

MINUTES

DEPARTMENT OF WATER SUPPLY COUNTY OF HAWAI'I WATER BOARD MEETING

April 28, 2020

Via WebEx/Host Location: Department of Water Supply, 345 Kekūanaō'a Street, Suite 20, Hilo, HI

MEMBERS PRESENT VIA WEBEX: Mr. William Boswell, Jr., Chairperson
Mr. Eric Scicchitano, Vice-Chairperson
Mr. David De Luz, Jr.
Mr. Nestorio Domingo
Ms. Judy Howard
Ms. Julie Hugo
Mr. Zendo Kern
Mr. Benjamin Ney
Mr. Kenneth Sugai
Mr. Keith K. Okamoto, Manager-Chief Engineer, Department of Water Supply (ex-officio member) – at meeting venue

OTHERS PRESENT VIA WEBEX: Ms. Diana Mellon-Lacey, Deputy Corporation Counsel
Ms. Ann Hajnosz, Harris & Associates

Department of Water Supply Staff

Mr. Kawika Uyehara, Deputy
Mr. Richard Sumada, Waterworks Controller
Mr. Warren Ching, Energy Management Analyst
Mr. Kurt Inaba, Engineering Division Head
Ms. Judith Hayducsko, Chief of Operations (Temporary Assignment)
Mr. Clyde Young, Operations Division
Mr. Eric Takamoto, Operations Division

- 1) CALL TO ORDER - Chairperson Boswell called the meeting to order at 10:00 a.m.
- 2) STATEMENTS FROM THE PUBLIC - None
- 3) APPROVAL OF MINUTES

ACTION: Mr. Scicchitano moved for approval of the Minutes of the March 24, 2020, Public Hearing on the Proposed Operating and 5-Year Capital Improvement Projects (C.I.P.) Budgets for Fiscal Year 2021; and the Minutes of the March 24, 2020, Regular Water Board Meeting; seconded by Mr. Sugai and carried unanimously by voice vote.

- 4) APPROVAL OF ADDENDUM AND/OR SUPPLEMENTAL AGENDA - none

5) **WATER RATE STUDY CHANGE ORDER, JOB NO. 2019-08:**

Water Rate Study consultant, Harris & Associates, was contracted to conduct a 5-year Water Rate Study for the Department in order to provide water rates for the fiscal years 2021-2025. The contract total was \$562,706.00. This amount did not include making a presentation to the Water Board, which was requested by the Board at a prior meeting. The contract does include having the consultant attend public hearings in Kona and Hilo on June 2 and 3, 2020, in order to provide information and answer questions to the public about the Water Rate Study. Not included in the original scope, the Department requests the consultant to incorporate an affordable housing component in their facilities charges analyses, in addition to providing a presentation to the Water Board on April 28, 2020, by WebEx. A change order totaling \$14,063.00 for all requested items was provided by the consultant, with a breakdown as follows:

April 2020 Presentation (water rates)	\$ 1,100.00
Affordable Housing Analyses	11,300.00
July 2020 presentation (facilities charges)	1,100.00
Taxes	<u>563.00</u>
Total	<u>\$14,063.00</u>

The Manager-Chief Engineer recommended that the Board approve a change order to the Harris & Associates contract, Job No. 2019-08, totaling \$14,063.00, for two (2) Board presentations and affordable housing analyses.

MOTION: Ms. Howard moved for approval of the recommendation; seconded by Mr. Kern.

Ms. Howard asked for some background for the scope of the affordable housing analysis and how it came into play.

The Manager-Chief Engineer replied that the affordable housing component is more of an evaluation on the facilities charges (FC), and would probably not be included with Ms. Hajnosz's presentation today. The Department currently has a discounted FC rate for the first service and then a regular rate for each additional service. What is not included is a special FC rate for affordable housing-type units which is something the Department wants to consider. There is a statewide and even nationwide effort to provide some relief and opportunities for people to get into housing affordably and the Department wanted to be a part of that and have an evaluation be a part of the upcoming water rate study; but more along the lines of the FC's which typically are applied for new developments and not the actual rate itself on the consumption side. Criteria would need to be established on what was truly an affordable housing development versus developments that claim to have affordable units but still may be over 100% of the median household income. This evaluation was not included in the original scope.

Ms. Howard thanked him for that explanation.

Mr. Kern recalled the discussion at the last meeting where the consultant was charging quite a large amount of money to come and give their presentation in person. It looks like the Department got that component down to \$1,100.00; and then affordable housing was added in as a separate component.

The Manager-Chief Engineer replied that was correct.

ACTION: Motion was carried unanimously by voice vote.

(It was noted that Mr. David De Luz, Jr., and Ms. Julie Hugo joined the WebEx meeting at 10:05 a.m.)

7) **WATER RATE STUDY - PRESENTATION BY ANN HAJNOSZ, HARRIS & ASSOCIATES:**

Ms. Ann Hajnosz of Harris & Associates provided the Board with a presentation via WebEx, regarding the ongoing water rate study.

Ms. Hajnosz greeted the Board and staff and wished everyone well during these unprecedented times. She provided the Board with some background on her experience with the Department of Water Supply. She is originally from Oahu, obtained an engineering degree there, and went to the mainland for a business degree, ending up in Seattle where she has been for about 30 years. She has been fortunate to be able to continue work in Hawai'i and has worked for all of the county water agencies and some wastewater and solid waste agencies as well as an electrical utility. She is currently working with Maui Department of Water and the Board of Water Supply on Oahu. Water rate studies are very important from the standpoint of always looking forward and can be done in a multi-year process.

She began with an overview of how rates are developed, using the American Water Works Association's (AWWA) M-1 manual. This is what all rate professionals in the water business use for the development of rates. It gives guidance on how to develop rates in a very organized fashion. In general, you want to set rates that are sufficient to do three things: 1) pay your ongoing operational needs, including your debt service; 2) achieve financial metrics that are in line with industry standards as well as your financial policies (level of reserves and debt service coverage) and reflect your community values; and 3) fund adequate levels of capital spending for your system's sustainability. The Board may have heard that water utilities are behind the curve when it comes to replacements; therefore, they are looking at a massive wave of rehabilitation and replacements in the coming years and have to find that correct balance of cash and debt and get access to grants. Two other things they look at are fixed and variable components of the rates, like the standby charge which is not dependent on usage, and the variable component, which is dependent on usage. They try to make sure those are in alignment with a couple of things--one is revenue stability. Typically, you would like high, fixed charges because they provide revenue stability; but at the same time, the higher your fixed component goes, the lower your variable charge goes, and it might not give your customers enough pricing signal to conserve water. You want to make sure there is enough of a pricing signal to match your State conservation goals. You also want to adopt fair and reasonable rates for your community. What that means is making sure that in the 5-year outlook, your customers are able to see what the rate increases are going to be over a multi-year span. DWS staff are able to plan in a proactive manner when they can see they are going to get the funding they need to do Operation and Maintenance (O&M) replacements and their capital projects, and have a steady reserve to have that financial stability. She invited the Board to ask questions as she goes through her presentation.

