A. CALL TO ORDER

B. ROLL CALL

C. ACCEPTANCE OF AGENDA

D. MEETING MINUTES
   Review and approval of:
   Regular Board Meeting – August 20, 2015

   Review and approval of Transcripts:
   Rules Committee Workshop – February 9, 2012
   Special Committee Meeting – November 4, 2011
   Special Committee Meeting – December 8, 2011

   Review and approval of Executive Session:
   Executive Session – August 20, 2015

E. CORRESPONDENCE/ANNOUNCEMENTS
   1. Correspondence from Mr. Peter Tausend, Chairperson, West Kaua‘i Soil and Water
      Conservation District (SWCD) dated August 25, 2015, regarding an award presentation
      ceremony for the Outstanding Water Conservationist for 2015

F. BOARD COMMITTEE REPORTS
   Investigative Task Force Committee Report
   1. Manager’s Report 16-10 - Discussion and Possible Action regarding the Department of
      Water’s Understaffing

G. OLD BUSINESS
   1. Manager’s Report No. 16-08 – Discussion and Possible Action on the Approval of the DOW’s
      Supplemental Report on the Supplemental Budget FY 15-16 – Update
H. **NEW BUSINESS**
1. *Manager's Report No. 16-13*– Resolution No. 16-03 Mahalo and Aloha Board Member, Hugh A. Strom
2. Discussion and Possible Action on Suggestions for Capital Improvement Projects (CIP) for the 2016 Legislative Session
3. *Manager's Report No. 16-14* – Discussion and Possible Action on License Easement No. 674, Pi’ilani Mai Ke Kai Subdivision, Phase I, Anahola, Kaua‘i, Hawai‘i
4. *Manager's Report No. 16-15* – Discussion and Possible Action on License Easement No. 803, Pi’ilani Mai Ke Kai Subdivision, Phase II, Anahola, Kaua‘i, Hawai‘i
5. *Manager's Report No. 16-16* – Discussion and Possible Action on Kaua‘i County Charter Amendments Affecting Article 17, Department of Water
7. *Manager's Report No. 16-18* – Discussion and Possible Action on a Request for Board Approval to enter into Memorandum of Understanding (MOU) between the State of Hawai‘i, Office of the Auditor and the County of Kaua‘i, Department of Water (DOW) to participate in the audit of the schedule of employer allocations of the State of Hawaii Employee Retirement System (ERS) actuarial information received from Gabriel, Roeder, Smith & Company (GRS) Actuary

I. **STAFF REPORTS**

**MONTHLY**
1. Discussion and Receipt of the Kaua‘i County Water Department’s Statement of Revenues and Expenditures
   a. August Monthly Summary Budget
2. Discussion and Receipt of the Report by the Public Relations Specialist on Public Relations Activities
3. Discussion and Receipt of the Chief of Operation’s Summary Report on Operational Activities
4. Discussion and Receipt of the Manager and Chief Engineer’s Monthly Update Regarding Activities of Note of the DOW
   a. Report of the BAB pay down as of August 2015

J. **EXECUTIVE SESSION**

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

1. Pursuant to Hawaii Revised Statutes (HRS) Section 92-4, 92-5(a)(4), the purpose of this executive session is to review executive session minutes dated August 20, 2015. This consultation involves the consideration of the powers, duties, privileges, immunities, and/or liabilities of the Board and the Department as they relate to this agenda item.
K. **TOPICS FOR NEXT WATER BOARD MEETING** *(October 2015)*
   1. Tentative Board Meeting Dates for 2016

L. **TOPICS FOR FUTURE WATER BOARD MEETINGS**
   2. Discussion and Possible Action regarding Part 2, Water Service Connections, Section VI and Part 3 Standards for Subdivisions Water Systems, Section III affecting Part 5 Facilities Reserve Charge (FRC), Small Business Regulatory Review Board (SBRRB) Results
   3. Discussion and Possible Action of Proposed Delegation of a Meter Restriction Board Policy No. 30
   4. Discussion and Possible Action relating to Providing Water Service Outside of the Water Zone
   5. Discussion and Possible Action on Board Policy No. 20 – Facilities Reserve Charge (FRC) Credits for Developers of Affordable Housing
   6. Draft Annual Audit *(November 2015)*
   7. Election of Officers for 2016 *(November 2015)*

M. **UPCOMING EVENTS**
   1. DOW Make a Splash Water Festival *(September 24, 2015)*
   2. HWWA Hawaii Section, Honolulu, HI *(October 14-16, 2015)*
   3. AWWA/Hawaii Section Hawaii Water Environment Association 2016 Pacific Water Conference, Honolulu, HI *(February 2–6, 2016)*
   4. AWWA, Chicago, IL *(June 9 -12 2016)*

N. **NEXT WATER BOARD MEETING**
   1. Thursday, October 22, 2015, 10:00 a.m.
   2. Thursday, November 19, 2015, 10:00 a.m.
   3. Thursday, December 17, 2015, 10:00 a.m.
   4. Thursday, January 28, 2016, 10:00 a.m.

O. **ADJOURNMENT**
The Board of Water Supply, County of Kaua‘i, met in regular meeting at the Board Conference Room in Līhu‘e on Thursday, August 20, 2015. Chair Sherman Shiraishi called the meeting to order at 10:06 a.m. The following Board members were present:

BOARDS: Mr. Sherman Shiraishi, Chair  
Mr. Clyde Nakaya, Vice Chair  
Ms. Laurie Ho  
Mr. Larry Dill

EXCUSED: Mr. Michael Dahilig

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

STAFF: Mr. Kirk Saiki  
Ms. Marites Yano  
Mr. Keith Aoki  
Mr. Brian Wienand  
Ms. Kim Tamaoka  
Ms. Sandi Nadatani-Mendez  
Mr. Val Reyna  
Mr. Carl Arume  
Mr. Eddie Doi  
Mr. Chris Nakamura  
Ms. Debra Peay  
Ms. Mj Akuna  
Deputy County Attorney, Andrea Suzuki

ACCEPTANCE OF AGENDA
Mr. Dill moved to approve the Agenda as amended; seconded by Ms. Ho; with no objections; motion carried with 4 ayes.

New Business H, #1 will be amended to Manager’s Report No. 16-08 (not 16-XX).

MINUTES
Review and approval:
Regular Board Meeting – July 23, 2015
Mr. Nakaya moved to approve as amended the Regular Board Meeting Minutes for July 23, 2015; seconded by Mr. Dill; with no objections, motion carried with 4 ayes.

Corrections will be made on Page 2 of 11 on the meeting titles to reflect the Finance Committee Meetings (not Regular Board Minutes) for March 19th, March 25th, April 1st, & April 7th.

Review and approval of Transcripts:
The Commission Support Clerk explained that during 2011-2012 there was no secretary to take and transcribe the minutes. The Board hired a Court Reporter during the Board meetings to take a verbatim transcript which now are being transcribed into minutes.

Committee of the Whole Meeting – November 23, 2011
Mr. Dill moved to receive for the record the Committee of the Whole Meeting Minutes of November 23, 2011; seconded by Mr. Nakaya; with no objections, motion carried with 4 ayes.

Public Hearing Minutes – November 23, 2011
Mr. Dill moved to receive for the record the Committee of the Public Hearing Minutes of November 23, 2011; seconded by Mr. Nakaya; with no objections, motion carried with 4 ayes.

Public Hearing Minutes - December 8, 2011
Mr. Dill moved to receive for the record the Public Hearing Minutes of December 8, 2011; seconded by Mr. Nakaya; with no objections, motion carried with 4 ayes.

Rules Committee Meeting – December 8, 2011
Mr. Dill moved to receive for the record the Rules Committee Meeting Minutes of December 8, 2011; seconded by Mr. Nakaya; with no objections, motion carried with 4 ayes.

Rules Committee Meeting – June 28, 2012
Mr. Dill moved to receive for the record the Rules Committee Meeting Minutes of June 28, 2012; seconded by Mr. Nakaya; with no objections, motion carried with 4 ayes.

Review and approval of Executive Session:
Executive Session – July 23, 2015
Mr. Nakaya moved to approve the Executive Session Minutes of July 23, 2015; seconded by Ms. Ho; with no objections, motion carried with 4 ayes.

E. CORRESPONDENCE

Chair Shiraishi mentioned Ms. Malia Finazzo-Krueger sent an email this morning and will not appear before the Board today. She is waiting for additional documents. No action was taken by the Board.

F. BOARD COMMITTEE REPORTS
   None.

G. OLD BUSINESS
   None.

H. NEW BUSINESS
   1. Manager’s Report No. 16-08 – Discussion and Possible Action on the Approval of the DOW’s Supplemental Budget FY 15-16

BACKGROUND:
Manager Saiki commented the Department is requesting the Board to approve Supplemental Budget #1.

DISCUSSION:
Waterworks Controller, Ms. Marites Yano reported the net rollover of expenditure of prior year encumbrances were approved in the 2016 budget. This closes the encumbrances in the 2015 budget and would be included in the 2016 budget.

Chair Shiraishi requested Manager Saiki to explain the Con: DOW’s obligations to pay remaining contract balances doesn’t terminate. Manager Saiki clarified the Department is still bound by the contract. The correct Con should read: The Department would not have a Supplemental Budget.
Mr. Dill did not see a Supplemental Budget #1 attached. He wanted to understand the significant element changes in the line items. The Department needs to identify the last line item account number on Page 48 and identify the difference (See 1st column, Original Period 1 Budget/$166,670.00 and 2nd column, Encumbrance increase Budget/$591,674.84). There are significant changes in the annual budget amount and Mr. Dill needed to understand justification for the changes and what is being paid this year and last year.

Ms. Yano explained the line items are capital projects, contracts and encumbrances. The $7M is for the new building encumbered in 2015. This amount was not spent and would roll the $7M into the 2016 fiscal year’s budget. The 1st column is $0 which is not a new budget. The Encumbrance Increase Budget amount $934,000.00 for line item 10-21-00-604-032 is the Kolo Road project in Kīlauea. The 604 account numbers are all capital replacement projects (approved in the prior year FY 2015 budget). The 605 account numbers are expansion projects (approved in the prior year FY 2015 budget). Ms. Yano will identify the individual line item projects.

Chair Shiraishi asked if the Supplement Budget needed to be approved today. Manager Saiki asked Ms. Yano if the Supplemental Budget could be re-submitted to the Board for approval without any affects to the budget next month. Ms. Yano could submit the details later and explained the budget was approved in August and had to wait for the fiscal year to be closed. This year the Department completed the operating and new capital budget on time and deferred rollovers because the Supplemental Budget would not be done at the same time.

Mr. Nakaya noted $934,000 for the Kolo Road Kīlauea project and the Monthly Budget Summary is off $20,000 (variance $912,000) and should match. This encumbrance included the contingency approved by the Board. The Monthly Budget Summary only showed the actual contract amount. (See Page 48 & Page 87).

Mr. Dill moved to approve Manager’s Report No. 16-08 – Discussion and Possible Action on the Approval of the DOW’s Supplemental Budget FY 15-16 and for the Department to provide a Supplemental Report to clarify accounting entries at the September Board meeting; seconded by Ms. Ho; with no objections, motion carried with 4 ayes.

2. Manager’s Report No. 16-09 - Discussion and Possible Action of Resolution No. 16-02, to Accept and Expend the Appropriations provided to the DOW in the General Appropriations Act of 2015 – Act 119, SLH 2015 in the amount of $4,450,000 from the State of Hawai‘i for Job No. 15-7, WP2020 #HE-1 and HE-10, Water System Reorganization (Hanapepe-Eleele Connecting Pipeline)

BACKGROUND:
Manager Saiki reported the Department requested the Board to approve Resolution 16-02 to expend a total of $4.45M in Capital Improvement Funds from the State to the DOW in the General Appropriations Act of 2015 – Act 119, SLH 2015 in the amount of $4,450,000 from the State of Hawai‘i for Job No. 15-7, WP2020 #HE-1 and HE-10, Water System Reorganization (Hanapepe-Eleele Connecting Pipeline).

Mr. Dill approved Manager’s Report No. 16-09 - Discussion and Possible Action of Resolution No. 16-02, to Accept and Expend the Appropriations provided to the DOW in the General Appropriations Act of 2015 – Act 119, SLH 2015 in the amount of $4,450,000 from the State of Hawai‘i for Job No. 15-7, WP2020 #HE-1 and HE-10, Water System Reorganization (Hanapepe-Eleele Connecting Pipeline); seconded by Mr. Nakaya; with no objections; motion carried with 4 ayes.
Mr. Dill amended the motion to add Resolution No. 16-02 approvals; seconded by Mr. Nakaya. Mr. Dill withdrew 1st motion; Mr. Nakaya withdrew 2nd motion.

New Motion:
Mr. Dill approved Manager’s Report No. 16-09 - Discussion and Possible Action of Resolution No. 16-02, to Accept and Expend the Appropriations provided to the DOW in the General Appropriations Act of 2015 – Act 119, SLH 2015 in the amount of $4,450,000 from the State of Hawai‘i for Job No. 15-7, WP2020 #HE-1 and HE-10, Water System Reorganization (Hanapepe-Eleele Connecting Pipeline) and Resolution 16-02 approvals; seconded by Mr. Nakaya; with no objections; motion carried with 4 ayes.

3. Manager’s Report No. 16-10 - Discussion and Possible Action regarding Department of Water’s Understaffing

BACKGROUND:
Manager Saiki requested the Department and Board begin discussion regarding the DOW’s understaffing concerns as mentioned in the July Board meeting. The Board mentioned the possibility of the Department of Water (DOW) having its own Human Resources (HR) department.

A Hawai‘i Revised Statutes (HRS) handout was distributed regarding Part I. General Civil Service Provisions which stated the Mayor can designate a separate HR department. In the section, Experimental modernization projects; county boards of water supply, allows the boards of water supply to have their own HR department but only on O‘ahu who is serving a population of 500,000 or more persons.

Manager Saiki has had several meetings with Ms. Janine Rapozo, Department of Human Resources (DHR) Director regarding staffing concerns.

DISCUSSION:
HR Coordinator, Mr. Debra Peay commented the wait time to hear back from DHR on vacancies varies from four (4) to eight (8) months to years and depends on an existing eligible list. Specialized positions may be harder to fill due to limited available applicants to select from.

Manager Saiki added the CE 1 position only took a few months because there were 30 applicants versus a specialized position. He proposed to continue to meet with the DHR Director to discuss DOW priorities. The DOW has the perception that DOW vacancies are put at the bottom of the HR tray.

Chair Shiraishi suggested meeting with the Mayor and DHR Director to explain 1) what the DOW problems are, 2) How it affects the operations and projects, and 3) the cost to the Department and use of public monies.

Mr. Dill recommended that DHR Director be invited to a Board meeting. He has discussed some of the DOW’s issues including the many reallocations which has been challenging to DHR. The Board of Water jurisdictions in Hawai‘i need to be consistent with one another. If a reallocation is submitted, DHR has to compare it to other existing engineering positions and try to establish a common position description and to price accordingly. DHR’s challenge with DOW reallocations is not consistent with other position descriptions in DHR and are priced different. Mr. Dill agreed there is a challenge with finding qualified people and the normal thinking would be to increase the salary for that position, but would be difficult.

Chair Shiraishi asked if the Department could research in-house and present the results to DHR. Manager Saiki said the Department had comparable research from different jurisdictions which took 18 months. But
DHR did not think the research was comparable. (Note: Mr. Dill referred to the HR correspondence attachments in Manager’s Report No. 16-11.)

Ms. Peay commented that the Department does not have the background research capability. The DHR will continue to contact the jurisdictions to make sure it is aligned with the classification based on DHR’s definition. Ms. Peay could do the background check with other water utilities and provide comparable information but DHR still goes through their process which is out of her responsibility.

Manager Saiki said it is not the position description in question, it is the classification.

Deputy County Attorney, Andrea Suzuki checked the legal process and the Board could set up an Investigative Committee up to three (3) Board members to meet with the DHR Director without violating the Sunshine Law with a specific purpose and will report back at the following Board meeting. Once the job is done the Investigative Committee is dissolved.

According to Office of Information Practices (OPI), the Board could do routine administrative matters (i.e., board budget, employment matters) which could be discussed between two (2) members of the Board and the Department head. This issue is not a routine administrative matter.

Mr. Dill moved to approve Manager’s Report No. 16-10 - Discussion and Possible Action regarding Department of Water’s Understaffing and appoint an Investigative Committee up to three (3) Board members to meet with Department of Human Resources Director to investigate and facilitate the filling of Department of Water (DOW) vacancies; seconded by Mr. Nakaya; with no objections; motion carried with 4 ayes.

Investigative Committee appointments: Chair Shiraishi, Mr. Larry Dill and Mr. Mike Dahilig.

Department will: 1) Arrange a meeting with Ms. Janine Rapozo, DHR Director for guidance and to expedite the staffing process and 2) Extend an invitation to Ms. Rapozo to appear before the Board at the September Board.

4. Manager’s Report No. 16-11 - Discussion and Possible Action to Request for Board Approval on the proposed and revised Table of Organization (TO) for the Construction Management Division

BACKGROUND:
Manager Saiki commented the Department recommended the Board approve the Proposed Construction TO and to downgrade the Supervising Waterworks Inspector to Waterworks Inspection I position and Waterworks Project Manager to Project Assistant position. These positions took a while but got a downgraded classification. The Department is taking the approach to downgrade the position to Level I to be able to train staff and to move up eventually.

DISCUSSION:
IT Specialist, Ms. Sandi Nadatani-Mendez reported for Construction Project Management Officer, Mr. Dustin Moises and said under the Recommendation Section, the correct division should be for the proposed “Construction” TO (not Engineering TO).

Mr. Dill noted on Page 67, last paragraph: “Recently, there has been a relatively high number of applicants for a Civil Engineering I position that would qualify for Project Assistant.” He asked if the CE I positions are available and if the Department is hiring CE I positions? Manager Saiki said there are CE I positions but the Department is not actively hiring. Water Resources and Planning CE I positions are $1 funded; there are no funded CE I positions. Engineering has CE I positions that are frozen.
Mr. Dill understood the Department wanted to go with a Project Construction Management position because there were no CE I positions. The Project Assistant is not an experienced position but asked if the Department could hire a CE I as a Project Assistant? Mr. Dill asked would this position work towards a P.E. as part of a succession plan. This would keep engineering on track. Manager Saiki replied yes. The Department should encourage CE V’s to get their P.E.

Chair Shiraishi commented it is preferable to hire Entry Level staff to get to the point of getting reallocated to a higher position.

Manager Saiki has not touched base with DHR on these proposed TO but said these positions would be an easier classification to fill.

Mr. Dill preferred the TO format on Page 70 but questioned the line on the right side of the Level I & Level II positions which looked like Level II position oversees the Level I position. Level I & Level II position should both report to the Level III position with a connecting line (split side-to-side on the TO). Manager Saiki added that HR Coordinator, Ms. Debra Peay will work with DHR on their format of the proposed TO.

Mr. Dill moved to approve Manager’s Report No. 16-11 - Discussion and Possible Action to Request for Board Approval on the proposed and revised Table of Organization (TO) for the Construction Management Division; seconded by Ms. Ho; with no objections, motion carried with 4 ayes.

5. Manager’s Report No. 16-12 - Discussion and Possible Action on the Manager and Chief Engineer’s goals for July 2015 – June 2016

BACKGROUND:
Manager Saiki carried over Goals 3, 4, 5 & 6 from last year below:
3. Provide clear Manager Reports to the Board, providing background, options and recommendations.
4. Provide Manager’s Reports to the Board by Friday prior to the Agenda meeting with the exception of the financial reports at the time of posting.
5. Respond to grievances within 30 days.
6. Obtain Department of Human Resources (DHR) approval for current Table of Organization. Minimize changes on the Table of Organization (TO).

New Goals 1 & 2:
1. Provide management training for division heads and supervisors (ongoing).
2. Investigate and determine methods for acknowledging outstanding employee performance.

Additional Goals 7 & 8:
7. Fill all funded vacant positions (suggested by Chair Shiraishi & Mr. Dill).
8. To obtain a performance evaluation score of at least 3.5% (suggested by Mr. Nakaya).

Manager Saiki could speak to the division heads on positions that could be filled. Chair Shiraishi mentioned in prior years private projects were not going up because of staffing issues which is a concern of the Board and the Department. The Board will be working with the DHR to get the Department’s positions filled.

Mr. Nakaya moved to approve Manager’s Report No. 16-12 - Discussion and Possible Action on the Manager and Chief Engineer’s goals for July 2015 – June 2016 and to add Goal #7 – Fill all funded vacant positions and Goal #8 – To obtain a performance evaluation of at least 3.5%; seconded by Mr. Dill; with no objections, motion carried with 4 ayes.
Chair Shiraishi commented that staff can contact any Board member confidentially if they have comments to add regarding the Manager and Chief Engineer’s goals to accomplish.

I. STAFF REPORTS
MONTHLY
1. Discussion and Receipt of the Kaua‘i County Water Department’s Statement of Revenues and Expenditures
   a. July Monthly Summary Budget

BACKGROUND:
Ms. Yano presented the Statement of Revenues and Expenditures and the July Monthly Summary Budget and comparative reports. The Water Consumption 3 Years Comparative Chart compares 3 different years for the month of July 2015.

Other Fiscal Ongoing Activities/Initiatives – Revisions to the Standard Operating Procedures (SOP) No. 51, Charges for Restoration of Water Service. Chair Shiraishi asked what is the status of SOP 51 update? Ms. Yano said SOP 51 update has been put on hold because other priorities came up. SOP 51 charges will be updated (i.e., $40 for afterhours to open/shut off meters). SOP 51 drafts would be completed before the end of this year after the audit. Fiscal is in the process of the on-going audit & field audit the first week of September. Chair Shiraishi will follow up with Ms. Yano on SOP No. 51 in December.

Mr. Nakaya referred to the Year-to-date (YTD) Actual and requested Ms. Yano to explain the $2.5M loss. Ms. Yano explained the report covers the YTD revenues and YTD expenses; revenues shown are for a period of 1 month. The Department paid almost half of the debt service the first month. A higher expenditure is shown and compared with the total receipts for the month. Expenditures are also spent ahead of time.

Mr. Dill referred to the Net Operating Income (Loss), Page 84 – the actual is $180,000 (a positive). Ms. Yano explained the Debt Service Payment is not part of the operating expenses; it is cash outlay.

Mr. Nakaya moved to receive the Kaua‘i County Water Department’s Statement of Revenues and Expenditures and the July Monthly Summary Budget; seconded by Mr. Dill; with no objections, motion carried with 4 ayes.

2. Discussion and Receipt of the Report by the Public Relations Specialist on Public Relations Activities

BACKGROUND:
Public Relations Specialist, Ms. Kim Tamaoka provided the following highlights:
1. There have been several public notifications during the month.
2. Worked on Project Wet Grant Education Program throughout with the state and the summer media campaign. Board members participating in Project Wet include: Chair Shiraishi, Mr. Nakaya & Ms. Ho. Mr. Dill and Mr. Dahilig will be not able to participate. 700 kids will be participating; last year 750 kids participated in Project Wet.

DISCUSSION:
Chair Shiraishi asked if Ms. Tamaoka requested a grant from America Resort Development Association (ARDA) for financial support. Ms. Tamaoka did not request for the ARDA grant fund because she is using the grant funds for Project Wet and bus services. ARDA is still on the sponsor list and gave a $1,500 grant last year. Chair Shiraishi requested Ms. Tamaoka ask ARDA next year for funding.
Ms. Ho moved to receive the Report by the Public Relations Specialist on Public Relations Activities; seconded by Mr. Dill; with no objections, motion carried with 4 ayes.

3. Discussion and Receipt of the Chief of Operation’s Summary Report on Operational Activities

BACKGROUND:
Chief of Operations, Mr. Val Reyna highlighted the following:
1. Mr. Reyna thanked the field supervisors who controlled the overtime for the month of July. Overtime was approximately 400 hours lower than the previous month.
2. Electrical costs for FY 2015 was $440,000 lower than FY 2014 (due to lower oil and gas prices, & lower KIUC prices). Other reasons for lower electrical costs were from the replacement of old motors with premium efficient motors and the plant operations monitored the pump ram times. The electrical consumption was 139,000 kilowatt less than the previous fiscal year.

DISCUSSION:
Mr. Dill complimented Mr. Reyna on the Unbilled Water percentage that went down 10%. Mr. Reyna said the consumption went down slightly. He credited the Billing section that billed more than previous months; the billed/unbilled percentages went down.
Firefighting usage and unbilled usage remains the same which may be due to a serial arsonist setting fires around the island. 10% - 15% of unbilled water is good by industry standard.

Mr. Dill moved to receive the Chief of Operation’s Summary Report on Operational Activities; seconded by Mr. Nakaya; with no objections, motion carried with 4 ayes.

