REGULAR MEETING MINUTES
BOARD OF WATER SUPPLY
Thursday, November 18, 2010

The Board of Water Supply, County of Kaua‘i, met in regular meeting at its office in Līhu‘e on Thursday, November 18, 2010. Chairperson Randall Nishimura called the meeting to order at 10:15 a.m. On roll call, the following answered present:

BOARD: Mr. Randall Nishimura, Chairperson
Mr. Ian Costa
Mr. Donald Fujimoto (present at about 10:17 a.m.)
Mr. Leland Kahawai
Mr. Raymond McCormick
Mr. Roy Oyama

Absent & Excused: Mr. Dee Crowell

STAFF: Mr. David Craddick
Mr. William Eddy
Mr. Keith Aoki
Mr. Gregg Fujikawa
Mr. Keith Fujimoto
Mr. Dustin Moises
Ms. Faith Shiramizu
Ms. Marites Yano
First Deputy County Attorney Amy Esaki

Absent & Excused: Deputy County Attorney Andrea Suzuki

GUESTS: Mr. James Nakayama, KMH, LLP
Ms. Lani Nakazawa, Office of the County Auditor
Mr. Ernest Pasion, Office of the County Auditor
Mr. Ron Rawls, Office of the County Auditor
Mr. David Hinazumi, Grove Farm
Ms. Shawn Shimabukuro, Grove Farm
Mr. Jeremy Cataluna

Quorum was achieved.

AGENDA:

Chair Nishimura requested to reorder the Agenda by going straight to New Business Item No. 6 - Request Board Approval of Draft Annual Audit - KMH, LLP, as the KMH, LLP auditor had a plane to catch and to devote enough time to this item. As there were no objections, Mr. Costa moved that the Agenda be so reordered, seconded by Mr. Oyama; by a unanimous vote; motion was carried.

NEW BUSINESS:
Re: Request Board Approval of Draft Annual Audit – KMH, LLP
Mr. James Nakayama from KMH, LLP made his presentation before the Board. He distributed a revised Draft Audit for fiscal year 2010, with a few changes from the Draft Audit in the Board packets, and also provided an Agenda for his presentation:

I. **Financial Audit of the Department’s Basic Financial Statements:**
   a. Audit was performed using generally accepted government auditing standards (GAGAS) and ultimately generally accepted auditing standards (GAAS). GAAS is designed to obtain reasonable, rather than absolute assurance about the Department’s financial statements
   b. Financial Statement Highlights:
      i. Unqualified opinion
      ii. Basic Financial Statements
      iii. Footnote Disclosures

II. **Single Audit Report:**
   a. Overview of Report – Performed in accordance with OMB Circular A-133
   b. Major Program Tested
   c. Summary of Auditors’ Results
   d. Report on Internal Control Over Financial Reporting and on Compliance and Other Matters:
      i. Change in report wording
      ii. No new current year findings
      iii. Status of prior year findings
   e. Report on Compliance and Internal Controls with Requirements to Each Major Federal Program:
      i. Unqualified opinion issued with respect to compliance
      ii. No material weaknesses identified

III. **Other Required Communication**
   a. Letter communicating results will be sent
   b. Material adjustments proposed (new):
      i. $528K adjustment to capitalize BAB issuance costs
      ii. $204K adjustment to accrue interest related to BAB investments
      iii. $791K adjustment to accrue interest related primarily to BAB and related $272K adjustment to accrue BAB interest subsidy.
   c. Passed adjustments – none
   d. Disagreements with management – none
   e. Difficulties encountered in performing the audit – Transition issues after retirement of waterworks controller

IV. **Open Discussion, Questions or Comments**

I. **Financial Audit of the Department’s Basic Financial Statements**
Mr. Nakayama reviewed the Agenda items and noted that Page 3 of the draft Audit – Management’s Discussion and Analysis, is an addition and was not in the original draft Audit. Page 7 – Statements of Net Assets (also known as a Balance Sheet) the reclassification was also not in the original draft Audit. Page 8 is a continuation of Statement of Net Assets and includes a change in Long Term Debt related to the issuance of BAB. Page 9 – Statement of Revenues, Expenses and Changes in Net Assets (P&L Statement) shows a change in net assets of about $8 million but a large part of that relates to capital
contributions of $7.7 million, and many relate to Developers conveying infrastructure to the department. There are also the ARRA grants.

Page 10 – Statements of Cash Flows provides a snapshot of the BAB funds.

Page 30 – Footnote disclosures, item 9c – Post-Retirement Health Care and Life Insurance Benefits, outlines the Annual Other Postemployment Benefits (OPEB) Cost and shows a three year disclosure of the annual OPEB cost. The department was paying OPEB on a “pay as you go basis”; the costs should actually be accrued as the person earns it while working for the department. The department will not be able to accrue the entire amount of cost at one time but instead an amortized cost over a 30 year period. AON, the actuary company, is doing the calculations to determine what the actuarial costs will be. Item 9.d represents the present liability values. The department could elect to pre-fund the liability. The department has elected to pre-fund which allows a 7% discount. However, the lower the discount rate, the higher the liability. Page 34 – shows the change in discount rate, from $8.4 to $13.5 million because all the discount rates changed. It also raises the Annual Required Contribution (ARC) as well. Mr. Nakayama gave an example if the department cannot prefund this on a long term basis. On his discussions with AON, it would change from 7% to 5% discount which has of course much more liability.

Upon query from Mr. Kahawai if the discount rate continues to drop would the amount of pre-funding increase, Mr. Nakayama confirmed that it would. Any actuarial questions should be addressed to AON.

