Unamortized Premiums and Deferred Refunding Costs | 94,530,550 | 23,310,007 |
| Capital Lease Obligation, Net of Current Portion | 4,850,830  | 5,334,000  |
| Accrued Vacation and Compensatory Pay, Net of Current Portion | 472,411    | 603,897    |
| **Total liabilities**                         | **109,400,835** | **36,907,688** |

| Commitments and Contingencies                 |            |            |
| Net Assets:                                   |            |            |
| Invested in capital assets, net of related debt | 124,942,526 | 121,961,761 |
| Restricted for capital activity and debt service | 3,976,809  | 5,561,547  |
| Unrestricted                                  | 16,608,704 | 9,964,927  |
| **Total net assets**                          | **$145,528,039** | **$137,488,235** |

See accompanying notes to financial statements.
Department of Water, County of Kauai  
Statements of Revenues, Expenses and Changes in Net Assets  
For the Years Ended June 30, 2010 and 2009

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenues:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water sales</td>
<td>$18,771,800</td>
<td>$17,532,807</td>
</tr>
<tr>
<td>Other water revenue:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public fire protection service</td>
<td>925,133</td>
<td>817,839</td>
</tr>
<tr>
<td>Other</td>
<td>88,879</td>
<td>24,460</td>
</tr>
<tr>
<td><strong>Total operating revenues</strong></td>
<td>19,785,812</td>
<td>18,375,106</td>
</tr>
<tr>
<td><strong>Operating Expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>5,898,500</td>
<td>5,182,457</td>
</tr>
<tr>
<td>Administrative and general</td>
<td>4,223,901</td>
<td>4,191,919</td>
</tr>
<tr>
<td>Transmission and distribution</td>
<td>3,441,115</td>
<td>3,220,889</td>
</tr>
<tr>
<td>Power and pumping</td>
<td>3,177,630</td>
<td>3,139,432</td>
</tr>
<tr>
<td>Source of supply</td>
<td>920,824</td>
<td>994,243</td>
</tr>
<tr>
<td>Customer accounting and collection</td>
<td>583,776</td>
<td>575,875</td>
</tr>
<tr>
<td>Purification</td>
<td>133,142</td>
<td>139,111</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>18,378,888</td>
<td>17,443,926</td>
</tr>
<tr>
<td><strong>Income from operations</strong></td>
<td>1,406,924</td>
<td>931,180</td>
</tr>
</tbody>
</table>

**Non-Operating Income (expense):**

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment income</td>
<td>811,341</td>
<td>771,077</td>
</tr>
<tr>
<td>Interest expense, net of amounts capitalized</td>
<td>(1,842,344)</td>
<td>(1,101,472)</td>
</tr>
<tr>
<td><strong>Total non-operating expenses</strong></td>
<td>(1,031,003)</td>
<td>(330,395)</td>
</tr>
<tr>
<td><strong>Income before contributions</strong></td>
<td>375,921</td>
<td>600,785</td>
</tr>
<tr>
<td><strong>Capital Contributions</strong></td>
<td>7,663,883</td>
<td>6,012,726</td>
</tr>
<tr>
<td><strong>Change in net assets</strong></td>
<td>8,039,804</td>
<td>6,613,511</td>
</tr>
<tr>
<td><strong>Net Assets at Beginning of Year</strong></td>
<td>137,488,235</td>
<td>130,874,724</td>
</tr>
<tr>
<td><strong>Net Assets at End of Year</strong></td>
<td>$145,528,039</td>
<td>$137,488,235</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
### Department of Water, County of Kauai

**Statements of Cash Flows**

For the Years Ended June 30, 2010 and 2009

<table>
<thead>
<tr>
<th>Cash Flows from Operating Activities:</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash received from customers</td>
<td>$18,708,853</td>
<td>$17,106,515</td>
</tr>
<tr>
<td>Cash payments to suppliers for goods and services</td>
<td>(8,408,471)</td>
<td>(7,428,893)</td>
</tr>
<tr>
<td>Cash payments to employees for services</td>
<td>(4,424,445)</td>
<td>(4,475,897)</td>
</tr>
<tr>
<td>Other cash receipts</td>
<td>1,014,012</td>
<td>842,299</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td><strong>6,889,949</strong></td>
<td><strong>6,044,024</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash Flows from Capital and Related Financing Activities:</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from issuance of general obligation bonds</td>
<td>60,000,000</td>
<td>-</td>
</tr>
<tr>
<td>Acquisition and construction of capital assets</td>
<td>(17,056,255)</td>
<td>(12,877,963)</td>
</tr>
<tr>
<td>Proceeds from revolving fund loan</td>
<td>13,126,843</td>
<td>59,081</td>
</tr>
<tr>
<td>Principal paid on revolving fund loan</td>
<td>(840,243)</td>
<td>(725,069)</td>
</tr>
<tr>
<td>Payments for bond issuance costs</td>
<td>(535,839)</td>
<td>-</td>
</tr>
<tr>
<td>Principal paid on public improvement bond maturities</td>
<td>(449,000)</td>
<td>(428,000)</td>
</tr>
<tr>
<td>Principal paid on capital lease obligation</td>
<td>(455,170)</td>
<td>(428,087)</td>
</tr>
<tr>
<td>Interest paid on long-term debt</td>
<td>(1,404,615)</td>
<td>(1,464,472)</td>
</tr>
<tr>
<td>Proceeds from federal government capital grants</td>
<td>1,586,231</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from FRC Program, net of refunds</td>
<td>365,800</td>
<td>548,695</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) capital and related financing activities</strong></td>
<td><strong>54,337,752</strong></td>
<td><strong>15,315,815</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash Flows from Investing Activities:</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchases of investments</td>
<td>(79,510,860)</td>
<td>(21,431,642)</td>
</tr>
<tr>
<td>Sales and maturities of investments</td>
<td>24,067,956</td>
<td>28,669,031</td>
</tr>
<tr>
<td>Interest on investments</td>
<td>462,757</td>
<td>739,596</td>
</tr>
<tr>
<td><strong>Net cash (used in) provided by investing activities</strong></td>
<td><strong>54,980,147</strong></td>
<td><strong>7,976,985</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net increase (decrease) in cash (including restricted cash)</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6,247,554</td>
<td>(1,294,806)</td>
</tr>
</tbody>
</table>

**Cash (including restricted cash),**

- **Beginning of Year**: 4,545,075
- **End of Year**: $10,792,629

**Cash (including $1,581,167 and $506,404 in restricted cash, respectively), End of Year**: 4,545,075

See accompanying notes to financial statements.
Department of Water, County of Kauai  
Statements of Cash Flows (continued)  
For the Years Ended June 30, 2010 and 2009

<table>
<thead>
<tr>
<th>Reconciliation of Cash Flows from Operating Activities:</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from operations</td>
<td>$1,406,924</td>
<td>$931,180</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>5,898,500</td>
<td>5,182,457</td>
</tr>
<tr>
<td>(Increase) decrease in assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>198,244</td>
<td>(688,412)</td>
</tr>
<tr>
<td>Unbilled accounts and other</td>
<td>(261,191)</td>
<td>262,120</td>
</tr>
<tr>
<td>Materials and supplies</td>
<td>(82,089)</td>
<td>177,084</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>(19,365)</td>
<td>181,515</td>
</tr>
<tr>
<td>Increase (decrease) in liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>(187,332)</td>
<td>378,568</td>
</tr>
<tr>
<td>Accrued vacation and compensatory pay</td>
<td>(121,486)</td>
<td>(44,103)</td>
</tr>
<tr>
<td>Other liabilities, restricted</td>
<td>284,622</td>
<td></td>
</tr>
<tr>
<td>Post-retirement healthcare benefits payable</td>
<td>(238,509)</td>
<td>(223,767)</td>
</tr>
<tr>
<td>Due to primary government</td>
<td>3,533</td>
<td>(62,444)</td>
</tr>
<tr>
<td>Customer deposits</td>
<td>8,098</td>
<td>(50,174)</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>$6,889,949</td>
<td>$6,044,024</td>
</tr>
</tbody>
</table>

Supplemental Disclosure of Non-cash Capital and Related Financing Activities:
The Department received approximately $5,077,000 and $5,464,000 for the years ended June 30, 2010 and 2009, respectively, in contributions of property, plant and equipment from governmental agencies, developers and customers which are recorded as contributions at estimated fair value at the date of donation.

See accompanying notes to financial statements.
Department of Water, County of Kauai

Notes to Basic Financial Statements
June 30, 2010 and 2009

1. Background

On May 10, 1960, by authority of Act 20, Session Laws of Hawaii 1960, the Board of Water Supply (the Board) of the County of Kauai, Hawaii (the County) was created. The County transferred to the Board the operation and management of the water transmission and distribution systems. Under Act 20, the Board has the power to make and alter rules and regulations relating to the management, control, operation, preservation and protection of the waterworks. The rules and regulations adopted by the Board have the force and effect of law.

As of January 2, 1969, under a new charter for the County, the policy-making responsibility for the water system was retained by the Board. The Board, however, is specifically stated to be an executive department of the County government. To the extent that they were not in conflict with the provisions of the charter, laws governing the County water supply which were in existence at the time of the enactment of the charter continued in effect. The water system is now being operated as the Department of Water, County of Kauai (the Department), a self-supporting component unit (enterprise fund) of the County which renders water services throughout the island.

The Department is responsible for establishing rates for services based upon current operating costs and expected future capital and operating revenue requirements. The rates determined by the Department are subject to approval by the Board. Effective January 1, 2009, the Board raised rates 8.5 percent in accordance with the 2006 rate study obtained by the Department.

2. Summary of Significant Accounting Policies

a. Financial Statement Presentation

The Department is a component unit of the County (the primary government). The accompanying financial statements present only the activities of the Department and do not include other organizations, activities and functions of the County.

b. Basis of Accounting

The accompanying financial statements are presented using the economic resources measurement focus and the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred.
2. Summary of Significant Accounting Policies (continued)

b. Basis of Accounting (continued)

The Department distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Department's principal ongoing water operations. The principal operating revenues are from charges for water usage, while operating expenses include cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Department follows Governmental Accounting Standards Board (GASB) Statement No. 20, “Accounting and Financial Reporting for Proprietary Fund Accounting.” Under GASB No. 20, the Department applies all applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board Opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Department does not apply FASB Statements and Interpretations issued after November 30, 1989.

c. Cash

The Department's cash include cash on hand and demand deposits.

d. Investments

The Department has stated its long-term investments at fair value. Changes in the fair value of investments are recognized in the statements of revenues, expenses and changes in net assets. Short-term investments are stated at cost, which approximates fair value.

e. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include revenue recognized related to unbilled accounts, accrued liability for workers' compensation claims and judgments and accrued liability for post-retirement health care benefits. Actual results could differ from those estimates.
2. Summary of Significant Accounting Policies (continued)

f. Utility Plant in Service (UPIS) and Depreciation

In July 1966, a detailed report on the inventory and valuation of water utility properties of the Board was submitted by R. W. Beck and Associates, Analytical and Consulting Engineers, of Seattle, Washington. The estimated original cost of $5.8 million and the reserve for depreciation of $1.4 million were recorded in the accounts. Additions to the utility plant since the date of the valuation are stated at cost and include contributions by government agencies, private developers and customers at their fair value at the date of contribution.

Depreciation on the utility plant is computed over the estimated useful lives of the various individual and group assets using the straight-line method. Depreciation expense for the year is calculated using plant balances, including contributions in aid of construction, at the beginning of the year.

The estimated useful lives of the various individual and group assets are as follows:

- Motor vehicles: 7 to 10 years
- Equipment and machinery: 5 to 20 years
- Buildings and improvements: 40 to 50 years
- Transmission and distribution equipment: 18 to 63 years

Normal maintenance and repairs are charged to operations as incurred. All expenditures for major additions, betterments and replacements for the utility plant are capitalized, and expenditures for the general plant greater than $1,000 are capitalized. The Department capitalizes certain indirect costs to construction work orders based upon actual construction direct labor hours.

As of June 30, 2010 and 2009, utility plant held for future use with a carrying value of approximately $1,031,000 and $1,056,000, respectively, related to a water tunnel. The Department is currently assessing whether further modifications will be made to bring the asset into compliance with the Environmental Protection Agency's regulations. In 2010 and 2009, no impairment losses were identified by the Department.

g. Capitalization of Interest

Interest costs have been capitalized, in accordance with SFAS No. 34, “Capitalization of Interest Cost,” based on an average of expended costs through the end of the year. Capitalized interest in 2010 and 2009 was approximately $523,000 and $363,000, respectively.
2. Summary of Significant Accounting Policies (continued)

h. Material and Supplies

Materials and supplies are stated at lower of average cost (which approximates the first-in, first-out method) or market.

i. Revenue Recognition

The Department recognizes revenue on the accrual method of accounting as services are rendered. Revenue recognized for services rendered but not billed is reflected as unbilled accounts in the accompanying statements of net assets.

j. Risk Management

The Department is exposed to various risks of loss from: (1) torts, (2) theft of, damage to and destruction of assets, (3) employee injuries and illnesses, (4) natural disasters, (5) employee health, dental and accident benefits, and (6) miscellaneous others. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims in excess of this commercial coverage was not significant in any of the three preceding years. The Department is self-insured for workers’ compensation claims and judgments.

k. Capital Contributions

The following transactions represent voluntary non-exchange transactions and are recorded at fair value and are included as non-operating income in the statements of revenues, expenses and changes in net assets:

- Receipts from federal and state financial assistance restricted to the acquisition of fixed assets
- Contributed utility plant in service
- Receipts of facility reserve charges
- Interest subsidies related to certain bonds (see Note 6)

At June 30, 2010, the Department recorded approximately $272,000 for accrued interest subsidies and approximately $363,000 for grant reimbursements due for capital expenditures incurred in grants and subsidies receivable in the accompanying statements of net assets.
2. **Summary of Significant Accounting Policies (continued)**

   **i. Facilities Reserve Charge (FRC)**

   Under the authority provided to the Board mentioned in Note 1, the Department assesses a fee to commercial and residential developers based upon the number and size of water meters installed at respective projects. These fees are restricted to fund the capital improvements of the water supply system and recorded as contributions in the statements of revenues, expenses and changes in net assets.

