

BOARD OF WATER SUPPLY, COUNTY OF KAUAI

On March 16, 2020, Governor David Y. Ige issued a Supplementary Emergency Proclamation related to COVID-19 which suspended Chapter 92 of the Hawai'i Revised Statutes ("HRS"), relating to Public Agency Meetings and Records (commonly referred to as the Sunshine Law) to the extent necessary in order to enable boards to conduct business in-person or through remote technology without holding meetings open to the public. Boards shall consider reasonable measures to allow public participation consistent with social distancing practices, such as providing notice of meetings, allowing the submission of written testimony on items which have been posted on an agenda, live streaming of meetings, and posting minutes of meetings online. No board deliberation or action shall be invalid, if such measures are not taken.

In accordance with the Governor's Proclamations including the stay-at-home order and the Mayor's Proclamations and Emergency Rules, the Board of Water Supply meetings will be conducted as follows until further notice:

- Board meetings will be held via remote technology to be consistent with social distancing practices and stay-at-home orders.
- Board members and/or resource individuals may appear via remote technology.
- Board meetings will continue to be noticed pursuant to HRS Chapter 92.
- Written testimony on any agenda item will continue to be accepted.
 - Written testimony may be submitted to the Commission Support Clerk via email at board@kauaiwater.org by the close of business the day before the Board meeting is scheduled, or mailed to the Board of Water Supply at 4398 Pua Loke Street, Līhu'e, Kaua'i, Hawai'i 96766 with attention to the Commission Support Clerk. The public is asked to please provide sufficient time for receipt of the testimony if mailing in public testimony.
 - Persons wishing to testify are requested to register their name, phone number, and identify the agenda item for which they wish to provide testimony via email at board@kauaiwater.org or by calling (808) 245-5406.
 - If you wish to submit oral testimony prior to the Board meeting, it may be submitted by leaving a voice message at (808) 245-5406.
 - The Commission Support Clerk will provide electronic copies of public testimony received, if any, to the Board members prior to the start of the meeting.
- Board meeting minutes will continue to comply with HRS Chapter 92 and be posted to the Board's website at http://www.kauaiwater.org/cp_waterboard_agendas.asp.

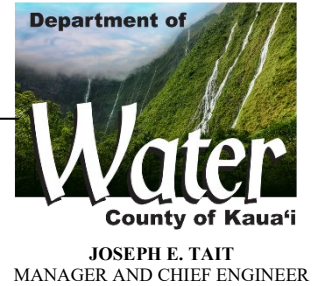
For more information on COVID-19 and to access the Governor's Proclamations please visit: <https://hawaii-covid19.com/>.

For County of Kaua'i information, including the Mayor Kawakami's daily updates, Proclamations, and Emergency Rules, please visit: <http://www.kauai.gov/COVID-19>.

BOARD OF WATER SUPPLY

GREGORY KAMM, CHAIR
KURT AKAMINE, VICE CHAIR

JULIE SIMONTON, SECRETARY
LAWRENCE DILL, MEMBER
KA'AINA HULL, MEMBER
TROY TANIGAWA, MEMBER
ELESTHER CALIPJO, MEMBER



REGULAR MONTHLY TELECONFERENCE MEETING NOTICE AND AGENDA

Thursday, December 23, 2021
10:00 a.m. or shortly thereafter

PUBLIC ACCESS +1- 415-655-0001 US Toll, Conference ID: 2558 445 9824, Password: 4398#

This meeting will be held via Microsoft Teams conferencing only. Members of the public are invited to join this meeting by calling the number above with the conference ID information. You may testify during the video conference or submit written testimony in advance of the meeting via e-mail, fax, or mail. To avoid excessive noise/feedback, please mute your microphone except when you are called to testify.

If members or the public require technical assistance, please contact: informationtechnology@kauaiwater.org

CALL TO ORDER

ROLL CALL

ANNOUNCEMENTS:

Next Scheduled Meeting: Thursday, January 20, 2022 – 10:00 a.m. via Tele-Conference.

APPROVAL OF AGENDA

APPROVAL OF MEETING MINUTES:

1. Regular Board Meeting – November 21, 2021

PUBLIC TESTIMONY

CONSENT CALENDAR

NEW BUSINESS:

1. Manager's Report No. 22-44 Discussion and Adoption of Resolution No. 22-06, Farewell to Clyde M. Kojiri (Retiree), Maintenance Worker II, Operations Division
2. Manager's Report No. 22-45 Discussion and Adoption of Resolution No. 22-07, Farewell to Lance Nakata (Retiree), Water Plant Operator, Operations Division
3. Manager's Report No. 22-46 Discussion and Adoption of Resolution No. 22-08, Farewell to David E. Okamoto (Retiree), Water Plant Operator II, Operations Division

4. Manager's Report No. 22-47 Discussion and Adoption of Resolution No. 22-09, Farewell to Raymond A. F. Chow, Jr., Lead Pipefitter, Operations Division
5. Manager's Report No. 22-48 Discussion and Adoption of Resolution No. 22-10, Farewell to Carl S. Arume (Retiree), Water Microbiologist V, Engineering Division
6. Manager's Report No. 22-49 Discussion and Adoption of Resolution No. 22-11, Mahalo and Aloha to Elesther Calipjo, Board of Water Supply Member
7. Manager's Report No. 22-50 Discussion and Receipt of the Department of Water's Draft Audit Financial Statements and Independent Auditor's Report for Fiscal Years July 1, 2020 – June 30, 2021
8. Manager's Report No. 22-51 Discussion and Possible Action for Approval of Additional Funds for Purchase of the Replacement of the Gasboy Fuel Management System in the amount of \$85,000.00
9. Manager's Report No. 22-52 Discussion and Possible Action on transfer of funds for purchase of SCADA Operator Interface Terminals (OIT) and services to update the programming in the amount of \$125,000.00
10. Manager's Report No. 22-53 Discussion and Possible Action to Request Board Approval for Indemnification and Liability Waiver for Lease of a Storage Unit, authorizing potential future unknown amount cleaning fees. Contract between Board of Water Supply, County of Kaua'i and Extra Space Management, Inc.
11. Manager's Report No. 22-54 Discussion and Possible Action on transfer of unrestricted funds for the purchase of additional water meters and polymer meter box covers in the amount of \$450,000.00
12. Manager's Report No. 22-55 Manager and Chief Engineer's Goals

STAFF REPORTS:

1. Statement of Revenues and Expenditures
 - a. November Monthly Summary Budget
 - b. Accounts Receivable Aging Summary
2. Public Relations Activities
3. Operational Activities
4. Manager and Chief Engineer

TOPICS FOR NEXT BOARD OF WATER SUPPLY MEETING: (January)

1. 2022 Appointment of Committee Members for the Rules Committee and the Finance Committee

TOPICS FOR FUTURE BOARD OF WATER SUPPLY MEETINGS:

1. Manager's Report No. 17-29 - Discussion and Possible Action on the Financial Management Planning and Water Rate Study for the Department of Water for Fiscal Year 2022 through Fiscal Year 2026
2. Department of Water Performance Audit
3. Baseyard Master Plan Workshop
4. Employee of the Year Resolution (*February*)
5. Proposed Budget for FY2022-2023 (*March*)

EXECUTIVE SESSION:

Pursuant to Hawai'i Revised Statutes (HRS) §92-7(a), the Board may, when deemed necessary, hold an executive session on any agenda item without written public notice if the Executive Session was not anticipated in advance. Any such executive session shall be held pursuant to HRS §92-4 and shall be limited to those items described in HRS §92-5(a).

1. Pursuant to Hawai'i Revised Statutes § 92-4 and § 92-5(a)(4), the purpose of this Executive Session is for the Board to consult with the Board's attorney on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities as it relates to:
 - a) Manager's Report No. 20-53 Discussion and Possible Action on correspondence from Grove Farm regarding Grove Farm's Request for Revenue Requirement Shortfall.
 - b) Goodfellow Bros.' Request for Reimbursements, Job No. 15-07, Reorganize Water System: Kaumuali'i Highway 16-Inch Main and Emergency Pump Connection, Hanapēpē Road 6-Inch Main Replacement, Job No. 15-07, Water Plan Project No. HE-01, HE-10, Hanapēpē, Kaua'i, Hawai'i.

ADJOURNMENT

WRITTEN TESTIMONY

The Board is required to afford all interested persons an opportunity to present testimony on any agenda item. The Board encourages written testimony at least two (2) business days prior to a scheduled Board meeting. At each Board meeting, the Board will accept oral and written testimony on any agenda item at item Public Testimony.

Please include:

1. Your name and if applicable, your position/title and organization you are representing
2. The agenda item that you are providing comments on; and
3. Whether you are a registered lobbyist and, if so, on whose behalf you are appearing.

Send written testimony to:

Board of Water Supply, County of Kaua'i
C/O Administration
4398 Pua Loke Street
Lihu'e, Hawai'i 96766

E-Mail: board@kauaiwater.org
Phone: (808) 245-5406
Fax: (808) 245-5813

SPEAKER REGISTRATION

Prior to the Day of the Meeting: Persons wishing to testify are requested to register their name, phone number, and identify the agenda item for which they wish to provide testimony via email at board@kauaiwater.org or by calling (808) 245-5406.

On the Day of the Meeting: Persons who have not registered to testify by the time the Board meeting begins will be given an opportunity to speak on an item following oral testimonies of registered speakers. The length of time allocated to person(s) wishing to present verbal testimony may be limited at the discretion of the chairperson.

SPECIAL ASSISTANCE

If you need an auxiliary aid/service or other accommodation due to a disability, or an interpreter for non-English speaking persons, please call (808) 245-5406 or email board@kauaiwater.org as soon as possible. Requests made as early as possible will allow adequate time to fulfill your request. Upon request, this notice is available in alternate formats such as large print, Braille, or electronic copy.

A horizontal splash of clear blue water with bubbles, positioned behind the text.

DRAFT MINUTES

MINUTES
BOARD OF WATER SUPPLY
Thursday, November 18, 2021

The Board of Water Supply, County of Kaua'i, met in a regular meeting **via remote** in Līhu'e on Thursday, November 18, 2021. Chairman Gregory Kamm called the meeting to order at 10:01 a.m. The following Board members were present:

BOARD: Mr. Gregory Kamm, *Chair*
Mr. Lester Calipjo (*left at 10:13 a.m.*)
Mr. Kaaina Hull
Ms. Julie Simonton
Mr. Troy Tanigawa (*entered at 10:10 a.m.*)

EXCUSED: Mr. Kurt Akamine, *Vice Chair*
Mr. Lawrence Dill

Quorum was achieved with 4 members present at Roll Call.

STAFF: Manager & Chief Engineer Joseph Tait
Deputy Manager & Engineer Judith Hayducsko
Mr. Jaspreet Banwait (remote)
Mr. Michael Hinazumi
Mrs. Jonell Kaohelaulii
Mr. Valentino Reyna
Mrs. Marites Yano
Ms. Cherisse Zaima
Deputy County Attorney Mahealani M. Krafft

ANNOUNCEMENTS

Next Scheduled Meeting: Thursday, December 23, 2021 – 10:00 a.m. via Tele-Conference

APPROVAL OF AGENDA

Board member Simonton moved to approve the agenda, seconded by Mr. Calipjo; with no objections, motion carried with 4 Ayes.

APPROVAL OF MEETING MINUTES

1. Regular Board Meeting – October 21, 2021

Board member Simonton moved to approve the Regular Board Meeting minutes for October 21, 2021, seconded by Mr. Calipjo; with no objections, motion carried with 4 Ayes.

PUBLIC TESTIMONY

There were no callers from the public joining the meeting.

CONSENT CALENDAR

1. Manager's Report No. 22-43 Discussion and Possible Action to approve a Grant of Easement agreement from Kukui'ula Development Company, LLC for Parcel CC West, Phase 2, Subdivision No. S-2020-11; TMK: (4) 2-6-019:0069, Kōloa, Kaua'i, Hawai'i.

Board member Hull moved to approve Manager's Report No. 22-43, seconded by Ms. Simonton; with no objections, motion carried with 4 Ayes.

NEW BUSINESS

1. Election of Officers for 2022

Ms. Simonton made the following nominations for Board officers:

Julie Simonton – Chair

Gregory Kamm – Vice Chair

Kurt Akamine – Secretary

Though Board member Akamine was not present at the meeting, Ms. Simonton explained that she had spoken to him about this nomination, which he agreed to.

Board member Simonton moved to approve the following officers for 2022: Chair, Julie Simonton; Vice Chair – Gregory Kamm; Secretary – Kurt Akamine, seconded by Mr. Hull; with no objections, motion carried with 4 Ayes.

STAFF REPORTS

1. Statement of Revenues and Expenditures

- a. October Monthly Summary Budget
- b. Accounts Receivable Aging Summary

Waterworks Controller Marites Yano provided a summary of the Fiscal report. She added that the Annual Financial Audit report was intended to be included at this month's meeting, but a portion of the report was not available in time to meet the agenda posting due date. The annual audit report will be placed on the December Board meeting agenda.

2. Public Relations Activities

Information and Educational Specialist Jonell Kaohelaulii provided a summary of the Public Relations report. She highlighted that in lieu of the Annual Make-A-Splash festival this year, the department will be providing a Make-A-Splash In A Bag experience for fifth grade students. Each bag will include water educational activities, supplies, and conservation tools that students can use in the classroom or at home. They plan to distribute over 700 bags this year, with approximately 420 bags already distributed to date.

Board member Tanigawa entered the meeting at 10:11 a.m.

Board member Calipjo exited the meeting at 10:13 a.m.

3. Operational Activities

Chief of Water Operations Val Reyna provided a summary of the Operations report submitted.

4. Manager and Chief Engineer

Manager Joe Tait provided a summary of the Manager's Update submitted noting that a fleet maintenance program is currently in its developmental stage along with a few other programs.

In response to Chair Kamm's question regarding the tenth amendment to Contract No. 535 that does not include a dollar amount, Michael Hinazumi explained that most of the amendments are

time related due delays resulting from the COVID pandemic. This is why the amendment states “Contract Time Extension of 180 calendar days”, and reflects a \$0.00 dollar amount.

TOPICS FOR NEXT BOARD OF WATER SUPPLY MEETINGS

1. Discussion and Receipt of the Department of Water’s Draft Audit Financial Statements and Independent Auditor’s Report by Accuity, Inc. for Fiscal Years July 1, 2020 – June 30, 2021
2. Manager and Chief Engineer Goals for Calendar Year 2022
3. Anticipated Retirements (3)

Manager Tait noted that all 3 retirements are from Operations. Mr. Val Reyna added that Operations is putting a heavy emphasis on recruitment, and they are working closely with HR to make sure they are able to adequately fill shift schedule and standby demands. They are also looking into trainee or apprentice positions, and currently allow cross-training. Mr. Reyna’s biggest concern is not having knowledgeable staff available during an emergency or unforeseen event. The objective for cross-training is to ensure there is more than one person with a specific skill set that can assist in these events. The intent of having a training or apprenticeship program is to allow less experienced employees to shadow more senior employees and receive hands-on training.

TOPICS FOR FUTURE BOARD OF WATER SUPPLY MEETINGS:

1. Manager’s Report No. 17-29 - Discussion and Possible Action on the Financial Management Planning and Water Rate Study for the Department of Water for Fiscal Year 2022 through Fiscal Year 2026
2. Department of Water Performance Audit
3. Baseyard Master Plan Workshop

EXECUTIVE SESSION:

Pursuant to Hawai’i Revised Statutes (HRS) §92-7(a), the Board may, when deemed necessary, hold an executive session on any agenda item without written public notice if the Executive Session was not anticipated in advance. Any such executive session shall be held pursuant to HRS §92-4 and shall be limited to those items described in HRS §92-5(a).

ADJOURNMENT

Board member Simonton moved to adjourn the Regular Board meeting at 10:29 a.m., seconded by Mr. Tanigawa; with no objections, motion carried with 5 Ayes.

Respectfully submitted,

Approved,

Cherisse Zaima
Commission Support Clerk

Julie Simonton
Secretary, Board of Water Supply

A horizontal splash of clear blue water with bubbles, positioned behind the text.

NEW

BUSINESS

MANAGER'S REPORT No. 22-44

December 23, 2021

Re: Discussion and Adoption of Resolution No. 22-06, Farewell to Clyde M. Kojiri (Retiree),
Maintenance Worker II, Operations Division

It is requested that the Board approve Resolution 22-06, and wish Clyde M. Kojiri, Maintenance Worker II, a happy retirement.

VR/mja

Attachment: Resolution No. 22-06 Mahalo and Aloha Clyde M. Kojiri

Mgrrp/December 2021/22-44/ Discussion and Adoption of Resolution No. 22-06, Farewell to Clyde M. Kojiri (Retiree), Maintenance Worker II, Operations Division (12-23-21) mja

*Mahalo and Aloha***Clyde M. Kojiri***Maintenance Worker II*

WHEREAS, Clyde M. Kojiri joined the Department of Water (DOW) on September 11, 2006 as a Maintenance Worker Aid, got promoted to Maintenance Worker I on February 1, 2008, earned a reallocation to Construction and Maintenance Worker I on March 1, 2015 and worked his way up for a promotion to his current position as a Maintenance Worker II, Working Supervisor on September 1, 2019; and

WHEREAS, after more than fifteen (15) years of service to the DOW and County of Kaua'i customers, Clyde decided it's time; and

WHEREAS, now Clyde can dedicate more time to traveling and hunting; and

WHEREAS, in 2021, the Department has grown to more than 100 employees (plus vacancies), 86 vehicles and equipment, some of which are now retired too and recently hit the auction block, and the equivalent of 21,000 service connections; Clyde has tremendously benefitted our community and has played an important role in repairing, maintaining and replacing the growing and aging DOW water distribution, source and storage infrastructure and facilities as well as keeping up with remote sites vegetation and access maintenance; and

WHEREAS, Clyde demonstrated his dedication and loyalty to the Department by working independently and fulfilling his assignments with minimal complaints and supervision, and getting along with all of his co-workers; and

WHEREAS, in addition to his many years of dedication, loyalty and devoted service with the DOW, we will miss the "can do" attitude by which Clyde performs his work duties and work assignments; and

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF WATER SUPPLY, COUNTY OF KAUAI, STATE OF HAWAII, that on behalf of the water-consuming customers on Kaua'i, the Board expresses its gratitude and appreciation for the many years of dedicated service rendered by Clyde M. Kojiri. We extend to Clyde our best wishes for much happiness and success in retirement.

BE IT FURTHER RESOLVED that a copy of this Resolution be forwarded to CLYDE M. KOJIRI with our warmest Aloha and best wishes for success in all his future endeavors.



We do certify that the foregoing was duly adopted by the Board of Water Supply during its meeting on December 23, 2021.

Gregory Kamm, Chairperson

Julie Simonton, Secretary



MANAGER'S REPORT No. 22-45

December 23, 2021

Re: Discussion and Adoption of Resolution No. 22-07, Farewell to Lance Nakata (Retiree),
Water Plant Operator, Operations Division

It is requested that the Board approve Resolution 22-07, and wish Lance Nakata, title, a happy retirement.

VR/mja

Attachment: Resolution No. 22-07 Mahalo and Aloha Lance Nakata

Mgrrp/December 2021/22-45/ Discussion and Adoption of Resolution No. 22-07, Farewell to Lance Nakata (Retiree), Water Plant Operator, Operations Division (12-23-21) mja

*Mahalo and Aloha***Lance Nakata***Water Plant Operator I*

WHEREAS, Lance Nakata joined the Department of Water (DOW) on October 1, 1992 as a Janitor II, transferred as a Laborer I on April 1, 1993, reallocated to Laborer II on July 1, 1994, moved to Pipefitter series as a Helper on September 1, 1998, earned a promotion to Pipefitter on July 1, 2001, earned another promotion to his current position as Water Plant Operator I on February 1, 2006; and

WHEREAS, after more than twenty nine (29) years of service to the County of Kaua'i and DOW customers, Lance decided it's time to pursue other interests; and

WHEREAS, now Lance can dedicate more time to traveling and visiting the "ninth island"; and

WHEREAS, in 2021, the Department has grown to more than 100 employees (plus vacancies), 86 vehicles and equipment, some of which are now retired too and recently hit the auction block, 52 deepwell sources, 19 booster pumping stations, 60 storage tanks, 75 control valve stations, and the equivalent of 21,000 service connections that Lance will not have to worry about anymore; Lance has tremendously benefitted our community and has played an important role in repairing, maintaining and replacing the growing and aging DOW water distribution, source and storage infrastructure and facilities as well as ensuring that the DOW delivers safe and potable drinking water; and

WHEREAS, Lance demonstrated his dedication and loyalty to the Department by working independently and fulfilling his assignments with minimal complaints and supervision, and getting along with all of his co-workers, and making himself available to help during water related emergencies; and

WHEREAS, in addition to his many years of dedicated, loyal and devoted service with the Department of Water of the County of Kaua'i, we will miss the "can do" attitude by which Lance performs his work duties and work assignments; and

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF WATER SUPPLY, COUNTY OF KAUAI, STATE OF HAWAII, that on behalf of the water-consuming customers on Kaua'i, the Board expresses its gratitude and appreciation for the many years of dedicated service rendered by Lance Nakata. We extend to Lance our best wishes for much happiness and success in retirement.

BE IT FURTHER RESOLVED that a copy of this Resolution be forwarded to Lance Nakata with our warmest Aloha and best wishes for success in all his future endeavors.



We do certify that the foregoing was duly adopted by the Board of Water Supply during its meeting on December 23, 2021.

Gregory Kamm, Chairperson

Julie Simonton, Secretary



MANAGER'S REPORT No. 22-46

December 23, 2021

Re: Discussion and Adoption of Resolution No. 22-08, Farewell to David E. Okamoto (Retiree), Water Plant Operator II, Operations Division

It is requested that the Board approve Resolution 22-08, and wish David E. Okamoto, Water Plant Operator II a happy retirement.

VR/mja

Attachment: Resolution No. 22-08 Mahalo and Aloha David E.Okamoto

Mgrp/December 2021/22-46/ Discussion and Adoption of Resolution No. 22-08, Farewell to David E. Okamoto (Retiree), Water Plant Operator II, Operations Division (12-23-21) mja

Mahalo and Aloha
David E. Okamoto

Water Plant Operator II

WHEREAS, David E. Okamoto started his career with the Department of Public Works on September 12, 1988, joined the Department of Water (DOW) as a Pipefitter Helper on October 16, 1990, promoted to Pipefitter on April 1, 1999, reallocated to Water Plant Operator I on February 1, and promoted to his current position as Water Plant Operator II, Working Supervisor on May 16, 2013; and

WHEREAS, after more than thirty three (33) years of service to the County of Kaua'i and DOW customers, David decided it's time; and

WHEREAS, in 2021, DOW Operations has grown to 52 deepwell sources, 19 booster pumping stations, 60 storage tanks, 75 control valve stations, and the equivalent of more than 21,000 service connections that David will not be responsible for anymore; David has tremendously benefitted our community and has played an important role in repairing, maintaining, retrofitting and replacing the growing and aging DOW water distribution, source and storage infrastructure and facilities as well as ensuring that the DOW delivers safe and potable drinking water; and

WHEREAS, David demonstrated his dedication and loyalty to the Department by working independently and fulfilling his assignments with minimal supervision, and making himself available to help during water related emergencies; and

WHEREAS, in addition to his many years and decades of dedicated, loyal and devoted service with the Department of Water of the County of Kaua'i, we will miss the "can do" attitude by which David performs his work duties, responsibilities and work assignments; and

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF WATER SUPPLY, COUNTY OF KAUAI, STATE OF HAWAII, that on behalf of the water-consuming customers on Kaua'i, the Board expresses its gratitude and appreciation for the many years of dedicated service rendered by David E. Okamoto. We extend to Lance our best wishes for much happiness and success in retirement.

BE IT FURTHER RESOLVED that a copy of this Resolution be forwarded to DAVID E. OKAMOTO with our warmest Aloha and best wishes for success in all his future endeavors.



We do certify that the foregoing was duly adopted by the Board of Water Supply during its meeting on December 23, 2021.

Gregory Kamm, Chairperson

Julie Simonton, Secretary



MANAGER'S REPORT No. 22-47

December 23, 2021

Re: Discussion and Adoption of Resolution No. 22-09, Mahalo and Aloha to Raymond A. F. Chow, Jr., Lead Pipefitter, Operations Division

It is requested that the Board approve Resolution 22-09, and wish Raymond A. F. Chow, Jr., Lead Pipefitter, a happy retirement.

VR/mja

Attachment: Resolution No. 22-09 Mahalo and Aloha Raymond Chow

Mgrrp/December 2021/22-47/ Discussion and Adoption of Resolution No. 22-09, Mahalo and Aloha to Raymond A. F. Chow, Jr., Lead Pipefitter, Operations Division (12-23-21) mja

*Mahalo and Aloha***Raymond A. F. Chow, Jr.***Lead Pipefitter*

WHEREAS, Raymond A. F. Chow, Jr. joined the Department of Water (DOW) on May 1, 2003 as a Maintenance Worker Aid, transferred to the pipefitter series as a Pipefitter Helper on October 1, 2005, reallocated to Pipefitter on September 15, 2008, and promoted to his current position as Lead Pipefitter on September 16, 2013; and

WHEREAS, after more than eighteen (18) years of service to the County of Kaua`i and DOW customers, Raymond decided it's time to pursue other interests; and

WHEREAS, now Raymond can dedicate more time to traveling and hanging out with family and friends at the beach; and

WHEREAS, in 2021, the Department has grown to more than 100 employees (plus vacancies), 86 vehicles and equipment, some of which are now retired too and recently hit the auction block, 52 deepwell sources, 19 booster pumping stations, 60 storage tanks, 75 control valve stations, the equivalent of more than 21,000 service connections, and more importantly more than 4,000 hydrants that Raymond will not have to worry about maintaining, repairing and replacing anymore; and

WHEREAS, Raymond has tremendously benefitted our community and has played an important role in repairing, maintaining and replacing the growing and aging DOW water distribution, source and storage infrastructure and facilities as well as ensuring that the DOW delivers safe and potable drinking water; and

WHEREAS, Raymond demonstrated his dedication and loyalty to the Department by working independently and fulfilling his assignments with minimal complaints and supervision, and getting along with all of his co-workers, and making himself available to help during water related emergencies anytime of the day or night; and

WHEREAS, in addition to his many years of dedicated, loyal and devoted service with the Department of Water of the County of Kaua`i, we will miss the "can do" attitude by which Raymond performs his work duties and work assignments; and

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF WATER SUPPLY, COUNTY OF KAUA'I, STATE OF HAWAII, that on behalf of the water-consuming customers on Kaua'i, the Board expresses its gratitude and appreciation for the many years of dedicated service rendered by Raymond A. F. Chow, Jr. We extend to Raymond our best wishes for much happiness and success in retirement.

BE IT FURTHER RESOLVED that a copy of this Resolution be forwarded to Raymond A. F. Chow, Jr. with our warmest Aloha and best wishes for success in all his future endeavors.



We do certify that the foregoing was duly adopted by the Board of Water Supply during its meeting on December 23, 2021.

Gregory Kamm, Chairperson

Julie Simonton, Secretary



MANAGER'S REPORT No. 22-48

December 23, 2021

Re: Discussion and Adoption of Resolution No. 22-10, Farewell to Carl S. Arume (Retiree),
Water Microbiologist V, Engineering Division

It is requested that the Board approve Resolution 22-10, and wish Carl S. Arume, Water Microbiologist V, a happy retirement.

VR/mja

Attachment: Resolution No. 22-10 Mahalo and Aloha Carl S. Arume

Mgrp/December 2021/22-48/ Discussion and Adoption of Resolution No. 22-10, Farewell to Carl S. Arume (Retiree), Water Microbiologist V, Engineering Division (12-23-21) mja

*Mahalo and Aloha***Carl S. Arume***Water Microbiologist V.*

WHEREAS, Carl S. Arume joined the Department of Water team on August 16, 1995 as a Water Microbiologist IV with the Special Projects Division;

WHEREAS, Carl furthered his career in the water industry to Microbiologist V to lead the team of the Water Quality Division.

WHEREAS, Carl has been a valued team resource and will be ending his career at the DOW at the close of December 2021;

WHEREAS, Carl will no longer have to struggle to keep awake during lengthy Department meetings;

WHEREAS, Carl will be able to focus his time and energy to the needs of his family and friends;

WHEREAS, Carl will now have unrestricted time to schedule and coordinate hunting adventures;

WHEREAS, Carl will be able to utilize his handyman skills and tend to the “honey do” list;

WHEREAS, Carl can focus his attention to improvements in surfing innovations;

WHEREAS, the Department will miss his “nutty professor” thoughts and anecdotes;

WHEREAS, Carl will finally be able to ride his foil out into the sunset without a DOW care in the world;

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF WATER SUPPLY, COUNTY OF KAUA'I, STATE OF HAWAII, that on behalf of the water-consuming customers on Kaua'i, the Board expresses its gratitude and appreciation for the many years of dedicated service rendered by Carl S. Arume. We extend to Carl our best wishes for much happiness and success in retirement.

BE IT FURTHER RESOLVED that a copy of this Resolution be forwarded to CARL S. ARUME with our warmest Aloha and best wishes for success in all his future endeavors.



We do certify that the foregoing was duly adopted by the Board of Water Supply during its meeting on December 23, 2021.

Gregory Kamm, Chairperson

Julie Simonton, Secretary



MANAGER'S REPORT No. 22-49

December 23, 2021

Re: Discussion and Adoption of Resolution No. 22-11, Mahalo and Aloha Board Member,
Elesther Calipjo

It is requested that the Board approve Resolution 22-11, Mahalo and Aloha Board Member
Elesther Calipjo

CZ

Attachment: Resolution No. 22-11 Mahalo and Aloha Board Member Lester Calipjo

Mgrrp/December 2021/22-49/ Discussion and Adoption of Resolution No. 22-11, Mahalo and Aloha Board Member Lester Calipjo (12-23-21)
crz

COUNTY OF KAUAI
DEPARTMENT OF WATER
Board of Water Supply, Board Member

ELESTHER CALIPJO
MAHALO & ALOHA
March 2019 – December 2021

WHEREAS, Mahalo and Aloha are in order for Board Member ELEsther “LEsthter” Calipjo, who served on the Board of Water from March 2019 to December 2021; and

WHEREAS, gratitude is in order as Board Member Calipjo voluntarily dedicated two (2) years and nine (9) months of his life in guiding the Department of Water with his leadership, perceptive input, and insight to help steward Kaua'i's most important resource; and

WHEREAS, Board Member Calipjo's generosity in his service to his community, particularly with regard to serving on County boards and commissions, cannot be overstated; and

WHEREAS, Board Member Calipjo successfully navigated a pivot to virtual Board and Finance Committee meetings during his tenure which overlapped with the COVID pandemic response; and

WHEREAS, Board Member Calipjo was a great resource for the Finance Committee serving as a member from March 2019 to December 2021 as well as Board Secretary; and

WHEREAS, Congratulations are in order as Board Member Calipjo can finally dedicate more of his time and business expertise as he continues to lead in other organizations in our community; and

WHEREAS, Board Member Calipjo would always make a grand entrance at every virtual meeting as the Board eagerly waited for him to sign on; and

WHEREAS, Board Member Calipjo will no longer be pestered to show his face on Teams during Board meetings or deal with technology issues (can you hear me now?!); and

WHEREAS, the Commission Support Clerk will miss having to remind Board Member Calipjo to turn his camera on, and unmute his mic; and

WHEREAS, Board Member Calipjo is a man of very few words and much sage wisdom; and

WHEREAS, Board Member Calipjo's kind and calm manner will be missed; and

WHEREAS, Board Member Calipjo will be available to share all of his free time reading books with his grandchildren instead of board minutes; and

WHEREAS, the Department wishes the best of luck and extends its warmest Aloha to Board Member Calipjo in all his future endeavors; and

BE IT RESOLVED BY THE BOARD OF WATER SUPPLY, COUNTY OF KAUAI, STATE OF HAWAII, in recognition of the outstanding service and commitment of BOARD MEMBER LESTHER CALIPJO to our Garden Island Community, does hereby extend to Board Member Lesther Calipjo, a fond Mahalo and heartfelt Aloha for the contributions he has made as a member of the Board of Water Supply. We extend our best wishes to him for all of the happiness, prosperity, and success as he deserves in all of his future endeavors.

BE IT FURTHER RESOLVED that a copy of this Resolution be forwarded to LESTHER CALIPJO.



We do certify that the foregoing was duly adopted by the Board of Water Supply during its meeting on December 23, 2021.

Gregory Kamm, Chairperson

Julie Simonton, Secretary

DEPARTMENT OF WATER

County of Kaua'i

"Water has no Substitute – Conserve It!"

MANAGER'S REPORT No. 22-50

December 23, 2021

Re: Discussion and Receipt of the Department of Water's Draft Audit Financial Statements and Independent Auditor's Report for Fiscal Years July 1, 2020 – June 30, 2021

RECOMMENDATION:

It is recommended that the Board receive and accept the Department of Water's (DOW's) draft Financial Statements (FS) as of Fiscal Years July 1, 2020 – June 30, 2021, together with the Independent Auditor's Report.

BACKGROUND:

The DOW's independent auditor, Accuity, LLP has completed the audit of the DOW's financial accounts and the internal controls on information technology for the Fiscal Year (FY) ending June 30, 2021.

