MINUTES

DEPARTMENT OF WATER SUPPLY
COUNTY OF HAWAIʻI
WATER BOARD MEETING

June 23, 2020

Via WebEx/Host Location: Department of Water Supply, 345 Kekūanaoʻa 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
Mr. Zendo Kern
Mr. Benjamin Ney
Mr. Kenneth Sugai
Ms. Julie Hugo (10:59 a.m.)
Mr. Keith K. Okamoto, Manager-Chief Engineer, Department of Water Supply (ex-officio member)

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 - There were no public statements. Chairperson Boswell asked if the Board would be addressing the letter from the person who tried to provide oral testimony last month or if it was the correspondence that was already completed. The Manager-Chief Engineer replied that the correspondence was already completed. It was from Ms. Tarletz who had tried to submit testimony at last month’s meeting. That email as well as the Department’s response letter were included in the Board’s packet and it will be part of his Manager-Chief Engineer’s Report, Item 10H.

3) APPROVAL OF MINUTES

ACTION: Ms. Howard moved for approval of the Minutes of the May 26, 2020, Water Board Meeting; seconded by Mr. Kern and carried unanimously by voice vote.

4) APPROVAL OF ADDENDUM AND/OR SUPPLEMENTAL AGENDA - none
At its meeting on May 26, 2020, the Water Board requested Water Rate Study consultant, Harris & Associates, to provide water rates for the Board’s evaluation that take into consideration the financial impacts of COVID-19. A proposal for the additional work was provided as Change Order No. 2 with the following categories:

1. Financial impact research $3,300.00
2. Funding research $3,300.00
3. Financial modeling for 3 scenarios $20,800.00
4. Financial projections $5,200.00
5. Presentation to Board $1,100.00

Total $33,700.00

The Manager-Chief Engineer recommended that the Board approve Water Rate Study Change Order No. 2 for Harris & Associates totaling $33,700.00 for the additional work related to COVID-19.

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

Ms. Howard asked Ms. Hajnosz of Harris & Associates what it meant in her cover letter that it is likely not all of these analyses will be needed and what her opinion is on what is actually appropriate. She wondered if the Department would be paying for more than it should.

Ms. Hajnosz replied that the way it was configured was to take what she had heard at the last Water Board meeting, to get additional research on the COVID-19 impacts. She laid out four different items which could be taken all together or separately. For example, the first one is to research the COVID-19 impacts from various sources such as the Department of Business and Economic Development (DBED), the Hawai‘i Tourism Authority, the University of Hawai‘i Office of Research Services (UHERO), and economic studies from First Hawaiian Bank and Bank of Hawai‘i. That could be a stand-alone element where they would do a summary memo after their research. The same thing goes for research of funding options from a federal and state standpoint, and what available loans and grants are out there, resulting in a summary memo. They could be stand-alone research, if the Department and the Board wanted a minimal amount of effort. Then Item 3 would be building a monthly financial model that would develop projections for the next two years. That would definitely be the biggest effort and would take some aspects of Items 1 and 2, but it would not be as deep of a dive. For example, they would probably go to DBED or UHERO and look at some of those sources but it would not be as involved and would not result in a summary memo. It would just define the sources of funding, for example, or describe the different COVID-19 impacts seen from those various economic reports. Item 4 would build on the financial model where they would come up with a new revenue requirement for the next two years. That one would look at the Department’s income statements and balance sheets. They do not typically do that type of work, but if there was a need to have that done, to look at it from an auditor or rating agency perspective, they could do it; but it would have to be in conjunction with Item 3 and would not be a stand-alone task.

Ms. Howard thanked Ms. Hajnosz for that explanation.

Chairperson Boswell stated that if this change order, in effect, takes a couple of years and identifies the impacts over time, he would highly recommend it. This COVID-19 situation is still fresh, and he did not think the information needed will be there until down the road to understand what a second wave is going to do. It is too difficult to see the future right now. If this is a two-year study, he would support it.
Ms. Hajnosz clarified that the two years means a two-year projection. The study would be done right now, using available information, and it would be monthly and would be a more granular look at projections. It would be based on information about the changes from the last four months.

Chairperson Boswell stated that he wanted to voice his concern last month but did not have the electronic means to do so, but thinks it might be too early in this situation and believes the Department could use the services of Ms. Hajnosz a little further down the road when the snapshots being taken result in maybe even a full year’s worth of impact, where you have some CARES Act money to do some supplementing for operational impacts. It may be a little early using the current snapshot to see what the real impacts are going to be.

Ms. Hajnosz appreciated that perspective. It seems like the Department is already beginning to feel some pinches on the revenue side; and from what she has seen from survey data from the American Water Works Association and the National League of Cities, other agencies are also feeling significant financial stressors just in this short time period. These projections help to understand, or at least build a framework, to look at the different stressors and do some sensitivity analyses up front, to help in making decisions on how to shift funding or delay projects, whatever it may take.

Chairperson Boswell stated that it is, in essence, taking a snapshot in time now to use as a baseline; and any studies done in the future will have that baseline to go back against.

Ms. Hajnosz agreed, and that is what she would definitely look at to show what the trigger points are in order to help make informed decisions. It will probably have to be watched on a monthly basis.

Mr. Scicchitano appreciated both perspectives and agreed that this could be a phased approach. This may need partnering again with Harris & Associates and may need to be budgeted for.

Mr. Kern felt the same way. The people he has seen survive the best right now have been making very informed, strategic decisions over the past few months. This Department has been doing the same thing, but could use more data. He agreed, if there could be different scenarios given, the best, the now, and worse-case; and once things settle where it is at the bottom and starts curving back up, then another analysis would be needed from there. The investment is going to be worthwhile, and he supports it.

Mr. De Luz stated that one of the challenges both Mr. Scicchitano and Mr. Kern mentioned is the scenario that is needed, which is to get some type of foundation or benchmark; and although these scenarios will be modelled, once this study is done, the opportunity needs to be given to Management to correlate between the issues of compliance, labor, and strategic investment, to give their perspective on how it would be managed. He appreciated that the Department is very forward thinking. He did not think borrowing money is going to be the answer because, being a quasi-government agency, it generates its own revenue and is not reliant on someone else. What this does is it helps the Board work with Management and look at current policies and procedures, which have to be aligned such as during an emergency where the Department gives the Board different scenarios and how it will continue to provide water to those who are impacted financially. He would be very hesitant to make those decisions without understanding the models. He concurred that these may need to be updated if the situation becomes much deeper than thought. He hopes the three scenarios that Mr. Kern gave will help, and being very proactive is key.

Ms. Howard asked how much delay in having a new rate structure could there be. The original intent was to have public hearings for a new rate structure beginning in July.