   **m. Net Assets**

   Net assets comprise the various net earnings from operating and non-operating revenues, expenses and contributions in aid of construction. Net assets are classified in the following three components: invested in capital assets, net of related debt; restricted for capital activity and debt service; and unrestricted net assets. Invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction or improvement of those assets. Debt related to unspent proceeds or other restricted cash and investments at year-end are not included in the calculation of invested in capital assets, net of related debt. Restricted for capital activity and debt service consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. Unrestricted consists of all other net assets not included in the above categories.

3. **Deposits**

   The Department's deposits consist of cash, money market accounts and non-negotiable certificates of deposits. The Department's deposits are controlled by the Director of Finance of the County of Kauai.

   At June 30, 2010 and 2009, the carrying value of the Department's cash deposits amount to approximately $10,793,000 and $4,545,000, respectively, of which approximately $5,652,000 and $1,023,000, respectively, were held by the County in the County's name. The banks' balances at June 30, 2010 and 2009 amounted to approximately $10,253,000 and $4,331,000, respectively. The Director of Finance has arranged for all of the Department's deposits at June 30, 2010 and 2009 to be collateralized with securities held by the pledging financial institution in the County's name.
4. Investments

The Department’s investments are controlled by the Director of Finance of the County of Kauai and are generally invested in certificates of deposit, repurchase agreements, government sponsored entity securities (i.e., Federal Home Loan Bank notes and bonds, Federal Home Loan Mortgage Corporation bonds, and Federal National Mortgage Association notes and bonds) with federally insured financial institutions and mutual funds. The Department's investment vehicles are consistent with the investment guidelines contained in the Hawaii Revised Statutes (HRS).

The Department participates in an investment pool with the County. The Department’s portion of this pool is displayed on the statements of net assets as equity interest in pooled investments.

The following is the composition of the Department’s portion of these investments as of June 30, 2010 and 2009:

<table>
<thead>
<tr>
<th></th>
<th>2010:</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fair Value</td>
<td>Investment Maturities (in years)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(approximate)</td>
<td>0-5</td>
<td>5-10</td>
<td>10-20</td>
<td>&gt;20</td>
</tr>
<tr>
<td>Government sponsored entities and other agencies</td>
<td>$50,776,000</td>
<td>$49,766,000</td>
<td>$1,010,000</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>US governments</td>
<td>13,381,000</td>
<td>13,381,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other fixed income</td>
<td>4,067,000</td>
<td>4,067,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>US corporates</td>
<td>105,000</td>
<td>105,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$68,329,000</strong></td>
<td><strong>$67,319,000</strong></td>
<td><strong>$1,010,000</strong></td>
<td><strong>$</strong></td>
<td><strong>$</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2009:</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fair Value</td>
<td>Investment Maturities (in years)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(approximate)</td>
<td>0-5</td>
<td>5-10</td>
<td>10-20</td>
<td>&gt;20</td>
</tr>
<tr>
<td>Government sponsored entities and other agencies</td>
<td>$11,634,000</td>
<td>$11,634,000</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>US corporates</td>
<td>448,000</td>
<td>448,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>12,000</td>
<td>12,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$12,094,000</strong></td>
<td><strong>$12,094,000</strong></td>
<td><strong>$</strong></td>
<td><strong>$</strong></td>
<td><strong>$</strong></td>
</tr>
</tbody>
</table>

As of June 30, 2010 and 2009, excluded from the above disclosures is approximately $3,022,000 and $3,608,000, respectively, of non-negotiable certificates of deposit which are classified as investments in the statement of net assets, but are considered deposits for the purposes of this disclosure.
4. Investments (continued)

*Interest Rate Risk* – State law limits the Department’s investment portfolio to maturities of less than five years. The Department does not have a formal investment policy that further limits investment maturities.

*Credit Risk* – State law limits investments to the top rating issued by nationally recognized statistical rating organizations (NRSROs). The Department has no investment policy that would further limit its investment choices. As of June 30, 2010, with the exception of the Department’s investment in certain fixed income and mutual funds which was not rated, all of the Department’s investments were rated AA-AAA.

*Custodial Credit Risk* – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Department will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

*Concentration of Credit Risk* – The Department places no limit on the amount which may be invested in any one issuer. As of June 30, 2010, more than 5 percent of the Department’s investments are held in the following: Fannie Mae (24%), Federal Home Loan Bank (22%), US Treasury (19%), and Freddie Mac (13%).

5. Property, Plant and Equipment

Property, plant and equipment activity during 2010 and 2009 was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Balance June 30, 2009</th>
<th>Additions</th>
<th>Reductions/Transfers</th>
<th>Balance June 30, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utility Plant in Service</td>
<td>$204,354,658</td>
<td>$20,902,210</td>
<td>$(1,342,799)</td>
<td>$223,914,069</td>
</tr>
<tr>
<td>Accumulated Depreciation</td>
<td>(71,717,505)</td>
<td>(5,901,401)</td>
<td>1,342,799</td>
<td>(76,276,107)</td>
</tr>
<tr>
<td></td>
<td>$132,637,153</td>
<td>15,000,809</td>
<td>-</td>
<td>147,637,962</td>
</tr>
<tr>
<td>Construction in Progress</td>
<td>16,873,852</td>
<td>18,753,764</td>
<td>(16,621,101)</td>
<td>19,006,515</td>
</tr>
<tr>
<td>Total</td>
<td>$149,411,005</td>
<td>$33,754,573</td>
<td>$(16,621,101)</td>
<td>$166,644,477</td>
</tr>
</tbody>
</table>
5. Property, Plant and Equipment (continued)

<table>
<thead>
<tr>
<th></th>
<th>Balance</th>
<th>Additions</th>
<th>Reductions/Transfers</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 30, 2008</td>
<td></td>
<td></td>
<td>June 30, 2009</td>
</tr>
<tr>
<td>Utility Plant in Service</td>
<td>$194,058,891</td>
<td>$11,370,487</td>
<td>$(1,074,720)</td>
<td>$204,354,658</td>
</tr>
<tr>
<td>Accumulated Depreciation</td>
<td>(67,609,767)</td>
<td>(5,182,458)</td>
<td></td>
<td>(71,712,225)</td>
</tr>
<tr>
<td></td>
<td>$126,449,124</td>
<td>6,188,029</td>
<td></td>
<td>132,637,153</td>
</tr>
<tr>
<td>Construction in Progress</td>
<td>9,272,263</td>
<td>14,284,052</td>
<td>(6,682,463)</td>
<td>16,873,852</td>
</tr>
<tr>
<td>Total</td>
<td>$135,721,387</td>
<td>$20,472,081</td>
<td>$(6,682,463)</td>
<td>$149,411,005</td>
</tr>
</tbody>
</table>

6. Long-Term Liabilities

Bonds Payable

The full faith and credit of the County are pledged for the payment of the Department's obligations. The County has the power and is obligated to levy ad valorem taxes, without limitation as to rate or amount, on all real property subject to taxation by the County.

Unamortized bond issuance cost was approximately $623,000 and $101,000 at June 30, 2010 and 2009, respectively. This cost is amortized over the term of the respective bond and is included as other assets in the accompanying statements of net assets.

At June 30, 2010, approximately $8.9 million of the Department’s portion of general obligation bonds outstanding are considered defeased.

On March 24, 2010, the Department issued through the County $60,000,000 in general obligation bonds (2010A Series Bonds) to fund various capital improvement projects. The Department has elected to treat the 2010A Series Bonds as “Build America Bonds” for the purpose of the American Recovery and Reinvestment Act of 2009 (the Recovery Act) and to receive a cash subsidy from the Unites States Treasury in connection therewith. Pursuant to the Recovery Act, the Authority will receive cash subsidy payments from the United States Treasury equal to 35 percent of the interest payable on the 2010A Series Bonds.
6. **Long-Term Liabilities (continued)**

**Bonds Payable (continued)**

As of June 30, 2010 and 2009, bonds payable consisted of the following:

<table>
<thead>
<tr>
<th>Bond Description</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Build America Bonds--County Series 2010A, last installment 2033. Maturing serially from August 1, 2013. Interest rate - 1.96 to 5.76 percent. Date issued - March 24, 2020. Original amount - $60,000,000.</td>
<td>$60,000,000</td>
<td>$ -</td>
</tr>
<tr>
<td>Public Improvement Bonds--County Series 2005A, last installment 2029. Maturing serially from August 1, 2008. Interest rate - 3.25 to 5.00 percent. Date issued - November 10, 2005. Original amount - $6,485,000.</td>
<td>6,370,000</td>
<td>6,430,000</td>
</tr>
<tr>
<td>Public Improvement Bonds--County Series 2001A, last installment 2025. Maturing serially from August 1, 2001. Interest rate - 4.0 to 6.25 percent. Date issued - May 15, 2001. Original amount - $11,725,000.</td>
<td>5,630,000</td>
<td>6,005,000</td>
</tr>
<tr>
<td>Public Improvement Bonds--County Series 1980, last installment 2015. Maturing serially from March 1, 1983. Interest rate - 5 percent. Date issued - April 7, 1980. Original amount - $300,000.</td>
<td>81,000</td>
<td>95,000</td>
</tr>
</tbody>
</table>

Total bonds payable: 72,081,000 12,530,000

Less: Premium on bond issuance and discount on advanced refunding: (151,014) (175,958)

Total bonds payable, net: $71,929,986 $12,354,042
6. Long-Term Liabilities (continued)

The approximate annual debt service requirements through 2015 and in five-year increments thereafter to maturity as of June 30, 2010 are as follows:

<table>
<thead>
<tr>
<th>Years ending June 30:</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$ 470,000</td>
<td>$ 3,078,000</td>
<td>$ 3,548,000</td>
</tr>
<tr>
<td>2012</td>
<td>490,000</td>
<td>3,487,000</td>
<td>3,977,000</td>
</tr>
<tr>
<td>2013</td>
<td>516,000</td>
<td>3,462,000</td>
<td>3,978,000</td>
</tr>
<tr>
<td>2014</td>
<td>2,417,000</td>
<td>3,415,000</td>
<td>5,832,000</td>
</tr>
<tr>
<td>2015</td>
<td>2,503,000</td>
<td>3,148,000</td>
<td>5,651,000</td>
</tr>
<tr>
<td>2016-2020</td>
<td>13,855,000</td>
<td>15,277,000</td>
<td>29,132,000</td>
</tr>
<tr>
<td>2021-2025</td>
<td>18,045,000</td>
<td>11,850,000</td>
<td>29,895,000</td>
</tr>
<tr>
<td>2026-2030</td>
<td>18,115,000</td>
<td>7,104,000</td>
<td>25,219,000</td>
</tr>
<tr>
<td>2031-2033</td>
<td>15,670,000</td>
<td>1,720,561</td>
<td>17,390,561</td>
</tr>
</tbody>
</table>

**Total**  
$ 72,081,000  
$52,541,561  
$124,622,561

**Loans Payable**

As of June 30, 2010 and 2009, the loans payable consisted of the following:

<table>
<thead>
<tr>
<th>Loan Description</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Revolving Fund (SRF) Loan – Stable 1.0 MG Tank, last installment 2029.</td>
<td>$ 5,693,863</td>
<td>-</td>
</tr>
<tr>
<td>Interest rate - .130 percent. Semi-annual loan fee rate - 1.625 percent. Date</td>
<td></td>
<td></td>
</tr>
<tr>
<td>issued - March 15, 2009</td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Revolving Fund (SRF) Loan – Poipu Road 16 Inch Main Replacement, last</td>
<td>4,514,574</td>
<td>4,776,344</td>
</tr>
<tr>
<td>installment 2027. Interest rate - .160 percent. Semi-annual loan fee rate -</td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Revolving Fund (SRF) Loan – 16 Kaumualii Highway 12 Inch Main Replacement,</td>
<td>3,758,412</td>
<td>-</td>
</tr>
<tr>
<td>last installment 2029. Interest rate - .160 percent. Semi-annual loan fee rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Revolving Fund (SRF) Loan – 16 Inch Waterline Replacement along Kuhio</td>
<td>1,946,707</td>
<td>2,066,735</td>
</tr>
<tr>
<td>Highway, Leho Drive to North Papaloa Road, last installment 2026. Interest rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- .160 percent. Semi-annual loan fee rate - 1.625 percent. Date issued – August</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Department of Water, County of Kauai

Notes to Basic Financial Statements
June 30, 2010 and 2009

6. Long-Term Liabilities (continued)

Loans Payable (continued)

<table>
<thead>
<tr>
<th>Loan Description</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Revolving Fund (SRF) Loan – Kapilihau 0.5 MG Tank, last installment 2030. Interest rate – .210 percent. Semi-annual loan fee rate – 1.625 percent. Date issued – January 15, 2010. Original amount - $1,720,255.</td>
<td>1,720,255</td>
<td>-</td>
</tr>
</tbody>
</table>

