

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 Edie Ignacio-Neumiller, the Commission Support Clerk via email at eineumiller@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, Lihu'e, Kaua'i, Hawai'i 96766 with attention to the Commission Support Clerk. The public is asked to please provide sufficient time if mailing in public testimony.
 - Oral testimony may be submitted by leaving a voice message at (808) 245-5412.
 - 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://hawaiicovid19.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 of the COUNTY OF KAUA'I

REGULAR MEETING

Board Room, Second Floor, Department of Water
4398 Pua Loke Street, Līhu'e, Kaua'i, Hawai'i 96766

Thursday, November 19, 2020
10:00 a.m. or soon thereafter

PUBLIC ACCESS: +1-415-655-0001 United States Toll
Access code: 126 942 3595# Password: 4398#

To listen live to the Regular Board meeting, members of the public may use the public access number and enter the access code. No live public testimony will be received. If members of the public require technical assistance with please contact: informationtechnology@kauaiwater.org

- A. CALL TO ORDER
- B. ROLL CALL
- C. ACCEPTANCE OF AGENDA
- D. MEETING MINUTES
 - Review and Approval of:**
Regular Board Meeting – October 22, 2020
 - Review and Approval of:**
Executive Session – October 22, 2020
- E. CORRESPONDENCE/ANNOUNCEMENTS/PUBLIC TESTIMONY
- F. BOARD COMMITTEE & PERMITTED INTERACTION GROUP REPORTS
- G. OLD BUSINESS
 - 1. Manager's Report No. 20-41 - Waiahi Surface Water Treatment Plant Renovation Construction Cost Progress Report (*Update*)
 - 2. Manager's Report No. 21-12 - Discussion and Possible Action on the Fourth Amendment to Contract No. 639 Job No. 17-10, WP2020 Project No. KW-07 Rehabilitate Paua Valley Tank #1, 0.5MG Concrete, with KAI Hawaii Inc. for a time extension of 150 days and for additional design funding in the amount of \$292,719.00
 - 3. Manager's Report No. 20-24 – Discussion and Possible Action for the Proposed Amendment to the Memorandum of Agreement (Drainage) between Godwin M. Esaki and Janet M. Esaki, individually and as trustees of the Godwin M. Esaki Revocable Living Trust, and the Janet M. Esaki Revocable Living Trust, TMK: (4) 4-6-011:125, Kapa'a, Kaua'i, Hawai'i and the Board of Water Supply, dated August 21, 2017

H. NEW BUSINESS

1. Resolution No. 21-01 – Farewell to Edward K. Doi (Retiree), Chief of Water Resources & Planning Division
2. Manager's Report No. 21-13 - Discussion and Receipt of the Department of Water's Draft Audit Financial Statements and Independent Auditor's Report by Accuity, Inc. for Fiscal Year 2020 and 2019
3. Manager's Report No. 21-14 – Discussion and Possible Action for Board Approval on the Tenth Amendment to Contract No. 427, Job No. 02-14, WP2020 WK-08 Kapa'a Homesteads 325' Tanks – Two 0.5 Million Gallon (MG) Storage Tanks, Kapa'a, with Belt Collins Hawai'i for a time extension of 365 calendar days and expenditure of an additional \$45,000.00
4. Election of Officers for 2021
5. Board Meeting Dates for 2021

I. STAFF REPORTS MONTHLY

1. Discussion and Receipt of the Kaua'i County Water Department's Statement of Revenues and Expenditures
 - a. October Monthly Summary Budget
 - b. Accounts Receivable Aging Summary
2. Discussion and Receipt of the Report by the Information & Education Specialist on Public Relations Activities
3. Discussion and Receipt of the Chief of Operation's Summary Report on Operational Activities
4. Discussion and Receipt of the Manager and Chief Engineer's Monthly Update Regarding Activities of Note of the DOW

J. 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 Manager's Report No. 20-24 – Discussion and Possible Action for the Proposed Amendment to the Memorandum of Agreement (Drainage) between Godwin M. Esaki and Janet M. Esaki, individually and as trustees of the Godwin M. Esaki Revocable Living Trust, and the Janet M. Esaki Revocable Living Trust, TMK: (4) 4-6-011:125, Kapa'a, Kaua'i, Hawai'i and the Board of Water Supply, dated August 21, 2017.

- J. EXECUTIVE SESSION (cont'd)
3. Pursuant to Hawai'i Revised Statutes § 92-4 and § 92-5(a)(2), the purpose of this Executive Session is for the Board to consider the discipline of an officer or employee or of charges brought against the officer or employee, where consideration of matters affecting privacy will be involved; provided that if the individual concerned requests an open meeting, an open meeting shall be held.
- K. TOPICS FOR NEXT BOARD OF WATER SUPPLY MEETING (December 2020)
- L. TOPICS FOR FUTURE BOARD OF WATER SUPPLY MEETINGS
1. Department of Water Performance Audit (Update)
 2. Table of Organization Workshop
 3. Discussion and Possible Action to establish Fiscal Policies and Procedures
 4. Baseyard Master Plan Workshop
 5. Employee of the Year Resolutions (*February 2021*)
- N. UPCOMING EVENTS
- O. NEXT WATER BOARD MEETING
1. Thursday, December 17, 2020, 10:00 a.m.
 2. Thursday, January 21, 2021, 10:00 a.m.
 3. Thursday, February 25, 2021, 10:00 a.m.
 4. Thursday, March 25, 2021, 10:00 a.m.
- P. ADJOURNMENT

PUBLIC TESTIMONY

The Board is required to afford all interested persons an opportunity to present testimony on any agenda item. At each Board meeting, the Board will accept oral and written testimony on any agenda item at item E Correspondence/Announcements/Public Testimony.

If any member of the public wishes to submit written testimony, please submit the written testimony to Edie Ignacio-Neumiller, the Commission Support Clerk via email at least two (2) business days prior to the meeting and the Commission Support Clerk will provide copies to the Board members or bring eight (8) copies with you the day of the meeting.

SPECIAL ASSISTANCE

If you need an auxiliary aid/service, other accommodation due to a disability, or an interpreter for non-English speaking persons, please contact Edie Ignacio-Neumiller at (808) 245-5406 or edieumiller@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.

Draft Minutes

MINUTES
BOARD OF WATER SUPPLY
October 22, 2020

The Board of Water Supply, County of Kaua'i, met in regular meeting **via remote** in Lihu'e on Thursday, October 22, 2020. Chair Kurt Akamine called the meeting to order at 10:00 a.m. The following Board members were present:

BOARD: Mr. Kurt Akamine, *Chair*
Ms. Julie Simonton, *Vice Chair*
Mr. Troy Tanigawa
Mr. Ka`aina Hull
Mr. Elesther Calipjo (*joined @ 10:03 a.m.*)
Mr. Lawrence Dill (*joined @ 10:14 a.m.*)

EXCUSED: Mr. Gregory Kamm

Quorum was achieved with 4 members present at Roll Call.

<u>STAFF:</u>	Mr. Dustin Moises	Mr. Valentino Reyna
(<i>via remote</i>)	Mr. Michael Hinazumi	Mr. Claus Bollmann
	Mr. Keith Aoki	Mr. Marcelino Soliz
	Mr. Carl Arume	Mrs. Mary-jane Akuna
	Mrs. Jonell Kaohelaulii	Mr. Jas Banwait
	Board Advisor Steve Kyono	Mrs. Marites Yano
	Deputy County Attorney Mahealani Krafft	

Public Access Line: One person listened in, per IT.

C. ACCEPTANCE OF AGENDA

Ms. Simonton moved to approve the Agenda; seconded by Mr. Tanigawa; with no objections, motion carried with 4 ayes.

D. MEETING MINUTES

Review and Approval of:

Regular Board Meeting – September 24, 2020

Ms. Simonton moved to approve the Regular Board Meeting of September 24, 2020; seconded by Mr. Hull; with no objections, motion carried with 4 ayes.

Special Board Meeting – September 18, 2020

Ms. Simonton moved to approve the Special Board Meeting of September 18, 2020; seconded by Mr. Hull; with no objections, motion carried with 4 ayes.

Special Board Meeting – September 24, 2020

Ms. Simonton moved to approve the Special Board Meeting of September 24, 2020; seconded by Mr. Hull; with no objections, motion carried with 4 ayes.

Review and Approval of the Executive Session:

Regular Board Meeting – September 24, 2020

Mr. Hull moved to approve the Regular Board Meeting of September 24, 2020, seconded by Ms. Simonton; with no objections, motion carried with 4 ayes.

Special Board Meeting – September 18, 2020

Mr. Hull moved to approve the Special Board Meeting of September 18, 2020, seconded by Ms. Simonton; with no objections, motion carried with 4 ayes.

Special Board Meeting – September 24, 2020

Mr. Hull moved to approve the Special Board Meeting of September 24, 2020, seconded by Ms. Simonton; with no objections, motion carried with 4 ayes.

E. CORRESPONDENCE/ANNOUNCEMENTS/PUBLIC TESTIMONY

No voice messages or written testimonies were received as of October 21st.

1. Correspondence from Ms. Katrina Medina, CBRE, Inc. Manager regarding Plumbing Code Amendment Requirement Installation of Back Flow Preventors, dated September 21, 2020

Received

2. Correspondence from Mr. George Barker to Chair Kurt Akamine and Board Member Gregory Kamm regarding Water Bill, received September 21, 2020

Received

3. Correspondence from Mr. George Barker to Vice Chair Julie Simonton regarding Water Bill, received September 30, 2020

Received

F. BOARD COMMITTEE & PERMITTED INTERACTION GROUP REPORTS (PIG)

The report of the Permitted Action Group was discussed in Executive Session (Item J#2).

At 10:03 a.m., Mr. Elesther Calipjo joined the meeting.

G. OLD BUSINESS

1. Manager’s Report No. 19-47 - Discussion and Possible Action for Board Approval to enter into the First Amendment to the Memorandum of Agreement between the Department of Public Works, County of Kaua’i and the Board of Water Supply, County of Kaua’i for the County’s Kahiliholo Road Culvert Repair Project and expenditure of funds in the amount of \$44,100.00 (Update)

BACKGROUND:

Mr. Keith Aoki, Civil Engineer commented that the Hawai’i Emergency Management Agency requested the Department do an amended Memorandum of Agreement. The Department requested funds to reimburse the County of Kaua’i of \$44,100.00. This is an estimated amount. If the invoices from the COK are more, Mr. Aoki will come back to the Board for additional funding.

Mr. Tanigawa moved to approve Manager’s Report No. 19-47 - Discussion and Possible Action for Board Approval to enter into the First Amendment to the Memorandum of Agreement between the Department of Public Works, County of Kaua’i and the Board of Water Supply, County of Kaua’i for the County’s Kahiliholo Road Culvert Repair Project and expenditure of funds in the amount of \$44,100.00 (Update); seconded by Ms. Simonton; with no objections, motion carried with 5 ayes. Roll Call: KA, JS, KH, LC, TT,

2. Manager’s Report No. 20-24 – Discussion and Possible Action for the Proposed Amendment to the Memorandum of Agreement (Drainage) between Godwin M. Esaki and Janet M. Esaki, individually and as trustees of the Godwin M. Esaki Revocable Living Trust, and the Janet M. Esaki Revocable Living Trust, TMK: (4) 4-6-011:125, Kapa’a, Kaua’i, Hawai’i and the Board of Water Supply, dated August 21, 2017

The Board discussed Manager’s Report No. 20-24 in Executive Session Item J#3. After Executive session, Ms. Simonton moved to defer Manager’s Report No. 20-24; seconded by Mr. Dill; with no objections, motion carried with 4 Ayes in open session.

3. Manager’s Report No. 20-41 - Waiahi Surface Water Treatment Plant Renovation Construction Cost Progress Report (Update)

No Update

H. NEW BUSINESS

1. Manager's Report No. 21-12 – Discussion and Possible Action on the Fourth Amendment to Contract No. 639 Job No. 17-10, WP2020 Project No. KW-07 Rehabilitate Paua Valley Tank #1, 0.5MG Concrete, with KAI Hawaii Inc. for a time extension of 150 days and for additional design funding in the amount of \$212,719.00

An updated Manager's Report No. 21-12 was Received for the Record.

BACKGROUND:

Mr. Aoki mentioned that the last amendment tested materials on the tank for polychlorinated biphenyl (PCBs) that were found positive. The Environmental Protection Agency (EPA) required the Department to test the area surrounding tank and to do a soil testing plan. The amendment includes a contingency amount for further testing. There would be another test deep in the ground if the first test is positive with additional testing. If testing results come back negative, the contingency amount would not be used in this proposal. The Department will be testing the area around the tank at the construction start of the exterior. EPA will require testing after the construction of the exterior is completed. Another amendment request to the Board of approximately \$80,000 may be needed before the construction starts.

At 10:14 a.m., Mr. Dill joined the meeting.

DISCUSSION:

Ms. Simonton asked if the construction contracted was awarded with a stop order which Mr. Aoki confirmed. He did not know the magnitude on the cost impact of the construction project or did not know how much mitigation is needed. The PCB would need to be moved below the threshold level plus water in the tank needs to be treated. Ms. Simonton mentioned that the project started as a tank repair but has evolved into something that was not expected. The design changes would be addressed in the construction contract as a change order for the PCB; cost is unknown at this time. She asked how should the Department move forward with these issues? How does this affect the construction?

Chief of Construction Management Mr. Dustin Moises commended that the first or second iteration cleaning of the water, could cost from \$800,000 to \$1M for the water removal. There are two RFI's pending for a final response to the contractor for change orders to get a change order for each RFI's separately.

Ms. Simonton asked what was the total value of the contract for construction? Mr. Moises indicated over \$2M and \$100,000 was paid out for the stop work order and the stop work order was cleared to minimize any additional costs. There should not be any other costs at this time that Mr. Moises. Ms. Simonton asked the Department how they intend to move forward and if the change order cost is more than 50% of the contract value? Engineering's cost went from \$93K to \$386K without the environmental sub. Mr. Aoki would have to check with legal. Mr. Moises suggested to cancel the contract, then rebid; design could redo the specs and everyone rebid, creating more competition.

Mr. Dill agreed with Ms. Simonton's concern on cost control but was more concerned on construction. The project is now a PCB remediation project. He asked Mr. Moises if it is possible to bid the PCB work by a PCB contractor separately by leaving the existing contract in place? Mr. Moises indicated the original specs had PCB removal in it; a PCB project with structural repairs. The initial design specs did not anticipate a high level PCB that was tested at the beginning of construction. Mr. Dill asked if the current scope could be removed from the current contract and do a separate bid for remedial work? Mr. Moises said the Department would have to coordinate the new scope with the new contractor and the existing contract. There would have to do a stop work order on the existing contract until the water is removed to do the interior. The exterior abatement would need to be delayed until a new contractor could come in and what is in the soil. Ms. Simonton added the PCB coding needs to be kept together but asked if the water and soil testing be done as one? Data would be in the specs, ballpark costs and provide quantity, and knowing the baseline sampling after if the contractors made it worse.

The Department would regroup to discuss and review with legal potential magnitude of the cost.

Ms. Simonton moved to defer *Manager's Report No. 21-12* – Discussion and Possible Action on the Fourth Amendment to Contract No. 639 Job No. 17-10, WP2020 Project No. KW-07 Rehabilitate Paua Valley Tank #1, 0.5MG Concrete, with KAI Hawaii Inc. for a time extension of 150 days and for additional design funding in the amount of \$212,719.00; seconded; seconded by Mr. Tanigawa; with no objections, motion carried with 6 Ayes.

J. STAFF REPORTS MONTHLY

1. Discussion and Receipt of the Kaua'i County Water Department's Statement of Revenues and Expenditures
 - a. September Monthly Summary Budget
 - b. Accounts Receivable Aging Summary

BACKGROUND:

Waterworks Controller Mrs. Marites Yano mentioned that the latest approval of the Hawaii Government Employee Association and Excluded Managerial members were approved and effective from July 1, 2019 (not 2020). The total amount due to employees at the end of FY2020 is \$146,780.00. Board approval is not required because estimated pay raises were included in the FY2020 budget.

Received for the Record

2. Discussion and Receipt of the Report by the Information & Education Specialist on Public Relations Activities

BACKGROUND:

Information & Education Specialist Mrs. Jonell Kaohelaulii provide the following highlights:

1. PR completed the community outreach for the Imagine a Day Without Water awareness and social media event on October 21st. Campaign goals were met by posting outreach events on social media, promoting water conservation & water education which enhanced the Department's social media presence.
2. Over 520 water education kits were distributed and responded to the community until the kits are depleted. The Department received two newsprint features with a front page feature on The Garden Island newspaper. Ms. Kaohelaulii thanked 17 DOW employees for the successful water education distribution event. Two employee names will be added to the November PR report. She also thanked the Board's support and Board member Mr. Gregory Kamm for his kind assistance on October 6th.

Received for the Record

3. Discussion and Receipt of the Chief of Operation's Summary Report on Operational Activities

BACKGROUND:

Mr. Valentino Reyna highlighted the following:

1. Board member Mr. Dill requested the status of the water audit compared with industry standard with other counties was shown on Page 74 of the packet. Mr. Reyna contacted the Commission on Water Resources Management who provided the Median indicators (cols. 1, 2, & 3) that shows the current losses per day and Real Losses per connection per day and Real losses per mile mainline per day. For connections per day, the Department is below the State median but on per length of mile per day, the Department is above the State median. There is now an opportunity to do leak detection work.
2. Leaks – The past three months, there were a large amount of leaks after hours resulting in overtime (on real losses). Last fiscal year's overtime was only 88% that was expended. At this time, 50% has been used on the overtime budget.

DISCUSSION:

Mr. Dill appreciated the information on the real losses and that the Department is doing well with the other counties except for the length per main per day. Mr. Reyna indicated the second leak detection person was only dollar funded and is on track in filling this position. Leak detection will be checked on the main lines in the community. There are 6 inch diameter lateral hydrants that get hit resulting in a 6 inch full flow leak. If the hydrant valve cannot be closed immediately, there is a loss of water between 26,000 to 50,000 gallons/hr. especially at night. The Fire Department continues to assist Operations with hydrant water loss. Mr. Dill asked how are leak detections done for the mains using correlators? Are these done annually? Explain the program. Mr. Reyna will be going through all of the water audits and will determine which water system need attention.

Received for the Record

4. Discussion and Receipt of the Manager and Chief Engineer's Monthly Update Regarding Activities of Note of the DOW
 - a. Build America Bond - Quarterly Report *(July - September 2020)*

Received for the Record

QUARTERLY *(July - September 2020)*

1. Discussion and Receipt of the DOW's Quarterly Project Status Update:
 - a. Construction Management Division Status from Mr. Moises
 - Paua Valley - Mr. Moises will meet to Mr. Aoki regarding this project.
 - Hanapēpē Road 6" Main – should be finished by December 2020.
 - Kapa'a Well #4 –the casing is being worked on, then on the land drainage.
 - Private projects – 7 Certificates of Completion were done.

Received for the Record

- b. Engineering Division Design Status from Mr. Aoki
 - Working with Mr. Moises on contractor RFI's on construction projects.
 - Building Permit Approved for temporary Operations Office
 - Kīlauea Bid Update - Pending
 - Kukuīolono Bid Update – Recommendations were submitted for Kukuīolono on the tank demo/Pending comments.

Received for the Record

- c. Water Resources & Planning Division Status from Mr. Hinazumi
 - WR&P is down a few personnel and will be actively recruiting.
 - Building Permits – up approx. 50% from last fiscal year.

Received for the Record

- d. Information Technology Strategic Plan Status from Mr. Hinazumi
 - Continue to work on migrating the system to the cloud.
 - Firewall upgrades completed.
 - SCADA & IMPET upgrades completed.
 - Office 365 kickoff first week of November.
 - Interviewed & provided recommendation for IT Waterworks Manager which is currently with Department of Human Resources for processing.

Received for the Record

Chair Akamine acknowledged that recruiting with the divisions is a challenge. Staff has been working on priorities and the thanked the division heads.

At 10:46 a.m., Mr. Dill read the Executive Session language.

Mr. Dill moved to go into Executive Session for Items J#1 through J#6; seconded by Ms. Simonton; with no objections, motion carried with 6 ayes.

K. 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)(2) and (4), the purpose of this Executive Session is for the Board to consider the hiring of an interim manager and chief engineer where consideration of matters affecting privacy will be involved; provided that if the individual concerned requests an open meeting, an open meeting shall be held; and 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. No Action

2. Pursuant to Hawai'i Revised Statutes § 92-4 and § 92-5(a)(2) and (4), the purpose of this Executive Session is for the Board to consider the hiring of a manager and chief engineer where consideration of matters affecting privacy will be involved; provided that if the individual concerned requests an open meeting, an open meeting shall be held; and 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 the Report of the Permitted Interaction Group of the Kaua'i County Board of Water Supply.

Special Board meeting(s) will be set for interviews of the four applicants.

3. 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 Manager's Report No. 20-24 – Discussion and Possible Action for the Proposed Amendment to the Memorandum of Agreement (Drainage) between Godwin M. Esaki and Janet M. Esaki, individually and as trustees of the Godwin M. Esaki Revocable Living Trust, and the Janet M. Esaki Revocable Living Trust, TMK: (4) 4-6-011:125, Kapa'a, Kaua'i, Hawai'i and the Board of Water Supply, dated August 21, 2017. No Action

4. Pursuant to Hawai'i Revised Statutes § 92-4 and § 92-5(a)(2), the purpose of this Executive Session is for the Board to consider the discipline of an officer or employee or of charges brought against the officer or employee, where consideration of matters affecting privacy will be involved; provided that if the individual concerned requests an open meeting, an open meeting shall be held. No Action

5. Pursuant to Hawai‘i Revised Statutes § 92-4 and § 92-5(a)(2), the purpose of this Executive Session is for the Board to consider the discipline of an officer or employee or of charges brought against the officer or employee, where consideration of matters affecting privacy will be involved; provided that if the individual concerned requests an open meeting, an open meeting shall be held.
No Action

6. 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 those relate to *Shelly Seefeldt; DARREN Zastawny vs. The Parrish Collection, LLC., et al., CIV-19-1-0016; The Parrish Collection, LLC., Third Party Plaintiff, vs. County of Kaua‘i Department of Water, Third Party Defendant.* No Action

At 11:40 a.m., Chair Akamine called the Regular Board meeting back to order.

L. TOPICS FOR NEXT BOARD OF WATER SUPPLY MEETING (November 2020)

1. Discussion and Receipt of the Department of Water’s Draft Audit Financial Statements and Independent Auditor’s Report by Accuity, Inc. for Fiscal Year 2020 and 2019
2. Election of Officers for 2021
3. Board Meeting Dates for 2021

M. TOPICS FOR FUTURE BOARD OF WATER SUPPLY MEETINGS

1. Department of Water Performance Audit (Update)
2. Table of Organization Workshop
3. Discussion and Possible Action to establish Fiscal Policies and Procedures
4. Baseyard Master Plan Workshop

N. UPCOMING EVENTS

O. NEXT WATER BOARD MEETING

1. Thursday, November 19, 2020, 10:00 a.m.
2. Thursday, December 17, 2020, 10:00 a.m.
3. Thursday, January 21, 2021, 10:00 a.m.
4. Thursday, February 25, 2021, 10:00 a.m.

P. ADJOURNMENT

The Regular Board meeting adjourned at 11:42 a.m., with no objections.

Respectfully submitted,

Edith Ignacio Neumiller
Commission Support Clerk

Approved,

Elesther Calipjo
Secretary, Board of Water Supply

Old Business

DEPARTMENT OF WATER

County of Kaua'i

"Water has no Substitute – Conserve It!"

MANAGER'S REPORT No. 20-41 (Update)

November 19, 2020

Re: Waiahi Surface Water Treatment Plant Renovation Construction Cost Progress Report

RECOMMENDATION:

There is no action necessary; for Board review and discussion purposes only.

FUNDING: N/A.

BACKGROUND:

As requested by the Board of Water during its January 24th and February 28th Regular Board meeting, the Board requested the Department to provide a monthly update on the status of payments to Grove Farm in accordance with the project's budget. Please refer to Attachment 1.

There are no updates to report since the August 27, 2020 Board meeting.

