

**BOARD OF WATER SUPPLY
KA 'OIHANA WAI
CITY AND COUNTY OF HONOLULU**

630 SOUTH BERETANIA STREET • HONOLULU, HAWAII 96843
Phone: (808) 748-5000 • www.boardofwatersupply.com

RICK BLANGIARDI
MAYOR
MEIA

ERNEST Y. W. LAU, P.E.
MANAGER AND CHIEF ENGINEER
MANAKIA A ME KAHU WILIKI

ERWIN KAWATA
DEPUTY MANAGER
HOPE MANAKIA



NĀ'ĀLEHU ANTHONY, Chair
JONATHAN KANESHIRO, Vice Chair
BRYAN P. ANDAYA
LANCE WILHELM
KĒHAULANI PU'U
EDWIN H. SNIFFEN, Ex-Officio
GENE C. ALBANO, P.E., Ex-Officio

February 18, 2025

NOTICE

The Board of Water Supply, City and County of Honolulu, Regular Meeting will be held on Monday, February 24, 2025, at 2:00 p.m. in the Boardroom, Public Service Building, 630 South Beretania Street, Honolulu, HI 96843.

Limited seating will be available for in-person testifiers in the Boardroom. The public may also view the livestream of the meeting from the lobby of the Board of Water Supply, Public Service Building, 630 South Beretania Street, Honolulu, HI 96843.

Public parking for this meeting is available in the Public Service Building customer parking lot.

TESTIMONY

Testimony may be submitted as follows:

- **Written testimony** should include the submitter's address, email address, and phone number. Testimony should be received by Monday, February 24, 2025, at noon. Submit written testimony by:
 - Email to board@hbws.org
 - Online at boardofwatersupply.com/testimony
 - Mail to Board of Water Supply, 630 South Beretania Street, Honolulu, HI 96843
 - Fax to (808) 748-5079
- **Oral testimony** will be accepted remotely and in person during the meeting. Pre-registration is encouraged to facilitate as much remote and in-person testimony as reasonably possible during the time allotted. Testifiers should also consider submitting a written version of their oral testimony.
 - To testify remotely by phone or video using the Zoom videoconferencing platform, please submit your request by:
 - Email to board@hbws.org
 - Online at boardofwatersupply.com/testimonyZoom registration instructions, as well as participant guidelines, will be sent to the contact information provided. Once confirmed as registered, testifiers will receive an email containing the links and instructions to join the Zoom session. Submit your request to testify remotely by Friday, February 21, 2025, at noon.
 - To testify in person at the Board of Water Supply, Public Service Building, 630 South Beretania Street, Honolulu, HI 96843, please pre-register by submitting your request by Monday, February 24, 2025:
 - Email to board@hbws.org
 - Online at boardofwatersupply.com/testimony

In-person testifiers should check in with building security and then with testimony staff located in the lobby. Testifiers will be escorted to and from the Board Room. On-site registration will be available for walk-in requests.

Testimony is limited to two (2) minutes and shall be presented by the registered speaker only. Testimony submitted in writing or orally, electronically or in person, for use in the meeting process is public information. All testimony will be included as part of the approved meeting minutes at boardofwatersupply.com/boardmeetings.

MATERIALS AVAILABLE FOR INSPECTION

Meeting materials ("board packet" under HRS §92-7.5) are accessible at www.boardofwatersupply.com/boardmeetings.

VIEWING THE MEETING

The meeting will be viewable via live streaming on the BWS website: www.boardofwatersupply.com/live. Video will appear on screen. You may have to click the arrow on video to start it. You may have to unmute audio, as muted audio tends to be the default setting.

SPECIAL REQUESTS AND ACCOMMODATIONS

If you require special assistance, an auxiliary aid or service, and/or an accommodation due to a disability to participate in this meeting (i.e., sign language interpreter, interpreter for language other than English, or wheelchair accessibility), please call Joy at (808) 748-5172 or email your request to board@hbws.org **at least three business days prior to the meeting date**. If a response is received after the requested three business days before the meeting date deadline, we will try to obtain the auxiliary aid/service or accommodation, but we cannot guarantee that the request will be filled.

Upon request, this notice is available in alternate formats such as large print, Braille, or electronic copy.

The agenda for February 24, 2025, Regular Meeting of the Board of Water Supply is as follows:

ITEMS REQUIRING BOARD ACTION

1. Approval of the Minutes of the Regular Meeting Held on January 27, 2025
2. Adoption of Resolution No. 995, 2025, Acceptance of Gifts to the Board of Water Supply from Various Donors in Support of the 2025 Water Conservation Week Program

ITEMS FOR INFORMATION

1. Update on the Board of Water Supply's Response to the Potential Impacts of the Red Hill Fuel Contamination
2. Capital Improvements Program Semi-Annual Update
3. Financial Update for the Quarter Ended December 31, 2024
4. Financial Statements and Supplementary Information with Independent Auditors' Report, Fiscal Year Ended June 30, 2024
5. Petition for the Designation of the Wai'anae Sector as a Ground Water Management Area
6. Status Update of Groundwater Levels at All Index Stations
7. Water Main Repair Report for January 2025

EXECUTIVE SESSION

1. Approval of the Minutes of the Executive Session Meeting Held on January 27, 2025
2. To Consult with the Board's Attorney on Questions and Issues pertaining to the Board's Powers, Duties, Privileges, Immunities, and Liabilities Pertaining to Matters Concerning the Red Hill Bulk Fuel Storage Facility [HRS §92-5(a)(4)]

MINUTES

To watch the recording of this meeting, please click on the following link:
<https://vimeo.com/bwshonolulu/feb-24-2025>. Closed captioning is available.

THE REGULAR MEETING OF THE BOARD OF WATER SUPPLY

February 24, 2025

At 2:00 PM on February 24, 2025, in the Public Service Building Board Room at 630 South Beretania Street, Honolulu, Hawai'i, Board Chair Nā'ālehu Anthony called to order the Regular Meeting.

Present: Nā'ālehu Anthony, Chair
Jonathan Kaneshiro, Vice Chair
Lance Wilhelm, Board Member
Kēhaulani Pu'u, Board Member via Zoom
Gene Albano, Ex-Officio via Zoom

Also Present: Ernest Lau, Manager and Chief Engineer
Erwin Kawata, Deputy Manager
Patrick Chun, Acting Program Administrator,
Capital Projects Division
Jewel Pharms, Assistant Program Administrator,
Customer Care Division
Kathleen Elliott-Pahinui, Information Officer,
Communications Office
Raelynn Nakabayashi, Executive Assistant I,
Executive Support Office
Wayne Tello, Acting Program Administrator,
Field Operations Division
Leanne Matsumoto, Waterworks Controller,
Finance Division
Michele Thomas, Executive Assistant I,
Human Resources Office via Vimeo
Henderson Nuhiwa, Program Administrator,
Information Technology Division
Michael Matsuo, Land Administrator, Land Division
Barry Usagawa, Program Administrator,
Water Resources Division
Pekelo Martin, Acting Program Administrator,
Water System Operations Division
Joyce Lin, Civil Engineer IV, Office of the Manager
and Chief Engineer
Kimberly Kuwaye, Manager Secretary
Joy Cruz-Achui, Board Secretary
Kathy Mitchell, Administrative Services Officer
via Vimeo

Stella Bernardo, Information Specialist II,
Communications Office via Zoom
Michele Harman, Community Relations Specialist I,
Communications Office via Zoom
Wayne Maria, Information Specialist II,
Communications Office
Jonathan Scheuer, Kahālāwai Consulting, LLC
Donn Nakamura, Accuity, LLP
Joshua Yee, Accuity, LLP

Others Present: Jeff Lau, Deputy Corporation Counsel
via Zoom
Jessica Wong, Deputy Corporation Counsel
via Zoom

Absent: Bryan P. Andaya, Board Member
Edwin H. Sniffen, Ex-Officio

Chair Nā'ālehu Anthony opened the Board meeting with an 'olelo no'eau:

Aloha mai kākou e nā hoa makamaka mai ka lā hiki a ka lā kau. Welina nui me ke aloha!

Mahalo nui no kēia 'ākoakoa 'ana o kākou no ka pono o ka lāhui, no ka pono o ka 'āina, a no ka pono o ka wai nō ho'i. Eia he 'ōlelo no'eau e kālele ana i ke ko'iko'i o ka wai.

Chair Anthony translated the 'olelo no'eau: Aloha from the rising to the setting sun
Thank you all for coming together today for the people, the land, and the water. Here is a short Hawaiian Proverb that helps us remember the importance of fresh water and land.

'Ōlelo 2482: Ola i ka wai aka 'ōpua.

Chair Anthony translated 'ōlelo 2482: There is life in the water from the clouds. Rain gives us life.

Chair Anthony welcomed everyone to the February 24, 2025, Regular Meeting of the Board of Water Supply (BWS). He stated that the Board of Water Supply is dedicated to providing safe, dependable, and affordable supply of water now and into the future.

Before continuing the meeting, Chair Anthony stated that a recording would play to share reminders for public participation and virtual meeting regulations required by law.

The recording played: Goals for this meeting under Hawai'i Revised Statutes, Section 92-7.5 are accessible at www.boardofwatersupply.com/boardmeeting. The public may attend this meeting in person at the Public Service building located at 630 South Beretania Street. The public may also view a live stream of today's meeting on our website at www.boardofwatersupply.com/live. We have been accepting written or oral testimony for today's meeting. Instructions and an online submittal form are available at boardofwatersupply.com/testimony. The deadline to submit advance written testimony has passed. Testimony received by noon today has been distributed to the board members. We will continue to accept written testimony today through our online form. Oral testimony in person or remotely will be accepted during today's meeting. To facilitate as much in-person and remote testimony as reasonably possible during the time allotted, preregistration and submittal of a written version of testimony at boardofwatersupply.com/testimony is strongly encouraged. To testify in person, please register using our online form or come to the public service building at 630 South Beretania Street. We have a representative in the lobby to provide intake and further instructions. To request to testify remotely, please complete the online form at boardofwatersupply.com/testimony. Requestors will receive an email containing links and instructions on how to join the Zoom session. Testifiers will have two minutes to state their position. A timekeeper will alert testifiers when there is one minute remaining. Once the two minutes are up, please summarize to allow time for questions from the Board. Then, make room for the next testifier. Board members attending any board meeting remotely must be visible to the public to be considered, present, and meet quorum guidelines. Board members participating remotely must also disclose their location and anyone present at their location during roll call. Meeting participants who are calling or video conferencing in, please mute your microphone when you're not speaking. If you have a question, comment, or wish to enter or second a motion on an action item, please unmute your microphone and identify yourself before continuing to speak. If you encounter technical issues during today's meeting, please use the Zoom chat to send a direct message to our support team. Their names are listed in the

message to all participants. To open the chat window, please click the text Bubble icon on the Zoom Toolbar.

Chair Anthony requested a roll call for the Regular Meeting. He asked those participating remotely to give the appropriate disclosures up responding.

Board Member Gene Albano joined via Zoom, responded aye, and disclosed that he was alone at his location; Vice Chair Jonathan Kaneshiro responded here and was present in the Board room; Board Member Lance Wilhelm responded e'o and was present in the Board room; and Chair Anthony was in the Boardroom. Board Members Bryan Andaya, Kēhaulani Pu'u, and Edwin Sniffen were absent.

Chair Anthony introduced those in the Boardroom: Manager Ernest Lau, Deputy Manager Erwin Kawata, Board Secretary Joy L. Cruz-Achui, Manager Secretary Kimberly Kuwaye, and Information Specialist II Wayne Maria. Deputy Jeff Lau and Deputy Jessica Wong joined via Zoom from the City and County Corporation Counsel.

REGULAR MEETING

APPROVAL OF MINUTES

Approval of the Minutes of the Regular Meeting Held on January 27, 2025.

MOTION TO APPROVE

Jonathan Kaneshiro and Lance Wilhelm motioned and seconded, respectively, to approve the Minutes of the Regular Meeting Held on January 27, 2025.

Ms. Cruz-Achiu conducted a roll call vote: Vice Chair Jonathan Kaneshiro, aye; Board Member Lance Wilhelm, aye; Board Member Gene Albano, aye; and Chair Nā'ālehu Anthony, aye. Ms. Cruz-Achiu announced that the motion passed with four ayes. Board Members Bryan Andaya, Kēhaulani Pu'u, and Edwin Sniffen were absent.

| THE MINUTES OF THE REGULAR MEETING HELD ON JANUARY 27, 2025, WERE APPROVED AT THE FEBRUARY 24, 2025, BOARD MEETING | | | |
|--|-----|----|---------|
| | AYE | NO | COMMENT |
| NĀ'ĀLEHU ANTHONY | X | | |
| JONATHAN KANESHIRO | X | | |
| BRYAN P. ANDAYA | | | ABSENT |
| LANCE WILHELM | X | | |
| KĒHAULANI PU'U | | | ABSENT |
| EDWIN H. SNIFFEN | | | ABSENT |
| GENE C. ALBANO | X | | |

"February 24, 2025

ADOPTION OF
RESOLUTION
NO. 995, 2025,
ACCEPTANCE
OF GIFTS TO
THE BOARD OF
WATER SUPPLY
FROM VARIOUS
DONORS IN
SUPPORT OF
THE 2025
WATER
CONSER-
VATION WEEK
PROGRAM

Chair and Members
Board of Water Supply
City and County of Honolulu
Honolulu, Hawai'i 96843

Chair and Members:

Subject: Adoption of Resolution No. 995, 2025, Acceptance of Gifts
to the Board of Water Supply from Various Donors in
Support of the 2025 Water Conservation Week
Program

We recommend the adoption of the attached Resolution No. 995, 2025, that accepts proposed gifts to the Board of Water Supply (BWS), City and County of Honolulu, in support of the 2025 Water Conservation Week (WCW) Program. Monetary and in-kind gifts from the donors total \$14,100.00.

| <u>Donor Name</u> | <u>Amount</u> |
|---|--------------------|
| Friends of Hālawā Xeriscape Garden | \$ 2,000.00 |
| Sodexo (Refreshments for awards ceremony) | \$ 4,600.00 |
| Hawaiian Financial Federal Credit Union | \$ 2,000.00 |
| Aloha Pacific Federal Credit Union | \$ 2,000.00 |
| Alexander and Baldwin, Incorporated | \$ 1,000.00 |
| Hawai'i Energy | \$ 1,000.00 |
| Pasha Hawai'i | <u>\$ 1,500.00</u> |
| TOTAL | \$14,100.00 |

This well-established education outreach program is in its 47th year of existence. It uses a poster and poetry contest to engage Oahu's students in grades Kindergarten through 12 and teach them the value of water. Our goal is to instill in them the need to be water-efficient as, together, everyone contributes to a larger, island-wide commitment to a sustainable water future. Through this program, the BWS hopes to inspire more island residents to adopt water-conserving behaviors.