4. Discussion and Receipt of the Manager and Chief Engineer’s Monthly Update Regarding Activities of Note of the DOW

BACKGROUND:
Manager Saiki highlighted the following:
1. The Board members met the Department’s CE V, Mr. Bryan Wienand who started recently.
2. On Wednesday, August 12th, at the request of Councilperson, Gary Hooser, the Department presented the status of the Department’s Capital Improvement Projects and Build America Bond spend down to the County Council Finance Committee. The presentation went well thanks to the DOW team.
3. Yesterday, the Department met with the Department of Health (DOH) on the Moloa’a System. The Department buys water from the Lidner system for seven (7) homes. DOH is considering the Lidner system as a public system. Currently the system is an agricultural water system. As a public system, DOH would require Lidner to do all the testing and disinfecting. There are three (3) users on the system (Lidner Development, Moloa’a Irrigation Cooperative (MIC) a public sub system and the DOW. DOW has seven (7) homes/vacation rentals. There is a tunnel source by the reservoir that DOW will investigate to use and then get off Lidner’s system.

DISCUSSION:
Chair Shiraishi questioned if Lidner’s system goes dry, who does the customers complain to? Manager Saiki said customers complain to DOW but are told they need to go to Lidner. The Department bills the seven (7) customers the same rate as DOW customers.

Mr. Dill found it interesting that DOW has provided Lidner’s system undisinfected water all these years. He asked if the customers know they are receiving non-potable or potable water. Water Microbiologist, Mr. Carl Arume commented the system is not considered a public water system unless it has 15 service
connections or more than 25 people. DOW has seven (7) connections and less than 25 people; by right the DOW is not monitoring the water (it is similar to a backyard well). Mr. Arume added that Lidner is serving more than 25 people.

The tunnel was found today and Mr. Arume will update the Manager of possibilities.

Mr. Dill asked if the source is found, would the water be disinfected. Mr. Arume responded and said if the Department buys from Lidner, he would chlorinate the water and DOW would be responsible for micro testing. If DOW stays with the 7 customers, the Department would voluntarily provide better testing and better quality water; DOW is not required, but the Department is looking at how to make it better. Testing has been good and no issues have come up yet. DOW has a tank that feeds the DOW’s line but DOW is not providing any residual. Mr. Arume said the residual is at the source. Testing at the tank was OK.

4. **Storm Area** – below the Big Island is now a depression tracking south. By Tuesday there is an “H”; in 48 hours it will become a hurricane.

5. **Facilities Reserve Charge (FRC)** – Mr. Doi said the FRC will be submitted to the Small Business Regulatory Review Board (SBRRB) by the September Board meeting.

6. **CC&B Billing Update** – Ms. Nadatani-Mendez reported the Lock Box was implemented on August 1st. Bank of Hawai’i is processing all bill payments.

7. **IT Strategic Management Plan** – A Request For Proposal (RFP) for project management software that closes at the end of August. IT is working on other projects.

8. **Warrant Voucher Report** – Mr. Dill referred to the following line items: Salaries & Wages, Page 114 - $677,008.61 and Interest Expense - $323,555.20. He said based on the two line items compared to the Monthly Revenues & Expenses, they did not match up. Ms. Yano commented the Employee Related Expenses, Page 83 is $677,000 (Monthly Budget/Actual report) and Interest Expense, Page 84 is $478,000. The difference had to do with accrual (due in August 1st, paid & shown in the July report). The numbers shown in the Manager’s Update are actual payments for the month. The numbers should be the shown in both reports (Monthly Budget/Actual & Summary of Monthly Expenditures) according to Mr. Dill. He requested Ms. Yano to investigate the discrepancies and to report back to the Board at the September Board meeting.

Mr. Dill moved to receive the Manager and Chief Engineer’s Monthly Update Regarding Activities Note to DOW and Waterworks Controller, Ms. Yano will investigate the Warrant Voucher discrepancies and to report back to the Board at the September Board meeting; seconded by Mr. Nakaya; with no objections, motion carried with 4 ayes.


Mr. Dill moved to receive the Report of the BAB pay down as of July 2015; seconded by Mr. Nakaya; with no objections, motion carried with 4 ayes.

**K. TOPICS FOR NEXT WATER BOARD MEETING (October 2015)**

1. Discussion and Possible Action on Board Suggestions for Capital Improvement Projects (CIP) for the 2016 Legislative Session
2. Tentative Board Meeting Dates for 2016

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

1. Manager’s Report No. 11-28 – Discussion and Possible Action regarding Part 5 of the Rules, Facilities Reserve Charge – Proposed New Rule, SBRRB Results
2. **Manager’s Report No. 14-24** – Discussion and Possible Action regarding Part 4 Section I of the Rules, General Use Rates Proposed Amendments, Small Business Regulatory Review Board (SBRRB) Results

3. Discussion and Possible Action of Proposed Delegation of a Meter Restriction Board Policy No. 30

4. Discussion and Possible Action of Proposal relating to Providing Water Service Outside of the Water Zone

5. Discussion and Possible Action on Board Policy No. 20 – Facilities Reserve Charge (FRC) Credits for Developers of Affordable Housing

6. Draft Audit (*November 2015*)

7. Election of Officers for 2016 (*December 2015*)

**M. UPCOMING EVENTS**

1. DOW Make a Splash Water Festival (**September 24, 2015**)
2. HWWA Hawaii Section. Honolulu, HI (**October 14-16, 2015**)
3. AWWA/Hawai’i Section Hawai’i Water Environment Association 2016 Pacific Water Conference, Honolulu, HI (**February 2–6, 2016**)

**N. NEXT WATER BOARD MEETING**

1. Thursday, September 17, 2015, 10:00 a.m.
2. Thursday, October 22, 2015, 10:00 a.m.
3. Thursday, November 19, 2015, 10:00 a.m.
4. Thursday, December 17, 2015, 10:00 a.m.

Mr. Dill moved to go into Executive Session at 12:04 p.m.; seconded by Ms. Ho; with no objections; motion carried with 4 ayes at Roll Call (LH, SS, CN, LD).

Deputy County Attorney, Andrea Suzuki read the following Executive Session language:

**J. EXECUTIVE SESSION**

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

1. *Pursuant to Hawaii Revised Statutes Sections 92-4, 92-5(a)(2), and County Charter Section 3.07(E), the purpose of this executive session with the Board of Water is to discuss matters pertaining to the job performance evaluation of the Manager and Chief Engineer. This session pertains to the Manager and Chief Engineer’s job performance evaluation where consideration of matters affecting privacy will be involved; if the Manager requests an open meeting, an open meeting shall be held.*

At 12:06 a.m., Chair Shiraishi called for a recess.

**O. ADJOURNMENT**

At 12:47 p.m. the meeting was adjourned by Chair Shiraishi with no objections.

Respectfully submitted,  
Approved,

Edie Ignacio Neumiller  
Commission Support Clerk

Laurie Ho  
Secretary – Board of Water Supply
SPECIAL BOARD MEETING MINUTES
BOARD OF WATER SUPPLY
Friday, November 4, 2011

The Board of Water, County of Kaua‘i, met in a special meeting at its office in Līhu‘e on Friday, November 4, 2011. Chairperson Roy Oyama called the meeting to order at 10:02 a.m. On roll call, the following answered present:

BOARD: Mr. Roy Oyama, Chairperson
Mr. Clyde Nakaya
Mr. Randall Nishimura
Mr. Ray McCormick
Mr. Daryl Kaneshiro
Mr. Larry Dill
Mr. Michael Dahilig

STAFF: Mr. William Eddy
Ms. Faith Shiramizu
Ms. Marites Yano
Mr. Gregg Fujikawa
Deputy County Attorney, Andrea Suzuki

GUEST: Ms. Terri Hanson, Ralph Rosenberg Court Reports, Inc.

Quorum was achieved with 7 members present at roll call.

Chair Oyama introduced Ms. Terri Hanson, Ralph Rosenberg Court Reporter who recorded the board meeting.

AGENDA:
Mr. Kaneshiro moved to approve the agenda; seconded by Mr. Dahilig; with no objections; motion carried with 7 ayes.

Chair Oyama opened the meeting for public input. Ms. Shiramizu indicated nobody signed up to speak.

OLD BUSINESS:

Mr. Nishimura moved to Receive for the Record the handout on Part 4, Fixing Rates for the Furnishing of Water Service in the County of Kaua‘i (undated); seconded by Mr. Dill; with no objections, motion carried with 7 ayes.

Mr. Nishimura confirmed for the record this submission (handout) is not in material violation that would require reposting and setting up a new meeting for Sunshine Rule purposes.

Chair Oyama ordered to receive the amendment; with no objections, motion carried.
BACKGROUND:
Deputy Manager, Mr. Eddy thanked all the Board members for their hard work over the past year deliberating the finances of the Department. He explained the Department of Water (DOW) is an enterprise-funded agency that operates solely on revenue from rates. The Board is tasked under the Hawai‘i Revised Statutes (HRS) in the County Charter and responsible of setting reasonable rates to ensure efficient and effective operations of the water works of the county.

The Board met that responsibility and last year engaged a financial consultant to look at the current finances of the Department by charting a course for the next five years. The consultant conducted the financial analysis using the established method of the America Water Works Association’s (AWWA) rate setting standards.

Six (6) objectives in developing the water rate options and water rate structure included: debt service coverage, cost of service, system replacement, user pays principal, adequate working capital, and the leak rebate program.

18 models were prepared by the consultant and deliberated by this Board. Option No. 10D was moved and forward by the Finance Committee based on its ability to meet the stated objectives.

1st objective – debt service coverage refers to the amount of available cash on hand to pay for principal and interest owed. The industry standard for triple A rates utilities and the recommendation of the consultant is to maintain the minimum debt service coverage ratio of 1.5. The rate structure that we recommend today provides that coverage.

2nd objective – cost of service is defined by AWWA as the operating and capital costs incurred in meeting the various aspects of providing water service. The option that was recommended to the Department today would meet the cost-of-service needs and the general use rate determined by the consultant was $3.48 per thousand gallons.

3rd objective – water system replacement needs is in excess of $500 million worth of water plan 2020 projects to be completed. The recommended rate structure provides cash funding of capital projects ranging from $4M to $7M per year over the next five (5) years. The recommended rate structure also allows for borrowing in similar amounts.

4th objective – user pays principal which requires the user of the service to carry the financial burden for that service. The Department’s existing customers are not to bear the financial burden of future customers. It is compulsory on the Department to pay for natural population growth. The recommended rate option would provide sufficient amount of cash and debt carrying capabilities.

5th objective – provide adequate amounts of working capital. The Government Financial Officers Association’s best practices define this as adequate levels of fund balance to mitigate current and future risks. The financial consultant recommended that the Department maintain enough working capital to cover at least three (3) months of operating costs and establish an emergency reserve fund in the amount of 25% of operating revenue.

The recommended rate structure would allow the Department to meet both of these objectives by the 2016. The Department feels Option 10D is the best option which affords the ability to maintain the water system, the ability to replace the aging system components, and the ability to
increase system capacity in anticipation of natural population growth, but mostly provides the least financial risk to the Department’s customers.

It is imperative that the Department’s mission provide safe, sufficient and affordable drinking water by maintaining and in some cases replacing this aging system by increasing the rates. The alternative is the Department’s system will deteriorate beyond the ability to maintain it properly and would have to borrow money to repair it, paying interest to lenders. The best strategy would be to put the money into the Department’s system directly and to take care of it properly.

Imposing a rate hike at this time might seem unfortunate. Allowing the water system to continue to deteriorate will increase the future financial burden on our current customers and the next generation. The Department recommends an annual review of revenues and receivables to determine whether the scheduled rate increases can be reduced or deferred. The Department strongly recommended the Board to invest in the water system today to make the changes occur.

**DISCUSSION:**
Mr. Nishimura made sure that everybody understood that the rate increase purported do not match with the rate increases that was before the Board (See page 1 of 10). He focused on the 5/8 inch meter because that is where the Department focused their Board presentation. The service charge went from $10 to $17.75 service charge which equates to a 78% increase as opposed to an 11% increase which was suggested to the Board. This is roughly a 22% per year over the 3½ year time frame of the increase. Mr. Nishimura was expecting this increase based on the consumptive values that the Department reported. Going from the first block from 5% to 11% per year is on the consumptive value. If the Board was going to support this rate structure, vote in favor of it.

Mr. Nishimura agreed that there was a need to keep up with the replacement of the system and pointed out that the Department has borrowed significantly in the past. To cash fund some of these things come from the pockets of the rate holders.

Mr. Nishimura mentioned that Option 10D is conservative but clarified the record that the Finance Committee voted two (2) to one (1) to recommend this option to the full Board as opposed to being unanimous as reported in the papers. At this point, Mr. Nishimura could not support the current proposal.

Mr. Eddie explained how the revenue increase is calculated and how the water use rates and service charges were revised to reflect the increased revenue (See table/Page 16 of 34, left-hand column showing 11.2% over four (4) years). The proposal is to increase revenues by 11.2% by taking the historical revenue figures and increasing those figures by 11.2%.

The use rates and service charges is a standard method in the AWWA manual M1 for cost-of-service analysis in the financial package. The cost-of-service analysis determines where the Department is currently in the different categories of service charge, use rates, agricultural use rates, private fire protection, and public fire protection. This is used to distribute the 11.2% revenue increase equitably among the rate service charges, private fire service line, and public service lines.

The proposed rates in Part 4 are not 11.2% in each category. The rates are weighed heavily in some categories than others because the financial consultant determined different categories
mean different factors to bring them to cost of service. The service charge is more than 11.2% per year. The use charges are less than 11.2% that was determined by the consultant and is a variable that could be adjusted if desired.

Mr. Dill mentioned as Chair of the Finance Committee they labored long and hard over this proposal and he personally supports the proposed increase. He also addressed Mr. Nishimura’s comments and clarified what the Deputy Manager said. Refer to Page 17 of 34 that shows based on the proposed rate increases in line 80, the average 5/8 inch meter will be per month. The numbers goes from estimated 2011 44.40, 49.37, 54.90, etc. Each of the increase on the average bill is exactly 11.2%. As pointed out by the Deputy Manager, those were the combination of many factors, called the “service charge.” The service charge is going up more significantly but the consumption charge and volume charge is much less significant, 11.2%. The combination of all those factors by dialing it down to the average bill for a 5/8 inch meter is 11.2% over four (4) years.

Mr. Dill supported this because over the last several years, the Department begun to make a conservative effort to catch up on the infrastructure needs that are required to be addressed after any years of neglect which will continue that effort. Discussed previously if a rate increase is not warranted any particular year of these scheduled increase, the Board can also choose to defer them for a period of time until it is deemed necessary. This is to generate the necessary fund for the Department to do the work needed.

Mr. Kaneshiro commented on the deferral that the Deputy Manager mentioned regarding a certain point when the rates could be deferred. He asked if there is a system in place where you can come to that point to make a deferral. Is there a procedure in place to be able to identify that situation?

Mr. Eddy said the Department could make a procedure but the system in place is the budget process which starts every year. Mr. Eddy proposed during the budget process the Department reviews its finances.

Mr. Kaneshiro asked what if the Department hit their goals during the 1st quarter. Will the Department continue to collect the fees in the rate structure set before the Board or is there a red flag to point this out? At the end of the year if the Department is good, are customer reimbursed and what is involved with that?

Mr. Eddy explained that the budget deliberations start early in February or March and if the Department is in the 3rd quarter (for example), this would give the Department time to make adjustments. The Department is making that commitment today to do that review and could provide the Board with more details.

Mr. Kaneshiro had a concern on reviewing on an annual basis and the goals may be reached on the last quarter. He wanted clarification before the annual budget if the Department would propose to the Board that the Department is close to reaching the current rate.

Mr. Eddy mentioned that this would probably work with the budget process because the Department is funding projects, counting receivables and have the best numbers at that time. He proposed to do it in concert with the budget examination.
Mr. Dill commented in the past the Board approved rate increases, scheduled rate increases, but then later chose to defer them. This probably was the result of the budget process that the Department does annually and agrees with Mr. Kaneshiro. Mr. Dill would like to make sure the Board has a firm commitment from the Department that the budget review process is done in a timely fashion to give the Board sufficient time to review to make sure the annually scheduled rate increases could be addressed satisfactorily and consideration is given to whether it make sense to defer rate increases or not.

Mr. Dill moved to adopt the presentation regarding Part 4, Fixing Rates for the Furnishing of Water Service in the County of Kaua‘i; seconded by Mr. McCormick; with no objections, motion carried with 4 Ayes, 3 Nays and 1 Abstain / no vote at Roll Call (Ayes: CN, RM, RO, LD, Nays: RN & DK, Kanalua: MD)

Mr. Nishimura did not know the DOW standards; under the rules a “no” vote is considered a vote in the affirmative unless there are specific language and if we have to check that and that a member can abstain from voting.

Chair Oyama called for a 5 minutes recess.

Chair Oyama called the Special Board meeting back to order.

Mr. Dahilig spelled his vote: K-a-n-a-l-u-a which meant undecided or silent vote.

Chair Oyama called for a revote (Ayes = Yes, Nay = Negative & Abstain = Silent).

Ayes = 4, Nays = 3, and Abstain / no vote = 1

Chair Oyama said the Ayes have it and the motion passed.

NEW BUSINESS:

a. Board Discussion and Possible Action on Amending the Rules and Regulations, Part 4, Fixing Rates for the Furnishing of Water Service in the County of Kauai as it relates to rates and use charges for the furnishing of water service for fiscal years (FY) 2012-2016

BACKGROUND:
Mr. Eddy thanked the Board and mentioned the proposed rates schedule was in the packets. The rates reflected what the financial consultant determined and calculated in their rate study including Option 10D.

DISCUSSION:
Mr. Nishimura questioned if the rate will be in effect until 2016 since the agenda reflected rate changes for fiscal 2012 to 2016. Mr. Eddy confirmed the rate schedule continues through 2016 which is reflected in the financial analysis.

Mr. Nishimura noted for the record that there may be no further rate changes between 2014 and 2016 which may change after he leaves the Board. His main concern is that if the Department implements all the changes and then come to 2014 and then look at more increases in 2015 and 2016. He did not think that this Board would be doing justice to the public.
Mr. Eddie clarified what was shown on the July 1, 2014 is the beginning of a budget cycle from July 1, 2014 to June 30, 2015. The rates shown on the last column do stretch into the 2015 budget. The fiscal years 2012 to 2016 ends July 30, 2016. The rate effective would be from July 1, 2014 and remains in effect through June 30, 2016.

Mr. Nishimura questioned why the cost-of-power adjustment has not been updated.

Waterworks Controller, Ms. Yano explained the Department used the last calculation in the 2012 budget. The consultant changed the calculation in the first worksheet which was lower but was changed to use as a base. This was a variable that the Department did not know if it goes up or it goes down.

Mr. Nishimura asked if there was a reason why Schedule A isn’t included? Mr. Eddy replied it could possibly be deleted but the rate study did not go into detail on this subject and did not change it.

Mr. Dill didn’t think the Schedule A items is necessary to include in there, however, he didn’t think it was in conflict with anything that the cost-of-power adjustment is intended to do because the cost-of-power adjustment is calculated annually based on the historical actual power cost consumption of the Department which is reflected in going forward to recover the cost to the Department. It is not addressed in the same way the cost-of-service basis that the rates are. Ms. Yano also confirmed this information.

Deputy County Attorney, Andrea Suzuki clarified that the proper motion would be to move it forward to the Small Business Regulatory Review Board (SBRRB). The SBRRB could provide comments before it goes to a public hearing which is an additional 30 days. A public hearing can be scheduled by the Department without a motion. If SBRRB decides not to recommend public hearing, the Department can cancel whatever is scheduled. The Department is not bound by SBRRB’s recommendation. If there are no recommendations, it moves forward to public hearing.

Mr. McCormick moved to approve to Amend the Rules and Regulations, Part 4, Fixing Rates for the Furnishing of Water Service in the County of Kauai as it relates to rates and use charges for the furnishing of water service for fiscal years (FY) 2012-2016 and to forward to the SBRRB for review; seconded by Mr. Dill; with no objections, motion carried with 7 ayes.

Mr. Nishimura moved to amend the motion and eliminate Schedule A from the Rules Part 4 as part of the recommendation and to move to SBRRB; seconded by Mr. Dill; with no objections, motion carried with 7 ayes.

**ADJOURNMENT:**
Mr. Dill moved to adjourn the meeting at approximately 10:10 a.m.; seconded by Mr. Nishimura; with no objections, motion carried with 7 ayes.
The Board of Water, County of Kaua'i, met in a special meeting at its office in Līhu'e on Thursday, December 8, 2011. Chairperson Roy Oyama called the meeting to order at 8:11 a.m. On roll call, the following answered present:

**BOARD:**
- Mr. Roy Oyama, Chairperson
- Mr. Clyde Nakaya
- Mr. Daryl Kaneshiro
- Mr. Larry Dill
- Mr. Michael Dahilig

**EXCUSED:**
- Mr. Randall Nishimura
- Mr. Ray McCormick

**STAFF:**
- Mr. David Craddick
- Ms. Marites Yano
- Ms. Faith Shiramizu
- Mr. Dustin Moises
- Mr. Keith Aoki
- Mr. Gregg Fujikawa
- Mr. William Eddy
- Deputy County Attorney, Andrea Suzuki

**GUEST(s):**
- Mr. Ron Rawls, Kaua'i County Auditor
- Mr. James Nakayama, Sr. Manager, KMH, LLP
- Ms. Terri Hanson, Ralph Rosenberg Court Reports, Inc.

Quorum was achieved with 5 members present at roll call.

**AGENDA:**
Mr. Dahilig moved to approve the agenda; seconded by Mr. Kaneshiro; with no objections; motion carried with 5 ayes.

**NEW BUSINESS:**
1. Review of Audited Financial Statements - FY2011

**BACKGROUND:**
Mr. James Nakayama presented the audited financial statement of the Department of Water (DOW), County of Kaua'i as of June 30, 2011 and 2010. Mr. Nakayama expressed appreciation of being renewed for another three (3) years with the Department. The basic review of the financial statement was presented, KMH's opinion and some highlights of the financial statement, significant adjustments which were non-recurring in nature, and significant adjustments encountered during this year's audit.
The big difference this year was that KMH split the report into two (2) pieces. Previously, it was one (1) piece where it included the single audit reports and GAGAS reports audited under generally accepted government auditing standards; those reports will be covered but were not available today.

Financial Statement Highlights – The qualified opinion was encountered this year (Page 3 of packet). Qualified unfortunately is not a good thing which means there is a modification for our opinions this year because of the departure from generally accepted accounting principles.

For the past three (3) or four (4) years the Department complied with GASB 40–5, which changed the way they account for their proposed retirement benefits. Prior, these went to medical premiums and insurance premiums for retirees. Before the Department would pay on a pay-as-you-go basis, paid the EUTF like all the counties and the state basically who work with the EUTF to pay for the retirees’ premiums. Regarding the change in the rule, instead of paying it as it becomes due, the idea is they should be earned as the people are actually working. The rule changed and you need to be accruing the expense as people were earning them. Employees that are currently working with past service obligations need to be accrued.

Mr. Nakayama commented that instead of trying to suddenly accrue a huge liability on both the county and the Department, the government accounting standards allow them to amortize over a certain period of time; in the Department’s case, it is 20 years. It is important that the liability being incurred by the Department is every year is that the actuary comes in and determines based on the employee base of what the liability is.

The extinguishment of that liability is important because you want to make sure that if you pay the money that the employees will actually get. There are certain rules depending on where the money is put in the trust fund for example, which is where the monies have to meet certain requirements.

Determined in November 2011, second-hand information via county was received that the trust fund did not technically meet the requirements; the trust fund is irrevocable. Under the accounting rules you could not consider pre-funding contributions, as something that offsets your liability. A tax credit is still received but you don’t get to reduce your liability for it on your balance sheet. You still get credit for them but you don’t get to reduce your liability for it on the balance sheet. You still need to have the liability sitting on the Department’s books for that portion. This does not change the P&L or the net assets for the Department. It is a grossed out of the Department’s assets and liabilities.

KMH understands from the EUTF via a copy of a letter obtained that their plan is to look to introduce legislation that will change the technicality going forward. The Department will not have this issue from the accounting standpoint. Today it should be recorded that way. What the Department and the county elected to do was not to make any accounting changes because they believe it’s going to eventually come back. Accounting-wise it is technically wrong which qualifies KMH’s opinion.

The 4th paragraph has a modification of KMH’s opinion that highlights any reader of the financial statement, except for this particular area where the Department would have to gross out the balance sheet by approximately $1.4M. There were no material differences noticed and it was a clean audit.

There are different ways qualifications are done. It was a technical departure from GASB, and it is large enough to qualify for this significant amount.
Mr. Kaneshiro was correct in saying the county practice has been to fund it ahead of time. Mr. Nakayama explained what the ideal thing is when you pay that amount off you take the liability off the Department’s books, meaning it fulfilled that liability based on using that. This means the liability still exists, but you still have credit for those assets. To pre-fund them as much as possible is the ideal situation. Unfortunately, the accounting at this point is because the trust fund doesn’t meet the rules of accounting standards. It has to be accounted for in this way.

The Department has chosen not many changes because the understanding is that the state will take the appropriate action to try to fix the problem and ultimately get it back to where it should be. This is what the state and the counties struggle to fund and it is always a year-to-year thing because it is increasing at the discount rate; the substance change.

