

MINUTES

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

February 22, 2022

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

MEMBERS PRESENT: Mr. David De Luz, Jr., Chairperson
Mr. Steven Hirakami, Vice-Chairperson
Mr. Michael Bell
Ms. Julie Hugo
Ms. Kea Keolanui
Mr. Benjamin Ney (10:03 a.m.)
Mr. Keith K. Okamoto, Manager-Chief Engineer, Department of Water Supply (ex-officio member)

ABSENT: Mr. Kenneth Sugai, Water Board Member
Mr. William D. Boswell, Jr., Water Board Member
Mr. Eric Scicchitano, Water Board Member

OTHERS PRESENT: Mr. J. S. Yoshimoto, Assistant Corporation Counsel
Mr. Chad Funasaki, N&K CPAs, Inc.
Mr. Andrew Ho, N&K CPAs, Inc.

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, DWS Waimea
Mr. Eric Takamoto, Operations Division
Mr. Warren Ching, Energy Management Specialist

- 1) CALL TO ORDER – Chairperson De Luz called the meeting to order at 10:00 a.m. Five Board Members were in attendance at roll call: Mr. Bell, Mr. Hirakami, Ms. Hugo, Ms. Keolanui, and Chairperson De Luz. (Note: Mr. Ney joined the meeting at 10:03 a.m.)
- 2) STATEMENTS FROM THE PUBLIC - none
- 3) APPROVAL OF MINUTES:
ACTION: Ms. Hugo moved for approval of the Minutes of the January 25, 2022, Water Board Meeting; seconded by Ms. Keolanui. There being no discussion, motion was carried by roll call vote: Ayes: 5 - Mr. Bell, Mr. Hirakami, Ms. Hugo, Ms. Keolanui, and Chairperson De Luz. Absent: Messrs. Ney, Sugai, Boswell, and Scicchitano.
- 4) APPROVAL OF ADDENDUM AND/OR SUPPLEMENTAL AGENDA - none

5) **PRESENTATION OF AUDITED FINANCIAL STATEMENTS – JUNE 30, 2021:**

Mr. Andrew Ho and Mr. Chad Funasaki of N&K CPAs, Inc., were present and reviewed the audit report, sharing their screen presentation with the Board.

(Mr. Ney joined the meeting at 10:03 a.m.)

Mr. Funasaki began that the type of report or opinion rendered was an unmodified opinion that the Department's financial statements were fairly presented as of and for the fiscal year ended June 30, 2021. There is a section on internal controls and financial reporting where there were two material weaknesses identified during the audit. One was to improve controls over accounting for constructed capital assets and the other was controls over accounting for some non-routine transactions. No significant deficiencies were identified.

Mr. Ho went through the Condensed Statements of Net Position. The capital assets overall had a net increase of \$2.2 million due to some larger items transferred from construction work in progress into utility plant service. The total net change was about \$9 million transferred over, as well as a normal annual depreciation of about \$14 million. With regard to the Department's other assets, there was a slight decrease in cash of about \$2.5 million and a decrease in the overall amount of investments, which are primarily held in CDs, of about \$2 million. Long-term debt saw a slight uptick of about \$1 million due to a few items. First, there were a few SRF (State Revolving Fund) loan additions during the 2021 fiscal year of about \$7.2 million, offset by about \$5.8 million in debt service (bonds the Department has on its books). There were some bonds that were refunded during 2021 through the County. Deferred inflows of resources had a slight increase, primarily due to the deferred inflows related to post-retirement medical benefits, or OPEB. That is determined by a third party. There was a slight decrease in net position of about \$3.9 million. Moving on to the Condensed Statements of Revenues, Expenditures, and Changes in Net Position, overall there was a negative change during 2021. There was a decrease from last year. There is a slight uptick in revenues during the year and a rate change in the second portion of 2021. There is a decrease in operating costs; and a large part of that is based on financials, about a \$1.4 million decrease in power and pumping. Another item contributing to the overall change in net position is an increase in contributions in aid of construction. One significant item is a long, outstanding project that was sitting on the books. The Department was waiting for service connections to be made, and that finally got recognized in 2021 after many years. For the Condensed Statement of Cash Flows, there was a large amount in net cash used in financing activities. A lot of that is due to the construction of capital assets during the year. Net cash provided by investment activities had a slight increase, due to a few CDs that matured and were not renewed during the year. Those are handled through the County of Hawai'i and the Department of Water Supply's relationship. The end result is an overall net decrease of about \$2.5 million in cash.

Mr. Funasaki stated the financials show an operating loss of about \$7.7 million and the change in net position was a decrease of \$4 million. He emphasized that there is almost \$15 million in depreciation expense, which is a non-cash item.

Mr. Ho reviewed the Required Communications. For significant accounting policies, there were no new ones adopted during 2021. There were no transactions entered into by the Department which lack authoritative guidance. All significant transactions have been recognized in the proper period. Significant estimates affecting the financial statements include valuation for trade receivables, depreciation based on reserves for worker's compensation, and the larger ones would be net pension liability (OPEB), and a valuation of non-cash contributions in aid of construction. There were some difficulties encountered due to internal changes with the former Waterworks Controller retiring and this being Ms. Gray's first-time audit. The first year is always the most difficult and he thanked her for her hard work during the audit.