BW/ein

Attachment(s): Waiahi Surface Water Treatment Plant Renovation Construction Cost Progress Report as November 1, 2020

Mgrrp/November 19, 2020/20-41/Waiahi Surface Water Treatment Plant Renovation Project Construction Cost Progress Report (Update) (1-24-20, 2-28-20, 6-25-20, 7-23-20, 8-27-20, 9-24-20, 10-22-20, 11-19-20):ein

**Waiahi SWTP Renovation
Maintaining 3.0 MGD
Construction Costs**

Item No.	Qty.	Unit	Cost Per Unit	Description	Total Cost Estimate	Grove Farm Total (1/3) 33.33%	BWS Total (2/3) 66.67%	BWS Total Amount Due to Date (\$)	BWS Amount Paid to Date (\$)	Estimate Total to Date (% Line Item)	All Payments Received by Grove Farm within 15 days?
SITEWORK¹											
1	1	LS	\$100,000	Mobilization & Demobilization	\$100,000	\$33,333	\$66,667	\$0	\$0	0.00%	N/A
2	1.44	Acre	\$14,876	Clearing & Grubbing, including demolition of existing shed at Off-site Detention Basins, in place complete	\$21,421	\$7,140	\$14,281	\$0	\$0	0.00%	N/A
3	4151	CY	\$30	Excavation, in place complete	\$124,530	\$41,510	\$83,020	\$0	\$0	0.00%	N/A
4	2673	CY	\$15	Embankment, in place complete.	\$40,095	\$13,365	\$26,730	\$0	\$0	0.00%	N/A
5	1	LS	\$11,950	Erosion Control, including temp silt fence, temp wheel wash area, temp ground cover & erosion control fabric	\$11,950	\$3,983	\$7,966	\$0	\$0	0.00%	N/A
6	16	SY	\$450	Rip-rap Lined Embankment Swale, in place complete	\$7,200	\$2,400	\$4,800	\$0	\$0	0.00%	N/A
7	956	LF	\$80	Chain Link Fence, including warning signs, in place complete	\$76,480	\$25,493	\$50,987	\$0	\$0	0.00%	N/A
8	1	EA	\$2,500	Chain Link Gate, 18' Wide X 6' High at Off-site Detention Basins, in place complete.	\$2,500	\$833	\$1,667	\$0	\$0	0.00%	N/A
9	1	EA	\$1,000	Chain Link Pedestrian Gate, 30" Wide X 6' High at Drain/Reject Water Pump Station, in place complete	\$1,000	\$333	\$667	\$0	\$0	0.00%	N/A
10	2434	SY	\$80	Asphalt Concrete Pavement, including base course, in place complete	\$194,720	\$64,907	\$129,813	\$0	\$0	0.00%	N/A
11	1055	LF	\$55	Concrete curb, in place complete	\$58,025	\$19,342	\$38,683	\$0	\$0	0.00%	N/A
12	1321	LF	\$45	Concrete header, in place complete	\$59,445	\$19,815	\$39,630	\$0	\$0	0.00%	N/A
13	8	EA	\$250	Concrete drop curb, in place complete	\$2,000	\$667	\$1,333	\$0	\$0	0.00%	N/A
14	13	EA	\$800	Bollards, in place complete.	\$10,400	\$3,467	\$6,933	\$0	\$0	0.00%	N/A
15	2	EA	\$500	Ring Buoy, including pipe stand, in place complete	\$1,000	\$333	\$667	\$0	\$0	0.00%	N/A
YARD PIPING¹											
1	1	LS	\$58,000	Pre-lube Line for Existing Reservoir Intake Pumps, including fittings and appurtenances, in place complete	\$58,000	\$19,333	\$38,667	\$0	\$0	0.00%	N/A
2	1	LS	\$123,000	Flocculation Tank Inlet Line, including fittings, valves, and appurtenances, cutting, removing and relocating	\$123,000	\$41,000	\$82,000	\$0	\$0	0.00%	N/A

**Waiahi SWTP Renovation
Maintaining 3.0 MGD
Construction Costs**

Item No.	Qty.	Unit	Cost Per Unit	Description	Total Cost Estimate	Grove Farm Total (1/3) 33.33%	BWS Total (2/3) 66.67%	BWS Total Amount Due to Date (\$)	BWS Amount Paid to Date (\$)	Estimate Total to Date (% Line Item)	All Payments Received by Grove Farm within 15 days?
3	1	LS	\$29,000	Drainline "A", including connection to existing drain manholes & modifications to existing DMH "A-2"	\$29,000	\$9,667	\$19,333	\$0	\$0	0.00%	N/A
4	1	LS	\$150,000	Drainline "B," including headwall with ungrouted rip rap, & drain manholes, in place complete	\$150,000	\$50,000	\$100,000	\$0	\$0	0.00%	N/A
5	1	LS	\$24,000	Drainline "C", including headwalls, in place complete	\$24,000	\$8,000	\$16,000	\$0	\$0	0.00%	N/A
6	1	LS	\$130,000	Force Mains "A", "B" & "C", including fittings, valves & appurtenances, & concrete blocks	\$130,000	\$43,333	\$86,667	\$0	\$0	0.00%	N/A
7	1	LS	\$69,182	Off-Site Detention Basin Inlet & Outlet Lines, including residuals discharge connection	\$69,182	\$23,061	\$46,121	\$0	\$0	0.00%	N/A
8	1	LS	\$28,302	Residuals Discharge Lines "A" & "B", including fittings, valves & appurtenances & concrete blocks	\$28,302	\$9,434	\$18,868	\$0	\$0	0.00%	N/A
9	1	LS	\$75,472	Residuals Drying Beds Inlet Lines, including fittings, valves & appurtenances, concrete blocks	\$75,472	\$25,157	\$50,315	\$0	\$0	0.00%	N/A
STRAINER SYSTEM¹											
1	1	LS	\$120,000	16" Automatic Backwashing Strainer, including removal & disposal of ex. strainer, drain & backwash lines	\$120,000	\$40,000	\$80,000	\$0	\$0	0.00%	N/A
PUMP GALLERY IMPROVEMENTS¹											
1	1	LS	\$5,000	Liquid Level Sensor Alarm System, in place complete	\$5,000	\$1,667	\$3,333	\$0	\$0	0.00%	N/A
2	1	LS	\$5,000	8" Butterfly Valve on Permeate Line to Backpulse Tank, in place complete	\$5,000	\$1,667	\$3,333	\$0	\$0	0.00%	N/A
3	1	LS	\$10,000	Replace Existing Membrane Tank Level Transmitters. (Transmitters furnished by SUEZ. See Bid Item G-1.)	\$10,000	\$3,333	\$6,667	\$0	\$0	0.00%	N/A
4	1	LS	\$10,000	Combined Permeate Turbidimeter, including sampling line & revisions to sample drains & control wiring	\$10,000	\$3,333	\$6,667	\$0	\$0	0.00%	N/A
DRAIN/REJECT WATER PUMP STATION¹											
1	1	LS	\$44,025	Drain/Reject Water Pump Station Concrete Wet Well & Pipe Support, including structural excavation	\$44,025	\$14,675	\$29,350	\$0	\$0	0.00%	N/A

**Waiahi SWTP Renovation
Maintaining 3.0 MGD
Construction Costs**

Item No.	Qty.	Unit	Cost Per Unit	Description	Total Cost Estimate	Grove Farm Total (1/3) 33.33%	BWS Total (2/3) 66.67%	BWS Total Amount Due to Date (\$)	BWS Amount Paid to Date (\$)	Estimate Total to Date (% Line Item)	All Payments Received by Grove Farm within 15 days?
2	1	LS	\$69,182	Drain/Reject Water Pump System, including liquid level sensor, transducer, pump accessories, access hatch	\$69,182	\$23,061	\$46,121	\$0	\$0	0.00%	N/A
3	1	LS	\$62,893	Drain/Reject Water Piping, including fittings, valves & appurtenances, & connection to existing drain line	\$62,893	\$20,964	\$41,929	\$0	\$0	0.00%	N/A
MEMBRANE UNIT REPLACEMENT²											
1	1	LS	\$1,015,545	Membrane Unit Upgrades by SUEZ, all in accordance with SUEZ's proposal dated 9/6/2019.	\$1,015,545	\$338,515.00	\$677,030	\$677,030.00	\$677,030.00	100.00%	Yes
2	1	LS	\$160,941	Installation of Membrane Unit Upgrades by SUEZ, in place complete. Aqua Engineers, proposal dated 9/16/2019	\$160,941	\$53,647.00	\$107,294	\$107,294.00	\$107,294.00	100.00%	Yes
3	1	LS	*Initial estimate \$0	Taxes & Additional US Customs Duty Fees, in accordance with SUEZ's proposal (*estimate was \$0)	\$47,852.48	\$15,950.83	\$31,901.65	\$31,901.65	\$31,901.65	100.00%	Yes
LINER FOR OFF-SITE DETENTION BASINS¹											
1	1	LS	\$119,497	Liner for Off-Site Detention Basins, including geotextile fabric, anchoring battens & trenches	\$119,497	\$39,832	\$79,665	\$0	\$0	0.00%	N/A
PORTABLE PUMP FOR RESIDUALS TRANSFER³											
1	1	LS	\$41,024	Portable Pump for Residuals Transfer, including wheel kit & hoses, in place complete.	\$41,024	\$13,675	\$27,349	\$0	\$0	0.00%	N/A
GENERATOR BUILDING¹											
1	1	LS	\$350,000	Generator Building	\$350,000	\$116,667	\$233,333	\$0	\$0	0.00%	N/A
2	1	LS	\$300,000	Emergency Generator System	\$300,000	\$100,000	\$200,000	\$0	\$0	0.00%	N/A
3	1	LS	\$28,000	Painting and Coating	\$28,000	\$9,333	\$18,667	\$0	\$0	0.00%	N/A
ELECTRICAL WORK¹											
1	1	LS	\$493,192	Electrical Work, in place complete.	\$493,192	\$164,397	\$328,795	\$0	\$0	0.00%	N/A

**Waiahi SWTP Renovation
Maintaining 3.0 MGD
Construction Costs**

Item No.	Qty.	Unit	Cost Per Unit	Description	Total Cost Estimate	Grove Farm Total (1/3) 33.33%	BWS Total (2/3) 66.67%	BWS Total Amount Due to Date (\$)	BWS Amount Paid to Date (\$)	Estimate Total to Date (% Line Item)	All Payments Received by Grove Farm within 15 days?
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Summary for November 19, 2020 Board Meeting

	Total Cost Estimate	GF Total 1/3 (33.33%)	BWS Total 2/3 (66.67%)	BWS Total Amount Due to Date (\$)	BWS Total Amount Paid to Date (\$)	Estimate Total to Date (% of total project)	All Payments Received by Grove Farm within 15 days?
Project Total Estimates =	\$4,279,874	\$1,426,625	\$2,853,249	\$816,226	\$816,226	28.61%	Yes

DOW NOTES

*Payments due within 15 calendar days of receipt of invoice.

*DOW will not be withholding 5% retainage.

DEPARTMENT OF WATER

County of Kaua'i

"Water has no Substitute – Conserve It!"

MANAGER'S REPORT No. 21-12

November 19, 2020

Re: Discussion and Possible Action on the Fourth Amendment to Contract No. 639 Job No. 17-10, WP2020 Project No. KW-07 Rehabilitate Paua Valley Tank #1, 0.5MG Concrete, with KAI Hawaii Inc. for a time extension of 150 days and for additional design funding in the amount of \$292,719.00

RECOMMENDATION:

It is recommended that the Board approve a fourth amendment to Contract No. 639 with KAI Hawaii Inc. for the subject project for a time extension of 150 days and additional design funding in the amount of \$292,719.00.

FUNDING:

Account No.	10-20-00-604-000		
Acct Description	WU/Eng/AdminCapitalOutlay-Rehabilitation and Replacement		
Funds Available	Water Utility Fund -Unrestricted		\$ 5,923,831
Contract No.	639		
Vendor	KAI Hawaii, Inc.		
	Contract Amount	\$	93,625.52
	Amendment 1 Additional Amount	\$	68,795.00
	Amendment 2 Additional Amount	\$	11,636.00
	Amendment 3 Amount (Credit)	\$	-2.12
	Total Funds Certified To Date	\$	174,054.40
Amendment:			
	Additional Funds Requested for Amendment 4:	\$	292,719.00
	Proposed New Contract Amount	\$	386,773.40
	Fund Balance		\$ 5,631,112

BACKGROUND:

Contract NTP Date: July 10, 2017
 Original Contract End Date: March 16, 2018
 New Contract End Date: Estimate March 21, 2021

The DOW started Job No. 17-10, WP2020 Project No. KW-07 Rehabilitate Paua Valley Tank #1, 0.5MG Concrete to address the aging tank located in Kekaha and to perform repairs,

including fixing a leak located at the base of the tank. As part of the project, DOW performed hazardous material surveys to ensure proper disposal of any material intended to be removed. The presence of polychlorinated biphenyls (PCBs) within the interior of the tank was not expected, based on DOW prior tests for PCBs of the tank water. However, results of the hazardous material survey identified the presence of polychlorinated biphenyls (PCBs) within the interior liner of the tank (testing for PCBs on exterior of tank was not required), which required the shutdown of the tank and the involvement of the Department of Health (DOH) Hazard Evaluation and Emergency Response Office (HEER) and the Environmental Protection Agency (EPA) to provide direction of proper removal and disposal of the PCBs. Design mitigation of PCBs if detected was not included in the scope of work.

First Amendment (executed May 15, 2018)

After discussions with HEER and EPA, specifications needed to be provided for proper removal and disposal of the interior liner of the tank. Additionally, the soils in the drainage ditch needed to be tested for the presences of PCBs, as this is where the tank discharges overflow or washout water.

Second Amendment (executed September 11, 2019):

Testing from the drainage ditch resulted in the presence of PCBs within the soils. Requirements from EPA require that a PCB soil removal plan must be developed and approved by the EPA and HEER for proper mitigation of the soil in the ditch. Therefore, the second contract amendment was necessary to complete the PCB soil removal plan to satisfy requirements from HEER and EPA. EPA clarified that construction of the tank rehabilitation was not dependent on the soil removal plan and mitigation of the soil in the ditch and could proceed independently from the soil mitigation of the ditch. The DOW decided to proceed with the construction of the tank rehabilitation.

Third Amendment (executed June 8, 2020):

During the initial stages of construction, the Construction Contractor submitted an RFI requesting that the exterior paint be tested for PCB contamination on the basis that two other DOW tanks have recently tested positive for PCBs in the exterior paint. PCB sampling in the exterior paint is not typically required by the Department of Health or EPA, but the DOW voluntarily chose to sample the exterior coatings of the Pa'anau Tank No. 1 and Kaua'i Inn Tanks as part of Job No. 18-02, the Island-Wide Tank Rehabilitation of Tanks Project. The positive results from those two tanks led the Construction Contractor to request that the Paua Valley Tank project be tested on the basis that they were built during the same timeframe and may have used similar materials.

DOW staff met with EPA Region IX to request a determination as to whether PCB testing of the exterior paint was required. The EPA representative stated that PCB testing is not a standalone requirement; however, it was clarified by EPA that based on case law in California, the EPA can now "reasonably require" the DOW to test the exterior paint for PCBs at the Paua Valley tank because two other tanks in the DOW system tested positive. Therefore, the DOW proceeded with testing the tank's exterior paint for PCBs. Should the results indicate that PCBs are present, additional mitigation will be needed for the removal and disposal of the paint and the Construction Contractor will submit a change order for the project.

Fourth Amendment (proposed):

The PCB sampling results for the exterior paint and roof coating on the Paua Valley Tank (Reservoir No. 1) were positive for PCB. As a result of this, EPA is requiring testing of the soil

and asphalt paving surrounding the reservoir. Additional environmental and engineering work are required to comply with EPA and DOH requirements. Depending on the test results further testing and mitigation may be required. We have reviewed the proposal from KAI Hawaii, Inc. for additional services required and find it acceptable.

Summary of Design:

- **July 10, 2017** - Original contract NTP – Consultant completed hazardous material testing required in the contract scope of work. Consultant test results report in December 2017 included detection of PCBs in the interior lining of the tank. DOW did not expect this. (note: testing of the tank exterior for PCBs was not required by DOH or EPA at that time and not included in the design scope of work)
- **May 15, 2018** – 1st Amendment to contract executed. Amendment is to address EPA requirement for DOW to mitigate/dispose of interior tank lining and to test soil in drainage ditch (off-site from tank site) for PCBs.
- **September 11, 2019** – 2nd Amendment to contract executed. Amendment is to address PCBs being detected in the soil samples from the drainage ditch and subsequent EPA and DOH HEER requirements to address the PCB detected in the ditch soil. EPA clarified that construction of the Paua Tank can proceed, as it is not contingent on the mitigation of the PCB detected in the drainage ditch soil. DOW decided to proceed with construction and a construction contract was executed.
- **June 8, 2020** – 3rd Amendment to contract executed. Amendment is to address Construction Contractor's request to test exterior of tank for PCBs and subsequent EPA determination that the testing of the tank exterior needed to be done. This Amendment is for the consultant to complete the additional testing required by EPA.
- **October 22, 2020** – Proposed 4th Amendment to contract. Amendment is to address PCBs being detected in the exterior paint and roofing material of the tank and subsequent EPA requirement to test the asphalt paving and soil surrounding the tank for PCBs.

OPTIONS:

Option 1: Approve \$292,719.00 in additional funds for the subject contract.

Pro: This will allow DOW to adhere to requirements from HEER and EPA to develop an approved plan and test for PCB contaminated asphalt/soils around the Paua Valley 0.5 MG tank.

Con: Additional funds will be expended.

Option 2: Do not approve \$292,719.00 in additional funds for the subject contract.

Pro: Additional funds will not be expended.

Con: The DOW will not be able to adhere to the requirements from HEER and EPA to develop an approved plan and test for PCB contaminated asphalt/soils around the tank site. The project cannot be completed.

KA/ein

Mgrpp/November 2020/21-12/Discussion and Possible Action on the Fourth Amendment to Contract No. 639 Job No. 17-10, WP2020 Project No. KW-07 Rehabilitate Paua Valley Tank #1, 0.5MG Concrete, with KAI Hawaii Inc. for a time extension of 150 days and for additional design funding in the amount of \$292,719.00 (11-19-20):ein

New Business

*Mahalo and Aloha***Edward K. Doi***Chief of Water Resources & Planning Division*

WHEREAS, Edward aka “Eddie” joined the staff of the Department of Water (DOW) from 1980 - 1984 as an Engineering Student Intern through October 31, 2020 who is retiring.

WHEREAS, Eddie held other positions in 1985 as Civil Engineer II, 1987 as Civil Engineer III, 1992 as Civil Engineer IV, 1994 as Civil Engineer V, 2007 as Civil Engineer VI, and 2015 promoted to Chief of Water Resources & Planning; and

WHEREAS, Eddie has always brought joy and laughter to the workplace; and

WHEREAS, Eddie’s knowledge, experience, and loveable personality will truly be missed at the DOW by both our staff and our customers; and

WHEREAS, Eddie has proven to be a talented, dependable and responsible co-worker and friend; and

WHEREAS, Eddie has gained respect and trust from his fellow employees and others who have had the pleasure of working with him; and

WHEREAS, Eddie is a trusted colleague, friend and mentor; who shares his knowledge and expertise willingly, listens intently, and is always there to lend a helping hand; and

WHEREAS, Eddie has been an integral part of the Department’s valued customer services. He serves with a humble attitude and has developed and maintained many important relationships with stakeholders and the community over the years; and

WHEREAS, Eddie’s dedication to serve the Department, his colleagues and customers for over 35 years is truly admirable and we appreciate his hard work, sacrifice and commitment; and

WHEREAS, Eddie will no longer need to deal with complicated engineering questions and challenging planning issues; and

WHEREAS, Eddie can now enjoy a well-deserved, relaxing retirement with his beautiful family and we know he will do extremely well in his new position as Papa for his new granddaughter; and

WHEREAS, Eddie can now spend even more time serving his community through his church; 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 Kauai, it expresses its acknowledgment and appreciation of the many years of dedicated service rendered by Eddie Doi and it extends to Eddie its best wishes for much happiness and success in his retirement, as well as many more

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

HAPPY RETIREMENT

We do certify that the foregoing was duly adopted by the Board of Water Supply during its meeting on November 19, 2020.

Kurt Akamine, Chairperson

Elesther Calipjo, Secretary

DEPARTMENT OF WATER

County of Kaua'i

"Water has no Substitute – Conserve It!"

MANAGER'S REPORT No. 21-13

November 19, 2020

Re: Discussion and Receipt of the Department of Water's Draft Audit Financial Statements and Independent Auditor's Report by Accuity, Inc. for Fiscal Years 2020 and 2019

RECOMMENDATION:

It is recommended that the Board receive and accept the Department of Water's (DOW's) draft Financial Statements (FS) as of June 30, 2020 and 2019 together with the Independent Auditor's Report.

BACKGROUND:

The independent auditor, Accuity, LLP has completed the audit of the DOW's financial accounts and Information Technology operations, including review of internal controls, accounting and reporting procedures for the Fiscal Year (FY) ending June 30, 2020. A draft copy of the audited Financial Statements as of June 30, 2020 and 2019 together with the Independent Auditor's Report are hereby submitted for your review, discussion and necessary action. The auditors representing Accuity, LLP are joining in to discuss the results of the audit and to answer any questions that the Board may have.

The Board's acceptance of the audited financial statements is necessary to meet the County of Kauai's timeline in finalizing the County's Comprehensive Annual Financial Report (CAFR). The DOW is a component unit of the County and the DOW's financial statements are an integral part of the County of Kaua'i's CAFR. The County has respectfully requested that the final financial statements be provided by November 23, 2020.

It is recommended that the Board receive and accept the draft Financial Statements for the Fiscal Years (FY) ending June 30, 2020 and 2019 as presented, and approve the transmittal of the Financial Statements to the County of Kaua'i Finance Director. Pending any questions or proposed changes from the Board, the final copy of the Financial Statements and accompanying Auditors Report will be submitted to the Board at the December 17, 2020 Board meeting.

OPTIONS:

Option 1: It is recommended that the Board receive and accept the DOW's Financial Statements as of June 30, 2020 and 2019 with the accompanying Independent Auditor's Report as presented.

Pros: The DOW can transmit a copy of the audited Financial Statements to the County of Kaua'i Finance Director in a timely manner.

Cons: None known.

Option 2: Do not receive and accept the DOW's Financial Statements as of June 30, 2020 and 2019 with the accompanying Independent Auditor's Report as presented. Do not transmit the audited Financial Statements to the County of Kaua'i Finance Director at this time.

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

Con: Deferral will affect the County of Kaua'i's timeline in meeting the deadline to submit to the County Council.

MY/ein

Attachments: 1. Accuity, LLP Financial Audit Result Presentation June 30, 2020
2. Accuity, LLP Department of Water Financial Statement June 30, 2020 and 2019

Mgrrrp/November 2020/Discussion and Receipt of the Department of Water's Draft Audit Financial Statements and Independent Auditor's Report by Accuity, Inc. for Fiscal Years 2020 and 2019 (11-19-10):ein



CERTIFIED
PUBLIC
ACCOUNTANTS

Department of Water County of Kauai June 30, 2020 Audit Results

Presentation to the Board November 19, 2020

Presented by:
Donn Nakamura
Matthew Oda





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Scope of Services

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

Financial Statement Highlights

- Net position increased \$167,000 in fiscal 2020 to \$198.3 million compared to the \$9.3 million increase in fiscal 2019. The increase in the current year was primarily due to \$2.0 million in losses from operations and \$1.3 million in nonoperating expenses offset by \$3.5 million in contributions. In fiscal 2020, operating expenses increased by \$3.9 million, while investment income decreased by \$410,000 and contributions decreased by \$3.2 million from the prior year. The increase in the prior year was primarily due to \$3.4 million in income from operations and \$6.7 million in contributions, offset by \$900,000 in nonoperating expenses.
- Current assets at June 30, 2020 of \$27.0 million exceeded total current liabilities by \$17.0 million.
- Equity interest in pooled investments decreased by \$6.4 million to \$50.7 million. This decrease was due to investment purchases offset by investment sales and maturities.
- Net pension liability was \$22.0 million as of June 30, 2020, an increase of \$5.8 million from the prior year end.
- Net OPEB liability was \$8.5 million as of June 30, 2020 and 2019.
- Bonds payable decreased by \$3.1 million due to current payments and no new additions.
- SRF loans payable decreased by \$1.9 million due to current payments and no new additions.

Required Communications

- 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 for the year ended June 30, 2020, 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 DOW
<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 ("DOW") independent auditors is to evaluate and report on the fairness of the DOW'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 DOW'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>GASB No. 89, <i>Accounting for Interest Cost Incurred Before the End of a Construction Period</i>, was adopted effective July 1, 2019.</p> <p>As this statement was adopted prospectively, there was no impact to the \$262,000 in interest that was capitalized in fiscal year 2019.</p>

Required Communications

Required Communications	Application to DOW
<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 two adjusting journal entries for fiscal 2020. These journal entries were recorded by management in the audited financial statements and are shown on page 9.</p> <p>There were no uncorrected misstatements above our de minimis noted in the current year.</p>

Required Communications

Required Communications	Application to DOW
<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>
<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 DOW’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 DOW
<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 the overall IT environment; logical, physical, and network security; change management; and IT operations 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.</p>	<p>We are not aware of any fraud or illegal acts.</p>

Required Communications

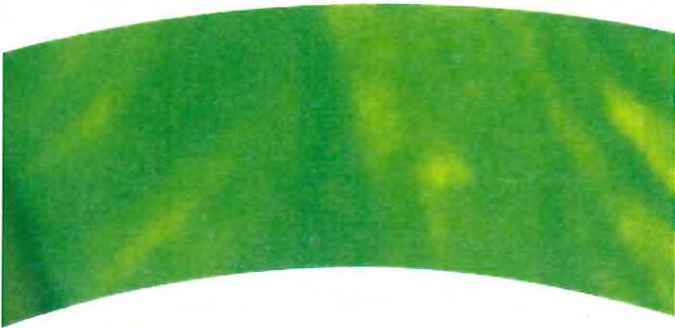
Required Communications	Application to DOW
<p>Other material written communications.</p> <ul style="list-style-type: none">• Management representation letter.• Schedule of findings.• Engagement letter.	<ul style="list-style-type: none">• Management representation letter is available upon request.• Refer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

Adjusting Journal Entries

Description	Debit	Credit
To properly reflect the pension liability related amounts to the GASB 68 allocation schedules		
Pension expense	2,697,211	
Deferred inflows on net pension liability	227,801	
Deferred outflows on net pension liability	2,889,813	
Net pension liability		5,814,825
	<u>5,814,825</u>	<u>5,814,825</u>
To properly reflect the OPEB liability related amounts to the GASB 75 report		
Deferred outflows on net OPEB liability	397,103	
OPEB expense		459,861
Deferred inflows on net OPEB liability	129,338	
Net OPEB liability		66,580
	<u>526,441</u>	<u>526,441</u>

Audit Plan for June 30, 2021 – Timeline

Discussion with management to understand any key risks or areas of focus for current year	May 2021
Planning	July 2021
Year-end financial statement fieldwork	August – September 2021
Draft report to management	Mid-October 2021
Issue final report	October 31, 2021 if pension allocation and OPEB valuation audits are completed by ERS and EUTF auditors in a timely manner



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Department of Water County of Kauai

Financial Statements
June 30, 2020 and 2019

DR A E T

**Department of Water
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, 2020 and 2019, 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, 2020 and 2019, 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 10 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 45 through 48, 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, 2020 and 2019, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November [REDACTED], 2020 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
November [REDACTED], 2020

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Management's Discussion and Analysis

DRAFT

Department of Water

County of Kauai

Management's Discussion and Analysis

June 30, 2020 and 2019

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, 2020 were \$302.5 million ("M") and exceeded liabilities and deferred inflows by \$198.3M.
- Total net position at June 30, 2020 had a positive net change of \$167.5 thousand ("K"). The current year's income (loss) before contributions of (\$3.3M) and capital contributions of \$3.5M brought in a combined net increase of \$167.5K in net position.
- Total cash and investments as of June 30, 2020 were \$66.0M, a decrease of \$1.4M from June 30, 2019.
- The Department's liquidity ratio was 2.7 at June 30, 2020 and 3.5 at June 30, 2019.
- The Department finances part of its capital improvement and rehabilitation programs through Build America Bonds ("BAB") and State Revolving Fund ("SRF") loans. There was no new debt for FY 2020. The debt-to-equity ratio including capital leases was 34% as of June 30, 2020 and 37% as of June 30, 2019.
- Operating revenues for FY 2020 were \$29.0M, a decrease of \$1.5M from FY 2019. Water rates in FY 2020 were the same as FY 2019 but total water consumption decreased by 155 million gallons ("MG") due to the COVID-19 pandemic, which caused temporary business closures that negatively affected the Department's top water consumers.
- Operating expenses for the current year totaled \$31.0M, an increase of \$3.9M as compared to the prior year. Details of this increase are further explained on pages 7 and 8.
- Long-term debt at June 30, 2020 was \$67.3M, a decrease of \$5.1M from June 30, 2019. The decrease was from principal payments made for both the SRF loans and BAB.

