

MINUTES

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

September 28, 2021

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

MEMBERS PRESENT: Mr. William Boswell, Jr., Chairperson
Mr. Eric Scicchitano, Vice-Chairperson
Mr. Michael Bell
Mr. David De Luz, Jr.
Mr. Steven Hirakami
Ms. Julie Hugo
Mr. Benjamin Ney
Mr. Kenneth Sugai
Mr. Keith K. Okamoto, Manager-Chief Engineer, Department of Water Supply (ex-officio member)

OTHERS PRESENT: Ms. Diana Mellon-Lacey, Deputy Corporation Counsel
Ms. Lerisa Heroldt, Deputy Corporation Counsel
Ms. Ann Hajnosz, Harris & Associates
Ms. Karyn Johnson, Harris & Associates
Councilperson Susan L. K. Lee Loy
Ms. Jessica Valdez

Department of Water Supply Staff

Mr. Kawika Uyehara, Deputy
Ms. Candace Gray, Waterworks Controller
Mr. Kurt Inaba, Engineering Division Head
Mr. Gregory Goodale, Chief of Operations
Mr. William O’Neil, Jr., Water Service District Supervisor II
Mr. Eric Takamoto, Operations Division
Mr. Warren Ching, Energy Management Analyst

1) CALL TO ORDER – Chairperson Boswell called the meeting to order at 10:00 a.m. A roll call was taken for Water Board Members in attendance. Eight members were present: Mr. Bell, Mr. De Luz, Mr. Hirakami, Ms. Hugo, Mr. Ney, Mr. Scicchitano, Mr. Sugai, and Chairperson Boswell.

2) STATEMENTS FROM THE PUBLIC:

Councilperson Susan L. K Lee Loy (*the following is transcribed verbatim*)

Chairperson Boswell: Councilperson, we’re ready for you.

Ms. Lee Loy: Thank you, Chair. Aloha members of the Water Board. Thank you for taking your time today on the Agenda. I wanted to share a project that our office launched that I believe is in line with the goals of the Water Department and its motto, “Ka Wai A Kāne.” I’m Sue Lee Loy, Councilmember for District 3, serving Keaukaha, Pana‘ewa, Waiākea Houselots, Waiākea Uka, and Kea‘au. We all know the

last two years have been disruptive for our families and so our office has launched a poster theme to touch bases with our teachers and our students to kind of understand what their needs are after having so many disruptions over the last two years. And just in line with former Mayor Billy Kenoi, we always say “it’s not no can...but how can.” So now with the resuming of school, our office launched a survey to get an idea of what the kids might need. And I also have on this call, Jessica Valdez. She’s a Council Aide from my office who actually put together the survey; and what we found is there is a lot of need for schools, ironically--slippers was very surprising that we found out. But we also found out that the kids actually wanted water bottles. Actually, the teachers wanted water bottles; and I just thought this was a great fit for the Water Department and especially your Education Specialist, Jason Armstrong, to provide some education about our most precious resource, water, and then partner with our office where we can actually begin to distribute some of the water bottles. So with that, I’m hoping Jessica will be able to get on. If not, I can share screen and share with you the survey. So Kawika, if it’s okay, I’m gonna share screen.

K. Uyehara: Yeah, can you share from your side?

Ms. Lee Loy: Absolutely. Thanks so much, Kawika. I hope you guys can see it. So this was a survey that Jess put out and what we did is we reached out to just basically the Waiākea/Hilo complex because we wanted to just take a small little snapshot of what the needs were and then go ahead and maybe refine that and then move it along to other school complexes across the entire island. And so we surveyed nine different schools in the district and this chart basically identifies what the schools were asking for. And so you can see the ones that we identified immediately were slippers; and if I could just expand on that, apparently, there’s a rule at school that if the kids come to school and their slippers or sandals break, they get sent to the health room and can’t continue with class because DOE has a rule that footwear is required. And so we’re handling that separately, but we also found that the schools were asking for water bottles and some PPE and hand sanitizers. So as soon as we saw this, we thought this was a perfect fit for the Department of Water Supply and then with Jason Armstrong, if we could do a little bit of our water systems and how it all works, our sustainable yield, and using it as a tool to educate our kids while providing them a reusable water bottle. And so that’s basically what I wanted to propose to the Board. I do have funding but we just thought that the Department of Water Supply has the educational materials that would help us and then if I could also lean on the Department of Water Supply to provide us with the heavy lifting of distribution with the educational material, I think would go a long way for all of our kids, especially those in our elementary school system who are having a hard time adjusting with wearing masks and distancing that’s happening in school. That is my proposal and I look forward to answer any questions you might have.

Mr. Hiramaki: I have a question. Yeah, do you mean islandwide for all the Hawai’i Island schools--DOE and Charters?

Ms. Lee Loy: Yeah, actually, the district complexes that we looked at included Charter. So we’re just doing it for Hilo now, but we want to take this post survey and then see from you guys out in Puna, we can do the exact same thing. Basically we wanted to launch this as a pilot program, refine the information, refine the costs, and then find out the need and go ahead and launch it across the island.

D. Mellon-Lacey: Mr. Chair, if I may?

Chairperson Boswell: Yes please.

D. Mellon-Lacey: I’m a little concerned because this really isn’t public testimony and probably should have been added as an agenda item. And so it seems like the Board is being requested to take an action here and I think this really needs to be agendaized for any further action. And I don’t mean anything against the project. It’s a wonderful idea.

Manager-Chief Engineer: What we can do, Mr. Chair, is actually, we can work with Councilwoman Lee Loy. I think we have the resources internally that we can partner with her on this effort. And what we can do is, if appropriate down the road, we can put an agenda item to discuss the, I guess a little bit more specifics with the Board and invite Sue back to provide an update, if that sounds good with everybody.

Chairperson Boswell: Yeah, that makes a lot of sense to move forward now. Yeah.

Manager-Chief Engineer: Alright.

B. Ney: Just a point of clarification, in a matter of something like this happening in the future, is there a possibility we just amend the agenda to discuss the item at the current moment? Is there...?

Chairperson Boswell: You have to have your public notice period.

B. Ney: Oh, got it. Okay. Thanks.

Ms. Lee Loy: Thank you Chair. Yeah, I'll go ahead, and if it's okay, as Keith mentioned, I'll go ahead and put together kind of a white sheet for the Board to take a look at and then go ahead and refine the program. Really, my ask right now was to allow Jason Armstrong, your Educational Specialist, to help me with providing the educational material that we could actually put with the water bottles and deliver that into the schools. And I think that is very much in line with the mission of the Department itself.

D. De Luz: Mr. Chair, if I may?

Chairperson Boswell: Go ahead David.

D. De Luz: I concur with Keith. He already has the capacity to manage this internally. I do appreciate Councilperson Lee Loy bringing it to the Board but this is kind of more like an FYI where Keith would inform us of the collaboration kind of like this calendar deal. So unless there is a specific funding request then I'm thinking that might be a Board agenda, but my recommendation is to follow Keith's lead in this regard to working it out.