Chair Nishimura asked if AON would have any recommendations concerning DOW pre-funding as part of their report. Mr. Nakayama stated they would not make recommendations but just state certain levels; according to the Standards there is no minimum that you can provide. Upon query from Mr. Kahawai, Mr. Nakayama noted that the evaluation is every two years, this is a minimum, under the Standards.

II. Single Audit Report

Mr. Nakayama cited the OMB Circular A-133 in noting that they are making sure that we have compliance with the grants and SRF loans of the DOW.


Page 43 – Schedule of Findings was reviewed. This page reflects the Summary of Auditor’s Results for Financial Statements and Federal Awards.

For the Internal Control, an audit is required by the Standards. The wording in the report for the categories has changed to deficiencies, significant deficiencies, or material weaknesses. This terminology is slightly different than last year. There are a couple of findings carried forward from previous years.

Page 44 lists the Financial Statement Findings. Mr. Nakayama reported that the Department previously had a manual General Ledger system but is working toward full automation. He recommends that findings 10-01 – Maintenance Management System – Time Control/Job Costing, and 10-02 – Accounting System, though not new, do need to be resolved.

Page 43 - The American Recovery Reinvestment Act (ARRA), there were differences from the previous SRF Loans but because of the coordination with the Department of Health, we did not have to deal many of the reporting requirements, and the auditor did not find any issues related to this.
III. Other Required Communication

Mr. Nakayama noted that after the audit report is finalized, there will be a formal letter to the Board. The Material Adjustments Proposed were as outlined in Item III.b.i, ii, and iii. on the audit agenda. Item III.c – Passed adjustments and III.d – Disagreements with management were both “none”. Item III.e – Difficulties encountered in performing the audit – it was noted that there were transition issues after the retirement of the Controller. Although this was anticipated, it was still tough to get through the audit. He appreciated the hard work of the staff to get the audit accomplished.

Upon query from Chair Nishimura, Mr. Nakayama confirmed that the material adjustments were already included in these numbers. Chair Nishimura also wanted to caution the department on the unfunded liability, and if it could be incorporated into the budgets because it is growing, and especially with the decline in returns, we need to be aware especially during budget time. Chair Nishimura felt this area should be stronger in the report and put into the findings somewhere. Mr. Nakayama indicated that they did not find anything out of compliance, though this is a newer area. To get the payment made to the EUTF we do not want to change it too much and confuse people. This is not a simple area and we need to understand the ramifications. Mr. Nakayama stated that such a comment could be in a separate letter, but they did not find a deficiency.

It was confirmed to Mr. D. Fujimoto that KMH, LLP conducted last year’s audit. Mr. D. Fujimoto felt that the auditor’s were doing a good job though the deficiencies noted from last year were not corrected this year. Mr. Nakayama stated that these have been ongoing for a long time and there is still room for improvement, particularly on the systems side, and automated reports are needed.

Mr. Kahawai asked if this is still a draft, if all the adjustments are made. Mr. Nakayama noted that there are still some QC processes to complete, and the AON final report still has not been received though a draft is anticipated by the end of this week. These reports also need to be incorporated into the County audit, so the County also cannot finalize their audit. Mr. Nakayama confirmed to Mr. Kahawai that the actuarial date used was 7/1/2009.

Chair Nishimura was concerned about the “minor changes” and upon checking with the Board’s counsel, Chair Nishimura would not recommend approving anything until the final changes are made, as the Board is personally liable for the results of the audit. The Board would not want to go against the advice of counsel. The Board will not move forward with an audit with holes in it, wherein both the Board and KMH, LLP would have liability. Mr. D. Fujimoto concurred. Upon query from Chair Nishimura, Ms. Esaki felt we could approve the draft and if there were no changes with the Final Report and a clean final copy was received, this could speed up the final processing.

Mr. Costa moved to receive the Draft Audit Report, seconded by Mr. Oyama.

Chair Nishimura thanked Mr. Nakayama for his assistance.

Mr. D. Fujimoto’s recommendation is to try to complete the automated accounting program. Manager Craddick stated that this is the first year that we budgeted this for Manager Craddick to have some leverage, and this has helped to move along the computerized management people. We have targeted to do it before but personnel changed, the bargaining unit changed and there were a number of other changes.
Mr. Nakayama stated that he would be willing to come before the Board again if the Board so desired. Deputy Eddy commended Ms. Yano and the Accounting team for getting the audit together after Waterworks Controller Ganaden’s retirement.

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

The Regular Meeting went in to recess at 11:05 a.m. and reconvened at 11:19 a.m.

MINUTES:
Mr. Costa moved to approve the Regular Meeting Minutes of October 21, 2010, seconded by Mr. Oyama, pending any amendments by Members; by a unanimous vote; motion was carried.

CORRESPONDENCE / ANNOUNCEMENTS:

Re: Correspondence from the County Auditor requesting DOW perform their external Audit in conjunction with the County-wide Audit

Mr. Ernesto Pasion, County Auditor gave a brief overview of the correspondence he sent to the Department, including the timeliness of the County-wide audit, the consistency of the audit results, and the impartiality of the audits. He indicated that the County Charter states the responsibility for County audits lies with their office, and there is no provision for exempting the financial audits of the DOW. A further one year extension of the DOW contract with KMH, LLP was done. The contract for the County audit expires this year, and it is time for the RFP to be issued to find the auditor to conduct the County-wide audit for the next three to four years. There was a delay with the DOW audit last year.

