MINUTES

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

February 27, 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
Ms. Kea Keolanui, Water Board Member, Dist. 1
Mr. James Kimo Lee, Water Board Member, Dist. 2, (via videoconference)
Mr. Thomas Brown, Water Board Member, Dist. 3
Mr. Steven Hirakami, Water Board Member, Dist. 5
Mr. Michael Bell, Water Board Member, Dist. 7
Mr. Benjamin Ney, Water Board Member, Dist. 9
Mr. Keith K. Okamoto, Manager-Chief Engineer,
Department of Water Supply (ex-officio member)

ABSENT: Mr. Keith Unger, Water Board Member, Dist. 6
Director, Planning Department (ex-officio member)
Director, Department of Public Works (ex-officio member)

OTHERS PRESENT: Ms. Sherilyn Tavares, Deputy Corporation Counsel
Ann Hajnosz, Harris & Associates

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. 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. A quorum of eight Board Members was in attendance.

At this time, Chair Lopez recognized the following guest present at today’s Water Board meeting:

Jeff Zimpfer, National Park Service

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**

Minutes of the January 23, 2024, Public Hearing on the Power Cost Charge:

ACTION: Mr. Ney moved for approval of the Minutes of January 23, 2024, Public Hearing on the Power Cost Charge, seconded by Ms. Keolanui and carried unanimously by roll call vote (Ayes: 8 – Mr. Bell, Mr. Brown, Mr. Hirakami, Mr. Kekela, Ms. Keolanui, Mr. Lee, Mr. Ney, and Chair Lopez; Absent: 1 – Mr. Unger).

Minutes of the January 23, 2024, Water Board Meeting:

ACTION: Mr. Bell moved for approval of the Minutes of the Water Board Meeting, seconded by Mr. Kekela and carried unanimously by roll call vote (Ayes: 8 – Mr. Bell, Mr. Brown, Mr. Hirakami, Mr. Kekela, Ms. Keolanui, Mr. Lee, Mr. Ney, and Chair Lopez; Absent: 1 – Mr. Unger).

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

5) WATER RATE STUDY FOR FISCAL YEAR 2021-2025:

CHR. LOPEZ: Is there any testimony for this item? (There were none.)

Our rate consultant Harris & Associates, will present two rate-related proposals to be approved by the Board as follows:

1. The proposed rates to be implemented on July 1, 2024 (FY 2025), will reflect the 9.5% across-the-board revenue increase which was discussed at the November 2023 Board meeting. A public meeting to approve the rate proposal will be held on April 23, 2024, in Hilo and April 24, 2024, in Kona to allow public comment on the rate proposal for FY 2025. Harris & Associates will attend both meetings in person.

2. The Board is also asked to approve a 9.5% revenue increase for each of the two years, FY 2026 and FY 2027, which was discussed at the November 2023 Board meeting. Any changes to the rate structure for these two years will be determined at a later date. If any changes to the rate structure are being considered, another set of public hearings will be needed in 2025 to present the new rate structure that will reflect the proposed 9.5% revenue increase for FY 2026 and FY 2027.

CHR. LOPEZ: So with that, I'll turn it over to Harris & Associates for their presentation of these two items. Thank you, Ann. Welcome.

MS. HAJNOSZ: Thank you very much. Well, good morning. Aloha, everyone. It's good to see you all in person. I was reflecting that it's been four years; I was here four years ago, in March 2020, right before it all—what the heck, guess. But I really appreciated the Board's attention to this effort. It's been pretty intense, a lot of numbers, a lot of issues that we've been talking about.

This presentation that I think you all have copies of, as you've noticed, is essentially the same as what we talked about in November; but since it was the first time you saw it in November, and there were a lot of numbers and a lot of moving parts, I thought it would be really helpful for me to run through it again because now what we've done is tweaked it a little bit, so it's essentially what we're going to show the public in two months. I think it doesn't have as much detail for the analysis, but it does have some really, I think, important—I'll point out some of the focus for the public as you all might want to think about because your constituents come to you and maybe ask you questions about the Rate Study.

MS. HAJNOSZ: So I'm going through it not in a whole lot of detail because, again, we've done we've done this in November. Please interrupt me if there's a question. You know, you don't hold your questions to the very end. We can go slide-by-slide, okay, I'd be happy to do that.

(Note: At this time, Vice President Consulting Operations Ann Hajnosz provided a PowerPoint presentation to members of the Water Board. A hardcopy of the PowerPoint presentation, entitled County of Hawaiʻi DWS is made part of the record and is available for public viewing at the Department of Water Supply's office.)

MS. HAJNOSZ: All right, this is where we're going to talk about, again very similar, Overview of the Rate Study, the results as you've all seen it, and then the key is that, at the end of all of this, we need the Board to vote to recommendation for a three-year, 9.5% rate increase, effective FY 2025, 2026, and 2027, and the only asterisks is for the last two years, we are looking at a rate structure change; and if you all decide to implement a rate structure change for FY 2026 and 2027, we will be back in about a year or less than a year to talk about that rate structure change. But 9.5% is what we're voting on for the next three years.

CHR. LOPEZ: Clarification for me to decide. Procedurally we, as a Board, will vote today on this and then it's subject to a public hearing?

MS. HAJNOSZ: Yes, correct, in two months. So before the fiscal year starts on July 1st, 2024, hopefully it will be approved at the public hearing.

CHR. LOPEZ: And so then we'll vote again.

MS. HAJNOSZ: Yes.

CHR. LOPEZ: (INAUDIBLE)

MS. HAJNOSZ: Yes.

CHR. LOPEZ: Thank you.

MS. HAJNOSZ: Thank you for being specific. In general, what I do at the Public Hearing as I did back in November is take you through how rates are developed, at a very high level. The three bullets on the left-hand side basically tells you these are the objectives of what we do when we set rates, right. We basically want financial stability for the utility. We've worked very closely with Keith, Kawika, Candace, and Kurt to really determine what's a good level of financial sustainability, right, and then of course report to you, all the Board members and previous Board members, what does that mean.

We also look at the fixed and variable components of your rate structure, right, to see how much revenue you're collecting from the Standby Charge, how much is coming from the volume charge, and then how we come up with this rate proposal for the next three years. For a Rate Study, it's all about financial projections; what's the revenue coming in, what's the expenses, that's all done pretty much in Step 4, we call that the revenue requirement.

After that, in Step 5 is the Cost of Service, that's when we look at what are the costs attributed to your specific customer classes, and because you don't really have customer classes, you just have general and ag, you don't have traditional like single-family, multi-family, commercial, that sort of thing. The cost of services is relatively simple, but that's the issue we're going to take on this year, by looking at your cost or your customer data, we will be able to give you guys recommendations to set up single-family or commercial classes, that sort of thing. Then Rate Design really puts the actual rate to those different customer classes. So that's basically how a Rate Study gets done, and these are the key assumptions, okay, that go into a Rate Study. And generally, what we do is we look at your historical customer growth, we look at historical sales, we look at your historical metrics to then project what it's going to be like in the next three to five years, that sort of thing, so that's in general how it goes.

So these are really key assumptions that we have to use, and we're always testing the assumptions to make sure they make sense to you folks, They're in alignment with escalation assumptions. They're in alignment with the County of Hawaiʻi's growth assumption, all those kinds of things. This is sort of the relatively new perspective that we've been talking to you folks, the Board, really the key support is, do you want to use what we call "guardrails" to set our rates, financial guardrails? Whose people go, "Well, how do you know how much to set the rates for?" Like 9.5%, what is that based on? It's based on those assumptions that I talked about earlier, but it's also based on these guardrails. We want financial sustainability that gives us 60 days of annual O&M, for operating reserve. We want capital reserves greater, the greater of annual depreciation or the average of your 5-year capital spending.

We want to make sure your debt is managed. We're not just selling bonds and taking on debt, right, without knowing, you know, how does that impact our financial sustainability? We want debt service coverage, you know, all these things. These are the financial policies, as "guardrails" we call them, that indicate how much those rate increases should be, that's how we get to 9.5%. I'm going to pause in case anybody has any questions up until now. Anybody? No, okay.

So these are results that you've seen before. Again, we look at the historical revenues. We've got to see how much money is coming in, and so it's FY 2022 and 2023, and then your budget for 2024 is broken up into the Standby Charge and the water usage charge. These assumptions that I mentioned, again, customer growth is very low, you know, 1%, and that's not surprising during the COVID years. Water use also declined a little bit. It's important to note that these historical revenues do reflect the rate increases that were passed during the COVID, the 13% in FY 2022, and the most recent one, the 9.5%. The projected revenues assumed that the Board approves the 9.5% recommendations. You can see that, and that's why it's going up.

O&M expense excludes power because power is such a big chunk, and we assume that's pass-through, so we take that out. You can see the O&M went down in FY 2023, back up of course for the budget, and then we're assuming like 3.5% escalation. What we try to do with O&M, because your O&M is so much driven by salaries, right? That's like a huge component of your O&M in addition to power; but because you're not fully staffed, we don't want to over-collect revenue because we know you guys have vacancies, and I hope you can fill those vacancies, but realistically you may not have a full year of people.

<u>MR. NEY</u>: What's the adverse effect of over collecting?

<u>MS. HAJNOSZ</u>: What we don't want to do is have large pots of money necessarily over and above what we think we need, so we want to be very specific about why we're collecting. We are ramping up. Let me be clear, we are ramping up, but we don't want to over collect necessarily than what we have. So we know we've got 10% or 15% vacancies, we don't want to necessarily set rates to that level because we know it's really hard to fill those vacancies.

<u>MR. NEY</u>: Yeah, I mean I don't see it as a negative to be no more plus on the revenue side. I mean I think as time progresses, you're going to have to adjust the rate to meet the level of expenditure, but I mean I don't see having a little bit of buffer with extra revenues and negative.

MS. HAJNOSZ: Yes, agreed. The adjustment is 95% of salaries, so it's not a huge amount.

MR. NEY: Okay.

MS. HAJNOSZ: So instead of taking your full budgeted salary expense for FY 2024 and then projecting that up, we take 95%, just to make a little bit of a concession to the level of vacancies and the difficulty of filling those vacancies.   I mean if we were in a market where you could just go down the street and get engineers, but after talking with Kurt, I don't think that's the case, right? We just want to be—and you will see later, we actually do have a nice cash, you know, kind of—we're rolling over cash, so we do have. We recognize that.

CHR. LOPEZ: Ann, a question?

MS. HAJNOSZ: Yes?

CHR. LOPEZ: I'm trying to understand a correlation between the rate increase of 13% in FY 2022 and then it went down to 9.5% in FY 2023. Then I'm looking at the next slide, well go ahead, I'll let you explain.