Chairperson Boswell: Yeah, and with respect to Diana, we should probably move forward with the Board Meeting.

Ms. Lee Loy: Thank you everyone. Have a wonderful day. Really appreciate it.

(The Board thanked Councilperson Lee Loy and she and Jessica Valdez left the meeting at 10:11 a.m.)

3) APPROVAL OF MINUTES:

ACTION: Mr. Ney moved for approval of the Minutes of the August 24, 2021, Water Board Meeting; seconded by Mr. Sugai, and carried unanimously by roll call (Ayes: 8 - Mr. Bell, Mr. De Luz, Mr. Hiramami, Ms. Hugo, Mr. Ney, Mr. Scicchitano, Mr. Sugai, and Chairperson Boswell).

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 **\$1.85 to \$2.15** 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>
June 1, 2021	\$1.85
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

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 October 26, 2021, at 9:45 a.m., to receive testimony on increasing the Power Cost Charge from **\$1.85 to \$2.15**.

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

The Manager-Chief Engineer explained that this is a calculation done by the Department after assessing the power costs for our pumping needs. This is constantly evaluated and the Department has ability of adjusting this every two months to reflect the changes affecting operating and maintenance costs.

Mr. Hirakami stated that after reading the Water Rate Study by Harris & Associates, he did not see any correlation to why this is 30 cents. The Study did not have any correlation to the actual rate increase and this is about a 14% raise. If you look over the past two years, the fluctuation has not been that radical. He asked how the study and the numbers equate to give the public more idea of why it is being done. This does not explain to the consumer why the rate is being increased.

The Manager-Chief Engineer replied that this does not have anything to do with the Water Rate Study that is being done by Harris & Associates. This is a mechanism established by the Board to accommodate the fluctuations in power costs. He asked Ms. Gray to elaborate.

Ms. Gray explained that the power cost is calculated over a review period. The last increase was effective June 1, 2021, and was based on a review period from October 2020 through February 2021. At that point, the actual power cost the Department was charged is divided by the actual water consumed or billed to our customers and that is basically the formula on how the power cost charge is calculated. It is a pass-through charge, based on electricity costs divided by water consumption.

Mr. Hirakami thought it was tied to the actual utility cost, in other words, price per kilowatt. It does not say anything about efficiency. The customer might say you are pumping less water at an increased cost and that is your fault because something might have gone wrong with the pumps. He added that he was just looking at it from a consumer standpoint.

The Manager-Chief Engineer replied that was a fair question. As Mr. Ching mentioned at last month's meeting through his energy report, this charge was anticipated to go up because of the changes in the Hawai'i Electric Company (HECO) rates, which is what is being presented to the Board today.

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

6) WATER RATE STUDY:

The consulting firm of Harris & Associates was contracted to determine water rates for the Department for the 5-year period, July 1, 2022, through June 30, 2027. The consultant team, Ms. Ann Hajnosz and Ms. Karyn Johnson were present and provided a presentation for the Board on the rate development and financial policies for the next 5-year rate implementation period.

Ms. Ann Hajnosz introduced Ms. Karyn Johnson. They have worked together the last few years on this Department's rate study as well as others around the State. This is one of five meetings they will be meeting with the Board over the course of the next nine months, plus a public hearing will be scheduled at the end of this process. She shared her screen, showing their presentation and provided an overview.

There are three key elements to setting rates. First is to make sure the rates are set at levels that are sufficient for the water utility to pay their obligations and to hit some performance metrics. The second thing has to do with rate design. The Board indicated last time that it is interested in looking at some rate design options. You want to look at your fixed or standby charge, the water consumption, and make sure they are in alignment to provide financial stability and the right messaging to customers, especially around conservation. They will be coming to the Board later with the rate design piece. Finally is to adopt fair and usable rates, which is something they strive to do. You want to avoid having rate shock. For example, if the rate design were going to be changed for different customer classes, you would want to make sure that not one customer is going to have rate shock while the other customer might get a rate discount. You want them to be fair, reasonable, and able to be administered by the DWS staff in a relatively simple and easy way. If rates are not easily understandable by your customers, they are going to have a lot of questions and will not give the support needed to move forward and keep the Department financially stable. For today's presentation, they focused on fiscal policies. This is how they make decisions around the question of how high the rates should be. They have a foundation for the current financial management but also for the future. They will talk about some different benchmarks and metrics. Financial policies are like your household finances. You want to have some reserves to weather the ups and downs of your income and your expenditures. You might want to have specific financial or cash reserves for a bucket list for improvements. They want to have those similar things for the water utility. The DWS has had some of those in the past already where it has had specific cash reserves for different projects, especially source-related projects. Financial policies also explicitly will say we are going to use our financial resources in this manner. We are going to have an emergency reserve, an operating reserve, and a capital reserve. We are going to have a certain level of debt we are not going to exceed. Over the long term, what this does is it provides guidance to the Department and the Board in order for there to be a consistent planning approach to rates and capital spending. You want to make sure the customers understand what is coming down the pipe in terms of what their expenditures are and what the rate increases are going to be over time. The financial policies work in tandem with each other and some support others. The five Preliminary Policies were reviewed as follows:

Operating Reserve: The Department has had this target for many years. It is a pot of reserves that you are able to absorb fluctuations in drops in revenue, such as what happened in March of 2020, where you will be able to absorb revenue shortfalls. The benchmark is 45 to 120 days of Operations and Maintenance (O&M). The Department has been using about 60 days. Historically, about 20 years ago, operating reserves were based on a percent of revenues so these financial policies can shift over time. It is good to look at it every now and again and see if they need changing or kept the same.

Rate-Funded Capital Contribution is a dedicated source of revenue to say this how the Department will fund capital improvements. They also call it cash-funded capital contributions; and the way it is set is they look at depreciation expense. Even though it is not a cash item, it is a surrogate for the appropriate level of spending that you want to maintain to reasonably refresh your asset base because pipes, pumps,

and tanks are aging and you want to make sure you account for that decline by having enough money to replace them.

Capital Reserve is similar to the operating reserve but it is dedicated to capital and you want to make sure there is enough money for the Department to address the peaks in capital spending because on a year-to-year basis, it can be some years you are going to spend less; some years you are going to spend a lot more, so you need to build up cash reserves in order to hit those peaks.

Dept Service Coverage is important and something the Department has had for a long time. Most utilities will have a benchmark for debt service coverage, which basically says you want to be able to pay your annual obligation for debt service, which is your interest on debt, plus a little more. That additional coverage of .25 or .70 throws off enough cash to help cash-funded capital or help fund your capital reserve or operating reserve. That is a good example of how financial policies work in tandem.

