

## MINUTES

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

June 25, 2024

Department of Water Supply, Hilo Operations Baseyard, 889 Leilani Street, Hilo, Hawai‘i

MEMBERS PRESENT: Mr. Stephen Kawena Lopez, Chairperson, Dist. 8  
Mr. Michael Pono Kekela, Vice-Chairperson, Dist. 4  
Mr. Michael Bell, Water Board Member, Dist. 7 (via videoconference)  
Mr. Thomas Brown, Water Board Member, Dist. 3  
Mr. James Kimo Lee, Water Board Member, Dist. 2,  
Mr. Benjamin Ney, Water Board Member, Dist. 9  
Ms. Emily Taaroa, Water Board Member, Dist. 5 (came in later)  
Mr. Keith Unger, Water Board Member, Dist. 6  
Mr. Keith K. Okamoto, Manager-Chief Engineer,  
Department of Water Supply (ex-officio member)

ABSENT: Ms. Kea Keolanui, Water Board Member, Dist. 1  
Mr. Kawika Uyehara, Deputy  
Director, Planning Department (ex-officio member)  
Director, Department of Public Works (ex-officio member)

OTHERS PRESENT: Ms. Diana Mellon-Lacey, Deputy Corporation Counsel  
Mr. Tyler Benner, Hawai‘i County Auditor  
Mr. Bill Brickey, Partner at Plante & Moran, PLLC  
Mr. Jeff Bray, guest  
Ms. Nancy Bray, guest  
Mr. Jeff Zimpfer, guest

#### DEPARTMENT OF WATER SUPPLY STAFF:

Mr. Kurt Inaba, Engineering Division Head  
Ms. Candace Gray, Waterworks Controller  
Mr. Alvin Inouye, Water Operations Superintendent  
Mr. Eric Takamoto, Operations Division  
Mr. Warren Ching, Energy Management Analyst  
Ms. Nora Avenue, Recording Secretary

- 1) **CALL TO ORDER** – Chairperson Lopez called the meeting to order at 10:00 a.m. Six Board Members were present: Messrs. Bell, Brown, Kekela, Lee, Ney, Unger, and Chair Lopez.
- 2) **STATEMENTS FROM THE PUBLIC** – Pursuant to HRS §92-3, oral testimony may be provided entirely at the beginning of the meeting, or immediately preceding the agenda item. There were no statements from the public at this time.

(There were none.)

3) APPROVAL OF MINUTES

ACTION: Mr. Kekela moved for approval of the Minutes of the May 28, 2024 Water Board meeting; seconded by Mr. Unger and carried unanimously by voice vote (Ayes: 7 – Messrs. Bell, Brown, Kekela, Lee, Ney, Unger, and Chair Lopez).

4) APPROVAL OF ADDENDUM AND/OR SUPPLEMENTAL AGENDA – None.

5) PRESENTATION OF AUDITED FINANCIAL STATEMENTS – JUNE 30, 2023:

*Chair Lopez asked if there was any testimony for this item. There being none, he continued with the agenda item.*

Copies of the Department’s Audited Financial Statements for the fiscal year ended June 30, 2023, have been distributed to Board Members. Representatives of Plante & Moran, PLLC, the Department’s independent auditors, will be present to answer any questions the Board may have regarding the report.

(At this time, Bill Brickey, Partner at Plante & Moran, PLLC, joined the meeting via Zoom to address the members of the Board.)

CHR. LOPEZ: Keith, I’ll turn it over to you to introduce our guest.

MR. OKAMOTO: Okay, to tell you the truth I’ve never met Bill. Hi, Bill, and thank you guys for your work; and again, I’d like to acknowledge Mr. Benner over there who is our County Auditor. With that, I’ll turn it over to Candace. Bill, did you want to say something first or were you just going to answer questions?

MR. BRICKEY: Certainly, I’d be happy to give a couple of brief comments and then answer any questions, however you would like to do it. I guess the main thing I would say is we did complete the audit, and the department did receive an unmodified audit in the current year, which essentially means the statements are in compliance with all the rules and regulations. If you were looking at the audit opinion, we did have one prior period adjustment, it was an adjustment to a liability account which then changed the beginning of that position. So, that was the only matter I guess that we identified in the current year that needed changing.

So again, you received the unmodified audit opinion, but we did identify the prior period adjustment, which was adjusted and corrected in the current year’s financial statements. So again, happy to address any questions once you go through everything, if there are any.

CHR. LOPEZ: I have a question, Bill. Just a clarification of mine, so that adjustment, it looks like we made money because it went from a credit to a debit, right, instead of liability because of an asset. So it’s one-time money, and it was to the tune of about—is that the \$7,700,000? What was the amount?

MR. BRICKEY: Yes, that is correct. So essentially what had happened was there was a liability for these deposits that was on the books, and then it was determined that as they expired it should have been recorded as revenue, so the liability went down by just over \$7.7 million, which is a good way, so it essentially went from the liability to being part of your net position or equity, so to speak.

CHR. LOPEZ: Good news. All right. So other than reviewing the financial reports, and signing off on them, that was the only hiccup, if you will, in this whole process?

MR. BRICKEY: Correct, yes.

CHR. LOPEZ: Thank you very much. Any other questions?

MR. OKAMOTO: Candace, did you want to offer anything else, or that pretty much covers it?

MS. GRAY: Of course, everybody received the Audit Report. This Audit Report, or this hard-bound report, includes the independent auditor's report on the Financial Statements for June 30, 2023. He talked about the \$7.7 million adjustment, and that was for a prior period. We did also have an adjustment for the current period, which further improved our net position; but because it was a prior period adjustment, the \$7.7 million, that's why it's included as a prior period adjustment in the finding.

MR. UNGER: How long was the prior period, did this run for?

MS. GRAY: A number of years.

MR. UNGER: Yeah, to accumulate \$7 million, I imagine that it would.

MS. GRAY: Yes, basically it did involve updating our processes and communications internally as well as the whole Water Commitment deposit process, in general.

MR. UNGER: So essentially, did the laws change? Did anything change over that period of time where it was legitimately in the debit column and then it moved to the credit column?

MS. GRAY: I wouldn't say the laws change, it's just that our communication and workflow process just needed to be updated. I would say in the prior period the adjustments were dependent upon information from whether it would be internally, not within Finance Division but maybe an outside agency, but I guess over time that process, or even the dependency on the information changed. So on the accounting side, we're just concentrating more on established rules in order to perform our adjustments and convert it from deposit to revenue.

MR. UNGER: Just another quick question, is there any possibility that some of those funds—the people or the entities that put the funds in for commitments or deposit, is there any—now that they're moved out of that debit category into the credit category, is there any possibility that they could come back on the Water Department for changing it back to pulling it out of that category? Essentially, that money is gone now.

MS. GRAY: I wouldn't necessarily say that the money is gone.

MR. UNGER: For them?

MS. GRAY: The deposit amounts are credited to their facilities charge which is another I guess cost involved for their development. The Water Commitment Deposit that they pay, it's committing water availability during that term. Initially, it's a three-year term, and then they can I guess apply for extensions.

MR. OKAMOTO: Quick answer is "no," they don't lose it. The bottom line is it's just how we were accounting for it, and the timing of that, where it transferred from the liability to credit to our net position. But it doesn't go away, it's still accounted for. So when they come in and they want to account for their development, it will still be there for them. They don't lose it.

MR. UNGER: Okay, because it almost looks like these deposits were lost. (Inaudible) assigned they were lost, you guys took them over?

MR. OKAMOTO: Yes, and correct me if I'm wrong, you Finance folks that are smarter than me, it's basically how we accounted for them, whether it was a liability or not. As Candace said, basically it was communication, and I think maybe we were doing it and transferring it too late after the project was done versus when our—we have established rules in our Rules and Regulations on the Water Commitment, it's timing. It's good for three years, initially; now if you don't finish your development in that timeframe, you can still hold those commitments but it's on an annual extension basis. But each of those has a deadline; if you don't pay up, technically you could lose it, but we've been pretty fair about letting them continue even should that deadline have passed. So correct me if I'm wrong, but internally we've adjusted or revised our processes so that now we can account for that deposit in the more appropriate manner according to financial and accounting standards. Does that sound right?

MR. UNGER: I don't know, I see \$7 million and that's a big number that's why.

MR. OKAMOTO: Yeah, and I believe that's why it was significant enough to even warrant a discussion at Council level. But again, that money didn't disappear, it was just how we accounted for it was corrected; and Plante Moran folks brought that to our attention, and actually, we appreciate it because it helps us do a better job of accounting properly.

MR. BRICKEY: If I could talk on that, I guess I would just say I think there were a lot of very old balances in that liability account, that should have been forfeited, meaning that the people—the timeframe lapsed, they didn't get the extension, or potentially they did what they were supposed to do and it was no longer a liability. But I think either way, the work that was done established what's still out there that needs to be a liability, and the remainder which went back many, many, many years should have been forfeited or moved to the revenue side of the ledger, and I think that's the work that was done to come up with that number. I think the new process that had been put in place, you know, certainly monitor that list and make sure that anything that should come off of it each year comes off, whereas I think before there was a little miscommunication and things stayed on that list for years.

MR. NEY: So this is just kind of cleaning this up. So, it's cosmetically correct?

MR. OKAMOTO: Yes, it's accounting housecleaning.