MS. HAJNOSZ: So this was during the COVID era, and in FY 2020, we thought we were going to go for a rate increase, but when COVID hit, we just went, "Nope, we don't even know what we're faced with," and so we deferred a rate increase for I think it was a year-and-a-half or something. I think we had a January mid-year higher rate increase, right, to try to catch up. You brought up a good point. I was trying to figure out when I could say this, but I'll say it right, when we do our analysis, we always take a multi-year look because we don't want to just do it one year at a time, right, everybody has to manage to a budget. At some utilities, they will say, "I want to know exactly what the percent rate increase is needed every year," so you might have a little bit of 3%, 5%, 10%, 3%, you know, up and down kind of thing. We try to manage—I mean the way Karyn and I do it, our philosophy is that we'd rather do it on a more levelized basis and look at a multi-year approach so people can plan. So 9.5% is—you know, that's how we landed on the 9.5% level over weeks. It's smoothed out.

CHR. LOPEZ: You smooth it out.

MS. HAJNOSZ: Right. It sounds like a high percentage, I know, but it's about $6 (bucks) a month for a 12,000-gallon per month usage. You'll see that later.

MR. OKAMOTO: And really quick, I think Ann will show this on an upcoming slide, and I had to grasp this myself. So we're shooting for 9.5% revenue increase. It's not necessarily going to translate into a 9.5% rate increase. If somebody's bill is $100 for two months, it's not going to become $109.5, you know, after this. So, just food for thought.

MS. HAJNOSZ: Yes.

MR. OKAMOTO: Just to frame what we're doing.

MS. HAJNOSZ: Yes, thank you.

CHR. LOPEZ: So you can do that by managing all of that.

MR. OKAMOTO: Yes, that's right.

MS. HAJNOSZ: And power cost is such a big part of the bill, and that doesn't—in fact, it went down. I just say you guys had a decrease.

MR. NEY: I mean we have slow growth in terms of the historic rate of customer counts. But you find it aggressive I guess in terms of more acquisition customer accounts, and growth over time is a way to combat the O&M cost so you don't have to increase rate cost; if you can have more revenue coming in, then it kind of takes the need out of increasing the rate.

MS. HAJNOSZ: Generally speaking, I would say yes because the Water Utility business is a very highly-fixed-cost sort of business, right? Most of the costs are fixed. Probably 75% of your costs are fixed. Think about how you recover revenues, it's split. You know, you got like 30% recovery on your Standby Charge, in other words, it's not dependent on water usage. If you call for conservation, you're eroding other—I would say, generally speaking, that's true, but I know here it's a little bit different. It's such a big water system. It's not air-connected. If you add a new water system somewhere, those fixed costs just go up, right?

MR. NEY: It's growth within our existing infrastructure because we don't really have a lot set aside for expansion of things. I think the big one that (INAUDIBLE) Group, putting it up on the hill, that's by the area that's going to see some growth and probably some revenue increase over the next 5 or 10 years perhaps on the Kohala Coast. But yeah, it's just prohibitively expensive for us to increase customers with new infrastructure.

MS. HAJNOSZ: Right, that's right.

MR. HIRAKAMI: I have a question.

MS. HAJNOSZ: Yes?

MR. HIRAKAMI: Rather than just saying revenue down to meet vacancies, wouldn't it be a better—isn't a strategy to ramp up recruitment, especially in critical areas like engineering or something like that? I would think for business, you don't want to wait till the last moment when you're so understaffed and then it's hard to get, so being more aggressive with a marketing campaign or employment campaign to seek those and fill that before the shortage. I don't know if I would agree with the strategy of reducing the revenue to meet the vacancies. I would say increase the revenues to fill the vacancies, especially in critical areas, where down the road we're going to find less and less people wanting to go into the engineering field, especially mechanical engineering.

MS. HAJNOSZ: Yes.

MR. HIRAKAMI: I don't know, that's just kind of like a business strategy. It's kind of the opposite of the way I think at the school because I don't have a single vacancy at the school.

MS. HAJNOSZ: Oh wow, yeah.

MR. OKAMOTO: Maybe I can address that. Yes, all the counties, and it's not just Hawai'i County, and it's not just the Department of Water Supply is struggling significantly with filling positions. Not engineers, it's even entry-level (customer service, cashiering). To tell you the truth, I don't recall a time when there were this many positions on continuous recruitment in the County. County HR and the department, we are trying to do different things. We're looking at fellowship programs with the Hawai'i Community Foundation. We're trying to post our vacancies on different platforms. Yes, we're not waiting.

The other challenge with the government is you cannot fill it unless the position is vacant, in other words, two people cannot occupy the same position. We have that handcuff where we cannot recruit until the position is vacant. We cannot provide bonuses like the private sector and guarantee employment after we hire them over the summer like they can, you know, with signing bonuses and things like that. At the same time, I'm hearing that the private sector—we went to the conference this past week, and I was chatting with a friend of mine who runs an engineering business here locally, out of his four recent hires—the bar is really low now, I'll just put it that way. One didn't even show up to work. This is the private sector that can offer higher grade pay, and other incentives if that's what they're getting—we're not even getting applicants. We also have experienced where supposedly they scheduled an interview, but they don't even show up. Anyway, just to address that for the record, there's awareness out there that we are trying, but all across the board, engineering-wise, public and private sectors are struggling.

MR. HIRAKAMI: It depends on the strategy of an organization. Because I've been in education, and in the department, it's severe. It's like a 30% shortage of teachers, except I don't have that problem because I create apprenticeship on TA (temporary assignment) positions that are kind of like apprenticeship positions to the teacher. So while you can't fill the teacher while the teacher is still there, you can create some subordinate positions that people in a job market willing to take that, even as qualified teachers that will be willing to work as TA's to be in line to step up to that, so that might be kind of like the strategy.

MR. OKAMOTO: We're working on that. I think we're going beyond the Rate Study, so I want to keep us back on track.

MR. HIRAKAMI: Oh, yeah. Sorry.

MR. NEY: I'll try to bring it back into the topic. Do we have money built in? Because if we have to—they will only give you so many levers to HR and all the rules on hiring and stuff like that. Is that a cause—variability—cost variable later on if we do have to hire people based on contract? Is that something we're thinking about that might be over what hiring someone on a permanent basis would be?

MR. OKAMOTO: Yes, but it's always a balancing act. So what Ann is trying to say is that for the budgeting and for the revenue forecast, you have to assume certain things. Actually, she's assuming a little bit high, at 95%. For as long as I can remember, we've never been 95%. We're currently about 80 right now of what we should be; but realistically, we don't see us—95% is very high.

MR. NEY: Not above a safety net.

MR. OKAMOTO: Yes.

MR. HIRAKAMI: Thanks for that clarification.

MS. HAJNOSZ: Okay, so the next component of the rate increase is the capital, and we talked about this before. Capital Spending is a big driver of the rate increases. So this slide basically shows historical capital spending from FY 2019 to 2023. You can see the levels going from about $6 million to about $16 million, depending on the year. On average, it's about $12 million a year for Capital Spending. I know Kurt would like that higher, but as we noted, there is a shortage of engineers so it's hard to push that out. But we recommend is that we want your Capital Spending to be close to your annual depreciation, which is about $18 million right now, so we'd like to get it up there. Depreciation I think, as most of you know, it's a replacement for your aging infrastructure, right, so every year your assets are deteriorating, so you would want to be able to replace that amount, the annual amount, with asset deterioration. So if depreciation is $18 million, let's do $18 million of capital spent. I can tell you that's not an easy thing to do for all Utilities. It's a challenge. Is everybody okay with that? All right.

This is the Forecasted Capital Spending. I would say that for your constituents, they're going to want to know what you are spending my money on. So getting really into the weeds, I think, of these capital projects, so Kurt and his team, and Keith, I'm sure Kawika can really help you understand what are the key projects that are being financed with the rates. As you can see up here, we also have other kinds of funding that are circled here in red. We've got FEMA funds, that are matching funds, or even loans. We got State appropriations. We have the facility-charged revenues, and those are ones to fund expansion or growth-related portions of the project. So it's not just rates, it is a combination of sources, and that is what enables you folks to spend, on average, about $20 million when you take a look at the 4-year time period. That's what we're shooting for.

And so when you roll everything together, what we think the revenues need to be; we know the O&M and the capital, what we think those are also going to be. This is the revenue requirement analysis result; it basically says 9.5% increase is needed for Standby charges and Consumption charges for both FY 2025 and also 2006 and 2027. These just basically break out all the components. The green is O&M. I guess purple is Existing Debt Service. The yellow is the contribution to Capital; and in FY 2025 you'll see that it's been over the total revenue needed, that's because we've got a little bit of rollover to bend. We do have a little bit of rollover that we're not spending, right, and that goes into Capital Reserve. We are still not hitting our Capital Reserve target, even under these situations because we have a pretty high bar that we set.

The previous Board, we talked to them about like a 10-year lookout, right, so even though our Rate Study is only going to FY 2027, we said "Well, 2027 to 2032, would be hit some those other financial guardrails," and yes, we can do it maybe at a slightly lower rate, you know, maybe like 5%, 6% a year. So it is a multi-year outlook. We're not going get what we need, even within five years, right, because we don't want to overtax people too. We really like this because we're meeting our Operating Reserve of 60 days. We've always been doing that. We've been good at that. We've always met that service coverage, which is basically your revenues minus expenses, divided by your annual debt service, you know, principal and interest. We've been pretty close, meeting the 1.25.

Our debt to fixed asset ratio is very good at 21%. We want it to be less than 35%. I think the State of Hawaiʻi tends to be pretty conservative on debt, so this is good. It's in alignment with your community's values, I will say that. In Seattle, where I'm from, Seattle Public Utilities is like 50% leverage, so they're used to that.

Our Capital Reserve, the very last bullet, we're funded at 60%, which means we want to be at about $20 million, and so we're at about $12 million. But in the next five years, we think we'll get to $20 million. We'll get to $18 million or $20 million. So, it's a multi-year.

This is the slide that Keith was talking about. So we had sample bills with bi-monthly bills impacts. It breaks out the Standby charge and the water usage bill at the top, and it has the power charge and CIP. You'd add those up, the current rate for 12 gallons per month, it's about $169.88. If you take a 9.5% rate increase just for that top line, Standby & Water Usage charge, that goes up 9.5%. Your power bill, I think it changed a little bit. But when you all that up, your percentage impact is just 7.2%, not 9.5%, and that translates to $12 every two months, right, so $6 a month. This is the slide where I would ask, as Board members, if you want to really be able to feel comfortable talking about percentages and what that translates into $1 per month. We used 12,000 gallons as an average. I think that feels good, but certainly there are people using 20,000 gallons a month or more. That's sort of the guideline.