The Debt as Percentage of Net Plant Assets is the debt ratio, which is something they looked at as well, making sure the Department is not taking on too much debt, but at the same time, the water utility business is a very capital-intensive business. These are long-life assets that last for generations. There is still a Plant from 60 to 80 years ago, and debt allows the Department to pay for those assets over long stretches of time. There is a generational equity component to debt, and that is what you want to think about when you assess the right debt level to be at. Typically, they are looking for something around 35%. Even at the 50% level, water utilities are still strong. She then turned the presentation over to Ms. Johnson who has looked at DWS numbers in more detail.

Ms. Johnson provided a summary of the past three years' historical performance and presented a "suggested preliminary policies" for each of these financial metrics that Ms. Hajnosz went over. The first one is operating reserve and the recommendation is that the Department continue the current policy that has been in practice in prior water rate studies of maintaining a balance of about 60 days of O&M expense. This equates to about \$7 million. The cash balances have been declining and in the past year, show a negative balance. That is a temporary situation which is due to the use of operating reserves this past year to pay for some capital expenditures where there is a pending State Revolving Fund Loan reimbursement. It is about \$6 million. Once those monies come in, that reserve will be built back up to about \$4 million, which is about 30 days of O&M expense. For this current rate study, they would be suggesting the Department develop a phase-in plan where it achieves that full policy of 60 days over three to five years, preferably more like in a two- to three-year range, to leave those fluctuations in revenue receipts and expenditures.

The next policy, which is the rate-funded capital contribution, would be a new policy where you would be doing an annual contribution from rates and then set that target equal to your annual depreciation expense. On the exhibit, current revenues are shown in a solid line. Historically, utilities have been setting their rates to meet their operating expenses and their debt service cost; but it was not traditional practice to include a provision for capital funding in the rates. Now with the increasing liability and needs for infrastructure replacement, this is becoming a very important financial policy that utilities have been building into their rate factors over the past few years. It is a large chunk of money, equating to about \$15 million, and they are trying to move that rate revenue line up to be able to cover those costs as well. Since it is such a significant amount, this requires a longer term phase and strategy. It is not something you will be able to build your rates to accomplish in a couple of years. It is going to be a minimum of five years and more likely, they will be suggesting a policy to phase this in gradually over the next ten-plus years. This revenue would be used to go into the capital fund to provide capital reserve and help fund annual expenditures over time. This phase-in strategy is very similar to what other utilities have been doing.

In looking at capital reserves, they are recommending that the Department maintain a reserve equal to the greater of either your annual depreciation expense or your five-year rolling capital spending plan. The chart shows annual capita spending over the past few years has been averaging about \$14 million which compares to the depreciation line above it at \$15 million. They will try to stretching to get this fund up to that \$15 million mark. On the right side of the exhibit, it presents where your current cash flows are for your capital related funds. The darker purple bar on the bottom is capital reserve and the lighter bar on top represents the facilities charge fund reserve with the target shown by the solid line. The important thing to note is that the facilities charges are only allowed to be used for eligible growth-related projects and are not available to pay for the aging infrastructure concepts where there is a huge unfunded liability of trying to get the system replaced or rehabilitated. Ideally, it should be the capital fund balance, the bottom bar, to move up to the top bar. There is quite a gap where we are now compared to where we need to go. Similar to that refunded depreciation policy, this would require a long-term strategy to get to that point. They would be using a similar phase-in plan that would be for the depreciation expense funding to move to that place. In addition to the recontribution for the depreciation expense, if at any time there are any surplus operating revenues above what you need to pay your expenditures and 60-day reserve, that money can also be used to be transferred into the capital fund to help build this reserve.

Debt service is a key metric on making sure that everything is in balance with how you pay for your capital assets. What the debt service coverage does is it looks at what the margin is between how much revenue you bring in, what your operating expenditures are, what your revenue needs to pay for, which is your annual operating and maintenance expenses, and then tells you what amount of your net revenues in any given year are going to be available to actually pay your debt service, your principle on interest, plus this incremental coverage. They would be recommending the Department continue the current policy target of 1.25 times the annual debt service, which will be built over time. This would be a more consistent strategy like the operating fund. The Department would probably want to get up to this point sooner rather than later, probably within the next two to three years. What is good with this reserve is it is a cushion that comes from the 25% increment. It can pay for one-time non-recurring expenses or help pay for direct funding of capital or even help build the reserve. It has multiple financial performance aspects to it that lead to a strong financial position.

The last policy is debt as percent of net plant assets. As mentioned, this is looking at how much of your utility assets have been leveraged through debt versus cash equity resources. Historically, DWS has had a pretty low amount of outstanding debt compared to what the maximum targets are for industry standards. This does allow the capacity for DWS to issue new debt as needed; however, you would not want to exceed 50% of debt. Even though there is capacity to issue new debt in the system, when you are looking at how high you want the rates to be, you need to understand that however much debt is issued, the debt service from it, plus the coverage, needs to be paid through rates, so you would want to have a nice balance of debt versus how high the rates need to be in order to fund debt. What they would suggest here is to stay on the lower range of having outstanding debt no greater than about 35% of net assets. They find that to be a nice balance between what the rate impacts might be through issuing new debt.

To recap about preliminary financial policy recommendations for the operating reserves, capital reserves, rate funded depreciation expense, debt service coverage, and the debt as percentage of the net assets, because there can be more than one reasonable answer to all the different policy questions, these policy recommendations being brought forth today are their initial suggestions. They will be modeling the impacts of all of them and this is just a presentation for the Board's consideration and input to help them devise what their scenarios might be for developing the rate study outcomes. They also understand that without knowing what the rate impacts of at least one of these policies is, it can be very challenging for them to ask the Board for definitive choices on these policies. A definitive answer is not practical at this time. They are looking for input from the Board in order for them to move forward with the next step in developing the revenue requirements where they will model the sensitivities of all of these impacts. They

will be coming back to the Board at its November 2021 meeting with some scenarios and models of impacts of these policies in addition to putting together the capital funding plan, the operating forecast, and proposed annual rate adjustments.

The Manager-Chief Engineer stated that he thinks of this as a health report, providing benchmarks for the utility to be financially healthy and what it will take. He opened it up for discussion/questions from the Board.

Mr. De Luz stated that his concern with O&M is the proportion of wages in relation to it and then to industry. Typically, with regard to benefits, Hawai'i has been one of the highest. Constitutionally, it is his understanding that if there are more options when collective bargaining comes asking for an increase, because there is the power to generate revenue, there is only one way to do it and that is to get it from the rate payer. That being said, he was not suggesting it is not equitable; only how do you better understand and position yourself in this area. Secondly, unfortunately, in these unpredictable times, he believes the minimum benchmark should be 90 to 100 days of O&M expense. Through this pandemic, the utility was not privy for federal assistance and the County did not step up with general revenue for any assistance, or there is no mention in the budget. Essentially what they are saying is mister water utility, you are on your own. That being said, the Department has to plan for that, unfortunately. The advent of decreased revenue through this time period only exasperates this particular issue. Planning does not necessarily equate execution. You can have the best-made plan and you may have to make exceptions to execution of it. He believed the other areas get managed, but the reality is that if you cannot survive within a period of O&M, all of the other issues will come to fruition--in other words, the capital expenditures, etc. To him, these are standards that can be used in regard to the benchmarks of the industry; but as a whole, he would say operating reserve might be looked at again and again. The other component is that Hawai'i is in the middle of nowhere and to get emergency help from the logistics side will require paying super premiums to get, for example, replacement pumps or equipment needed for repair jobs. Not only lead time is an issue, but expense of twenty to fifty percent more than in normal times.