**Department of Water
County of Kauai
Management's Discussion and Analysis
June 30, 2020 and 2019**

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.

Financial Analysis

Statements of Net Position – Condensed

June 30, 2020, 2019 and 2018

	2020	2019	2018	FY 20 – 19 % Change
Assets				
Current and other assets	\$ 27,041,226	\$ 39,629,448	\$ 40,264,662	(32 %)
Net capital assets	221,271,476	222,343,881	216,914,030	(0 %)
Other noncurrent assets	45,729,384	36,104,224	34,892,358	27 %
Deferred outflows of resources	<u>8,469,228</u>	<u>5,253,018</u>	<u>5,218,846</u>	61%
Total assets and deferred outflows	<u>\$ 302,511,314</u>	<u>\$ 303,330,571</u>	<u>\$ 297,289,896</u>	(0 %)
Liabilities				
Current liabilities	\$ 10,049,880	\$ 11,425,374	\$ 10,290,202	(12 %)
Long-term debt, net	62,160,398	67,379,153	72,454,400	(8 %)
Other long-term liabilities	31,468,950	25,519,494	24,708,858	23 %
Deferred inflows of resources	<u>570,421</u>	<u>912,344</u>	<u>998,605</u>	(37 %)
Total liabilities and deferred inflows	<u>\$ 104,249,649</u>	<u>\$ 105,236,365</u>	<u>\$ 108,452,065</u>	(1 %)
Net position				
Net investment in capital assets	\$ 163,824,472	\$ 160,382,454	\$ 151,506,070	2 %
Restricted	2,050,166	905,194	809,295	126 %
Unrestricted	<u>32,387,027</u>	<u>36,806,558</u>	<u>36,522,466</u>	(12 %)
Total net position	<u>\$ 198,261,665</u>	<u>\$ 198,094,206</u>	<u>\$ 188,837,831</u>	0 %

**Department of Water
County of Kauai
Management's Discussion and Analysis
June 30, 2020 and 2019**

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

Years Ended June 30, 2020, 2019 and 2018

	2020	2019	2018	FY 20 – 19 % Change
Operating revenues	\$ 29,013,044	\$ 30,558,551	\$ 30,449,591	(5 %)
Operating expenses	<u>30,966,409</u>	<u>27,110,251</u>	<u>26,570,522</u>	14 %
Income from operations	(1,953,365)	3,448,300	3,879,069	(157 %)
Nonoperating expenses	(1,384,042)	(922,775)	(3,501,720)	50 %
Capital contributions	<u>3,504,866</u>	<u>6,730,850</u>	<u>4,978,322</u>	(48 %)
Change in net position	167,459	9,256,375	5,355,671	(98 %)
Beginning of year	<u>198,094,206</u>	<u>188,837,831</u>	<u>183,482,160</u>	(2 %)
End of year	<u>\$ 198,261,665</u>	<u>\$ 198,094,206</u>	<u>\$ 188,837,831</u>	0 %

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 \$302.5M, which exceeded liabilities and deferred inflows of \$104.2M by \$198.3M (net position).

Total cash and investments (including restricted funds) decreased by \$1.4M from \$67.4M at June 30, 2019 to \$66.0M at June 30, 2020.

The Department's liquidity ratio (current assets divided by current liabilities) was 2.7 at June 30, 2020 and 3.5 at June 30, 2019.

The Department finances part of its capital improvement and rehabilitation program through BAB and SRF loans. The debt-to-equity ratio, including capital leases, at June 30, 2020, 2019 and 2018 were 34%, 37% and 41%, respectively.

The debt service coverage, including capital leases, for FY 2020 was 1.4, which is lower than the Department's debt service coverage target of 1.5.

The change in net position is a result of the operating and non-operating activities of the Department. For FY 2020, the change in net position of \$167.5K was a result of the following:

- Income (loss) from operations for FY 2020 was (\$2.0M). Combined with the non-operating expenses of \$1.4M, the income before capital contributions was a net loss of \$3.3M. The department also received capital contributions of \$3.5M, thus the change in net position resulted in an increase of \$167.5K.
- Total operating expenses increased by \$3.9M or 14.2% higher from \$27.1M in FY 2019 to \$31.0M in FY 2020. A major portion of the increase was due to salaries and wages including fringe benefits, which increased by \$1.7M or 22%.
- Salaries and wages increased by \$428K or 8%. This increase was due to the previously approved pay raises for all bargaining units that became effective July 1, 2019. In addition, some vacant positions in FY 2019 were filled in FY 2020.

**Department of Water
County of Kauai
Management's Discussion and Analysis
June 30, 2020 and 2019**

- Fringe benefits that include FICA, health fund, and retirement contributions increased by \$1.3M or 86%. This increase was due to the additional pension expense that was recorded because of the increase in net pension liability as provided for from the State of Hawaii – ERS GASB 68 actuarial report.
- Other components of the operating expenses with major variances are explained below:
 - Depreciation and amortization increased by \$325.4K or 5% from the previous fiscal year. The increase was due to a one-time adjustment correcting over-depreciated meters including a few asset retirements.
 - Administrative and general expenses increased by \$1.9M or 22%. This increase from the previous fiscal year was attributed to the following:
 - Salaries, wages and related employee benefits increased by \$900.0K or 21%.
 - Professional services increased by \$1.0M due to various services engaged under Information Technology (“IT”), Engineering Services, and Construction Management.
 - Other services, public relations, procurement advertising, insurance claims, repairs and maintenance for non-water systems had a combined increase of \$104.0K while utility services, communication and supplies had a combined decrease of \$68.7K.
 - Books, subscriptions and dues, training and development, travel and per diem had a combined net decrease of \$24.6K. With the COVID-19 pandemic, trainings and meetings were conducted via web conference or tele-calls.
 - Transmission and distribution (“TandD”) expenses increased by \$1.2M. This 29% increase was attributed to the following:
 - Salaries, wages and related employee benefits increased by \$1.0M or 34%. Increases in this category were explained above.
 - Repairs and maintenance – water systems increased by \$138.5K. This increase was due to a contract awarded to maintain the SCADA system.
 - Repairs and maintenance – non-water systems increased by \$34.5K because of more road and vehicle repairs.
 - Operating supplies and inventory stock purchases decreased by \$30.1K. Reduced production because of decreased water consumption due to the COVID-19 pandemic required less use of operating supplies.
 - Travel, training and development decreased by \$5.3K because meetings and trainings were held via live video or teleconference calls.

**Department of Water
County of Kauai
Management's Discussion and Analysis
June 30, 2020 and 2019**

- Source of supply expenses increased by \$367.1K. This 18% increase was due to the following:
 - Salaries, wages and related employee benefits increased by \$262.0K. The increases for this category were explained above.
 - Bulk water purchases increased by \$320.8K. This increase was due to the change in classification of water purchases from capitalized cost to operating cost after fully amortizing the cost of an existing capital lease agreement.
 - Operating supplies increased by \$34.0K because more rehabilitation projects were completed in-house.
- Power and pumping expenses decreased by \$93.2K as compared to FY 2019. This 3% decrease was due to the following:
 - Salaries, wages and related employee benefits increased by \$80.2K.
 - Utility services decreased by \$244.7K. The decrease in water demand due to COVID-19 also reduced the cost of electricity used in pumping.
 - Repairs and maintenance increased by \$47.0K due to some pump purchases.
 - Operating supplies increased by \$16.0K because of the increased Hypochlor on-site generation.
- Customer accounting and collection had a net decrease of \$49.3K or 4% in expenses as compared to FY 2019. Salaries and wages decreased due to the hiring gap from vacancy to filling them back up. Several retirements occurred that were just being filled at the end of the fiscal year.
- Purification expenses increased by \$198.9K as compared to the previous FY 2019. This 21% increase was due to the following:
 - Salaries, wages and related employee benefits decreased by \$186.4K. The increases in salaries and employee benefits were explained above.
 - Professional services increased by \$42.1K because of water quality testing performed during the fiscal year.
 - Operating supplies decreased by \$29.8K. This decrease was also due to decreased water demand due to the COVID-19 pandemic.
- Capital contributions, which are included in non-operating income, amounted to \$3.5M for FY 2020, a decrease of \$3.2M or 48% as compared to \$6.7M capital contributions in FY 2019.

**Department of Water
County of Kauai
Management’s Discussion and Analysis
June 30, 2020 and 2019**

Capital Assets and Debt Administration

Capital assets are made up of property, plant and equipment. As of June 30, 2020, the Department had net capital assets of \$221.3M. Utility plant-in-service additions completed in FY 2020 amounted to \$1.3M. Major capital asset additions included:

Waipao Pump Replacement	Utility Plant	74,270.14
Anahola Well Pump Replacement	Utility Plant	98,580.00
Puhi Well #3 Replacement	Utility Plant	99,920.32
Hypochlorite System	Utility Plant	136,961.00
2020 Peterbilt 348 – Dump	General Plant	152,228.08
Koae WF Housing – Kukuiula Distribution Lines and Laterals	Utility Plant	305,846.48
		867,806.02

Long-term debt obligations outstanding as of June 30, 2020 amounted to \$67.3M, which consisted of \$51.0M in BAB and \$16.4M in SRF loans. The Department made a total of \$5.0 M in principal payments for both the BAB and SRF loans. There was no new debt or borrowing activity for FY 2020. 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, 2020. 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.

Basic Financial Statements

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**Department of Water
County of Kauai
Statements of Net Position
June 30, 2020 and 2019**

	2020	2019
Assets and Deferred Outflows of Resources		
Current assets		
Cash	\$ 12,085,164	\$ 8,359,490
Equity interest in pooled investments	8,294,230	23,039,770
Receivables		
Accounts, net of allowance for doubtful accounts of approximately \$247,000 and \$252,000 in 2020 and 2019, respectively	1,329,679	1,769,870
Unbilled accounts	1,378,550	1,532,261
Grants and subsidies	2,607,467	3,534,286
Accrued interest	209,775	230,006
Total receivables	<u>5,525,471</u>	<u>7,066,423</u>
Materials and supplies	1,089,732	1,112,506
Prepaid expenses	46,629	51,259
Total current assets	<u>27,041,226</u>	<u>39,629,448</u>
Restricted assets		
Facility reserve charge funds		
Cash	1,922,304	787,533
Accounts receivable and other	99,725	103,197
Total facility reserve charge funds	<u>2,022,029</u>	<u>890,730</u>
Bond funds		
Cash	1,265,983	1,118,943
Equity interest in pooled investments	8,623,168	9,318,809
Accrued interest	35,988	22,315
Total bond funds	<u>9,925,139</u>	<u>10,460,067</u>
Total restricted assets	<u>11,947,168</u>	<u>11,350,797</u>
Equity interest in pooled investments, noncurrent	<u>33,782,216</u>	<u>24,753,427</u>
Utility plant		
In service	347,014,604	345,664,652
Accumulated depreciation	(141,562,550)	(134,500,395)
Total utility plant	<u>205,452,054</u>	<u>211,164,257</u>
Construction work in progress	15,819,422	11,179,624
Net capital assets	<u>221,271,476</u>	<u>222,343,881</u>
Total assets	<u>294,042,086</u>	<u>298,077,553</u>
Deferred outflows of resources		
Deferred loss on refunding	-	1,066
Deferred outflows on net pension liability	7,031,125	4,037,094
Deferred outflows on net other postemployment benefits liability	1,438,103	1,214,858
Total deferred outflows of resources	<u>8,469,228</u>	<u>5,253,018</u>
Total assets and deferred outflows of resources	<u>\$ 302,511,314</u>	<u>\$ 303,330,571</u>

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

**Department of Water
County of Kauai
Statements of Net Position
June 30, 2020 and 2019**

	2020	2019
Liabilities, Deferred Inflows of Resources, and Net Position		
Current liabilities		
Current portion of long-term debt	\$ 5,160,541	\$ 5,017,034
Current portion of capital lease obligation	-	4,058
Accounts payable and accrued liabilities	2,952,156	4,396,086
Contracts payable, including retainages	491,013	536,898
Accrued vacation and compensatory pay	552,118	513,190
Customer deposits	894,052	958,108
Total current liabilities	<u>10,049,880</u>	<u>11,425,374</u>
Long-term debt, net of current portion and unamortized premiums	62,160,398	67,379,153
Net pension liability	21,971,493	16,156,668
Net other postemployment benefits liability	8,525,884	8,459,304
Accrued vacation and compensatory pay, net of current portion	971,573	903,522
Total liabilities	<u>103,679,228</u>	<u>104,324,021</u>
Deferred inflows of resources		
Deferred gain on refunding	15,216	-
Deferred inflows on net pension liability	458,129	685,930
Deferred inflows on net other postemployment benefits liability	97,076	226,414
Total deferred inflows of resources	<u>570,421</u>	<u>912,344</u>
Commitments and contingencies		
Net position		
Net investment in capital assets	163,824,472	160,382,454
Restricted for capital activity	2,050,166	905,194
Unrestricted	32,387,027	36,806,558
Total net position	<u>\$ 198,261,665</u>	<u>\$ 198,094,206</u>

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, 2020 and 2019

	2020	2019
Operating revenues		
Water sales	\$ 26,672,425	\$ 27,959,395
Other water revenue		
Public fire protection service	2,174,298	2,174,298
Other	<u>166,321</u>	<u>424,858</u>
Total operating revenues	<u>29,013,044</u>	<u>30,558,551</u>
Operating expenses		
Depreciation and amortization	7,190,082	6,864,701
Administrative and general	10,894,918	8,951,109
Transmission and distribution	5,210,026	4,046,581
Power and pumping	2,940,942	3,034,099
Customer accounting and collection	1,151,162	1,200,438
Purification	1,138,620	939,770
Source of supply	<u>2,440,659</u>	<u>2,073,553</u>
Total operating expenses	<u>30,966,409</u>	<u>27,110,251</u>
Operating income (loss)	<u>(1,953,365)</u>	<u>3,448,300</u>
Nonoperating income (expenses)		
Investment income, net	1,806,151	2,216,290
Interest expense	<u>(3,190,193)</u>	<u>(3,139,065)</u>
Total nonoperating expenses	<u>(1,384,042)</u>	<u>(922,775)</u>
Income (loss) before contributions	<u>(3,337,407)</u>	<u>2,525,525</u>
Contributions	<u>3,504,866</u>	<u>6,730,850</u>
Change in net position	<u>167,459</u>	<u>9,256,375</u>
Net position		
Beginning of year	<u>198,094,206</u>	<u>188,837,831</u>
End of year	<u>\$ 198,261,665</u>	<u>\$ 198,094,206</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, 2020 and 2019**

	2020	2019
Cash flows from operating activities		
Cash received from customers	\$ 27,266,327	\$ 27,514,708
Cash payments to suppliers for goods and services	(16,170,132)	(12,140,764)
Cash payments to employees for services	(6,594,711)	(6,127,319)
Other cash receipts	2,340,619	2,599,156
Net cash provided by operating activities	<u>6,842,103</u>	<u>11,845,781</u>
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(5,799,656)	(9,996,102)
Principal paid on revolving fund loan	(1,942,034)	(1,933,749)
Principal paid on public improvement bond maturities	(3,075,000)	(2,950,000)
Principal paid on capital lease obligation	(4,058)	(522,561)
Interest paid on long-term debt	(3,268,292)	(3,474,499)
Proceeds from Build America Bond interest subsidies	824,669	851,482
Net proceeds from FRC Program	919,445	437,130
Proceeds from federal government capital grants	-	32,228
Proceeds from state government capital grants	2,285,207	457,839
Net cash used in capital and related financing activities	<u>(10,059,719)</u>	<u>(17,098,232)</u>
Cash flows from investing activities		
Purchases of investments	(76,827,147)	(42,480,206)
Sales and maturities of investments	83,945,597	39,178,933
Interest on investments	1,106,651	1,046,319
Net cash provided by (used in) investing activities	<u>8,225,101</u>	<u>(2,254,954)</u>
Net change in cash (including restricted cash)	5,007,485	(7,507,405)
Cash		
Beginning of year (including \$1,906,476 and \$1,048,890 in restricted cash at July 1, 2019 and 2018, respectively)	<u>10,265,966</u>	<u>17,773,371</u>
End of year (including \$3,188,287 and \$1,906,476 in restricted cash at June 30, 2020 and 2019, respectively)	<u>\$ 15,273,451</u>	<u>\$ 10,265,966</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, 2020 and 2019**

	2020	2019
Reconciliation of cash flows from operating activities		
Operating income (loss)	\$ (1,953,365)	\$ 3,448,300
Depreciation and amortization expense	7,190,082	6,864,701
Bad debt expense	24,187	26,263
Decrease (increase) in assets and deferred outflows of resources		
Accounts receivable, net	416,004	(233,182)
Unbilled accounts and other receivables	153,711	(237,768)
Materials and supplies	22,774	(25,250)
Prepaid expenses and other assets	4,630	140,221
Deferred outflows of resources	(3,232,492)	(50,453)
Increase (decrease) in liabilities and deferred inflows of resources		
Accounts payable and accrued liabilities	(1,365,833)	1,063,124
Accrued vacation and compensatory pay	106,979	14,201
Customer deposits	(64,056)	97,329
Net pension liability	5,814,825	733,150
Net other postemployment benefits liability	(62,758)	182,037
Deferred inflows of resources	(212,585)	(176,892)
Net cash provided by operating activities	<u>\$ 6,842,103</u>	<u>\$ 11,845,781</u>

Supplemental Disclosure of Noncash Capital and Related Financing Activities

The Department received approximately \$406,000 and \$1,669,000 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019**

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 in the fair value of investments for the years ended June 30, 2020 and 2019 approximated \$706,000 and \$1,165,000, 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 health care benefits, and net pension liability. Actual results could differ from those estimates.

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

In July 2007, a detailed report on the inventory and valuation of water utility properties of the Board was prepared by consultants. The estimated original cost of \$161,834,000 and the accumulated depreciation of \$59,014,000 were recorded. Additions to the utility plant since the date of the valuation are stated at cost and include contributions by government agencies, private developers, and customers at their fair value at the date of contribution.

The utility plant is depreciated using the straight-line basis by applying composite rates based on the useful lives below. The composite rates are applied to beginning plant balances including contributions in aid of construction to calculate depreciation expense for the year.

The estimated useful lives of the various individual and group assets are 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.

Under Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, for differences between expected and actual experience and changes in assumptions are recognized in pension and other postemployment

**Department of Water
County of Kauai
Notes to Financial Statements
June 30, 2020 and 2019**

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.

Contributions

For the years ended June 30, 2020 and 2019, 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:

	2020	2019
Contributions of property, plant and equipment, and grant money from governmental agencies, developers and customers	\$ 1,775,795	\$ 5,455,756
Build America Bond interest subsidies	809,626	837,964
Facility reserve charge fees	919,445	437,130
	<u>\$ 3,504,866</u>	<u>\$ 6,730,850</u>

At June 30, 2020 and 2019, the Department recorded approximately \$322,000 and \$344,000, respectively, of accrued interest subsidies in grants and subsidies receivable in the accompanying statements of revenues, expenses and changes in net position.

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, 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. 89

In 2020, the Department implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. As the requirements of this Statement are applied prospectively, adoption of this Statement did not have any impact on approximately \$262,000 in interest that was capitalized in fiscal year 2019.

**Department of Water
County of Kauai
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GASB Statement No. 95

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This Statement postpones the effective dates for Statements No. 83, 84, and 88-93 by one year, unless previously adopted. This Statement also postpones the effective date for Statement No. 87, *Leases*, by 18 months.

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, 2020 and 2019, the carrying value of the Department’s cash deposits amounted to approximately \$15,273,000 and \$10,266,000, respectively, of which approximately \$1,789,000 and \$1,439,000, respectively, were held by the County in the County’s name. The bank balances at June 30, 2020 and 2019 amounted to approximately \$15,781,000 and \$11,061,000, respectively. The County Director of Finance has arranged for all of the Department’s deposits at June 30, 2020 and 2019 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.

**Department of Water
County of Kauai
Notes to Financial Statements
June 30, 2020 and 2019**

The following table presents the fair value of the Department's investments by level of input at June 30, 2020 and 2019:

	Reported Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
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	33,393,614	\$ 14,142,039	\$ 19,251,575	\$ -
Investments measured at amortized cost				
Certificates of deposit	17,306,000			
Total equity interest in pooled investments	\$ 50,699,614			
2019				
Investments by fair value level				
U.S. Treasury obligations	\$ 3,013,750	\$ 3,013,750	\$ -	\$ -
U.S. government agencies	32,842,358	-	32,842,358	-
Repurchase agreements	2,300,000	-	2,300,000	-
Money market mutual funds	5,449,898	5,449,898	-	-
Total investments by fair value level	43,606,006	\$ 8,463,648	\$ 35,142,358	\$ -
Investments measured at amortized cost				
Certificates of deposit	13,506,000			
Total equity interest in pooled investments	\$ 57,112,006			

**Department of Water
County of Kauai
Notes to Financial Statements
June 30, 2020 and 2019**

The following table represents the Department's investments by maturity as of June 30, 2020 and 2019:

	Reported Value	Maturity (in years)	
		0-1	1-5
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>		
2019			
U.S. Treasury obligations	\$ 3,013,750	\$ -	\$ 3,013,750
U.S. government agencies	32,842,358	13,822,682	19,019,676
Repurchase agreements	2,300,000	2,300,000	-
Certificates of deposit	13,506,000	10,786,000	2,720,000
	<u>51,662,108</u>	<u>\$ 26,908,682</u>	<u>\$ 24,753,426</u>
Money market mutual funds	<u>5,449,898</u>		
Total equity interest in pooled investments	<u>\$ 57,112,006</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, 2020, 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.
- **Concentration of Credit Risk** – The Department places no limit on the amount which may be invested in any one issuer. As of June 30, 2020, more than 5% of the Department's investments are held in the following: U.S. Treasury (24%), First Hawaiian Bank (16%), Federal Farm Credit Bank (14%), Freddie Mac (13%), and Federal Home Loan Bank (8%).

**Department of Water
County of Kauai
Notes to Financial Statements
June 30, 2020 and 2019**

5. Capital Assets

Capital asset activity during 2020 and 2019 was as follows:

	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>
	Balance July 1, 2018	Additions	Reductions/ Transfers	Balance June 30, 2019
Capital assets not being depreciated				
Land and land rights	\$ 1,307,422	\$ -	\$ -	\$ 1,307,422
Construction in progress	7,516,463	9,029,271	(5,366,110)	11,179,624
Total capital assets not being depreciated	<u>8,823,885</u>	<u>9,029,271</u>	<u>(5,366,110)</u>	<u>12,487,046</u>
Capital assets being depreciated				
Utility plant	304,021,737	2,101,401	5,180,029	311,303,167
General plant	22,516,701	1,198,081	(1,182)	23,713,600
Capital leases	7,415,346	-	-	7,415,346
Intangible assets	1,915,362	9,755	-	1,925,117
Total capital assets being depreciated	<u>335,869,146</u>	<u>3,309,237</u>	<u>5,178,847</u>	<u>344,357,230</u>
Less: Accumulated depreciation and amortization				
Utility plant	(112,728,210)	(5,185,540)	111,168	(117,802,582)
General plant	(7,159,667)	(895,550)	1,182	(8,054,035)
Capital leases	(6,885,572)	(522,407)	-	(7,407,979)
Intangible assets	(1,005,552)	(230,247)	-	(1,235,799)
Total accumulated depreciation and amortization	<u>(127,779,001)</u>	<u>(6,833,744)</u>	<u>112,350</u>	<u>(134,500,395)</u>
Total capital assets, net	<u>\$ 216,914,030</u>	<u>\$ 5,504,764</u>	<u>\$ (74,913)</u>	<u>\$ 222,343,881</u>

In 2020 and 2019, no impairment losses were identified by the Department.

**Department of Water
County of Kauai
Notes to Financial Statements
June 30, 2020 and 2019**

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.

As of June 30, 2020 and 2019, bonds payable consisted of the following:

	2020	2019
Public Improvement Bonds – County Series 2012A, last installment 2029. Maturing serially from August 1, 2016. Interest rate – 3.00% to 5.00%. Date issued – July 10, 2012. Original amount – \$2,745,000.	\$ 2,115,000	\$ 2,285,000
Public Improvement Bonds – County Series 2011A, last installment 2025. Maturing serially from August 1, 2012. Interest rate – 2.00% to 5.00%. Date issued – July 7, 2011. Original amount – \$5,125,000.	2,340,000	2,680,000
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.	45,650,000	47,925,000
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.	530,000	820,000
	<u>50,635,000</u>	<u>53,710,000</u>
Premium on bond issuance	323,515	381,729
	<u>\$ 50,958,515</u>	<u>\$ 54,091,729</u>

The approximate annual debt service requirements to maturity as of June 30, 2020 are as follows:

Years ending June 30,	Principal	Interest	Total
2021	\$ 3,210,000	\$ 2,581,000	\$ 5,791,000
2022	3,260,000	2,440,000	5,700,000
2023	3,175,000	2,293,000	5,468,000
2024	3,325,000	2,141,000	5,466,000
2025	3,490,000	1,975,000	5,465,000
2026–2030	18,505,000	7,084,000	25,589,000
2031–2034	15,670,000	1,721,000	17,391,000
	<u>\$ 50,635,000</u>	<u>\$ 20,235,000</u>	<u>\$ 70,870,000</u>

**Department of Water
County of Kauai
Notes to Financial Statements
June 30, 2020 and 2019**

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.