A draft copy of the audited Financial Statements as of June 30, 2021, and 2020 together with the Independent Auditor's Report are hereby submitted for your review, discussion, and necessary action. The Auditors representing Accuity, LLP are available to discuss the results of the audit and to answer any questions that the Board may have.

OPTIONS:

Option 1: It is recommended that the Board receive and accept the DOW's Financial Statements and Independent Auditor's Report by Accuity, Inc. for Fiscal Years July 1, 2020 – June 30, 2021.

Pros: The DOW will be able to transmit the official copy of the audited Financial Statements to the County of Kaua'i Finance Director accordingly.

Cons: None known.

Option 2: Do not receive and accept the DOW's Financial Statements and Independent Auditor's Report by Accuity, Inc. for Fiscal Years July 1, 2020 – June 30, 2021. Do not transmit the audited Financial Statements to the County of Kaua'i Finance Director at this time.

Pros: The Board will have additional time to discuss additional questions that they may have regarding the results of the audit.

Con: Deferral may affect the County of Kaua'i's timeline in meeting their set deadline.

Attachments: Kauai DOW 6-30-21 Board Presentation
Kauai DOW 6-30-21 FS Draft

Mgrpp/December 2021/22-50/ Discussion and Receipt of the Department of Water's Draft Audit Financial Statements and Independent Auditor's Report for Fiscal Years July 1, 2020 – June 30, 2021 (12-23-21) crz



ACCUITY

Department of Water

County of Kauai


**June 30, 2021 Audit Results
Presentation to the Board
December 23, 2021**

**Presented by:
Donn Nakamura
Matthew Oda**

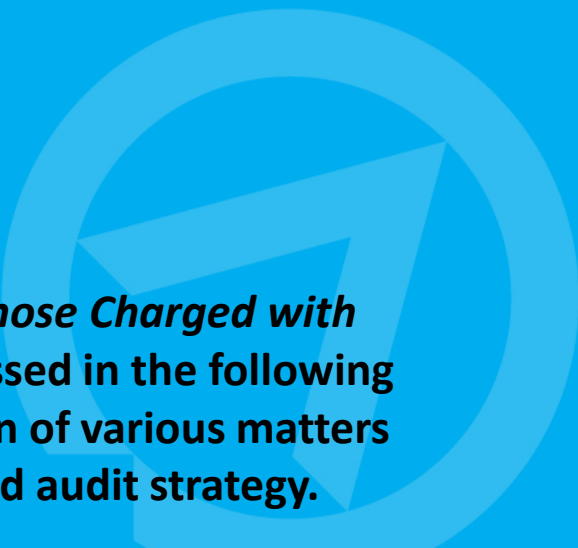
12-23-21 Regular Board Meeting

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- 
- Provide an opinion on the fair presentation of the Department of Water's (the "Department") financial statements.
 - Consider the Department's internal control over financial reporting in relation to our audit of the financial statements.
 - Perform tests of the Department's compliance with certain provisions of laws, regulations, contracts and grant agreements in relation to the financial statements.

- Net position decreased by \$3.3 million in fiscal 2021 compared to the \$167 thousand increase in fiscal 2020. In fiscal 2021, operating revenues decreased by \$1.3 million, while operating expenses increased by \$1.3 million and investment income decreased by \$1.6 million.
- Due to the change in depreciation methodology for utility plant in service assets, a \$25.6 million restatement was recorded to increase beginning net position as of July 1, 2020.
- Due to the restatement for the change in depreciation methodology partially offset by the current year activity, net position increased to \$223.9 million as of June 30, 2021 compared to \$198.3 million as of June 30, 2020, as previously reported.
- Current assets at June 30, 2021 of \$17.5 million exceeded total current liabilities by \$7.7 million.
- Net capital assets increased by \$24.6 million in fiscal 2021 to \$245.9 million. This increase was primarily due to the change in the method of depreciating utility plant in service assets, which resulted in a \$25.6 million reduction to accumulated depreciation.
- Net pension liability was \$20.8 million as of June 30, 2021, a decrease of \$1.2 million from the prior year-end.
- Net OPEB liability was \$7.7 million as of June 30, 2021, a decrease of \$799 thousand from the prior year-end.
- Bonds payable decreased by \$3.3 million due to current payments. New bonds were also issued in the current year to refund old bonds, but the net impact on total bonds payable was minimal.
- SRF loans payable decreased by \$2.0 million due to current payments and no new additions.

- 
- **AU-C Section 260 – *The Auditor’s Communication with Those Charged with Governance*.** These required communications are addressed in the following pages. Our procedures and scope require communication of various matters to the individuals responsible consistent with our planned audit strategy.
 - **As a result of our audit procedures performed relating to the financial statements of the Organization for the year ended June 30, 2021, there are no matters which came to our attention that would require further communication or action by management other than those discussed in the following pages.**

Required Communications

Required Communications	Application to the Department of Water
<p>Auditors’ responsibility under generally accepted auditing standards. The auditors should communicate the level of responsibility assumed for fraud and illegal acts, whether the financial statements are free of material misstatement and whether management’s assessment of the effectiveness of the entity’s internal control over financial reporting is fairly stated.</p>	<p>Our primary responsibility as the Department of Water’s (the “Department”) independent auditors is to evaluate and report on the fairness of the Department’s financial statements prepared in accordance with generally accepted accounting principles (“GAAP”). Based upon the results of our audit, which was performed in accordance with U.S. generally accepted auditing standards and <i>Government Auditing Standards</i>, we are prepared to issue an unmodified opinion on the Department’s financial statements.</p>
<p>Overview of the planned scope of the audit. The overview of the planned scope and timing of the audit should be communicated to those charged with governance.</p>	<p>This was communicated in our Contract No. 638 dated June 23, 2017.</p>
<p>Significant accounting policies, including critical accounting policies, and the auditors’ judgment about the quality of accounting principles. The entity’s initial selection of and changes in significant accounting policies or their application; methods used to account for significant unusual transactions; and effect of significant policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus should be communicated to those charged with governance.</p>	<p>As discussed in Note 2 to the basic financial statements, the Department changed the depreciation policy for its utility plant-in-service assets in 2021 from the group remaining life method to the whole life method and unit depreciation accounting. Therefore, the Department restated its beginning net position as of July 1, 2020.</p>

Required Communications

Required Communications	Application to the Department of Water
<p>Management judgments and accounting estimates. Those charged with governance should be informed about the process used by management in formulating sensitive accounting estimates and about the auditors’ conclusions regarding the reasonableness of those estimates.</p>	<p>The more difficult and subjective judgments and estimates were:</p> <ul style="list-style-type: none"> • Allowance for uncollectible receivables. • Revenue recognized related to unbilled accounts. • Depreciation and useful lives of capital assets. • Calculation of net pension benefits, net other postemployment benefits, and workers’ compensation liabilities. <p>Management’s estimates were evaluated and appeared to be reasonable.</p>
<p>Audit adjustments. All significant financial statement adjustments arising from the audit or proposed during the audit and any uncorrected misstatements that were determined to be immaterial by management individually and in the aggregate should be communicated to those charged with governance.</p>	<p>There were 11 adjusting journal entries for fiscal 2021. These journal entries were recorded by management in the audited financial statements and are shown on pages 9 to 13.</p> <p>There were no uncorrected misstatements above our de minimis noted in the current year.</p>
<p>Potential effect on the financial statements of any significant risks and exposures. Those charged with governance should be aware of major risks and exposures facing the entity and how they are disclosed.</p>	<p>In March 2020, the World Health Organization declared an outbreak of the coronavirus infection (“COVID-19”) to be a global pandemic. The ultimate disruption that may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Department’s financial position, operations, and cash flows. Management is continuing to evaluate the effects that COVID-19 will have on the operations of the Department.</p>

Required Communications

Required Communications	Application to the Department of Water
<p>Material uncertainties related to events and conditions, specifically going concern issues. Any doubt regarding the entity's ability to continue as a going concern and any other material uncertainties should be communicated.</p>	<p>No issues related to the Department's ability to continue as a going concern or other material uncertainties were noted.</p>
<p>Other information in documents containing audited financial information. Those charged with governance should be informed of the auditors' responsibility for information in a document containing audited financial statements, as well as of any procedures performed and the results.</p>	<p>We are unaware of any documents that will be submitted containing the audited financial statements.</p>
<p>Disagreements with management. Disagreements with management, whether or not satisfactorily resolved, about matters that could be significant to the entity's financial statements or the auditors' report should be communicated.</p>	<p>No such matters noted.</p>
<p>Consultation with other accountants. When the auditors are aware that management has consulted with other accountants about significant accounting or auditing matters, the auditors' view about the consultation subject should be communicated to those charged with governance.</p>	<p>We know of no such consultations made by management.</p>

Required Communications

Required Communications	Application to the Department of Water
<p>Major issues discussed with management prior to retention. Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention should be communicated.</p>	<p>There were none.</p>
<p>Difficulties encountered in performing the audit. Serious difficulties encountered in dealing with management that related to the performance of the audit are required to be brought to the attention of those charged with governance.</p>	<p>There were no serious difficulties encountered in performing the audit.</p>
<p>Internal control deficiencies. Those charged with governance should be informed of any significant deficiencies or material weaknesses in the design or operation of internal control that came to the auditors' attention during the audit.</p>	<p>We identified several IT control deficiencies in the areas of logical and physical security and change management that collectively resulted in an overall significant deficiency, which is reported in the schedule of findings attached to the audited financial statements.</p>
<p>Fraud and illegal acts. Fraud or illegal acts involving senior management, or those responsible for internal controls, or causing a material misstatement of the financial statements where the auditors determine there is evidence that such fraud may exist should be communicated. Any illegal acts coming to the auditors' attention involving senior management and any other illegal acts, unless clearly inconsequential, should be communicated.</p>	<p>We are not aware of any fraud or illegal acts.</p>

Required Communications

Required Communications	Application to the Department of Water
<p>Other material written communications.</p> <ul style="list-style-type: none">• Management representation letter.• Schedule of findings.• Engagement letter.	<ul style="list-style-type: none">• Management representation letter is available upon request.• Refer to financial statements.• Contract is available upon request.

Adjusting Journal Entries

Adjusting Journal Entry #1			
Dr.	Pension expense	1,797,110	
Dr.	Net pension liability	1,185,655	
Cr.	Deferred inflows on net pension liability		1,705,155
Cr.	Deferred outflows on net pension liability		1,277,610
To properly reflect the pension liability related amounts to the GRS GASB 68 allocation schedules			

Adjusting Journal Entry #2			
Dr.	Pension expense	1,543,850	
Cr.	Deferred outflows on net pension liability		1,543,850
To properly reflect the prior year contributions as a pension expense in the current year			

Adjusting Journal Entries, cont'd

Adjusting Journal Entry #3			
Dr.	Deferred outflows on net pension liability	1,532,189	
Cr.	Pension expense		1,532,189
To properly reflect the current year contributions as a deferred outflows at FYE			

Adjusting Journal Entry #4			
Dr.	Bonds payable (2011A)	1,693,467	
Dr.	Amortization expense	17,669	
Cr.	Deferred gain on refunding		8,665
Cr.	Bonds payable (2021A)		1,702,471
To record Series 2021A GO Bonds (refunding 2011A)			

Adjusting Journal Entries, cont'd

Adjusting Journal Entry #5			
Dr.	Bonds payable (2012A)	1,711,826	
Dr.	Amortization expense	19,294	
Cr.	Deferred gain on refunding		50,320
Cr.	Bonds payable (2021B)		1,680,800
To record Series 2021B GO bonds (advance refund 2012A)			

Adjusting Journal Entry #6			
Dr.	Accrued interest payable	51,949	
Cr.	Interest expense		51,949
To adjust accrued interest after refunding			

Adjusting Journal Entries, cont'd

Adjusting Journal Entry #7			
Dr.	Interest expense	16,013	
Cr.	Accrued interest payable		16,013
	To accrue interest for refunding bonds		

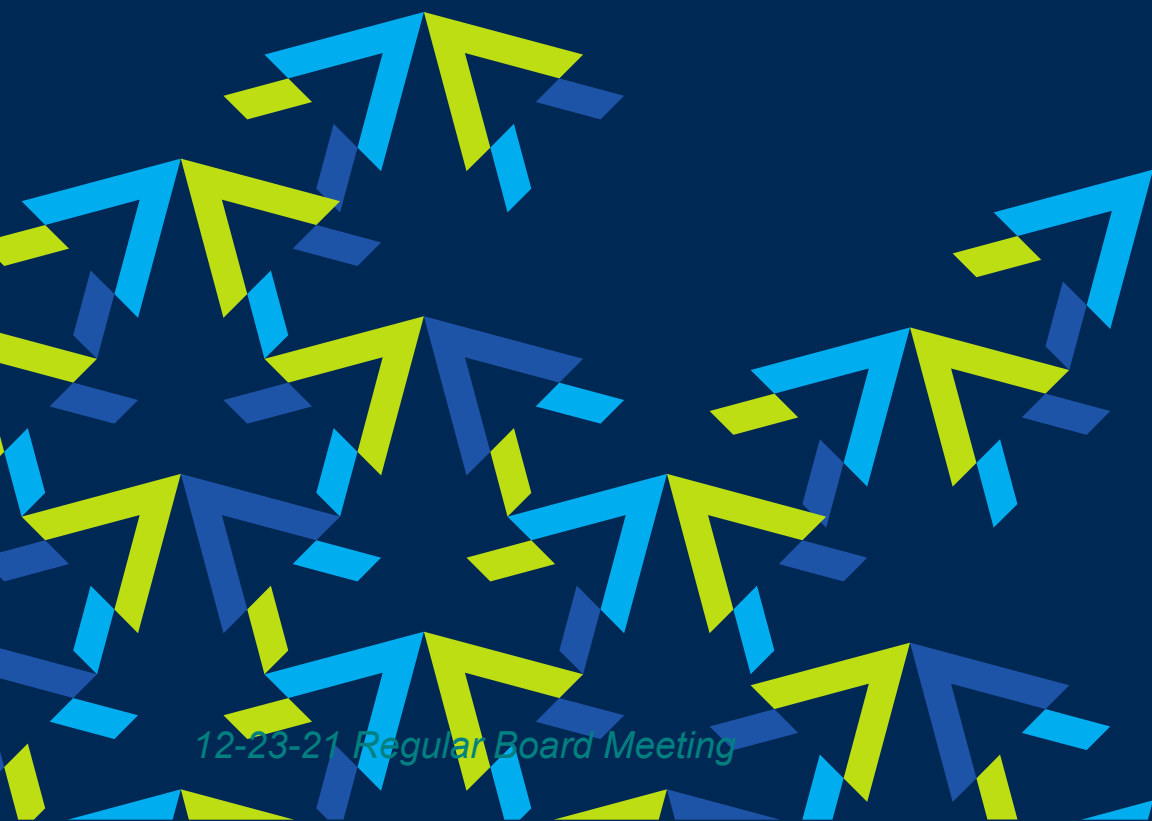
Adjusting Journal Entry #8			
Dr.	Bonds payable	18,074	
Cr.	Amortization expense		18,074
	To correct premiums for refunded bonds		

Adjusting Journal Entry #9			
Dr.	Deferred gain on refunding	1,828	
Cr.	Amortization expense		1,828
	To record FY2021 refunding difference amortization for new debt		

Adjusting Journal Entries, cont'd

Adjusting Journal Entry #10			
Dr.	Bonds payable (2021A)	7,403	
Cr.	Amortization expense		7,403
To record FY2021 premium amortization for 2021A GO bonds			

Adjusting Journal Entry #11			
Dr.	Source of supply expense	2,673,422	
Cr.	Net position, unrestricted		2,673,422
To correct surface water treatment plant lease true-up payment			



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ACCUITY

**Department of Water
County of Kauai**

Financial Statements

June 30, 2021 and 2020

DRAFT



**Department of Water
County of Kauai
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County of Kauai
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Report of Independent Auditors

To the Board of Water Supply
Department of Water, County of Kauai

Report on the Financial Statements

We have audited the accompanying financial statements of the Department of Water (the “Department”), a component unit of the County of Kauai (the “County”), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Department’s basic financial statements as listed in the index.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Department’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Department as of June 30, 2021 and 2020, and the respective changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 and schedule of the Department's proportionate share of the net pension liability, schedule of the Department's pension contributions, schedule of the Department's proportionate share of the net other postemployment benefits ("OPEB") liability, and schedule of the Department's OPEB contributions on pages 49 through 52, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Department's basic financial statements. The accompanying Supplemental Schedules I and II are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Supplemental Schedules I and II are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplemental information in Schedules I and II is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Emphasis of Matter

As discussed in Note 2, the basic financial statements of the Department are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the County as of June 30, 2021 and 2020, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

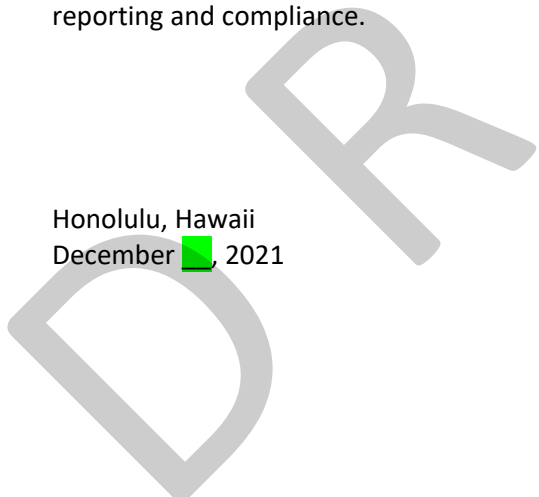
Change in Accounting Principle

As discussed in Note 2 to the basic financial statements, the Department changed the depreciation policy for its utility plant-in-service assets in 2021 from the group remaining life method to the whole life method and unit depreciation accounting. Therefore, the Department has restated its beginning net position as of July 1, 2020. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December █, 2021 on our consideration of the Department’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department’s internal control over financial reporting and compliance.

Honolulu, Hawaii
December █, 2021



**Management's Discussion and Analysis
(Unaudited)**

DRAFT

Department of Water
County of Kauai
Management's Discussion and Analysis (Unaudited)
June 30, 2021 and 2020

The Department of Water, County of Kauai (the "Department") is a semiautonomous agency consisting of a Board of Water Supply Manager and Chief Engineer, and support staff. The Board of Water Supply is responsible for the management, control and operation of the County of Kauai's water system. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements.

Financial Highlights

- Total assets and deferred outflows at fiscal year-end ("FY") June 30, 2021 were \$320.2 million ("M") and exceeded liabilities and deferred inflows by \$220.6M.
- Total net position at June 30, 2021 was a net negative change of \$3.3M. FY 2021's income (loss) of (\$7.3M) before capital contributions of \$4.0M resulted in a decrease of \$3.3M in net position, as presented on bottom of page 6.
- Total cash and investments as of June 30, 2021 were \$61.7M, a decrease of \$4.3M from June 30, 2020.
- The Department's liquidity ratio was 1.8 at June 30, 2021 and 2.7 at June 30, 2020.
- The Department finances part of its capital improvement and rehabilitation programs through Build America Bonds ("BAB") and State Revolving Fund ("SRF") loans. Along with the County of Kauai, the Department issued 2021A (tax exempt) to current refund outstanding Series 2011A bonds and 2021B (taxable) to advance refund outstanding Series 2012A in FY 2021. The debt-to-equity ratio including capital leases was 28% as of June 30, 2021 and 34% as of June 30, 2020.
- Operating revenues for FY 2021 were \$27.7M, a decrease of \$1.3M from FY 2020. Water rates were the same in FY 2021 as FY 2020, but total water consumption decreased by 248 million gallons ("MG"). This was due to the continuing COVID-19 pandemic which caused extended closures of most of the top commercial customers and thus created a negative impact to the Department's water sales revenues.
- Operating expenses for the current year totaled \$32.3M, an increase of \$1.3M as compared to the prior year. Details of this increase are further explained on pages 7 through 10.
- Long-term debt at June 30, 2021 was \$62.1M, a decrease of \$5.3M from June 30, 2020. The decrease was from principal payments made for both the SRF loans and BAB.
- The Department changed the depreciation policy for its utility plant-in-service assets in 2021 from the group remaining life method to the whole life method and unit depreciation accounting. As a result of this change in accounting principle, a \$25.6M restatement was recorded to increase beginning net position as of July 1, 2020.

Overview of the Financial Statements

The financial statements are presented using the economic resources measurement focus and accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. The financial statements are designed to provide readers with a broad overview of the Department's finances in a manner similar to a private-sector business.

The basic financial statements include a statement of net position, a statement of revenues, expenses, and changes in net position, a statement of cash flows, and notes to basic financial statements. The statement of net position presents all of the Department's assets and deferred outflows of resources ("deferred outflows") and liabilities, deferred inflows of resources ("deferred inflows"), and net position, and provides information on the nature of its resources and obligations. The statement of revenues, expenses, and changes in net position presents the results of operations and the resulting change in net position for the year. The statement of cash flows presents changes in cash resulting from operating activities, capital and related financing activities, and investing activities.

The notes to the basic financial statements provide required disclosures and additional information that is essential to a full understanding of the data provided in the basic financial statements. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information on utility plant-in-service and selective account classifications.

In addition to the basic financial statements and accompanying notes, this report presents a section of required supplementary information other than management's discussion and analysis, which includes a schedule of the Department's proportionate share of the net pension liability, schedule of the Department's pension contributions, schedule of the Department's proportionate share of the net OPEB liability, and schedule of the Department's OPEB contributions.

Department of Water
County of Kauai
Management's Discussion and Analysis (Unaudited)
June 30, 2021 and 2020

Financial Analysis

Statements of Net Position – Condensed

June 30, 2021, 2020 and 2019

	2021	2020	2019	CY – PY % Change
Assets				
Current and other assets	\$ 17,471,791	\$ 27,041,225	\$ 39,629,448	(35 %)
Net capital assets	245,880,657	221,271,477	222,343,881	11 %
Other noncurrent assets	49,260,681	45,729,384	36,104,224	8 %
Deferred outflows of resources	7,606,119	8,469,228	5,253,018	(11%)
Total assets and deferred outflows	<u>\$ 320,219,248</u>	<u>\$ 302,511,314</u>	<u>\$ 303,330,571</u>	6 %
Liabilities				
Current liabilities	\$ 9,748,687	\$ 10,049,880	\$ 11,425,374	(3 %)
Long-term debt, net	56,884,592	62,160,398	67,379,153	(8 %)
Other long-term liabilities	29,573,644	31,468,950	25,519,494	(6 %)
Deferred inflows of resources	3,438,339	570,421	912,344	503 %
Total liabilities and deferred inflows	<u>\$ 99,645,262</u>	<u>\$ 104,249,649</u>	<u>\$ 105,236,365</u>	(4 %)
Net position				
Net investment in capital assets	\$ 193,552,477	\$ 163,824,472	\$ 160,382,454	18 %
Restricted	3,574,478	2,050,167	905,194	74 %
Unrestricted	23,447,031	32,387,026	36,806,558	(28 %)
Total net position	<u>\$ 220,573,986</u>	<u>\$ 198,261,665</u>	<u>\$ 198,094,206</u>	11 %

Statements of Revenues, Expenses, and Changes in Net Position – Condensed

Years Ended June 30, 2021, 2020 and 2019

	2021	2020	2019	CY – PY % Change
Operating revenues	\$ 27,725,531	\$ 29,013,044	\$ 30,558,551	(4 %)
Operating expenses	32,255,403	30,966,409	27,110,251	4 %
Income (loss) from operations	(4,529,872)	(1,953,365)	3,448,300	132 %
Nonoperating expenses	(2,775,492)	(1,384,042)	(922,775)	101 %
Capital contributions	4,000,213	3,504,866	6,730,850	14 %
Change in net position	(3,305,151)	167,459	9,256,375	(2074 %)
Beginning of year, as previously reported	198,261,665	198,094,206	188,837,831	0 %
Restatement adjustment due to change in accounting principle	25,617,472	-	-	
Net position				
Beginning of year, as restated	223,879,137	198,094,206	188,837,831	13 %
End of year	<u>\$ 220,573,986</u>	<u>\$ 198,261,665</u>	<u>\$ 198,094,206</u>	11 %

Department of Water
County of Kauai
Management's Discussion and Analysis (Unaudited)
June 30, 2021 and 2020

The Department's financial condition remains positive at year-end. As described earlier, net position is the reported difference between assets and deferred outflows and liabilities and deferred inflows, which over time may serve as a useful indicator of the Department's overall financial position. Total assets and deferred outflows at year-end was \$320.2M, which exceeded liabilities and deferred inflows of \$99.6M by \$220.6M (net position).

Total cash and investments (including restricted funds) decreased by \$4.3M from \$66.0M at June 30, 2020 to \$61.7M at June 30, 2021.

The Department's liquidity ratio (current assets divided by current liabilities) was 1.8 at June 30, 2021 and 2.7 at June 30, 2020.

The Department finances part of its capital improvement and rehabilitation program through BAB and SRF loans. The debt-to-equity ratio at June 30, 2021, 2020 and 2019 were 28%, 34% and 37%, respectively.

The debt service coverage for FY 2021 was 0.9. The Department's debt service coverage target is 1.5.

The change in net position was a result of the operating and non-operating activities of the Department. For FY 2021, the Department costs in total experienced a decrease in net position of \$3.3M because of the following:

- Income (loss) from operations for FY 2021 was (\$4.5M). Combined with the nonoperating expenses of \$2.8M, the income before capital contributions was a net loss of \$7.3M. The Department also received capital contributions of \$4.0M, thus the change in net position resulted in an decrease of \$3.3M.
- Total operating expenses increased by \$1.3M or 4.2% higher from \$31.0M in FY 2020 to \$32.3M in FY 2021. The Department made a catch-up payment in bulk water purchases to fulfill the terms of a ten-year capital lease agreement that ended in FY 2020 which caused the increase in operating expenses.
 - Depreciation and amortization decreased by \$80.3 thousand ("K") or 1% as compared from the previous fiscal year. The decrease was due to the change of depreciating the Utility Plant assets from group remaining life to straight-line whole life method and unit depreciation accounting which was implemented in FY 2021 after the completion of the Depreciation Rate Study.

Department of Water
County of Kauai
Management's Discussion and Analysis (Unaudited)
June 30, 2021 and 2020

- Administrative and general expenses decreased by \$1.3M or (12)%. This decrease from the previous fiscal year was attributed to the following:
 - Salaries, wages and related employee benefits decreased by \$649.9K or 13%.
 - Department wide, salaries and wages increased by \$272.8K or 4%. This increase was due to the previously approved pay raises for all bargaining units which were implemented for both FY 2020 and FY 2021. In addition, vacant positions were continuously being filled throughout FY 2021.
 - Department wide, fringe benefits that include FICA, health fund, retirement and OPEB contributions decreased by \$566K or 10%. This decrease was due to a higher pension liability recorded in FY 2020 per the Governmental Accounting Standards Board Statement No. 68 actuarial report as compared to FY 2021.
 - Professional services decreased by \$659.6K. The decreases were from Administration, (\$110.9K) and Engineering Services, which included Construction Management and Water Resources & Planning (\$841.4K). Information Technology and Fiscal Accounting increased by \$203.4K and \$89.3K, respectively, due to ongoing IT projects.
 - Other services, public relations, procurement advertising, insurance claims, repairs and maintenance for non-water systems, utility services, communication and supplies had a combined decrease of \$6.0K.
 - Books, subscriptions and dues, training and development, travel and per diem had a combined net decrease of \$32.6K. With the prevailing COVID-19 pandemic, trainings and meetings were conducted via web conference or tele-calls.
- Transmission and distribution ("TandD") expenses increased by \$131.7K. This 3% increase was attributed to the following:
 - Salaries, wages and related employee benefits increased by \$220.2K or 5%. The increase was due to the filling up of some vacant positions and increased overtime costs.
 - Repairs and maintenance – water systems decreased by \$221.0K. This decrease was due to the SCADA maintenance contract issued in the previous fiscal year.
 - Repairs and maintenance – non-water systems increased by \$100.0K due to various auto and road repairs and the repurposing of the micro lab building into the operations' administration building.
 - Travel, training and development decreased by \$10.9K because meetings and trainings were held via live video or teleconference calls.

Department of Water
County of Kauai
Management's Discussion and Analysis (Unaudited)
June 30, 2021 and 2020

- Source of supply expenses increased by \$2.6M. This 106% increase was due to the following:
 - Salaries, wages and related employee benefits increased by \$105.4K. The increase was due to the filling up of some vacant positions and increased overtime costs.
 - Operating supplies decreased by \$23.8K due to inventory adjustment.
 - Bulk water purchases increased by \$2.5M. This large increase was due to a one-time payment as an end of lease adjustment to fulfill the terms of an existing water purchase agreement.
- Power and pumping expenses decreased by \$37.4K as compared to FY 2020. This 1% decrease was a combination of the following:
 - Salaries, wages and related employee benefits decreased by \$11.5K. The decrease in employee benefits of \$26.4K (mainly from pension expenses) was more than the \$14.9K increase in salaries and wages.
 - Utility services increased by \$49.2K. The increase in the cost of electricity was due to changes in the tier pricing schedule of some water stations because of decreasing electricity usage thus higher rate was charged.
 - Repairs and maintenance decreased by \$69.8K as compared to the previous year due to pump purchases made in FY 2020.
 - Operating supplies increased by \$21.2K because more repairs were completed by the Department's electrical crew.
- Customer accounting and collection expenses increased by \$106.2K compared to FY 2020. This 9.2% increase was due to the following:
 - Salaries and wages increased by \$52.1K and corresponding employee benefits went up by \$19.6K. This was due to filling up of some positions that were vacant in the previous fiscal year.
 - Professional and other services increased by \$34.6K due to outside IT services for technical support on the billing system.
- Purification expenses decreased by \$75.3K as compared to the previous FY 2020. This 7% decrease was due to the following:
 - Salaries, wages and related employee benefits decreased by \$31.8K. The increase in salaries and decrease in employee benefits were explained above.

Department of Water
County of Kauai
Management’s Discussion and Analysis (Unaudited)
June 30, 2021 and 2020

- Professional services decreased by \$76.2K. The decrease was due to a services contract for water quality testing that was performed in the previous fiscal year.
- Repairs and maintenance, non-water system, and operating supplies had a combined increase of \$32.8K. This increase was due to more inhouse repairs and inhouse generation of disinfection chemicals to two water systems.
- Capital contributions, which are included in nonoperating income, amounted to \$4.0M for FY 2021, an increase of \$495.3K or 14% as compared to \$3.5M capital contributions in FY 2020.

Capital Assets and Debt Administration

Capital assets are made up of property, plant and equipment. As of June 30, 2021, the Department had net capital assets of \$245.9M. The increase of \$24.6M was due largely to a change in accounting principle affecting the depreciation method of the utility plant assets that decreased accumulated depreciation previously recognized. In addition, utility plant-in-service additions completed in FY 2021 amounted to \$2.2M. Major capital asset additions included:

2020 Ford 550 Pickup	General Plant	\$ 157,142
2021 Peterbilt 348 Tractor	General Plant	155,445
Koloa Village LLC – Laterals and hydrants	Utility Plant	201,531
Kulana Condominium – Mains, laterals and hydrants	Utility Plant	1,486,694
		<u>\$ 2,000,812</u>

Long-term debt obligations outstanding as of June 30, 2021 amounted to \$62.1M, which consisted of \$47.6M in BAB and \$14.4M in SRF loans. The Department made a total of \$5.2M in principal payments for both the BAB and SRF loans.

Along with the County of Kauai, the Department issued 2021A (tax exempt) to current refund outstanding Series 2011A bonds and, 2021B (taxable) to advance refund outstanding Series 2012A in FY 2021.

More detailed information about the Department’s long-term debt is provided in Note 6 of the notes to the basic financial statements.

Current Known Facts, Decisions or Conditions

The ongoing COVID-19 pandemic may result in a material adverse impact on the Department’s financial position, operations, and cash flows. As of this date, management is not aware of any other known facts, decisions or conditions that are expected to have a significant effect on financial position or results of operations of the Department.

Requests for Information

This financial report is designed to provide a general overview of the Department's finances as of June 30, 2021. Questions concerning any information provided in this report or requests for additional information should be addressed to the Manager and Chief Engineer, Department of Water, County of Kauai at 4398 Pua Loke Street, Lihue, Kauai, Hawaii 96766.