Material misstatements were adjustments to transfer CIP into service and then adjustments to record some grant funding. These relate to the two material weaknesses mentioned earlier. Uncorrected misstatements are those they come across during the audit. It was determined by management that it is not material; therefore, while there were misstatements noted, they were not posted because they were non-material to the financial statements. There were no disagreements with management. They did obtain representations from management, and there were no consultations with other independent accountants. He asked if there were any questions on the report or the communications.

Chairperson De Luz mentioned the cash difference of \$2 million from previous year to current year. What he looks at is whether operating revenue is able to cover true operating costs and then looking at a number for replacements or capital improvements. The depreciation number is what it is and does not necessarily reflect the amount needed for capital improvements or replacements costs; but putting that aside, the concern is whether N&K sees a downtrend in regards to cash position based on the difference.

Mr. Ho replied that if you look at the Statement of Cash Flows, depreciation is added back in because it is a non-cash item. When you look at your statement of cash flows, your net cash provided by your operations was a net inflow of about \$9 million. The reason for the \$2 million decrease is the constructing assets, which was \$14 million.

Chairperson De Luz commented that, essentially, it was a net change in regards to the capital projects; but the net position for operating, as it relates to rates, seems to be adequately provided for at this time.

Mr. Ho replied, yes, there is a net inflow from operations of about \$9 million.

Mr. Hirakami asked about the material weaknesses in their recommendation and whether management means the manager engineer or the financial manager and what kind of process they should take to address the recommendation. It indicates areas that should be identified but not how to identify them or what process to take.

Mr. Funasaki replied that the recommendation was a rather general one and does not find the specifics that should be taken. He deferred that question to management for specifics.

The Manager-Chief Engineer praised the working relationship the Department has with Mr. Funasaki and Mr. Ho. It is not seen as an adversarial relationship, but more of a partnership of making improvements and doing better. As mentioned earlier, there were some growing pains because of the shift in personnel; but they were very patient with us and there was a lot to learn on our end. There was a huge gap when the former Waterworks Controller retired, but Ms. Gray and her team did a tremendous job of catching up in the latter part of last year. He turned it over to Ms. Gray to report on what internal controls will assist us in accounting for constructed capital assets. She and Mr. Inaba have been working together on internal processes to get those numbers in the right places at the right time.

Ms. Gray addressed the two findings. In reference to 2021-001, Improve Internal Controls over Accounting for Constructed Capital Assets, N&K's recommendation was that management should monitor construction work in progress to ensure the constructed capital assets placed into operations are being accounted for properly. Communication will be improved between the Finance and Engineering divisions regarding the status of projects. Sometimes, they may not get all of the information they would need in order to determine whether the project should be closed at a certain point in time. Also, there may be some issues relating to the project that they may not be aware of, including whether it be a close-out on the contractor's side, or disagreements. Going forward, these projects will be monitored very closely and more regularly, most likely on a quarterly basis. This deficiency finding came about because of one project that was outstanding for several years. In reference to 2021-002, Improve Internal Controls over

Accounting for Significant Non-Routine Transactions, this again involved one project. They were going to book it as a liability too early with regard to a federal loan, which was not closed yet. It was in the interim financing period. For these special projects with special funds, a lot of times, it is not cut and dry, and we have to research the guidance from the agency providing the funding as well as ensure we are accounting in accordance with the generally accepted accounting principles. These are not routine and require a little more effort to make sure they are being posted correctly. It was a bit too early this time.

Mr. Ney asked about past practice where some cash was put into CDs and whether there is an issue with how much of that you want liquid and whether the Department is going to think about getting some interest on that in the future.

Ms. Gray replied that there is \$20 million invested in CDs and we will continue to invest unless there is a point in time where we actually need the cash.

Mr. Ney asked if there is a certain amount we have to keep liquid in case it needs to be used. He asked what the maturity dates are on the CDs.

Ms. Gray replied that right now, because the rates are so low, there is one coming up for reinvestment; and the rate quote she received for one year was .3%.

Mr. Ney asked if there are any other low-risk investments that have been looked at.

Ms. Gray replied that CDs are the main investment. The Department of Water Supply's investments are coordinated through the County Treasurer.

Mr. Hirakami asked if the Manager-Chief Engineer might want to announce closures of projects in his report each month, regarding N&K's first finding.

The Manager-Chief Engineer stated that not everything is as black and white as it would seem. Even though a project might be officially stopped as far as construction and not being assessed liquidated damages, there may still be work to be done and we cannot say that project is in use and file from construction in progress to an in-use asset. Internally, we need to come up with procedures to help internal communications to flag what is no longer construction in progress but now an asset that can be used and can be accounted for accordingly. Sometimes it is not that clear. There might be outstanding punchlist items on some projects but now they are actually being used on the other end of the spectrum. That will be cleaned up somehow but this is partially what the monthly progress reports are for. Somehow that information will be communicated to the Board.

Chairperson De Luz recapped what he is hearing from the Department is the need to determine a policy so that when N&K does their audit, they can measure how you manage that, based on your policy.

The Manager-Chief Engineer replied that was correct. Mr. Ho and Mr. Funasaki have been very open with providing access to themselves, not just at audit crunch time, but throughout the year.

Mr. Funasaki stated they will revisit this finding in the upcoming audit to see whether it was addressed.