Mr. Domingo asked if they accounted for an inflation rate on their variable.

Ms. Hajnosz replied they did and would explain that in the coming slides.

Mr. De Luz asked if, with the advent of the Clean Water Act and in regard to the Legislative uncertainty, if the variable rate consideration would have a component that would eventually address this for the future because the base rate is not the issue--it is energy, a compliance that is undetermined as far as for planning purposes, other than what is current. To him, the rate study has to have a rationale and understanding that as much as you want to anticipate these types of expenses, they are very unique to each water system. Because there are twenty-seven separate water systems, the issue becomes even more complex. Also, as a side note, he mentioned he has a problem with the word "fair" and thought "equitable" may be something to consider.

Ms. Hajnosz thanked Mr. De Luz for his comments. She commented that they absolutely try to consider inter-regulations, such as the Clean Water Act and the Safe Drinking Water Act, in their future projections and do that by talking with staff and keeping abreast with regulatory issues at the Federal and State levels. For instance, the Lead and Copper Rule is important as well, and they are trying to figure out how to implement it at the State level and what those costs are going to look like. That is an issue that has been on the table for many years; and as it gets clearer, they will be able to incorporate specific costs in there. For now, there is nothing specific to put in for this study; but they are aware of them and try to put in appropriate levels of reserve for capital improvement projects that may arise out of such regulations.

Ms. Howard asked about one of the items which says that ...“to establish the rates with respect to or in considering the Department’s water services pricing goals...” and what those pricing goals are.

Ms. Hajnosz replied that conservation is the biggest pricing signal that can be given to customers, and the Department of Water Supply is committed to conservation. There is a State rule called the Fresh Water Initiative where they are trying to reduce water consumption by 8% overall, statewide, by 2030. They have to figure out how to go about doing that. One of the tools they have is a strong conservation-oriented rate structure. The Department has one, which is a four-block inverted rate structure, which means the more water you use on a monthly basis, the more you are going to pay. That should discourage people from watering too much, and this is the pricing signal being talking about.

Moving on to the Revenue Forecast Assumptions in her presentation, she explained that it shows the revenue forecast at existing rates. The three light colored bars on the left are historical. Fiscal Year 2020 is shown with dotted lines around it, and the five-year projections are at the right. They are all at existing rates; and as shown, it is very flat. From a conservative financial standpoint, it shows the growth was not that high and, historically, it is less than 1%. Water sales have been declining and that is very typical for the water industry right now. Everywhere has been seeing water use declining, even before COVID-19. They are basically assuming that revenues are going to come in about where they were. She added that COVID-19 impacts are not reflected in this study as it was being wrapped up in early March. It was decided to stay with what it was and not confuse things; therefore, this shows costs the way they were.

Continuing to the O&M Forecast Assumptions slide, when you look at the last three years and how expenses changed, you can see from 2017 through 2025, it is pretty much a straight shot, with the exception of 2020. The difference there is the adjusted projection, which is less power, less than anticipated. With regard to Mr. Domingo’s earlier question about inflation, a 3% inflation rate is built in as well as a 4% annual escalator for salaries and benefits, and a 5% annual increase for power costs. Again, this does not reflect any changes due to potential COVID-19 impacts.

Mr. De Luz asked if these are compounded percentages.

Ms. Hajnosz replied that they are applied on an annual basis; but, yes, they start with the fiscal year 2021 budget, applying 3% to that number, and then to the next number, and the next number after that.

Mr. De Luz stated the reason that is important is because it is where the rate has to be calculated within the context of the five years. As policy makers, unfortunately, although this is simplified, people seem to get flabbergasted as to why the increase is so much, until you do the math for them. It is more of a perspective of presentation.

Ms. Hajnosz understood Mr. De Luz’s point.

Mr. De Luz also mentioned that one of the challenges in the rate study is not that revenue stays flat, but the problem is it prohibits the ability to expand the distribution system; therefore, unless government addresses how to deal with growth, it falls to the fiduciary responsibility of the water utility. He did not think it is feasible to expand, at this time, unfortunately; and the caveat is that it is not that there is no desire to expand or increase distribution, but more that those challenges are quite overwhelming. He felt that it should also be a footnote that it is not that the utility does not want to expand, but it has to be prudent with what it can do at this time.

Ms. Hajnosz asked if he was referring to the revenue forecast.

Mr. De Luz replied that was correct. There are limitations to where the distribution and physical facilities are currently serving and the ability to expand.

Ms. Hajnosz stated that it goes back to the question about the additional work on the facilities charges. If they take into account the related capital improvement programs and look at the General Plan that is under development within the County, that is really going to be the basis for their recommendations on the facilities charges and what those charges should be to pay for growth. Whatever is being done at the County level with regard to growth assumptions is what they will use in the facilities charge analysis. She asked if that answered Mr. De Luz's questions.

Mr. De Luz replied it does and thought the caveat in these studies is to have people appreciate that it is a complex manner, especially to policy makers, and is not a matter of just keeping up with demand. It has to do with what is needed to provide water, and he does support the philosophy of having a universal rate. That in itself provides for more capacity for areas that have not had the opportunity to hook up to water.

Ms. Hajnosz thanked Mr. De Luz for his comments and went on to the Baseline Operations (Prior to Capital) slide. This combines operations and maintenance (O&M) costs, which are shown in black, and all of the other O&M costs lay on top of that. Then you have debt service, which is the debt service on existing General Obligation bonds and State Revolving Fund loans. The red line is power and energy CIP (capital improvement projects) revenue coming in that basically covers power and energy CIP costs. The purple line is the revenue that covers the rest of the costs, O&M and capital. On the projected side, you will see about a \$2.5 million to \$3 million difference in what you need to pay for existing debt service and increases in O&M, relative to the revenues at existing rates. They want to make sure the Department has operating reserves of 60 days for O&M expenses and a minimum debt service coverage that is equal to 1.25%, or 25% more of the annual debt service payments. She pointed out that some people think it is sort of high, but it is really a goal to not miss that 1.0%. There are ways to be less conservative and use something like 1.1%, but 1.25% is pretty standard in the water utility industry.

Going to the next slide, Historical Capital Spending, they looked at historical capital spending because it is important, again, to not set rates too high to reflect higher capital spending when it is not able to be spent. A lot of utilities struggle with implementing their entire CIP because of some of the reasons mentioned before. It is difficult to get plans or a site for a new reservoir, or difficult to get all of the permits from other agencies. You might have some projects that go through a neighbor's back yard and that will take a lot of public outreach and time. There are many reasons why CIP's are not implemented at 100%. To know what the Department is actually doing, they took a look at the last three years; and on average, it is about \$13 million per year. They compared that to depreciation expense, which is about \$15 million per year. It is a bit of a gap, but not all water utilities are funding 100% depreciation. It is very hard to do that because what happens is the rates get high, you pile up a lot of cash, and if you are not able to execute those projects, you can get into trouble with customer credibility. It is nice to have cash for reserves, but if you have too much cash and you are not doing enough CIP, that is not a great formula for asking the customers for more money. They want to make sure there is actual capital

spending in balance with what the customers expect, what the Department can do, and also depreciation expenses. She asked if there were any questions on this portion because a lot of times, you are asking for more CIP on an annual basis and a lot of utilities are probably spending about 60% to 75% of their CIP, and they want to make sure funding is at a doable level; not a wish list.