Manager-Chief Engineer replied that it should not be delayed too long. As the Board will see when Mr. Sumada gives his financial report later in the agenda, the Department is already seeing significant
impacts. This evaluation is still targeted for the same timeframe mentioned last month, to go out to public hearings sometime in the fall, with implementation of new rates in January 2021. The further it is delayed, the further the Department will be in the hole. From discussion today, it seems to be on point, to get a snapshot at this point to have a baseline, and include three analyses—good, worse-case, and in between scenarios. To have at least three will help give a realistic baseline. As mentioned, if it is revisited a year down the road and things are at the worse-case scenario, that is bad. If it is in the middle, then it is what was expected. If it is better than the best-case scenario, then great. He added that his recommendation is to include everything but clarified that the Department will not be charged for anything not needed. The Department can do a deductive change order to reflect what work was actually done.

Chairperson Boswell thought that was very good discussion. As mentioned, Item #5 is a recommendation. The explanations and chance to speak up was good. He asked if anyone else had comments.

Mr. Domingo stated that he needed to defer his vote since he was having problems with his audio and had to sign out and sign back into the meeting.

**ACTION:** Motion was carried with seven ayes (Mr. De Luz, Ms. Howard, Mr. Kern, Mr. Ney, Mr. Scicchitano, Mr. Sugai, and Chairperson Boswell); one recusal (Mr. Domingo); and one absent (Ms. Hugo).

6) **POWER COST CHARGE:**

Departmental power costs from all power sources increased since the last Power Cost Charge rate was determined. The Department proposes to increase the Power Cost Charge from $1.90 to $2.01 per thousand gallons as a result of this increase. Power cost charges over the past two years were as follows:

<table>
<thead>
<tr>
<th>Effective</th>
<th>PCC</th>
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<tbody>
<tr>
<td>February 1, 2020</td>
<td>$1.90</td>
</tr>
<tr>
<td>October 1, 2019</td>
<td>$2.00</td>
</tr>
<tr>
<td>June 1, 2019</td>
<td>$1.96</td>
</tr>
<tr>
<td>February 1, 2019</td>
<td>$1.89</td>
</tr>
<tr>
<td>August 1, 2018</td>
<td>$1.94</td>
</tr>
<tr>
<td>April 1, 2018</td>
<td>$1.88</td>
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Before the Power Cost Charge is changed, a Public Hearing should be scheduled to accept public testimony.

The Manager-Chief Engineer recommended that the Board approve holding a Public Hearing on July 28, 2020, at 9:45 a.m., to receive testimony on increasing the Power Cost Charge from $1.90 to $2.01 effective August 1, 2020.

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

Mr. De Luz asked if the Department has the ability to work directly with utility. He was a little perplexed, when looking at the world market and the price of oil, which is substantially down, and was having a hard time understanding their rates. He realized this is a different discussion, perhaps for the future, but wondered if the Department has that ability.

The Manager-Chief Engineer replied that if Mr. De Luz’s question was whether the Department has the ability to negotiate rates with the electrical utility or if there are options to consider, the short answer is no; but there are opportunities to get discounts such as Rider M programs that are already built in through the
electrical utility and approved by the PUC (Public Utilities Commission) and those are options that the Department continually tries to take advantage of whenever possible.

**ACTION:** Motion was carried by roll call vote (Ayes: 8 - Mr. De Luz, Mr. Domingo, Ms. Howard, Mr. Kern, Mr. Ney, Mr. Scicchitano, Mr. Sugai, and Chairperson Boswell; Absent: 1 - Ms. Hugo.)

7) **HĀMĀKUA:**

A. **JOB NO. 2018-1097, HONOKA‘A BOOSTERS A & B REPAIR – REQUEST FOR TIME EXTENSION:**

The contractor, Derrick’s Well Drilling & Pump Services, LLC, is requesting a contract time extension of 117 calendar days. Production on the second of two boosters commenced on 03/04/2020 with an estimated manufacturing lead time of 25-27 weeks and an anticipated ship date of 08/17/2020. This delay was beyond the control of the contractor.

Staff reviewed the request for the contract time extension and the accompanying supporting documentation and found that 117 calendar days are justified. *Note: There are no additional costs associated with this time extension.*

1st time extension – 224 calendar days (Due to production delays in fabricating the first booster)  approved at the 10/22/2019 Water Board Meeting

2nd time extension – 117 calendar days

The Manager-Chief Engineer recommended that the Board approve a contract time extension of 117 calendar days to Derrick’s Well Drilling & Pump Services, LLC, for JOB NO. 2018-1097, HONOKA‘A BOOSTERS A & B REPAIR. If approved, the contract completion date will be revised from June 5, 2020, to September 30, 2020.

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

The Manager-Chief Engineer stated that this was discussed at a previous Board meeting where this time extension would be needed due to dimension issues. It was hoped that the second set of boosters would be a duplicate of the first set, resulting in a shorter lead time; but unfortunately, that was not the case.

Chairperson Boswell queried everyone to read through the contractor’s explanation that was reviewed by the Department, which is the basis for their recommending the 117 days.

Mr. Ney asked how these situations can be improved because it seems like a common theme that time extensions on these contracts seem to span out, and if there was something the contractor could do to be more proactive about moving things along or if it was out of their hands.

Mr. Young stated that he suspects it could have something to do with the Department’s moving toward Stainless Steel material; not typical standard parts. The process of getting the materials in may take longer. The plan was to repair both boosters simultaneously; but when the manufacturer came back and said repair on one of the pumps would take 25 to 27 weeks, the first extension was given, and the thought was that the second pump would take a shorter period of time. The original due date was June 5; however, the manufacturer came back and said it was a custom job and would stick to the 25 to 27 weeks, pushing it back to September. The two pumps were from different manufacturers, and the Department had concerns there might be fit-up issues.
Mr. Ney asked if there was any way the Department could request that the manufacturer send supporting documents just to show that no one is getting the runaround.

Mr. De Luz shared some things he has learned since being on the Board. One is the challenge in Hawai‘i with limited number of contractors and suppliers who bid on jobs. As large as some of these companies and suppliers may be, it is uncanny how limited the specialized work and equipment are, plus the logistics of being so far away. It is not an excuse, but he does know the Department calls and asks for verification from the manufacturer and does not just take the contractor’s word. The Department also went through huge efforts three to four years ago to uniformly manage its well repairs. It is about one-fourth the way through the process of implementing additional mitigation efforts in well repairs. It is also looking at adding redundancy at some of the well sites, having more smaller pumps instead of one large pump to reduce maintenance. He also had learned a lot about water systems while attending an American Water Works Association convention in Denver. Each of the Department’s 23 water systems are unique and not a one-two-three deal. He suggested, perhaps on a yearly basis, an update from the Department on its progress in managing its wells.

ACTION: Motion was carried by roll call vote (Ayes: 8 - Mr. De Luz, Mr. Domingo, Ms. Howard, Mr. Kern, Mr. Ney, Mr. Scicchitano, Mr. Sugai, and Chairperson Boswell; Absent: 1 - Ms. Hugo.)