MR. NEY: But it doesn't change anything really.

CHR. LOPEZ: It changes the balance sheet.

MR. NEY: It changes the balance sheet, but it's more of a cosmetic thing than anything else.

MR. OKAMOTO: Yes, so I think we try to make sure that accounting for it was done properly, which obviously wasn't, that's why we had that significant adjustment for the prior period. But moving forward, we'll have updated procedures in place so that we do account for it properly. But ultimately for whoever has those credits, they're still good.

MR. UNGER: It sounds like some were forfeited.

MR. OKAMOTO: Could be. Do we know how much?

MS. GRAY: There are time periods in accordance. So basically, Accounting is following the department's Rule 5 in our Rules and Regulations. It does specify the situations when it could be forfeited or refunded, and it really depends on the time period, the commitment period, and the approvals of extension.

MR. OKAMOTO: And those don't line up with our fiscal year, it doesn't expire at Fiscal Year-End, like June 30<sup>th</sup>. So yes, say they applied on June 25<sup>th</sup>, for their water commitment deposit, that's when their anniversary date starts and ends. But just because some might have lapsed, and so we might have to account for it differently. We try to be fair; if they come in at a reasonable amount of time and bring it current, then we'll account for it and put it in the proper place in our books at that time. Is that right? Okay, I see two nods.

CHR. LOPEZ: But there's more, we're going to see some more improvement in our assets when we—for business that was done in 2024 up to the point in time we modify the process. We're going to see that at the end of the year, is that correct?

MS. GRAY: Yes, we'll continue to—we do have a process in place now, so it will be moved or adjusted for each fiscal year. Basically, the liability is going to come down to whatever water commitment deposit is active at that point in time.

CHR. LOPEZ: Okay, what I'm trying to, and maybe you answered that, July 1, 2023, began our new fiscal year.

MS. GRAY: Yes, this current fiscal year.

CHR. LOPEZ: That's right. So we were still using the old process then because this wasn't discovered until the audit recently. So I guess I'm looking—

MS. GRAY: Let's just say by June 30<sup>th</sup>, it will be all—

CHR. LOPEZ: On June 30<sup>th</sup> of 2024.

MS. GRAY: Yes, this month.

CHR. LOPEZ: So there are some further adjustments in 2024.

MS. GRAY: For this month. But it will be current. There won't be any prior period adjustment.

CHR. LOPEZ: Right, right, right, forget that. Just fiscal year 2024.

MR. OKAMOTO: Yes. Moving forward, it will be cleaner.

CHR. LOPEZ: You're already doing the process, so it's not going to show up anymore.

MR. OKAMOTO: Correct. This one was significant. So Plante Moran folks caught it, and it's a prior period adjustment, so what we recorded prior to the Board had to be adjusted by that \$7.7 million to help us clean house and then can of draw the line in the sand, and now moving forward, that's how we'll be doing things moving forward if that makes sense. I'm just trying to restate what Candace stated.

CHR. LOPEZ: Okay, any other discussion?

MR. OKAMOTO: Tyler, did you want to offer anything from your side? You might want to have to introduce yourself.

MR. BENNER: My name is Tyler Benner. I'm the County Auditor. We take a really passive role in this, but our job is to secure the contract and the external auditor to come in and conduct these engagements. We've asked a lot from the Department of Water Supply. For the last nine years, we had the same vendor who was doing this work, and while they were very confident in the work they do and very well established within the State, it is easy to formulate the same year-over-year strategy, and in doing so, sometimes things can get missed, so it is worthwhile from time-to-time to bring a fresh set of eyes, a fresh approach, and that's what we did this year, we brought in Plante Moran to come in and conduct that in the way they saw fit.

Ultimately, we did ask a lot of the Department of Water Supply, and it's never an easy process to adapt to a new auditor in a short timeframe, and they were doing this under a single year, so we're asking this of them again as we go into the next fiscal year. We'll be working with a new firm, as well.

So we really appreciate the work that both the auditors have done for us as well as the department in just being very open to adopting these recommendations and adapting their processes to them. With that, I just thank everybody who is involved in it.

MR. OKAMOTO: What I do want to say about our County Auditor, is what we've seen in our experiences is they've been trying to help. Sometimes in the past, we might have had the perception that it wasn't with that same approach, so we really appreciated Tyler's approach that when they do an audit, it's actually for the purpose of helping us be better at managing and operating our department, so I really appreciate that working relationship we have with the Auditor's office. That's my perception anyway now.

MR. BENNER: Thank you for your kind words. I appreciate that.

MR. OKAMOTO: We appreciate it. Thank you, Tyler.

CHR. LOPEZ: Any other discussion? Thank you for attending.

MR. OKAMOTO: Yes, thanks.

CHR. LOPEZ: Bill, thank you for signing on and helping us out.

MR. OKAMOTO: Thanks, Bill.

MR. BRICKEY: Thank you.

(Note: At 10:20 a.m., Board Member Emily Taaroa joined the meeting.)

6) DEPARTMENT OF WATER SUPPLY PROPOSED AMENDED OPERATING AND 5-YEAR CAPITAL IMPROVEMENT PROJECTS (C.I.P.) BUDGETS FOR FISCAL YEAR 2025:

*Chair Lopez asked if there was any testimony for this item. There being none, he continued with the agenda item.*

The Department's Fiscal Year 2025 Operating Budget, totaling \$69,151,304.00, and 5-Year C.I.P. Budget for Fiscal Year 2025-2029, totaling \$203,335,000.00 has been distributed for the Board's review. A public hearing was held on March 19, 2024, to accept testimony. The Board may change either Budget or adopt them as presented over two readings.

**RECOMMENDATION:** It is recommended that the Board approve the Department’s Amended Fiscal Year 2025 Operating and C.I.P. Budgets on this second of two readings.

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

**CHR. LOPEZ:** Discussion?

**MR. OKAMOTO:** All right, thank you for your folk’s work in helping us achieve this budget, and if there are no other comments and questions, we’ll move forward with this as our FY 2025 Operating and 5-Year CIP Budget, which would start July 1<sup>st</sup>, next week.

**CHR. LOPEZ:** Okay, any discussion? Any questions? All right, then calling for the question. All in favor say “aye.”

**ACTION:** Motion was carried unanimously by voice vote (Ayes: 8 – Ms. Taaroa, and Messrs. Bell, Brown, Kekela, Lee, Ney, Unger, and Chair Lopez).

7) **SOUTH HILO:**

A. **JOB NO. 2023-1231, KULA ‘IMANO DEEPWELL B REPAIR:**

*Chair Lopez asked if there was any testimony for this item. There being none, he continued with the agenda item.*

This project generally consists of furnishing all labor, materials, tools and equipment necessary to remove the existing pump, motor, and column assemblies; install the Contractor furnished and/or modified surface plate assembly, column assembly, submersible pump bowl assembly, submersible motor, power cable, shroud, and all appurtenant materials; well rehabilitation; video survey; borehole alignment survey; machine work; electrical work; column pre-fill; chlorinate the well and pumping assembly; daily clean-up of the job site at the conclusion of each work day; complete an efficiency test; and perform all incidental work necessary to complete repair in accordance with the specifications.

Bids for this project were opened on June 13, 2024, at 1:30 p.m., and the following are the bid results:

<b>Bidder</b>	<b>Bid Amount</b>
Derrick’s Well Drilling and Pump Services, LLC	\$858,154.00
Hawai’i Drilling & Pump Service, LLC	\$1,393,530.00

**Project Costs:**

Low Bidder (Derrick’s Well Drilling and Pump Services, LLC)	\$ 858,154.00
Contingencies (~10%)	\$ 85,815.00
<b>Total Cost:</b>	<b><u>\$ 943,969.00</u></b>

Funding for this project will be from DWS’s CIP Budget under Repair and Agreement. The contractor will have 300 calendar days to complete the well repair with the Contractor’s furnished equipment. The Engineering estimate for this project is \$484,000.00.

Well History:

Kula'imano Deepwell B:

Original Installation: June 2013

RECOMMENDATION: It is recommended that the Board award the contract for JOB NO. 2023-1231, KULA'IMANO DEEPWELL B REPAIR, to the lowest responsible bidder, Derrick's Well Drilling and Pump Services, LLC, for their bid amount of \$858,154.00, plus \$85,815.00 for contingencies, for a total contract amount of **\$943,969.00**. 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. Brown moved for approval of the recommendation; seconded by Mr. Ney.

CHR. LOPEZ: Discussion?

MR. OKAMOTO: Yes, so the first thing, my question I had for our staff was the difference between the engineering estimate and the actual bid, and whether we're going to proceed with the award of this. I'm guessing that might be one of your folk's primary questions too, which is why I brought it up first. We're in a transition period with the funding resources that we have available, so I think the bulk of the difference—and we've asked staff to review the bids to make sure that it's still fair and reasonable.

Essentially all the federal funding that we're going to be typically using now for our projects have this Build America Buy America requirement, BABA for short. Prior to that there was an American Iron and Steel requirement for federal funding, but BABA takes American Iron and Steel to several notches higher, which is not often easy in a deepwell repair because it's not only iron and steel components, you've got the major components of a pump, the motor, the power cable, as well as some control electronics and things like that, so in order to meet those requirements is what we believe contributed to the higher prices that we got. Maybe in the past where we didn't have to require the contractor to prove that every component met that certification requirement, it was cheaper, which is what the engineer's estimate was based on.

