

REGULAR MEETING MINUTES
BOARD OF WATER SUPPLY
Thursday, September 16, 2010

The Board of Water Supply, County of Kaua'i, met in regular meeting at its office in Līhu'e on Thursday, September 16, 2010. Chairperson Randall Nishimura called the meeting to order at 11:02 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 12:40 p.m.*)
Mr. Dee Crowell
Mr. Donald Fujimoto (*present at about 10:15 a.m.*)
Mr. Raymond McCormick
Mr. Roy Oyama

Absent & Excused: Mr. Leland Kahawai

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

GUESTS: Ms. Marie Williams, County of Kaua'i Planning Department

Quorum was achieved.

AGENDA:

Chair Nishimura requested to have Item G.3 – *Manager's Report No. 11-10* – Request Board Approval to Concur with Mayor Carvalho's "Consortium for Kaua'i's Sustainable Regional General Plan", moved to follow Item E – Correspondence/Announcements, due to the presence of Ms. Williams from the Planning Department who would be making a presentation. Mr. Costa moved to approve, seconded by Mr. Oyama; as there were no objections, the Agenda was so re-ordered by Chair Nishimura.

MINUTES:

Manager Craddick wished to note that for his Manager's Update (pages 28- 33), the action was to receive the Manager's Update, as noted in the Minutes. No other action was taken by the Board. There are some items in the Manager's Update that need to come before the Board for their action. Chair Nishimura confirmed that Mr. Oyama moved to receive the Report and that was the only action that was taken at the time.

Mr. Costa moved to approve the Regular Meeting Minutes of August 19, 2010, seconded by Mr. Oyama; by a unanimous vote; motion was carried.

CORRESPONDENCE / ANNOUNCEMENTS:

Re: Letter from Kukuiula requesting approval of Piwai Tank / Akemama Tank Agreement

Manager Craddick stated that this was really a question of an allocation of water. Mr. Oyama moved to receive the letter dated November 23, 2009, and refer to staff for recommendations, seconded by Mr. Costa.

Chair Nishimura asked that the Department give this their full attention, as the letter is ten months old.

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

Re: 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 stake holders 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

Ms. Marie Williams from the Planning Department indicated that this was a Federal grant through the U.S. Department of Housing and Urban Development, and was one of the first times that the Federal government had given money to do local planning so communities can develop a consistent framework for all their planning. This would involve land use, water planning, economic development, housing, transportation, etc. The relationship to the General Plan is if we receive the grant, it will serve as the County's General Plan. The DOW is requested to sign on as a partner as it is a requirement of the grant which gives communities an opportunity for all agencies to participate. The requested amount is \$1 million with a \$600k match for the General Plan update, so it is a \$1.6 million project.

Upon request from Manager Craddick on the cost for our Water Use and Development Plan, Mr. Fujikawa stated that he was not sure of the budgeted amount. Manager Craddick felt we should utilize the match to get more money.

Ms. Williams indicated the contract has been signed by KIUC, KCC, Housing, County Transportation, DOT, DHHL, KPAA and Get-Fit Kaua'i. If the grant is received, there is a chance to add additional partners and DOW is a big part of that. Approval is being requested

for DOW to sign on as a member. The Planning Department would be the lead and be responsible for reporting, the funds, etc.

Mr. D. Fujimoto stated that the main objective of the grant is to coordinate the major agencies and synergize the projects. The Department of Public Works is included as part of the County.

Chair Nishimura asked how much additional manpower resources would be required of the DOW. Ms. Williams stated that this was not yet finalized, but would include data on forecasting potable water needs, growth management, etc. Chair Nishimura asked if the hours dedicated to the Plan would be reimbursable or would DOW have to absorb the cost. Manager Craddick asked if we need to get a consultant for the Water Use and Development Plan, if the money could be matched, and have the consultant do the work.

Mr. D. Fujimoto stated that the primary purpose of this consultant is to establish the Master Plan that everyone is going to participate in. It should help relieve the staff requirement of finding information. Chair Nishimura felt it was actually the other way round. Mr. D. Fujimoto felt the consultant should come here to get the information, rather than the staff doing it. It would be very time consuming for the staff.

Mr. Crowell felt that the County should be coming up with this information, but Mr. D. Fujimoto felt this should be done by the consultant. Mr. Crowell expressed concern about the consultant gathering the raw data as there is a possibility it could be manipulated.

Manager Craddick noted that the Water Use and Development Plan is a requirement of the State Water Commission. The Council has to pass an ordinance accepting the plan that it meets the needs of the community plan so the two things have to be very integrated. Manager Craddick wondered if we could use our money to leverage additional funds to pay for this. However, Ms. Williams indicated that the County had applied for the maximum amount already.

Mr. D. Fujimoto met with Mr. Ken Stokes on sustainability and the importance of an integrated plan was stressed, and it would not make sense for KIUC to have its own plan, for instance, separate from the master plan.

Chair Nishimura requested a copy of the grant application be sent to the Department along with the executive summary. Ms. Williams reported that it is essentially the same process that was done ten years ago but with a bigger scope.