DRAFT

Basic Financial Statements

DRAFT

Department of Water
County of Kauai
Statements of Net Position
June 30, 2021 and 2020

	2021	2020
Assets and Deferred Outflows of Resources		
Current assets		
Cash	\$ 6,138,072	\$ 12,085,164
Equity interest in pooled investments	6,532,722	8,294,230
Receivables		
Accounts, net of allowance for doubtful accounts of approximately \$225,000 and \$247,000 in 2021 and 2020, respectively	1,444,801	1,329,679
Unbilled accounts	1,600,826	1,378,550
Grants and subsidies	517,610	2,607,467
Accrued interest	185,492	209,775
Total receivables	<u>3,748,729</u>	<u>5,525,471</u>
Materials and supplies	1,006,099	1,089,732
Prepaid expenses	46,169	46,629
Total current assets	<u>17,471,791</u>	<u>27,041,226</u>
Restricted assets		
Facility reserve charge funds		
Cash	3,320,860	1,922,304
Accounts receivable and other	221,833	99,725
Total facility reserve charge funds	<u>3,542,693</u>	<u>2,022,029</u>
Bond funds		
Cash	1,194,235	1,265,983
Equity interest in pooled investments	8,620,927	8,623,168
Accrued interest	39,636	35,988
Total bond funds	<u>9,854,798</u>	<u>9,925,139</u>
Total restricted assets	<u>13,397,491</u>	<u>11,947,168</u>
Equity interest in pooled investments, noncurrent	35,863,190	33,782,216
Utility plant		
In service	349,459,920	347,014,604
Accumulated depreciation	(122,542,671)	(141,562,550)
Total utility plant, net	<u>226,917,249</u>	<u>205,452,054</u>
Construction work in progress	18,963,408	15,819,422
Net capital assets	<u>245,880,657</u>	<u>221,271,476</u>
Total assets	<u>312,613,129</u>	<u>294,042,086</u>
Deferred outflows of resources		
Deferred outflows on net pension liability	5,770,335	7,031,125
Deferred outflows on net other postemployment benefits liability	1,835,784	1,438,103
Total deferred outflows of resources	<u>7,606,119</u>	<u>8,469,228</u>
Total assets and deferred outflows of resources	<u>\$ 320,219,248</u>	<u>\$ 302,511,314</u>

The accompanying notes are an integral part of these financial statements.

Department of Water
County of Kauai
Statements of Net Position
June 30, 2021 and 2020

	2021	2020
Liabilities, Deferred Inflows of Resources, and Net Position		
Current liabilities		
Current portion of long-term debt	\$ 5,170,095	\$ 5,160,541
Accounts payable and accrued liabilities	2,649,924	2,952,156
Contracts payable, including retainages	648,333	491,013
Accrued vacation and compensatory pay	595,500	552,118
Customer deposits	684,835	894,052
Total current liabilities	9,748,687	10,049,880
Long-term debt, net of current portion and unamortized premiums	56,884,592	62,160,398
Net pension liability	20,785,838	21,971,493
Net other postemployment benefits liability	7,726,732	8,525,884
Accrued vacation and compensatory pay, net of current portion	1,061,074	971,573
Total liabilities	96,206,923	103,679,228
Deferred inflows of resources		
Deferred gain on refunding	88,655	15,216
Deferred inflows on net pension liability	2,163,284	458,129
Deferred inflows on net other postemployment benefits liability	1,186,400	97,076
Total deferred inflows of resources	3,438,339	570,421
Commitments and contingencies		
Net position		
Net investment in capital assets	193,552,477	163,824,472
Restricted for capital activity	3,574,478	2,050,166
Unrestricted	23,447,031	32,387,027
Total net position	\$ 220,573,986	\$ 198,261,665

The accompanying notes are an integral part of these financial statements.

Department of Water
County of Kauai
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2021 and 2020

	2021	2020
Operating revenues		
Water sales	\$ 25,320,768	\$ 26,672,425
Other water revenue		
Public fire protection service	2,201,634	2,174,298
Other	203,129	166,321
Total operating revenues	<u>27,725,531</u>	<u>29,013,044</u>
Operating expenses		
Depreciation and amortization	7,109,741	7,190,082
Administrative and general	9,549,855	10,894,918
Transmission and distribution	5,341,771	5,210,026
Power and pumping	2,903,552	2,940,942
Customer accounting and collection	1,257,407	1,151,162
Purification	1,063,320	1,138,620
Source of supply	5,029,757	2,440,659
Total operating expenses	<u>32,255,403</u>	<u>30,966,409</u>
Operating loss	<u>(4,529,872)</u>	<u>(1,953,365)</u>
Nonoperating income (expenses)		
Investment income, net	174,025	1,806,151
Interest expense	(2,949,517)	(3,190,193)
Total nonoperating expenses, net	<u>(2,775,492)</u>	<u>(1,384,042)</u>
Loss before contributions	(7,305,364)	(3,337,407)
Contributions	4,000,213	3,504,866
Change in net position	<u>(3,305,151)</u>	<u>167,459</u>
Net position		
Beginning of year, as previously reported	198,261,665	198,094,206
Restatement due to change in accounting principle	25,617,472	-
Net position at beginning of year, as restated	<u>223,879,137</u>	<u>198,094,206</u>
End of year	<u>\$ 220,573,986</u>	<u>\$ 198,261,665</u>

The accompanying notes are an integral part of these financial statements.

Department of Water
County of Kauai
Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Cash received from customers	\$ 24,983,370	\$ 27,266,327
Cash payments to suppliers for goods and services	(16,770,501)	(16,170,132)
Cash payments to employees for services	(6,879,135)	(6,594,711)
Other cash receipts	2,404,763	2,340,619
Net cash provided by operating activities	<u>3,738,497</u>	<u>6,842,103</u>
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(4,073,414)	(5,799,656)
Principal paid on revolving fund loan	(1,950,541)	(1,942,034)
Principal paid on public improvement bond maturities	(3,210,000)	(3,075,000)
Principal paid on capital lease obligation	-	(4,058)
Interest paid on long-term debt	(3,067,232)	(3,268,292)
Proceeds from Build America Bond interest subsidies	1,020,667	824,669
Net proceeds from FRC Program	1,288,569	919,445
Proceeds from federal government capital grants	117,889	-
Proceeds from state government capital grants	1,637,845	2,285,207
Net cash used in capital and related financing activities	<u>(8,236,217)</u>	<u>(10,059,719)</u>
Cash flows from investing activities		
Purchases of investments	(20,145,841)	(76,827,147)
Sales and maturities of investments	19,268,137	83,945,597
Interest on investments	755,140	1,106,651
Net cash provided by (used in) investing activities	<u>(122,564)</u>	<u>8,225,101</u>
Net change in cash (including restricted cash)	<u>(4,620,284)</u>	<u>5,007,485</u>
Cash		
Beginning of year (including \$3,188,287 and \$1,906,476 in restricted cash at July 1, 2020 and 2019, respectively)	<u>15,273,451</u>	<u>10,265,966</u>
End of year (including \$4,515,095 and \$3,188,287 in restricted cash at June 30, 2021 and 2020, respectively)	<u>\$ 10,653,167</u>	<u>\$ 15,273,451</u>

The accompanying notes are an integral part of these financial statements.

Department of Water
County of Kauai
Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Reconciliation of cash flows from operating activities		
Operating loss	\$ (4,529,872)	\$ (1,953,365)
Depreciation and amortization expense	7,109,741	7,190,082
Bad debt expense	(9,157)	24,187
Decrease (increase) in assets and deferred outflows of resources		
Accounts receivable, net	(105,965)	416,004
Unbilled accounts and other receivables	(222,276)	153,711
Materials and supplies	83,633	22,774
Prepaid expenses and other assets	460	4,630
Deferred outflows of resources	783,873	(3,232,492)
Increase (decrease) in liabilities and deferred inflows of resources		
Accounts payable and accrued liabilities	(184,517)	(1,365,833)
Accrued vacation and compensatory pay	132,883	106,979
Customer deposits	(209,217)	(64,056)
Net pension liability	(1,185,655)	5,814,825
Net other postemployment benefits liability	290,172	(62,758)
Deferred inflows of resources	1,784,394	(212,585)
Net cash provided by operating activities	<u>\$ 3,738,497</u>	<u>\$ 6,842,103</u>

Supplemental Disclosure of Noncash Capital and Related Financing Activities

The Department received approximately \$1,903,000 and \$406,000 for the years ended June 30, 2021 and 2020, respectively, in contributions of property, plant and equipment from governmental agencies, developers and customers, which are recorded as contributions at estimated fair value at the date of donation.

The accompanying notes are an integral part of these financial statements.

Department of Water
County of Kauai
Notes to Financial Statements
June 30, 2021 and 2020

1. Background

On May 10, 1960, by authority of Act 20, Session Laws of Hawaii 1960, the Board of Water Supply (the "Board") of the County of Kauai, Hawaii (the "County") was created. The County transferred to the Board the operation and management of the water transmission and distribution systems. Under Act 20, the Board has the power to make and alter rules and regulations relating to the management, control, operation, preservation and protection of the waterworks. The rules and regulations adopted by the Board have the force and effect of law.

As of January 2, 1969, under a new charter for the County, the policy-making responsibility for the water system was retained by the Board. The Board, however, is specifically stated to be an executive department of the County government. To the extent that they were not in conflict with the provisions of the charter, laws governing the County water supply which were in existence at the time of the enactment of the charter continued in effect. The water system is now being operated as the Department of Water, County of Kauai (the "Department"), a self-supporting component unit (enterprise fund) of the County, which renders water services throughout the island.

The Department is responsible for establishing rates for services based upon current operating costs and expected future capital and operating revenue requirements. The rates determined by the Department are subject to approval by the Board.

2. Summary of Significant Accounting Policies

Financial Statement Presentation

The Department is a component unit of the County (the primary government). The accompanying financial statements present only the activities of the Department and do not include other organizations, activities and functions of the County.

Basis of Accounting

The accompanying financial statements are presented using the economic resources measurement focus and the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred.

The Department distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Department's principal ongoing water operations. The principal operating revenues are from charges for water usage, while operating expenses include cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash

The Department's cash includes cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

The Department has stated its investments at fair value, except for non-negotiable certificates of deposit which are recorded at amortized cost. Changes in the fair value of investments are recognized in investment income in the accompanying statements of revenues, expenses, and changes in net position. The net increase (decrease) in the fair value of investments for the years ended June 30, 2021 and 2020 approximated (\$560,000) and \$706,000, respectively.

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include revenue recognized related to unbilled accounts, accrued liability for workers' compensation claims and judgments, accrued liability for postretirement healthcare benefits, and net pension liability. Actual results could differ from those estimates.

Utility Plant-in-Service ("UPIS") and Depreciation

In April 2021, the Department engaged a consultant to evaluate the effectiveness of the rates being used to depreciate its utility plant-in-service assets. As a result, effective July 1, 2020, the Department elected to change the depreciation policy for its utility plant-in-service assets from the group remaining life method to the whole life method and unit depreciation accounting. Under this new methodology, depreciation expense is calculated by individual asset as opposed to applying composite rates to beginning plant balances, resulting in a more accurate estimate of depreciation expense and accumulated depreciation. This change in accounting principle has resulted in an approximately \$25,617,000 restatement of the Department's beginning net position as of July 1, 2020.

The UPIS is depreciated on the straight-line basis over the estimated useful lives of the various individual and group assets, and is as follows:

Motor vehicles	7 – 10 years
Equipment and machinery	5 – 20 years
Buildings and improvements	40 – 50 years
Transmission and distribution equipment	18 – 63 years

Normal maintenance and repairs are charged to operations as incurred. All expenditures for major additions, betterments and replacements for the utility plant are capitalized, and expenditures for the general plant greater than \$5,000 are capitalized. The Department capitalizes certain indirect costs related to construction work orders based upon actual construction direct labor hours.

Material and Supplies

Materials and supplies are stated at lower of average cost (which approximates the first-in, first-out method) or market. The cost of materials and supplies is recorded as an expense when consumed rather than when purchased.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent consumptions of net position that apply to future periods and will not be recognized as an outflow of resources (expenses) until then. Deferred charges on refunding bonds resulting from the difference between the carrying value of debt and its reacquisition price are reported as deferred outflows of resources. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt on a basis that approximates the effective-interest method.

Differences between expected and actual experience and changes in assumptions are recognized in pension and other postemployment benefits (“OPEB”) expense, respectively, using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan and OPEB through the OPEB plan (active and inactive employees) determined as of the beginning of the measurement period.

Additionally, differences between projected and actual earnings on pension and OPEB plan investments are recognized in the pension and OPEB expense, respectively, using a systematic and rational method over a closed five-year period. Contributions to the pension and OPEB plan from the employer subsequent to the measurement date of the net pension and OPEB liability, respectively, and before the end of the reporting period are reported as deferred outflows of resources.

Revenue Recognition

The Department recognizes revenue on the accrual method of accounting as services are rendered. Revenue recognized for services rendered but not billed is reflected as unbilled accounts receivable in the accompanying statements of net position.

Risk Management

The Department is exposed to various risks of loss from: (1) torts; (2) theft of, damage to, and destruction of assets; (3) employee injuries and illnesses; (4) natural disasters; (5) employee health, dental and accident benefits; and (6) miscellaneous others. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims in excess of this commercial coverage were not significant in any of the three preceding years. The Department is self-insured for workers’ compensation claims and judgments.

Department of Water
County of Kauai
Notes to Financial Statements
June 30, 2021 and 2020

Contributions

For the years ended June 30, 2021 and 2020, the following transactions represent voluntary non-exchange transactions, recorded at fair value, and are included as nonoperating income in the statements of revenues, expenses, and changes in net position:

	2021	2020
Contributions of property, plant and equipment, and grant money from governmental agencies, developers and customers	\$ 1,901,286	\$ 1,775,795
Build America Bond interest subsidies	810,358	809,626
Facility reserve charge fees	1,288,569	919,445
	<u>\$ 4,000,213</u>	<u>\$ 3,504,866</u>

At June 30, 2020, the Department recorded approximately \$322,000 of accrued interest subsidies in grants and subsidies receivable in the accompanying statements of revenues, expenses, and changes in net position. There were no accrued interest subsidies at June 30, 2021.

Facilities Reserve Charge (“FRC”)

Under the authority provided to the Board mentioned in Note 1, the Department assesses a fee to commercial and residential developers based upon the number and size of water meters installed at respective projects. These fees are restricted to fund the capital improvements of the water supply system and recorded as contributions in the statements of revenues, expenses, and changes in net position.

Net Position

Net position comprises the various accumulated net earnings from operating and nonoperating revenues, expenses and contributions in aid of construction. Net position is classified in the following three components: net investment in capital assets, restricted for capital activity, and unrestricted net position. Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction or improvement of those assets. Debt related to unspent proceeds or other restricted cash and investments at year-end are not included in the calculation of net investment in capital assets. Restricted for capital activity consists of net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. Unrestricted consists of all other net position not included in the above categories. When both restricted and unrestricted resources are available for use, generally, it is the Department's policy to use restricted resources first, then unrestricted resources as they are needed.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Employees' Retirement System of the State of Hawaii ("ERS"), and additions to/deductions from ERS's fiduciary net position have been determined on the same basis as they are reported by ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value.

Postemployment Benefits Other Than Pensions ("OPEB")

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the Hawaii Employer-Union Health Benefits Trust Fund ("EUTF"), and additions to/deductions from the EUTF's fiduciary net position have been determined on the same basis as they are reported by the EUTF. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at their fair value.

New Accounting Pronouncements

GASB Statement No. 87

In June 2017, the Governmental Accounting Standards Board ("GASB") issued Statement No. 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This Statement is effective for periods beginning after June 15, 2021. The Department has not yet determined the effect this Statement will have on its financial statements.

GASB Statement No. 94

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement addresses issues related to public-private and public-public partnerships and provides guidance for accounting and financial reporting for availability payment arrangements. This Statement is effective for periods beginning after June 15, 2022. The Department has not yet determined the effect this Statement will have on its financial statements.

GASB Statement No. 96

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. This Statement is effective for fiscal years beginning after June 15, 2022. The Department has not yet determined the effect this Statement will have on its financial statements.

Coronavirus Disease 2019 (“COVID-19”)

On March 11, 2020, the World Health Organization declared an outbreak of the coronavirus infection (“COVID-19”) to be a global pandemic. The ultimate disruption that may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Department’s financial position, operations, and cash flows. Management is continuing to evaluate the effects that COVID-19 will have on the operations of the Department.

3. Deposits

The Department’s deposits consist of cash on hand, cash held at financial institutions, and cash held at the County of Kauai.

At June 30, 2021 and 2020, the carrying value of the Department’s cash deposits amounted to approximately \$10,653,000 and \$15,273,000, respectively, of which approximately \$4,184,000 and \$1,789,000, respectively, were held by the County in the County’s name. The bank balances at June 30, 2021 and 2020 amounted to approximately \$10,751,000 and \$15,781,000, respectively. The County Director of Finance has arranged for all of the Department’s deposits at June 30, 2021 and 2020 to be collateralized with securities held by the pledging financial institution in the County’s name.

4. Investments

The Department’s investments are controlled by the Director of Finance of the County of Kauai and are generally invested in money market mutual funds, certificates of deposit, repurchase agreements, government treasury obligations and agencies (i.e., Federal Home Loan Bank notes and bonds, Federal Home Loan Mortgage Corporation bonds, and Federal National Mortgage Association notes and bonds) with federally insured financial institutions and mutual funds. The Department’s investment vehicles are consistent with the investment guidelines contained in the Hawaii Revised Statutes (“HRS”).

The Department participates in an investment pool with the County. The Department’s portion of this pool is displayed on the statements of net position as equity interest in pooled investments.

The Department categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

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The following table presents the fair value of the Department's investments by level of input at June 30, 2021 and 2020:

	Reported Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2021				
Investments by fair value level				
U.S. Treasury obligations	\$ 7,790,357	\$ 7,790,357	\$ -	\$ -
U.S. government agencies	25,287,522	-	25,287,522	-
Money market mutual funds	4,527,652	4,527,652	-	-
Total investments by fair value level	<u>37,605,531</u>	<u>\$ 12,318,009</u>	<u>\$ 25,287,522</u>	<u>\$ -</u>
Investments measured at amortized cost				
Certificates of deposit	<u>13,411,308</u>			
Total equity interest in pooled investments	<u>\$ 51,016,839</u>			
2020				
Investments by fair value level				
U.S. Treasury obligations	\$ 11,916,610	\$ 11,916,610	\$ -	\$ -
U.S. government agencies	19,051,575	-	19,051,575	-
Repurchase agreements	200,000	-	200,000	-
Money market mutual funds	2,225,429	2,225,429	-	-
Total investments by fair value level	<u>33,393,614</u>	<u>\$ 14,142,039</u>	<u>\$ 19,251,575</u>	<u>\$ -</u>
Investments measured at amortized cost				
Certificates of deposit	<u>17,306,000</u>			
Total equity interest in pooled investments	<u>\$ 50,699,614</u>			

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Notes to Financial Statements
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The following table represents the Department’s investments by maturity as of June 30, 2021 and 2020:

	Reported Value	Maturity (in years)	
		0–1	1–5
2021			
U.S. Treasury obligations	\$ 7,790,357	\$ 1,847,430	\$ 5,942,927
U.S. government agencies	25,287,522	212,318	25,075,204
Repurchase agreements	-	-	-
Certificates of deposit	13,411,308	1,243,000	12,168,308
	<u>46,489,187</u>	<u>\$ 3,302,748</u>	<u>\$ 43,186,439</u>
Money market mutual funds	<u>4,527,652</u>		
Total equity interest in pooled investments	<u>\$ 51,016,839</u>		
2020			
U.S. Treasury obligations	\$ 11,916,610	\$ 4,931,820	\$ 6,984,790
U.S. government agencies	19,051,575	2,728,636	16,322,939
Repurchase agreements	200,000	200,000	-
Certificates of deposit	17,306,000	2,245,000	15,061,000
	<u>48,474,185</u>	<u>\$ 10,105,456</u>	<u>\$ 38,368,729</u>
Money market mutual funds	<u>2,225,429</u>		
Total equity interest in pooled investments	<u>\$ 50,699,614</u>		

- **Interest Rate Risk** – State law limits the Department’s investment portfolio to maturities of less than five years. The Department does not have a formal investment policy that further limits investment maturities.
- **Credit Risk** – State law limits investments to the top rating issued by nationally recognized statistical rating organizations (“NRSROs”) or investments that have the faith and credit of the United States pledged for the payment of principal and interest. The Department has no investment policy that would further limit its investment choices. As of June 30, 2021, with the exception of the Department’s investment in certain fixed income and money market funds which were not rated, all of the Department’s investments were rated AA or greater.
- **Custodial Credit Risk** – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Department will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

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- **Concentration of Credit Risk** – The Department places no limit on the amount which may be invested in any one issuer. As of June 30, 2021, more than 5% of the Department’s investments are held in the following: Federal Home Loan Bank (22%), Freddie Mac (18%), U.S. Treasury (15%), First Hawaiian Bank (11%), Federal Farm Credit Bank (10%), and Central Pacific Bank (8%).

5. Capital Assets

Capital asset activity during 2021 and 2020 was as follows:

	Balance July 1, 2020 (As Restated)	Additions	Reductions/ Transfers	Balance June 30, 2021
Capital assets not being depreciated				
Land and land rights	\$ 1,307,422	\$ -	\$ -	\$ 1,307,422
Construction in progress	15,819,422	3,252,636	(108,650)	18,963,408
Total capital assets not being depreciated	<u>17,126,844</u>	<u>3,252,636</u>	<u>(108,650)</u>	<u>20,270,830</u>
Capital assets being depreciated				
Utility plant	312,207,638	2,176,281	(94,665)	314,289,254
General plant	24,112,127	795,270	(414,115)	24,493,282
Capital leases	7,415,346	-	(35,644)	7,379,702
Intangible assets	1,972,071	18,189	-	1,990,260
Total capital assets being depreciated	<u>345,707,182</u>	<u>2,989,740</u>	<u>(544,424)</u>	<u>348,152,498</u>
Less: Accumulated depreciation and amortization				
Utility plant	(98,128,347)	(5,879,379)	80,158	(103,927,568)
General plant	(8,938,776)	(1,011,263)	413,105	(9,536,934)
Capital leases	(7,412,820)	(2,525)	35,644	(7,379,701)
Intangible assets	(1,465,135)	(233,333)	-	(1,698,468)
Total accumulated depreciation and amortization	<u>(115,945,078)</u>	<u>(7,126,500)</u>	<u>528,907</u>	<u>(122,542,671)</u>
Total capital assets, net	<u>\$ 246,888,948</u>	<u>\$ (884,124)</u>	<u>\$ (124,167)</u>	<u>\$ 245,880,657</u>
	Balance July 1, 2019	Additions	Reductions/ Transfers	Balance June 30, 2020
Capital assets not being depreciated				
Land and land rights	\$ 1,307,422	\$ -	\$ -	\$ 1,307,422
Construction in progress	11,179,624	5,287,640	(647,842)	15,819,422
Total capital assets not being depreciated	<u>12,487,046</u>	<u>5,287,640</u>	<u>(647,842)</u>	<u>17,126,844</u>
Capital assets being depreciated				
Utility plant	311,303,167	600,893	303,578	312,207,638
General plant	23,713,600	398,527	-	24,112,127
Capital leases	7,415,346	-	-	7,415,346
Intangible assets	1,925,117	46,954	-	1,972,071
Total capital assets being depreciated	<u>344,357,230</u>	<u>1,046,374</u>	<u>303,578</u>	<u>345,707,182</u>
Less: Accumulated depreciation and amortization				
Utility plant	(117,802,582)	(5,939,573)	87,701	(123,654,454)
General plant	(8,054,035)	(978,834)	-	(9,032,869)
Capital leases	(7,407,979)	(4,842)	-	(7,412,821)
Intangible assets	(1,235,799)	(226,607)	-	(1,462,406)
Total accumulated depreciation and amortization	<u>(134,500,395)</u>	<u>(7,149,856)</u>	<u>87,701</u>	<u>(141,562,550)</u>
Total capital assets, net	<u>\$ 222,343,881</u>	<u>\$ (815,842)</u>	<u>\$ (256,563)</u>	<u>\$ 221,271,476</u>

In 2021 and 2020, no impairment losses were identified by the Department.

6. Long-Term Liabilities

Bonds Payable

The full faith and credit of the County is pledged for the payment of the Department's bond obligations. The County has the power and is obligated to levy ad valorem taxes, without limitation as to rate or amount, on all real property subject to taxation by the County.

On May 4, 2021, the County issued and allocated to the Department \$1,510,000 in Series 2021A general obligation bonds, with a premium of approximately \$192,000 and an interest rate of 5.0%, for the purpose of current refunding \$1,615,000 of outstanding 2011A Series bonds with interest rates between of 3.25% and 5.00%. The net proceeds of the issuance were approximately \$1,685,000 after payment of approximately \$18,000 in underwriting fees and other issuance costs. The net proceeds were transferred to an escrow deposit to redeem the outstanding 2011A Series bonds.

The Department completed the current refunding to reduce its total debt service payments over the next four years by approximately \$132,000 and to obtain an economic gain (difference between the present values of the old debt and new debt service payments) of approximately \$131,000.

On April 8, 2021, the County issued and allocated to the Department \$1,680,800 in Series 2021B general obligation bonds with interest rates between 0.32% and 1.88%, for the purpose of advance refunding \$1,570,000 of outstanding 2012A Series bonds with interest rates between 3.00% and 5.00%. The net proceeds of the issuance were approximately \$1,662,000 after payment of approximately \$19,000 in underwriting fees and other issuance costs. The net proceeds were transferred to an escrow deposit to redeem the outstanding 2012A Series bonds.

The advance refunding for the County and the Department resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$50,000, which is recorded against the new debt and amortized over the life of the new debt. The Department completed the refunding to reduce its total debt service payments over the next eight years by approximately \$119,000 and to obtain an economic gain (difference between the present values of the old debt and new debt service payments) of approximately \$118,000.

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As of June 30, 2021 and 2020, bonds payable consisted of the following:

	2021	2020
General Obligation Bonds – County Series 2021A, last installment 2029. Maturing serially from August 1, 2022. Interest rate – 5.00%. Date issued – May 4, 2021. Original amount – \$1,510,000.	\$ 1,510,000	\$ -
General Obligation Bonds – County Series 2021B, last installment 2025. Maturing serially from August 1, 2023. Interest rate – 0.32% to 1.88%. Date issued – April 8, 2021. Original amount – \$1,680,800.	1,680,800	-
Public Improvement Bonds – County Series 2012A, last installment 2022. Maturing serially from August 1, 2016. Interest rate – 3.00% to 5.00%. Date issued – July 10, 2012. Original amount – \$2,745,000.	370,000	2,115,000
Public Improvement Bonds – County Series 2011A, last installment 2021. Maturing serially from August 1, 2012. Interest rate – 2.00% to 5.00%. Date issued – July 7, 2011. Original amount – \$5,125,000.	370,000	2,340,000
Build America Bonds – County Series 2010A, last installment 2033. Maturing serially from August 1, 2013. Interest rate – 1.96% to 5.76%. Date issued – March 24, 2010. Original amount – \$60,000,000.	43,275,000	45,650,000
Public Improvement Bonds – County Series 2005A, last installment 2021. Maturing serially from August 1, 2008. Interest rate – 3.25% to 5.00%. Date issued – February 1, 2006. Original amount – \$3,165,000.	225,000	530,000
	<u>47,430,800</u>	<u>50,635,000</u>
Premium on bond issuance	212,004	323,515
	<u>\$ 47,642,804</u>	<u>\$ 50,958,515</u>

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The approximate annual debt service requirements to maturity as of June 30, 2021 are as follows:

Years ending June 30,	Principal	Interest	Total
2022	\$ 3,260,000	\$ 2,386,000	\$ 5,646,000
2023	3,145,000	2,261,000	5,406,000
2024	3,332,000	2,109,000	5,441,000
2025	3,490,000	1,949,000	5,439,000
2026	3,667,000	1,775,000	5,442,000
2027–2031	18,856,000	6,019,000	24,875,000
2032–2035	11,681,000	937,000	12,618,000
	<u>\$ 47,431,000</u>	<u>\$ 17,436,000</u>	<u>\$ 64,867,000</u>

Loans Payable

The full faith and credit of the Board is pledged for the payment of the Department’s loan obligations. The Board has power to adjust water rates in order to raise funds sufficient to repay the Department’s loan obligations.

The Department’s outstanding loan obligations contain provisions that, in the event of default, an interest penalty will be assessed on outstanding loan repayment amounts beginning on the first day following the repayment due date and the ending on the date the defaulted balances are paid.

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Department of Water
County of Kauai
Notes to Financial Statements
June 30, 2021 and 2020

As of June 30, 2021 and 2020, the loans payable consisted of the following:

	2021	2020
State Revolving Fund (“SRF”) Loan – Stable 1.0 MG Tank, last installment 2029. Interest rate – 0.26%. Semi-annual loan fee rate – 1.625%. Date issued – March 15, 2009. Original amount \$7,274,998.	\$ 3,093,291	\$ 3,475,552
SRF Loan – Poipu Road 16-Inch Main Replacement, last installment 2027. Interest rate – 0.16%. Semi-annual loan fee rate – 1.625%. Date issued – January 15, 2007. Original amount – \$5,158,886.	1,607,302	1,873,717
SRF Loan – Wailua Houselots Main Replacement, last installment 2033. Interest rate – 0.5%. Semi-annual loan fee rate – 0.5%. Date issued – April 15, 2013. Original amount – \$4,463,084.	2,352,317	2,542,089
SRF Loan – Kaunualii Highway 12-Inch Main Replacement, last installment 2029. Interest rate – 0.32%. Semi-annual loan fee rate – 1.625%. Date issued – August 15, 2009. Original amount – \$3,989,537.	1,774,733	1,980,388
SRF Loan – Kapilimao 0.5 MG Tank, last installment 2030. Interest rate – 0.42%. Semi-annual loan fee rate – 1.625%. Date issued – January 15, 2010. Original amount – \$3,793,779.	1,821,915	2,020,127
SRF Loan – Lihue Baseyard Improvements for the Department of Water, last installment 2034. Interest rate – 0.5%. Semi-annual loan fee rate – 0.5%. Date issued – December 15, 2014. Original amount – \$4,000,000.	1,399,164	1,499,265
SRF Loan – Waha, Wawae & Niho Roads Main Replacement, last installment 2029. Interest rate – 0.32%. Semi-annual loan fee rate – 1.625%. Date issued – August 15, 2009. Original amount – \$1,936,018.	864,616	964,795
SRF Loan – 16-Inch Waterline Replacement along Kuhio Highway, Leho Drive to North Papaloa Road, last installment 2026. Interest rate – 0.16%. Semi-annual loan fee rate – 1.625%. Date issued – August 15, 2005. Original amount – \$2,305,093.	613,649	735,807
Subtotal	<u>13,526,987</u>	<u>15,091,740</u>

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	2021	2020
Subtotal carried forward	13,526,987	15,091,740
SRF Loan – Rehabilitate Lihue Steel Tanks 1 & 2, last installment 2025. Interest rate – 0.46%. Semi-annual loan fee rate – 1.625%. Date issued – January 15, 2005. Original amount – \$1,243,017.	273,070	340,467
SRF Loan – Damage Repairs to Kokolau Tunnel, last installment 2021. Interest rate – 1.37%. Semi-annual loan fee rate – 1.625%. Date issued – July 15, 2001. Original amount – \$1,663,201.	48,655	144,854
SRF Loan – Replace Pipeline at Hanapepe River Crossing and Control of Slope; Failure at Hanapepe Well No. 3, last installment 2023. Interest rate – 0.99%. Semi-annual loan fee rate – 1.625%. Date issued – July 15, 2003. Original amount – \$1,243,976.	173,080	241,132
SRF Loan – Ornellas 0.2 MG Tank, last installment 2025. Interest rate – 0.58%. Semi-annual loan fee rate – 1.625%. Date issued – January 15, 2005. Original amount – \$809,398.	176,212	219,656
SRF Loan – Kekaha Well, last installment 2022. Interest rate – 1.01%. Semi-annual loan fee rate – 1.625%. Date issued – April 15, 2002. Original amount – \$862,883.	51,600	102,664
SRF Loan – Rehabilitation of 27-Inch Steel Pipeline – Hanapepe – Eleele Water System, last installment 2023. Interest rate – 0.99%. Semi-annual loan fee rate – 1.625%. Date issued – July 15, 2003. Original amount – \$691,134.	96,497	134,422
SRF Loan – Wailua Homesteads Well No. 3, last installment 2024. Interest rate – 0.54%. Semi-annual loan fee rate – 1.625%. Date issued – March 15, 2004. Original amount – \$397,737.	65,782	87,489
	<u>\$ 14,411,883</u>	<u>\$ 16,362,424</u>

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The approximate annual debt service requirements to maturity as of June 30, 2021 are as follows:

Years ending June 30,	Principal	Interest	Total
2022	\$ 1,910,000	\$ 421,000	\$ 2,331,000
2023	1,816,000	359,000	2,175,000
2024	1,768,000	300,000	2,068,000
2025	1,698,000	244,000	1,942,000
2026	1,589,000	191,000	1,780,000
2027–2031	5,164,000	355,000	5,519,000
2032–2035	467,000	8,000	475,000
	<u>\$ 14,412,000</u>	<u>\$ 1,878,000</u>	<u>\$ 16,290,000</u>

Capital Lease Obligation

On February 19, 2004, the Department entered into a Water Treatment and Delivery Agreement (“Agreement”) with an unrelated third-party developer. The Agreement requires the developer to build, operate and maintain a surface water treatment plant (“SWTP”) with a capacity of 3.0 million gallons per day (“MGD”). The Department is required to purchase, at a minimum, 2.0 MGD and also to provide the developer a credit towards its facility reserve charge. The initial term of the Agreement was 15 years and was extended in February 2019 and again in February 2021 for an additional two years as the SWTP had not been dedicated to the Department. The Agreement also provides the Department with the option of accepting the dedication of the SWTP at no cost after the reimbursement date, as defined. The Department commenced water purchases on January 1, 2006. This arrangement has been recorded as a capital lease in the accompanying basic financial statements.

The capital lease obligation is amortized at an implicit rate of approximately 6.0%. The utility plant related to the SWTP facility approximated \$7,181,000 and was fully amortized as of June 30, 2021 and 2020.

