

MINUTES

DEPARTMENT OF WATER SUPPLY

COUNTY OF HAWAI'I

WATER BOARD MEETING

March 28, 2023

West Hawaii Civic Center, Bldg. G, 74-5044 Ane Keohokalole Hwy, Kailua-Kona, HI

MEMBERS PRESENT: Mr. Steven Hirakami, Chairperson
Mr. Stephen Kawena Lopez, Vice-Chairperson
Mr. David De Luz, Jr., Water Board Member
Mr. Michael Bell, Water Board Member
Ms. Julie Hugo, Water Board Member
Mr. Michael Pono Kekela, Water Board Member
Ms. Kea Keolanui, Water Board Member
Mr. Benjamin Ney, Water Board Member
Mr. Kenneth Sugai, Water Board Member
Mr. Keith K. Okamoto, Manager-Chief Engineer,
Department of Water Supply (ex-officio member)

ABSENT: Director, Planning Department (ex-officio member)
Director, Department of Public Works (ex-officio member)

OTHERS PRESENT: Ms. Diana Mellon-Lacey, Deputy Corporation Counsel

DEPARTMENT OF WATER SUPPLY STAFF:

Mr. Kawika Uyehara, Deputy
Mr. Kurt Inaba, Engineering Division Head
Ms. Candace Gray, Waterworks Controller
Mr. Gregory Goodale, Chief of Operations
Mr. Warren Ching, Energy Management Analyst
Mr. Alvin Inouye, Operations Superintendent
Ms. Sunshine Carter, Private Secretary
Ms. Paulette Wilson, Temp Water Board Secretary (PW)

- 1) **CALL TO ORDER** – Chairperson Hirakami called the meeting to order at 10:00 a.m.
A quorum of nine members were in attendance.
- 2) **STATEMENTS FROM THE PUBLIC** – Deborah Ward gave an oral testimony on Agenda Item 5,
Proposed Operating and 5-year Capital Improvement Projects CIP Budgets for Fiscal Year 2024.
(See Agenda Item 5 for oral testimony.)

Chair Steven Hiramami: We'll call this Water Board meeting to order. I see we do have a quorum. And in fact, we have all members present. At this time, Secretary, do we have any statements from the public?

Paulette Wilson: We have one.

Chair Steven Hiramami: Ms. Ward would you like to come up and testify. Please keep your testimony down to three minutes please.

Deborah Ward: My name is Debra Ward. Hello, everybody. Thank you very much for taking my testimony late because I'm arriving from Puna and started at 730. And I'm just getting here. I have to say that if you were to accept email testimony or video testimony, it would be a lot easier.

I brought the names. I mean, I brought testimonies from several of my neighbors because none of them were willing to make the five-hour day because they're serious farmers.

One of them is Emily Taaroa and she says she owns Punachicks Farm, a pasture-based farm raising broiler chickens, egg layers, dairy and beef cows, an orchard and vegetable crops. We're located on North Ala Road which has a County line that's in dire need of an upgrade so that more lots can access water. We produce and process 80,000 pounds of chickens, and 30,000 dozen eggs, for the local market. As our operations grow our water use needs have increased significantly making it a struggle for us to operate on catchment. It's too costly to increase roof catching capacity, but the current price of building materials and building a larger reservoir is also cost prohibitive. During dry spells, we end up spending a significant amount on water trucks to fill our livestock tank that gravity feeds water to all the poultry and cows on the property. We go through 500 gallons a day during hot weather just to water the animals and our processing and egg washing also requires significant amounts. To fill our 20,000-gallon tanks with water trucks is close to \$1,000 each, which at County water Ag rates would be under \$100. Having access to County water would also allow us to eventually build a certified kitchen that we could branch out into more value-added products and potentially rent to neighboring producers. A County water line runs down North Ala Road across our driveway. Our neighbors who have a very nice house on a small lot that was subdivided off our 25 acres before we bought it have all the County water rights. The County and State claim to support agriculture, but they continue to approve subdivisions that assign water rights to the smaller house lots, leaving the agricultural producer that will reside on the larger lot out to dry. I humbly ask that you approve the capital improvement budget that includes an upgrade to the County water line so all the lots on North Ala Road, the majority of which have significant agricultural production, can have access to reliable affordable water. Mahalo nui, Malama pono, Emily Taaroa, who's on 17-462 North Ala Road. May I read some others?

Chair Steven Hiramami: Sure.

Deborah Ward: Okay, so this is from Terry Harvey, we're at 17-539 North Ala Roads since 1999. There is county water available on either side of our property. But the distance both ways for us it stops, therefore we do not have access to county water. We continue to run dry during drought conditions. We desperately need the county to extend our water lines to us. We've been patiently waiting for over two decades. Please extend the lines to our property.

There are additional neighbors that need it as well. And this man has two disabled children, so, they have a lot of challenges.

And, let's see, one of them is on my phone, just a second.

This is Ashley Dunn. I live in the ohana home on my parents' property. Having water brought into our property is a necessity, as I have a two-year old and I worry about the catchment water.

And then finally, I'll just say a few words about mine, because you heard from me the last time.

I have 10 acres and it's Zoned Ag-1. I'm assuming other people on North Ala Road would also have Ag-1, because I don't know why just one property would. And as a result, if a developer were to sell my land to a developer, they would probably put in 10 houses. And all of those would require catchment because you do not have the capacity to add, you know, add houses at this point. So, for that reason, that many others, most of us are farmers at this point. I am as well. And so I didn't even know there was a county. It was an agricultural water rate. But I'll look into it now.

And lastly, I just wanted to say that if you're going to reduce the fees for the water from \$3.04 to \$2.70, I suggest you consider instead expanding your capacity because I think an awful lot of people in Puna, at my last count it was 55,000 people in Puna, and it may be a lot more now, are on catchment. And I think that you are not doing a service to the community if you stick with just the people you have as paying customers now, because I think a lot more people know that when we need it. But we'd be a lot safer with municipal water. And so I suggest that you not reduce the fees, but consider using that money to expand your services. And please put in video testimony and accept email testimony as well. If you actually do want public participation. Thank you very much for your time.

Chair Steven Hiramami: Thank you for driving all this way and spending two and a half hours on the road.

Deborah Ward: Yeah. So, five hours today and I have a farm to run.

Chair Steven Hiramami: Yeah, and you know that North Ala Road is on the CIP schedule.

Deborah Ward: I hope you can speed it up.

Chair Steven Hiramami: Yeah, well it was mentioned that it was due for 2026. But we'll try to do something. You're sitting next to the man instrumental for maybe moving it up.

Deborah Ward: Nice to know you.

Chair Steven Hiramami: Yes, There you go.

Keith Okamoto: Nice to meet you again.

Chair Steven Hirakami: Yes. So thank you very much.

Keith Okamoto: Thank you.

Deborah Ward: Have a good day.

Keith Okamoto: You too. Drive Safe.

Deborah Ward: Okay.

Chair Steven Hirakami: Okay, we go to **Item 3, Approval of Minutes**. You've all had a chance to read the minutes of the February 28, 2023 Water Board meeting.

Do I have a Motion to Approve the Minutes?

Michael Bell: So moved.

Michael Pono Kekela: Pono second.

Chair Steven Hirakami: Mike moved, Pono second. It's been moved and seconded that we approve the Minutes of the February 28, 2023 Water Board meeting. Is there any discussion? Hearing none.

All in favor say Aye.

Board Members: Unanimous Ayes.

Chair Steven Hirakami: Any opposed? (None)

Motion passed. Minutes approved.

I don't see any **Addendum or Supplemental Agenda**, so we'll move to **Item 5, Presentation of Audited Financial Statements-June 30 2022**.

Is there any testimony for this item? Seeing none, we're going to have representatives from N&K CPAs explain the audit.

Chad Funasaki: Okay, hi, good morning, everyone, Board Members. It's been a while since we had this in-person meeting, so it's really good to see everybody again. It was on Zoom, I think, in previous years. But, I'm going to just go over just a summary of the audit, the results of the audit. I know you all have those reports. Oh, I'm sorry, my name is Chad Funasaki, I'm with N&K CPA. You have the report in front of you. And I believe there's a slide deck that was distributed for you. So I'm going to go through the slide deck, as I'm pretty sure you don't want me to go through this entire report.