Chairperson De Luz apologized for jumping ahead but with regard to the capital asset account and the depreciation standards that are currently being used, due to some changes, whether it be the federal clean water act, etc., are there areas that need to be reevaluated as far as their depreciation life, for example, looking at purification systems at 40 years and whether other water systems are being revisited as far as lifespan. The reason he questioned it was some of the standards seem to be too long for useful life and a

change in this would significantly impact the financials and rates with regard to replacement costs. Perhaps it is more internal rather than to do with the audit.

The Manager-Chief Engineer could see what the Chair was getting at but did not have an answer for that at this point.

Mr. Ho shared with the Board, an accounting standard on the horizon. An accounting standard for leases is going to be effective for the upcoming reporting period. What that means is if there are any lease-type transactions, they might end up resulting in assets and appear as balances on your books that were not previously there. Ms. Gray has already done some training in this area, and it is something to stay tuned for and will probably be highlighted next year if there are any significant transactions that meet this accounting requirement. That concluded their report today.

(Mr. Ho and Mr. Funasaki left the meeting at 10:36 a.m.)

6) **DEPARTMENT OF WATER SUPPLY PROPOSED OPERATING AND 5-YEAR CAPITAL IMPROVEMENT PROJECTS (C.I.P.) BUDGETS FOR FISCAL YEAR 2023:**

The Department's Fiscal Year 2023 Operating Budget, totaling \$56,736,853, and 5-Year C.I.P. Budget for Fiscal Year 2023-2027, totaling \$176,400,000 have been distributed for the Board's review.

The Manager-Chief Engineer recommended that the Board approve a public hearing to be held on Tuesday, March 22, 2022, at 9:30 a.m., prior to the Water Board's regular meeting, to accept public testimony regarding the Department's Fiscal Year 2023 Operating and C.I.P. Budgets.

ACTION: Mr. Ney moved for approval of the recommendation; seconded by Ms. Hugo. There being no questions, motion was carried by roll call vote (Ayes: 6 - Mr. Bell, Mr. Hirakami, Ms. Hugo, Ms. Keolanui, Mr. Ney, and Chairperson De Luz; Absent: 3 - Mr. Boswell, Mr. Scicchitano, and Mr. Sugai).

7) **POWER COST CHARGE:**

Departmental power costs from all power sources decreased since the last Power Cost Charge rate was determined. The Department proposes to decrease the Power Cost Charge from **\$2.15 to \$2.02** per thousand gallons as a result of this decrease. Power cost charges over the past two years were as follows:

<u>Effective</u>	<u>PCC</u>
November 1, 2021	\$2.15
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

A Public Hearing will have been held prior to this Board meeting to accept public testimony on this change.

The Manager-Chief Engineer recommended that the Board approve the decrease of the Power Cost Charge from \$2.15 to \$2.02, effective March 1, 2022.

ACTION: Ms. Keolanui moved for approval of the recommendation; seconded by Mr. Ney. There being no questions, motion was carried by roll call vote (Ayes: 6 - Mr. Bell, Mr. Hirakami, Ms. Hugo, Ms. Keolanui, Mr. Ney, and Chairperson De Luz; Absent: 3 - Mr. Boswell, Mr. Scicchitano, and Mr. Sugai).

8) SOUTH HILO:

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

The vendor, Inter Pacific Motors Inc., dba Orchid Isle Auto Center, is requesting a contract time extension of 60 calendar days for Part E of contract 2020-04. The delivery of the vehicle is being delayed due to production and shipping issues brought on by the COVID-19 pandemic. These delays are beyond the control of the vendor. The first time extension of 90 calendar days for Parts B, C, D and F was approved by the Water Board at its meeting held on December 21, 2021.

Note: There are no additional cost associated with this time extension.

1st time extension – 90 calendar days Parts B, C, D, and F (Awarded 12/21/2021)

2nd time extension – 60 calendar days Part E

The Manager-Chief Engineer recommended that the Board approve a contract time extension of 60 calendar days for Part E to Inter Pacific Motors Inc., dba Orchid Isle Auto Center, for VEHICLE BID NO. 2020-04. If approved, the contract completion date will be revised from February 12, 2022, to April 12, 2022, for Part E.

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

Mr. Ney asked if it seems like the supply chain issue is smoothing out a bit and was glad this bid was put out before vehicle prices started inflating.

Chairperson De Luz asked if this was a 250 or 350 vehicle. In general, certain equipped vehicles have had delays and shipping is still a problem. For most manufacturers, although they show the vehicle in transit, there still seems to be a logistical issue with tracking where the vehicle is. Even with documentation, it does not ensure timely delivery. He anticipates it not getting any better until about the third quarter of this year.

Mr. Goodale stated that the vehicle is listed as a full-size crew cab pick-up dually chassis. It is probably a one-ton because it has a mini crane and is four-wheel drive.

Chairperson De Luz stated that it would be a 350; and to his understanding, the super-duty trucks have had issues with production.

ACTION: Motion was carried by roll call vote (Ayes: 6 - Mr. Bell, Mr. Hirakami, Ms. Hugo, Ms. Keolanui, Mr. Ney, and Chairperson De Luz; Absent: 3 - Mr. Boswell, Mr. Scicchitano, and Mr. Sugai).