The bid tab has been provided for you folks, and you can see almost item by item they're higher than the estimate. I think the staff even included BABA certification, AIS (American Iron and Steel) certification in the description of line item so that the contractor was well aware that they needed to meet that requirement or we would risk losing the funding. Basically, that's the big thing that I wanted to make the Board aware of. If there are any other questions, we have Eric here.

MR. NEY: Question, really quick. So when you guys do the engineering estimate, what is the process of compiling material costs, labor costs, time projection, all those kinds of things to get the actual number? I mean, how deep are you getting that in terms of price inflation on the material? Because I mean this is like double the amount. I know things have gone up. Do we have a refined process? You know, this is basically more or less a good idea of what the expense of this job is, here's what the contractor has written in for a profit margin, this looks fair and reasonable, just so we have a better way of identifying. Is this fair and reasonable or is this not reasonable? So I guess how much actually goes into making sure that at the end of the day, we're not getting priced gouge on anything.

MR. OKAMOTO: Right, yeah great question. So a lot of times, and I'll let Eric probably further clarify, but a lot of times typically we go based on prior bids for similar scope work, which have included verifying the major component cost. Once in a while, we get to also reconfirm when we do change orders that we brought to the Board that go beyond the project cost, and we typically do it on a force

account basis, which requires the contractor to show that breakdown: what the material cost, what the equipment cost was, what the labor cost was, and that's where we can see the breakdown.

MR. NEY: A close breakdown on the job?

MR. OKAMOTO: Yes, but that way we can see kind of what their labor rates are, what certain material costs are, and we can always ask for invoices and breakdowns, too.

MR. NEY: And you think our County's is pretty (inaudible), that they give you on close completion of the project, they go, "Here's more or less how everything broke down for your guys—

MR. OKAMOTO: Because for force account, we actually inspect them to make sure that they're putting in the hours that they actually—

MR. NEY: Force account but not on bids.

MR. OKAMOTO: Yeah, not on bids. But we do look and see, hey, does that bid for that line item compared to a similar scope that we've had bid out in the past?

MR. NEY: Do we look at the contingency for variables? Maybe they went to go procure materials, and what they were originally quoted came up a little bit higher. Is that valid for them to come back and say, "Hey, we really need to tap into the contingency cost because these were unanticipated extras that we didn't think about?" Like I said, I could say the bid jumped up 20% above the engineering estimate, but it's like doubled. It's a little alarming. Hopefully, this isn't a trend we see in bidding.

MR. OKAMOTO: And that's the same question, so moving forward our engineers are now going to have to adjust their basis. Before that BABA and AIS requirement, the basis was prior bid awards, similar scope, and things like that; but that funding requirement added another factor that we really didn't know what the impact was until we saw it now. So now we know, and again like drawing a line in the sand, this is going to be our new basis for coming up with engineer's estimates for future projects that have the similar requirement.

MR. NEY: Got it, okay.

CHR. LOPEZ: Any other questions?

MR. UNGER: Eric, in general, moving forward, and you're adding this new requirement for funding for BABA or whatever it is, can you take a guess how much would that add to your \$484,000 bid if you knew, okay we're going to input all these requirements in there? Is that another 10, 20, 50% to bring it up to?

MR. TAKAMOTO: It would probably be like 75 to 80%.

MR. UNGER: Wow, that's big. That's it right there then.

MR. NEY: Do we actually get a submittal of all their material receipts too? Is that something that gives us in that detail?

MR. OKAMOTO: Not all the time.

MR. NEY: And that would be helpful to actually see the materials and go, “Okay, well this doesn’t square with labor and material if you add them together.” It would just be easier to define what they’re actually taking away as profit and what the expense is.

MR. OKAMOTO: Right, and we had that opportunity too, just to require that. We can always ask for a cost breakdown if we have questions.

MR. NEY: It’s going to keep them more accountable if they have to kind of show us.

MS. TAAROA: Like what’s the percentage of the Capital Improvement Projects are using federal funds, if it’s a requirement now?

MR. OKAMOTO: Good question. In some manner, whether it be a pass-through the State Department of Health, so we tapped a lot into the Drinking Water State Revolving Fund (DWSRF) loan, which is seed-funded by EPA, but it’s a Revolving Fund; so as they dole out funds for projects, us as recipients have to pay that fund back with some interest, so that’s why “revolving.” But EPA every year, provides some additional funding into that program. So that’s still somewhat federally funded, so it still comes with those federal requirements. This is one of those that will be funded by the DWSRF program.

Fortunately for us, again, we have a good working relationship with the State Department of Health. They try to help us with what they call “principal forgiveness” wherever they can. Principal forgiveness, they don’t like to call it a grant, for whatever reason. You know what it means, you don’t have to pay it back, done. So that’s what they’ve been offering us, especially in disadvantaged communities, which is most of our island, fortunately. Although it might be a higher cost because we have to meet those requirements, we may not have to pay it back.

MR. NEY: There’s that kind of a caveat

MS. TAAROA: Right, I was going to say if they’re funding only 50%, but then they cost 50% more.

CHR. LOPEZ: I kind of fear we’re getting way off-topic from the gist of the motion. Good stuff but it’s related, so I let it go on and on, but I think we’ve got to reign it in. Keith, did you have a question?

MR. UNGER: Yes, just a quick question too. So that makes it tough to budget every year because you’re taking on these liabilities, and you don’t know exactly how much you’re putting out versus what’s going to be forgiven. In your estimate, how much was this loan for or this program for, and how much do you estimate being forgiven? I mean, is that even a discussion?

MR. OKAMOTO: Do we know what they said?

MR. INABA: They kind of have a general idea, like between five and seven, maybe even a little bit more, a million a year.

MR. OKAMOTO: Of principal forgiveness?

MR. INABA: Principal forgiveness. They’re trying to maintain too, as much as they can while the funding is available.

CHR. LOPEZ: Thank you. I’ll call for the question. All in favor of approving the motion as stated say “aye.”

**ACTION:** Motion was carried unanimously by voice vote (Ayes: 8 – Ms. Taaroa, and Messrs. Bell, Brown, Kekela, Lee, Ney, Unger, and Chair Lopez).

8) SOUTH KOHALA:

A. JOB NO. 2021-1175 – LĀLĀMILO C DEEPWELL REPAIR:

*Chair Lopez asked if there was any testimony for this item. There being none, he continued with the agenda item.*

This project generally consists of furnishing all labor, materials, tools and equipment necessary to remove the existing lines shaft pump, motor, and column assembly; install a Contractor furnished vertical turbine pump, vertical hollow shaft motor, column assembly, sounding tube, airline tubing, selected portions of the discharge piping, and all appurtenant materials; well rehabilitation; borehole alignment survey; electrical and related trenching work; chlorinate the well and pumping assembly; daily clean-up of the job site at the conclusion of each work day; ensure vibration of well assembly as measured by peak velocity is less than 0.05 ips; complete an efficiency test; and perform all incidental work necessary to complete repair in accordance with the specifications.

Bids for this project were opened on June 13, 2024, at 2:00 p.m., and the following are the bid results:

<b>Bidder</b>	<b>Bid Amount</b>
Derrick’s Well Drilling and Pump Services, LLC	\$1,604,372.00
Hawai’i Drilling & Pump Service, LLC	\$1,995,365.00

Project Costs:

Low Bidder (Derrick’s Well Drilling and Pump Services, LLC)	\$ 1,604,372.00
Contingencies (~10%)	<u>\$ 160,437.00</u>
<b>Total Cost:</b>	<b><u>\$ 1,764,809.00</u></b>

Funding for this project will be from DWS’s CIP Budget under Repair and Agreement. The contractor will have 240 calendar days to complete the well repair with the Contractor’s furnished equipment. The Engineering estimate for this project is \$1,201,750.00.

Well History:

Lālāmilo C Deepwell:

Original Installation: January 19810  
 Repaired: August 1984  
 Repaired: December 2008

**RECOMMENDATION:** It is recommended that the Board award the contract for JOB NO. 2021-1175, LĀLĀMILO C DEEPWELL REPAIR, to the lowest responsible bidder, Derrick’s Well Drilling and Pump Services, LLC, for their bid amount of \$1,604,372.00, plus \$160,437.00 for contingencies, for a total contract amount of **\$1,764,809.00**. 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. Unger moved for approval of the recommendation; seconded by Mr. Ney.

CHR. LOPEZ: Discussion?

MR. OKAMOTO: All right, we're a little closer on this one. Still quite a bit different. Again the breakdown has been provided to you folks. This is a deepwell, much deeper than the prior agenda item, and a higher capacity pump and motor. But if there are any other technical questions, I'd be happy to have Eric respond.

CHR. LOPEZ: When you say "deep," is that this down here, 1,129 feet?

MR. OKAMOTO: It's actually deeper than that.

CHR. LOPEZ: When you say deep, how deep?

MR. TAKAMOTO: Normally if it's over 1,000 feet, we label it a deepwell.

CHR. LOPEZ: Okay. But it's over 1,129?

MR. TAKAMOTO: Yes.

CHR. LOPEZ: Is that significant?

MR. TAKAMOTO: Not significantly. That's probably just the column assembly. The hole in the ground is probably another couple hundred more feet.