Sponsor gifts will help the BWS offset program costs that include the printing of 20,000 copies of the 2026 Water Conservation Calendars that will feature the winning entries from the 2025 WCW Poster and Poetry contests, as well as an awards ceremony for place winners and honorable mentions of the 2025 contests. The calendars are distributed to all Oahu schools, elected officials, and the public.

We deeply appreciate the continued support of this Board for this very valuable and worthwhile public education program. All participants in our

WCW program are encouraged to always embrace their roles as responsible stewards of our precious water resources.

Respectfully Submitted,

/s/ ERNEST Y. W. LAU, P.E
Manager and Chief Engineer

Attachment"

DISCUSSION: Kathleen Elliott-Pahinui, Information Officer, Communications Office, gave the report.

Chair Anthony stated that various donors have continued supporting the BWS Water Conservation Week Program over the years. He asked what kind of positivity comes from the BWS Water Conservation Program.

Ms. Kathleen Elliott-Pahinui shared that over 50 schools participated in the poster contest, and 11 schools participated in the poem contest last year. In 2024, 847 posters and 312 poems were submitted. The BWS Water Conservation Program contest allows students and teachers to become involved and share their experiences and what was learned through the BWS Water Conservation Program. The winning posters and poems are featured in the BWS calendar, which the community enjoys.

At 2:08 PM, Chair Anthony recognized Board Member Kēhaulani Pu'u joined the meeting via Zoom.

Board Member Kēhaulani Pu'u disclosed that she was alone in her office.

MOTION
TO APPROVE

Lance Wilhem and Jonathan Kaneshiro motioned and seconded, respectively, to approve the Adoption of Resolution No. 995, 2025, Acceptance of Gifts to the Board of Water Supply from Various Donors in Support of the 2025 Water Conservation Week Program.

Ms. Cruz-Achiu conducted a roll call: Vice Chair Jonathan Kaneshiro, aye; Board Member Lance Wilhelm, aye; Board Member Kēhaulani Pu'u, aye; Board Member Gene Albano, aye; and Chair Nā'ālehu Anthony, aye. Board Member Bryan Andaya and Board Member Edwin Sniffen were absent.

Ms. Cruz-Achiu announced that the motion passed with five ayes.

ADOPTION OF RESOLUTION NO. 995, 2025,
ACCEPTANCE OF GIFTS TO THE BOARD OF WATER
SUPPLY FROM VARIOUS DONORS IN SUPPORT OF THE
2025 WATER CONSERVATION WEEK PROGRAM WAS
ADOPTED ON FEBRUARY 24, 2025

| | AYE | NO | COMMENT |
|--------------------|-----|----|---------|
| NĀ'ĀLEHU ANTHONY | X | | |
| JONATHAN KANESHIRO | X | | |
| BRYAN P. ANDAYA | | | ABSENT |
| LANCE WILHELM | X | | |
| KĒHAULANI PU'U | X | | |
| EDWIN H. SNIFFEN | | | ABSENT |
| GENE C. ALBANO | X | | |

BOARD OF WATER SUPPLY
CITY AND COUNTY OF HONOLULU

RESOLUTION NO. 995, 2025

ACCEPTANCE OF GIFTS TO THE BOARD OF WATER SUPPLY
FROM VARIOUS DONORS IN SUPPORT OF THE
2025 WATER CONSERVATION WEEK PROGRAM

WHEREAS, the Board of Water Supply's (BWS) annual Water Conservation Week program uses a poster and poetry contest to inspire Oahu students to reflect on the importance of efficient water use in their lives and features the winning and honorable mention entries in a yearly Water Conservation Calendar that is distributed to the public; and

WHEREAS, the BWS may solicit gifts to the Department, as long as it does not provide special consideration, treatment, advantage, privilege, or exemption for or coerce a potential donor; and

WHEREAS, the BWS will solicit for gifts on its agency website, which is available for access by any interested person or business; and

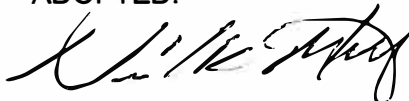
WHEREAS, the Friends of Hālawā Xeriscape Garden; Sodexo; Hawaiian Financial Federal Credit Union, Board of Water Supply Branch; Aloha Pacific Federal Credit Union; Alexander and Baldwin, Incorporated; Hawai'i Energy; and Pasha Hawai'i; are offering monetary and in-kind gifts totaling \$14,100.00 in support of the 2025 Water Conservation Week program; and

WHEREAS, a gift to the BWS benefits the Department because it assists ongoing efforts, such as this well-established public education program, and reduces the need for ratepayer funds to support the program's key components; and

WHEREAS, the gifts will be used to offset reasonable and necessary costs of the printing and delivery of about 20,000 Water Conservation Calendars featuring the contests' winning entries and efforts to recognize the student winners and honorable mentions; now, therefore

BE IT RESOLVED that the Board of Water Supply hereby accepts the various gifts valued at \$14,100.00 and directs the Manager and Chief Engineer, or his delegate, to accept and thank the various donors for these gifts.

ADOPTED:



NĀ'ĀLEHU ANTHONY
Chair

Honolulu, Hawai'i
February 24, 2025

| ADOPTION OF RESOLUTION NO. 995, 2025, ACCEPTANCE OF GIFTS TO THE BOARD OF WATER SUPPLY FROM VARIOUS DONORS IN SUPPORT OF 2025 WATER CONSERVATION WEEK PROGRAM WAS ADOPTED ON FEBRUARY 24, 2025 | | | |
|--|-----|----|---------|
| | AYE | NO | COMMENT |
| NĀ'ĀLEHU ANTHONY | X | | |
| JONATHAN KANESHIRO | X | | |
| BRYAN P. ANDAYA | | | ABSENT |
| LANCE WILHELM | X | | |
| KĒHAULANI PU'U | X | | |
| EDWIN H. SNIFFEN | | | ABSENT |
| GENE C. ALBANO | X | | |

ITEM FOR INFORMATION NO. 1

"February 24, 2025

UPDATE ON
THE BOARD OF
WATER SUPPLY'S
RESPONSE TO
THE POTENTIAL
IMPACTS OF
RED HILL FUEL
CONTAMINATION

Chair and Members
Board of Water Supply
City and County of Honolulu
Honolulu, Hawai'i 96843

Chair and Members:

Subject: Update on the Board of Water Supply's Response to the
Potential Impacts of the Red Hill Fuel Contamination

Joyce Lin, Civil Engineer IV, Office of the Manager and Chief Engineer,
will give an Update on the Board of Water Supply's Response to the
Potential Impacts of the Red Hill Fuel Contamination.

Respectfully Submitted,

/s/ ERNEST Y. W. LAU, P.E
Manager and Chief Engineer

Attachment"

The foregoing was for information only.

DISCUSSION:

Joyce Lin, Civil Engineer IV, Office of the Manager and Chief Engineer,
gave the report.

Board Member Lance Wilhelm inquired if the BWS has anything to do
with the University of Hawaii (UH) study.

Ms. Joyce Lin replied that the study being done by UH is an independent
study tasked by the Navy to better understand the underground
movements in the aquifer.

Manager Ernest Lau shared that the UH received a \$20 million (M) grant
to fund the development of an independent groundwater flow model and
is working closely with the Department of Health (DOH). The Navy is also
conducting its own study on the groundwater flow model. The BWS does
not have access to the tracer study until it becomes public and has not
been consulted.

Board Member Wilhelm asked if the BWS should be consulted on the
tracer study.

Manager Lau replied that it would have been nice to be notified that red
dye was being used in the tracer study so it could be identified if it should
show up during any BWS testing. If there are any questions regarding
the tracer study, the BWS will refer them to the UH. He commented that
the underground geology is complicated and diverse; therefore, the tracer
study is good.

Board Member Wilhelm commented that everyone involved should find a way to work together.

Manager Lau agreed with Board Member Wilhelm and stated that communicating would be an easy first step. The BWS can help with getting information out to the community. He mentioned that the Community Representation Initiative (CRI) group continues to hold meetings to share information and discuss Red Hill. The CRI's next meeting is on Thursday, February 27, 2025.

Board Member Wilhelm commented that the independence of the study seems important.

Manager Lau pointed out that the funding for the study comes from the Navy but is not involved in how the study is conducted.

Chair Anthony inquired if the red dye used in the study had any negative effects on drinking water.

Manager Lau responded that his only information would come from their press release. He commented that a frequently asked question (FAQ) list should include whether the red dye is being pumped into the drinking water aquifer.

Ms. Lin stated that the tracer used is Rhodamine WT, which is considered non-toxic and approved by the Environmental Protection Agency (EPA) and the Department of Health (DOH).

Chair Anthony asked if any other tracer studies have been done across the valley or outside the Navy property.

Manager Lau replied that other tracer studies had been used but were unfamiliar with other efforts.

Ms. Lin mentioned an 11-minute YouTube webinar discussing past tracer studies in Lahaina and Oahu, surrounding other fuel tank facilities.

Chair Anthony inquired if the tracer is visible if pumped or can be tested.

Ms. Lin responded that the tracer can be identified by applying light to the water sample to turn the tracer's fluorescent.

Chair Anthony commented if measuring the tracer within the BWS wells is such a bad idea.

Manager Lau replied that the BWS would reach out to the UH to ask for more information.

Chair Anthony commented that the question about the relationship between the wells, the aquifer, and the valleys has remained constant

even before the spill. Therefore, determining where the tracer is moving within the area or between the valleys is data.

Manager Lau mentioned that the BWS also participates in the Remediation Roundtable, which the EPA and the DOH created to allow various stakeholders to get involved in the groundwater flow studies and remediation.

Chair Anthony asked who is taking the lead in the UH tracer study.

Ms. Lin stated that Mr. Toomas Parratt is the lead of the UH tracer study.

Manager Lau added that Dr. Don Thomas is Mr. Parratt's advisor. He said he would send Dr. Thomas an email requesting more information.

There was written testimony:

| | |
|------------------------|--|
| Meredith Wilson | <i>She expressed her appreciation to Manager Lau for highlighting the updated Groundwater Flow Model Report and submitted questions.</i> |
|------------------------|--|

Q: *Does the BWS intend to provide comment on these new models?*

A: Manager Lau responded that the BWS is currently still reviewing the 12,000 page groundwater flow model report that was released in September 2024.

Q: *I know I've heard from Navy and BWS that acquiring sites for new monitoring wells can be challenging, some are located on private property and need to go through lengthy process. Is there any incentives or way the community can encourage homeowners to agree to these projects.*

A: Manager Lau agreed that it has been challenging and replied that he is unaware of any incentives.

There was in-person testimony:

| | |
|--------------------------|---|
| Susan Pcola-Davis | <i>Shared 31-pages to support her opinion and summary of the December 2024 SWARM and BWS meeting.</i> |
|--------------------------|---|

Chair Anthony agreed with Ms. Susan Pcola-Davis's comments regarding the Navy's use of why a granulated activated carbon (GAC).



FEBRUARY 2025 RED HILL UPDATES

February 24, 2025
boardofwatersupply.com

RECENT EVENTS

- 2/6: Pacific Water Conference
- 2/12: Subject Matter Expert Meeting –Postponed.
- Legislation Hearings



RED HILL CLOSURE UPDATES

❑ Step 1 – Preparation (Approx. 2-3 months):

- Isolate tank and disconnect piping
- Install tank ventilation equipment and inject water to soften sludge
- Remove flowable sludge
- Begin tank ventilation with forced air

❑ Step 2 – Remove Solid Sludge (Approx. 2-3 months):

- Inspect and repair central tower and catwalk
- Install center tower elevator; load test tower and catwalk
- Remove solid sludge

❑ Step 3 – Pressure Washing (Approx. 1-2 months):

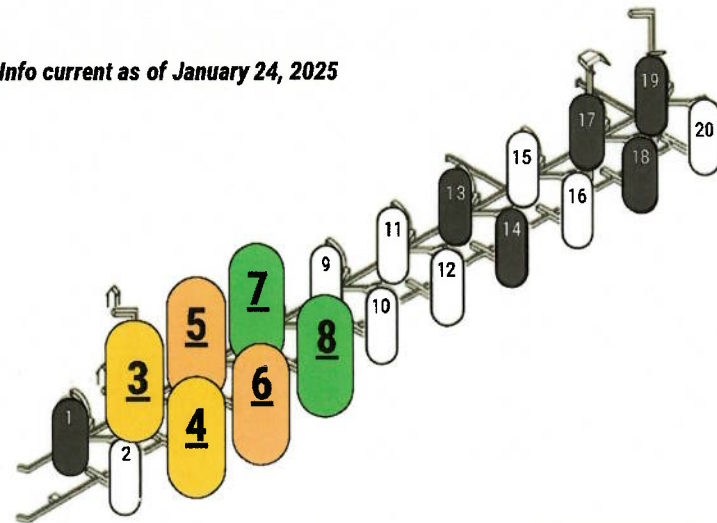
- Set up pressure washing system and
- Pressure wash with 3% Simple Green
- Rinse, continuously removing rinsate
- Dry tank interior and validate cleanliness; submit cleaning report
- Receive regulatory agency final approval that tank is clean

❑ Step 4 – Tank Decommission (Approx. 1-2 Months):

- Remove booms and infrastructure
- Install permanent lockable steel hatch at the entrance

Black tanks were empty and out of service prior to defueling.

**Info current as of January 24, 2025*



Source: Navy Closure Task Force –Red Hill



RED HILL CLOSURE UPDATES CONTINUE...