8) SOUTH KOHALA:

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

The contractor, Beylik Drilling & Pump Service, Inc., is requesting a contract change order for the additional work in association with the previous attempt to install the pump assembly, pump refurbishment, installation of current transducers on the load side of the VFD (variable frequency drive), and surge blocking work relating to the recently completed well jetting work. The description of the additional work and associated fees are as follows:

<table>
<thead>
<tr>
<th>ITEM</th>
<th>DESCRIPTION</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Furnish and install additional current transducers, SS junction boxes, conduit and wiring</td>
<td>$26,993.94</td>
</tr>
<tr>
<td>2.</td>
<td>Additional mobilization/demobilization</td>
<td>$22,000.00</td>
</tr>
<tr>
<td>3.</td>
<td>Additional Centrilift technician site visit</td>
<td>$12,889.79</td>
</tr>
<tr>
<td>4.</td>
<td>Additional work to rework and refurbish existing pump</td>
<td>$6,700.27</td>
</tr>
<tr>
<td>5.</td>
<td>Additional work for surge blocking and video survey</td>
<td>$20,783.02</td>
</tr>
</tbody>
</table>

TOTAL $89,367.02

Staff reviewed the request for the additional funds and the accompanying supporting documentation and found that only $68,584.00 can be considered justified as Item #5 was included in the 1st Additional Contingency Request. Note: Payment of this work shall be performed by force account.

Original Bid Amount: $402,200.00
Original Contingency Amount: $39,800.00
1st Additional Contingency Request: $231,390.00 (Replacement power cable, well jetting and surge blocking) approved at the 4/28/20 Water Board Meeting

2nd Additional Contingency Request: $68,584.00
Total Revised Contract Amount: $741,974.00
The Manager-Chief Engineer recommended that the Board approve an increase in contingency of $68,584.00 to Beylik Drilling & Pump Service, Inc., for JOB NO. 2019-1108, WAIMEA DEEPWELL REPAIR. If approved, the total revised contract amount shall be $741,974.00.

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

Mr. Ney asked for clarification if, in this second contingency request, some of the items were line items in the original bid amount. He recalled, from the last meeting, talking about things like surge blocking, and that the Department was going to start utilizing it as a standard thing; but when he went through these items, like the transducers he wondered if they were in the original bid amount.

The Manager-Chief Engineer replied that a few things are part of the original bid amount such as mobilization, demobilization, and the Centrilift technician site visit. Item No. 1 is additional work the Department requested the contractor to do. The whole thing will be done by force account, which means the contractor will need to provide documentation for the materials they buy, the shipping costs, their manpower needs, and their equipment needs. He added for clarification that Item No. 5 is being taken out as it was included in their previous request.

Mr. Ney asked if the transducers were for flow metering.

Mr. Young replied that the current transducers are to measure the electrical current. There is a VFD (Variable Frequency Drive) on this unit, and a special type of current transducer is needed to read the power going down the hole to the motor.

Mr. Domingo asked for more information on force account.

The Manager-Chief Engineer replied that in the Department’s General Requirements and Covenants, there are several ways the Department can accommodate additional work. One can be in an agreed lump sum where the breakdown is not required and is something both parties agree can be done in a set dollar amount. When there is more detailed work and the Department only wants to pay specifically for the actual work done, the Department calls for force account where the contractor has to provide documentation for everything they spend for the additional work, from material, to equipment, to manpower. These costs are justified and the Department pays only a certain amount for overhead and profit.

**ACTION:** Motion was carried by roll call vote (Ayes: 8 - Mr. De Luz, Mr. Domingo, Ms. Howard, Mr. Kern, Mr. Ney, Mr. Scicchitano, Mr. Sugai, and Chairperson Boswell; Absent: 1 - Ms. Hugo.)

**B. JOB NO. 2018-1085, PARKER #1 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 previous attempt to install the pump assembly, replacement pump/motor half couplings, and electrical splicing work. The description of the additional work and associated fees are as follows:

<table>
<thead>
<tr>
<th>ITEM</th>
<th>DESCRIPTION</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Pump/Motor Half Couplings</td>
<td>$9,841.42</td>
</tr>
<tr>
<td>2.</td>
<td>Additional Mobilization/Demobilization</td>
<td>$18,000.00</td>
</tr>
<tr>
<td>3.</td>
<td>Electrical splicing work to extend power cable</td>
<td>$7,500.00</td>
</tr>
<tr>
<td></td>
<td><strong>TOTAL</strong></td>
<td><strong>$35,341.42</strong></td>
</tr>
</tbody>
</table>
Staff reviewed the request for the additional funds and the accompanying supporting documentation and found that the $35,341.42 can be considered justified. *Note: Payment of this work shall be performed by force account.*

Original Bid Amount: $83,200.00  
Original Contingency Amount: $8,300.00  
1st Additional Contingency Request: $48,620.00 *(Additional positive seal check valves) approved at the 6/25/19 Water Board Meeting*  
2nd Additional Contingency Request: $13,668.00 *(Replacement pump discharge case) approved at the 8/27/19 Water Board Meeting*  
3rd Additional Contingency Request: $35,341.42  
**Total Revised Contract Amount:** $189,129.42

The contractor, Beylik Drilling & Pump Service, Inc., is also requesting a contract time extension of 45 calendar days. The contractor discovered upon installing the well that the existing power cable is too short and a splice to extend the power cable will be required. These delays were beyond the control of the contractor.

Staff reviewed the request for contract time extension and the accompanying supporting documentation and found that only 14 calendar days of the requested time can be considered justified.

1st time extension – 61 calendar days (Due to replacement check valves) *approved at the 6/25/19 Water Board Meeting*  
2nd time extension – 92 calendar days (Due to replacement pump discharge case) *approved at the 8/27/19 Water Board Meeting*  
3rd time extension – 62 calendar days (Due to fit-up issues with DWS supplied equipment) *approved at the 12/17/19 Water Board Meeting*  
4th time extension – 90 calendar days (Due to replacement equipment coupling) *approved at the 2/25/20 Water Board Meeting*  
5th time extension – 30 calendar days (Due to logistical issues with coupling) *approved at the 5/26/20 Water Board Meeting*  
6th time extension – 14 calendar days

The Manager-Chief Engineer recommended that the Board approve an increase in contingency of $35,341.42 to Beylik Drilling & Pump Service, Inc., for total revised contract amount of $189,129.42, and approve a contract time extension of 14 calendar days for JOB NO. 2018-1085, PARKER #1 DEEPWELL REPAIR. If approved, the contract completion date will be revised from May 30, 2020, to June 13, 2020.

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

Chairperson Boswell asked if the Department could summarize what is going on so as to keep the Board’s questions from being random. A summarization of how it got to where it is will help answer some of the questions that are going to come up, since this project has a history to it.