9) NORTH HILO:

A. **JOB NO. 2021-1162 (REBID), 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 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 January 27, 2022, at 1:30 p.m., and the following are the bid results:

Bidder	Bid Amount
Derrick's Well Drilling & Pump Services, LLC	\$536,000.00

Project Costs:

1) Low Bidder (Derrick's Well Drilling & Pump Services, LLC)	\$536,000.00
2) Contingencies (10%)	<u>\$53,600.00</u>
Total Cost:	<u>\$589,600.00</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. The Engineering estimate for this project was \$577,335.00.

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 (REBID), LAUPĀHOEHOE DEEPWELL B REPAIR, to the lowest responsible bidder, Derrick's Well Drilling & Pump Services, LLC, for their bid amount of \$536,000.00, plus \$53,600.00 for contingencies, for a total contract amount of \$589,600.00. 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. Ney moved for approval of the recommendation; seconded by Ms. Keolanui.

Mr. Ney stated that it was interesting to see how much costs jumped over time and the chronology or lifespan of the repairs. Hopefully as technology gets better, it will improve over time.

The Manager-Chief Engineer stated that was great recognition by Board Member Ney. He clarified that the scope of this project is quite a bit larger than the prior repair scopes, which is why the change in costs. There was only one bidder because they were the only one that filed an intent to bid. As always, with a situation like that, staff evaluates the bid amount to make sure it is fair and reasonable. It is close to the engineer's estimate.

Mr. Hirakami asked how many companies are available to bid on projects like this and if the engineer's estimate goes out prior to bidding and if the bidder knows what that amount is.

The Manager-Chief Engineer replied that we typically see two bidders on these types of repairs but have recently seen a third and possibly a fourth bidder qualified to do this type of work. The engineer's estimate is always done prior to the bid, and that information is available to the bidders.

Ms. Hugo asked why this was a Rebid.

The Manager-Chief Engineer replied that there was some ambiguity in the prior bid which could have had the potential for protest. That ambiguity was cleaned up before putting it out to bid again.

Mr. Ney asked if there has ever been a problem with the contractors not being available to bid on projects, perhaps from having scheduling issues.

The Manager-Chief Engineer replied that when there were a series of breakdowns, there were challenges. During that time, the contractors were spread thin but were able to pull things off. There were some time extensions, but it was not solely because they were not able to cover all of the projects. There were other issues at hand.

Chairperson De Luz recalled this being asked a couple of years back. The situation in this past couple of years has been more due to supplier issues. He encouraged the new board members to have a conversation with the Manager-Chief Engineer because they have initiated, in the last three years, a significant process as these older wells need to be refurbished or repaired. One process which is significant is the borehole alignment survey, which the Department has adopted. They have also gone to where the contractor supplies all of the material and equipment so they can hold the contractor accountable for the warranty. Another change is to see if there is a possibility of having a second well on a site to provide redundancy. An update to the Board on this might be helpful. These policy changes will probably be a ten-year cycle for getting through them all. It is also important to understand that in Hawai'i, we are very limited by the qualified contractors. As mentioned earlier, it is refreshing to see more contractors come into play.

Mr. Ney asked if new contractors are required to put up a performance bond if they have not worked on a DWS project before.

The Manager-Chief Engineer replied that they are required to submit a statement of qualifications, which is reviewed for technical and financial capabilities and that they hold the necessary valid license.

ACTION: Motion was carried by roll call vote (Ayes: 6 - Mr. Bell, Mr. Hiramaki, Ms. Hugo, Ms. Keolanui, Mr. Ney, and Chairperson De Luz; Absent: 3 - Mr. Boswell, Mr. Scicchitano, and Mr. Sugai).

10) NORTH KOHALA:

A. JOB NO. 2016-1045, CONSTRUCTION OF THE HALA'ULA WELL DEVELOPMENT - PHASE 2 - REQUEST FOR TIME EXTENSION:

The contractor, Goodfellow Bros., LLC, is requesting a time extension of an additional 122 calendar days to obtain the Pump Installation Permit and subsequently complete the installation of the pump equipment and piping. The completion of the project will also depend on the completion of Hawaiian Electric power being installed to the well site.

Ext. #	From (Date)	To (Date)	Days (Calendar)	Reason
1	11/18/2020	7/31/2021	255	Excess delays due to land ownership changes and lack of site access.
2	7/31/2021	11/30/2021	122	Delay in receiving the pump installation permit from the Commission on Water Resource Management (CWRM).
3	11/30/2021	2/28/2022	90	Delay in receiving the pump installation permit from CWRM.
4	2/28/2022	6/30/2022	122	Delay in receiving the pump installation permit from CWRM and power from Hawaiian Electric.
Total Days (including this request)			589	

The contractor has not received the Well Pump Installation Permit which is required to begin the installation of the pump. In addition, Hawaiian Electric has still not begun installing power lines up Hala‘ula-Maulili Road to bring power to the well and reservoir site. These delays are beyond the control of the contractor.

Staff reviewed the request for the contract time extension and finds the request for the additional 122 calendar days to be acceptable. *Note: There are no additional costs associated with this time extension.*

The Manager-Chief Engineer recommended that the Board approve a contract time extension of 122 calendar days to Goodfellow Bros., LLC, for JOB NO. 2016-1045, CONSTRUCTION OF THE HALA‘ULA WELL DEVELOPMENT - PHASE 2. If approved, the contract completion date will be revised from February 28, 2022, to June 30, 2022.