Mr. Domingo asked if the annual depreciation expense can actually be taken into account. His understanding was you can only claim them until you dispose of the equipment.

Ms. Hajnosz replied that the way they are using depreciation, it is not a line item in their analysis. It is merely a surrogate for the level of renewal and replacement or level of capital spending they are trying to achieve. They looked at the Department's financial annual reports and the depreciation on an annual basis for the last three years. The average dipped to \$15 million or so. It is a representation of what the Department should be replacing on an annual basis. The example she gives to customers at public hearings is to think about when you buy a new house and how many people put away 1% of that house value every year. Nobody does that, but it is what people should be doing so that by year twenty, you have enough money to replace your roof or windows, etc. That is what they are trying to do here, which is trying to get to that annual level of depreciation. What that level equates to in terms of asset life for the Department is that assets are evaluated by category such as pipes, sources, tanks, etc. It is probably 50 years or so on average. That is how depreciation is used. It is not a line item in the rate study but it is a surrogate for how much capital the Department should be spending.

Mr. Domingo noted it was different from his definition, and thanked Ms. Hajnosz for her explanation.

Ms. Hajnosz continued to the next slide where they did two capital funding scenarios. They did a cash funded CIP scenario and a cash and debt funded CIP scenario. For the cash funding, a lot of utilities do not want to do debt; they prefer to use cash. If you only rely on cash, coming only from rate payers, you could do about \$60 million over the course of the study period, or \$12 million per year. It is consistent with the historical levels of spending but is inadequate for long-term system sustainability, meaning if depreciation is showing \$15 million a year, you should be at that level. Maybe in the short-term, you will miss it one or two years; but in the long-term, all of a sudden, you find yourself way behind in capital spending. Even across five years, they think \$12 million a year is definitely not enough; and staff probably agrees with that. The cash and debt funding scenario is the one she would like to recommend for a number of reasons. Number one is, just as you talk about the house mortgage, when you leverage in your down payment, now you can afford more house. When you put your cash down and borrow bonds or State Revolving Fund (SRF) loans, you can afford more capital. That is what the situation is here. Instead of \$60 million over a five-year period, you can spend \$83 million. That is what they have assumed in their analysis that for \$5 million in SRF debt a year, your debt service is going to increase \$300 thousand to \$1.5 million a year. The reason she likes that funding is there is a better matching of how you are using your assets. You put pipe in the ground, it lasts 50 to 60 years, and is an intergenerational matching of the cost of the assets, and the benefits of those assets. They are not asking the current rate payers to put pipe in the ground right now and pay for all of that, but it is going to last 50 years. A mix of cash and debt is good and you want to use debt for the long-life assets such as a new tank or source of supply. The cash can be used for replacements. If you need a pipeline replacement, that is a more appropriate use of it. She asked if anyone had any questions about that.

Mr. De Luz asked how it aligns with the Department's strategic CIP forecast and if there is a correlation to this.

Ms. Hajnosz replied that the Department is putting together their list of capital. What has to be done now is that list needs to be prioritized. There is a way of doing it similar to how DWS has done it before, with some tweaks, but there are 200 projects on the list. Now the challenge is to say what needs to get done

this year and then in the next five years, then after that, and then ten and twenty years out. The latest ones she saw were that the pipeline projects were matching up. There is a concerted effort to replace steel tanks. There are some wells that line up as well. There are others that come up where they have gone on the Department's list for the near-term, and they have to come up with an understanding of what the priority is. Whenever she does these studies, she asks the engineers to give her their list, prioritize it, and tell what needs to get done in year one, two, three, four, and five. Then she looks at what has been done and what can get done because that is only \$15 million and the engineers come up and say they need \$20 million, you have to ask yourselves how to go about doing that. She does not believe it is feasible to go in there and say you want to double CIP for example--\$15 million to \$30 million. You would not raise rates based on that \$30 million scenario unless there is a plan to achieve it.

Mr. De Luz asked if there is going to be a footnote in regard to the escalator for CIP's. Depending upon the circumstance of events, for example, the past 10 years was extremely expensive due to the robust industry, and it may be like a double-edged sword and getting into a particular timeframe where it may be time to seriously consider more debt because you are able to leverage the ability to get more build for the amount of money you have.

Ms. Hajnosz replied there are definitely ways to do that. They put an escalator on their CIP estimates, such as you do it today, you escalate rates because it has been such a hot construction time. The question is how to change some of those assumptions, and Mr. De Luz's point is well taken.

Mr. Ney asked what their analogy is in terms of leveraging debt and, as Mr. De Luz was saying, this might be a good time with the current interest rates to take advantage of that. Another thing is this is not reflective of what the possibility will be for next year because of COVID-19. Things are perhaps not going to move in such a linear fashion or trend like seen before. He thought that has to be taken into account because there are going to be unknowns and variables in the coming months that need to also be factored into the equation.

Ms. Hajnosz agreed with that comment, although some construction projects are still ongoing.

Continuing to the next slide, called Total Revenue Requirement, she explained that it basically represents operations and maintenance costs, debt service, cash contributions to capital, and any new SRF debt service they are projecting. They came out with a rate adjustment strategy of 6.5% per year for the next five years. This is pretty much what it looks like when you put everything together. Again, it reflects the 60 days of O&M expense as an operating reserve and includes \$16.5 million in annual capital spending, which compares to about \$15 million of depreciation expense. Debt service coverage is pretty strong, ranging from 1.25 to 2.0. The Department has really strong bond ratings as part of the County and that debt service coverage is important. You want to show strong debt service coverage so you are able to support the high ratings that you get from the agencies.

The next slide, Rate Adjustment Strategy, shows proposed increases to the standby charge and the water use charges of 6.5%. The annual power charges will continue to recover whatever the annual power expenses end up being. There will be no change to the existing energy charge. The outcome is that it will recover baseline operational needs and will also give the potential to either do cash funding only or a combination of cash and debt funding of capital. Page 11 shows a sample bi-monthly bill impact. A bill will go from a little bit under \$100.00 to about \$106.00. It is an across-the-board increase at 6.5% per year, and power costs are projected at 5%. The energy CIP is maintained at the same level. The sample is based on a 5/8-inch meter to the customer and an average monthly use, based on historical consumption, of 8,600 gallons per month.

Ms. Howard asked if they looked at possibly doing it some other way rather than across-the-board. She asked if the lowest block could stay closer to where it is now and the second and fourth blocks increase more so you get the same results in terms of revenue.

Ms. Hajnosz replied that it was decided at the beginning of the study to keep the same rate structure, so that was not looked at.