23
Department of Water, County of Kauai

Notes to Basic Financial Statements
June 30, 2010 and 2009

6. Long-Term Liabilities (continued)

Loans Payable (continued)


<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>493,763</td>
<td>527,783</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th></th>
<th>298,229</th>
<th>318,684</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>24,418,564</td>
<td>12,131,964</td>
</tr>
</tbody>
</table>

The approximate annual debt service requirements through 2015 and in five-year increments thereafter to maturity as of June 30, 2010 are as follows:

<table>
<thead>
<tr>
<th>Years ending June 30:</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$1,348,000</td>
<td>$844,000</td>
<td>$2,192,000</td>
</tr>
<tr>
<td>2012</td>
<td>1,397,000</td>
<td>825,000</td>
<td>2,222,000</td>
</tr>
<tr>
<td>2013</td>
<td>1,403,000</td>
<td>774,000</td>
<td>2,177,000</td>
</tr>
<tr>
<td>2014</td>
<td>1,408,000</td>
<td>722,000</td>
<td>2,130,000</td>
</tr>
<tr>
<td>2015</td>
<td>1,414,000</td>
<td>671,000</td>
<td>2,085,000</td>
</tr>
<tr>
<td>2016-2020</td>
<td>7,163,000</td>
<td>2,568,000</td>
<td>9,731,000</td>
</tr>
<tr>
<td>2021-2025</td>
<td>6,624,000</td>
<td>1,273,000</td>
<td>7,897,000</td>
</tr>
<tr>
<td>2026-2030</td>
<td>3,661,564</td>
<td>273,513</td>
<td>3,935,077</td>
</tr>
<tr>
<td></td>
<td><strong>$24,418,564</strong></td>
<td><strong>$7,950,513</strong></td>
<td><strong>$32,369,077</strong></td>
</tr>
</tbody>
</table>
Department of Water, County of Kauai

Notes to Basic Financial Statements
June 30, 2010 and 2009

6. Long-Term Liabilities (continued)

Capital Lease Obligation

On February 19, 2004, the Department entered into a Water Treatment and Delivery Agreement (Agreement) with an unrelated third party developer. The Agreement requires the developer to build, operate and maintain a surface water treatment plant (SWTP) with a capacity of 3.0 million gallons per day (MGD). The Department is required to purchase, at a minimum, 2.0 MGD and also to provide the developer a credit towards its facility reserve charge. The term of the Agreement is 15 years and the Agreement also provides the Department with the option of accepting the dedication of the SWTP at no cost after the reimbursement date, as defined. The Department commenced water purchases on January 1, 2006. This arrangement has been recorded as a capital lease in the accompanying basic financial statements.

The capital lease obligation is amortized at an implicit rate of approximately 6.0 percent. The annual requirements to amortize capital lease obligation as of June 30, 2010 are approximately as follows:

<table>
<thead>
<tr>
<th>Years ending June 30:</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$483,000</td>
<td>$309,000</td>
<td>$792,000</td>
</tr>
<tr>
<td>2012</td>
<td>513,000</td>
<td>279,000</td>
<td>792,000</td>
</tr>
<tr>
<td>2013</td>
<td>545,000</td>
<td>247,000</td>
<td>792,000</td>
</tr>
<tr>
<td>2014</td>
<td>579,000</td>
<td>213,000</td>
<td>792,000</td>
</tr>
<tr>
<td>2015</td>
<td>615,000</td>
<td>177,000</td>
<td>792,000</td>
</tr>
<tr>
<td>2016-2019</td>
<td>2,598,830</td>
<td>305,000</td>
<td>2,903,830</td>
</tr>
<tr>
<td></td>
<td>$5,333,830</td>
<td>$1,530,000</td>
<td>$6,863,830</td>
</tr>
</tbody>
</table>

The utility plant related to the SWTP facility approximated $7,181,000 as of June 30, 2010 and 2009. The accumulated provision for depreciation related to the SWTP facility approximated $2,412,000 and $1,881,000 as of June 30, 2009 and 2008, respectively.
6. **Long-Term Liabilities (continued)**

**Changes in long-term liabilities**

Long-term liability activity for the years ended June 30, 2010 and 2009 was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Balance June 30, 2009</th>
<th>Additions</th>
<th>Reductions</th>
<th>Balance June 30, 2010</th>
<th>Approximate amounts due within one year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds payable:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General obligation bonds</td>
<td>$12,530,000</td>
<td>$60,000,000</td>
<td>$449,000</td>
<td>$72,081,000</td>
<td>$470,000</td>
</tr>
<tr>
<td>Deferred costs:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>For issuance premiums</td>
<td>248,837</td>
<td>-</td>
<td>13,608</td>
<td>235,229</td>
<td>-</td>
</tr>
<tr>
<td>On refunding</td>
<td>(424,794)</td>
<td>-</td>
<td>(38,551)</td>
<td>(386,243)</td>
<td>-</td>
</tr>
<tr>
<td>Total bonds payable</td>
<td>12,354,043</td>
<td>60,000,000</td>
<td>424,057</td>
<td>71,929,986</td>
<td>470,000</td>
</tr>
<tr>
<td>Loans payable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total long term debt</td>
<td>24,486,007</td>
<td>73,126,843</td>
<td>1,264,300</td>
<td>56,348,550</td>
<td>1,818,000</td>
</tr>
<tr>
<td>Compensated absences</td>
<td>1,095,897</td>
<td>517,121</td>
<td>638,607</td>
<td>974,411</td>
<td>502,000</td>
</tr>
<tr>
<td>Capital lease obligation</td>
<td>5,789,087</td>
<td>-</td>
<td>455,257</td>
<td>5,333,830</td>
<td>483,000</td>
</tr>
<tr>
<td>Total</td>
<td>$31,370,991</td>
<td>$73,643,964</td>
<td>$2,358,164</td>
<td>$102,656,791</td>
<td>$2,803,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Balance June 30, 2008</th>
<th>Additions</th>
<th>Reductions</th>
<th>Balance June 30, 2009</th>
<th>Approximate amounts due within one year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds payable:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General obligation bonds</td>
<td>$12,958,000</td>
<td>$ -</td>
<td>$428,000</td>
<td>$12,530,000</td>
<td>$449,000</td>
</tr>
<tr>
<td>Deferred costs:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>For issuance premiums</td>
<td>262,445</td>
<td>-</td>
<td>13,608</td>
<td>248,837</td>
<td>-</td>
</tr>
<tr>
<td>On refunding</td>
<td>(463,345)</td>
<td>-</td>
<td>(38,551)</td>
<td>(424,794)</td>
<td>-</td>
</tr>
<tr>
<td>Total bonds payable</td>
<td>12,757,100</td>
<td>-</td>
<td>403,057</td>
<td>12,354,043</td>
<td>449,000</td>
</tr>
<tr>
<td>Loans payable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total long term debt</td>
<td>25,555,052</td>
<td>59,081</td>
<td>725,069</td>
<td>12,131,964</td>
<td>727,000</td>
</tr>
<tr>
<td>Compensated absences</td>
<td>1,140,000</td>
<td>570,670</td>
<td>614,773</td>
<td>1,095,897</td>
<td>492,000</td>
</tr>
<tr>
<td>Capital lease obligation</td>
<td>6,217,087</td>
<td>-</td>
<td>428,000</td>
<td>5,789,087</td>
<td>455,000</td>
</tr>
<tr>
<td>Total</td>
<td>$32,912,139</td>
<td>$629,751</td>
<td>$2,170,899</td>
<td>$31,370,991</td>
<td>$2,123,000</td>
</tr>
</tbody>
</table>
7. **Net Assets**

At June 30, 2010 and 2009, net assets consisted of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><em><strong>Invested in Capital Assets, Net of Related Debt</strong></em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net property, plant and equipment</td>
<td>$166,644,477</td>
<td>$149,511,005</td>
</tr>
<tr>
<td>Less: Long term debt, net</td>
<td>(96,348,550)</td>
<td>(24,486,007)</td>
</tr>
<tr>
<td>Less: Capital lease obligation</td>
<td>(5,333,830)</td>
<td>(5,789,000)</td>
</tr>
<tr>
<td>Add: Unspent debt proceeds</td>
<td>59,980,429</td>
<td>2,725,763</td>
</tr>
<tr>
<td></td>
<td><strong>124,942,526</strong></td>
<td><strong>121,961,761</strong></td>
</tr>
<tr>
<td><em><strong>Restricted for Capital Activity and Debt Service</strong></em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FRC net assets</td>
<td>5,309,341</td>
<td>6,005,603</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>276,429</td>
<td>21,763</td>
</tr>
<tr>
<td>Restricted investments</td>
<td>59,704,000</td>
<td>2,704,000</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued interest payable</td>
<td>(1,332,532)</td>
<td>(444,056)</td>
</tr>
<tr>
<td>Unspent debt proceeds</td>
<td>(59,980,429)</td>
<td>(2,725,763)</td>
</tr>
<tr>
<td></td>
<td><strong>3,976,809</strong></td>
<td><strong>5,561,547</strong></td>
</tr>
<tr>
<td><em><strong>Unrestricted</strong></em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>16,608,704</td>
<td>9,964,927</td>
</tr>
<tr>
<td>Total net assets</td>
<td><strong>$145,528,039</strong></td>
<td><strong>$137,488,235</strong></td>
</tr>
</tbody>
</table>

As of June 30, 2010 and 2009, FRC net assets consisted of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>FRC assets restricted for utility plant construction:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$1,304,738</td>
<td>$484,641</td>
</tr>
<tr>
<td>Equity interest in pooled investments</td>
<td>4,250,588</td>
<td>5,841,486</td>
</tr>
<tr>
<td>Accrued interest receivable</td>
<td>52,872</td>
<td>64,653</td>
</tr>
<tr>
<td></td>
<td><strong>5,608,198</strong></td>
<td><strong>6,390,780</strong></td>
</tr>
<tr>
<td>FRC liabilities</td>
<td>(298,857)</td>
<td>(385,177)</td>
</tr>
<tr>
<td>FRC net assets</td>
<td><strong>$5,309,341</strong></td>
<td><strong>$6,005,603</strong></td>
</tr>
</tbody>
</table>
Department of Water, County of Kauai

Notes to Basic Financial Statements
June 30, 2010 and 2009

7. Net Assets (continued)

Additions to the FRC Fund amounted to approximately $366,000 and $549,000 for the years ended June 30, 2010 and 2009, respectively, and are included as contributions on the accompanying statements of revenues, expenses and changes in net assets.

8. Employees’ Retirement System

a. Description of Plan

All eligible employees of the State and counties are required by Hawaii Revised Statutes (HRS) Chapter 88, to become members of the Employees’ Retirement System of the State of Hawaii (ERS), a cost-sharing multiple-employer public employee retirement plan. The ERS is governed by a Board of Trustees. All contributions, benefits and eligibility requirements are established by HRS Chapter 88 and can be amended by legislative action. The ERS issues a comprehensive annual financial report that is available to the public. That report may be obtained by writing to the ERS at 201 Merchant Street, Suite 1400, Honolulu, Hawaii 96813.

Prior to June 30, 1984, the plan consisted of only a contributory plan. In 1984, legislation was enacted to add a new noncontributory plan for members of the ERS who are also covered under Social Security. Policy officers, firefighters, judges, elected officials, and person employed in positions not covered by Social Security are precluded from the noncontributory plan. The noncontributory plan provides for reduced benefits and covers most eligible employees hired after June 30, 1984. Employees hired before that date were allowed to continue under the contributory plan or to elect the new noncontributory plan and receive a refund of employee contributions. All benefits vest after five and ten year credited service under the contributory and noncontributory plans, respectively.

Both plan options provide a monthly retirement allowance based on the employee’s age, years of credited service, and average final compensation (AFC). The AFC is the average salary earned during the five highest paid years of service, including the vacation payment, if the employee became a member prior to January 1, 1971. The AFC for members hired on or after that date is based on the three highest paid years of service, excluding the vacation payment.
8. Employees' Retirement System (continued)

a. Description of Plan (continued)

On July 1, 2006, a new hybrid contributory plan became effective pursuant to Act 179, SLH of 2004. Members in the hybrid plan are eligible for retirement at age 62 with 5 years of credited services or age 55 and 30 years of credit service. Members will receive a benefit multiplier of 2 percent for each year of credited service in the hybrid plan. The benefit payment options are similar to the current contributory plan. Almost 58,000 current members, all members of the noncontributory plan and certain members of the contributory plan are eligible to join the new hybrid plan. Most of the new employees hired from July 1, 2006 are required to join the new hybrid plan.

b. Funding Policy

Most covered employees of the contributory option are required to contribute 7.8 percent of their salary. Police officers, firefighters, investigators of the department of the County Prosecuting Attorney and the Attorney General, narcotics enforcement investigators, and public safety investigators are required to contribute 12.2 percent of their salary. The funding method used to calculate the total employer contribution requirement is the Entry Age Normal Actuarial Cost Method. Effective July 1, 2005, employer contribution rates are a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liability.

The ERS provides basic pension benefits to individuals receiving pensions. Employer contributions to the ERS are comprised of normal cost plus level annual payments required to liquidate the unfunded accrued liability of the ERS. The ERS uses the entry age normal cost funding method to calculate the unfunded accrued liability. In 2002, the Legislature of the State of Hawaii approved Act 147 that extends the amortization period to liquidate the unfunded liability from 15 years to 29 years.