Mr. Dahilig inquired if this qualification is going to be applied to all the accounting audits for all the counties and the state. Mr. Nakayama’s understanding was that the other county’s auditors have decided not to qualify. Each auditor has their own opinions on how they apply it. KMH looked at the size of it and went through the options and worked with the Department to figure out if there was any negative impact of this qualification. The feedback Mr. Nakayama received was that it would be okay. It is not the ideal situation, but it wouldn’t create any problems from the Department’s standpoint. This rose up to the county and they reassessed. Mr. Nakayama has not seen their final draft. His understanding is that they were going to qualify it.

Mr. Nakayama covered the financial statements (Page 9). From last year’s financial statement the Build American Bonds (BAB) came in and significantly increased the Department’s debt. There were no impact on each of the expenses fully until this year (2011). The interest expense net of amount capitalized is significantly higher than the previous year. See Footnote 9a (Page 29) regarding the OPEB.

Water Sales (Page 9) in 2001 to 2011 went from $18.7M to $19.8M which is after all of the adjustments. What was previously seen is that the unadjusted numbers provided was closer to $21.4M. KMH could not get a good explanation from management on what the reasons were on the unadjusted numbers. This caused KMH some concern but worked with management and the Department to figure out what was the cause of the difference.

Mr. Nakayama went over the adjustment (See 8ii) which related to the fire service customer’s issue that was ultimately determined. As of July 1, 2010, the beginning of fiscal year 2011, there were changes to the billings for fire service lines for commercial customers that have a detection check meter. They have a smaller meter; 5/8 inch meter sitting on top of it to read any actual flow coming out of the meter.

The rule changes were put into place to prevent people from abusing those lines which are only used in case of fires; some people are using them for other reasons. There is a multiple and a multiplier of any water being used which was 164 times. Changes were allowed on the Department’s billing system. Several customers saw very high increases in their bills and complained. Some of the high increases were caused by leaks and other abuse. The Department later found out and realized that there was an issue with the billings with regards to where they made adjustments to do this multiplier. They did not make the adjustments to put them in the right meter size. If it’s a 5/8 inch meter and they were billing on an 8 inch line, they should have been using the 5/8 inch block rate and should have been using the 8 inch block. By keeping it at the 5/8 inch block, the customer immediately moved to the next box where they quickly ended up paying rates double what they would have paid if it was billed at the 8 inch rate.
This was an unintended consequence of doing this change and there was a subsequent rule change that was proposed to try to clarify this. The customer that paid were penalized too much. This affected the Department in the adjustments. There is an adjustment for the contested billings (No. 1) which was known to the Department that was going to be adjusted (there were 132,000).

Customers who actually paid or in the process of paying are working with Waterworks Controller, Ms. Yano to identify who those customers are (another 288,000). There will be more to add to that credit.

At the end of June 30, 2011, there will be some adjustments to be done where customers used water related to the services lines. The best way to do this is to work with the Board of Water to rerun their billings with what the actual amounts would have been had it been applied using the 8 inch rate.

For the purpose of the audit, Mr. Nakayama would not wait for that. This resulted by going by an estimate and worked with management to determine that 50% was kind of the rate that would be applied to each of the customers. From an audit standpoint, more work still has to be done.

Unbilled revenue (No. 3) / unbilled revenue deed - Every year the DOW makes sure they have a full year’s worth of revenue irregardless of when the meters are read. Estimates are taken automatically through the Board of Water Supply billing system where they ultimately spit out six months of past usage or three billing cycle, and estimate what the bill would be for those days that have been unbilled by coming up with a number.

The multipliers and the rates increase the unbilled revenues overstating them by $1.3M as KMH determined. This is for financial reporting purposes that show the revenues. This is an accounting estimate done at year end which gets reversed in the next period. This is important because KMH will try to get the revenues in the right year.

In 2001, there were too much revenues, then have a shortfall in 2012 as a result. The full adjustments are about $1.7M and there is still about a $1M increase in water sales. The auditors worked with the Department and were able to provide analytics based on the number of customers where increases in service charges and service fees were and able to identify and support the $1M increase in water sales as presented. The numbers on the financial statement are were resolved and correct. This was significant for the audit and was not a normal thing to occur.

The internal controls was discussed later. Mr. Nakaya commented that if the Department had better internal controls, these adjustments wouldn’t of have happened. Mr. Nakayama said if you have better internal controls, managers should be able to identify this issue before it gets to the auditors. These numbers should have been caught by management controls.

Significant adjustments (Page 7) - If this went to accrue the allotment from the State of Hawai'i, and based on the account rules, that allotment should have been picked up in 2011 (collected in 2012). The receivable on the 3rd line are due from the State of Hawai'i of $1.4M. You may be appropriating monies but you would never accrue it based on that because it doesn’t mean you actually are going to get them. Once there is an allotment being made at this point, then yes the money is received.
NEW BUSINESS:


DISCUSSION:

Mr. Dahilig had a comment for Manager Craddick that because the Department is operating in two realms with no internal controls to cross reference this financial statement. Will you raise any objections or concur with whatever is included in the auditor’s report based on the presentation?

Manager Craddick replied that yes but consulted with some of the Board members regarding retirement. He asked if the Board wanted to have this ready for the county by qualify the audit. He would not want to borrow next year and needs to wait until this issue is resolved and doubts that we could go along and concur with the auditors. The auditors have presented a document that could be sent to the county if the Board accepts it today and the audit can be completed in a timely manner.

Another issue are the fire lines and a rule change is now in place. This has not been implemented with Honolulu Board of Water Supply (HBWS) because they are going through the process of switching over to the new billing system. The HBWS has deferred that now from April to July which Manager Craddick will try to push through to get all these billings corrected. Mr. Dahilig agreed.

Mr. Nakaya expressed his concern about the timing and that the year-end is June 30th and it took almost six (6) month to get to this. Is there something that can be done to expedite it in the future because this is the first audit?

Manager Craddick agreed that the Department is scrambling for time because of the accounting staff and customer service are all trying to learn the new billing system. Everyone thought it was going to be implemented in October 2011. The new billing system was delayed and when HBWS passed their own rates, they are moving it from April to July. He was not complaining and it is a good service they provide the Department. Another factor is the transition of new positions this last year and not all positions are in place. The qualified financial statements were not good, but there will be an improvement next year going forward.

There is the issue of the accounting software system when the IT strategic plan is implemented and goes forward which will be discussed by Mr. Nakayama.

Going forward, Mr. Nakaya, wanted the Department to improve its timeless and whatever the Board can do to assist the county so that the auditors can work on it.

Manager Craddick praised the auditors to get to this point in the audit.

Chair Oyama was also aware that members of the committee worked hard to get to this point also. He also thanked the auditors for their end result.

Mr. Dahilig move to approve the Single Audit Report - FY2011; seconded by Mr. Kaneshiro; with no objections; motion carried with 5 ayes.

Mr. Dahilig moved to adjourn the Special Board meeting at approximately 8:42 a.m.; seconded by Mr. Dill; with no objections; motions carried with 5 ayes.
Rules Committee Workshop

February 9, 2012
9:15 a.m.

Committee Members Present:  Daryl Kaneshiro, Clyde Nakaya, Larry Dill

Staff Present:  William Eddy, Marites Yano, Dustin Moises, Gregg Fujikawa, Val Reyna, Keith Aoki, Joy Buccat, Deputy County Attorney Andrea Suzuki

Guests:  Terri R. Hanson, Ralph Rosenberg Court Reporters, Inc.

Mr. Kaneshiro called the Rules Committee Workshop to order at 9:25 a.m., quorum was achieved.

AGENDA
Mr. Nakaya moved to accept the agenda as circulated; seconded by Mr. Kaneshiro; with no objections, motion carried.

NEW BUSINESS
Re:  a. Impact Fees and FRC Proposed Rules

BACKGROUND:
Deputy Manager, Mr. Eddy reported on the Department’s proposed changes to the current rules regarding the Facilities Reserve Charge (FRC). A study was done a year ago to study the rates. The Department also proposed changes to the rules and the FRC is administered plus the way the Department will impose the requirements of the rules. He also discussed 1) the basis of the FRC, 2) existing FRC rules, and 3) main issues and reasons the Department needs to change the rules.

A short history of the current FRC rule became effective in 2004. Prior to that, there was a major change to the FRC rules in 1993 and 1979. The Department has good documentations in 1976 but information prior to 1976 was harder to locate. The FRC has been in place since the inception of the Department of Water (DOW) in the early 1960’s.

The authority to impose impact fees in the Department’s FRC is defined in the Hawai’i Revised Statutes (HRS). The HRS states “Any board for any development, or portion thereof, involving water supply or service; provided that the county enact appropriate impact fee ordinances or the board adopts rules to effectuate the imposition and collection of the fees within their respective jurisdictions.”

An impact fee is defined as “the charges imposed upon a developer by any county or board to fund all or a portion of the public facility capital improvement costs required by the development from which it is collected, or to recoup the cost of existing public facility capital improvements made in anticipation of the need of the development.”

FRC can be charged for future developments or for future improvements, (i.e., future tanks or future water sources or existing ones).
Mr. Eddy added that if a developer wanted to build something, this law would allow them to pay the Department a fee to build a tank or find a source and develop the source. They could pay the fee and utilize an existing tank or source.

Next discussion point: Do we need new rules? The Board referred to the existing rules printout. Page 1 of Part 3 states “establishing standards for subdivision water systems.” Part 2 referenced the FRC but was not substantial.

Item No. 10 defined FRC: “It shall mean the fee to be paid by subdividers or, when applicable, new customers as their proportionate share in improvement to the Department’s water system.” This distinguishes itself from water use rates, and is independent of water use rates.

Part 3, Section No. III is in the Department’s rules as subdivision. This section describes how a subdivider shall pay the Department and the requirements of a subdivider. Every lot is created and is charged FRC typically for a 5/8 inch meter (by meter size).

For building permits and CPRs, the Department’s existing rules allow staff to charge FRC for every house. If a lot has five (5) houses, the FRC charge is five times or the owner is required to pay FRC five (5) times and one (1) for each dwelling.

DISCUSSION:
Mr. Dill asked if a 25-acre parcel qualifies for five (5) dwelling units, and someone says, I’m going to serve these five (5) dwelling units with one (1) 5/8 inch meter, the Department has the ability to charge FRC for five (5) units according to the current rules. This was correct according to Mr. Eddy.

Mr. Dill also asked if the Department sees requests for a 2-inch meter and charge five (5) 5/8 inch meters FRC or charge them one (1) 2-inch meter FRC? Mr. Eddy sees more requests for individual meters or nine (9) meters lined up. Some homeowners want an individual meter for billing purposes or be faced with dividing up the costs.

Mr. Kaneshiro inquired if the current rules allow for one (1) meter to serve more than one (1) home? Chief of Water Resources & Planning, Mr. Fujikawa replied in Part 2 this is allowed.

Mr. Fujikawa referred back to Mr. Dill’s question on one (1) meter for the larger parcel and said the Department would grant one (1) meter as long as the system is adequate (Examples: if someone wanted one (1) meter for a parcel that is zoned for more houses, if they wanted to use it for agricultural purposes, if they want it for one (1) house, or for one (1) guest house). This is premised if the Department has enough water to cover the requests.

The Department does not assess FRCs based on water that they are not going to use. If someone comes in for one (1) house on a lot that is zoned for 200 houses, the Department would focus on that request. In a lot that is zoned for 25 acres / ag and zoned, you can put five (5) houses on it based on land use laws. But if the owner wants a 5/8 inch meter for that house (and not proposing subdivision); this is in Part 2 and would be granted. A charge for FRC would be assessed for that one (1) house or for that one (1) meter.
Mr. Fujikawa added that people sometimes want water and they don’t need it for houses especially in ag. Sometimes it is needed for the water trough for the cow then they need a 5/8 inch meter; the Department can adjust this. The rules do not allow/impose charges and fees for water that people are not requesting at this time.

Part 4 are the rules schedule for the FRC rates broken down and assessed by or charged by meter size. It is also charged by the dwelling units that includes a hotel room. The rules define a hotel room the same as a dwelling unit. The bigger the meter, the higher the charge.

Part 3 is for subdivisions. When a lot is created, the rule in Part 4 charges FRC for every lot that is created by a subdivision. There are exceptions where you can get credit for consolidating lots and re-subdividing lots. On the net effect or net creation of lots, the rules define it as to assess FRC for the three (3) different elements. Dwelling units are assessed at the time of building permit, which is not specified in the law, but is specified by DOW’s administrative policy.

Mr. Eddy continued discussing the subdivision rules in Item 4 about the timing of when a subdivider is required to pay which states “The subdivider shall pay the FRC to the Department prior to subdivision approval. Except that the subdivision approval may be given prior to construction of required improvements and prior to the payment of the FRC by the posting of a bond.”

FRC for developers are due in full prior to subdivision approval. There is an option to bond FRC and allowed to bond improvement that are required by the Department. In the proposed changes, the Department talks about changing the timing.

Part 4, Section VII FRC, Fixing Rates –The proposal is to create Part 5 versus seeing FRC scattered in different parts of the rules.

Mr. Eddy referred to the schedule amount got 5/8 inch meters is $4,600, and then it goes up 8-inch meters. A rate study is underway with the DOW financial consultant formerly RW Beck but now called SAIC. The results of the numbers are expected to go up greatly from the schedule numbers.

Mr. Dill referred to the definitions in Section 1 that new consumer’s pay the FRC as their proportionate share in improvements to the Department’s water system. He assumed to be correct that the numbers that were going to be given by SAIC would be based on the cost of service essentially or actual costs of the improvements. It was broken down to their proportionate share to serve; a dwelling unit. Mr. Dill believed it was the prior iteration of the FRC prior to this. He also read the FRC study that was done to establish the costs.

The basis for all the costs was a cost-of-service type of determination. Mr. Dill remembered for 5/8 inch meters, there was a decision to discount the calculated cost by 5/6 inch the ¾-inch cost was discounted by 50% and then the 1-inch meters where you started charging the actual cost to recover the cost. When the rate analysis was done, it was based on cost of service, which is the actual cost to deliver water to the customers. Mr. Eddy said this was correct.

Mr. Dill asked about the numbers that were presented, if they are representative of what the actual cost is to deliver service to the customers? He asked if this was source, storage and transmission? Does it include distribution?
Mr. Eddy clarified it officially does not include distribution but includes source, storage and transmission. The numbers were based on a previous study which may use the cost-of-service theoretical approach, but it is not based on what was discussed during the rate study as a cost-of-service.

The method that is used is projecting the building needs over a period of time, the projected growth and the improvements required to sustain projected growth. The growth may be 20,000 additional people in 20 years. The size of the water system is known and the Department has to build to accommodate the growth in population. The cost of the infrastructure, the source, storage and transmission is estimated. The figures are calculated from that information.

The debt service was added to this study which previously may not have been factored in knowing that building out this infrastructure the Department is going to need to borrow money and have those costs included in the study. The figures may be discounted.

Mr. Eddy mentioned there was a policy decision by the Board to not raise rates too much at one time and the fee is based on meter size. There are other options available that are basing the fee not on meter size but on different ways of calculating the fee.

The Department needs new rules because the current rules tie up water with an unlimited time to use while others may be told there is no availability of water. Someone could have paid FRC in some years past 1980, and the Department getting those numbers together. How many people have paid FRC in the past for subdivisions or buildings and have not developed it, but the Department is still holding that water for them? There may be new developers coming in ready to build. The Department is forced to tell developers “no, we don’t have available water. You would have to build your own source and storage.” This problem needs to change.

At 9:50 a.m., Mr. Dill exits the meeting.

Mr. Kaneshiro asked with the new rules, the Department would not be able to receive those issues with the past that is already paid. He did not think the rule would apply to those that have already paid. But if the rules are approved, the Department could move on from there. He didn’t think it was going to resolve the present situation.

Deputy County Attorney, Andrea Suzuki commented that the Department is proposing for the past instances a graded payment. If the meter is not dropped within the first year, the charge is 25% of the difference. If the meter is not dropped within two (2) years, the charge is 50% of the difference. This gives them a certain amount of time for the past. This is the Department’s proposal but an overview before the details.

Mr. Eddy mentioned that would encourage the current developers who have paid FRC to apply for the meter and get it in right away or pay the higher fee. This would be a way to eliminate old FRC accounts at the current level. The Department has records of the old accounts from the 1960’s which were not acted on. The burden of proof would be up to those developers that paid the FRC and didn’t receive the service because the records may not go as far as the 1960’s.

Mr. Kaneshiro asked if the Department is not only targeting developers but every single household also. Single households in the 1970’s may have applied for a meter but currently never built it. Mr. Eddy said somebody could have applied for a building permit for a second house. It is difficult to check for building permits past 1992. To research this information is difficult but has to be done.
In Item No. 2, the current rules require developers to pay or bond impact fees when they bond water facilities improvements to obtain final subdivision even if the plan is to provide facility improvements. This results in DOW having to return collected fees. An example was Kukui‘ula, a 1,500 lot subdivision. Kukui‘ula paid FRC in full for lots up front. At the same time they were building their improvements, got subdivision approval and were allowed to sell. They finished their improvements, and the money that they paid the DOW for the FRC is due not to be refunded to them; they got both. They could have built a source, storage and transmission, build the improvements and not pay the FRC. When the facilities are complete, they can apply for offsets to FRC, which would essentially eliminate their FRC liability. They wanted to sell their lots earlier. Timing is what needs to be improved in the rule change.

The concept to explain FRC to people is difficult: What is FRC? Why do we have to pay it? The developers understand the rules but to change the rules would be confusing to them. This would require education for the staff and developers. The rules do not require monitoring enforcement after the fee is paid.

With other water agencies after the fee is paid and got the meter, there may be FRC liability. If changes are made to the household (i.e., increase water usage, build an addition, the Department or the water utility can come back and ask for more impact fees or more FRC money). The current Department’s rules do not require a liability. If you want a 5/8 inch meter, pay this amount, build an addition and put in an irrigation system, there is no change to the FRC charge.

If the rules are too complex, the Department may be faced with monitoring that kind of activity. To monitor may take additional personnel to implement, administer, monitor and enforce the new rules even after the meter version is complete.

Offsets – are not available in areas where water is adequate for facilities that are provided elsewhere. If there was an abundance of water and the developer was in control of land in one area and able to provide source and storage in one area, could he get credit to build developments in another area?

The state legislature gives the Department funds for some projects which are site specific. Example: the state has drilled a well in Kapa‘a by the low income housing and they drilled and paid for the well at $4M. The Department is proposing to change the rule to say give the state credit for the drilled well if they want to build affordable housing in Kōloa. This works if the water system is adequate in Kōloa. This is a powerful way to go to the legislature if they are able to fund this. In the future, the language will be drafted on this rule change for the Board.

The Department’s current policy does not limit a single developer from taking all of the available water. The restriction was just lifted in Lāwa‘i/Omao which had meter restrictions for many years. Kekaha/Waimea had meter restrictions lifted and enough tanks were built out and enough storage that eliminated the Department’s deficit. That surplus of water is equal to about 156 single-family dwellings. If 156 people come in to build new houses, many 5/8 inch meters can be given out.

There is a concern when one developer will come in at one crack and take up the whole 156 meters is not fair. Some of the surplus could be reserved for the smaller developers of families that want to do small subdivisions and small building projects. New rules will need to be made for this type of
situation especially to be fair to everybody. The Department has caught up with water systems and getting out of deficits and into surplus.

Mr. Nakaya wanted clarification on a rule says they are limiting one single developer from taking all the available waters out or there is no rule to that effect? Mr. Eddy replied there is no rule to that effect.

Mr. Fujikawa mentioned there are administrative policies that prevent this from happening. The Department is not forced to give the developer all the water.

Mr. Nakaya said this is not in the rule. Mr. Fujikawa replied it is not a rule and was not sure if this should be a rule to make it so rigid you would lose flexibility. Currently it is a policy which the Manager get to say.

Mr. Eddy referred to the allowance for payment over time is not in the existing rules even though the Department may be paying over time. Currently you have to pay FRC in full one time, possibly during the subdivision process.

The 1967 rules allowed a five-year payment time period when you signed up for your FRC. If the FRC rates increase above $4,600, it could be an option to have the Department finance. The old rules states the schedule and interest rate was 7% in the 70’s, is what the developer paid the Department that finances the FRC. The new rules will be carefully drafted.

Mr. Eddy next discussed the “Yeses” & “Nos” (in the packet) regarding the rules:
“Yes” – We need new rules because fees are base d on meter size and not on usage or gallons. The staff is finding ways to make the fees fair, manageable and enforceable.

“Yes” – The existing rules do not comply with state law and will be fixed according to Deputy County Attorney, Andrea Suzuki.

DISCUSSION:
Mr. Nakaya asked if this was a major violation? Deputy County Attorney, Andrea Suzuki said the Department is not the only one that are not in compliance (with the HRS). The Department could be the first to be in compliance too. A lot is not in compliance in form but in compliance in substance with a little bit of it is both.

Mr. Eddy continued with the “Nos”:
“No” rule for reinstallation charges. If the rates are increased substantially, there would be a flood of people coming in that already paid the FRC or coming in to pay the FRC, get their meters, and then after the rates goes up, discontinue water service so that they no longer are paying a service charge.

By paying the service charge, it helps to cover the cost of the depreciation of the service line and the main line. The Department is looking for a mechanism to prevent that from forming.

“No” – Existing rules are equitable to all customers with the same size meter. Basing the fee on the projected water usage may create a disparity amongst neighbors where there is none now. The rates could be a king of sliding scale.
If the charge is not based on meter size and try to use it based on the estimated usage or protected usage, it’s a hard thing to project what people will be using water. They have to pay the fee before they ever get the meter or ever use the water.

A possible proposal is fixed count – The FRC could be based on the number of fixtures in a house (a standard method for sizing the water meters). All fixtures are counted and calculated which is an estimated water usage based on fixture count. Another way of projecting water use is on the square footage of the lot or the square footage of the house.

The current rules tie up water with unlimited time to use, while others may be told there is no availability of water. Some solutions will be thrown out but here are some of the current solutions:

1) Put a time limit on water usage so the water is not tied up. FRC is paid by a certain date. If the meter is not installed within a certain time, there is a penalty or repayment of charges.
2) The current rules require a developer to pay fees even though the plan is to provide the service, resulting in DOW having to return collected fees. (Example: Kukui‘ula paid both the cost of building the infrastructure and the FRC.)
3) Another solution would be to stop collecting fees for developers that are going to provide the service. In Kukui‘ula’s situation, they told the Department they were going to build the infrastructure. Then the Department would tell them they are not required to pay the FRC.

Questions to consider: When do they get subdivision approval? Do they have to completely build a new water system or can we grant them subdivision approval prior to that? A developer could pay the bond and bond the improvements of Kukui‘ula. They could build and bond their infrastructure. The Department could give them final subdivision approval without any FRC.

There is no allowance for credits in areas where water is adequate for facilities provided elsewhere. State grants require accounting to track the credits and project values which is another option.
4) There is no rule limiting single developer from taking all the available water. One solution is to establish water system service zones. They do not have the effect of rule and law. Those lines would delineate the service area in the core of towns.

The current lines for Hanapepe/Eleele are drawn around the existing developed areas and exclude the large undeveloped lots. The lines would be drawn in between there and would encourage infill within the service zone (sustainability and smart growth is cost effective). This solution would establish these service zones and then the rules would be defined on how it works.

5) There is no allowance for payment over time even though the Department may be paying over time. The possible solution is to allow payments over time and other agencies do it. It would require accounting but could get messy. A developer would pay the fee which may work to help build out the development.

Mythology: The fee would be developed based on meter size. A proposed solution is not to base the FRC on meter size but to base it on usage or projected usage.

Deputy County Attorney, Andrea Suzuki commented that the legal portion (state law) will have to be addressed in the rules. HRS and what would be required. The items discussed in the packet were the primary reasons for rule changes. The rules could be collected in one location (separate from the water use rates) because it will generate a big source of money for the Department.

Deputy County Attorney, Andrea Suzuki explained when the Board passes rules that are incorporated into their rules and regulations, under HRS, it has the force and effect of law. Policies
are an internal policy that the public doesn’t have notice of and does not have the weight that the Board’s rules and regulations have. The Board could recommend things that should be in rule changes that the Department actually does.

Mr. Eddy added rules are very powerful and hold some weight of law which Deputy County Attorney, Andrea Suzuki agreed.

Mr. Kaneshiro asked what comes first; FRC rate increase or rule changes? Mr. Eddie commented the Department plans to tackle the FRC rate increase and rule changes into one rule change. The rates may be pulled out of the rules.

Deputy County Attorney, Andrea Suzuki mentioned other Boards of Water Supplies have a separate schedule that the rules refer to. They don’t go through the rule making procedure when they change their rate numbers. Recently the Honolulu Board increased their rates by approximately 70 percent.

Mr. Kaneshiro asked if the effect of the rules will not have any effect on the changes in the fees?

