

**MINUTES**

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

March 23, 2021

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. Steven Hirakami  
Ms. Judy Howard  
Ms. Julie Hugo  
Mr. Benjamin Ney (10:09 a.m.)  
Mr. Kenneth Sugai  
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

Department of Water Supply Staff

Mr. Kawika Uyehara, Deputy  
Ms. Candace Gray, Waterworks Controller  
Mr. Kurt Inaba, Engineering Division Head  
Ms. Judith Hayducsko, Chief of Operations  
Mr. Clyde Young, Operations Division  
Mr. Eric Takamoto, Operations Division  
Mr. Warren Ching, Energy Management Analyst

1) CALL TO ORDER – 10:00 a.m. (A roll call was taken for Water Board Members in attendance – Present: Mr. De Luz, Mr. Hirakami, Ms. Howard, Ms. Hugo, Mr. Scicchitano, Mr. Sugai, and Chairperson Boswell. Mr. Ney was connected but had audio/visual problems.)

2) STATEMENTS FROM THE PUBLIC - None

3) APPROVAL OF MINUTES:

ACTION: Mr. Scicchitano moved for approval of the Minutes of the February 23, 2021, Water Board Meeting; seconded by Ms. Hugo and carried by roll call vote (Ayes: 6 - Mr. Hirakami, Ms. Howard, Ms. Hugo, Mr. Scicchitano, Mr. Sugai, and Chairperson Boswell; Abstention: 1 - Mr. De Luz; Mr. Ney had audio/visual problems.)

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

5) **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 \$1.71 to \$1.85 per thousand gallons as a result of this increase. Power cost charges over the past two years were as follows:

<u>Effective</u>	<u>PCC</u>
December 1, 2020	\$1.71
August 1, 2020	\$2.01
February 1, 2020	\$1.90
October 1, 2019	\$2.00
June 1, 2019	\$1.96
February 1, 2019	\$1.89

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 April 27, 2021, at 9:45 a.m., to receive testimony on increasing the Power Cost Charge from \$1.71 to \$1.85, effective May 1, 2021.

ACTION: Mr. Sugai moved for approval of the recommendation; seconded by Ms. Howard and carried by roll call vote - Ayes: 7 (Mr. De Luz, Mr. Hirakami, Ms. Howard, Ms. Hugo, Mr. Scicchitano, Mr. Sugai, and Chairperson Boswell; Mr. Ney was connected but had audio/visual problems.)

6) **DEPARTMENT OF WATER SUPPLY PROPOSED OPERATING AND 5-YEAR CAPITAL IMPROVEMENT PROJECTS (C.I.P.) BUDGETS FOR FISCAL YEAR 2022:**

The Department's Fiscal Year 2022 Operating Budget, totaling \$54,913,800, and 5-Year C.I.P. Budget for Fiscal Year 2022-2026, totaling \$145,700,000, have been distributed for the Board's review. A public hearing was held prior to this meeting to accept testimony. The Board may change either Budget or adopt them as presented over two readings.

The Manager-Chief Engineer recommended that the Board approve the Department's Fiscal Year 2022 Operating and C.I.P. Budgets on this *first* of two readings.

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

Mr. Hirakami mentioned not seeing well repairs on the 5-year capital improvement budget.

The Manager-Chief Engineer explained that monies for well repairs are set aside and shown in each year, lumped together under the "Islandwide (IW)" category under "Agreements, Repair and Maintenance."

Mr. De Luz mentioned that there are projects shown for expansion in each fiscal year, such as the 2023 Lālāmilo 10-Million Gallon Reservoir, the 2024 North Kona Mid-Elevation Well, Phase 2, and the 2026 Waimea Water Treatment Plant 5.0-Million Gallon Reservoir. When people ask what is being done to expand the current system rather than just maintaining it, these would be good examples of the Department's strategic plan.

The Manager-Chief Engineer thanked Mr. De Luz for acknowledging that and added that the Department is developing some talking points behind some of the CIP projects and addressing capacity expansion.

Mr. Hiramaki noticed very little capital improvement projects in Puna and asked what the future plans are for expanding water availability in Districts 4 and 5.