<u>CHR. LOPEZ</u>: To clarify in my mind, you're suggesting through these slides that the customer who is consuming approximately 12,000 gallons a month, would see a $6 per month increase?

<u>MS. HAJNOSZ</u>: Yes, in their bill. Yes, overall.

CHR. LOPEZ: Effective July 1, 2024?

MS. HAJNOSZ: Yes. And I think it might even be, unless you guys change your power bill or power cost, because I think your power cost just dropped recently, and we're using a higher number than what I saw, so it might even be less. So this is an actual customer bill, and hopefully this looks familiar to everybody. And we just really want to point out that the Standby charge and the Consumption charge is the part that's going to go up 9.5%, right, in that first blue box on top. The Power Cost Charge gets adjusted every two months,

MR. NEY: And I see these CIP charges.

MS. HAJNOSZ: And then the Energy CIP charge, we're assuming that hasn't changed.

MR. HIRAKAMI: Yeah, the Board just changed the Power Cost Charge to every four months.

MS. HAJNOSZ: Oh, four months. Okay, that I have to change.

MR. HIRAKAMI: Yeah, it just happened recently at the last meeting.

MS. HAJNOSZ: And I think it went down to $2.37. And then we'd like to compare to the other counties, I will say that every county is different. Every county has different water sources. Every county has different policies around financial sustainability. I think Maui and Honolulu have customer classes, single-family, commercial, that sort of thing. Kaua'i, you folks don't have the customer classes yet. Maui certainly has a much different source of supply. They have water. They got several treatment plants, I guess. Service water. They got a lot of challenges, obviously. Kaua'i rates have not changed since 2014, ten years, so even though—you can see where they are on that scale, they've been that way for a long time. We're catching up, and we're exceeding them, for Big Island, but Kaua's been ahead of everybody.

MR. NEY: Do you attribute that to what, Kaua'i?

MS. HAJNOSZ: Kaua'i, I don't because I didn't set those rates.

MR. NEY: It would be interesting to know why.

MS. HAJNOSZ: Yes. I think it's aggressive financial policies, probably, that would be my guess, aggressive capital program. I'm helping them now; I'm starting to help them with their rates, so I'm going to find out more about where the rates need to be.

MR. NEY: If we were to get some feedback, that would be appreciated.

MS. HAJNOSZ: It may not happen for a while, just so let you know, but I'll keep it in mind.

MR. NEY: I'm holding you to it.

MS. HAJNOSZ: Yes, I will definitely—probably the next time, you know, we do a rate structure update, I can give you more input. But yes, we haven't—that hasn't changed for a while. Honolulu has been increasing at about 9%, 9.5% a year, and of course they're a much different system than everybody else because they're urban, they serve a million people, they're interconnected. They have a lot of economies of scale in some ways that we don't have here on the Big Island.

MR. HIRAKAMI: Are we the only economy that doesn't have like a customer classification?

MS. HAJNOSZ: Kaua'i doesn't have it yet.

MR. HIRAKAMI: Kaua'i doesn't have it.

MS. HAJNOSZ: But we're looking at that for them. I think the meter size has been a surrogate for customer classes from way back when, when we didn't have computers honestly, I mean that's really what it was. It wasn't that easy. But now with technology and the digitization of business, we need customer classes. You should have single-family, at least single-family, and then you can decide—

MR. HIRAKAMI: Or rezoning.

MS. HAJNOSZ: Yes, if you want to have a hotel, yes.

MS. KEOLANUI: I was just going to ask, what are some of the customer classes that are on other islands, and they know that this has come up before? For a lot of the other Board members who weren't here prior, there is a conversation on the same topic about having resorts have their own class because they're utilizing much more water. They're also coming to the island, taking large baths, not being as conscientious as some of our customers that are residents, and so I think that was a conversation that we were having before. I know Steve and I were very big advocates of it.

And then also the ag size, as well; you know, looking at increases of ag water, I think that the conversation that everyone needs to have, and we need to have a serious conversation about it. I just did a whole presentation on FIZMA (Federal Information Security Modernization Act) requirements for food safety and the water that is mandated, which County water is acceptable for ag use for FIZMA requirement. I'm happy to bring back up that presentation; if any of the new members would like to see it, I can send it over and we can talk more about it. I feel that there are a lot of conversations that need to happen. But back to that question, what do the other customer classifications look like?

MS. HAJNOSZ: Honolulu has single-family, multi-family, commercial, and I think it's like large and small, or something like, and of course every County has ag. I'm pretty sure almost every county has heavily subsidized ag, right? Maui, we broke away the single-family, so they've got single-family, and they got general use, which is mostly all the commercial and ag.

Kaua'i, we are looking at breaking out their single-family. We're looking at hotels, specifically here, so that's part of the rate structure conversation that we're going to be looking at next year. We're looking at hotels. We're looking at single-family. We're looking at commercials. We want to see what the data tells us. There's a difference between hotels of course, between a little motel and a, you know whatever, Mauna Lani, of course. We're going to look at all that.

CHR. LOPEZ: Just a comment. Kea, I request you submit that presentation, your idea, to a future agenda item.

MS. KEOLANUI: Okay.

CHR. LOPEZ: Particularly soon because we're in this subject now, people are thinking this way, I think it would build it up. If you could do that?

MS. HAJNOSZ: Great, that would be good. That's pretty much what I want to say about the (INAUDIBLE). This is the rate proposal that will actually get published in the paper, I believe. If you approve it, goes to Public Hearing, people will see the rates that will actually take effect July 1st, 2024.

MR. OKAMOTO: Just one thing, if I could clarify and request a change?

MS. HAJNOSZ: Oh, yeah.

MR. OKAMOTO: Because at the top of the table says, "Proposed System-Wide Rate Increases." Again, I think it's misleading. So somehow if it says something to the effect, "Proposed System-Wide Revenue Increase."

MS. HAJNOSZ: Revenue or adjustment.

MR. OKAMOTO: Otherwise, people are going to assume, right?

MS. HAJNOSZ: Yes.

MR. OKAMOTO: Because my bill is going to go up 9.5%.

MR. NEY: Keith, maybe it's a question you can answer also, does the Water Department have the ability if they want to do something to have like an assessment, I mean, for the customer? Like say—at the conference, they're saying they're deploying all Smart technology on Maui, all their meters are going to be digital, which might be good in terms of billing for different times of use. I know HELCO, HECO do that, right, lower rate after different times. But is that something we can—instead of having to increase our water rates, say we wanted to—I mean the states like doing an impact fee. Do we have more flexibility to do those kinds of things or is that very difficult to do, to put an additional fee? Say we're going to do Smart meters, we're not going to increase the rate, or we won't pay for this, is that something we could do as a fee to the customer?

MR. OKAMOTO: Yes, I think there's multiple ways we could accomplish that: one is it's got to be almost like a feasibility study, will that technology work in certain areas? The challenge with our island too is because it's so big, a lot of that technology is not going to work because of the communication aspect. You need power to it; you need some way for that unit to communicate to some central location with the data. I'd like to see that.

MR. NEY: Well, there's power, I mean it's a battery. Because I talked to a lady and she said, "It's $1 a month per account," so you could do the math from there.

MR. OKAMOTO: Yeah, but you're talking to the salespeople. We always take those things with a grain of salt. We've tried some pilot studies, and there's always more challenges than what a vendor will typically express. They're there to sell their product. Not to really put them down, but we've got to weave through that and actually see what it would take to implement. But Kawika's also—we're looking at other things like other federal sources of funding for meter replacement. But definitely, I would like to see the customer have that ability. On the department side, it would be good for us to know what gets used when, right, that will help us with our operations, even our billing. If we knew when these guys used water, which is what the Electric Utility is doing, with their Smart meters and coming up with time-of-use rates and things like that, then I believe this Board has the authority to progress. We just need a lot more information.

MR. NEY: I mean not just the concerned surcharges; I mean the optics sometimes help with billing. We've got a lot of different fees and charges.

MR. OKAMOTO: I think the first step to move forward I think is the rate structure, evaluating that. Nationally, if I'm not mistaken Ann, a lot of Water Utilities are set up differently, with rate structure based on class rather than meter size, like what we have.

MS. HAJNOSZ: Yes, right.

MR. OKAMOTO: And so you kind of shift the burden. That's what we're hoping to present to you folks, with the Rate Structure Evaluation.

MS. HAJNOSZ: Right.

CHR. LOPEZ: Just as a comment, I think it's a—I know you all are paying attention, that's good, but I think you need to internalize the positions of the customer looking at this. They're not going to read Revenue; they're not going to read—you're increasing my bill, and they don't see it until—you're going to be able to discuss, understand how to address that.

MS. HAJNOSZ: Right.

CHR. LOPEZ: And historically, ever since the big problem when we had seven roads down the west side, there's still that black eye following us.

MS. HAJNOSZ: Right.

CHR. LOPEZ: Do we really know (INAUDIBLE). Of course, we know more, and the general public knows, but communicating is always an issue.

MS. KEOLANUI: Just another question on the customer classes. So once we have that conversation, how quickly are we able to implement, you know, changing customer classes; and just being a customer looking at this, there is a huge emphasis on the west side that's feeling like the water is being wasted towards hotel and tourism, where it's lacking. Basically, the burden is being held on residents. Looking at this, there's ag use, and those rates again are being carried by our residents, our farmers, and I think there needs to be a burden felt on the hotels and the people who are profiting millions and millions of dollars and still having the same rate as all of these other customers. So if there is a way to somehow express to the public that we're making those changes or have those conversations, I feel like rate increases will be much easier accepted.

MR. OKAMOTO: And that's something we're also, and I don't want to deviate too far from this presentation, but that's another thing we're working on, how to be better at sharing our side of the story to the public, yeah, so we're working on that too. We're working on something with Nā Leo to hopefully get stuff put together, and then they'll host, and we'll probably have a link on our website to some of these things. So you're free to be on the interviewee side, for podcast or whatever.

MS. KEOLANUI: Yeah, I'm happy to help with that.

CHR. LOPEZ: Steve has a question.

MR. HIRAKAMI: And a follow-up to Kea about people that profit from money, how much do the water bottle covers and sell our Hawaiʻi bottle or our Hawaiʻi water, using municipal water? How much do they use because they're profiting? The water doesn't stay here. They're bottling and shipping it off, and producing as Hawaiʻi water, so I think that would be an interesting look-up. How much do they actually bottle and export? Because they should be charging a different rate; if they're making—if we're bringing in island-ground for residential and other general use, and they're making money off of the water and actually exporting it out and selling it as Hawai'i water, what rate should they be paying? I know it's a little off the subject, but her question brought that to mine.