Chad Funasaki: On the second slide is an Agenda. It's just a Summary of the Auditor's Results. Maybe brief over the Financial Section, Communications with Governance, that being yourselves as required, and then to address any comments or questions that the Board may have.

So moving to the third bullet, the third slide is the Summary of the Auditor's Results. So the report as of June 30 2022, was an unmodified or internal opinion that the department's financial statements are fairly presented in accordance with GAAP. So it's an internal opinion on the financial statements. There is a second report on internal control over financial reporting. There were no material weaknesses identified. But however, there is a significant deficiency. And I'm sure you've all seen that in the report. It is related

to a finding we had last year. So it's somewhat related to last year, it just wasn't fully accomplished in the current year.

As a summary, moving over to the Condensed Statement of Net Position, the report that you have is not a comparative report, meaning it doesn't have 2022 and 2021 side by side. It's a single year presentation. So this will show you a condensed version on a comparative basis. Some things to highlight total assets, \$375 million. But one thing to look at is the increase in net position, which is a second to last line it has more than eight million dollar increase in that position, which is obviously a good thing.

Okay, moving on to the next Statement of Revenues. Sequence of Revenues, Expenditures and Changes in Net Position. Operating revenues increased by 6 million, or 12%. From 2021. Operating Expenses also increased, but only by 4% or 2.2 million. But the change in net position, as I mentioned earlier, is like it went from a negative change in a position in 2021, of 4.4 million, and it swung to a positive change in the position of 7.9 million, so a \$12 million swing from 2021.

Okay, you can stop me at any time, if you have any questions, I'm just kind of going through this.

David DeLuz Jr: Clarity

Chad Funasaki: Yes.

David DeLuz Jr: Because this is just a compilation, and the expenses includes the depreciation, correct.

Chad Funasaki: Correct.

David DeLuz Jr: Okay. Thank you. That's what I thought. So the net cash change is actually different. I mean, the net change in regards to the true operating expense per se.

Chad Funasaki: Yeah, so if you look at...

David DeLuz Jr: No, no, no, I'll find it in here.

Chad Funasaki: Okay.

David DeLuz Jr: Because, that's just the big picture what you did. Thank you.

Chad Funasaki: Alright, moving on to the Condensed Statement of Cash Flows. So you have net cash provided by your operating activities, finance activities and investing activities. The department had a good year. You got a net increase in cash and cash equivalents of 6 million so you had a cash end of the year of \$24 million, which is a 34% increase from the previous year. So financial results, 2022 was a good year.

David DeLuz Jr: So Candace, this was that one you got right at six point something that added to this...

Candace Gray: Part of it, yes.

David DeLuz Jr: Thank you.

Chad Funasaki: If you want to see the reasons for maybe the changes, in the report, there's a section called Management's Discussion and Analysis. That'll describe you know, what, what happened in the year and why it changed and why it certain line items increased or decreased. That's going to be in your audit report itself. So, you're going see that explanation in there.

Stephen Kawena Lopez: Excuse me, is that this?

Chad Funasaki: Yes.

Stephen Kawena Lopez: Thank you.

David DeLuz Jr: By the way, this is just another observation. So, you know, one of the challenges we don't have, as far as for the public sector, and only because the Department of Water Supply is an independent fiduciary party. And so, the way I read in the pension contributions, it's right now, and it's statutory based upon what that review board does as far as contribution rate. So that's why it is deferred. And there's a bunch of other things how we represent. So right now it's at 23% on qualified payroll, I think is what I read in the report. But putting that, the way I read this based on the requirements put upon DWS, they are not in arrears, but current with their contributions to date.

Chad Funasaki: Yes, there are statutorily required contribution amounts each year and that the Department is current.

David DeLuz: Right. And the reason I bring that up is because you know, in other sectors of the government, because you have all of these different departments, you become difficult to understand what those statutory requirements for the agency is so I want to applaud the fact that this makes it easier for us to understand the public in that regard. Thank you.

Chad Funasaki: Any other comments or questions on that Financial section?

Chad Funasaki: Okay, the next session is the Required Communications, and every year these are things we communicate to governance or the Board.

One is our responsibility we're committed to that letter to you dated September 2, 2022.

The Second Part is Significant Accounting Policies. In 2022, there was one standard that was implemented that was related to leases. And, I'm sure a lot of you heard about it. It's where do you have an operating lease in the past, but now if it's not a short-term lease, it becomes a Right of Use Asset or an Intangible Right of Use Asset. And as a lessor, it also applies as, the Department or lessor, so lessee or lessor. So it moves everything what was previously recorded as revenues and expenses and moves it onto the balance sheet. And it did have an impact on the department's financial statements. Not a

really big one but, it did. You have things on your balance sheet that you didn't have before. So that would be, in a very general sense, that was implemented, and that was the effect of that standard. So you want to see some line items there you haven't seen before. So that was GASB-87 that was implemented. Existing policies were not changed. No transaction entered, which lacked authoritative guidance, and all significant transactions have been recorded in the proper period.

Moving on to Significant accounting estimates. And I mean, we all know estimates are in your financial statements. Valuation for your allowances, your depreciation, allows you to use those assets. And then obviously, the bigger ones are the net pension liability, the OPEB. You're going to see the last two, Right to use lease assets and deferred Inflows of resources and related leases receivable. That pertains as being a lessor. So those last three relates to that standard I just talked about.

Difficulties. No significant difficulties in dealing with management.

Corrected misstatements. None that were detected and corrected were material in the aggregate or individually. Now there were uncorrected misstatements. These are things that we come across, but it doesn't cross the line of being material. It's not material adjustment. It was on the next page. It's going to summarize what those past adjustments were.

Disagreements with Management, there were none. We did request representations from management, and we weren't aware of any consultation with other accountants.

That last slide is just what...these are the past adjustments that I'm talking about. Misstatements we came across but weren't material enough to be recorded.

Okay, I went through that relatively quickly. But I'll open it up to any questions.

Stephen Kawena Lopez: Thank you for coming. In the great opening, you alluded to something that was not corrected entirely. Can you elaborate on that?

Chad Funasaki: Yeah, there's, it's not in the slide deck, but it's in the report. It's, it's in the latter part of the report, it's a, it was a significant deficiency of internal control over financial reporting. This relates to, you know, if you have assets that are being constructed, and there is a time when those assets should be placed in service they're completed, they should be placed in service. And it should be depreciated over its estimated useful life. Now, there are things that are still residing as constructed, I mean, when they really were in-service assets. So it's just moving it from CIP to an asset which should be depreciated.

Stephen Kawena Lopez: So just not done in a timely manner on the accounting side?

Chad Funasaki: Yeah, I mean, there's, yeah, it wasn't it should have been moved maybe earlier.

Stephen Kawena Lopez: Okay.

Chad Funasaki: But it still sat in CIP.

Stephen Kawena Lopez: Okay, I understand that. Thank you.

Chad Funasaki: So that, I know, the department did things to improve that and I think there was a lot of things done to address the finding which was somewhat carried over from the prior year in 2022. So then you're going to see all management's corrective action plan as it relates to that finding.

Stephen Kawena Lopez: Good, thank you.

Chad Funasaki: So there were things done, based off of the 2021 comment. But it wasn't fully completed or accomplished. This is why we reiterated the finding.

Stephen Kawena Lopez: Would that corrective action lead to the situation minimized or not occurring again. A practice, I suppose, they'll be there.

Chad Funasaki: Also, yeah.

Stephen Kawena Lopez: Thank you.

Keith Okamoto: And just for the record, can be found in the report pages 55 through 58.

Stephen Kawena Lopez: Thank you.

Keith Okamoto: So bottom line is we're working on it, we're committed to improving that. And you can find the details on those pages in the reports.

Stephen Kawena Lopez: Excellent.

David DeLuzJr: Mr. Chair, if I may.

Chair Steven Hirakami: Go ahead.

David DeLuz Jr: This is more in regards to the rate study side, but goes to what you have in your how you're going to reflect the capital improvements moving from construction to a fixed asset account for depreciation. So based on your next five years, and then the run off on what your depreciation is, your operating expenses is going to increase in depreciation. Now, that being said, we've been using as a guide on your replacement that depreciation expense to some degree. So the reason I bring this up is because do your next rate study. And should there be a more aggressive posture in the department, or CIP, it would be probably behoove yourselves to extrapolate that a little further to understand how that impact your replacement in regards to your rate. So that you could have you could capture that. Make sense, with what I'm suggesting?