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

The Manager-Chief Engineer stated that there is frustration with the delay, but Mr. Inaba and his staff have a good working relationship with the contractor. They were able to complete what they could, and significant progress has been made in finishing the pipeline, roadwork, and transfer of connections to the pipeline, but the tank cannot be leak tested and the pump and controls cannot be tested until power is connected. Pumping cannot start until the pump installation permit is received from the State Commission on Resource Management. He believed we are close to getting the permit and a schedule was received for installation of the power lines from Hawaiian Electric.

Mr. Inaba stated that the pump installation permit is not the fault of the contractor. The as-built plan did not match with the actual field conditions, and the Commission on Water Resource Management recognized that. Extra measures were taken to correct it to meet the construction standards. They expect the pump installation permit soon and a schedule from Hawaiian Electric. In response to Mr. Hirakami’s question of how long it will take from that point to complete the project, Mr. Inaba replied that Goodfellow’s estimate is by the end of June.

ACTION: Motion was carried by roll call vote (Ayes: 6 - Mr. Bell, Mr. Hirakami, Ms. Hugo, Ms. Keolanui, Mr. Ney, and Chairperson De Luz; Absent: 3 - Mr. Boswell, Mr. Scicchitano, and Mr. Sugai).

12) MISCELLANEOUS:

A. 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 - REQUEST FOR TIME EXTENSION:

The contractor, Beylik/Energetic A JV, is requesting a contract time extension of 8 weeks or 56 calendar days for Section 2 – Parker #3 Deepwell, due to manufacturing delays caused by disruptions to the supply chain. These delays were beyond the control of the contractor.

Staff reviewed the request for the contract time extension and the accompanying supporting documentation and found that the 56 calendar days can be considered justified. *Note: There are no additional costs associated with this time extension.*

1st time extension – 56 calendar days

The Manager-Chief Engineer recommended that the Board approve a contract time extension of 56 calendar days to Beylik/Energetic A JV, for MATERIAL BID NO. 2020-15, FURNISHING AND DELIVERING SPARE PUMP AND MOTOR SETS FOR HĀWĪ #2 DEEPWELL, PARKER #3 DEEPWELL, AND KEŌPŪ #1 DEEPWELL FOR THE DEPARTMENT OF WATER SUPPLY. If approved, the contract completion date will be revised from February 2, 2022, to March 30, 2022.

ACTION: Ms. Hugo moved for approval of the recommendation; seconded by Mr. Ney. There being no questions, motion was carried by roll call vote (Ayes: 6 - Mr. Bell, Mr. Hiramami, Ms. Hugo, Ms. Keolanui, Mr. Ney, and Chairperson De Luz; Absent: 3 - Mr. Boswell, Mr. Scicchitano, and Mr. Sugai).

B. MEMORANDUM OF AGREEMENT (MOA) FOR THE HARDENING OF PARKER NO. 2, WAI‘AHA, AND LĀLĀMILO B WELLS:

The Department of Water Supply (DWS) is proposing to enter into a Memorandum of Agreement (MOA) with the Hawai‘i Emergency Management Agency (HIEMA) to facilitate the allocation of FEMA Hazard Mitigation Grant Program funds to DWS’ Hardening of Parker No. 2, Wai‘aha, and Lālāmiilo B Wells project. This project involves the installation of power transfer switches and supporting infrastructure at the three well sites, all of which have standby generators on-site. The federal share will be 75% of the total project cost, not to exceed \$236,250.00. DWS’ share will be a 25% match. DWS will be responsible for the procurement of the professional services and construction.

Federal Share (75%):	\$236,250.00
<u>DWS Share (25%):</u>	<u>\$78,750.00</u>
Total Est. Project Cost:	\$315,000.00

The Manager-Chief Engineer recommended that the Board approve the MOA with the Hawai‘i Emergency Management Agency for the Hardening of Parker No. 2, Wai‘aha, and Lālāmiilo B Wells, and that either the Chairperson or the Vice-Chairperson be authorized to sign the MOA, subject to review as to form and legality by Corporation Counsel.

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

The Manager-Chief Engineer explained that this is what is required so the Department can get access to the federal funds which are administered through HIEMA. He thanked Mr. Ching for working to get these federal grant funding opportunities for the Department. This effort is to help the Department become more resilient during natural disaster scenarios and allow easier access to its emergency back-up power than the current set up. This project is at a 75% discount.

Mr. Ney asked if these sites were never going to have automatic transfer switches for the generators or what the situation was there.

The Manager-Chief Engineer replied that generators are located at the sites, but what staff has to do is quite a bit of work. They are not generators you plug into an outlet on the outside of the building. There is wiring required to get generator power instead of Hawaiian Electric power into the building. What this hardening does is basically makes it easier to do that and switch off incoming power from Hawaiian Electric and transfer to the generator power.

Mr. Ney asked if it eliminates someone having to go to the site.

Mr. Ching replied that they still have to go to the site and check the situation before start-up. These are manual transfer switches.

Mr. Hiramaki asked, of all the Department's well sites, how many have back-up generators. He lives in Puna and they do not have one and there have been several outages during two hurricanes and the last wind storm where they were without water. He wondered what percentage of the wells have back-up generators.

Mr. Ching replied that there are twelve generators located at twelve different well sites, plus the Water Treatment Plant in Waimea which has a generator. This is out of about 50 sites.

The Manager-Chief Engineer asked if there is one located at the Keonepoko Nui well site.