Chair Nishimura stated that clearly the Charter states the County is responsible for all “auditing”. Upon query from Chair Nishimura, Deputy County Attorney Esaki confirmed the County is then responsible for the audit. Manager Cradick asked what happens if the County audit is delayed or they do not get a clean audit, how this affects our DOW credit rating.

Upon query from Mr. D. Fujimoto if this includes the DOW audit, Ms. Esaki stated the way the Charter is written, it includes semi-autonomous agencies. Upon query from Chair Nishimura if therefore the Board can wash their hands of this year’s audit, Ms. Esaki stated that the contract with the existing auditors for the County was only for a year, and then extended for another year. So DOW was requested to do a one-year extension and then both the DOW and County audit contracts would end at the same time.

Chair Nishimura noted the authority was transferred in 2008 to the County. Ms. Esaki stated the audit would still come before the Board as it does with the County audit with the County Council. Chair Nishimura stated that if the responsibility rests with the County Auditor’s Office, then why does the Board need to approve it. Mr. Pasion noted that the audit cannot be “approved” as the Board cannot make any changes to the audit. Chair Nishimura asked why the Board is responsible for receiving the audit as the responsibility is transferred to the County. Ms. Esaki stated that currently the contract is with DOW for this audit, so the officer in charge for this contract is the DOW.
Mr. D. Fujimoto stated that Mr. Pasion mentioned we can’t amend it, and we understand our legal obligation to the auditor based on our contract, but the audit itself does not have to be approved by us. Ms. Esaki felt the Board needs to know the numbers and findings.

Chair Nishimura felt it was a question of funding and responsibility. If they are responsible for the audit they should be transmitting the results of the audit to the Board for their information. Ms. Esaki noted this is an interim period until such time as the County will be responsible for procurement of the entire audit. Chair Nishimura asked in the future if the County is responsible, then does the Board have any audit responsibilities. Mr. Pasion noted the contract will state there will be an audit for the County and DOW. The County will be responsible for procuring and managing the contract. Mr. Pasion confirmed to Chair Nishimura the DOW would just request an audit – be it financial or performance, etc. Chair Nishimura asked Mr. Pasion what action he is asking of the Board. Mr. Pasion noted that with two separate CPA firms there are delays so they are looking at different ways to do things. Manager Craddick stated that Mr. Pasion indicated we have no choice, as it is in the Charter. Chair Nishimura asked if we are still expected to fund the audit. Mr. Pasion stated they are responsible for the County-wide audit through the County Council, but the mechanics of working out who pays for the DOW audit is not clear. Mr. Pasion reported the DOW contract is for one year and then it will be synchronized with the County. Mr. Kahawai felt that procuring the contract for the audit and approving the audit were two different things, and if it falls under the County’s jurisdiction, the Board should not be approving it. Mr. D. Fujimoto felt that if the County is responsible, then the County needs to approve it for form and content.

Ms. Nakazawa elaborated that for an independent audit report, there is no rule for any County entity to approve anything, you just receive, not approve as nothing is subject to approval or disapproval. Therefore the County Auditor’s office would be responsible for the procuring and managing the audit report, but no one on the County side approves anything.

Chair Nishimura noted that if we receive the Draft, and send it to the County, these are only draft numbers. Ms. Nakazawa felt that upon receiving the AON information our CPA has issued the Final Report but they are reluctant to call it Final because of their understanding that the Board wants to “approve” it before they can call it a Final. It is a tight timeframe. As KMH, LLP is under contract to DOW, they will not finalize their report without Board approval. Ms. Esaki noted the presentation to the Council will be on December 15. Ms. Nakazawa felt that if the DOW results were in by November 30 it would allow the Final Audit report to be issued to the Council before the 15th. Both County and DOW are waiting for AON. Chair Nishimura noted we cannot receive the report until it’s finalized and then there are the sunshine law requirements for noticing another meeting. We can transmit the report as it stands but we cannot receive it until it is done, and we are waiting for AON. Ms. Nakazawa asked if the Board could consider calling it Final when they get the information from AON. Ms. Nakazawa stated there seems to be an extra step with DOW where KMH, LLP are waiting for the Board to “approve” the draft before transmitting the Final. Chair Nishimura stated we could transmit the draft audit, but cannot receive the Final until it is received, and both entities are waiting for AON. Ms. Esaki noted we could hold a Special Meeting on November 30 and receive the Final Report, pending receipt and sunshine law requirements.

Mr. Jeremy Kaluna gave a brief history and testimony reminding DOW of its semi-autonomous status. Mr. D. Fujimoto stated that we are aware of the independent status, but
are trying to accommodate the County. Chair Nishimura reported that we still need to receive and cannot break that process. If the report is ready we have a tentative plan for meeting. Mr. Pasion asked if KMH, LLP would be able to transmit to the County’s auditor, and Chair Nishimura noted we could ask KMH, LLP to transmit the draft numbers to the County. Ms. Nakazawa indicated that KMH, LLP has helped by providing the draft numbers to the County auditor. Mr. Kahawai wondered who had authorized KMH, LLP to provide the draft to the County. Manager Craddick stated that it will be posted on our website. Manager Craddick again expressed concern over what would happen if the audits were combined but the County portion did not get a “clean” audit, and if this would be written into the procurement document. Ms. Nakazawa replied that although it is structured as a County-wide audit with the DOW added on, there would be a separate audit report covering DOW only in addition to the overall report. A clean audit would have “no material defects”. Mr. Kahawai asked then if this would be our last year to receive an audit, in the future we would just transmit. Chair Nishimura stated that we would receive the audit from the County.

Mr. Costa moved to receive the correspondence from the County Auditor requesting DOW perform their external Audit in conjunction with the County-wide Audit, seconded by Mr. Oyama; by a unanimous vote; motion was carried.