As of June 30, 2020 and 2019, the loans payable consisted of the following:

	2020	2019
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.	\$ 3,475,552	\$ 3,856,781
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.	1,873,717	2,139,708
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.	2,542,089	2,730,865
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.	1,980,388	2,185,391
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.	2,020,127	2,217,512
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.	1,499,265	1,598,844
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.	964,795	1,064,656
Subtotal	<u>14,355,933</u>	<u>15,793,757</u>

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	2020	2019
Subtotal carried forward	14,355,933	15,793,757
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.	735,807	857,771
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.	340,467	407,556
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.	144,854	239,749
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.	241,132	308,517
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.	219,656	262,845
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.	102,664	153,212
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.	134,422	171,974
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.	87,489	109,077
	<u>\$ 16,362,424</u>	<u>\$ 18,304,458</u>

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The approximate annual debt service requirements to maturity as of June 30, 2020 are as follows:

Years ending June 30,	Principal	Interest	Total
2021	\$ 1,951,000	\$ 486,000	\$ 2,437,000
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
2026–2030	6,142,000	521,000	6,663,000
2031–2035	1,077,000	34,000	1,111,000
	<u>\$ 16,362,000</u>	<u>\$ 2,365,000</u>	<u>\$ 18,727,000</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 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, 2020 and 2019.

Changes in Long-term Liabilities

Long-term liability activity for the years ended June 30, 2020 and 2019 was as follows:

	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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	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Amounts Due Within One Year
General obligation bonds payable	\$ 56,660,000	\$ -	\$ 2,950,000	\$ 53,710,000	\$ 3,075,000
Deferred costs – Premiums on bond issuance	439,943	-	58,214	381,729	-
Total bonds payable	57,099,943	-	3,008,214	54,091,729	3,075,000
Loans payable	20,238,206	-	1,933,748	18,304,458	1,942,034
Total long-term debt	77,338,149	-	4,941,962	72,396,187	5,017,034
Net pension liability	15,423,518	733,150	-	16,156,668	-
Net other postemployment benefit liability	8,367,898	91,406	-	8,459,304	-
Accrued vacation and compensatory pay	1,402,511	529,411	515,210	1,416,712	513,190
Capital lease obligation	526,619	-	522,561	4,058	4,058
	<u>\$ 103,058,695</u>	<u>\$ 1,353,967</u>	<u>\$ 5,979,733</u>	<u>\$ 98,432,929</u>	<u>\$ 5,534,282</u>

7. Net Position

At June 30, 2020 and 2019, net position consisted of the following:

	2020	2019
Net investment in capital assets		
Capital assets, net	\$ 221,271,476	\$ 222,343,881
Less: Long-term debt, net	(67,320,939)	(72,396,187)
Less: Capital lease obligation	-	(4,058)
Add: Unspent debt proceeds	9,889,151	10,437,752
Add: Deferred outflows – deferred refunding costs	(15,216)	1,066
	<u>163,824,472</u>	<u>160,382,454</u>
Restricted for capital activity, debt service and reserved funds		
FRC net position	2,014,178	882,879
Restricted cash – Bond funds	1,265,983	1,118,943
Restricted investments – Bond funds	8,623,168	9,318,809
Restricted accrued interest – Bond funds	35,988	22,315
Less: Unspent debt proceeds	(9,889,151)	(10,437,752)
	<u>2,050,166</u>	<u>905,194</u>
Unrestricted	<u>32,387,027</u>	<u>36,806,558</u>
Total net position	<u>\$ 198,261,665</u>	<u>\$ 198,094,206</u>

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As of June 30, 2020 and 2019, FRC net position consisted of the following:

	2020	2019
FRC assets restricted for utility plant construction		
Cash	\$ 1,922,304	\$ 787,533
Accounts receivable	99,725	103,197
	<u>2,022,029</u>	<u>890,730</u>
FRC liabilities	<u>7,851</u>	<u>7,851</u>
FRC net position	<u>\$ 2,014,178</u>	<u>\$ 882,879</u>

For the years ended June 30, 2020 and 2019, FRC change in net position consisted of the following:

	2020	2019
Contributions	\$ 1,162,332	\$ 688,518
Transfers out	<u>(31,033)</u>	<u>(585,510)</u>
Change in net position	1,131,299	103,008
FRC net position		
Beginning of year	<u>882,879</u>	<u>779,871</u>
End of year	<u>\$ 2,014,178</u>	<u>\$ 882,879</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.).

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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/reentry 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.

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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 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

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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 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, 2020 and 2019 were approximately \$1,325,000 and \$1,109,000, respectively. The contribution rate was 22.0% and 19.0% for the years ended June 30, 2020 and 2019, 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, increases to 18.0% on July 1, 2017; 19.0% on July 1, 2018; 22.0% on July 1, 2019; and 24.0% 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.

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- 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 6.0% of their salary.
- Hybrid members hired after June 30, 2012 are required to contribute 8.0% of their salary.

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

At June 30, 2020 and 2019, the Department reported a liability of approximately \$21,971,000 and \$16,157,000, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, 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, 2019 and 2018, the Department's proportionate share was 0.16% and 0.12%, respectively.

The average of expected remaining service lives for the purposes of recognizing the applicable deferred outflows and inflows of resources established in the 2019 fiscal year is 5.3135 years.

There were no changes in actuarial assumptions in 2019.

There were no other changes between the measurement date, June 30, 2019, and the reporting date, June 30, 2020, that are expected to have a significant effect on the proportionate share of the net pension liability.

For the years ended June 30, 2020 and 2019, the Department recognized pension expense of approximately \$4,137,000 and \$2,212,000, respectively.

At June 30, 2020 and 2019, 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
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>

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	Deferred Outflows of Resources	Deferred Inflows of Resources
2019		
Difference between actual and expected experience	\$ 291,427	\$ 101,239
Net difference between projected and actual earnings on pension plan investments	-	83,469
Changes of assumptions	1,741,950	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	564,085	501,222
Department contributions subsequent to the measurement date	1,439,632	-
	<u>\$ 4,037,094</u>	<u>\$ 685,930</u>

Deferred outflows of resources related to pensions of approximately \$1,544,000 at June 30, 2020 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, 2021. 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,	
2021	\$ 1,847,697
2022	1,147,655
2023	849,680
2024	924,538
2025	259,576
	<u>\$ 5,029,146</u>

Actuarial Assumptions

The total pension liability in the June 30, 2019 and 2018 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 2016 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, 2019 and 2018 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.

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The discount rate used to measure the net pension liability at June 30, 2020 and 2019 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, 2019 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	\$ 28,505,399	\$ 21,971,493	\$ 17,267,202

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, 2019 valuation are summarized in the following table:

Strategic Allocation	Long-Term Target Allocation	Long-Term Expected Geometric Rate of Return
Broad growth	63 %	7.10 %
Principal protection	7 %	2.50 %
Real return	10 %	4.10 %
Crisis risk offset	20 %	4.60 %
	<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://www.ers.ehawaii.gov>.

Payables to the Pension Plan

As of June 30, 2020 and 2019, the Department had no payables to ERS.

9. Postretirement Health Care and Life Insurance Benefits

Plan Description

The Department provides certain health care 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.

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.

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Employees Covered by Benefit Terms

At July 1, 2019 and 2018, the following number of plan members were covered by the benefit terms:

	2019	2018
Inactive plan members or beneficiaries currently receiving benefits	55	51
Inactive plan members entitled to but not yet receiving benefits	6	6
Active plan members	<u>89</u>	<u>85</u>
Total plan members	<u>150</u>	<u>142</u>

Contributions

Contributions are governed by HRS Chapter 87A and may be amended through legislation. Contributions to the OPEB plan from the Department were \$1,041,000 and \$1,011,000 for the fiscal years ended June 30, 2020 and 2019, 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, 2020 and 2019, the Department reported a net OPEB liability of approximately \$8.5 million. The net OPEB liability was measured as of July 1, 2019 and July 1, 2018, 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, 2019, and the reporting date, June 30, 2020, that are expected to have a significant effect on the net OPEB liability.

For the years ended June 30, 2019 and 2018, the Department recognized OPEB expenses of approximately \$1,215,000 and \$926,000, respectively. At June 30, 2020 and 2019, 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
2020		
Difference between actual and expected experience	\$ 28,613	\$ 97,076
Changes of assumptions	241,457	-
Net difference between projected and actual earnings on pension 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>

**Department of Water
County of Kauai
Notes to Financial Statements
June 30, 2020 and 2019**

	Deferred Outflows of Resources	Deferred Inflows of Resources
2019		
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ 226,414
Changes of assumptions	203,858	-
Department contributions subsequent to the measurement date	<u>1,011,000</u>	<u>-</u>
	<u>\$ 1,214,858</u>	<u>\$ 226,414</u>

The \$1,041,000 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, 2021. 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,	
2021	\$ 45,699
2022	45,700
2023	79,646
2024	81,748
2025	31,440
Thereafter	<u>15,794</u>
	<u>\$ 300,027</u>

**Department of Water
County of Kauai
Notes to Financial Statements
June 30, 2020 and 2019**

Actuarial Assumptions

The total OPEB liability in the July 1, 2019 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, 2019
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 ending 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 8.00%, declining to a rate of 4.86% after 12 years
HMO*	Initial rate of 8.00%, declining to a rate of 4.86% after 12 years
Part B & Base Monthly Contribution ("BMC")	Initial rate of 5.00%, declining to a rate of a rate of 4.70% after 11 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.

**Department of Water
County of Kauai
Notes to Financial Statements
June 30, 2020 and 2019**

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, 2019 actuarial valuation are summarized in the following table:

Strategic Allocation	Long-Term Target Allocation	Long-Term Expected Real Rate of Return
Non-U.S. equity	17 %	6.90 %
U.S. equity	15 %	5.35 %
Private equity	10 %	8.80 %
Core real estate	10 %	3.90 %
Trend following	9 %	3.25 %
U.S. microcap	7 %	7.30 %
Global options	7 %	4.75 %
Private credit	6 %	5.60 %
Long Treasuries	6 %	2.00 %
Alternative risk premia	5 %	2.75 %
TIPS	5 %	1.20 %
Core bonds	3 %	1.50 %
	<u>100 %</u>	

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 3.13% (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.

**Department of Water
County of Kauai
Notes to Financial Statements
June 30, 2020 and 2019**

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, 2019.

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at July 1, 2018	\$ 16,417,246	\$ 8,049,348	\$ 8,367,898
Service cost	380,070	-	380,070
Interest on the total OPEB liability	1,144,135	-	1,144,135
Difference between expected and actual experience	(135,272)	-	(135,272)
Changes of assumptions	237,370	-	237,370
Employer contributions	-	948,000	(948,000)
Net investment income	-	588,700	(588,700)
Benefit payments	(525,000)	(525,000)	-
Administrative expense	-	(1,803)	1,803
Net changes	<u>1,101,303</u>	<u>1,009,897</u>	<u>91,406</u>
Balance at June 30, 2019	<u>17,518,549</u>	<u>9,059,245</u>	<u>8,459,304</u>
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>

**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>\$ 11,606,056</u>	<u>\$ 8,525,884</u>	<u>\$ 6,090,140</u>

**Department of Water
County of Kauai
Notes to Financial Statements
June 30, 2020 and 2019**

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	<u>\$ 5,959,680</u>	<u>\$ 8,525,884</u>	<u>\$ 11,835,617</u>

Payables to the OPEB Plan

At June 30, 2020 and 2019, 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, 2020 and 2019 was approximately \$2,094,000 and \$2,078,000, 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, 2020 and 2019, the workers' compensation liability amounted to approximately \$351,000 and \$326,000, respectively, and is recorded in accounts payable and accrued liabilities in the accompanying statements of net position.

**Department of Water
County of Kauai
Notes to Financial Statements
June 30, 2020 and 2019**

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 \$18,781,000 and \$17,941,000 at June 30, 2020 and 2019, 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 \$2,174,000 in 2020 and 2019.

At June 30, 2020 and 2019, amounts due to the County for reimbursement of payroll expenses were approximately \$192,000 and \$175,000, respectively.

Required Supplementary Information

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

	2020	2019	2018	2017	2016	2015	2014
Department's proportion of the net pension liability	0.16 %	0.12 %	0.12 %	0.13 %	0.13 %	0.12 %	0.12 %
Department's proportionate share of the net pension liability	\$ 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	\$ 5,840,000	\$ 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	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	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.

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See accompanying independent auditors' report.

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 1,325,000	\$ 1,109,000	\$ 1,016,000	\$ 938,000	\$ 911,000	\$ 798,000	\$ 745,000	\$ 679,000	\$ 642,000	\$ 601,000
Contributions in relation to the statutorily required contribution	<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>	<u>601,000</u>
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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	\$ 4,285,000	\$ 4,014,000
Contributions as a percentage of covered payroll	22.21 %	18.99 %	18.04 %	17.01 %	17.83 %	16.50 %	16.04 %	15.48 %	14.98 %	14.97 %

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

	2020	2019	2018
Total other postemployment benefits liability			
Service cost	\$ 406,353	\$ 380,070	\$ 380,075
Interest on the total other postemployment benefits liability	1,221,753	1,144,135	1,073,630
Difference between expected and actual experience in the measurement of total OPEB liability	33,498	(135,272)	-
Changes of assumptions or other inputs	83,252	237,370	-
Benefit payments	<u>(536,228)</u>	<u>(525,000)</u>	<u>(368,000)</u>
Net change in total other postemployment benefits liability	1,208,628	1,101,303	1,085,705
Total other postemployment benefits liability – beginning	<u>17,518,549</u>	<u>16,417,246</u>	<u>15,331,541</u>
Total other postemployment benefits liability – ending	<u>\$ 18,727,177</u>	<u>\$ 17,518,549</u>	<u>\$ 16,417,246</u>
Plan fiduciary net position			
Employer contributions	\$ 1,011,000	\$ 948,000	\$ 1,287,000
Net investment income	399,132	588,700	654,929
Benefit payments	(536,228)	(525,000)	(368,000)
Other postemployment benefits plan administrative expense	(2,874)	(1,803)	(1,485)
Other	<u>271,018</u>	<u>-</u>	<u>8,474</u>
Net change in plan fiduciary net position	1,142,048	1,009,897	1,580,918
Plan fiduciary net position – beginning	<u>9,059,245</u>	<u>8,049,348</u>	<u>6,468,430</u>
Plan fiduciary net position – ending	<u>10,201,293</u>	<u>9,059,245</u>	<u>8,049,348</u>
Net other postemployment benefits liability – ending	<u>\$ 8,525,884</u>	<u>\$ 8,459,304</u>	<u>\$ 8,367,898</u>
Plan fiduciary net position as a percentage of total other postemployment benefits liability	54.47 %	51.71 %	49.03 %
Covered-employee payroll	\$ 5,787,000	\$ 5,700,000	\$ 5,269,000
Net other postemployment benefits liability as a percentage of covered-employee payroll	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***

	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 1,041,000	\$ 1,011,000	\$ 1,002,000	\$ 968,000	\$ 914,000	\$ 884,000
Contributions in relation to the actuarially required contribution	<u>1,041,000</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>\$ 54,000</u>	<u>\$ -</u>	<u>\$ 31,000</u>	<u>\$ (1,000)</u>
Department's covered-employee payroll	\$ 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	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, 2020**

Schedule I

	July 1, 2019 Balance	Additions	Reductions/ Transfers	June 30, 2020 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	12,062,791	-	125,635	12,188,426
Pumping	48,716,889	-	124,633	48,841,522
Water treatment	2,964,237	-	136,961	3,101,198
Transmission and distribution	247,559,250	600,893	(83,651)	248,076,492
Total utility plant capital assets	<u>311,303,167</u>	<u>600,893</u>	<u>303,578</u>	<u>312,207,638</u>
General plant	23,713,600	398,527	-	24,112,127
Capital leases				
Water treatment	7,181,456	-	-	7,181,456
General	233,890	-	-	233,890
Total capital leased assets	<u>7,415,346</u>	<u>-</u>	<u>-</u>	<u>7,415,346</u>
Intangible assets				
Easements	35,722	-	-	35,722
Software	1,889,395	46,954	-	1,936,349
Total intangible assets	<u>1,925,117</u>	<u>46,954</u>	<u>-</u>	<u>1,972,071</u>
	<u>\$ 345,664,652</u>	<u>\$ 1,046,374</u>	<u>\$ 303,578</u>	<u>\$ 347,014,604</u>
	July 1, 2019 Balance	Additions	Reductions/ Transfers	June 30, 2020 Balance
Accumulated depreciation and amortization				
Utility plant				
Source	\$ 5,788,833	\$ 270,216	\$ (50,092)	\$ 6,008,957
Pumping	29,398,279	1,794,345	(2,718)	31,189,906
Water treatment	2,193,637	26,502	-	2,220,139
Transmission and distribution	80,421,833	3,848,510	(34,891)	84,235,452
Total utility plant accumulated depreciation	<u>117,802,582</u>	<u>5,939,573</u>	<u>(87,701)</u>	<u>123,654,454</u>
General plant	8,054,035	978,834	-	9,032,869
Capital leases				
Water treatment	7,181,457	-	-	7,181,457
General	226,522	4,842	-	231,364
Total capital lease accumulated depreciation and amortization	<u>7,407,979</u>	<u>4,842</u>	<u>-</u>	<u>7,412,821</u>
Intangible assets	1,235,799	226,607	-	1,462,406
	<u>\$ 134,500,395</u>	<u>\$ 7,149,856</u>	<u>\$ (87,701)</u>	<u>\$ 141,562,550</u>

See accompanying independent auditors' report.

**Department of Water
County of Kauai
Supplemental Schedule of Selective Account Classifications
Five Years Ended June 30, 2020
(All Dollars in Thousands)**

Schedule II

	2020	2019	2018	2017	2016
Statements of Net Position					
Utility plant in service	\$ 347,015	\$ 345,665	\$ 337,177	\$ 332,814	\$ 317,155
Net position					
Net investment in capital assets	\$ 163,824	\$ 160,382	\$ 151,506	\$ 148,855	\$ 147,808
Restricted for capital activity and debt service	2,050	905	809	540	1,864
Unrestricted	32,387	36,807	36,522	41,623	36,898
	<u>\$ 198,261</u>	<u>\$ 198,094</u>	<u>\$ 188,837</u>	<u>\$ 191,018</u>	<u>\$ 186,570</u>
Statements of Revenues, Expenses and Changes in Net Position					
Resources					
Water sales	\$ 26,672	\$ 27,959	\$ 27,910	\$ 28,445	\$ 29,228
Other	2,341	2,599	2,540	2,471	2,463
	<u>29,013</u>	<u>30,558</u>	<u>30,450</u>	<u>30,916</u>	<u>31,691</u>
Operating expenses					
Depreciation and amortization	7,190	6,865	7,633	7,440	7,065
Administrative and general	10,895	8,951	8,394	7,874	6,971
Transmission and distribution	5,210	4,047	4,165	4,043	3,472
Power and pumping	2,941	3,034	2,982	2,949	2,832
Accounting and collection	1,151	1,200	1,067	1,231	1,058
All other	3,579	3,013	2,330	2,361	2,205
	<u>30,966</u>	<u>27,110</u>	<u>26,571</u>	<u>25,898</u>	<u>23,603</u>
Nonoperating expenses	(1,384)	(923)	(3,502)	(3,238)	(3,405)
Contributions	3,505	6,731	4,978	2,668	6,053
	<u>\$ 168</u>	<u>\$ 9,256</u>	<u>\$ 5,355</u>	<u>\$ 4,448</u>	<u>\$ 10,736</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, 2020, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated November 12, 2020.

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 and questioned costs as Finding No. 2020-001, that we consider to be a significant deficiency.

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 determination of financial statement amounts. 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 instances of noncompliance or other matters that are required

to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Finding No. 2020-001.

Department's Response to Finding

The Department's response to the finding identified in our audit is described in the accompanying corrective action plan. The Department's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Department'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
November , 2020

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Schedule of Findings and Questioned Costs

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**Department of Water
County of Kauai
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020**

Section I – Financial Statement Finding

Finding No. 2019-001: 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, 2020, 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 overall IT environment; logical, physical, and network security; change management; and IT operations:

IT environment

- There are several vacant positions in the IT function, including the IT Manager. Although there is an interim IT manager, his professional background is not in IT. These vacancies and temporary assignment make it difficult for IT to effectively support the Department's operations.

Logical security

- Formal security procedures are not consistently followed for terminated CC&B users.
- User access rights were not reviewed in fiscal year 2020 to ensure access is limited to applicable position functions.
- Password security requirements do not comply with the Department's policies and procedures.

Physical security

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

Network security

- Lack of documentation to show that the firewall was evaluated and updated in light of the increased network requirements associated with remote working accommodations due to the COVID-19 pandemic.
- Lack of vulnerability assessment.
- Lack of security awareness training.

Change management

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

IT operations

- System restoration testing was not performed for GP during fiscal year 2020.
- Lack of evidence that system backups are retained for GP.

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

**Department of Water
County of Kauai
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020**

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 IT governance, logical security, change management, IT operations, and system migration address the following risks:

IT environment

Without the expertise and support for the IT function, there may be a lack of accountability with employees, without an IT risk management process not in place to support financial reporting requirements.

Logical, physical and network 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.

IT operations

Programs and processes are not executed as planned and deviations from scheduled processing are not identified and investigated causing data integrity concerns, including the inability to correct or recover from data loss and/or corruption.

Cause and View of Responsible Officials

The Department's IT policies and procedures do not include internal control procedures addressing the risks discussed above or such controls are not consistently followed due to turnover in IT staff.

Recommendations

We recommend that the Department perform the following:

IT environment

- Fill IT vacancies, particularly a dedicated IT manager.

Logical Security

- Update security procedures to include all financial systems and ensure procedures are consistently followed for new hires, transfers and separated users.
- Review user access rights on a periodic basis and at least annually.
- Implement additional password security requirements in compliance with IT policies and procedures.

Physical security

- Implement detective or monitoring controls over the server room.

**Department of Water
County of Kauai
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020**

Network security

- Implement formal procedures for evaluation of IT infrastructure and follow-up actions based on the results.
- Implement formal procedures to perform a vulnerability assessment and follow-up actions based on the results.
- Implement a formal security awareness program, including training.

Change management

- Implement formal change management procedures and ensure procedures are consistently followed.

IT operations

- Ensure system restoration testing is performed at least annually.
- Ensure periodic backups are retained.

DRAFT

Section II – Federal Award Findings and Questioned Costs

None noted.

DRAFT



Water has no substitute.....Conserve it

November 10, 2020

Accuity LLP
999 Bishop Street, Suite 1900
Honolulu, Hawaii 96813

Gentlemen:

Thank you for the opportunity to provide comments on the Schedule of Finding issued in connection with the financial statement audit of the Department of Water, County of Kauai (the Department) for the fiscal year ended June 30, 2020. Attached is the Department's Corrective Action Plan.

We commend Accuity LLP's staff for the cooperative and professional manner in which they conducted themselves during the audit

If you have any questions, please call Mr. Michael Hinazumi of my staff at 808-245-5416 or email at mhinazumi@kauaiwater.org

Sincerely,

Kurt Akamine
Chairperson
Board of Water Supply

MY/mja

Corrective Action Plan

DRAFT

DEPARTMENT OF WATER, COUNTY OF KAUAI

CORRECTIVE ACTION PLAN

Section I – Financial Statement Finding

Finding No. 2019-001: IT General Control Deficiencies (Significant Deficiency)

(Page 51)

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, 2020, 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 overall IT environment; logical, physical, and network security; change management; and IT operations:

IT environment

Findings:

- There are several vacant positions in the IT function, including the IT Manager. Although there is an interim IT manager, his professional background is not in IT. These vacancies and temporary assignment make it difficult for IT to effectively support the Department’s operations.

Response:

- The Department is actively working with HR to recruit for the IT Manager position. Additional IT position vacancies will be recruited for and filled under the oversight of the IT Manager.

Person Responsible: Michael Hinazumi, Interim IT Officer

Anticipated Completion Date: FY 2021 Q3

Logical security

Findings:

- Formal security procedures are not consistently followed for terminated CC&B users.
- User access rights were not reviewed in fiscal year 2020 to ensure access is limited to applicable position functions.
- Password security requirements do not comply with the Department’s policies and procedures.

Response:

- The IT Division will be implementing new information security policies, procedures, and practices.
- The Department will be migrating to Dynamics 365, user rights access will be reviewed as a part of that process.
 - Annual User Access Review: 7 Business days for Manager review of users
 - User Termination: 3 Business days for user access removal from user’s termination date

Person Responsible: Michael Hinazumi, Interim IT Officer

Anticipated Completion Date: FY 2021 Q3

DEPARTMENT OF WATER, COUNTY OF KAUAI

CORRECTIVE ACTION PLAN

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.
 - Annual User Access Review: 7 Business days for Manager review of users
 - User Termination: 3 Business days for user access removal from user's termination date

Person Responsible: Michael Hinazumi, Interim IT Officer

Anticipated Completion Date: Completed.

Network security

Findings:

- Lack of documentation to show that the firewall was evaluated and updated in light of the increased network requirements associated with remote working accommodations due to the COVID-19 pandemic.
- Lack of vulnerability assessment.
- Lack of security awareness training.

Response:

- The IT Division will be implementing new information security policies, procedures, and practices.