Mr. Crowell still thinks the individual agencies would want to do the data gathering themselves, so they know how to do it. Mr. D. Fujimoto wondered what would be the time commitment from each agency, and Mr. Costa felt it would probably be just involve the position that works with data in the agencies. Although Mr. D. Fujimoto thought the staff should be involved in the process, he again reiterated his concern over the possible amount of time involved. He would like Manager Craddick and the staff to be involved in the decision because of the time commitment.

Ms. Williams reported that she would hear if we got the grant in November, and it is a very competitive process. Chair Nishimura requested that Ms. Williams also include the initial scope of work for the DOW in the submittal to the department. Ms. Williams also indicated that data would still be requested for the General Plan even if this grant does not happen.

Mr. Costa moved to receive the report on the Sustainable Regional General Plan, seconded by Mr. Oyama.

Chair Nishimura felt that the staff needs a chance to review the grant application to see the details and the extent of involvement. Mr. Costa then amended his motion and moved to receive the report and refer to the Department, seconded by Mr. Oyama.

Mr. D. Fujimoto understands that Manager Craddick is trying to leverage for more money, however, nothing is free, and we may have to come up with additional resources to move this along. Mr. D. Fujimoto is willing to support this. Ms. Williams will provide the information to the Department today.

With no further discussion; 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 September 16, 2010 Finance Committee Meeting the Committee approved the Claims Payables for a total of \$1,487,637.78. Mr. Costa moved to receive the Claims Payable and place on file, seconded by Mr. D. Fujimoto; by a unanimous vote; motion was carried.

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

Re: Performance Evaluation of the Manager and Chief Engineer

Committee of the Whole Chair Nishimura reported that at the September 16, 2010 Committee of the Whole meeting, findings of the Evaluation of the Manager and Chief Engineer were presented. Manager Craddick had no objections on the findings.

Mr. Crowell moved to approve the Evaluation and forward to the Department of Personnel Services, seconded by Mr. Costa; by a unanimous vote; motion was carried.

Chair Nishimura noted that, for the record, the Board went this route in an effort to get a broader basis for the evaluation and is hoping that other departments would also send out for peer review as required by DPS. On the whole, the Manager's performance is on the up side. This is the Manager's first full year so this is the baseline. Keep up the good work Manager Craddick!

Chair Nishimura requested the secretary draft a cover letter under his signature to send with the Evaluation to DPS.

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

Chair Nishimura reported that the Committee of the Whole at its September 16, 2010 meeting decided to defer this topic to the October meeting for changes and clarification by Manager Craddick.

Mr. Costa moved to approve deferring this topic to the October meeting, seconded by Mr. Oyama; by a unanimous vote; motion was carried.

OLD BUSINESS

Re: **Performance Evaluation of the Manager and Chief Engineer**

Action taken was to send the approved Evaluation to DPS.

Re: **Board Discussion and Possible Action on Board Policy No. 16, Reports for Out-of-State Travel**

Chair Nishimura reviewed the revised policy, which was modified to eliminate the requirement for staff members which will be done as an administrative function.

Mr. Costa moved to approve Board Policy No. 16 as revised, seconded by Mr. Crowell; by a unanimous vote; motion was carried.

Re: **Request Board Approval of the Proposed Revised Organizational Chart to organize for future operations**

Mr. D. Fujimoto moved to defer this item to the October meeting, seconded by Mr. Oyama; by a unanimous vote; motion was carried.

Chair Nishimura advised the staff to get their input for the future of the organization to Manager Craddick for inclusion.

Re: ***Manager's Report No. 11-18* – Letter from Governor Linda Lingle concerning the DOW request to replace the 8-inch waterline with a 12-inch waterline to improve water services to Waimea Canyon School and surrounding facilities, options to take care of shortfall**

BACKGROUND

Memoranda were sent to Governor Lingle on September 2, 2009 and June 17, 2010, requesting approval for the release of \$2,500,000 in capital improvement program funds, as appropriated by Act 162, SLH 2009, as amended by Act 180, SLH 2010, to replace the 8-inch waterline with a 12-inch waterline to improve water services to the Waimea Canyon School and surrounding facilities. The project would increase the water flow required to meet the County of Kauai's Water System Standards adopted in 2002 for the school and the residents in the town of Waimea. Governor Lingle replied that, due to the current fiscal circumstances and the uncertainty of the revenue projections, our request was returned without action. She

noted that the State must protect its financial resources today to maintain a stronger financial condition in the future.

RECOMMENDATION:

It was recommended that the Board wait for the Governor to change and make another request.

DISCUSSION

Manager Craddick confirmed that the funds do not lapse until June 30, 2012. There is nothing preventing us from resubmitting when the Governor changes. Manager Craddick noted it is encumbered with the General Revenue funds. The State does not give you cash, they give you tax-exempt bonds. Manager Craddick was not aware of what the legal issue would be if we leave it where it is currently funded and not put it on the BAB for now. Manager Craddick has a meeting with the Bond Council on Friday, September 17 and this is one of the issues.

Mr. Crowell moved to receive Manager's Report No 11-18 and place on file, seconded by Mr. Oyama; by a unanimous vote; motion was carried.