The Manager-Chief Engineer replied that the challenge with subdivisions in Districts 4 and 5 is they are very large and not in compliance with the current subdivision code, not having standard roadways for utilities. The challenge is how to expand into those areas in an equitable and financially responsible manner. Most of the Department's revenue comes from its customers, and the bulk of it covers operations and maintenance (O&M) expenses and some is set aside some for capital improvement projects. Capital investment cannot be recouped on consumption alone. In these areas, other mechanisms need to be utilized, such as with the Improvement District process where a combination of federal grants and loans are used to make a project financially feasible. With regard to the money coming from the Kīlauea eruption disaster, the Department is coordinating with the County and the community on potential projects, but none are firm yet. The Board will be updated as this moves along and when projects come from those efforts. The Department is also working on another well near Kamehameha Schools to help build redundancy and capacity in the overall Puna District. Another effort is the interconnection between Kea'au and Pāhoa through the Hawaiian Homes subdivision. The connection is there, but there is a challenge with friction loss moving water that distance. Engineering and Operations divisions are currently evaluating it and installing some flow meters.

Mr. Hiramaki thanked the Manager-Chief Engineer for that information. He mentioned a Rule 13 by Hawai'i Electric Light Company (HELCO) where they created a plan under which a subdivision that had no electricity could participate in putting infrastructure in. They would put down two-thirds of the cost and have it amortized over 20 years at 7% interest, which was added to their HELCO bill. He wondered if a similar thing could be done with water, which would improve their property value the same way the electricity did.

The Manager-Chief Engineer replied that he would be happy to have it looked into, if there are any other available options other than the Improvement District process, which is similar and is applied to the real property tax as a form of repayment.

ACTION: There being no further discussion, a roll call vote was taken on the Motion to pass the budgets in this first of two readings. Motion was carried by seven ayes - Mr. De Luz, Mr. Hiramaki, Ms. Howard, Ms. Hugo, Mr. Scicchitano, Mr. Sugai, and Chairperson Boswell. Mr. Ney was connected but had audio/visual problems.

7) SOUTH HILO:

A. JOB NO. 2021-1161, PI'IHONUA #3 BOOSTER A REPAIR:

This project consists of furnishing all labor, materials, tools and equipment necessary to remove the existing booster pump, motor, discharge head and all appurtenant materials; discharge piping work; and complete an efficiency test; in accordance with the specifications.

Bids for this project were opened on March 11, 2021, at 2:00 p.m., and the following are the bid results:

<b>Bidder</b>	<b>Bid Amount</b>
Derrick's Well Drilling & Pump Services, LLC	144,460.00
Water Resources International, Inc.	155,500.00

Project Costs:

1) Low Bidder (Derrick’s Well Drilling & Pump Services, LLC)	\$144,460.00
2) Contingencies (~10.0%)	<u>\$ 14,440.00</u>
<b>Total Cost:</b>	<b><u>\$158,900.00</u></b>

Funding for this project will be from DWS’ Energy CIP. The contractor will have 240 calendar days to complete this project. The Engineering estimate for this project was \$160,000.00.

The Manager-Chief Engineer recommended that the Board award the contract for JOB NO. 2021-1161, PI‘IHONUA #3 BOOSTER A REPAIR, to the lowest responsible bidder, Derrick’s Well Drilling & Pump Services, LLC, for their bid amount of \$144,460.00, plus \$14,440.00 for contingencies, for a total contract amount of \$158,900.00. 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 Ms. Howard.

The Manager-Chief Engineer stated that although this is a booster repair project, it is also associated with energy efficiency, which is why the Energy CIP funds are being utilized. The original installation was 1975.

ACTION: Motion was carried by roll call vote - Ayes: 7 (Mr. De Luz, Mr. Hiramami, Ms. Howard, Ms. Hugo, Mr. Scicchitano, Mr. Sugai, and Chairperson Boswell; Mr. Ney was connected but had audio/visual problems.)

**B. PETITION FOR DECLARATORY RULING: PETITIONER - ZAK SHIMOSE (OWNER OF TAX MAP KEY 2-5-045:026):**

The Department received a Petition for Declaratory Ruling alleging that DWS dug ditches across the petitioner’s property from DWS’ reservoir lot (Tax Map Key 2-5-045:012). In 1973, the land owner and developer, Foremost Hawai‘i Associates (Developer), as part of required improvements for the Kaumana Estates (Gentry Homes) Subdivision, dedicated the reservoir lot along with the improvements already in place by way of a Dedication Deed. The Developer’s construction plans approved in 1972 with the tank site plans approved in 1973 show the improvements of the tank site which includes both ditches as described by the petitioner. At that time, the Developer owned the large parcel of which the reservoir lot was created as well as the Kaumana Estates (Gentry Homes) Subdivision parcel(s).

The petitioner’s lot, Tax Map Key 2-5-045:026, was granted final subdivision approval in 2016 by Subdivision No. 09-000903 which was owned and developed by Coramaca Farms, LLC.

In accordance with Section 92-5 HRS, the Board may wish to hold an executive session to consult with the Board’s attorney on questions relating to the Board’s powers, duties, privileges, immunities and liabilities related to a declaratory ruling.