Keith Okamoto: As long as it makes sense to Candace.

David DeLuz Jr: The reason it imparts with this Board is what Mrs. Ward had indicated. If it is the desire to increase capital improvements as far as creating accessibility. And that increases substantially that this board will be passed to balance that part of it. Okay, under rate hikes. So that might be something more projections kind of like the estimates to maybe on the next rate study, just as an FYI, nothing to do with yours. But from extrapolating what we're going to improve the CIP and what we've done, based on your current depreciation, it'd look like in a five-year period, it could potentially increase 30%. potentially if all your projects get done. And although it's a non-cash, I get it. Thank you.

Chair Steven Hirakami: Keith, can we get examples of projects that are completed and how long they took? The delay. Specifically, compared to last year, they improved over last year and the 2022 fiscal year,

Keith Okamoto: Yes, we can create a more detailed breakdown.

Chair Steven Hirakami: Yes, we hear of all these projects, you know, we get updates all the time, but we don't know when they should have been capitalized. And when it actually did was it six months or two months? So I know we're getting better at it, compared from the year before yeah.

Keith Okamoto: Yeah, So we'll work on something like that. It may take a little bit of time. I don't know if we have a lot of those details, you know, like from when it actually was put into service to when we started depreciating. But we'll try the best we can to kind of come up with a summary project's completion, capitalized.

Chair Steven Hirakami: Have a system of alarm when okay, this is complete, and so that alarm goes through finance and finance says, okay, we're going to move it, capitalize it now. There's got to be like a notification process. So, between the department that finalizes it, completion date, and then booking it as a capital asset.

Keith Okamoto: It's basically communication.

Steven Hirakami: Right. Perfect. As long as there's a system set up I think that'll prevent that.

Keith Okamoto: Internal protocol.

Steven Hirakami: Good. Any other comments?

David DeLuz Jr: Again, I apologize. I know this was probably discussed before. But does the Department of Water Supply have the ability to float bonds?

Keith Okamoto: Yes.

David DeLuz Jr: Okay and so the reason I want to just bring this up is, you know, again, if it's the posture of policy to have significant increase in capital expenditures, and bonds is going to be the way to achieve that, it'll have significant impact on what the bond rating we'll take a look at the capacity of this board to

raise rates to cover that bond costs. So, you know, this is kind of a double-edged sword in regards to our disposition in social equity regards that we have one rate. Okay, so, and I know you're looking at the next study to do multi rates and what have you, as far as some of the impact. So, you know, we're not like other counties. So for example, Maui, we just added \$80 million to the DWS budget. We are independent fiduciary party. So if push comes to shove, and policy pushes capital borrowing via the bonds, it's going to probably include a significant rate increase, to be able to float those bonds. And I'm not saying that's the way we should go. But anyway, just as an FYI.

Keith Okamoto: And any of those discussions will be brought to the Board.

David DeLuz Jr: But I want the public to appreciate and understand, it's not the unwillingness of the department, it's weighing all of the things that has to be weighed.

Keith Okamoto: Thanks for that.

Chair Steven Hiramami: Are there any other questions or comments?

Keith Okamoto: Any other questions for Mr. Funasaki who's been around the block several times with us, though we appreciate working with that. And I want to thank Candace and her staff and not only Candace but I think input from Kurt's staff and other staff as well every year into an audit.

Benjamin Ney: One last question. Keith, did you guys raise capital through bonds before, in the past, historically, or...

Keith Okamoto: We have through the County. Not on our own.

Benjamin Ney: Through the County, Okay. Because I remember like when we did the rate study, it was like putting everything in proportion to long term debt, you know, income/revenue. I mean, I like to see the revenues grow year over year. I think that puts us in a strong position to have a lot more flexibility. Because if we take on more debt it just goes into the long-term debt category.

Chair Steven Hiramami: Seeing no other comments, thank you very much.

Chad Funasaki: Thank you.

Keith Okamoto: Thanks again Chad. Appreciate it.

Chair Steven Hiramami: Okay, we're moving to **Item 6, Power Cost Charge. Is there any testimony for this item? Any public testimony for this item?** Chair recognizes Ms. Deborah Ward. You had your hand up.

Deborah Ward: Since I made the trip, I might as well ask the question. It seems to me there's a lot of infrastructure money out there. And I just wonder whether Department of Water Supply could work with R&D to discover how to access federal funds because social equity is really the issue here. And you

know, with all these people that are suffering from rat lungworm, and giardia, and other things as a result of using catchment water, without understanding how to keep it clean. We really need to address the fact that most people in Puna are below poverty line, something like 80% probably, you know this better than I do Steve, are in the school lunch program, so they don't have a lot of funds, but...

Diana Mellon-Lacey: Excuse me Ms. Ward, what you're testifying to is not the item on the agenda now, which is the Power Cost Charge, and so we cannot take your testimony. For that now.

Deborah Ward: Oh, I'm sorry.

Chair Steven Hirakami: Departmental power cost from all power sources decreased since the last Power Cost Charge. We all know that we're at a public hearing to lower the cost charge from \$3.04 to \$2.70. It's recommended that the Board approve the decrease of a Power Cost Charge from \$3.04 to \$2.70 effective April 1, 2023. **Do I have a motion?**

Stephen Kawena Lopez: **So moved.**

Chair Steven Hirakami: **It's been moved.**

Kea Keolanui: **Second.**

Chair Steven Hirakami: **And seconded that we approve the decrease of a Power Cost Charge? Is there any discussion? Seeing none.**

Kea Keolanui: Chair?

Chair Steven Hirakami: Oh, yes. Chair recognizes Kea.

Kea Keolanui: I just want to clarify and we can, if anyone else has information on it, that the power costs charge is really dependent on the charge that we're getting from HELCO. And I know that that's not always very clear to the public. But you know, when it fluctuates, that's based on the HELCO Power Costs Charge.

Chair Steven Hirakami: Right. Exactly.

Kea Keolanui: Thank you.

Keith Okamoto: Thanks Kea.

Chair Steven Hirakami: Any other discussion?

Benjamin Ney: Have you had people call up to get clarity on this? Or is this pretty well understood amongst customers now? I know we've tried to publicize this pass-through cost to the consumer.

Keith Okamoto: Right.

Benjamin Ney: You still get people calling in?

Keith Okamoto: Not that I'm aware of.

Benjamin Ney: Stumped on it or no.

Keith Okamoto: No.

Chair Steven Hirakami: Any other discussion? Seeing none. All in favor of this motion say aye?

Board Members: Unanimous Ayes.

Chair Steven Hirakami: Any opposed? (None) Motion passes.

Item 7, Department of Water Supply Proposed Operating And Five-Year Capital Improvement Projects for Fiscal Year 2024. Is there any testimony for this item?

Keith Okamoto: Ms. Ward, did you want to come up for this one?

Deborah Ward: Yes.

Chair Steven Hirakami: This is what you wanted to testify on earlier. This relates to what you were testifying about.

Deborah Ward: I tried printing the agenda and I got this little, little skinny page of it.

Chair Steven Hirakami: Might as well make your drive worth it.

Deborah Ward: So Matt Kleinfelder is my County Council person. And I will ask him, but I wonder whether Department of Water Supply, unlike Maui, where they got \$80 million. If you're kind of in a silo and I you know, I'm sending no criticism whatsoever other than the fact that I think that looking outside for federal funds would be (oh thank you) would be a great idea because I think there's quite a lot available right now. And it seems to be gushing in buckets. And so I'm sure for social equity, there are federal funds out there. I was part of Kookia Hilo Bay back in the day when we needed a sewage treatment plant. Of course, we need another sewage treatment plant now. But back in those days, we found that the County had never applied for the 65 million that was available for the sewage treatment plant, so they didn't build one. And finally, when we got the money it had been reduced to 45 million, but at least it helped the County do the facility. And I think that we need to be more creative in finding money. Thank you.

Chair Steven Hirakami: Thank you. On that subject we are aware of the EPA funds that provide our State Revolving Fund for both wastewater, clean water, and drinking water.

Deborah Ward: Okay.

Chair Steven Hirakami: So, we are aware of this and working on it.

Deborah Ward: Excellent.

Chair Steven Hirakami: Yes.

Deborah Ward: Thank you.

Chair Steven Hirakami: Thank you.