The Manager-Chief Engineer thanked Mr. De Luz for this very valuable consideration.

Mr. Ney stated that his take on the presentation today was the need to, instead of having to go back to the rate payer for adjustment, to build up that cash reserve so it does not have to be adjusted as often. In regard to debt as percentage of net plant asset ratio, he asked if it is similar to if you were individually looking at a debt through equity or a debt to income ratio and how they would go about establishing that benchmark.

Ms. Johnson answered that if you look at the analogy of buying a house and then look at the market value of that house, how much will you get into debt versus how much you will pay from your own resources. Primarily this metric comes from the credit agencies that look at what is a reasonable amount of debt to the equity. They go as high as 50%, which is considered a strong metric.

Mr. Ney thought of the Department's assets as not highly appreciable over time like a house. It probably decreases over time. He was just curious how that ratio was devised and how it is used as the standard to look at. He believed the Department should have more cash on hand. Companies do it in tough times. They have a certain amount of cash where they can weather things and if they build it up enough, then they do not have to pivot and go back to the rate payer and make adjustments in that regard. In terms of capital spending, he would like to see the DWS look at projects in terms of completely eminent issues versus a project that would be nice, but it is not the right time to spend on that project, to try and control the spending.

The Manager-Chief Engineer thanked Mr. Ney for his good insight. What is being sought from the Board today is concurrence that these are the financial policies that are worth continuing to evaluate and if the benchmarks are appropriate. Mr. De Luz's suggestion for a higher benchmark for operating reserve, higher than 45 to 120 days, or more like 180 is something that Harris & Associates can be asked to evaluate and see how to accomplish that. Of course, the bottom line is what the rates will look like if that is going to be the benchmark. They will have more information next time around with some of these policy considerations. He asked if there is any other feedback or whether things are on the right track with regard to policy or benchmarks.

Mr. Hirakami asked if there is any kind of rubric or measurement tools to see how things are going along the way in this five-year plan to see whether the benchmarks are being met.

Ms. Hajnosz replied that what has been done for past rate studies is a true-up in the middle of the five-year period. In those past days, things did not move quite as much as they are now. During the 2008, 2009, to 2010 period with the recession and furloughs, they did a true-up in the middle of that period to see where things stood and to see if it was on target. Mr. Hirakami's point is well taken and currently, things are moving much quicker. Even though the rates will be set for five years, there should be a mechanism in year two where they look to see whether things are on track or if it needs tweaking. That will definitely be built into this timeframe.

The Manager-Chief Engineer agreed that you can set your goals but if you do not evaluate your progress intermittently, you cannot tell if you are on track. In this go-around, the Board has provided great input over the past several months, especially after the previous rate study which was a best guess because of the pandemic. Now the Department is seeing some of the impacts, which will be shown later in the Financial Report. Because of that last rate increase, there is a slightly better stability but there are still a lot of unknowns in moving forward into the next five years. The approach this time is to set it a little more conservative and set reserve policies that the Department can shoot for to get that longer term health and build resilience in the finances to weather some of the storms moving forward.

Mr. Hirakami stated that these financial policies are a good guide for operational and management as well because by using more energy-efficient equipment and reducing water loss, you can actually mitigate some of the risks in the financial policy. This is actually a guide for how you operate and you manage into the future.

Mr. Ney asked what the Department's ability is to curtail expenses in the event it had to in order to adjust finances.

The Manager-Chief Engineer replied that the large expenses would be, of course, CIP and well repairs. You cannot put a pause on well repairs because they need to be done; however, if needed, some planned CIP projects could be postponed. Regular consumable expenses are tougher. Things like making a vehicle last longer, which has been done in the past, may result in high repair costs, but you put off purchasing a new vehicle. Moving forward, the Department is partnering with the Department of Research and Development to explore other options for vehicle acquisitions. The State has employed its system with electric vehicles where they are actually leasing them on a cost-per-mile basis rather than buying them. It helps avoid fronting the capital expense. Incorporating other options will help with the O&M expenses.

Chairperson Boswell thanked Ms. Hajnosz and Ms. Johnson for their contribution today and looks forward to seeing the updates in November.

(Mss. Hajnosz and Johnson thanked the Board and left the meeting at 11:00 a.m.)

7) SOUTH KOHALA:

A. JOB NO. 2021-1171, LĀLĀMILO B 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, column assembly, and all appurtenant materials; complete an efficiency test; and refurbish the existing equipment for spare inventory; in accordance with the specifications.

Bids for this project were opened on September 9, 2021, at 2:00 p.m., and the following are the bid results:

Bidder	Bid Amount
Derrick's Well Drilling and Pump Services, LLC	\$1,250,000.00
Beylik Drilling and Pump Service, Inc.	\$1,438,476.34

The engineering estimate for this project was \$416,900.00.

The Department has elected to cancel the solicitation pursuant to Hawai'i Revised Statutes (HRS) §103D-308 and Hawai'i Administrative Rules (HAR) §3-122-95 and §3-122-95, as the bid prices received exceeds the available monetary funds appropriated for the project.

The Manager-Chief Engineer recommended that the Board not award the contract for JOB NO. 2021-1171, LĀLĀMILO B DEEPWELL REPAIR, due to the high cost of the bids. Staff will re-evaluate the scope of work and will procure the necessary services according to procurement rules.

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

The Manager-Chief Engineer introduced Mr. Gregory Goodale, the new Chief of Operations, who came to the Department via a sister agency, the Department of Environmental Management. The Department is very fortunate to have a man with his experience as part of its team. He started on September 1 and is being brought up to speed very quickly with the assistance of Mr. William O'Neil, who was temporarily assigned to the position since June. He thanked Mr. O'Neil for helping Mr. Goodale transition into his role. Both Mr. Goodale and Mr. Takamoto are standing by for any technical questions from the Board.

Mr. Hirakami asked if there is a bigger pool of drilling services or perhaps some on other islands because it seems like he always sees these two names. It does not seem competitive with people if they know there are only going to be two bids. It is like they can keep their bids kind of the same. If the Department is stuck with a limited supply of drillers, there is not going to be competitive bidding. They were three times over the engineering estimate, and he trusts the engineer's estimate.