Mr. Ching confirmed that there is.

The Manager-Chief Engineer stated that the Department does not have one at the Kalapana well site; but it is one of the systems where service can be provided by water hauling. The Department continues to try and acquire more generators as the opportunities present themselves. Some of these hazard mitigation grant funding opportunities also allow for that, which it is how some of the generators were obtained in the past. Other methods are also being explored, such as hydrogen power, which seems to be an opportunity down the road because of challenges with diesel generators and fuel storage.

Mr. Ching added that Kalapana has a transfer switch already. There are two wells on that site, and only one is needed to meet demands.

Mr. Ney asked if any of the generators run off propane.

Mr. Ching replied that one is propane, but it is at the Water Quality office building.

Mr. Hiramaki asked if maintenance is done on the generators periodically.

The Manager-Chief Engineer and Mr. Ching replied that there is a two-year maintenance contract ending this fiscal year. The competitive bid process is done for this maintenance.

Chairperson De Luz stated that during the last emergency, he believed there was an old pump station that the Department regenerated for emergency use and there are there are some alternate sites that it has. He also mentioned Hawaiian Electric has a requirement through Hawai'i Fueling Network for a tanker to be supplied when FEMA declares a certain level of emergency. He asked if the Department has a similar operation opportunity for bulk fuel to be available.

Mr. Goodale replied that the Department does not currently have a contract, but it is something he is working on.

Chairperson De Luz concluded he looks forward to alternative renewable opportunities in the future. There being no further questions, a roll call vote was taken on the motion.

ACTION: Motion was carried by roll call vote (Ayes: 6 - Mr. Bell, Mr. Hirakami, Ms. Hugo, Ms. Keolanui, Mr. Ney, and Chairperson De Luz; Absent: 3 - Mr. Boswell, Mr. Scicchitano, and Mr. Sugai).

C. **MONTHLY PROGRESS REPORT:**

Mr. Inaba pointed out that for the Hala'ula Well Development, Phase 2, project, the waterlines were completed and service laterals transferred. They are starting to work on the paving, and the community should be happier once that is completed. The Pāpa'ikou Transite and G.I. Pipeline Replacement is a similar situation with final connections completed last week and roadwork starting. During construction, road conditions are not the best; but once it is complete, they will be in better condition than before the project started. As for the 2018 Kīlauea Eruption FEMA 428 Projects, communications have been ongoing with HIEMA and FEMA to finalize the scope of work for the projects. DWS and the County have been working together with FEMA to make sure the right steps are being taken in the right order. There is a lot of environmental work up front.

The Manager-Chief Engineer stated that there have been many meetings and coordination and we recognize that the community feels like it has been a long time. Part of our decision-making for which projects will be proceeded with depended on the outcome of the buy-out program and the participation in that program because we did not feel it would be prudent to reinvest money in infrastructure if there were a lot of people who would decide to take the buy-out and not move back. There was a kickoff meeting with FEMA and HIEMA on the Pohoiki Road and waterline projects. That is also connected with the Isaac Hale Beach Park as well as the Pohoiki Boat Ramp. FEMA is taking the lead on the environmental coordination and the County is coordinating the design for the road and the waterline. Once some of those details are provided to FEMA and HIEMA, they can envision what the environmental scope will be because some of it will require what kind of land is needed to do the project. Depending on what alignment the road will take is where our waterline will go and that will impact some of the environmental requirements as well.

Mr. Hirakami commented that this lava episode actually started in 1983; and along the way, Kalapana's infrastructure--water, roads, parks, etc., was impacted. They received some FEMA money in 1992, \$7.2 million, but it was diverted to Ahalanui, Pohoiki, Isaac Hale, and paving the red road. Now that they consider this 30-year lava episode over, most of the funds are directed towards Kapoho and Pohoiki, but somebody is forgetting about Kalapana in the original infrastructure. He commented that his community feels gipped that this episode ended in Leilani Estates and Kapoho but everybody forgets that Kalapana had the original impact. Before the lava flow, it was a great community. When he moved there in 1974, there was water but no electricity and people existed really well. He would like to see people in government taking more of an approach of what can they do for their community.

There are great amounts of land and it would only take water, but everything is being diverted to Kapoho and Kalapana is being forgotten.

The Manager-Chief Engineer thanked Mr. Hiramami for his comments. He mentioned that one of our projects is to bring one of the affected waterlines in Kalapana to where it needs to be which is closer to the surface and not tens of dozens of feet below the surface. He asked Mr. Inaba about the waterline that went down towards the transfer station site.

Mr. Inaba Kurt stated that the Department of Land and Natural Resources (DLNR) was doing some work to the Department of Hawaiian Home Lands (DHHL) subdivisions out there.

The Manager-Chief engineer stated that, unfortunately, we have not seen homes being built there that were thought to be coming.

Mr. Hiramami stated that there is a real Catch 22 because the DLNR manages that land and they are not into the management of land. That is typically a DHHL thing and it is a process to go ahead with renewing the leases that are coming up in a few years so there are a lot of problematic things. His stepdaughter built a nice home down there so he knows a little bit about that subdivision.

Mr. Ney asked what type of pipeline is being run above ground.