**Re: Grove Farm’s request for Kawaikini School allocation**

Manager Craddick reported that this is just a matter of accepting the letter because we are looking for an amendment to the Agreements that we have. This letter does not meet the requirements for amending the agreements we have. They can only use the water on their property and this property is no longer theirs. The school is getting the land from KCC. This letter says we have excess capacity at the treatment plant and therefore they can use our water. We have shifted our pumping arrangement around and in order to save costs we purposely do not use the treatment plant and run our pumps more. We run pumps rather than the treatment plant because it is cheaper. Mr. D. Fujimoto wondered if the use fee would pay the costs. Manager Craddick noted we do not have the capacity to sell water in Lihue. The only reason there is excess capacity is because we are over-pumping our wells.

**PRESENTATION**

Mr. David Hinazumi and Ms. Shawn Shimabukuro from Grove Farm were present. Chair Nishimura noted the request to take care of Kawaikini School. If there is 4 million gallon capacity at the surface treatment plant, is Grove Farm willing to give up a portion. Manager Craddick stated the letter reads that Grove Farm is giving up Dow’s portion of the water and not the Grove Farm portion. The agreement with Grove Farm states that we use their capacity for the school.

Mr. Hinazumi noted that the initial request stated it would come out of the Grove Farm allocation at a million gallons per day. He met with Manager Craddick and then Ms. Suzuki discussed the amendment of the surface water treatment plant agreement. Ms. Suzuki indicated they did not need to amend the Agreements and cited section 6.c which talks about water. If it comes from Grove Farm’s allocation, so be it. Ms. Suzuki brought up additional water, separate from their allocation. They did not want to waive any rights down the road. Grove Farm is agreeable with the water coming out of their allocation.

Chair Nishimura asked if it would be a matter of their allocation and they have ‘x’ gallons left in their allocation. Manager Craddick noted that Ms. Suzuki was not present to answer any questions. Upon query from Mr. D. Fujimoto, Manager Craddick indicated he had no issues.
if it came out of Grove Farm’s allocation, which was always his understanding anyway, and Mr. Hinazumi stated likewise for Grove Farm.

Manager Craddick felt there was no rush as he has signed the permit for the school, and until Ms. Suzuki has chance to read the letter. Ms. Esaki felt this should be memorialized somehow. Manager Craddick stated that he signed the permit based on the contents of the first letter. Mr. D. Fujimoto asked if Ms. Suzuki was misled that there was additional capacity and Manager Craddick noted that there is capacity that Grove Farm has not allocated. He would also like it memorialized so there are no future misunderstandings. Ms. Esaki suggested this item be deferred for Manager Craddick to review and finalize.

Mr. Hinazumi noted Ms. Suzuki cited the water treatment and delivery agreement where it is defined as additional water. They need the Board’s approval for the use of the Board’s water system to transmit the water.

Chair Nishimura asked if the School was part of our service area and Manager Craddick stated that we do not have water in the Lihue area to give anybody unless we change the filters. Chair Nishimura asked if KCC built the facility and Mr. Fujikawa stated that KCC is leasing the land to the school if they provide their own water.

Manager Craddick felt that as the Board has signed the original Agreement, it may be a valid reason for the Board to be involved.

Mr. D. Fujimoto felt the Board should approve it based on their use from their allocation.

Mr. Costa moved to approve Grove Farm’s request and direct the Department to work with Grove Farm to complete the accounting of that allocation from Grove Farm’s overall allocation; seconded by Mr. D. Fujimoto.

Manager Craddick felt it was not appropriate to ask for Board action from a Correspondence item. It should be referred to staff to make a report which then gets approved, and it is a true business item, not just receiving correspondence.

Mr. Fujikawa felt that we should hear Ms. Suzuki’s thoughts and he was not clear on the need for approving the Grove Farm use from their allocation.

Mr. D. Fujimoto withdrew his second and recommended staff to take action, to be placed on the next agenda.

Mr. Kahawaii wondered why Board approval was necessary for Grove Farm’s decision to use their own allocation. Chair Nishimura explained that they are requesting using our water line to transmit the water.

Mr. Oyama moved to defer this item for staff recommendations, to be on the next agenda, seconded by Mr. D. Fujimoto.

Manager Craddick needed to discuss this with Ms. Suzuki, as approval for transmission of water does not normally come through the Board.
Mr. Hinazumi assumed that Ms. Suzuki was speaking on behalf of the Department of Water and the Board. Board Approval was just for the additional water. Ms. Suzuki was attempting to resolve this.

Mr. D. Fujimoto withdrew his second. Mr. Oyama’s motion died through lack of a second.

Ms. Esaki felt that this should be deferred and referred to staff to memorialize, etc. Chair Nishimura felt that if we approve the use of the waterline for transmission of water for Kawaikini School, provided they can come to an agreement on how it is being accounted for and memorialized, this may resolve the issue.

Mr. D. Fujimoto moved to approve Grove Farm’s request to use the transmission provided that the water is coming from their allocation and that the Department of Water works out in the agreement the accounting for that. Mr. D. Fujimoto then revised his motion and moved that the Board approve Grove Farm’s request to utilize the water system to deliver the requested water that will be deducted from their allocation.

With concerns from Manager Craddick, upon query from Mr. D. Fujimoto, Ms. Esaki confirmed that action could be taken on a correspondence item. Manager Craddick felt it would be confusing in the future for people to figure this out.