Mr. Ney added that the Board always has the right to decline if the numbers are outrageous, but there is a bit of a monopoly between these two companies. It would be nice to have more companies involved with the bidding process. It seems like the two bid amounts were elevated, not saying they are colluding together to drive up the cost; but he wondered what attributed to the numbers being so different from the estimate--whether it was something the Department missed, or was it just them giving an inflated number, probably with a tremendous profit margin. He asked how the Department factors in the profit margin when doing estimations and how the costs are aggregated.

The Manager-Chief Engineer replied that there are a limited amount of contractors to do this type of work. The Department is hopeful to see more bidders, and there have been another two putting in Intents to Bid on more recent bids: Water Resources International, and ALPHA, Inc. This has been a struggle for years, just having a limited amount of contractors available to do the work. It is a very specific field and takes a lot of capital investment to start up a business for this type of work, which is why he would guess there are not as many contractors out there. With any bid, the Department does an evaluation for fair and reasonable bids, especially if there is only one bid. For this bid, it was a fairly simple evaluation, but there are some specific factors for why the bids came in higher. The Department does not set a specific profit amount on these bidding types. That is not the procurement process. It does come into play, for example, if a change order is done by the force account method. In that case, the Department asks the contractor to submit all of their information such as material, equipment, and manpower costs, and on top of that, allows for overhead and profit within a certain amount. On competitive bids, that option is not provided. He asked Mr. Takamoto to discuss some of the factors why these bids came in so high.

Mr. Takamoto stated that engineering estimates are based on historical pricing and recent pricing on similar projects to get a base design. For this specific project, there were multiple factors that contributed to the significant bid amounts. The specifications were revised for unit warranty. The Department's attempt was to get the manufacturer to be responsible for the entire assembly, everything from pump, column assembly, and motor, which added to the cost. Previously, this was not included in historical pricing. Also, because of the use of a Department of Health State Revolving Loan Fund, it requires the use of domestically sourced iron and steel products, which drives up the price. As mentioned in previous meetings, the Department has been trying to increase the longevity of the pump and motor assembly by revising the materials being used. This, in combination with the domestic sourcing, contributed to a significant increase in the cost. When this project is put out for rebid, the Department will be re-evaluating all of those items.

Mr. Hirakami asked if the Department underestimated, and the bids shown here are more realistic for the work actually being done.

Mr. Takamoto replied that the cost was probably underestimated, especially since both bids were fairly close together. This is probably the actual pricing; therefore, when this is put back out to bid, an evaluation will be done on what changes or materials should be upgraded and what should remain the same in order to give value in the repairs.

Mr. Ney hoped this does not become a recurring thing where the Department receives high bids on tons of projects. He recalled the Manager-Chief Engineer once mentioning the possibility of having a well crew and then the overflow of work could be put out for bid. He asked if that was something the DWS would explore again as an option or whether it is financially feasible at this time.

The Manager-Chief Engineer replied that it was something that was looked into, but there were some hiccups in the human resources side of it. One is that nobody else in the State has that type of personnel; therefore, you would basically have to create a position Statewide. Being a government entity, you have to create a class specification, a job description, and basically create a position that the entire State can agree upon. There were some hurdles, but it is not off the table and may be something to continue to evaluate. He thanked Mr. Takamoto for his great explanation regarding the engineering estimate, and one thing he did forget to mention, which is a major issue, and that is the unit warranty which the Department has been trying to get to have the pump, motor, and power cable under one contractor or sub-contractor and have them be responsible for the warranty. However, when the column pipe was added, it threw things off because it is not something the pump and motor manufacturers partner with. That contributed to this cost increase as well.

Mr. Hirakami asked if there are any other municipalities that have their own drilling crew which service their own, either in the State of Hawai‘i or in any other state.

The Manager-Chief Engineer replied that the State of Hawai‘i definitely does not have that but was not sure about other states. It would be different in other states because they deal with different geologic conditions. Their rigs are probably different because they are not drilling in the same conditions. Even Kauai contractors cannot drill on this island. They tried and were not successful.

Chairperson Boswell made a comment on this. Board Members need to be a little bit careful about picking on people by name, talking about contractors, and accusing them of things. He has worked in this business for 40 years and until you have stood on a drilling rig and been responsible for pushing a drill bit 1,500 feet down into the ground and all of the things that happen to it, it is not a simple business. It is full of risk and peril at all times. People die doing that business. It is a tough job and there are not a lot of people to do it.

Mr. De Luz stated that he was of a similar mindset prior to attending a national water conference in Denver. He learned that the irony of it is that Hawai‘i has such unique geological attributes, not to mention the issue in hiring specialized staff for the utility. It actually adds more operating expense. For example, Mr. Inaba’s engineering department would probably need five or six more engineers on staff to manage all the issues; and the reality is that this is such an unpredictable business, and when Mr. Takamoto indicated the trends then and now, there are things that change over a period and regulations come into play such as the Clean Water Act and the materials used. Although it is unfortunate, these are issues that are like the O&M and budgeting in uncertain times. Another thing to be aware of is that every single pump and motor is specified to the particular well. It is not an “off-the-shelf” item. There are supply issues also, with limitations on where you can get this equipment from and having it tested prior to arriving in Hawai‘i. These are all areas where, when staff provides its insight into what they look at, it provides the Board with an understanding where, other than attending that conference, he would have been of the mindset that this is more of a business you can manage; but this one is tough.

The Manager-Chief Engineer thanked Chairperson Boswell and Mr. De Luz for their comments, for their years of being on the Board, and from Chairperson Boswell’s experience in actually working with contractors. Their different perspectives help the Department always strive to be better.

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

8) SOUTH HILO:

A. **VEHICLE BID NO. 2020-04, FURNISHING AND DELIVERING VEHICLES TO THE DEPARTMENT OF WATER SUPPLY – REQUEST FOR ADDITIONAL FUNDS:**

The vendor, Inter Pacific Motors, Inc., dba Orchid Isle Auto Center, is requesting a contract change order for the additional work of wiring the vehicles for DWS’ mobile radios. The Department has requested this work be done to expedite the radio installation, ensuring that staff are able to communicate while servicing remote locations. The description of the additional work and associated fees are as follows:

ITEM	QUANTITY	DESCRIPTION	UNIT AMOUNT	AMOUNT
1.	8	Wiring for installation of a Motorola APX4500 radio located atop the dashboard tray including fused battery line and ignition sensor to radio location, and external speakers installed and enabled with connection at radio location.	\$494.24	\$3,953.92
TOTAL				\$3,953.92

Staff reviewed the request for the additional funds and found that the \$3,953.92 can be considered justified. *Note: Payment of this work shall be performed by force account.*

Original Contract Amount: \$569,303.00
 1st Additional Funds Request: \$3,953.92
Total Revised Contract Amount: \$573,256.92

The Manager-Chief Engineer recommended that the Board approve an increase in funds of \$3,953.92 to Inter Pacific Motors, Inc., dba Orchid Isle Auto Center, for VEHICLE BID NO. 2020-04. If approved, the total revised contract amount shall be \$573,256.92.