Mr. De Luz asked if it would be appropriate to request entertaining a Motion to enter Executive Session on this matter.

Chairperson Boswell suggested moving into the next Agenda Item C.

C. **EXECUTIVE SESSION:**

The Board anticipates convening an executive meeting to consult with the Board's attorney on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities pursuant to Hawai'i Revised Statutes (HRS) Section 92-5(a)(4). A two-thirds vote of the members present, pursuant to HRS Section 92-4, is necessary to hold an executive meeting, provided that the affirmative vote constitutes a majority of the Board.

**MOTION:** Mr. De Luz moved that the Board enter Executive Session, pursuant to HRS Section 92-5(a)(4); seconded by Ms. Hugo.

The Manager-Chief Engineer asked if Mr. Kurt Inaba could attend due to his knowledge of the subject matter. (Chairperson Boswell asked for roll call vote to move into Executive Session, noting that Mr. Inaba would be in the session.)

**ACTION:** Motion to enter Executive Session was carried by roll call vote - Ayes: 7 (Mr. De Luz, Mr. Hirakami, Ms. Howard, Ms. Hugo, Mr. Scicchitano, Mr. Sugai, and Chairperson Boswell; Mr. Ney was connected but had audio/visual problems.)

(Executive Session began at 10:27 a.m. and ended at 10:46 a.m.)

Chairperson Boswell called the meeting back to order at 10:48 a.m.

*(Note: Mr. Ney was present, having resolved audio/visual problems.)*

**ACTION:** Mr. De Luz moved that, in the matter of the Petition for Declaratory Ruling, Petitioner: Zak Shimose, the Board is declining to rule on a Declaratory Ruling; seconded by Ms. Howard and carried unanimously by roll call vote (Ayes - 8: Mss. Howard and Hugo, Messrs. De Luz, Hirakami, Ney, Scicchitano, Sugai, and Chairperson Boswell).

8) **HĀMĀKUA:**

A. **MATERIAL BID NO. 2020-17, FURNISHING AND DELIVERING REPLACEMENT 0.035 MG STEEL RESERVOIR:**

This project consists of furnishing all labor, materials, tools and equipment necessary to furnish and deliver a 35,000-gallon corrugated steel reservoir and all related appurtenances; in accordance with the specifications.

Bids for this project were opened on March 11, 2021, at 1:30 p.m., and no bids were received. Staff will seek alternative procurement per HAR §3-122-35 to procure the required equipment. No action was required by the Board.

9) **SOUTH KOHALA:**

A. **JOB NO. 2020-1160, PARKER #2 DEEPWELL REPAIR:**

This project consists of furnishing all labor, materials, tools and equipment necessary to remove the existing pumping assembly; furnish and install new pump, motor, power cable, column assembly, and all appurtenant materials; electrical work; complete an efficiency test; and refurbish the existing equipment for spare inventory; in accordance with the specifications.

Bids for this project were opened on March 11, 2021, at 2:30 p.m., and the following are the bid results:

<b>Bidder</b>	<b>Bid Amount</b>
Beylik Drilling & Pump Service, Inc.	\$783,000.00*
Derrick's Well Drilling & Pump Services, LLC	\$811,000.00
Water Resources International, Inc.	\$834,655.00*

\* Per General Requirements and Covenants, Section 3.1, the Department exercised its right to waive the defects in bidder's bid in the best interest of the Department. Bidders were permitted to amend non-conforming bid amounts accordingly to render adjusted total amounts.

Project Costs:

1) Low Bidder (Beylik Drilling & Pump Service, Inc.)	\$783,000.00
2) Contingencies (~10%)	\$ 78,000.00
<b>Total Cost:</b>	<b><u>\$861,000.00</u></b>

Funding for this project will be from DWS' CIP Budget under Deepwell Pump Replacement. The contractor will have 300 calendar days to complete the well repair with the Contractor's furnished equipment and refurbished the existing pump and motor set for the Department's future use. The Engineering estimate for this project was \$700,000.00.

The Manager-Chief Engineer recommended that the Board award the contract for JOB NO. 2020-1160, PARKER #2 DEEPWELL REPAIR, to the lowest responsible bidder, Beylik Drilling & Pump Service, Inc., for their bid amount of \$783,000.00, plus \$78,000.00 for contingencies, for a total contract amount of \$861,000.00. 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. Sugai moved for approval of the recommendation; seconded by Mr. Ney.