MS. KEOLANUI: Yes, similar kind of topic, and I think I can just think of at least two companies, they are Kea'au Bay Waiākea Water and Hawaiian Volcanic. It would be interesting to see if—

CHR. LOPEZ: Let's get back to communication.

MS. HAJNOSZ: I'm just about wrapping up here. So this is the history of where the rates were. You can see in the past we were about the 5%, and I think we were covering our cost, we were doing as much as we could to cover—get ready for the capital, but I think the financial sustainability piece was really where we were missing, and so we ramped things up. You can see in July 2020 we deferred it because of COVID, came back in the middle of the year to 13.0%, then we skipped a year, and now you can see in the last two years we've had 9.5%. Does that make sense, to your point?

And then we're asking the Board's approval for the last three years to approve a 9.5% revenue increase for July—FY 2025, 2026, and 2027.

CHR. LOPEZ: Is that an increase each year?

MS. HAJNOSZ: Yes.

CHR. LOPEZ: And it's 9.5% next year, on top of the 9.5% added this year, so it's compounded.

MS. HAJNOSZ: Yes.

CHR. LOPEZ: Thank you.

MS. HAJNOSZ: Kimo said, "yes."

MR. OKAMOTO: And again, going back to—so what the next evaluation, the rate structure is really going to throw this a little bit different. So, we're shooting for a 9.5% revenue increase. Depending on how we set up, if it's a different rate structure, on the residential side they might see something way less; for example, like a resort, if we change the rate structure and shift more burden on that side, they might see something more. It's going to be some semantics, but again, if we can remember that we're shooting—our projections are for 9.5% revenue increase. That's not going to be translated to a rate increase. We might have some rates that didn't exist in the past, right, resort, so it's going to be what it now is, but somehow, we have to find a way to communicate that well.

CHR. LOPEZ: Part of that conversation is the classifications.

MR. OKAMOTO: Yes, exactly.

CHR. LOPEZ: What the (INAUDIBLE) is.

MR. OKAMOTO: That's the rate structure and different classification.

MS. KEOLANUI: How quickly in those changes we made?

MR. OKAMOTO: At the quickest, it's months because their HRS Statute, when we establish rates there's certain requirements; and for rate setting, one of the big ones is you need 20 days of public notification, you have to have public hearings, and then of course our Board meetings. The quickest will be months, but hopefully not years. But the evaluation takes some time.

MS. HAJNOSZ: And it depends how complex we end up getting with the structure, because then there's got to be IT kind of changes, and billing changes with your contractor and all that kind of stuff. That will take some time also.

MR. NEY: So with no restructuring of like rate classes and stuff, that 9.5 from revenue increase, is going to almost be 9.5% to the customer.

MR. OKAMOTO: No, 7.2%, remember the previous slide.

MR. NEY: Okay.

MR. OKAMOTO: It will equate to about $6 per month.

MS. HAJNOSZ: Yes, it's a 9.5% revenue increase.

MR. NEY: Right, okay.

MR. OKAMOTO: It's more like seven point something.

MR. NEY: So the numbers will be in alignment.

MR. OKAMOTO: Yes.

MR. NEY: Okay.

MR. HIRAKAMI: To soften the glow of the night for (INAUDIBLE), you can say that as of July 2026, over the past 10 years, the average increase was 7%.

MR. OKAMOTO: Yes.

MR. HIRAKAMI: If you all that up and divide it by 10, that's 7%.

MS. HAJNOSZ: Yes. Oh, okay.

MR. HIRAKAMI: So again, kind of soften the blow. Whoa, it's 9.5%, but over 10 years the average is 7%.

MR. HIRAKAMI: I mean I think that's a good point. I will also say that the other message that I think you all could really be helpful with is that Water Utilities, all Water Utilities, this Water Utility, we are all behind our capital program. We are all behind. I know there can be a lot of outcries when things are wrong, like in the west side, but you know there's no substitute for water. We have to get ahead of this aging infrastructure issue, and the only way to do it is—the Federal Government, 50 years ago, was like building water infrastructure all these communities, right? Water and wastewater infrastructure was built by the Federal Government. They're not building anything for us now. So it's all being financed mostly on the backs of rate payors.

MR. OKAMOTO: And people will come back and say, "Got the Bill Funding, the IIJ Funding," and things like that, so we're taking advantage of that as we can. That pot of money, although it seems huge, it's being divvied up and it's well far behind like Ann was saying. I've got to be honest, from my perspective things don't work like they used to, and they are much more expensive.

So besides the infrastructure catch-up the feds also on the compliance side keep adding stuff on top of that. The huge one for us this year is the Lead and Copper Rule revision, which now tells us, as Water Utilities, "No, you're responsible now for the customer side of the meter."

MS. HAJNOSZ: Yeah, yeah. How do you do that?

MR. OKAMOTO: It's a challenge financially to address that.

MS. HAJNOSZ: I was just going to say that's a big picture, the percentage and all those kinds of stuff. But talking about the Water Utility challenges in general, we are really in an industry that is behind on our capital, so that's why we need these rates increased.

So next steps, if the rates are approved as recommended, July 1st, the 9.5% revenue adjustment, which means the revenue goes in effect; and then over the next few months, Harris & Associates is going to be analyzing these rate structures. We are working with the Department, with Candace and her staff, to get all the data that we need, and then we'll come back to you at either the end of this year or the beginning of the next to talk about these rate structure proposals. Hopefully, at least separate single-family, and then we'll see what we can do with the hotel and the resorts and other commercials. It will always be going to depend on what the data tells us, and how we make all those assumptions.

Then July 1, 2025, July 1, 2026, those 9.5% revenue adjustments will go into effect because that's going to be approved by you. If there are no rate structure changes, if you folks decide you don't want to do rate structure changes, those 9.5% revenue increases go into effect and will be approved. Yeah, so from a financial stability standpoint, you keep on that path to meet these financial guardrails that we talked about early on.

MR. NEY: I like how you use the word "assumption," like assuming like we don't have a major event, you know, no one is clairvoyant, and no one knows what's going to happen. My question is, have you had an instance where a department was hit with something big cost-wise, and it just wasn't worked into the planning?

MS. HAJNOSZ: Oh, yes.

MR. NEY: And now you're in a situation where you have to make quick decisions, rate increase kind of thing. Has that happened, and what's that look like in case we ever had to go down that road?

MS. HAJNOSZ: I mean, I would say COVID is a good example. We did it in Maui at the same time. I think they just passed on everything. We're not doing anything on COVID. But they, again, had a different financial structure and financial situation. Honolulu Board of Water Supply, oh my God, Red Hill, that has changed their complete (INAUDIBLE). They were marching down the role of, I don't know, what is it, 1% of replacement, you know, type replacement a year of something, 22 miles, 27 miles a year. They had to really pause on that when Red Hill came up. It was just an absolute shifting of resources. So, those things can happen. I mean, Red Hill was—that was a train wreck in the making for many years.

MR. NEY: And you have to shift within the frameworks of what we just put together.

MS. HAJNOSZ: Yes.

MR. OKAMOTO: And the beauty of the Board is if something super significant happens, we have the ability to shift.

MS. HAJNOSZ: Yes.

MR. OKAMOTO: And through Board action adjust accordingly. I think pending the results of the next agenda item will partly play into that because I believe another True Up is built into.

MS. HAJNOSZ: No, not the True Up.

MR. OKAMOTO: Not another one?

MS. HAJNOSZ: No.

MR. OKAMOTO: Okay. But down the road should the need arise, we can do subsequent True Ups.

MS. HAJNOSZ: Yes.

MR. OKAMOTO: And that's part of why we're trying to be better at establishing reserves. They're almost like rainy day funds. Should something unexpected come up, I believe we have this chunk of money. Maybe the intent was to fund C.I.P., but now because of a dire situation, we need that to cover something else, at least we have that cushion. So we're trying to build up that cushion, what Ann was talking about today.

CHR. LOPEZ: Any more questions?

MS. HAJNOSZ: Any more questions? So I think somebody has to ask for the action.

CHR. LOPEZ: It's incumbent on us now to have a motion presented to approve the rates that—so I entertain a motion.

MR. NEY: I entertain a motion to approve the 9.5% rate increase over the next three years.

MR. OKAMOTO: Just to make it simpler, it might be good just to almost rehash what was in the write-up because it was presented as proposed revenue increase.

CHR. LOPEZ: So would the motion be in this entirety or just the two rate related proposals?

MR. OKAMOTO: It could be as simple as documented in 1 and 2 on the agenda item and make a motion to proceed with the consultant's recommended revenue increases over the next three years.

MR. NEY: I got it, I got it. I entertain a motion to proceed with Items 1 and 2 as outlined on the agenda and based off of the recommendation from our consultant.

MR. KEKELA: Point of clarification, sorry. Would us exploring customer classes affect the implementation?

MS. HAJNOSZ: No.

MR. KEKELA: We'd be able to accomplish that?

MS. HAJNOSZ: Um-hum (affirmative).

MR. OKAMOTO: Yes.

MR. KEKELA: Thank you.

CHR. LOPEZ: Okay, there's a motion on the floor to accept the Water Rate Study proposed by Harris & Associates as defined in Item 5 of our agenda, points 1 and 2. Do I hear a second?

MR. HIRAKAMI: I'll second.

MR. OKAMOTO: Now, discussion.

CHR. LOPEZ: Discussion. Any questions? No. Hearing none. Roll call vote, please.

ACTION: Mr. Ney moved for approval; seconded by Mr. Hirakami and carried by the following roll call vote (Ayes: 8 – Mr. Bell, Mr. Brown, Mr. Hirakami, Mr. Kekela, Ms. Keolanui, Mr. Lee, Mr. Ney, and Chair Lopez; Absent: 1 – Mr. Unger).

CHR. LOPEZ: Motion passed, as presented. Thank you.

6) WATER RATE STUDY CHANGE ORDER, JOB NO. 2019-08:

CHR. LOPEZ: Is there any testimony for this item?