Person Responsible: Michael Hinazumi, Interim IT Officer

Anticipated Completion Date: FY 2021 Q4

Change management

Findings:

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

Response:

- The Department will be migrating to the latest release of Dynamics 365.
- The IT Division will be implementing change management policies, procedures, and practices.
 - Changes are authorized for work to be completed
 - Changes are tested before deploying to prod
 - Changes approved by appropriate management
- Managed Service Provider (RSM Consulting) will be defining change management roles and responsibilities for Dynamics 365.

Person Responsible: Michael Hinazumi, Interim IT Officer

Anticipated Completion Date: FY 2021 Q3

**DEPARTMENT OF WATER, COUNTY OF KAUAI
CORRECTIVE ACTION PLAN**

IT operations

Findings:

- System restoration testing was not performed for GP during fiscal year 2020.
- Lack of evidence that system backups are retained for GP.

Response:

- The IT Division will be implementing retention testing policies, procedures, and practices.

Person Responsible: Michael Hinazumi, Interim IT Officer

Anticipated Completion Date: FY 2021 Q3

DRAFT

DEPARTMENT OF WATER

County of Kaua'i

"Water has no Substitute – Conserve It!"

MANAGER'S REPORT No. 21-14

November 19, 2020

Re: Discussion and Possible Action for Board Approval on the Tenth Amendment to Contract No. 427, Job No. 02-14, WP2020 WK-08 Kapa'a Homesteads 325' Tanks – Two 0.5 Million Gallon (MG) Storage Tanks, Kapa'a, with Belt Collins Hawai'i for a time extension of 365 calendar days and expenditure of an additional \$45,000.00

RECOMMENDATION:

It is recommended that the Board approve a tenth contract amendment to Contract No. 427 with Belt Collins Hawai'i for the subject project to extend the contract time and the expenditure of an additional \$45,000.00.

FUNDING:

Account (BAB-Expansion-Design)

Account No. 30-20-00-605-116

Contract No. 427: Belt Collins Hawai'i, LLC	\$256,700.00	
Amendment No. 1 (Ext to 12/31/09)	\$354,978.00	
Amendment No. 2	\$10,000.00	
Amendment No. 3	\$19,000.00	
Amendment No. 4 (Ext to 12/10/10)	\$40,450.00	
Amendment No. 5 (Ext to 12/31/13)	\$76,200.00	
Amendment No. 6 (Ext to 6/30/14)	\$2,300.00	
Amendment No. 7 (Ext to 5/26/16)	\$18,100.00	
Amendment No. 8 (Ext to 6/30/17)	\$51,911.26	
Amendment No. 9 (NTP 8/23/17: Pkg "A" 180 days; pkg "B"-360 days from NTP; both pkgs excluding Board review time)	\$160,149.00	
Total Contract Amount		\$989,788.26
Available Funds:		
BAB Fund Account No. 30-20-00-605-116		?
Additional Funds Requested for Budget		
BAB/Capital Projects/Expansion/Design - Amendment No. 10	\$45,000.00	
Allocation of Additional Funds Requested:		
BAB Fund Account No. 30-20-00-605-116 (100% of total requested for Expansion portion of Project)	\$45,000.00	
Total Additional Funds Requested		\$45,000.00
Total (new) Amount for Kapa'a Homesteads 325' Tanks – Two 0.5 Million Gallon Storage Tanks Project		\$1,034,788.26

Contract NTP Date: March 15, 2004
Original Contract End Date: March 9, 2005
New Contract End Date: TBD

BACKGROUND:

The Department of Water (DOW) is proposing to construct two new 0.5 MG concrete storage tanks on the same site as the existing Ornellas tank in the Kapa'a Homesteads located near the intersection of Kawaihau Road and Ka'apuni Road. The project's design includes drainage improvements for site storm water and potential tank overflow or washout events. The Department also is constructing a separate project, *Drill and Test Kapa'a Well No. 4* at the same site.

The construction of the *Kapa'a Homesteads 325' Tanks* and *Drill and Test Kapa'a Well No. 4* projects have been delayed because the land owner that initially agreed to accept the drainage from the projects had second thoughts about accepting the drainage during construction. Construction was stopped until the land owner and the DOW could resolve the drainage. The DOW has negotiated with the land owner where it is proposed that the DOW will purchase an easement from the land owner and be responsible for the drainage facilities on the land owner's property.

The DOW has decided that in the best interest of the DOW, a redesign of the drainage on the private lot owner's property should be done. The DOW has not completed negotiations for a design contract amendment to do so at the time this Manager's Report needed to be posted, so the Department is requesting an estimated amount of funds for the upcoming contract amendment to save time and to minimize the construction stop work time and to complete the DOW projects sooner.

The proposed amendment for contract time extension and additional funding are necessary to provide additional design services to complete the project, including: revision of drainage plans located on private property for the disposal of site storm water, well discharge waters, and tank discharge waters. The requested funding amount is an estimated amount.

OPTIONS:

Option 1: Approve the expenditure of the additional design funds.

Pro: This will allow the DOW to re-design the drainage system on private property to meet DOW needs.

Con: This will require expenditure of additional funds.

Option 2: Do not approve the expenditure of the additional design funds.

Pro: Additional funds will not be needed.

Con: Not approving the expenditure of additional design funds would increase DOW maintenance time and costs for the drain system on private property and possible liability risks.

KA/ein

Mgrpp/November 2020/21-14/Discussion and Possible Action for Board Approval on the Tenth Amendment to Contract No. 427, Job No. 02-14, WP2020 WK-08 Kapa'a Homesteads 325' Tanks – Two 0.5 Million Gallon (MG) Storage Tanks, Kapa'a, with Belt Collins Hawai'i for a time extension of 365 calendar days and expenditure of an additional \$45,000.00 (11-19-20):ein

DEPARTMENT OF WATER

County of Kaua'i

"Water has no Substitute – Conserve It!"

Board of Water Supply

Officers and Committee Members for 2021

(Effective January 1, 2021)

2020

2021

Current Officers – Board of Water Supply:

2021 Officers:

Chair Kurt Akamine

Chair: _____

Vice-Chair Julie Simonton

Vice-Chair: _____

Secretary Elesther Calipjo

Secretary: _____

Rules Committee:

Chair Ka`aina Jull

Chair: _____

Member Julie Simonton

Member: _____

Member Gregory Kamm

Member: _____

Finance Committee:

Chair Lawrence Dill

Chair: _____

Member Ka`aina Hull

Member: _____

Member Elesther Calipjo

Member: _____

Committee of the Whole:

All Board Members

Chair: _____



BOARD OF WATER SUPPLY, COUNTY OF KAUA'I

BOARD MEETING DATES FOR 2021

(Department of Water, County of Kaua'i *Rules & Regulations, Part 1, Section II* – Regular Meetings of the Board shall be held in the Department of Water's Board Room or any designated place once each month, or on a date to be determined by the Board.)

1.	January	Thursday, January 21	10:00 a.m.
2.	February	Thursday, February 25	10:00 a.m.
3.	March	Thursday, March 25	10:00 a.m.
4.	April	Thursday, April 22	10:00 a.m.
5.	May	Thursday, May 20	10:00 a.m.
6.	June	Thursday, June 24	10:00 a.m.
7.	July	Thursday, July 22	10:00 a.m.
8.	August	Thursday, August 26	10:00 a.m.
9.	September	Thursday, September 23	10:00 a.m.
10.	October	Thursday, October 21	10:00 a.m.
11.	November	Thursday, November 18	10:00 a.m.
12.	December	Thursday, December 23	10:00 a.m.

Staff Reports



DEPARTMENT OF WATER
County of Kaua'i

“Water has no Substitute – Conserve It!”

FISCAL REPORT: MONTHLY SUMMARY HIGHLIGHTS – OCTOBER, 2020

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

YEAR TO DATE (YTD) BUDGET & ACTUAL EXPENSES SUMMARY – AS OF OCTOBER, 2020

	<u>BUDGET</u>	<u>vs</u>	<u>EXPENSED</u>
· Operating Expenses	\$13,771,220		\$7,571,413
· Debt Principal Payment	4,014,034		4,134,257
· Capital Projects	<u>26,086,842</u>		<u>1,716,834</u>
TOTAL	<u>\$43,872,096</u>		<u>\$13,422,504</u>

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

- Total Revenue as of October 2020 was 2% below projection.
 - Water sales of \$9.2 million (“M”) was \$1.5M higher than projected.
 - Other Water Revenue - Receipts of \$59.5 thousand (“K”) was \$40.5K below projection or (41%).
 - Capital Contributions: Contributions from Federal & State Grants – \$267K from BAB Subsidy.
 - Investment Income & Net Increase in FV of Investments –\$117.7K.
 - Miscellaneous Revenues - \$1.2K.

OPERATING EXPENSES: VARIANCE = BUDGET LESS ACTUAL

EXPENSES; POSITIVE INDICATES LESS SPENDING THAN PLANNED. **REVISED YTD BUDGET COLUMNS INCLUDE PO ROLLOVER FROM FY ENDING 2020.**

- YTD Operating Expenses before depreciation and amortization was \$7.66M. Total spending was \$6.2M less than planned or budgeted, which included the FY 2020 PO rollovers, a positive variance of 45%.
 - Employee Related Expenses –\$3.6M with a 5% positive variance.
 - Contracts & Services – \$1.7M with a 75% positive variance.
 - Professional Services, Other Services – Billing, Communication, Insurance and Repairs and Maintenance for non-water systems are the main items contributing to the 75% positive variance.
 - Exceptional Expenses – None.
 - Fuel & Utilities – \$866K with a 18% positive variance.
 - Bulk Water Purchase –\$231K with a 62% positive variance.
 - Office & Operating Supplies – \$269.7K with 61% positive variance.
 - Training, Travel & Meeting Expenses – \$5.4K with a 90% positive variance.
 - Debt Service – Interest Expense - \$981.2 with 3% positive variance.
 - Depreciation & Amortization (non-cash expenses) is \$2.4M with 1% positive variance.



DEPARTMENT OF WATER
County of Kaua'i

“Water has no Substitute – Conserve It!”

NET OPERATING INCOME:

- Net Operating Income before depreciation and amortization - \$2.76M.
- Net Operating Income (loss) after depreciation & amortization was a negative \$365.4K.

NON-OPERATING PROCEEDS & DISBURSEMENTS

- SRF Loan Proceeds – None
- FRC – Facility Reserve Charge –\$673.7K
- YTD Debt Principal Payment is \$4.1M

CAPITAL PROJECTS BUDGET: YTD DISBURSEMENTS = \$1,716,833.66

- Capital Projects: Water Utility Fund - \$1.67M
- Capital Projects: FRC Fund – None
- Capital Projects: BAB Fund - \$43.3K
- Capital Projects: SRF Loan Fund - None

II. FY 2020 – 2021 CERTIFICATION OF FUNDS YTD \$945,529.32

	REPORT TO MANAGER (with approved Budget)	MANAGER'S REPORT (New Budget Requests)
Water Utility Fund	\$331,814.62	\$572,736.00
FRC Fund	\$.00	\$.00
BAB Fund	\$.00	\$40,978.70
Total	\$331,814.62	\$613,714.70

III. COMPARATIVE CHARTS:

METERED CONSUMPTION:

- October 2020 monthly-metered consumption was 330.62 million gallons (mg) which increased slightly by 2.5 mg or 1% as compared from the same month of FY 2020.
- Year to Date (YTD) metered consumption as of 10/31/20 was 1291 mg with a YTD cumulative decrease of 134.8mg or 9% as compared from the same month of FY 2020.

IV. COMPARATIVE BALANCE SHEET: SEE ATTACHED.

Statement of Net Positions as of October 31, 2020.

V. OTHER FISCAL ONGOING ACTIVITIES/INITIATIVES:

- FY 2020 Financial Audit was submitted for Board review and discussion.
- Ongoing, Water Audit for Calendar Year 2020 - validation call completed.
- Develop Financial Policies for DOW – Statement of Qualifications were solicited for FY 2021, DOW will proceed with procurement.
- Budget Program Solution – It will be addressed concurrently with the Financial Policies Development procurement.



DEPARTMENT OF WATER

County of Kaua'i

"Water has no Substitute – Conserve It!"

- Five (5) years Water Rate Study terminated; DOW will restart with an updated consumer database. Foresee procurement beginning of FY 2022.
- 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 Mānoa Stream.
- On-going; Fiscal and IT are working together to implement Office 365; Great Plains (GP) upgrade to the cloud, update the 2007 Depreciation Study & implement Share point in the cloud.
- Depreciation Study – Kicked off meeting with Consultants was completed. Anticipated completion is 11/2020.
- Four (4) New Beacon Meters were installed; testing and validation is in progress.

MY/ein



Department of Water, County of Kauai
 Monthly Budget Summary vs. Actual
 SUMMARY
 10/31/2020

	October				FY 2021			
	Original Budget	Revised Budget	Actual	Variance	Revised YTD Budget	YTD Actual	*Variance	Variance %
I. OPERATING BUDGET								
Revenue								
Water Sales	\$1,916,124.00	\$1,916,124.00	\$2,344,483.66	\$428,359.66	\$7,664,496.00	\$9,164,045.06	\$1,499,549.06	20%
Revenue from Public Fire Protection	181,192.00	181,192.00	181,191.50	(0.50)	724,768.00	724,766.00	(2.00)	
Other Water Revenue	25,000.00	25,000.00	10,473.21	(14,526.79)	100,000.00	59,497.04	(40,502.96)	(41%)
Federal Grants	89,069.00	89,069.00		(89,069.00)	356,276.00		(356,276.00)	(100%)
State Grants	375,000.00	375,000.00		(375,000.00)	1,500,000.00		(1,500,000.00)	(100%)
Capital Contributions	46,723.00	46,723.00	66,761.61	20,038.61	186,892.00	267,046.44	80,154.44	43%
Net Increase in Fair Value of Investments	2,500.00	2,500.00	(16,203.19)	(18,703.19)	10,000.00	(35,269.09)	(45,269.09)	(453%)
Investment Income	11,250.00	11,250.00	71,068.18	59,818.18	45,000.00	152,942.12	107,942.12	240%
Gain or Loss on Disposal of Capital Assets	417.00	417.00		(417.00)	1,668.00		(1,668.00)	(100%)
Gain or Loss from the Retirement of Debt								
Miscellaneous Revenues	83.00	83.00	1,229.63	1,146.63	332.00	1,159.77	827.77	249%
Total Revenue	2,647,358.00	2,647,358.00	2,659,004.60	11,646.60	10,589,432.00	10,334,187.34	(255,244.66)	(2%)
Employee-Related Expenses								
Salaries and Wages (includes Leaves & CTO)	541,224.00	541,224.00	509,035.55	32,188.45	2,164,896.00	1,874,846.43	290,049.57	13%
Temporary Assignment	5,042.00	5,042.00	8,683.90	(3,641.90)	20,168.00	32,798.21	(12,630.21)	(63%)
Overtime	39,750.00	39,750.00	53,896.51	(14,146.51)	159,000.00	236,682.67	(77,682.67)	(49%)
Standby	16,250.00	16,250.00	16,037.72	212.28	65,000.00	70,698.51	(5,698.51)	(9%)
FICA	46,075.00	46,075.00	51,732.97	(5,657.97)	184,300.00	169,465.09	14,834.91	8%
Retirement Contribution	143,644.00	143,644.00	159,604.83	(15,960.83)	574,576.00	521,697.06	52,878.94	9%
Life & Health Insurance	53,623.00	53,623.00	48,569.60	5,053.40	214,492.00	188,787.82	25,704.18	12%
Workers Compensation								
Unemployment Compensation								
Post Employment Benefits (OPEB)	89,748.00	89,748.00	145,799.37	(56,051.37)	358,992.00	468,410.42	(109,418.42)	(30%)
Total Employee-Related Expenses	935,356.00	935,356.00	993,360.45	(58,004.45)	3,741,424.00	3,563,386.21	178,037.79	5%
Contracts & Services								
Professional Services-General	294,316.00	294,316.00	150,285.13	144,030.87	4,793,841.78	496,100.17	4,297,741.61	90%
Professional Services-Accounting & Auditing	8,900.00	8,900.00	20,000.00	(11,100.00)	146,200.00	65,000.00	81,200.00	56%
Other Services-General	4,249.00	4,249.00	4,769.06	(520.06)	61,516.50	17,867.14	43,649.36	71%
Other Services-Billing Costs	14,952.00	14,952.00	11,877.45	3,074.55	147,315.83	44,632.17	102,683.66	70%
Public Relations-General	9,644.00	8,932.00	2,551.86	6,380.14	25,843.67	6,466.69	19,376.98	75%
Procurement Advertising	833.00	833.00	592.71	240.29	23,332.00	12,682.72	10,649.28	46%
Communication Services	10,871.00	10,871.00	860.79	10,010.21	94,512.45	30,316.15	64,196.30	68%
Freight and Postage	1,198.00	1,198.00		1,198.00	5,858.78	1,122.76	4,736.02	81%
Rentals and Leases	10,923.00	10,923.00	12,616.11	(1,693.11)	62,651.96	34,075.48	28,576.48	46%
Insurance	12,917.00	12,917.00	5,000.00	7,917.00	51,668.00	5,000.00	46,668.00	90%
County Service Charge	181,192.00	181,192.00	181,191.50	0.50	724,768.00	724,766.00	2.00	
Repairs and Maintenance-Water System	17,583.00	17,583.00	6,830.52	10,752.48	76,300.02	13,340.53	62,959.49	83%
Repairs and Maint-Non Water System	30,391.00	30,391.00	60,984.44	(30,593.44)	397,739.47	203,449.21	194,290.26	49%
Total Contracts & Services	597,969.00	597,257.00	457,559.57	139,697.43	6,611,548.46	1,654,819.02	4,956,729.44	75%



Department of Water, County of Kauai
 Monthly Budget Summary vs. Actual
 SUMMARY
 10/31/2020

	October				FY 2021			
	Original Budget	Revised Budget	Actual	Variance	Revised YTD Budget	YTD Actual	*Variance	Variance %
Exceptional Expenses								
FY2014 & FY2015 Kalaheo Emergency								
FY 2015 Kilauea								
Abandoning Hanamaulu Wells 1 & 2								
Total Exceptional Expenses								
Fuel & Utilities								
Utility Services	238,657.00	238,657.00	208,977.14	29,679.86	993,109.30	838,573.37	154,535.93	16%
Fuel	10,208.00	10,208.00	6,656.30	3,551.70	58,314.50	27,376.81	30,937.69	53%
Total Fuel & Utilities	248,865.00	248,865.00	215,633.44	33,231.56	1,051,423.80	865,950.18	185,473.62	18%
Bulk Water Purchase								
Bulk Water Purchase	151,681.00	151,681.00	42,337.84	109,343.16	606,724.00	230,978.57	375,745.43	62%
Total Bulk Water Purchase	151,681.00	151,681.00	42,337.84	109,343.16	606,724.00	230,978.57	375,745.43	62%
Office & Operating Supplies								
Office Supplies	1,833.00	1,833.00	253.39	1,579.61	7,683.26	6,037.65	1,645.61	21%
Operating Supplies	78,484.00	78,484.00	56,537.19	21,946.81	653,630.59	261,789.95	391,840.64	60%
Books, Subscriptions and Dues	5,874.00	5,874.00	907.40	4,966.60	36,946.00	1,911.40	35,034.60	95%
Books, Subscriptions and Dues - Board	91.00	91.00	91.00	91.00	364.00	364.00	364.00	100%
Total Office & Operating Supplies	86,282.00	86,282.00	57,697.98	28,584.02	698,623.85	269,739.00	428,884.85	61%
Training, Travel & Meeting Expenses								
Training and Development	6,966.00	6,966.00	646.56	6,319.44	27,864.00	5,351.84	22,512.16	81%
Travel and Per Diem	4,638.00	4,638.00		4,638.00	18,552.00		18,552.00	100%
Travel and Per Diem - Board								
Meeting Expense	1,656.00	1,656.00	14.22	1,641.78	6,624.00	14.22	6,609.78	100%
Meeting Expense - Board								
Total Training, Travel & Meeting Expenses	13,260.00	13,260.00	660.78	12,599.22	53,040.00	5,366.06	47,673.94	90%
Debt Service								
Interest Expense	252,109.00	252,109.00	245,293.44	6,815.56	1,008,436.00	981,173.76	27,262.24	3%
Total Interest Expense	252,109.00	252,109.00	245,293.44	6,815.56	1,008,436.00	981,173.76	27,262.24	3%
Total Operating Expenses	2,285,522.00	2,284,810.00	2,012,543.50	272,266.50	13,771,220.11	7,571,412.80	6,199,807.31	45%
Net Operating Income (Loss) Before Depreciation & Amortization	\$361,836.00	\$362,548.00	\$646,461.10	\$283,913.10	(\$3,181,788.11)	\$2,762,774.54	\$5,944,562.65	(187%)
Depreciation & Amortization								
Depreciation	541,667.00	541,667.00	580,635.32	(38,968.32)	2,166,668.00	2,319,106.53	(152,438.53)	(7%)
Amortization	62,721.00	62,721.00	19,577.76	43,143.24	250,884.00	78,311.07	172,572.93	69%
Total Depreciation & Amortization	604,388.00	604,388.00	600,213.08	4,174.92	2,417,552.00	2,397,417.60	20,134.40	1%
Net Operating Income (Loss)	(242,552.00)	(241,840.00)	46,248.02	288,088.02	(5,599,340.11)	365,356.94	5,964,697.05	(107%)



Department of Water, County of Kauai
 Monthly Budget Summary vs. Actual
 SUMMARY
 10/31/2020

	October				FY 2021			
	Original Budget	Revised Budget	Actual	Variance	Revised YTD Budget	YTD Actual	*Variance	Variance %
Non Operating Proceeds								
FRC-Facility Reserve Charge	33,333.00	33,333.00	101,970.00	68,637.00	133,332.00	673,748.55	540,416.55	405%
Total Non Operating Proceeds	33,333.00	33,333.00	101,970.00	68,637.00	133,332.00	673,748.55	540,416.55	405%
Transfers Out(In) to Other Funds								
Debt Principal Payment	430,045.00		120,222.65	(120,222.65)	4,014,034.00	4,134,256.86	(120,222.86)	(3%)
Net Proceeds (Expenditures)	(639,264.00)	(208,507.00)	27,995.37	236,502.37	(9,480,042.11)	(3,095,151.37)	6,384,890.74	(67%)
II. CAPITAL BUDGET								
Capital Projects (See Attached for Details)	2,350,620.00	2,350,620.00	1,437,228.34	913,391.66	26,086,841.81	1,716,833.66	24,370,008.15	93%



Department of Water, County of Kauai
 Monthly Budget Summary vs. Actual
 SUMMARY
 10/31/2020

	October				FY 2021			
	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Revised YTD Budget</u>	<u>YTD Actual</u>	<u>*Variance</u>	<u>Variance %</u>
Capital Projects (See Attached for Details):								
Water Utility - Capital Projects (See Attached for Details)	1,794,370.00	1,794,370.00	1,437,228.34	357,141.66	20,415,644.87	1,673,583.66	18,742,061.21	92%
FRC Special Trust Fund - Capital Projects (See Attached for Details)	56,250.00	56,250.00		56,250.00	695,883.22		695,883.22	100%
BAB Fund - Capital Projects (See Attached for Details)	500,000.00	500,000.00		500,000.00	4,975,313.72	43,250.00	4,932,063.72	99%
SRF Loan Fund - Capital Projects (See Attached for Details)								
Total Capital Projects (See Attached for Details)	2,350,620.00	2,350,620.00	1,437,228.34	913,391.66	26,086,841.81	1,716,833.66	24,370,008.15	93%



Department of Water, County of Kauai
 Monthly Budget Summary vs. Actual
 10
 10/31/2020