The Manager-Chief Engineer stated that, for the sake of transparency, and for the Board's information, there was a bid protest on this because, as Chief Procurement Officer, he made the decision, under the General Requirements and Covenants section to waive defects, to award the project to a lower bidder because it is in the best interests of the Department and its customers. The plan is to deny the protest. Upon discussions with Corporation Counsel and the Department's Contracts Branch, it was decided to move forward with this award because the repair of this well is needed as soon as possible.

Mr. Hirakami asked if the bidders know the engineering estimate when the Request for Proposals goes out.

The Manager-Chief Engineer replied they do.

ACTION: Motion was carried unanimously by roll call vote: Ayes - 8 (Mss. Howard and Hugo, Messrs. De Luz, Hirakami, Ney, Scicchitano, Sugai, and Chairperson Boswell).

10) NORTH KONA:

A. **JOB NO. 2020-1133, KAHALU‘U B DEEPWELL REPAIR – REQUEST FOR TIME EXTENSION:**

The contractor, Derrick’s Well Drilling & Pump Services, LLC, is requesting a contract time extension of 15 calendar days due to unforeseen delays caused by severe winter weather at the manufacturer’s facility on the mainland. 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 15 calendar days justified. *Note: There are no additional costs associated with this time extension.*

1<sup>st</sup> time extension – 95 calendar days (due to unforeseen well casing conditions and oil lubrication conversion work) *approved at the 2/23/2021 Water Board Meeting*

2<sup>nd</sup> time extension – 15 calendar days

The Manager-Chief Engineer recommended that the Board approve a contract time extension of 15 calendar days to Derrick’s Well Drilling & Pump Services, LLC, for JOB NO. 2020-1133, KAHALU‘U B DEEPWELL REPAIR. If approved, the contract completion date will be revised from March 9, 2021, to March 24, 2021.

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

The Manager-Chief Engineer stated that this delay is due to the winter storm in Texas. The project will probably not be done by March 24 and may go into the April timeframe. Like any typical contract, the contractor will be subject to liquidated damages set forth in the contract and the Department’s General Requirements and Covenants. He asked if there were any questions.

Mr. Ney asked if there has ever been an instance where the Department would want the contractor to have supporting documents from the manufacturer to verify it is their delay and not that of the contractor’s schedule.

The Manager-Chief Engineer replied that the Department always requires the contractor to justify their request. They are asked for evidence to show it is not due to their actions or inactions. The documentation for this particular item was included with the Agenda.

Mr. Ney recalled instances where there has not been backup on such an item.

The Manager-Chief Engineer replied that the Department would not bring it before the Board if there is no justification.

Mr. Hirakami asked if the contractor is going to come back with another extension request, after knowing the deadline for completion is tomorrow but it may not be finished until April, or would the Department hold firm. He recalled last month’s meeting when the Board was considering a 95-day time extension which would have expired two weeks after that meeting.

The Manager-Chief Engineer asked Mr. Ching to confirm that the material is on island.

Mr. Ching replied that was correct. In order for the contractor to ask for a time extension, there would have to be justification that it was something beyond their control.

The Manager-Chief Engineer stated that it would have to be something that cannot be predicted, such as weather events, where the contractor cannot safely perform the work. You can never say never, but the contractor will be held accountable for justifiable reasons before bringing it to the Board. Nothing is rubber-stamped.

Mr. Hirakami asked if the Board will be apprised of whether the project is completed and no liquidated damages were required.

The Manager-Chief Engineer replied that an update would be provided at the next Water Board meeting under the Manager-Chief Engineer's Report on the North Kona wells.

ACTION: Motion was carried unanimously by roll call vote: Ayes - 8 (Mss. Howard and Hugo, Messrs. De Luz, Hirakami, Ney, Scicchitano, Sugai, and Chairperson Boswell).

11) 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: Moaniala Holdings, LLC (Hilo Hillside Estates, Phases 2 and 3)  
Subdivision Nos. 11-000016 and 16-000026  
Tax Map Keys: (3) 2-4-082:128-134 and (3) 2-4-082:155-157  
Facilities Charge: \$357,500.00 and \$110,000.00 Date Paid: 01/17/2020  
Final Inspection Date: 11/22/2019 and 12/11/2019  
Water System Cost: \$587,115.51 and \$180,741.64

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

Mr. De Luz asked if the delay in getting this easement and bill of sale is due to the developer. It has been eighteen months since the final inspection date.

Mr. Inaba replied that the developer took the land out of land court in order to help their gating of the public roads, which caused the delay. It is now in the regular system. They waited to dedicate the system to the Department after that was complete.

ACTION: Motion was carried unanimously by roll call vote: Ayes - 8 (Mss. Howard and Hugo, Messrs. De Luz, Hirakami, Ney, Scicchitano, Sugai, and Chairperson Boswell).