Deputy County Attorney, Andrea Suzuki mentioned the reason why it was not separated between Finance and Rules Committee was because Finance is going to deal with that number should actually be. The Rules Committee would deal with how the Department is going to operate, especially considering the anticipated proposed increase of the rules. Manager Craddick has been pushing hard to try to get the Rules committee to make a recommendation. Rule changes would not affect the numbers but would affect the process. The rule changes could possibly affect an increase in the cost. If any changes go through, Mr. Nakaya mentioned the method of collection would have to be considered.

Mr. Eddy explained that the Department will present amended rules to the committee.

Mr. Nakaya asked if the Department’s financial system is capable of handling the method of payment over time. Deputy County Attorney, Andrea Suzuki will be working with the staff before the payment over time is incorporated with the amendment draft. Mr. Nakaya also asked if additional staff would be hired to handle the financial system regarding the over payment matter which would cost more?

Mr. Kaneshiro added this would draw off the current fiscal budget proposed in the new budget year.

Mr. Eddy mentioned it may stretch the water systems where the Department is giving a meter. Payment is not being received up front but over time. Monies would be available to build out the new infrastructure right away. A five-year payment plan is possible to handle.

At 10:32 a.m., Mr. Kaneshiro adjourned the Rules Committee Workshop with no objections.
Correspondence
August 25, 2015

Mr. Sherman Shiraishi  
Chairperson  
Kauai Board of Water Supply  
P.O. Box 1706  
Lihue, HI 96766

Dear Mr. Shiraishi:

Annually the East and West Kauai Soil and Water Conservation Districts (SWCDs) recognize a Kauai rancher, farmer, or an organization that makes an outstanding effort to conserve domestic water by using an alternative source of water supply and innovative methods for irrigation purposes. Their efforts help the County Department of Water better manage its potable water supply.

We are planning an award presentation ceremony for Dylan Strong, our Outstanding Water Conservationist for 2015, chosen by the East Kauai Soil and Water Conservation District and for Kekaha Agricultural Association, managed by Landis Ignacio, Outstanding Water Conservationist chosen by the West Kauai Soil and Water Conservation District. The award ceremony and presentation will be at the Department of Water Building, 4398 Pua Loke Street, Lihue, at 10 am on Tuesday, October 20, 2015.

We are grateful for the partnership of the Kauai Board of Water Supply and would appreciate your presence at this award ceremony.

Sincerely,

[Signature]  
Peter Tausend, Chairperson  
West Kauai SWCD

cc: Ed Kawamura, Jr., Chairperson  
East Kauai SWCD
Board Committee Reports
BOARD REPORT

September 17, 2015

Re: Manager’s Report 16-10 - Discussion and Possible Action regarding the Department of Water’s Understaffing


Board Report/September 2015/Investigative Task Force Committee Report re: Manager’s Report 16-10 - Discussion and Possible Action regarding the Department of Water’s Understaffing (9-17-15):cin
REPORT OF THE INVESTIGATIVE TASK FORCE COMMITTEE  
(Re: Department of Water’s understaffing problems)

The Committee met with the Dept. of Human Resource Director Janine Rapozo on September 10, 2015 at 9:30 in the HR Conference Room.

Present at the meeting were Janine Rapozo, Mike Dahilig, Larry Dill, Kirk Saiki, Debra Peay, and Sherman Shiraishi. The purpose of the meeting was to discuss the understaffing problem at the DoW and how the DoW can work with HR to resolve the problem.

Kirk Saiki started the meeting by opining that holdups to HR approvals may be due to new position descriptions submitted by the DoW and that DoW requests are made without preliminary discussions with HR.

Janine Rapozo - HR is constrained by Civil Service rules and regulations. She admits that there have been lengthy delays. When requests for new positions are submitted by DoW, a lot of research is needed.

Janine noted that there was an extraordinary amount of reallocation requests from the former Manager & Chief Engineer. HR was wondering, “What is happening with the DoW?” HR staff was getting frustrated with the number of reallocation requests from DoW.

Some of Janine’s comments:

1. For salary ranges, can go higher than the minimum, but have to establish that there are no applicants.

2. More communication and discussions with DoW would be helpful to determine goals and procedures. Some of the DoW reclassification requests would have adverse consequences to existing employees.

3. Need more discussions with Kirk to discuss attracting more applicants for engineering positions. Is it only pay? Or is it duties?

4. Due to the economy and County budgetary constraints, there were no pay raises for a long time; as a way around it, there was a lot of reclassification requests.

5. Position classifications may have outlived itself.

6. There will be attempts to impose deadlines so that decisions are made faster.

The group discussed the recent revised organizational chart for the Construction Management Division and that the BoW approved the revised organization chart at the August 2015 meeting. Query - Should the revised organizational chart have been approved or vetted by HR before submission to the Board?
There is a backlog that HR has to catch up on. More communication and interaction between the DoW and HR needs to occur. Larry Dill suggests that Kirk meet at least once a month with HR for at least 6 months until we get some progress in filling vacant positions.

Question for Board consideration: Do we need an SOP or policy that the Manager & Chief Engineer is to regularly consult with HR regarding vacant positions?

Respectfully submitted,

Sherman Shiraiishi
Chairperson
Board of Water
Old Business
DEPARTMENT OF WATER
County of Kaua‘i

“Water has no Substitute – Conserve It!”

MANAGER’S REPORT No. 16-08 – (Update)

September 17, 2015

Re: Manager’s Report No. 16-08 – Discussion and Possible Action on the Approval of the DOW’s Supplemental Report on the Supplemental Budget FY 15-16 - Update

RECOMMENDATION: For board approval as Revised

BACKGROUND:
The Kauai Board of Water Supply approved the DOW Supplemental Budget #1 in their August Board meeting held on August 20, 2015.

The DOW’s supplemental budget consisted of the net roll overs of fiscal year (FY) 2014-2015 unexpended encumbrances. It was expressed by the Board that what was presented needed more details of the report of encumbrances submitted. With the new Financial Accounting System in place, the report was re-formatted to include the description of the accounts that were being rolled over to the current FY 2015 - 2016.

In addition to updating the report with the account description, the amount of Net Roll Overs was also updated to add the balance of an existing contract in the amount of $357,606.23 that was not included in the Encumbrance Report previously submitted in August, 2015.

In summary, net roll overs consist of the following as updated:

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<th>Description</th>
<th>Amount</th>
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<td>Capital Outlay – R&amp;R</td>
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<td>Capital Outlay – Expansion</td>
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<td>Grand Total</td>
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OPTIONS: For Board’s further review and approval.

Respectfully submitted,

Marites Yano
Waterworks Controller

CONCURRED:

Kirk Saiki, P.E.
Manager and Chief Engineer

MY: ein
Attachments: Encumbrance Budget Increase Summary
Year End budget Increase Detail

Mgrrp@September 2015/16-08/Discussion and Possible Action on the Approval of the DOW’s Supplemental Budget FY 15-16 – Update (9-15-15): ein
# Department of Water  
## County of Kauai  
### Summary of Net Roll Overs  
#### For FY 2015 Encumbrances

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<tr>
<th>Account Description</th>
<th>Original Period 1 Budget</th>
<th>Encumbrance Increase Budget</th>
<th>Revised Period 1 Budget</th>
<th>Revised Annual Budget</th>
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**OPERATING Expenses**  
$1,085,597.36

**Capital Outlay**  
$10,792,394.06

**Grand Total**  
$11,877,991.42
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Addition: $357,606.23

Year End Encumbrances as Updated: $11,877,991.42
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**TOTAL INCREASED BUDGET FOR ENCUMBRANCES:** $11,520,385.19
New Business
MANAGER’S REPORT No. 16-13

September 17, 2015

Re: Request Board Approval of Resolution No. 16-03 (9/15), Mahalo and Aloha Board Member, Hugh A. Strom

It is requested that the Board approve Resolution No. 16-03 (9/15), Mahalo and Aloha Board Member, Hugh A. Strom.

Respectfully submitted,

Kirk Saiki, P.E.
Manager and Chief Engineer

Attachment: Resolution No. 16-03 (9/15), Mahalo and Aloha Board Member, Hugh A. Strom

Mgrrp/September 2015/16-13/Request Board Approval of Resolution No. 16-03 (9/15), Mahalo and Aloha Board Member, Hugh A. Strom (9-27-15):cin
WHEREAS, Mahalo and Aloha are in order for DOW Board member of Two Years and former Board Secretary, Hugh A. Strom serving the Board of Water from July 2013 through July 2015, and

WHEREAS, congratulations are in order as Hugh continues to embark new traveling adventures with Aqua Engineers as the Senior Vice President, and

WHEREAS, Hugh worked diligently guiding the Department with his persistent drive by serving through staffing and organizational changes within the Department; and

WHEREAS, Hugh’s goal-oriented demeanor provided professional guidance to the Board of Water Supply and Finance Committee, and

WHEREAS, we will always remember Hugh’s comprehension of financial numbers and building a succession plan for the Department of Water, and

WHEREAS, Hugh was a valuable member of the Board with a unique perspective.

WHEREAS, Hugh always balanced his Board duties with Aqua Engineers and community service such as attending the Kaua‘i Chamber of Commerce events.

WHEREAS, Hugh is well known for his knowledge, wisdom and dedication to both the people of Kaua‘i and the Department; and

WHEREAS, Hugh will be missed.

BE IT RESOLVED BY THE BOARD OF WATER SUPPLY, COUNTY OF KAUA‘I, STATE OF HAWAI‘I, in recognition of the outstanding service and commitment of HUGH A. STROM to our Garden Island Community, does hereby extend to HUGH, a fond Mahalo and heartfelt Aloha for the contributions he has made as a member of the Board of Water Supply. We extend our best wishes to HUGH for all the happiness, prosperity, and success as he deserves in all of his future endeavors.

BE IT FURTHER RESOLVED that a copy of this Resolution be forwarded to HUGH A. STROM.

ALOHA HUGH A. STROM

____________________________
Sherman Shiraishi, Chairperson

____________________________
Laurie Ho, Secretary
Proposed CAPITAL IMPROVEMENT PROJECTS (CIP) for the

Department of Water
County of Kaua‘i

"WATER HAS NO SUBSTITUTE - CONSERVE IT"

Request for State Aid 2016 Legislative Session
The Kaua‘i Department of Water’s (DOW) fiscal year 2016 request for Capital Improvement Funds is designed to address the needs of our community, including public safety and affordable housing.

1. The **FIRST and TOP PRIORITY** project request is to develop storage infrastructure that will provide the adequate fire flow storage capacity for Kapa‘a High School and the Samuel Mahelona Memorial Hospital. Currently, the existing Kapa‘a Homesteads 313-foot tank does not provide adequate fire storage capacity for the School or the State Hospital. **(Project: Kapaa Storage Improvements)**; and

2. The **SECOND PRIORITY** project is to drill and develop a well as primary source for the Kapa‘a Homesteads 313 service zone area. This will provide source capacity for the lower 313 service zone which is presently being serviced by wells located in the Kapa‘a Homesteads 530 service zone. This would allow the DOW to move forward in achieving adequate source and storage facilities in each service zone. **(Project: Drill and Develop Kapa‘a Homesteads Well No. 4)**; and

3. The **THIRD PRIORITY** project is to construct transmission improvements in the Līhu‘e area. This project will increase fire flow capacity for both Elsie H. Wilcox Elementary School and Wilcox Memorial Hospital, as well as for businesses and residents in the service area. **(Project: Kapaia Cane Haul Road 18-inch Main).**

4. The **FOURTH PRIORITY** project is to develop storage infrastructure that will provide adequate domestic and fire flow storage capacity for the Haena State Park, businesses and residents serviced from the Department’s Haena 144’ service area. The project would allow the Department to lift the current restriction on the number of water meters/dwelling units allowed to lots may have due to inadequate storage facilities. **(Project: Construct Haena 0.2 MG Storage Tank, 144’); and**

5. The **FIFTH PRIORTY** project is to develop new source facilities for the Kilauea area that is intended to increase the source capacity to meet Standards and to also allow further growth. The Kilauea area source and storage facilities are operating at capacity and are not adequate to allow substantial new development in the area. Additional source and storage facilities for the area are needed to meet the current Water System Standards of the Department of Water.

The Department is currently in the design process to locate a site to drill and test a new source well to service the Kilauea area. Upon satisfactory testing, the Department will proceed to develop the well and incorporate it into the Department’s Kilauea water system. The Department is designing additional storage facilities for Kilauea and has budgeted the construction for the additional storage facilities with another funding source. The Department is requesting aid from the State for the development of the new source facilities for Kilauea. In addition to bringing the available source up to Standards, the new source facilities in conjunction with the new storage facilities would help to allow further development of the Kilauea School, businesses, additional housing and Agricultural use in Kilauea. **(Project: Develop Kilauea Well No. 3).**
The Kaua‘i Board of Water Supply and the DOW are committed to operating in a fiscally responsible fashion. The DOW's revenue is derived through water sales and used for the operation and maintenance of our water systems. In efforts to provide for adequate funding in the future, the DOW continues to study its Facilities Reserve Charge (FRC), which is a fee to be paid by developers or new customers for connection to the DOW’s water system.

In the meantime, the DOW's current resources are not enough to develop the necessary infrastructure to replace aging water systems and satisfy Kauai’s future needs. The DOW's water systems are not highly integrated and typically rely on a few water sources and storage tanks within a separate water system that serves individual communities around the island. Pipelines that are originally installed in many of these systems are commonly small and undersized by present standards. The DOW periodically updates its comprehensive long-range plan and Water Plan 2020, to address these infrastructure, revenue, and water rate needs of Kaua‘i’s water systems.

Ultimately, given the high cost of infrastructure development and the DOW’s current fiscal capability, assistance from the State and Federal grants-in-aid is vital in order to meet the drinking water needs of our community and ensure the long-term viability of our water systems.
### SUMMARY REQUEST FOR STATE AID
### CAPITAL IMPROVEMENT PROJECTS (CIP)
### Fiscal Year 2015

#### 2016 Capital Improvement Projects

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<th>System</th>
<th>Project Information</th>
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<td>WK-39: Drill and Develop Kapa‘a Homesteads</td>
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**TOTAL 2016-2019:** 20,900,000

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1. **PROJECT LOCATION AND DESCRIPTION**

**Kapa‘a Storage Improvements**

Water Plan 2020 Project No. WK-08

Fire Protection Improvement for State Schools

Design and construct two (2), 0.5 million gallon storage tanks with a connecting pipeline to the Department’s Ornellas tank hydraulic zone.

2. **ESTIMATED COST:**

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3. **JUSTIFICATION:**

The lower Kawaihau, Kapa‘a area of the Kapa‘a Water System is deficient in storage capacity. This project will provide storage capacity for fire protection for Kapa‘a High School and the State’s Samuel Mahelona Memorial Hospital situated in this service area. To address this storage deficit, the DOW has preceded with the design of two (2), 0.5 million gallon storage tanks. The additional storage facilities will provide adequate fire protection storage capacity for the high school and state hospital in this service area.

Funds for the construction of this tank and possible associated land acquisitions are needed.
1. PROJECT LOCATION AND DESCRIPTION

**Drill and Develop Kapa‘a Homesteads Well No. 4**

**Water Plan 2020 Project No. WK-39**

Affordable Housing Infrastructure Development

Drill, test, and develop a water well at the DOW’s Ornellas Tank Site.

2. ESTIMATED COST:

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3. JUSTIFICATION:

The existing source facilities providing water service to Kapa‘a Homesteads 530 and 313 service zones are deficient in source capacity, requiring additional source facilities. In recognition of this source deficiency, the Kauai Board of Water Supply has adopted a meter restriction policy of not more than five (5), 5/8-inch water meters per lot of record.

Development of this well would allow the DOW to lift the water meter source restriction for the Kapaa Homesteads service zones. This would provide additional water capacity to service medium and larger size developments including the possible expansion of Kapaa High School, Kapaa Middle School and Samuel Memorial Mahelona Hospital housing. The DOW has proceeded with the re-design of this project, and is expects to bid thereafter.
PRIORITY NO. 3
LIHUE / KAPA‘A WATER SYSTEM

1. PROJECT LOCATION AND DESCRIPTION

Kapaia Cane Haul Road 18-Inch Main
Water Plan 2020 Project No. PLH-35b

Affordable Housing Infrastructure Development

Construction of a 9,000-foot, 18-inch water main transmission line connecting Ma’alo Road to Ehiku Road. The new transmission line will improve flows from the surface water treatment plant (SWTP) source to the planned affordable housing in Līhu’e.

2. ESTIMATED COST:

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<tbody>
<tr>
<td>A. Land</td>
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<tr>
<td>B. Plans</td>
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<tr>
<td>C. Construction</td>
<td>3,000,000</td>
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3. JUSTIFICATION:

The SWTP located along Ma’alo Road provides the bulk of the source water for the Līhu’e area. The existing transmission facilities along Kūhi‘ō Highway from Ma’alo Road to the Līhu’e area are not adequate to utilize the capacity or suitable flow from the SWTP for the planned development of the area. The proposed 18-inch waterline along the cane haul road is needed to adequately transmit the intended flow from the SWTP to where it is needed, including the planned affordable housing. The new transmission line will also allow the DOW to provide increased fire flow to Wilcox Memorial Hospital, the Elsie H. Wilcox Elementary School, businesses, residents, the State building and County office buildings in Lihue. In addition, it will provide backup service in the event that there is a main break in one of the transmission lines from the SWTP. The increased flow for fire protection will benefit hospital patients and school students in the event of a fire.
1. **PROJECT LOCATION AND DESCRIPTION**

| Construct Haena 0.2 MG Storage Tank, 144’ |
| Water Plan 2020 Project No. HW-11 |

Adequate Storage Facilities for Haena State Park, Businesses and Residents

The project consists of determining a suitable site and designing a new storage tank that will provide a minimum of 0.2 MG of additional storage facilities for the Haena 144’ service area.

2. **ESTIMATED COST:**

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<td>B. Plans</td>
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<td>-500,000-</td>
<td>-0-</td>
<td>2,500,000</td>
<td>-0-</td>
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3. **JUSTIFICATION:**

The existing storage facilities are not adequate to provide the required storage capacity required for the area. Additional storage facilities are needed to provide adequate storage capacity for fire protection and domestic use. This would benefit the Haena State Park, businesses and residents of the Haena 144’ service area.
1. **PROJECT LOCATION AND DESCRIPTION**

**Drill and Develop New Kilauea Well (No. 3 or No. 4)**

Water Plan 2020 Project No. WKK-02

Source Improvements to Benefit the Kilauea School

Drill and develop a new well source with associated improvements and connecting pipeline for the area. The DOW has started the process of locating a well site to drill and test for a new well. Upon test results that are acceptable, the well will need to be developed and incorporated into the existing DOW system. Upon completion of well development, the additional source may be used for further development of the Kilauea School and for other uses, such as for Agricultural use/development.

2. **ESTIMATED COST:**

<table>
<thead>
<tr>
<th></th>
<th>A. Land</th>
<th>B. Plans</th>
<th>C. Construction</th>
<th>TOTAL</th>
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<tbody>
<tr>
<td>5-Year Total</td>
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<td>2018-2019</td>
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</tr>
<tr>
<td>2019-2020</td>
<td>100,000</td>
<td></td>
<td>2,500,000</td>
<td>2,600,000</td>
</tr>
</tbody>
</table>

3. **JUSTIFICATION:**

The existing source and storage facilities for Kilauea are at capacity. The development of additional source facilities, in conjunction with the DOW project currently in design to build additional storage for the area, will allow further development of the area. The additional source would benefit the Kilauea School if the school planned further development that required additional water demands. The additional source would also allow further development in the area, including agricultural use. In addition, the new source is expected to be located such that there would be a redundant source if the existing source and/or transmission line became out of service.
(THIS WILL CHANGE FOR 2016 OFFICERS)
County of Kaua‘i, Department of Water

BOARD OF WATER SUPPLY
of the

CHAIRPERSON: SHERMAN T. SHIRAISHI

VICE CHAIRPERSON: CLYDE NAKAYA
MEMBERS: MICHAEL DAHILIG
          LARRY DILL
          LAURIE HO
          VACANT MEMBER
          VACANT MEMBER

MANAGER & CHIEF ENGINEER: KIRK SAIKI

Email: ksaiki@kauaiwater.org
Phone No. (808) 245-5408, FAX No. (808) 246-8628
P. O. Box 1706, Lihu‘e, HI 96766

"WATER HAS NO SUBSTITUTE - CONSERVE IT"
MANAGER’S REPORT No. 16-14

September 17, 2015

Re: Discussion and Possible Action on License Easement No. 674, Pi’ilani Mai Ke Kai Subdivision, Phase I, Anahola, Kaua‘i, Hawai‘i

RECOMMENDATION:

It is recommended that the Board approve License No. 674, between the State of Hawaii, Department of Hawaiian Home Lands and the Department of Water, County of Kauai. This agreement would supersede the originally approved license Easement No. 674 agreement by Board on May 21, 2009.

FUNDING: Not Applicable.

BACKGROUND:

The DOW originally approved the license Easement No. 674 on May 21, 2009 but DHHL did not execute the document after DOW and they can no longer find it. Thus, the agreement was revised for current DHHL requirements and is being resubmitted per License No. 674 for DOW approval.

By law, the State Department of Hawaiian Home Lands (DHHL) is precluded from conveying to the Department of Water (DOW) water facilities which DHHL constructs for its developments. Because of this restriction, a License between DHHL and the DOW must be executed for water facilities installed by DHHL for DHHL’s Mai Ke Kai Subdivision, Phase I, Anahola, Kaua‘i, Hawai‘i.

The License grants and conveys unto the Department of Water, and its successors and assigns, a perpetual right and privilege to excavate for, install, repair, replace, maintain, alter, operate and use the waterlines and water mains and related appurtenances in, into, upon, over, across, under and through the land shown in Exhibit A of License No. 674, and incorporated herein by reference (the “Easement Area”), including the right of entry upon the easement area and adjoining land of the DHHL for the construction, repair, maintenance alteration, operation and replacement of the waterlines and appurtenances over, across and under the easement area.

Further, Board approval is requested for the following indemnification provision within the License.

The Department of Water shall, to the extent permitted by law, indemnify and hold harmless the Department of Hawaiian Home Lands (DHHL) from any and all claims and demands against LICENSOR for any loss or damage or injury or death to persons or property that shall or may arise by reason of the construction, operation, maintenance, repair, replacement and removal of the appurtenances, equipment, and improvements not caused by the negligence of LICENSOR, its agents, servants or employees acting within the scope of their employment, and from and against all damages, costs, counsel fees, expenses or liabilities incurred or resulting from any such claim or demand or any action or proceeding brought thereon.
OPTIONS:

1. Not approve license agreement. DOW could not maintain infrastructure connected to our system.

Respectively submitted,

Dustin Moises, P.E.
Construction Project Management Officer

CONCURRED:

Kirk Saiki, P.E.
Manager and Chief Engineer

Attachments: License Easement No. 674 Pi’ilani Mai Ke Kai Subdivision, Phase I, Anahola, Kaua‘i, Hawai‘i (8/25/15)
License Easement No. 674 (4/16/09) to be superseded
After Recordation Return By: Mail (XX) Pickup ( ) To:
DEPARTMENT OF WATER
POST OFFICE BOX 1706
LIHUE, KAUA'I, HAWAII 96766

Affects Tax Map Key: Fourth Division, 4-8-22:001 THRU 4-8-22:088

LICENSE NO. 674
(Non-Exclusive Right)
(Municipal Corporation - Benefit [B])

Between

STATE OF HAWAII
DEPARTMENT OF HAWAIIAN HOME LANDS
as LICENSOR

And

BOARD OF WATER SUPPLY
COUNTY OF KAUA'I
as LICENSEE
STATE OF HAWAII
DEPARTMENT OF HAWAIIAN HOME LANDS

LICENSE NO. 674
(Non-Exclusive Right)
(Municipal Corporation - Benefit [B])

THIS LICENSE made and issued this _________ day of ____________, 2015, by the State of Hawaii, DEPARTMENT OF HAWAIIAN HOME LANDS, whose principal place of business is 91-5420 Kapolei Parkway, Kapolei, Oahu, Hawaii 96707 and whose mailing address is Post Office Box 1879, Honolulu, Oahu, Hawaii 96805, hereinafter called "LICENSOR," and the BOARD OF WATER SUPPLY, COUNTY OF KAUAI, whose principal place of business is 4398 Pua Loke Street, Lihue, Kauai, Hawaii 96766 and whose mailing address is Post Office Box 1706, Lihue, Kauai, Hawaii 96766, hereinafter called "LICENSEE."

WITNESSETH THAT:

LICENSOR, pursuant to the authority granted to it by Section 207(c) (1) of the Hawaiian Homes Commission Act, 1920, as amended (HHCA), is authorized to grant licenses as easements for railroads, telephone lines, electric power and light lines, gas mains and the like, including waterline facilities.

LICENSOR has constructed water lines and appurtenances in the Pi’ilani Mai Ke Kai Subdivision, Phase I in accordance with as-built construction plans approved by LICENSEE on May 18, 2006. LICENSOR’s Pi’ilani Mai Ke Kai Subdivision, Phase I (HS-2006-BA, HHL - State of Hawaii) was granted Final Approval by the County of Kauai Planning Commission on April 8, 2008. Final inspection was conducted by LICENSEE on February 11, 2009 and construction of the water facilities was deemed satisfactory and acceptable for certificate of completion by LICENSEE on June 8, 2009.