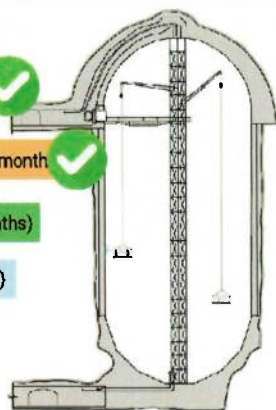
TANK 7

Step 1 Preparation (approx. 2-3 months) ✓

Step 2 Infrastructure/Sludge (approx. 2-3 month) ✓

Step 3 Pressure washing (approx. 1-2 months)

Step 4 Demobilization (approx. 1-2 months)



A total of 33 gallons of sludge was removed from Tank 7. All repairs to the main tower were completed, and the boom was installed to enable tank cleaning.

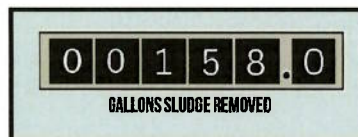
Pressure washing for Tank 7 began on January 9th and will take up to two months.

**Info current as of January 24, 2025*

SLUDGE AND RESIDUAL FUEL REMOVAL



**As of January 24, 2025*



Sludge is removed by lowering personnel to the bottom of the tank where it is manually shoveled out and put into drums. The drums are sealed and sent off the island for disposal at a permitted waste disposal facility on the continental U.S.

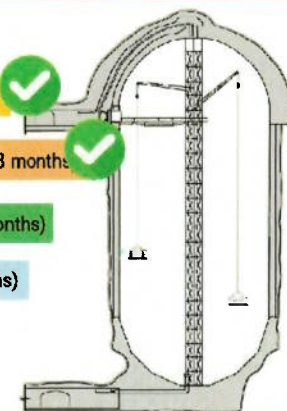
TANK 8

Step 1 Preparation (approx. 2-3 months) ✓

Step 2 Infrastructure/Sludge (approx. 2-3 months) ✓

Step 3 Pressure washing (approx. 1-2 months)

Step 4 Demobilization (approx. 1-2 months)



A total of 45 gallons of sludge was removed in June 2024.

Tank 8 pressure washing began on January 15th and is expected to take two months.

**Info current as of January 24, 2025*

LEGISLATION RELATED TO RED HILL

HOUSE BILLS

HB505

Establishes a WAI Policy Coordinator within CWRM for coordination of Red Hill WAI initiatives and Special Fund.

HB1367

Appropriation of \$20M in General Obligation Bonds for BWS to construct up to six (6) monitoring wells.

SENATE BILLS

SB150 –HB505 Companion

SB1634 –HB1367 Companion

SB3

Adds management of groundwater near the Red Hill Bulk Fuel Storage Facility to the power and duties of CWRM.

SB543

Establishes a WAI Policy Coordinator and other positions within CWRM. Authorizes entities to challenge an emergency order. Establishes fines for certain water use offenses.

SB639

Clarifies the level of environmental restoration that owners and operators of USTs and UST systems must satisfy in the event of a confirmed release of jet fuel.

SB656

Appropriates funds for DLNR to install 100 monitoring wells. ⁵



UPCOMING EVENTS

2/24: Navy Closure Task Force –Red Hill (NCTF-RH) Hosts Tank Cleaning Webinar

- 5pm -6pm @ <https://www.navyclosuretaskforce.navy.mil>
- Video will go live at 5pm.

2/27: Red Hill Community Representation Initiative Meeting

- 5pm -8pm @ Olelo Mapunapuna Studio.

3/12: Navy Closure Task Force –Red Hill Open House

- 5pm -7pm @ Keehi Lagoon Memorial Alfred Los Banos Hall.

4/9: Fuel Tank Advisory Committee Meeting

- Time and Location TBD.





MAHALO!

Providing safe, dependable, and affordable
drinking water, now and into the future.

February 2025 Red Hill Updates

ITEM FOR INFORMATION NO. 2

"February 24, 2025

CAPITAL
IMPROVEMENT
PROGRAM
SEMI-ANNUAL
UPDATE

Chair and Members
Board of Water Supply
City and County of Honolulu
Honolulu, Hawai'i 96843

Chair and Members:

Subject: Capital Improvement Program Semi-Annual Update

Patrick Chun, Acting Program Administrator, Capital Projects Division, will provide an update on the execution of the first and second quarters of FY 2025 Capital Improvement Program Budget.

Respectfully submitted,

/s/ ERNEST Y. W. LAU, P.E
Manager and Chief Engineer

Attachment"

The foregoing was for information only.

DISCUSSION:

Patrick Chun, Acting Program Administrator, Capital Projects Division, gave the report.

Board Member Wilhelm asked to go back to slide 2. He commented that the \$11M spent during the first two quarters compared to the budgeted \$279M for the fiscal year is minimal, meaning that the BWS would be very busy in the last two quarters. Board Member Wilhelm asked if there was a reason why.

Quarterly Capital Improvement Program Status Report
All Divisions
as of December 31, 2024

| Quarter Awarded | JUL - SEP | OCT - DEC | JAN - MAR | APR - JUN | Awarded to Date | Total Budgeted |
|--------------------------------------|-------------------|-------------------|-----------|-----------|-----------------|-------------------|
| Design Contracts Awarded (#/S) | 0 \$ - | 2 \$ 5,155,373.00 | | | \$ 5,155,373.00 | \$ 61,111,000.00 |
| Construction Contracts Awarded (#/S) | 3 \$ 1,030,710.00 | 4 \$ 5,327,359.00 | | | \$ 6,358,069.00 | \$ 217,800,000.00 |
| Land Purchases (#/S) | 0 \$ - | 0 \$ - | | | | \$ 600,000.00 |
| Project Totals | 3 \$1,030,710.00 | 6 \$10,482,732.00 | 0 \$0.00 | 0 \$0.00 | \$11,513,442.00 | \$279,511,000.00 |

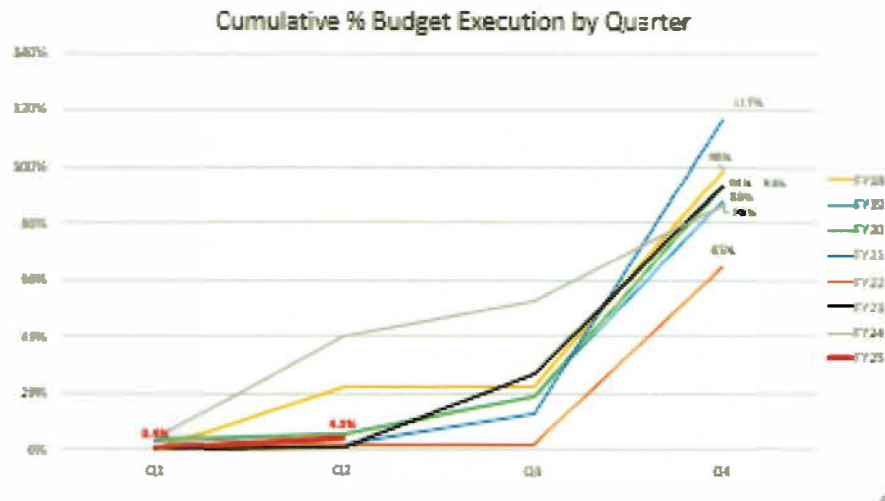
| Quarter Completed | JUL - SEP | OCT - DEC | JAN - MAR | APR - JUN | Totals |
|--|--------------------|-------------------|-----------|-----------|------------------|
| Design Contracts Completed (#/S) | 2 \$ 1,304,678.66 | 1 \$ 1,500,580.05 | | | \$ 2,805,258.65 |
| Construction Contracts Completed (#/S) | 5 \$ 14,554,188.00 | 0 \$ - | | | \$ 14,554,188.00 |
| Totals | 7 \$15,858,866.66 | 1 \$1,500,580.05 | 0 \$0.00 | 0 \$0.00 | \$17,359,446.65 |

| Ongoing Projects | |
|------------------------------------|------------------|
| Ongoing Design Projects (#) | 321 |
| Ongoing Design Projects (\$) | \$162,557,085.41 |
| Ongoing Construction Projects (#) | 120 |
| Ongoing Construction Projects (\$) | \$531,720,679.69 |



Mr. Patrick Chun stated that the BWS tries to encumber earlier in the fiscal year; however, the BWS typically awards the majority of its projects during the second half of the fiscal year.

Board Member Wilhelm commented that the result of awarding later in the fiscal year only allows the work to be done in a shorter period, creating the hockey-looking figure when graphed.



Manager Lau shared that the BWS is working on a Capital Improvement Program (CIP) proposal to the Board for Fiscal Year 2025. The BWS will propose extending CIP appropriations an additional 12 months, allowing 24 months to get the job out. He explained that it requires a lot of effort to assemble a design package and prepare all the contract documents before the job is put out to bid for 30 days. Manager Lau mentioned that in 2024, the BWS had to delay or cancel a few projects for good reason. He recommends that the BWS work to get projects out in the first or second quarter with hopes of better pricing.

Mr. Chun stated that the reason for the more flattened budget execution bar is due to the \$60M encumbrance for the Kalealoa Desalination project in the second quarter of Fiscal Year 2024.

Chair Anthony asked how much of the BWS vacancies affect the execution of projects.

Mr. Chun replied that if there were fewer vacancies, it would help with the execution process.

Manager Lau inquired how many engineer positions are vacant in the Capital Projects Division.

Mr. Chun responded approximately 10 engineering positions are vacant.

Board Member Wilhelm commented that the amount of work necessary to complete the job is also reflected in the project cost.

Manager Lau agreed with Board Member Wilhelm and said it is generally true. He mentioned that a project that was put out for bid required rebidding, which was not much less than the original bid; however, he pointed out that some projects require a relationship or qualified contractors for specific jobs.

Chair Anthony asked if there would be delays in receiving federal loans or grant funding for projects set for the later Fiscal Year 2025.

Manager Lau stated he does not know what the future holds due to uncertain times. The BWS is currently operating as if federal funds are available. However, if federal funding isn't available for a specific project that the BWS wants to start or continue with, the BWS will come before the Board to amend the CIP. He mentioned concerns about the EPA's Water Infrastructure Finance and Innovation Act (WIFIA) loan, which is a minimum of \$20M or higher; however, he remains hopeful after being notified that two states were awarded the WIFIA loan.

Board Member Wilhem inquired how much the BWS could execute its CIP projects if federal or state funding were unavailable.

Manager Lau replied that the BWS had approximately \$100M in its budget, with federal funds and low-interest loans being the majority.

Chair Anthony asked if federal grants and low-interest loans must be paid back.

Manager Lau responded that the loans must be paid back. However, he hopes that the state revolving fund (SRF) continues since it is a low-interest loan. The SRF is meant to assist all utilities throughout the country with its infrastructure issues.

BOARD OF WATER SUPPLY FY 2025 CAPITAL IMPROVEMENTS PROGRAM BUDGET EXECUTION

PATRICK CHUN, CAPITAL PROJECTS DIVISION



Quarterly Capital Improvement Program Status Report
All Divisions
as of December 31, 2024

| Quarter Awarded | JUL - SEP | | OCT - DEC | | JAN - MAR | | APR - JUN | | Awarded to Date | Total Budgeted |
|---------------------------------------|-----------|-----------------|-----------|-----------------|-----------|--------|-----------|--------|-----------------|-------------------|
| Design Contracts Awarded (#/\$) | 0 | \$ - | 2 | \$ 5,155,373.00 | | | | | \$ 5,155,373.00 | \$ 61,111,000.00 |
| Construction Contracts Awarded (#/\$) | 3 | \$ 1,030,710.00 | 4 | \$ 5,327,359.00 | | | | | \$ 6,358,069.00 | \$ 217,800,000.00 |
| Land Purchases (#/\$) | 0 | \$ - | 0 | \$ - | | | | | | \$ 600,000.00 |
| Project Totals | 3 | \$1,030,710.00 | 6 | \$10,482,732.00 | 0 | \$0.00 | 0 | \$0.00 | \$11,513,442.00 | \$279,511,000.00 |

| Quarter Completed | JUL - SEP | | OCT - DEC | | JAN - MAR | | APR - JUN | | Totals |
|---|-----------|------------------|-----------|-----------------|-----------|--------|-----------|--------|------------------|
| Design Contracts Completed (#/\$) | 2 | \$ 1,304,678.60 | 1 | \$ 1,500,580.05 | | | | | \$ 2,805,258.65 |
| Construction Contracts Completed (#/\$) | 5 | \$ 14,554,188.00 | 0 | \$ - | | | | | \$ 14,554,188.00 |
| Totals | 7 | \$15,858,866.60 | 1 | \$1,500,580.05 | 0 | \$0.00 | 0 | \$0.00 | \$17,359,446.65 |

| Ongoing Projects | |
|------------------------------------|------------------|
| Ongoing Design Projects (#) | 321 |
| Ongoing Design Projects (\$) | \$162,557,085.41 |
| Ongoing Construction Projects (#) | 120 |
| Ongoing Construction Projects (\$) | \$531,720,679.69 |



**Quarterly Capital Improvement Program Status Report
All Divisions**

DESIGN AND CONSTRUCTION PROJECTS AWARDED - FIRST QUARTER FY 2025

| Item No. | Project Title | Expend Type | Budget Amount | Awarded |
|----------|--|-------------|-----------------------|-----------------------|
| 012A | Kalihi Uka Booster Pump No.1 Additional Work Phase 1 -Suction Can Inspection | CONST | 18,800.00 | 18,800.00 |
| 012B | Aiea Gulch Wells Additional Work | CONST | 27,910.00 | 27,910.00 |
| 012D | Mililani Wells IV Pump No. 2 | CONST | 984,000.00 | 984,000.00 |
| | | | | |
| | 1st Quarter Totals | | \$1,030,710.00 | \$1,030,710.00 |