Mr. Domingo asked if he understood it correctly, that customers will see an annual compounding rate of 6.5% on their bills.

Ms. Hajnosz replied yes, every year. This compares to the previous rate study, and the last two years were 5%. On Page 12, it shows a comparison with other water utilities in Hawai'i where a bill is about \$98.00 bi-monthly, going up to \$106.00, and Honolulu Board of Water Supply is going to have a 2% rate increase as part of their 6-year rate plan. Kauai has not raised their rates for at least five years so it has been high for a long time (\$119.00). Maui was going to do a 3% increase but are not going to do it now. They have a lot of reserves; a challenge in spending capital. That puts this Department right about average with the 6.5% rate increase. The next slide will show what the actual rates are going to look like and are across-the-board increases. The same rate structure was kept for everyone. During past studies, there has been discussion over what to do about the agricultural rates. It is much lower, at the third block. The first two blocks are kept the same as the general use rate. This is to reflect that agricultural customers may be a large farmer but are considered residential and so they are given the same rate pricing signals for the first two blocks, but the third block will be considered their agricultural use. All of the counties are consistent with regard to how they subsidize agriculture. It is a community value and has been consistent over the years. It has elicited some discussion every now and then as to how to support agriculture but also increase those rates and decrease the subsidization.

She finished by covering what the next steps would be. If the Board agrees with this rate proposal, it will be taken forward to public hearings, although Governor Ige's proclamation has extended social distancing through the month of May. The typical schedule would be to do the rate study, the Board approves the rates, they go out for public hearings, both in Hilo and Kona, you would hear back from the public, and the Board votes to approve or disapprove. The rates are implemented the following month. If the rate proposal is not acceptable to the Board, they would go back and do another scenario and come back with revisions and the public hearings would have to be held later and implementation perhaps later in the fall.

Ms. Howard asked how the new work on affordable housing would tie in with the next steps.

Ms. Hajnosz replied that in conjunction with the rate study, they are finishing up the master plan, which will be wrapped up in June; and as part of that, they have to find the capital improvements that are consistent with the growth pattern in order to do the facility charge. That facility charge work is going to continue through the summer; therefore, they would do a Board presentation at either the July or August Water Board meeting and then go out to public hearings in August on the facility charges. She asked if there were any other questions.

Mr. De Luz pointed out Page 5 and Page 9 in the graphs and gave a suggestion in regard to presentation. He believed the same variable should be in the graph and the reason is that one of the perceptions is you are now just under \$50 million in revenue and now you need this particular rate increase to reach \$71 million. It does not give an accurate perspective because energy costs are not directly under the control of the Department. He suggested making sure in the graph that it shows O&M costs were managed to a minimal of increase instead of a "pass-through." If you have that information as far as what happens in O&M expenses, it becomes more realistic when someone is looking at what the total rate is and what needs to be managed in O&M. In energy, you are doing the best you can; but to some degree, it

is not really an expense you have control over. What he wants to make sure is that the Department is not really asking for an exorbitant increase but that a lot of the percentage of the increase is really based on what is needed for power costs, of which only 5% of the requested increase in rates is for O&M expense and other items.

Ms. Hajnosz replied that power is definitely one of the largest components and is in the top three, along with salaries.

Mr. De Luz stated that it gives more perspective when you look at all of this.

Ms. Hajnosz stated that it was a good suggestion to basically break up Slide 9 from green into indicating how much of that is for power, which is anywhere from \$15 to \$20 million.

Mr. De Luz replied that was correct, and also the energy CIP expense can be shown so they have an understanding of it.

Mr. Ney asked about the discussion on conservation of water and having a sliding block or rate where if you use more water, you pay at a higher rate and wondered when does conserving water adversely affect your revenue stream in terms of either having money coming in to do a volume of something or if you have to increase the profit margin, and when promoting conservation actually becomes detrimental to that revenue stream.

Ms. Hajnosz replied that was a good question and is what water utilities struggle with all the time. They see that a lot in their work in California. What you need to do is look at it from a more holistic standpoint and see the need to conserve water because by showing the cost of that additional supply, if you conserve a million gallons a day, that means you can delay getting a new supply of a million gallons a day and the cost of getting that million gallons a day can be offset against the reduction in revenue. There is a cost benefit that you look at. Certainly, there is a cost to less revenue stability and that is why they try to put in operating resilience to give that stability. You want more insurance to be able to withstand these economic downturns and these pandemics that nobody ever had in their plans. It equates to an economic downturn, and that is what we are going to be seeing, no doubt. On the standpoint of the Department's large customers, all hotels are shut down, and it goes all the way through to customers who are really struggling. Recently, the AWWA published a study expecting things like delinquencies in water utility bills to increase by 6%. Right now, it is less than 1% on average, and this Department is right around 1%. With all of the Governor's recommendations on not shutting off water, you will be selling water losing revenues because you will not be able to collect, at least not in a timely manner. There will be a revenue shortfall. There are utilities that are saying they will do a 6% increase but now will do a 12% increase to recognize that reduction in revenue. She did not think this Department would want to do that. It would be a difficult sell. There is recognition about the impacts of conservation and how that can jeopardize revenue stability. The way to offset it is to look at what the next unit of supply is going to cost you.

Mr. De Luz stated that the strategic plan on leak detection which reduces distribution expense is important to be tied into the study so the rate payers understand that the Department has already taken a proactive approach in this area. It may be more concentrated in the strategy to accelerate them because borrowing may be less expense to initiate; and these footnotes to the rate study would show that proactive opportunity. As painful as it may sound to do a rate increase at this time, if it is deferred, it will be more painful when you have to come back in two or three years and have double-digit increases. With that in mind, he supports this particular proposal.

Ms. Hajnosz thanked Mr. De Luz for his comments concluded her presentation.

The Manager-Chief Engineer invited the Board Members to forward their questions to the Secretary if they think of something down the road and those questions would be funneled through to Ms. Hajnosz.

(Ms. Hajnosz thanked everyone and signed off from the WebEx meeting at 11:02 a.m.)

RECESS: Upon request, Mr. Scicchitano moved for a five-minute recess; seconded by Ms. Howard and carried unanimously by voice vote. (The Board recessed at 11:03 a.m. and resumed at 11:08 a.m.)

8) **DEPARTMENT OF WATER SUPPLY PROPOSED OPERATING AND 5-YEAR CAPITAL IMPROVEMENT PROJECTS (C.I.P.) BUDGETS FOR FISCAL YEAR 2021:**

The Department's Fiscal Year 2021 Operating Budget, totaling \$55,373,200, and 5-Year C.I.P. Budget for Fiscal Years 2021-2025, totaling \$135,100,000, have been distributed for the Board's review. The Board may change either Budget or adopt them as presented over two readings.

The Manager-Chief Engineer recommended that the Water Board approve the Department's Fiscal Year 2021 Operating and C.I.P. Budgets this second of two readings.

MOTION: Mr. Ney moved for approval of the recommendation; seconded by Mr. Kern.