LICENSOR has determined that the easement areas established herein are essential in order to receive potable water service from LICENSEE to LICENSOR’S beneficiaries in Pi’ilani Mai Ke Kai Subdivision, Phase I.

NOW THEREFORE, LICENSOR, in consideration of the rent to be paid and the terms, covenants and conditions herein contained on the part of LICENSEE to be kept, observed and performed, hereby grants and conveys unto LICENSEE, and its successors and assigns, a right and privilege to excavate for, install, repair,
maintain, alter, operate, replace, and use the waterlines and water mains in, into, upon, over, across, under and through roadway lots 81, 82, 83, 84, 85, 86, 87 and 88 as shown on File Plan 2459, a copy of which is attached hereto as Exhibit "A", (the "easement area"), including the right of entry upon the easement area and adjoining land of LICENSOR for the construction, maintenance, operation, repair and replacement of the waterlines and appurtenances over, across and under the easement area.

TO HAVE AND TO HOLD the same unto LICENSEE, its successors and assigns, in perpetuity, commencing on the date of LICENSEE's execution, subject to reverter upon termination or abandonment, as hereinafter provided, LICENSOR agreeing and LICENSEE understanding that the rental for the entire term is waived.

AND LICENSEE hereby covenants with LICENSOR, that:

1. TAXES. During the term of this License, LICENSEE, if applicable, shall pay when due all real property taxes and any other assessments against and upon the easement area and the improvements, if any, but not upon the land through which the easement area passes, whether assessed to or payable by either LICENSOR or LICENSEE.

2. DUE CARE AND DILIGENCE. LICENSEE shall use due care and diligence in the construction, operation, maintenance, repair, replacement, and removal of the improvements and shall keep the appurtenances, equipment and improvements in good and safe condition and repair; should said appurtenances, equipment or improvements cause any damage or nuisance or waste or spoil the easement area, LICENSEE shall repair and restore the easement area within a reasonable time thereafter. Licensee shall be responsible to operate and maintain the licensed improvements and provide best efforts to ensure the provision of potable water pursuant to County of Kauai, State of Hawaii and Federal public drinking water standards. LICENSEE shall be liable, to the extent permitted by law, for public claims related to failed water facilities and water quality standards due to negligence in the construction, operation, maintenance, repair, replacement and removal of appurtenances, equipment and improvements within the licensed area, after the date of LICENSOR's guarantee and warranty of improvements and appurtenances within the easement area.

3. INDEMNITY. LICENSEE shall, to the extent permitted by law, indemnify and hold harmless LICENSOR from any and all
claims and demands against LICENSOR for any loss or damage or injury or death to persons or property that shall or may arise by reason of the construction, operation, maintenance, repair, replacement and removal of the appurtenances, equipment, and improvements not caused by the negligence of LICENSOR, its agents, servants or employees acting within the scope of their employment, and from and against all damages, costs, counsel fees, expenses or liabilities incurred or resulting from any such claim or demand or any action or proceeding brought thereon.

4. CONDEMNATION. If at any time the easement area across which the License extends, or any part thereof, shall be condemned or taken for any public project by any governmental authority, LICENSEE shall have the right to claim and recover from the condemning authority, but not from LICENSOR, such compensation as is payable for the License and for LICENSEE’S appurtenances, equipment, and improvements, if any, used in connection with this License, which shall be payable to LICENSEE as its interest appears.

5. ABANDONMENT. LICENSEE shall not abandon the easement area, nor abandon the duties of LICENSEE to construct, operate, maintain, repair, replace, and remove improvements and appurtenances within the easement area, without consultation with LICENSOR.

6. RELOCATION. If LICENSOR shall determine that the continued exercise of the easement rights granted constitutes an undue interference with a subdivision or development of the land over which the granted easement crosses, LICENSOR shall have the right to terminate the easement granted to the extent necessary to eliminate such interference, provided, that it shall grant to LICENSEE a substitute easement within the reasonable vicinity to permit LICENSEE to effect relocation of any facility or portion thereof, which substitute easement shall be subject to the same terms and conditions as contained in this License. The cost of any such relocation shall be borne by LICENSOR.

7. BREACH. If LICENSEE shall fail to observe or perform any of the covenants, terms, and conditions herein contained, and on its part to be observed and performed, LICENSOR shall deliver written notice of the breach or default by service as provided by section 634-35 or 634-36, Hawaii Revised Statutes, or by registered mail or certified mail to LICENSEE at its last known address, making demand upon LICENSEE to cure or remedy the breach or default within sixty (60) days from the date of the
receipt of the notice. Upon failure of LICENSEE to cure or remedy the breach or default within the time period provided herein or within such additional period as LICENSOR may allow for good cause, LICENSOR may terminate this License without prejudice to any other remedy or right of action.

8. RIGHT TO ENTER. LICENSOR, its authorized agents or representatives shall have the right to enter any portion of the easement area for the purpose of performing any public or official duties, provided, that in the exercise of such rights, LICENSOR shall not interfere unreasonably with LICENSEE or LICENSEE'S use of the easement area. LICENSOR may enter the easement area to observe and inspect LICENSEE’S work, provided LICENSOR shall use best efforts to inform and coordinate such activities with LICENSEE. LICENSOR also reserves the right to construct additional waterlines within the easement area to support the development of new homesteads. Prior to such construction, LICENSOR, shall submit construction plans to LICENSEE and coordinate the work schedule with LICENSEE. Similarly, LICENSEE shall inform LICENSOR when improvements, repairs, or modifications are made to existing waterlines within the easement area.

9. EXTENSION OF TIME. Notwithstanding any provision contained herein to the contrary, wherever applicable, LICENSOR may for good cause shown, allow additional time beyond the time or times specified herein to LICENSEE, in which to comply, observe and perform any of the terms, conditions and covenants contained herein.

10. SEVERABILITY. Whenever possible, each provision of this License shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this License should be prohibited, or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remaining provisions of this License.

11. SINGULAR/PLURAL. The singular or plural depends on its appropriate use.

12. AGREEMENT. This agreement shall be binding upon and inure to the benefit of the parties hereto and their respective legal successors and assigns.
IN WITNESS WHEREOF, the parties hereto have caused these presents to be duly executed the day and year first above written.

Approved by the Chairman of the Hawaiian Homes Commission on December 22, 2014

State of Hawaii
DEPARTMENT OF HAWAIIAN HOME LANDS

By __________________________
Jobie M. K. Masagatani, Chairman
Hawaiian Homes Commission

LICENSEE

APPROVED AS TO FORM AND LEGALITY:

Deputy Attorney General
State of Hawaii

APPROVED AS TO FORM AND LEGALITY:

County of Kauai
BOARD OF WATER SUPPLY

By __________________________
Its: Chairperson

ATTEST:

Manager, Kauai Department of Water

LICENSEE
STATE OF HAWAII  
)  
) SS:  
COUNTY OF Kauai  
)  

On this ___day of _____________, 20___ before me appeared __________________________, to me personally known, who being by me duly sworn, did say that _____ is the Chairperson of the Board of Water Supply of the County of Kauai, and that the forgoing instrument was signed on behalf of said Board, by authority of said Board, and that said officer acknowledged said instrument to be the free act and deed of said Board and that said Board has no corporate seal.

__________________________________________
Notary Public
State of Hawaii

__________________________
Print/Type Name of Notary Public

My Commission expires___________

NOTARY CERTIFICATION
Doc. Date: _________ # of Pages: ______
Name: ______________________ ___ Circuit
Doc. Description: License No. 674
(Non-Exclusive Right)
(Municipal Corporation - Benefit [B])

__________________________________________
Notary Signature Date
STATE OF HAWAI'I

) SS:

CITY AND COUNTY OF HONOLULU

On this ___ day of ____________, 20__, before me appeared ________________________, to me personally known, who being by me duly sworn, did say that she is the Chairman of the Hawaiian Homes Commission of the State of Hawaii, and that the forgoing instrument was signed on behalf of said Hawaiian Homes Commission, by authority of said Hawaiian Homes Commission, and that said officer acknowledged said instrument to be the free act and deed of said Hawaiian Homes Commission and that said Hawaiian Homes Commission has no corporate seal.

Notary Public
State of Hawaii

Print/Type Name of Notary Public

My Commission expires __________

NOTARY CERTIFICATION
Doc. Date: _________ # of Pages: _____
Name: ____________________ Circuit
Doc. Description: License No. 674
(Non-Exclusive Right)
(Municipal Corporation - Benefit [B])

Notary Signature Date
Affects Tax Map Key: Fourth Division, 4-08-22:001 - 088

Pi'ilani Mai Ke Kai – Phase 1
HS-2006-08A, Anahola, Kauai, Hawaii

LICENSE EASEMENT NO. 674
Non-Exclusive Right
(Utility Companies – Benefit {B})

between

STATE OF HAWAII
DEPARTMENT OF HAWAIIAN HOME LANDS
as Licensor

and

BOARD OF WATER SUPPLY
OF THE COUNTY OF KAUAI
as Licensee
STATE OF HAWAII
DEPARTMENT OF HAWAIIAN HOME LANDS

LICENSE EASEMENT NO. 674
(Municipal Corporations -E)

THIS LICENSE made and issued this __________ day of __________, 200_, by the State of Hawaii, DEPARTMENT OF HAWAIIAN HOME LANDS, whose principal place of business is 1099 Alakea Street, Suite 2000, Honolulu, Hawaii and whose mailing address is P. O. Box 1879, Honolulu, Hawaii 96805, hereinafter called "LICENSOR," and the BOARD OF WATER SUPPLY, COUNTY OF KAUAI, whose principal place of business is 4398 Pua Loke Street, Lihue, Hawaii 96766 and whose mailing address is P. O. Box 1706, Lihue, Hawaii 96766, hereinafter called "LICENSEE."

WITNESSETH THAT:

The LICENSOR, pursuant to the authority granted to it by Section 207(c)(1) of the Hawaiian Homes Commission Act, 1920, as amended (HHCA), is authorized to grant licenses as easements for railroads, telephone lines, water lines, electric power and light lines, gas mains and the like.

The LICENSOR has determined that the easements established herein are essential in order to provide water service to the LICENSOR'S beneficiaries.

NOW THEREFORE, the LICENSOR, in consideration of the rent to be paid and the terms, covenants and conditions herein contained on the part of the LICENSEE to be kept, observed and performed, hereby grants and conveys unto the LICENSEE, and its successors and assigns, a right and privilege to excavate for, install, repair, replace, maintain, alter, operate and use the waterlines and water mains and related appurtenances in, into, upon, over, across, under and through the land shown as File Plan 2459 (Exhibit A) attached hereto and incorporated herein by reference (the "Easement Area"), including the right of entry upon the easement area and adjoining land of the LICENSOR for the construction, repair, maintenance, alteration, operation and replacement of the waterlines and appurtenances over, across and under the easement area.

TO HAVE AND TO HOLD the same unto the LICENSEE, its successors and assigns, in perpetuity, commencing on
unless sooner terminated as hereinafter provided, the LICENSOR agreeing and the LICENSEE understanding that the nominal rental of ONE AND NO/100 DOLLAR ($1.00) for the entire term is waived.

AND THE LICENSEE hereby covenants with the LICENSOR, that:

1. DUE CARE AND DILIGENCE. The LICENSEE shall use due care and diligence in the construction, operation, repair, renewal, maintenance and removal of the improvements and shall keep the appliances, equipment and improvements in good and safe condition and repair; should, through LICENCEE’s fault, said appliances, equipment or improvements cause any damage or nuisance or waste or spoil the easement area, the LICENSEE shall repair and restore the easement area within a reasonable time thereafter.

2. LICENSOR’S RESPONSIBILITIES. The LICENSOR shall be responsible for damage or personal injury resulting from negligent acts or omissions of its agents, officers or employees while acting within the scope of their employment to the extent that the LICENSOR’S liability for such damage or injury has been determined by a court or otherwise agreed to by the LICENSOR. The LICENSOR shall pay for such damages and injury to the extent that funds have been authorized and appropriated by the Legislature for such purpose and the funds have been allocated by the executive budget process.

3. INDEMNITY. The LICENSEE shall, to the extent permitted by law, indemnify and hold harmless the LICENSOR from any and all claims and demands against the LICENSOR for any loss or damage or injury or death to persons or property that shall or may arise by reason of the negligent construction, maintenance, operation, renewal and removal of the appliances, equipment, and improvements not caused by the negligence of the LICENSOR, its agents, servants or employees acting within the scope of their employment, and from and against all damages or liabilities, and all reasonable costs, counsel fees, and expenses incurred or resulting from any such claim or demand or any action or proceeding brought thereon.

4. ABANDONMENT. In the event the Easement Area, hereby granted, shall be abandoned or shall remain unused for the purpose granted for a continuous period of one year, all rights granted hereunder shall terminate.
CONDEMNATION. If at any time the easement area across which the License extends, or any part thereof, shall be condemned or taken for any public project by any governmental authority, the LICENSEE shall have the right to claim and recover from the condemning authority, but not from the LICENSOR, such compensation as is payable for the License and for the LICENSEE'S appliances and equipment, if any, used in connection with this License, which shall be payable to the LICENSEE as its interest appears.

5. RELOCATION. If the LICENSOR shall determine that the continued exercise of the easement rights granted constitutes an undue interference with a subdivision or development of the land over which the granted easement crosses, the LICENSOR shall have the right to terminate the easement granted to the extent necessary to eliminate such interference, provided, that it shall grant to the LICENSEE a substitute easement within the reasonable vicinity to permit the LICENSEE to effect relocation of any facility or portion thereof, which substitute easement shall be subject to the same terms and conditions as contained in this License. All cost of any such relocation shall be borne by the LICENSOR.

6. BREACH. If the LICENSEE shall fail to observe or perform any of the covenants, terms, and conditions herein contained, and on its part to be observed and performed, the LICENSOR shall deliver written notice of the breach or default by service as provided by section 634-35 or 634-36, Hawaii Revised Statutes, or by registered mail or certified mail to the LICENSEE at its last known address, making demand upon the LICENSEE to cure or remedy the breach or default within sixty (60) days from the date of the receipt of the notice. Upon failure of the LICENSEE to cure or remedy the breach or default within the time period provided herein or within such additional period as LICENSOR may allow for good cause, the LICENSOR may terminate this License without prejudice to any other remedy or right of action.

7. RIGHT TO ENTER. The LICENSOR and the agents, employees or representatives thereof, shall have the right to enter and cross any portion of the easement area for the purpose of performing any public or official duties, provided, that in the exercise of such rights, the LICENSOR or the County shall not interfere unreasonably with the LICENSEE or LICENSEE'S use and enjoyment of the easement area.
8. EXTENSION OF TIME. That notwithstanding any provision contained herein to the contrary, wherever applicable, the LICENSOR may for good cause shown, allow additional time beyond the time or times specified herein to the LICENSEE, in which to comply, observe and perform any of the terms, conditions and covenants contained herein.

9. SEVERABILITY. Whenever possible, each provision of this License shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this License should be prohibited, or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remaining provisions of this License.

10. SINGULAR/PLURAL. The singular or plural depends on its appropriate use.

11. AGREEMENT. This agreement shall be binding upon and inure to the benefit of the parties hereto and their respective legal successors and assigns.
IN WITNESS WHEREOF, the parties hereto have caused these presents to be duly executed the day and year first above written.

Approved by the Chairman of the Hawaiian Homes Commission on January 18, 2007

APPROVED AS TO FORM AND LEGALITY:

__________________________________________
County Attorney
County of Kauai

State of Hawaii
DEPARTMENT OF HAWAIIAN HOME LANDS

By ________________________________________ , Chairman
Hawaiian Homes Commission

BOARD OF WATER SUPPLY
COUNTY OF KAUA’I

By ________________________________________
Its: Chairperson

APPROVED AS TO FORM AND LEGALITY:

__________________________________________
Deputy Attorney General
State of Hawaii

LICENSEE
On this ___day of ______________, 20___, before me appeared ________________________, to me personally known, who being by me duly sworn, did say that ____________________ is the Chairperson of the Board of Water Supply, County of Kaua‘i and that the forgoing instrument was signed on behalf of said Board, by the authority of said Board, and that said officer acknowledged said instrument to be the free act and deed of said Board and that said Board has no corporate seal.

________________________________________
Notary Public, State of Hawaii

________________________________________
Print/Type Name of Notary Public

My Commission expires___________
On this ___ day of ____________, 20___, before me appeared __________________, to me personally known, who being by me duly sworn, did say that he is the Chairman of the Hawaiian Homes Commission and the person who executed the foregoing instrument and acknowledged to me that he executed the same freely and voluntarily for the use and purpose therein set forth:

______________________________
Notary Public, State of Hawaii

______________________________
Print/Type Name of Notary Public

______________________________
My Commission expires__________
MANAGER’S REPORT No. 16-15

September 17, 2015

Re: Discussion and Possible Action on License Easement No. 803, Pi’ilani Mai Ke Kai Subdivision, Phase II, Anahola, Kaua‘i, Hawai‘i

RECOMMENDATION:
It is recommended that the Board approve License No. 803, between the State of Hawai‘i, Department of Hawaiian Home Lands and the Department of Water, County of Kaua‘i.

FUNDING: Not Applicable.

BACKGROUND:
By law, the State Department of Hawaiian Home Lands (DHHL) is precluded from conveying to the Department of Water (DOW) water facilities which DHHL constructs for its developments. Because of this restriction, a License between DHHL and the DOW must be executed for water facilities installed by DHHL for DHHL’s Mai Ke Kai Subdivision, Phase II, Anahola, Kaua‘i, Hawai‘i.

The License grants and conveys unto the Department of Water, and its successors and assigns, a perpetual right and privilege to excavate for, install, repair, replace, maintain, alter, operate and use the waterlines and water mains and related appurtenances in, into, upon, over, across, under and through the land shown in Exhibit A of License No. 803, and incorporated herein by reference (the “Easement Area”), including the right of entry upon the easement area and adjoining land of the DHHL for the construction, repair, maintenance alteration, operation and replacement of the waterlines and appurtenances over, across and under the easement area.

Further, Board approval is requested for the following indemnification provision within the License.

The Department of Water shall, to the extent permitted by law, indemnify and hold harmless the Department of Hawaiian Home Lands (DHHL) from any and all claims and demands against LICENSOR for any loss or damage or injury or death to persons or property that shall or may arise by reason of the construction, operation, maintenance, repair, replacement and removal of the appurtenances, equipment, and improvements not caused by the negligence of LICENSOR, its agents, servants or employees acting within the scope of their employment, and from and against all damages, costs, counsel fees, expenses or liabilities incurred or resulting from any such claim or demand or any action or proceeding brought thereon.
OPTIONS:

1. Not approve license agreement. DOW could not maintain infrastructure connected to our system.

Respectfully submitted,

Dustin Moises, P.E.
Construction Project Management Officer

CONCURRED:

Kirk Saiki, P.E.
Manager and Chief Engineer

Attachments: License Easement No. 803 Pi’ilani Mai Ke Kai Subdivision, Phase II, Anahola, Kaua‘i, Hawai‘i
After Recordation Return By: Mail (XX) Pickup ( ) To:
DEPARTMENT OF WATER
POST OFFICE BOX 1706
LIHUE, KAUAII, HAWAII 96766

Affects Tax Map Key: Fourth Division, 4-8-22:89 Portion and 4-8-16:03

LICENSE NO. 803
(Non-Exclusive Right)
(Municipal Corporation – Benefit [B])

Between

STATE OF HAWAII
DEPARTMENT OF HAWAIIAN HOME LANDS
as LICENSOR

And

BOARD OF WATER SUPPLY
COUNTY OF KAUAII
as LICENSEE
STATE OF HAWAII
DEPARTMENT OF HAWAIIAN HOME LANDS

LICENSE NO. 803
(Non-Exclusive Right)
(Municipal Corporation - Benefit [B])

THIS LICENSE made and issued this _________ day of
________________________, 2015, by the State of Hawaii,
DEPARTMENT OF HAWAIIAN HOME LANDS, whose principal place of
business is 91-5420 Kapolei Parkway, Kapolei, Oahu, Hawaii 96707
and whose mailing address is Post Office Box 1879, Honolulu,
Oahu, Hawaii 96805, hereinafter called "LICENSOR," and the BOARD
OF WATER SUPPLY, COUNTY OF KAUAI, whose principal place of
business is 4398 Pua Loke Street, Lihue, Kauai, Hawaii 96766 and
whose mailing address is Post Office Box 1706, Lihue, Kauai,
Hawaii 96766, hereinafter called "LICENSEE."

WITNESSETH THAT:

LICENSOR, pursuant to the authority granted to it by
Section 207(c) (1) of the Hawaiian Homes Commission Act, 1920,
as amended (HHCA), is authorized to grant licenses as easements
for railroads, telephone lines, electric power and light lines,
gas mains and the like, including waterline facilities.

LICENSOR has constructed waterlines and appurtenances in
the Pi'ilani Mai Ke Kai Subdivision, Phase II and offsite
waterline in accordance construction plans approved by LICENSEE
on October 9, 2012. Final inspection of water facilities
constructed was conducted by LICENSEE on May 6, 2014.

LICENSOR has determined that the easement areas established
herein are essential in order to receive potable water service
from LICENSEE to LICENSOR'S beneficiaries in Pi'ilani Mai Ke Kai
Subdivision, Phase II.

NOW THEREFORE, LICENSOR, in consideration of the rent to be
paid and the terms, covenants and conditions herein contained on
the part of LICENSEE to be kept, observed and performed, hereby
grants and conveys unto LICENSEE, and its successors and
assigns, a right and privilege to excavate for, install, repair,
maintain, alter, operate, replace, and use the waterlines and
water mains in, into, upon, over, across, under and through,
including the right of entry upon the easement area and
adjoining land of LICENSOR for the construction, maintenance,
operation, repair and replacement of the waterlines and
appurtenances over, across and under the easement area described below:

1. Lot 67, Anahola Residence Lots Second Increment, further identified as TMK: (4) 4-08-16:03, including within the roadway intersection of Makaio Road and Ehukai Road and within Ioane Road and roadway intersection of Ioane Road and Konona road, hereinafter referred to as "offsite waterline improvements", as shown on Sheet C-41A, Offsite Waterline (Ioane Road) & Details, Piilani Mai Ke Kai Subdivision Phase II As-built Construction Plans, a copy of which is attached hereto as Exhibit "A", (the "easement area"), and

2. Roadway lots 141, 142, and 143 as shown on Sheet C-6, Overall Utility Plan, Pi'ilani Mai Ke Kai Subdivision Phase II As-built Construction Plans, a copy of which is attached hereto as Exhibit "B", (the "easement area").

TO HAVE AND TO HOLD the same unto LICENSEE, its successors and assigns, in perpetuity, commencing on the date of LICENSEE's execution, subject to reverter upon termination or abandonment, as hereinafter provided, LICENSOR agreeing and LICENSEE understanding that the rental for the entire term is waived.

AND LICENSEE hereby covenants with LICENSOR, that:

1. TAXES. During the term of this License, LICENSEE, if applicable, shall pay when due all real property taxes and any other assessments against and upon the easement area and the improvements, if any, but not upon the land through which the easement area passes, whether assessed to or payable by either LICENSOR or LICENSEE.

2. DUE CARE AND DILIGENCE. LICENSEE shall use due care and diligence in the construction, operation, maintenance, repair, replacement, and removal of the improvements and shall keep the appurtenances, equipment and improvements in good and safe condition and repair; should said appurtenances, equipment or improvements cause any damage or nuisance or waste or spoil the easement area, LICENSEE shall repair and restore the easement area within a reasonable time thereafter. Licensee shall be responsible to operate and maintain the licensed improvements and provide best efforts to ensure the provision of potable water pursuant to County of Kauai, State of Hawaii and Federal public drinking water standards. LICENSEE shall be liable, to the extent permitted by law, for public claims
related to failed water facilities and water quality standards due to negligence in the construction, operation, maintenance, repair, replacement and removal of appurtenances, equipment and improvements within the licensed area, after the date of LICENSOR's guarantee and warranty of improvements and appurtenances within the easement area.

3. INDEMNITY. LICENSEE shall, to the extent permitted by law, indemnify and hold harmless LICENSOR from any and all claims and demands against LICENSOR for any loss or damage or injury or death to persons or property that shall or may arise by reason of the construction, operation, maintenance, repair, replacement and removal of the appurtenances, equipment, and improvements not caused by the negligence of LICENSOR, its agents, servants or employees acting within the scope of their employment, and from and against all damages, costs, counsel fees, expenses or liabilities incurred or resulting from any such claim or demand or any action or proceeding brought thereon.

4. CONDEMNATION. If at any time the easement area across which the License extends, or any part thereof, shall be condemned or taken for any public project by any governmental authority, LICENSEE shall have the right to claim and recover from the condemning authority, but not from LICENSOR, such compensation as is payable for the License and for LICENSEE'S appurtenances, equipment, and improvements, if any, used in connection with this License, which shall be payable to LICENSEE as its interest appears.