	October				FY 2021			
	Original Budget	Revised Budget	Actual	Variance	Revised YTD Budget	YTD Actual	*Variance	Variance %
Capital Projects (See Attached for Details):								
10-02-00-604-999 WU-IT-RandR Capital Purchases--	9,359.00	9,359.00	41,741.30	(32,382.30)	221,176.34	52,008.22	169,168.12	76%
10-02-00-605-999 WU-IT-Expansion Capital Purchases--	13,333.00	13,333.00	12,925.83	407.17	78,275.47	23,938.36	54,337.11	69%
10-10-40-604-999 WU-QualRandR Capital Purchases	3,333.00	3,333.00		3,333.00	13,332.00		13,332.00	100%
10-20-00-604-001 WU-Eng-ALLR-17-10-KW-07 Paua Valley Tank Repair	7,083.00	7,083.00		7,083.00	45,602.12		45,602.12	100%
10-20-00-604-132 WU-Eng-ALLR-13-05 Kolo Rd Main Replacement					2,712.50		2,712.50	100%
10-20-00-604-138 WU-Eng-69%R-11-07 HE-03 Hanapepe & Koloa Well MCC					24,467.50		24,467.50	100%
10-20-00-604-146 WU-Eng-12%R-Job 15-7 HE-01&10HanapepeEleeleConn PL					3,426.68		3,426.68	100%
10-20-00-604-148 WU-Eng-56%R-Kuhio Hwy Hardy-Oxford 16IN Main Repla					171,593.09	8,148.07	163,445.02	95%
10-20-00-604-157 WU-Eng-16-4-WKK-03-Kilauea Wells MCC Rehab	20,833.00	20,833.00		20,833.00	150,195.70		150,195.70	100%
10-20-00-604-160 Job 18-02 Islandwide Rehabilitation of Tanks					346,218.15		346,218.15	100%
10-20-00-604-164 WU-Eng-Job. 18-9 Makaleha Tunnel					229,632.00		229,632.00	100%
10-20-00-604-999 WU-Eng-RandR Capital Purchases	833.00	833.00		833.00	3,332.00	925.00	2,407.00	72%
10-20-00-605-139 WU-Eng-ALLE-02-11 M-02 100K Tank & Pipeline Moloaa					125,200.00		125,200.00	100%
10-21-00-604-001 Job 17-10 KW-07 Paua Valley Tank Repair					2,375,000.00	107,541.25	2,267,458.75	95%
10-21-00-604-029 WU-Cns-44%R-09-01 Yamada Tank Clearwell, Conn Pipe	1,100,000.00	1,100,000.00		1,100,000.00	4,400,000.00		4,400,000.00	100%
10-21-00-604-146 Job 15-07 HE-01 HE-10 Kaunualii Hwy 16" Main Boost			1,314,063.86	(1,314,063.86)	4,931,895.55	1,314,063.86	3,617,831.69	73%
10-21-00-604-157 Job 16-4 WKK-03-Kilauea Wells MCC Rehab	312,917.00	312,917.00		312,917.00	1,251,668.00		1,251,668.00	100%
10-21-00-604-167 WU-CM-R&R-Kukuilono Tank Demo	62,500.00	62,500.00		62,500.00	250,000.00		250,000.00	100%
10-21-00-604-999 WU-CM-RandR Capital Purchases	833.00	833.00		833.00	3,332.00		3,332.00	100%
10-21-00-605-017 Job 16-02 PLH-35B Kapaia Cane Haul Rd 18" Main					3,195,675.00		3,195,675.00	100%
10-21-00-605-118 Job 02-14 WK39 WK08 Kapaa Hmstd Well 4; Pkg A Well					603,660.83		603,660.83	100%
10-21-00-605-146 Job 15-07 HE-01 HE-10 Kaunualii Hwy 16" Main Boost					125,231.08		125,231.08	100%
10-21-00-605-999 WU-CM-Expansion Capital Purchases	833.00	833.00		833.00	3,332.00		3,332.00	100%
10-30-00-604-999 WU-Bill-RandR Capital Purchases	13,250.00	13,250.00		13,250.00	53,000.00		53,000.00	100%
10-40-00-604-166 WU-Operations-R&R-SWTP Delivery Agreement-GroveFar	183,496.00	183,496.00		183,496.00	733,984.00		733,984.00	100%
10-40-00-604-999 WU-Ops-RandR Capital Purchases	64,250.00	64,250.00		64,250.00	591,586.95	39,403.97	552,182.98	93%
10-40-00-605-999 WU-Ops-Expansion Capital Purchases	1,517.00	1,517.00	68,497.35	(66,980.35)	482,115.91	127,554.93	354,560.98	74%
Total Capital Projects (See Attached for Details)	1,794,370.00	1,794,370.00	1,437,228.34	357,141.66	20,415,644.87	1,673,583.66	18,742,061.21	92%



Department of Water, County of Kauai
 Monthly Budget Summary vs. Actual
 20
 10/31/2020

	October				FY 2021			
	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Revised YTD Budget</u>	<u>YTD Actual</u>	<u>*Variance</u>	<u>Variance %</u>
Capital Projects (See Attached for Details):								
20-20-00-605-117 FRC-Eng-ALLE-12-02 WK-23 UH Expmntal Storage Tank					26,832.00		26,832.00	100%
20-20-00-605-118 Job 04-08 WK-39 Drill Kapaa Homestead Well 4	37,500.00	37,500.00		37,500.00	230,926.50		230,926.50	100%
20-20-00-605-120 FRC-Eng-90%E-Kilauea 1.0MG Tank Job 02-06					7,212.24		7,212.24	100%
20-20-00-605-153 Job 15-08-HW-11-Haena 0.2MG Tank					58,672.48		58,672.48	100%
20-20-00-605-154 Job 17-11 Drill & Test Kilauea Well #3					297,240.00		297,240.00	100%
20-21-00-605-161 FRC-Cns-Hanapepe River Bridge Kaunualii Hwy	18,750.00	18,750.00		18,750.00	75,000.00		75,000.00	100%
Total Capital Projects (See Attached for Details)	56,250.00	56,250.00		56,250.00	695,883.22		695,883.22	100%



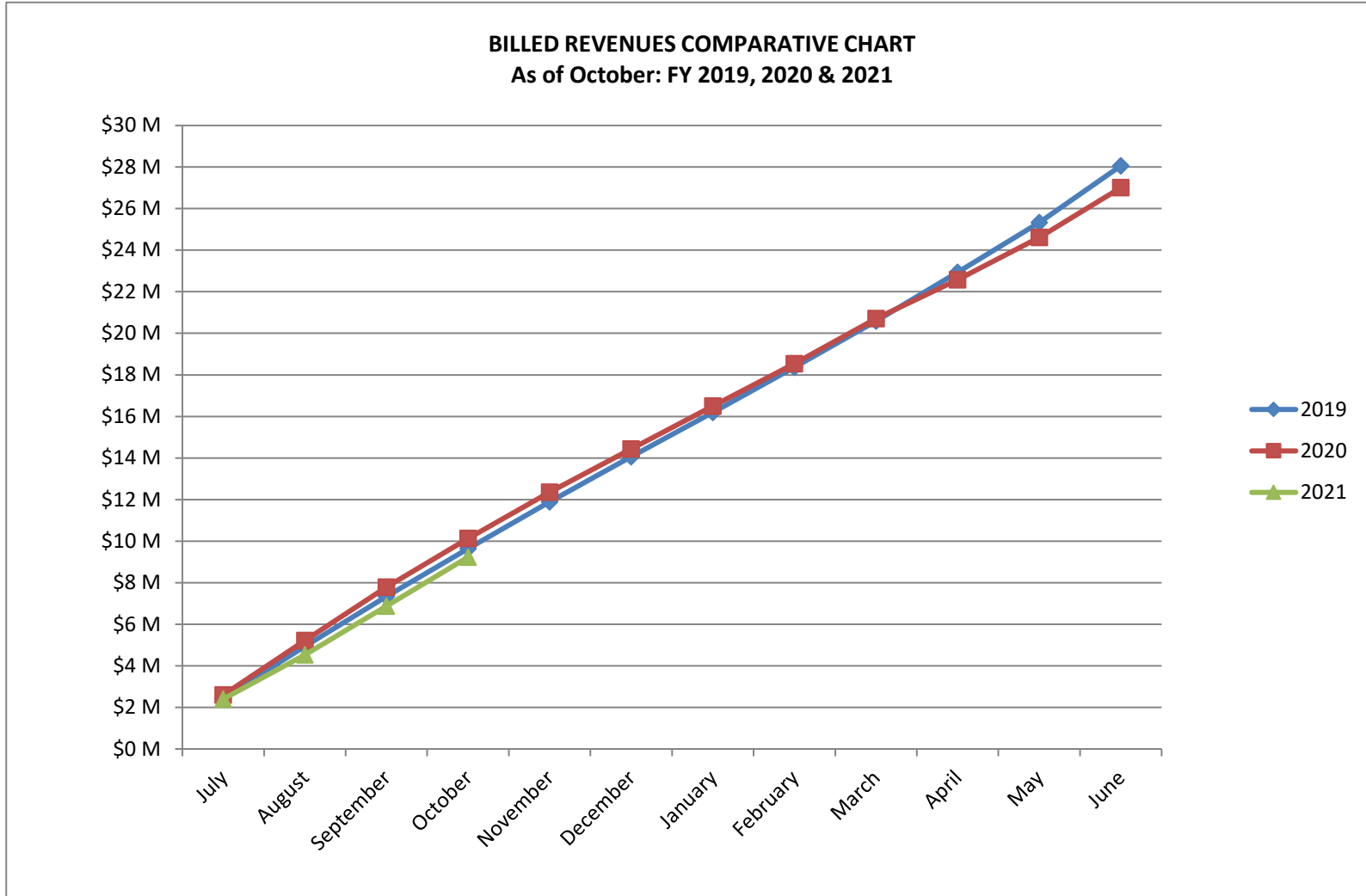
Department of Water, County of Kauai
 Monthly Budget Summary vs. Actual
 30
 10/31/2020

	October				FY 2021			
	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Revised YTD Budget</u>	<u>YTD Actual</u>	<u>*Variance</u>	<u>Variance %</u>
Capital Projects (See Attached for Details):								
30-20-00-604-105 BAB-Eng-ALLR-09-01 K-01 Kalaheo 1111FT & 1222FT					332,924.26		332,924.26	100%
30-20-00-605-120 BAB-Cns-ALLE-02-06WKK15-Kilauea 466 Tank Puu Pane					22,649.00		22,649.00	100%
30-20-00-605-125 BAB-Eng-98%E-02-01 Land for Kukuiohono Tank Site					53,508.05		53,508.05	100%
30-20-00-605-139 BAB-Eng-ALLE-02-11 M-02 100K Tnk & Pipeline Moloaa					94,222.00		94,222.00	100%
30-21-00-604-017 Job 16-02 PLH-35B Kapaia Cane Haul Rd 18" Main					1,091,650.00		1,091,650.00	100%
30-21-00-604-107 Job 11-07 KP-09-MCC Chlor KoloaWell16-A,B,E					1,323,634.55		1,323,634.55	100%
30-21-00-605-029 BAB--09-01 Yamada Tank Clearwell, Conn Pip	500,000.00	500,000.00		500,000.00	2,000,000.00		2,000,000.00	100%
30-21-00-605-118 Job 04-08 WK39 WK08 Kapaa Hmstd Well 4; Pkg A Well					56,725.86	43,250.00	13,475.86	24%
Total Capital Projects (See Attached for Details)	500,000.00	500,000.00		500,000.00	4,975,313.72	43,250.00	4,932,063.72	99%

III.

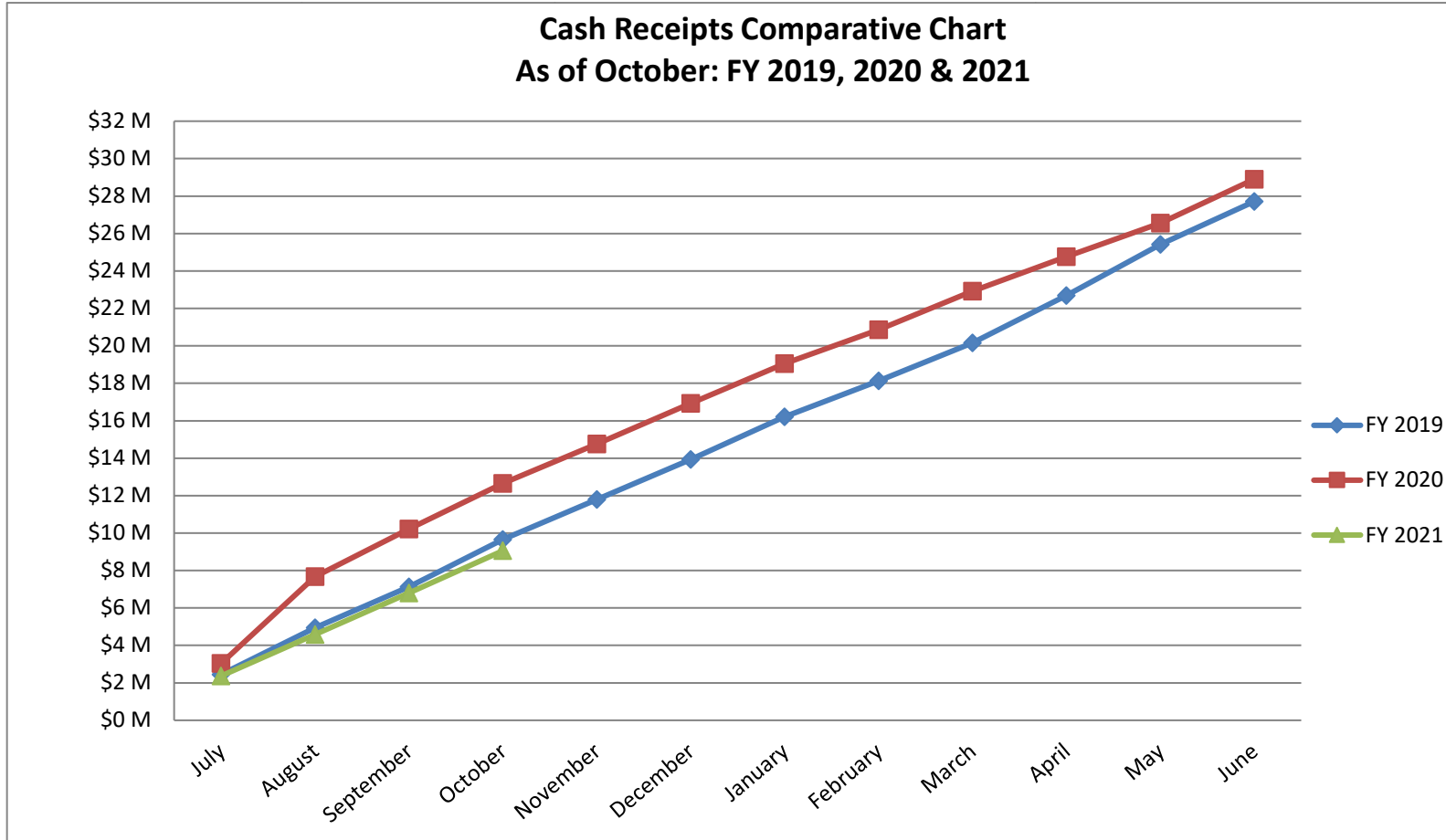
BILLED REVENUES COMPARATIVE REPORT
For Fiscal Years 2019, 2020 & 2021

		<u>2019</u>		<u>2020</u>		<u>2021</u>		Cum. Inc (Dec)	% Inc. (Dec.)
July	\$	2,459,791	\$	2,594,993	\$	2,399,952	\$	(195,041)	-7.52%
August	\$	4,944,154	\$	5,211,518	\$	4,528,656	\$	(682,862)	-13.10%
September	\$	7,331,598	\$	7,780,505	\$	6,873,259	\$	(907,246)	-11.66%
October	\$	9,638,616	\$	10,125,480	\$	9,228,964	\$	(896,516)	-8.85%



CASH RECEIPTS (W/U) COMPARATIVE REPORT
For Fiscal Years 2019, 2020 & 2021

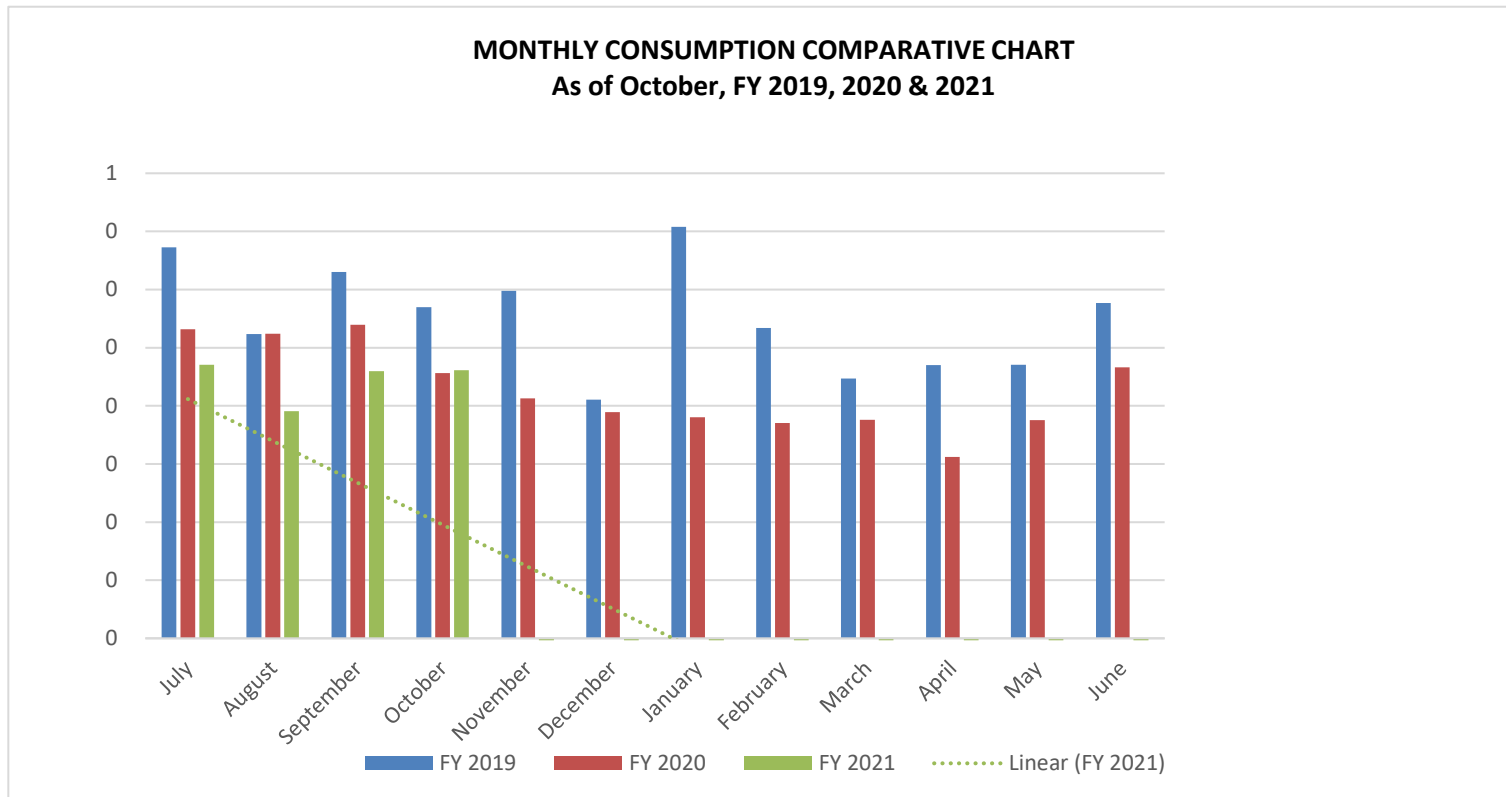
		<u>FY 2019</u>		<u>FY 2020</u>		<u>FY 2021</u>	Cum. Inc (Dec)	% of Inc (Dec)
July	\$	2,449,372	\$	3,035,518	\$	2,368,257	(667,261)	-22%
August	\$	4,946,100	\$	7,676,802	\$	4,578,257	(3,098,545)	-40%
September	\$	7,122,906	\$	10,216,754	\$	6,808,747	(3,408,007)	-33%
October	\$	9,651,558	\$	12,655,760	\$	9,056,785	(3,598,975)	-28%



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

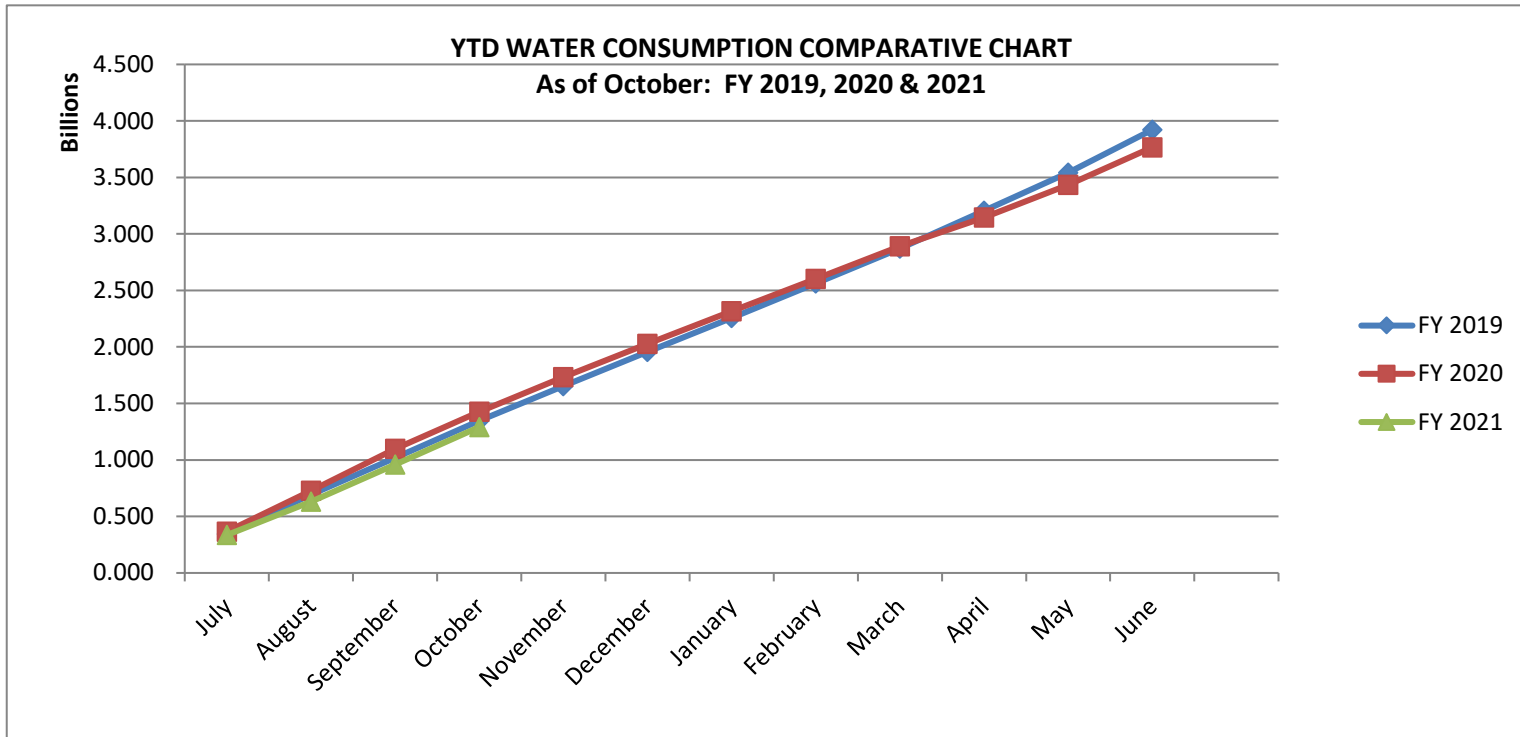
METERED CONSUMPTION (000 GALLONS) MONTHLY COMPARATIVE CHART
 For Fiscal Years 2019, 2020 & 2021
 (expressed in thousands)

	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>MONTHLY INC. (DEC.)</u>	
July	436,238	365,892	335,209	-30,683	-8%
August	361,599	362,067	295,297	-66,770	-18%
September	415,176	369,751	329,858	-39,893	-11%
October	384,934	328,084	330,618	2,534	1%

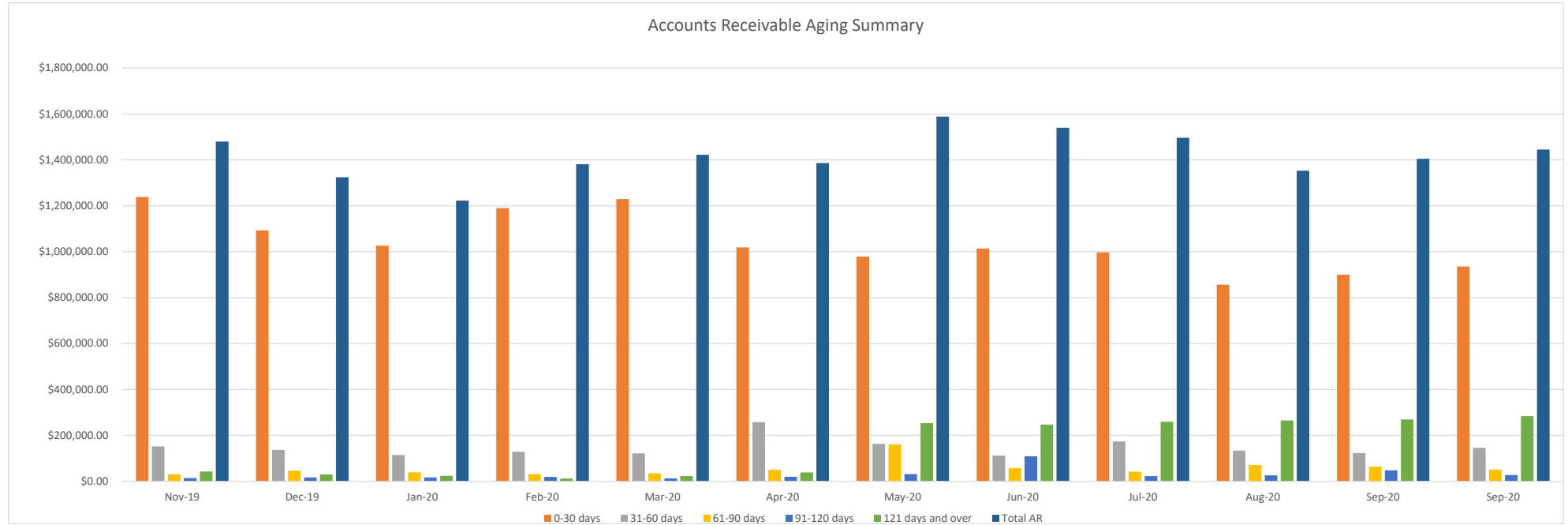


YTD METERED CONSUMPTION (000 GALLONS) COMPARATIVE REPORT
 For Fiscal Years 2019, 2020 & 2021
 (expressed in thousands)

	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>CUM. INC (DEC)</u>	<u>%</u>
July	344,364	365,892	335,209	-30,683	-8%
August	692,933	727,959	630,506	-97,453	-13%
September	1,018,284	1,097,710	960,364	-137,346	-13%
October	1,346,859	1,425,794	1,290,982	-134,812	-9%



DEPARTMENT OF WATER
Accounts Receivable Aging Summary
As of October, 2020



AR Aging	Nov-19		Dec-19		Jan-20		Feb-20		Mar-20		Apr-20		May-20		Jun-20		Jul-20		Aug-20		Sep-20		Sep-20	
0-30 days	\$1,238,572.50	84%	\$1,093,337.19	83%	\$1,026,241.32	84%	\$1,189,752.20	86%	\$1,229,258.09	86%	\$1,018,686.24	73%	\$978,907.17	62%	1,013,853.91	66%	\$997,485.31	67%	\$856,561.14	67%	900,031.84	64%	935,900.16	65%
31-60 days	\$152,570.76	10%	\$137,197.13	10%	\$115,140.84	9%	\$128,662.63	9%	\$121,758.30	9%	\$257,987.42	19%	\$163,475.93	10%	112,069.52	7%	174,030.47	12%	133,850.15	12%	\$123,235.43	9%	\$145,805.40	10%
61-90 days	\$31,100.40	2%	\$46,080.54	3%	\$39,702.40	3%	\$31,954.93	2%	\$35,486.34	2%	\$50,532.72	4%	\$160,891.80	10%	57,755.74	4%	42,403.40	3%	70,980.66	3%	\$63,689.26	5%	\$51,325.89	4%
91-120 days	\$14,451.96	1%	\$17,301.17	1%	\$17,200.37	1%	\$18,953.24	1%	\$13,058.29	1%	\$20,047.89	1%	\$31,925.61	2%	109,465.82	7%	22,617.26	2%	26,277.91	2%	\$48,398.78	3%	\$27,821.61	2%
121 days and over	\$42,761.86	3%	\$30,389.69	2%	\$24,330.48	2%	\$12,326.29	1%	\$22,886.96	1%	\$38,823.06	3%	\$253,754.60	16%	247,167.20	16%	259,985.17	17%	265,096.96	17%	269,845.15	19%	284,230.15	20%
Total AR	\$1,479,457.48	100%	\$1,324,305.72	100%	\$1,222,615.41	100%	\$1,381,649.29	100%	\$1,422,447.98	100%	\$1,386,077.33	100%	\$1,588,955.11	100%	\$1,540,312.19	100%	\$1,496,521.61	100%	\$1,352,766.82	100%	\$1,405,200.46	100%	\$1,445,083.21	100%

*Total AR is net of Customer deposits and overpayments.