CHR. LOPEZ: The reason I asked is because I mentioned to somebody at the conference about our deepwells. I said we have some that maybe go as much as 1,500 feet, and they just couldn't believe it. Is that a true statement? Or a little more?

MR. TAKAMOTO: Yes, we have one that goes 2,000.

MR. OKAMOTO: Close to 2,000, yes.

CHR. LOPEZ: All right, thank you. Any other questions? All in favor of approving the motion?

**ACTION:** Motion was carried unanimously by voice vote (Ayes: 8 – Ms. Taaroa, and Messrs. Bell, Brown, Kekela, Lee, Ney, Unger, and Chair Lopez).

**B. WATER TREATMENT PROPOSAL NO. 2024-05- FURNISHING AND DELIVERING COAGULANTS TO THE WAIMEA WATER TREATMENT PLANT:**

*Chair Lopez asked if there was any testimony for this item. There being none, he continued with the agenda item.*

This project generally consists of furnishing all labor, materials, tools and equipment necessary to deliver coagulants to the Waimea Water Treatment Plant, for a period not to exceed two years. Bids for this bid were opened on June 6, at 2:30 p.m., and the following are the bid results:

Description	Pural Water Specialty Co., Inc.	Malama Solutions & Supplies, LLC
Estimated Coagulant Cost for the 24-Month Contract Period (dry basis)	\$208,216.44	\$229,038.08

<u>Bidder</u>	<u>Amount</u>
Pural Water Specialty Co., Inc.	\$ 208,216.44
Contingency	<u>\$ 175,161.00</u>
<b>Total Contract Price</b>	<b><u>\$ 383,377.44</u></b>

A higher-than-normal contingency amount was utilized for this contract as the source water’s turbidity fluctuates during the year due to unstable weather conditions, which means that more coagulants are potentially used to meet the water quality requirements of the State of Hawai‘i, Department of Health. The Engineering estimate for this project is \$209,992.86.

**RECOMMENDATION:** It is recommended that the Board award the contract for WATER TREATMENT BID NO. 2024-05, FURNISHING AND DELIVERY COAGULANTS TO THE WAIMEA WATER TREATMENT PLANT, to Pural Water Specialty Co., Inc. for the bid price of \$208,216.44, plus \$175,161.00 in contingency, for a total contract price of \$383,377.44 for the period from July 1, 2024, to June 30, 2026, and that either the Chairperson or the Vice-Chairperson be authorized to sign the contracts, subject to review as to form and legality by Corporation Counsel.

**MOTION:** Mr. Brown moved for approval of the recommendation; seconded by Mr. Unger.

**CHR. LOPEZ:** Any discussion?

**MR. OKAMOTO:** So again, the question that popped into my brain first off was the contingency amount and it’s significant compared to the base bid. Again, I think looking or moving forward on a bid like this we may do it a little bit differently. This one was based on a bid amount that was based on I guess an estimated number of coagulants that we would use in a year, but then staff realized or factored in for the contingency that we might have to order a quite bit more based on the raw water quality. They didn’t want to shortchange our contract amount, so did a calculation based on the potential amount of additional coagulant that might be needed. It comes out to a weird percentage, like 84-point-something percent contingency, it’s because it was actually based on a calculation of a projected number of totes. Totes are those like 250-gallon plastic cube things that you see with a cage around, based on the base bid amount and what—how many potentially additional totes?

**MR. TAKAMOTO:** Fifty.

**MR. OKAMOTO:** Five, zero, 50 additional totes came up with that contingency amount. So moving forward, I told staff maybe we could treat it like a material bid and just budget half-a-mil annually. Raw water quality is based on weather conditions. Hopefully, we’ll get a chance to take you guys up to Waimea again, and you can see what the raw water reservoir looks like. It looks like chocolate soup basically, and we turn that into drinking water, Emily. It’s a miraculous process that our staff does wonderfully well at, but that’s because of the raw water coming from a stream, it has all the biologicals and things like that. If you have heavy rain, you’re going to get more surface run-off into

your stream, which goes into our raw water reservoir, which requires more coagulants to take that biological stuff, and settle it out before we do our final process on the water. So that's why it's unknown and weather-dependent on how many coagulants we use in a year. So it could range from as low as 40-something totes a year to 70 totes a year. Anyway, that's why we did it how we did it.

CHR. LOPEZ: I got a curveball thrown. I heard you say "half-a-mil," and I look at this so that's double, a little more than double. Does that include the contingency?

MR. OKAMOTO: Yes.

CHR. LOPEZ: Annual, but this is a two-year contract. That's where my curveball came in.

MR. OKAMOTO: I was probably mistaken, so it's probably budgeted \$250,000 annually. Just to make it simpler.

CHR. LOPEZ: Yeah, that would be okay, fine. It works for you. The contingency in all cases is not committed, but it's available?

MR. OKAMOTO: Yes.

CHR. LOPEZ: So we may end up with a surplus?

MR. OKAMOTO: Yes.

CHR. LOPEZ: And if exceeded, then comes back to commission?

MR. OKAMOTO: Yes, exactly.

CHR. LOPEZ: I understand the situation. Thank you.

MR. KEKELA: My question is, for the extra totes that they do purchase, do they have like a shelf-life or like an expectancy? That way it's not just sitting and then they expire.

MR. OKAMOTO: Yeah, we don't order them all at once. Good question. And I think this bid is based upon—I don't know what's the turnaround time when we place the order to when we get it. I mean we don't let it drop down to zero and not have it, so I'm not exactly sure what our internal processes are.

MR. KEKELA: Is there a process to make sure that the prices (inaudible), maybe on a drier year?

MR. OKAMOTO: Not really. For them, it's basically the cost of the chemical, I think. This one includes transport and delivery also to our facility in Waimea.

MR. KEKELA: Okay, thank you.

CHR. LOPEZ: Any other questions? Hearing none. All in favor of the motion stated say "aye."

**ACTION**: Motion was carried unanimously by voice vote (Ayes: 8 – Ms. Taaroa, and Messrs. Bell, Brown, Kekela, Lee, Ney, Unger, and Chair Lopez).

C. WATER TREATMENT PROPOSAL NO. 2024-06, FURNISHING AND DELIVERING VARIOUS TREATMENT CHEMICALS (LIQUID AMMONIA; 50% LIQUID CAUSTIC SODA; C-9 POLYPHOSPHATE; 38% SODIUM BISULFITE; 50% SULFURIC ACID; 12.5% SODIUM HYPOCHLORITE; 50% SODIUM HYDROXIDE, ACCU-TABS SI TABLETS, AND SODA ASH) TO THE WAIMEA WATER TREATMENT PLANT, DISTRICT OF SOUTH KOHALA (ON AN AS-NEEDED BASIS):

*Chair Lopez asked if there was any testimony for this item. There being none, he continued with the agenda item.*

This bid generally consists of furnishing all labor, materials, tools and equipment necessary to deliver various treatment chemicals to the Waimea Water Treatment Plant, for a period not to exceed two years.

Bids were opened on May 2, 2024, at 2:00 p.m., and the following are the bid results:

	<b>Brenntag Pacific</b>	<b>Malama Solutions &amp; Supplies, LLC</b>	<b>Phoenix V LLC dba BEI Hawai'i</b>	<b>Shannon Chemical Corporation</b>	<b>South Pacific Gold Combine LLC DBA Chemstation Hawai'i</b>	<b>Estimated Cost Based on Mat. Bid 2022-05</b>
Part C – C-9 Polyphosphate (7 drums per month) Cost per 30-gallon drum	No Bid	\$1,219.50	\$1,221.30	<b>Non-Responsive</b>	<b>\$1,131.00</b>	\$1,042.00

**RECOMMENDATION:** It is recommended that the Board award the contract for WATER TREATMENT PROPOSAL NO. 2024-06 FURNISH AND DELIVER VARIOUS TREATMENT PLANT CHEMICALS TO WAIMEA WATER TREATMENT PLANT by Parts to the following for the amounts shown above, and that either the Chairperson or the Vice-Chairperson be authorized to sign the contract(s), subject to review as to form and legality of the contract(s) by Corporation Counsel. The price agreement shall be from July 1, 2024, to June 30, 2026.

Part C to South Pacific Gold Combine LLC dba Chemstation Hawai'i.

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

**CHR. LOPEZ:** Discussion?

**MR. OKAMOTO:** You might have recalled, I think it was last month we did a bid award and we had to defer one item because they were noncompliant with the procurement requirement, so this is that one remaining item. So it's one part of that overall material bid, which is for Par C, the C-9 polyphosphate. So, that's what this is for. This is, again, on an as-needed basis as common with our other material bids.

**CHR. LOPEZ:** So just to set the record straight, they are now compliant?

**MR. OKAMOTO:** Yes, the one we are recommending to award is compliant.

CHR. LOPEZ: Any discussion? Questions?

MR. BROWN: I have a question. As far as the polyphosphate, is there only one manufacturer that can make that? I'm asking because the bids are awfully close. They're really close, so I was wondering if they all purchased from a single manufacturer, is that—?

MR. OKAMOTO: I don't know if we know that.

MR. BROWN: I don't think I've ever seen bids this close.

MR. OKAMOTO: Good question.

MR. BROWN: \$2.00.

MR. OKAMOTO: Yeah, \$2.20.