5. ABANDONMENT. LICENSEE shall not abandon the easement area, nor abandon the duties of LICENSEE to construct, operate, maintain, repair, replace, and remove improvements and appurtenances within the easement area, without consultation with LICENSOR.

6. RELOCATION. If LICENSOR shall determine that the continued exercise of the easement rights granted constitutes an undue interference with a subdivision or development of the land over which the granted easement crosses, LICENSOR shall have the right to terminate the easement granted to the extent necessary to eliminate such interference, provided, that it shall grant to LICENSEE a substitute easement within the reasonable vicinity to permit LICENSEE to effect relocation of any facility or portion thereof, which substitute easement shall be subject to the same terms and conditions as contained in this License. The cost of any such relocation shall be borne by LICENSOR.
7. BREACH. If LICENSEE shall fail to observe or perform any of the covenants, terms, and conditions herein contained, and on its part to be observed and performed, LICENSOR shall deliver written notice of the breach or default by service as provided by section 634-35 or 634-36, Hawaii Revised Statutes, or by registered mail or certified mail to LICENSEE at its last known address, making demand upon LICENSEE to cure or remedy the breach or default within sixty (60) days from the date of the receipt of the notice. Upon failure of LICENSEE to cure or remedy the breach or default within the time period provided herein or within such additional period as LICENSOR may allow for good cause, LICENSOR may terminate this License without prejudice to any other remedy or right of action.

8. RIGHT TO ENTER. LICENSOR, its authorized agents or representatives shall have the right to enter any portion of the easement area for the purpose of performing any public or official duties, provided, that in the exercise of such rights, LICENSOR shall not interfere unreasonably with LICENSEE or LICENSEE'S use of the easement area. LICENSOR may enter the easement area to observe and inspect LICENSEE'S work, provided LICENSOR shall use best efforts to inform and coordinate such activities with LICENSEE. LICENSOR also reserves the right to construct additional waterlines within the easement area to support the development of new homesteads. Prior to such construction, LICENSOR, shall submit construction plans to LICENSEE and coordinate the work schedule with LICENSEE. Similarly, LICENSEE shall inform LICENSOR when improvements, repairs, or modifications are made to existing waterlines within the easement area.

9. EXTENSION OF TIME. Notwithstanding any provision contained herein to the contrary, wherever applicable, LICENSOR may for good cause shown, allow additional time beyond the time or times specified herein to LICENSEE, in which to comply, observe and perform any of the terms, conditions and covenants contained herein.

10. SEVERABILITY. Whenever possible, each provision of this License shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this License should be prohibited, or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remaining provisions of this License.
11. SINGULAR/PLURAL. The singular or plural depends on its appropriate use.

12. AGREEMENT. This agreement shall be binding upon and inure to the benefit of the parties hereto and their respective legal successors and assigns.

THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK
IN WITNESS WHEREOF, the parties hereto have caused these presents to be duly executed the day and year first above written.

Approved by the Chairman of the Hawaiian Homes Commission on August 3, 2015

APPROVED AS TO FORM AND LEGALITY:

Deputy Attorney General State of Hawaii

APPROVED AS TO FORM AND LEGALITY:

County Attorney County of Kauai

State of Hawaii
DEPARTMENT OF HAWAIIAN HOME LANDS

By_____________________________________
Jobie M. K. Masagatani, Chairman
Hawaiian Homes Commission

LICENSOR

County of Kauai
BOARD OF WATER SUPPLY

By_____________________________________
Its: Chairperson

ATTEST:

Manager, Kauai Department of Water

LICENSEE
STATE OF HAWAII    )
COUNTY OF Kauai    )

SS:

On this ___day of _____________, 20__, before me appeared ________________________, to me personally known, who being by me duly sworn, did say that _____ is the Chairperson of the Board of Water Supply of the County of Kauai, and that the forgoing instrument was signed on behalf of said Board, by authority of said Board, and that said officer acknowledged said instrument to be the free act and deed of said Board and that said Board has no corporate seal.

__________________________
Notary Public
State of Hawaii

__________________________
Print/Type Name of Notary Public
My Commission expires________

NOTARY CERTIFICATION
Doc. Date: _______________ # of Pages: ______
Name: ________________________ ___ Circuit
Doc. Description: License No. 803
(Non-Exclusive Right)
(Municipal Corporation – Benefit [B]

__________________________
Notary Signature                  Date
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DEPARTMENT OF WATER
County of Kaua‘i
"Water has no Substitute – Conserve It!"

MANAGER’S REPORT No. 16-16

September 17, 2015

Re: Discussion and Possible Action on Kaua‘i County Charter Amendments Affecting Article 17, Department of Water

RECOMMENDATION:
The Department recommends that the Board receive Manager’s Report No. 16-16 for discussion and possible action.

BACKGROUND:
The Department received correspondence from the County Charter Commission, dated August 27, 2015, soliciting comments and recommendations regarding specific areas of concern or issues related to the Department for consideration of inclusion on the 2016 General Election Ballot.

In the recent past, the Department has submitted comments and recommendations. These were as follows:

1. Recommending wording changes for describing the Department’s role in the development of the Water Use and Development Plan.
2. Various reference updates.
3. Improvement of the process for establishing the compensation for the manager and deputy manager.

The Board has submitted a proposed amendment in 2004, to allow ex-officio members to be permitted to serve as chair or vice-chair.

The Department is planning to review the current County Charter to determine if Items 1 and 2 above are still valid or will require updates.

Respectfully submitted,

Kirk Saiki, P.E.
Manager and Chief Engineer

Attachment: Correspondence from Mr. Jan TenBruggencate, Chair and Mr. May Furfaro, Administrator, Requesting Input on areas of the Kaua‘i County Charter, dated 8-27-15

Mgrrp/September 2015/16-16/ Discussion and Possible Action on Kaua‘i County Charter Amendments Affecting Article 17, Department of Water (9-17-15):ein
TO: See Attached Distribution List

Cc: Bernard P. Carvalho, Jr., Mayor
    Nadine K. Nakamura, Managing Director

FROM: Jan TenBruggencate, Chair
Via: Jay Furfaro, Administrator

DATE: August 27, 2015

RE: Requesting Input on areas of the Kaua‘i County Charter

In accordance with Article XXIV of the Kaua‘i County Charter, Section 24.03, the Charter Review Commission will sunset in 2016. As a result the Commission is soliciting comments and/or recommendations regarding specific areas of concern or issues related to your department and/or duties as determined by the Charter for consideration of inclusion on the 2016 General Election ballot.

The next Charter Review Commission meeting is scheduled for Monday, September 28, 2015, at 4:00 p.m. in the Moikeha Building, Meeting Room 2A/B, with subsequent meetings on the fourth Monday of each month. We would welcome you to attend our meeting to discuss your viewpoints and/or suggestions. The Commission will be accepting input for proposed ballot amendments through the end of 2015 at which time we will need to commence work on the legal review for all proposed amendments.

If you would like to appear before the Charter Review Commission to discuss your concerns at any of our future meetings please contact Barbara Davis, Office of Boards and Commissions at bdavis@kauai.gov or 241-4917. Mahalo.
CHARTER

COUNTY OF KAUA‘I

TABLE OF CONTENTS

ARTICLE I THE COUNTY AND ITS GOVERNMENT ................................................. 1-2
ARTICLE II POWERS OF THE COUNTY ................................................................. 2
ARTICLE III COUNTY COUNCIL ...................................................................... 2-8
ARTICLE IV ORDINANCES AND RESOLUTIONS .................................................. 8-11
ARTICLE V COUNTY CLERK ............................................................................. 11-12
ARTICLE VI EXECUTIVE BRANCH .................................................................... 12-13
ARTICLE VII MAYOR ......................................................................................... 13-16
ARTICLE VIII COUNTY ATTORNEY ................................................................. 16-17
ARTICLE IX PUBLIC DEFENDER ....................................................................... 17
ARTICLE IXA PROSECUTING ATTORNEY ......................................................... 17-19
ARTICLE X DEPARTMENT OF FINANCE ............................................................ 19-21
ARTICLE XI POLICE DEPARTMENT ................................................................... 21-22
ARTICLE XII FIRE DEPARTMENT ..................................................................... 22-23
ARTICLE XIII DEPARTMENT OF PUBLIC WORKS ............................................. 23-24
ARTICLE XIV PLANNING DEPARTMENT .......................................................... 24-27
ARTICLE XV DEPARTMENT OF HUMAN RESOURCES ...................................... 27-28
ARTICLE XVI LIQUOR CONTROL COMMISSION (DEPARTMENT) ..................... 28-29
ARTICLE XVII DEPARTMENT OF WATER ......................................................... 29-30
ARTICLE XVIII CIVIL DEFENSE AGENCY ....................................................... 30-31
ARTICLE XIX FINANCIAL PROCEDURES ......................................................... 31-39
ARTICLE XX CODE OF ETHICS ........................................................................ 39-42
ARTICLE XXI SPECIAL ASSESSMENT IMPROVEMENTS ................................. 42
ARTICLE XXII INITIATIVE AND REFERENDUM ............................................... 42-46
ARTICLE XXIII GENERAL PROVISIONS ......................................................... 46-51
ARTICLE XXIV CHARTER AMENDMENT ......................................................... 51-53
ARTICLE XXV SEVERABILITY ......................................................................... 53
ARTICLE XXVI TRANSITIONAL PROVISIONS .................................................. 53-55
ARTICLE XXVII RECALL ................................................................................... 55-57
ARTICLE XXVIII COST CONTROL COMMISSION ........................................... 57-58
ARTICLE XXIX SALARY COMMISSION .......................................................... 58-59
ARTICLE XXX ELECTRIC POWER AUTHORITY ............................................... 59-66
ARTICLE XXXI DEPARTMENT OF PARKS AND RECREATION ....................... 67
ARTICLE XXXII COUNTY AUDITOR .................................................................. 67-7

Police Commission
Fire Commission
Planning Commission
Civil Service Commission
Liquor Control Commission
Board of Water
H. NEW BUSINESS

6. Manager’s report No. 16-17 - Discussion and Possible Action regarding Part 2, Water Service Connections, Section VI and Part 3 Standards for Subdivisions Water Systems, Section III affecting Part 5 Facilities Reserve Charge (FRC)

REPORT

PENDING
MANAGER’S REPORT No. 16-18

September 17, 2015

Re: Discussion and Possible Action on a Request for Board Approval to enter into Memorandum of Understanding (MOU) between the State of Hawai‘i, Office of the Auditor and the County of Kaua‘i, Department of Water (DOW) to participate in the audit of the schedule of employer allocations of the State of Hawaii Employee Retirement System (ERS) actuarial information received from Gabriel, Roeder, Smith & Company (GRS) Actuary

RECOMMENDATION:
It is recommended that the Board grant the Department approval to participate in the cost sharing of ERS audit of Actuarial Information received from GRS Actuary through Memorandum of Understanding between the State of Hawai‘i, Office of the Auditor and the County of Kauai, DOW.

FUNDING: W/U/Acctg/Admin/Professional Services – General

Budget Account: 10-31-10-540-010

OPEB Valuation and other Actuarial Services $15,000.00
MOU – State of Hawaii – Office of the Auditor (  3,900.00)
Remaining Balance $11,100.00

BACKGROUND:
The State of Hawaii, ERS administers the retirement, disability, survivor, and other benefits to more than 115,000 members comprised of retirees, beneficiaries, inactive vested members and active public employees working for the Counties & State of Hawaii and this includes County of Kauai Department of Water. As part of the process, DOW contributes to the ERS a fixed percentage of DOW payrolls to fund the DOW employees’ retirement.

A new statement from Government Accounting Standards Board (GASB) known as GASB 68 was issued that requires new accounting and financial reporting for pensions by state and governmental employers. To comply with GASB 68, the State of Hawaii ERS engaged the professional services of an Actuary for ERS contributions and corresponding benefits. DOW participated in the actuary services through an MOU with the State ERS and this participation allowed the department to receive a copy of the actuary reports thus eliminated the need for DOW to contract a separate actuary engagement.

The Office of the Auditor, State of Hawaii engaged an independent audit of the actuarial information provided by ERS Actuary. As a recipient of the actuary reports, DOW can participate in the State of Hawaii audit engagement through a memorandum of agreement with the Office of the Auditor. This will allow DOW to receive an audited copy of the actuarial information provided by GRS Actuary which includes employer allocations of the ERS net
pension liability, total deferred outflows and inflows of resources and total pension expense included in the pension amounts as of June 30, 2015.

The cost to the Department to participate in this engagement is $3,900.00.

**OPTIONS:**

**Pros:**
1) If approved, DOW will be provided with audited actuarial information of ERS’ employer allocations from the State of Hawaii, Office of the Auditor to comply with GASB 68 Accounting and Financial Reporting for Pensions.

**Cons:**
2) If not approved, DOW may need to engage a separate audit of the actuarial information provided by ERS’ actuary.

Respectfully submitted,

Marites Yano
Waterworks Controller

**CONCURRED:**

Kirk Saiki, P.E.
Manager and Chief Engineer

Attachment: MOU between the State of Hawai‘i, Office of the Auditor and the Department of Water

Mgrip/September 2015/16-18/ Discussion and Possible Action on a Request for Board Approval to enter into Memorandum of Understanding (MOU) between the State of Hawai‘i, Office of the Auditor and the County of Kaua‘i, Department of Water (DOW) to participate in the audit of the schedule of employer allocations of the State of Hawaii Employee Retirement System (ERS) actuarial information received from Gabriel, Roeder, Smith & Company (GRS) Actuary (9-17-15):ein
MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding ("MOU") is effective the _____ day of
____________________, 2015, by and between the OFFICE OF THE AUDITOR, STATE
OF HAWAI‘I ("Auditor") and DEPARTMENT OF WATER, COUNTY OF KAUA‘I
("Employer").

RECITALS

A. The following state or county government employers (the "employers")
have requested assistance from the Auditor in conducting an audit of the
schedule of employer allocations of the Employees' Retirement System of
the State of Hawai‘i ("ERS") and the total for all employers of the
columns titled net pension liability, total deferred outflows of resources,
total deferred inflows of resources, and total pension expense included in
the schedule of pension amounts by employer of ERS for the fiscal year
ended June 30, 2014, from actuarial information received from Gabriel,
Roeder, Smith & Company ("GRS"), the actuary for ERS. The
information is provided to meet reporting requirements under
Governmental Accounting Standards Board (GASB) Statement No. 68,
Accounting and Financial Reporting for Pensions.

i. State of Hawai‘i;
ii. City and County of Honolulu;
iii. County of Maui;
iv. County of Kaua‘i;
v. County of Hawai‘i;
vi. Board of Water Supply, City and County of Honolulu;
vii. Department of Water Supply, County of Hawai‘i;
viii. Department of Water, County of Kaua‘i;
ix. Honolulu Authority for Rapid Transportation; and
x. University of Hawai‘i.

B. The Auditor is willing to use KPMG LLC ("KPMG"), the contract auditor
for ERS, to conduct the audit of the above-mentioned schedule and
information.

C. The purpose of this MOU is to provide for payment by the Employer to
the Auditor as authorized under § 23-3.5, HRS, for the audited schedule
and information to meet the reporting requirements of GASB 68.
TERMS AND CONDITIONS

1. Upon execution of this MOU, the Auditor will request KPMG to audit the schedule and information to meet the reporting requirements of GASB 68.

2. The cost of the audit to the Employer will be $3,900.00.

3. The Auditor will bill the Employer for the audit cost after the Auditor receives the bill from KPMG.

4. This MOU may be amended or modified only by a written agreement signed by both parties.

IN WITNESS WHEREOF, the parties have executed this MOU as of the last date written below.

OFFICE OF THE AUDITOR
STATE OF HAWAI'I

By: ________________________________
Jan K. Yamane
Acting State Auditor

DATE: ________________________________

EMPLOYER:
DEPARTMENT OF WATER
COUNTY OF KAUA'I

By: ________________________________
Kirk Saiki
Manager & Chief Engineer

DATE: ________________________________

By: ________________________________
Sherman Shiraiishi
Chairperson

DATE: ________________________________

By: ________________________________
Andrea Suzuki
Deputy County Attorney

DATE: 9/3/15
Staff Reports
FISCAL REPORT: AUGUST, 2015

MONTHLY SUMMARY HIGHLIGHTS:

REVENUES:

- YTD Cumulative revenue receipts as of August were 20% higher than projection.
  - YTD Water sales receipt of $5.786 million (M) exceeded projection by $1.361M or 31%.
  - YTD FRC Receipts of $73.6 thousand (K) was $9.7K less than projection.
  - Federal & State Grants - received $120.4K out of $413.8K budgeted receipts.
    Federal Grants in the form of BAB subsidy is released twice a year while State Grant is on a reimbursement basis.
  - Investment Income & Net Increase in FV of Investments - $10K combined net increase.

OPERATING EXPENSES: VARIANCE = BUDGET LESS ACTUAL EXPENDITURES; POSITIVE INDICATES LESS SPENDING THAN PLANNED.

- Operating Expenses before depreciation and amortization is $3.42(M) with a 36% positive variance or $1.92M less paid out than planned or budgeted.
  - Employee Related Expenses – $1.34M with a positive variance of 13%.
  - Contracts & Services – $534K with a positive variance of 69%.

  - Other services – billing costs has zero expenses. These are fees paid to HBWS for processing fee and postage for Kauai DOW water bills processed through CC&B. To date, DOW hasn’t received any billing invoice from HBWS for July and August fees.

  - Insurance –cost has zero expenses. DOW Insurance Expense is paid to the County Finance Director billed to DOW quarterly.
  - Exceptional Expenses – None
  - Fuel & Utilities – $508K with a 22% positive variance.
  - Bulk Water Purchase – $263.3K with a positive variance of 25%.
  - Office & Operating Supplies – $127.5K with a positive variance of 63%.
  - Training, Travel & Meeting Expenses – $8.3K.
  - Debt Service – Interest Expense - $639.8K
  - Depreciation & Amortization (non-cash expenses) is $1.17M.

NET OPERATING INCOME:

- Net Operating Income before depreciation and amortization - $2.959M.
- Net Operating Income after depreciation & amortization expenses of $1.17M is $1.79M.
- Debt Principal Payment is $3.42M.
DEPARTMENT OF WATER  
County of Kaua‘i  
“Water has no Substitute – Conserve It!”

CAPITAL BUDGET: PAYMENTS

- Capital Projects: Water Utility Fund - $38K.
- Capital Projects: BAB Fund - $45.8K.
- Capital Projects: SRF Loan Fund - $591.7K.
- Capital Projects Total - $675K.

SUMMARY OF MONTHLY EXPENDITURES:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Normal Expenditures</td>
<td>$2,045,746.01</td>
</tr>
<tr>
<td>Capital Expenditures</td>
<td>$28,716.24</td>
</tr>
<tr>
<td>Sub-total</td>
<td>$2,074,462.25</td>
</tr>
<tr>
<td>Add: Refunds</td>
<td>$2,607.83</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$2,077,070.08</td>
</tr>
</tbody>
</table>

MONTHLY BUDGET SUMMARY VS. ACTUAL:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Operating Expenses (before Dep./Amort)</td>
<td>$1,849,333.03</td>
</tr>
<tr>
<td>Debt Principal Payment</td>
<td>$199,020.81</td>
</tr>
<tr>
<td>Capital Projects</td>
<td>$28,716.24</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$2,077,070.08</td>
</tr>
</tbody>
</table>

WATER CONSUMPTION - 3 YEARS COMPARATIVE CHART (see attached):

- July metered consumption – adjusted from 342.61 million gallons (mg) to 400.24mg; increased by 56.5mg as compared from the same month of FY 2015.
- August metered consumption – 391.83 million gallons (mg); increased by 17,102 mg as compared from the same month of FY 2015.
- YTD metered consumption as of 8/31/15 – a cumulative increase of 73.57mg in comparison with the same month of last fiscal year.

OTHER FISCAL ONGOING ACTIVITIES/INITIATIVES:

- The Department made the selection of a Consultant to undertake the DOW Water Rate Study for the next five fiscal years; FY 2017- 2021.
- SOP No. 51 – Charges for Restoration of Water Service – Revision is being drafted to update the charges.
- Yearend Financial Audit is in process. KMH, LLP Auditors started field work on September 8th.
- New CIS procurement in process.

Respectfully submitted,

Marites Yano  
Waterworks Controller

fiscal report 8/2015
## I. OPERATING BUDGET

<table>
<thead>
<tr>
<th>Description</th>
<th>August</th>
<th>FY 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Sales</td>
<td>$2,212,471.00</td>
<td>$2,212,471.00</td>
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<tr>
<td>Revenue from Public Fire Protection</td>
<td>165,803.00</td>
<td>165,803.00</td>
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<tr>
<td>Other Water Revenue</td>
<td>10,000.00</td>
<td>10,036.00</td>
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<tr>
<td>FRC-Facility Reserve Charge</td>
<td>41,666.00</td>
<td>41,666.00</td>
</tr>
<tr>
<td>Federal Grants</td>
<td>81,886.00</td>
<td>81,886.00</td>
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<tr>
<td>State Grants</td>
<td>125,000.00</td>
<td>125,000.00</td>
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<tr>
<td>Capital Contributions</td>
<td>(33,163.54)</td>
<td>(33,163.54)</td>
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<tr>
<td>Net Increase in Fair Value of Investments</td>
<td>13,333.00</td>
<td>13,333.00</td>
</tr>
<tr>
<td>Investment Income</td>
<td>166.00</td>
<td>(166.00)</td>
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<tr>
<td>Gain or Loss on Disposal of Capital Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Miscellaneous Revenues</td>
<td>9.63</td>
<td>9.63</td>
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<tr>
<td><strong>Total Revenue</strong></td>
<td>$2,550,377.00</td>
<td>$2,550,377.00</td>
</tr>
<tr>
<td><strong>Employee-Related Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and Wages (Includes Leaves &amp; CTO)</td>
<td>454,905.00</td>
<td>454,905.00</td>
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<tr>
<td>Temporary Assignment</td>
<td>5,004.00</td>
<td>5,004.00</td>
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<tr>
<td>Overtime</td>
<td>45,167.00</td>
<td>45,167.00</td>
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<tr>
<td>Standby</td>
<td>15,125.00</td>
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<tr>
<td>FICA</td>
<td>39,698.00</td>
<td>39,698.00</td>
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<tr>
<td>Retirement Contribution</td>
<td>26,128.00</td>
<td>26,128.00</td>
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<tr>
<td>Life &amp; Health Insurance</td>
<td>47,324.00</td>
<td>47,324.00</td>
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<tr>
<td>Workers Compensation</td>
<td>4,250.00</td>
<td>4,250.00</td>
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<tr>
<td>Post Employment Benefits (CPEB)</td>
<td>76,167.00</td>
<td>76,167.00</td>
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<tr>
<td><strong>Total Employee-Related Expenses</strong></td>
<td>$776,474.00</td>
<td>$776,474.00</td>
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<tr>
<td><strong>Contracts &amp; Services</strong></td>
<td></td>
<td></td>
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<tr>
<td>Professional Services-General</td>
<td>203,106.00</td>
<td>203,106.00</td>
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<tr>
<td>Professional Services-Accounting &amp; Auditing</td>
<td>8,333.00</td>
<td>8,333.00</td>
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<tr>
<td>Other Services-General</td>
<td>6,887.00</td>
<td>6,887.00</td>
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<tr>
<td>Other Services-Billing Costs</td>
<td>24,365.00</td>
<td>24,365.00</td>
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<td>Public Relations-General</td>
<td>22,738.00</td>
<td>22,738.00</td>
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<td>Procurement Advertising</td>
<td>382.00</td>
<td>382.00</td>
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<tr>
<td>Communication Services</td>
<td>9,876.00</td>
<td>9,876.00</td>
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<tr>
<td>Freight and Postage</td>
<td>1,167.00</td>
<td>1,167.00</td>
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<tr>
<td>Rentals and Leases</td>
<td>59,167.00</td>
<td>59,167.00</td>
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<tr>
<td>Insurance</td>
<td>165,804.00</td>
<td>165,804.00</td>
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<tr>
<td>Repairs and Maintenance-Water System</td>
<td>48,250.00</td>
<td>48,250.00</td>
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<tr>
<td>Repairs and Maint. Non-Water System</td>
<td>35,977.00</td>
<td>35,977.00</td>
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<tr>
<td><strong>Total Contracts &amp; Services</strong></td>
<td>$602,738.00</td>
<td>$602,738.00</td>
</tr>
</tbody>
</table>

*Variance % *
### Exceptional Expenses

FY2014 & FY2015 Kalaeloa Emergency  
FY 2015 Kilauea  

#### Total Exceptional Expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>August</th>
<th>FY 2016</th>
<th>Variance %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original Budget</td>
<td>Revised Budget</td>
<td>Actual</td>
</tr>
<tr>
<td></td>
<td>308,417.00</td>
<td>308,417.00</td>
<td>239,021.51</td>
</tr>
<tr>
<td>Fuel</td>
<td>17,379.00</td>
<td>17,379.00</td>
<td>7,868.24</td>
</tr>
<tr>
<td>Total Fuel &amp; Utilities</td>
<td>325,796.00</td>
<td>325,796.00</td>
<td>246,899.75</td>
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</tbody>
</table>