Item 7. The Department of Water Supply Proposed Operating and 5-year Capital Improvement Projects (CIP) Budgets for Fiscal Year 2024.

The Department's Fiscal Year 2024 Operating Budget totaling \$65,596,744.00, and 5-Year C.I.P. Budget for Fiscal Year 2024-2028, totaling \$185,835,000.00 have been distributed for the Board's review. A public hearing was held prior to this meeting to accept testimony. It's recommended that the Board approve the Department's Fiscal Year 2024 Operating and C.I.P. Budgets on this first of the two readings.

Do I have a motion?

Ken Sugai: I so move.

Benjamin Ney: I second.

Chair Steven Hirakami: Mr. Sugai moved, Mr. Ney seconded. It's been moved and seconded. Is there any discussion?

Stephen Kawena Lopez: Question.

Chair Steven Hirakami: Chair recognizes Mr. Lopez.

Steven Kawena Lopez: Thank you. I'm particularly interested in the Nalani Street water system because I helped resurrect it. What is finance's proposing advanced funding using BAN. What does that mean from the community standpoint?

Keith Okamoto: Oh, that might get on a future agenda. That might be under the agenda item Monthly Progress Report.

Stephen Kawena Lopez: Alright, so that's where I would ask what BAN means?.

Keith Okamoto: Yes.

Keith Okamoto: Okay. So right now, I'll delay my question. Thank you.

Chair Steven Hirakami: Any further discussion? Seeing none, I will call for a vote. All in favor of this motion say Aye.

Board Members; Unanimous Ayes.

Chair Steven Hirakami: Any opposed? (None)

Motion carried.

Item 8. South Hilo, Vehicle Bid No. 2022-12, Furnishing and Delivering Vehicles to the Department of Water Supply. Is there any testimony for this item? Seeing none. This project generally consists of furnishing and delivering vehicles to the Department of Water Supply in accordance with the specifications. Bids for this project were opened on March 9, and no bids were received. Staff will utilize alternative procurement pursuant to Hawaii Administrative Rules (HAR) §3-122-35 to secure pricing in the best interests of the Department. Okay, let's move to discussion.

Kea Keolanui: Is it normal for there not to be any Bids?

Keith Okamoto: Not normal, but it has happened in the past. So what we'll do is, we'll use whatever other valid procurement methods are available for us. We always try to keep it as competitive as possible, always. We'll probably look at seeking multiple quotes, again. Maybe directly with some vendors to get quotes for these particular items.

Chair Steven Hirakami: Is it a lack of inventory or is it...

Keith Okamoto: No, we haven't. Have you heard anything?

Greg Goodale: Once we get the bids out on the street, we don't communicate with the dealerships. So, we try to write up the specifications for the vehicles we know we need and want. And, we based it off of certain cases, certain models, whatever. But in, in this case, we, as Keith said, this has happened before, and I've actually seen it before coming to Water Supply. I've seen it happen, even at the County, where we wouldn't get any bids, and we'd would have to go on to the alternate procurement method.

Kea Keolanui: And when would we have the vehicles in possession?

Greg Goodale: Typically, they're given a year per item. So they have, as a matter of fact, that's increased over time. It used to only be like 120 days. And then it went into like 180 days, and now it's all the way up to the year for delivery. And we're, I hate to say, that we're lucky to see them show up. Even in that timeframe.

Kea Keolanui: I know that in the past we've seen bids from Orchid Isle Ford, and our company just ordered vans and trucks and there was a really narrow window of time that apparently you can get the order in for the whole year. And so I think that their ordering also may be changing. Maybe David has some more information on that.

David DeLuz Jr: So I think in regards to Public Bids, you're gonna have to work with procurement on the supply side. A lot of these not all this, there's a couple that really aren't specialty, but most of them are. The commercial side is super tight. The unfortunate reality is, it was supposed to get better by this summer, but it looks like it's gonna go into 2024 or more. I think the reality, and I hate saying this, but you folks need to talk with State and County procurement. And you need the ability to go out of State. I mean, you really do. And I'm not saying this because I want to, it's just that it's going to impede on your ability to get the service vehicles in place. And so this is something really hard, almost to the point where I believe you've talked to other counterparts in Public Works, or where ever, that perhaps the governor should be

considered an emergency procurement order to try to help you folks with some of the stuff. I mean, look at what happened with EMS, they had two years backlog, and they still cannot get their vehicles in the County. But in any event, and I do know, in our case, most of this stuff, well, you got some half-ton. Most of them are either three quarters ton or possibly one ton with utilities, so very specialized vehicles. That cycle, as Kea said, it is tight, but even more so unpredictable. We've had issues where the orders have been canceled. So this is a tough gig. I think you guys are limited with procurement though. It's a tough thing.

Greg Goodale: And to what you said, because our people that do the contracts, they have been looking at these cooperative agreements with the State. And, actually, there's interstate groups also that are part of these procurement process. The problem you get into is some of these specialty things is you order the thing that's on their large scale bid, and then you have to modify it yourself. So then we get put into the position where we're the ones having to order all the boxes and having to have somebody install them when they get here. So any which way you slice it up, it becomes very messy. So you can specify a standard pickup truck, half-ton truck, and that might be on the State's list. But if you start adding tool boxes or extended fuel tanks, that's where you start. So you got to be very generic. But they are very useful. I've made use of those. But yes, in our case, because they are some of these specialty things. But we again, having had to go through this before, we will obviously be able to get what we need. It may just take a little longer than we anticipated.

Chair Steven Hiramami: I have a question about the process. Are we giving you the green light to go ahead and procure it? Or do you have to come back to the board, when you find a vehicle and approve the price?

Keith Okamoto: We can report back to the board on what resulted from the alternate procurement method.

Chair Steven Hiramami: Any other discussion?

Benjamin Ney: Just for clarification, so if we decide to go out of State, as Mr. DeLuz said, is there a process for that vendor out of State who just doesn't want to go through the hoops to be able to supply or what's the issue or hold up there?

Greg Goodale: That's generally one of the biggest obstacles for some of these out of State vendors is they have to go through the whole Hawaii Compliance Express process. And, a lot of folks might see this as kind of small potatoes, and they're not going to want to have to go through that whole ordeal just for a couple of pickup trucks. So and we see that in multiple other things, which is where we rely on the local vendors who are Hawaii Compliance Express, certified, so that they can participate because you start going out and going direct to some of these out of state folks, it can...

Benjamin Ney: Can you send them out like stir interest with some of these vendors? Because there's dealerships in the mainland, who just specialize in Panel Trucks and they don't they're not a regular Ford dealership, right? And those are the ones you probably want to seek out and go, would you guys be pervious to getting this paperwork done. So we can give you some business.

Greg Goodale: We've done that with used vehicles. But that enters into a whole different area. But with these brand new vehicles, it starts to get a little bit tougher, especially like I said, because there are all these State requirements in terms of, what things you have to do through the State of Hawaii. And if this is just a one-time thing, a lot of these guys aren't likely to participate.

Benjamin Ney: And when we send out the request for bid, it's not what the ceiling costs associated, like, we need you to furnish us a truck for 90 grand and no more,

Greg Goodale: No.

Benjamin Ney: It's open to any price.

Greg Goodale: It's a bid.

Benjamin Ney: So they just have to factor that into their costs of being able to provide it.

Greg Goodale: Correct.

Benjamin Ney: Okay, thanks.

David DeLuz Jr: So one last thought. I've been out of this part of the business for quite a while. But First Hawaiian Bank had a very aggressive government leasing equipment leasing program, with many vendors that they procured with. I don't know if they still do, but that might be an opportunity to inquire and maybe do a hybrid type program. Lease to purchase or something. And again, I'm not saying you should, Greg, but I know they had large contracts with City and County of Honolulu. But that might be another alternative, because you're procuring with them, not with the manufacturer. So and again, I'm not saying it's an alternative. By the way, I'm not encouraging you to go out of State, because there's other issues there too. But it's getting to the point where it's very difficult to plan on these replacements.

Greg Goodale: Yes, typically on those leases, and it's a lease to own because prior to being here at water supply, that's how we typically our large fleet rolling stock, were purchased on a multi-year lease program. The problem is you still have to go through this bid process in order to get...so the financing part is one aspect, but it's getting the bid part that's the hard part on this. So that may give us an ability to spread out our payment over, say, a five-year period and pay that financing costs. But still, you got to get somebody to bid on the item. So that's kind of where our difficulty is right now. But like I said, I'm sure we'll be successful in getting the vehicle we want.