The Manager-Chief Engineer replied it is ductile iron. The biggest challenge we are going to see is the upper part of Pohoiki Road where it crosses the fissure line where it is anticipated the temperatures are still going to be high and the design for the roadway is going to cut down, because of topography. You cannot have the road just follow the new finished grade but when it is dug, he was sure some hot temperatures will be encountered. There are some ideas where some of the pipe will have to be exposed and not be typical buried waterline in a trench because there needs to be opportunity to dissipate that subsurface heat so it does not melt the gaskets or boil the water in the pipe. Part of the discussion was to see if a visit to Puna Geothermal could be arranged because they have done some work to mitigate the radiant heat that still exists and to see what they have done and how effective it is for them.

D. REVIEW OF MONTHLY FINANCIAL STATEMENTS:

Ms. Gray stated that the Financial Statements for January 2022 reflect just over the half-way mark for Fiscal Year 2022. A lot of the explanations continue month to month. She pointed out that delinquencies improved. The greater than 90-day category decreased \$31,793 during the month of January. Consumption also increased.

Chairperson De Luz stated that the audited statement for last year showed where the Department had written off about \$200,000 but that an adjustment was made to receivables at the end of last year.

Ms. Gray stated that the final adjustments will actually be inputted for February. She did not anticipate too many changes. They had the final June report back in August last year.

Chairperson De Luz thought that next month's financials will be reflective of that.

Ms. Gray replied it would.

Chairperson De Luz also praised Ms. Gray and her team for transitioning to an audit after Mr. Sumada retired last year. Regardless of the amount Mr. Sumada would have attempted to brief her on, he could guarantee there were things that popped up, just being the nature of an audit.

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

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

1. North Kona Wells – the Deputy reported that 12 of 14 sources (wells) are in use or available for use.
2. COVID-19 Update – the Manager-Chief Engineer stated that we remain hopeful with the better numbers we are seeing. We still have in place our regular safeguards and still provide weekly tips and tricks for our staff, encourage and remind them exercise good habits and stay safe. Like everyone else, we have been impacted by staff outages due to either potential exposures or actual COVID cases but our team has managed to continue to pull together through those times and get the work done. We remain very lean so any staff outage has an impact. He thanked the division heads for the management of their respective divisions and continuing to make sure we accomplish our mission.

Mr. Hirakami commented that the percentage of fully-vaccinated helped their school because of the new guidelines for quarantine and especially if you are fully vaccinated and boosted, you do not have to quarantine if you are in close contact. It helps save on the time out of work. He hoped the DWS has a high rate of fully-vaccinated and boosted personnel because it really cut down outage days in their institution.

The Manager-Chief Engineer agreed. It cannot be mandated but the County HR has followed similar guidance as what has been put out by the CDC and Department of Health. If you meet those conditions, you do not necessarily need to take time off. Sometimes it seems like you are almost penalizing the ones who have gotten vaccinated and boosted who get to come back to work but the ones who are not have to be out on leave. Those are some of the things we are struggling but the County HR is in constant contact with the Governor's Office. It is always in flux and there are always discussions being had, all for the greater good.

3. Department of Water Supply Energy Report - Mr. Ching reviewed his energy report fourth quarter of 2021. The total power costs for the fourth quarter of 2021 went up to 26.5% from the same quarter of 2020. Compared to the third quarter, it was up 9%. This is largely due to the increase in fuel costs, the reason behind the increase in utility rates and ultimately the raise in total power costs. Going into the Hawaiian Electric rates, the Department still has 158 accounts with them, separated into three different rate schedules. The average energy rate for the fourth quarter of 2021 was up to 31.4 cents per kilowatt hour, a 23.2% increase from the same quarter of 2020; and compared to the previous quarter, it was up 4.5%. Hawaiian Electric demand rates for the fourth quarter of 2021 did not change from 2020 and from the previous quarter. The Power Cost Charge (PCC) history shows the trends. It is currently at \$2.15 per thousand gallons, last adjusted November 1, 2021. It is set to change next month. He highlighted some of the work that the Leak Detection Program personnel have been doing. Over the past few years, the Department has been investing in leak detection equipment, which has helped reduce our unaccounted water due to leaks. The program targets subsurface leaks that are not apparent from the surface a lot of the time unless someone calls it in or it propagates into a break. The equipment used are leak detection noise loggers, which detect noise due to a leak, where information is collected and staff can go to the location and investigate. In 2021, these loggers prevented about 200 million gallons from

being lost. If the Department did not have these loggers, it would not be known how long the leaks could have gone on. Associated with that is an avoided estimated \$180,000 in energy costs. This fiscal year, another 100 loggers and 130 battery kits were added. Thankfully, Hawaiian Energy has been on board with this and deems it a good project to put some money towards. Those funds have helped offset the cost of the loggers. They committed almost \$50,000 to offset so that breaks down to about half of the cost for the loggers and battery kits and is really appreciated and hopes this partnership continues. Going over some power cost-saving projects, the Solar Photovoltaic Systems at Five Locations project is ongoing. Solar PVs are being placed at five different offices and baseyards, being done through a Power Purchase Agreement. There is no up-front cost to the Department for the PVs but it will be purchasing the power from the provider at a low and fixed rate for 20 years. Three of the five sites are done. The baseyard and water quality buildings permits came in, and the project is hoped to be completed by July 2022. Another project is the booster replacements, Pi‘ihonua #3 and Hāwī #2 Booster C. They are dated and inefficient pumps and this is a good opportunity to replace older infrastructure, and become more efficient.