#### Bulk Water Purchase

<table>
<thead>
<tr>
<th>Description</th>
<th>August</th>
<th>FY 2016</th>
<th>Variance %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original Budget</td>
<td>Revised Budget</td>
<td>Actual</td>
</tr>
<tr>
<td>Bulk Water Purchase</td>
<td>174,944.00</td>
<td>174,944.00</td>
<td>120,531.40</td>
</tr>
<tr>
<td>Total Bulk Water Purchase</td>
<td>174,944.00</td>
<td>174,944.00</td>
<td>120,531.40</td>
</tr>
</tbody>
</table>

#### Office & Operating Supplies

<table>
<thead>
<tr>
<th>Description</th>
<th>August</th>
<th>FY 2016</th>
<th>Variance %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original Budget</td>
<td>Revised Budget</td>
<td>Actual</td>
</tr>
<tr>
<td>Office Supplies</td>
<td>3,750.00</td>
<td>3,750.00</td>
<td>2,444.79</td>
</tr>
<tr>
<td>Operating Supplies</td>
<td>83,068.00</td>
<td>83,068.00</td>
<td>67,781.71</td>
</tr>
<tr>
<td>Books, Subscriptions and Dues</td>
<td>2,561.00</td>
<td>2,561.00</td>
<td>95.21</td>
</tr>
<tr>
<td>Books, Subscriptions and Dues - Board</td>
<td>85.00</td>
<td>85.00</td>
<td>17.00</td>
</tr>
<tr>
<td>Total Office &amp; Operating Supplies</td>
<td>89,464.00</td>
<td>89,464.00</td>
<td>70,307.71</td>
</tr>
</tbody>
</table>

#### Training, Travel & Meeting Expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>August</th>
<th>FY 2016</th>
<th>Variance %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original Budget</td>
<td>Revised Budget</td>
<td>Actual</td>
</tr>
<tr>
<td>Training and Development</td>
<td>8,735.00</td>
<td>8,735.00</td>
<td>1,499.50</td>
</tr>
<tr>
<td>Travel and Per Diem</td>
<td>5,361.00</td>
<td>5,361.00</td>
<td>2,208.23</td>
</tr>
<tr>
<td>Travel and Per Diem - Board</td>
<td>1,431.00</td>
<td>1,431.00</td>
<td>1,431.00</td>
</tr>
<tr>
<td>Meeting Expense</td>
<td>1,346.00</td>
<td>1,346.00</td>
<td>1,346.00</td>
</tr>
<tr>
<td>Meeting Expense - Board</td>
<td>938.00</td>
<td>938.00</td>
<td>81.12</td>
</tr>
<tr>
<td>Total Training, Travel &amp; Meeting Expenses</td>
<td>17,811.00</td>
<td>17,811.00</td>
<td>7,388.65</td>
</tr>
</tbody>
</table>

#### Debt Service

<table>
<thead>
<tr>
<th>Description</th>
<th>August</th>
<th>FY 2016</th>
<th>Variance %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original Budget</td>
<td>Revised Budget</td>
<td>Actual</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>98,020.32</td>
<td>341,364.00</td>
<td>319,760.34</td>
</tr>
<tr>
<td>Total Interest Expense</td>
<td>98,020.32</td>
<td>341,364.00</td>
<td>319,760.34</td>
</tr>
</tbody>
</table>

#### Total Operating Expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>August</th>
<th>FY 2016</th>
<th>Variance %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original Budget</td>
<td>Revised Budget</td>
<td>Actual</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>2,079,267.32</td>
<td>2,322,611.08</td>
<td>1,894,333.03</td>
</tr>
</tbody>
</table>

#### Net Operating Income (Loss) Before Depreciation & Amortization

<table>
<thead>
<tr>
<th>Description</th>
<th>August</th>
<th>FY 2016</th>
<th>Variance %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original Budget</td>
<td>Revised Budget</td>
<td>Actual</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>2,079,267.32</td>
<td>2,322,611.08</td>
<td>1,894,333.03</td>
</tr>
</tbody>
</table>

#### Depreciation & Amortization

<table>
<thead>
<tr>
<th>Description</th>
<th>August</th>
<th>FY 2016</th>
<th>Variance %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation</td>
<td>535,720.59</td>
<td>(535,720.59)</td>
<td>1,073,704.97</td>
</tr>
<tr>
<td>Amortization</td>
<td>(49,438.20)</td>
<td>(49,438.20)</td>
<td>(68,076.40)</td>
</tr>
<tr>
<td>Total Depreciation &amp; Amortization</td>
<td>585,158.79</td>
<td>(585,158.79)</td>
<td>1,160,781.37</td>
</tr>
</tbody>
</table>

#### Net Operating Income (Loss)

<table>
<thead>
<tr>
<th>Description</th>
<th>August</th>
<th>FY 2016</th>
<th>Variance %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original Budget</td>
<td>Revised Budget</td>
<td>Actual</td>
</tr>
<tr>
<td>Net Operating Income (Loss)</td>
<td>571,069.68</td>
<td>327,715.92</td>
<td>947,959.10</td>
</tr>
</tbody>
</table>
### Department of Water, County of Kauai
#### Monthly Budget Summary vs. Actual
**SUMMARY**
8/31/2015

<table>
<thead>
<tr>
<th></th>
<th>August</th>
<th>FY 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original Budget</td>
<td>Revised Budget</td>
</tr>
<tr>
<td>Non Operating Proceeds</td>
<td>166,686.00</td>
<td>168,986.00</td>
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<tr>
<td>Transfers Out/in to Other Funds</td>
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<tr>
<td>Debt Principal Payment</td>
<td>199,020.00</td>
<td>199,020.00</td>
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<tr>
<td><strong>Net Proceeds (Expenditures)</strong></td>
<td>538,704.87</td>
<td>295,381.11</td>
</tr>
<tr>
<td><strong>II. CAPITAL BUDGET</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Projects (See Attached for Details)</td>
<td>1,988,588.00</td>
<td>1,880,235.00</td>
</tr>
<tr>
<td>Capital Projects (See Attached for Details):</td>
<td>August</td>
<td>FY 2016</td>
</tr>
<tr>
<td>----------------------------------------</td>
<td>--------</td>
<td>---------</td>
</tr>
<tr>
<td></td>
<td>Original Budget</td>
<td>Revised Budget</td>
</tr>
<tr>
<td>Water Utility - Capital Projects (See Attached for Details)</td>
<td>582,420.00</td>
<td>475,097.00</td>
</tr>
<tr>
<td>FRC Special Trust Fund - Capital Projects (See Attached for Details)</td>
<td>95,354.00</td>
<td>95,354.00</td>
</tr>
<tr>
<td>BAB Fund - Capital Projects (See Attached for Details)</td>
<td>1,143,134.00</td>
<td>1,143,134.00</td>
</tr>
<tr>
<td>SRF Loan Fund - Capital Projects (See Attached for Details)</td>
<td>166,670.00</td>
<td>166,670.00</td>
</tr>
<tr>
<td>Total Capital Projects (See Attached for Details)</td>
<td>1,988,598.00</td>
<td>1,980,235.00</td>
</tr>
<tr>
<td>Capital Projects (See Attached for Details):</td>
<td>Original Budget</td>
<td>Revised Budget</td>
</tr>
<tr>
<td>---------------------------------------------</td>
<td>----------------</td>
<td>----------------</td>
</tr>
<tr>
<td>10-02-00-604-999 WU-JT-Expansion Capital Purchases--</td>
<td>37,098.00</td>
<td>37,098.00</td>
</tr>
<tr>
<td>10-20-00-604-001 WU-Eng-ALLR-KW-07 Paau Valley Tank Repair</td>
<td>12,500.00</td>
<td>12,500.00</td>
</tr>
<tr>
<td>10-20-00-604-005 WU-Eng-ALLR-Pipe Valves-Hydrant Lateralgs, Polipu Rd</td>
<td>4,167.00</td>
<td>4,167.00</td>
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<tr>
<td>10-20-00-604-006 WU-Eng-34%-PL-H-28 Hanamaulu Main (Hokanuone Street)</td>
<td>8,333.00</td>
<td>8,333.00</td>
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<tr>
<td>10-20-00-604-007 WU-Eng-ALLR-WK-11a Upper Waialua Houselot's Main Rpl</td>
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<tr>
<td>10-20-00-604-011 WU-Eng-ALLR-Jelly Factory BP Station Rehab</td>
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<td>10-20-00-604-015 WU-Eng-ALLR-PL-H-32 Ricos ST Kapaa Intersection</td>
<td>33,334.00</td>
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<td>10-20-00-604-033 WU-Job-13-07-130 Kauai D Repair</td>
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<td>10-20-00-604-045 WU-Eng-ALLR-O-01 Aina Kapa Kauai Shp4</td>
<td>13,188.52</td>
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<tr>
<td>10-20-00-604-129 WU-Eng-ALLR-11-10 BIN Haleiwa, Hwy50 to Haka Hale</td>
<td>3,657.26</td>
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<tr>
<td>10-20-00-604-132 WU-Eng-ALLR-13-06 Kolo Rd Main Replacement</td>
<td>142,053.00</td>
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<td>10-20-00-604-135 WU-Eng-ALLR-12-04 Honokaa Hosiery Main Rpl</td>
<td>46,227.00</td>
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<td>10-20-00-604-136 WU-Eng-ALLR-12-01 H-06 Weke Ana Ae Kauai H-06 BIN Mauns</td>
<td>60,354.10</td>
<td>60,354.10</td>
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<td>10-20-00-604-138 WU-Eng-69%-R-11-07 HE-03 Hanapepe &amp; Koloa Well MCC</td>
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<tr>
<td>10-20-00-604-145 WU-Eng-10%-R-11-06 Hanakaoo, Koloa Oasis</td>
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<tr>
<td>10-20-00-604-146 WU-Eng-12%-R-01 HE-10 Hanapepe/Elelu/ Conn PL</td>
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<td>10-20-00-604-147 WU-Eng-ALLR-Rehabilitate Puupulo Steel Tank</td>
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<td>10-20-00-604-148 WU-Eng-56%-R-Huiwai Pauwo Oxford 16IN Main Rpl</td>
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<td>10-20-00-604-149 WU-Eng-56%-R-Huiwai Pauwo Oxford 16IN Main Rpl</td>
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<td>10-20-00-604-150 WU-Eng-37%-R-Makanai &amp; Kuel Rd Main Replacement</td>
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<tr>
<td>10-20-00-604-151 WU-Eng-28%-R-Wallani Rd &amp; Wailhinouou Rd Main Rpl</td>
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<td>10-20-00-604-152 WU-Eng-37%-R-Hooha, Hoawa, Pono Rd Main Replacement</td>
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<tr>
<td>10-20-00-605-137 WU-Eng-ALLE-11-11 K-17 Kalaheo Surface Water Trmt</td>
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<td>10-20-00-605-138 WU-Eng-ALLE-02-11 M-02 100K Tank &amp; Pipeline Kauaa</td>
<td>125,200.00</td>
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<td>10-21-00-604-029 WU-Cns-44%-R-09-01 Yamahea Tank Clearwter, Conv Pipe</td>
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<tr>
<td>10-21-00-604-032 WU-Cns-ALLR-13-05 Kolo Road Main (Kilauea School)</td>
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<td>108,333.00</td>
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<tr>
<td>10-21-00-604-033 WU-Cns-ALLR-13-07, Koloa Well D Repair</td>
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<tr>
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<td>10-21-00-604-036 WU-Cns-30%-R-10-01 Ani-01th Rd WI, DOW-Princol</td>
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<tr>
<td>10-21-00-604-132 WU-Cns-ALLR-13-05 Kolo Road Main (Kilauea School)</td>
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<td>108,333.00</td>
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<tr>
<td>10-30-00-605-999 WU-CM-Expansion Capital Purchases</td>
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<td>833.00</td>
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<tr>
<td>10-30-00-605-999 WU-CM-Expansion Capital Purchases</td>
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<td>1,666.00</td>
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<tr>
<td>10-30-00-605-999 WU-CM-Expansion Capital Purchases</td>
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<td>27,969.58</td>
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<tr>
<td>10-30-00-605-999 WU-CM-Expansion Capital Purchases</td>
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<td>183,334.00</td>
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<tr>
<td>10-30-00-605-999 WU-CM-Expansion Capital Purchases</td>
<td>414,335.00</td>
<td>414,335.00</td>
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<tr>
<td>10-30-00-605-999 WU-CM-Expansion Capital Purchases</td>
<td>2,772,452.17</td>
<td>3,734,520.39</td>
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</table>
### Capital Projects

(See Attached for Details):

<table>
<thead>
<tr>
<th>Capital Project Details</th>
<th>Original Budget</th>
<th>Revised Budget</th>
<th>Actual</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>30-20-00-604-101 BAB-Eng-ALLR-10-01 Anini-Dw Anini &amp; Kalihewa Rd 6-</td>
<td>4,166.00</td>
<td>4,166.00</td>
<td>4,166.00</td>
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<tr>
<td>30-20-00-604-105 BAB-Eng-ALLR-09-01 K-01 Kahakui 1111FT &amp; 1222FT</td>
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<td></td>
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<tr>
<td>30-20-00-604-110 BAB-Eng-ALLR-11-00 LO-10 Lawai 6ft Dutch Main R/P/comm</td>
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<td>37,667.00</td>
<td>37,667.00</td>
<td>1.00</td>
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<td>30-20-00-604-112 BAB-Eng-ALLR-12-01 PLH-01a Grove Farm Tanks 1 - 2</td>
<td>50,987.00</td>
<td>50,987.00</td>
<td>50,987.00</td>
<td>93,974.00</td>
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<tr>
<td>30-20-00-604-114 BAB-Eng-ALLR-PK-01 PH-01a Grove Farm Tanks 1 - 2</td>
<td>66,987.00</td>
<td>66,987.00</td>
<td>66,987.00</td>
<td>1.00</td>
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<td>30-20-00-604-119 BAB-Eng-ALLR-09-01 Kilauea Lighthouse Phase I</td>
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<td>50,987.00</td>
<td>50,987.00</td>
<td>93,974.00</td>
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<tr>
<td>30-20-00-604-120 BAB-Eng-ALLR-09-01 Kilauea Lighthouse Phase I</td>
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<td>50,987.00</td>
<td>50,987.00</td>
<td>93,974.00</td>
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<tr>
<td>30-20-00-604-124 BAB-Eng-ALLR-11-01 BN Wahiawa, Kaumualii to Hiako</td>
<td>50,987.00</td>
<td>50,987.00</td>
<td>50,987.00</td>
<td>93,974.00</td>
</tr>
<tr>
<td>30-20-00-604-125 BAB-Eng-ALLR-11-01 BN Wahiawa, Kaumualii to Hiako</td>
<td>50,987.00</td>
<td>50,987.00</td>
<td>50,987.00</td>
<td>93,974.00</td>
</tr>
<tr>
<td>Total Capital Projects (See Attached for Details)</td>
<td>1,143,134.00</td>
<td>1,143,134.00</td>
<td>1,143,134.00</td>
<td>10,478,111.05</td>
</tr>
</tbody>
</table>

### Variance %

- Revised YTD Budget: 100%
- YTD Actual: 100%
- Variance: 100%
### Capital Projects (See Attached for Details):

- 00-21-00-604-114 SRF-Cne-ALLR- PLH-39a-Lhue Baseyard Phase I

<table>
<thead>
<tr>
<th>Original Budget</th>
<th>Revised Budget</th>
<th>Actual</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>166,670.00</td>
<td>166,670.00</td>
<td>166,670.00</td>
<td></td>
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</table>

**Total Capital Projects (See Attached for Details)**

<table>
<thead>
<tr>
<th>Original Budget</th>
<th>Revised Budget</th>
<th>Actual</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>166,670.00</td>
<td>166,670.00</td>
<td>166,670.00</td>
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</tr>
</tbody>
</table>

### FY 2016

<table>
<thead>
<tr>
<th>Revised YTD Budget</th>
<th>YTD Actual</th>
<th>*Variance</th>
<th>Variance %</th>
</tr>
</thead>
<tbody>
<tr>
<td>925,014.84</td>
<td>591,674.84</td>
<td>333,340.00</td>
<td>36%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Revised YTD Budget</th>
<th>YTD Actual</th>
<th>*Variance</th>
<th>Variance %</th>
</tr>
</thead>
<tbody>
<tr>
<td>925,014.84</td>
<td>591,674.84</td>
<td>333,340.00</td>
<td>36%</td>
</tr>
</tbody>
</table>
### BILLED REVENUES COMPARATIVE REPORT
As of July, FY 2014, 2015 & 2016

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>Cum. Inc (Dec)</th>
<th>% Inc. (Dec.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>July</td>
<td>$2,389,827</td>
<td>$2,509,308</td>
<td>$2,936,791</td>
<td>427,483</td>
<td>17.04%</td>
</tr>
<tr>
<td>August</td>
<td>$4,846,625</td>
<td>$5,260,587</td>
<td>$5,832,920</td>
<td>572,333</td>
<td>10.88%</td>
</tr>
<tr>
<td>September</td>
<td>$7,600,208</td>
<td>$7,985,071</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>October</td>
<td>$9,747,266</td>
<td>$10,346,368</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>November</td>
<td>$12,304,399</td>
<td>$12,776,067</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>December</td>
<td>$14,213,889</td>
<td>$15,232,230</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>January</td>
<td>$16,365,861</td>
<td>$17,516,998</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>February</td>
<td>$18,231,858</td>
<td>$19,858,103</td>
<td></td>
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</tr>
<tr>
<td>March</td>
<td>$19,989,956</td>
<td>$22,109,442</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>April</td>
<td>$21,982,692</td>
<td>$24,694,634</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>May</td>
<td>$24,279,609</td>
<td>$27,149,481</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>June</td>
<td>$26,814,116</td>
<td>$29,896,740</td>
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</tbody>
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### BILLED REVENUES COMPARATIVE CHART

- **2014**: Blue line
- **2015**: Red line
- **2016**: Green line
<table>
<thead>
<tr>
<th>Month</th>
<th>FY 2014</th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>Cum. Inc (Dec)</th>
<th>% of Inc (Dec)</th>
</tr>
</thead>
<tbody>
<tr>
<td>July</td>
<td>2,594,170</td>
<td>2,288,104</td>
<td>2,877,122</td>
<td>589,018</td>
<td>26%</td>
</tr>
<tr>
<td>August</td>
<td>5,157,089</td>
<td>4,704,550</td>
<td>5,578,998</td>
<td>874,448</td>
<td>19%</td>
</tr>
<tr>
<td>September</td>
<td>7,551,676</td>
<td>7,539,105</td>
<td></td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>October</td>
<td>10,458,869</td>
<td>10,008,958</td>
<td></td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>November</td>
<td>12,235,628</td>
<td>11,856,591</td>
<td></td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>December</td>
<td>14,412,589</td>
<td>14,469,704</td>
<td></td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>January</td>
<td>16,359,772</td>
<td>16,582,316</td>
<td></td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>February</td>
<td>17,959,523</td>
<td>18,764,382</td>
<td></td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>March</td>
<td>20,040,053</td>
<td>21,084,947</td>
<td></td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>April</td>
<td>21,992,934</td>
<td>23,582,827</td>
<td></td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>May</td>
<td>23,982,830</td>
<td>25,718,355</td>
<td></td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>June</td>
<td>26,175,507</td>
<td>28,363,672</td>
<td></td>
<td></td>
<td>0%</td>
</tr>
</tbody>
</table>

Cash Receipts Comparative Chart
As of June, FY 2014, 2015 & 2016
### METERED CONSUMPTION (000 GALLONS) MONTHLY COMPARATIVE CHART

As of July, FY 2014, 2015 & 2016

(expressed in thousands)

<table>
<thead>
<tr>
<th></th>
<th>FY 2014</th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>INC (DEC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>July</td>
<td>436,238</td>
<td>343,770</td>
<td>400,235 *</td>
<td>56,465 *</td>
</tr>
<tr>
<td>August</td>
<td>361,599</td>
<td>374,728</td>
<td>391,830</td>
<td>17,102</td>
</tr>
<tr>
<td>September</td>
<td>415,176</td>
<td>346,777</td>
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<tr>
<td>October</td>
<td>384,934</td>
<td>322,278</td>
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<tr>
<td>November</td>
<td>398,863</td>
<td>320,209</td>
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</tr>
<tr>
<td>December</td>
<td>305,276</td>
<td>321,339</td>
<td></td>
<td></td>
</tr>
<tr>
<td>January</td>
<td>453,812</td>
<td>312,153</td>
<td></td>
<td></td>
</tr>
<tr>
<td>February</td>
<td>366,974</td>
<td>325,040</td>
<td></td>
<td></td>
</tr>
<tr>
<td>March</td>
<td>323,359</td>
<td>306,207</td>
<td></td>
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</tr>
<tr>
<td>April</td>
<td>334,995</td>
<td>353,456</td>
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<tr>
<td>May</td>
<td>335,320</td>
<td>335,704</td>
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<tr>
<td>June</td>
<td>388,313</td>
<td>358,351</td>
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</tbody>
</table>

* AFS error in billing AJE

Adjustment 288,133  288,133

* refer to monthly summary highlights

---

### MONTHLY CONSUMPTION COMPARATIVE CHART

For FY 2014, 2015 & 2016

![Graph showing consumption comparison for FY 2014, 2015 & 2016](chart.png)

* refer to monthly summary highlights

---

3 12 mo. consumption comp
YTD METERED CONSUMPTION (000 GALLONS) COMPARATIVE REPORT
As of July, FY 2014, 2015 & 2016
(expressed in thousands)

<table>
<thead>
<tr>
<th></th>
<th>FY 2014</th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>CUM. INC (DEC)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>July</td>
<td>391,161</td>
<td>343,770</td>
<td>400,235</td>
<td>56,465</td>
<td>16%</td>
</tr>
<tr>
<td>August</td>
<td>774,839</td>
<td>718,498</td>
<td>792,065</td>
<td>73,567</td>
<td>10%</td>
</tr>
<tr>
<td>September</td>
<td>1,191,526</td>
<td>1,065,275</td>
<td>732,065</td>
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</tr>
<tr>
<td>October</td>
<td>1,520,781</td>
<td>1,387,553</td>
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<td></td>
</tr>
<tr>
<td>November</td>
<td>1,865,830</td>
<td>1,707,762</td>
<td>0%</td>
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</tr>
<tr>
<td>December</td>
<td>2,154,495</td>
<td>2,029,101</td>
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<td>2,472,004</td>
<td>2,341,254</td>
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<td>2,758,049</td>
<td>2,666,294</td>
<td>0%</td>
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<tr>
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<td>3,019,916</td>
<td>2,972,501</td>
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<td></td>
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</tr>
<tr>
<td>April</td>
<td>3,321,000</td>
<td>3,325,957</td>
<td>0%</td>
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<td></td>
</tr>
<tr>
<td>May</td>
<td>3,669,355</td>
<td>3,661,661</td>
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<td></td>
</tr>
<tr>
<td>June</td>
<td>3,997,096</td>
<td>4,020,012</td>
<td>0%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

WATER CONSUMPTION COMPARATIVE CHART
As of June, FY 2014, 2015 & 2016

Billions of consumption (000 gallons)
PR SPECIALIST REPORT
September 17, 2015

Press Releases
All press releases and Connect CTY notices reported below were also published on the Department’s Facebook and Twitter social media pages.

- A press release was sent on August 17th to notify all motorists that Phase 2 of construction work would begin August 19th at the intersection of Haleko Road, Old Nawiliwili Road and Pua Loke Street. Two-way traffic would continue to be allowed through the area until further notice.

- A press release was sent on August 19th to notify all motorists that nighttime work would begin August 24th on Kuhio Highway between Hookui Road and Kalamania Road. This was to allow Earthworks Pacific Inc. to install a new water main across the highway for the DOW’s Kolo Road Main Replacement Project.

- A press release was sent on September 2nd to notify all motorists of a partial road closure of Menehune Road near the Waimea swinging bridge scheduled for September 3rd from 9 a.m. to 1 p.m. The partial closure was to allow the DOW to make necessary improvements following damages caused by heavy rain. Water service to customers was not affected.

- A press release was sent on September 4th to notify all motorists that waterline work would continue in the median and the left westbound travel lane of Kaumualii Highway, affecting westbound lanes east of Uahi Road. It was announced that one westbound lane would be closed from 9 a.m. to 1 p.m. on September 14th to relocate the concrete barriers.

Other Media
- The Department was mentioned in Building Industry Hawaii Magazine’s September 2015 issue regarding some of its 2015 projects (attached).

Project WET for Source Water Protection Education Grant
PR continues to work on fulfilling supply orders for Project WET teachers across the state.

PR also continues to work on plans for Kauai’s 12th Annual Make a Splash with Project WET festival to be held on September 24th. 12 schools with a combined total of 736 students have registered to attend this year’s festival. There will be 11 activity stations and many new community volunteers that have signed up to help. Funding for this year’s festival has been provided through the Department of Health—Safe Drinking Water Branch (Project WET Grant). This funding includes covering costs for school buses, and new activity supplies and equipment. PR looks forward to another fun-filled, educational day with students, teachers, volunteers and staff.