MR. BROWN: Yeah, I just was wondering. It's not that important, I just was wondering.

MR. OKAMOTO: We can look into it.

MR. BROWN: It's not that important, I just was wondering because it struck because of the closeness of the bids.

MR. NEY: They must have a similar wholesale cost, price matrix, and retail cost, so their markups are probably fairly similar.

MR. OKAMOTO: Could be, yes. We actually like it when the bids are tight because that shows competitiveness. They're trying to sharpen their pencils. Good question.

CHR. LOPEZ: Any other questions? Comments? Okay, I'll call for the question, all in favor of the motion as stated say "aye."

**ACTION**: Motion was carried unanimously by voice vote (Ayes: 8 – Ms. Taaroa, and Messrs. Bell, Brown, Kekela, Lee, Ney, Unger, and Chair Lopez).

9) MISCELLANEOUS:

A. DEDICATION OF WATER SYSTEMS:

*Chair Lopez asked if there was any testimony for this item. There being none, he continued with the agenda item.*

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

**1. Grant of Easement**

Grantor: Nohea at Mauna Lani II LLC

Tax Map Key (3) 6-8-043:037 (por.)

Waikōloa, South Kohala, Island of Hawai'i, Hawai'i

Facilities Charge: \$85,573.80 Date Paid: 5/17/2024

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

Grantor: Holt Investments LLC

Tax Map Key (3) 6-5-007:077 (por.)

Waimea Homesteads, South Kohala, Island of Hawai'i, Hawai'i

Facilities Charge: *not applicable*

Final Inspection Date: 6/13/2024

Water System Cost: \$50,000.00

RECOMMENDATION: It is recommended that the Water Board accepts these dedications subject to the approval of the Corporation Counsel and that either the Chairman or the Vice-Chairman be authorized to sign the documents.

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

CHR. LOPEZ: Discussion?

MR. OKAMOTO: Kurt's been able to provide some graphics for your folk's bearings, and I believe these are both meter installs.

MR. INABA: The easements are for—basically just meters.

MR. OKAMOTO: If you have any questions?

MR. NEY: The only question is on Grant No. 2. There is a facilities charge on the first one, and the second one doesn't have a facilities charge.

MR. INABA: That one there, it's just what we call the detector check meter in a sense, but it's really just a fire line, so what they had to do was just put in onsite fire improvements. We provide this detector check meter at the property basically, and they put in their internal fire line only. There's no domestic use off of that, so there are no facilities charges applied to the detector check. They have a separate meter, and in this case, it's already existing and it was already paid for. But that domestic meter is where the facilities charge is applied to.

MR. NEY: Got it.

CHR. LOPEZ: Thank you.

MR. OKAMOTO: Good question. Good catch.

CHR. LOPEZ: Any other questions? Discussion? So all in favor of the motion as stated say "aye."

ACTION: Motion was carried unanimously by voice vote (Ayes: 8 – Ms. Taaroa, and Messrs. Bell, Brown, Kekela, Lee, Ney, Unger, and Chair Lopez).

**B. MATERIAL BID NO. 2023-15, FURNISHING AND DELIVERING CHLORINE GAS ALARM SYSTEMS:**

*Chair Lopez asked if there was any testimony for this item. There being none, he continued with the agenda item.*

This project generally consists of furnishing all labor, materials, tools, and equipment necessary to deliver chlorine gas alarm systems to the Department’s Hilo Baseyard.

Bids for this project were opened on June 6, 2024, at 2:00 p.m., and the following are the bid results:

<b>Bidder</b>	<b>Bid Amount</b>
No Bids Received	n/a

The Engineering estimate for this project is \$90,000.00.

RECOMMENDATION: No bids were received. Staff will seek alternative procurement pursuant to HAR 3-122-35 to procure the required services.

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

CHR. LOPEZ: Any discussion?

MR. OKAMOTO: Not really, unless there’s any question. These are basically equipment to let us know if there’s a chlorine leak, and our guys can install them. It’s basically a material bid.

MR. NEY: How extensive is this? Is this like an OSHA compliance requirement or safety requirement?

MR. GOODALE: Yes.

MR. NEY: How extensive is that system? Because I see you guys with the chlorine tanks in the back of the truck. I go, “I wonder how much safety emphasis gets put on where you guys are storing this.”

MR. GOODALE: Any site that has a chlorine being introduced is going to have—

MR. NEY: I heard storage (inaudible) the whole.

MR. GOODALE: Both. Well, the storage sites not so much because that’s purely just storage and typically isn’t anywhere where, you know, other than when we come to get them, they’ll take them to the next site.

MR. NEY: Got it. This would cover all facilities. Or this is just for Hilo Baseyard, you’re saying?

MR. OKAMOTO: It’s for delivery.

MR. GOODALE: This is where they come to. They’re taken out island-wide, yes. Yes, this is the delivery location.

MR. NEY: Okay, got it. Thanks.

CHR. LOPEZ: Okay, any other questions? Discussion?

MR. BROWN: As far as the—now you can do alternative procurement, meaning you guys can go and solicit bids, right?

MR. OKAMOTO: Yes.

MR. BROWN: Okay, good. There are manufacturers of course for this.

MR. OKAMOTO: Yes.

MR. BROWN: You can just go.

MR. OKAMOTO: Yes, so we'll typically go and still make it competitive, ask for quotes, yes.

CHR. LOPEZ: Okay, anything else? All in favor of the motion as stated say "aye."

**ACTION**: Motion was carried unanimously by voice vote (Ayes: 8 – Ms. Taaroa, and Messrs. Bell, Brown, Kekela, Lee, Ney, Unger, and Chair Lopez).

C. DEPARTMENT OF WATER SUPPLY COLLECTION AND DELINQUENCY POLICIES:

*Chair Lopez asked if there were any reports for this item. There being none, he continued with the agenda item.*

Information will be provided to the Board on status updates on collection efforts due to delinquent balances for water service charges with information on current policies and procedures in place for collection and water shut offs. Discussion will follow along with any recommendations that should be considered for future action.

MR. OKAMOTO: Actually, we don't really have anything significant to report this month.

CHR. LOPEZ: It's just a placeholder to keep in mind. Excuse me, Keith?

MR. UNGER: I have a question on the status of the group that we formed to talk about this and get a little bit more into the detail. We had a call two months ago and I guess I was expecting a follow-up or something. If you could chime in also, Ben.

MS. MELLON-LACEY: If I can? Because the group that's formed has to complete their investigation and give one report. If they give a report now, the group is disbanded.

MR. UNGER: I don't want to report.

MR. NEY: We're not going to get into any substance of what this talked about. But I would just like to, just like what you said, we need to keep this as an ongoing effort to not let it just let it fall off, or we're not going to achieve the final result of refining the process. You know, we fell off processes that need some refinement. But this is one that I've been very—I'd like to set a target date on, and I just don't want this a move-and-go line, so I would like to keep attention on it and not just have it a placeholder on the agenda and to never be addressed.

CHR. LOPEZ: Who's the Chairman of the PIG?

MR. NEY: I'm part of the PIG. Am I the Chairman?

MR. OKAMOTO: I think it's in the minutes. Yes, it's recorded somewhere. (See Water Board Minutes for April 23, 2024 meeting, page 35.)

MS. MELLON-LACEY: It's bringing over, you know, to close to the edge. I mean the group has been given a defined task. The group has to function to do that. If it's not working, the group could come back and say—identify that you're not able to do the task, then it will be disbanded, and then something you could be planning to get at it, if the PIG isn't able on its own to carry out and do what it's asked of.

MR. NEY: So just a point of clarification then, so we need to keep this ongoing discussion within the PIG, not talking about anything on the PIG side. We got to do a final conclusion to present, and then from there, we get the ball rolling. Is that my understanding?

MR. OKAMOTO: And just to clarify that statement, Ben. So this is on the agenda, this actually for us, the department and staff, to show that we haven't lost it on our radar. This is independent of what the PIG is doing; although it's related, it's independent. This is for us to report to the Board some progress that we're making internally, so hopefully that would—we'll share with the Board. We're not sitting on our hands regarding this matter.

CHR. LOPEZ: But it does bring visibility every month to the subject. It's still out there until we hear from the PIG.

MR. OKAMOTO: Yes, and I think— Candace, did you want to—?

CHR. LOPEZ: And then they can decide to close it or whatever, official report from PIG.

MS. GRAY: As Keith said, it's not something that we just set aside, as far as internally. I do want to at least say we are ramping up efforts internally to collect email addresses. We looked at our database and found that we need to get a lot more email addresses. When we have new applications, our Customer Service Section will also be requesting customers' emails to update the records and so forth, so we do need to gather more information for our database in order to increase our efforts and update our process of collection.

MR. NEY: I'll keep, not the pressure but the—the thing is like I think everyone gets kind of disgusted by how prolonged and some of these things get. I'm not saying we have to make rash decisions but timely decisions because I've been on this Board and things have not always moved in a very quick fashion.

CHR. LOPEZ: But to Keith's comment, it's been two months since you had a meeting and if nothing's happened, Keith's questioning, because is it still an open project?

MS. TAAROA: Candace, what are the options for people to pay right now? They can mail a check in? Can they pay by credit card?

MS. GRAY: They can pay by credit card.

MS. TAAROA: Over the phone or online?

MS. GRAY: In person or online.