The Department's payroll for employees covered by the plan was approximately $4,260,000 and $4,382,000 for 2010 and 2009, respectively. The payroll for all of the Department's employees was approximately $4,424,000 and $4,476,000 for 2010 and 2009, respectively. The Department is required to contribute an actuarially determined amount to the ERS. The Department's contributions requirements as of June 30, 2010, 2009 and 2008 were approximately $639,000, $655,000 and $617,000, respectively. The contribution rate was 15.00 percent for the years ended June 30, 2010 and 2009.
9. Post-Retirement Health Care and Life Insurance Benefits

a. Plan Description

The Department provides certain other postemployment benefits (OPEB) other than pensions to all qualified employees. Pursuant to Chapter 87A of the Hawaii Revised Statutes (HRS), the Department contributes to the Hawaii Employer-Union Health Benefits Trust Fund (EUTF). The EUTF was established to provide a single delivery system of health benefits for state and county workers, retirees and their dependents. The EUTF currently provides medical, dental, vision, and life insurance benefits. The EUTF issues an annual financial report that is available to the public. That report may be obtained by writing to the EUTF at 201 Merchant Street, Suite 1520, Honolulu, Hawaii 96813.

The eligibility requirements for retiree health benefits are as follows:

For employees hired before July 1, 1996, the Department pays the entire monthly health care premium for employees retiring with ten or more years of credited service, and 50% of the monthly premium for employees retiring with fewer than ten years of credited service.

For employees hired after June 30, 1996, and who retire with fewer than 10 years of service, the Department makes no contributions. For those retiring with at least 10 years but fewer than 15 years of service, the Department pays 50% of the retired employees’ monthly Medicare or non-Medicare premium. For employees hired after June 30, 1996, and who retire with at least 15 years but fewer than 25 years of service, the Department pays 75% of the retired employees’ monthly Medicare or non-Medicare premium; for those retiring with over 25 years of service, the Department pays the entire health care premium.

b. Funding Policy

For active employees, the employer’s contributions are based upon negotiated collective bargaining agreements. Employer contributions for employees not covered by collective bargaining agreements and for retirees are prescribed by the HRS.

The Department is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over 30 years. The current ARC rate for the Department is 15.3% of annual covered payroll.
9. Post-Retirement Health Care and Life Insurance Benefits (continued)

c. Annual OPEB Cost

For 2010 and 2009, the Department’s annual OPEB cost of approximately $756,000 and $728,000, respectively, was equal to ARC. The Department’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2010, 2009 and 2008 were as follows:

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30</th>
<th>Annual OPEB Cost</th>
<th>Percentage of Annual OPEB Cost Contributed</th>
<th>Net OPEB Obligation (Asset)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$ 704,000</td>
<td>100.0%</td>
<td>$</td>
</tr>
<tr>
<td>2009</td>
<td>728,000</td>
<td>100.0%</td>
<td>-</td>
</tr>
<tr>
<td>2010</td>
<td>756,000</td>
<td>109.4%</td>
<td>(71,000)</td>
</tr>
</tbody>
</table>

At June 30, 2009, the Department’s post-retirement healthcare payable of $238,509 is considered a short term difference and has been included in the respective annual OPEB contributions in accordance with GASB Statement No. 45.

d. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2009, the effective date of the biennial actuarial valuation, was as follows:

| Actuarial accrued liability (AAL) | $ 9,702,000 |
| Assets                            | 930,000     |
| Unfunded AAL (UAAL)               | $ 8,772,000 |

<table>
<thead>
<tr>
<th>Covered payroll</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4,424,000</td>
<td>4,476,000</td>
</tr>
<tr>
<td>UAAL as a percentage of covered payroll</td>
<td>198%</td>
<td>196%</td>
</tr>
</tbody>
</table>

Actuarial valuations of an ongoing plan involve estimate of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Amounts determined regarding the funded status of the plan and the ARC are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes of the financial statements, presents multiyear trend
9. Post-Retirement Healthcare and Life Insurance Benefits (continued)

d. Funded Status and Funding Progress (continued)

information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

e. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Significant methods and assumptions from the Department’s actuarial valuation were as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>July 1, 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valuation date</td>
<td>July 1, 2009</td>
</tr>
<tr>
<td>Actuarial cost method</td>
<td>Entry age normal</td>
</tr>
<tr>
<td>Amortization method</td>
<td>Level percentage of pay, closed</td>
</tr>
<tr>
<td>Remaining amortization period</td>
<td>30 years</td>
</tr>
<tr>
<td>Actuarial assumptions:</td>
<td></td>
</tr>
<tr>
<td>Investment rate of return</td>
<td>7%</td>
</tr>
<tr>
<td>Healthcare cost trend rate:</td>
<td></td>
</tr>
<tr>
<td>Medical and prescription drug</td>
<td>10.5% initial; 5% ultimate</td>
</tr>
<tr>
<td>Dental</td>
<td>6% initial; 4% ultimate</td>
</tr>
<tr>
<td>Vision</td>
<td>4% initial; 3% ultimate</td>
</tr>
<tr>
<td>Medicare Part B</td>
<td>14.6% initial; 5% ultimate</td>
</tr>
<tr>
<td>Projected salary increases</td>
<td>3.5%</td>
</tr>
</tbody>
</table>

The number of participants as of July 1, 2009, the effective date of the biennial OPEB valuation, follows. There have been no significant changes in the number of covered or the type of coverage since that date.

<table>
<thead>
<tr>
<th>Description</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active employees</td>
<td>74</td>
</tr>
<tr>
<td>Retired employees</td>
<td>30</td>
</tr>
<tr>
<td>Deferred vested employees</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>108</td>
</tr>
</tbody>
</table>
10. Deferred Compensation Plan

The Department offers its employees, through the County, a deferred compensation plan established in accordance with Internal Revenue Code Section 457. The plan, available to all full-time Department employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency. The plan's assets have been placed in trust accounts with the plan administrators for exclusive benefit of participants and their beneficiaries and are not considered assets of the County or the Department.

In accordance with GASB Statement 32, Accounting and Financial Reporting Code Section 457 – Deferred Compensation Plans, the Department has excluded the plan assets from the financial statements. All such amounts are not subject to the claims of the Department or the County's general creditors.

11. Commitments and Contingencies

a. Sick Leave

Accumulated sick leave as of June 30, 2010 and 2009 was approximately $2,121,000 and $2,561,000, respectively. Sick leave accumulates at the rate of 14 hours for each month of service, as defined, without limit. Sick pay can be taken only in the event of illness and is not convertible to pay upon termination of employment. As a result, no liability for sick pay is recorded in the accompanying financial statements. However, a public employee who retires or leaves government service in good standing with sixty days or more of unused sick leave is entitled to additional service credit in the ERS.

b. Insurance

The Department is fully self-insured for workers' compensation claims. Such claims are reported to and managed by the County. The Department provides reserves for claims not covered by insurance that in the opinion of counsel will result in probable judgment against the Department. These reserves include an estimate of claims that have been incurred but not reported (IBNR). Claim liabilities, including IBNR, are based on the estimated ultimate cost of settling the claims. Claim liabilities are estimated by a case-by-case review of all claims and the application of historical experience to outstanding claims. As of June 30, 2010 and 2009, the workers' compensation liability amounted to $210,000 and is recorded in accounts payable and accrued liabilities on the accompanying statements of net assets.
11. Commitments and Contingencies (continued)

c. Safe Drinking Water Act

The Department is subject to the requirements of the Safe Drinking Water Act (the Act) which is administered by the State of Hawaii Department of Health on behalf of the United States Environmental Protection Agency. Management indicated that the Department is in full compliance with the requirements of the Act and is not aware of any matters under the Act that materially affected or is currently affecting the Department’s customer service area.

d. Other Legal Matters

The Department is party to various legal proceedings arising in the normal course of business. The outcome of individual matters is not predictable. However, management believes that the ultimate resolution of all such matters will not have a material adverse effect on the Department’s financial position or results of operations.

e. Other

Other commitments, primarily for utility plant construction, approximated $16,118,000 and $8,456,000 at June 30, 2010 and 2009, respectively.

12. Related Party Transactions

The Department charges the County for fire protection services (hydrant use) at agreed-to rates that approximate the cost for such services. The County provides certain services to the Department and charges the Department for these services at an amount equal to the charge for fire protection services. The amounts charged approximated $925,000 and $818,000 in 2010 and 2009, respectively.


In June 2009, GASB issued Statement No. 59 “Financial Investments Omnibus” – This Statement provides accounting and financial reporting guidance related to certain financial instruments and external investment pools. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010. The Department has not yet analyzed the potential effect on the financial statements, if any, of adopting Statement No. 59.
## Department of Water, County of Kauai

Schedule of Funding Progress for the
Hawaii Employer-Union Health Benefits Trust Fund

<table>
<thead>
<tr>
<th>Actuarial Valuation Date</th>
<th>Actuarial Value of Assets</th>
<th>Actuarial Accrued Liability (AAL)</th>
<th>Unfunded AAL (UAAL)</th>
<th>Funded Ratio</th>
<th>Covered Payroll</th>
<th>UAAL as a Percentage of Covered Payroll</th>
</tr>
</thead>
<tbody>
<tr>
<td>7/1/2007</td>
<td>$</td>
<td>$8,465,000</td>
<td>$8,465,000</td>
<td>0%</td>
<td>$4,585,000</td>
<td>185%</td>
</tr>
<tr>
<td>7/1/2009</td>
<td>930,000</td>
<td>9,702,000</td>
<td>8,772,000</td>
<td>9.6%</td>
<td>4,476,000</td>
<td>196%</td>
</tr>
</tbody>
</table>
**Department of Water, Schedule I**

Supplemental Schedule of Utility Plant in Service
For the Year Ended June 30, 2009

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2009</th>
<th>Adjustments</th>
<th>Additions</th>
<th>Retirements</th>
<th>June 30, 2010</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost Basis:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Water Utility Plant:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Source</td>
<td>$ 8,019,824</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 8,019,824</td>
<td></td>
</tr>
<tr>
<td>Pumping</td>
<td>32,177,485</td>
<td></td>
<td>1,756,180</td>
<td>(4,683)</td>
<td>33,928,982</td>
<td></td>
</tr>
<tr>
<td>Water Treatment</td>
<td>9,345,284</td>
<td></td>
<td>68,998</td>
<td>(15,095)</td>
<td>9,399,187</td>
<td></td>
</tr>
<tr>
<td>Transmission &amp; Distribution</td>
<td>143,281,534</td>
<td></td>
<td>18,900,647</td>
<td>(1,093,794)</td>
<td>161,088,387</td>
<td></td>
</tr>
<tr>
<td>General</td>
<td>9,727,431</td>
<td></td>
<td>176,385</td>
<td>(229,227)</td>
<td>9,674,589</td>
<td></td>
</tr>
<tr>
<td>Held for Future Use</td>
<td>1,283,036</td>
<td></td>
<td></td>
<td></td>
<td>1,283,036</td>
<td></td>
</tr>
<tr>
<td></td>
<td>203,834,594</td>
<td></td>
<td>20,902,210</td>
<td>(1,342,799)</td>
<td>223,934,005</td>
<td></td>
</tr>
<tr>
<td><strong>Land and Land Rights:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Source</td>
<td>20,274</td>
<td></td>
<td></td>
<td></td>
<td>20,274</td>
<td></td>
</tr>
<tr>
<td>Pumping</td>
<td>381</td>
<td></td>
<td></td>
<td></td>
<td>381</td>
<td></td>
</tr>
<tr>
<td>Water Treatment</td>
<td>150</td>
<td></td>
<td></td>
<td></td>
<td>150</td>
<td></td>
</tr>
<tr>
<td>Transmission &amp; Distribution</td>
<td>499,259</td>
<td></td>
<td></td>
<td></td>
<td>499,259</td>
<td></td>
</tr>
<tr>
<td></td>
<td>520,064</td>
<td></td>
<td></td>
<td></td>
<td>520,064</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 204,354,658</td>
<td>$ -</td>
<td>$ 20,902,210</td>
<td>$ (1,342,799)</td>
<td>$ 223,914,069</td>
<td></td>
</tr>
</tbody>
</table>

| **Accumulated Depreciation** |       |       |       |       |       |       |
| Water Utility Plant:        |       |       |       |       |       |       |
| Source                      | $ 3,507,325| $ -   | $ 177,114| $ -   | $ 3,684,439|       |
| Pumping                     | 14,205,041 | (863) | 1,241,915| (4,683)| 15,441,410 |       |
| Water Treatment             | 3,019,215  | 5,747 | 706,233  | (15,095)| 3,716,100  |       |
| Transmission & Distribution | 45,963,071 | 651,786| 2,676,251| (1,093,794)| 48,197,314|       |
| General                     | 4,795,912  |       | 418,177  | (229,227)| 4,984,862  |       |
| Held for Future Use         | 226,941    |       | 25,041   |         | 251,982    |       |
| **Total**                   | $ 71,717,505| $ 656,670| $ 5,244,731| $ (1,342,799)| $ 76,276,107|       |

See accompanying independent auditor's report.
## Supplemental Schedule of Selective Account Classifications (in 000's)
For the Five Years Ended June 30, 2010