Chair Steven Hiramami: So we're one utility out of many utilities in the State, and there must be a high demand for this kind of vehicles. So what's a comprehensive attack on this for all utility companies to replace their aging fleets?

Keith Okamoto: We're not sure what other agencies are doing. We just know what we need to comply with for our department to obtain vehicles. And I can bring this up in one of our quarterly discussions with the other managers to see if they're struggling with this as well.

Chair Steven Hirakami: Thank you. We're going to move on to

Item 9, North Hilo. This is Job No. 2021-1162 (Rebid), Laupahoehoe Deepwell B Repair – Request for Time Extension.

There's not too much about this. It's just a manufacturer delays in motor production for this well. So the emphasis is that there are no additional costs associated with this time extension. It's recommended that the Board approve a contract time extension of 77 calendar days to Derrick's Well Drilling and Pump Services for Job No. 2021-1162 Laupahoehoe Deepwell B repair. If approved, the contract completion date will be revised from March 31, 2023 to June 16, 2023. **Do I have a motion?**

Ken Sugai: I so move.

Kea Keolanui: Second.

Chair Steven Hirakami: So moved by Mr. Sugai and seconded by Ms. Keolanui. Do we have any discussion?

Keith Okamoto: Basically, as always required, they have the supporting documentation on the reason for the request, if there's any questions. I got the big guy next to me.

Chair Steven Hirakami: Seeing there is no other discussion, all in favor of this Motion, say Aye.

Board Members: Unanimous Ayes.

Chair Steven Hirakami: Any opposed. (None)

Motion passed.

Item 10, South Kohala, Item 10A. Equipment Bid No 2022-13, Furnishing and Delivering Waimea Water Treatment Plant Reservoir #3 Sludge Pumps.

Is there any testimony for this item? Seeing none, this project generally consists of paying for all transportation, machinery, labor, materials, tools, equipment and taxes necessary to furnish and delivered the diesel power public assembly and appurtenant materials listed. Bids for this project were opened on March 16, 2023 and no responsive bids were received. Staff will seek alternative procurement pursuant to Hawaii Administrative Rules (HAR), §3-122-35 to secure pricing in the best interest of the department. So I'll turn it back over to Greg.

Greg Goodale: This was a little bit different than the vehicle one in that basically we have a bidder who failed to sign the bidding forms. But we have a bidder. There's only one provider for these types of pumps in the State. And so we'll be going back to them. But unfortunately, it just prolongs our process. So it was more just a mess up on their part. They didn't sign it. Our rules are the rules and if you miss the deadline, you miss it. So anyway, we'll be able to get these pumps.

Chair Steven Hirakami: And the bid was reasonable and within?

Greg Goodale: Yes, it was kind of within the expected but again, it's a pretty specialized type of unit. And there's only that one vendor in the State that carries this type of pump.

Chair Steven Hirakami:

Item 10B, Job No. 2022-1187, Waimea Water Treatment Plant Sludge Removal.

Is there any testimony for this Item? Seeing none. The Department is requesting a Contract Change Order to increase the existing Contract not to exceed limit of 100,000, due to the increased frequency of sludge removal from February to June 2023 by the Contractor, 2B Environmental Inc. at the Department's request. The current contract specified NTE was an estimate that assumed other sludge mitigation methods would be completed before the end of this Contract's term. Increased sludge removal is needed to ensure continued sufficient sludge mitigation.

So, the original contract amount was \$100,000. The first additional funds request was \$65,000. Total revised Contract amount is \$165,000.

It's recommended that the Board approve an increase in the contract, not to exceed limit of \$65,000 to 2B Environmental, Inc. for Job No. 2022-1187 Waimea Treatment Plant Sludge Removal. If approved, the total revised contract amount shall be \$165,000.

Do I have a motion?

Kea Keolanui: I make a motion.

Ben Ney: Second.

Chair Steven Hirakami: Kea moves and Ben seconds. It's moved and seconded.

Is there any discussion on this item?

Stephen Kawena Lopez: Just a point of clarification for me here. The current contract specified not to exceed was an estimate that assumed other sludge mitigation methods would be completed before the end of this contract's term. Can you clarify what that statement means? Was something not done that caused this?

Greg Goodale: So the previous item, we're in the process right now...so I think everybody went on the field trip up to the Waimea Treatment Plant. Okay, so the very first place we passed by was the sludge lagoon we're talking about. We anticipated we'd have these pumps that was on the previous agenda item prior to. So really, this service is a guy with a backer truck. Essentially, he comes and removes the sludge out of that pond to make sure we've got enough space in there so that it doesn't run the risk of overflowing that lagoon. So anyway, bottom line is we've been trying to line ourselves up to get these other pumps, which then the process will be pumping it further up to one of the other reservoirs, that the sludge, for storage. But, anyway, that's kind of the result of why we had to end up increasing on this was just to make sure we kept that sludge lagoon...

Stephen Kawena Lopez: How come we didn't get the pumps in the previous?

Greg Goodale: So once we get those then...as a matter of fact, we also had a pump that ended up breaking down. We subsequently got that pump repaired, it's operating again now, but, it's just all

positioning us for what our plan is to get this sludge removed. Ultimately, that's our number one goal, is getting these sludge lagoons emptied, so that they're not causing us some issues within. Just making sure that the plant runs the way it's optimal.

Stephen Kawena Lopez: Well, thank you for un-muddying the waters.

Keith Okamoto: Well, we're trying to do that, but all joking aside, so that mudding or the sludge is a byproduct of the treatment process, you can't get away from that. But it's something we have to deal with, right. And so one of the long term plans was to utilize sump pumps to get it into the reservoir that's empty now to help us dry that out and dispose of it that way, because you can dispose of it differently if it's dried than if it's wet. But so long story short, like you said, those things didn't happen in the time we thought it would. So we're asking for additional funds to allow it to keep sucking the sludge out of the sludge lagoon and dispose of it, however, they're disposing of it now. It was a competitive process that we selected 2B. They're maintaining that same pricing for this additional work.

Chair Steven Hirakami: Keith, is sludge a product of air borne material? Or is it water borne material?

Keith Okamoto: Water. So basically, it's raw water that's coming from the streams that gets processed flocculated, basically clumped up and like organics. We settle out and then we take the clear water to process that, through the membranes. It's like a pretreatment, but that sludge is all that biological stuff that settles out and needs to be dealt with separately from the clean potable water.

Chair Steven Hirakami: Any other discussion? Seeing none, all in favor say Aye?

Board Members: Unanimous Ayes.

Chair Steven Hirakami: Any opposed? (None)

Motion passed.

Item 11, North Kona. Job No. 2021-1181, Keauhou Booster A Repair – Request for Time Extension.

This is another manufacturer delay. It's pretty simple. It's recommended that the Board approve a contract time extension or 74 calendar days to Beylik/Energetic A JV for Job No. 2021-1181 Keauhou Booster A Repair. If approved the contract completion date will be revised from March 31, 2023 to June 13, 2023. So this is a 74 day extension. **Do I have a motion for this?**

Steven Kawena Lopez: Moved

Chair Steven Hirakami: Mr. Lopez moves.

David DeLuzJr: Second

Chair Steven Hirakami: It's been moved and seconded. Is there any discussion?

Keith Okamoto: Yes. Background again submitted and staff reviewed as mentioned in the write up above, although they requested, I believe 88 calendar days. Staff reviewed and found that only 74 was justified. Basically, just because they asked doesn't mean they'll get it. So, if there's any questions, the big guy's next to me.

Chair Steven Hirakami: And, of course, the important thing is that there'll be no cost associated with this extension.

Keith Okamoto: Thank you Mr. Chair. We decided to put that on every time extension.

Chair Steven Hirakami: Yes

Benjamin Ney: And it aligns with writing off the depreciation...putting it to service.

Chair Steven Hirakami: Seeing no further discussion, all in favor of this motion say Aye.

Board Members: Unanimous Ayes

Chair Steven Hirakami: All opposed. (None).

Motion passed.

Item No. 12, Miscellaneous. Monthly Progress Report.

Is there any testimony for this item? Seeing none, there's a Submission of Progress Report of Projects by the Department. Turning it over to Kurt.