DESIGN AND CONSTRUCTION PROJECTS COMPLETED - FIRST QUARTER FY 2025

| Job No. | Project Title | Completion Date | Contract Amount |
|----------|--|-----------------|------------------------|
| 20-022 | Rehabilitation of Pipeline and Tunnels: Moanalua and Quarry Tunnels | 07/01/2024 | 10,540,425.00 |
| 2016-016 | Makakilo Water System Improvements, Part III | 07/01/2024 | 925,007.00 |
| 19-051E | Aiea Koa 1100 Reservoir and Kamehame 820 Reservoir Repair and Rehabilitation | 07/03/2024 | 1,626,539.00 |
| 23-033B | Kalihi Corporation Yard Removal of Underground Fuel Tanks | 07/15/2024 | 780,700.00 |
| 2016-023 | Lanakila Water System Improvements | 07/31/2024 | 379,671.60 |
| 22-040G | Waipahu Wells III GAC Valve Replacement | 08/15/2024 | 1,212,808.00 |
| 21-009T | Waipi'o Heights Wells III, Pump No. 2 | 08/30/2024 | 393,716.00 |
| | | | |
| | 1st Quarter Totals | | \$15,858,866.60 |



**Quarterly Capital Improvement Program Status Report
All Divisions**

DESIGN AND CONSTRUCTION PROJECTS AWARDED - SECOND QUARTER FY 2025

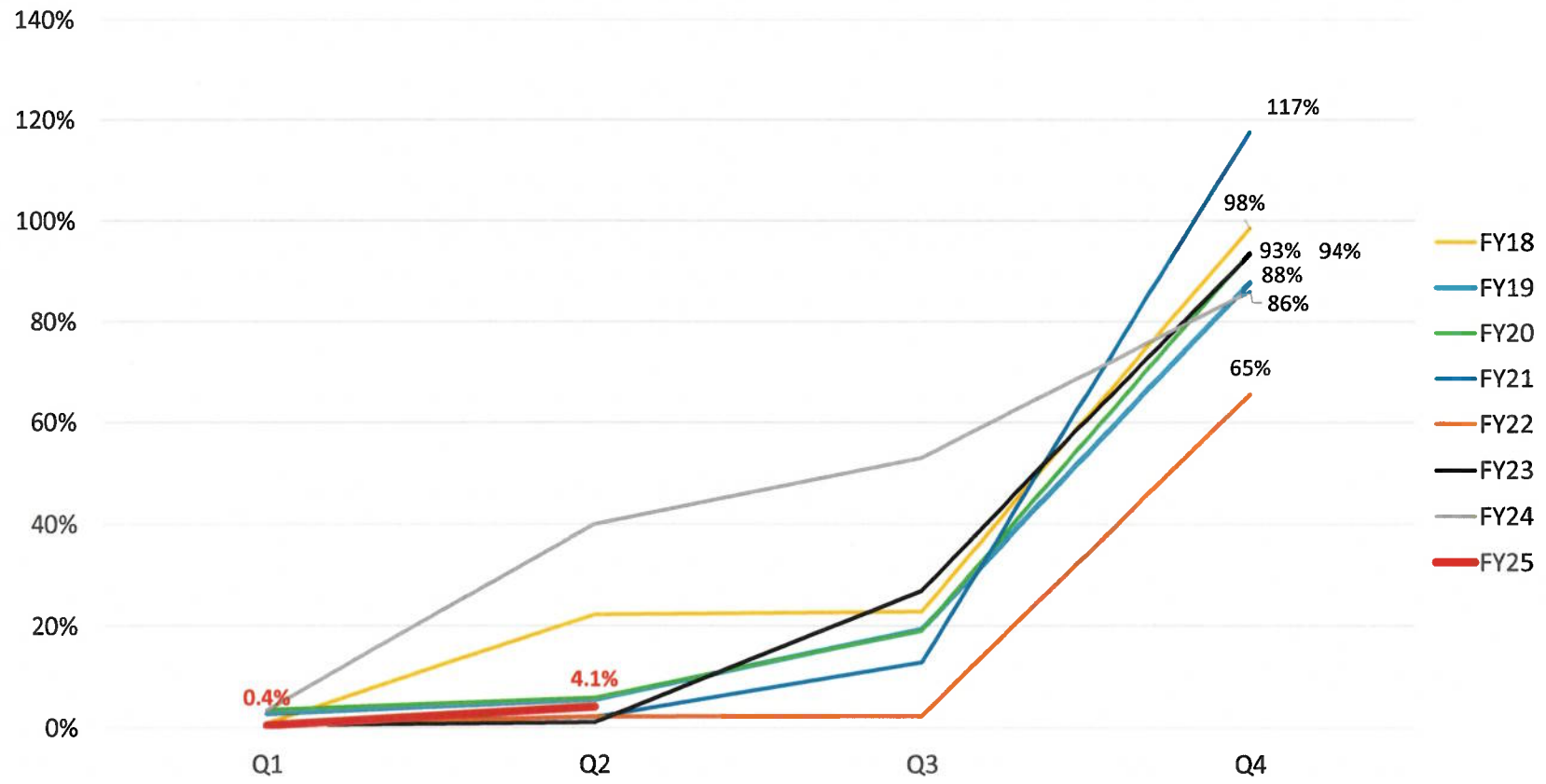
| Item No. | Project Title | Expend Type | Budget Amount | Awarded |
|----------|--|-------------|------------------------|------------------------|
| 031A | GAC Corrosion Control and Repairs, Waipahu Wells II Ph 1 | CONST | 3,500,000.00 | 2,766,017.00 |
| 031B | GAC Corrosion Control and Repairs, Waialua Wells | CONST | | 725,530.00 |
| 039D | Security Fencing at Koko Head 405 Reservoir | CONST | 1,815,000.00 | 1,815,000.00 |
| 040B | Beretania Engineering Building Roof Overhang Hazardous Material Abatement Work | CONST | 20,812.00 | 20,812.00 |
| 038 | Aina Koa Ridge Pump Station MCC Replacement | P&E | 300,000.00 | 300,000.00 |
| 053 | Project Management Services for Kalaeloa Desalination | P&E | 4,860,000.00 | 4,855,373.00 |
| | | | | |
| | 2nd Quarter Totals | | \$10,495,812.00 | \$10,482,732.00 |

DESIGN AND CONSTRUCTION PROJECTS COMPLETED - SECOND QUARTER FY 2024

| Job No. | Project Title | Completion Date | Contract Amount |
|----------|--|-----------------|-----------------------|
| 2016-003 | Construction Management of Various ECM's Included in the Energy Savings Contract | 10/7/2024 | \$ 1,500,580.05 |
| | | | |
| | 2nd Quarter Totals | | \$1,500,580.05 |



Cumulative % Budget Execution by Quarter



ITEM FOR INFORMATION NO. 3

"February 24, 2025

FINANCIAL
UPDATE FOR
QUARTER ENDED
DECEMBER 31,
2024

Chair and Members
Board of Water Supply
City and County of Honolulu
Honolulu, Hawai'i 96843

Chair and Members:

Subject: Financial Update for the Quarter Ended December 31, 2024

The following Board of Water Supply's financial reports and graphs are attached:

- Budget vs Actual Revenue and Expense Totals
- Statement of Revenues, Expenses and Change in Net Assets
- Balance Sheet
- Budget vs Actual Appropriation Budget – Total BWS Summary
- Graph Representing Operating Expenditures by Category
- Graphs of Total Budgeted Operating Expenditures and Total Budgeted Operating Revenues

Respectfully submitted,

/s/ ERNEST Y. W. LAU, P.E
Manager and Chief Engineer

Attachment"

The foregoing was for information only.

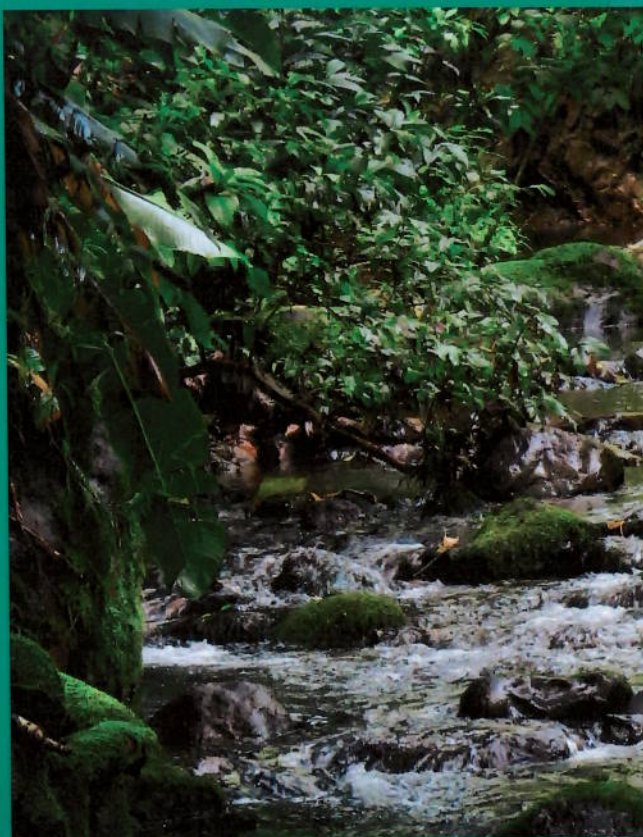
DISCUSSION:

Leanne Matsumoto, Waterworks Controller, Finance Division, gave the report.

Vice Chair Jonathan Kaneshiro asked about the reduced expenditures in the first half of the fiscal year and if they caused by the implementation of strict operating cost controls.

Ms. Raelynn Nakabayashi replied that the variances in the first and second quarters are due to timing and encumbrance differences. She stated that although the money was not spent early in the fiscal year, there are plans to utilize the budgeted funds; therefore, the BWS would make use of each dollar appropriated. Ms. Nakabayashi explained that the variances in personnel costs are due to the BWS vacancies. In May, the BWS proposed a budget to fund and fill vacant positions in hopes that positions would be filled. However, the BWS has steadily faced challenges in doing so. Therefore, the Personnel Service category is due to inability to fill vacant positions, whereas, categories such as

Equipment, and Material, Supplies & Services are due to timing, and will eventually be used as intended.



FINANCIAL PERFORMANCE JULY 2024–DECEMBER 2024

Leanne Matsumoto
February 24, 2025
boardofwatersupply.com



BUDGET TO ACTUAL JULY 2024 – DECEMBER 2024

- Actual Revenue \$165.3 million vs.
- Budgeted Revenue \$155.5 million

- Operating costs are \$125.4 million vs.
- Budgeted costs of \$135.8 million

- Actual Net Revenue \$39.9 million vs.
- Budgeted Net Revenue \$19.7 million



COST DRIVERS

Year to Date DECEMBER 2024

| | Actual (millions) | Budget (millions) |
|------------------------------------|----------------------|----------------------|
| • Personnel | \$23.2 | \$28.6 |
| • Material, Supplies & Services | \$43.5 | \$47.0 |
| • Equipment | \$ 0.2 | \$ 2.6 |
| • Debt Service | \$ 20.3 | \$21.0 |
| • Utilities | \$ 16.2 | \$19.9 |



OPERATING BUDGET VS ACTUAL

FY2025 2ND QUARTER - YEAR TO DATE: JUL 24 – DEC 24
BUDGETED EXPENDITURES ARE \$135.8M VS. ACTUAL EXPENDITURES OF \$125.4M
OF THE \$10.4M VARIANCE...

Water Resources- \$3.4M Over Budget

- Repair & Maint – Recycled water Plt (\$1.7M Over)
- Non-Potable Water Trtmnt Plt Costs (\$1.1M Over)
- Other Contractual Services (\$963K Over)

Field Operations - \$4.3M Under Budget

- Salaries and Wages (\$1.8M Under)
- Other Contractual Services (\$1.1M Under)
- Materials & Supplies (Storeroom) (\$509K Under)

Water System Operations - \$3.8M Under Budget

- General Plant and Equipment over \$5K (\$2.1M Under)
- Salaries and Wages (\$1.1K Under)
- Professional Services (\$608K Under)

Information Technology - \$2.0M Under Budget

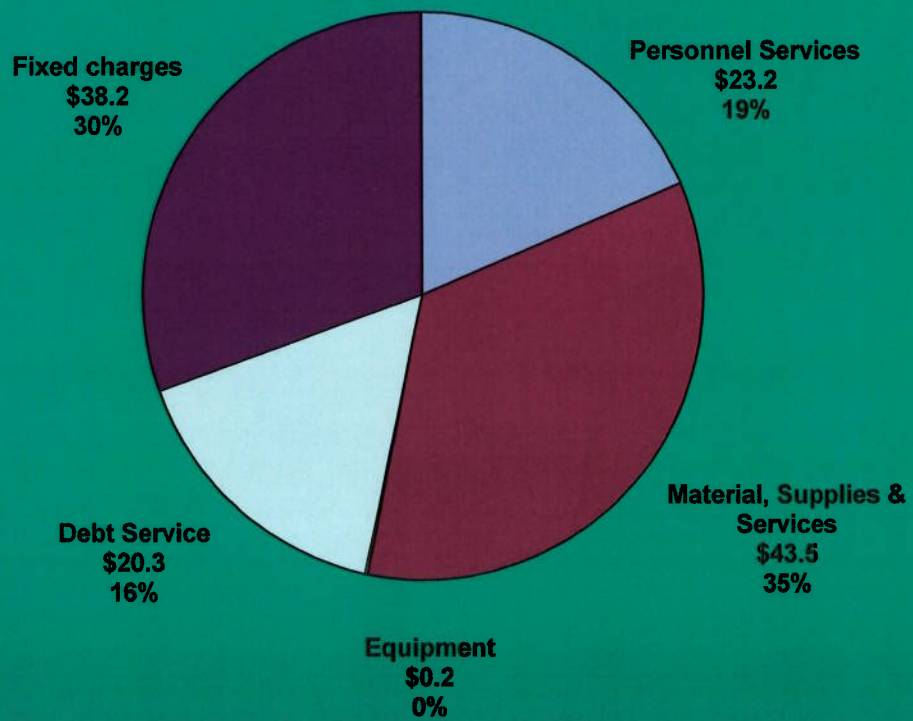
- Other Contractual Services (\$1.4M Under)