NEW BUSINESS

Re: Manager's Report No. 11-19 – Request Board Approval of the following documents from the following applicants for their respective projects:

- 1. Conveyance of Water Facility from Kauai Bible Church, a Hawaii Non-Profit Corporation; Alexander and Baldwin, Inc., a Hawaii Corporation; McBryde Sugar Company, Limited, a Hawaii Corporation; and Kukuiula Development Company Hawaii), LLC, a Hawaii limited liability company for the Piwai Wells 16-inch Transmission Line, TMK's: (4) 2-5-01: 002(por), 008(por), 011(por) and 012(por), Koloa, Kauai, Hawaii**

It was recommended that the Conveyance of Water Facility document be approved; whereby, Kauai Bible Church, a Hawaii Non-Profit Corporation; Alexander and Baldwin, Inc., a Hawaii Corporation; 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:

Waterline:

- 3,585 lineal feet of 16" Ductile Iron Waterline
- 5 each 16-inch Resilient Wedge Gate Valve
- 1 each 16-inch x 12-inch Reducer
- 3 each 16-inch x 16-inch x 16-inch Tee
- 92 lineal feet of 8-inch Ductile Iron Waterline
- 2 each 8-inch Blow Off Assembly
- 1 each Air Relief Valve

Base and Paving:

- 4,120 square yards of 2-inch Asphalt Concrete over 6-inches of Aggregate Base Course

Concrete

- 7,070 square feet of 8-inch x 6-inch Concrete Header Curb

100 lineal feet of 12-foot wide Concrete (Ford) Roadway

Gates

4 each Double Swing Gate

172 lineal feet of fencing

in place complete, for the Piwai Wells 16-Inch Transmission Line, TMK's: (4) 2-5-01:002(por), 008(por), 011(por) and 012(por), Koloa, Kauai, Hawaii.

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

Mr. Crowell moved to approve the Conveyance of Water Facility from Kauai Bible Church, Alexander and Baldwin, Inc., McBryde Sugar Company, Limited, and Kukuiula Development Company Hawaii), LLC, for the Piwai Wells 16-inch Transmission Line, TMK's: (4) 2-5-01:002(por), 008(por), 011(por) and 012(por), Koloa, Kauai, Hawaii, seconded by Mr. Oyama; by a unanimous vote; motion was carried.

2. **Grant of Easement A-2 from Alexander & Baldwin, Inc. and McBryde Sugar Company, LTD., both Hawaii Corporations, for the Piwai Wells, Tank, and 16-inch Transmission Line; TMK: (4) 2-5-01:002; 2-5-01:008 and 2-5-01:011, Omao, Koloa District, Kauai, Hawaii.**

It was recommended that the Board approve the Grant of Easement document whereby, Alexander & Baldwin, Inc. and McBryde Sugar Company, LTD., both Hawaii corporations, grant to the Board of Water Supply, County of Kauai, a perpetual easement, A-2, on, over and under that certain parcel of land located in TMK: (4) 2-5-01:002; 2-5-01:008 and 2-5-01:011, Omao, 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 Piwai Wells, Tank, and 16-inch Transmission Line; TMK: (4) 2-5-01:002; 2-5-01:008 and 2-5-01:011, Omao, 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.

Easement A-2 is replacing Easement A, which is being cancelled.

Mr. Crowell moved to approve the Grant of Easement A-2 from Alexander & Baldwin, Inc. and McBryde Sugar Company, LTD., both Hawaii Corporations, for the Piwai Wells, Tank, and 16-inch Transmission Line; TMK: (4) 2-5-01:002; 2-5-01:008 and 2-5-01:011, Omao, Koloa District, Kauai, Hawaii, including its indemnification provision, seconded by Mr. Oyama; by a unanimous vote; motion was carried.

3. **Cancellation of Easement "A" between Alexander & Baldwin, Inc. and the Board of Water Supply, County of Kauai, for the Piwai Wells, Tank, and 16" Transmission Line, TMK: (4) 2-5-01:002; 2-5-01:008 and 2-5-01:011, Koloa District, Kauai, Hawaii**

It was recommended that the Cancellation of Easement document be approved; whereby, The Easement (Easement "A"), on over and under that certain parcel of land located in TMK: (4) 2-5-01:002; 2-5-01:008 and 2-5-01:011, 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 for the proper operation of its project known as Piwai Wells, Tank, and 16" Transmission Line. Alexander & Baldwin, Inc., wishes to terminate and cancel the Easement (Easement A) so that it shall be of no further force or effect from or after the date that this cancellation of easement is recorded. Easement A is being cancelled due to change in land ownership and a small change in the easement boundaries. Easement A-2 is being granted by the current owners for the new easement boundaries.

The Grant of Easement (Easement "A") being terminated is dated February 19, 2009 and recorded in the Bureau of Conveyances of the State of Hawaii as Document Number 2009-126557.