### Balance Sheet:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Utility plant in service</td>
<td>$223,914</td>
<td>$204,355</td>
<td>$194,059</td>
<td>$178,432</td>
<td>$161,833</td>
</tr>
<tr>
<td>Net Assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invested in capital assets, net</td>
<td>$124,943</td>
<td>$121,962</td>
<td>$107,914</td>
<td>$100,127</td>
<td>$ 94,931</td>
</tr>
<tr>
<td>Restricted for capital activity and debt service</td>
<td>3,977</td>
<td>5,561</td>
<td>6,544</td>
<td>5,234</td>
<td>5,258</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>16,608</td>
<td>9,965</td>
<td>16,417</td>
<td>17,839</td>
<td>16,950</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$145,528</td>
<td>$137,488</td>
<td>$130,875</td>
<td>$123,200</td>
<td>$117,139</td>
</tr>
</tbody>
</table>

### Income Statement:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Water sales</td>
<td>$18,772</td>
<td>$17,533</td>
<td>$17,200</td>
<td>$15,128</td>
<td>$13,219</td>
</tr>
<tr>
<td>Other</td>
<td>1,014</td>
<td>842</td>
<td>736</td>
<td>814</td>
<td>565</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$19,786</td>
<td>$18,375</td>
<td>$17,936</td>
<td>$15,942</td>
<td>$13,784</td>
</tr>
</tbody>
</table>

### Operating Expenses:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation</td>
<td>5,898</td>
<td>5,182</td>
<td>4,580</td>
<td>5,425</td>
<td>5,104</td>
</tr>
<tr>
<td>Power and pumping</td>
<td>3,178</td>
<td>3,139</td>
<td>3,740</td>
<td>3,124</td>
<td>3,825</td>
</tr>
<tr>
<td>Transmission and distribution</td>
<td>3,441</td>
<td>3,221</td>
<td>3,655</td>
<td>3,357</td>
<td>2,939</td>
</tr>
<tr>
<td>Administrative and general</td>
<td>4,224</td>
<td>4,192</td>
<td>4,437</td>
<td>4,330</td>
<td>3,248</td>
</tr>
<tr>
<td>Accounting and collection</td>
<td>584</td>
<td>576</td>
<td>533</td>
<td>482</td>
<td>453</td>
</tr>
<tr>
<td>All other</td>
<td>1,054</td>
<td>1,134</td>
<td>1,286</td>
<td>1,069</td>
<td>589</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>18,379</td>
<td>17,444</td>
<td>18,231</td>
<td>17,787</td>
<td>16,158</td>
</tr>
</tbody>
</table>

### Non-Operating (Expense) Income

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions</td>
<td>(1,031)</td>
<td>(330)</td>
<td>17</td>
<td>30</td>
<td>266</td>
</tr>
<tr>
<td></td>
<td>7,664</td>
<td>6,013</td>
<td>7,952</td>
<td>7,877</td>
<td>4,043</td>
</tr>
<tr>
<td><strong>Increase in net assets</strong></td>
<td>$ 8,040</td>
<td>$ 6,614</td>
<td>$ 7,674</td>
<td>$ 6,062</td>
<td>$ 1,935</td>
</tr>
</tbody>
</table>

See accompanying independent auditor's report.
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, 2010 and 2009, and have issued our report thereon dated November 2, 2010. We conducted our audits 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

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.

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 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 financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

However, we identified certain deficiencies in internal control over financial reporting described in the accompanying schedule of findings that we consider to be significant deficiencies in internal controls over financial reporting. 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 governance.
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 audits 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.

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

KMH LLP

Honolulu, Hawaii

November 29, 2010
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, 2010. 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, 2010.

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
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.

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

KMH LLP

Honolulu, Hawaii
November 2010
<table>
<thead>
<tr>
<th>Federal Grantor Pass-Through Grantor Program Title</th>
<th>Federal CFDA Number</th>
<th>Pass-Through Grantor's Number</th>
<th>Award</th>
<th>Current Expenditures</th>
<th>Cumulative Expenditures</th>
<th>Remaining Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Protection Agency--</td>
<td>66.468</td>
<td>99-6000449</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passed-Through State Department of Health--</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Drinking Water Treatment Revolving Loan Fund:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kekaha Well DW406-0001</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Wailua Homesteads Well No.3 DW413-0002</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Poipu Road 16&quot; Main Replacement DW408-0002</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Stable 1.0 MG Tank &amp; Connection Pipeline DW400-0001</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Kaumualii Highway 12-inch Main Replacement DW406-0005</td>
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<td></td>
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</tr>
<tr>
<td>Waha, Wawae, and Niho Roads Main Replacement DW434-0003</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Kapilimaoo 0.5 MG Tank DW406-0003</td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>Subtotal</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Drinking Water Treatment Revolving Loan Fund--</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>American Recovery Reinvestment Act:</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Lihue Pipeline Replacement Town DW400-0002</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

$862,822 $397,737 $63,461
$418,967 4,899,230 259,656
$5,158,886
$8,082,617 6,419,869 1,662,748
$4,933,117 3,757,196 3,757,196 1,175,921
$2,118,618 1,863,600 225,018
$4,089,893 2,713,229 1,376,664
$25,664,920 11,379,815 20,850,222 4,814,698
$1,949,612 1,949,612
$27,614,532 $13,329,427 $22,799,834 $4,814,698

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Department of Water, County of Kauai

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

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, 2010

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:

<table>
<thead>
<tr>
<th>CFDA Number</th>
<th>Name of Federal Program or Cluster</th>
</tr>
</thead>
<tbody>
<tr>
<td>66.468</td>
<td>Drinking Water Treatment Revolving Loan Fund</td>
</tr>
</tbody>
</table>

Dollar threshold used to distinguish between type A and type B programs? $340,000
Auditee qualified as low-risk auditee? √ Yes ___ No
Department of Water, County of Kauai

Schedule of Findings
For the Year Ended June 30, 2010

Section II – Financial Statement Findings

Finding No.: 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.

Recommendation

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.

Finding No.: 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.

Recommendation

We recommend that the Department continue with its efforts to fully implement the payroll module and its assessment of implementing a project accounting module.
Department of Water, County of Kauai

Schedule of Findings
For the Year Ended June 30, 2010

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**Section III – Findings and Questioned Costs for Federal Awards**

No matters were reported.

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**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, 2009 dated December 8, 2009.

**Recommendations**

<table>
<thead>
<tr>
<th>09-01 Maintenance Management Information System – Time Control/Job Costing</th>
</tr>
</thead>
</table>

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.

| Status |

Partially accomplished. Based on discussions with management, the payroll module of the Great Plains Dynamic Project Accounting System was still pending and remains in the testing phase of the implementation process with ongoing programming modifications. Upon implementation of the module, the Department has planned to complete the interface of the accounting system and the work order aspect of MPET to help facilitate the job costing process. Delays are in part due to expansion of implementation to include an electronic timesheet system. Full implementation as planned will provide the Department with capabilities to resolve the identified deficiency. See Reference No. 10-01.
Department of Water, County of Kauai

Schedule of Findings
For the Year Ended June 30, 2010

Recommendations

09-02 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.

We recommend that the Department continue with its efforts to fully implement the payroll module and its assessment of implementing a project accounting module.

Status

Partially accomplished. To date, the fixed assets, accounts payable and accounts receivable modules of Great Plains have been fully implemented. The Department continues with its efforts to fully implement the payroll module which will integrate data to automate the Department’s labor and equipment distribution reports. Implementation of the project accounting model is currently being evaluated. See Reference No. 10-02.
MANAGER'S REPORT NO. 11-40

November 9, 2010

Re: Dedication Deed for Water Tank Sites from McBryde Sugar Company, Limited, a Hawaii Corporation, TMK: (4) 2-6-03:001(por) & TMK: (4) 2-6-03:034(por), Koloa District, Kauai, Hawaii

It is recommended that the Dedication Deed for TMK: (4) 2-6-003:001(por) and (4) 2-6-003:034(por), Koloa District, Kauai, Hawaii be conditionally approved; whereby McBryde Sugar Company, Limited, a Hawaii Corporation, hereby dedicate, grant and convey unto the Board of Water Supply, the real property described as Lot B-2, Lot B-3 and Lot B-4.

The dedication deed document requires that the effective date and the Bureau of Conveyances document recordation number for the proposed grant of easements for the Manuhonuhonu Tanks (easements U-1 and U-2), currently submitted for Board approval, be referenced in the deed document exhibit.

Conditions for approval:
1. Easements U-1 and U-2 for the Manuhonuhonu Tank project must be accepted by the Board and the completed easement documents recorded.
2. Upon receipt of the recorded easement documents, the execution date and recordation number of the easements will be included in the dedication deed exhibit where needed.

Upon completion of conditions 1 and 2 above, the dedication deed will be ready for execution by the Board. After execution, the dedication deed will be recorded.

Respectfully submitted,

Keith Aoki, Engineer
Engineering Division

CONCURRED:

William Eddy
Deputy Manager and Engineer

KA:cab
Mgrp – Dedication Deed-Water Tank Sites-McBryde-Koloa (11-18-10):cab
MANAGER’S REPORT No. 11-41

November 12, 2010

Re: Job No. 02-19, WK-12, Waipouli Main Replacement, Lihue-Kapaa Water System, Budget Amendment for Contract No. 405 with Kodani and Associates, Inc.

RECOMMENDATION: It is recommended that the Board reallocate $48,040.00 from Account 106b, CIP Reserve to this project.

FUNDING:

WATER UTILITY - 101b (CRP), 2009 - 2010

BUDGET

Contract No. 405, Kodani & Associates, Inc.,
Job No. 02-19, KW-12, Waipouli Main Replacement, Wailua-Kapaa.

Contingency $147,500.00

BEGINNING BUDGET $7,400.00 $154,900.00

Amendment #1 (void)
Amendment #2 (May 13, 2010) $48,400.00

BUDGET as of June 30, 2010 $203,300.00

EXPENSES as of June 30, 2010 $124,570.00

AVAILABLE BALANCE as of June 30, 2010 $78,730.00

BEGINNING BALANCE as of July 1, 2010 $30,690.00

Budget deficiency ($48,040.00)

Additional Funding Required, Account 106b CIP Reserve $48,040.00

Amendment #3 (August 19, 2010) $77,600.00

Amendment #4 (October 21, 2010) $11,400.00

Additional Funding Budgeted, Account 201-01, Bond $89,000.00

TOTAL PROJECT BUDGET as of November 18, 2010 $292,300.00
BACKGROUND:
The full balance for this project was not encumbered from the 2009-2010 budget to the current 2010-2011 budget and therefore an adjustment to the budget is needed.

Respectfully submitted,

Keith Fujimoto
Project Engineer

Concurred:

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

KF:cab
Mgrp' Job No. 02-19-WK-12-Waipouli Main Replacement-Lihue-Kapaa-Budget Amdmt-Contract No. 405-Kohani (11-18-10):cab
Staff Reports
PR SPECIALIST REPORT

November 4, 2010

Re: Public Relations Update

Project WET: Lin Howell, our Project WET speaker at the HWWA Conference shared his knowledge and passion for Project WET and the art of helping students to enthusiastically learn by using resources such as activities found in the Project WET Curriculum and Activity Guide. He had every single person that stayed for his presentation up and out of their seats, slowly at first, uncomfortable with actually physically participating in an activity, but as time began to run out, they were excitedly hurrying to the next stop of their incredible water molecule journey trying to gather as many beads as possible. They all learned that the water cycle is not a circle and each water molecule travels its unique incredible journey.

The two-day Project WET Facilitator Workshop on Oahu was held at the Pearl City Urban Garden Center. It was co-sponsored by the University of Hawaii at Manoa-College of Tropical Agriculture and Human Resources, State of Hawaii Forestry and Wildlife Division, Southwest States & Pacific Island Regional Water Program, Honolulu Board of Water Supply and the Kauai Department of Water. There were a total of 25 active participants including Lin Howell the instructor and myself. All of the county water utilities were represented which allowed us to create a deeper bond and a welcomed desire to collaborate in our future efforts to educate our communities and customers about the value of water. The newly trained facilitators have committed to conducting at least one Teacher Workshop in the near future.

Our one-day Project WET Teacher Workshop on Maui was also very successful with 12 participants that will now use WET activities in their classrooms and share the enthusiasm with other teachers for future workshops.

Public Relations Services Request for Proposal: The Limtiaco Company was selected to assist the department with our community outreach and education for our customers regarding the implementation of Water Plan 2020 and other projects. The contract is being drafted for approval and should be in place by the end of 2010.

HWWA Conference: The Hawaii Water Works Association 49th Annual Conference held from October 13-15, 2010 was a huge success thanks to the many volunteers, but especially to Conference Chair, Sandi Nadatani-Mendez who was the “energizer bunny” that made sure all of our bases were covered. Her committee members were: Faith Shiramizu (Emcee/Field Trip/Lei’s), Dustin Moises (Golf Tournament), Edward Doi, Keith Konishi, Cleve Shigematsu and Heath Prow (Hospitality room), Margie Loo, Rena Horikawa and Peggy Yoshioka (Registration), Peggy Yoshioka and Andrea Suzuki (Omiyage) and Jeff Mendez (Photography/Equipment/Banners). Comments from attendees were all very positive, they loved the venue, the food, the sessions and CEUs and raved about the “ono grinds” in the hospitality room, none of which could have happened without the full support of our Board and Manager!