Capital Projects - \$1.9M Under Budget

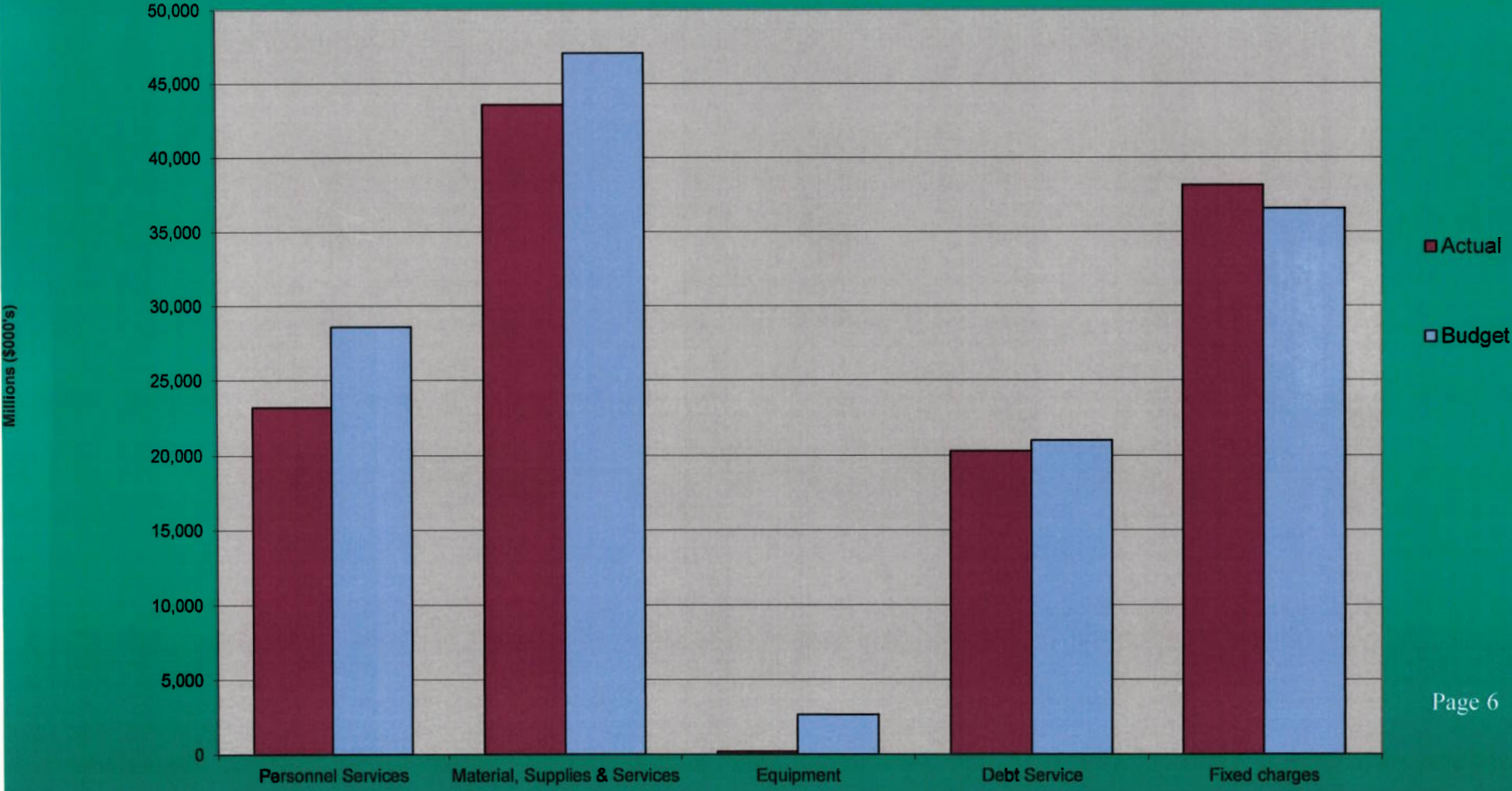
- Professional Services (\$800K Under)
- Salaries and Wages (\$717K Under)



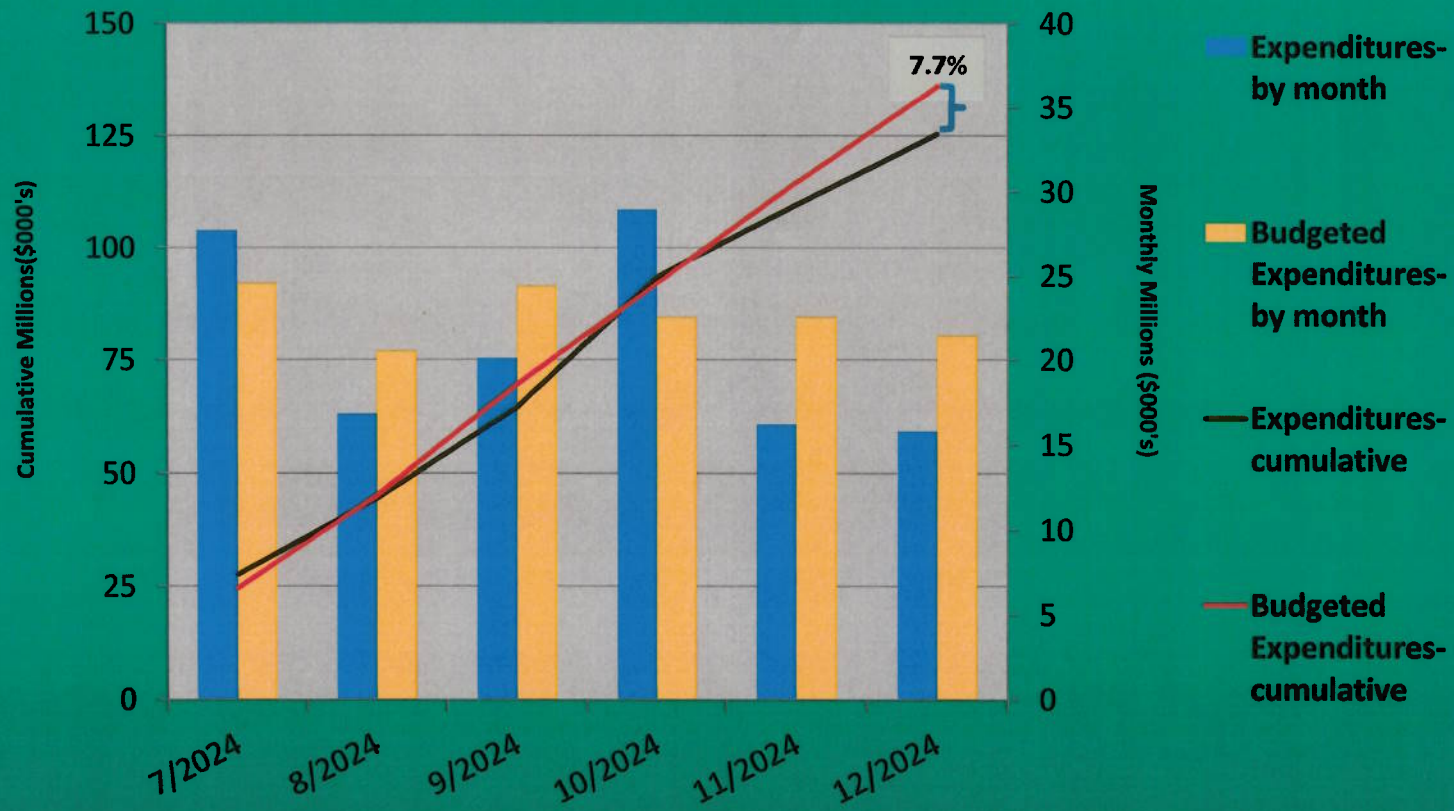
Total Operating Expenditures - \$125.4
As of December 31, 2024
(millions of dollars)



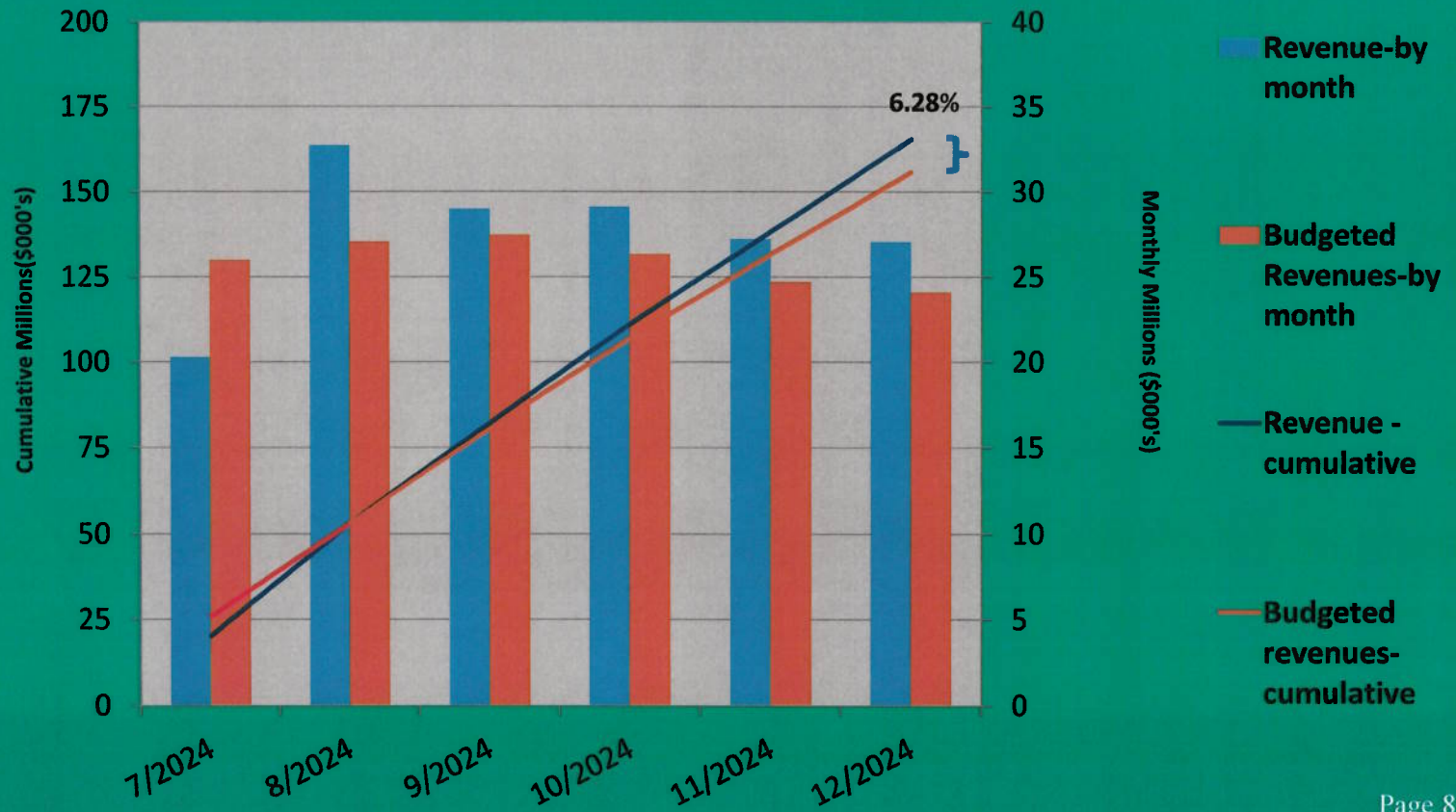
Operating Expenditures by Category (Budget vs. Actual)
As of December 31, 2024



BUDGETED OPERATING EXPENDITURES FY 2025



BUDGETED OPERATING REVENUES FY 2025





Mahalo!

BOARD OF WATER SUPPLY

WWW.BOARDOFWATERSUPPLY.COM

Page 9



Budget vs. Actual
Revenue and Expense Totals
As of December 31, 2024

| | YTD Actuals | YTD Budget | Favorable/ (Unfavorable) Variance |
|--------------------------------|---------------|---------------|--------------------------------------|
| Revenues | 165,272 | 155,499 | 9,773 |
| Operating Expenses | (125,351) | (135,807) | 10,456 |
| Net Revenues (expenditures) | <u>39,921</u> | <u>19,692</u> | <u>20,229</u> |

Board Of Water Supply
Statement of Revenues, Expenses And Change In Net Assets
As of December 31, 2024

| Current Month Actual | % Revenue | Last Year Actual | % Revenue | Description | Year to Date Actual | % Revenue | Last Year to Date Actual | % Revenue | % Change |
|-------------------------|--------------|---------------------|--------------|--------------------------------|------------------------|--------------|-----------------------------|--------------|-------------|
| REVENUE | | | | | | | | | |
| 25,662,300.77 | 100.00 | 20,239,424.84 | 100.00 | OPERATING REVENUE | 156,361,930.15 | 100.00 | 133,342,015.03 | 100.00 | 17.26 |
| 25,662,300.77 | 100.00 | 20,239,424.84 | 100.00 | REVENUE | 156,361,930.15 | 100.00 | 133,342,015.03 | 100.00 | 17.26 |
| OPERATING EXPENSES | | | | | | | | | |
| 3,648,669.21- | 14.22 | 3,405,051.23- | 16.82 | LABOR COSTS | 21,418,111.85- | 13.70 | 20,337,488.69- | 15.25 | 5.31 |
| 3,727,231.87- | 14.52 | 3,277,458.87- | 16.19 | SERVICES | 15,569,531.52- | 9.96 | 17,859,673.04- | 13.39 | 12.82- |
| 400,963.04- | 1.56 | 956,907.69- | 4.73 | SUPPLIES | 3,666,353.99- | 2.34 | 3,213,970.32- | 2.41 | 14.08 |
| 1,325.71- | .01 | 28,078.59- | .14 | EDUCATION & TRAINING | 28,242.78- | .02 | 25,569.44- | .02 | 10.46 |
| 2,503,156.85- | 9.75 | 2,511,875.64- | 12.41 | UTILITIES | 13,733,523.32- | 8.78 | 13,403,793.98- | 10.05 | 2.46 |
| 459,994.68- | 1.79 | 167,155.66- | .83 | REPAIR AND MAINTENANCE | 1,245,036.79- | .80 | 2,846,157.07- | 2.13 | 56.26- |
| 1,196,635.03- | 4.66 | 1,336,505.22- | 6.60 | MISC | 10,070,534.27- | 6.44 | 8,229,590.74- | 6.17 | 22.37 |
| 2,454,613.46- | 9.57 | 2,127,113.03- | 10.51 | RETIREMENT SYSTEM CONTRIBUTIO | 17,752,248.29- | 11.35 | 12,913,746.56- | 9.68 | 37.47 |
| 61,640.35- | .24 | 64,211.12- | .32 | MISC EMPLOYEES' BENEFITS | 272,569.56- | .17 | 17,560.53 | .01 | 1,652.17- |
| 14,454,230.20- | 56.32 | 13,874,357.05- | 68.55 | OPERATING EXPENSES | 83,756,152.37- | 53.57 | 78,812,429.31- | 59.11 | 6.27 |
| 1,241,372.27 | 4.84 | 4,748,712.25 | 23.46 | NON OPERATING REVENUE AND EXPE | 17,986,338.36 | 11.50 | 8,058,310.61 | 6.04 | 123.20 |
| 5,432,324.81 | 21.17 | 636,698.29 | 3.15 | CONTRIBUTION IN AID | 11,186,025.56 | 7.15 | 9,472,999.60 | 7.10 | 18.08 |
| 223,404.92- | .87 | 70,015.71- | .35 | LEASE | 449,230.24- | .29 | 423,724.83- | .32 | 6.02 |
| 4,118,267.38- | 16.05 | 5,984,338.43- | 29.57 | OTHER EXPENSES | 24,711,875.33- | 15.80 | 27,749,291.09- | 20.81 | 10.95- |
| 13,540,095.35 | 52.76 | 5,696,124.19 | 28.14 | Change In Net Assets | 76,617,036.13 | 49.00 | 43,887,880.01 | 32.91 | 74.57 |