Mr. Crowell moved to approve the Cancellation of Easement "A" between Alexander & Baldwin, Inc. and the Board of Water Supply, County of Kauai, for the Piwai Wells, Tank, and 16" Transmission Line, TMK: (4) 2-5-01:002; 2-5-01:008 and 2-5-01:011, Koloa District, Kauai, Hawaii, seconded by Mr. Oyama; by a unanimous vote; motion was carried.

4. **Conveyance of Water Facility from the Earl C. Loder, M.D. Pension Trust, by Nancy Loder its Trustee, for the Installation of a Single Service Lateral for Unit II of the Hale Opele Condominium, Lot A-10-26, TMK: (4) 5-5-10:080, Hanalei, Kauai, Hawaii**

It was recommended that the Conveyance of Water Facility document be approved; whereby, the Earl C. Loder, M.D. Pension Trust, by Nancy Loder its Trustee, transfer unto the Board of Water Supply, County of Kauai, all of its right, title and interest to: one (1) each, 1-inch copper single service lateral for 5/8" water meter, in place complete, for the Installation of a Single Service Lateral for Unit II of the Hale Opele Condominium, Lot A-10-26, TMK: (4) 5-5-10:080, Hanalei, Kauai, Hawaii.

Mr. Crowell moved to approve the Conveyance of Water Facility from the Earl C. Loder, M.D. Pension Trust, by Nancy Loder its Trustee, for the Installation of a Single Service Lateral for Unit II of the Hale Opele Condominium, Lot A-10-26, TMK: (4) 5-5-10:080, Hanalei, Kauai, Hawaii, seconded by Mr. Oyama; by a unanimous vote; motion was carried.

5. **Right of Entry Agreement for the Pipeline Replacement, Kapaa Homesteads, Phase II, Job No. 02-18, Water Plan 2020 Project No. WK-32, Affecting the Following Landowner in Kapaa, Kauai, Hawaii;**

- a. Board of Water Supply, County of Kauai, affecting Portion of TMK: (4) 4-6-011:003, Kapaa, Kauai, Hawaii

It was recommended that the Board approve the Right of Entry documents; whereby, the Board of Water Supply, County of Kauai, grant to Jennings Pacific, LLC., a right of entry, on, over and under that certain parcel of land located as specified above in Kapaa, Kauai, Hawaii, for the following work:

Storage of materials and equipment necessary to complete the subject project at the Ornellas Tank site.

It shall be noted Jennings Pacific, LLC. agrees to indemnify and hold harmless the Board from any loss or damage. Further, Jennings Pacific, LLC. agrees, upon completion of all its work on the project to mildly regrade and restore the subject property to its original condition or better. Jennings Pacific LLC. will provide, at no cost to the Board, a certificate of insurance showing the Board as Additional Insured during the course of the project.

BACKGROUND:

Jennings Pacific, LLC. is in need of a storage area for the duration of the construction project. The Ornellas tank site is situated in a strategic location for the work that must be done.

The major components of the pipeline project are:

- 120 linear feet of 12-inch ductile iron pipe.
- 30 linear feet of 8-inch ductile iron pipe.
- 11,650 linear feet of 6-inch ductile iron pipe.
- 570 linear feet of 4-inch ductile iron pipe.
- 40 linear feet of 2 1/2" copper pipe.
- Removal and disposal of existing waterlines
- Valves
- Fire Hydrants
- Service Connections
- 12,300 sq. yd. AC pavement

Mr. Crowell moved to approve the Right of Entry Agreement for the Pipeline Replacement, Kapaa Homesteads, Phase II, Job No. 02-18, Water Plan 2020 Project No. WK-32, in Kapaa, Kauai, Hawaii, including its indemnification provision, seconded by Mr. Oyama; by a unanimous vote; motion was carried.

6. Right of Entry Agreement for the Waimea Main Replacement, Job No. 05-01, Water Plan 2020 Project No. KW-16, Affecting the Following Landowners in Waimea, Kauai, Hawaii

- a. West Properties, LLC., affecting Portion of TMK: (4) 1-6-05:021, Waimea, Kauai, Hawaii
- b. Robinson Family Partners, affecting Portion of TMK: (4) 1-6-03:024 & (4)1-6-03:052, Waimea, Kauai, Hawaii

It was recommended that the Board approve the Right of Entry documents; whereby, the above landowners, grant to the Board of Water Supply, County of Kauai, a right of entry, on, over and under that certain parcel of land located as specified above in Waimea, Kauai, Hawaii, for the following work:

Relocation of existing water meters from private property to County of Kauai Right of Way, together with the right of ingress and egress at any time to and from the said lot with or without vehicles or other equipment as the Department of Water shall deem necessary to complete the work.

Further, Board approval is 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.

BACKGROUND:

Portions of the existing waterlines along Kaumuali'i Highway, Gay Road, Alawai Road, Panako Road, Menehune Road, Pule Road, Laau Road, Kahakai Road and Moana Road will be replaced in 2010 - 2011. During the waterline design phase, it was observed that existing water meters are currently installed outside of the County Right of Way. The right of entry will allow our contractor, Goodfellow Brothers, Inc. to relocate all affected meters to within the County Right of Way.