Keith Okamoto: Kurt, you might want to start off with Nalani Street.

Kurt Inaba: So that BAN Funding was just from County Finance. It's a Bond Anticipated Note. I really don't know what that is.

Stephen Kawena Lopez: Bond Anticipated Note.

Kurt Inaba: Yes, I think so. Something that they mentioned to us that they will propose using that for the up front costs.

Keith Okamoto: And if you want, Kawena, we can look further into that, to figure out what that is. It might be just some form of advanced funding.

Stephen Kawena Lopez: No, not necessary. I just wondered when I see acronyms. Thank you. Got it.

Benjamin Ney: You know it's fundings not committed but tentative.

Keith Okamoto: I don't think I can say it's committed yet. So there's a whole process behind Improvement District Funding of a project. So I think we're in the beginning part of it.

Kurt Inaba: Yes. We're trying to work with the council.

Chair Steven Hirakami: Who's the Council member?

Kurt Inaba: Villegas.

Keith Okamoto: Is there any other projects that the board members would like any particular updates on?

Stephen Kawena Lopez: Just because I'm on the PIG, where's the Iki Place Water system?

Kurt Inaba: The Iki Place Water System is actually right up what's called Kohanaiki Homestead Road area. It's just makai of the Highway, it's actually parallel to the highway and runs one street down within that Hualalai Vista Subdivision.

Stephen Kawena Lopez: Oh yeah.

Kurt Inaba: So it ties into that, I guess it used to be the Church of God Road. So off of that, it takes then south. There's a short road there. I guess it's Iki Place.

Stephen Kawena Lopez: So that must have been Councilmember Inaba who is behind that.

Kurt Inaba: Yes, that's his district.

Stephen Kawena Lopez: They initiated the water treatment district process.

Kurt Inaba: Yeah, it started, yeah before his

Stephen Kawena Lopez: Yes, okay. Thank you.

Benjamin Ney: Puako, the start date and end date for this project? Does that just get moved along? I guess once they get the material, I guess they're going to start. But do we move the end date, to give them that timeframe? Or how does that work?

Keith Okamoto: Again, that's not automatic. So we try to factor the material shipment into the overall construction time frame, and we bid it out. So I think after we get a better understanding from the contractor on the how it actually is on the supply side of things...

Benjamin Ney: You'll revise it.

Keith Okamoto: Yes. And then what they'll have to do then, if it's going to affect the contract completion date, then they'll have to request a time extension. So it's not automatic.

Benjamin Ney: Okay.

Keith Okamoto: We'll need justification, again, and have a background showing that, the delays or whatever on delivery of the materials.

Benjamin Ney: Because I'm looking at the time start and I'm like, oh my gosh, we're already in March.

Keith Okamoto: So we kind of knew that going in. That's why we set the contract time frame for what it is. We'll get a better idea as they get a better handle on the supply side.

Benjamin Ney: Right.

Keith Okamoto: Do you have anything else on that?

Kurt Inaba: No. I know you mentioned we did start that but the contractor is trying to get an estimated arrival date on the materials itself. So that's what they're working on right now. Trying to get that from the manufacturer. The supplier is trying to get that from the manufacturer.

Benjamin Ney: You usually give him a little bit of leeway on the lead time.

Kurt Inaba: A little bit, but again, just making sure it's documented that they ordered the pipe right away.

Benjamin Ney: Right.

Keith Okamoto: What we'd like them to do is right off a notice to proceed, we'd like them to show proof that you know, once they know they got the job.

Benjamin Ney: That they're on the ball.

Keith Okamoto: Yes, and not wait three or four months down the road. Any other questions?

Chair Steven Hirakami: Seeing none, we'll go to
Item B, Review of Monthly Financial Statements. Is there any testimony for this item?
Seeing none, I turn it over to Candace.

Candace Gray: Good morning. I'm Candace Gray, Waterworks Controller. You have your Financial Statements for February 2023, and we're about two thirds of the year. We still continue to move in a positive direction. I don't have anything significant changes to bring out today. If you have any questions on the Balance Sheet, the Income Statement, or the Budget Status Report, just let me know.

Chair Steven Hirakami: What was the decrease in consumption, that's quite a substantial 15% decrease in consumption.

Candace Gray: Yes, we kind of touched on that. It's actually a matter of timing of the billing.

Chair Steven Hirakami: The billing, oh, yeah, I see.

Keith Okamoto: So, yes, we actually talked about this. Before every board meeting, we huddle internally to go through the agenda. And, that was another thing I saw too. You know, sometimes, information unless it's taken out of context, can be misleading, right. So this is a snapshot in time for February of 2023, compared to February of 2022. So the question we were talking about is whether this is meaningful information? Should we still include this? I'm guessing somewhere in the past, maybe a board member had requested that it be shown this way. But I think what's more meaningful is like a longer term, snapshot

view of things, right? Because I thought the same thing, I thought, 15% decrease in consumption, that's kind of major yeah? And as Candace said, it's a timing thing. Because we don't read exactly on the same day, every February of whatever year. So it's kind of misleading. So, one question is whether or not that is even valid information to provide you folks.

Chair Steven Hirakami: Well, what do you suggest?

Keith Okamoto: So right below that is something that's more meaningful, in my opinion. It's the year to date, a longer-term consumption comparison.

Chair Steven Hirakami: Right.

Keith Okamoto: I'm not exactly sure why we want to take a look at February 2023 versus 2022, knowing that there could be this kind of anomalies.

Steven Hirakami: I think the year to date is more appropriate.

Keith Okamoto: Right.

Chair Steven Hirakami: And we don't need that snapshot of month to month.

Keith Okamoto: Month to month. Okay.

Chair Steven Hirakami: So I suggest that we don't include that.

Keith Okamoto: Okay. Yes. It's just misleading and it could paint the wrong picture.

Chair Steven Hirakami: Yes, I know. What seems like people stopped using water in February by 15%, is shocking.

Keith Okamoto: Yes, what happened in February 2023? Okay, we appreciate that. But sometimes that's why we have items highlighted in red to kind of draw your attention.

Chair Steven Hirakami: It did catch my attention.

Keith Okamoto: It caught mine too.

David DeLuz Jr: Mr. Chair, so Keith, as a policy, I think you and Candace need to decide when you're going to report variances, versus, and again, this is strictly a management philosophy. And so generally speaking, if it's status quo, no big deal. If there's a variance, because what a variance will do is, data will be reported by Candace. Generally speaking, something like this, with that much of a difference would have like a sub note, but it's not applicable for this body, and more for internal purposes, then what you need to look at is what is pertinent to this body versus internal management.

Keith Okamoto: And this report is for this body.

David DeLuz Jr: Right, so you know, it's not significant year over date, only because, like you said, on some of the timing issues.

Keith Okamoto: And so I think what we tried to highlight is,

David DeLuz Jr: what you do in the back. You do the variances.

Keith Okamoto: Well, we highlight. This is the trigger. You know, the first paragraph of the financial report is what we highlight in red for you folks. But we also include information that is pertinent, as well, not just what changed, you know like over \$10,000 or 20% or more. But if there's anything else that you folks would like to see, that's not included on this, please let us know, too. Because really, this report is for the Board.

David DeLuz Jr: So the last page, to me is the most relevant to understand other than...because most people don't understand the Balance Sheet anyway, is the Income Statement, you know, with the percentage as far as your budget. I mean, that, to me, gives an indication as far as, okay, by the way, where it's at.

Keith Okamoto: Where we're at this time of the year.

David DeLuz Jr: Thank you.

Keith Okamoto: Thanks. Any other questions for Candace?

Benjamin Ney: Keith, going forward, do you guys have a plan to either increase our revenues by selling more water or increasing the rate of that water. Those are two controls we have for revenue but looking at the volumetric flow rates of your systems because I think that's probably the most logical way to maybe bring in more revenue versus building new infrastructures, which is really expensive. But you definitely do a review of the infrastructure to see where's that cut off where we could maybe allow more sale of water. We're not putting it at a point that we can't have enough for everyone. But really looking at reviewing that, and seeing that, in terms of trying to bring up revenue a little bit through accounts.

Keith Okamoto: Yes.

Benjamin Ney: Rather than a rate raise.