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

The Manager-Chief Engineer stated that the Board may be wondering why less than a 1% cost increase is being brought to the Board for consideration. These types of bids do not have any contingency. They are supposed to supply a vehicle at the cost they provide. This is basically to set the vehicles up to wire for a two-way radio which is standard on the Department's service vehicles. Prior to this, the Department's only two Electronics Technicians were the ones doing this set-up for the vehicles to get the two-way radio installed. Fortunately, staff was able to get this pricing from the dealer and it looked reasonable and will free up the Electronics Technicians to do higher priority work. This was a prudent thing to do and now that it is known that the dealer is capable of doing the work, this will be included in vehicle bids moving forward.

ACTION: Motion was carried by roll call vote (Ayes - 7, Mr. Bell, Mr. Hiramaki, Ms. Hugo, Mr. Ney, Mr. Scicchitano, Mr. Sugai, and Chairperson Boswell; and one recusal: Mr. De Luz due to his affiliation with another dealer).

9) NORTH HILO:

A. **JOB NO. 2021-1162, LAUPĀHOEHOE DEEPWELL B REPAIR:**

This project consists of furnishing all labor, materials, tools, and equipment necessary to remove the existing pumping assembly; furnish and install a new submersible pump, motor, power cable, column assembly, and all appurtenant materials; well rehabilitation; borehole alignment survey; electrical work; and complete an efficiency test; in accordance with the specifications.

Bids for this project were opened on September 9, 2021, at 1:30 p.m., and the following are the bid results:

Bidder	Bid Amount
ALPHA, Inc.	No Bid
Beylik Drilling & Pump Service, Inc.	\$618,700.00
Derrick's Well Drilling & Pump Services, LLC	Non-Responsive
Water Resources International, Inc.	No Bid

Project Costs:

1) Low Bidder (Beylik Drilling & Pump Service, Inc.)	\$618,700.00
2) Contingencies (10%)	<u>\$61,870.00</u>
Total Cost:	<u>\$680,570.00</u>

Funding for this project will be from DWS' CIP Budget under Deepwell Pump Replacement. The contractor will have 210 calendar days to complete the well repair with the contractor's furnished equipment and refurbish the existing pump and motor set for the Department's future use. The Engineering estimate for this project was \$500,000.00.

Well History:

Laupāhoehoe Deepwell B:

Original Installation: June 1984

Repaired: August 1999 – Final Contract Amount \$75,849.86 (replacement of pump, portions of the column assembly, brush and bail)

Repaired: December 2004 – Final Contract Amount \$144,253.00 (replacement of pump, portions of the column assembly, brush and bail)

Lasted Repaired: March 2011 – Final Contract Amount \$64,648.98 (conversion of well from water lubricated line shaft to submersible, inclusive of pump, motor, power cable, column assembly, brush, bail, and video survey)

Mitigation Measures:

This project will conduct a borehole alignment survey and pre-fill column assembly prior to initial start-up.

The Manager-Chief Engineer recommended that the Board award the contract for JOB NO. 2021-1162, LAUPĀHOEHOE DEEPWELL B REPAIR, to the lowest responsible bidder, Beylik Drilling & Pump Service, Inc., for their bid amount of \$618,700.00, plus \$61,870.00 for contingencies, for a total contract amount of \$680,570.00. 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 Ms. Hugo.

The Manager-Chief Engineer pointed out that this project saw more companies file an Intent to Bid; however, only one responsive bid came in. An evaluation was done and although higher than the engineer's estimate, based on the current situation with materials and availability, staff feels it is fair and reasonable to proceed with this bid at the bid amount.

Mr. Hirakami asked about the contingency--if \$680,570.00 is being awarded or if it is \$618,700.00 and hopefully they complete the project within that \$618,700.00 but the Department is aware they might ask for overrun and it has to come back to the Board to use up that 10% contingency.

The Manager-Chief Engineer explained what happens is the total amount of \$680,570.00 is what comes to the Board for approval and will be the contract amount. The base bid is \$618,700.00 and if they do come in for additional work within the contingency, it does not have to come in front of the Board because the Board already approved the 10% contingency. However, there is an evaluation process where staff reviews the additional work request to see if it is reasonable. What is typically used are line items within the bid. For example, if there is a cost per lineal foot of column pipe in the bid and they add 10 feet of column pipe, they already have a bid amount for that; therefore, the additional 10 feet of column pipe would be based on line item cost they provided in their base bid. It also needs to be reviewed signed off by Corporation Counsel and the Chairperson or Vice-Chairperson.

Mr. Ney asked about the difference between a “no bid” and a “non-responsive” bid.

The Manager-Chief Engineer explained that a “no bid” means they filed an Intent to Bid but did not submit a bid. “Non-responsive” means there are minimum requirements that have to be met in order to comply and have a qualified bid; but if those requirements are not met, they are deemed non-responsive.

Mr. Ney asked if there ever was an instance where there was not ample time for the bidders to work their numbers out. It would be nice to see more of them compete because that makes it more competitive. If it is just a matter of time sensitivity and needing a little more time to compile, perhaps that is something the Department can get feedback on from them--whether it is too rushed for them to compile the bid.

Chairperson Boswell asked Mr. Ney what he would think if he were the bidder who is bidding against someone else but he has all of his stuff together, per bidding documents, and the other guy is given more time to work a little harder at it.

Mr. Ney thought it might just be where, in a company schedule, they are sometimes hard at work and it may be a matter of not having the office staff or the estimator not having enough time to prepare. Not that he would want to disadvantage the other bidder, but he would say to approach all of the contractors that work with the Department and ask them if the time given to prepare a bid is appropriate. It would not be partial in any way to ask them if, from the time a Request for Proposals (RFP) goes out, it is enough time for them to do a good job of getting their numbers together. It was not his intent to try to extend it out so the competitor gets the advantage.

The Manager-Chief Engineer stated that for this RFP, that was not an issue. The bidders were able to submit their bids in ample time. They just did not meet the requirements of the bid. There have been cases where bidders have requested more time; and if it is reasonable and the Department can accommodate the request, the Department would issue an Addendum to change the bid opening date, and everyone is given the same information and can plan their bid accordingly. That has been fairly rare. Most of time, the Department bids it out with a duration between advertisement and bid opening of a significant amount of time for any bidder to prepare a good bid.