Customer Deposits & Overpayments	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Sep-20
	(\$196,263.56)	(\$209,366.49)	(\$216,003.50)	(\$231,033.54)	(\$219,423.13)	(\$207,346.51)	(\$179,741.24)	(\$235,645.43)	(\$228,641.66)	(\$233,729.73)	(\$231,853.92)	(\$226,659.51)

Assets and Deferred Outflows

Current Assets

Cash	\$9,257,090.68
Equity interest in pooled investments	8,294,230.00

Receivables:

Accounts, net of allowance for doubtful accounts	1,385,628.40
Due from other funds	
Unbilled accounts	1,378,549.63
Grants and subsidies	2,794,399.72
Accrued interest	209,775.36
Total receivables	<u>5,768,353.11</u>

Materials and supplies	1,089,731.90
Prepaid expenses	43,875.18
Total current asset	<u>24,453,280.87</u>

Restricted Assets:

Facility reserve charge funds:

Cash	2,596,052.99
Equity interest in pool investments	
Accounts receivable and other	179,838.93
Total facility reserve charge funds	<u>2,775,891.92</u>

Bond funds:

Cash	1,224,895.47
Equity interest in pooled investments	8,619,445.24
Accrued interest	43,035.66
Total bond funds	<u>9,887,376.37</u>

Total restricted assets	<u>12,663,268.29</u>
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Equity Interest in Pooled Investment - Noncurrent

Investment - Non-Current	24,482,215.70
Investment - Reserves	9,300,000.00
Investment - Debt Service Reserve	
Total Equity Interest in Pooled Investment - Noncurrent	33,782,215.70

Utility Plant:

In service	347,059,864.57
Accumulated depreciation	(143,959,968.01)
Total utility plant	<u>203,099,896.56</u>

Construction work in progress	17,536,255.95
Total property, plant and equipment	<u>220,636,152.51</u>

Total assets	291,534,917.37
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Deferred Outflow of Resources - Deferred Refunding Costs, net	8,596,312.92
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Total assets and deferred outflows	300,131,230.29
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*Allowance for doubtful accounts	(246,025.05)
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Liabilities and Net Position

Current Liabilities:

Accounts payable and accrued liabilities	3,355,638.20
Contracts payable, including retainages	564,255.46
Accrued Vacation And Compensatory Pay, current portion	582,288.09
Due to/Due From Other Funds	
Customer overpayment	189,774.74
Customer deposits and advances	482,386.19
Current portion of long term debt	5,160,540.98
Current portion of capital lease obligation	0.03
Total current liabilities	<u>10,335,095.42</u>

Long-Term Debt	58,006,736.96
Capital Lease Obligation	
OPEB & Retirement Benefits	30,916,590.04
Accrued Vacation and Compensatory Pay	971,573.47
Deferred Inflow of Assets	555,205.00
Total liabilities and deferred inflows:	<u>100,785,200.89</u>

Net Position:

Water Utility Reserves	9,300,000.00
Restricted FRC	2,768,041.16
Restricted Build American Bonds	9,780,343.70
Invested in Capital Assets Net of Related Debt	157,448,231.38
Unrestricted	20,049,413.16
Total net position	<u>199,346,029.40</u>

Total liabilities, deferred inflows and net position:	<u><u>300,131,230.29</u></u>
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DEPARTMENT OF WATER

County of Kaua'i

"Water has no Substitute – Conserve it!"

INFORMATION & EDUCATION SPECIALIST REPORT

November 19, 2020

Public Notices and Announcements

All news releases were published on the Department's Facebook social media page and online at www.kauai.gov/press-releases.

- **Kapa'a – Emergency water service shutdown in Wailua**
 - A news release was issued on October 24, 2020 at approximately 9 p.m. to inform customers of an emergency water service shutdown on a portion of Kamalu Road; from Olohena Road to Opaeka'a Road, and included Pilikua Place, Kololia Place and Heamoi Place in Wailua. Water service was turned off for 4 hours, beginning at approximately 9:30 p.m. that evening, in order to conduct repairs to a recent main line break.
 - A courtesy BlackBoard Connect mass notification was issued to the affected service area.
- **Hanalei – Scheduled water service shutdown**
 - A news release was issued on October 30, 2020 to announce a 6-hour water service shutdown scheduled on a portion of Kuhio Highway; from Anae Road to Lumahai Beach, including Kumu Road in Hanalei. Water service was turned off on Wednesday, Nov. 4 from 8 a.m. to 2 p.m.; weather permitting, in order to install a new service lateral in the area.
 - A courtesy notice was issued to the affected service area via BlackBoard Connect mass notification service.
 - A second news release was issued on Nov. 3, 2020 to remind customers of the water service shutdown in Hanalei on Nov. 4 from 8 a.m. to 2 p.m., weather permitting.
 - A courtesy notice was also issued to the affected service area via BlackBoard Connect mass notification service.
 - A final update was issued via Facebook page on Nov. 4, 2020 to announce that water services were instead, restored to customers at approximately 10:15 a.m.
- **Kalaheo – Emergency water service shutdown**
 - A news release was issued on Nov. 4, 2020 to announce an emergency water service shutdown scheduled for Po'ohiwi Road and a portion of Lae Road in Kalaheo on Nov. 5 from 9 a.m. to 2 p.m. in order to conduct repairs to a recently damaged main line.
 - A courtesy notice was issued to the affected service area via BlackBoard Connect mass notification service.
 - A second reminder notice was also sent via BlackBoard Connect to the service area on Nov. 5 to remind customers of the shutdown.
 - An update was issued via Facebook and BlackBoard Connect on Nov. 5 to inform customers that the water service shutdown was extended until 5 p.m., due to difficulty in accessing the damaged main line in the remote Kalaheo location.
 - A final update was issued at approximately 4:45 p.m. on Nov. 5 to announce that water service had been restored to customers.

Other Media

- The Department of Public Works issued a news release on Nov. 4, 2020 to announce the

temporary intermittent bridge closure of the Hanapepe Bridge through Feb 5, 2021. The bridge will be closed intermittently from 7 a.m. to 5 p.m. for waterline work that will include installation of new water facilities and site restoration, as part of the Hanapepe-Ele'ele Water System Improvements Project.

Public Relations Program

Community Outreach & Education

- Public Relations staff (PR) have been progressive in the improvement and increase of direct communications with customers; by providing courtesy calls, assisting divisions with information dissemination, social media posts/responses and by issuing additional notices regarding service disruptions, service inquiries, etc. *On-going.*
- The Imagine a Day Without Water Facebook campaign was held on October 1-21st. PR successfully achieved its goal of increasing online customer engagement via Facebook, developed and designed new social media content and promoted educational awareness for the national campaign. The new social media content featured water education and conservation messages, informative service videos and included community interviews from food service, health care, residential and business customers sharing and discussing the importance of water. According to Facebook analytics, DOW's Facebook page had a 57% increase of followers during the campaign, from Sept. 30-Oct.27, 2020 (28-day period), when compared to the same period in 2019. As of this report date, DOW has a total of 2,402 followers and 2,051 likes on Facebook.
- As the Department's customer services shifts to adapt to COVID-19 guidelines, PR is focusing on its online presence that is within its responsibility; and has increased its use of Facebook. PR will continue to develop content for the page to promote DOW's community educational and outreach efforts, water service updates and service advisories.
- PR is working on developing print advertisement to reach customers outside of Facebook. As of this report date, PR has reviewed media kits for 3 of the local print publications and will be researching their publication content, costs and readership to determine the best fit for this purpose. Currently, the Department's print advertisements includes a half-page advertisement and half-page editorial in the Kauai Family Magazine, which is only published quarterly. PR is seeking a print media vehicle that will provide opportunity more frequent updates and expansion of its advertising reach. The new print advertisement is being sought primarily to promote the Department's existing customer services such as: online account management tools, conservation efforts and will be used for special announcements, as needed.

Upcoming Community Outreach & Educational Events

- March 15-19, 2021 – Fix a Leak Awareness Week

Project WET Hawaii

- Project WET Hawaii continues to prepare for the temporary transition to virtual workshops for educators and facilitator trainings, tentatively planned to begin in January 2021. PR is working on obtaining online meeting tools, appropriate software, supplies and is also working with regional coordinators for idea sharing and additional resources. Project WET Hawaii has received 3 requests for educator trainings to help support agencies with distance learning appropriate activities. *On-going.*
- Jonell Kaohelaulii drafted and submitted the Project WET Hawaii'i quarterly report and update on October 20, 2020.

Miscellaneous

- Insert of volunteer names that were missing from October 2020 PR Board Report. PR would also like to acknowledge and thank DOW employees, Kailio Coelho and Matthew Taboniar who assisted in the community outreach event on Oct. 6, 2020.

JK/ein

Mgrrp/November 2020/Information & Education Specialist Report (11-19-20):ein

DEPARTMENT OF WATER

County of Kaua'i

"Water has no Substitute – Conserve It!"

Operations Division Report for the Month of October 2020

Personnel

- Interviewed applicants for Pipefitter and Pipefitter Helper vacancies. Recommendations forwarded to Human Resources.

Source and Storage

- Maintenance workers continued cleaning various remote facilities island-wide. Works included clearing of vegetation and drainage as well as repair and construction of structures and facilities including access driveways.
- Water Plant Operators performed routine inspection and maintenance at all sites including valve maintenance, piping repair and replacement, chlorination equipment maintenance, and mixing of sodium hypochlorite.
- Department of Health, Safe Drinking Water Branch conducted sanitary survey of Puhi to Kapaa Water System. Operations personnel resolved deficiencies found by DOH inspector.
- Job-20-05 Waimea Well B Repair Contract No. 703 being processed for execution.
- Contract No. 699 for Kapilimao On-Site Sodium Hypochlorite Generation was executed and Notice To Proceed issued.
- Monitoring of Sodium Hypochlorite on-site generation equipment on Makaleha Wells and Tank Site is on-going.
- Electrical workers performed routine electrical maintenance at all sites including SCADA radio troubleshooting, electrical wiring for motor controls, lighting repair and replacement.
- SCADA Contract No. 701 with Glenmount Global Services executed. Notice To Proceed issued.
- Auto mechanics performed routine maintenance of all DOW vehicle and equipment including light, medium and heavy vehicles as well as construction equipment and generators.

Distribution

- Operations Division Field Section crews continue to perform routine leak repair of service laterals and mainlines. Field Section personnel responded to fifty seven (57) leak repair work orders.
- Field Section personnel installed a service lateral.
- We received a total of 171 calls from customers reporting leaks on the mainline, service laterals, meters, meter boxes and fire hydrants including complaints of no water, complaints of low pressure, high pressure, calls requesting remote site/facility grounds and vegetation maintenance, calls for assistance in shutting off the water meter, calls reporting damaged meter box and cover, reports of leaking or damaged fire hydrants and report of white milky water, and non-water emergency calls mainly customer inquiries. Work orders were generated and all calls resolved. Leak after the meter needs to be addressed by the customer.
- Installed ten (10) new water meters and nine water meters repaired/replaced.
- Installed three (3) temporary hydrant meters.
- Operations Division received four (4) emergency calls for hydrants hit by vehicle, all in the Kapaa/Wailua area.

Fleet, Inventory, Warehouse and Baseyard Area

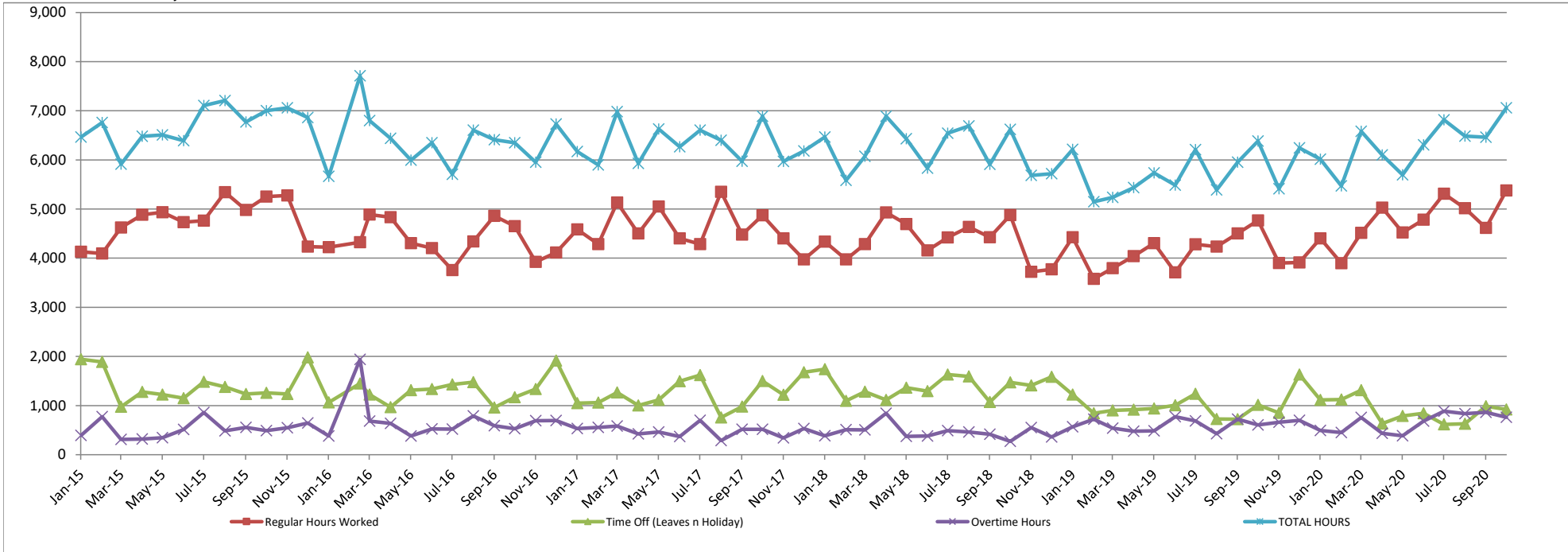
- Two hundred forty one (241) work orders were issued for Operations Division. Works included: electrical repairs and maintenance; automotive repairs and maintenance including power generator maintenance; Hawai'i One Call requests for markings; water meter installation and replacement; service lateral installations; leak repairs; well, tank site and PRV maintenance; replace damaged meter boxes; repair defective meters; replace damaged or leaking hydrant; door-to-door customer notifications for tie-ins of new lines to existing lines as well as notifications regarding scheduled repairs; callouts due to customer complaints/reports; meter replacement requests; Hawai'i One Call relative to contractor's requests for markings.
- Thirty (30) Hawai'i One Call requests for markings were received.

VPR/ein

Attachments: Overtime Chart
Leak Report Chart
Production/Billing Chart

Mgrp/November 2020/Operations Division Report for the Month of October 2020 (11-19-20):ein

County Of Kauai - DEPARTMENT OF WATER
 Operations Division: Plant & Field
 Total Hours for the Month
 For the Period: January 2015 to October 2020

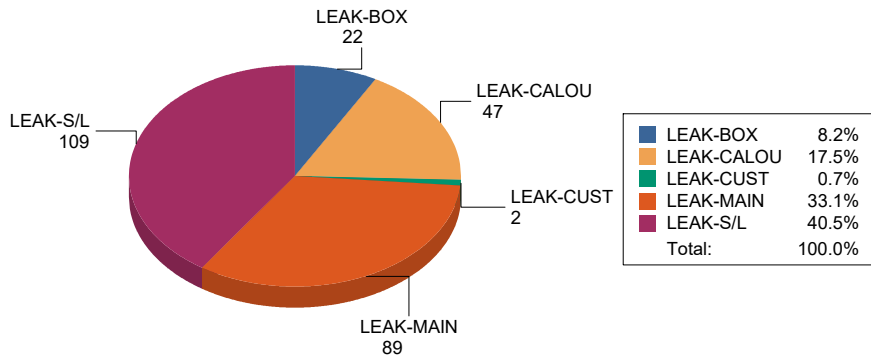


Work Orders by Job Reason Code for Selected Date Range

10/01/2019 to 10/31/2020

# of W/O's	Job Reason Code	Description
22	LEAK-BOX	Meter Box Leak Repair
47	LEAK-CALOU	LEAK CALL OUT
2	LEAK-CUST	Customer-Side Leak Repair
89	LEAK-MAIN	Mainline Leak Repair
109	LEAK-S/L	Service Lateral Leak Repair

Work Orders by Job Reason Code

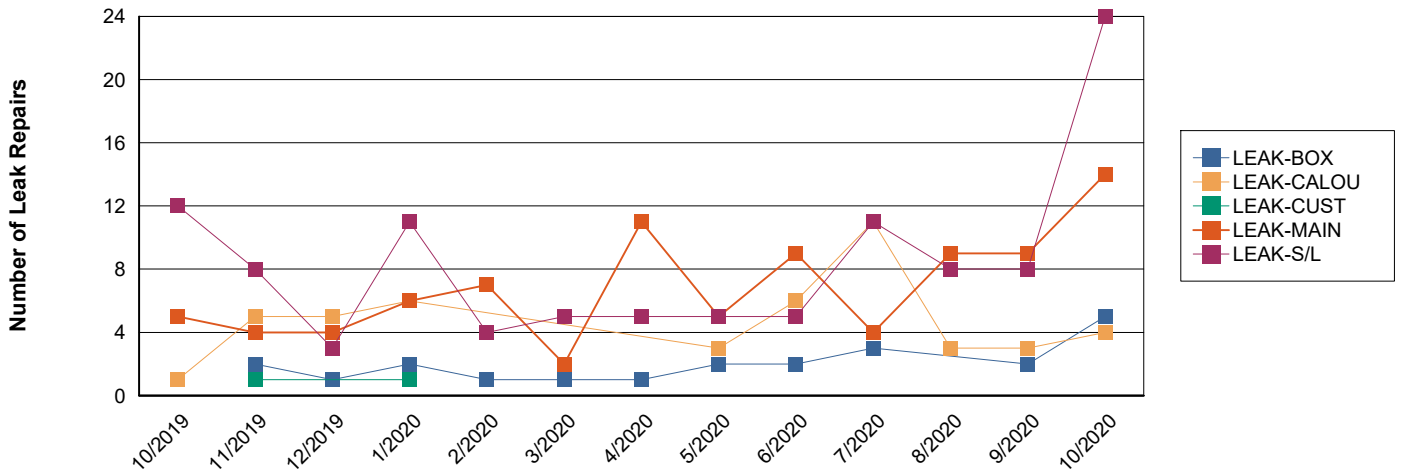


Work Orders by Job Reason Code for Selected Date Range

10/01/2019 to 10/31/2020

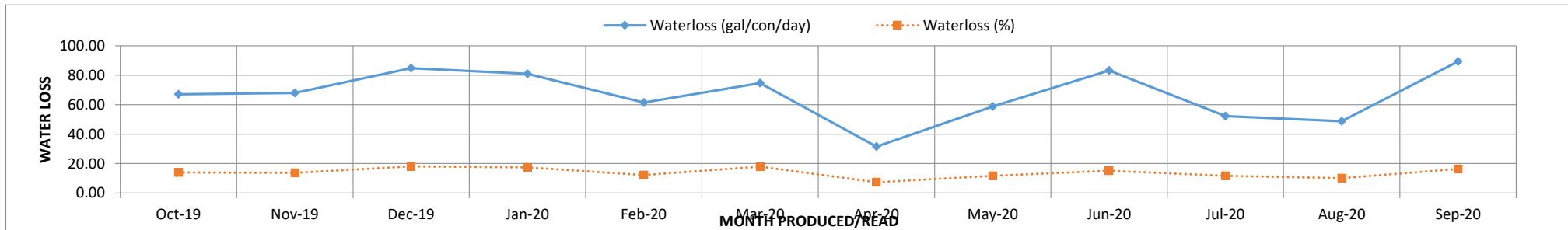
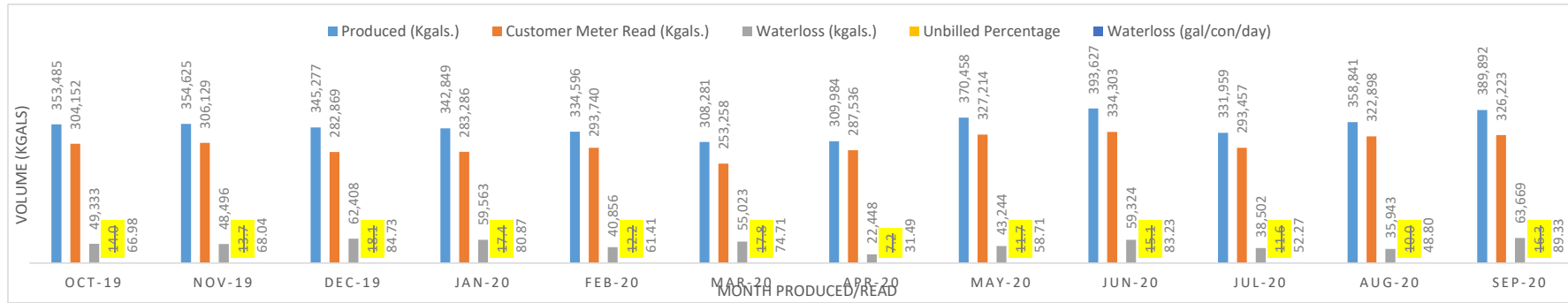
of W/O's Job Reason Code Description

Number of Leak Repairs per Month



Monthly Water Produced, Customer Meter Read and Waterloss Comparison For Calendar Year 2019/2020

	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Total Year
Produced (Kgals.)	353,485	354,625	345,277	342,849	334,596	308,281	309,984	370,458	393,627	331,959	358,841	389,892	4,193,872
Customer Meter Read (Kgals.)	304,152	306,129	282,869	283,286	293,740	253,258	287,536	327,214	334,303	293,457	322,898	326,223	3,615,065
Waterloss (kgals.)	49,333	48,496	62,408	59,563	40,856	55,023	22,448	43,244	59,324	38,502	35,943	63,669	578,807
Waterloss (%)	14.0	13.7	18.1	17.4	12.2	17.8	7.2	11.7	15.1	11.6	10.0	16.3	13.8
Waterloss (\$)	62,998	61,929	79,695	76,061	52,173	70,264	28,666	55,222	75,757	49,166	45,899	81,306	739,136
Waterloss (gal/con/day)	66.98	68.04	84.73	80.87	61.41	74.71	31.49	58.71	83.23	52.27	48.80	89.33	66.74



DEPARTMENT OF WATER

County of Kaua'i

"Water has no Substitute – Conserve It!"

MANAGER'S UPDATE

November 19, 2020

Pursuant to Board Policy No. 3

CONTRACTS AWARDED/EXTENSION/AMENDMENTS:

1 EIGHTH AMENDMENT TO CONTRACT NO. 535, JOB NO. WRP 01 FY05-06 KAUA'I WATER USE AND DEVELOPMENT PLAN UPDATE, LIHU'E, KAUA'I, HAWAII WITH FUKUNAGA AND ASSOCIATES, INC. FOR A CONTRACT TIME EXTENSION TO MAY 18, 2021 WITH NO ADDITIONAL FUNDING

FUNDING:

Account No.	10-22-10-540-010			
Acct Description	WU/Plan/Admin/Professional Services			
Funds Available	Verified by WWC		\$	N/A
Contract No.	535			
Vendor	Fukunaga and Associates, Inc.			
	Contract Amount	\$	513,000.00	
	5% Contingency	\$	1,000.00	
	First Amendment	\$	0.00	
	Second Amendment	\$	0.00	
	Third Amendment	\$	0.00	
	Fourth Amendment	\$	0.00	
	Fifth Amendment	\$	114,400.00	
	Sixth Amendment	\$	0.00	
	Seventh Amendment	\$	0.00	
	Total Funds Certified To Date	\$	628,400.00	
Eighth Amendment:				
	Contract Time Extension of 180 calendar days	\$	0.00	
	Total Amendment	\$	0.00	
	Contract Amount To Date	\$	627,400.00	
Fund Balance			\$	N/A

BACKGROUND:

Contract NTP Date: July 25, 2011
 Original Contract End Date: January 10, 2014
 New Contract End Date: May 18, 2021

Notice to proceed for this project was issued on July 25, 2011 with a contract completion date of January 10, 2014. A request for a contract time extension was reviewed, granted and executed on September 10, 2014 to extend the contract completion date to July 2, 2016. An additional contract time extension was reviewed, granted and executed on September 7, 2016 to extend the contract completion date to December 19, 2018.