Mr. Ney asked if the power cost charge is going to cover if fuel costs inflate even more as a result of the situation in Ukraine and how the Department would retroactively make up for that or if it goes beyond what is being charged to the customer.

The Manager-Chief Engineer stated that some years back, the Board had the foresight to split out this power cost charge as a separate cost because of fluctuations. As fuel prices change, a few months later, it reflects upon Hawaiian Electric’s prices and then reflects on our situation. It is always several months behind the fuel fluctuations. The opportunity now is to change it every two months instead of annually, which it how it was years ago.

Chairperson De Luz asked if the Department could look at productivity versus efficiency to give an understanding because one of the things Mr. Ching covered is unaccounted water where the total cost increase does not necessarily parallel to the increase of energy. For example, it was noted that some of the old pumps are being replaced; and in addition to that, there could be a consumption jump. One of the things to help the Board better understand is that this is not strictly because a power charge went up. There are other related items that could potentially impact it that created more capacity for revenue. Again, you have to base what it cost us to produce that water supply, and perhaps that is something to take a look at. You have some renewables coming into the play and the PVs and other projects and leak detection, and that might give an understanding of some of the behind scenes that you folks are doing. There may be an ability to create a more insightful peek into the causes and effects of that. As things progress, hopefully the trend will not be significant but it is still probably five years away to getting more efficiency.

4. Retiree of the Department of Water Supply - the Manager-Chief Engineer announced that the Department is losing another terrific resource and mentioned he will be participating in a panel discussion with the University of Hawai‘i College of Engineering and is going to try to sell the Big Island as a great place to come and work. Some young people like to stay in the big city and have fun with urban activities, but he would do the best he can to promote working for the County. The Department suffers from attrition based on retirements, but it is good news for the retiree. He turned it over to Mr. Inaba as the retiree is in his division.

Mr. Inaba stated that the retiree, Mr. Gerald Yorita, was not able to join the meeting today, but is retiring at the end of this month. Gerald joined the Department in 1999 as a Civil Engineer I. He had seven years of engineering and construction experience, working with Jas. W. Glover and Wes Segawa & Associates, and was involved in construction and project management. In 2001, he took the position of Civil Engineer II; and later in 2003, he moved to Civil Engineer III where he has

been for 18 to 19 years. The Department is losing a lot of experience and knowledge with Gerald leaving, and wished him all the best.

Mr. Ney asked how many staff there are, specific to the engineering division and what the threshold is to meet coverage.

Mr. Inaba replied that at one point, he had 28 people within engineering and is going to be down to 22 after this month, including himself. In the specific branch that Gerald is retiring from, there are seven employees, including engineers and inspectors.

The Manager-Chief Engineer stated that the Department has been maintaining a total of 160 to 165 employees for the past dozen or so years. The Department's highest count was up to about 180 twelve to fifteen years ago. It is going to be tight. Licensed and staff engineers are very hard to come by on this island. If you look at the County recruitment site, engineers have been on constant recruitment as well as clerical and entry-level staff. It is getting hard to find quality people that want to stay here and work here and are dedicated to longevity. Unfortunately, government agencies do not have the same types of bonuses that the private entities have, and cannot give them an internship with a guaranteed position to follow upon graduation. Other departments are struggling to get engineers and just overall staffing.

Chairperson De Luz sent his congratulations to Mr. Yorita on his retirement as did the Board members and staff.

F. CHAIRPERSON'S REPORT:

Chairperson De Luz mentioned a couple things that perhaps the Manager-Chief Engineer and his team may want to look into. To his understanding, 3D imaging and drone project management have come a long way in the last three years and he wondered if it was something worth looking into with regard to the scope of project bidding and verifying physical project progress. It may help engineering with project management, especially with it being short-handed. The other thing, which may be a question for Mr. Ching, is that the Department of Business and Economic Development (DBED) has been accessing this green fund. He was not sure if this Department has access to that; but the person who may know more about it is Graceson Ghen of Hawai'i Energy. He may be a great resource to find out more about this. He is always looking for projects and it may be possible to work with him on a schedule on our end for energy audits on a calendar basis. Maybe not all of the projects would qualify; but based on the productivity and efficiency scenario, maybe CIPs could be justified to address it. The last comment was to do with in the 1990s when there was an emergency hire differential for engineers and other professionals, and it may be worth looking to see if it is still on the books. Waylen Leopoldino, Director of the County Human Resources is super innovative and an out-of-the-box thinker. Paid internships are worth looking into where you can groom a candidate who may want that as a career. There are still a lot of people who want to come home, but they need to understand where they come into play as far as pay scales. It may be possible to work with Waylen regarding exit interviews where people will commit to a video recording or even mentor candidates if they are willing to share their experience. Those are just his insights, and if he can be of any assistance, he would be happy to help.

13) ANNOUNCEMENTS:

Next Meeting: - March 22, 2022, 10:00 a.m.

14) ADJOURNMENT

ACTION: Mr. Ney moved to adjourn the meeting; seconded by Ms. Hugo and carried by roll call vote (Ayes: 6 – Mr. Bell, Mr. Hirakami, Ms. Hugo, Ms. Keolanui, Mr. Ney, and Chairperson De Luz.)

(Meeting adjourned at 12:05 p.m.)

Recording Secretary

APPROVED BY WATER BOARD
MARCH 22, 2022