The Manager-Chief Engineer stated that although the COVID-19 situation is not reflected in this budget, the recommendation is for the Board to proceed with the budget; and should it be necessary to make adjustments in the next year, it can be taken up at that time. However, the framework for the next fiscal year will be laid out with this approval today.

The Board had no questions.

ACTION: Motion to approve the Department's Fiscal Year 2021 Operating and C.I.P. Budgets was carried unanimously by voice vote.

9) **PRESENTATION OF COUNTY OF HAWAI'I AUDIT REPORT ON CONTINGENCY PLANS AT COUNTY OF HAWAI'I'S DEPARTMENT OF WATER SUPPLY - DEFERRED AT MARCH 2020 MEETING:**

The Manager-Chief Engineer stated that because this item was deferred at the last meeting, it is required to place it back on the agenda. However, due to current events, it is recommended that this presentation be removed and placed back on a future agenda, as appropriate, when the Legislative Auditor can appear before the Board in person.

The Board agreed. This item shall be placed on a future agenda, as appropriate.

10) **SOUTH HILO:**

A. **JOB NO. 2020-1135, PANAEWA WELL A REPAIR:**

This project generally consists of furnishing all labor, materials, tools and equipment necessary to remove the existing motor, discharge head and column assembly; replace a portion of the column assembly bearings; install the new discharge head, existing motor and column assembly, and all appurtenant materials; perform well rehabilitation work and vibration analysis, in accordance with the specifications.

Bids for this project were opened on April 16, 2020, at 1:30 p.m., and the following are the bid results:

Bidder	Bid Amount
Derrick’s Well Drilling & Pump Services, LLC	\$100,000.00
Beylik Drilling & Pump Service, Inc.	\$111,220.00

Project Costs:

1) Low Bidder (Derrick’s Well Drilling & Pump Services, LLC)	\$100,000.00
2) Contingencies (10.0%)	<u>\$10,000.00</u>
Total Cost:	<u>\$110,000.00</u>

Funding for this project will be from DWS’s CIP Budget under Deepwell Pump Replacement. The contractor will have 120 calendar days to complete this project. The Engineering estimate for this project was \$105,000.00.

Well History:

Pana’ewa Well A:

Original Installation: March 1964

Repaired: September 1999

Repaired: September 2016 – Final Contract Amount \$145,000.00

Last Repaired: November 2019 – Final Contract Amount \$115,803.05

Mitigation Measures:

This project does not implement any mitigation measures specifically identified by the Permitted Interaction Group; however, this project will be replacing the existing well discharge head which currently has a misalign column tail piece, and will reduce the diameter of the sounding tubes allowing greater freedom for the column assembly to fit into the well without space restrictions. Both of these factors were identified as the primary cause of the recent premature well failure for this specific well. Additionally, the repair will also include a vibration analysis on the installed well assembly to ensure well is operating smooth and within acceptable industry recommended tolerances.

The Manager-Chief Engineer recommended that the Board award the contract for JOB NO. 2020-1135, PANA’EWA WELL A REPAIR, to the lowest responsible bidder, Derrick’s Well Drilling & Pump Services, LLC, for their bid amount of \$100,000.00, plus \$10,000.00 for contingencies, for a total contract amount of \$110,000.00. It is further recommended that either the Chairperson or the Vice-Chairperson be authorized to sign the contract, subject to review as to form and legality by Corporation Counsel.

MOTION: Mr. De Luz moved for approval of the recommendation; seconded by Mr. Sugai.

The Manager-Chief Engineer stated that this is not a full-blown well repair. As the Board may recall in previous discussions, there was a problem with the alignment in the last well repair. This is a lineshaft configuration where the motor is at the surface and the pump is underground. The previous repair had some issues with the connections between the pump and motor and there were misalignment problems. He noted that Mr. Young, Mechanical Engineer, was standing by if there were more detailed questions.

Mr. De Luz asked if there are protocols or issues that need to be reassessed on bids being approved by the Board during this COVID-19 quarantine situation and if staff feels the contingency may address that matter.

The Manager-Chief Engineer replied that it is felt that the contingency will cover it.

ACTION: Motion was approved unanimously by voice vote.

B. JOB NO. 2018-1099, PANA'EWA WELLS B & C REPAIR - REQUEST FOR ADDITIONAL FUNDS AND TIME EXTENSION:

The contractor, Beylik Drilling & Pump Service, Inc., is requesting a contract change order for the additional work for incidental design work for articulating antenna mast and additional well rehabilitation work. The description of the additional work and associated fees are as follows:

ITEM	DESCRIPTION	AMOUNT
1.	Articulating antenna mast incidental design work	\$2,900.00
2.	Additional work for well jetting and surge blocking	\$60,000.00
	TOTAL	\$62,900.00

Original Contract Amount: \$813,020.00
 Original Contingency Amount: \$80,980.00
 1st Additional Contingency Request: \$62,900.00
Total Revised Contract Amount: \$875,920.00

The contractor is also requesting a contract time extension of 46 calendar days. Due to the COVID-19 pandemic, the Department has coordinated a schedule of work between all the well contractors and the various well projects among them which include well jetting work. These delays were beyond the control of the contractor.

Staff reviewed the request for the contract time extension and the accompanying supporting documentation and found that the 46 calendar days can be considered justified.

1st time extension – 92 calendar days (due to rework on pump to meet efficiency) *approved at the 10/22/19 Water Board Meeting*

2nd time extension – 90 calendar days (due to rework on pump to meet efficiency) *approved at the 1/28/20 Water Board Meeting*

3rd time extension – 46 calendar days

The Manager-Chief Engineer recommended that the Board approve an increase in contingency of \$62,900.00 to Beylik Drilling & Pump Service, Inc., for a total project cost of \$875,920.00, and approve a contract time extension of 46 calendar days for JOB NO. 2018-1099, PANA'EWA WELLS B & C REPAIR. If approved, the contract completion date will be revised from May 15, 2020, to June 30, 2020.

MOTION: Mr. Kern moved for approval of the recommendation; seconded by Mr. Scicchitano.

The Manager-Chief Engineer clarified the articulating antenna mast design work. It was discovered after the contract was awarded that there was a special permit needed, requiring additional electrical engineering design work. Staff also deemed it prudent to do well jetting and surge blocking on this well, which basically cleans out the casing. Some before and after photos were shown to the Board

on how well jetting improves the condition of the well, and Mr. Young had a new section of a casing to show the Board.

Mr. Young explained that tuberculated matter that builds up on the well casing is cleaned out, keeping it from getting into the pump and degrading it over time. It also improves the flow into the well. It was not part of the Permitted Interaction Group recommendations, and is relatively new to the Department, but will be a good thing to do periodically. Each time a well repair is done, a video of the well casing is taken, so that will determine whether or not this well jetting is needed.

The Manager-Chief Engineer added that because this company is based out of California, efforts are underway to coordinate all of the wells that need this work and have the company come out and have them done in one trip. An exemption from the Hawai'i Emergency Management Agency (HIEMA) was sought, and the travel itinerary was sent in to seek approval for them to travel here. It was conveyed to HIEMA that this is a required component of the Department's well repairs.