Mr. Takamoto, Project Engineer, summarized that the project was originally intended to use DWS-furnished equipment; but in doing so, the contractor ran into fit-up issues, which lead to most of these time extensions. It took multiple iterations for the original contractor who supplied the equipment to address the issues. Most of it had to do with the coupling for the pump and motor.
The Manager-Chief Engineer added that the Department tries to have a balance in having spare pump and motor equipment available when possible and coordinates repairs around them. It is not always a perfect system as sometimes the equipment provided by the Department may have some issues when it comes time to install. Going back to some previous discussion, the contractors are at the whim of mainland manufacturers; and there are only two water well drilling and pump service contractors normally bidding. These contractors try their best to keep the manufacturers on schedule; but when it comes to custom fabrications, they pretty much get put in a que at the factories and have to deal with the manufacturer’s schedules. Staff puts out bids with a reasonable timeframe, trying to balance between not giving too long a contract period, which can be problematic, and a best-case scenario where nothing ever goes wrong. The bottom line, though, is these issues come up because the mainland manufacturers really dictate the schedule to local contractors.

Mr. Kern noticed more of the force account method being done lately and asked if it was something the Board would be seeing more of or if it was in relation to the COVID-19 situation in an effort to be very aware of the spending.

Mr. Young replied that the Department tends to see better pricing when the contractors are held accountable for providing detail. Obviously it takes more work; but in the long run, there is the benefit of being able to verify the numbers as opposed to doing it lump sum where you do not see any of that detail.

Mr. Kern thought it made sense and is a potential win/win situation. The contractor is getting compensated and the Department is paying a very fair amount.

Ms. Howard asked if this job has been completed.

Mr. Takamoto replied it has not. Until the splicing work is finished, the well cannot be run.

Ms. Howard asked if they would be coming back for another time extension, noting that this one only extends the contract to June 13.

Mr. Takamoto replied that after that date, they will be on liquidated damages if it is not complete.

Mr. Ney asked who handles the product submittals, making sure there is compatibility between existing and new equipment and if there was a way the process could be improved.

Mr. Takamoto replied that the project engineer handles review of all project submittals. After review, if the approval is given, the equipment is shipped out.

Mr. Domingo asked about Item No. 2, additional mobilization/demobilization, and wondered why it is not standard and included in the contract. He could not see why they are charging for that.

Mr. Takamoto explained that this additional mobilization/demobilization is because the contractor had already mobilized to start the installation work; but when the fit-up issues were found, they had to stop with the installation. This added cost is to have them come back to remobilize to proceed with the installation.

The Manager-Chief Engineer added that part of the challenge is that by having just two contractors, the Department cannot expect them to leave their rig and equipment at the site pending long-term delays. They have other jobs they need to work on, possibly one of the Department’s. A specific line item is
put in the contract proposal for mobilization/demobilization to make sure the contractors cannot inflate the cost. It is typical in repair contracts and some CIP contracts.

Mr. Domingo mentioned that the Waimea Deepwell project discussed earlier had a cost of $22,000.00 for mobilization/demobilization and this one is $18,000.00. He had a problem with that.

Chairperson Boswell wondered what else could be done. If they left their equipment at the site, the Department would have to pay a standby charge.

The Manager-Chief Engineer stated that when a drilling contractor mobilizes at a site, it sounds simpler than it actually is. It takes time to set up the rig and anchor it down. There is not only one driver involved in the process, and it is not a process that takes just an hour or so.

Mr. Young added that it typically takes a crew of three at least a day to mobilize, and another day to demobilize. Part of why the force account is being done is to have a look at the numbers; and even though it may be on the contract, it can be subject to forced account so they have to justify it. It might be lower than that, but they have to justify their costs. It is a cost that is being monitored quite diligently.

Mr. Ney did not want to belabor the point, but at this time with revenue down and the uncertainty of the COVID-19 situation, he thought the Department needs to be prudent with money spent and recommended staff ask for further breakdown if it is not clear, in order to review those numbers. As a contractor, he would not like when someone wants a part-by-part breakdown; but at the same time, the Department needs to be conservative and use the money wisely.

Mr. Kern stated that in his experience with the DWS from many years working on the sidelines and now actually getting to be a part of the Board, he trusts the Manager-Chief Engineer and his staff, and that they are working in the community’s best interests, especially with force account which takes it to a whole other level. It is good to question and try and understand these things in order to make sound decisions; but at the end of the day, he felt the DWS has a superb team and his full trust is there, especially during these crazy times.

The Manager-Chief Engineer thanked the Board for their comments. This information is provided to the Board to be as open as possible, for transparency sake, and they are all valid questions. This will be kept track of and if there are any concerns from staff, it will definitely be brought to the Board.

During roll call, Mr. Domingo stated that his vote would be on the condition that an answer is gotten to the question raised previously by Mr. Kern.

Mr. Kern asked for clarity on what Mr. Domingo was saying.

Mr. Domingo stated he was voting “aye” with reservation.

**ACTION**: Motion was carried by roll call vote (Ayes: 9 - Mr. De Luz, Mr. Domingo [with reservation], Ms. Howard, Ms. Hugo, Mr. Kern, Mr. Ney, Mr. Scicchitano, Mr. Sugai, and Chairperson Boswell). Note: Ms. Hugo’s audio was out; however, she held up a written “yes” vote.
9) NORTH KONA:

A. **JOB NO. 2020-1142, HONALO BOOSTER A REPAIR:**

This project generally consists of furnishing all labor, materials, tools and equipment necessary to remove the booster pump assembly; rewind the existing motor; furnish a new discharge head; install the new pump, discharge head and refurbished motor, and all appurtenant materials; in accordance with the specifications.

Bids for this project were opened on June 10, 2020, at 2:00 p.m., and the following are the bid results:

<table>
<thead>
<tr>
<th>Bidder</th>
<th>Bid Amount</th>
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<tbody>
<tr>
<td>Derrick’s Well Drilling &amp; Pump Services, LLC</td>
<td>$56,100.00</td>
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</tbody>
</table>

**Project Costs:**

1) Low Bidder (Derrick’s Well Drilling & Pump Services, LLC) $56,100.00  
2) Contingencies (~10.0%) $5,600.00  
**Total Cost:** $61,700.00

Funding for this project will be from DWS’ CIP Budget under Deepwell Pump Replacement. The contractor will have 150 calendar days to complete this project. The Engineering estimate for this project was $64,000.00.

**Booster History:**

Honalo Booster A:  
Original Installation: May 1963

The Manager-Chief Engineer recommended that the Board award the contract for JOB NO. 2020-1142, HONALO BOOSTER A REPAIR, to the lowest responsible bidder, Derrick’s Well Drilling & Pump Services, LLC, for their bid amount of $56,100.00, plus $5,600.00 for contingencies, for a total contract amount of $61,700.00. 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:** Ms. Howard moved for approval of the recommendation; seconded by Mr. Ney.

Chairperson Boswell asked how the motor lasted that long.