Mr. D. Fujimoto then revised his motion again to approve the use of the transmission main for 18,000 gpd for the school allocation which will be deducted from Grove Farm’s allocation and as requested in their communication, seconded by Mr. Costa.

Chair Nishimura asked if Manager Craddick had a problem with the motion the way it is worded. Manager Craddick noted this was a Board decision and his only problem was with the process. Upon query from Chair Nishimura, Mr. Fujikawa had no comment.

Chair Nishimura asked Ms. Esaki if the way the motion is worded, could or should the Board act upon it. Ms. Esaki asked if DOW agrees with the 18,000 gpd. Manager Craddick noted this number came from the school. Ms. Esaki noted that although it was under Correspondence, the letter does request Board action; Ms. Esaki also highlighted another instance where Board action was taken on Correspondence.

Chair Nishimura requested a letter from Grove Farm and then we can respond to the request, review with Ms. Suzuki, and include changes to the table. Mr. Hinazumi will submit a letter to the department. Mr. Costa felt the second paragraph could be modified and put in the deduction of the allocation. Manager Craddick noted that we would if we knew we could replace the water. The fee if paid would not be enough to replace their allocation.

Mr. Hinazumi withdrew the letter to the Board and requested it be given to the department, with the target of the December 16 meeting. If the agreement needs be amended then Ms. Suzuki can do that to accomplish the resolution of this matter. Mr. Hinazumi will send the letter to the department and copied to the Board.

Chair Nishimura thanked Mr. Hinazumi for trying to help the school. Mr. Costa reported that this is probably his last Board Meeting and he was sorry he could not help. Mr. D. Fujimoto thinks it is pretty straight-forward and thinks the motion would solve it all. Mr. D. Fujimoto
stated the motion is to use the transmission main; this motion, if passed, would provide a mechanism for the use of the transmission main.

Mr. Oyama was equally concerned about the staff’s opinion as well as the attorney’s position and did not want the Board to come in between. This is the government and the process has to be right.

Mr. Costa then withdrew his second.

Mr. Oyama moved to defer and refer to staff for recommendations, seconded by Mr. McCormick.

Mr. Kahawai noted that Ms. Suzuki was not present, but stressed the staff needs to know what is going out from their attorney as this reflects on the department. Manager Craddick noted the date on the letter from Grove Farm was November 16, which was after the Agenda was posted by sunshine law. It was listed on the Agenda, as a communication from Grove Farm was anticipated, but it was hand-delivered a day and a half before the meeting and the staff did not have chance to review it under that time frame.

With no further discussion, the motion passed 4 – 2, with Mr. D. Fujimoto opposed and Chair Nishimura’s vote silent.

Re: For the Board’s Information: Board Meeting Dates for Next Year, 2011
Chair Nishimura requested Board members bring any conflict in dates to the next Regular Meeting on December 16, 2010. Mr. Kahawai moved to receive the Board Meeting dates for 2011, seconded by Mr. Oyama; by a unanimous vote; motion was carried.

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 Chair Oyama reported that at the November 18, 2010 Finance Committee Meeting the Committee recommended the Claims Payables for a total of $1,712,038.13 for approval to the full Board. Mr. Kahawai moved to receive the Claims Payable and place on file, seconded by Mr. McCormick; by a unanimous vote; motion was carried.

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

Re: Manager’s Report No. 11-24 – Committee Discussion and Possible Action on Part III Rule Amendments – Establishing Standards for Subdivision Water Systems
Mr. Costa stated the Rules Committee had deferred this item. Mr. D. Fujimoto moved to approve the Rules Committee report, seconded by Mr. Oyama; 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 had suggested deferring this item to the end of this Regular meeting if there was sufficient time, Chair Nishimura noted that there was not time and asked for a motion to defer to the next meeting. Mr. Costa so moved, seconded by Mr. Oyama; 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

Chair Nishimura had suggested deferring this item to the end of this Regular meeting if there was sufficient time, Chair Nishimura noted that there was not time and asked for a motion to defer to the next meeting. Mr. Costa so moved, seconded by Mr. Oyama; by a unanimous vote: motion was carried.

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

Re: Standing Committee Report on Manager’s Report No. 11-28 – Request Board Approval of Facilities Reserve Charge Changes

Chair Kahawai noted the Committee approved a motion to defer this item to the next meeting; Mr. Oyama moved to approve the Committee report; seconded by Mr. Costa; by a unanimous vote; motion was carried.

OLD BUSINESS

Re: Manager’s Report No. 11-20 – Budget Amendments: Transfer of $3.8 million in Revenue Funded Payments 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>
<thead>
<tr>
<th>Contract No.</th>
<th>Description</th>
<th>Amount to be Recertified</th>
<th>Loan SRF Fee</th>
<th>Total SRF w/subsidy</th>
<th>BAB Int** Debt</th>
</tr>
</thead>
</table>

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491 Stable Tank $1,033,673 0.26% 3.50% 3.76% 2.60%
492 Stable TK Ph II $277,296 0.26% 3.50% 3.76% 2.60%
493 Stable TK Ph I $250,330 0.26% 3.50% 3.76% 2.60%
  sub total $1,561,299
497 Kapilima Tank $2,091,182 0.32% 3.50% 3.82% 2.60%
498 Kaumualii Hwy $231,126 0.42% 3.50% 3.92% 2.60%
  Total $3,883,607 $1,972,263 $1,495,778

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 $30,470,579 = $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
Upon query from Chair Nishimura, Ms. Esaki indicated there was no new information on the interest from the Bond Counsel.
Mr. Oyama moved to defer this item to the January 2011 Board Meeting, seconded by Mr. McCormick; by a unanimous vote; motion was carried.