Ms. Howard asked what surge blocking is.

Mr. Young replied it is a suction or plunger type of equipment where you pull the loose material into the plunger and remove it from the well. This will pull out any additional loose material generated from the well jetting.

Mr. Ney stated that this was a great presentation provided in the packet. While he was reading through it, he noticed they included a disclaimer saying results could vary and the loose debris might not come up. He asked if they do an inspection after they complete the work.

Mr. Young replied that a post well video is done to verify it is clean.

Mr. Domingo asked about pipes getting fouled up from sediments and if someone had just thought of this issue recently, as it only seems to have come into the discussions.

Mr. Young replied that Wai'aha Well was the beginning stages of when the Department started looking at this. Wai'aha Well is the one out of service due to the pump falling into the hole. The way wells used to be cleaned was by brush and bail by sending down a large brush and doing a suction bail to pull out the material. With this new surge blocking and well jetting, the well can be cleaned much better. The pressure of the well jet can go up to 20,000 psi (pounds per square inch), whereas your average home pressure washer might do 2,000 to 4,000 psi.

Mr. Domingo asked if there was a specific interval where the Department might want to do this, such as every five years or so.

Mr. Young replied that every well will be different. A video is usually done before any cleaning is done on a well. That video will probably give information on whether it needs to be done or not. Also, one of the things being done now is to go with Stainless Steel casings for new wells, and this well jetting would not be needed for Stainless Steel. It is more for the older wells.

ACTION: Motion was approved unanimously by voice vote.

C. JOB NO. 94-590, PI'IHONUA-KUKUAU RESERVOIR AND TRANSMISSION IMPROVEMENTS:

This project required easements through five (5) properties; and the easement and costs for the easements were approved at the September 26, 2017, Water Board Meeting. There was an error in two of the easement amounts that were listed and approved as follows:

Easement 187-A: \$250.00
 New Easement: \$260.00

The easement amounts need to be corrected as follows:

Easement 187-A: \$260.00
 New Easement: \$210.00

Staff found this error as the easement documents have been signed by the owners and are in the process of being executed which subsequently prompted payment for the easements. The owners were provided a copy of the appraisal which listed the correct easement amounts and were agreeable to those amounts.

The Manager-Chief Engineer recommended that the Board approve the corrected easement amounts of \$260.00 for Easement 187-A and \$210.00 for the New Easement.

ACTION: Mr. Kern moved for approval of the recommendation; seconded by Mr. Ney and carried unanimously by voice vote.

11) SOUTH KOHALA:

A. JOB NO. 2019-1108, WAIMEA DEEPWELL REPAIR – REQUEST FOR ADDITIONAL FUNDS AND TIME EXTENSION:

The contractor, Beylik Drilling & Pump Service, Inc., is requesting a contract change order for the additional work in association with the reallocation of the power cable for an emergency well repair and additional well rehabilitation work. The description of the additional work and associated fees are as follows:

ITEM	DESCRIPTION	AMOUNT
1.	Replacement 1,810' power cable	\$36,000.00
2.	Additional work for well jetting and surge blocking	\$195,390.00
	TOTAL	\$231,390.00

Original Contract Amount: \$402,200.00
 Original Contingency Amount: \$39,800.00
 1st Additional Contingency Request: \$191,590.00
Total Revised Contract Amount: \$593,790.00

The contractor is also requesting a contract time extension of 91 calendar days. The Department reallocated the power cable designated for this project to an emergency well repair and asked the contractor to submit a proposal for replacement power cable. These delays were beyond the control of the contractor.

Staff reviewed the request for the contract time extension and the accompanying supporting documentation and found that the 91 calendar days can be considered justified.

1st time extension – 45 calendar days (due to change in valve material) *approved at 8/27/19 Water Board Meeting*

2nd time extension – 84 calendar days (due to change in valve manufacturer) *approved at the 10/22/19 Water Board Meeting*

3rd time extension – 84 calendar days (due to replacement of scored pump bearings) *approved at the 2/25/20 Water Board Meeting*

4th time extension – 91 calendar days

The Manager-Chief Engineer recommended that the Board approve an increase in contingency of \$191,590.00 to Beylik Drilling & Pump Service, Inc., for a total project cost of \$593,790.00, and approve a contract time extension of 91 calendar days for JOB NO. 2019-1108, WAIMEA DEEPWELL REPAIR. If approved, the contract completion date will be revised from March 31, 2020, to June 30, 2020.

MOTION: Mr. Sugai moved for approval of the recommendation; seconded by Mr. De Luz.

The Manager-Chief Engineer added that this is for additional work. The power cable from this job had to be used on the Holualoa Well Repair, and staff decided it was prudent to do the well jetting even if it was not included in the original scope. The dollar amount is quite a bit higher for this well compared to the other one, and that is because of the well depth, about 1,600 feet more than Pana'ewa Well.

Chairperson Boswell asked if the only time this well jetting would be done is when the equipment is out of the well and not something that can be planned on a yearly schedule.

The Manager-Chief Engineer replied that was correct. Building on Mr. Domingo's question, this is on a case-by-case basis; however, if an older well is going to be repaired, this work could be added in the bid documents, knowing that this technology exists. If the casing is found to be clean after the pump and motor are pulled out, a deductive change order can be done to remove that work.

Mr. Ney asked if there is a cost benefit from the contractor having this work done on multiple wells in one fell swoop.

Mr. Takamoto replied that there are some discounts from the contractors for the mobilization costs; therefore, there will be some savings.

Mr. Domingo asked if this company in California is the only company that can do this type of work.

Mr. Takamoto replied it is not the only company; but none of the contractors were able to find a local contractor that could do this work.

Mr. Young added that it is possible the contractors may buy the equipment needed to do this themselves if work like this increases, and the hope is it will reduce the costs.

ACTION: Motion was carried unanimously by voice vote.

B. JOB NO. 2019-1122, LĀLĀMILO A DEEPWELL REPAIR – REQUEST FOR TIME EXTENSION:

The contractor, Derrick’s Well Drilling & Pump Services, LLC, is requesting a contract time extension of 30 calendar days. The pump was extracted in late February and arrived at the refurbishment facility in early April. The pump was found to be non-repairable and a new pump will be needed. These delays were beyond the control of the contractor.

Staff reviewed the request for the contract time extension and the accompanying supporting documentation and finds the 30 calendar days justified. *Note: There are no additional costs associated with this time extension, but additional funds and a second time extension will follow after the cost of the new pump and estimated manufacturing lead time has been determined.*

1st time extension – 30 calendar days (due to extraction delays and pump not suitable for refurbishment)

The Manager-Chief Engineer recommended that the Board approve a contract time extension of 30 calendar days to Derrick’s Well Drilling & Pump Services, LLC, for JOB NO. 2019-1122, LĀLĀMILO A DEEPWELL REPAIR. If approved, the contract completion date will be revised from April 30, 2020, to May 30, 2020.