**Department of Water
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June 30, 2021 and 2020**

Changes in Long-term Liabilities

Long-term liability activity for the years ended June 30, 2021 and 2020 was as follows:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Amounts Due Within One Year
General obligation bonds payable	\$ 50,635,000	\$ 3,190,800	\$ 6,395,000	\$ 47,430,800	\$ 3,260,000
Deferred costs –					
Premiums on bond issuance	323,515	192,473	303,984	212,004	-
Total bonds payable	50,958,515	3,383,273	6,698,984	47,642,804	3,260,000
Loans payable	16,362,424	-	1,950,541	14,411,883	1,910,095
Total long-term debt	67,320,939	3,383,273	8,649,525	62,054,687	5,170,095
Net pension liability	21,971,493	-	1,185,655	20,785,838	-
Net other postemployment benefit liability	8,525,884	-	799,152	7,726,732	-
Accrued vacation and compensatory pay	1,523,691	584,095	451,212	1,656,574	595,500
	<u>\$ 99,342,007</u>	<u>\$ 3,967,368</u>	<u>\$ 11,085,544</u>	<u>\$ 92,223,831</u>	<u>\$ 5,765,595</u>

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Amounts Due Within One Year
General obligation bonds payable	\$ 53,710,000	\$ -	\$ 3,075,000	\$ 50,635,000	\$ 3,210,000
Deferred costs –					
Premiums on bond issuance	381,729	-	58,214	323,515	-
Total bonds payable	54,091,729	-	3,133,214	50,958,515	3,210,000
Loans payable	18,304,458	-	1,942,034	16,362,424	1,950,541
Total long-term debt	72,396,187	-	5,075,248	67,320,939	5,160,541
Net pension liability	16,156,668	5,814,825	-	21,971,493	-
Net other postemployment benefit liability	8,459,304	66,580	-	8,525,884	-
Accrued vacation and compensatory pay	1,416,712	556,921	449,942	1,523,691	552,118
Capital lease obligation	4,058	-	4,058	-	-
	<u>\$ 98,432,929</u>	<u>\$ 6,438,326</u>	<u>\$ 5,529,248</u>	<u>\$ 99,342,007</u>	<u>\$ 5,712,659</u>

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7. Net Position

At June 30, 2021 and 2020, net position consisted of the following:

	2021	2020
Net investment in capital assets		
Capital assets, net	\$ 245,880,657	\$ 221,271,476
Less: Long-term debt, net	(62,054,687)	(67,320,939)
Add: Unspent debt proceeds	9,815,162	9,889,151
Add: Deferred gain on refunding	(88,655)	(15,216)
	<u>193,552,477</u>	<u>163,824,472</u>
Restricted for capital activity, debt service, and reserved funds		
FRC net position	3,534,842	2,014,178
Restricted cash – Bond funds	1,194,235	1,265,983
Restricted investments – Bond funds	8,620,927	8,623,168
Restricted accrued interest – Bond funds	39,636	35,988
Less: Unspent debt proceeds	(9,815,162)	(9,889,151)
	<u>3,574,478</u>	<u>2,050,166</u>
Unrestricted	<u>23,447,031</u>	<u>32,387,027</u>
Total net position	<u>\$ 220,573,986</u>	<u>\$ 198,261,665</u>

As of June 30, 2021 and 2020, FRC net position consisted of the following:

	2021	2020
FRC assets restricted for utility plant construction		
Cash	\$ 3,320,860	\$ 1,922,304
Accounts receivable	221,833	99,725
	<u>3,542,693</u>	<u>2,022,029</u>
FRC liabilities	<u>7,851</u>	<u>7,851</u>
FRC net position	<u>\$ 3,534,842</u>	<u>\$ 2,014,178</u>

For the years ended June 30, 2021 and 2020, FRC change in net position consisted of the following:

	2021	2020
Contributions	\$ 1,531,676	\$ 1,162,332
Interest income	1,935	-
Transfers out	(12,948)	(31,033)
Change in net position	<u>1,520,663</u>	<u>1,131,299</u>
FRC net position		
Beginning of year	<u>2,014,179</u>	<u>882,879</u>
End of year	<u>\$ 3,534,842</u>	<u>\$ 2,014,178</u>

8. Employees' Retirement System

Description of Plan

All eligible employees of the State of Hawaii (the "State") and counties are provided with pensions through a cost-sharing multiple-employer defined benefit pension plan administered by the ERS. Benefit terms, eligibility and contribution requirements are established by HRS Chapter 88 and can be amended through legislation. The ERS issues a publicly available financial report that can be obtained at ERS's website at <http://ers.ehawaii.gov>.

Benefits Provided

The ERS provides retirement, disability and death benefits that are covered by the provisions of the noncontributory, contributory and hybrid retirement membership classes. The three classes provide a monthly retirement allowance equal to the benefit multiplier (generally 1.25% or 2%) multiplied by the average final compensation multiplied by years of credited service. The benefit multiplier decreased by 0.25% for new hybrid and contributory plan members hired after June 30, 2012. Average final compensation is an average of the highest salaries during any three years of credited service, excluding any salary paid in lieu of vacation for employees hired January 1, 1971 or later, and the average of the highest salaries during any five years of credited service including any salary paid in lieu of vacation for employees hired prior to January 1, 1971. For members hired after June 30, 2012, average final compensation is an average of the highest salaries during any five years of credited service excluding any salary paid in lieu of vacation.

For members hired before July 1, 2012, the original retirement allowance is increased by 2.5% each July 1 following the calendar year of retirement. This cumulative benefit is not compounded and increases each year by 2.5% of the original retirement allowance without a ceiling (2.5% of the original retirement allowance the first year, 5.0% the second year, 7.5% the third year, etc.). For members hired after June 30, 2012, the postretirement annuity increase was decreased to 1.5% per year.

Retirement benefits for certain groups, such as police officers, firefighters, some investigators, sewer workers, judges and elected officials, vary from general employees.

- Noncontributory Class

Retirement Benefits

General employees' retirement benefits are determined as 1.25% of average final compensation multiplied by the years of credited service. Employees with ten years of credited service are eligible to retire at age 62. Employees with 30 years of credited service are eligible to retire at age 55.

Disability Benefits

Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are

determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 12.5% of average final compensation.

Death Benefits

For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a monthly benefit of 30% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. Additional benefits are payable to surviving dependent children up to age 18. If there is no spouse/reciprocal beneficiary or dependent children, no benefit is payable.

Ten years of credited service is required for ordinary death benefits. For ordinary death benefits, the surviving spouse/reciprocal beneficiary (until remarriage/re-entry into a new reciprocal beneficiary relationship) and dependent children (up to age 18) receive a benefit equal to a percentage of member's accrued maximum allowance unreduced for age or, if the member was eligible for retirement at the time of death, the surviving spouse/reciprocal beneficiary receives 100% joint and survivor lifetime pension.

- Contributory Class for Employees Hired Prior to July 1, 2012

Retirement Benefits

General employees' retirement benefits are determined as 2% of average final compensation multiplied by the years of credited service. General employees with five years of credited service are eligible to retire at age 55.

Disability Benefits

Members are eligible for service-related disability benefits regardless of length of service and receive a one-time payment of the member's contributions and accrued interest plus a lifetime pension of 50% of their average final compensation. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined as 1.75% of average final compensation multiplied by the years of credited service but are payable immediately, without an actuarial reduction, and at a minimum of 30% of average final compensation.

Death Benefits

For service-connected deaths, the designated beneficiary receives a lump sum payment of the member's contributions and accrued interest plus a monthly benefit of 50% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/reciprocal beneficiary, surviving children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or dependent children/parents, the death benefit is payable to the designated beneficiary.

Ordinary death benefits are available to employees who were active at time of death with at least one year of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage of the salary earned in the

12 months preceding death, or 50% joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% Joint and Survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

- Contributory Class for Employees Hired After June 30, 2012

Retirement Benefits

General employees' retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with ten years of credited service are eligible to retire at age 60.

Disability and Death Benefits

Disability and death benefits for contributory class members hired after June 30, 2012 are generally the same as those for contributory class members hired June 30, 2012 and prior.

- Hybrid Class for Employees Hired Prior to July 1, 2012

Retirement Benefits

General employees' retirement benefits are determined as 2% of average final compensation multiplied by the years of credited service. General employees with five years of credited service are eligible to retire at age 62. General employees with 30 years of credited service are eligible to retire at age 55.

Disability Benefits

Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation plus refund of their contributions and accrued interest. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 25% of average final compensation.

Death Benefits

For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a lump sum payment of the member's contributions and accrued interest plus a monthly benefit of 50% of the average final compensation to the surviving spouse/reciprocal beneficiary until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/reciprocal beneficiary, surviving children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or dependent children/parents, the ordinary death benefit is payable to the designated beneficiary.

Ordinary death benefits are available to employees who were active at time of death with at least five years of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage multiplied by 150%, or 50%

joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

- Hybrid Class for Employees Hired After June 30, 2012

Retirement Benefits

General employees' retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with ten years of credited service are eligible to retire at age 65. Employees with 30 years of credited service are eligible to retire at age 60. Sewer workers, water safety officers, and EMTs may retire with 25 years of credited service at age 55.

Disability and Death Benefits

Provisions for disability and death benefits generally remain the same except for ordinary death benefits. Ordinary death benefits are available to employees who were active at time of death with at least ten years of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest, or 50% joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary, or if less than ten years of service, return of member's contributions and accrued interest.

Contributions

Contributions are established by HRS Chapter 88 and may be amended through legislation. The employer rate is set by statute based on the recommendations of the ERS actuary resulting from an experience study conducted every five years. Since July 1, 2005, the employer contribution rate is a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liabilities. The Department's required contributions for the years ended June 30, 2021 and 2020 were approximately \$1,532,000 and \$1,325,000, respectively. The contribution rate was 24% and 22% for the years ended June 30, 2021 and 2020, respectively.

On May 18, 2017, the Governor signed into law Act 17 SLH 2017. Per Act 17, future employer contributions from the State and counties are expected to increase pursuant to a phased-in contribution rate increase over four years beginning July 1, 2017. The rate for all other employees, other than police and firefighters, increased to 18% on July 1, 2017; 19% on July 1, 2018; 22% on July 1, 2019; and 24% on July 1, 2020.

The employer is required to make all contributions for members in the noncontributory plan.

- For contributory class employees hired prior to July 1, 2012, general employees are required to contribute 7.8% of their salary.
- Contributory class employees hired after June 30, 2012 are required to contribute 9.8% of their salary.
- Hybrid members hired prior to July 1, 2012 are required to contribute 6% of their salary.
- Hybrid members hired after June 30, 2012 are required to contribute 8% of their salary.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021 and 2020, the Department reported a liability of approximately \$20,786,000 and \$21,971,000, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and 2019, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The Department's proportionate share of the net pension liability was based on a projection of the Department's long-term share of contributions to the pension plan relative to the projected contributions of all participants, actuarially determined. At June 30, 2020 and 2019, the Department's proportionate share was 0.14% and 0.16%, respectively.

The average of expected remaining service lives for the purposes of recognizing the applicable deferred outflows and inflows of resources established in the 2020 fiscal year is 5.2047 years.

There were no changes in actuarial assumptions in 2020.

There were no other changes between the measurement date, June 30, 2020, and the reporting date, June 30, 2021, that are expected to have a significant effect on the proportionate share of the net pension liability.

For the years ended June 30, 2021 and 2020, the Department recognized pension expense of approximately \$3,341,000 and \$4,137,000, respectively.

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At June 30, 2021 and 2020, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
2021		
Difference between actual and expected experience	\$ 232,574	\$ -
Net difference between projected and actual earnings on pension plan investments	726,745	-
Changes of assumptions	585,033	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,665,313	2,163,284
Department contributions subsequent to the measurement date	1,560,670	-
	<u>\$ 5,770,335</u>	<u>\$ 2,163,284</u>
2020		
Difference between actual and expected experience	\$ 384,419	\$ 43,974
Net difference between projected and actual earnings on pension plan investments	-	60,312
Changes of assumptions	1,495,901	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,606,955	353,843
Department contributions subsequent to the measurement date	1,543,850	-
	<u>\$ 7,031,125</u>	<u>\$ 458,129</u>

Deferred outflows of resources related to pensions of approximately \$1,561,000 at June 30, 2021 resulting from Department contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30,	
2022	\$ 853,806
2023	597,431
2024	670,056
2025	19,106
2026	(94,018)
	<u>\$ 2,046,381</u>

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Actuarial Assumptions

The total pension liability in the June 30, 2020 and 2019 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 %
Projected salary increases, including inflation	3.50 % – 6.50 %
Investment rate of return, including inflation	7.00 %
Payroll growth	3.50 %

The same rates were applied to all periods. There were no changes to ad hoc postemployment benefits including cost of living allowance (“COLA”). Postretirement mortality rates are based on the 2019 Public Retirees of Hawaii mortality table with adjustments based on generational projections of the BB projection table for 2019 and full generational projections in future years. Pre-retirement mortality rates are based on multiples of RP-2014 mortality table based on the occupation of the member. The actuarial assumptions used in the June 30, 2020 and 2019 valuations were based on the results of actuarial experience study for the five-year period ended June 30, 2018. ERS updates their experience studies every five years.

The discount rate used to measure the net pension liability at June 30, 2021 and 2020 was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions were made at the current contribution rate and that employer contributions were made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the Department’s proportionate share of the net pension liability as of June 30, 2020 calculated using the discount rate of 7.00%, as well as what the Department’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Department’s proportionate share of the net pension liability	<u>\$ 26,694,000</u>	<u>\$ 20,786,000</u>	<u>\$ 15,915,000</u>

The long-term expected rate of return on pension plan investments was determined using a “top down approach” of the Bespoke Client-Constrained Simulation-based Optimization Model (a statistical technique known as “re-sampling with replacement” that directly keys in on specific plan-level risk factors as stipulated by the ERS Board) in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce

the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class used in the actuarial valuation as of the June 30, 2020 valuation are summarized in the following table:

Strategic Allocation	Long-Term Target Allocation	Long-Term Expected Geometric Rate of Return
Broad growth	63 %	7.90 %
Diversifying strategies	37 %	3.70 %
	<u>100 %</u>	

Pension Plan Fiduciary Net Position

The pension plan’s fiduciary net position is determined on the same basis used by the pension plan. ERS’s financial statements are prepared using the accrual basis of accounting under which expenses are recorded when the liability is incurred, and revenues are recorded in the accounting period in which they are earned and become measurable. Employer and member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment purchases and sales are recorded as of their trade date. Administrative expenses are financed exclusively with investment income.

There were no significant changes after the report measurement date. Detailed information about the pension plan’s fiduciary net position is available in the separately issued ERS financial report. ERS’s complete financial statements are available at <http://ers.ehawaii.gov>.

Payables to the Pension Plan

As of June 30, 2021 and 2020, the Department had no payables to ERS.

9. Postretirement Healthcare and Life Insurance Benefits

Plan Description

The Department provides certain healthcare and life insurance benefits to all qualified employees. Pursuant to Act 88, SLH 2001, the Department contributes to EUTF, an agent multiple-employer defined benefit plan that replaced the Hawaii Public Employees Health Fund effective July 1, 2003. EUTF was established to provide a single delivery system of health benefits for state and county workers, retirees and their dependents. EUTF issues a publicly available annual financial report that can be obtained at <http://eutf.hawaii.gov>.

For employees hired before July 1, 1996, the Department pays the entire base monthly contribution for employees retiring with ten years or more of credited service, and 50% of the base monthly contribution for employees retiring with fewer than ten years of credited service. A retiree can elect a family plan to cover dependents.

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For employees hired after June 30, 1996 but before July 1, 2001, and who retire with less than ten years of service, the Department makes no contributions. For those retiring with at least ten years but fewer than 15 years of service, the Department pays 50% of the base monthly contribution. For employees retiring with at least 15 years but fewer than 25 years of service, the Department pays 75% of the base monthly contribution. For employees retiring with at least 25 years of service, the Department pays 100% of the base monthly contribution. Retirees in this category can elect a family plan to cover dependents.

For employees hired on or after July 1, 2001, and who retire with less than ten years of service, the Department makes no contributions. For those retiring with at least ten years but fewer than 15 years of service, the Department pays 50% of the base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service, the Department pays 75% of the base monthly contribution. For employees retiring with at least 25 years of service, the Department pays 100% of the base monthly contribution. Only single plan coverage is provided for retirees in this category. Retirees can elect family coverage but must pay the difference.

Employees Covered by Benefit Terms

At July 1, 2020 and 2019, the following number of plan members was covered by the benefit terms:

	2020	2019
Inactive plan members or beneficiaries currently receiving benefits	53	55
Inactive plan members entitled to but not yet receiving benefits	8	6
Active plan members	89	89
Total plan members	150	150

Contributions

Contributions are governed by HRS Chapter 87A and may be amended through legislation. Contributions to the OPEB plan from the Department were \$1,077,000 and \$1,041,000 for the years ended June 30, 2021 and 2020, respectively. The employer is required to make all contributions for members.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2021 and 2020, the Department reported a net OPEB liability of approximately \$7.7 million and \$8.5 million, respectively. The net OPEB liability was measured as of July 1, 2020 and July 1, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

There were no changes between the measurement date, July 1, 2020, and the reporting date, June 30, 2021, that are expected to have a significant effect on the net OPEB liability.

For the years ended June 30, 2021 and 2020, the Department recognized OPEB expenses of approximately \$1,356,000 and \$1,215,000, respectively. At June 30, 2021 and 2020,

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the Department reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
2021		
Difference between actual and expected experience	\$ 23,728	\$ 1,092,654
Changes of assumptions	195,804	93,746
Net difference between projected and actual earnings on pension plan investments	539,252	-
Department contributions subsequent to the measurement date	<u>1,077,000</u>	<u>-</u>
	<u>\$ 1,835,784</u>	<u>\$ 1,186,400</u>
2020		
Difference between actual and expected experience	\$ 28,613	\$ 97,076
Changes of assumptions	241,457	-
Net difference between projected and actual earnings on OPEB plan investments	127,033	-
Department contributions subsequent to the measurement date	<u>1,041,000</u>	<u>-</u>
	<u>\$ 1,438,103</u>	<u>\$ 97,076</u>

The \$1,077,000 reported as deferred outflows of resources related to OPEB resulting from Department contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending June 30,	
2022	\$ (31,872)
2023	2,074
2024	4,176
2025	(46,130)
2026	(168,398)
Thereafter	<u>(187,466)</u>
	<u>\$ (427,616)</u>

Actuarial Assumptions

The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions adopted by the Board of Trustees of the Hawaii Employer-Union Health Benefits Trust Fund of the State of Hawaii, on January 8, 2018, based on the experience study covering the five-year period ended June 30, 2018:

Valuation date	July 1, 2020
Actuarial cost method	Entry age normal
Discount rate	7.00%
Inflation	2.50%
Salary increases	3.50% to 7.00%; including inflation
Demographic assumptions	Based on the experience study covering the five-year period ended June 30, 2018
Mortality	System-specific mortality tables utilizing scale BB to project generational mortality improvement
Participation rates	98% healthcare participation assumption for retirees that receive 100% of the Base Monthly Contribution ("BMC"). Healthcare participation rates of 25%, 65% and 90% for retirees that receive 0%, 50% or 75% of the BMC, respectively. 100% for life insurance and 98% for Medicare Part B
Healthcare cost trend rates	
PPO*	Initial rate of 7.50%, declining to a rate of 4.70% after 13 years
HMO*	Initial rate of 7.50%, declining to a rate of 4.70% after 13 years
Part B & Base Monthly Contribution ("BMC")	Initial rate of 5.00%, declining to a rate of a rate of 4.70% after 10 years
Dental	Initial rate of 5.00% for first two years, followed by 4.00%
Vision	Initial rate of 0.00% for first two years, followed by 2.50%
Life insurance	0.00%

* Blended rates for medical and prescription drugs.

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The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each asset class in the July 1, 2020 actuarial valuation are summarized in the following table:

Strategic Allocation	Long-Term Target Allocation	Long-Term Expected Real Rate of Return
Private equity	10 %	9.66 %
U.S. microcap	6 %	7.85 %
U.S. equity	14 %	6.23 %
Non-U.S. equity	16 %	7.72 %
Global options	6 %	4.65 %
Core real estate	10 %	5.98 %
Private credit	6 %	5.50 %
Core bonds	3 %	0.08 %
TIPS	5 %	0.11 %
Long Treasuries	6 %	0.86 %
Alternative risk premia	5 %	1.56 %
Trend following	8 %	2.12 %
Reinsurance	5 %	4.34 %
	100 %	

Single Discount Rate

The discount rate used to measure the net OPEB liability was 7.00%, based on the expected rate of return on OPEB plan investments of 7.00% and the municipal bond rate of 2.45% (based on the daily rate closest to but not later than the measurement date of the Fidelity “20-year Municipal GO AA index”). Beginning with the fiscal year 2020 contribution, the Department’s funding policy is to pay the recommended actuarially determined contribution, which is based on layered, closed amortization periods. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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Changes in Net OPEB Liability

The following table represents a schedule of changes in the net OPEB liability. The ending balances are as of the measurement date, July 1, 2020.

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at July 1, 2019	\$ 17,518,549	\$ 9,059,245	\$ 8,459,304
Service cost	406,353	-	406,353
Interest on the total OPEB liability	1,221,753	-	1,221,753
Difference between expected and actual experience	33,498	-	33,498
Changes of assumptions	83,252	-	83,252
Employer contributions	-	1,011,000	(1,011,000)
Net investment income	-	399,132	(399,132)
Benefit payments	(536,228)	(536,228)	-
Administrative expense	-	(2,874)	2,874
Other	-	271,018	(271,018)
Net changes	<u>1,208,628</u>	<u>1,142,048</u>	<u>66,580</u>
Balance at June 30, 2020	<u>18,727,177</u>	<u>10,201,293</u>	<u>8,525,884</u>
Service cost	426,197	-	426,197
Interest on the total OPEB liability	1,307,741	-	1,307,741
Difference between expected and actual experience	(1,183,289)	-	(1,183,289)
Changes of assumptions	(109,324)	-	(109,324)
Employer contributions	-	1,041,000	(1,041,000)
Net investment income	-	199,294	(199,294)
Benefit payments	(516,535)	(516,535)	-
Administrative expense	-	(1,598)	1,598
Other	-	1,781	(1,781)
Net changes	<u>(75,210)</u>	<u>723,942</u>	<u>(799,152)</u>
Balance at June 30, 2021	<u>\$ 18,651,967</u>	<u>\$ 10,925,235</u>	<u>\$ 7,726,732</u>

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate
and Healthcare Cost Trend Rates**

The following table presents the Department's net OPEB liability calculated using the discount rate of 7.00%, as well as what the Department's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current discount rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Department's net OPEB liability	<u>\$ 10,758,000</u>	<u>\$ 7,727,000</u>	<u>\$ 5,329,000</u>

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The following table presents the Department’s net OPEB liability calculated using the assumed healthcare cost trend rate, as well as what the Department’s net OPEB liability would be if it were calculated using the trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Department’s net OPEB liability	\$ 5,208,000	\$ 7,727,000	\$ 10,975,000

Payables to the OPEB Plan

At June 30, 2021 and 2020, the Department had no payables to EUTF.

10. Deferred Compensation Plan

The Department offers its employees, through the County, a deferred compensation plan established in accordance with Internal Revenue Code Section 457. The plan, available to all full-time Department employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency. The plan’s assets have been placed in trust accounts with the plan administrators for the exclusive benefit of participants and their beneficiaries, and are not considered assets of the County or the Department.

In accordance with GASB Statement No. 32, *Accounting and Financial Reporting Code Section 457 – Deferred Compensation Plans*, the Department has excluded the plan assets from the financial statements. All such amounts are not subject to the claims of the Department or the County’s general creditors.

11. Commitments and Contingencies

Sick Leave

Accumulated sick leave as of June 30, 2021 and 2020 was approximately \$2,219,000 and \$2,094,000, respectively. Sick leave accumulates at the rate of 14 hours for each month of service, as defined, without limit. Sick pay can be taken only in the event of illness and is not convertible to pay upon termination of employment. As a result, no liability for sick pay is recorded in the accompanying financial statements. However, a public employee who retires or leaves government service in good standing with sixty days or more of unused sick leave is entitled to additional service credit in the ERS.

Workers’ Compensation Insurance

Prior to July 1, 2001, the Department was fully self-insured for workers’ compensation claims. Beginning July 1, 2001, the Department purchased insurance with a deductible of \$550,000. Claims are reported to and managed by the County. The Department provides reserves for claims not covered by insurance that in the opinion of counsel will result in probable judgment against the Department. These reserves include an estimate of claims that have been incurred

but not reported (“IBNR”). Claim liabilities, including IBNR, are based on the estimated ultimate cost of settling the claims. Claims liabilities are estimated by a case-by-case review of all claims and the application of historical experience to outstanding claims. As of June 30, 2021 and 2020, the workers’ compensation liability amounted to approximately \$244,000 and \$351,000, respectively, and is recorded in accounts payable and accrued liabilities in the accompanying statements of net position.

Safe Drinking Water Act

The Department is subject to the requirements of the Safe Drinking Water Act (the “Act”) which is administered by the State of Hawaii Department of Health on behalf of the United States Environmental Protection Agency. Management believes that the Department is in full compliance with the requirements of the Act and is not aware of any matters under the Act that materially affected or are currently affecting the Department’s customer service area.

Other Legal Matters

The Department is party to various legal proceedings arising in the normal course of business. The outcome of individual matters is not predictable. However, management believes that the ultimate resolution of all such matters will not have a material adverse effect on the Department’s financial position or results of operations.

Other

Other commitments, primarily for utility plant construction, approximated \$16,193,000 and \$18,781,000 at June 30, 2021 and 2020, respectively.

12. Related Party Transactions

The Department charges the County for fire protection services (hydrant use) at agreed-to rates that approximate the cost for such services. The County provides certain services to the Department and charges the Department for these services at an amount equal to the charge for fire protection services. The amounts charged approximated \$2,202,000 and \$2,174,000 in 2021 and 2020.

At June 30, 2021 and 2020, amounts due to the County for reimbursement of payroll expenses were approximately \$254,000 and \$192,000, respectively.

**Required Supplementary Information Other
Than Management's Discussion and Analysis
(Unaudited)**

**Department of Water
 County of Kauai
 Schedule of the Department's Proportionate Share of the Net Pension Liability
 Last Ten Fiscal Years***

	2021	2020	2019	2018	2017	2016	2015	2014
Department's proportion of the net pension liability	0.14 %	0.16 %	0.12 %	0.12 %	0.13 %	0.13 %	0.12 %	0.12 %
Department's proportionate share of the net pension liability	\$ 20,785,838	\$ 21,971,493	\$ 16,156,668	\$ 15,423,518	\$ 16,921,133	\$ 11,310,002	\$ 9,317,991	\$ 10,322,299
Department's covered payroll	\$ 5,966,000	\$ 5,840,000	\$ 5,633,000	\$ 5,515,000	\$ 5,110,000	\$ 4,836,000	\$ 4,645,000	\$ 4,385,000
Department's proportionate share of the net pension liability as a percentage of its covered payroll	348.40 %	376.22 %	286.82 %	279.66 %	331.14 %	233.87 %	200.60 %	235.40 %
Plan fiduciary net position as a percentage of the total pension liability	53.18 %	54.87 %	55.48 %	54.80 %	51.28 %	62.42 %	63.92 %	57.96 %

* This data is presented for years for which information is available.

**Department of Water
County of Kauai
Schedule of the Department's Pension Contributions
Last Ten Fiscal Years**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Statutorily required contribution	\$ 1,532,000	\$ 1,325,000	\$ 1,109,000	\$ 1,016,000	\$ 938,000	\$ 911,000	\$ 798,000	\$ 745,000	\$ 679,000	\$ 642,000
Contributions in relation to the statutorily required contribution	<u>1,532,000</u>	<u>1,325,000</u>	<u>1,109,000</u>	<u>1,016,000</u>	<u>938,000</u>	<u>911,000</u>	<u>798,000</u>	<u>745,000</u>	<u>679,000</u>	<u>642,000</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Department's covered payroll	\$ 6,382,000	\$ 5,966,000	\$ 5,840,000	\$ 5,633,000	\$ 5,515,000	\$ 5,110,000	\$ 4,836,000	\$ 4,645,000	\$ 4,385,000	\$ 4,285,000
Contributions as a percentage of covered payroll	24.01 %	22.21 %	18.99 %	18.04 %	17.01 %	17.83 %	16.50 %	16.04 %	15.48 %	14.98 %

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See accompanying independent auditors' report.

Department of Water
County of Kauai
Schedule of the Department's Proportionate Share of the Net OPEB Liability
Last Ten Fiscal Years*

	2021	2020	2019	2018
Total other postemployment benefits liability				
Service cost	\$ 426,197	\$ 406,353	\$ 380,070	\$ 380,075
Interest on the total other postemployment benefits liability	1,307,741	1,221,753	1,144,135	1,073,630
Difference between expected and actual experience in the measurement of total OPEB liability	(1,183,289)	33,498	(135,272)	-
Changes of assumptions or other inputs	(109,324)	83,252	237,370	-
Benefit payments	(516,535)	(536,228)	(525,000)	(368,000)
Net change in total other postemployment benefits liability	(75,210)	1,208,628	1,101,303	1,085,705
Total other postemployment benefits liability – beginning	18,727,177	17,518,549	16,417,246	15,331,541
Total other postemployment benefits liability – ending	\$ 18,651,967	\$ 18,727,177	\$ 17,518,549	\$ 16,417,246
Plan fiduciary net position				
Employer contributions	\$ 1,041,000	\$ 1,011,000	\$ 948,000	\$ 1,287,000
Net investment income	199,294	399,132	588,700	654,929
Benefit payments	(516,535)	(536,228)	(525,000)	(368,000)
Other postemployment benefits plan administrative expense	(1,598)	(2,874)	(1,803)	(1,485)
Other	1,781	271,018	-	8,474
Net change in plan fiduciary net position	723,942	1,142,048	1,009,897	1,580,918
Plan fiduciary net position – beginning	10,201,293	9,059,245	8,049,348	6,468,430
Plan fiduciary net position – ending	10,925,235	10,201,293	9,059,245	8,049,348
Net other postemployment benefits liability – ending	\$ 7,726,732	\$ 8,525,884	\$ 8,459,304	\$ 8,367,898
Plan fiduciary net position as a percentage of total other postemployment benefits liability	58.57 %	54.47 %	51.71 %	49.03 %
Covered-employee payroll	\$ 5,840,000	\$ 5,787,000	\$ 5,700,000	\$ 5,269,000
Net other postemployment benefits liability as a percentage of covered-employee payroll	132.31 %	147.33 %	148.41 %	158.81 %

* This data is presented for years for which information is available.

See accompanying independent auditors' report.

**Department of Water
County of Kauai
Schedule of the Department's OPEB Contributions
Last Ten Fiscal Years***

	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 1,077,000	\$ 1,041,000	\$ 1,011,000	\$ 1,002,000	\$ 968,000	\$ 914,000	\$ 884,000
Contributions in relation to the actuarially required contribution	<u>1,077,000</u>	<u>1,041,000</u>	<u>1,011,000</u>	<u>948,000</u>	<u>968,000</u>	<u>883,000</u>	<u>885,000</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,000</u>	<u>\$ -</u>	<u>\$ 31,000</u>	<u>\$ (1,000)</u>
Department's covered-employee payroll	\$ 5,966,000	\$ 5,840,000	\$ 5,787,000	\$ 5,700,000	\$ 5,269,000	\$ 5,068,000	\$ 5,052,000
Contributions as a percentage of covered-employee payroll	18.05 %	17.83 %	17.47 %	16.63 %	18.37 %	17.42 %	17.52 %

* This data is presented for years for which information is available.

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See accompanying independent auditors' report.

Supplementary Information

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**Department of Water
County of Kauai
Supplemental Schedule of Utility Plant-in-Service
Year Ended June 30, 2021**

Schedule I

	July 1, 2020 Balance	Additions	Reductions/ Transfers	June 30, 2021 Balance
Cost basis				
Land and land rights				
Source	\$ 837,879	\$ -	\$ -	\$ 837,879
Pumping	156	-	-	156
Water treatment	150	-	-	150
Transmission and distribution	469,237	-	-	469,237
Total land and land rights	<u>1,307,422</u>	<u>-</u>	<u>-</u>	<u>1,307,422</u>
Utility plant				
Source	12,188,426	108,650	(56,071)	12,241,005
Pumping	48,841,522	-	-	48,841,522
Water treatment	3,101,198	-	-	3,101,198
Transmission and distribution	248,076,492	2,067,631	(38,594)	250,105,529
Total utility plant capital assets	<u>312,207,638</u>	<u>2,176,281</u>	<u>(94,665)</u>	<u>314,289,254</u>
General plant	24,112,127	795,270	(414,115)	24,493,282
Capital leases				
Water treatment	7,181,456	-	-	7,181,456
General	233,890	-	(35,644)	198,246
Total capital leased assets	<u>7,415,346</u>	<u>-</u>	<u>(35,644)</u>	<u>7,379,702</u>
Intangible assets				
Easements	35,722	-	-	35,722
Software	1,936,349	18,189	-	1,954,538
Total intangible assets	<u>1,972,071</u>	<u>18,189</u>	<u>-</u>	<u>1,990,260</u>
	<u>\$ 347,014,604</u>	<u>\$ 2,989,740</u>	<u>\$ (544,424)</u>	<u>\$ 349,459,920</u>
	July 1, 2020 Balance (As Restated)	Additions	Reductions/ Transfers	June 30, 2021 Balance
Accumulated depreciation and amortization				
Utility plant				
Source	\$ 5,770,261	\$ 266,675	\$ (44,972)	\$ 5,991,964
Pumping	27,724,140	1,583,365	-	29,307,505
Water treatment	2,084,299	57,211	-	2,141,510
Transmission and distribution	62,549,647	3,972,128	(35,186)	66,486,589
Total utility plant accumulated depreciation	<u>98,128,347</u>	<u>5,879,379</u>	<u>(80,158)</u>	<u>103,927,568</u>
General plant	8,938,776	1,011,263	(413,105)	9,536,934
Capital leases				
Water treatment	7,181,455	-	-	7,181,455
General	231,365	2,525	(35,644)	198,246
Total capital lease accumulated depreciation and amortization	<u>7,412,820</u>	<u>2,525</u>	<u>(35,644)</u>	<u>7,379,701</u>
Intangible assets	1,465,135	233,333	-	1,698,468
	<u>\$ 115,945,078</u>	<u>\$ 7,126,500</u>	<u>\$ (528,907)</u>	<u>\$ 122,542,671</u>

See accompanying independent auditors' report.