**Re:** Request Board Approval of revisions to Board Policy No. 15 A  
Chair Nishimura indicated there were changes in the language of the Policy, item 1.b.  
Mr. Costa moved to receive and have this new Policy placed in the Board Handbooks; seconded by Mr. Oyama.

Chair Nishimura stressed that this is an important Policy. He also felt that once the Board takes action such as this, the Policy should come before the Board for a last review before it becomes official.

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

**NEW BUSINESS**

**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.

**DISCUSSION**

Manager Craddick noted that this Association could have the potential of directing funding to us, and wished to participate. Chair Nishimura expressed concern over the amount of time that would have to be spent attending the meetings by the Manager. Mr. D. Fujimoto felt this was a good thing but noted the Manager already has a busy schedule and wondered if someone else could attend instead. Manager Craddick reported that he was unsure of the Association’s bylaws at this point concerning substituting someone else to attend. He expected other County officials would be on the Board, maybe four County and three private, and this would be funded out of the current budget.
Mr. D. Fujimoto moved to approve Manager Craddick’s participation with the Hawaii Rural Water Association, seconded by Mr. Oyama; the motion passed with a majority of 5 to 1; with Chair Nishimura opposing.

Re: **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**

**RECOMMENDATION:**
Board approval was 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 was requested for the current fiscal year. No additional funding requirements for this MOA were 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 ....................... <$20,000.00>
- 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> ........... <$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. 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.

On behalf of Manager Craddick, Deputy Eddy reviewed the subject MOA and found that it was reasonable and prudent. He recommended approval of the subject MOA. The DOW portion is $15,000.
Mr. D. Fujimoto moved to approve the Memorandum of Agreement with the Department of Finance; seconded by Mr. Oyama; by a unanimous vote; motion was carried.

Re: Manager's Report No. 11-38 – Request Board Approval of the following documents from the following applicants for their respective projects:

1. 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

It was 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:

**Structures and Improvements/Pumping Plant**

<table>
<thead>
<tr>
<th>#</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>366 Tank Booster Pump Building (Concrete Block Masonry 19' x 20' with Concrete Roofing)</td>
</tr>
<tr>
<td>1</td>
<td>425 Tank Instrument House (Concrete Block Masonry 6'8&quot; x 9'4&quot; with Bitumen Roofing)</td>
</tr>
<tr>
<td>4,208</td>
<td>2' of AC over 6&quot; ABC - 12' wide access road (includes site)</td>
</tr>
<tr>
<td>5,803</td>
<td>6&quot; Concrete Paving</td>
</tr>
<tr>
<td>3,008</td>
<td>8&quot; x 6&quot; Concrete Header Curb</td>
</tr>
<tr>
<td>464</td>
<td>2' Wide Concrete Paving</td>
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<tr>
<td>434</td>
<td>4' Wide Concrete Gutter</td>
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<tr>
<td>828</td>
<td>6' Chain Link Fence</td>
</tr>
<tr>
<td>3</td>
<td>6 foot Chain Link Fence 14' wide Double Swing Gates</td>
</tr>
<tr>
<td>425</td>
<td>18&quot; High Density Polyethylene Culvert Pipe</td>
</tr>
<tr>
<td>442</td>
<td>12&quot; High Density Polyethylene Culvert Pipe</td>
</tr>
<tr>
<td>11</td>
<td>Drain Inlet</td>
</tr>
<tr>
<td>2</td>
<td>Shallow Drain Manhole</td>
</tr>
<tr>
<td>7</td>
<td>Headwall</td>
</tr>
</tbody>
</table>

Regular Meeting: Thursday, November 18, 2010 – Page 15 of 26
Electrical Pumping Equipment

2

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

EA  Motors (Baldor 5 HP, 3450 RPM)
2

EA  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
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 was subject to the Acquisition and Funding Agreement between the County of Kauai and Kukui’ula.

Mr. Costa moved to approve the 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, seconded by Mr. D. Fujimoto; by a unanimous vote; motion was carried.

2. **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 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, 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 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. Costa moved to approve the 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, including its indemnification provision, seconded by Mr. D. Fujimoto; by a unanimous vote; motion was carried.

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

It was 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 Manuhonuho Tanks, Koloa District, 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. Costa moved to approve the Grant of Easement U-2 from McBryde Sugar Company, Ltd., a Hawaii Corporation, for the Manuhonuho Tanks; TMK: (4) 2-6-03: 001(por) and TMK: (4) 2-6-03:034(por), Koloa, Kauai, Hawaii, including its indemnification provision, seconded by Mr. D. Fujimoto; by a unanimous vote; motion was carried.

4. **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 was 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**

| Control Building Well No. 2 (Concrete Block Masonry 34" X 154" with Bitumen Roofing) |
| Control Building Well No. 3 (Concrete Block Masonry 34" X 154" with Bitumen Roofing) |
| 2" of AC over 6" ABC - 12' wide access road (includes site) |
| Reinforced Concrete Paving |
| 8" x 6" Concrete Header Curb |
| 6 foot Chain Link Fence |
| 6 foot Chain Link Fence 14' wide Double Swing Gates |
| CRM Swale Transition |
| 4-foot Concrete Swale |
100 LF 36" Corrugated Metal Pipe
70 LF 30" Corrugated Metal Pipe
30 EA 24" Corrugated Metal Pipe
2 EA 36" Flared End Section
2 EA 30" Flared End Section
2 EA 24" Flared End Section