**B. VEHICLE BID NO. 2020-04, FURNISHING AND DELIVERING VEHICLES TO THE DEPARTMENT OF WATER SUPPLY:**

Bids were opened on February 11, 2021, at 1:30 p.m.; and following are the bid results (for Part E):

	Inter Pacific Motors, Inc., dba Orchid Isle Auto Center	IK Motors Inc. dba Kamaaina Motors
Part "E" ONE (1) ONLY FULL-SIZE CREW CAB PICK-UP DUALY CHASSIS, WITH SERVICE BODY, MINI-CRANE AND 4-WHEEL DRIVE		
Total Delivery Price:	<b>\$112,115.00</b>	No Bid
Delivery Time (Calendar Days)	<b>310</b>	

*This portion of the bid was deferred on the February agenda.*

The Manager-Chief Engineer recommended that the Board award VEHICLE BID NO. 2020-04, FURNISHING AND DELIVERING VEHICLES TO THE DEPARTMENT OF WATER SUPPLY, to Inter Pacific Motors, Inc., dba Orchid Isle Auto Center, for Part E, at a total cost of \$112,115.00, and that either the Chairperson or the Vice-Chairperson be authorized to sign the contract subject to approval of the contract as to form and legality by Corporation Counsel.

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

The Manager-Chief Engineer stated that this was deferred at the last meeting to allow staff more time to evaluate the bid amount. It has since been determined that the bid amount is fair and reasonable and is presented to the Board for recommendation of award.

Mr. Ney stated that he was concerned about the delivery time, taking almost a year to have the vehicle delivered. It seems like a long time to get the vehicle here.

Mr. De Luz provided some insight and also disclosed that his business has a Chevrolet line that would have been able to bid; however, there is a reason why the manufacturer cannot guarantee production at this time. He had waited six months for their 250 model before being told it could not be guaranteed it would be built. One of the challenges with manufacturers is the computer chips needed for the engines, which are in short supply. He was quite surprised that this bid offer is only 310 days and has a feeling that Kitagawa did the same thing and were not able to guarantee supply. He suspects this may come back later for a time extension because it is something beyond their control. For additional information, the heavy-duty vehicles are in short supply and manufacturing is at full tilt. There is pent-up demand to the latter part of this year, and inventory is extremely erratic and short. It may be a two-year situation, especially for special-order vehicles.

Mr. Ney appreciated the insight.

**ACTION:** Motion was carried unanimously by roll call vote: Ayes - 8 (Mss. Howard and Hugo, Messrs. De Luz, Hirakami, Ney, Scicchitano, Sugai, and Chairperson Boswell).

**C. MATERIAL BID NO. 2020-15, FURNISHING AND DELIVERING SPARE DEEPWELL PUMP AND MOTOR SETS FOR HĀWĪ #2 DEEPWELL, PARKER #3 DEEPWELL, AND KEŌPŪ #1 DEEPWELL FOR THE DEPARTMENT OF WATER SUPPLY:**

Bids were received and opened on March 10, 2021, at 2:30 p.m., and the following are the bid results:

SECTION	DESCRIPTION	Beylik Drilling & Pump Service, Inc.	Derrick’s Well Drilling & Pump Services, LLC
1	HĀWĪ #2 DEEPWELL	\$314,000.00	\$185,680.47
2	PARKER #3 DEEPWELL	\$519,000.00	\$537,319.53
3	KEŌPŪ #1 DEEPWELL	Non-Responsive	No Bid

The estimated cost for the pump and motor set and refurbished motor, respectively, were as follows:

- Hāwī #2 Deepwell: \$160,000.00
- Parker #3 Deepwell: \$475,000.00
- Keōpū #1 Deepwell: \$310,000.00

The Manager-Chief Engineer recommended that the Board award the contract for MATERIAL BID NO. 2020-15, FURNISHING AND DELIVERING SPARE DEEPWELL PUMP AND MOTOR SETS FOR HĀWĪ #2 DEEPWELL, PARKER #3 DEEPWELL, AND KEŌPŪ #1 DEEPWELL FOR THE DEPARTMENT OF WATER SUPPLY, by Sections to the following bidders for the amounts shown above, and that either the Chairperson or the Vice-Chairperson be authorized to sign the contract(s), subject to review as to form and legality of the contract(s) by Corporation Counsel:

**Section 1 – Hāwī #2 Deepwell to Derrick’s Well Drilling & Pump Services, LLC**

**Section 2 – Parker #3 Deepwell to Beylik Drilling & Pump Service, Inc.**

**Section 3 – Keōpū #1 Deepwell, no valid bids were received for this section. Staff will seek alternative procurement per HAR §3-122-35 to procure the required equipment.**

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

The Manager-Chief Engineer stated that these are spare pump and motor sets that will be retained in the Department’s inventory for use if need be. The intent is to try and get a unit warranty which is why both pump and motor were specified on this go-around. There will still be a risk of losing warranty if the unit sits too long. The Department will move forward with its pump and motor replacement program.