Department of Water
County of Kauai
Supplemental Schedule of Selective Account Classifications
Five Years Ended June 30, 2021
(All Dollars in Thousands)

Schedule II

	2021	2020	2019	2018	2017
Statements of Net Position					
Utility plant in service	\$ 349,460	\$ 347,015	\$ 345,665	\$ 337,177	\$ 332,814
Net position					
Net investment in capital assets	\$ 193,552	\$ 163,824	\$ 160,382	\$ 151,506	\$ 148,855
Restricted for capital activity and debt service	3,575	2,050	905	809	540
Unrestricted	23,447	32,387	36,807	36,522	41,623
	<u>\$ 220,574</u>	<u>\$ 198,261</u>	<u>\$ 198,094</u>	<u>\$ 188,837</u>	<u>\$ 191,018</u>
Statements of Revenues, Expenses and Changes in Net Position					
Resources					
Water sales	\$ 25,321	\$ 26,672	\$ 27,959	\$ 27,910	\$ 28,445
Other	2,405	2,341	2,599	2,540	2,471
	<u>27,726</u>	<u>29,013</u>	<u>30,558</u>	<u>30,450</u>	<u>30,916</u>
Operating expenses					
Depreciation and amortization	7,110	7,190	6,865	7,633	7,440
Administrative and general	9,550	10,895	8,951	8,394	7,874
Transmission and distribution	5,342	5,210	4,047	4,165	4,043
Power and pumping	2,904	2,941	3,034	2,982	2,949
Accounting and collection	1,257	1,151	1,200	1,067	1,231
All other	6,093	3,579	3,013	2,330	2,361
	<u>32,256</u>	<u>30,966</u>	<u>27,110</u>	<u>26,571</u>	<u>25,898</u>
Nonoperating expenses					
Contributions	(2,775)	(1,384)	(923)	(3,502)	(3,238)
	<u>4,000</u>	<u>3,505</u>	<u>6,731</u>	<u>4,978</u>	<u>2,668</u>
	<u>\$ (3,305)</u>	<u>\$ 168</u>	<u>\$ 9,256</u>	<u>\$ 5,355</u>	<u>\$ 4,448</u>

See accompanying independent auditors' report.

**Report of Independent Auditors on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Water Supply
Department of Water, County of Kauai

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Department of Water, County of Kauai (the “Department”) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Department’s basic financial statements, and have issued our report thereon dated December 15, 2021.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department’s internal control over financial reporting (“internal control”) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Department’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Department’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as Finding No. 2021-001, that we consider to be a significant deficiency.



Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Department’s Response to Finding

Government Auditing Standards require the auditor to perform limited procedures on the Department’s response to the finding identified in our audit and described in the accompanying corrective action plan. The Department’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Honolulu, Hawaii
December █, 2021

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Schedule of Findings

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Section I – Financial Statement Finding

Finding No. 2021-001: IT General Control Deficiencies (Significant Deficiency)

Condition

Information technology (“IT”) is a strategic element of the Department of Water’s (the “Department”) operations. Because of the high volume of transactions at the Department, the establishment of internal controls over processes incorporating IT is critical to its operations. As part of our financial statement audit for the year ended June 30, 2021, we performed an IT general controls review of the following systems operated by the Department:

- Great Plains (“GP”)
- Oracle Utilities Customer Care and Billing (“CC&B”)

Our review resulted in several IT control deficiencies in the areas of the logical and physical security and change management:

Logical security

- Formal security procedures are not consistently followed for terminated CC&B users.
- Password security requirements do not comply with the Department’s policies and procedures.
- Lack of security awareness training.
- Informal patch management process for critical systems.
- Lack of vulnerability assessment.

Physical security

- Various employees have physical access to the server room with no monitoring control in place to detect unauthorized events.

Change management

- Lack of formal change management policies and procedures for GP.

Collectively, the number and related nature of the IT control deficiencies resulted in an overall significant deficiency.

Criteria

When IT is used to initiate, record, process and report on transactions included in the financial statements, the systems and related processes should include internal controls to prevent or detect potential misstatements.

Effect

Internal controls in the areas of logical and physical security and change management address the following risks:

Logical and Physical Security

Unauthorized access to financial systems could result in the loss of data and/or data integrity, unauthorized or nonexistent transactions being made, or transactions being inaccurately recorded.

Change Management

Unauthorized or untested changes promoted to the production environment could cause the financial systems to either process data differently than intended or unexpectedly compromise the integrity of the data maintained.

Cause and View of Responsible Officials

The Department's IT policies and procedures do not include internal control procedures addressing the risks discussed above and procedures are not consistently followed.

Recommendations

We recommend that the Department perform the following:

Logical Security

- Implement formal information security policies and procedures to ensure user access rights are removed or suspended in a timely manner when employees are terminated.
- Configure systems to require the use of strong passwords and password expiration to help prevent unauthorized use, disclosure, modification, damage or loss of data.
- Implement formal security awareness program.
- Appropriately update systems to ensure vendor support and maintenance.
- Perform periodic vulnerability assessments and remediation procedures on critical systems.

Physical Security

- Ensure that physical access to the data center is only granted to those based on job responsibility.

Change Management

- Implement formal policies and procedures to ensure changes to production are consistently and appropriately authorized, tested, accepted and tracked.

Section II – Federal Award Findings

None noted.

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[Insert COK DOW Cover Letter here.]

Summary Schedule of Prior Audit Findings

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Department of Water
County of Kauai
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2021

Finding No.	Description	Classification	Status		Current Year Finding No.
			Resolved	Unresolved	
2020-001	IT General Control Deficiencies	Significant Deficiency		X	2021-001

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Corrective Actions Taken for Unresolved Findings

Finding No. 2020-001

Corrective actions were taken in fiscal year 2021 to mitigate a number of the previously reported deficiencies; however, corrective actions are still being implemented for certain remaining deficiencies.

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Corrective Action Plan

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Section I – Financial Statement Finding

Finding No. 2021-001: IT General Control Deficiencies (Significant Deficiency)

Condition

Information technology (“IT”) is a strategic element of the Department of Water’s (the “Department”) operations. Because of the high volume of transactions at the Department, the establishment of internal controls over processes incorporating IT is critical to its operations. As part of our financial statement audit for the year ended June 30, 2021, we performed an IT general controls review of the following systems operated by the Department:

Great Plains (“GP”)

Oracle Utilities Customer Care and Billing (“CC&B”)

Our review resulted in several IT control deficiencies in the areas of the logical and physical security and change management:

Logical security

Findings:

- Formal security procedures are not consistently followed for terminated CC&B users.
- Password security requirements do not comply with the Department’s policies and procedures.
- Lack of security awareness training.
- Informal patch management process for critical systems.
- Lack of vulnerability assessment.

Response:

- The Department has created a plan of action to mediate and remove terminated users immediately.
- The Department may be migrating/upgrading to a newer version of GP as password security requirements are a limitation of the current version of the GP application.
- The Department is planning to have security awareness training in place by January 31, 2021.
- The vendor defines the patch process for CC&B and there is a planned migration/upgrade from the current version of CC&B. The Department will establish a thorough patch management process during that time.
- The Department is currently planning for a vulnerability assessment and expects to create a cyber security response plan during the next fiscal year.

Person Responsible: Jas Banwait, IT Manager

Anticipated Completion Date: FY 2023 Q1

Physical security

Findings:

- Various employees have physical access to the server room with no monitoring control in place to detect unauthorized events.

Response:

- The IT Division has removed access to the server room for facility workers.

Person Responsible: Jas Banwait, IT Manager

Anticipated Completion Date: Completed.

Change management

Findings:

- Lack of formal change management policies and procedures for GP.

Response:

- The Department may be migrating/upgrading to a newer version of GP and is currently evaluating other applications for procurement. The Department will establish a thorough change management process during that time.

Person Responsible: Jas Banwait, IT Manager

Anticipated Completion Date: FY 2023 Q1

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MANAGER’S REPORT No. 22-51

December 23, 2021

Re: Discussion and Possible Action for Approval of Additional Funds for Purchase of the Replacement of the Gasboy Fuel Management System in the amount of \$85,000.00

RECOMMENDATION:

It is recommended that the Board approve the funds request in the amount of \$85,000 for the Replacement of Gasboy Fuel Management System in the Operations Baseyard.

FUNDING:

FROM:				
Account No.	10-00-00-330-000			
Acct Description	Water Utility Fund (unrestricted)			
<i>Funds Available</i>	<i>Verified by WWC</i>		\$	85,000.00
TO:				
Account No.	10-40-00-604-999			
Acct Description	WU/Ops/Capital Outlay – R&R/Misc. Capital Purchases	\$	85,000.00	

BACKGROUND:

The Department’s existing Gasboy Fuel Management System is over 15 years old, obsolete, and non-functioning. Due to replacement and repair parts that are no longer available, fuel dispenser and usage is recorded manually. The new system will provide automated collection of critical vehicle information including odometer, engine hours, trouble codes, fuel economy, and battery voltage. This information will be utilized to efficiently manage fleet maintenance by monitoring vehicle performance and scheduling maintenance as soon as problems are found. This automation of information will also remove the reliance on archaic paper reporting and manual routing of vehicle service requests.

OPTIONS:

Option 1: Approve Manager’s Report as recommended.

Pro: DOW will move forward with updating our fuel management system to current useful technology. The upgrade will enhance fuel reporting and service trouble notifications.

Con: The Department will allocate additional funds that were not originally budgeted for this FY.

Option 2: Deny Manager’s Report as recommended.

Pro: The Department will not need to spend additional funds this fiscal year and the proverbial can will be kicked down the road.

Con: The Department will continue to utilize the manual paper forms for fuel usage and service requests. This process is heavily reliable on the honor system and has proven in the past to lead to delays in routine necessary maintenance.

VR

Mgrp/December 2021/22-51/ Discussion and Possible Action for Approval of Additional Funds for Purchase of Replacement Fuel Management System.(12/23/21):

MANAGER’S REPORT No. 22-52

December 23, 2021

Re: Discussion and Possible Action on transfer of funds for purchase of SCADA Operator Interface Terminals (OIT) and services to update the programming in the amount of \$125,000.00

RECOMMENDATION:

It is recommended that the Board approve the transfer of budgeted funds within Operations’ budget to purchase SCADA Operator Interface Terminals (OIT), and provide services to update the programming (Contract No. 701, Change Order No. 1), in the amount of \$125,000.

FUNDING:

TRANSFER FROM:			
Account No.	10-40-00-604-999		
Acct Description	WU/Ops/Capital Outlay- R&R/Misc. Capital Purchases (Mini Excavator)		
Funds Available	<i>Verified by WWC</i>		\$ 125,000.00
TRANSFER TO:			
Account No.	10-40-60-563-010		
Acct Description	WU/OpsTandD/Operating Supplies/Invty. Stock (SCADA Replacement Parts Inventory)	\$ 50,000.00	\$ <50,000.00>
Account No.	10-40-60-560-000		
Acct Description	WU/Ops/TandD/Repairs and Maintenance-Water System (SCADA System Integrator Consulting and Maintenance Contract) Contract No. 701, Change Order No. 1	\$ 75,000.00	\$ <75,000.00>

BACKGROUND:

The Department’s SCADA RTUs (Remote Terminal Unit) are over 15 years old and replacement of OITs (Operator Interface Terminals) are difficult to do on an as needed basis due to advances in software versions over the years. The Departments current OITs have programs for operation that are several versions outdated, re-writing the programs to update to the current version will take many hours if performed individually. This proposal for services to program the new OITs will result in all of the Department’s OITs being upgraded to current programming versions and

the batch programming will save time and money. The Department and its SCADA Contractor have determined that the most feasible way to provide continued service for each remote site is to replace the older OITs.

The current estimates to replace the TB175 Excavator are over budget. Therefore, we will not be able to purchase that equipment this year; however, the funds can be used to cover the needed upgrade to our SCADA system remote sites.

OPTIONS:

Option 1: Approve Manager's Report as recommended.

Pro: DOW Operators will continue to be able to manipulate and operate the remote facilities to provide an uninterrupted supply of water to the customers.

Con: The Department will expend the funds originally budgeted for the replacement of the TB175 Excavator. The TB175 Excavator replacement will be moved back and requested for next FY budget.

Option 2: Deny Manager's Report as recommended.

Pro: The Department shall investigate additional funds for replacement of the TB175 Excavator.

Con: Operation of remote facilities will become difficult and labor intensive due to lack of accessibility to internet and cellular signal in remote areas. This may result in localized water outages and reduced capability to monitor and respond to problems.

VR

Mgrrp/December 2021/22-52/ Discussion and Possible Action on transfer of funds for purchase of SCADA Operator Interface Terminals (OIT) and services to update the programming in the amount of \$125,000.00 (12/23/21):

MANAGER’S REPORT No. 22-53

December 23,2021

Re: Discussion and Possible Action to Request Board Approval for Indemnification and Liability Waiver for Lease of a Storage Unit, authorizing potential future unknown amount cleaning fees. Contract between Board of Water Supply, County of Kaua'i and Extra Space Management, Inc.

RECOMMENDATION:

The Department recommends that the Board approve attached lease agreement, which will allow the Department to rent temporary storage space for materials and paperwork currently stored in the old administration building and move forward with demolition of that structure in a timely manner.

FUNDING:

Account No.	10-01-10-545-000
Acct Description	WU/Admin/Admin/Rentals and Leases
Funds Available	Verified by WWC
Vendor	Extra Space Management, Inc

Estimated contract amount ~\$5,000/year or less

BACKGROUND:

With upcoming building demolition of old administration building, Department staff need to move stored materials into a safe, secure location. Typical storage unit agreements have 2 items which need Board approval. In the “Limitation of Operator’s Liability and Indemnity” section, #16 is a standard “indemnify and hold ... harmless from any damage, loss or expense...” clause. Section #27 discusses a possible cleaning charge upon vacating the unit, if the unit is not returned empty and clean. Only the Board has authority to approve the indemnification and future potential obligation requirements for cleaning.

Additional storage units and leases may be needed to safely store documents as document scanning and destruction schedules are finalized. This approval is intended for any additional upcoming leases for short-term storage.

OPTIONS:

Option 1: Approve Manager’s Report as recommended.

Pro: Department staff will be able to lease a space for a year and move supplies into a safe, secure unit accessible during normal business hours.

Con: There will be a fee for this storage.

Option 2: Deny Manager's Report.

Pro: No lease or fees.

Con: Inability to safely store supplies and equipment in an accessible manner. All materials would be stored in a large temporary rolloff or shed and materials would have to be moved or shifted to find supplies or documents within that unit. Until some other type of storage is secured, storage of documents in office spaces may pose additional safety concerns for employees.

Attachment: Extra Space Storage Rental agreement

Mgrrp/ December 2021/22-53/ Discussion and Possible Action to Request Board Approval for Indemnification and Liability Waiver for Lease of a Storage Unit, authorizing potential future unknown amount cleaning fees. Contract between Board of Water Supply, County of Kaua'i and Extra Space Management, Inc. (12/23/21):

<p>ExtraSpaceStorage.</p> <p>_____</p> <p>_____</p> <p>_____</p> <p><i>Professionally managed by: EXTRA SPACE MANAGEMENT, INC. 2795 E. Cottonwood Pkwy, Suite 300 Salt Lake City, UT 84121 (888) STORAGE</i></p>	<p>Rental Agreement Date: _____</p> <p>Account ID: _____</p> <p>Space Number: _____</p> <p>Approximate Size: _____</p> <p>Monthly Rental Charge: _____</p> <p>Monthly Due Date: _____</p> <p>Paid Through Date: _____</p> <p>Monthly Billing Election: _____</p>			
<p><u>CUSTOMER</u></p> <p>Name _____</p> <p>Address _____</p> <p>City, State ZIP _____</p> <p>Cell Phone _____</p> <p>Alternate Phone _____</p> <p>Identification _____</p> <p>Date of Birth _____</p> <p>E-mail _____</p>	<p><u>ALTERNATE CONTACT</u></p> <p>Name _____</p> <p>Address _____</p> <p>City, State ZIP _____</p> <p>Cell Phone _____</p> <p>Alternate Phone _____</p> <p>Authorized for Access? _____</p> <p><i>If alternate information is refused, Customer must sign here. X _____</i></p>			
<p>Others Authorized for Access (other than Customer): _____</p> <p><small>* Operator, in its sole discretion, may provide any individual(s) authorized for access in this Agreement with gate code, unit no., account information, and assist with lock cutting</small></p>				
<p>Addendums</p>	<p>Is there a lien on any of the items to be stored? If yes, Lien Addendum is required.</p>	<p>Is a vehicle that requires state registration being stored? If yes, Vehicle Addendum is required.</p>	<p>Is Customer or Customer's spouse a service member in the military? If yes, Military Addendum is required.</p>	<p>Is Customer a business? If yes, Business Addendum is required.</p>
<p>General Description of Property Stored: _____</p> <p>Declared Value of Property Stored: _____</p>				
<p>Customer acknowledges that the information provided above is accurate and current. X _____</p>				

THIS RENTAL AGREEMENT ("**Agreement**") is executed on the date stated above by and between EXTRA SPACE MANAGEMENT, INC. ("**Operator**") as agent for the Facility's owner, and the individual or business listed above ("**Customer**") for the purpose of renting the space listed above (the "**Space**") which is part of a larger facility (the "**Facility**"). **CUSTOMER HAS EXAMINED THE SPACE AND FACILITY AND ACCEPTS THEM "AS IS."** Customer acknowledges and agrees the measurements noted for the Facility and the spaces located thereon are an approximation only, do not refer to usable space and that the size of the Facility and any referenced sizes are approximate, given for illustration only and may vary materially. Spaces may be smaller or larger than advertised. Spaces are not rented on a square foot basis and rent is not based on square foot measurements. Operator does not represent or guarantee the safety of the Facility or the personal property stored by Customer. **THE RULES AND REGULATIONS POSTED AT THE FACILITY, IF ANY, ARE BY REFERENCE MADE PART OF THIS AGREEMENT**, which rules and regulations may be modified by Operator to assist with the operation, safety, and cleanliness of the Facility. The Facility is operated in accordance with state and local laws governing self-storage facilities in the state where the Facility is located, which are herein incorporated by reference.

TERM, MONTHLY RENTAL AMOUNTS AND OTHER CHARGES

- 1) The term of this Agreement begins on the Rental Agreement Date listed above and shall continue on a **MONTH-TO-MONTH** basis until terminated.
- 2) The first Monthly Rental Charge and a one-time, non-refundable, administration fee shall be paid on the Rental Agreement Date listed above. Thereafter, the Monthly Rental Charge shall be due on the same day every month (the "**Monthly Due Date**"). The period between consecutive Monthly Due Dates is referred to as the "**Rental Month**." The last day of the Rental Month for which all Monthly Rental Charges have been paid is the "**Paid Through Date**." Customer shall pay Operator the Monthly Rental Charge, taxes and insurance in advance, without prior notice or billing from Operator. **NO MONTHLY BILLS OR STATEMENTS WILL BE SENT TO CUSTOMER UNLESS ELECTED ABOVE.** If Customer elects to receive monthly billing, a monthly service charge of \$1.00 shall be added to Customer's account.
- 3) **If Customer does not pay the Monthly Rental Charge by the 5th day following Customer's Paid Through Date, Customer shall pay a late fee of \$20.00 or 20% of the Monthly Rental Charge, whichever is greater. Operator may charge a late fee for each month Customer fails to pay the Monthly Rental Charge by the 5th day following the Paid Through Date. Late Fees will be assessed on or after the 6th day following Customer's current Paid Through Date.** Any late fees incurred by Customer are a service charge and not a penalty. Partial payments will not be

accepted, however, if a partial payment is accepted it will be at the sole discretion of Operator and if accepted will first be applied to fees and service charges, then to Monthly Rental Charges, taxes and insurance. If at the close of business on the 30th day following the Customer's current Paid Through Date, the Monthly Rental Charge or other charges still remain past due, a pre-foreclosure fee of \$120.00 will be assessed and Customer must pay such amount by cash, credit card, or by certified funds. No personal/company checks will be accepted for past-due payments. It is agreed to and understood that partial payments made to cure a default for nonpayment of rent will not delay or stop foreclosure and sale of Customer's property. The tender of partial payments, if accepted, shall not serve to waive or avoid the legal effect of prior notices given to Customer. Only full payment on Customer's account prior to the published auction date will stop a scheduled sale of the property.

- 4) **Customer's Rental Terms May Change with 30 Days' Notice.** Customer acknowledges this Lease is month to month and that Owner may change or increase Customer's Monthly Rental Charge, fees and charges, due to changes in market conditions or for any other reason at any time upon 30 days' notice to Customer. Owner may send notice to Customer's email address or by any other method of notice described in Section 29 below. By continuing to use the Space after a rate change, Customer agrees to the Rental Agreement as changed and that all of its other terms remain in effect.
- 5) **IF CREDIT CARD OR OTHER PAYMENT INFORMATION IS PROVIDED BY CUSTOMER TO OPERATOR, CUSTOMER AUTHORIZES OPERATOR TO AUTOMATICALLY PROCESS THE PAYMENT VIA THE METHOD PROVIDED ON OR NEAR THE MONTHLY DUE DATE FOR MONTHLY RENTAL CHARGES, TAXES, INSURANCE, AND OTHER FEES AS APPLICABLE UNLESS OTHERWISE DIRECTED BY CUSTOMER. IT SHALL BE CUSTOMER'S SOLE RESPONSIBILITY TO PROVIDE OPERATOR WITH ACCURATE, CURRENT AND WORKING PAYMENT INFORMATION. THE FAILURE TO PROVIDE SUCH MAY RESULT IN NON-PAYMENT OF MONTHLY RENTAL CHARGES AND OTHER ACCRUED CHARGES, ALLOWING OPERATOR TO SELL CUSTOMER'S PERSONAL PROPERTY PURSUANT TO SECTION 22 BELOW. IT SHALL BE CUSTOMER'S SOLE RESPONSIBILITY TO VERIFY THAT PAYMENTS ARE MADE AND BY WHAT METHOD PAYMENTS ARE MADE. CUSTOMER MAY CANCEL AUTOMATIC PAYMENTS AT WWW.EXTRASPACE.COM USING THE ACCOUNT MANAGEMENT TOOL BY LOGGING IN AND CLICKING "CANCEL AUTOPAY" OR IN PERSON AT THE FACILITY'S OFFICE.**

Customer Initials _____

- 6) Any checks returned for insufficient funds will result in a \$25.00 service charge to Customer, and the returned check amount and service charge must be re-paid by cash, credit card, or money order. Customer shall not be permitted to pay with a check after two checks have been returned for insufficient funds. Operator may also, at its discretion, refuse to accept credit card payments if Customer's credit card charges have been disputed.

ARBITRATION

- 7) **Agreement to Arbitrate:** By initialing below, Customer agrees that, either Customer or Operator may elect to resolve any dispute by neutral, binding arbitration, on an individual basis only, and not by a court action, subject to the exceptions and terms set forth below. Customer acknowledges that he/she had the option of entering into an Agreement without an Arbitration provision, but voluntarily chose to enter into an Agreement with an Arbitration provision.

Except as provided below, Operator and Customer agree to arbitrate all Claims and Disputes between Operator and Customer. "Claims" are any claims or controversies, at law or in equity, against each other related in any way to or arising out of in any way to this Rental Agreement, the Customer's use or occupancy of the Space and this Property or any claim of bodily injury or property damage, or the enforcement of any remedy under any law, ordinance, statute or regulation, even if it arises after the Agreement has terminated. "Claims" include, but are not limited to, claims related in any way to or arising out of in any way to any aspect of the relationship between Operator and Customer, whether based in contract, tort, statute, fraud, misrepresentation, or any other legal theory. "Claims" also include such claims that Customer brings against Operator's employees, agents, parents, subsidiaries, affiliates, or other representatives or that Operator brings against Customer.

"Disputes" include without limitation disputes arising out of relating to interpretation or application of this Arbitration Provision, including the enforceability, revocability or validity of the Arbitration Provision or any portion of the Arbitration Provision. All such matters shall be decided by an Arbitrator and not by a court or judge.

Unless Customer and Operator each agree otherwise, the Arbitration will be conducted by a single, neutral third party arbitrator. OPERATOR AND CUSTOMER WAIVE THEIR RIGHT TO TRIAL BY JURY OR IN A COURT. The party initiating the arbitration shall select the arbitration organization, subject to the other party's agreement to use such arbitration organization, which shall not unreasonably be withheld. Unless otherwise agreed, the arbitration shall take place within the County where the defendant/respondent resides. The applicable rules of the arbitration organization will govern the arbitration.

If the Claim does not qualify to be brought in small claims court, Operator will pay for the arbitration administrative or filing fees, including the arbitrator fees, up to an aggregate total of \$2,500.

OPERATOR AND CUSTOMER AGREE THAT THEY WILL ONLY PURSUE ARBITRATION ON AN INDIVIDUAL BASIS AND WILL NOT PURSUE ARBITRATION OR ANY OTHER CLAIM ON A CLASS-WIDE, REPRESENTATIVE, OR CONSOLIDATED BASIS. OPERATOR AND CUSTOMER ALSO AGREE THAT THEY WILL NOT PARTICIPATE AS A MEMBER OF A CLASS, AS A CLASS REPRESENTATIVE, OR IN A CONSOLIDATED ACTION.

The right to arbitration under this Arbitration Provision is protected by, and any arbitration shall be governed by, the Federal Arbitration Act (9 U.S.C. § 1 et seq.). The Operator and Customer agree that the Operator's business and the relationship here involve interstate commerce.

Claims Not Subject to Arbitration. Either Operator or Customer may bring Claims in small claims court. Either Operator or Customer may pursue the self-help and other remedies and defenses provided in Business and Professions Code section 21700 et seq. However, this exception does not include Claims that are derivative or based on violations of Business and Professions Code section 21700 et seq., including without limitation Claims for violation of Business and Professions code section 17200 et seq., conversion, negligence, breach of contract, or other violations of state or federal law; any such Claims shall be subject to arbitration under the terms of this Arbitration Provision unless brought in small claims court.

_____ Customer agrees to the Arbitration Provision

Customer Initials _____

_____ Customer refuses the Arbitration Provision

ACCESS

- 8) Customer shall have access to the Space and the Facility only during such hours and days as are regularly posted at the Facility, which are subject to change by Operator. Any access to the Facility outside of access hours is considered trespassing. If Monthly Rental Charges or other charges remain unpaid for five (5) days following the Monthly Due Date, unless otherwise prohibited by law, Operator may restrict or deny Customer's access to the Space and/or Facility. If Customer is renting more than one Space at any given time, default on one rented Space shall constitute default on all rented Spaces, entitling Operator to deny access to Customer on all rented Spaces.

- 9) Customer shall provide the lock for the rental Space sufficient to secure Customer's personal property unless a permanent lock is already installed on the unit. Operator does not represent the adequacy of any particular lock. Customer shall not provide Operator, Operator's agents, authorized representatives and employees (collectively "**Operator's Agents**") with a key or any kind of access code to Customer's Space.
- 10) Customer grants Operator and Operator's Agents or any governmental authority access to the Space: a) upon three (3) days prior written notice, b) upon default of the Agreement by Customer for thirty (30) days, c) in emergency circumstances (defined as imminent injury to persons or property), or d) as required by law. If Customer fails to grant access, Operator, Operator's Agents or the agents of any governmental authority shall have the right to remove Customer's lock and enter the Space to examine the contents, to make repairs or alterations, to take reasonable steps to preserve the Space, to comply with the law, or to enforce Operator's rights; including the right to relocate Customer's belongings if necessary. In the event that Operator must replace the lock, Operator may charge Customer for the lock.
- 11) Customer shall safeguard any property stored at the Facility. It is Customer's sole responsibility as to those persons who are given access to Customer's Space and Operator shall not be liable for anyone other than Customer entering the Space unless by Operator's gross negligence.

LIMITATIONS ON USE OF THE SPACE AND FACILITY

- 12) Customer shall not make or allow any alterations to the Space. Customer agrees that the Space and Facility shall be used solely for the storage of personal property. Customer shall not loiter about the Facility, spend excessive or unnecessary time in or around the Space or interfere with the use of the Facility by other customers of Operator. Customer shall not use the Space for any unlawful purpose and expressly agrees not to use the Space for human or animal habitation. Customer shall not store in the Space or at the Facility anything to which any other person or business has right, title, or interest. Customer represents and warrants that there are **NO LIENS OTHER THAN OPERATOR'S LIEN UPON THE PROPERTY STORED**. A Lienholders Addendum to this Agreement must be completed if there are any lienholders on any stored property and for each stored vehicle, absent which such vehicle will be deemed unauthorized and be subject to removal from the Space and Facility. The storage of food and any perishable goods is strictly prohibited. The use of electricity in the Space is strictly prohibited unless agreed upon in writing by Operator. **IT IS SPECIFICALLY UNDERSTOOD AND AGREED THAT CUSTOMER SHALL NOT STORE OR USE IN THE SPACE OR AT THE FACILITY ANY HAZARDOUS OR TOXIC MATERIALS OR ANY INHERENTLY DANGEROUS OR FLAMMABLE SUBSTANCE**. In the event that any food, hazardous substances, or toxic materials are found in the Space, Operator has the right to dispose of such items without any notice to Customer.
- 13) Customer agrees that the Space is not appropriate for the storage of jewels, furs, heirlooms, art works, collectibles or other irreplaceable items having special sentimental or emotional value to Customer and Customer agrees not to store said items. Customer hereby waives any claim for sentimental or emotional value for Customer's property that is stored in the Space or at the Facility.
- 14) If the Space is so equipped, Customer is prohibited from storing any items within 18" of the clearance to the fire sprinkler head diffuser for life safety reasons. Customer acknowledges that any items stored within 18" of the clearance of the fire sprinkler head diffuser may be removed by Operator and placed in a separate space without notice to Customer, all at Customer's expense.

LIMITATION OF OPERATOR'S LIABILITY AND INDEMNITY

- 15) **OPERATOR IS NOT A WAREHOUSEMAN ENGAGED IN THE BUSINESS OF STORING GOODS FOR HIRE, AND NO BAILMENT IS CREATED BY THIS AGREEMENT. OPERATOR EXERCISES NEITHER CARE, CUSTODY, NOR CONTROL OVER CUSTOMER'S STORED PROPERTY AND ALL PROPERTY STORED WITHIN THE SPACE OR AT THE FACILITY BY CUSTOMER SHALL BE STORED AT CUSTOMER'S SOLE RISK.**
- 16) Operator, Operator's Agents, Operator's affiliates and the Facility's owner, if different, shall not be liable to Customer for any damage or loss to any person or property at the Facility and to any property stored in the Space, arising from any cause whatsoever, including, but not limited to, theft, fire, mysterious disappearance, mold, mildew, water, rain, rodents, insects, acts of God, partial or sole negligence or failure to act of Operator or Operator's Agents, except for damage or loss resulting from Operator's fraud, gross negligence or willful violation of law. Customer shall indemnify and hold Operator, Operator's Agents, Operator's affiliates and the Facility's owner, if different, harmless from any and all damage, loss, or expense arising out of or in connection with any damage to any person or property, occurring in the Space or at the Facility arising in any way out of Customer's use of the Facility, even if such damage or loss is caused entirely or in part by the negligence of Operator, Operator's Agents, Operator's affiliates or the Facility's owner, if different. Operator, Operator's agents, Operator's affiliates and the Facility's owner, if different, shall not be liable whatsoever to any extent to Customer or Customer's invitees, family, employees, agents or servants for any personal injury or death arising from Customer's use of the Space or Facility from any cause whatsoever including, but not limited to, the active or passive acts, omissions or negligence of Operator or Operator's Agents.
- 17) Climate controlled spaces are heated and cooled depending on outside temperature. These spaces do not provide constant internal temperature or humidity control. Operator does not warrant or guarantee temperature or humidity ranges in the Space due to changes in outside temperature and humidity, or due to other considerations, and Customer understands and assumes the risk of climate controlled spaces not meeting certain temperature and humidity requirements.
- 18) **Customer agrees that the total value of the property stored shall not exceed \$5,000 unless Operator has agreed in writing for Customer to store property exceeding \$5,000; provided that Customer agrees that Operator's maximum liability to Customer for any claim or suit by Customer, including but not limited to any suit alleging wrongful foreclosure or sale of Customer's property is \$5,000. This section shall not create any liability on the part of Operator to Customer for any loss or damage to Customer's property, regardless of cause.**
- 19) No promises or representations of safety or security have been made to Customer by Operator or Operator's Agents. Operator makes no representation that video surveillance is present at any location or in any portion of a Facility and video surveillance equipment may be changed or removed at any time by Operator. There shall be no liability to Operator, Operator's Agents, Operator's affiliates or the Facility's owner, if different, in the event alarm, video system or sprinkler system, or any components thereof, shall fail or malfunction. **Video recording devices are not monitored.**
- 20) Operator's Agents are not authorized or permitted to make any warranties about the Space or the Facility. Operator's Agents' ORAL STATEMENTS DO NOT CONSTITUTE WARRANTIES and shall not be relied upon by Customer. The entire agreement and understanding of the parties hereto are embodied in this writing and NO OTHER WARRANTIES are given.