The current contract with Harris & Associates is to determine the Department's water rates for the periods of Fiscal Year 2023 through Fiscal Year 2027. The proposed water rates for Fiscal Year 2025, Fiscal Year 2026, and Fiscal Year 2027 under the existing rate structure, include an increase of 9.5% each year for the consumption and standby water rates. An evaluation of other rate structure options that were previously discussed with the Water Board would continue for fiscal years 2026 and 2027. The purpose of this change is to continue efforts to prepare additional rate analyses requested by the Board of Water Supply for implementation during the July 1, 2025, through June 30, 2027, time period. The proposed cost for this change would be an additional $124,050.00, which increases the contract amount from $221,662.00 to $345,712.00. The proposed schedule would also extend the current contract duration with a revision of the completion date from September 2024 to September 2025.

RECOMMENDATION: It is recommended that the Board approve this change to the current contract with Harris & Associates, Job No. 2021-03 Water Rate Study FY 23-FY 27 as described in the Proposed Addendum 2 Scope of Services proposed by Harris & Associates. The change order will include the following:

- Increase of contract amount by an additional $124,050.00 which will change the total cost for this contract from $221,662.00 to $345,712.00
- Extend the current contract duration with a revision of the completion date from September 2024 to September 2025
- Revise the Scope of Work and Project Schedule as described in the "Proposed Addendum 2"

The additional cost for this change order is included in the FY 2024 budget that was approved by the Water Board. The additional work is deemed warranted as it involves the evaluation of data in the current system for potential changes to the rate structure requested by the Board, analyses of financial conditions after implementation of rate increases, internal and public communication, and attainment of financial policy targets to maintain a sound financial position for DWS.

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

MR. OKAMOTO: That's a bunch of what Ann was talking about, and it's kind of outlined in this document here.

CHR. LOPEZ: Discussion?

MR. OKAMOTO: Any questions?

MR. HIRAKAMI: So there's some contingency in the rate increase, does it get approved then it goes down about $21,000, and is that requested in our motion or are we approving the total increase of $124,050.00? You see in the footnotes under no. 1 paragraph (see page 5 of Addendum 2 Fee Estimate), there's a reduction, just in case the Board doesn't accept it. So is there a part in the motion that reflects that?

MR. OKAMOTO: No, so typically with our change order, we anticipate the work to be done; if that work isn't done, we don't charge for that.

CHR. LOPEZ: The motion was to approve as recommended. Okay, we're still in discussion.

MR. NEY: Is this for existing and extension, or is this just for extending the contract?

MR. OKAMOTO: Change order, so additional work plus extending the completion date from September this year to September next year.

MR. NEY: Got it, got it, okay.

CHR. LOPEZ: Any further discussion? Call for the vote please, Ms. Secretary.

ACTION: There being no further discussion. Motion was carried unanimously by roll call vote (Ayes: 8 – Mr. Bell, Mr. Brown, Mr. Hirakami, Mr. Kekela, Ms. Keolanui, Mr. Lee, Mr. Ney, and Chair Lopez; Absent: 1 – Mr. Unger).

CHR. LOPEZ: Motion approved to accept the recommendation as stated.

MR. NEY: Mr. Chair, I just want to acknowledge Ann for coming in and being here in person.

MS. HAJNOSZ: Happy to be here.

MR. OKAMOTO: Oh, yes. Thank you. Actually, your personal appearance in this made a whole entire difference.

MS. HAJNOSZ: Oh, good. I'm really happy to come. I'm glad it all worked out. Thank you very much.

MR. OKAMOTO: Thanks, Ann.

MS. HAJNOSZ: We'll talk to you guys later.

MR. OKAMOTO: Safe travels.

MS. HAJNOSZ: Okay, thanks. Goodbye.

CHR. LOPEZ: Thank you, Ann.

(Ms. Hajnosz left the meeting at 11:10 a.m.)

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

CHR. LOPEZ: Is there any testimony for this item? Hearing none.

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 have been distributed for the Board's review.

RECOMMENDATION: It is recommended that the Board approve a public hearing to be held on Tuesday, March 19, 2024, at 9:30 a.m., prior to the Water Board's regular meeting, to accept public testimony regarding the Department's Fiscal Year 2025 Operating and C.I.P. Budgets.

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

CHR. LOPEZ: Discussion?

MR. OKAMOTO: With that, I'll turn it over to Candace.

(Note: At this time, Ms. Gray provided the Board with an overview of the Operating & Capital Improvement Project (CIP) Budgets for Fiscal Year 2025 report.)

MS. GRAY: Okay, everyone should have a copy of the Operating Budget as well as the 5-Year CIP Budget. I did provide a coversheet, like I normally do with the Financial Statements, and hopefully provide a little more detailed information on how we came up with the numbers.

As far as the revenue is concerned, it's primarily based on the Rate Study projections as well as looking at where we're at, let's say as of mid-year, the current fiscal year, using that as the basis for projections.

The expenses, I guess the same process generally. We did factor in, as far as salaries and wages. We made each section or division identify which positions would be included in the budget for funding and projected to be filled during the fiscal year. The personnel cost for salary and wages set about one-third of our budget.

Power Cost: electricity, that's another third; and the remaining materials, supplies, and O&M expenses comprise the remaining third of the budget.

We also have our 5-year CIP Budget for FY 2025 through FY 2029. As we do for each year, our Division Heads will project what projects they anticipate budgeting for as well as hopefully executing during the fiscal years for the five years. If you have any specific questions?

CHR. LOPEZ: I have a question. I'm trying to translate what I'm reading here, regarding the Expenditures, Item 2, "salaries with estimated 4%-5% increases, and employee benefits, offset by a decrease in salaries for new recruitments to fill positions of recent retirees." So does that mean—let me explain my dilemma. Does that mean that when somebody retires, we're saving money because we're not filling it, or is that we're recruiting but for a lesser salary level? The latter?

MS. GRAY: Yes.

CHR. LOPEZ: Then going on, "The FY 2025 budget includes salaries and benefits for a total of 196 positions, so are those positions filled or positions not available? Because we just heard from Ann—

MS. GRAY: Combination.

CHR. LOPEZ: Combination,

MS. GRAY: Existing as well as to be filled.

CHR. LOPEZ: So that's the total headcount, 196. So we have the budget for salaries, for those specifically (INAUDIBLE), that's what that says?

MS. GRAY: Yes. Okay, thank you.

MR. HIRAKAMI: Since you're saying we always see the budget going forward, this one is not what's happening in 2024, and we saw those years prior, and then we see into the future. Is there any kind of way we can do the report, on what was the capital budget for 2023 and see the completion of projects and how much money we spent? That might be pretty interesting for the Board to see because we always see it going ahead. Last year would have been 2024, and I don't know how much but it was quite a lot, and then to see what we completed in the year prior. That will give the Board on how we on target are as far as budget to actual, as far as completed projects, and how much the Board budgeted for and how much was completed. Is that possible?

MR. OKAMOTO: Yes, Absolutely, I think we can do a summary.

MR. HIRAKAMI: I know insurance always does that. You're going to get a spreadsheet of how the historical year-by-year completion and everything, I think that might be pretty useful to see it in this format.

MR. OKAMOTO: Okay, we can work on that.

CHR. LOPEZ: I have another question. In the case of these unfilled positions, what becomes of the budget surplus with those salaries?

MS. GRAY: I would say from a cash perspective, it remains.

CHR. LOPEZ: From a budget side, how do you account for the budget surplus?

MS. GRAY: As far as the surplus goes, it just remains in our Fund Balance and we do I guess excess revenues over expenses, we do transfer to our CIP reserve; and you'll see for this FY 2025 that our CIP reserve did increase.

CHR. LOPEZ: Because we had budgeted over.

MR. HIRAKAMI: It's going show up at the annual audit as far as your profit and loss to budget; so say salaries are $10 million and you had $9 million spent, it will show up as 90%, actual to budget on a yearend analysis. How much you budgeted for salaries and how much you actually spent will show up as a percentage, but it's not money spent.

MS. GRAY: If revenue exceeds our expenses for the year, it will show up I guess as our net income, which ultimately is part of our net position.

CHR. LOPEZ: But those funds, from the budget side, transferred to the CIP to credit CIP.

MS. GRAY: Correct.

CHR. LOPEZ: Anything that's excess from the budget.

MS. GRAY: Yes.

CHR. LOPEZ: I know where it goes. Thank you. Any other questions for Candace? Thank you, Candace.

ACTION: There being no further discussion. Motion was carried unanimously by roll call vote (Ayes: 7 - Mr. Bell, Mr. Brown, Mr. Hirakami, Mr. Kekela, Mr. Lee, Mr. Ney, and Chair Lopez; Absent: 2 – Ms. Keolanui and Mr. Unger).

8) SOUTH KOHALA:

CHR. LOPEZ: Is there any testimony for this item?

A. JOB NO. 2004-847, CONSTRUCTION OF THE PUAKŌ WATERLINE IMPROVEMENTS:

The Contractor, Drainpipe Plumbing and Solar, LLC, is requesting a Contract time extension of 191 calendar days due to significant shortages on Ductile Iron pipe and other related materials which resulted in the inability of the suppliers to furnish timeframes for delivery. The contractor placed the initial order for the pipe and appurtenances on March 28, 2023, and a majority of the order arrived on-site September 14, 2023. This delay was beyond the control of the Contractor.

Staff has reviewed the request for the time extension and the accompanying supporting documentation and found the 191 days to be justified. *Note: There are no additional costs associated with this time extension.*

Ext. #	From (Date)	To (Date)	Days (Calendar)	Reason
1	02/26/2024	09/04/2024	191	Delay from Manufacturer for pipe materials.
Total Days (including this request)			191	

RECOMMENDATION: It is recommended that the Board approve a contract time extension of 191 calendar days to Drainpipe Plumbing and Solar, LLC, for JOB NO. 2004-847, Puakō Waterline Improvements. If approved, the contract completion date will be revised from February 26, 2024 to September 4, 2024.

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

CHR. LOPEZ: Discussion?

MR. NEY: I'm starting it off. There seems to be like a long lead time, I mean that's quite a problem. February to September actually getting materials. According to—he said that the lag was not their mistake. How do we improve that? Not to place any blame on the contractor, maybe certain extensions are just worked out this way; but it seems like from notice to proceed, it's about 6 months difference before materials. Is that a typical timeframe?

MR. OKAMOTO: No, that's not typical. This was the fallout from COVID and the supply chain issues, so that's basically what it was. I don't know if I've seen it in here, but maybe you can elaborate. Should have records of when he actually tried to place the order as his receipt. As you can see from his coversheet, he ordered the materials in a timely fashion, after receiving notice to proceed. I think we did share with the Board, I think during project updates, at the time that we were anticipating that because of the supply, and it's nationwide. It was nationwide for ductile iron.

MR. NEY: Is that a pretty reasonable timeframe for submittals, material order?

MR. OKAMOTO: Based on that circumstance, yes.