Mr. Crowell moved to approve the Right of Entry Agreement for the Waimea Main Replacement, Job No. 05-01, Water Plan 2020 Project No. KW-16, including its indemnification provision, seconded by Mr. Oyama; by a unanimous vote; motion was carried.

Re: Suggestions for Capital Improvement Projects (CIP) for Next Year's Legislative Session

Manager Craddick noted that we did not receive any funds last year, so we rolled it over to this year. Chair Nishimura asked if additional infrastructure might be needed for the affordable housing project in Eleele. Mr. Fujikawa reported that we do not know at this point because the housing agency does not know. The Affordable Housing Task Force (AHTF) is trying to include this in the scope of the feasibility reports, and they are communicating with their consultants. Upon query from Chair Nishimura, Mr. Fujikawa noted he did not have an indication of the density requirements.

Mr. D. Fujimoto suggested that we try a 50/50 match for one or two of the projects, which worked at the County level with funds they have received from the Legislature. There has to be a "State purpose" but at least some kind of match, versus not funding anything. Manager Craddick indicated we could try some of the 50% projects, i.e. Wainiha/Haena, Project #4. Mr. K. Fujimoto clarified which project this was. The 50% match could possibly be tried for next year.

Mr. D. Fujimoto moved to approve the Suggestions for Capital Improvement Projects for Next Year's Legislative Session and transmit same, seconded by Mr. Crowell; by a unanimous vote; motion was carried.

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.

Contract No.	Description	Amount to be Recertified	SRF Int	Loan Fee	SRF Total	TIC w/subsidy BAB Int**	Approx SRF Debt payments
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%	\$593,243
	sub total	\$ 1,561,299					
497	Kapilimao Tank	\$ 2,091,182	0.32%	3.50%	3.82%	2.60%	\$802,696
498	Kaunualii Hwy	\$ 231,126	0.42%	3.50%	3.92%	2.60%	\$99,839
	Total	\$ 3,883,607				\$1,972,263	\$1,495,778
	BAB pro rata share of interest	\$ 1,972,263					
	<u>SRF interest</u>	<u>and loan fee</u>					
		\$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 $\$30,470579 = \mathbf{\$1,972,263}$ 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

Mr. K. Fujimoto indicated that we would advertise for these projects as soon as we get the funding. Manager Craddick wanted a legal fix before tomorrow's meeting if we do not spend this money down.

Deputy County Attorney Esaki reported the language on the Tax Certificate:

Pursuant to Paragraph 7(a), "with respect to the amounts on deposit in the Build America Project Funds, the County and the Water Department have incurred or reasonably expect to incur, within 6 months after the date hereof, substantial binding obligations to expend at least 5% of the net sale proceeds of the Bonds of the costs of the Build America Projects. The County reasonably expects that the construction and acquisition of the Build America Projects will proceed with due diligence to completion, and that at least 85% of the net proceeds of the Bonds will be expended for costs of the Build America Projects within three years from the date hereof."

We have encumbered 10% and are therefore in compliance.

Manager Craddick stated that for some of the projects we would need a Memorandum of Agreement. Ms. Esaki recommended that we note down what we have encumbered and then figure out where they are – "reasonable expectation".

Mr. Costa moved to defer action the transfer in Item a, Transfer of SRF Funded Projects to BAB, seconded by Mr. Oyama. Chair Nishimura indicated there may be a need to hold a Special Meeting. Manager Craddick felt this would be necessary only if we need to expend 10% by the end of this month, \$3.883 million.

The 2010 Bond Project Priority Spend Down spreadsheet was reviewed.

Chair Nishimura requested that Ms. Yano and Manager Craddick work together to make sure their spreadsheets are consistent with each other, as there is a \$10 million gap.

Ms. Esaki will have clarification at tomorrow's meeting.

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

b. Waimea Well 'A' Water Utility Funded Project

RECOMMENDATION:

It was recommended that the Board reallocate \$1,000,000.00 from Account 101b, CRP Kalaheo Nursery Tank and Clearwell Renovations to Job No. 04-06, KW-20, Waimea Well 'A' Renovations.

FUNDING:

Job No. 04-06, KW-20, Waimea Well 'A'

Renovations, engineers estimate \$1,000,000.00

101b. CRP Kalaheo, Nursery Tank and
Clearwell Tank Renovation

\$1,500,000.00

Balance Remaining:

\$ 500,000.00

BACKGROUND:

Job No. 04-06, KW-20, Waimea Well 'A' Renovations major improvements includes:

- Replace existing line shaft pump with submersible pump.
- Replace existing motor control center.
- Replace gas chlorination system with sodium hypochlorite system.
- Replace existing control building wooden roof with new concrete roof. Add new supports as needed.
- Provide addition to control building to separate motor control center with chlorination equipment.
- Security improvements, including new steel doors, louvered windows, barbed wire on top of the existing fencing, etc.
- Repaint building and piping.
- Replace existing propeller flow meter with new venturi tube flow meter and control valve piping.