INSURANCE

- 21) **Customer shall maintain comprehensive insurance coverage of at least 100% of the actual cash value of all personal property stored in the Space against damage by water, fire, extended coverage perils, vandalism and burglary. To the extent Customer does not maintain insurance for the full value of the personal property stored, or fails to maintain insurance at all, Customer bears all risk of loss or damage.** Customer hereby releases Operator, Operator's Agents, Operator's affiliates and the Facility's owner, if different, from any and all claims for damage or loss to personal property that are caused by or result from perils that are, or would be, covered under the required insurance policy and hereby waives any and all rights of recovery against Operator, Operator's Agents, Operator's affiliates and the Facility's owner, if different, in connection with any damage which is or would be covered by any such insurance policy. **CUSTOMER'S PERSONAL PROPERTY STORED IN THE SPACE OR AT THE FACILITY IS NOT INSURED BY OPERATOR AGAINST LOSS OR DAMAGE.**

OPERATOR'S LIEN AND RIGHT TO ENFORCE UPON NONPAYMENT

- 22) **CUSTOMER ACKNOWLEDGES AND AGREES THAT CUSTOMER'S PERSONAL PROPERTY STORED AT THE FACILITY WILL BE SUBJECT TO A CLAIM OF LIEN IN FAVOR OF OPERATOR FROM THE DATE THE MONTHLY RENTAL CHARGE AND OTHER CHARGES ARE DUE AND UNPAID, AND FOR EXPENSES REASONABLY INCURRED IN THE SALE OR DISPOSITION OF CUSTOMER'S STORED PERSONAL PROPERTY. IF RENT OR OTHER CHARGES REMAIN UNPAID FOR FIFTEEN (15) CONSECUTIVE DAYS, OPERATOR MAY ENFORCE ITS LIEN AND SELL CUSTOMER'S PERSONAL PROPERTY IN A COMMERCIALY REASONABLE MANNER AFTER GIVING CUSTOMER REASONABLE NOTICE, IN ORDER TO SATISFY SUCH LIEN AS AUTHORIZED BY HAWAII REVISED STATUTES, DIVISION III, TITLE 28, CHAPTER 507, ET SEQ. CUSTOMER AGREES THAT ANY SPACE ADVERTISED AND SOLD USING AN ONLINE AUCTION PROVIDER IS DEEMED TO BE SOLD IN A COMMERCIALY REASONABLE MANNER.** Operator may enforce Operator's Lien by selling Customer's stored personal property at public sale, in accordance with the provisions of applicable law, and apply the net proceeds from such sale to the payment of all sums due to Operator. This remedy is cumulative with and in addition to every other remedy given hereunder or hereafter existing at law or in equity. It is further understood that the date of sale of Customer's property pursuant to this section, if applicable, shall constitute the date of termination of this Agreement. In the event of a foreclosure of Customer's interest in the Space, it is understood and agreed that the liability of Customer for the rents, charges, costs and expenses provided for in this Agreement shall not be relinquished, diminished or extinguished prior to payment in full. Operator may use a collection agency to secure any remaining balance owed by Customer after the application of sale proceeds, if any. If any property remains unsold after foreclosure and sale, Operator may dispose of said property in any manner considered appropriate by Operator in its sole discretion.
- 23) Any time prior to lien sale, any person claiming a right to Customer's lien property may stop the sale by **paying in full in the form of CASH ONLY** all amounts owed. Upon release of such property to the payor, Operator shall have no further liability to any person for the lien property. In addition to any other requirements of applicable law, Operator may post information relating to any public sale resulting from Operator's enforcement of its lien at the following website: <http://auctions.extraspace.com>.

EVENT OF DEFAULT

- 24) If Customer shall fail or refuse to perform any of the covenants, conditions or terms of this Agreement, or in the event Customer files a voluntary petition in Bankruptcy or suffers a petition in involuntary bankruptcy to be filed against him/her, Customer shall be deemed in default in the performance of this Agreement, except as limited by law. Nothing contained in this Agreement shall be construed as limiting Operator's rights and remedies as provided under the laws of the state where the Facility is located. In the event of a default, and without prejudice to any other remedies, Operator may (a) terminate this Agreement, or (b) seize and sell the personal property pursuant to Section 22 above.

TERMINATION OF THE AGREEMENT AND VACATING THE SPACE

- 25) Customer must provide Operator notice prior to vacating the Space and terminating this Agreement. Operator shall not be required under any circumstance to refund Customer's first month's rent or other charges paid at the time of execution of this Agreement. In addition, Operator shall not be required to prorate Monthly Rental Charges if Customer gives notice of termination to Operator and the termination date occurs during a Rental Month for which Customer already paid the Monthly Rental Charge. However, if Customer's notice of termination includes a date of termination that is to occur during a future Rental Month, Operator shall prorate the Monthly Rental Charge for the Rental Month wherein termination occurs. Furthermore, Customer shall be entitled to a refund of any prepaid Rental Month Charges so long as Customer has not occupied the Space for any portion of the prepaid Rental Month at the time of termination. Customer agrees to the refund policy outlined above. Customer Initials _____
- 26) If Customer is in default under this Agreement, or for any other reason in Operator's sole discretion, Operator may terminate this Agreement by giving Customer fifteen (15) days written notice.
- 27) If Customer or Operator terminates this Agreement as provided above, Customer agrees to move out and completely vacate the Space on or prior to the anticipated termination date. Customer shall leave the Space in the same condition as delivered to Customer. Any property left behind will be considered abandoned property and Operator may dispose of such in a manner that Operator sees fit. If Operator is forced to dispose of any abandoned property or forced to clean the Space, Operator may charge Customer a reasonable cleaning fee, which shall be an amount no less than \$50.00. Upon Customer's notice of termination, Operator may consider this Agreement terminated and may relet the Space anytime after the notification date provided. Customer shall be deemed to have conclusively abandoned all property which remains in the Space or on the Facility after the termination of this Agreement, upon default of this Agreement for thirty (30) days, or when Operator concludes based upon other reasonable considerations, including, but not limited to an unlocked Space, that Customer has abandoned Customer's property and the Space.

AMENDING THE AGREEMENT

- 28) All terms in this Agreement are **SUBJECT TO CHANGE** upon thirty (30) days written notice to Customer, including but not limited to, and without limitation, Monthly Rental Charges, late fees and other charges. Upon receiving notice of Operator's pending change(s) to this Agreement, Customer may terminate this Agreement on or before the effective date of such change by giving Operator written notice within ten (10) days of the change taking effect. If Customer does not give such notice of termination, the change shall become effective on the date stated in Operator's notice and shall thereafter apply to the occupancy hereunder, whether or not Customer has agreed to the change in writing.

NOTICE

- 29) Customer shall notify Operator of any change in Customer's address or phone number within ten (10) days of the change. Such notifications shall be (a) by certified mail, return receipt requested, postage prepaid, (b) delivered in person at the Facility's rental office (c) sent from customer via electronic mail so long as the change of address request originates from the e-mail address Operator has on file for Customer, including the e-mail address provided in this Agreement if applicable, or (d) made at www.extraspace.com via online account management. Failure by Customer to notify Operator shall constitute a waiver by Customer of any defense based on failure to receive any notice.
- 30) Customer recognizes it is entering into a business relationship with Operator and to the fullest extent permitted by law, expressly consents to Operator contacting Customer via phone, e-mail or text messaging for purposes relevant to Customer's account or services related to Operator's business. Customer should review Customer's phone/text plan with its servicer to see if text message fees or data service rates apply and Customer agrees to accept such charges if applicable. Except as otherwise required by law, or as otherwise provided for in this Agreement, written notices or demands may be personally served by electronic mail to the electronic mail address provided by Customer in this Agreement (or updated electronic e-mail address per separate notification as applicable) or by pre-paid first class U.S. Mail to the last known address of the party to be served, as contained in this Agreement. Such notice or demand shall be complete at on the date sent to Customer's e-mail address listed on this Agreement (or updated e-mail address per separate notification as applicable), if personally delivered (including e-mail), or on the date of pre-paid, properly addressed deposit with the U.S. Postal Service.

MISCELLANEOUS

- 31) Customer shall not assign, sublease or jointly occupy the Space or any portion thereof without in each instance obtaining the prior written consent of Operator.
- 32) All of the provisions of this Agreement shall be binding upon the heirs, executors, administrators, representatives, successors and assignees of the parties hereto.
- 33) Operator and Customer hereby waive their respective rights to trial by jury of any cause of action, claim, counterclaim, or cross complaint, at law or in equity brought by either Operator against Customer or Customer against Operator arising out of or in any way connected with this Agreement, Customer's use or occupancy of the Space and the Facility or any claim of bodily injury or property damage, or the enforcement of any remedy under any law, ordinance, statute or regulation. Operator and Customer agree that no arbitration, small claims court proceeding or any other action or proceeding shall be brought against Operator or Customer more than one (1) year after the accrual of the cause of action or one (1) year after the claim arises, whichever is shorter, whether known or unknown when the claim arises or whether based on tort, contract or any other legal theory.
- 34) If Customer is not an individual, the undersigned warrants that he or she is an authorized agent of Customer.
- 35) If Customer or Customer's spouse is in the military service, Customer must fill out the Addendum to this Agreement regarding military. If Customer's military status (or Customer's spouse's military status) changes during the term of this Agreement, Customer must provide written notice to Operator. Operator will rely on this information to determine the applicability of the Servicemembers Civil Relief Act.
- 36) Customer represents and warrants to Operator that Customer is not a party with whom Operator is prohibited from doing business pursuant to the regulations of the Office of Foreign Assets Control ("OFAC") of the U.S. Department of the Treasury, including those parties named on OFAC's Specially Designated Nationals and Blocked Persons List. Customer is currently in compliance with, and shall at all times during the Agreement term remain in compliance with, the regulations of OFAC and any other governmental requirement relating thereto. In the event of any violation of this section, Operator shall be entitled to immediately terminate this Agreement and take such other actions as are permitted or required to be taken under law or in equity. CUSTOMER SHALL DEFEND, INDEMNIFY AND HOLD HARMLESS OPERATOR FROM AND AGAINST ANY AND ALL CLAIMS, DAMAGES, LOSSES, RISKS, LIABILITIES AND EXPENSES (INCLUDING ATTORNEYS' FEES AND COSTS) INCURRED BY OPERATOR ARISING FROM OR RELATED TO ANY BREACH OF THE FOREGOING CERTIFICATIONS. These indemnity obligations shall survive the expiration or earlier termination of this Agreement.
- 37) This Agreement contains the entire agreement of the parties and no representation or agreements, oral, or otherwise, between Operator and Customer not embodied herein shall be of any force or effect (except for written addenda agreed to between the parties).
- 38) As part of your agreement to rent, you may have received an initial rental discount. Your monthly rental charge is _____ as compared to the suggested rental rate of _____ for your storage unit.

Operator and Customer hereby execute this Agreement to be effective on the Rental Agreement Date listed above.

 OPERATOR

 CUSTOMER

MANAGER’S REPORT No. 22-54

December 23, 2021

Re: Discussion and Possible Action on transfer of unrestricted funds for the purchase of additional water meters and polymer meter box covers in the amount of \$450,000.00

RECOMMENDATION:

It is recommended that the Board approve the transfer of funds in the amount \$450,000.00 to Operations Division to allow the purchase of additional meters and polymer box covers.

FUNDING:

TRANSFER FROM:			
Account No.	10-00-00-330-000		
Acct Description	Water Utility Fund (unrestricted)		
Funds Available	<i>Verified by WWC</i>		\$ 450,000.00
TRANSFER TO:			
Account No.	10-40-00-604-170		
Acct Description	WU/Ops/Capital Outlay- R&R/Additional Water Meters and Polymer Meter Box Covers	\$ 450,000.00	\$ <450,000.00>

BACKGROUND:

The Department is upgrading the water meters to Advanced Meter Infrastructure (AMI) as a Capital Improvement Project (CIP). The CIP was approved by the Board this fiscal year with funding through State Revolving Fund (SRF) loan. While the department is in the process of organizing a project team for the AMI CIP implementation and completing the SRF funding application process, we are requesting additional budget for the meter inventory stock to have adequate meter inventory supply to keep up with the increasing demand of meter replacements.

The Department’s water meters are currently Automatic Meter Read (AMR) from Badger Meters. Over the past year, the Department began pilot installation of Badger’s AMI using existing cellular infrastructure. It was found that in some areas where cellular signal is weak, the existing cast iron meter box covers are causing interference and need to be replaced with polymer box covers as recommended by Badger Meter.

Meantime, older AMR meters that are nearing, or at end of battery life started malfunctioning on data downloads at higher than anticipated rate. This battery failure increased replacement rates. Due to pandemic related supply shortages and shipping delays causing longer than usual lead times, the Department needs to order additional meters and polymer meter box covers beyond budgeted amounts to be able to keep up with new meter installation requests and higher than anticipated replacement requests and maintain adequate inventory.

OPTIONS:

Option 1:

Approve Manager's Report as recommended.

Pro:

DOW will be able to purchase additional water meters and polymer meter box covers for remainder of fiscal year, enabling the DOW to keep up with new meter installation requests and replace malfunctioning meters as well as maintain ample inventory of water meters to ensure timely installation, repair and replacement. New meters installed by DOW staff will potentially reduce the SRF loan amount needs due to decreased labor costs.

Con:

The Department will expend unrestricted funds that are not budgeted.

Option 2:

Deny Manager's Report as recommended.

Pro:

Unrestricted funds will not be expended.

Con:

New installation, repair, and replacement of water meters will be delayed causing dissatisfaction from customers, and manual reading of meters requiring overtime.

Attachment:

Customer Meter Program

VR



Customer Meter Program

DOW's meters are the Department's primary source of funding, provides tracking for water produced, consumed and sold and documents patterns of customer usage.

Customers work with Engineering and Fiscal to request new services. The Operation's Division install, repair or replace meters as requested. Developing a comprehensive meter management program is important as we look forward to a Capital Improvement Program (CIP) to replace all customer meters 2" or smaller.

Water has no substitute... Conserve it!

1



Customer Meter Transition



Meters are read on a monthly basis from an Automatic Meter Reading (AMR) program, which downloads the data to staff as they drive by the meter location. Not all meters are set-up through AMR.



The technology for these AMR units has changed and the Department needs to transition to a different reading program - Advanced Metering Infrastructure (AMI).

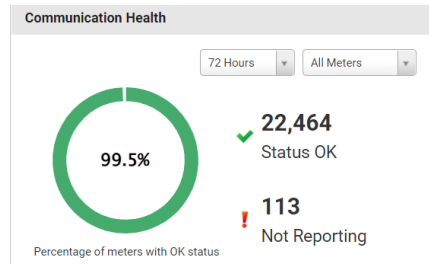
Water has no substitute... Conserve it!

2

AMI readings will use cell towers and texts to transfer data to Fiscal



Both AT&T and Verizon towers can download meter readings and flow details from each meter location to a secure web page for the Department and customer's review.



Water has no substitute... Conserve it!

3

Meter examples



Meter Sizes

- 5/8" meters
- 3/4" meters
- 1" meters
- 2" meters
- 1 1/2", 3", 4", 6", 8" and compound meters are also installed

Meters used for:

- ✓ Residential
- ✓ Commercial
- ✓ Industrial
- ✓ Fire Service

Water has no substitute... Conserve it!

4



Meter Installation History

- 2006-2009 - Contracted meter replacement for 18,224 small meters.
- 2021 - Estimated counts in spring 2021 indicated a need for 22,400 small meters.

Small meter inventory for replacements were budgeted and estimated at 300 meters per year. However, ongoing battery failures have exceeded this estimate and the Department experienced difficulty in maintaining inventory due to COVID-related manufacturing issues that impacted supply chain and significant shipping delays.

Water has no substitute... Conserve it!

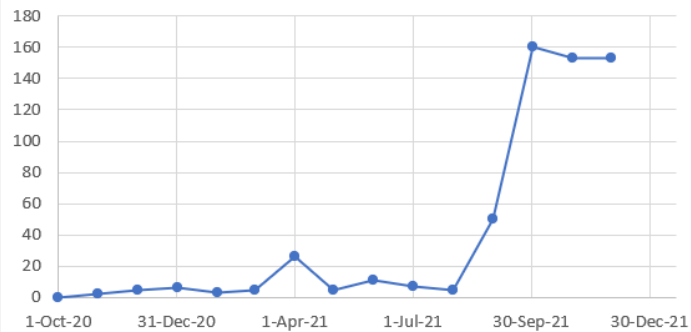
5



Meter battery failures have precipitated a need for increased inventory and replacements.


The meters are still registering water usage, but retrieving the data is harder and are being read manually.

estimated meter endpoint failure #s



Water has no substitute... Conserve it!

6



Customer Meter Replacement included in recent CIP

This island-wide CIP replacement project will utilize contract labor to install the newest proven technology available. Benefits and tasks include:

- AMI meter data downloads
- Pressure sensors in select areas
- Phased and regional installations
- Estimated 22,000 meters will be installed by contractors

Water has no substitute... Conserve it!

7



Current and next steps

- Reallocate funding for immediate shortfall on meter inventory
- Work with suppliers to avoid shipping delays
- Increase and maintain inventory:
 - ❖ Meter replacement parts;
 - ❖ New polymer meter box covers; and
 - ❖ Larger meter boxes
- Initiate pilot study with Ultrasonic meters
- Evaluate/modify small meter size to meet fire flow standards
- Pilot customer web portal for leak alerts, flow monitoring and data recovery. Need additional time to test internally.

Water has no substitute... Conserve it!

8

MANAGER'S REPORT No. 22-55

December 23, 2021

Re: Discussion and Approval of the Manager and Chief Engineer's Goals

RECOMMENDATION:

It is recommended that the Board discuss and approve the Manager and Chief Engineer's goals.

Manager and Chief Engineer's Goals & Benchmarking

As Manager of the Department of Water (DOW), I offer these Goals and Initial Key Performance Indicators (KPI's) to be derived through new DOW Benchmarks for the remainder of FY 2021-2022, leading up to my first full budget to be presented in draft form to this Board in Spring 2022 with final adoption of FY22-23 goals, benchmarks, and final budget during June's 2022 Board Meeting.

90-day Work Culture Assessment

This report IS NOT intended nor meant in a negative or punitive manner. It is simply a synopsis and snapshot of the operating culture within DOW observed since arriving October 1, 2021.

The department has suffered for many years by inconsistent and short-tenured leadership arena that failed to provide stable, effective expectations of responsibility, accountability and lacked an adequate, agreed-upon vision for the future of DOW. My countless interviews with staff, Board Members, and customers and my reviews of the department activities since 2009 have strongly indicated that lingering issues pertaining to **morale**, **camaraderie** and **trust** on a department-wide scale have existed for many years. Challenges with and/or absence of the required partnering mindset with related and similar County departments has led to **strained relationships** and inter-departmental process breakdowns. This change process is a management of evolution rather than revolution.

I am the sixth department manager in eight years and the eighth manager since 2009. As a direct result of this chaotic history, the following culture exists:

- Adherence to policies and procedures widely varies by division and may change depending on the new Manager that comes on board. There is no consistency between senior leadership to ensure that current policies and procedures still stand in absence of a manager.
- Individual performance documentation is generally absent.
- Daily activities within the department are filled with drama resulting in much time spent on non-productive discussions and wasted energy.
- Lack of a consistent management structure has forced staff to "fend for themselves" when critical decisions are required such as contracting, retaining consultants, purchasing, etc.

- DOW functions as a fire department – pipe breaks, we respond, hydrant broken, we respond, pump stops or valve fails, we respond. Report is late or missed to an important sister department at the County, well, “we’ll get it to you.” Reactive culture exists versus proactive planning in managing some divisions.
- Almost every previous, short-term manager has tweaked the organization through mini-reorganization proposals to the Board that occurred without consideration of the department as a whole – the cause and effect upon other untouched areas of DOW and the process changes required after each structure change was not communicated or defined to affected staff, which has caused a whole lot of failed processes and silos among divisions. Employees did not know that a reorganization was being implemented, how it would affect their position, what would change until “after the fact.”
- Initial observation from staff included, “We’ll just wait-out the new manager” and “that’s the way we’ve done it for years, why change now?” There haven’t been effective meetings held with employees to help them understand of new procedures, policies, or expectations within each division. That has caused divisions to function not knowing who has the ball on specific assignments/projects.
- Dire need exists for improved processes to identify required versus actual workflows. This impacts staffing, planning and hiring decisions. Our current staff shortage of critical, qualified workers has impacted water system coverage.

Outstanding DOW Issues

To address and accomplish the required corrections within DOW, sustained day-to-day management of practice, process, and organizational needs must also include patience with dedicated staff who have endured a decade-plus of chaotic leadership and yet kept the water flowing and the department running.

The absence of standard water industry benchmarks within the department drives the strategy, focus, and need for establishment of performance targets that enables the Board and Manager alike, the ability to prioritize an appropriate budget focus and corresponding appropriations year-over-year. This is an opportune time in the department’s history to holistically reset the organization from every division and level through the review of current processes and practices. This will not be a quick-fix turnaround approach but rather a halting of the unmanaged evolution throughout the past decades to a strategic, decision-driven and transparent path forward that implements corrections throughout the entire organization.

My objective is to build trust and confidence with our employees, our partners at the Department of Public Works, Planning Department, Department of Human Resources, Department of Finance, especially the Division of Information Technology, the Mayor’s Office and, above all, our Ratepayers.

The following, in no particular order, are identified issues and observations that require attention, initial decisions and/or final resolution:

- Performance of consultants – Management must hold retained professionals accountable for quality of delivered products and costs that display value to DOW.

- Records and File Management – Money was budgeted, no progress toward implementation. The DOW does not have a structured filing system to upkeep digital files. All divisions are filing documents on their own. There is a central location for files on SharePoint, but the system is not built out and there has been no attention for senior leadership to implement with their teams, thus piling of files in multiple locations.
- Department does not utilize GIS – This and other required technology can be leveraged with County systems, but a relationship gap exists.
- We need a new strategic financial format and reporting dashboard to the Board – all divisions need this.
- Delinquent accounts management needs to be overhauled.
- Standard Operating Procedures are outdated, and some are redundant. Process changes are implemented without updating the SOPs.
- General Purchasing Policies and Procedures, Procurement thresholds and Requirements are not in line with the County and needs to be updated.
- Contracting in Fiscal and IT is chaotic – gap in management planning between common division users.
- Water Plan - updating needed to formally address system expansion and project delivery to resolve water-restricted areas on the island.
- Facilities Reserve Charge (FRC) needs assessment of model options and plan forward.
- Grant(s) Program in various stages of use with deadlines approaching and implementation plans required.
- Rate review is planned – several decisions and factors much precede launching this – FRC, training on model, develop new assumptions for baseline, etc.
- Workday, a new payroll and timekeeping software, is scheduled, but staff will need training and personal accountability for this transition to be successful.
- Website is outdated and ineffective for many users – more information through easier navigation is required.
- Operations Division Base Yard needs overhaul and final decision by the Board – management needs to submit updated approach.
- Department asset decisions have been inconsistent and siloed – Asset plan required.
- Parking continues to be a challenge – changing the Base Yard and bill drop-off location can alleviate most of the issue.
- Staffing continues to be problematic and with four retirements this month.
- A need exists on the island for staging areas for operations staff.
- Standby and overtime performed by higher level managers. This should be assigned to front-line staff. Manpower shortages are the cause, and clarity is needed on job descriptions.
- Many traditional utility programs either don't exist or need updating. These include: HSE program / safety officer; ERP update (underway); Asset Management Program; Fleet Management Program; Records Retention/File Storage; Apprenticeship/Internship Program; Meter Replacement Program (underway); Strategic Technology Business Plan; Staffing & Demographics Plan; Facilities Management Plan; Formal Training Programs – all areas including administration.

- Building layout makeover needed soon to best place staff and equipment in a safer working environment. Storage is years behind in implementing solutions.
- Many administrative tasks are inconsistent, disconnected by division and are dependent on a few experienced professionals rather than knowledge retention being shared, documented and passed down.
- New Department-wide Organizational Structure required to eliminate inefficiencies, redundancies, and confusion to accomplish the issues above as well many others not listed.

The preceding list is by no means all-inclusive, and many more issues are highlighted in the following short-term goals and anticipated benchmarks.

Short-term Goals

(Through FY21-22)

1. **Address outstanding issues related to the lack of a strong Information Technology Strategy and Plan** – Major components of a efficiently managed department do not exist or are in need of significant upgrading.
2nd Qtr. 2022
2. **Greatly reduce permit/project response and turnaround time** – this is currently based on estimates and customer calls/complaints – no benchmark exists yet.
1st Qtr. 2022
3. **Complete New Emergency Response Plan** – This document has historically existed and with the department needing to provide County EOC and DOW staff a working document with updated practices and procedures, this is a high priority.
1st Qtr. 2022
4. **Deliver new Organizational Structure** – Present to the Board an updated layout that identifies how the department will function to best deliver services.
1st Qtr. 2022
5. **Establish Health & Safety Program** – DOW needs to institute a first ever robust Safety Program ASAP.
1st Qtr. 2022
6. **Develop new Financial Strategy & Plan** – Recommend a FY22-23 Financial Strategy that leverages new benchmarks, funding guidelines and a forward-looking roadmap that marries a new Water Infrastructure and Investment Plan (WIIP).
2nd Qtr. 2022
7. **Develop Straightforward Division Dashboards** – the Board needs to know how we’re performing, and the Ratepayers need transparency about how we spend their money.
2nd Qtr. 2022

8. **Identify and account for all DOW Assets** – recordkeeping and current management of all DOW property is behind in removing and identifying actual needs for equipment, vehicles, tools, furniture, etc.

2nd Qtr. 2022

9. **Resolve outstanding strategic and legal issues** – Provide the Board with options to resolve current, on-going program and project issues.

2nd Qtr. 2022

10. **Redefine Operations Division Job Descriptions** – Provide County HR options that reflects traditional water system operations job requirements, tasks and certification levels to improve recruitment efforts.

2nd Qtr. 2022

Again, the aforementioned FY 21-22 Goals only reflect the remaining six months of our current budget – due to my start date and budget numbers having already been set. Presented with the FY 22-23 Annual Budget will be my new annual Goals supported by the next fiscal budget cycle in June.

PROPOSED “MAJOR” BENCHMARK OBJECTIVES

To my knowledge, the department has never established performance benchmarks and Key Performance Indicators (KPI's) to provide a quarterly reporting mechanism available to the Ratepayers, Board, and DOW staff to measure progress throughout any fiscal year. These benchmarks are usually derived for a combination of type of municipality – State, County, City, Special District, etc., and size of the organization – as well as specific service provided – water, power, wastewater, gas, streets, transportation, etc. I usually use a combination of effective KPI's from traditionally accepted water industry standards to customizing benchmarks that are of specific importance to the agency and what types of issues experienced in the past is driving the need to capture our unique trending results. To adequately provide the Board with stretch goals for FY22-23, we need to establish baseline benchmark data, or we'll never be able to document if we're making progress versus prior years as we move forward – if we don't measure it, how then do we define success?

The following **tangible**, proposed benchmarks – by Division – have been of particular interest to DOW or I have observed an existing need to focus on performance in that area:

FISCAL

Investment return

Grant funds management – received vs. expended by deadlines

Budget vs. Actual vs. FY expected monthly expenditures

Capital funds management – received vs. expended by project timelines

Revenue – expected & unexpected revenue sources

Expenditures – expected vs. unexpected

Establish an error-free billing protocol and delivery of service

ENGINEERING

Projects: initiated vs. completed
annual vs. multi-year
measure initiation to expected completion dates
Capital vs. non-capital staff hours vs. corresponding budgets
Hours expended towards administrative processing & technical review
Monthly response and turnaround time to customers
Initiate the plans and rollout for an effective GIS program

OPERATIONS

Number of regulatory violations by type – initial vs. check sample results
Number of infrastructure failures by type – pipelines, pumps, valves, hydrants, etc.
Repair response times
Repair completion times
Staff required per emergency event
Cost of emergency by event
Pipeline replacement by miles/annually or experienced area-specific failures?
Unaccounted water vs. produced and metered sources

Vehicle management – How well do we manage mobile assets:
Assigned vs. unassigned vehicles of the total fleet
Pool vehicles in fleet – assigned by divisions
Annual miles driven/annual fuel costs
Surplus/depreciated vehicles annually

Equipment management – How well do we manage heavy, mobile, stationary, and tool/parts inventory:
Mobile assets (non-standard trucks & cars) do we need vs. have (excavation, generators, trailers, dump trucks, etc.)
Mobile tools and hand tools – have vs. need

Preventive (PM) vs. Reactive/Corrective Maintenance (CM) – Are we 80% PM vs. 20% CM?
CMMS tool utilized?
Daily scheduled PM's?
Annual schedule of assets to be replaced? (e.g. Pipeline Replacement)
Staff dedicated to PM's by region/area?

INFORMATION TECHNOLOGY

Total value of consulting contracts vs. actual delivered projects.
How many staff-delivered projects.
Number and value/cost of projects shared with County IT Department.
Total value of stranded technology equipment (servers, laptops, cell phones, monitors, desktops, etc.)

HUMAN RESOURCES

Current staffing demographics – tenure, progression of employees, location, equity, etc.
Vacancies vs. budgeted staffing level
Compensation vs. COLA
Workplace injuries / time missed

MANAGEMENT

Establish face-to-face, individual employee meetings frequency with all staff.
Develop consultant performance metrics department-wide – which firms are worth hiring again?
Require available technologies to be utilized for all processes and practices – no manual administrative work.

Department overtime vs. % of total department/division compensation = staffing calculation to determine staffing strategy

The following **intangible** benchmarks must be documented and although they are sometimes difficult to measure, they are indeed easy to recognize:

- Arrive on time, do your job, help others to best do their jobs.
- Escape the kindergarten mentality and graduate to professionalism – much less drama needed.
- Worry about doing the best job YOU can rather than gossiping about what SOMEONE ELSE is doing.
- Hold ourselves accountable by accepting responsibility for our actions AND inactions.
- Staff needs to initiate communication – stop waiting for the other person to “hopefully” communicate job-related issues.
- Demand follow-through, resolution and/or closing out an issue you’re working on – don’t let it sit until deadlines cannot be met just because someone didn’t ask you for an update.
- Initiate adherence to rules, procedures, practices, and policies – don’t wait to be told to do so.
- Realize respect through intent (actions)

Now that I’ve listed several benchmarks to target and measure, how do we plan to do so? The identification of metrics will be derived from three water industry sources – QualServe Benchmarking Program developed by the American Water Works Association (AWWA), the Water Environment Federation (WEF), and the Water Research Foundation (AWWARf). I have utilized these processes during multiple organizational and operational assessments throughout the country since 2002. Prior to these initiatives, EMA Services, Inc., provided Competitive Assessments since 1995 with which I was involved in until 2005.

To analyze and determine the effectiveness of DOW, I am using the Effective Utility Management (EUM) framework developed and endorsed by USEPA and the trade associations serving the water and wastewater industry. This framework includes subject areas such as Operational Optimization, Employee and Leadership Training, Water Resource Adequacy, Operational Resilience, Financial Viability, and other issues of focus.

I will provide the Board with final benchmarking metrics in preparation for the FY22-23 budget preparation in March 2022. I have been here 10 weeks and with more research to do regarding internal decisions that were made prior to joining DOW, I ask for your support defining what additional target areas or subjects I may have overlooked to be included in our final benchmarking program. Please provide me with feedback regarding the aforementioned priorities of goals and proposed benchmarks.

Mgrrp/December 2021/22-55/Discussion and Approval of the Manager and Chief Engineer's Goals (12/23/21):

A horizontal splash of clear blue water with bubbles, centered on the page. The text 'STAFF REPORTS' is overlaid on the splash, with 'STAFF' above the water and 'REPORTS' below it. Both words are in a blue, serif font with a slight 3D effect and a reflection below them.

STAFF REPORTS

FISCAL REPORT: MONTHLY SUMMARY HIGHLIGHTS – NOVEMBER, 2021

I. BUDGET SUMMARY VS. ACTUAL (see attached report for details)

YEAR TO DATE (YTD) BUDGET & ACTUAL EXPENSES SUMMARY – AS OF OCTOBER 2021

	<u>BUDGET</u>	<u>vs</u>	<u>EXPENSED</u>
· Operating Expenses	\$15,790,187		\$10,314,232
· Debt Principal Payment	3,794,865		4,238,501
· Capital Projects	<u>24,329,010</u>		<u>129,186</u>
TOTAL	<u>\$43,914,062</u>		<u>\$14,681,919</u>

REVENUES: VARIANCE = “ACTUAL” LESS “BUDGET”; POSITIVE INDICATES HIGHER PERFORMANCE THAN EXPECTED.