**Electrical Pumping Equipment**
2 EA Submersible Pumps (Goulds 12CMC)
2 EA Motors (Goulds 250 HP)
2 EA Chlorine Analyzer (NEMA)
2 EA Hydro Pneumatic Tank (3000 gallons)
158 LF 1" Schedule 80 PVC pipe Chlorine Solution Line
107 LF 1/2" Copper Sensing Line
98 LF 1 1/2" Copper Pressure Line
184 LF 2" Copper Suction Line
33 LF 2 1/2" Copper Line
61 LF 4" Ductile Iron Pipe Drain Line
2 EA CRM Headwall
140 LF 12" Ductile Iron Pipe Blow-off Line
1 EA Shallow Drop Manhole with Bilco Hatch
2 EA 8" Flow Transmitter (Venturi)
2 EA Flow Switch (Omega Vane FSW-42A)
2 EA Flow Tube Differential Pressure Transmitter
2 EA Discharge Piping Pressure Transmitter (Nema 316)
2 EA Station Electric System
  a. Building Electric Service
  b. Well Pump Control
  c. Door Magnetic Switch
  d. Gate Magnetic Switch
  e. Limit Switch
  f. Discharge Pressure Transmitter
  g. Flow Control Switch
  h. Heater
  i. Flow Transmitter
  j. Well Level Transmitter
  k. Water Level Transmitter
  l. Solenoid Valve Connection
  m. Alarm Circuit
  n. Analog Instrumentation Circuit
  o. Chlorine Weight Transmitter
  p. Chlorine Residual Transmitter
  q. SCADA

**Distribution Reservoirs and Standpipes**
1 EA 0.1 MG (100,000 gal.) Reinforced Concrete Tank
1 EA Water Level Indicator (Varec)
1 EA Tank Level Transmitter

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<p>| | | |</p>
<table>
<thead>
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<tbody>
<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>
</tr>
<tr>
<td>1</td>
<td>EA</td>
<td>12&quot; Flap Valve</td>
</tr>
<tr>
<td>28</td>
<td>LF</td>
<td>12&quot; Ductile Iron Overflow Line</td>
</tr>
<tr>
<td>1</td>
<td>EA</td>
<td>Sampling Tap</td>
</tr>
<tr>
<td>1,012</td>
<td>SY</td>
<td>2&quot; of AC over 6&quot; ABC - 12' wide access road (includes site)</td>
</tr>
<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>
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**Transmission and Distribution Mains**

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<tr>
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<td>16&quot; Ductile Iron Pipe Waterline</td>
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<tr>
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<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>
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<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; 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.

**DISCUSSION**

Manager Craddick noted that on one of the well pumps the shaft had twisted off. Kukui’ula took responsibility and is trying to collect back from the contractor and manufacturer. A similar issue is the SCADA system booster pumps. We now have to pay the $700,000 Relocation fee, which will be on the Agenda for the next meeting and it will be a budget amendment. Deputy Eddy stated it was not $700,000, it was our portion of it.

Upon query from Chair Nishimura if the Acquisition and Funding Agreement is between DOW and Kukui’ula, Mr. Aoki noted that it is between the County and Kukui’ula; he noted that Ms. Suzuki was familiar with these Agreements and had requested this language be included in the reports; it had been included in prior reports concerning Kukui’ula.

Mr. Costa moved to approve the 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, seconded by Mr. D. Fujimoto; by a unanimous vote; motion was carried.
Re: Manager’s Report No. 11-39 - Job No. K-01, Yamada Tank Site Acquisition, TMK: (4) 2-4-003:007, Puuwai Road, Kalaheo, Kauai, Hawaii.
RECOMMENDATION: It was 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)

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.

Mr. D. Fujimoto moved to approve Job No. K-01, Yamada Tank Site Acquisition, TMK: (4) 2-4-003:007, Puuwai Road, Kalaheo, Kauai, Hawaii, seconded by Mr. Costa; by a unanimous vote; motion was carried.

Re: Request Board Approval of Resolution No. 5 (10/11), Mahalo and Aloha Keith Fujimoto
Although the Resolution was not included the Agenda packets, it was available and read at the November 18, 2010 Board Meeting.

Mr. Costa moved to approve Resolution No. 5 (10/11), Mahalo and aloaha Keith Fujimoto, who will be retiring from the Department of Water as of December 1, 2010, seconded by Mr. Kahawai; by a unanimous vote; motion was carried.

Re: Dedication Deed for Water Tank Sites from McBryde Sugar Company, Limited, a Hawaii Corporation, TMK: (4) 2-6-03:001(port) & TMK: (4) 2-6-03:034(port), Koloa District, Kauai, Hawaii
It was recommended that the Dedication Deed for TMK: (4) 2-6-003:001(port) and (4) 2-6-003:034(port), 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 Manuhonuhihi 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.

Mr. Costa moved to approve the 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, seconded by Mr. D. Fujimoto; by a unanimous vote; motion was carried.

The Regular Meeting was recessed at about 1:18 p.m. and reconvened at about 1:22 p.m.

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 was 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.

$147,500.00

Contingency

$7,400.00

BEGINNING BUDGET

$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

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.

DISCUSSION
Mr. K. Fujimoto reported that the account balance was not carried over sufficiently, therefore this is just to get back the deficiency that did not carry over, the shortfall is $48,400, from June 30 to the new fiscal year.

Chair Nishimura noted that the total project budget shows as $292,300, but in the Minutes from the last meeting, on Page 17, the budget amendment shows a total of $290,100. The total budget to date did not match the last board report. There was an error in the previous report. Chair Nishimura suggested deferring this item to allow staff to review the previous Board Report. Mr. K. Fujimoto noted all the other funding is correct, it was the total project budget that is in question. Ms. Yano will provide an update for the Board with the correct figures.