Board Of Water Supply
Balance Sheet
As of December 31, 2024

| Description | ***** Amounts ***** | | | ***** Change ***** | |
|----------------------------------|-------------------------|-------------------------|-------------------------|----------------------|------------------------|
| | Current | Last Month End | Last Year End | This Month | This Year |
| ASSETS | | | | | |
| CURRENT ASSETS | 79,864,783.25 | 67,619,107.67 | 57,517,335.79 | 12,245,675.58 | 22,347,447.46 |
| RESTRICTED ASSETS | 27,657,082.01 | 18,167,554.21 | 31,983,661.15 | 9,489,527.80 | (4,326,579.14) |
| INVESTMENTS | 722,427,325.85 | 730,221,207.34 | 748,196,553.97 | (7,793,881.49) | (25,769,228.12) |
| OTHER ASSETS | 12,663,238.98 | 13,096,146.58 | 14,330,634.83 | (432,907.60) | (1,667,395.85) |
| PROPERTY / PLANT | 1,456,230,080.91 | 1,452,877,139.82 | 1,433,736,995.20 | 3,352,941.09 | 22,493,085.71 |
| DEFERRED OUTFLOWS OF RESOURCE | 10,639,878.00 | 10,639,878.00 | 10,639,878.00 | - | - |
| DEFERRED OUTFLOWS OF RESOURCE | 33,954,744.14 | 33,954,744.14 | 33,954,744.14 | - | - |
| ASSETS | <u>2,343,437,133.14</u> | <u>2,326,575,777.76</u> | <u>2,330,359,803.08</u> | <u>16,861,355.38</u> | <u>13,077,330.06</u> |
| LIABILITIES | | | | | |
| CURRENT LIABILITIES | 23,481,315.37 | 28,237,466.01 | 75,162,033.55 | (4,756,150.64) | (51,680,718.18) |
| OTHER LIABILITIES | 85,883,311.95 | 86,040,863.49 | 94,641,880.41 | (157,551.54) | (8,758,568.46) |
| BONDS PAYABLE, NONCURRENT | 527,314,323.97 | 518,782,642.00 | 529,823,881.53 | 8,531,681.97 | (2,509,557.56) |
| LEASE LIABILITY | 3,818,569.58 | 4,115,289.34 | 4,409,431.45 | (296,719.76) | (590,861.87) |
| NET PENSION LIABILITY | 128,552,203.00 | 128,552,203.00 | 128,552,203.00 | - | - |
| NET OPEB LIABILITY | 47,203,284.00 | 47,203,284.00 | 47,203,284.00 | - | - |
| DEFERRED INFLOWS OF RESOURCES | 16,099,869.00 | 16,099,869.00 | 16,099,869.00 | - | - |
| LIABILITIES | <u>832,352,876.87</u> | <u>829,031,616.84</u> | <u>895,892,582.94</u> | <u>3,321,260.03</u> | <u>(63,539,706.07)</u> |
| NET ASSETS | | | | | |
| RETAINED EARNINGS | 299,631,354.00 | 291,096,168.12 | 254,340,236.12 | - | - |
| FUND BALANCE | 594,633,831.66 | 594,633,831.66 | 594,633,831.66 | - | - |
| RESERVE FOR ENCUMBRANCES | 540,202,034.48 | 548,737,220.36 | 585,493,152.36 | - | - |
| CURRENT YEAR CHANGES TO FU | 76,617,036.13 | 63,076,940.78 | | 13,540,095.35 | 76,617,036.13 |
| NET ASSETS | <u>1,511,084,256.27</u> | <u>1,497,544,160.92</u> | <u>1,434,467,220.14</u> | <u>13,540,095.35</u> | <u>76,617,036.13</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>2,343,437,133.14</u> | <u>2,326,575,777.76</u> | <u>2,330,359,803.08</u> | <u>16,861,355.38</u> | <u>13,077,330.06</u> |

Board Of Water Supply
Budget vs Actual Appropriation Budget - Total BWS Summary
(\$000's)

1/13/2025

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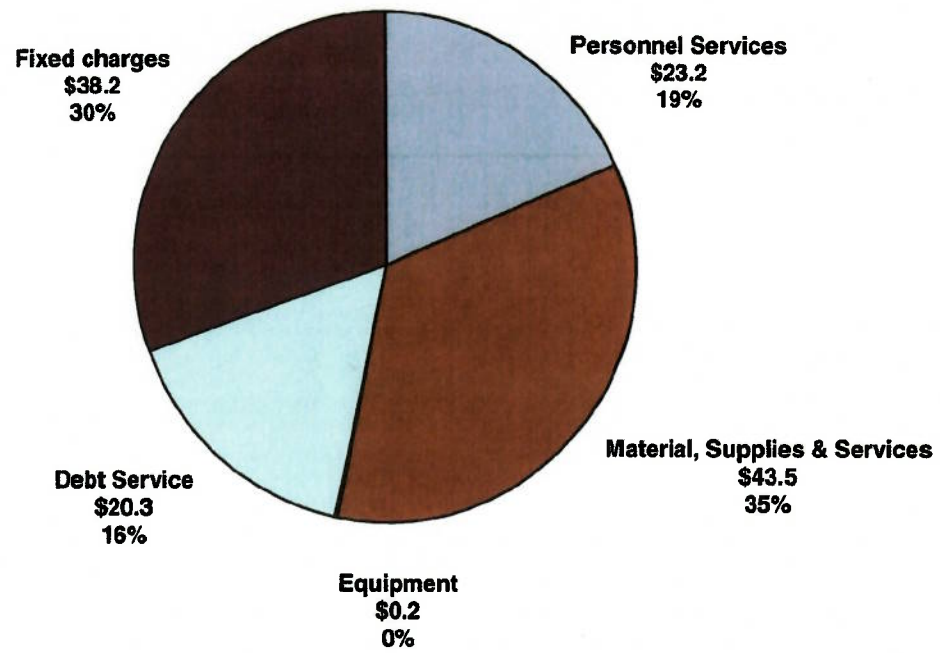
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BUSINESS UNIT ALL

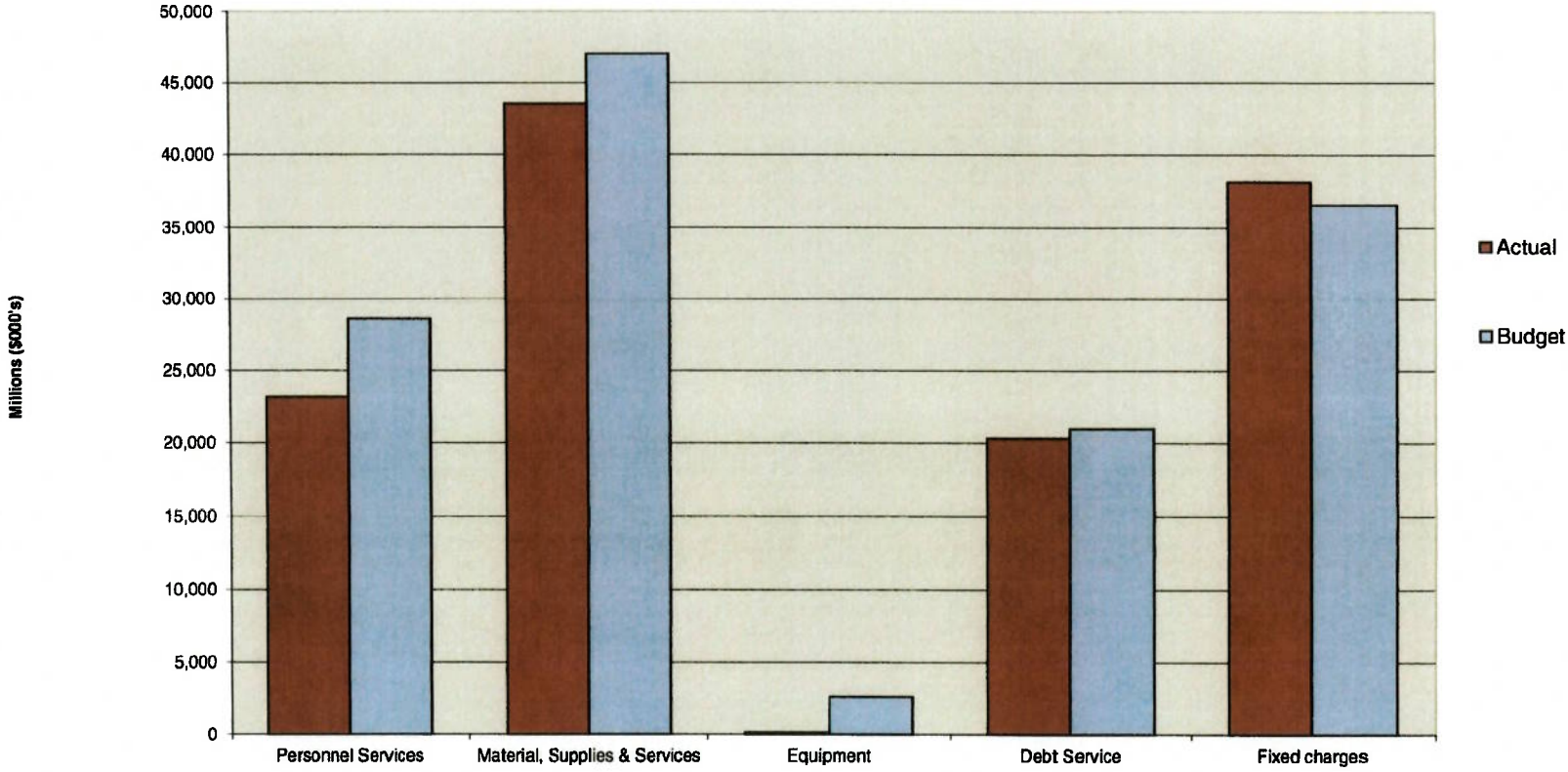
CIFIS 25820-3021
AS OF 12/31/2024

| YTD-TO-DATE | | | | Object Description | FOR THE FISCAL YEAR | | | | |
|------------------------|----------------|------------------|--------------|-------------------------------------|---------------------|-----------------|------------------|------------------|--------------|
| YTD Actuals | YTD Budget | Avail/ (Over) | % | | Revenues/ Expend | Open Encumb | Annual Budget | Avail/ (Over) | % |
| <u>165,272</u> | <u>155,499</u> | <u>(9,773)</u> | <u>6.28-</u> | <u>REVENUE</u> | <u>165,272</u> | | <u>299,200</u> | <u>133,928</u> | <u>44.76</u> |
| OPERATING EXPENSES: | | | | | | | | | |
| 23,174 | 28,579 | 5,405 | 18.91 | Personnel Services | 23,174 | | 57,209 | 34,035 | 59.49 |
| MATERIALS AND SUPPLIES | | | | | | | | | |
| 21,214 | 25,600 | 4,386 | 17.13 | Services | 9,317 | 11,897 | 48,671 | 27,457 | 56.41 |
| 9,214 | 9,623 | 409 | 4.25 | Supplies | 5,606 | 3,608 | 18,637 | 9,423 | 50.56 |
| 116 | 225 | 109 | 48.44 | Education & Training | 114 | 2 | 447 | 331 | 74.05 |
| | | | | Utilities | | | | | |
| 3,741 | 2,539 | (1,202) | 47.34- | Repairs & Maint | 2,810 | 931 | 4,453 | 712 | 15.99 |
| 9,267 | 9,056 | (211) | 2.33- | Misc | 4,487 | 4,780 | 16,077 | 6,810 | 42.36 |
| 171 | 2,639 | 2,468 | 93.52 | Equipment | 36 | 135 | 5,857 | 5,686 | 97.08 |
| 20,302 | 20,979 | 677 | 3.23 | Debt Service | 20,302 | | 42,497 | 22,195 | 52.23 |
| FIXED CHARGES: | | | | | | | | | |
| 16,185 | 19,859 | 3,674 | 18.50 | Utilities | 16,185 | | 38,444 | 22,259 | 57.90 |
| 1,650 | 1,760 | 110 | 6.25 | Case Fees | 1,650 | | 3,519 | 1,869 | 53.11 |
| 8,615 | 8,265 | (350) | 4.23- | Retirement System Contribution | 8,615 | | 16,529 | 7,914 | 47.88 |
| 11,702 | 6,683 | (5,019) | 75.10- | Misc Employees' Benefits | 11,702 | | 20,280 | 8,578 | 42.30 |
| <u>125,351</u> | <u>135,807</u> | <u>10,456</u> | <u>7.70</u> | <u>TOTAL OPERATING EXPENDITURES</u> | <u>103,998</u> | <u>21,353</u> | <u>272,620</u> | <u>147,269</u> | <u>54.02</u> |
| <u>39,921</u> | <u>19,692</u> | <u>(20,229)</u> | | <u>NET REVENUES (EXPENDITURES)</u> | <u>61,274</u> | <u>(21,353)</u> | <u>26,580</u> | <u>(13,341)</u> | |