- Total Revenue as of November 2021 was 22% below projection.
 - Water sales of \$12.7 million (M) was \$2.3M or 22% higher than projected.
 - Other Water Revenue - Receipts of \$52.0 thousand (K) was \$73.1K below projection.
 - Capital Contributions: Contributions from Federal & State Grants – \$336.1K.
 - Investment Income & Net Increase in FV of Investments –\$202.5K.

OPERATING EXPENSES: VARIANCE = BUDGET LESS ACTUAL

EXPENSES: POSITIVE VARIANCE INDICATES LOWER ACTUAL EXPENSES VS. BUDGET. **REVISED YTD BUDGET COLUMNS INCLUDE PO (PURCHASE ORDER) ROLLOVER FROM FISCAL YEAR (FY) ENDING 2021.**

- YTD Operating Expenses before depreciation and amortization was \$10.3 million (M). Total spending was \$5.5M lower than budget.
 - Employee Related Expenses –\$4.6M with a 15% positive variance.
 - Contracts & Services – \$2.1M with a 68% positive variance.
 - Professional Services, Other Services – Billing, Communication, Insurance and Repairs and Maintenance for non-water systems are the main items contributing to the 68% positive variance.
 - Exceptional Expenses – None.
 - Fuel & Utilities – \$1.3M with a \$26.4K or (2%) negative variance.
 - Bulk Water Purchase –\$345K with a 24% positive variance.
 - Office & Operating Supplies – \$563.3K with 9% positive variance.
 - Training, Travel & Meeting Expenses – \$33.3K or 57% positive variance.
 - Debt Service – Interest Expense - \$1.1M.
 - Depreciation & Amortization (non-cash expenses) is \$3.0M.

NET OPERATING INCOME:

- Net Operating Income before depreciation and amortization - \$3.24M

- Net Operating Income after depreciation & amortization was a positive \$962.4K.

NON-OPERATING PROCEEDS & DISBURSEMENTS

- SRF Loan Proceeds – None.
- FRC – Facility Reserve Charge –\$362.9K.
- YTD Debt Principal Payment is \$4.2M.

CAPITAL PROJECTS BUDGET: YTD DISBURSEMENTS = \$129,185.98

- Capital Projects: Water Utility Fund - \$122.2K
- Capital Projects: FRC Fund – \$1.7K
- Capital Projects: BAB Fund - \$5.3K
- Capital Projects: SRF Loan Fund - None

II. COMPARATIVE CHARTS:

METERED CONSUMPTION:

- November 2021, monthly metered consumption of 358.1 million gallons (mg) increased by 70.4 mg as compared from the same month of FY 2021.
- Year to Date (YTD) metered consumption as of 11/30/21 was 1,850 mg with a YTD cumulative increase of 271.3 mg as compared from the same month of FY 2021.

III. COMPARATIVE BALANCE SHEET: SEE ATTACHED.

Statement of Net Position as of November 30, 2021 (unadjusted).

IV. OTHER FISCAL ONGOING ACTIVITIES/INITIATIVES: NO NEW UPDATE

- FY 2021 Draft Financial Audit is available for review and discussion by the board.
- Notice to Proceed was issued to Raftelis Consultants to commence the Water Rate Study.
- After the 60-day Stop Work Order on the new financial accounting system (FAS), the department won't be pursuing the new Microsoft (MS) Business Central. MS Great Plains (GP), which is the current financial accounting system, will continue to be supported by Microsoft, contrary to what was initially shared. Instead, the Fiscal division in coordination with the Information Technology section will work on getting the latest software upgrades available to the system.
- Develop Financial Policies for DOW – Statement of Qualifications were solicited for FY 2021. Procurement has been delayed due to COVID 19 pandemic and was pushed on the side due to three other ongoing IT initiatives; the Depreciation Study, which was completed in April 2021, the ongoing conversion of Microsoft (MS) Dynamics – Great Plains to MS Business Central and another ongoing project on the Beacon Meters; Automatic Meter Reading (AMR) upgrade to Advanced Metering Infrastructure (AMI).
- Budget Program Solution – It will be addressed concurrently with the Financial Policies Development procurement.
- FEMA update: DOW submitted a request for an additional 30 months' extension to complete two outstanding projects for FEMA grant funding reimbursement; the Makaleha tunnel and Manoa Stream.

- The FEMA request for reimbursement for the Manoa stream will be rescinded because the job was completed in house.

MY/



Department of Water, County of Kauai
 Monthly Budget Summary vs. Actual
 SUMMARY
 11/30/2021

	November				FY 2022			
	Original Budget	Revised Budget	Actual	Variance	Revised YTD Budget	YTD Actual	*Variance	Variance %
I. OPERATING BUDGET								
Revenue								
Water Sales	\$2,085,217.00	\$2,085,217.00	\$2,364,732.45	\$279,515.45	\$10,426,085.00	\$12,713,401.70	\$2,287,316.70	22.%
Revenue from Public Fire Protection	181,192.00	181,192.00	183,469.50	2,277.50	905,960.00	917,347.50	11,387.50	1.%
Other Water Revenue	25,000.00	25,000.00	10,839.00	(14,161.00)	125,000.00	51,950.33	(73,049.67)	(58.%)
Capital Contributions Total	1,348,057.00	1,348,057.00	67,222.04	(1,280,834.96)	6,740,285.00	336,110.20	(6,404,174.80)	(95.%)
Miscellaneous Revenues Total	20,293.00	20,293.00	68,070.08	47,777.08	101,465.00	212,056.69	110,591.69	109%
Total Revenue	3,659,759.00	3,659,759.00	2,694,333.07	(965,425.93)	18,298,795.00	14,230,866.42	(4,067,928.58)	(22.%)
Operating Expenses								
Total Employee-Related Expenses	1,087,505.00	1,087,505.00	923,714.86	163,790.14	5,437,525.00	4,602,086.34	835,438.66	15.%
Total Contracts & Services	641,941.00	641,941.00	422,745.22	219,195.78	6,480,191.32	2,077,669.02	4,402,522.30	68.%
Total Exceptional Expenses								
Total Fuel & Utilities	248,865.00	248,865.00	254,600.92	(5,735.92)	1,244,325.00	1,270,750.66	(26,425.66)	(2.%)
Total Bulk Water Purchase	151,681.00	151,681.00	152,403.77	(722.77)	759,769.96	648,937.44	110,832.52	15.%
Total Office & Operating Supplies	82,871.00	82,871.00	37,880.08	44,990.92	617,196.50	563,324.68	53,871.82	9.%
Total Training, Travel & Meeting Expenses	14,753.00	14,753.00	473.50	14,279.50	76,624.68	33,323.47	43,301.21	57.%
Total Interest Expense	234,911.00	234,911.00	225,373.14	9,537.86	1,174,555.00	1,118,139.90	56,415.10	5.%
Total Operating Expenses	2,462,527.00	2,462,527.00	2,017,191.49	445,335.51	15,790,187.46	10,314,231.51	5,475,955.95	35.%
Net Operating Income (Loss) Before Depreciation & Amortization	\$1,197,232.00	\$1,197,232.00	\$677,141.58	(\$520,090.42)	\$2,508,607.54	\$3,916,634.91	\$1,408,027.37	56.%
Depreciation & Amortization								
Depreciation	599,174.00	599,174.00	571,432.57	27,741.43	2,995,870.00	2,874,586.82	121,283.18	4.%
Amortization	62,721.00	62,721.00	13,506.83	49,214.17	313,605.00	79,611.63	233,993.37	75.%
Total Depreciation & Amortization	661,895.00	661,895.00	584,939.40	76,955.60	3,309,475.00	2,954,198.45	355,276.55	11.%
Net Operating Income (Loss)	535,337.00	535,337.00	92,202.18	(597,046.02)	(800,867.46)	962,436.46	1,052,750.82	(131.%)
Non Operating Proceeds	1,191,667.00	1,191,667.00		(1,191,667.00)	5,958,335.00		(5,958,335.00)	(100.%)
FRC-Facility Reserve Charge	66,667.00	66,667.00	(91,035.00)	(157,702.00)	333,335.00	362,885.00	29,550.00	9.%
Total Non Operating Proceeds	1,258,334.00	1,258,334.00	(91,035.00)	(1,349,369.00)	6,291,670.00	362,885.00	(5,928,785.00)	(94.%)
	\$ 535,337.00	\$ 535,337.00	\$ 92,202.18	-\$ 597,046.02	-\$ 800,867.46	\$ 962,436.46	\$ 1,052,750.82	(131.%)
Transfers Out(In) to Other Funds								
Debt Principal Payment			50,222.99	(50,222.99)	3,794,864.89	4,238,501.19	(443,636.30)	(12.%)
Net Proceeds (Expenditures)	1,793,671.00	1,793,671.00	(49,055.81)	(1,842,726.81)	1,695,937.65	(2,913,179.73)	(4,609,117.38)	(272.%)
II. CAPITAL BUDGET								
Capital Projects (See Attached for Details)	2,480,541.00	2,480,541.00	14,592.65	2,465,948.35	24,329,009.98	129,185.98	24,199,824.00	99.%

Assets and Deferred Outflows

Current Assets

Cash	\$8,308,238.00
Equity interest in pooled investments	\$3,452,396.73

Receivables:

Accounts, net of allowance for doubtful accounts	\$1,503,514.61
Due from other funds	
Unbilled accounts	\$1,378,549.63
Grants and subsidies	\$866,029.20
Accrued interest	\$209,775.36
Total receivables	<u>3,957,868.80</u>

Materials and supplies	\$1,089,731.90
Prepaid expenses	\$41,004.18
Total current asset	<u>16,849,239.61</u>

Restricted Assets:

Facility reserve charge funds:

Cash	\$3,682,066.39
Equity interest in pool investments	\$0.00
Accounts receivable and other	\$319,900.16
Total facility reserve charge funds	<u>4,001,966.55</u>

Bond funds:

Cash	\$1,197,242.97
Equity interest in pooled investments	\$8,612,235.76
Accrued interest	\$32,231.97
Total bond funds	<u>9,841,710.70</u>

Total restricted assets	<u>13,843,677.25</u>
--------------------------------	-----------------------------

Equity Interest in Pooled Investment - Noncurrent

Investment - Non-Current	\$24,482,215.70
Investment - Reserves	\$9,300,000.00
Investment - Debt Service Reserve	\$0.00
Total Equity Interest in Pooled Investment - Noncurrent	<u>33,782,215.70</u>

Utility Plant:

In service	\$346,664,030.16
Accumulated depreciation	(\$151,286,316.16)
Total utility plant	<u>195,377,714.00</u>

Construction work in progress	\$22,488,053.14
Total property, plant and equipment	<u>217,865,767.14</u>

Total assets	<u>282,340,899.70</u>
---------------------	------------------------------

1. DEPT OF WATER, COUNTY OF KAUAI NEW
For the Three Months Ending, November 30, 2021

Deferred Outflow of Resources - Deferred Refunding Costs, net	\$9,066,143.16
Total assets and deferred outflows	<u>291,407,042.86</u>

*Allowance for doubtful accounts (\$226,186.83)

Liabilities and Net Position

Current Liabilities:

Accounts payable and accrued liabilities	(\$1,115,147.61)
Contracts payable, including retainages	\$627,728.66
Accrued Vacation And Compensatory Pay, current portion	\$501,587.01
Due to/Due From Other Funds	\$211.73
Customer overpayment	\$210,824.84
Customer deposits and advances	\$509,952.12
Current portion of long term debt	\$5,160,540.98
Current portion of capital lease obligation	\$0.03
Total current liabilities	<u>5,895,697.76</u>

Long-Term Debt	\$52,588,168.75
Capital Lease Obligation	\$0.00
OPEB & Retirement Benefits	\$31,743,250.17
Accrued Vacation and Compensatory Pay	\$971,573.47
Deferred Inflow of Assets	\$555,205.00
Total liabilities and deferred inflows:	<u>91,753,895.15</u>

Net Position:

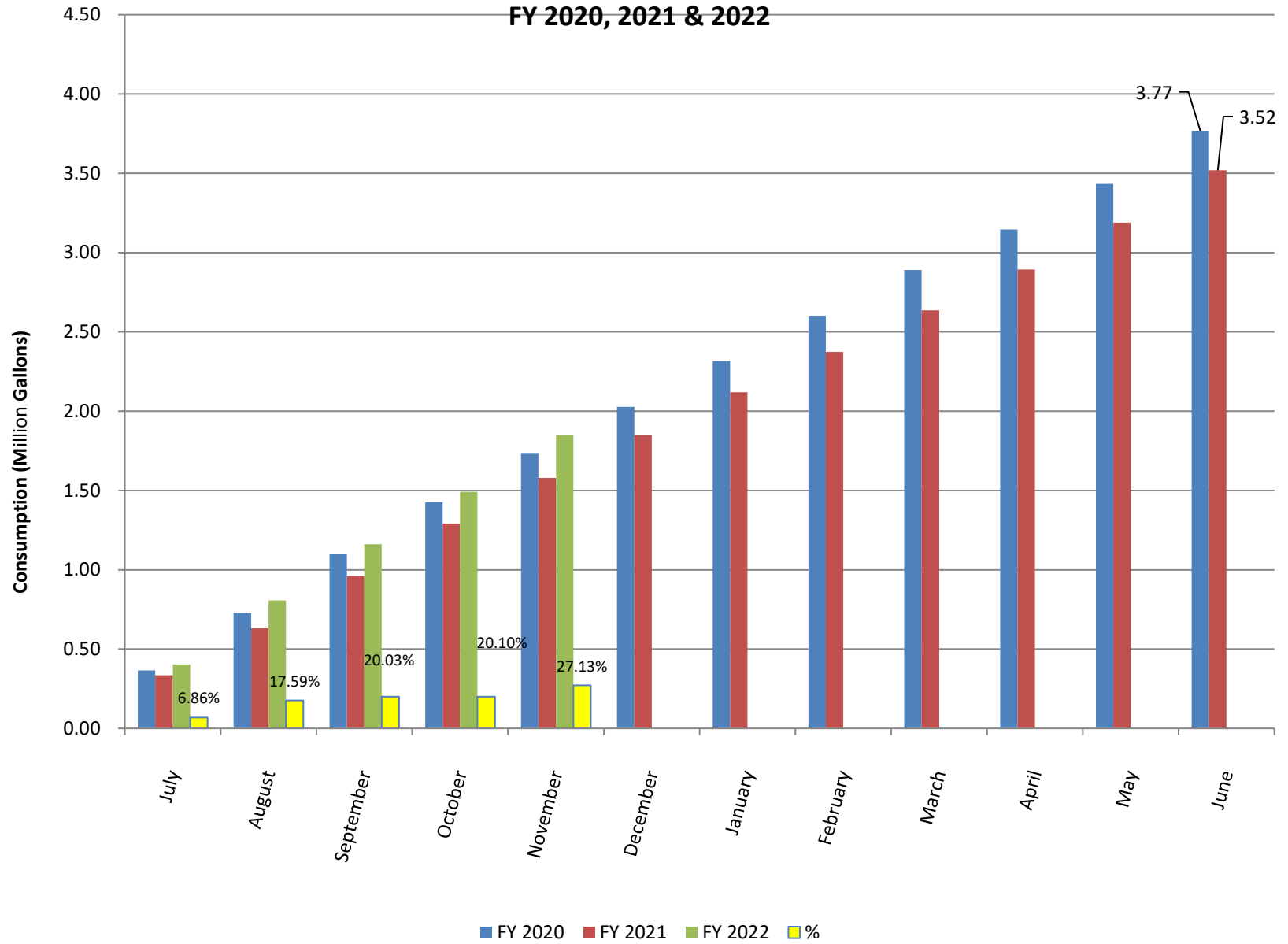
Water Utility Reserves	\$9,300,000.00
Restricted FRC	\$3,994,115.79
Restricted Build American Bonds	\$9,734,678.03
Invested in Capital Assets Net of Related Debt	\$160,081,208.46
Unrestricted	\$16,543,145.43

Total net position **199,653,147.71**

Total liabilities, deferred inflows and net position: **291,407,042.86**
0.00

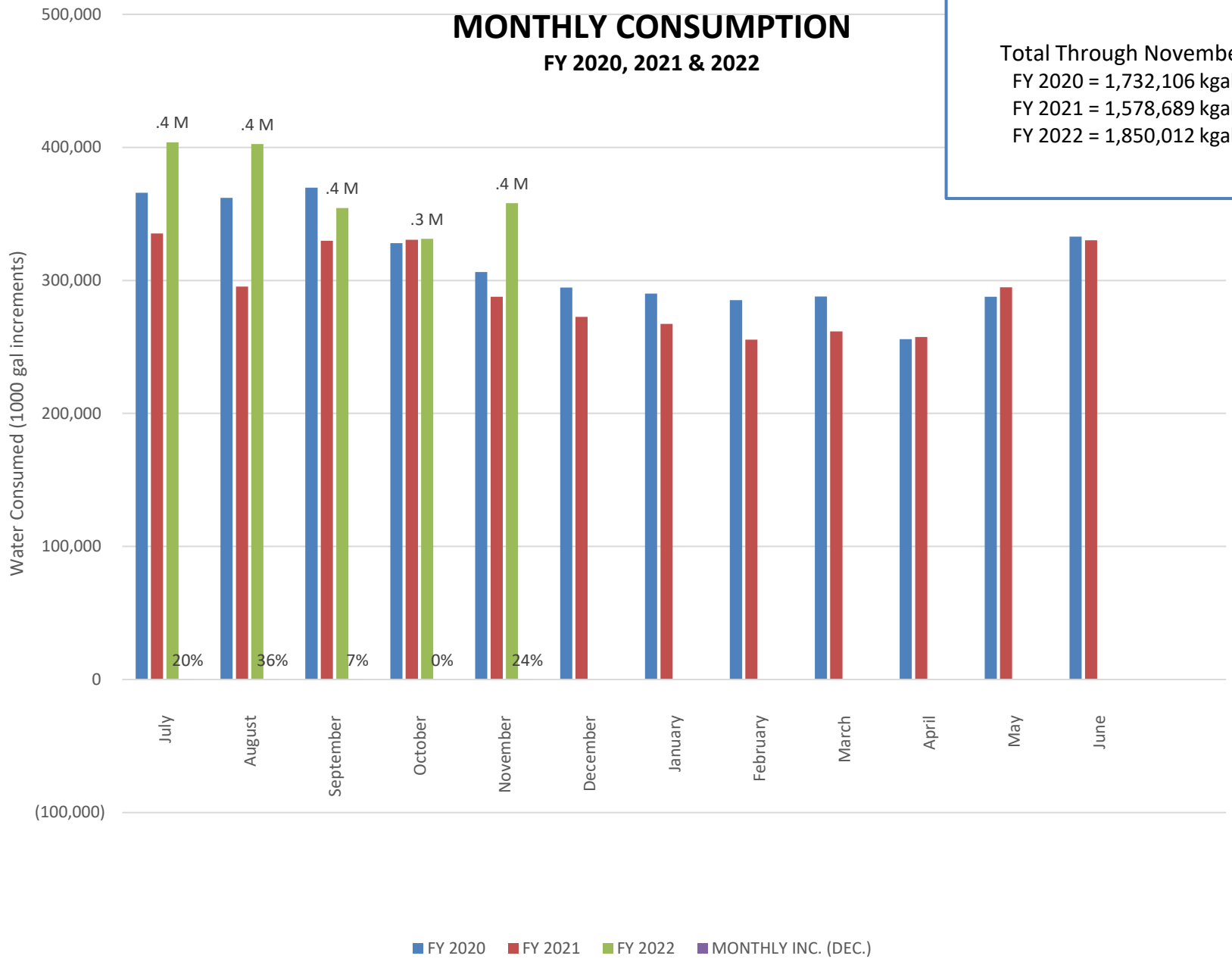
YTD CUMULATIVE WATER CONSUMPTION

FY 2020, 2021 & 2022

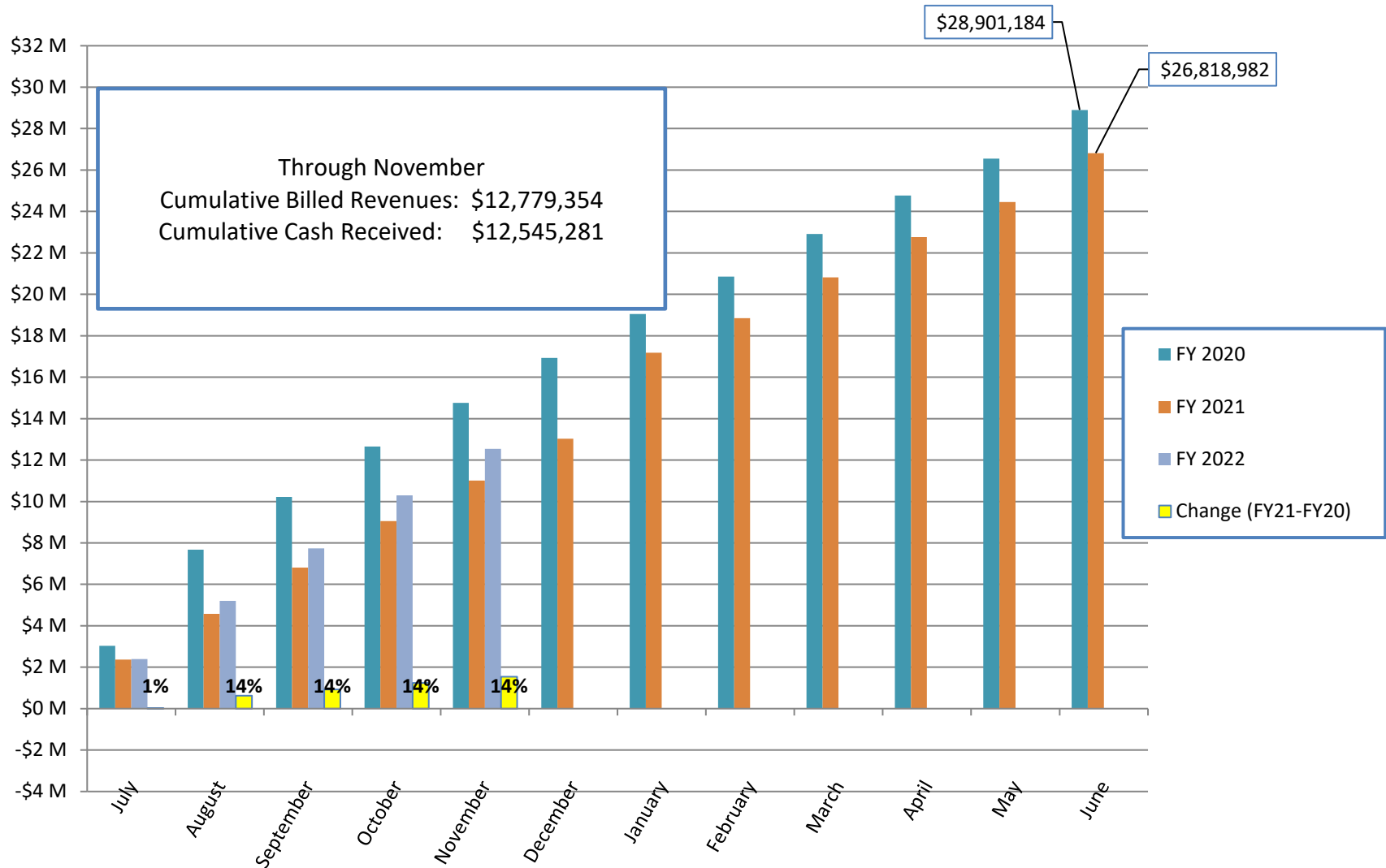


MONTHLY CONSUMPTION FY 2020, 2021 & 2022

Total Through November
 FY 2020 = 1,732,106 kgal
 FY 2021 = 1,578,689 kgal
 FY 2022 = 1,850,012 kgal

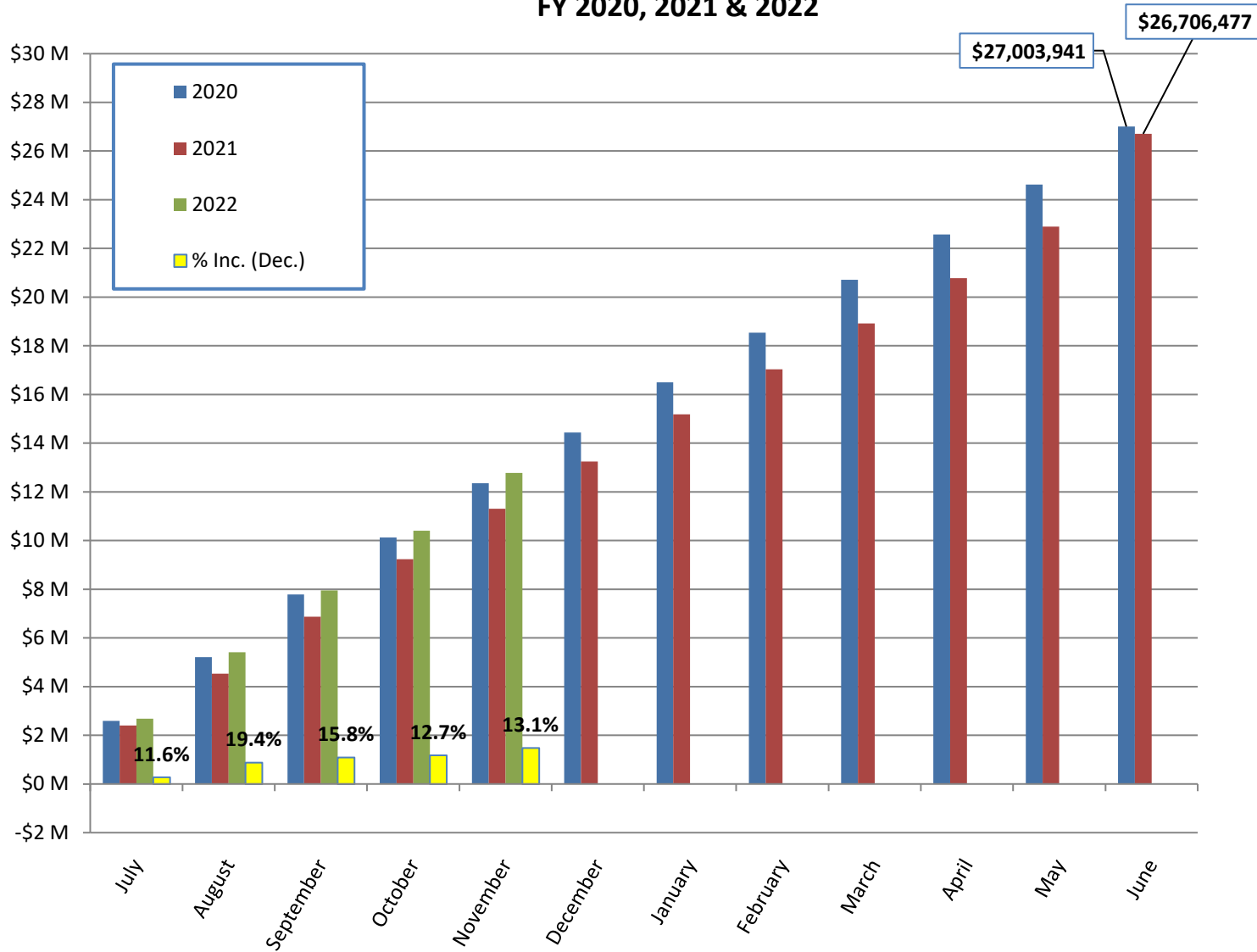


WU CUMULATIVE CASH RECEIPTS FY 2020, 2021 & 2022



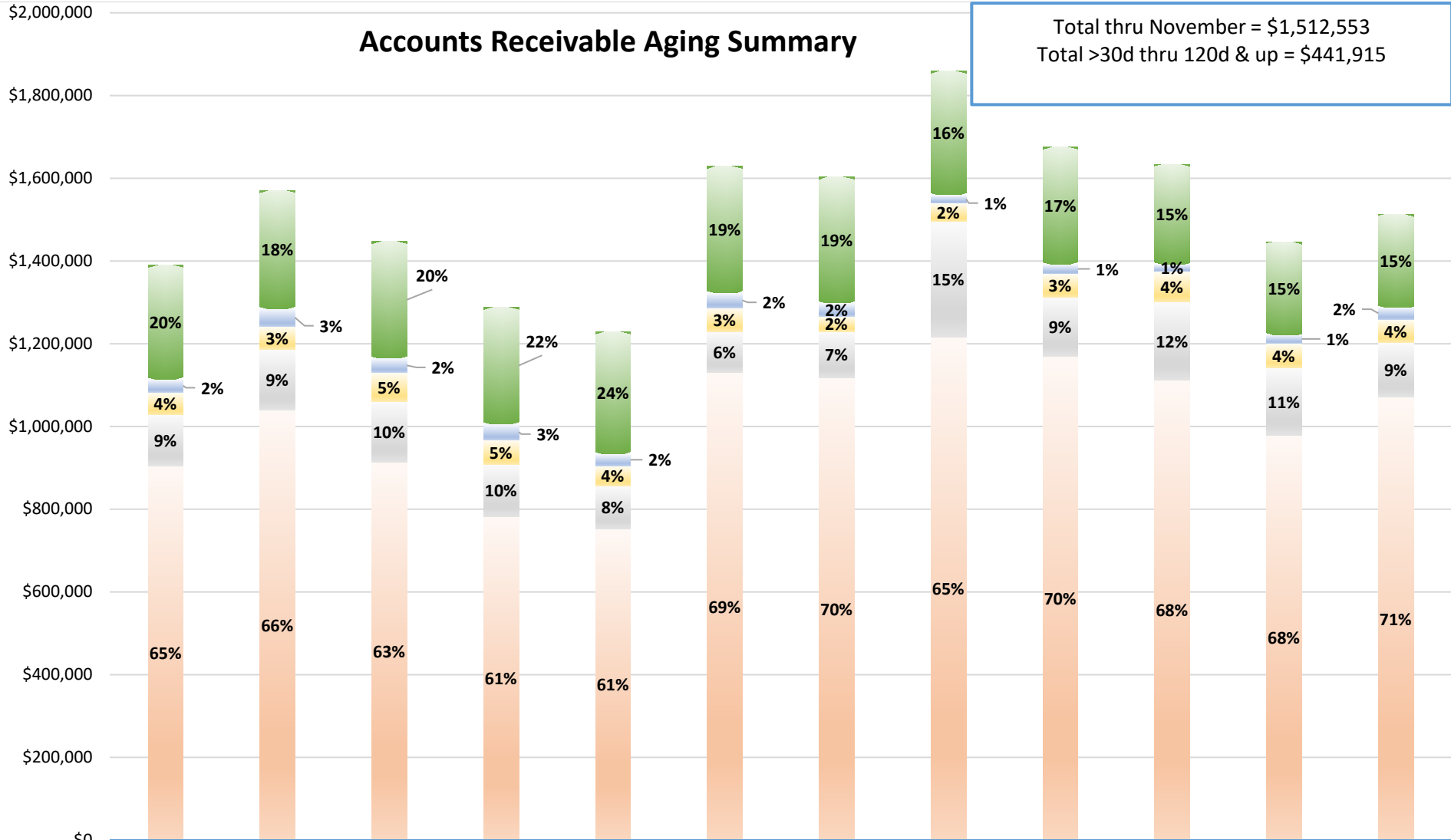
Note: July '19-'20 receipts included a \$2.29 million state appropriation grant for the Hanapēpē

CUMULATIVE BILLED REVENUES FY 2020, 2021 & 2022



Accounts Receivable Aging Summary

Total thru November = \$1,512,553
Total >30d thru 120d & up = \$441,915



	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21
121 days and over	\$275,630	\$285,894	\$282,561	\$282,746	\$295,191	\$305,635	\$304,593	\$299,428	\$282,882	\$240,783	\$223,428	\$224,064
91-120 days	\$31,783	\$43,603	\$34,412	\$38,586	\$28,801	\$36,974	\$31,973	\$20,378	\$23,726	\$18,305	\$21,463	\$30,065
61-90 days	\$54,399	\$54,665	\$70,380	\$59,276	\$48,425	\$56,984	\$36,744	\$44,461	\$57,021	\$73,096	\$59,044	\$55,620
31-60 days	\$123,236	\$147,762	\$147,068	\$125,361	\$103,880	\$99,573	\$111,658	\$278,491	\$142,845	\$189,626	\$163,726	\$132,167
0-30 days	\$904,886	\$1,038,902	\$912,997	\$782,492	\$752,624	\$1,129,799	\$1,117,983	\$1,216,650	\$1,169,088	\$1,111,708	\$977,992	\$1,070,638

DEPARTMENT OF WATER

County of Kaua'i

"Water has no Substitute – Conserve it!"

INFORMATION & EDUCATION SPECIALIST REPORT

December 23, 2021

Public Notices and Announcements

All news releases were sent to media partners, published online via the Department's Facebook page and on the County of Kaua'i's website at www.kauai.gov/press-releases. Additionally, roadwork notices are emailed to the Department of Transportation (DOT) communications office.