Mr. Ney asked why there was no response for Section 3, the Keōpū #1 Deepwell.

The Manager-Chief Engineer replied that the bidder submitted a bid on a substitution that was not pre-approved. If the bidder wants to bid on something different from the bid specifications, they need to prove it is equal or better.

ACTION: Motion was carried unanimously by roll call vote: Ayes - 8 (Mss. Howard and Hugo, Messrs. De Luz, Hirakami, Ney, Scicchitano, Sugai, and Chairperson Boswell).

**D. MONTHLY PROGRESS REPORT:**

The Manager-Chief Engineer stated that the updated status of projects is shown in red on the spreadsheet and asked if there were any questions.

Mr. Ney asked how the Hala'ula Well Development project is going.

Mr. Inaba replied that it is moving along and the wall forms are being worked on. Walls will be poured in eight sections. He thought it may be good to show the Board a set of pictures when there is a complete set.

Chairperson Boswell asked if it is a DN Tanks strand-wrapped tank.

Mr. Inaba replied that this one is not. An analysis was done prior to bid submittal, to see what is more cost-effective for them.

Chairperson Boswell asked if that was because of a seismic zone difference.

Mr. Inaba replied that they do their analysis, together with a seismic analysis, and put together their bid package in both ways to give the Department the best price. They want to make sure they remain competitive.

E. **REVIEW OF MONTHLY FINANCIAL STATEMENTS:**

The Manager-Chief Engineer asked if there were any questions on the Financial Statements.

Mr. Hirakami asked about water sales and power charges under Operating Revenues (Page 4).

Ms. Gray and the Manager-Chief Engineer explained that there are several components to the water bill. The Standby Charge is a monthly set fee, the consumption charge (shown as Water Sales), is based on how much water used, and the Power Cost Charge and Energy CIP Charge, both are also based on water usage. These four components make up a typical water bill. All are considered revenue.

Mr. Ney asked if the Department ever looked at adjusting the standby charge by five or ten dollars as a way to balance the budget or bring up revenue to cover shortfalls, other than water sales.

Ms. Gray replied that the standby charges were increased with this last rate increase as well as the consumption charges. A monthly standby charge for a 5/8-inch meter increased from \$20.20 to \$22.83.

Mr. Ney added that his thinking was that rate increases look negative from a public perspective but perhaps making small adjustments to the standby charge, rather than a rate increase might be something to look at. The standby charge is a fixed value, but with the rate increase, it is dependent upon consumption which has more variability in it.

The Manager-Chief Engineer stated that the changes are done via a water rate study and there are mechanisms to determine how to separate what constitutes a standby charge and what should be built into the rates. The Department plans to follow up with another water rate study and look at a further breakdown of consumption rates into different categories to refine the process.

Mr. Hirakami asked about the Water Rate Study report by Harris & Associates. They included some predictions on future water use, but the history was only 2006 and 2010. He asked why they did not include 2020 water consumption. There is a table predicting what consumption is going to be years from now, and it went back to consumption tables in the past but it did not have 2020 in it.

Ms. Gray assumed it would be the timing of when they started the rate study and the data they obtained from the Department. She was not directly involved in that process but could check into it.

Mr. Hirakami noted that on Page 6-7, Table 6-3 - Projected Average Day Demand by Water System, 2006 Water Master Plan shows Fiscal Years 2005, 2010, and 2025. He wondered why there is such a gap in the projected demand.

Ms. Mellon-Lacey thought it may be because 2020 was such an abhorrent year that data might have skewed things.

Mr. Hirakami asked about Page 6, Table 6-1, where he was interested in the methodology by county, looking at Kauai, Honolulu, and Maui; but the Hawai'i column compares Hawai'i wastewater which has nothing to do with the Department of Water Supply. That is not how charges for water are developed.

The Manager-Chief Engineer stated that they were valid questions. Staff could double check and report back to the Board next month under the Financial Report.

Mr. De Luz stated that sometime in August or September, the Department will be updating the Board on where things stand with current water rates that were approved and how it is trending. He stated that he was concerned about the cash position which has improved this year and that it looks like in interest earned, there was an anomaly for the last month because you basically have 75% of your annual budget in February on interest earned. He asked for confirmation that this is due to the CD's coming to term.