MR. OKAMOTO: We try to make it very easy for them to pay their bills.

MS. TAAROA: Okay, yeah that's important.

MS. GRAY: We also have automatic bill payments.

MR. OKAMOTO: Again, we understand Ben's frustration. Again, the good part about this is we can share it with the Board. We're not sitting on our hands. I think Candace is even looking at our 60-day outstanding; you know, we're focused on the greater than 90, just to see where we are. We're also still trying to research nationally, what is a water utility experience as far as delinquency rates and things like that, see how we stack up.

Our biggest hammer is to discontinue service, but we also understand that people need water, so that's the balancing act. To be quite honest, when our guys got to go out there and shut off the water and a mom comes out with their baby and says, "Hey, I need my water," I have no problems with our guys deferring that shutoff, so that might add to the delinquency. That's some of the dilemmas that we're wrestling with. But again, we understand that it needs to be resolved.

CHR. LOPEZ: That was the purpose of the PIG, to discuss with the department.

MS. TAAROA: I just wanted to see like what's the baseline here, if they're introducing and paying options in this thing. What do they have now so they can pay—

CHR. LOPEZ: I'm going back to your question, and if I'm out of order, please, is there a chairman of the PIG? Who's calling the PIG together?

MR. UNGER: Two meetings ago, we went around the room and three other people joined. I think Kea joined.

MR. NEY: Kawika.

MR. UNGER: Kawika, as the department.

CHR. LOPEZ: So just the two of you. You guys are it? So somebody's driving? All right, so there's no chairman. These guys are winging it.

MS. MELLON-LACEY: I think the group should meet probably and talk with the department, and if they need more direction from this body, they could come back. It could be disbanded, and a new one start, is that more focused if it needs to be. But you could report to the—

MR. OKAMOTO: We can find the minutes where it was created because it had to be scoped out (see April 23, 2024 Water Board meeting minutes, page 35, Scope of the PIG). It had to the members identified. It's in the minutes somewhere. I don't know if it was established as a Chair.

CHR. LOPEZ: No, not at that point. The committee would do that.

MR. OKAMOTO: Internally.

CHR. LOPEZ: It's like any project, if there's nobody in charge or leading, it's not going to get done.

MR. NEY: It's a pretty informal format.

CHR. LOPEZ: Okay, I'm going to choose the leader, you guys are it. That's all I'm saying. Thank you.

D. MONTHLY PROGRESS REPORT:

*Chair Lopez asked if there was any testimony for this item. There being none, he continued with the agenda item.*

Submission of Progress Report of Projects by the Department. Department personnel will be available to respond to questions by the Board regarding the status/progress of any project.

MR. OKAMOTO: I think Kurt has some updates for you for some projects.

MR. INABA: Puakō, we did do the connection. They're starting to transfer meters. Looks like based on the rate, they're hoping to be done by the end of July, or around the end of July, at least with transferring meters, and they do a final connection for that.

Lālāmilo, I kind of realized and was thinking about it, you guys probably saw the UXO issue on the report, and I kind of checked in on that. The reason why it's back on, their initial scan, they need to redo it. Didn't pass the test per se, so they're completing that. Should be done by the end of this month, and then they'll allow the contractor to get on site to mobilize and start redoing the grubbing and grading.

The Iki Place, the County Council did pass that resolution. That's a small little subdivision in Kona, existing, it's Improvement District, and then we're going to put that out to bid in the near future.

Lead and Copper Rule, the revisions, that effort to inventory all of the services, and we are in Kona now. Our personnel along with the consultant are going out. Actually, having a really good success rate, identifying Water Supply side, the customer side at the meter, as well as the customer's line at the house, the foundation. We're in the 90% range right now.

MR. OKAMOTO: And just for this body awareness, this is a major undertaking, EPA has required all drinking water utilities to do. The unprecedented part is we have to go beyond our meter. We have to go on the customer side. So we were anticipating not that high of a success rate. Big Island too, right, we're kind of rural. Sometimes the meter, you cannot see the house from the meter. So 90% actual success rate of our guys actually being able to identify those three points. What the material is or is not, is pretty significant. The progress that they're making has been pretty good.

MR. INABA: Pretty good in Kona, yeah right now. It probably will slow down a little bit. The rate might come down a little bit when they start getting more of the meter just along the highway, the mauka highway because we'll have more of those meters with the homes, who knows how far away it may be. All of the customers that we're doing the inspections on have been notified, by notice.

CHR. LOPEZ: Notify that you're doing the inspection.

MR. INABA: Yes, their property, in particular, has been selected. It's kind of random, based on the unknown information. So if we know that they're new and not lead and if they weren't part of the pool of the unknowns, they wouldn't be on the list.

MR. OKAMOTO: I've only seen one request, maybe two, to not participate in this program from the customer side. Overall, that's pretty good.

MR. NEY: The sampling has to be done through the customer's line. I took one of the sessions, and they say they sampled water, gave it to you guys, whatever the case, but I guess there's no way to test other—the meters, they're not designing them with the way to test from the meter.

MR. INABA: The sampling part is intended to get what's coming out of the faucet for the customer.

MR. NEY: Right.

MR. INABA: This part that we're doing now is just the inventory of the materials, transmit the water to the house.

MR. NEY: But we're not inventorying what they got going up to their house necessarily. They said the sampling results could be a little bit skewed if someone has an old pipe. Maybe it's not our sample that's showing that, it's the customer's line going up.

MR. INABA: The plumbing fixtures and whatnot. Up to the house foundation is what we're trying to get information on.

CHR. LOPEZ: I have a question. So what is the end result? Why the inventory? And what are the consequences of non-compliance? What's the whole purpose of this? I know it's water quality. If you have a copper line, are you subject to having to replace it at some point in time?

MR. INABA: Not copper. It's a Lead and Copper Rule, but in this effort, it's really to identify if there are any lead components.

CHR. LOPEZ: Okay, and then that becomes a subject of another layer of solution?

MR. INABA: Yes, so after this phase we need to come up with a lead service line replacement plan.

CHR. LOPEZ: You, the department?

MR. INABA: Yes. We need to assist in getting it replaced, but not responsible for financing it. But we haven't seen any lead within the State, knock on wood.

MS. MELLON-LACEY: Copper also poses dangers in drinking water, doesn't it?

MR. INABA: There are some health risks.

MS. MELLON-LACEY: But that's not something you're addressing?

MR. OKAMOTO: We do. There's an existing Lead and Copper Rule that we're in compliance with now, so this is an LCRR, Lead and Copper Rule Revision; and there's a subsequent rule to that, LCRI, which is Lead and Copper Rule Implementation. Yes, so the feds have no shortage of job retention. They keep making rules. Unfortunately, they don't distinguish whether or not the State has a high probability of or not of an issue, and I'm sure they have their own reasons for that. But for this particular situation, like Kurt said, it's primarily to identify if there are lead lines whether it be on our side of the meter or the customer side of the meter. But lead and copper are both monitored and regulated already.

CHR. LOPEZ: In the case of the, and I picked some of this stuff at the session also, in the case of an apartment building you have a meter, but it goes off—are you going all the way to the apartments or just to where the pipe enters the building?

MR. INABA: Where the pipe enters the building.

CHR. LOPEZ: There seems to be a lot of confusion with the regulators, how far you go and where you stop. You cleared that up, but obviously you have worked with regulators.

MR. OKAMOTO: There are the Federal regulators that have—the Code of Federal Regulations was established as the Federal Rules, and then the State Department of Health administers their interpretation of the Federal Rules and imposes that on us. In the beginning, they were confused as well, so they had to go get clarification. Hopefully, we're all on the same page now.

CHR. LOPEZ: As long as your regulator approves.

MR. OKAMOTO: Yes.

MR. INABA: In fact the third point, at the house foundation, the Department of Health, basically our State regulators for this has actually established that.

CHR. LOPEZ: Thank you. You have anything else, Kurt?

MR. INABA: Just maybe the Lava project, Pohoiki should be getting started, Beach Road.

MR. OKAMOTO: Highway 137.

MR. INABA: Highway 137 should be getting started. Looks like now, sometime mid-next month the contractor should be getting equipment on the site.

CHR. LOPEZ: Are you impacted at all by issues with the roadway right-of-way?

MR. INABA: I believe Public Works is handling all of that part there.

CHR. LOPEZ: But does it impact you?

MR. OKAMOTO: Yes, it's impacting us on the schedule because that's what's needed because we're going to put the pipeline in Public Works right-of-way.

CHR. LOPEZ: Whatever that becomes.

MR. OKAMOTO: Yes, whatever that becomes. But yes, that process is being managed by Public Works.

MR. INABA: Yes, it will be bid together, the road portion and the waterline.

MR. NEY: Just a comment on Puakō. I've been down there for some of our work, and indeed they were putting the meters in. The contractor John was over there, so I went over to introduce myself and said, "Hey, we actually approved your bid for this job," and I said, "We've been quite with you being on schedule." Just from an observer, the working relationship and oversight with you guys being there, I mean it looks like it was a good working relationship. He said, "Put in a good word," not that it

(inaudible) on paper. But anyway, everything has gone actually a lot smoother than I ever anticipated it would.

MR. OKAMOTO: Thanks for sharing that.

MR. INABA: A lot should be said, our inspector has been pretty awesome up there.

MR. NEY: Yes, everyone seems on track with everything there.