Mr. Young stated that the Department got 57 years out of this pump. The bottom line is, this booster pump is one of three at this site. In the last 25-plus years, it has been a back-up to the Haleki’i Well system. It brings water from the Kahalu’u wells. It provides water whenever the well goes down or if supplemental water is needed. The motor was changed on several occasions so it has not been perfect. The pump is out of service and is rusted and beat up. Its run time was not that high in the last 25-plus years, but it has been better than usual. He wished all pumps could last for 57 years.

Mr. Domingo commented that is the kind of equipment needed on the Big Island.

Mr. Young stated it is a relatively small pump; only 10 horsepower, 150 gpm, and 185 feet of head. A lot of the problem pumps are the larger ones since they are run harder.
Mr. Ney asked about the rewinding of the motor and if the housing on the motor was in good shape.

Mr. Young replied that the existing motor is only about two years old so it should be okay. This contract will repair/rewind the motor, but replace the pump with a new pump and discharge head.

**ACTION:** Motion was carried by roll call vote (Ayes: 9 - Mr. De Luz, Mr. Domingo, Ms. Howard, Ms. Hugo, Mr. Kern, Mr. Ney, Mr. Scicchitano, Mr. Sugai, and Chairperson Boswell).

10) **MISCELLANEOUS:**

A. **DEDICATION OF WATER SYSTEM:**

The Department received the following document for action by the Water Board. The water system has been constructed in accordance with the Department’s standards and is in acceptable condition for dedication.

1. **Grant of Easement and Bill of Sale**
   Grantor: Walter Kimura  
   “Kimura Subdivision”  
   Subdivision No. 17-001769  
   Tax Map Key: (3) 7-7-003:003 and 007  
   Facilities Charge: $12,190.00  
   Date Paid: *To be announced*  
   Final Inspection Date: 3/14/2020  
   Water System Cost: $80,975.00

The Manager-Chief Engineer recommended that the Water Board accept this document subject to the approval of the Corporation Counsel and that either the Chairperson or the Vice-Chairperson be authorized to sign the document.

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

Mr. Inaba shared a screen shot of the subdivision and provided additional information. The facilities charge date paid is June 4, 2020. This Grant of Easement and Bill of Sale created five lots. They had to extend a 6-inch waterline to their property and put the service laterals there for two of the lots.

**ACTION:** Motion was carried by roll call vote (Ayes: 9 - Mr. De Luz, Mr. Domingo, Ms. Howard, Ms. Hugo, Mr. Kern, Mr. Ney, Mr. Scicchitano, Mr. Sugai, and Chairperson Boswell).

B. **EMPLOYMENT CONTRACT FOR OPERATIONS DIVISION:**

Due to the shortage of staff and on-going recruitment efforts for the Mechanical Engineer IV and Chief of Operations positions, the Department wishes to execute an employment contract for assistance.

The Manager-Chief Engineer recommended that the Water Board approve this contract subject to the approval of the Corporation Counsel and that either the Chairperson or the Vice-Chairperson be authorized to sign the contract.

**MOTION:** Mr. De Luz moved for approval of the recommendation; seconded by Ms. Howard.

The Manager-Chief Engineer explained that the Mechanical Engineer recruitment has been continuous, meaning no one has applied since it was opened late 2019. As the Board is aware, the Department’s
Mechanical Engineers are extremely busy with the well pump repairs, which is only a part of their job duties. The Department has also been in recruitment for the Chief of Operations after Mr. Daryl Ikeda retired at the end of 2019. It has been going on six months and could take at least another couple of months. On top of that, when the COVID-19 hit, it put an extra burden on operations and all of the Department’s staff. The difficulty is that Mr. Ikeda had over 20 years of experience and knew all the different nuances and what it takes to get Operations work done. It would have been helpful to have some of his insight. COVID-19 affects everything in the budget, such as physical distancing requirements and what is appropriate for vehicle take-home policies. For these types of things, you need to have a familiarity with the staff, the districts, and the workloads. Ms. Hayduesko and Mr. Young have been doing a great job, doing the best they can, but this added experience is needed, which is why the Department is asking for this opportunity. This type of employment contract is not something the Department does all the time and is quite rare. It shows that times are quite challenging right now. He asked for the Board’s consideration and asked if there were any questions.

Mr. Ney thought that $65.00 an hour seems fair as a prevailing wage. There are a lot of conditions in the contract, such as no vacation; and he did not see any opposition to it.

Ms. Howard asked if this model would make more sense, going forward, rather than Civil Service status. The Department may be having difficulty in recruiting because the hourly rate is a bit low and the trade-off in better retirement benefits is not attractive enough. She wondered if something like this where you could get closer to a competitive hourly rate without the Civil Service status and retirement benefits might assist the Department in recruiting more effectively.

The Manager-Chief Engineer replied that if there is a position within the Civil Service system, typically, it has to be screened by County and/or State human resources and not contracted out and take someone’s job away from the government system. The union wants to protect their members and make sure they have jobs. Through action by the Supreme Court, the Konno decision, the Department’s hands are kind of tied. There are some options available to government, and this is one of those that has been utilized in the past to hire back on contract, a prior employee who has expertise so you do not have to go through training. The condition is they have to be out of the office for at least six months. The earliest Mr. Ikeda could start would be July 1.

**ACTION:** Motion was carried by roll call vote (Ayes: 9 - Mr. De Luz, Mr. Domingo, Ms. Howard, Ms. Hugo, Mr. Kern, Mr. Ney, Mr. Scicchitano, Mr. Sugai, and Chairperson Boswell).

C. **MATERIAL BID NO. 2019-11, FURNISHING AND DELIVERING SPARE DEEPWELL PUMP AND MOTOR SETS FOR PI‘IHONUA #3 WELL AND HAWAIIAN OCEAN VIEW ESTATES DEEPWELL, REFURBISHING PUMP AND MOTOR SET FOR PARKER #2 DEEPWELL, AND MISCELLANEOUS COLUMN ASSEMBLY MATERIALS FOR THE DEPARTMENT OF WATER SUPPLY - REQUEST FOR TIME EXTENSION:**

The contractor, Beylik Drilling & Pump Service, Inc., is requesting a contract time extension of 34 calendar days. Delays to this project were due to the ongoing COVID-19 pandemic and the disruption caused to normal manufacturing operations. 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 34 calendar days justified. *Note: There are no additional costs associated with this time extension.*

1st time extension – 34 calendar days
The Manager-Chief Engineer recommended that the Board approve a contract time extension of 34 calendar days to Beylik Drilling & Pump Service, Inc., for MATERIAL BID NO. 2019-11, FURNISHING AND DELIVERING SPARE DEEPWELL PUMP AND MOTOR SETS FOR PI'IHONUA #3 WELL AND HAWAIIAN OCEAN VIEW ESTATES DEEPWELL, REFURBISHING PUMP AND MOTOR SET FOR PARKER #2 DEEPWELL, AND MISCELLANEOUS COLUMN ASSEMBLY MATERIALS FOR THE DEPARTMENT OF WATER SUPPLY. If approved, the contract completion date will be revised from June 27, 2020, to July 31, 2020.