MR. NEY: Okay. As long as they get the backup, give them the time.

CHR. LOPEZ: Is there any further discussion?

MR. HIRAKAMI: Can you check on the number here because I notice in the past all job numbers started with the year of the contract, and this one says 2004. I believe there's a mistake. It was 2004?

MR. INABA: Yes.

MR. HIRAKAMI: It started way back then?

MR. OKAMOTO: We wanted to start it way back then.

MR. INABA: We had wanted, yes.

MR. HIRAKAMI: Oh, unreal. Okay, my fault. I thought there was a misprint or something.

MR. INABA: Multiple reasons.

CHR. LOPEZ: Any further discussion on that item?

ACTION: There being no further discussion. Motion was carried unanimously by roll call vote (Ayes: 7 - Mr. Bell, Mr. Brown, Mr. Kekela, Ms. Keolanui, Mr. Lee, Mr. Ney, and Chair Lopez; Abstain: 1 – Mr. Hirakami; Absent: 1 – Mr. Unger).

9) NORTH KONA:

CHR. LOPEZ: Is there any testimony for this item? Hearing none.

A. PROPOSED THIRD AMENDMENT TO AMENDED AND RESTATED AGREEMENT REGARDING DEVELOPMENT OF SOUTH WAI'AHA WATER SYSTEM AND TERMINATION OF AGREEMENT REGARDING DEVELOPMENT OF NORTH WAI'AHA WATER SYSTEM:

HU-KO-PA, LLC, owners of TMK 7-5-017:042 and members of Wai'aha System, is proposing to transfer 100 of its assigned 129 units to The Shores of Kohanaiki, also members of Wai'aha System and owners of TMKs 7-3-063 through 068 (various parcels – see table below) and 7-3-009:016. Any transfer of water units between parcels included in the Amended and Restated Agreement requires the approval of the Water Board.

As both parcels are parties to the Amended and Restated Agreement and members of Waiʻaha System, staff have reviewed the proposed transfer of units and find the subject request is acceptable. All other provisions of the Agreement will remain the same. If approved, the revised assignment of units from the Agreement will be as follows:

TMK PARCELS	NAME OF DEVELOPER	EU ISSUED AS OF SECOND AMENDMENT	EU AS OF THIRD AMENDMENT
(3) 7-3-063:001 to 004; (3) 7-3-064:001 to 023; (3) 7-3-065:001 to 068; (3) 7-3-066:001 to 004; (3) 7-3-067:001 to 004; (3) 7-3-068:001 to 004; and (3) 7-3-009:016	The Shores of Kohanaiki	1,243	1,343
(3) 7-5-017:042	HU-KO-PA, LLC	129	29

RECOMMENDATION: It is recommended that the Water Board approve the THIRD AMENDMENT TO AMENDED AND RESTATED AGREEMENT REGARDING DEVELOPMENT OF SOUTH WAIʻAHA WATER SYSTEM AND TERMINATION OF AGREEMENT REGARDING NORTH WAIʻAHA WATER SYSTEM subject to the approval of the Corporation Counsel and that either the Chairperson or the Vice Chairperson be authorized to sign the document.

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

CHR. LOPEZ: Discussion?

MR. OKAMOTO: All right, that was a long write-up with a detailed table accompanied by the various agreements. So just to sum it up really quickly, it was an agreement, pretty much a development agreement, that these parties came together, shared in the costs of installing infrastructure, and because of that they were assigned water units. This is just to transfer 100 of those units from one party to another, as allowed per these agreements, but it requires your approval before proceeding.

MR. NEY: It's pretty explanatory. No additional water units. Just transferred?

MR. OKAMOTO: Yes.

MR. NEY: Okay.

CHR. LOPEZ: Any more discussion on the item? Roll call vote, please.

ACTION: There being no further discussion. Motion was carried unanimously by roll call vote (Ayes: 8 – Mr. Bell, Mr. Brown, Mr. Hirakami, Mr. Kekela, Ms. Keolanui, Mr. Lee, Mr. Ney, and Chair Lopez; Absent: 1 – Mr. Unger).

RECESS: At 11:30 p.m., the Chair called for a short recess.

RECONVENE: The meeting reconvened at 11:40 p.m.

CHR. LOPEZ: We're back in session.

10) MISCELLANEOUS:

A. DEDICATION OF WATER SYSTEMS:

CHR. LOPEZ: Chair: Is there any testimony for this item?

The Department received the following document 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.

A. License Easement No. ______
Pana'ewa Lot 185 Subdivision
Licensor: State of Hawai'i, Department of Hawaiian Home Lands
Tax Map Key (3) 2-2-061:002
Waiākea, South Hilo, Island of Hawai'i, Hawai'i
Facilities Charge: $83,330.00 Date Paid: 9/27/2023
Final Inspection Date: 1/8/2024
Water System Cost: $364,500.00

RECOMMENDATION: It is recommended that the Water Board accepts these documents 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. Kekela moved for approval of the recommendation; seconded by Mr. Ney.

CHR. LOPEZ: Discussion?

MR. OKAMOTO: My apologies, we got the actual agreement out to you folks late, so sorry about that. It's kind of a boilerplate for Hawaiian Homes. What happens is when they do a subdivision and they put in the infrastructure and turn it over to us, on a private entity they would actually grant us an easement or it would be in a County road right-of-way; but with the Department of Hawaiian Home lands, they process it through a licensed agreement, which basically allows us to go in and do the maintenance on the infrastructure but the land stays with Hawaiian Homes.

MR. INABA: I would like to state too, so it's a license to operate and maintain.

MR. OKAMOTO: Okay, so they actually own the improvements?

MR. INABA: Yes.

CHR. LOPEZ: What was that statement?

MR. INABA: Sorry, it's a license to operate and maintain that infrastructure.

CHR. LOPEZ: Thank you. Any further discussion?

MR. NEY: They had paid us the facilities charge?

MR. OKAMOTO: Yes.

MR. NEY: Quick one, not to be on topic. We had one developer that had a facility charge that was somehow overlooked a while back, and this was on our Waimea meeting, did that get reconciled?

MR. OKAMOTO: I think that is significantly off topic.

MR. NEY: Okay.

MS. TAVARES: It could be noted and added on the next agenda.

MR. NEY: Yeah, if that could be noted and added on.

MR. OKAMOTO: What we could also do, if you have that specific question, you can email us, and we can respond to you too.

MR. NEY: Okay.

CHR. LOPEZ: Okay, any other question, discussion? Roll call vote, please.

ACTION: There being no further discussion. Motion was carried unanimously by roll call vote (Ayes: 8 – Mr. Bell, Mr. Brown, Mr. Hirakami, Mr. Kekela, Ms. Keolanui, Mr. Lee, Mr. Ney, and Chair Lopez; Absent: 1 – Mr. Unger).

B. DEPARTMENT OF WATER SUPPLY COLLECTION AND DELINQUENCY POLICIES

CHR. LOPEZ: In all fairness, I wanted to state that at the last meeting, the department did offer to come back in two months with some discussion on the progress, and my being as anal as I am, decided that it should at least be on the agenda, so we don't lose sight of it, and if there's no report, that's a totally legitimate response, but it's just going to be there as a follow-up. So with that, is there any testimony for this item? No, okay.

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

CHR. LOPEZ: So is there any report at this time?

MS. GRAY: I have some progress to report. I don't have a prepared report.

CHR. LOPEZ: That's all right, we'll take anything. We want to give you the time to do it.

MS. GRAY: In regard to the last discussion, I provided information on the accounts that were greater than 90 days delinquent. The total number of accounts is about 2,400. I provided the status let's say on the first 200 with the largest balances.

In the last meeting, between that meeting and now, our Collections Section has been going through each account, the rest of the 2,200, and providing status updates. Actually, they've completed it, so I'll just have to review and prepare it for the next Board meeting.

We did contact our collection agency and asked about referrals or credit reporting. They report to the credit bureaus for let's say balances over $50 after 60 days.

CHR. LOPEZ: It goes to collections.

MS. GRAY: Well, it's reported. They report to the credit bureaus. They also provided us their, I guess, process flow, so we can provide that.

CHR. LOPEZ: So we know what they're doing. Well, thank you for that. Any discussion?

MR. NEY: Yes, Mr. Chair. So I actually talked to you last month or earlier this month in regard to keeping this on the agenda, kind of keeping it alive for discussion, because I know we've talked about changes needed to be made to strengthen our position in terms of getting collection. I guess I'll probably keep this up till we get an action on this and a solution to this problem. Whatever hurdle it takes, you know, if it takes all year. But I'd like to try to see if we can turn the leaf. I think it's great we're trying to do remedial things to get these balances settled, but I'd rather take preventative steps of not having these balances outstanding in the first place.

CHR. LOPEZ: Thank you. Any more discussion? So it will remain on the agenda for that purpose, as a tickler. If there's something to report, great.

MR. HIRAKAMI: I just wanted to add a thing. In doing the research on other Utilities and everything, they said just using the mail wasn't effective. They use mor modern methods of email, or texting, or something , your reminders like that. For bill collection, the utilities have gone to more modern ways of communicating. I know we mostly by mail so far. Anyway, that's just something that I—

CHR. LOPEZ: Just some feedback, observation. Any discussion?

MS. GRAY: I can add to that. Regarding emails, we are beginning to collect emails, and hopefully use that as another means of communication.

CHR. LOPEZ: Okay, thank you for that report.

C. MONTHLY PROGRESS REPORT

CHR. LOPEZ: Is there any testimony for this 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. INABA: I just wanted to report, basically Puakō, it's going. We did have the time extension request, but they are on schedule based on that. As you can see, they probably installed more than 7,000 feet by now.

I know Keith mentioned earlier about something coming up for us now is big, it's this Lead and Copper Rule revision. There's a compliance date for certain requirements for us to do a certain level of inventory of the customers' pipelines, and that effort is ramping up. We'll be starting in Hilo with customer communications. Probably mid-March, I think the week of March 18th is our current schedule, we'll start going out and reaching out to the customers. We're targeting specific customers that are more likely than not, or at least they're not eliminated for sure being lead pipe, potentially to have any lead pipe or galvanized that used to follow a lead service lateral. Anyways, sorry.

CHR. LOPEZ: I have a question, please. How do you, as the requirement, know that somebody has noncopper outside the meter?

MR. INABA: So up until now we did not, and we still don't, so the burden on the department is now the water departments, to basically find out. There are specific Building Code requirements after certain years and plumbing Code requirements that allowed us to eliminate a bunch of our customers. So now we're targeting specific customers that potentially may fall into a little bit higher risk category.