CHR. LOPEZ: Thank you. Anything else?

MR. INABA: No, that's it.

E. REVIEW OF MONTHLY FINANCIAL STATEMENTS:

*Chair Lopez asked if there was any testimony for this item. There being none, he continued with the agenda item.*

MS. GRAY: There are two Balance Sheets for May 2024. The first one (dated June 13, 2024) was prepared without the prior year audit adjustment, and the Revised Balance Sheet (dated June 17, 2024) includes the prior year audit and end-of-year adjustment, so I don't include it until after the audit is completed.

On the Balance Sheet, you'll see additional columns that show the differences between prior to the audit adjustment and then after the audit adjustment, and that's on your Balance Sheet.

For the Income Statement and the Budget Status Report, you only have one because that's just based on the current period. Just a quick look at it, you'll be able to see what kind of impact the year-end adjustments for 2022-2023 had on our—well, I'll just go down to the Net Position, which increased, and the significant part of that had to do with the Water Commitment Adjustment, which you'll see on the right side of the Balance Sheet, in the Customers Deposits payable, that line item was reduced to \$4.7 million and \$16.8 million, so there was a \$12 million adjustment in total.

Your coversheets do have other explanations, and I bolded the new explanations. With that, do you have any questions?

CHR. LOPEZ: I was looking down here, the \$7,700,000-something, and I didn't readily see— is it kind of like—

MS. GRAY: Let's just say it's included in your \$12 million. That \$7.7 million was just attributed to the prior period.

MR. OKAMOTO: That's in that "Customers deposits payable from restricted assets" line.

CHR. LOPEZ: From restricted assets, okay I see that.

MR. OKAMOTO: It's part of that parenthesis to a \$12.01 million.

CHR. LOPEZ: I see that. That's a decrease, yes.

MR. NEY: Just to be clear, this issue was caught by the new auditor, Keith?

MR. OKAMOTO: Yes.

MR. NEY: That they said, “Hey, something’s not right with the way”—it doesn’t give us a good financial kind of picture, accurate picture I guess you could say, of where we stand. The old auditor, the way they were working the numbers.

MR. OKAMOTO: Again, I guess their focus is probably whatever they determine their focus to be, whether or not we’re in compliance with certain GASB standards and things like that. None of the prior audits reveal that, although this situation existed probably for a while, couple of decades. Just because nobody else found it prior doesn’t mean it can’t be corrected.

MR. NEY: I guess no one in-house, really (inaudible), “Hey, this isn’t how it should be.”

MR. OKAMOTO: We try as much as we know to be.

MR. NEY: Okay. I’m not putting any blame, but I’m saying it just went unnoticed. You got to audit the auditor.

MS. GRAY: Just to comment on that. We are taking steps to be more proactive in recognizing discrepancies before the audit occurs.

MR. OKAMOTO: Just to be clear too, I’m an engineer, so things are more black and white, right, it’s based on physics; but accounting I’ve come to learn, it depends on what your standard is. There could be different interpretations too of an accounting standard. It’s not as simple as the laws of physics, I guess. Gravity doesn’t change no matter where you are in the world.

MR. UNGER: It depends on what imaginary numbers you use.

MR. OKAMOTO: How you account for what you’ve taken in and what you’re spending can be done in different ways. You can put it in this account, or that account, or different things like that. What does the B stand for, GASB?

MS. GRAY: Government Accounting Standards Board.

MR. OKAMOTO: GASB tries to standardize things as much as possible. Even different auditors can interpret a GASB rule a little differently.

MR. NEY: That’s like creative accounting.

CHR. LOPEZ: So that leads me to a question. When we took the liability and made it an asset, is that going to get cleared at some point? How does that asset—how is it treated later on?

MS. GRAY: The adjustment was to reduce the liability and then increase the revenue, and at the end of the fiscal year when we close our books in a normal routine, the revenue is closed out; that is adjusted and then credited to our net position, which is our equity in a normal financial world.

CHR. LOPEZ: Coming back to the discussion about the water credits never go away, so you’re supposed to pay before the water shutoff. We have actually sold that stuff, and that’s how we recognize revenue in a very basic sense. The revenue stays with us.

MR. OKAMOTO: So basically, it's a fee to make sure that they retain that amount of water that we've determined they're allowed to have, in other words, it's like a reservation, so I guess they've paid for a reservation of that water. When they do finally develop, we have that facilities charge, so that is factored into that. So if the facilities charge was \$1 million but they paid \$500,000 in water commitments to that point, they just have to pay the balance, the remaining \$500,000 to be complete as far as their obligations for the facilities charge. I don't know if that's answering the question.

CHR. LOPEZ: No. So what happens to the—when they finally paid that up, they paid the \$1 million, we recognize it as a revenue, that's the department's first, that's theirs. They got their water commitment, they got their whatever, again a very simplistic view, we sold them a product. We sold them to have this much water, we recognize this revenue, and it is DWS money, that's what this is about?

MR. OKAMOTO: Yes, and that will be accounted for.

CHR. LOPEZ: It will always be a revenue.

MR. OKAMOTO: As revenue.

CHR. LOPEZ: Okay, it doesn't go away.

MR. NEY: One more thing, there's no refundability on these things, the transferability with the credits.

MR. OKAMOTO: There is, but there are certain requirements that's established in our rules for the refund.

MR. INABA: For Keith's question earlier about the credits and where they're going and whatnot, so Engineering, I just want it to be clear, we've got to account for it the way we've always been doing it, so it kind of stays with the Land Use application, when they established that.

MR. OKAMOTO: There's water credit accounting that's managed by Engineering, just to make sure that—say that they purchased and reserved a hundred units of water for that property, what we've seen happen is that property has sometimes been developed in phases. They'll use 25 for Phase 1, so Engineering has to keep track of, okay, as part of this TMK, which might have been subdivided into smaller TMKs; 25 now got used, and we have 75 remaining for this part of the property. That's Engineering's accounting of water credits which differs from the financial accounting.

MR. NEY: Well, all of us understand is if there's a refundability period and if like a certain time lapse, where you go, "Hey, you're supposed to use these within a certain period," that's not a realized revenue for that time lapse, correct? We've got to look at it as that's money that's really not realized revenue until that time lapse, is that correct?

MS. GRAY: Until the term expires.

MR. NEY: Because of the refundability component to that.

MS. GRAY: Until the term expires in accordance with our Rules and Regulations.

MR. OKAMOTO: I don't think we factor in the refundability component because we don't know if somebody's going to come in and ask for a refund.

MR. NEY: But it could happen perhaps, but maybe—

MR. OKAMOTO: Yes. It's very rare. So accounting is more based on what's established in our rules. Initially, you pay for water credit, it's good for three years. Now if you get to the end of those three years, you didn't do anything, you account for it this way. If you paid for next year's extension, you account for it in a different way.

MS. GRAY: Then we're going to account for that deposit within that extension term. The three-year term is already—

MR. OKAMOTO: Done.

MS. GRAY: Expired.

MR. OKAMOTO: But if they didn't come in with that payment for the one-year extension, then we move it to a different—

MS. GRAY: Then it already expired, so the liability has been reduced, and we recognize it as revenue at the end of the term.

CHR. LOPEZ: So if I'm holding the water credit and I've got this property over the decades, and nobody's done anything, or sold off the parcel or whatever, now I'm sitting there with something, can I sell that?

MR. OKAMOTO: No.

CHR. LOPEZ: So it goes with the land?

MR. OKAMOTO: Yes. We never want to allow water to be a commodity that can be bought and sold.

CHR. LOPEZ: Okay, thank you. I hear rumors to the contrary.

MS. MELLON-LACEY: Can you say then that this money is like a deposit?

MR. OKAMOTO: Water Commitment Deposit.

MS. MELLON-LACEY: Because I mean a deposit—it is questionable when you would recognize it as an asset.

CHR. LOPEZ: But a deposit implies you get it back.

MS. MELLON-LACEY: Not necessarily.

MR. OKAMOTO: You get it back as credit to your facilities charge.

MR. INABA: Yeah, applied in essence, right, goes towards the facilities charge. There are cases when if it goes beyond the facilities charge, then they don't get any money back.

CHR. LOPEZ: Let's not go there.

MR. OKAMOTO: That's another discussion.

CHR. LOPEZ: All right, anything else on the Financial Statements? Candace, very good job, thank you.

MR. OKAMOTO: Yes, good job. Thank you, Candace, and her team.

F. MANAGER-CHIEF ENGINEER'S REPORT:

The Manager-Chief Engineer to provide an update on the following:

1. North Kona Wells

MR. OKAMOTO: So actually, I will defer and ask Eric to provide an update. We still have three wells out of service out of the 14 that are available in the region. So Eric will provide an update on Honokōhau and Wai'aha, and then I will ask Kurt to provide an update on Mākālei.

MR. TAKAMOTO: Honokōhau, we are tentatively looking to resume fishing work, this week actually, hopefully it's successful. As soon as that's completed, they can start doing the installation process.

MR. OKAMOTO: They had to fabricate a new fishing tool.

MR. TAKAMOTO: Yes, they had to fabricate a new fishing tool.

CHR. LOPEZ: To fish for whatever that's down there.

MR. TAKAMOTO: Yes, the last portion that's down there.

CHR. LOPEZ: So when would you say that—?