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

Mr. Young stated that this agenda item is only a reflection on Parker #2 Deepwell time extension, even though it has a long tie with multiple jobs. This is the repair of an existing pump and motor that was damaged during operations. Since they were only online for about two years, it was felt they are in good condition to be rebuilt. The shop handling the repair, Pump Pros, basically ran into problems with their staffing during the COVID-19 issue and are asking for 34 days. This is a reasonable time extension request for this job. To ensure proper performance, part of the job is to perform an efficiency test on the pump to make sure the pump is still in good condition and ensures that it will minimize electrical costs.

ACTION: Motion was carried by roll call vote (Ayes: 9 - Mr. De Luz, Mr. Domingo, Ms. Howard, Ms. Hugo, Mr. Kern, Mr. Ney, Mr. Scicchitano, Mr. Sugai, and Chairperson Boswell).

D. JOB NO. 2018-1093, SOLAR PHOTOVOLTAIC ENERGY GENERATION SYSTEM AT FIVE (5) DEPARTMENT OF WATER SUPPLY LOCATIONS – POWER PURCHASE AGREEMENT – REQUEST FOR TIME EXTENSION:

The contractor, EnRG Hawaii Solutions, LLC, is requesting a contract time extension of 68 calendar days. The State of Hawai‘i issued a Statewide “stay-at-home” order and the Department suspended all on-site work for the duration of the “stay-at-home” order, both of which caused delays to the project work schedule. 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 68 calendar days justified.

1st time extension – 68 calendar days

The Manager-Chief Engineer recommended that the Board approve a contract time extension of 68 calendar days to EnRG Hawaii Solutions, LLC, for JOB NO. 2018-1093, SOLAR PHOTOVOLTAIC ENERGY GENERATION SYSTEM AT FIVE (5) DEPARTMENT OF WATER SUPPLY LOCATIONS – POWER PURCHASE AGREEMENT. If approved, the contract completion date will be revised from July 2, 2021, to September 8, 2021.

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

The Manager-Chief Engineer asked Mr. Warren Ching, Energy Management Analyst, to explain this request.

Mr. Ching stated that the basis of this time extension request is the State of Hawai‘i stay-at-home order. This is regarding the solar photovoltaic (PV) project where the Department is in a power purchase agreement with EnRG Hawaii Solutions, LLC, to purchase PV power at a fixed and lower rate. The
68-calendar day extension request matches up with the stay-at-home order, which was extended through May 31, 2020.

The Manager-Chief Engineer mentioned that this is closely related to the next agenda item, which may look similar, but they are two separate projects.

Mr. Ching explained that in association with this Power Purchase Agreement (PPA), there is a re-roofing construction contract where the roofs will be recoated to protect them for the 20-year term of the PPA so that the provider does not have to come back in case reroofing is needed during the 20 years. This agenda item deals specifically with the PPA and the next item is specific to the construction contract for recoating.

**ACTION:** Motion was carried by roll call vote (Ayes: 9 - Mr. De Luz, Mr. Domingo, Ms. Howard, Ms. Hugo, Mr. Kern, Mr. Ney, Mr. Scicchitano, Mr. Sugai, and Chairperson Boswell).

E. **JOB NO. 2018-1093, SOLAR PHOTOVOLTAIC ENERGY GENERATION SYSTEM AT FIVE (5) DEPARTMENT OF WATER SUPPLY LOCATIONS – CONSTRUCTION OF ROOF COATINGS AT FIVE (5) DEPARTMENT OF WATER SUPPLY LOCATIONS – REQUEST FOR TIME EXTENSION:**

The contractor, Greenpath Technologies, Inc., is requesting a contract time extension of 68 calendar days. The State of Hawai‘i issued a Statewide “stay-at-home” order and the Department suspended all on-site work for the duration of the “stay-at-home” order, both of which caused delays to the project work schedule. 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 68 calendar days justified.

1st time extension – 68 calendar days

The Manager-Chief Engineer recommended that the Board approve a contract time extension of 68 calendar days to Greenpath Technologies, Inc., for **JOB NO. 2018-1093, SOLAR PHOTOVOLTAIC ENERGY GENERATION SYSTEM AT FIVE (5) DEPARTMENT OF WATER SUPPLY LOCATIONS – CONSTRUCTION OF ROOF COATINGS AT FIVE (5) DEPARTMENT OF WATER SUPPLY LOCATIONS.** If approved, the contract completion date will be revised from July 2, 2021, to September 8, 2021.

**MOTION:** Ms. Howard moved for approval of the recommendation; seconded by Mr. De Luz.

Mr. Scicchitano asked at what point they were in the process of this work, if they have actually begun to apply the coating.

Mr. Ching replied the work has not begun on any of the sites, but the first one scheduled is the Kona baseyard. Before the stay-at-home order was issued, they were coordinating site visits to confirm type of materials and color matching. The roof coating may start as soon as late June, but is subject to whether they can get everything done to that point.

Mr. Scicchitano stated that his question was more around the application process because he happens to know a lot about that type of work and was curious what the specifications are and what the existing roof system is and how it relates to any existing warranty. He offered his assistance, if needed.
Mr. Ching provided some background on the roofs. Some have standing seam and some are corrugated. He left it up to the manufacturer, and their recommendations will be followed, based on what type of roof is involved. That is the basis of the application of the coating.

Mr. Scicchitano asked if the manufacturer is local.

Mr. Ching replied that the manufacturer being used is Hydrostop, and it is not a local product.

Mr. Scicchitano stated that he had a concern if they are using Hydrostop over a metal roof and that it may help if he took a look at the contract. He might be able to add value unless it is too late.

Mr. Ching noted it was not too late and offered to communicate with Mr. Scicchitano outside of the Board meeting.

Mr. Sugai mentioned having the roof on his house coated, the first time with Hydrostop, and the second time with Geckoflex. He thought the warranty was better with Geckoflex, and it is supposed to be reapplied every so often; therefore, that might want to be clarified as far as the reapplication or the warranty for this project.

Mr. Ching agreed that the Department would definitely want to protect the 20-year warranty to match up with the PPA, one of the major factors in this recoating project.

Mr. Scicchitano added that the vendor or the contractor should secure a letter from the manufacturer stating that the warranty is valid with that coating.

Mr. Ching stated that the warranty is laid out in the construction contract and falls on the contractor and their agreement with the manufacturer. The contractor will be responsible for the 20-year warranty upon the Department’s final inspection of the construction.

Mr. Scicchitano thanked him for that information.

Ms. Howard asked if the job is bonded and if there was any security for the warranty.