CHR. LOPEZ: I see.

MR. INABA: And so we need to physically inspect it.

CHR. LOPEZ: And going to the budget, this came up. This is not a budgeted item, right? Is this something new that came in?

MR. OKAMOTO: It was somewhat budgeted for. We knew the rule was coming. We didn't know exactly what level of effort was required. Yeah, so it's significant as you can imagine, Chair. It's going to be some physical verification, just pass the meter and maybe at the house.

MR. INABA: At the foundation of the house.

MR. OKAMOTO: And someplace in between.

MR. INABA: Kind of close to at least—

CHR. LOPEZ: To the pressure control.

MR. INABA: Basically, your regulator.

MR. OKAMOTO: Yes, by the regulator, or at least by the house pad.

CHR. LOPEZ: That's a big deal.

MR. OKAMOTO: But you know this island, it's not always here and the house is right there.

CHR. LOPEZ: So your responsibility is part of the (INAUDIBLE) is to search, locate, and then dig it up and replace it.

MR. INABA: So if they fall into a category and it's found to be considered in that specific tier where it's a high risk to the customer, then there's a replacement plan that is required. And then we're required to assist the customer, not financially; but I don't know what that really means, to have it replaced.

CHR. LOPEZ: All right, thank you. And these are the kind of things you deal with. Regulation comes down and hits you, and you have no choice. It's kind of like the cesspool thing.

MR. HIRAKAMI: A lot of modern (INAUDIBLE) is copper. Lead is obvious, but what leachate is they looking for in the copper because a lot of copper—

MR. INABA: Copper.

MR. HIRAKAMI: Copper itself?

MR. INABA: Yes.

MR. OKAMOTO: The rule is Lead and Copper Rule, so we monitor for both lead and copper.

MR. HIRAKAMI: So copper deteriorates and gets into the water, is that what they're saying?

MR. INABA: It kind of depends on the water source. It includes lead, too.

MR. OKAMOTO: So there's action levels for both lead and copper, and it's a whole another discussion, but I guess they're found to be an issue health wise. So it's more of a concern, like Kurt said, after a certain period of time, the Plumbing Code said, "no lead," so I think come of that you don't have to physically go inspect, we just assuming that if it was built after a certain time, shouldn't have lead because otherwise they violated.

MR. HIRAKAMI: Yeah, but copper was really common at that time.

MR. OKAMOTO: So that's more an issue, if their systems where the source water has more acidic qualities; and so currently in some of our systems we have corrosion control, where we try to adjust the raw water quality, increase pH or provide other additives that might allow for a protective coating on the copper so that it doesn't make direct contact with the water. There's chemistry involved.

MS. KEOLANUI: Does the department do any type of cathodic protection of any of the lines?

MR. INABA: No cathodic protection. There are other forms of protection. But that's typically on the exterior protection.

MS. KEOLANUI: Only reason I know about it is because, and kind of off-topic, but HELCO has a hydro line going Pu'uo mauka and it was malfunctioning. The cathodic protection was malfunctioning, which then posed a threat to all copper and galvanized lines in the ground. The T-posts were eroding in the ground. Cathodic protection is being energized now because the lines have been—erosion, correct?

MR. OKAMOTO: Yeah, that's typically used where there's like corrosive soil, so that soil will eat up whatever, metals, from the outside in, so there's like other things that I'm more—the sacrificial anodes, right, so something more corrosive will get compromised first before your infrastructure.

MR. NEY: Yes, to your question, I can kind of expand a little bit because this is in one of the sessions up in Toronto, but basically there's a compliance. They did a presentation in different areas that were getting the ball rolling with doing this. It was everything from historical records to actually digging up lines, which isn't practical, you can't dig up every line. There was also software, like if you could sample certain amounts of lines. There was predictive software and analytical software that could make projections of an area. I guess the question would be is like, what threshold do you guys have to meet to comply with it? What's the minimum threshold that you guys going to show, "Hey, we made a reasonable approach, compiled all the data. We feel like we have a good picture of this island," and what what's happening with that?

MR. OKAMOTO: There are specific deadlines for us to be compliant, and maybe Kurt can expand on that.

MR. INABA: The initial compliance deadline would be to provide an inventory of what we do know, and there is a category for unknown also. Obviously, we don't want to just put into the unknown, but there's also—it's not just this initial compliance. I think it's annually; you do need to improve your database, basically your inventory. So, it's an initial effort to get as much as we can. We are using some sort of software type of program to minimize, or shrink down that hole, not all 45 or so thousand service laterals. So we have shrunk, made that number smaller, and then we're taking a sample set from within that, and we're working with the Department of Health to get an amount that is adequate for our inventory. Then every year after that, try to improve, and just keep on adding to that.

MR. NEY: Is that a constant revision you guys got to make? Say you put everything in the unknown category, and then go, "Hey, you guys work very diligently about doing the work and showing us adequate numbers," is that something they go, "Every year we want to see this much progress until you bring it up to a certain kind (INAUDIBLE)." When do they get off your back, or they go, "I think guys comply with this."

MR. OKAMOTO: Never. I think they were smart enough to figure out that—so there's requirements if you list it as "unknown," and basically it's almost like well if it's unknown, __________ *assertively(?)* we're going to say that's lead then, it's a lead service line, and you're going to have to follow whatever the requirements are for lead. So yes, it's not in our best interest to have a bunch of unknowns. We want to know what it is.

MR. NEY: I think the only way is the software to try to narrow down because we just had too many locations and meters to really dig a lot of them out. We can either dig a certain amount and then the software can do the rest.

MR. OKAMOTO: Again, I think they'll allow that up to a certain point, but otherwise we will have to actually scratch and physically inspect the customer's side.

CHR. LOPEZ: So with this requirement, was there any funding available, grants?

MR. OKAMOTO: Thanks for that, and we can put it on the record, no. What we can do though, is we can take advantage of ________*Bill(?)* and IIJA (Infrastructure Investment and Jobs Act) funding, hopefully what we're trying to go after is to utilize the State Revolving Fund loan to help pay for this. Directly no, because of the actual Act; but because of the other federal funding available, we can hopefully utilize that for this effort, but it's not 100—

MR. INABA: Yes, it's in our best interest to do as much as we can now because they can only utilize that on this initial effort. If we chose to do less now and more later, some of these funds would not be available for the subsequent, you know, effort that would still have to be made.

MR. OKAMOTO: Any other questions?

MR. INABA: Highway 137, which is part of Lower Puna, from the lava flow, that recovery is actually out to bid. We do have a significant amount of waterline in there that goes basically from Pohoiki, Issac Hale Beach Park area to Kapoho Beach Lots, so it's just the main along that right now.

The next section is getting ready to bid out also, which would be from the junction, Highway 132, for the Kapoho sideroad, that goes to 4-Corners; and the Pohoiki Road, just from there, down to Pohoiki, along the new Pohoiki Road that's going to be built, and that will actually bring the water—that the water is basically shut off at that junction right now. Just below the lava tree park. So that is getting ready to bid out, hopefully within the next couple of weeks actually. But there's a big push to get that out.

MR. NEY: Sorry, Kurt, what size line is that going to be?

MR. INABA: Six inches.

MR. NEY: Six inches, okay.

MR. HIRAKAMI: On that line, are there going to be any service laterals? (INAUDIBLE) existing line, Pohoiki?

MR. INABA: Yeah. If there's no home there now, we're not going to put anything there this time. For those that have existed previously, who are there, we're going to work with them to install that lateral back. It may not be in the same location. We need to stick within the corridor that was designed. But we are working with the Recovery Team, also. They had mentioned that they are going to work with us and the customer to see how the customer can then get their line reconnected.

MR. HIRAKAMI: Yeah, the corridor that they got is—because they wanted to protect the Mango Road, they put it to the Kalapana side, the Mango Road, the (INAUDIBLE) corridor. So a lot of the residents are on the other side of Mango Road. So you're not going to service those guys? Or maybe.

MR. INABA: We can put the service back, but it will stay within this new corridor.

MR. HIRAKAMI: Oh, okay.

MR. INABA: And we'll add hydrants along the way, also.

MR. NEY: Are we obligated if we provide existing service, not necessarily an extreme event? These were existing customers before—that we're providing a new line down to—I'm not saying it's right or wrong; but from a cost standpoint, this is an expense that's probably not going to be paid back through the revenue collected from the customers faced in that area. Is that correct?

MR. OKAMOTO: So I think, like Kurt said, we're coordinating with the Recovery Team because there was a buyout situation. My understanding is if the County bought it out, somebody else cannot come in later and reside on that property. That kind, no sense we put a lateral back to that property, never going have consumption on it. If we know people are going to go back, then we'll coordinate a lateral-install of an existing surface.

MR. NEY: Do we have an obligation to the customers since they were an existing customer, too?

MR. OKAMOTO: We'll try to honor that to what extent it makes sense.

MR. NEY: Okay, just for precedent. Hopefully, it never happens again. If we have one customer, how are we going to replace a whole line for only one person? I'm not saying right or wrong, but this is something we're obligated to do.

MR. HIRAKAMI: Yeah, I know for sure there's a group that is forming to—that water returns to the lands, but they want to make a deal with the County that bought those lands to turn that into agricultural use. So if it does get transferred to agricultural use, could they get water to it eventually?

MR. OKAMOTO: That's something we could consider and probably coordinate with the County.

MR. HIRAKAMI: Because it is going to be kind of scattered on the County bought-up, and the group of people that are planning to return is saying, "Hey, we're going to make use of it and put it to good use for agriculture." So, it's just a forethought.

MR. OKAMOTO: If you have any questions on any particular projects, feel free to email us anytime. Don't have to wait for the meeting.

CHR. LOPEZ: Thank you for that report.

D. REVIEW OF MONTHLY FINANCIAL STATEMENTS

CHR. LOPEZ: Is there any testimony for this item?

> Submission of financial statements and information relating to the financial status of the Department. Department personnel will be available to respond to questions by the Board relating to the financial status of the Department.

MR. OKAMOTO: Just really quickly, this kind of shows you a snapshot of where we are again, so we're looking at Financial Statements of January 2024 as compared to January 2023. The difference is between those timeframes, right?

MS. GRAY: Correct.

MR. OKAMOTO: So what will happen, like in June, it will be the whole fiscal year comparison. What happens is Candace will do an initial presentation in July, after the audit final results probably sometime in August. Some of the concerns that I think that was brought up during the Rate Study presentation, kind of reveal themselves, how did we compare this year versus last year, and that shows up in some of the net position and the status of the budget report, page 5, if that makes sense. Correct me if I misstated it.