The State highway right of way for the portion of Waimea Canyon Drive fronting the Waimea Well 'A' has not been determined yet, resulting in the Department of Transportation's reluctance to approve this project. They have since proceeded with sufficient progress that they are reasonably comfortable that our facilities will not affect the road right of way and have since approved the project. The Department did not anticipate having this issue resolved so expeditiously so did not fund the project construction for this year. We acknowledge and appreciate the State's efforts in allowing the Department to proceed before finalizing their right of way.

The funding for the Kalaheo Nursery Tank and Clearwell Renovations is already included with Account 201.01 Bond (BAB) so we do not anticipate needing to use all of the funds allocated from Account 101b CRP for that project.

Mr. Oyama moved to approve reallocating funding \$1 million from Account 101b to Job. No. 04-06, KW-20, seconded by Mr. Crowell; by a unanimous vote; motion was carried.

It was confirmed to Chair Nishimura Job No. 04-06, KW-20, is not on the bond list.

Re: Manager's Report No. 11-21 – Request Board Approval of Amendment No. 1 to Memorandum of Agreement Executed June 18, 2008 between the State of Hawaii, Commission on Water Resource Management and the County of Kaua'i, Board of Water Supply to Implement Drought Mitigation Projects on Kaua'i

RECOMMENDATION

It was recommended that the Board approve Amendment No. 1 to Memorandum of Agreement executed June 18, 2008 between the State of Hawaii, Commission on Water Resource Management (CWRM) and the County of Kauai, Board of Water Supply (KBWS) to Implement Drought Mitigation Projects on Kauai.

BACKGROUND

In June 2008, CWRM and KBWS entered into an agreement which provided grant funding in the amount of \$700,000.00 for Drought Mitigation projects on Kauai. To date, we have expended \$522,535.49 and received reimbursement for \$479,028.09.

The majority of unexpended funds will be used for the purchase of leak detection equipment. After visiting the many vendors at the AWWA Conference, it is evident that we will require more time in creating the scope of work and specs that will best benefit the department.

Ms. Shiramizu noted that there were two portions for which an amendment was required. Some of the reimbursement for the Kekaha project was not listed in the additional requests so changes had to be made. At the same time, we also decided to ask for an extension because more research is needed on the leak detection equipment, and having a procurement person would help!

Mr. Costa moved to approve Amendment No. 1 to the Memorandum of Agreement, seconded by Mr. D. Fujimoto; by a unanimous vote; motion was carried.

Re: Manager's Report No. 11-22 – Request Board Approval for Release of Mortgage for the Ayabe Family

RECOMMENDATION

It was recommended that the Board approve the attached release of Mortgage.

BACKGROUND

A parcel with the meter restrictions was allowed a second building permit provided the existing, hurricane-damaged house using the meter was torn down when the new house was built. The old house is now torn down and the family cannot refinance without the Mortgage restrictions being cancelled. The mortgage restriction is an agreement between Ayabe and DOW to allow DOW to sell the property and use the funds to tear down the old house if the family does not tear it down when the new house is built. You may understand the bank's concern over a deed restriction that allows selling the house from under its Mortgage. As noted previously the family has torn down the old house. Based on my review of photos sent to DOW there is no need to keep this agreement in effect.

Upon query from Chair Nishimura, the staff indicated there was no reason to not release the mortgage.

Mr. Costa moved to approve the Release of Mortgage for the Ayabe family; seconded by Mr. Oyama; by a unanimous vote; motion was carried.

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

RECOMMENDATION:

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

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 disbursement 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 are enclosed for your review.

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 15A, if approved by the Board, are enclosed for your review.

Approval of this request will allow the finance committee and Board to focus on financial issues 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.

The recommended Board of Water Supply Policy 15A was provided.

Mr. Oyama moved to receive and refer Manager's Report No. 11-23 to the Rules Committee, seconded by Mr. Costa.

Manager Craddick noted that the existing Board Policy No. 15 will be replaced by Board Policy 15 A. There was no modification of Board Policy No. 3 unless the Board wanted to modify it.

The motion was amended to receive and refer Manager's Report No. 11-23 to the Rules Committee for consideration, and to look at Board Policy No. 3 to see if any changes are necessary.

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

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. 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 square foot to meet DOW water requirements. In the end it is a decision of the land owner to require or not require 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 noted that we have additional material as a handout on what the Council is doing on the same matter, and we should see how it fits in with what we are proposing.

Mr. Oyama moved to receive Manager's Report No. 11-24 and refer the draft Rule Amendments to the Rules Committee for the October meeting, with the staff providing the proposed language, seconded by Mr. Costa; by a unanimous vote; motion was carried.

Re: Manager's Report No. 11-25 – Memorandum of Agreement, Job No. 05-05, PLH-30, Nawiliwili, Niumalu and Kupolo Pipeline Replacement, Līhu'e Water System

RECOMMENDATION:

It was recommended that the Board approve the Memorandum of Agreement (MOA) document; whereby, the Board of Water Supply, County of Kauai, agrees to abandon existing waterline facilities within certain County roads located as specified above in the Nawiliwili and Lihue Districts, Kauai, Hawaii. The MOA binds the Board to remove the abandoned waterlines should the Department of Public Works require its removal in the future.