Mr. Ching replied the construction job is bonded but he was not aware of any security for the warranty. The performance and payment bond is to make sure the construction gets completed. To his knowledge, there is no security for the 20-year warranty period under this construction contract.

Ms. Howard suggested that might be something else to check on. For clarification, she asked if Greenpath Technologies Inc. and EnRG Hawai‘i Solutions, LLC, were two names with the same entity.

Mr. Ching replied they are closely related but the PPA was assigned from Greenpath to EnRG Hawaii Solutions, LLC. EnRG is the owner of the PPA, and the Department will be paying them. They are almost like an investor/owner. Greenpath is the general contractor working on the PPA construction and the roofing construction.

**ACTION:** Motion was carried by roll call vote (Ayes: 9 - Mr. De Luz, Mr. Domingo, Ms. Howard, Ms. Hugo, Mr. Kern, Mr. Ney, Mr. Scicchitano, Mr. Sugai, and Chairperson Boswell).

**F. MONTHLY PROGRESS REPORT:**

Mr. Inaba highlighted a couple of jobs:
North Kohala - Hala’ula Well Development, Phase 2
The project has been ongoing. He thanked Ms. Mellon-Lacey, Deputy Corporation Counsel, for assisting with getting the right-of-entry onto the private property and the contractor is beginning work within the easement where the well site will be. Staff requested for a revised schedule from the contractor and expects a time extension on the project.

North Kona - Wai’aha Well No. 2 Development - Phase 1
This is the second well at the Wai’aha site. Staff anticipates bidding the project out in September and is looking forward to this second well, which would provide the redundancy the Department is looking for with its sources.

Mr. Inaba also reported that the contractors are pretty much back to work now, after the delay due to COVID-19.

G. REVIEW OF MONTHLY FINANCIAL STATEMENTS:

Mr. Sumada reported that consumption continues to decline compared to the same time last year; and when consumption is down, revenues are down. He is projecting about a $2.9 million deficit from budget if the trend continues to the end of the fiscal year. Another development is that the Department’s book balance of cash went negative in May which is a serious concern. Page 3 of the balance sheet shows $41 million in cash and investment balance. That is a healthy amount but when you break down the different cash accounts that are maintained in the general ledger, the account where deposits are made and checks are written from is a negative of $850,000.00 as of the end of May. The same time last year, it was $4.8 million. The decline has been substantial and is an indication that the Department is not bringing in enough to cover what it is spending, which goes back to consumption not being what it normally is and revenues falling short. The negative balance will continue to get larger the longer the Department goes without any changes to rates or increase in consumption. The Department has had this condition before, and it usually occurs right before coming into a rate increase.

Mr. Ney thought that the numbers through May 31 may not be a good enough reflection of what might be coming. He asked at what point would an alarm be sounded where not enough revenue is coming in and there may be a need to look at borrowing money to stay solvent, if this continues for another six months.

Mr. Sumada replied it was hard to say. The cash flows go up and down month to month. He did not think it would be enough to reverse this condition. An increase in consumption may improve the condition, but he did not think it would be enough to prevent the Department from going deeper into the hole. The longer without a rate increase, unless drastic cuts are made, there may not be much that can be done to generate enough revenues to cover the deficit.

Mr. Ney suggested looking at a possible timeframe when it may come time to borrow money, in case this gets protracted. A lot of companies are now borrowing money just to beef up their cause in case this gets protracted. Hopefully things are better by the end of the year; but in reality, it could be much longer.

Mr. Sumada stated that changes to the rates have already been put off six months, from July 1 to January 1; and if nothing happens between now and then with rates, he thinks the Department’s position will be much worse. Maybe the economy and consumption will rebound and maybe there will be Fiscal 2021 budget impacts that the Governor or the Mayor will implement that might reduce expenditures, but it is hard to project that far ahead.
Ms. Howard asked what contribution do delinquencies make up.

Mr. Sumada replied that delinquencies have gotten larger, but he was not able to put a specific percentage or amount to it. It is hard to give anything to work with except that delinquencies have gotten worse and he did not see it turning around until the collection process can resume, but he did not know when that would be.

Ms. Howard thought it would be interesting to see what impact it is at this point.

Mr. Sumada stated that he would try and get some figures together. The problem with the system that the Department uses is that the delinquencies which accumulate in the 60- to 90-day category and the 90-plus day categories are also combined with accounts that are with the collection agency or are pending leak adjustments. With those mixed in, it is hard to isolate the ones that are unable to pay because of the COVID-19 situation.

Mr. De Luz suggested showing a trend of the Department’s cash because it seems like the rate in consumption is parallel to how this affects the general operation checking account. Theoretically, revenues equal outputs, meaning there is some margin of surplus.

Mr. Sumada stated that was correct.

Mr. De Luz stated that it might give a better understanding when looking at the rate increases, and an appreciation in how the cash is managed. He believed the Department’s system probably has a “due to/due from” to supplement the operating account. Perhaps a footnote in the financials, without changing out the schedules, might give a better appreciation of what the Department is dealing with.

Mr. Kern stated that the Department is losing money that a rate increase would not make up. That revenue is lost, and the Department would be lucky to get back up to consumption to get back to a cash flow positive by the end of the year, but highly unlikely. Hopefully the reporting and modelling done by the Department and by Ms. Hajnosz will help with projections. He personally would not like to see any layoffs because that would just hurt the economy even worse. He wondered where else revenue could be found because it is not going to be from going after delinquencies quite yet. It is a tough time. An area that has been challenged, and is a tricky one, is the equation of releasing additional water units in different areas. There is demand for that, especially in areas that do not have it. It is something that could potentially create revenue, and right now, you have to be creative. This is different than a regular business because this revenue is lost and there will not be an opportunity to collect the windfall in the future and as the economy upswings, hopefully. The other thing to think of is that in 2008 when things were going down, he realized, personally, that he needed to be making moves about six months prior to the time he actually started, and they were hard lessons learned. The other thing to understand is, yes, it is a concern, but at what point does it become really bad. We need to know that before it happens so we can start making countermoves. Looking for new revenue is going to be huge. Hopefully with the out-of-state travel opening up one of these days, resorts can start moving along; but until that happens, it is on the downward trend. He stated that he would be happy to talk strategy any time.

Mr. Sugai commented on Mr. Kern’s suggestion. If water units are increased, you would basically only bring in the facility charge because consumption is probably going to be driven by usage, which has to do with population, whether it is tourists or residents, so it might be like a one-time shot in the arm that may be a drag later, once the economy increases.
Mr. Kern saw it as being a potential help to bridge the gap with decline in cash flow. It may not be extremely robust, but there is the potential for the near future. There also is a need to understand what money the Department might receive from the CARES Act.

Mr. Sugai thought those were good points.

Mr. Domingo asked if there were any “rainy day” funds to make up for the shortfall at this time.

Mr. Sumada replied there is a $1 million insurance fund and a $200,000.00 emergency fund, which could be thought of as a rainy-day fund.