Keith Okamoto: So that's one part of Kurt's responsibilities. It's within the Engineering Division, in Water Resources and Planning Branch. We try to look at all of our 23 systems to see what excess capacity is in the system, so we can develop internal water availability guidelines should someone want to come in and subdivide, and things like that. It's also broken down into sub-sectors of systems, depending on the capacity of those various sub-sectors within the water system.

Benjamin Ney: There's a software where you can put it in different...it really depends on certain pressure heads, certain diameter pipe coming down here, and have to the calculation. It'll be different for different areas obviously.

Keith Okamoto: Exactly. It's more art than science. I can tell you that right now. But, you know, it's fared pretty well for us for the past...since I've been here. So that's over three decades, I guess.

Benjamin Ney: Because people are chomping at the bit for more water you know.

Keith Okamoto: Yes, and certain areas are, of course, better than others.

Benjamin Ney: Yes.

Keith Okamoto: Yes, so it's something that whenever we do a replacement project, it's typically upsized to accommodate additional capacity. We won't just replace a 100,000 gallon tank with another 100,000 gallon tank typically. But at the same time, we try to balance because we're not that rich where we can just say, 'Hey, if you build it, they will come.' Because when they come is, we don't know, right. Infill is really not always just up to us. We realize we play a big part in that. But at the same time, we cannot build a \$10 million project when a \$5 million project would meet the needs for 20 years, right?

Benjamin Ney: I see, yes. I would just like to see some way of bringing in more revenue rather than rate change only.

Keith Okamoto: Yes. And so what we're trying to do is to be a lot more aggressive because the feds have offered earmarks again.

Benjamin Ney: Yeah,

Keith Okamoto: It used to be called something else before time with Senator Inouye, right. But they've reintroduced what they call Congressionally Directed Spending. So we're aggressively going after things like that. As well as taking advantage of the bill funds like IJJA. But those are funneling through the State Revolving Fund loan program. And we have a laundry list of projects on that. And again, with replacement, we also upsize for additional capacity. But again, trying to find that balance of not oversizing and spending so much in anticipating. Because really, if we're spending capital, if it's free money, grants, it's different. But if we have to pay it back.

Benjamin Ney: Well, it's like the bond. It's increasing capital that you have available. But it's just changing the income to debt ratio you have and is that really a good position to be in.

Keith Okamoto: There's a limit to that yeah. But good points.

Chair Steven Hiramaki: Yeah, so Keith, your statement build it and they will come, in parts of Puna, they've already come, so we need to build it.

Keith Okamoto: And again, they're there. You know, that's a great point because they're there but again, it's free money and we don't have to pay it back, it's different, right? If we have to spend \$10 million to supply water to 200 people, the water bills are not going to pay for that \$10 million. Because our water rates are really set up to cover O&M, but setting aside some for reserve. Now, if we had Grants, definitely we'll look at that. And so Kurt is looking at things like opportunities with USDA, because similar to FEMA, if the median household income in that whatever that area is, qualifies, we can get a 75% grant 25% loan. So then it becomes more feasible.

Benjamin Ney: Yeah.

Keith Okamoto: So anyway, yeah, we're always looking at opportunities where we can do that. but it kind of got to fit.

Chair Steven Hirakami: I was commenting on your statement. Mr. De Luz.

David DeLuz Jr: So you know, one of the things that I'm hoping that it gets clarity, so Land Use, in regards to what happened the LUC clumped Ag into this huge unidentifiable... I mean, what they couldn't figure anything else, it went into AG. And so I think one of the misnomers, unfortunately, in what is sold as far as a property, even though it's Ag does not necessarily mean it carries water capacity for Ag. And, you know, this is something that, again, this is a policy issue is it's not, it's not a department issue, because when they make these subdivision requirements, what have you, they don't provide, generally speaking, by the way, it's all on the onus of the developer. The County and the State provides no infrastructure resources other than what they find in grants or what have you. So, you know, the public is under a misunderstanding, because I have Ag, you know, I'm going to get a 5/8 inch meter, which is a residential meter. It's a residential meter, okay? Now, they have not been, meaning the department has not penalized people when they know they're using it for Ag, meaning they can tell by how much water is being going through the meter, right. And so the education process is more of the collaboration of the public's expectations when it's policy driven on where we're at today. And so the reason they find it frustrating is because this State municipalities, do not put money in infrastructure when they require the developer to make the improvements. So, they're under pressure to get more lots to customers, which is why we got this Hawaii Ocean View or Paradise Park, but no infrastructure. So, I'm not suggesting that we don't have these conversations. But the reality is, it's like the unfunded liability in regards to wastewater right now than we have, right. I think it's worth 1.2 billion, I think they figured out what it will be, for them to be in compliance. If water takes the same route, is the policy and the customer's prepared to either go with development programs. In other words, for my area, I want water, it's going to require a tank, it's going to require this, it's going to be \$100 million, do we do a special assessment for these 500 blocks and do a development agreement? I don't know what the answer is. But we have a universal water rate. If that is to change, it's significantly going to put the onus on who, the people who can least afford to pay more for it. And so, I and again, I'm just expressing my frustrations, it's not an easy scenario. But I do know that they do pursue as many grants as they possibly can. And during this last (unintelligible) reduction act, there are funds that Keith folks are taking a look to see for water, water improvement and expansion. But the reality is, it's expensive to distribute water. And so, anyway, sorry.

Chair Steven Hirakami: No.

Keith Okamoto: If we can, we'll look for it though.

Chair Steven Hirakami: One more comment on the Financial.

Keith Okamoto: Thank you Chair.

Stephen Kawena Lopez: I hear this and correct me please. Do we not have a different rate when a customer residential customer uses more water than is allocated whatever that per 1000 gallons per month that they're allowed within the \$2.70 rate?

Keith Okamoto: Yes.

Stephen Lopez: If they use more than whatever that is, then the rate changes. Is that correct?

Keith Okamoto: Yes.

Stephen Kawena Lopez: Okay. Is that cheaper than a flat rate?

Keith Okamoto: Yes, so, it's not a flat rate, but we have the same rate for everybody no matter where on the island it is. So it's what's called an inverted block rate. And it's related to financial because it's revenues. So yeah, essentially that's what it does. First rate is a reduced rate, lower than cost of service. Except you use so little bit that, you know, you're almost conserving basically. Second block rate is more towards cost of service, then we have a third and fourth block. The fourth block rate is elevated up, not to say, it's to encourage proper use of the water.

Stephen Kawena Lopez: Conservation.

Keith Okamoto: Right, you're exactly right.

Stephen Kawena Lopez: Okay. There is...that does exist. Thank you.

Keith Okamoto: Yeah.

Chair Steven Hirakami: Seeing no other discussion on Financial. Thank you, Candace.

C. Manager-Chief Engineer's Report.

Keith Okamoto: Very quickly. I think Kawika has an update for the wells.

Kawika Uyehara: Yes. Thank you. North Kona this month, again, we have 10 of our 14 wells in use or available to use.

Palani Well: that's the one we issued Notice To Proceed, and we'll probably have some better updates next month on actual work being done.

Hualalai Well: It was awarded last month, so we're working on the contract for that. And we'll eventually issue a notice to proceed for that. Once NTP, is issued, they have three months to complete that repair.

Makalei Well: We're scheduling a meeting with the new owner/developer, and we'll get more update on that.

Wai'aha Well: We're working on that currently.

Just to make one note, over the last month or so we've been watching Keopu Well. There were some issues. It's operating right now, but we're watching that one too.

Any questions?

Stephen Kawena Lopez: Just curiosity. Makalei well, is that the one directly across the street from the Firehouse?

Kawika Uyehara: Yes.

Stephen Kawena Lopez: Okay.

Keith Okamoto: So just for the Board's information, that one is a little different from the other wells because it's a developer well. The repair is under warranty, so we're not paying for that repair because a new owner took over for Palamanui. Nan, Inc. We have a meeting scheduled this week Thursday, I believe, to introduce ourselves to them along with the Mayor's office. And then we're specifically going to ask about the status of that repair at that meeting.

Benjamin Ney: But they're dedicating it to the County?

Keith Okamoto: Yes. It's been dedicated.

Kurt Inaba: It was dedicated but under a development agreement.

Benjamin Ney: Okay, got it.

Chair Steven Hiramami: Anything else Keith or Kawika? Seeing none.

Item D. Chairperson's Report.

I want to report that I was instructed to keep this meeting to one hour and forty-five minutes and I'm ahead of schedule.