Ms. Gray replied that was correct.

Mr. De Luz mentioned that the other thing to help understand is the challenge in regard to the deferred payments the Department has to pay into the pension and medical programs. Those payments are reflected differently in the Audit Report as it relates to the Balance Sheet. It does not show up as a contingency in the Balance Sheet. His concern is that, as with the water capacity and being able to expand it, these are legacy costs that have to be figured in, and there may need to be a footnote to represent that. Unfortunately, these things are not taken into consideration during collective bargaining negotiations. The sad reality is that you may have a budget that looks balanced or in surplus, but only from the perspective of operations. What he thinks he is seeing is that the cash position for operations, not taking into consideration the legacy costs, is running about \$1.5 million in excess of expenses right now. You can only operate in the black if you have the cash. The Income Statement has very little value if the Balance Sheet does not reflect your cash position. He apologized that he missed last month's meeting and the Audit Report and needs to go more into it because it will articulate what those deferrals are. If he recalled correctly, it is done differently in regard to how it is calculated. This goes back to where the public needs to appreciate, as well as the Department's team members, that this rate reflection is not purely based on current operation needs. As the Department moves into the reiteration of the rate study, maybe some of those footnotes can be articulated to show the true cost of what it takes to operate day to day, what it takes to build and improve capacity, and what the large legacy costs are in regard to pension and medical.

Mr. Ney asked if making the deferred payments for pension and medical is doable with the operating budget. The State of Hawai'i is doing the same thing where they are paying about half into their pension fund and it seems like DWS is deferring the problem until later rather than addressing it now.

Ms. Gray stated that the annual required contribution is included in the Fiscal Year 2022 Budget.

Mr. Ney wondered if something needed to be done differently because, as Mr. De Luz mentioned, you can have things look good on paper, but the reality behind decisions on how to manage the finances may require more tweaking to become logical.

Mr. De Luz clarified that he believed the Department of Water Supply is not deferring its contributions and is continuing to make payments. It is unfortunate that changes are based on the investment portfolio of the pension fund. It is a moving target, although the Audit attempts to put some numbers into perspective. He believed the State deferred this year, as did the City and County of Honolulu. The reality is without those funds coming in, it impacts the investment earnings of the total pension fund. Putting that aside, it is his understanding that the Department has budgeted for and is on track to make the necessary contributions, as calculated.

The Manager-Chief Engineer stated that was correct. During the Audit presentation last month, that topic was discussed. It is a government accounting standard, which requires the Department to report it in a certain way. It is an actuary, like a black box that the Department has no control over. The auditors do not know how that amount is calculated. The numbers go in and some numbers go out and are dictated to the Department as its liability and responsibility; and the Department pays them.

Mr. Ney asked who is investing this money on the Department's behalf.

The Manager-Chief Engineer replied that the State Employees Retirement System, a State agency, does it and there is no other option than going through them. The other mechanism available to employees is called Deferred Compensation, which is managed by a private entity; and that is where the employee sets aside a certain amount for the private entity to invest in different ways.

**F. MANAGER-CHIEF ENGINEER'S REPORT:**

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

1. North Kona Wells - the Deputy reported that, of the fourteen total wells, eight are online and six are offline. The six offline are: Kahalu'u B which was discussed earlier - looking at an April 2021 completion after purging and chlorination. Kalaoa Well should be back online in mid-June of this year. There are some well controls, SCADA, and chlorination that need to be finished before they can install the pump and motor. Palani Well completion looks like May of this year. The substitution request was approved to ensure warranty on the pump and motor. As soon as it is delivered to the island, the contractor will install it. Wai'aha Well continues to be on litigative hold. Keahuolū Well was reported last month as having to have emergency procurement. Notice to Proceed was issued mid-February and equipment is expected on island next week with installation thereafter. The sixth one is Makalei Well. It is a privately-developed well, dedicated to the Department. The developer is working with Engineering Division on revising the agreement between this Department and their party. They will get bid prices thereafter. The Deputy gave thanks to the Department's Operations Division and crews who continually evaluate the system and ensure the customers' needs are being met.

Chairperson Boswell asked about Hina Lani Street, where about four miles up, a driller is currently drilling a monitoring well. He asked if that was being done on the Department's tank site for the State Commission on Water Resource Management.

Mr. Inaba replied that it is a State monitoring well on the Department of Water Supply's site.