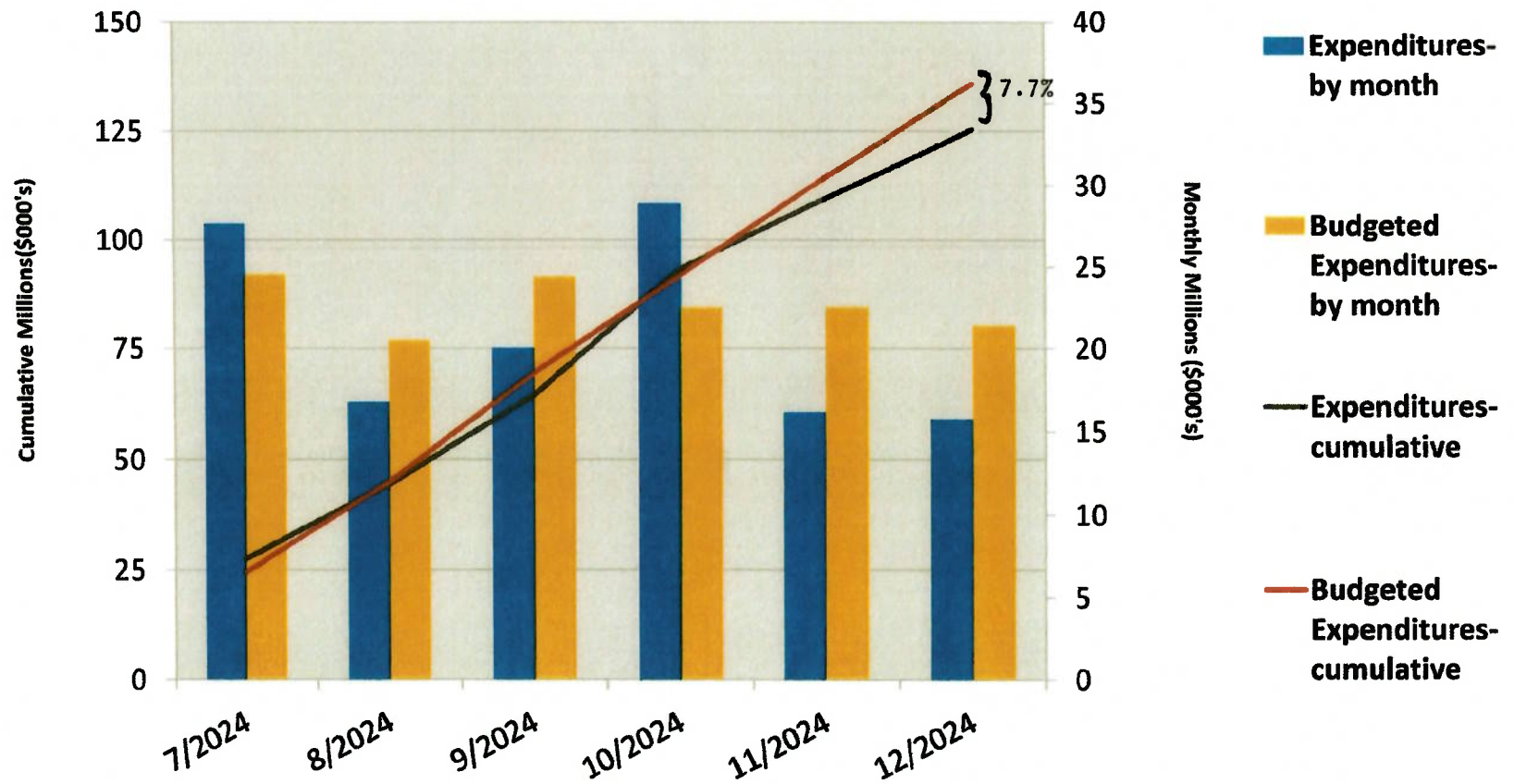
Total Operating Expenditures - \$125.4
As of December 31, 2024
(millions of dollars)



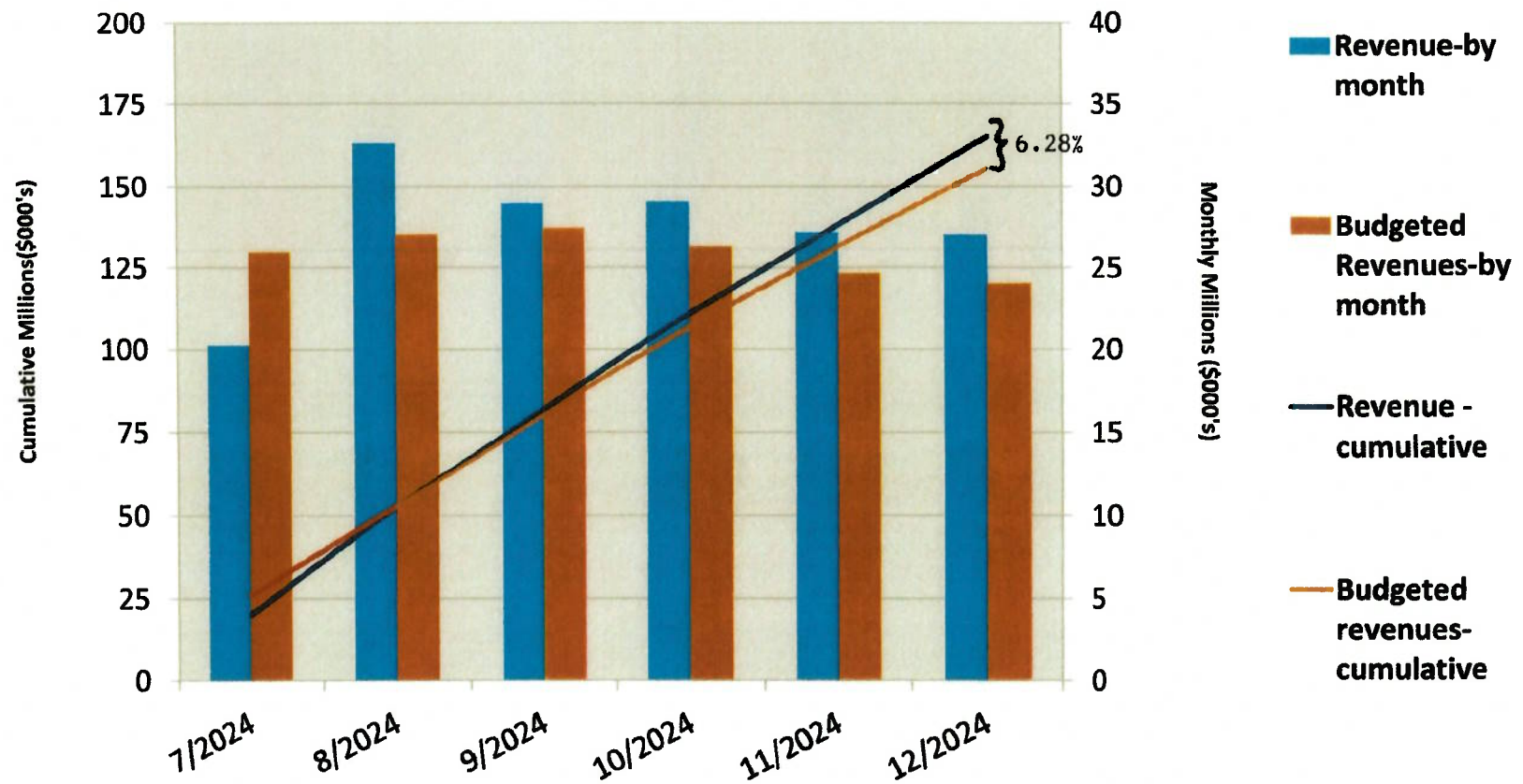
**Operating Expenditures by Category (Budget vs. Actual)
As of December 31, 2024**



BUDGETED OPERATING EXPENDITURES FY 2025



BUDGETED OPERATING REVENUES FY 2025



ITEM FOR INFORMATION NO. 4

"February 24, 2025

FINANCIAL
STATEMENTS AND
SUPPLEMENTARY
INFORMATION
WITH
INDEPENDENT
AUDITORS'
REPORT,
FISCAL YEAR
ENDED
JUNE 30, 2024

Chair and Members
Board of Water Supply
City and County of Honolulu
Honolulu, Hawai'i 96843

Chair and Members:

Subject: Financial Statements and Supplementary Information
with Independent Auditors' Report, Fiscal Year Ended
Fiscal Year Ended June 30, 2024

Our auditors, Accuity LLP, have completed the audit of the financial statements and federal awards of the Board of Water Supply and issued an unmodified opinion. They have indicated that there were no material weaknesses or significant deficiencies on internal control over the financial statements.

Attached are copies of the financial statements of the Board of Water Supply and the reports thereon by Accuity LLP, covering the results of their examination of the accounts and financial status of the Board of Water Supply for the year ended June 30, 2024 as required under Article VII, Section 7-108 of the Revised Charter.

Donn Nakamura and Joshua Yee from Accuity LLP will present the required communications and highlights from the auditors' report.

Respectfully submitted,

/s/ ERNEST Y. W. LAU, P.E
Manager and Chief Engineer

Attachment"

The foregoing was for information only.

DISCUSSION:

Donn Nakamura and Joshua Yee, Accuity LLP, gave the report. There were no comments or discussion.



ACCUITY

Board of Water Supply

City and County of Honolulu

**June 30, 2024 Audit Results
Presentation to the Board**

February 24, 2025

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Scope of Services

- Provide an opinion on the fair presentation of the financial statements of the Board of Water Supply (“BWS”) as of and for the year ended June 30, 2024.
- Consider the BWS’s internal control over financial reporting in relation to our audit of the financial statements.
- Perform tests of the BWS’s compliance with certain provisions of laws, regulations, contracts and grant agreements in relation to the financial statements.
- Provide an opinion on BWS’s compliance with requirements related to major federal programs in accordance with the Office of Management and Budget’s (“OMB”) Compliance Supplement and consider internal control over compliance.

Financial Statement Highlights

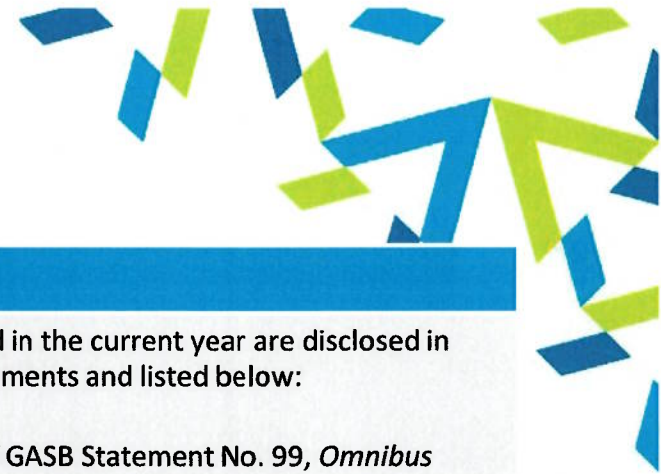
- Net position increased by \$89.5 million in fiscal year 2024 compared to \$46.0 million in fiscal year 2023. In comparison to the prior year, operating revenues increased by \$15.4 million, interest income increased by \$7.8 million, the fair value of investments increased by \$18.5 million, and the federal grant revenue increased by \$9.0 million. These were partially offset by increases in transmission and distribution expenses of \$3.3 million and maintenance expenses of \$3.6 million.
- Unrestricted current assets was \$349.0 million at June 30, 2024, which exceeded total current liabilities by \$213.7 million.
- Net capital assets was \$1.4 billion as of June 30, 2024, which was a \$67.1 million increase from the the prior year. The increase was primarily due to current year construction activity, offset by current year depreciation expense.
- Net pension liability was \$128.6 million as of June 30, 2024, which was a \$7.4 million increase from the prior year.
- Net OPEB liability was \$28.7 million, which was a \$2.2 million decrease from the prior year.
- Refundable advances was \$43.1 million, which was a \$17.8 million increase from the prior year. The increase was driven by \$25.0 million of ARPA Fiscal Recovery funds received, offset by \$9.0 million of expenditures.
- Notes payable was \$132.7 million, which was a \$5.5 million decrease from the prior year.