Conservation Outreach
The Department’s Joint Summer Water Conservation Media Campaign with the Honolulu Board of Water Supply ended on September 9th.
PR submitted an advertisement and editorial to Kauai Family Magazine for their Holiday-Winter issue.

**Miscellaneous**
- Jonell Kaohelaulii completed the Department’s September to October employee newsletter.
- Kim Tamaoka met with Dustin Moises, Eddie Doi, Keith Aoki and Regina Flores on August 26th to discuss the content for a new, comprehensive pamphlet regarding the steps to apply for and receive a water meter.

Respectfully submitted,

Kim Tamaoka
Public Relations Specialist

KT: ein

Attachments: Building Industry Magazine September 2015

Mgrrrp/September 2015/PR Specialist Report (9-17-15): ein
Jeff Fisher, Earthworks Pacific Inc. president, says his company is currently working on the County of Kauai’s Design/Build “Complete Streets” Handy Street mixed-use project in Lihue, which is slated for an October wrap.

Paving and other improvements to Lihue Airport’s airfield surfaces are in the works and are funded by the Department of Transportation’s “New Day” program. Shio Construction is handling the Lihue Airport Terminal Passageway Expansion ($1.38 million), another DOT project.

Like Kauai’s roadways and airfields, the island’s water facilities are also being upgraded. Already in progress, the $10.6 million Lihue Baseyard Improvements Project—funded through various state and federal programs—is the Kauai Department of Water’s largest this year, Unlimited Construction Services Inc., the project’s GC, has engaged 30 subcontractors thus far, including Commercial Plumbing Inc., Diamond Plumbing, East West Aluminum, GP Roadway Solutions, Green Path Technologies Inc., Jan W. Glover Ltd. and Mr. T’s Pest Control.

Unlimited’s crew will replace the department’s aging Lihue baseyard facility, including constructing a new 15,000-square-foot administration building as well as managing various offsite improvements. Also included are access roads, walkways, solar energy features, underground storm water retenion systems and transfer from the existing aerobic septic system to a sewer system. The new facility is aiming for LEED certification and is expected to wrap in early 2017.

Upcoming sizable Kauai Department of Water projects include the Hanapepe–Eelele Connecting Pipeline – Phases 1 and II ($4.5 million), the Kapaa Cape Haul Road 18-inch Main ($4 million) and the Koloa Road 6-inch and 8-inch Main Replacement ($3 million), all scheduled to start in 2016. In January 2016, Earthworks Pacific will start the Upper Kapahi reservoir improvements in Kapaa. The Department of Land and Natural Resources project includes construction of a new dam and spillway inside the existing reservoir and is scheduled to be completed by September 2016.

Housing and Schools

The 550 affordable homes in the County of Kauai’s new Lima Ola community are currently in the entitlement and infrastructure design phase, according to Kamuela Cobb-Adams, Kauai County Housing Agency director. Infrastructure construction is expected to start at the end of 2017 or in early 2018. When the project wraps, families with incomes equal to or less than 140 percent of the area’s median income will be able to purchase or rent the new units.

“A time when housing costs continue to climb out of reach for many of Kauai’s families, the county is committed to providing affordable housing. We know our families need a place to live that is affordable and in a community where they can thrive. That is the vision of Lima Ola,” says Kauai Mayor Bernard Carvalho Jr.

Koloa, Kauai County’s 44-unit workforce-housing development built by Unlimited Construction, wrapped in July.

Good neighborhoods need good schools, and in June, Layton Construction Co. Inc. started work on Phase 1 of the Kauai High School Gymnatorium, currently pegged at $2.36 million. “This project consists of the demolition of four portable buildings, the relocation of six portable buildings, and the construction of a new 18,000-square-foot paved parking lot in preparation for a new gymatorium to be constructed,” says Jeff Griffin, senior project manager for the Utah-based company.

Layton has currently engaged 18 subcontractors, including Beachside Roofing LLC, Jas W. Glover, R Electric, Diamond Plumbing Co. Inc. and Kauai Nursery & Landscaping. Besides demolition, relocation and paving, Layton expects to complete asbestos abatement, structural foundation work, electrical, plumbing and other improvements in October, five months ahead of the March 2016 contract completion date.

Elsewhere, Shio Construction will soon begin construction on the $9.28 million Anani Hou Pavilion, a large Kilauea community center. Additionally, Shio is managing the Waimana High School roof and various improvements to Kauai Community College, and is in the final stages of renovations at Wilcox Memorial Hospital. Also at Kauai Community College, an $884,640 repavement contract was recently awarded to Society Contracting LLC.

Retail and Commercial Centers

“Tourism will see ... healthy gains on the Neighbor Islands for the next two years,” says the University of Hawaii Economic Research Organization (UHERO) in a June 2015 Neighbor Island report, and Kauai merchants are eagerly prepping their properties in anticipation. Shio Construction, very busy
Operations Division Report for the Month of August 2015

Personnel

- Interviews for Account Clerk position were completed. Recommendation forwarded to County Department of Human Resources.

Source and Storage

- Maintenance Workers continued cleaning of various remote facilities island-wide. Works included clearing of vegetation and drainage.
- Contract #605 to provide GE MDS TransNet radios to replace outdated SCADA radios was executed and Notice To Proceed issued.
- Repair of Kilohana Well B through contract #599 completed.
- Re-solicitation for cutting of large Albizia tress near the Kalaheo Wells and Tank Site was re-posted.
- Water Plant Operators performed routine inspection and maintenance at all sites including valve maintenance, piping repair and replacement, chlorination equipment maintenance, and mixing of sodium hypochlorite.
- Electrical workers performed routine electrical maintenance at all sites including SCADA radio troubleshooting, electrical wiring for motor controls, lighting repair and replacement.

Distribution

- Operations Division Field Section crews continue to perform live taps and routine leak repair of service laterals and mainlines.
- Field Section personnel responded to and completed 41 leak repair work orders.
- For the month of August, there was no progress on Lokokai Road 3” PVC distribution line replacement under work order C141516.
- 220 feet was installed for the month of August, Lele Road 2” GS pipe replacement with 2” PVC pipe. C150210.
- Twenty seven (27) meters were repaired while twenty six (26) new meters were installed.
- We received a total of 58 calls from customers reporting leaks on the mainline, service laterals, meters, meter boxes and fire hydrants including 5 called-in complaint of no water, 4 complaints of low pressure, 1 calls for assistance in shutting off the water meter, 3 calls reporting damaged meter box and cover, 3 reports of leaking or damaged fire hydrants and 1 report of brown water. Work orders were generated and all calls resolved. Leak after the meter needs to be addressed by the customer.
Fleet, Inventory, Warehouse and Baseyard Area

- For the month of August, a total of one hundred seventy five (175) work orders were issued for Operations Division. Works included: electrical repairs and maintenance; automotive repairs and maintenance including power generator maintenance; water meter installation and replacement; service lateral installations; leak repairs; well, tank site and PRV maintenance; replace damaged meter boxes; repair defective meters; replace damaged or leaking hydrant; door-to-door customer notifications for tie-ins of new lines to existing lines as well as notifications regarding scheduled repairs; callouts due to customer complaints/reports; meter replacement requests; contractor’s requests for markings.
- For the month of August 2015, nineteen (19) Hawaii One Call requests for markings were received and sixteen (16) completed.

Respectfully submitted,

Valentino P. Reyna
Chief, Operations Division

VPR/ein

Attachments: Overtime Chart
Leak Report Chart
Monthly Billed/Unbilled Water Chart

Mgrrp/September 2015/Operations Division Report for the Month of August 2015 (9-17-15):ein
I. STAFF REPORTS
MONTHLY

3. Discussion and Receipt of the Chief of Operation’s Summary Report on Operational Activities

OVERTIME CHART

REPORT

PENDING
### Work Orders by Job Reason Code for Selected Date Range

<table>
<thead>
<tr>
<th># of W/O's</th>
<th>Job Reason Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>LEAK-BOX</td>
<td>Meter Box Leak Repair</td>
</tr>
<tr>
<td>4</td>
<td>LEAK-CUST</td>
<td>Customer-Side Leak Repair</td>
</tr>
<tr>
<td>109</td>
<td>LEAK-MAIN</td>
<td>Mainline Leak Repair</td>
</tr>
<tr>
<td>118</td>
<td>LEAK-S/L</td>
<td>Service Lateral Leak Repair</td>
</tr>
</tbody>
</table>

#### Work Orders by Job Reason Code

![Pie chart showing the distribution of work orders by job reason code.]

- LEAK-BOX: 9 orders (3.8%)
- LEAK-CUST: 4 orders (1.7%)
- LEAK-MAIN: 109 orders (45.4%)
- LEAK-S/L: 118 orders (49.2%)

Total: 100.0%

#### Number of Leak Repairs per Month

![Line graph showing the number of leak repairs per month.]

- LEAK-MAIN
- LEAK-S/L
- LEAK-BOX
- LEAK-CUST

Page 128
MANAGER’S UPDATE

September 17, 2015

Pursuant to Board Policy No. 3

CONTRACTS AWARDED/EXTENSION/AMENDMENTS:

(1) Professional Services Contract No. 609 Awarded to Raftelis Financial Consultants, Inc. in the amount of $114,830.00 for Financial Management Planning and Water Rate Analysis for the Department of Water, County of Kauai

FUNDING:

| Account No. 10-31-10-540-010 WU/Acctg/Admin/Professional Services-General |
|---------------------------------|-----------------|
| Account No. 10-31-10-540-010    | $135,000.00     |
| Contract No.609: Raftelis Financial Consultants, Inc. | $114,830.00     |
| 5% Contingency                  | $5,742.00       |
| Total Funds Requested           | $120,572.00     |
| Total Fund Balance for Account No. 10-31-10-540-010 | $14,428.00     |

BACKGROUND:

A Review Committee met and rated the Statements of Qualification for Professional Services. Based on the rating results, the Review Committee selected Raftelis Financial Consultants, Inc. to conduct a Financial Management Plan and Water Rate Analysis for the Department of Water, County of Kauai. The last Water Plan and Study was done in 2011 for the years 2012 to 2016. We are engaging Raftelis Financial Consultants, Inc. to conduct an Analysis for the next five (5) years. They have exceptional experience providing Financial Planning and Rate making and are highly recommended.

WAIVER RELEASE & INDEMNITY APPLICATIONS:

<table>
<thead>
<tr>
<th>Applicant</th>
<th>TMK Location &amp; Building permit</th>
<th>Performance Bond Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

STAFF REPORTS - FY 14-15:

PERSONNEL MATTERS UPDATE

September 3, 2013

RECRUITMENT AND POSITION ACTIONS

Operations Division

1. Account Clerk #2464. As of 9/3/2015, we have completed interviews, and are working with the Department of Human Resources (DHR) to fill the position.
2. Waterworks Construction and Maintenance Supervisor I #2487. As of 9/3/2015, the DHR is reviewing the re-description request.
3. Waterworks Construction and Maintenance Worker #2401. As of 9/3/2015, the DHR is reviewing the re-description request.

Fiscal Division
1. Accountant I (Accounting) #2448. As of 9/3/2015, DHR is concluding their review.
2. Accountant III (Accounting) #2356. As of 9/3/2015, DHR is concluding their review.
3. Accountant IV (Accounting) #2303. As of 9/3/2015, DHR is concluding their review.
4. Waterworks Controller #2300. As of 9/3/2015, DHR is concluding their review.

Construction Management Division
1. Project Manager #2484. As of 9/3/2015, DHR provided the referred name. We are awaiting additional names from DHR.
2. Supervision Waterworks Inspector #2483. As of 9/3/2015, position will be re-described.
3. Waterworks Project Manager #2351. As of 9/3/2015, position will be re-described.

Engineering Division
1. Civil Engineer III #2468. Due to the anticipated vacancy in late September, we have requested for a referred list from DHR.

Administration
1. Commission Support Clerk #2493. As of 9/3/2015, DHR is concluding their review.
2. Private Secretary #E-35. As of 9/3/2015, DHR is concluding their review.
3. Secretary #2354. As of 9/3/2015, DHR is concluding their review.
4. Senior Clerk #2474. As of 9/3/2015, DHR is concluding their review.

Pursuant to Board Policy No. 3

SUMMARY OF WARRANT VOUCHERS – August 31, 2015 - $2,074,462.25

CONVEYANCE OF WATER FACILITIES – $ 31,800.00

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<thead>
<tr>
<th>Date</th>
<th>Name</th>
<th>Description</th>
<th>TMK</th>
<th>Location</th>
<th>Amount</th>
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<td>9/20/2015</td>
<td>Charles J. Greenway, Trustee of the Greenway Family Trust</td>
<td>$12,800.00</td>
<td>4-4-007:031</td>
<td>Kapaa</td>
<td>$12,800.00</td>
</tr>
<tr>
<td>9/20/2015</td>
<td>Felisa Greenway, Trustee of the Greenway Family Trust</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>9/20/2015</td>
<td>Stuart T. Wakuta, Trustee of the Stuar T. Wakuta Self-Trusted Trust</td>
<td>$19,000.00</td>
<td>4-6-011:014 &amp; 4-6-011:088</td>
<td>Kapaa</td>
<td>$19,000.00</td>
</tr>
<tr>
<td>9/20/2015</td>
<td>Grove Farm Company, Inc.</td>
<td></td>
<td>3-3-011:007</td>
<td>Pahi</td>
<td>-</td>
</tr>
</tbody>
</table>

CC&B BILLING SYSTEM UPDATE:

September 8, 2015 submitted by Information Tech Specialist, Sandi Nadatani-Mendez

On August 1, 2015, the Department of Water implemented Billing’s Lockbox Services. In August, 3,103 payments were processed by the lockbox services totaling $338,421.91.

The implementation of the lockbox decreased or eliminated the need for overtime hours with the CC&B program and staff can now focus on updating customer data bases and focus on customer service.
Honolulu Board of Water Supply (BWS) provided audit reports from CC&B and is now available to Fiscal’s Accounting Staff.

**IT STRATEGIC PLAN UPDATE:**

*September 8, 2015 submitted by Waterworks Info. Tech. Officer, Jeffery Mendez*

**IT Plan Task 3: Project Management and Document Imaging:**
Recently sent out a Project Management RFP to approximately 15-20 requestors. We received 4 bid submittals. Jeff, Dustin, and Keith Aoki are the review committee and plan to have the proposals reviewed and scored by the end of September.

In the area of Document Imaging, we are currently exporting all images from the Document Imaging System and preparing the data for conversion into our SharePoint system.

**IT Task 4 Develop Web based GIS Viewer and Map Layers:**
Currently working on the Wailua-Kapaa System. Have completed about 50-60% of the GIS Model.

**IT Task 5 MMIS Replacement / Asset Based Work Orders:**
Submitted a draft RFP for review for a new MMIS system.

**AFFORDABLE HOUSING UPDATE:**
No significant affordable housing activities or meetings.

**MANAGER’S GOALS established August 20, 2015 for FY15-16 UPDATE:**

1. Provide management training for division heads and supervisors.
   *Update 09/20/2015: No update*

2. Investigate and determine methods for acknowledging outstanding employee performance.
   *Update 09/20/2015: No update*

3. Provide clear Manager Reports to the Board, providing background, options and recommendations.
   *Update 09/20/2015: Ongoing*

4. Provide Manager’s Reports to the Board by Friday prior to the Agenda meeting with the exception of the financial reports at the time of posting.
   *Update 09/20/2015: Ongoing*

5. Respond to grievances within 30 days.
   *Update 09/20/2015: Ongoing*

6. Obtain Department of Human Resources (DHR) approval for current Table of Organization. Minimize changes on the Table of Organization (TO).
   *Update 09/20/2015: DOW’s HR Coordinator, Debra Peay has been in contact with the Department of Human Resources (DHR) Kathy Tanita to standardize the DOW’s organization charts. She is in the process of discussing the matter with her associates and will provide feedback to the DOW.*

7. Fill all funded vacant positions for FY15-16.
   *Update 09/20/2015: Vacant funded positions for FY15-16 that are listed below:*
**MANAGER’S UPDATE**
Re: Manager’s Update for August through September 2015
September 17, 2015
Page 4 of 6

**Administration:**
1. Deputy Manager-Engineer #E-20 100% funded
2. Computer Systems Support Tech I #2492 100% funded

**Engineering:**
1. Civil Engineer III #2468 100% funded
2. Civil Engineer V #2476 50% funded

**Construction Management:**
1. Project Manager #2484 Current classification is Project Manager #2484 100% funded
2. Supervising Waterworks Inspector #2483. To be re-described to Waterworks Inspector I (ref. Mgr’s Report 16-11) 100% funded

**Water Resources & Planning:**
1. Civil Engineer VI #2428 100% funded

**Operations:**
1. Water Plants Superintendent. #2490 10% funded

8. To obtain a performance evaluation score of at least 3.5%.

*Update 09/20/2015: No update*

**COUNCIL / BUDGET & FINANCE COMMITTEE MEETING UPDATE:**
On August 13, 2015, at the request of Budget and Finance Committee Chair, Mr. Arryl Kaneshiro requested follow-up questions relating to the Department’s Capital Improvement Projects Briefing.

Below is the DOW’s response:
Thank you for your letter dated August 13, 2015 requesting information relating to the DOW’s Capital Improvement Projects briefing. The following provides information requested in your letter.

1. Mr. A. Kupo Jr. reported that he experiences low water pressure at this home in Kekaha. Is this due to an insufficient source for the growing Waimea and Kekaha communities? What would cause the low water pressure in his residential neighborhood, and does the DOW have plans to address this occurrence.

In general, insufficient source does not determine water pressure. For the Kekaha service zone, water pressure fluctuation may be dependent on the elevation of water in the storage tank and actual system demand. The Department’s Water System Standards requires that pipelines shall be sized to meet peak hour flow with a minimum residual pressure of 40 pounds per square inch (psi).

The Department placed a pressure recorder to monitor the Department’s system pressure in this area. The pressure recorder was attached to Hydrant A-3 (see Exhibit A) which fronts Mr. Kupo’s parcel and was left there for 5 days (from August 20 through August 26). Results showed the average pressure fluctuated between 75 and 80 psi during this time period (see Exhibit B). For example, the overflow elevation of our Kekaha storage tank this area is 196 feet above mean sea level (MSL). The elevation of hydrant A-3 is approximately 6 feet above MSL. The maximum static (no consumption) pressure that the system could provide at hydrant A-3 is 82 psi.

Mr. Kupo’s service lateral is connected to an existing 12-inch waterline which should provide adequate water system pressure as verified by the results of the pressure recorder data. The Department has no plans to address this occurrence but the Department is willing to entertain any suggestions that may be provided.
2. Wailua Houselots Well B has been decommissioned. Does the DOW have future plans for Well B, given that this source provides quality water? If so, what is the timetable for this project?

Well B is not decommissioned and is still in service. The primary water source for most of the Wailua Houselots area is the Surface Water Treatment Plant. Well B is being utilized as necessary to meet water use demands.

3. Regarding water quality, what amount of additive(s) is applied at each of the county’s wells to bring it into compliance with water quality standards? What type of additive is incorporated into the water? What effect does the additive have on the taste of water?

For Fiscal Year 2015, the DOW’s fifty-three wells and three tunnel water sources in service produced a total of 3.8 billion gallons (BG) or 10.45 million gallons per day (MGD). Please note that treated surface water from Grove Farm is excluded since question 3 is specific to DOW wells.

The DOW adds chlorine in the form of a chlorine solution and sodium hypochlorite solution to disinfect the water. The level of free chlorine in the water is maintained at 0.2 to 0.5 parts per million of which most people cannot taste the chlorine at that level. However, there are some individuals who can. This amount of chlorine is not harmful, and it is not an option to not disinfect the drinking water due to regulations from the Environmental Protection Agency (EPA).

Tabulated below are the additives and corresponding amounts used in Fiscal Year 2015:

<table>
<thead>
<tr>
<th>Additives</th>
<th>Amount of Additives</th>
<th>No. of Wells Disinfected</th>
<th>No. of Tunnels Disinfected</th>
<th>Volume of Water Disinfected, MG</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chlorine</td>
<td>3,900 lbs.</td>
<td>5</td>
<td>1</td>
<td>656</td>
<td>5.9 lbs./MG</td>
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<tr>
<td>Sodium Hypochlorite</td>
<td>16,830 gallons</td>
<td>48</td>
<td>2</td>
<td>3,160</td>
<td>5.3 gal/MG</td>
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<tr>
<td>Soda Ash (for pH adjustment)</td>
<td>700 lbs.</td>
<td>2</td>
<td>0</td>
<td>52</td>
<td>13.5 lbs./MG</td>
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</tbody>
</table>

4. Everything else being equal, how does the pattern of growth affect the Water Department in terms of development cost and maintenance costs over the life of the project? If useful, please use the following hypothetical: compare the water development and maintenance costs of a 55-acre agricultural subdivision with a 2 acre, R-10 zoned lot with a density of 17 units. Please provide overall costs and per unit costs.

In regards to development costs (cost to construct source storage and transmission facilities) paid by the Water Department, the pattern of growth can affect the Water Department in terms of Facilities Reserve Charge (FRC) assessed and collect for each parcel created by subdivision, new single residential unit not yet metered, for each unit or hotel room in a multi-family residential development and/or resort development and for new water meters. The use of the FRC funds is restricted to design and construction of new facilities to accommodate water system growth and increasing water system capacity. Therefore, the amount of FRC funds collected will be directly related to the pattern of growth (i.e. more growth more FRC collected visa versa less growth less FRC collected).

In regards to maintenance costs over the life of the project. The Department assesses a monthly service charge which is used to pay a portion of the overall operation and maintenance of the Departments water system. Therefore, the amount of service charge collected will be directly related to the pattern of growth (i.e. more growth the more service charge collected and vice versa the less growth the less service charge collected).
In regards to comparing the water development and maintenance costs of a 55-acre agricultural subdivision with a 2 acre, R-10 zoned lot with a density of 17 units. The Department will require more detailed information such as identifying:

- Number of lots or units proposed in the agricultural subdivision (i.e. depending on the subdivision layout the number density may vary).
- Layout of the subdivision or development (this may determine amount of transmission main required, size and length).
- Size and shape of parcels in relation to roadway.
- What water system the project will occur in and where in the water system will the proposed development will be located.
- Other information as necessary.

The maintenance cost is spread island wide throughout the Department’s 13 water systems.

Respectfully submitted,

Kirk Saiki, P.E.
Manager and Chief Engineer

KS/mja

Attachments: Warrant Vouchers as of August 2015 (To Be Received For the Record)
2010 BAB Spend Down Report as of August 2015
ALL FUNDS
SUMMARY OF MONTHLY EXPENDITURES
FOR PERIOD ENDING
8/31/2015

WATER UTILITY FUND
Other Expenses - Capital Expenditures
Other Expenses - Normal Expenditures
TOTAL WATER UTILITY FUND

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Expenses - Capital</td>
<td>$28,716.24</td>
</tr>
<tr>
<td>Other Expenses - Normal</td>
<td>2,045,746.01</td>
</tr>
<tr>
<td>TOTAL</td>
<td>2,074,462.25</td>
</tr>
</tbody>
</table>

FRC FUND

BOND FUND

SRF FUND

TOTALS

2,074,462.25
### ALL FUNDS

#### SUMMARY OF MONTHLY EXPENDITURES

FOR PERIOD ENDING

8/31/2015

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Refund - Revenues from Water Sales</td>
<td>(2,607.83)</td>
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<tr>
<td>Salaries and Wages</td>
<td>665,292.88</td>
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<tr>
<td>Professional Services - General</td>
<td>2,275.00</td>
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<tr>
<td>Professional Services - Accounting and Auditing</td>
<td>8,000.00</td>
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<tr>
<td>Other Services - General</td>
<td>6,090.47</td>
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<td>Public Relations - General</td>
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<tr>
<td>Procurement Advertising</td>
<td>2,723.70</td>
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<tr>
<td>Communication Services - Office</td>
<td>5,508.66</td>
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<td>Communication Services - Operations</td>
<td>2,914.74</td>
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<td>Freight and Postage Services</td>
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<td>Rentals and Leases</td>
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<td>Utility Services - Office</td>
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<td>Repairs and Maintenance - Water System</td>
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<td>Office Supplies</td>
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<td>Operating Supplies</td>
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<tr>
<td>Fuel</td>
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<tr>
<td>Bulk Water Purchase</td>
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<tr>
<td>Books, Publications, Subscriptions, and Membership</td>
<td>95.21</td>
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<tr>
<td>Training and Development</td>
<td>1,499.50</td>
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<tr>
<td>Travel and Per Diem</td>
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<td>Meeting Expense - Board</td>
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<td>Interest Expense</td>
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<td>Debt Principal Repayment</td>
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**TOTAL NORMAL EXPENDITURES**

2,045,746.01
<table>
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<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Purchases - New</td>
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<tr>
<td>Capital Projects - Rehab &amp; Replace - Design</td>
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