BACKGROUND:

Construction plans call for the abandoning of all existing water facilities as required during the Nawiliwili-Kupolo Mainline Replacement installation. The Department of Public Works, County of Kauai, has asked the Department of Water to enter into the Memorandum of Agreement in order to leave existing water facilities abandoned in place. The MOA binds the Board to remove the abandoned waterline in the County Right-of-Ways should the Department of Public Works require its removal in the future.

Mr. K. Fujimoto noted that the MOA has been signed by the County but we are still waiting for the State to reply on our request for the same.

Mr. Costa moved to approve the Memorandum of Agreement for Job No. 05-05, seconded by Mr. Oyama; by a unanimous vote; motion was carried.

Re: Manager's Report No. 11-26 – Dedication Deed for Water Tank Site and Water Well Sites from Alexander & Baldwin, Inc., and McBryde Sugar Company Limited, TMK: 2-5-001:002(por) and 001(por), Omao, Koloa District, Kaua'i, Hawaii

It was recommended that the Dedication Deed for TMK: 2-5-001:002(por) and 011(por), Omao, Koloa District, Kauai, Hawaii be approved; whereby Alexander & Baldwin, Inc. and McBryde Sugar Company, Limited, both Hawaii Corporations, hereby dedicate, grant and convey unto the Board of Water Supply, the real property described as Lot C-1-B, Lot C-1-C and Lot C-1-D, and further described in exhibit "A".

Manager Craddick indicated that Kukuiula wants an agreement for water allocation. That agreement will be forthcoming once we get it.

Mr. K. Fujimoto noted that the tank site also includes an area for the new tank and there is no mention of cost involved, but there may be a request that we pay for the land.

Mr. Costa moved to approve the Dedication Deed for the Water Tank Site and Water Well Sites, 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

Mr. Costa moved to receive the Statement of Kaua'i County Water Department's Revenues and Expenses report and placed it on file, seconded by Mr. Fujimoto; by a unanimous vote; motion was carried.

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

Project WET: Make a Splash 2010 is scheduled for Thursday, September 23rd. We currently have 620 students with 34 teachers registered. School confirmations have been sent and volunteer schedules, assignments and training are being finalized. Detailed tasks are being completed so at 8:30 a.m. on September 23rd, we will be ready to go.

The Teacher Workshop at Kauai Community College on September 2, 2010 was cancelled due to lack of interest.

Promotional fliers for the October workshops have been finalized and distributed. We are working on the agendas and coordination with Oahu and Maui.

Public Relations Services Request for Proposal: ADDENDUM No. 1 was sent out to the Public Relations Firms that are eligible to submit proposals. A verbal update will be provided at the board meeting.

Drought Mitigation: A request for reimbursement has been sent.

HWWA Conference: Continuing to assisting Sandi with various portions of the upcoming conference. She is doing an outstanding job of covering every detail.

Ms. Shiramizu reported that she is very busy with "Make a Splash" and working on the RFP – we need a procurement officer! For the RFP, the top three consultants were notified and we are working with them to make their presentations to the Evaluation Committee.

The HWWA Conference is still within budget. Board members should contact Sandi Nadatani-Mendez if they are interested in signing up. Chair Nishimura encouraged all Board members to attend. Mr. D. Fujimoto indicated that, because it is on-island and our expenses are therefore less, all Board members should try to attend and give support to the Department. Upon query from Mr. Crowell if the Board is expected to participate in any of the functions and activities, Ms. Shiramizu requested that the members "meet and greet and network".

Mr. Costa moved to receive the Public Relations Update and place on file; seconded by Mr. Oyama; by a unanimous vote; motion was carried.

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

Deputy Eddy indicated that the last time the pumps were changed out on the Kalaheo Well was in March 2004, Well #1 only, so it's only lasted around 6.5 years. Although the pumps run 12 hours per day, they alternate. Upon query from Mr. D. Fujimoto if the make was the same as the previous one, Deputy Eddy noted that it was, and that the failure is the bearings. This Well has a long shaft, around 900 feet.

Mr. Costa moved to approve the Deputy Manager's Summary report and place on file; seconded by Mr. Oyama.

Mr. D. Fujimoto mentioned that for future meetings, the second bullet point refers to the hours worked, and if we should re-evaluate the effectiveness of the furlough and how it is working out. It does not make sense if we are spending more money than we are saving. Manager Craddick stated HGEA and UPW are the unions for the whole County and the staff would not want to come to work and also have their pay reduced, they would rather have the furlough day. Mr. D. Fujimoto noted the Council will also re-evaluate the furloughs.

Manager Craddick reported that the Accounting Department is fully staffed except for the Controller. If we work and the State is on furlough and we cannot do the job as they are shut down, then there is no point in working anyway. Mr. D. Fujimoto expressed concern about us operationally and this needs to be evaluated.

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

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

CONTRACTS AWARDED BY THE MANAGER:

None

PUMP INSTALLATION PERMITS SIGNED BY MANAGER:

None.

WAIVER, RELEASE AND INDEMNITY AGREEMENTS SIGNED BY THE MANAGER:

None.