Due to circumstances beyond the contractor's control, the project has not been able to be completed by the December 19, 2018 contract completion date as several significant policy and water-related issues have caused delays and changes in the original scope of the project. Some of these changes include the coordination of the Kaua'i Water Use and Development Plan (KWUDP) with the Kaua'i General Plan Update, evaluation of the recently completed Līhu'e Community Plan and South Community Plan, coordination with the Commission on Water Resource Management (CWRM) on the update of the Aquifer Section and System sustainable yields (SY) and a request by CWRM regarding the evaluation of traditional and customary practices of the resource.

The project originally evaluated the 2000 Kaua'i General Plan, which has since been updated by the County of Kaua'i Planning Department and approved by the Kaua'i County Council in 2018. The DOW and its consultant coordinated with the Planning Department periodically during the update process to ensure that the impacts of the Kaua'i General Plan Update would be reviewed and addressed in the KWUDP. Additionally, the evaluation of the recently completed Līhu'e Community Plan and South Kaua'i Community Plan were conducted. The evaluation of these recently completed plans, Kaua'i General Plan update, Līhu'e Community Plan and South Kaua'i Community Plan, were not part of the original proposal.

In late 2015, CWRM provided preliminary information of the Aquifer Section and System SY. The information at the time indicated that the new SY for the Hanamā'ulu and Kōloa Aquifer System Areas may have significant impact on the comparison with water demands associated with the full build-out of the County General Plan and Community Development Plans. Discussion and feedback ensued between CWRM, the DOW and the Planning Department regarding the SY values. Subsequent discussion with CWRM indicated that the new SY would not be as low as the 2016 estimates and should not have a significant impact on the comparison with full build-out water demands. It was emphasized that, while CWRM is confident in the new SY values, the SY values may still change and are not final until the Water Resource Protection Plan (WRPP) Update is approved. A public review of the draft WRPP Update was released on November 2, 2018.

In 2016, CWRM also requested that counties incorporate the Ka Pa'akai analysis into the Water Use and Development (WUDP) update to the greatest extent possible and specifically mentioned the Aha Moku Advisory Committee (AMAC). The AMAC is administratively attached to the DLNR and which is utilized as a conduit for identifying valued resources, traditional and customary practices and appropriate mitigation. An AMAC representative has been added to the KWUDP stakeholder advisory group.

These unanticipated changes have caused work to proceed at a pace slower than originally anticipated and have required additional resources and coordination efforts with other agencies, stakeholder groups and the public to verify that information originally obtained at the onset of the project is still accurate and current. Additionally, a higher level of coordination and outreach is required to gather stakeholder and public advisory group information. Hence, a fifth location for public meetings will be added, on top of the four locations originally planned, for greater outreach.

In order to complete the project with the additional project requirements noted above and provide the necessary time for the approval process, Fukunaga and Associates, Inc. provided a fee proposal of \$114,400.00 and a contract time extension request of 180 days.

The proposal for the additional tasks were requested and received by the Department on December 13, 2018. In an effort to review the proposal and prepare a contract amendment for the additional scope and time required to complete the project, the Department issued a Stop Work Order on December 17, 2019 for sixty (60) calendar days ending on February 17, 2019. A Stop Work Order Supplemental Agreement was issued by the Procurement Office on February 7, 2019 to extend the suspension of the Contract an additional ninety (90) calendar days' end on May 8, 2019.

A third contract amendment was issued to allow the performance of the Contract to resume at the end of the suspension period, May 8, 2019, and continue pending the anticipated approval and execution of a fourth amendment by the Board at its May 24, 2019 meeting.

The Board at its May 24, 2019 Board meeting, decided to defer the Manager's updates to be heard at a subsequent Board meeting. The Manager's update included the report to manager requesting approval to execute a fourth contract amendment for additional tasks, cost and time.

A fourth contract amendment was issued to allow the performance of the Contract to continue from May 24, 2019, for one hundred eighty (180) calendar days or less to allow the Board time to review and approve a fifth amendment for additional tasks, time and cost to this Contract.

A fifth contract amendment was issued on June 28, 2019 to extend the Contract an additional one hundred eighty (180) calendar days to address the changes in scope and provide compensation for the additional tasks, for completion date of December 25, 2019.

A sixth contract amendment was issued on December 20, 2019 to extend the Contract an additional one hundred eighty (180) calendar days to accomplish the additional scope and tasks identified in the fifth contract amendment, with a completion date of June 17, 2020.

A seventh contract amendment was issued on May 28, 2020 to extend the Contract an additional one hundred eighty (180) calendar days to accomplish the additional scope and tasks identified in the fifth contract amendment, with a completion date of November 24, 2020.

This eighth amendment is necessary to allow the Contractor additional contract time of one hundred eighty (180) calendar days, ending May 18, 2021 to accomplish the work.

2 GS-2021-01, CONTRACT FOR THE FURNISHING AND DELIVERY OF SEWAGE LIFT STATION CONTROL SYSTEM AWARDED TO XIO, INC. IN THE AMOUNT OF \$23,056.00

FUNDING:

Account No.	10-40-00-604-999			
Acct Description	WU/Ops/Capital Outlay- R&R/Misc. Capital Purchases (Line Item "Sewer Lift Station")			
Funds Available	Verified by WWC		\$	30,000.00

MANAGER'S UPDATE

Re: Manager's Update for October 2020 to November 2020

November 19, 2020

Page 4 of 6

Contract No.				
Vendor	XiO, Inc.			
	Contract Amount	\$	23,056.00	
	5% Contingency	\$	N/A	
	Total Funds Certified	\$	23,056.00	\$ <23,056.00>
Fund Balance				\$ 6,944.00

BACKGROUND:

The lift station controls currently installed initially do not have the capability to run the two grinder pumps in a lead/lag rotation. The controls have local alarms for high/low level and do not notify anyone remotely of problems. In order to correct the lead/lag situation and provide alarms notification we solicited for a SCADA control system in addition to the existing controls. The new SCADA control system will provide operators with remote control and alarm notification. The new system will also be more reliable with a level probe to control pump operation.

WAIVER, RELEASE & INDEMNITY APPLICATIONS:

None

STAFF REPORTS - FY 20-21:

PERSONNEL MATTERS

November 9, 2020

Administration

1. Manager and Chief Engineer. Progressing through hiring process.
2. Civil Engineer VII #2460. Position in recruitment.
3. Senior Clerk #2479. Working with DHR on re-description.

I.T. Division

1. Information Technology Specialist III #2475, #2615. Positions vacant.
2. Waterworks IT Manager #2485. Working with DHR on hire action.

Fiscal Division

1. Customer Service Representative II #2305. Reallocation effective 11/1/2020.

Engineering Division

1. Civil Engineer II #2458. Working with DHR on filling vacancy.

Construction Management Division

1. Civil Engineer V #2355. Working with DHR on filling vacancy.

Operations Division

1. Assistant Water Plant Operator #2312. Position vacant.
2. Groundskeeper #2601. Position filled 10/16/2020.
3. Pipefitter #2418. Working with DHR on start date.

4. Pipefitter Helper #2471. Position to start 11/1/2020.
5. Plant Electrician #2457. Pending list of eligibles.
6. Water Service Investigator II #2617. Interview planned for mid-November.
7. Maintenance Worker I #2611. Pending referred list of eligibles.

Pursuant to Board Policy No. 24

CONVEYANCE OF WATER FACILITIES

None

CUSTOMER CARE AND BILLING (CC&B) SYSTEM UPDATE:

November 9, 2020

Beacon meter software is in the middle of testing. We added 4 of the new cellular endpoint meters out in the field and are in the test mode. Next week we will be adding some additional new meters to continue testing. Once our Beacon consultant feels that everything is working properly we will start live testing so that we can move forward with implementation. Once we reach that milestone, we are going to setup some training for those employees that will be working with the new software and new meters.

I.T. STRATEGIC PLAN UPDATE:

These updates will be placed in the Quarterly reports per Board action during the July 26, 2019 Regular Board meeting. The current update is in the October 25, 2019 Regular Board meeting.

I.T. INITIATIVES UPDATE:

November 9, 2020

Information Technology Division continues to work diligently to assist the Department to adapt to the COVID-19 challenges. Support to improve the DOW IT network with upgrades and maintenance of the server system continues. The IT Division is in the process of migrating to Microsoft Office 365 with an anticipated completion in early December 2020.

Candidate interview were held on October 1 & 2, 2020 for the Waterworks Information Technology Manager position. A prospective candidate was selected and the Department has forwarded its recommendations to DHR for review and approval for the position offer.

DEPARTMENT OF WATER'S CAPITAL IMPROVEMENT PROJECTS REQUESTS FOR STATE AID FOR FY 2020-2021 UPDATE

None

Charter Section 17.04 relating to the minimum requirements for the position of Manager and Chief Engineer of the Department of Water, ballot question

SHALL AN INDIVIDUAL WHO HAS EXTENSIVE WORK AND SUPERVISORY EXPERIENCE IN AN ENGINEERING OR RELATED FIELD ALSO BE QUALIFIED TO SERVE AS MANAGER AND CHIEF ENGINEER OF THE DEPARTMENT OF WATER SUPPLY?

Charter Language: Section 17.04. Staff. The [~~board shall appoint an engineer duly registered under Hawai'i state laws pertaining to registration of engineers~~] manager and chief engineer shall be appointed and may be removed by the board of water. Said person

~~[shall be known as the manager and chief engineer and]~~ shall be the head of the department. The manager and chief engineer may but is not required to be an engineer duly registered under Hawai'i state laws pertaining to registration of engineers, and shall have had a minimum of five years of training and experience in an engineering related position, at least three years of which shall have been in a responsible administrative capacity. Said person shall have the powers and duties prescribed by the board. (Amended 1980)

*(Language to be deleted is bracketed and stricken through. Language to be added is underlined.)

ADVISOR REPORT TO THE BOARD OF WATER SUPPLY UPDATE

Period ending October 31, 2020

The following is a list of tasks which was worked on for the DOW during the month of October:

- Handled emails, calls and texts from staff
- Discussions with Chair Akamine and staff on various matters
- Discussions with Construction Division on various projects
- Participated in and/or conducted DH/Leads weekly meeting
- Participated in DOW Board Meeting
- Worked with CM staff while D. Moises on vacation
- Discussions on chlorination requirements and procedures
- Reviewed PMWeb for Hanapepe WL and Kainani
- Discussions on Hanapepe WL RFI's

Attachment: BAB Spend down

Mgrpp/Manager's Update (November 19, 2020):mja

DEPARTMENT OF WATER

County of Kaua'i

"Water has no Substitute – Conserve It!"

MANAGER'S REPORT No. 21-12

RECEIVED FOR THE RECORD

November 19, 2020

Re: Discussion and Possible Action on the Fourth Amendment to Contract No. 639 Job No. 17-10, WP2020 Project No. KW-07 Rehabilitate Paua Valley Tank #1, 0.5MG Concrete, with KAI Hawaii Inc. for a time extension of 150 days and for additional design funding in the amount of \$292,719.00

RECOMMENDATION:

It is recommended that the Board approve a fourth amendment to Contract No. 639 with KAI Hawaii Inc. for the subject project for a time extension of 150 days and additional design funding in the amount of \$292,719.00.

FUNDING:

Account No.	10-20-00-604-000				
Acct Description	WU/Eng/AdminCapitalOutlay-Rehabilitation and Replacement				
Funds Available	Water Utility Fund -Unrestricted			\$	5,923,831
Contract No.	639				
Vendor	KAI Hawaii, Inc.				
	Contract Amount	\$	93,625.52		
	Amendment 1 Additional Amount	\$	68,795.00		
	Amendment 2 Additional Amount	\$	11,636.00		
	Amendment 3 Amount (Credit)	\$	-2.12		
	Total Funds Certified To Date	\$	174,054.40		
Amendment:					
	Additional Funds Requested for Amendment 4:	\$	292,719.00		
	Proposed New Contract Amount	\$	386,773.40		
	Fund Balance			\$	5,631,112

BACKGROUND:

Contract NTP Date: July 10, 2017
 Original Contract End Date: March 16, 2018
 New Contract End Date: Estimate March 21, 2021

The DOW started Job No. 17-10, WP2020 Project No. KW-07 Rehabilitate Paua Valley Tank #1, 0.5MG Concrete to address the aging tank located in Kekaha and to perform repairs,

including fixing a leak located at the base of the tank. As part of the project, DOW performed hazardous material surveys to ensure proper disposal of any material intended to be removed. The presence of polychlorinated biphenyls (PCBs) within the interior of the tank was not expected, based on DOW prior tests for PCBs of the tank water. However, results of the hazardous material survey identified the presence of polychlorinated biphenyls (PCBs) within the interior liner of the tank (testing for PCBs on exterior of tank was not required), which required the shutdown of the tank and the involvement of the Department of Health (DOH) Hazard Evaluation and Emergency Response Office (HEER) and the Environmental Protection Agency (EPA) to provide direction of proper removal and disposal of the PCBs. Design mitigation of PCBs if detected was not included in the scope of work.

First Amendment (executed May 15, 2018)

After discussions with HEER and EPA, specifications needed to be provided for proper removal and disposal of the interior liner of the tank. Additionally, the soils in the drainage ditch needed to be tested for the presences of PCBs, as this is where the tank discharges overflow or washout water.

Second Amendment (executed September 11, 2019):

Testing from the drainage ditch resulted in the presence of PCBs within the soils. Requirements from EPA require that a PCB soil removal plan must be developed and approved by the EPA and HEER for proper mitigation of the soil in the ditch. Therefore, the second contract amendment was necessary to complete the PCB soil removal plan to satisfy requirements from HEER and EPA. EPA clarified that construction of the tank rehabilitation was not dependent on the soil removal plan and mitigation of the soil in the ditch and could proceed independently from the soil mitigation of the ditch. The DOW decided to proceed with the construction of the tank rehabilitation.

Third Amendment (executed June 8, 2020):

During the initial stages of construction, the Construction Contractor submitted an RFI requesting that the exterior paint be tested for PCB contamination on the basis that two other DOW tanks have recently tested positive for PCBs in the exterior paint. PCB sampling in the exterior paint is not typically required by the Department of Health or EPA, but the DOW voluntarily chose to sample the exterior coatings of the Pa'anau Tank No. 1 and Kaua'i Inn Tanks as part of Job No. 18-02, the Island-Wide Tank Rehabilitation of Tanks Project. The positive results from those two tanks led the Construction Contractor to request that the Paua Valley Tank project be tested on the basis that they were built during the same timeframe and may have used similar materials.

DOW staff met with EPA Region IX to request a determination as to whether PCB testing of the exterior paint was required. The EPA representative stated that PCB testing is not a standalone requirement; however, it was clarified by EPA that based on case law in California, the EPA can now "reasonably require" the DOW to test the exterior paint for PCBs at the Paua Valley tank because two other tanks in the DOW system tested positive. Therefore, the DOW proceeded with testing the tank's exterior paint for PCBs. Should the results indicate that PCBs are present, additional mitigation will be needed for the removal and disposal of the paint and the Construction Contractor will submit a change order for the project.

Fourth Amendment (proposed):

The PCB sampling results for the exterior paint and roof coating on the Paua Valley Tank (Reservoir No. 1) were positive for PCB. As a result of this, EPA is requiring testing of the soil

and asphalt paving surrounding the reservoir. Additional environmental and engineering work are required to comply with EPA and DOH requirements. Depending on the test results further testing and mitigation may be required.

As discussed at the October Board meeting, the DOW has requested that the consultant for the project provide an updated proposal to include baseline sampling and testing of the site surrounding the tank for PCBs. The purpose in determining and establishing PCB levels prior to construction is to ensure that the Contractor is responsible for remediation of the pavement and/or soil should there be any areas in which the PCB levels are higher after the project's scope is completed. The preliminary estimate to complete the base line testing is \$80,000, although the DOW has not received a formal proposal from the consultant at this time. A revised proposal which includes the baseline PCB testing has not yet been received from KAI Hawaii, but is expected soon.

An added benefit of conducting the baseline testing of the soil for PCBs is that the project area in the vicinity of the physical break will be included in the sampling. This area was included in KAI's original proposal and therefore sampling for this area would be removed from the contract amendment, resulting in a cost savings. While a final, updated proposal has not been received, it is estimated that the original proposal of \$212,719 would be reduced by approximately \$40,000 if the baseline testing is included (resulting in an estimated new total of \$252,000).

Additionally, as discussed at the October Board meeting, the Department is also considering utilizing the As-Needed Engineering Services contract to assist with providing more detailed water quality specifications to filter and remove the PCBs from the water currently inside the tank. We have confirmed that the As-Needed Engineering consultant is available and qualified to assist with this effort and funds are already approved within the existing contract. The purpose in doing so is that providing this information to the Contractor may reduce the risk to the Contractor, resulting in a lower net cost for the Department. The initial cost estimate from the As-Needed Engineering consultant for this effort is in the range of \$20,000 to \$30,000.

Lastly, DOW staff have recently been in touch with the EPA Region IX to clarify the requirements for disposing of the tank should the DOW decide that it is more cost effective to demolish the existing tank and construct a brand new tank. The EPA Region IX has provided information that should be thoroughly evaluated to make this determination. The DOW will be working to complete this evaluation as soon as possible and will share an update at the December Board meeting. The evaluation will include considerations for life cycle costs, as a remediated tank is anticipated to have a 20 to 25-year life and a brand new tank is estimated to have a 50 to 75-year life.

Summary of Design:

- **July 10, 2017** - Original contract NTP – Consultant completed hazardous material testing required in the contract scope of work. Consultant test results report in December 2017 included detection of PCBs in the interior lining of the tank. DOW did not expect this. (note: testing of the tank exterior for PCBs was not required by DOH or EPA at that time and not included in the design scope of work)
- **May 15, 2018** – 1st Amendment to contract executed. Amendment is to address EPA requirement for DOW to mitigate/dispose of interior tank lining and to test soil in drainage ditch (off-site from tank site) for PCBs.

- **September 11, 2019** – 2nd Amendment to contract executed. Amendment is to address PCBs being detected in the soil samples from the drainage ditch and subsequent EPA and DOH HEER requirements to address the PCB detected in the ditch soil. EPA clarified that construction of the Paua Tank can proceed, as it is not contingent on the mitigation of the PCB detected in the drainage ditch soil. DOW decided to proceed with construction and a construction contract was executed.
- **June 8, 2020** – 3rd Amendment to contract executed. Amendment is to address Construction Contractor's request to test exterior of tank for PCBs and subsequent EPA determination that the testing of the tank exterior needed to be done. This Amendment is for the consultant to complete the additional testing required by EPA.
- **October 22, 2020** – Proposed 4th Amendment to contract. Amendment is to address PCBs being detected in the exterior paint and roofing material of the tank and subsequent EPA requirement to test the asphalt paving and soil surrounding the tank for PCBs.

OPTIONS:

Option 1: Approve \$212,719.00 in additional funds for the subject contract.

Pro: This will allow DOW to adhere to requirements from HEER and EPA to develop an approved plan and test for PCB contaminated asphalt/soils around the Paua Valley 0.5 MG tank.

Con: Additional funds will be expended.

This amount does not include baseline testing for PCBs in the soil at the site.

Option 2: Do not approve \$212,719.00 in additional funds for the subject contract.

Pro: Additional funds will not be expended.

Con: The DOW will not be able to adhere to the requirements from HEER and EPA to develop an approved plan and test for PCB contaminated asphalt/soils around the tank site. The project cannot be completed.

Option 3: Approve \$292,719.00 in additional funds for the subject contract to include baseline PCB sampling and testing.

Pros: This will allow DOW to adhere to requirements from HEER and EPA to develop an approved plan and test for PCB contaminated asphalt/soils around the Paua Valley 0.5 MG tank.

This will also provide for baseline PCB testing at the site, which will most likely lead to a reduction in the engineering consultant's scope from the initial proposal and a cost savings. The baseline testing is also anticipated to protect the DOW in the long term by ensuring that the Contractor is responsible for remediation of the soil should there be any areas in which the PCB levels in the soil are higher after the project's scope is completed.

The DOW Engineering staff can proceed with finalizing a contract amendment prior to the December Board meeting, minimizing delays to construction.

Cons: Additional funds will be expended.

Option 4: Defer action to the December Board meeting when more information is available.

Pros: The DOW Engineering staff can continue to work towards obtaining all necessary information to make a holistic evaluation of the project to determine the most appropriate approach and next steps. A more complete recommendation can be provided to the Board at a future Board meeting.

Cons: Construction will continue to be delayed, leading to additional delay costs from the construction contractor.

KA/BW/ein

Mgrrp/November 2020/21-12/Discussion and Possible Action on the Fourth Amendment to Contract No. 639 Job No. 17-10, WP2020 Project No. KW-07 Rehabilitate Paua Valley Tank #1, 0.5MG Concrete, with KAI Hawaii Inc. for a time extension of 150 days and for additional design funding in the amount of \$292,719.00 (11-19-20):ein

DEPARTMENT OF WATER

County of Kaua'i

"Water has no Substitute – Conserve It!"

MANAGER'S REPORT No. 21-14

RECEIVED FOR THE RECORD

November 19, 2020

Re: Discussion and Possible Action for Board Approval on the Tenth Amendment to Contract No. 427, Job No. 02-14, WP2020 WK-08 Kapa'a Homesteads 325' Tanks – Two 0.5 Million Gallon (MG) Storage Tanks, Kapa'a, with Belt Collins Hawai'i for a time extension of 365 calendar days and expenditure of an additional \$45,000.00

RECOMMENDATION:

It is recommended that the Board approve a tenth contract amendment to Contract No. 427 with Belt Collins Hawai'i for the subject project to extend the contract time and the expenditure of an additional \$45,000.00.

FUNDING:

Account (BAB-Expansion-Design)

Account No. 30-20-00-605-116

Contract No. 427: Belt Collins Hawai'i, LLC	\$256,700.00	
Amendment No. 1 (Ext to 12/31/09)	\$354,978.00	
Amendment No. 2	\$10,000.00	
Amendment No. 3	\$19,000.00	
Amendment No. 4 (Ext to 12/10/10)	\$40,450.00	
Amendment No. 5 (Ext to 12/31/13)	\$76,200.00	
Amendment No. 6 (Ext to 6/30/14)	\$2,300.00	
Amendment No. 7 (Ext to 5/26/16)	\$18,100.00	
Amendment No. 8 (Ext to 6/30/17)	\$51,911.26	
Amendment No. 9 (NTP 8/23/17: Pkg "A" 180 days; pkg "B"-360 days from NTP; both pkgs excluding Board review time)	\$160,149.00	
Total Contract Amount		\$989,788.26
Available Funds (Fiscal to provide):		
BAB Fund Account No. 30-20-00-605-116		
Additional Funds Requested for Budget		
BAB/Capital Projects/Expansion/Design - Amendment No. 10	\$45,000.00	
Allocation of Additional Funds Requested:		
BAB Fund Account No. 30-20-00-605-116 (100% of total requested for Expansion portion of Project)	\$45,000.00	
Total Additional Funds Requested		\$45,000.00
Total (new) Amount for Kapa'a Homesteads 325' Tanks – Two 0.5 Million Gallon Storage Tanks Project		\$1,034,788.26

Contract NTP Date: March 15, 2004
Original Contract End Date: March 9, 2005
New Contract End Date: TBD

BACKGROUND:

The Department of Water (DOW) is proposing to construct two new 0.5 MG concrete storage tanks on the same site as the existing Ornellas tank in the Kapa'a Homesteads located near the intersection of Kawaihau Road and Ka'apuni Road. The project's design includes drainage improvements for site storm water and potential tank overflow or washout events. The Department also is constructing a separate project, *Drill and Test Kapa'a Well No. 4* at the same site.

The construction of the *Kapa'a Homesteads 325' Tanks* and *Drill and Test Kapa'a Well No. 4* projects have been delayed because the land owner that initially agreed to accept the drainage from the projects had second thoughts about accepting the drainage during construction. Construction was stopped until the land owner and the DOW could resolve the drainage. The DOW has negotiated with the land owner where it is proposed that the DOW will purchase an easement from the land owner and be responsible for **maintaining** the drainage facilities on the land owner's property.

The DOW has decided that in the best interest of the DOW, a redesign of the drainage on the private lot owner's property should be done. The DOW has not completed negotiations for a design contract amendment to do so at the time this Manager's Report needed to be posted, so the Department is requesting an estimated amount of funds for the upcoming contract amendment to save time and to minimize the construction stop work time and to complete the DOW projects sooner. **Two additional options the DOW may consider include:**

- 1) **Replacing the current ditch with a smaller sized ditch that would detain water instead of retaining water as originally designed.**
- 2) **Determine if water can be detained at the tank site, which may eliminate the need for a ditch on the land owner's property.**

The proposed amendment for contract time extension and additional funding are necessary to provide additional design services to complete the project, including: revision of drainage plans located on private property for the disposal of site storm water, well discharge waters, and tank discharge waters. The requested funding amount is an estimated amount. **In the event that the estimated budget amount is not enough, the DOW will need to request additional funds at a future Board meeting.**

OPTIONS:

Option 1: Approve the expenditure of the additional design funds.

Pro: This will allow the DOW to re-design the drainage system on private property to meet DOW needs.

Con: This will require expenditure of additional funds.

Option 2: Do not approve the expenditure of the additional design funds.

Pro: Additional funds will not be needed.

Con: Not approving the expenditure of additional design funds would increase DOW maintenance time and costs for the drain system on private property and possible liability risks.

Option 3: Defer until more information can be provided to the Board and the Engineering division has completed negotiations with the consultant regarding the proposed re-design.

Pro: This will provide more time for a more comprehensive recommendation to the Board at a future Board meeting.

Con: Construction will continue to be delayed, leading to additional delay claim costs.

KA/ein

Mgrrp/November 2020/21-14/Discussion and Possible Action for Board Approval on the Tenth Amendment to Contract No. 427, Job No. 02-14, WP2020 WK-08 Kapa'a Homesteads 325' Tanks – Two 0.5 Million Gallon (MG) Storage Tanks, Kapa'a, with Belt Collins Hawai'i for a time extension of 365 calendar days and expenditure of an additional \$45,000.00 (11-19-20):ein