Mr. Costa moved to approve Job No. 02-19, WK-12, Waipouli Main Replacement, Lihue-Kapaa Water System, Budget Amendment for Contract No. 405 with Kodani and Associates, Inc., seconded by Mr. Oyama; by a unanimous vote; motion was carried.

Re: Department of Water Facilities Operations and the Endangered Species Act and Migratory Bird Treaty Act
As Ms. Suzuki will provide an update at the next meeting, Mr. Costa moved to defer this item to the next meeting, seconded by Mr. Oyama; by a unanimous vote; motion was carried.

STAFF REPORTS
Re: Statement of Kaua‘i County Water Department’s Revenues and Expenditures for the months of August and September 2010
Ms. Yano noted that in the September report, Item 589 on Page 7, the contract with Kodani and Associates is showing as $30,690 so it is showing a negative on that line item. Ms. Yano confirmed to Chair Nishimura on the BAB subsidy the interest goes into the Water Utility fund.

Mr. D. Fujimoto moved to receive the August and September 2010 reports, seconded by Mr. Oyama; by a unanimous vote; motion was carried.

Re: Public Relations Specialist’s Monthly Update Regarding DOW Public Relations Activities for the months of September and October 2010
Ms. Shiramizu thanked Mr. Moises for taking the lead at the Piwai Tank Blessing, as she was unavailable. Mr. D. Fujimoto thanked Manager Craddick for putting together a great conference, and Mr. Costa thanked the staff for coordinating the conference.

Mr. D. Fujimoto moved to receive the September and October Public Relations Update, seconded by Mr. Costa; by a unanimous vote; motion was carried.

Re: Deputy Manager’s Summary Report on Monthly Operational Maintenance for the months of September and October 2010
Deputy Eddy thanked Mr. K. Fujimoto on behalf of the Operations Division. Mr. K. Fujimoto always took on the most complex projects and saw them to completion. Mr. Oyama also thanked Mr. K. Fujimoto, and welcomed him to stay on, and noted it is hard when people with so much experience retire.

Chair Nishimura asked if replacement work is being charged to Operations or charged to 2020 projects. Manager Craddick stated that those are the adjustments that the auditor makes at the end of the year. It gets charged to capital not to operations.

Mr. D. Fujimoto moved to receive the September and October Deputy Manager’s Summary Reports, seconded by Mr. Costa; by a unanimous vote; motion was carried.

Re: MANAGER’S UPDATE for the months of September and October 2010
Deputy Eddy noted that two contracts were awarded for pipeline amendments and materials contract. Upon query from Mr. Oyama on the start dates, Manager Craddick stated that the contractor wanted a delay due to the valves, but we obtained some from the Honolulu Board of Water Supply (HBWS).

Upon query from Mr. Kahawai if the Waterworks Controller position would be filled before the end of the year, Manager Craddick stated he is reviewing the interview sheets and hopes to make a selection by the end of today.

Manager Craddick noted that the new Special Projects Assistant is Regina Flores, and that Jenny Lewis has returned, but will be on leave next May, and then gone again from next August.

Chair Nishimura noted that the billing system was down for half a day and asked if we are instituting something to reduce or eliminate this from happening in the future. Manager Craddick felt that it may have been customer accounting system that was down, rather than billing. Deputy Eddy noted that the system will be replaced when the new system from HBWS comes on line. HBWS should be informed of this downtime.

Mr. Costa moved to receive the Manager’s Update for September and October, seconded by Mr. Oyama; by a unanimous vote; motion was carried.

Quarterly Reports
Re: For the Board’s Information on the Kaua‘i County Water Department Briefing on Departmental Projects
Upon query from Chair Nishimura, there were no questions from Board members.

Re: Strategic Plan Update: Issue Champions & Affordable Housing Reports
Chair Nishimura noted that ground breaking ground is occurring next year. The Eleele project is bid out, is there anything from DOW that is holding it up? Mr. Fujikawa reported that Phase II, Eleele Luna has 407 lots, with several increments. The infrastructure improvements will be done by the end of 2010, they have to be based on County approved construction drawings. DOW is in the process of reviewing the water improvements and the improvements are being bid out. We are in the process of approving the design drawings, there are 107 units. Chair Nishimura asked if we are holding them up and Mr. Fujikawa stated it depends on the requirements for their subdivision. Chair Nishimura wanted to make sure the affordable housing is not being held up by DOW. Mr. Fujikawa stated they are
negotiating with a consultant to prepare the community master plan which would define the water facilities plan.

Manager Craddick distributed the revised Bond Project List, and drew attention to the Encumbered to Date column.

Mr. Costa moved to accept the Quarterly Reports, seconded by Mr. Oyama; 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.

Mr. Oyama moved to defer items J-1 and J-2 until the next meeting, seconded by Mr. McCormick; by a unanimous vote; motion was carried.

TOPICS FOR NEXT BOARD MEETING

Manager Craddick stated there would be some budget amendments related to the FRC. The Piwai Tank job is funded cash out of the FRC and because of the FRC study where they did not take interest from that account, we may be switching Piwai to BAB funding and then have enough to pay one of two years out of the FRC until the FRC issue is dealt with. Manager Craddick will include this in his report.

1. Election of Officers for 2011
2. Board appointment Committee assignments
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 / Keith Fujimoto retirement - 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 1:55 p.m.

Respectfully submitted,

[Signature]
Carol A. Beardmore
Commission Support Clerk

Approved,

[Signature]
Leland Kahawai
Secretary – Board of Water Supply

cab