Respectfully submitted,

Faith Shiramizu
DOW Public Relations Specialist

Mgrp/PR Specialist Report (11-18-10:cab)
PR SPECIALIST REPORT

October 7, 2010

Re: Public Relations Update

Project WET: Make a Splash 2010, held on Thursday, September 23rd was a success with attendance of over 600 students and with the schedule flowing smoothly. Returning volunteers were critical in flow of the day since they already knew what needed to be done and did it! New volunteers stepped it up to learn and implement their part of the event and made it appear as though they had been helping for years. As always, the presenters were well prepared and shared the lessons with the students and the Kapaa High School JROTC once again represented their organization, the school and their parents very well with their leadership skills. Of course, without the support and participation of the Department of Waters Board, Manager and staff, this event would not exist. Mahalo to all!

We will be co-hosting a Project WET Facilitator Workshop on Oahu, October 18-19, 2010, and a Teacher Workshop on Maui. These workshops are critical for the growth of this program in the state. With the presentation on Project WET at the HWWA Conference, followed by workshops that include the attendance of staff from water utilities, as well as University of Hawaii and Water Conservation District personnel, the opportunity to create enthusiasm and participation in Project WET will definitely help this program grow state-wide!

Public Relations Services Request for Proposal: The top three Public Relations Firms have been scheduled to do an oral presentation for our evaluation committee on October 12, 2010. (A verbal update will be provided upon request.)

HWWA Conference: Continuing to assist Sandi with various portions of the conference. As of this writing, there are over 110 registered to attend the conference. A verbal update will be available if needed.

Blessing and Groundbreaking for Piwai Tank: A simple blessing and groundbreaking ceremony is being organized with Unlimited, who has been contracted for this project. We will include a recap of projects that have been recently completed in the press release that will be distributed to the media.

Respectfully submitted,

Faith Shiramizu
DOW Public Relations Specialist
Operations Division Report for the Month of October 2010

Personnel

- Filling the many vacant positions remains a top priority. We held interviews for the Account Clerk position in October and hope to have the position filled by the end of the year. We are anxiously awaiting the eligible lists from DPS for our two (2) Superintendent positions. The Open Water Service Supervisor position is held-up pending eligibility of one applicant. The three (3) Lead Pipefitter positions have been held-up pending a response from UPW that they will not protest the requirement of DSO Grade 2.
- Five (5) Ops guys have been admitted to take the DSO exam in November. Two (2) study workshops were provided through the National Rural Water Association program.
- Held separate meeting with DPS and UPW to discuss issues including DSO requirements, contract provisions for “unauthorized leave of absence” and Ops actions in response to a workplace confrontation situation.
- Please see the attached labor report for Operations Division as compiled by the Fiscal Division.

Source and Storage

- The emergency pump replacements for Anahola Well 90-B and Kalaheo Well #1 have been delayed again and completion is now expected in mid November.
- An inspection and analysis of the failure of Piwai Well #3 shaft failure has been conducted by Beylik Drilling and Pump Service. It is concluded that the shaft failed due to a defect in the pump shaft. Kukuiula has agreed to contract with Beylik to immediately replace the failed components and reinstall the pump.
- Our Moloa Water System went empty on October 14. After much investigation and repair of our control valve, the cause was determined to be a broken pipe inside of a private property whose owners were not present at the house. Moloa is a very small capacity water system and one broken pipe has a large effect.
- Crews are working in Kalaheo on corrective actions identified by the Department of Health in a Sanitary Survey. Corrective actions must be complete by December 31, 2010 or we face violation of the new Groundwater Rule.

Distribution

- The West Crew is starting a project to replace several hundred feet of old and troublesome 4” CI and 1-1/2” PVC water main pipelines on Puolo Road in Hanapepe fronting the Hanapepe ballpark and tennis courts.
- Worked with Badger Meter representative to investigate unusual meter readings, in particular, large meters. We are also receiving many requests from customers who have high water bills to conduct meter profiles to verify water usage. The combination of very sensitive/accurate meters, water rate increases and the overall poor economic condition of our community seems to be driving the large number of requests for water bill investigations.

Fleet, Inventory, Warehouse and Baseyard Area

- The Maintenance Crew worked on the newly acquired storage container parked in front of the MicroLab. The crews cleaned and painted the interior as well as constructed wooden stairs and landing for access to the container. Project Wet materials will be stored in the container.
- Preparing contract specifications to purchase the budgeted compact excavator and equipment trailer.
Work Orders by Job Reason Code for Selected Date Range

10/01/2009 to 10/31/2010

<table>
<thead>
<tr>
<th># of W/O's</th>
<th>Job Reason Code</th>
<th>Description</th>
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<tr>
<td>35</td>
<td>LEAK-BOX</td>
<td>Meter Box Leak Repair</td>
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<tr>
<td>20</td>
<td>LEAK-CUST</td>
<td>Customer-Side Leak Repair</td>
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<tr>
<td>105</td>
<td>LEAK-MAIN</td>
<td>Mainline Leak Repair</td>
</tr>
<tr>
<td>88</td>
<td>LEAK-S/L</td>
<td>Service Lateral Leak Repair</td>
</tr>
</tbody>
</table>

Work Orders by Job Reason Code

Number of Leak Repairs per Month
Operational Report – For the Month of September 2010

Personnel

- Vacant positions that are in the recruitment process and awaiting processing by DPS include Water Field Operations Superintendent, Water Plants Superintendent and Water Service Supervisor III. Interviews for the Account Clerk position are being scheduled for next week. We have notified UPW on our intention to change the minimum qualifications for Lead Pipefitter to include Grade 2 DSO certification and are awaiting a response.
- Please see the attached labor report for Operations Division as compiled by the Fiscal Division.

Source and Storage

- The emergency pump replacements for Anahola Well 90-B and Kalaheo Well #1 have been delayed until late October.
- The deep well pump assembly for Piwai Well #3 has failed. The pump was pulled by the contractor and it was found that the pump shaft was broken some 600’ below the ground. Kukuiula Development, Beylik Drilling and Pump Service, and the Department are determining responsibility of the cost to repair and reinstall the pump assembly.
- The Waimea Well #2 disinfection system is being converted by Ops Operators from gas chlorine to sodium hypochlorite.
- Per an order from the feds and in support of the effort to save the shearwater birds, we turned off all exterior lights at Department facilities islandwide. An inventory of Department exterior light fixtures was submitted to the feds (mahalo Andrea and Keitsu) per court order. We will need to replace existing light fixture with types that are in compliance with current regulations.

Distribution

- East Crew working with Engineering Division to supply 24” gate valves and flange adaptors for the DOT Kaumualii Highway widening project from Lihue to Puhil. The crew rehabilitated four (4) flange adaptors that were acquired from Maui waterworks.
- The West Crew replaced a troublesome segment of existing 4” PVC pipeline crossing Lokokai Road in Hanapepe fronting Salt Pond Park. 6” DI pipe was installed ahead of the planned roadway re-surfacing project by the Department of Public Works.
- The East Crew completed a project on Kuhio Highway in Anahola to replace approximately 200’ of old and leaky galvanized steel pipe with new 2” PVC pipe. Five (5) service laterals were also replaced and connected to the new pipeline.
- See statistics of leak repairs on the attached sheet.

Fleet, Inventory, Warehouse and Baseyard Area

- We are the proud owners of a new (used) crane truck that was acquired from DPW prior to auction.
- Progress on new driveway continues. Mahalos to WRP staff for arranging the hydromulching of area bared by construction work.
Work Orders by Job Reason Code for Selected Date Range

09/01/2009 to 09/30/2010

<table>
<thead>
<tr>
<th># of W/O's</th>
<th>Job Reason Code</th>
<th>Description</th>
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<tbody>
<tr>
<td>36</td>
<td>LEAK-BOX</td>
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<td>105</td>
<td>LEAK-MAIN</td>
<td>Mainline Leak Repair</td>
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<tr>
<td>86</td>
<td>LEAK-S/L</td>
<td>Service Lateral Leak Repair</td>
</tr>
</tbody>
</table>

Work Orders by Job Reason Code

![Pie Chart](chart.png)

Number of Leak Repairs per Month

![Line Chart](chart2.png)
MANAGER'S UPDATE

November 4, 2010

Re: MANAGER'S UPDATE for OCTOBER, 2010 to NOVEMBER, 2010

CONTRACTS AWARDED BY THE MANAGER:

Re: Job No. 05-06, Water Plan 2020 Project PLH-25, Eiwa, Umi, Akahi, Elua and Hardy Streets, Alohi Place, Uiki Place and Lalei Place, 8-Inch Main Replacement, Lihu‘e Water System, Lihu‘e, Kaua‘i, Hawai‘i

Contract was awarded to BCP Construction of Hawaii, Inc. in the amount of $2,565,599.00.

FUNDING:
Account No. 201-01 Bond –BAB .............................................. $41,468,071.99

Contractor, BCP Construction of Hawaii, Inc. $2,565,599.00
Contingency, approximately 5% ............................................ $ 128,401.00
Total ..................................................................................< $2,694,000.00>

BALANCE REMAINING
Account No. 201-01 Bond – BAB .............................................. $38,774,071.99

Re: Furnishing and delivery of five (5) 24” diameter gate valves, with stainless steel fasteners, bevel geared actuators and bypass valves as called for in the solicitation document GS-2010-4.

Contract was awarded to Fluid Systems Hawaii, Inc. in the amount of $100,313.00

Funds for the procurement of these items are available in Account No. 201-01 as shown below:

Current Balance, Job No. 10-02, Kaumualii Highway
    Widening, Vicinity of Anonui St. to Vicinity of Lihue Mill Bridge ................................................................. $4,350,000.00

Solicitation GS-2010-4, Furnishing and Delivering of 24-Inch Diameter Gate Valves ..........................................<$100,313.00>

New Balance, Job No. 10-02 .................................................... $4,249,687.00

PUMP INSTALLATION PERMITS SIGNED BY MANAGER:
None.
MANAGER’S UPDATE
Re: Manager’s Update for October, 2010 to November, 2010
November 4, 2010
Page 2 of 2

WAIVER, RELEASE AND INDEMNITY AGREEMENTS SIGNED BY THE MANAGER:
None.

PERSONNEL MATTERS UPDATE:

Ops Division:
1. Account Clerk. Interviews held. Now going through selection process with immediate supervisor.
2. Lead Pipefitter vacancies. Working with DPS on next steps to fill vacancies.

Fiscal Division:
1. Waterworks Controller. Interviews held. Now going through selection process with immediate supervisor.

Water Resources & Planning Division:
1. Civil Engineer II. Position description being updated. After finalizing, will send to DPS to proceed with recruitment.

Engineering and Special Projects Divisions:
1. Project Assistant (Special Projects Division) filled November 1, 2010.

Administration Division:
1. Clerical Assistant – Community Relations. Pending pre-employment physical & drug test results.
2. Secretary. Pending pre-employment physical & drug test results.
3. Computer Systems Support Technician I. In process of scheduling interviews.

AFFORDABLE HOUSING UPDATE:

Update will be provided after the next Task Force Meeting is held.

Respectfully submitted,

William Eddy
Deputy Manager

WE:cab
Mgrp/Manager’s Update (11-18-10):cab
DEPARTMENT OF WATER
County of Kaua'i

"Water has no Substitute -- Conserve It!"

MANAGER’S UPDATE

October 15, 2010

Re:  MANAGER’S UPDATE for SEPTEMBER, 2010 to OCTOBER, 2010

CONTRACTS AWARDED BY THE MANAGER:

Re:  2011 Financial Management Planning and Water Rate Analysis for the Department of Water, County of Kaua'i

Contract awarded to R.W. Beck, Inc. to provide financial management planning services and to conduct and complete water rate analysis for the Department of Water, County of Kauai in the amount not to exceed $80,000.00.

Funding:
Account 27, Contractual Services (Financial Management Planning and Rate Analysis) ................................................................. $200,000.00

R.W. Beck, Inc. ........................................................................ ($ 80,000.00)

Balance Remaining ............................................................... $120,000.00

PUMP INSTALLATION PERMITS SIGNED BY MANAGER:  Had to pull Piwai Pump due to twisted off shaft. We have not diagnosed the cause yet but we may end up being responsible for the pulling and reinstallion of the new pump. Currently Kukui‘ula has taken the initiative to have the pump pulled with the understanding if the damage is the result of faulty maintenance DOW will pay for the pump round trip even though we did not bid the project out. The company pulling the pump was the contractor putting the pump in and the company that drilled the well.

WAIVER, RELEASE AND INDEMNITY AGREEMENTS SIGNED BY THE MANAGER:

1.  Kukui‘ula Model home outside the currently finished Y and M subdivisions.

PERSONNEL MATTERS UPDATE:

RECRUITMENT:

Ops Division:
1.  Account Clerk. Pending list of eligibles from Department of Personnel Services.
2.  Lead Pipefitter vacancies. Applications received. Awaiting input from union.
3.  Water Service Supervisor III vacancy. Additional information requested from applicants. Department of Personnel Services will review the information.
Fiscal Division:
1. Waterworks Controller. Got list will be scheduling interviews.

Engineering and Special Projects Divisions:
1. Civil Engineer V position; started October 5, 2010.
2. Project Assistant (Special Projects Division). Pre-employment physical & drug test pending.

Administration Division:
1. Clerical Assistant – Community Relations. Background check in progress.
2. Computer Systems Support Technician I. Pending list of eligibles.
3. Secretary. Background check in progress.

Status of Koloa Water Tank Site Acquisition, TMK: (4) 2-7-03:08, Situated at Koloa Road, Koloa, Kaua'i, Hawaii.