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

10) MISCELLANEOUS:

A. DEDICATION OF WATER SYSTEM(S):

The Department received the following documents for action by the Water Board. The water systems have been constructed in accordance with the Department's standards and are in acceptable condition for dedication:

1. **Bill of Sale**

Transferor: Geo Investment Company, Inc.
Subdivision No. SUB 17-001713
Tax Map Key: (3) 2-2-038:031
Facilities Charge: \$16,500.00 Date Paid: 5/8/2019
Final Inspection Date: 4/26/2019
Water System Cost: \$12,500.00

2. **Grant of Easement and Bill of Sale**

Grantor: 1250 Oceanside, LLC
Subdivision No. 1998-000124 (portion)
2007-000577 (portion)
2007-000589 (portion)
Tax Map Key: (3) 8-1-004:070 (Lots 11-A-1 & 12-A), 8-1-032:054 (por.) (Lot R-7-A),
and 8-1-004:064 (por.)(Easement "A-1")
Facilities Charge: \$70,875.00 Date Paid: November 2000
Final Inspection Date: 5/6/2021
Water System Cost: \$3,644,100.00

3. **Deed**

Grantor: 1250 Oceanside, LLC
Lot 4 of SUB 19-001936
Tax Map Key: (3) 8-1-004:064

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

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

Mr. Inaba explained why the Facilities Charge date paid in Item No. 2 is November of 2000. This is a portion of an old, bonded subdivision, which is why the Facilities Charge was paid then.

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

B. MONTHLY PROGRESS REPORT:

The Manager-Chief Engineer asked if there were any questions on the Monthly Progress Report.

Chairperson Boswell stated that he had seen, earlier this week, a newspaper article about the Lālāmilo Windfarm tank at 20 million gallons, and he sees that it is actually 10 million.

The Manager-Chief Engineer stated that it is a 10-million-gallon tank and thanked the Chairperson for mentioning that.

Mr. Inaba clarified a notation on the Pāpa‘ikou Transite and G.I. Pipeline Replacement project. The water main is basically 95% complete. There is still quite a bit of work for service laterals. That would be why a large difference is shown in the amount complete and the amount paid.

Mr. Ney asked about Hala‘ula Well Development, Phase 2, project. There is not a lot of activity on the road. Most of it seems to be behind the scenes right now. He asked if the project is progressing smoothly.

Mr. Inaba replied that there are still some concerns about possible delays. The Department is moving forward with the permit and needs to do some rehabilitation to the well. As far as work on the road, currently, there is none; but the Department is looking at making the schedule for connections to meet the school fall break, pending the contractor’s successful completion of the main and chlorination. Small equipment will be used to connect the laterals to the new line.

Mr. Ney stated that the bumps in the road have finally gone down. They mounded the asphalt to allow for compaction. It is better than it being recessed where you cannot resolve it as much.

Mr. De Luz mentioned the County’s EPIC system with regard to permits and the delays being experienced.

The Manager-Chief Engineer explained how projects move along. As part of project management, the Department’s engineers are asked to stay on top of the project scheduling. It is not just left to the contractor. Progress on construction or any permitting that is required is followed, and if it is running into road blocks and it comes to his attention, he may make a telephone call to the director of the agency; but we try not to get to that point because everyone has a lot of things on their plate. The project managers manage it with their respective counterparts in different departments when it comes to permitting.

C. REVIEW OF MONTHLY FINANCIAL STATEMENTS:

The Financial Statements for August were reviewed. Ms. Gray reported that revenues are increasing and expenses are under control. This is the second month of the fiscal year, and she is optimistic that things will continue to move in this direction. The cover letter includes an explanation for accounts that changed \$10,000.00 or 20% more from the prior fiscal year. She asked if there were any questions.

Mr. De Luz asked when the audit report would be forthcoming.

Ms. Gray replied that the audit report is due in November.

Mr. De Luz stated that he would wait for the audit report because a lot of this would be included.

Mr. Hiramaki asked if there is an estimate of how much is in past-due, unpaid bills. He had received an update on the ERAP program (Hawai‘i County Emergency Rental Assistance) and there is \$200 million available in the County and only \$6 million has been allotted--3% of the monies. The DWS had done some advertising in the newspapers, but he thought it might be a good time to get the word out again because it ends after December 2021 and pays for utility bills. If you go to the Hawai‘i County ERAP website, there is a handout of the participating agencies such as

Hope Services, Neighborhood Place of Puna, and Habitat for Humanity; and it tells you exactly what you need to qualify and how to register for the program. It might be a good information insert to send out with past-due bills.

Ms. Gray stated that since the ERAP program started, the Department has had a message printed on its bills that provides information and who to contact if assistance is needed with water bills. The Department has collected about \$20 thousand from the beginning of that program to date. It is not moving or assisting as much as was hoped, but there is participation. She was not sure why there was not more participation as far as payments received. Delinquencies are shown on the cover sheet of the Financial Statements, and it currently shows \$1.4 million, which is a decrease. The Department's Credit and Collection Clerk lets the customers know about the program at every opportunity. She believed the ERAP website contains statistics on applications and how many have been approved and denied so far.

Mr. De Luz asked if the people who follow up on the delinquencies, outside of the Department's personnel, are educated on ERAP so when they do contact people, they can assist that way. It is a sad reality that this is probably not on the highest priority; people are just trying to stay in their homes or apartments; and unfortunately, it is supposed to get a lot worse before getting better. The Department's only other alternative is to shut off water because it now has that ability. Perhaps in those targeted shut-offs, the Department sends something in red that says who to contact. He would hate to see the opportunity of having funds available and having to, not only write it off, but shutting off service.

The Manager-Chief Engineer stated that the Department would definitely see if there are other opportunities to get the word out. It seems to be a relatively straightforward process; but perhaps people are just not willing to go through that process or may not meet the qualifications because it only applies to renters, unfortunately. It does not apply to homeowners.

Mr. Ney asked about the Department's past experience in how responsive the customer is in reestablishing service if they had their water shut off--whether they get their payment in right away or whether three to six months go by and the Department never sees a payment.

The Manager-Chief Engineer replied that shutting off water is always the last resort. Payment plans are offered and several notices are sent to the customer before getting to that point. A large chunk of the delinquents are people who may have left town and cannot be found, leaving behind several bills. It has been a long time that the delinquencies of greater than 90 days have been accumulating. This is not just within the past several months.

Ms. Gray added some information regarding the delinquency brackets. Those that are delinquent for 31 to 60 days equal an outstanding amount of \$249,706.00 as of August; for 61 to 90 days, it is \$160,120.00. The greater than 90 days delinquent have been accumulating over a period of time.

Mr. Ney stated he would be curious to know how many people default on paying and take off knowing it might destroy their credit. At some point, the Department probably has to say it is going to be a collectible debt and you have to write it off as lost revenue. For people who do not intend to leave, it probably prompts them to pay their bill because they cannot live in a house without showers, and he was curious to see that breakdown and how many collections have gone back so far that the Department knows they are never going to be resolved.

Ms. Gray stated that when they refer delinquencies to a collection agency, there is a statute of limitations period before the Department would actually write them off, which is several years. That is why you will see an accumulation especially for the greater than 90 day period.

Mr. Ney thanked Ms. Gray for the explanation.