- 2) COVID-19 Update - The Manager-Chief Engineer was happy to report that for most of the Department's employees who wanted to get vaccinated, they are probably on their second shot already. He received his almost two weeks ago. It is voluntary, so it is hard to know how much of the staff has chosen to get vaccinated. As vaccinations are becoming more prevalent, hopefully, the Board can return to Chairperson Boswell's goal of getting the meetings back to in-person. He looks forward to that. For now, the Department is following COVID-19 guidance and still seeing customers by appointments only. There have not been any positive cases in the workplace due to staff's diligence.
- 3) Legislative Matters - the Manager-Chief Engineer brought up Senate Bill 1122 and referenced the proceedings on the Senate floor on March 9 which displayed some of the disheartening things that some Legislators will do to gather support for the Bills that they are backing. There was one Senator from Windward Oahu that made inaccurate statements and mischaracterized all of the water departments and how they do things. That was disappointing to hear. He did mention that the Senator from the Hāmākua District courageously stood in opposition to that Bill, along with another Senator from Honolulu. There were 23 ayes and two noes; but of the 23 ayes, nine were with reservations. All of the water utilities expressed their concerns to all Senators. This Department and Board submitted testimony, and Mayor Roth submitted testimony in opposition. The Bill has moved out of the Senate and now goes to the House. Fortunately, from communications with our Representatives in the House, they understand our concerns. It was scheduled for three committees with no hearing, and the deadline for filing for a triple referral was last Thursday, the 18<sup>th</sup>. We will still monitor it closely as there may be other mechanisms available to keep it going. He has tried to reach out to the Department of Hawaiian Home Lands (DHHL) Chairperson, William Aila, to try to be collaborative and work together as this type of legislation is unnecessary and actually more hurtful than constructive. The Department wants to help DHHL get their lessees on their property; but at the same time, the Department cannot afford to pay for DHHL's responsibilities as far as infrastructure requirements, facilities charge payments, etc. The link to the YouTube video of the March 9<sup>th</sup> session and the approximate timing of Senate Bill 1122 will be forwarded to board members.

Mr. Ney hoped that this Bill goes no further, but it is disappointing there was so much reservation when the vote was taken, and this could be a contentious issue in reintroduction of new legislation in the future. This could come back later on in some form.

- 4) American Water Works Association (AWWA) Annual Conference and Exposition (ACE) National Conference - the Manager-Chief Engineer announced that this conference will be June 13 to 16, 2021, but is only virtual this year. He was disappointed to see that the registration fee is still quite expensive. Part of the benefit of sending people to these conferences is the face-to-face interaction and networking opportunities, primarily for Board members, to meet other jurisdictions and see how they do things in their area. The other thing of value is seeing exhibits and what kind of technology is out there to provide reasonable solutions. He was not sure how that would work in a virtual environment. He asked if the Board has any interest, to let him know. There may be some budget for it, although it was drastically cut. He invited to the Board to let him know if they hear of any other training opportunities that the Department can sign them up for.

#### **G. CHAIRPERSON'S REPORT:**

Chairperson Boswell stated that he would work harder on the technological advantages and disadvantages to WebEx calls. Sometimes five minutes before the call is good to get his headset and volume adjusted. He appreciated everyone's contributions today. There were a lot of good conversations. Obviously the financial part is important to everyone. At times there is a lot to

understand, and to take pot-shots at it is kind of hard. The rate study was a culmination of a lot of work on the part of the Department and the Board. A lot was done and the Department is seeing the benefits from it, and he looks forward to the next go-around with the consultant when they provide an update on how the Department is doing. The economy on the west side of the island is booming. The rental car companies are sold out, traffic is busy everywhere, grocery stores are full, construction workers on properties ranges about 150 to 200 per day. There is tons of work going on and it is good to see. It feels a little crowded; there are a lot of out-of-state license plates nowadays. He thanked everyone for their contributions today.

12) ANNOUNCEMENTS:

1. **Next Meeting:** - April 27, 2021, 10:00 a.m., via Web Conferencing. The Manager-Chief Engineer announced that the County has decided to move away from WebEx. They have a Zoom license now, so hopefully it will be better. Mr. Ney asked if there was a way to log on before the meeting starts in order to work out connectivity issues. The Deputy noted he will work with the Secretary and send out reminders on when meetings will start.

13) ADJOURNMENT

**ACTION:** Mr. Ney moved to adjourn the meeting; seconded by Ms. Howard and carried unanimously by roll call vote: Ayes: 8 - Mss. Howard and Hugo; Messrs. De Luz, Hiramami, Ney, Scicchitano, Sugai, and Chairperson Boswell.

(Meeting adjourned at 11:58 a.m.)

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Recording Secretary

Approved by Water Board  
April 27, 2021