The Board approved the agreement to purchase the Koloa Tank site at its February 19, 2009 meeting agreeing to purchase the site based on an appraisal by an independent MAI appraiser. Department sent requests for proposals to John Child and Company and Medusky & Co. in March 2010 with the low bid going to Medusky & Co, Inc. They completed their appraisal in July 2010, reporting the site to have a fair market value of $500,000.00. (A copy of the report is available for review with the Board secretary.) The 70’ diameter, 1.0 million gallon tank, constructed in the late 1980’s, including the scada cabinet and road, takes up about 10% of the 1.3 acre property being acquired. We will be proceeding with its purchase from the landowner (Aukahi Farms, LLC.).

FUNDING:
101. Capital Improvement Land Acquisitions
(Koloa, Kilauea, Hanalei) ........................................ $2,426,600.00

Koloa Tank site purchase........................................ <$ 500,000.00>

Balance remaining.............................................. $1,926,600.00

Affordable Housing Update:

Updates on AHTF Projects:

1. Habitat - Elecile I Luna Subdivision Phase 2 (107 lots, 1 park): Housing agency estimated that on-site infrastructure improvements for Phase II, Increment 1, will be bid out by the end of 2010. The developer consultant engineer is revising the design construction plans per DOW comments.

2. Kukui’ula Employee Housing- “Gap” Housing subdivision and zoning permit. The County Council approved to amend the housing agreement that is required by the Zoning Amendment ordinance this week. The deadline for development was extended to July 2013.
3. Kohea Loa (Hanamaulu Triangle)- According the necessary Infrastructure Master Plan for the Lihue-Hanamaulu Master Planned Area was approved by Planning in July 14, 2009. The master plan includes Water, Roads, Parks and Wastewater master plan improvements. The Water system improvements as set forth by the WMP include offsite source, storage and transmission facilities. DR Horton was informed that necessary water system facilities must be installed as per the Water Master Plan. DRH will continue to work with Grove Farm and the DOW.

4. Paanau Village, Phase 2: Final subdivision map approval was granted by the Planning Commission on September 28, 2010. The developer is projecting final subdivision approval after the necessary improvements are bonded by Kukuiula Development Company. The developer plans to submit a Class III zoning permit application in October 2010 for the affordable housing project. On site construction is scheduled for December, 2010, however Building Permit application for the 50 unit rental project is planned for October, 2010. DOW approval of the building permit will be dependent on the completion and acceptance of the necessary water service connections and other water site improvements. The developer intends to construct the water meter improvements after the DOW approves the building permit. Occupancy is projected for end of 2011.

5. ‘Ele’ele – 75 acre parcel acquisition: Housing Agency executed the purchase agreement with McBryde Sugar Co. to purchase the 75 acre parcel. The Housing Agency stated that after their consultant completes the concept plan scenario phase he will prepare a water master plan to address the water supply for the selected concept plan.

State Land Parcels (County Affordable Housing):
1. No report at meeting

Respectfully submitted,

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

DRC:cab
Mgrp/Manager’s Update (10-21-10):cab
Quarterly Status of DOW Projects

Department of Water
October 21, 2010
EXECUTIVE SUMMARY

The significant changes for this quarter are:

Design:
4. Job No. 10-02, Kaumualii Highway Widening Vicinity of Anonui Street to Vicinity of Lihue Mill Bridge

Construction:
1. Project HW-02, HW-03, Wainiha Booster and Haena Tank Renovations. Awaiting NPDES permitting.
7. KW-05, Kekaha Well B Renovations, Construction nearing completion.
8. Construction is nearly complete for the Hanapepe pipeline (HE-10), which is in service.
9. Project WK-42, Phase I (Stable 1.0 MG Tank), Awaiting closing documentation.
10. Project WK-42, Phase 2 (Stable Tank Water Main along Kaapuni Road), Construction completed.
11. Project WK-09, Kapaa Homesteads 0.5 MG Tank, Construction nearing completion.

October 21, 2010
Design Projects
## WEST SIDE DESIGN PROJECTS
KEKAHA, WAIMEA, HANAPEPE, ELEEELE

<table>
<thead>
<tr>
<th>WP 2020 NUMBER</th>
<th>PROJECT TITLE</th>
<th>% COMPLETE June 2010</th>
<th>% COMPLETE Sept 2010</th>
<th>EST. COMPLETE</th>
<th>BUDGET COST</th>
<th>STATUS</th>
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<tbody>
<tr>
<td>KW-28</td>
<td>AMFAC SHAFT RENOVATION, Phase B</td>
<td>80</td>
<td>80</td>
<td>Q2 2011</td>
<td>$950,000 (D)</td>
<td>Awaiting decision by management</td>
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<tr>
<td>HE-08</td>
<td>REFURBISH 'Eie'ele STEEL TANKS</td>
<td>77</td>
<td>77</td>
<td>Q4 2010</td>
<td>$215,904 (D)</td>
<td>Under design</td>
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<td>KW-20</td>
<td>Waimea Well A Renovation</td>
<td>99</td>
<td>100</td>
<td>Q4 2010</td>
<td>$169,575.50</td>
<td>Design completed. Proceeding to bid.</td>
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# EAST SIDE DESIGN PROJECTS

## LIHUE-PUHI, WAILUA-KAPAA, ANAHOLA

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<tr>
<th>WP 2020 NO.</th>
<th>PROJECT TITLE</th>
<th>% COMPLETE</th>
<th>% COMPLETE</th>
<th>EST. COMPLETE</th>
<th>BUDGET COST</th>
<th>STATUS</th>
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<tbody>
<tr>
<td>PLH-25</td>
<td>EIWA, UMI, AKAHI, ELUA &amp; HARDY PIPELINES</td>
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<td>Q3 2010</td>
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<td>PLH-30</td>
<td>NAWILIWILI, NIUMALU &amp; KUPOLO PIPELINES</td>
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<td>90</td>
<td>Q4 2010</td>
<td>$255,000 (D)</td>
<td>Under design Awaiting DOT exemption</td>
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<tr>
<td>PLH-37</td>
<td>DEEPEN PUHI WELL NO. 2</td>
<td>PH 1-100</td>
<td>PH 1 – 100</td>
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<td>$67,900 BUDGET</td>
<td>PHASE 2 PROPOSAL PENDING</td>
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<td>WK-2</td>
<td>REHAB AKULIKULI TUNNEL (PHASE I)</td>
<td>100</td>
<td>100</td>
<td>Q1 2005 (Ph. 1)</td>
<td>$300,000 (D)</td>
<td>Ph.1 – Completed Ph.2 – on hold</td>
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<td></td>
<td>REHAB AKULIKULI TUNNEL (PHASE II)</td>
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<td>Q3 2009 (Ph. 2)</td>
<td>$392,000 (D)</td>
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<td>WK-8</td>
<td>KAPA'A 1.0 MG TANK (313 ZONE) (PHASE I - PLANNING)</td>
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<td>Q4 2010</td>
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<td>WK-28</td>
<td>WAILUA HOUSELOTS PIPELINE REPLACEMENTS</td>
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<td>Q4 2010</td>
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<td>Job No. 10-02</td>
<td>Kaumualii Highway Widening Vicinity of Anonui Street to Vicinity of Lihue Mill Bridge</td>
<td>70</td>
<td>85</td>
<td>Q4 2010</td>
<td>$137,270 (D)</td>
<td>Under design</td>
</tr>
</tbody>
</table>

October 21, 2010
# EAST SIDE DESIGN PROJECTS

**ANAHOULA, WAILUA-KAPAA, LIHUE-PUHI**

<table>
<thead>
<tr>
<th>WP 2020 NUMBER</th>
<th>PROJECT TITLE</th>
<th>% COMPLETE June 2010</th>
<th>% COMPLETE Sept 2010</th>
<th>EST. COMPLETE</th>
<th>BUDGET COST</th>
<th>STATUS</th>
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<tbody>
<tr>
<td>WK-12</td>
<td>WAIPOU LI AREA MAIN REPLACEMENT</td>
<td>74</td>
<td>74</td>
<td>Q4 2010</td>
<td>$147,500 (D)</td>
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<tr>
<td>WK-14</td>
<td>VIVIAN HEIGHTS 8-INCH AND 6-INCH WATERLINE REPLACEMENT</td>
<td>100</td>
<td>100</td>
<td>Q2 2010</td>
<td>$250,200 (D)</td>
<td>Construction contract awarded</td>
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<tr>
<td>WK-23</td>
<td>WAILUA HOMESTEADS 0.25 MG TANK (U.H. EXPERIMENT STN.)</td>
<td>60</td>
<td>60</td>
<td>PENDING</td>
<td>$100,000</td>
<td>DLNR PROGRESS ON LAND ISSUE</td>
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<td>UH R-O-E</td>
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<tr>
<td>WK-28</td>
<td>WAILUA HOUSELOTS MAIN REPLACEMENT</td>
<td>85</td>
<td>90</td>
<td>Q3 2010</td>
<td>$240,260 (D)</td>
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<td>WK-30</td>
<td>WAIPOU LI &amp; HAUUKI ROADS PIPELINE REPLACEMENT</td>
<td>31</td>
<td>31</td>
<td>Q2 2010</td>
<td>$237,400 (D)</td>
<td>UNDER DESIGN</td>
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<tr>
<td>WK-32</td>
<td>KAPAA HOMESTEADS MAIN REPLACEMENT – PHASE II</td>
<td>85</td>
<td>100</td>
<td>Q2 2010</td>
<td>$374,000 (D)</td>
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<td>WK-36</td>
<td>WAILUA AREA MAIN REPLACEMENT</td>
<td>60</td>
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<td>Q3 2010</td>
<td>$62,001 (D)</td>
<td>Design completed</td>
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October 21, 2010
# NORTH SHORE DESIGN PROJECTS

MOLOAA, KILAUEA, ANINI, HANALEI, HAENA

<table>
<thead>
<tr>
<th>WP 2020 NUMBER</th>
<th>PROJECT TITLE</th>
<th>% COMPLETE June 2010</th>
<th>% COMPLETE Sept 2010</th>
<th>EST. COMPLETE</th>
<th>BUDGET COST</th>
<th>STATUS</th>
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<tbody>
<tr>
<td>M-1 M-2</td>
<td>KOOLAU PIPELINE IMPROVEMENTS MOLOA'A 0.10 MG TANK</td>
<td>5</td>
<td>5</td>
<td>Q2 2007</td>
<td>$119,207 (D)</td>
<td>Awaiting land acquisition</td>
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<tr>
<td>WKK-2</td>
<td>KILAUEA WELL NO. 4 Site Selection Study (Phase I)</td>
<td>100</td>
<td>100</td>
<td>Q3 2004</td>
<td>$37,451(P) $160,000 (D)</td>
<td>REQUEST MOLOA'A WELL EO</td>
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<td>WKK-15</td>
<td>KILAUEA 1.0 MG TANK (PHASE I)</td>
<td>10</td>
<td>10</td>
<td>Q4 2011</td>
<td>$12,700 (P) $236,600 (D)</td>
<td>WORKING ON ROE</td>
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<td>H-1, H-2, H-3, H-10</td>
<td>MAKAI RIDGE ROAD &amp; PIPELINE IMPROVEMENT (PHASE II)</td>
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<td>65</td>
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<tr>
<td>HW-2</td>
<td>WAINIHA BOOSTER PUMP RENOVATION</td>
<td>95</td>
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<td>Q2 2010</td>
<td>$75,000 (D)</td>
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<td>HW-3</td>
<td>HAENA 0.1 MG TANK RENOVATION</td>
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<td>100</td>
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<td>$75,000 (D)</td>
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<td>H-8</td>
<td>Drill and Test Hanalei Well #2.</td>
<td>15</td>
<td>15</td>
<td>Q2 2011</td>
<td>$125,000</td>
<td>Awaiting ROE</td>
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<td>HW-12</td>
<td>Drill and Test Wainiha Well #4.</td>
<td>15</td>
<td>15</td>
<td>Q3 2010</td>
<td>$125,000</td>
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## NORTH SHORE DESIGN PROJECTS

### MOLOAA, KILAUEA, ANINI, HANALEI, HAENA

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<th>WP 2020 NUMBER</th>
<th>PROJECT TITLE</th>
<th>% COMPLETE June 2010</th>
<th>% COMPLETE Sept 2010</th>
<th>EST. COMPLETE</th>
<th>BUDGET COST</th>
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<tr>
<td>ANI-01</td>
<td>KILAUEA TO ANINI PIPELINE REPLACEMENT</td>
<td>0</td>
<td>0</td>
<td>Q3 2011</td>
<td>$ 750,760 (D)</td>
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October 21, 2010
Construction Projects
# Construction Projects