MOTION: Mr. Sugai moved for approval of the recommendation; seconded by Mr. Ney.

The Manager-Chief Engineer explained that there is no additional cost associated with this time extension; but additional funds and a second time extension will likely follow. The original scope of this project was to remove the existing pump, refurbish it, and put it back in the hole. However, upon tear down of the pump, it was revealed it is not reusable. Staff will work with the contractor to see what the next steps are, but it will likely mean purchasing a new pump. What will be done at that point is an evaluation on their proposed cost to ensure it is fair and reasonable. If they come back with a proposal that does not look right, the Department has have the ability to terminate the contract and re-bid it out. There were other delays that were not factored into today’s agenda item; therefore, they might be built into a future time extension as well. The other project delays were high winds preventing the contractor from doing work as well as shipping delays not included in this current request.

Chairperson Boswell asked about granting the 30-day time extension at this time, knowing there would be more time requested.

The Manager-Chief Engineer stated that this time extension is to take it past the completion date, otherwise, the contractor would be in liquidated damages after April 30, 2020. Technically, if the extension is not given, they would be in liquidated damages.

ACTION: Motion was carried unanimously by voice vote.

12) SOUTH KONA:

A. JOB NO. 2019-1114, KE‘EI C DEEPWELL AND BOOSTERS A & B REPAIR – REQUEST FOR TIME EXTENSION:

The contractor, Beylik Drilling & Pump Service, Inc., is requesting a contract time extension of 30 calendar days. The manufacturer encountered delays with the fabrication and testing of the booster equipment. These delays were beyond the control of the contractor.

Staff reviewed the request for the contract time extension and the accompanying supporting documentation and finds the 30 calendar days justified. *Note: There are no additional costs associated with this time extension.*

1st time extension – 121 calendar days (due to fabrication & testing of booster pumps) *approved at the 2/25/20 Water Board Meeting*

2nd time extension – 30 calendar days

The Manager-Chief Engineer recommended that the Board approve a contract time extension of 30 calendar days to Beylik Drilling & Pump Service, Inc., for JOB NO. 2019-1114, KE‘EI C DEEPWELL AND BOOSTERS A & B REPAIR. If approved, the contract completion date will be revised from April 30, 2020, to May 30, 2020.

MOTION: Mr. Kern moved for approval of the recommendation; seconded by Mr. Sugai.

The Manager-Chief Engineer stated that at the February 25, 2020, Water Board Meeting, a time extension was brought to the Board for approval because time was running out on the project and it was the contractor’s best guess at that time. This current request is because their schedule was firmed up since February, and they have more definitive shipping timeframe. This is to clean up that previous time extension request to accommodate what is really happening with the contractor’s scheduling at this point.

ACTION: Motion was carried unanimously by voice vote.

13) MISCELLANEOUS:

A. MONTHLY PROGRESS REPORT:

The Manager-Chief Engineer made note that the spreadsheet was revised, based on Vice-Chairperson Scicchitano’s request last month to show what projects were completed. They are shown in the shaded portions of the spreadsheet.

Mr. Inaba provided updates on the following:

Pāpa‘ikou Transite and G.I. Pipeline Replacement

Bids for the project will be opened in May and presented at the Water Board’s May 26, 2020, agenda. Staff is hoping for lower bid prices than it has been seeing.

North Kona Mid Level Deep Well Development - Phase 1

The owners have given their okay for the project site; therefore, the consultant is proceeding to complete their preliminary engineering and starting the Environmental Assessment process.

Vice-Chairperson Scicchitano thanked staff for putting the highlighted portion together. His comment before was more in line with historical data to see what projects were completed in prior years as well, which is a way to reflect what was done by fiscal year. He appreciated the real-time information, but the historical data might be good as well.

The Manager-Chief Engineer thanked him for that clarification and the report will be tweaked to include that historical data.

Mr. Ney asked if there is a ceiling for when a bid comes in, it cannot go higher than that, so the Department has control over the bidding.

Mr. Inaba replied there is no ceiling, but there is a project estimate, which is a guideline as to what the budget is, and bids are evaluated for fairness and reasonableness.

B. REVIEW OF MONTHLY FINANCIAL STATEMENTS:

Mr. De Luz commented on the consumption and asked if this year is the target for the study being completed on leak detection.

The Manager-Chief Engineer asked Ms. Hayducsko to comment on the work being done by Water Systems Optimization, Inc. (WSO).

Ms. Hayducsko stated that they were going to provide a verbal presentation to the Board but it has been delayed due to the COVID-19 situation. She is looking forward to getting some information before the end of the fiscal year to do more budgeting for potential meter replacements.

Mr. De Luz stated that he hoped there will be more accurate consumption data in regard to a decrease in water usage versus being able to proactively manage leakage.

C. TEMPORARY SUSPENSION OF WATER SHUT-OFFS AND LATE FEES AND OTHER MATTERS RELATED TO COVID-19 SITUATION:

The Manager-Chief Engineer reported that the Department suspended water shut-offs and late fees through April 30, 2020, due to the COVID-19 situation. The Department had to react quickly, according to everything that was going on to be empathetic to the customers' needs. This suspended shut-off and late fees are through April 30, 2020, but he proposed that it continue through the end of May. He noted that this is not a relief of payment. Staff will work with the customers on some kind of payment plan so they can pay their bills over the course of time; but at the same time, the Department needs to be conscientious of the financial hardships that people are experiencing. The Department has also suspended in-person services such as over-the-counter payments and Customer Service and Engineering walk-in business through the end of May in line with the Governor's Sixth Supplementary Proclamation. The Department also has staff on modified work schedules, alternating when staff comes in, as well as providing opportunities for staff to work from home. It is best to increase physical distancing and reduce risk amongst employees. This has had an impact on staff's abilities to do day-to-day work; but the balance is there to keep the water flowing and reducing risk for staff, customers, and the community.

Mr. Domingo thanked the Department for implementing this suspension. A lot of people who work in the hotel and food industry are out of work, and he could understand the pain they are going through right now. Some of them have not received their stimulus checks yet, so these are really hard times.

The Manager-Chief Engineer added that the Department was also able to source some Personal Protective Equipment (PPE). It is a good practice to wear a cloth-type mask when around each other.

Mr. De Luz asked if he understood correctly that under the rules, Item C, Part 12, the Department has the flexibility to manage these areas without Board approval.

The Manager-Chief Engineer replied that, technically, it would have been good to have Board approval or at least let the Board know of the temporary suspension of shut-offs and would have felt more comfortable having the Board's input; but he did not want to wait until this meeting to start the process because it would have seemed insensitive and not have come across well.

Mr. De Luz stated that what he would like to propose is, in the advent of a particular issue of managing, that the Board motion to allow the Department the flexibility until at least June with these actions, to manage administratively. He asked if the Manager-Chief Engineer would feel comfortable with that acknowledgement.

The Manager-Chief Engineer stated that the next agenda item is to provide a framework for the Board for further discussion.