Diana Mellon-Lacey: You are 25 minutes ahead.

Chair Steven Hirakami: I'll pat myself on the back for that. I want to say it's partly due to the members doing their homework, before we come, by reading the minutes, and reading all the submittals and everything before you come. And that makes it so I don't have to read every single thing. And you guys are prepared so we can go right to the motion. So thank you for that. And I'm really looking forward to the visit today. I think the more the Board Members actually get out there physically and see the operations of this department, the better. I missed the Waimea visit. I was out of town during that one. But I'm really looking forward to this one. So with that said, that's my report.

Item 13. Announcements. Next meeting is April 25 at Hilo Operations. Today we're going to visit the site of the Kahaluu Shaft.

Keith Okamoto: We can try to caravan there, but it's on Kamehameha III Road just mauka of Keauhou Estates. We'll have somebody in a Water Supply marked vehicle, kind of at the driveway entrance, in case we break apart in the caravan. So what we will need to do is, we will have to adjourn this meeting.

Diana Mellon-Lacey: We recess. We don't want to adjourn.

Keith Okamoto: Not adjourn, recess.

Chair Stephen Hirakami: We'll adjourn after the visit.

Keith Okamoto: Yes. We'll reconvene and start the meeting at the other location.

Chair Steven Hirakami: Okay. We're going to call a recess and we'll regroup at the Kahaluu Shaft site.

(Meeting Recessed at: 11:22am)

(Meeting Reconvened at 12:41p at Kahaluu Shaft)

Chair Steven Hirakami: Okay, so we're reconvening 620 feet under the surface of the earth. And we're down here in the Kahaluu Shaft and we'll turn it over to Alvin and Kurt.

Stephen Kawena Lopez: It's 12:41p

Chair Steven Hirakami: I'll turn it over to Alvin and Kurt to explain where we are 620 feet under the surface of the earth. And we're down here in the Kahaluu Shaft and I'm going to turn it over to Kurt and Alvin to tell us a little bit about this operation down here.

Kurt Inaba: This shaft, I guess, was completed in probably '76, '77. In '77, I believe it was a Dedication.

Alvin Inouye: And this was done by miners from Oklahoma.

Chair Steven Hirakami: Really?

Alvin Inouye: Yes.

Benjamin Ney: Who discovered this and how did this all come about. Who discovered this down here?

Alvin Inouye: It was an exploration hole somewhere about here.

Kurt Inaba: Yes. They had an idea about the water table. And they probably looked at what was done on Oahu, for the Halawa Shaft. I'm assuming that was built prior to this.

Benjamin Ney: A kind of ambitious plan.

Kurt Inaba: Ambitious. We do have another shaft on the island that's no longer in use, in Ookala. Not quite to this scale but used by the plantation.

David DeLuzJr: So is this cistern or is it artesian spring?

Kurt Inaba: No. We're actually tapping into the basal lens right now.

David DeLuzJr: Oh, Okay.

Kurt Inaba: So of course, at the top of the basal lens right here where we are, the water's fresher, right. So that's why they dug these to go all the way in to try and capture the top layer of freshwater to come into the surface.

David DeLuzJr: So, from the makai, this is the main stay right?

Kurt Inaba: Pardon?

David DeLuzJr: The water supply from makai, this is the main stay right?

Kurt Inaba: Yes, and hopefully and maybe we get to the deep. At mid-level, we'll get to the deep freshwater. We don't have to pump it all the way up mauka. You know that we'll bring it up at maybe the 700-800 foot elevation. But if we hit the deep freshwater, we're basically isolating it in an encasement. And the freshwater will rise in that casement. We'd just have to isolate it from the basil lens.

Benjamin Ney: Because of density?

Kurt Inaba: Well, actually, it's confined. So there's impermeable rock layers,

Benjamin Ney: Oh, okay,

Kurt Inaba: Above it and below it actually. So somewhere inland it starts. All the freshwater is getting trapped from this impermeable rock layer, and it's being trapped under the basil lens. And so, if you can

penetrate that impermeable layer and just seal it off, basically, you're capturing just that freshwater which is probably starting at a higher elevation inland.

Benjamin Ney: Right. Oh, got it, got it.

Kurt Inaba: And so even in the casing right here, this is basically just above sea level. In the casing, they found it when they were successful at isolating it. It rose to actually close to 30 feet above sea level.

Members' Voices: Oh wow.

Kurt Inaba: So you know that you got that much. I guess we could say they got the freshwater going to the ocean and that's coming up into the case at

Benjamin Ney: the water levels are at the same height.

Kurt Inaba: Yes.

David DeLuz Jr: So Kurt, what's the psi to push this all the way up.

Kurt Inaba: This is about 600 feet deep right,

Alvin Inouye: 675 feet.

Kurt Inaba: About 250 maybe.

Alvin Inouye: The static is about 300 here, 1500 gpm each pump.

Kurt Inaba: So a little bit more, because by the time you move the water, you know, with the friction losses, you need to have more pressure to move the water.

Sunshine Carter: Is it on right now?

Alvin Inouye: No. It's kind of noisy.

Stephen Kawena Lopez: So are there water valves or check valves like, you know, the part that flaps that keeps the water from coming down.

Kurt Inaba: The check valves are at each pump line.

Stephen Kawena Lopez: Okay.

Alvin Inouye: Here. See these, just one at the end of the line, so it doesn't come back down. We pump sometimes four and a half million a day.

David DeLuz: And how many hours is that Alvin?

Alvin Inouye: That's 24/7. If we go 24/7, we hit six mil.

David DeLuz: And so the pumps alternate?

Alvin Inouye: Yes. If we go 24/7 all 3 pumps go 2-4-6. Almost 6 million a day, we can.

Benjamin Ney: So is there a monitor equipment on this?

Alvin Inouye: Yes, a small meter. And then we supplement with about 3 million from the top. So right now, we pump two here. We buy this company's series

David DeLuzJr: So this is infrastructure you cannot build.

Kurt Inaba: You cannot build this today probably not.

David DeLuzJr: And even to get it to the point we needed to maintain, it's probably a couple of 100 million dollars.

Kurt Inaba: And, of course, that's why we're looking at alternative sources, right? Not to mention that you have better quality water up more or deep fresh water. It's going to be a long time before we can actually say we're not going to use this, just because of having to...

Michael Pono Kekela: Are you folks trying to get away from continuing to use this?

Kurt Inaba: Eventually. Right now, we can't say that. It's definitely, even if we are, it has to be backed up because of how troublesome the other type of wells are with the pump and motor down in the hole. And literally those are just a pump and motor, pipe going into the ground.

Alvin Inouye: So when everything on the pump is working, we can go about 1.5 million a day versus 4.5. So when the upper wells are on, we switch.

Kurt Inaba: And we have to take the load off of this one. Because, like Dave commented about the high cost of building one like this here.

Benjamin Ney: You guys have pretty good records of the history of the department and, like the timeline of things or not really? Has it been recorded?

Kurt Inaba: Well, there's some information on this shaft. So I guess each facility might have some information. But there was a lot that we took over from the plantation, the military, that point system, that was a military system that we took over.

Diana Mellon-Lacey: Doesn't the plantation have records?

Kurt Inaba: Plantation, No.

Diana Mellon-Lacey: Oh. Not surprised.

Benjamin Ney: It'd be interesting how this well was formed here on the island.

Diana Mellon-Lacey: Yeah, that's interesting but you know they were just all about getting what they needed for their purpose and...

Kurt Inaba: So we don't have too much information on the Ag stuff, right, but the Kohala ditch... so another type of system that you wouldn't be able to build today.

Diana Mellon-Lacey: But it's amazing to think how people did things you know. Like, how they made these things work.

Alvin Inouye: Right. And this was during the days when everything was entered manually, and not like it is in today's digital age.

David DeLuzJr: And if you look at the size of the pipes, I don't know how they got that down here.

Chair Steven Hirakami: Okay we can adjourn here.

Stephen Kawena Lopez: So moved.

Julie Hugo: Second.

Chair Steven Hirakami: It's been moved by Kawena and seconded by Julie and seeing there's no discussion. All in favor say Aye?

Board Members: Unanimous Ayes.

Chair Steven Hirakami: Meeting is adjourned.

(Meeting Adjourned at: 12:51p)

Secretary

APPROVED BY WATER BOARD
(April 25, 2023)