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<tr>
<th>WP 2020 NUMBER</th>
<th>PROJECT TITLE</th>
<th>% COMPLETE June 2010</th>
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<th>BUDGET COST</th>
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<tr>
<td>KW-05</td>
<td>Kekaha Well B Renovation</td>
<td>90</td>
<td>90</td>
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<td>$ 466,200</td>
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<td>KW-25</td>
<td>Kapilimeo 0.5 MG Tank</td>
<td>77</td>
<td>80</td>
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<td>$3,987,000</td>
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<td>KW-14</td>
<td>WAIMEA CYN DR. 12&quot; MAIN REPL. &amp; WAIMEA 6&quot; MAIN REPL.</td>
<td>10</td>
<td>10</td>
<td>Q2 2011</td>
<td>$2,100,000</td>
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<td>KW-15</td>
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<tr>
<td>KW-16</td>
<td>WAIMEA MAIN REPLACEMENT</td>
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<td>10</td>
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<td>WK-14</td>
<td>Phase II VIVIAN HEIGHTS 8-INCH AND 6-INCH WATERLINE REPLACEMENT</td>
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<td>$2,686,000</td>
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<td>HE-10</td>
<td>12&quot; WATERLINE ALONG ULAULA &amp; ULIULI ROADS, 'Ele'ele</td>
<td>99</td>
<td>99</td>
<td>Q2 2010</td>
<td>$ 458,966</td>
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<td>LO-04</td>
<td>Piwai Tank</td>
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<td>PLH-41</td>
<td>8&quot; PRV, 400 GPM BOOSTER PUMP &amp; CONNECTING MAIN, NAWILIWILI TANK</td>
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<td>97</td>
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<td>PLH-09</td>
<td>PIPELINE REPLACEMENT FOR LIHUE TOWN</td>
<td>95</td>
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<td>WK-9</td>
<td>KAPA'A HOMESTEADS 0.5 MG TANK (530 ZONE)</td>
<td>90</td>
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<td>WK-42</td>
<td>Phase I Stable Tank and Connecting Pipeline</td>
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<td>99</td>
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<td>WK-42</td>
<td>Phase II Stable Tank Main</td>
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<td>100</td>
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<td>$1,980,000</td>
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<td>WK-32, WK-14</td>
<td>Phase I Kaehulu &amp; Apopo Road Waterlines</td>
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<td>100</td>
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<td>WK-32</td>
<td>Phase II KAPA'A PIPELINE REPLACEMENTS</td>
<td>0</td>
<td>0</td>
<td>Q2 2011</td>
<td>$2,842,000</td>
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October 21, 2010
# Pending Water Plan 2020 Projects

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<thead>
<tr>
<th>WP 2020 No.</th>
<th>PROJECT TITLE</th>
<th>STATUS</th>
<th>CURRENT BUDGET</th>
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<tbody>
<tr>
<td>WK-33</td>
<td>KAHUNA RD 12&quot; MAIN REPLACEMENT (Seyer Subdivision Segment Construction Complete)</td>
<td>Phase 2 Design Consultant Selected</td>
<td>$269,000 (DOW Oversizing)</td>
</tr>
<tr>
<td></td>
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<td>$150,000 (Phase 2 Design)</td>
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<tr>
<td>A-2</td>
<td>ANAHOLA WELL NO. 4 (Pending ROE)</td>
<td>RFP</td>
<td>-0-</td>
</tr>
<tr>
<td>K-01</td>
<td>(north) KALAHEO 111' AND 1222' WATER SYSTEM IMPROVEMENTS</td>
<td>RFP</td>
<td>(BAB)</td>
</tr>
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BOARD REPORT

October 7, 2010

Re: Report from Issue Champions

Issue No. 1, Morale:

1) Fun Committee Events:

   a) Summer was filled with activity as the summer interns took it upon themselves to organize a hike to Hanakapiai, and the end of summer potluck for the department.

   b) The Fun Committee welcomes two new members, Mary Jane Garasi and Karen Ann Delgado, both new employees in the Fiscal Division. A meeting will be scheduled for late October.

2) Rewards Committee:

   a) Third Quarter Water Bucks were presented to Peter Sapiinstall, Virgil Kapanui, Sandi Nadatani Mendez, Keith Aoki (received 2 WATER Bucks) and Serf Galvez……with Congratulations going to Serf, our Employee of the 3rd Quarter.

Issue No. 2, Strong and Qualified Workforce:

Updated October 7, 2010

RECRUITMENT:

Ops Division:
1. Account Clerk. Pending list of eligibles from Department of Personnel Services.
2. Lead Pipefitter vacancies. Applications received. Awaiting input from union.
3. Water Service Supervisor III vacancy. Additional information requested from applicant. Department of Personnel Services will review the information.

Fiscal Division:
1. Waterworks Controller. Pending list of eligibles.

Engineering and Special Projects Divisions:
1. Civil Engineer V position - started on October 5, 2010
2. Project Assistant (Special Projects Division). Pre-employment physical & drug test pending.

Administration Division:
1. Clerical Assistant – Community Relations. Background check in progress.
2. Computer Systems Support Technician I. Pending list of eligibles.
3. Secretary. Background check in progress.
Issue No. 3, Water Quality: (No changes to this report from the last quarter)

1. Sample site work order for Kuamoo Rd. submitted in September, but no work yet. Operations requested a different site be selected. Currently using the old Poliahu State Park site since they have constructed a new bathroom.
2. New sites chosen for routine sampling to replace sites that were hard to access or have been removed. More old sites need to be changed. Ongoing.
3. Main break monitoring on hold, pending finalizing procedures and follow up between both the Lab and Operations. In the meantime, Peggy is informally checking on mainline breaks.
4. Decided to go with Triggered Monitoring Plan for the new GWR. Plan submitted to SDWB (accepted by SDWB). One hit so far. Monitoring plan seems to be workable.
5. Sampling sources to see if any will present problems with fecal indicators if triggered monitoring is required. So far only Garlinghouse Tunnel seems to be problematic. On going.
6. Kalaeo, Lawai/Omao and Koloa have to be one system under the GWR. We propose to call it Kalaeo/Koloa System #434. The proposed system has been submitted to SDWB. We are awaiting approval. Has been approved as of 12/1/09.

STATUS OF WATER PLAN 2020 PROJECTS:

PROJECTS UNDER DESIGN:

1) Job No. KW-28 Amfac Shaft (Consultant: Brown & Caldwell)
   a. Refer to the Manager’s Report for Affordable Housing Projects – Quarterly Summary Status as of September 2010.

2) Job 02-06, WKK-15 Kilauea Tank #2 (Consultant: Kodani & Associates) – Negotiating with landowners of the proposed tank site.

3) Job 05-02, H-8 Drill and Test Hanalei Well #2 (Consultant: Kodani & Associates) – Negotiating with landowners of the proposed well site.

4) Job 05-02, HW-12 Drill and Test Wainiha Well #4 (Consultant: Kodani & Associates) – Consultant preparing the Environmental Assessment.

5) Job 02-14, WK-08, Kapahi (Ormelas) Tank (Consultant: Belt Collins)
   a. Refer to the Manager’s Report for Affordable Housing Projects – Quarterly Summary Status as of September 2010.

6) Job WK-39 Kapaa Homesteads Well #4 (Consultant: Hawaii Pacific Engineers)
   a. Refer to the Manager’s Report for Affordable Housing Projects – Quarterly Summary Status as of September 2010.

7) Job No. 02-24, WK-02 Renovate Akulikuli Tunnel Phase 2 (Consultant: SSFM International)
   a. Refer to the Manager’s Report for Affordable Housing Projects – Quarterly Summary Status as of September 2010.
8) Job 02-06, WKK-15 Kilauea Tank #2 (Consultant: Kodani & Associates) – Negotiating with landowners of the proposed tank site.


PROJECTS UNDER CONSTRUCTION:

1) Job 05-03, KW-25, 03-03, KW-24, Kapilimaio 0.5MG Tank and 03-03 Generator Shelter (Consultants: Brown and Caldwell, Kodani & Associates/Contractor: Kauai Builders)
   a. Refer to the Manager’s Report for Affordable Housing Projects – Quarterly Summary Status as of September 2010.

2) Job 02-14, WK-09, 03-03, WK-15, Kapaa Homesteads 0.5 MG Tank and Makaleha Generator Shelter (Consultants: Belt Collins, Kodani & Associates, Contractor: Kauai Builders)
   a. Refer to the Manager’s Report for Affordable Housing Projects – Quarterly Summary Status as of September 2010.

3) Job WK-42 Phase I, 1 MG Stable Tank and Control Valves (Consultant: Tom Nance Water Resource Engineering, Contractor: Kauai Builders) – Project is 100% complete.

4) Job WK-42 Phase II, Kaapuni Road Waterline for Stable Tank (Consultant: Hawaii Pacific Engineers, Contractor: Earthworks Pacific, Inc.) – Project is 100% complete.


6) Job 97-10, WKK-14 Kilauea Booster Pump Station (Consultant: Austin Tsutsumi, Contractor: Oceanic Companies) – Project is 96% complete.

7) Job No. 04-04, PLH-09, Pipeline Replacement for Lihue Town (Consultant: Akinaka & Associates, Contractor: Cushnie Construction) – Project is 100% complete.
   a. DPW OT issue resolved.

8) Job No. 04-06, KW-05 & KW-20, Kekaha Well B Renovations (Consultant: Engineering Solutions, Contractor: Goodfellow Bros.) – Project is 95% complete.

9) Job No. 05-01, KW-16 & KW-23, Waimea Town Waterline (Consultant: Hawaii Pacific Engineers, Contractor: Goodfellow Brothers) – Project is 43% complete.
10) Job No. 02-03, KW-14 & KW-15, 12” Waterline along Kaumualii Highway and Waimea Canyon Drive (Consultant: Park Engineering, Contractor: Koga Engineering & Construction) – Project is 21% complete.
   a. Construction resumed after attaining NPDES permit and resolving alignment issues.


12) Job No. 04-02, WK-14 Phase II, Pipeline Replacement for Vivian Heights and Kanaele Road (Consultant: Fukunaga & Associates, Contractor: Earthworks Pacific) – Project is 20% complete.

13) Job No. 02-18, WK-32 Phase II, Pipeline Replacement for Kapaa Homesteads (Consultant: Fukunaga & Associates, Contractor: Jennings Pacific) – Project is 0% complete. Notice to proceed issued for July 26, 2010 but contractor is still working to get NPDES permit approval.

14) Job 03-02, HW-03, (Phase II), Wainiha Booster and Haena Tank Renovations (Consultant: Brown & Caldwell) – Contract awarded to Unlimited Builders, LLC. Contractor working to attain NPDES permit and Notice to Proceed will be issued after that.

Issue No. 4, Workplace Efficiencies: (new issue champions needed – both retired)

Ongoing:
1. Jeff Mendez in IT continues to work to broaden our information base for our Geographic Information System (GIS). He is assisted by WR&P’s Engineer Heath Prow and Eng. Tech. Cleve Shigematsu.

   a) Current GIS Update by Jeff
      Using the gps points as a basis, a GIS model of Anahola was created by Jeff, with help from Heath. Pipes were drawn in and attributes for all pipes, hydrants, laterals, tanks, meters, etc. were entered. This attribute information is what makes GIS a powerful tool, and there is a lot of information to input.

      Heath took the GIS Model and imported it into a water modeling software called WaterGems. With this software, he can determine water needs and water demands for a water system. Heath will be doing a Presentation of the Anahola water model at the HWWA Conference on October 13, 2010.

   b) Jeff, with the assistance of two summer interns, created a Geodatabase for the Puhi-Lihue-Hanamaulu Water System. Jeff gps’d all the valves, hydrants, wells and tanks. Summer Interns, Michael Fujikawa and Ryan Kunselman, gps’d all the meters. This water system is 75% complete, with mainly attribute information to fill in. The meters collected are about 80% complete. We still have about 500 meters that need to be gps’d. Jeff drew in the pipes from the gps valves shots and as-built drawings. Hope to be completed with the Lihue System by the end of November.
c) Jeff will begin training or retraining on the use of GIS. Would like to start with Operations and then Engineering, and determine who else needs.

Upcoming:

a) The Issue Champions Committee requested to work on the implementation of the DOW Contract Management System to monitor progress of the DOW’s contracts.
   1) Still work in progress on gathering required information to input into the system.
   2) Clerical training will follow to assist with updating the projects on the program.
   3) Implementation of the DOW Contract Management System has been delayed with a new target implementation date of November 1, 2010.
   4) Once the system works, documentation of the process would be included in the DOW’s work process manual.

b) Envision a department-wide work process manual to be compiled with documentation of any type of divisional work processes to assist with succession planning and to better internal and external customer service
   1) Processes need to be reviewed and updated.
   2) Will be documented using Microsoft Visio software.
   3) Will setup internal meetings.

c) The Issue Champions Committee requested the DOW employee’s vacation/sick leave status into a computerized monthly statement, which will eventually be issued as part of the computerized payroll module.

Issue No. 5, Accountability:

a) Of note, all DOW cell phone users are now all on Verizon.

Respectfully submitted,

Faith Shiramizu, PR Specialist
on behalf of all of the Issue Champions
MANAGER’S REPORT

September 23, 2010

Re: Affordable Housing Projects – Quarterly Summary Status as of September, 2010 (formerly prepared by RW Beck)

This report is a summary of progress on the Affordable Housing Projects.

**Job No. 05-03, KW-25, Kapilima 0.5 million gallon tank:**
A. Under construction. SSFM managing construction as of 4/22/10.

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**Job No. KW-28, Aumae Shaft:**
A. Awaiting decision by management to proceed with more testing.

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<td>10/1/2010</td>
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**Job No. 02-14, WK-08, Kapahi 1.0 million gallon tank:**
A. Proceeding with two 0.5 MG circular tanks at the existing Ornellas Tank site. EA being prepared.

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**Job No. 02-14, WK-09, Kapaa Homesteads 0.5 million gallon tank:**
A. Awaiting final documents for closeout by contractor.

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**Job No. WK-39, Kapaa Homestead Well #4:**
A. EA being prepared.

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</tbody>
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**Job No. 02-24, WK-02, Akulikuli Tunnel:**
A. Department will be conducting water quality testing.
MANAGER'S REPORT
Re: Affordable Housing Projects – Summary Status September, 2010 (formerly prepared by RW Beck)
October 21, 2010
Page 2 of 2

Respectfully submitted,

Keith Fujimoto
Project Engineer

CONCURRED:

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

KF:cab
Mgrp/Affordable Housing Status Report (10-21-10):cab