Mr. Ney recalled at the March 24, 2020, Water Board Meeting, the Board had gone over giving the Department leeway in terms of expediting certain things.

The Manager-Chief Engineer replied that was discussed then and was the reason why the draft Resolution 20-01 is the next item on the agenda.

D. RESOLUTION NO. 20-01, TO EXPEDITE APPROVAL OF CRITICAL OPERATIONS IN THE EVENT OF AN EMERGENCY PRECLUDING BOARD MEETINGS:

The Department seeks approval from the Board to approve specified items internally in the event of emergency.

Chairperson Boswell mentioned that the word missing on the Resolution was DRAFT and asked the Manager-Chief Engineer to describe the Resolution.

The Manager-Chief Engineer stated that this is the first take on the Resolution to have something for presentation to the Board for review and comments. This is not what the Department expects the Board to approve without its concerns expressed today. The intent was not to avoid transparency or have more authority. It is a measure for the strange times we are currently in to be able to function, should there not be opportunity to meet as a Board. He did not see that being a problem with the Board continuing to meet with this technology; however, it is something to have in our back pocket in the event it is needed.

Ms. Howard thought it would be better if the document contained a specified duration, whether it be for two board meetings hence or until the Governor's declaration of emergency is terminated. Something so there is a clear point at which time this authority terminates. Also previously mentioned, the Department had suspended certain collection and disconnection activities; and it makes sense to add those in this document during the period in which it is effective.

Mr. De Luz suggested that if the Department had to modify a contract due to an issue, perhaps the Board could authorize the Chairperson and Vice-Chairperson, on behalf of the Board, to be able to collaborate; and if need be, require their signatures in order to expedite any contract changes.

The Manager-Chief Engineer replied that it does not waive that requirement because Hawai'i State Statutes are very clear that the Board, through its Chairperson or designee, still needs to sign off on contract documents.

Mr. De Luz asked if the document will need to include that language as well.

The Manager-Chief Engineer referred that question to Corporation Counsel.

Ms. Mellon-Lacey replied that it could be added and that the Board would still need to sign the documents. Also, she believed the intent was that such actions would be brought back to the Board at the next Board Meeting and would not be something that is kept from the Board. With respect to the duration of, it could be tied with a specific event. I was not clear whether you wanted something that would allow you to act in the event of other emergencies that might occur, such as a hurricane.

The Manager-Chief Engineer noted that this was all available for discussion by the Board. He could see it happening either way. There could be language that says it goes into effect on an event such as an emergency proclamation by the Governor or the Mayor and not at the whim of the Department. He asked if that addressed the concerns.

Ms. Howard replied it did and she would like to see that in there.

Mr. Ney suggested that the Chairperson meet with management to set parameters, and at the next meeting, there can be some kind of a draft so this can kind of move along.

The Manager-Chief Engineer asked if everyone could provide their concerns today and a new draft will be prepared for the next Board meeting.

Mr. Domingo stated that he had an issue with Item 1(b), Grant time extensions for existing contracts. He thought that would be stepping into the transparency issue. He has seen a lot of time extensions that the Board approves and would feel better if the Board gets involved with them.

The Manager-Chief Engineer appreciated the concerns and added that this Resolution was only intended to give the Department authority, should the Board not be able to meet, and any actions taken would be reported back to the Board. It is not intended to get around transparency, but intended to keep the Department functioning and keep the water flowing.

Mr. Kern thought it would just need a few more elements in there to have that emergency be something where the Board could not meet. It should take care of that. Something like the emergency proclamation like they had with 2018 Kīlauea eruption would not affect the Board's ability to meet, but this situation is different.

The Manager-Chief Engineer agreed those two things can be added in, that it needs to be based on a formal emergency proclamation by the Governor or the Mayor and is provided that the Board could not physically meet via some form.

Mr. Kern was fine with that.

Mr. Domingo noted that it is especially for items needing additional funds.

The Manager-Chief Engineer stated that is why the Department proposed a limit like \$25,000.00, but it was just a number that was thrown out there, not knowing what would be able to keep a project moving. He invited the Board to send their concerns to the Secretary, if anything else is thought of, and those concerns would be used to come up with a more refined Resolution to get to the Board by next month.

Chairperson Boswell thought that sounded good and thanked everyone for the discussion.

E. MANAGER-CHIEF ENGINEER'S REPORT:

The Manager-Chief Engineer provided an update on the following:

1. North Kona Wells - the Deputy reported that there are six wells offline and under repair. Palani Well is under emergency procurement; and submittals have been reviewed and approved, items are on order, and the completion date is October 2020; for Keahuolū (QLT) Deepwell Repair, the contractor has completed the well extraction, the electrical subcontractor has started some of the electrical work on the transformer. Contract completion date is September 2020 but the hopes are it can be repaired sooner. For Kahalu'u B, the contract was awarded and is being executed; however, the contractor has started the submittal process on their own volition. The project has a 210-calendar day project timeline. For Kahalu'u C, the contractor completed extraction work and equipment submittals have been approved and are in order. The contract completion date is June 30, 2020. Makalei Well's design is being finalized by the consultant, and Mr. Inaba has had some discussions with the design engineers regarding some of the changes they have made and should be getting plans for review in a week or so. The last one is Wai'aha Well which is on a litigative hold; however, there is a consultant under contract separately to evaluate the pump capacity of the well. It was reported last month that the hopes were to get that pump test rate by the end of April; however, because of the COVID-19 situation, there have been delays in getting the pump test rig over to the site.

Mr. Domingo asked if any of the six wells are being impacted by the COVID-19 issue shut-down.

The Deputy replied that well repairs are still ongoing. As mentioned last month, the well contractors, Beylik Drilling & Pump Service and Derrick's Well Drilling, are still proceeding and staff is working with them very closely to ensure materials are being submitted for review, ordered on time, and that their subcontractors are staying on track with the well repairs.

2. Employee of the Quarter (First Quarter of 2020) - The Manager-Chief Engineer announced that one of the great things the Department does is recognize an employee quarterly and was happy to inform the Board that the current Employee of the Quarter is Ms. Doreen Jollimore. She does a great job, and it was too bad this presentation could not be done in person, but perhaps down the road. The Board conveyed their congratulations. Mr. Kern commented that the Board sees a lot of recipients of this award but often does not have much personal experience with them, so this was good to have it be close to home and thanked her for an outstanding job.

F. CHAIRPERSON'S REPORT:

Chairperson Boswell appreciated everyone handling these WebEx meetings during these times. He noted that things should smooth out a little bit with everyone getting used to the technology and looked forward to one day getting back to work as things were.

14) **ANNOUNCEMENTS:**

The next regular meeting of the Water Board will be **May 26, 2020**, and the following is June 23, 2020.

15) **ADJOURNMENT**

ACTION: Mr. Kern moved to adjourn the meeting; seconded by Mr. Sugai and carried unanimously by voice vote. (Meeting adjourned at 12:20 p.m.)

Recording Secretary

APPROVED BY WATER BOARD
MAY 26, 2020