Mr. Ney asked what is being done to reach out to the State. He did not think the situation will come back to positive numbers just by consumption or allowing more water units. He felt the only way to weather this is to have enough cash reserve to spend going into next year to stay solvent. The bills have to be paid, and if cash runs out, you are in a tough spot.

The Manager-Chief Engineer replied that from the CARES Act funds, the County has received $80 million. The Department put in its request for funds, but they have to be directly related to COVID-19 and loss of revenue does not appear to qualify. Part of his report later in the agenda will cover a letter that was cosigned by all of the Hawai‘i water utilities, sent to the U.S. Congressional delegates, laying out the situation with lost revenue and seeking their assistance. There seems to be not much effort in providing relief to utilities, but the water utilities will keep trying. There is other legislation being considered; but if any federal aid is received, the water departments will not be allowed to terminate water service. That is another challenge. Unfortunately, the bills that need to be paid are not going down; and like everything else, things have gone up. The income the Department is receiving, because of lack of consumption, is not enough to cover the bills. The Department is already scrutinizing expenses and overtime. Things still need to get repaired in order to keep the water flowing, therefore, it is a tough and challenging place to be. Right now, the most feasible way to increase revenue is through the rates. He understood what Mr. Kern was saying, in that certain areas should be looked at to see whether they can be loosened up, in terms of water availability perhaps. That will be looked at. There does not seem to be much sympathy for water utilities out there.

Mr. Scicchitano thought the Department should keep pushing because he agreed it should be COVID-19 related. Obviously, the Department is losing revenue due to the lack of regular tourism, which is part of the economy, and it is COVID-19 related. He added that any support the Board could give, he would be happy to assist.

Mr. Kern asked Mr. Sumada and the Manager-Chief Engineer what their opinion would be, on a scale of 1 to 10 (1 being everything is super great and 10 being the ship is about to sink), where they thought the Department is.

Mr. Sumada replied that it is about 3 or 4. He thought there is time to fix things; but leaving it the way it is for much longer is not an option.

The Board thanked the Department for its continued efforts in these stressful times.

H. **MANAGER-CHIEF ENGINEER’S REPORT:**

The Manager-Chief Engineer provided an update on the following:
1. North Kona Wells - the Deputy reported on the North Kona wells. Six wells are offline: Makalei, Keahuolū, Wai‘aha, Palani, and Kahalu‘u B and C. The two repairs expected to be back online the soonest would be Keahuolū Well (expected mid-July) and Kahalu‘u C Well, expected mid-August. The next two are Palani and Kahalu‘u B. Based on current progress, the end of 2020 is the projected completion. On Makalei Well, the developer is finalizing the bid package and expecting to bid it out in the next week or so. For Wai‘aha Well, in addition to what Mr. Inaba mentioned about the Wai‘aha #2 well, the consultant and their contractor have the pump test equipment on site for the existing Wai‘aha Well, to be installed for capacity testing beginning July. The testing will provide a better idea on the condition of the well.

Mr. Sugai asked if these projects would be something that could be held off if the financial situation becomes worse in the coming months.

The Deputy replied that these current well repairs are already under contract, and the funds have been certified. They need to get repaired and completed.

The Manager-Chief Engineer added that the only projects the Department could consider putting off are the ones that have not gone into contract yet; and that would mean postponing upcoming CIP projects. They are all being evaluated.

Mr. Ney asked if there was anything the Board could do, like draft letters to the State Representatives to lobby for funding on the Department’s behalf. If there is not some kind of plan in place, it might make it harder to get funds. There is a saying that with lending, on a sunny day, they will give you an umbrella, but when it is raining, they do not. He thought the longer it waits, the trickier it may be to secure funds.

2. COVID-19 Update - The Manager-Chief Engineer mentioned that the Board had a copy of the joint letter sent to the Honorable Mitch McConnell, Honorable Nancy Pelosi, Honorable Chuck Schumer, and Honorable Kevin McCarthy basically pleading with them to address impacts from the coronavirus pandemic on water and wastewater systems. Further outreach can be done with local Congressional delegates such as Senator Schatz. If any ideas come up where the Board can co-sign a letter, the Department will certainly let the Board know. The water utilities collaborate regularly and are all in similar situations. It is a stronger voice when all the water departments collaborate and share their situation with Congress. He also shared the Department’s return to work and reopening plans. The Department is still closed to the public for “in person” services through the end of June and plans to begin in July, having “by appointment only” with the expectation in August to open to the public for regular services as done in before COVID-19. Customers will still be encouraged to use other forms of payment instead of coming in person because there are so many options provided to them. The Department hopes it can avoid some of the appointments by providing them with the information they need either electronically or over the phone. All of this is in an effort to minimize risk and exposure to both the public and staff because if the Department were to have a positive case, it would have to quarantine individuals and maybe even sections of the workplace, and there is already a situation with staffing. It would have a hurtful impact on operations. There is physical separation in the plan for employees and the public. There will be a third-party contract to have a person manage people coming into the office to ensure they are wearing face coverings, are not sick, and providing them with hand sanitization. The contract is ready to go and is also something the CARES Act funding will be sought for reimbursement. He has not seen any guarantee they will be reimbursed.
3. **Kīlauea Eruption Recovery Update** - included in the packet was testimony received last month from Ms. Braja RuthAnne Tarletz regarding restoration of water to the Kapoho area and also the Department’s response. To sum it up, the Department cannot commit to restoring the infrastructure in the inundated area, primarily due to topography and temperature concerns. It is still too hot to put waterlines in there without it being a waste of time and money. The gaskets would not hold and water would leak. He realized there is a desire for some to return there, and the County has openly committed to restoring some of the roadways in the area; but the understanding is that the temperature is still too high for water infrastructure to withstand. That was communicated to those who have asked about it, and the Council was provided with an update late last year, and the message has not changed since then.

I. **CHAIRPERSON’S REPORT:**

Chairperson Boswell thanked everyone for bearing with the audio which is sometimes difficult with background noises, etc. The highlight of the meeting might be the financial aspect and he sees many conversations to come up on this and appreciated any feedback from the Board on how to be ahead of the situation.

11) **ANNOUNCEMENTS:**

1. **Next Regular Meeting:**

   July 28, 2020, at 10:00 a.m.

2. **Following Meeting:**

   August 25, 2020, at 10:00 a.m.

12) **ADJOURNMENT**

**ACTION:** Mr. Kern moved to adjourn the meeting; seconded by Mr. Sugai and carried unanimously by roll call vote (Ayes: 9 - Mr. De Luz, Mr. Domingo, Ms. Howard, Ms. Hugo, Mr. Kern, Mr. Ney, Mr. Scicchitano, Mr. Sugai, and Chairperson Boswell). (Meeting adjourned at 12:22 p.m.)

__________________________________________

Recording Secretary

**APPROVED BY WATER BOARD**

**JULY 28, 2020**