PERSONNEL MATTERS UPDATE:

Updated September 2, 2010

RECRUITMENT:

Ops Division:

1. Account Clerk vacancy. Pending list of names to interview from Department of Personnel Services.
2. Lead Pipefitter vacancies. Applications received. Met with union and awaiting input from the UPW.

3. Water Service Supervisor III vacancy. Pending applications review results from Department of Personnel Services.
4. Water Plants Superintendent. Currently under open recruitment via DPS. Pending eligibles list.
5. Water Field Operations Superintendent. Currently under open recruitment via DPS. Pending eligibles list.
6. Automotive Mechanic I pending position update via reallocation action. Eligibles list will be provided after position is established.

Fiscal Division:

1. Waterworks Controller. Pending eligibles list.

Engineering and Special Projects Divisions:

1. Civil Engineer V vacancy in Special Projects. Start date re-scheduled for October 1, 2010.
2. Project Assistant (Special Projects Division). Pending selection.
3. Civil Engineer VI (Engineering Division head) vacancy. Submitted request to recruit to Department of Personnel Services.

Administration Division:

1. Clerical Assistant – Community Relations. Pending selection.
2. Computer Systems Support Technician I. Department of Personnel Services conducting open recruitment for position.
3. Secretary. Interviews completed. Pending selection.
4. Temporary Administration Position being developed. Funding is available.

Affordable Housing Update: No Report
{Next meeting will be announced by Housing.}

Hawaii Water Works Association (HWWA)

Annual Conference, October 13 – 15, 2010, Grand Hyatt Resort & Spa, Poipu, Kauai, Hawaii
Please see attached Agenda.

Manager Craddick gave an overview of Recruitment as outlined in the Report.

Mr. Costa was excused and left the meeting at around 12:40 p.m.

Chair Nishimura asked if we are asking our contractors to work on furlough Fridays. Manager Craddick noted that if we have not received a letter from the agency, we would have to negotiate a change order with the contractor. On the County ones, we need to get a letter from the Mayor. If we want to work we can but we have to be responsible for it. Chair Nishimura asked who pays for the inspections on furlough Fridays on the jobs. Mr. D. Fujimoto confirmed that his letter says if they are not providing inspection they need to be indemnified for the project. Mr. D. Fujimoto stated they do not know what was or was not inspected so their position is, if the County signs it, DOW would indemnify the County for any damage to the road because of improper compaction. Mr. D. Fujimoto reported they will only insure the area where they test and nowhere else. The DOW would have to go back and fix it. Manager Craddick stated that the contractor would do it. Chair Nishimura asked what the warranty period is for the contractor as most of the settlement occurs after several years.

If inspections cannot be done, they we should not be working. Mr. D. Fujimoto stressed that all this needs to be documented.

With no further discussion, Mr. Oyama moved to receive the Manager's Update for August 2010 – September 2010 and place on file; seconded by Mr. Crowell; 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).

REVIEW OF EXECUTIVE SESSION MINUTES: None from the August 19, 2010 meeting.

Pursuant to Haw. Rev. Stat §§92-4 and 92-5(a)(2), the purpose of this executive session is to consider the Job Performance Evaluation of the Department of Water's Manager and Chief Engineer. This deliberation involves matters affecting the privacy of the Manager and Chief Engineer. If the individual concerned requests an open meeting, an open meeting shall be held.

1. Job Performance Evaluation of the DOW Manager and Chief Engineer

At the Committee of the Whole Meeting, it was approved to forward the findings to the Department of Personnel Services.

Mr. Oyama moved to receive the findings of the Executive Session, seconded by Mr. Fujimoto; by a unanimous vote; motion was carried.

TOPICS FOR NEXT BOARD MEETING

1. First look at the FRC Report from the consultant
2. Annual extension (11-18-10 to 11-17-11) of Volunteer Agreement with Mike Fernandes for Grounds Maintenance of our Nonou 0.2 MG Tank Site Located in Wailua Houselots, Wailua, Hawai'i

Quarterly Reports:

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
3. Informational Report on Manager's Goals

For the Rules Committee

1. Request Approval of Payment of Claims and Disbursement of Claims and Disbursement of Funds Policy 15 A.
2. Committee Discussion and Possible Action on Part III Rules Amendments – Establishing Standards for Subdivision Water Systems.

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

TOPICS FOR FUTURE WATER BOARD

1. Election of Officers in Regular Meetings (*December 2010*)
2. Board appointment of PA, Finance and Rules Committee (*December 2010*)
3. Board Discussion on the Next Year's Goals for the Manager (*December 2010*)

UPCOMING EVENTS

NEXT WATER BOARD MEETINGS

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

ADJOURNMENT

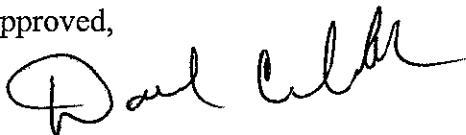
There being no further business, the meeting was adjourned at 12:50 p.m.

Respectfully submitted,



Carol A. Beardmore
Commission Support Clerk

Approved,



David R. Craddick, PE
Manager and Chief Engineer

cab