MS. GRAY: That was a good overview. I don't have any new explanations for January 2024. As far as the reports that you received, it is your Balance Sheet as well as your Income Statement which does show the net income that we discussed briefly earlier, which shows at this point, it's $6.7 million.

As far as looking at our financial position, Keith mentioned net position, that's a number that I keep my eye on it, as far as the indicator of where we're moving.

In regard to the Budget Status report, you'll see that our percentage, in the percentage column for our revenues currently exceeds 64%, our target is 58% as of January 2024.

Our expenditure is under target at 50% versus 58%.

MR. OKAMOTO: So really quick, I know some of those questions came up, so this is page 5. Compared to what we budgeted, for example, I think one question came up about personnel services, the budget was $22.2 million for personnel services; and the actual to date is $10.9 million, which is 49% of the budget, whereas as at this timeframe, we're 58% through the fiscal year. So hopefully, that kind of gives you a gauge on where we stand as far as revenues and expenses, as compared to the budget.

CHR. LOPEZ: It does, thank you for that.

MS. GRAY: Any questions?

CHR. LOPEZ: Any questions?

E. EXECUTIVE SESSION REGARDING OPEN LITIGATION FOR CIVIL NO. 3CCV-20-0000007, LĀLĀMILO WIND COMPANY, LLC:
The Board anticipates convening an executive meeting for the purposes of discussing the legal rights, duties and liabilities of the Board concerning open litigation against the Board, as authorized by Hawaiʻi County Charter Section 8-2 and Hawaiʻi Revised Statutes ("HRS"), Sections 92-4 and 92-5(a)(4). The Board wishes to have its attorney present, in order to consult with the Board's attorney on its questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities pursuant to HRS Section 92-5(a)(4). A two-thirds vote of the members present, pursuant to HRS Section 92-4, is necessary to hold an executive meeting, provided the affirmative vote constitutes a majority of the Board.

CHR. LOPEZ: I entertain a motion to adjourn to Executive Session.

ACTION: Ms. Keolanui moved that the Board enter into Executive Session; seconded by Mr. Ney and carried unanimously by the following roll call vote (Ayes: 8 – Mr. Bell, Mr. Brown, Mr. Hirakami, Mr. Kekela, Ms. Keolanui, Mr. Lee, Mr. Ney, and Chair Lopez; Absent: 1 – Mr. Unger).

(The Board entered into Executive Session at 12:14 p.m.)

ACTION: Mr. Ney moved to get out of Executive Session; seconded by Mr. Hirakami and carried unanimously by the following roll call vote: Ayes: 5 – Mr. Bell, Mr. Hirakami, Mr. Kekela, Mr. Ney, and Chairperson Lopez; Absent: 4 – Mr. Brown, Ms. Keolanui, Mr. Lee, and Mr. Unger.

(The Board got out of Executive Session at 12:58 p.m.)

RECESS: At 12:59 p.m., the Chair called for a short recess.

RECONVENE: The meeting reconvened back to regular session at 1:02 p.m.

F. MANAGER-CHIEF ENGINEER'S REPORT

CHR. LOPEZ: Is there any testimony for this item?

The Manager-Chief Engineer to provide an update on the following:
1. North Kona Wells
2. Department of Water Supply Energy Report
3. Updates for Senate Concurrent Resolution No.35 and House Resolution No. 56
4. Update on Hawaiʻi Community Foundation grant funding

MR. OKAMOTO: Quickly, for the North Kona Wells, Kawika can provide a quick update.

MR. UYEHARA: Yes, quick update. So again, 11 of the 14 wells in North Kona are available to use, so again the three that are offline: Honokōhau, Waiʻaha, and Mākālei. Still in progress for Honokōhau and

Mākālei. Honokōhau, waiting for Schedule for the motor shroud, and once we get that, the contractor can proceed Wai‘aha, still in the material submittal and production phase of equipment; and Mākālei, they did a first video with some brushing and bailing, and we just got to send them a video of the wells.

MR. OKAMOTO: All right, thank you, Kawika. And as far as the Energy Report, sorry Warren, you don't have to come up here. Here's the report. It's in your packet, and if you have any questions, please give us a call. There's some good information; it's all there. If you have any questions, let us know. Warren is doing some great work.

BOARD MEMBERS: Thank you, Warren. Good report.

MR. OKAMOTO: Number 3, this was a request I think by the Board, just an update to what we did with Senate Concurrent Resolution No. 35 and House Resolution No. 56. So again, our report was submitted for the packet to the Legislature. If there are any questions, please let me know. There's one more that I have to turn back to Kawika, Number 4 is the update on the HCF grant funding request.

MR. UYEHARA: So for the Hawai‘i Community Foundation grant funds, awesome news. We were awarded two grants, one for $1,000 and one for $30,000. Both of these are for Water Conservation Initiatives, which is in line with the grant Notice of Intent. So the $1,000 we're planning to partner up with County Parks & Rec, and we're looking at installing low flow showerheads at some of their identified parks. The $30,000, we're looking at an irrigation timer rebate program, so we're slowly developing the nuances and the details of that program.

For both of these, we have a department—it will be a match to it, 100% match, so that increases the funding amount, and then we have one year each to implement these grant programs.

CHR. LOPEZ: What was the time of the second, the $30,000? Where are you going to put it?

MR. UYEHARA: Irrigation timers rebate program.

MR. OKAMOTO: Yes, these are all geared towards water conservation.

CHR. LOPEZ: Thank you.

MR. UYEHARA: Thank you.

MR. OKAMOTO: And that's it for my report, Mr. Chair.

G. CHAIRPERSON'S REPORT

CHR. LOPEZ: Chairperson to report on matters of interest to the Board. I know you all signed up for the DHHL Water Law Training, so then you got a notice that it's—there's another option for Commission and Board Members, and that will be offered in the Spring Summit. I got a letter of rejection really because it wasn't suited to my position. I guess it's more for the legal people.

The next one, the attempts to close out the PIG finally. The final report, Ben?

MR. NEY: I won't be giving a final report next month, and we'll just handle it.

MR. OKAMOTO: So what we can do, Mr. Chair, we can actually put it on the agenda like a regular item instead of under your report.

CHR. LOPEZ: Okay. Is that a commitment?

MR. NEY: I could come in, and I have the report ready. Actually, it's drafted.

CHR. LOPEZ: So next month, okay. Item No. 3, when David DeLuz was Chair, one of his exit comments was, is there a way, and the department was going to look into it, that the Board can have access to agenda and all this paperwork we get? I've been in the Board for over going two years, and I've got a binder this big and all it is, is minutes. I don't even keep the attachments and stuff; and the way through that is trying to find out what we didn't revisit, that we talked about, it just gets dropped off. So anyway, I thought going to bring it up again, is there anything that the department could possibly offer some, the Board members can go online and look up an agenda from 18 months ago, or minutes, so you look it up to discuss and do some searching?

MR. OKAMOTO: Right now we have the basics. On our web page, we have the agenda and past minutes, but they're not really searchable friendly. You click on it, a PDF pops up, and then I guess you have to go into the PDF and see if you can find something. You cannot just say in the past five years did we discuss this, and what we were we supposed to follow up on. Kawika's been working with our IT folks on maybe some other solutions.

CHR. LOPEZ: Some key word searching.

MR. UYEHARA: Yes, so IT, they've been working, and they found the plug-in. We still have to install it and test it. It would be like you would get on to our website, search a key word, and whatever documents on our website, it will search that. So it would be like the minutes and the agenda.

We also got to work on the attachments, like he said this packet onto our website, on our own server, or our cloud server. So yes, this is in progress.

CHR. LOPEZ: I know you have some issues with outside access serious too, servers as well.

MR. UYEHARA: Right, we'll work on that. This is the public facing serious stuff.

CHR. LOPEZ: Again, one of those items I'll waive on the agenda, just as a touch point. I remember working on it. Thank you very much, that would be a great help.

Pacific Water Conference – This was a requirement of our attendance, the report. Board Members who attended the event on February 21-22, 2024. It was the three of us. I'll let Ben go first to make your report.

MR. NEY: Yes, I had a great time. Had some sessions with relevant issues that I had, and just enjoyed the camaraderie of the fellow Board members. The product display was awesome, also.

MR. KEKELA: Yes, I actually want to thank the department for sending it up, and their staff for making sure we had an enjoyable trip. Everything ran smoothly. Mahalo to Warren for taking in the responsibility to drive in that crazy island, so I appreciate that. I did learn a lot attending the many sessions. It was pretty eye-opening. There are a lot of operational people there. You can get certified, and they get a chance to learn different technologies and get kind of hands-on what the exhibitors do. Tremendous experience for me. Mahalo.

CHR. LOPEZ: Likewise, this is my second one. The agenda is for two days, this is Day 1, and Day 2 is just filled with 30-minute sessions. You picked the ones that you felt would help you. Like, updates on activities with the Commission of Water Resource Management. They're short-staffed. They're not able to turn around, their request for well drilling, Finance Center. Cesspool conversation, that's a big one for me. Water reuse, waterless toilets, just want to give you a hint for some of this stuff. (INAUDIBLE) management, that's contaminants in the water, leach out just naturally to the soil, and how do we deal with those? Cyber security, I'll probably be asking for a presentation on how you folks are addressing that. History of water service. It's interesting to me that lead was discovered in Greenland in Roaman times, and just leach through the ground because of activities (INAUDIBLE), so it's been a long time. From lead to galvanized pipe, to copper, to now plastics. A lot of information that you can gain. A lot of it wouldn't apply to me because I'm not an engineer. But it was a good conference; and likewise, what these gentlemen said, the people that we met there are very interested in our knowledge, based on growth and relationships (INAUDIBLE). Very warm welcome. Vendors were good, too. That was a good conference, and I look forward to the next one. Particularly because it's Pacific based to meet people from the other islands.

Last year, I got on this thread called One Water, and One Water is a concept that some people are trying to put into practice, but it not only taken the water out of the ground and delivering it to the consumer, but also how does that water return all the way down to waste treatment plants? So I embrace the idea of considering water as this one total paradigm. That was said at the conference on that, as well. But thank you very much, I enjoyed the conference as usual.

11) ANNOUNCEMENTS:

A. **Next Meeting:** - March 19, 2024, 10:00 a.m., at the West Hawaiʻi Civic Center, Building G, 74-5044 Ane Keohokālole Highway, Kailua-Kona, Hawaiʻi.

12) ADJOURNMENT

(There was no motion to adjourn the meeting.)

(Meeting adjourned at 1:12 p.m.)

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Recording Secretary

APPROVED BY WATER BOARD
MARCH 19, 2024