MR. TAKAMOTO: They should be commencing that fishing work sometime this week.

CHR. LOPEZ: Then it's a matter of fishing it out?

MR. TAKAMOTO: Yes, fishing it out.

CHR. LOPEZ: Then they can start—go back to the well?

MR. TAKAMOTO: Yes.

CHR. LOPEZ: Thank you.

MR. TAKAMOTO: And then Wai'aha, we are still in the submittal and production phase. Most of the products are on order. There are just a couple of items that still need to go through the submittal review process.

CHR. LOPEZ: When will these wells be in operation?

MR. TAKAMOTO: Wai'aha is scheduled to be—oh, it has a current completion of mid-September.

CHR. LOPEZ: Wow, that's actually pretty fast. That. Honokōhau?

MR. TAKAMOTO: Honokōhau actually has lapsed. It's completion was actually Christmas.

CHR. LOPEZ: Of this year?

MR. TAKAMOTO: Yes. Because of the fishing work, it got dragged out. If everything goes well, we are looking maybe end of July.

CHR. LOPEZ: Next year?

MR. TAKAMOTO: No, this year.

CHR. LOPEZ: Oh, December passed. End of July, even that's amazing. Thank you. All right, thank you very much. That's good news.

MR. INABA: Mākālei Estates, the contractor has begun the electrical work, and they can only get so far. They're trying to get the well driller to come in. They're going to reclean the well and whatnot. They still got to treat I guess the well in a sense, so they're going to brush and bail and clean out the well. They're trying to get the well driller back, bring the rig back, and get that in. Only get the same well driller for our project, too. They're trying to get that scheduled anyway, from the well driller. I spoke with them, I think it was a week ago, a little over a week ago maybe, that they were awaiting that schedule from the well driller. Well, getting on our site, so I don't want to stop that.

CHR. LOPEZ: That's true. Is that a private well that we're going to assume later?

MR. OKAMOTO: Yes, it was turned over to us, but it failed under warranty, so we're not paying for this repair. So a couple of other factors that went into this kind of long-term repair, that Pāalamanui Development changed ownership. But prior to that change of ownership, it was stalled for quite a while, there was no movement. It was kind of hard for us. We could basically only ask for the schedule because we didn't have any means for leverage to push. There's a new owner, and there seems to be improved progress.

MR. INABA: And it's tied also to a Well Development Agreement because the private developer did that. Also, we're going to have to address a new agreement because they're downsizing the well.

MR. OKAMOTO: And that will be brought to this body.

MR. INABA: Oh yes, for sure.

CHR. LOPEZ: Ben?

MR. NEY: Well, like when we decided to take—they won't dedicate this to us and we take it over, is that the decision based on—I mean, is there an incentive, why we can use our financial metric? We go, yeah, because this isn't good. Long-term financial decision for the department. I mean we don't want to take something on that's going to be an expense over the long term. How does that decision process, I guess, come into play, where you're going, "Yeah, we shouldn't take over the well" or "Yes, this is going to be a good long-term benefit to the department."

MR. OKAMOTO: Well, that might be going beyond the agenda item, but I'll try to respond really quickly and shortly. So when we take over a well, that's typically through a Well Development Agreement. That agreement is brought to this Board with the conditions, but that's an asset that's turned over to us that becomes our responsibility to operate and maintain. So in that Well

Development Agreement, they don't get the full capacity of that well. Typically, nowadays agreements would be a two-third/one-third. Two-thirds for the developer because they're paying for it and installing it, but we'd like one-third of that capacity because we know we're going to have to fix it and repair it from here on out. So, that's what typically happens. It's an agreement that's brought before the Board with conditions and obligations on both sides.

CHR. LOPEZ: So this was presently not producing?

MR. OKAMOTO: Nope.

CHR. LOPEZ: And what it does, it goes into a tank someplace?

MR. OKAMOTO: Yes, tank above the Mākālei Fire Station.

CHR. LOPEZ: I've seen that on the side access road.

MR. OKAMOTO: The Mākālei one would go into that mauka one.

MR. INABA: Yes, it pumps all the way up to that tank.

MR. OKAMOTO: Then it comes back down to that small tank where it's sitting.

MR. INABA: There's that a long transmission line.

MR. OKAMOTO: My apologies, but I have one more item that's not listed on the agenda. Can, or?

MS. MELLON-LACEY: It is an item of significance?

MR. OKAMOTO: It's to acknowledge a retiree.

CHR. LOPEZ: I would suggest we take that on. It's very significant.

MR. INABA: The Water Resources and Planning Branch Head, Larry Beck is retiring officially at the end of this month.

(At this time, Engineering Division Head Kurt Inaba and staff expressed appreciation to retiree Lawrence Beck for his many years of service to the department.)

#### G. CHAIRPERSON'S REPORT

- 1) Chairperson to report on matters of interest to the Board.

(At this time, Chair Lopez recognized the Board's secretary and the department's IT staff for their hard work and dedication to the Water Board.)

CHR. LOPEZ: We got one more item here, AWWA ACE24 – Report by Board Members who attended the event on 6/10-14/24. It was Ben and I, and I'll let Ben go first.

MR. NEY: Yes, great conference. This is always the same format. I ended up skipping over a lot of the session stuff and just kind of looking at all the new products and things on the market. Just sharing ideas, there are a lot of similarities between the different places and municipalities, and they

all had their unique challenges, and in scale, scope, and stuff is different. It's kind of nice to share the uniqueness of our island and our system, and kind of compare those challenges, so I kind of like that.

CHR. LOPEZ: Thank you. One of the highlights for me was just meeting people from different places. If you have ever seen Anaheim conventions, the whole bottom floor. It is huge, from wall to wall, I couldn't do it in one afternoon. I walked in and there was a big display of Korea, and I walked over there and there was Japan, and I walked over there's Mexico. One of the events after standing at the table, this young lady comes walking by and she just stops, smiles, and wants to talk, and it turns out she is a Water Engineer from Israel. It just blew me away that you see these influences from various parts of the world, so that was impressive.

Well, we already hit the lead and copper, and that seems to be a bit mishmash, and the bottom line was to talk to your regulator because they're the ones that will guide you to "will accept this or we won't accept that" since you've already done this.

The other one for me, and I mentioned it last month, was the Disaster Recovery Plan, so I went to some of those sessions, and it wasn't quite developing plan, it was more about what some municipalities had done to work through their Disaster Recovery Plan model in real terms because they had to do something with a well facility that was not operating, so they took that as an opportunity to do the Disaster Recovery. What they discovered in some cases was they have pumps for whatever these things are, to direct water here and there, that haven't been used in decades, they discovered some failures when they were processing the Recovery Plan, so that was a good outcome of that plan. You don't wait till there's a disaster to find out things don't work. That will be something on my mind in the coming months.

Then one other one which was very interesting and went to was desalinization. The things you don't think about, whatever the mechanics are, you put them out in water, and you draw it in, drinkable water. Well then, what they brought up was algae grow at certain times of the year, and you can't suck that into the water intake, so one of the solutions was we just shut it down during those times, and we have enough water storage to get us through.

Another one was squid. Squid was drawn into the suction. It mucks the process. It is a hot topic in various parts of the world. Even here in the United States as well, there's desalinization projects going on, so it's not something far away anymore.

The conference itself, I attended as much as I could, but a lot of it was about engineering, good stuff but you could pick and choose, and each session was three hours long, so you go in and you pay attention to the parts you want to pick up from, then you move on to another one. But well worth my time, I enjoyed the subject matter because it has different areas that I can grab onto, like DRP, like desalination, like this lead and copper that I could keep up with. Very friendly people. They want to know about Hawai'i, not Hawai'i the state but more so about our water quality and our water issues.

In fact, I walked by one booth, and it was a PFAS (perfluoroalkyl and polyfluoroalkyl substances) booth. PFAS is always or forever contaminant in the soil, a big topic. I walked by—because he had lived in Kailua, O'ahu, at one point. He saw Hilo, and he said, "Oh, you guys know all about PFAS over there. You got a real big PFAS problem." I said, "No, I don't think so. Not in Hawai'i." We're not the forever because our island is that much younger than the rest of the mainland.

But anyway, it's just an exciting thing to see. It's three intense days, and you will be emerged in this subject. If you ever get a chance to go and you want to break away, I encourage anybody to go.

We've got another conference coming up in October in Kaua'i, so again keep that in mind. Keith will be mentioning that later. Anything you could do to enhance tidbits of information here and there, whatever. The meeting's here. They come together. We talked about lead and copper. We talked about PFAS report. We talked about ERP (Environmental Resource Program). With that, I'm done.

10) ANNOUNCEMENTS:

- **Next Meeting** – July 23, 2024, 10:00 a.m., Hilo Operations, 889 Leilani Street, Hilo, Hawai'i

11) ADJOURNMENT:

CHR. LOPEZ: With that, motion to adjourn?

**ACTION:** Mr. Kekela moved to adjourn the meeting; seconded by Mr. Ney and carried unanimously by voice vote (Ayes: 8 – Ms. Taaroa; Messrs. Bell, Brown, Kekela, Lee, Ney, Unger, and Chairperson Lopez).

CHR. LOPEZ: We're adjourned. Thank you.

(Meeting adjourned at 11:57 a.m.)

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Recording Secretary

APPROVED BY WATER BOARD  
(JULY 23, 2024)