D. MANAGER-CHIEF ENGINEER'S REPORT:

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

1. North Kona Wells - the Deputy reported that twelve of fourteen wells are either online or available to use; and as far as well repair projects, he did not have any updates on any active repair projects at this point. He thanked staff for their hard work.
2. COVID-19 Update - the Manager-Chief Engineer stated that the Department is still business as usual, going through the most recently implemented vaccination or testing requirement for all employees. Those who have to test have been testing. Every employee had to sign an attestation form to let the Department know whether they are vaccinated or choose to be subject to weekly testing. For all employees, the Department is meeting the Governor's mandate and the Department is in full compliance.
3. Claim History and Processes - the Manager-Chief Engineer noted there were a couple of questions from last month's meeting and he turned it over to the Deputy, who reported that there was a question on deductibles and premiums and their relationships. In 2007/2008, for the public officials liability coverage, the premium was \$213,312.00 which had a \$500,000.00 deductible. In the 2017/2018 period, the premium was \$130,780.00 and the deductible was \$1 million. Included in the \$130,780.00 premium was a portion for the public officials liability of \$11,000.00.
4. Retiree of the Department of Water Supply - the Manager-Chief Engineer announced there is a retiree from the Operations Division, and had Mr. Goodale share information on the retiree. Mr. Goodale stated that it is a pleasure to talk about Mr. Clyde Young. Mr. Young started with the Department in 1991 as a Mechanical Engineer III and was promoted to Mechanical Engineer IV in 1998, and in 2007, he became a Mechanical Engineer V. After 30 years of serving with the Department, he will be retiring at the end of this month. A few projects Clyde was instrumental in were the booster pump and repair projects throughout the island; and he also specified several of the pumps and motors for use within the water system as well as different meters and control valves. Needless to say, he is the guy who basically keeps things running for Operations here on the island. It is very admirable to see someone who has been able to serve their whole career with the Department of Water Supply. He asked if anyone wished to share their kind words about Clyde and his time here. Mr. Ney stated that Clyde has been one of the guys who has been in attendance at the Board meetings and always thought he had good things to add and was happy he got to meet him and wished him well. The Manager-Chief Engineer stated that Clyde would bring show and tell items to the Board meetings to help the Board get a better understanding of the wells. Clyde always had the best intentions of the Department in mind whenever he tried to implement programs. Fortunately, he left a great legacy with Mr. Eric Takamoto, and Eric is now mentoring two young Mechanical Engineers that really are the future. Clyde even had some influence on the Department's Energy Management Analyst, Mr. Warren Ching. His influence played a major role in where the Department is at today and in the strategic planning done when the Kona wells were giving problems. He was a big part of getting solutions and moving forward. He will be missed and he wished him well. The Deputy stated that when he first met Clyde, he always was available to help and assisted any part of the Department. He always had a passion for serving the Department and the community; and his time, efforts, and dedication are appreciated. Mr. Inaba echoed those sentiments and added that he, himself, has been with the Department many years, and Clyde was here before him. Clyde

mentored him also, even though they are in different engineering fields. He appreciated all of his years and will miss the long and sometimes after-hour phone calls discussing issues. He was someone he would lean on and he will miss him and wished him well.

E. EXECUTIVE SESSION REGARDING OPEN LITIGATION:

The Board anticipates convening an executive meeting for the purposes of discussing the legal rights, duties and liabilities of the Board concerning open litigation against the Board, as authorized by Hawai'i County Charter Section 74.6 and Hawai'i Revised Statutes ("HRS"), Section 92-4 and 92-5(a)(4). The Board wishes to have its attorney present, in order to consult with the board's attorney on its questions and issues pertaining to the board's powers, duties, privileges, immunities, and liabilities pursuant to 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.

Ms. Mellon-Lacey advised Chairperson Boswell to also read Executive Session request for Item F because the Board does not have to go into Executive Session two separate to consider more than one thing. (see Action below)

F. EXECUTIVE SESSION: MANAGER-CHIEF ENGINEER AND DEPUTY EVALUATION FOR CALENDAR YEAR 2021:

The Board anticipates convening an executive meeting to consider the evaluations of the Manager-Chief Engineer and Deputy for its annual performance review, as authorized by Hawai'i County Charter Section 7-4.6(d) and Hawai'i Revised Statutes ("HRS"), Sections 92-4 and 92-5(a)(2). The Board wishes to have its attorney present, in order to consult with the board's attorney on its questions and issues pertaining to the board's powers, duties, privileges, immunities, and liabilities pursuant to 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.

Chairperson Boswell entertained a Motion to enter Items E and F for Executive Session.

ACTION: Mr. Ney moved that the Board consolidate Executive Session to cover both topics, Items E and F; seconded by Mr. De Luz and carried unanimously by roll call vote (Ayes - 8, Mr. Bell, Mr. De Luz, Mr. Hirakami, Ms. Hugo, Mr. Ney, Mr. Scicchitano, Mr. Sugai, and Chairperson Boswell).

(Executive Session began at 12:13 p.m. and ended at 1:16 p.m.)

G. MANAGER-CHIEF ENGINEER AND DEPUTY EVALUATION FOR CALENDAR YEAR 2021:

Chairperson Boswell stated that for the Manager-Chief Engineer and Deputy evaluation and compensation for calendar year 2021, discussion and the action will be deferred until the next Board meeting where the Board will have some additional information to review.

H. CHAIRPERSON'S REPORT:

1. Chairperson Boswell stated that he sees his tenure with the Water Board getting shorter and shorter and is looking forward to seeing who the Board decides to take the leadership role and the Vice-Chair role also. The team is growing strong, and it is a pleasure to work with everyone.

Mr. De Luz suggested, only to create administrative fluidity, that the Chairperson consider voting for the new Chairperson and Vice-Chairperson in October. His reason is it will give an opportunity to transition.

Chairperson Boswell thought that was a good idea because he can remember when he took over, it was a cold seat. He walked out of a meeting one day and the next day he was Chair.

Mr. De Luz added that it is not an intent to move aside the current Chair and Vice-Chair, but merely to try and make the transition a little easier.

Chairperson Boswell thought that was a great idea and would allow for successorship.

Mr. Bell asked if Item G was covered. Chairperson Boswell stated he did kind of gloss over it but had mentioned that the Board would defer the Manager-Chief Engineer and Deputy Evaluation for Calendar Year 2021 until additional information is received.

11) ANNOUNCEMENTS:

1. Next Meeting: - October 26, 2021, 10:00 a.m., via Web Conferencing

12) ADJOURNMENT

ACTION: Mr. Ney moved to adjourn the meeting; seconded by Mr. Sugai and carried unanimously by roll call vote (Ayes - 8, Mr. Bell, Mr. De Luz, Mr. Hirakami, Ms. Hugo, Mr. Ney, Mr. Scicchitano, Mr. Sugai, and Chairperson Boswell).

(Meeting adjourned at 1:20 p.m.)

Recording Secretary

APPROVED BY WATER BOARD
OCTOBER 26, 2021