Service Announcements:

<i>Date Issued</i>	<i>Water System & Affected Service Areas</i>	<i>Announcement</i>	<i>Effective Date & Times</i>	<i>Other Notices</i>
11/08/2021 <i>PSA</i>	KAPA'A – Waiakea Road, Ninaulia Place and a portion of Kahuna Road	Water service shutdown scheduled for mainline improvements	Nov. 9, 2021 12 p.m. to 2 p.m.	Blackboard CTY Door to door notices
11/11/2021	KAPA'A – Kūhi'ō Highway from Fernandes Road to Aleka Loop	Emergency water service shutdown and partial lane closure for mainline repairs	Nov. 11, 2021 5 p.m. to 10 p.m.	Blackboard CTY
11/24/2021	KAPA'A – Ohelo Road, Lilia Place, Kahawai Place, portion of Kuamo'o Road	Water service shutdown scheduled for new 6-inch water line tie-in	Nov. 30, 2021 8 a.m. to 3 p.m.	Blackboard CTY Garden Island Newspaper <i>(Attached)</i>
11/29/2021		Water service shutdown reminder notice		
12/02/2021	KAPA'A – Hie Street, Iliki Street, Molo Street, Alahele Street and portion of Kuamo'o Road	Emergency water service shutdown and partial lane closure for mainline repairs	Dec. 2, 2021 10 a.m. to 1 p.m.	Blackboard CTY
12/02/2021 <i>PSA</i>		Water service shutdown extended	1 p.m. to 3 p.m.	Blackboard CTY
12/03/2021	KAPA'A - Hie Street, Iliki Street, Molo Street, Alahele Street and portion of Kuamo'o Road	Water service shutdown scheduled and partial lane closure for mainline repairs	Dec. 4, 2021 8:30 a.m. to 12 p.m.	Blackboard CTY
12/04/2021	KAPA'A – portion of Nonou Road	Emergency water service shutdown for mainline repairs	Dec. 4, 2021 1 p.m. to 4 p.m.	Blackboard CTY
12/06/2021	n/a	Water emergency preparedness and	Dec. 6, 2021	Garden Island Newspaper <i>(Attached)</i>

		standard service advisory reminders		
12/10/2021	n/a	DOW brings “Make a Splash” cheer to fifth-grade students	n/a	n/a

PSA: Public Service Announcement

Other Media:

The Department of Water (DOW) was mentioned in an article entitled, “Kaua'i homeowners worry about ‘black slime’ health risks” published online on Nov. 11, 2021, via www.civilbeat.org. The article states that the DOW provides water service to the Ho’oluana subdivision, and that U.S. Environmental Protection Agency concurs that DOW’s water quality meets all state and federal standards and is safe to drink. (*Attached*).

Public Relations Program

Community Outreach & Education

- The Department’s “Wise Water Wednesday” campaign for the month of December includes holiday themed conservation tips, low-flow fixtures, leak detection and information on how to report a leak. The weekly media campaign is published on the Department’s Facebook page, in radio advertisements and via a banner ad in the Garden Island Newspaper.
- Additional holiday radio spots were scheduled in December to promote the Department’s WaterSense Excellent award and its essential high quality water services.
- PR staff completed its delivery of more than approximately 500 “Make a Splash in-a-bag” experiences to interested teachers in Ele’ele, Kalāheo, Kōloa, Puhi, Hanamā’ulu, Anahola, Kapa’a, Kīlauea and Hanalei as an effort to provide water education activity experiences for 5th grade students in lieu of the annual Make a Splash with Project WET (water education) festival (MAS). Bags were offered on a first to reply, first served based basis due to limited supplies.

Upcoming Community Outreach & Educational Events

- Project WET Facilitator Training Workshop – Dec. 20, 2021
- Fix a Leak Week – March 14-18, 2022

Project WET Hawaii

- Project WET Hawai'i will be hosting a Facilitator training workshop in Kamuela, Hawai'i on Dec. 20, 2021.
- Jonell Kaohelaulii attended virtual webinars for online workshops and additional coordinator resources provided by Project WET USA. She continues to serve on the newsletter committee as a region 1 representative.

Attachments: *Civilbeat.org* (Kaua'i homeowners worry about black slime health risks)
The Garden Island (Water shutdown scheduled for Tuesday in Wailua)
The Garden Island (Severe weather expected)

Hawaii

Kauai Homeowners Worry About ‘Black Slime’ Health Risks

Residents say they feel trapped in new homes plagued by a mysterious water problem that they fear could be making them sick.



25

By Brittany Lyte    / November 11, 2021

 Reading time: 9 minutes.



LIHUE, Kauai — It took Dr. Brigitte Carreau a decade to afford a home on Kauai.



KAUAI

A pediatrician at Wilcox Medical Center, the first-time buyer was thrilled to purchase a three-bedroom duplex in a new development in the Hanamaulu neighborhood of Lihue in 2019.

With new construction, she figured she wouldn't have problems cropping up any time soon. But Carreau quickly discovered what she and dozens of her neighbors have come to know as “the black slime” — a sticky, smelly sludge that seeps from their water faucets and shower heads, sometimes in long, oozing strands.

“When I brushed my teeth, I’d gag and spit up junk,” Carreau said. “It was like, ‘What is this stuff?’”

The source of the so-called black slime remains mysterious. State health regulators said the problem is isolated to the 151-unit [Hooluana at Koheea Loa](#) housing development, a mix of market rate and affordable single-family homes and duplexes. More than half of the Hooluana homeowners say they’re affected.

Michael Miyahira, the engineering section chief of the Hawaii Health Department’s Safe Drinking Water Branch, called the situation “terrible” and said there are no similar complaints anywhere else in the state.

And while there’s no firm proof, some residents say they believe the water is making them sick.



Linda Sprengeler and Timothy Harris say they’ve spent nearly \$170,000 to repeatedly test their water and install a new copper pipe plumbing system. Other residents who can’t afford to replace their plumbing say they feel trapped in a home they fear could be making them sick.

Aaron Lester, a Kauai police detective, said his wife wears wax ear plugs in the shower to avoid double ear infections, which she started getting after moving into the development.

Perry Chan, a tennis coach, said he and his daughter break out in skin rashes after they shower.

Jessica Nishimoto said she and her son have developed skin rashes that don't go away and chronic allergies that they treat with medication.

Matt Woods, the cafeteria manager at Kapaa High School, said he also gets skin rashes and complained that his routine cuts and scrapes take a puzzlingly long time to heal.

"I've had problems I've never had in my life before," Woods said. "I have all these bumps that showed up soon after I moved into the home on my hands, my chest and my face, and I was told by doctors it's from bacteria under the skin. These bumps on my body just haven't gone away since I moved in and I can almost guarantee it's from showering."

Health experts say it's difficult to trace the cause of a health problem to a definitive source because of the myriad factors that could contribute to the onset of an illness.

Nonetheless, the unaddressed water issue has caused buyers' remorse among some homeowners who unknowingly purchased brand new houses with what they now believe to be questionable water quality. Residents here say they feel powerless when it comes to getting the housing developer D.R. Horton to remedy the situation.

"It was my first home ever and I wish I wouldn't have bought it," said Carreau, who said she thinks the water in her shower prevented her surgical wounds from properly healing last year when she had her appendix removed.

"And I can't even sell it," she added. "I want to sell it, I want to get out of that place. But who's going to want to buy my problem?"

A Band-Aid Fix

Homeowners in the Hooluana complex first complained to D.R. Horton, the nation's largest home developer, that their water appeared to be contaminated with some kind of bacteria in early 2019. At least 20 homeowners lodged formal complaints.

The developer paid for water testing in those homes. In lab results reviewed by Civil Beat, some tests found favorable conditions for bacterial growth.

In response to water test results, D.R. Horton paid to replace plumbing fixtures and chlorinate the pipes in some homes. The builder also offered a stipend for lodging and food to homeowners who opted for the weekend-long chlorination treatments.



Courtesy: Linda Sprengeler/2019

But after a few months, homeowners say the black slime returned.

This photo from April 2019 illustrates the “black slime” oozing out of the kitchen faucet in the home of Linda Sprengeler and Timothy Harris. The couple bought the newly constructed home in September 2018.

Documents obtained by homeowners and reviewed by Civil Beat indicate that the developer concluded earlier this year that the source of the black

slime problem is the municipal water supply.

But the U.S. Environmental Protection Agency and Hawaii Health Department separately reviewed compliance data for the Kauai Department of Water, which supplies water to the Hooluana subdivision, and both agencies determined the system's water quality meets all state and federal standards and is safe to drink.

Miyahira, from the state's Safe Drinking Water Branch, said the the EPA is actively investigating the Hooluana complaints. The DOH investigation also remains open.

"DOH does not have the necessary extensive background ... to diagnose this serious issue and we do not have recommendations to offer at this time," he said. "But even in these situations where it's not in our jurisdiction, we're going to try and assist the homeowners because we certainly wouldn't want our friends and relatives and kupuna and keiki drinking that kind of water in the first place."

When the positive effects of the chlorination treatments wore off, several homeowners continued to pursue their complaint with the developer but say they haven't gotten any traction.

Some say the developer seemed to be dragging its feet until the clock ran out on the one-year warranty period during which D.R. Horton would have been responsible for construction defects.

D.R. Horton did not respond to multiple requests for comment for this story.

While most residents have stopped drinking and cooking with the water, most say they are still using it to shower and launder their clothes.

"Everyone who lives here knows that there's a problem," said Woods, who lives with his wife and 9-year-old son. "But we sank everything into buying this home and getting into this place we've been wanting for so long, and then in order to even pursue this it's tens of thousands of dollars to get water

tests done and lawyers and everything else. To try to go up against one of the biggest builders in the U.S., it could bankrupt you to even try.”

‘I’m Traumatized’

Although experts say it’s nearly impossible to know if water contamination is the culprit behind residents’ health woes, one couple that paid \$70,000 to replace their home’s plumbing system claim they no longer have any ill effects.

Courtesy: Lani Saiiki-Woods/2021

Prior to moving into their Hooluana home in 2018, Linda Sprengeler and Timothy Harris said they had none of the health problems they developed within months of moving into the subdivision.

Matt Woods, who works as a cafeteria manager at Kapaa High School, said he developed a bumpy rash on his face, chest and hands after moving into his Hooluana home. The culprit, he believes, is bacteria in the water he uses to shower.

But in their new home, Harris said he started suffering from chronic itchy skin.

Sprengeler said she developed persistent eye, ear, throat, lung and yeast infections.

“That’s when I realized I had to get it fixed because I was constantly getting sick and my doctor was telling me, ‘Look, Linda, I can’t keep giving you antibiotics every month,’” Sprengeler said.

When her doctor suggested she stop showering in the water compromised by the black slime problem, Sprengeler said she and her husband hooked up a 75-foot potable water hose to an outdoor hose bibb and ran it through the garage and into their bathroom, where they used a zip tie to secure it to the shower head.

Once they started showering with cold water from the hose, which bypassed their home plumbing system, the couple said all of their health problems vanished. But they are still grappling with the emotional aftershock.

“I’m traumatized by all this,” Sprengeler said. “I’ll never be the same.”

The couple was so distraught over the water issue that they paid \$70,000 to replace their home plumbing system with new copper pipes. They have since been able to use their water normally, although they say they still pay out of pocket to test their water periodically.

All told, Sprengeler said she and her husband have invested nearly \$170,000 to replace their plumbing system and repeatedly test their water quality. Although they’ve rid their lives of the black slime, they say more than 75 other homeowners in the Hooluana development are still dealing with it.

“So many of our neighbors are literally trapped,” Sprengeler said. “They can’t afford to fix their plumbing system, but they really can’t sell their home until they fix the plumbing system. So they just have to sit there and live with the contamination. There’s nothing they can do about it.”

Is It Safe To Live Here?

Some home buyers affected by the black slime issue have fewer options than others.

There are seven Hooluana buyers who purchased an affordable unit through a county homebuyer program available to workers who meet certain income requirements.

To ensure that homes sold at workforce prices are not simply flipped by buyers and resold at higher prices, Kauai County Housing Director Adam Roversi said these homes have deed restrictions that run for 20 years, giving the county housing agency the option to buy back the homes at a predetermined price if the buyer chooses to sell. This helps ensure that the county can then resell these units to residents at similarly affordable prices, he said.

Buyers of these designated workforce housing units are also required to physically occupy the homes.

In addition to alerting the subdivision developer and state and federal health regulators to the black slime problem, residents at Hooluana have raised their concerns with Kauai Mayor Derek Kawakami and members of the County Council.

Sarah Blane, the mayor's chief of staff, said the county is researching the issue and will reach out to the developer on behalf of the Hooluana homeowners.

"We know D.R. Horton to be a national corporation with a longtime presence in Hawaii and we are hopeful the company will work with the homeowners to rectify the issue," Blane said in an email.

Meanwhile, the question for Hooluana home buyers remains the same: Is it safe to live here?

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About the Author



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Water shutdown scheduled for Tuesday in Wailua

WAILUA — There will be a water-service shutdown Tuesday from 8 a.m. to 3 p.m., weather-permitting, along Ohelo Road, Lilia Place, Kahawai Place, a portion of Kuamo'o Road from Melia Street to Kahawai Place, and includes approximately 12 customers on the north-end of Haleilio Road near the intersection of Haleilio Road and Kaulana Road, in Wailua, the county Department of Water announced.

The shutdown will allow Kaiwa Construction to connect a new, 6-inch waterline to the existing system.

Customers located in the service area are advised to prepare for the service shutdown by taking the following steps:

- ▶ Store water to meet needs until service can be restored;
- ▶ Notify neighbors, family and friends of the shutdown;
- ▶ Monitor updates online at [facebook.com/KauaiDOW](https://www.facebook.com/KauaiDOW).

Those with faulty water heaters should ensure their water heaters do not empty during the shutdown.

For more information, call the DOW at 808-245-5461.

•••

The Garden Island

SEVERE WEATHER EXPECTED

Heavy rains, high winds to arrive today

THE GARDEN ISLAND

LIHU'E — County of Kaua'i officials are urging residents to be vigilant due to potential severe weather conditions starting today and into Tuesday.

"We are urging the public to be vigilant as the threat of severe

weather may impact the island early this week," Managing Director Michael Dahilig said. "Hiking, swimming and other outdoor activities during these hazardous conditions are highly discouraged and may put you and our first responders at risk."

Additionally, in anticipation of severe weather, county Department of Public Works Solid Waste Division officials are announcing the following pertaining to trash services:

► Trash collection this week may be interrupted due to heavy rain, flooding and other impacts from the weather;

► The Kekaha Landfill will be open starting at 7 a.m. today and accept trash from the public through the end of the day, or until conditions permit;

► Refuse-transfer stations island-wide will be open during their regular business hours. However, the public is encouraged to bring in

their trash by noon today in anticipation of stormy conditions.

The National Weather Service has announced that a Kona low will bring the threat of widespread heavy rainfall and thunderstorms capable of producing catastrophic flooding, and strong south-to-southwest winds through the first half of the week.

The island of Kaua'i and the state

SEE SEVERE, A5

Severe

Continued from A1

of Hawai'i remain under a flash-flood watch through Tuesday. A watch means that conditions are favorable for flash flooding. Residents and visitors should monitor the weather and be prepared to take action in the event that a flash-flood warning is issued.

A high-surf warning for all north-facing shores and a high-surf advisory for all west-facing shores of Kaua'i and Ni'ihau remain in effect through 6 a.m. today.

County, state and federal officials are monitoring the situation and are actively coordinating in preparation.

Officials recommend the following actions when preparing for a weather emergency:

► Assemble an emergency-preparedness kit – kits should contain at least a 14-

day supply of food and water (to include non-perishable food and one gallon of water per person per day). Kits should also include a battery-powered radio, flashlight, an extra supply of prescription medicines and other items specific to individual and family needs. It is also recommended that face coverings and hand sanitizer also be included in kits. Set aside an emergency supply of any needed medication and keep copies of prescriptions;

► Check property – Walk your property, checking for small outdoor items that could be picked up by high winds, and check for potential flood threats. If time and conditions permit, clear gutters and other drainage systems;

► Make an action plan – Discuss with family members what you plan to do if a hurricane or tropical storm threatens. Make an action plan, which should include

details such as whether your family will shelter in place or evacuate to a shelter. There are no plans to open shelters at this time. However, the county will work with the American Red Cross to open shelters on an as-needed basis, and will announce a list of open shelters if or when they become available;

► Refrain from outdoor activities – Visitors and residents are urged to check conditions before venturing out for any hiking, river or beach excursions. Do not cross swollen rivers or streams, and always check with a lifeguard at any lifeguard station before entering the ocean. For up-to-date information about Kaua'i ocean conditions and ocean safety, speak to a county lifeguard, visit hawaiiibeach-safety.com, or call the Kaua'i

Fire Department Ocean Safety Bureau at 808-241-4984;

► Store potable water – The county Department of Water says severe weather storms can cause damage to water systems, disrupt electrical power to DOW pumps and equipment, block road access to water sources, and may impact water quality. Customers should prepare for water-service disruptions by having the recommended water storage supply readily available for essential uses. For more water-emergency-preparedness tips, visit kawaiiwater.org.

The Kaua'i Island Utility Cooperative is closely monitoring the storm expected to impact Kaua'i today, and has activated its emergency preparedness plan.

"The entire state is presently in a flood watch. Al-

though impacts to Kaua'i aren't expected until late in the day on Monday, our staff is ready to respond should conditions change, and in the event that we experience weather impacts," KIUC's Chief of Operations Brad Rockwell said.

KIUC members can prepare themselves for the impacts of storms and possible power outages as follows:

► Protect appliances and sensitive equipment from power outages and surges that may occur because of bad weather by using surge protectors;

► During a storm, turn off and unplug all unnecessary appliances or equipment;

► Keep a portable, battery-powered radio and flashlights with extra batteries on hand;

► In case of loss of power, when the power comes back

on and is steady, gradually plug appliances back in;

► In the event of high winds, objects can come into contact with overhead lines and electrical equipment, causing power interruptions. Sometimes during high winds power lines are knocked down. Call 911, stay at least 30 feet clear and assume any down lines are dangerous.

Storm preparedness tips can be found on KIUC's website, kiuc.coop/storm-sense.

Other information sources include the Kaua'i Emergency Management Agency, kawaii.gov/kema; National Weather Service, weather.gov/hfo or 808-245-6001; sign up for Blackboard Connect (The county's free emergency notification service) at kawaii.gov/kema or by calling KEMA at 808-241-1800.

Operations Services Dashboard

Month	Leak Repairs	Calls for Service	Meters Installed and Replaced	Temporary Hydrant Meters	Work Orders Issued	Work Orders Closed	One Call Requests	Vehicles & Eqmnt.	Hydrants Hit
Jan-21	33	183	64	2	178	172	36		2
Feb-21	26	213	52	4	126	122	25		1
Mar-21	36	215	30	2	345	167	31		0
Apr-21	36	217	76	0	182	174	33		2
May-21	26	229	53	2	167	165	51		2
Jun-21	40	211	74	2	167	162	18		1
Jul-21	33	191	103	0	176	165	13		1
Aug-21	27	220	99	3	187	184	18		6
Sep-21	19	193	106	1	180	175	39		1
Oct-21	32	198	23	0	146	101	25		1
Nov-21	28	189	13	0	126	118	47	12	4
Dec-21									

Operations Contract Dashboard

Open for Bid

Type	Contract Number	Job Number	Title	Contractor/Vendor

Awaiting Board Approval

Type	Contract Number	Job Number	Title	Contractor

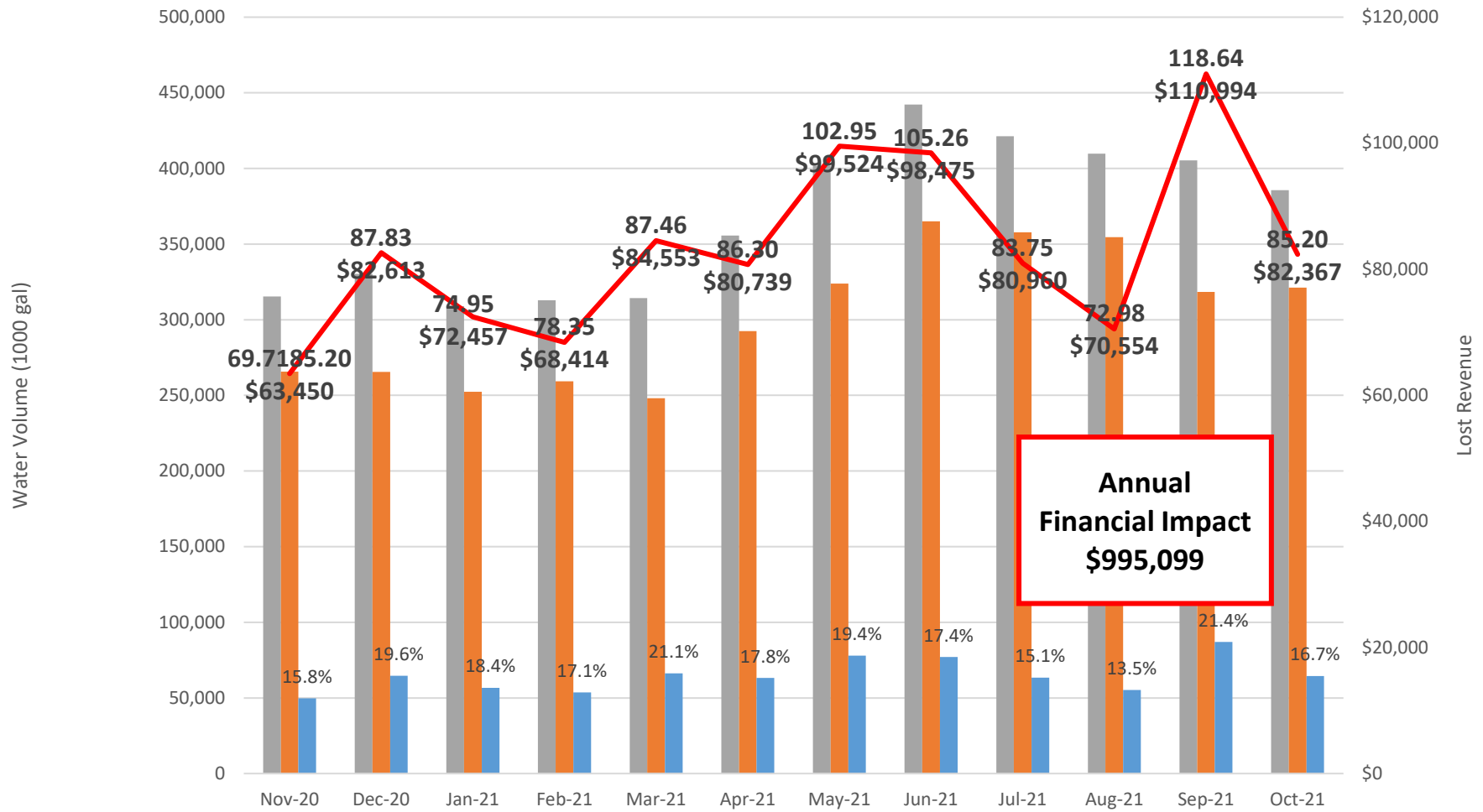
Processing/Notice to Proceed

Type	Contract Number	Job Number	Title	Contractor
Services	715		Hazmat Survey Old Admin Building	Belt Collins Hawaii
Services	716		Paua Valley Well MCC Replacement	Ronald N.S. Ho & associates
Goods	717		Various Trucks	Midpac Auto Center
Goods	718		Emergency Generator	Allied Machinery Corp.
Goods	719		Compact Track Loader	Allied Machinery Corp.

Highlights

1. Estimated non-revenue water due to flushing and reported leaks for the month of October is 447,111 gallons
2. Hazmat Survey samples were taken from the old admin building. Results and report pending.
3. Kilohana on-site sodium hypochlorite housing structure design contract pending quote from consultant.

Monthly Water Audit November 2020 - October 2021



	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21
Produced	315,350	330,207	309,068	312,917	314,312	355,704	401,828	442,170	421,226	409,825	405,337	385,707
Customer Meter Read	265,663	265,514	252,328	259,343	248,100	292,478	323,892	365,056	357,828	354,575	318,419	321,207
Waterloss	49,687	64,693	56,740	53,574	66,212	63,226	77,936	77,114	63,398	55,250	86,918	64,500
Waterloss	\$63,450	\$82,613	\$72,457	\$68,414	\$84,553	\$80,739	\$99,524	\$98,475	\$80,960	\$70,554	\$110,994	\$82,367

DEPARTMENT OF WATER

County of Kaua'i

"Water has no Substitute – Conserve It!"

MANAGER'S UPDATE

December 23, 2021

Pursuant to Board Policy No. 3

CONTRACTS AWARDED/EXTENSION/AMENDMENTS:

1 CHANGE ORDER NO. 1 FOR CONTRACT NO. 701 WITH GLENMOUNT GLOBAL SOLUTIONS, LLC JOB NO. 20-03 SCADA SYSTEM MAINTENANCE AND PROFESSIONAL CONSULTATION SERVICES IN THE AMOUNT OF \$71,236.00

FUNDING:

FROM:	Per Manager's Report No. 22-52		
Account No.	10-40-00-604-999		
Acct Description	WU/Ops/Capital Outlay-R&R/Misc. Capital Purchases (Mini Excavator)		
Funds Available	<i>Verified by WWC</i>		\$ 75,000.00
TO:			
Account No.	10-40-60-560-000		
Acct Description	WU/Ops/TandD/Repairs and Maintenance-Water System (SCADA System Integrator Consulting and Maintenance Contract)		
Contract No.	701		
Vendor	Glenmount Global Solutions, LLC		
	Contract Amount	\$ 158,764.00	
	5% Contingency	\$ 7,938.00	
	Total Funds Certified To Date	\$ 166,702.00	
Change Order No. 1:			
	Labor for programming SCADA OITs	\$ 71,236.00	\$ <75,000.00>
	Total Change Order	\$ 71,236.00	
	Contract Amount To Date	\$ 230,000.00	
	Total Funds Certified To Date	\$ 241,702.00	

BACKGROUND:

Contract NTP Date: January 2, 2021
 Original Contract End Date: January 1, 2024
 New Contract End Date if Contract Time Extension: N/A

The Department’s existing OITs are obsolete and starting to fail. Replacing them all in one batch is the most cost-effective method. The existing OIT programming needs to be brought up to current configuration and performing this at the same time will save labor hours and difficulty with future programming requirements.

2 2nd YEAR SERVICES FOR CONTRACT NO. 701 WITH GLENMOUNT GLOBAL SOLUTIONS, LLC FOR JOB NO. 20-03 SCADA SYSTEM MAINTENANCE AND PROFESSIONAL CONSULTATION SERVICES IN THE AMOUNT OF \$158,764.00

FUNDING:

Account No.	10-40-60-560-000		
Acct Description	WU/Ops/TandD/Repairs and Maintenance-Water System (SCADA System Integrator Consulting and Maintenance Contract)		
Funds Available	<i>Verified by WWC</i>		\$ 150,000.00
Contract No.	701		
Vendor	Glenmount Global Solutions, LLC		
	Contract Amount	\$ 158,764.00	
	5% Contingency	\$ 7,938.00	
	Additional Contingency (CO1)	\$ 3,764.00	
	Change Order No. 1	\$ 71,236.00	
	Total Funds Certified To Date	\$ 241,702.00	
2nd Year Services:			
	SCADA System Maintenance and Professional Consultation Services, Year 2 of 3	\$ 150,000.00	\$ <150,000.00>
	Contingencies	\$ 8,764.00	
	Total 2 nd Year Services	\$ 158,764.00	
	Contract Amount To Date	\$ 388,764.00	

BACKGROUND:

Contract NTP Date: January 2, 2021
 Original Contract End Date: January 1, 2024
 New Contract End Date if Contract Time Extension: N/A

The Department entered into contract with Glenmount Global Solutions, LLC to operate and maintain the SCADA System for 3 years. We are entering in to the 2nd year of services for this contract. The budgetary breakdown for this 3-year contract are:

Year 1 = \$158,764.00
Year 2 = \$158,764.00
Year 3 = \$158,764.00

3 4th YEAR SERVICES FOR CONTRACT NO. 670 WITH PRITHIBI CONSULTING SERVICES, LLC. JOB NO. IT-2019-1, CC&B CLOUD HOSTING AND SUPPORT IN THE AMOUNT OF \$250,000.00

FUNDING:

Account No.	10-02-10-561-000		
Acct Description	WU/IT/Admin/Repairs and Maintenance-Other than Water System		
Funds Available	<i>Verified by WWC</i>		\$ 250,000.00
Contract No.	670		
Vendor	Prithibi Consulting Services, LLC		
	Contract Amount	\$ 250,000.00	
	5% Contingency	\$ 12,500.00	
	2 nd of 5 Years	\$ 250,000.00	
	3 rd of 5 Years	\$ 250,000.00	
	Total Funds Certified To Date	\$ 762,500.00	
4 th of 5 years:			
	Funding for 4 th Year Services, 2021-2022 Budget	\$ 250,000.00	
	Total Funding for 4 th Year	\$ 250,000.00	\$ <250,000.00>
	Contract Amount To Date	\$ 1,000,000.00	
	Fund Balance		\$ 0.00

BACKGROUND:

Contract NTP Date: January 30, 2019
Original Contract End Date: January 28, 2024

On October 3, 2016, the Department of Water (DOW) moved to our own billing system; Oracle Customer Care & Billing (CC&B). We have since upgraded the system and it is currently on version 2.5.0.2. The Department finds that the need to convert CC&B to a hosted solution is critical to the DOW's operations to ensure that the billing system is functioning reliably. In addition, a hosted solution will allow for I.T. Staff to focus on the day to day operations of the DOW.

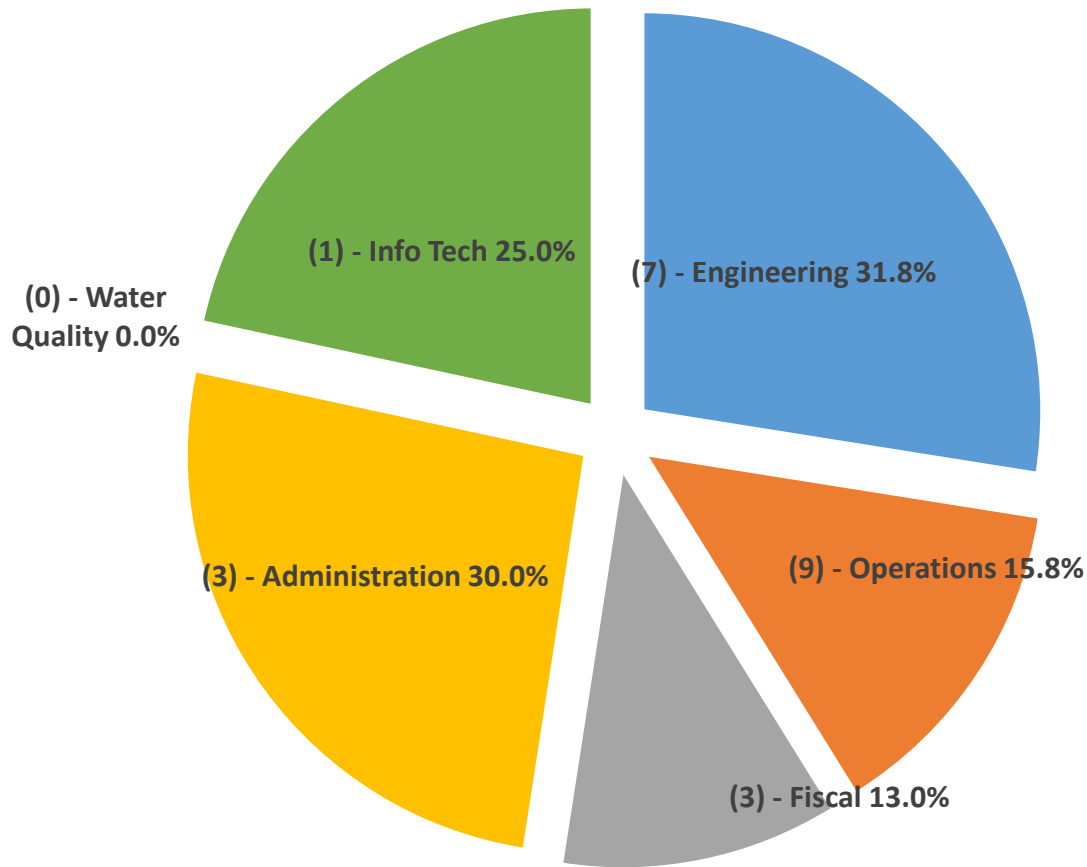
The DOW executed a 5-year contract with Prithibi Consulting Services, LLC on January 4, 2019 for support and management services of DOW's cloud hosting solutions which include servers, operating systems, software, storage, report writer, backups, networking, and security

PERSONNEL MATTERS

Please reference following pie chart attachment.

Mgrrp/Manager's Update (December 23, 2021):mja

Personnel Dashboard



Vacancies by Division

(# Vacancies), Division, Percent Vacant

Summary

Total Authorized = 118

Total Vacant = 23

Actively Recruiting = 8

Highlights

1. I.T. Specialist III started 11/1/2021.
2. Auto Mech II starts 12/1/2021.
3. Project Management Officer starts 01/16/2022.