Required Communications



| Matter to be communicated | Our response |
|--|---|
| Auditors' responsibility under Generally Accepted Auditing Standards. The auditors' level of responsibility assumed for internal controls, whether the financial statements are free of material misstatement, and the detection of fraud should be communicated. | Our primary responsibility as the BWS's independent auditors is to evaluate and report on the fairness of the BWS's financial statements prepared in accordance with U.S. 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 issued an unmodified opinion on the BWS's financial statements. |
| 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. | This was communicated in our Contract No. C22590001 dated February 7, 2022. |
| Significant risks of material misstatement as part of our audit planning. | <p>We identified the following significant risks of material misstatement during the planning phase of our audit:</p> <ul style="list-style-type: none">• Improper revenue recognition due to fraud.• Management override of controls.• Improper classification of capital assets. <p>During the audit we updated our significant risks to include:</p> <ul style="list-style-type: none">• Improper accounting of net pension and other postemployment benefits and related amounts as calculation is complex and involves actuarial assumptions that may not be appropriate.• Improper classification of capital assets between construction in progress and in-service. |

Required Communications



| Matter to be communicated | Our response |
|---|--|
| 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>Accounting policies adopted in the current year are disclosed in Note 2 to the financial statements and listed below:</p> <p>The remaining provisions of GASB Statement No. 99, <i>Omnibus 2022</i>, were adopted effective July 1, 2023. BWS did not have any such arrangements as of June 30, 2024.</p> <p>GASB Statement No. 100, <i>Accounting Changes and Error Corrections</i>, was adopted effective July 1, 2023. There was no material effect to the BWS financial statements.</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>The more difficult and subjective judgments and estimates were:</p> <ul style="list-style-type: none">• Allowance for uncollectible receivables.• 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> |

Required Communications

| Matter to be communicated | Our response |
|---|--|
| Significant unusual transactions. Those charged with governance should be informed about the auditors' view on the policies and practices that management used to account for significant unusual transactions and the auditors' understanding of the business purpose for the significant unusual transactions. | No significant unusual transactions were noted during our audit. |
| 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. | Summaries of the adjusting and reclassifying journal entries arising from our audit were attached to the management representation letter. No uncorrected misstatements above our de minimis were noted. |
| 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 BWS and how they are disclosed. | Risk and exposure related to the Red Hill Bulk Fuel Storage Facility are disclosed in the audited financial statements. |
| Matters that are difficult or contentious for which the auditors consulted outside the engagement team and that are, in the auditors' professional judgment, significant and relevant to those charged with governance regarding their responsibility to oversee the financial reporting process. | No such matters noted during our audit. |

Required Communications

| Matter to be communicated | Our response |
|---|--|
| Material uncertainties related to events and conditions, specifically going concern issues. Any doubt regarding the BWS's ability to continue as a going concern and any other material uncertainties should be communicated. | No issues related to BWS's ability to continue as a going concern or other material uncertainties were noted. |
| Other information in documents containing audited financial statements. Those charged with governance should be informed of the auditors' responsibility for information in a document containing audited financial statements, as well as any procedures performed and the results. | The BWS's audited financial statements will be included in the online submission of the single audit with the Federal Audit Clearinghouse. |
| Disagreements with management. Disagreements with management, whether or not satisfactorily resolved, about matters that could be significant to the BWS's financial statements or the auditors' report should be communicated. | There were no disagreements with management. |
| 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. | We know of no such consultations made by management. |
| Major issues discussed with management prior to retention. Any major accounting, auditing or reporting issues that were discussed with management in connection with our retention. | There were no major issues discussed with management prior to our retention. |

Required Communications

| Matter to be communicated | Our response |
|---|---|
| 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. | None. |
| 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. | There were no material weaknesses or significant deficiencies reported. |
| Fraud or 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. | We are not aware of any fraud or illegal acts. |
| Independence. The auditors should communicate all relationships between the Firm and the BWS that, in our professional judgment, may reasonably be thought to bear on our independence. | We confirm that, in our professional judgment, we are independent accountants within the meaning of the Code of Professional Conduct of the American Institute of Certified Public Accountants and <i>Government Auditing Standards</i> . |
| Representations requested from management. Those charged with governance should be informed of the representations that the auditors are requesting from management. | Management representation letter is available upon request. |



ACCUITY

FIRST HAWAIIAN CENTER

999 Bishop Street, Suite 2300
Honolulu, Hawaii 96813
P 808.531.3400
F 808.531.3433
www.accuityllp.com



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Board of Water Supply City and County of Honolulu

Financial Statements and Supplementary Information

June 30, 2024



Board of Water Supply
City and County of Honolulu
Index
June 30, 2024

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Board of Water Supply
City and County of Honolulu
Introduction (Unaudited)
Year Ended June 30, 2024

The Board of Water Supply of the City and County of Honolulu (the “BWS”) is pleased to present its Annual Financial Report for fiscal year 2024. This introduction provides a brief overview of the mission, organization, and operations of the BWS. The following management’s discussion and analysis is intended to provide the reader with an easily understandable analysis of the BWS’s financial performance and all aspects of its financial position. Financial statements presenting the financial position, results of operations, and cash flows of the BWS in conformity with accounting principles generally accepted in the United States of America, accompanied by the independent auditors’ report, follows the management’s discussion and analysis.

History of the Board of Water Supply

The BWS was created in 1929 by the Territorial Legislature in response to public outcry for a truly effective water management system that was not influenced by politics. The 1929 Legislature passed Act 96 to create and define the powers and duties of the Honolulu Board of Water Supply. Although it remained as a department of the City and County of Honolulu (the “City”), the BWS was designed to be a semi-autonomous and self-supporting agency with the authority to charge for water usage to support its capital improvement and operating expenses and set long-term plans for O’ahu’s water future.

Powers, Duties and Functions

The BWS manages O’ahu’s municipal water resources and distribution system, providing residents with a safe, dependable and affordable drinking water supply. The BWS is the largest municipal water utility in the state of Hawaii. In fiscal year 2024, the BWS delivered potable and non-potable water to approximately one million customers on O’ahu. The BWS carefully and proactively manages and invests in its intricate system, consisting of 94 active potable water sources, 172 reservoirs, and over 2,100 miles of pipeline.

The BWS is a financially self-sufficient, semi-autonomous agency of the City. Its operations and projects are financed with revenues generated by water transmission and distribution fees. It receives no tax money from the City. The BWS also pursues federal and state grants to help subsidize BWS projects.

The BWS is governed by a Board of Directors (“Board”), consisting of seven members. Five members are appointed by the Mayor and are confirmed by the Honolulu City Council. The remaining two serve in their capacities as the Director of the State Department of Transportation, and the Director and Chief Engineer of the City’s Department of Facility Maintenance. The Board appoints the BWS Manager and Chief Engineer to administer the BWS.

The BWS consists of the following ten divisions: Capital Projects Division, Customer Care Division, Field Operations Division, Finance Division, Information Technology Division, Land Division, Office of the Manager and Chief Engineer, Water Quality Division, Water Resources Division, and Water System Operations Division. There are also three staff offices in the Office of the Manager and Chief Engineer: Executive Support Office, Human Resources Office, and the Communications Office.

Vision

‘Ka Wai Ola – Water for Life’ – The vision of the BWS captures the critical need for water, which is the basis for life. With this vision comes the responsibility of the BWS’s stewardship of, and duty to manage, our natural water resources and watersheds for present and future generations.

**Board of Water Supply
City and County of Honolulu
Introduction (Unaudited)
Year Ended June 30, 2024**

Mission

The BWS's mission is to provide a safe, dependable and affordable water supply now and into the future, focusing in three strategic areas: resource, operational and financial sustainability.

- **Resource Sustainability (Safe)** – Protect and manage O‘ahu’s water resources and watersheds now and into the future through adaptive and integrated strategies.
- **Operational Sustainability (Dependable)** – Manage and continuously refine an effective organization that can evolve and adapt its human and physical resources to provide dependable service.
- **Financial Sustainability (Affordable)** – Implement sound fiscal strategies to support our mission.

Accomplishments

BWS employees work diligently to provide safe, dependable and affordable water service to customers by concentrating their efforts to achieve the BWS’s strategic goals:

- **Resource Sustainability (Safe)**
 - Conducted 23,097 chemical tests, 23,771 microbiological tests, and collected 27,334 samples from BWS sources, distribution systems, and treatment facilities to ensure all water served is safe to drink; tests performed during fiscal year 2024 include regulatory compliance testing, groundwater quality testing, and response to customer inquiries about water quality.
 - Safeguarded the drinking water system from any reverse flow of water back into the distribution system by ensuring more than 9,400 backflow prevention assemblies island-wide were tested and functioning properly, conducted more than 1,850 cross-connection control field inspections, and 27 R-1 water cross-connection control surveys.
 - Responded, and continue to respond, to the Navy’s Red Hill Underground Bulk Fuel Storage Facility crisis that resulted in the closure of Hālawā Shaft, one of O‘ahu’s largest pumping stations, and two additional wells in the ‘Aiea/Hālawā area; awarded a construction contract for exploratory well at the Newtown 550’ Reservoir, as possible replacement sources for the Hālawā Shaft due to the Red Hill fuel contamination; and awarded construction contracts for monitoring wells at Hālawā District Park and Animal Quarantine Station to monitor the potential migration of a fuel plume across Hālawā Valley.
 - In June 2023, BWS completed its annual production and delivery of the Consumer Confidence Report (“CCR”), also known as the Water Quality Report, to all BWS customers. The report provides information on the quality of the water delivered from the BWS system and was mailed to all customers on record and is also available at www.boardofwatersupply.com. The BWS also placed ads in Honolulu newspapers, including various ethnic language publications, to inform community members of the distribution.
 - The BWS and Kalaeloa Desalco, LLC are working on the planning, permitting and design of the Kalaeloa Seawater Desalination Facility, which will be the first municipal desalination facility in the State of Hawai‘i, to be located at Campbell Industrial Park, and will have a capacity of 1.7 million gallons per day (mgd), expandable to 5 mgd capacity and is expected to be operational by 2029.

**Board of Water Supply
City and County of Honolulu
Introduction (Unaudited)
Year Ended June 30, 2024**

- The BWS sponsored its 46th annual Water Conservation Week Poster Contest and the 16th annual Water Conservation Week Poetry Contest with 841 posters and 312 poems from 27 O‘ahu schools, focused on the theme, “Our Water, Our Home.” All winning entries will be featured in the 2025 Water Conservation Calendar scheduled for distribution in December 2024.
- **Operational Sustainability (Dependable)**
 - Responded to 409 main breaks, or about 24 breaks per 100 miles of pipeline, and conducted leak detection surveys for 720 points of interest, which resulted in the Leak Detection Team finding and repairing 792 leaks (including 77 leaks to main lines) before major property damages or system interruptions occurred.
 - BWS staff helped protect O‘ahu’s water resources and prevent damage to BWS infrastructure by handling 8,028 One Call underground pipeline location requests and providing in-field support for 479 water line leaks and breaks. In fiscal year 2024, 14,139 meter investigations were conducted to ensure accurate and timely billing and assisted 3,534 customers with concerns about bills reflecting high water consumption. BWS staff assisted 97,985 customers: 69,939 (71.4%) by phone; 15,462 (15.8%) via web requests; 11,194 (11.4%) via ePortal service orders; and 1,390 (1.4%) in-person.
- **Financial Sustainability (Affordable)**
 - Issuance of \$72.8 million of water system revenue bonds in April 2024 to finance capital improvement projects and \$26.1 million to refinance older bonds at a lower interest rate, resulting in present value savings of \$503,600; and was awarded \$7.8 million in State Revolving Fund loans with a principal forgiveness of \$4.9 million; the 2024 water system revenue bonds were rated AAA by S&P Global and Fitch Ratings.
 - Awarded and issued \$64.7 million in construction work and \$9.4 million in professional services design work for projects to maintain and improve water system facilities, including well and booster stations, reservoirs, corporation yards, and for the systematic replacement of aging and deteriorated water mains and improvements for fire protection.
 - Initiated design work for more than 1.8 miles of water main replacements in the Pearlridge/‘Aiea area. Awarded contracts for the construction of over 1.8 miles of water main in ‘Aiea, Mānoa, and Foster Village areas.
 - Awarded design and construction contracts for renovations and improvements at the following BWS facilities: ‘Āina Koa Well, Barbers Point Non-Potable Well, Beretania Engineering Building Courtyard, Beretania Microbiology Lab, Hawai‘i Loa Booster No. 1, Kalauao Wells, Kalihi Corporation Yard, Kalihi Pump Station, Kalihi Low to High Service Booster, Kalihi Uka Booster, Kaonohi Booster No. 2, Kunia Booster, Makakilo Booster No. 1, Nānākuli Booster, Nu‘uanu Reservoir No. 1, Punanani Wells, Wai‘au Wells, Wai‘alae Iki Booster V, Waihe‘e Inclined Wells, Waipahu Wells III, Waipahu Wells IV, and Wilhelmina Rise 811 Reservoir.
 - BWS processes payments through various methods: automatic bill payment (36.0%), lockbox (24.3%), online customer portal (22.2%), BWS Cashiers (12.3%), Call Center (1.6%), automated pay-by-phone (2.6%), and Satellite City Hall locations (1.0%).



Report of Independent Auditors

To the Board of Directors
Board of Water Supply
City and County of Honolulu

Opinion

We have audited the accompanying financial statements of the Board of Water Supply (the "BWS"), a component unit of the City and County of Honolulu (the "City"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the BWS's basic financial statements as listed in the index.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the BWS as of June 30, 2024, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the BWS, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the activities of the BWS, and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2024, the changes in its financial position, or, where applicable, its cash flows for the year 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.

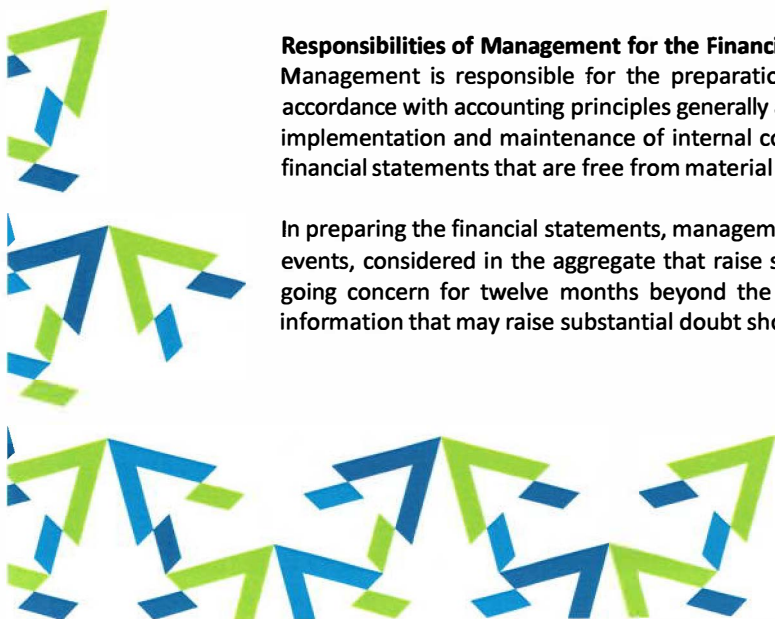
Responsibilities of Management for the Financial Statements

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 and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate that raise substantial doubt about the BWS's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

999 Bishop Street
Suite 1900
Honolulu, HI 96813

OFFICE 808.531.3400
FAX 808.531.3433
accuityllp.com





Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 BWS's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the BWS's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 13 and the schedules of proportionate share of the net pension liability, pension contributions, changes in the net OPEB liability and related ratios, and OPEB contributions on pages 48 through 53 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the GASB 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.



Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the BWS's basic financial statements. The schedules of bonds payable and net revenue requirement are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of bonds payable and net revenue requirement are the responsibility of management and was 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 audit 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 schedules of bonds payable and net revenue requirement are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introduction but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2024 on our consideration of the BWS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely 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 the effectiveness of the BWS's 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 BWS's internal control over financial reporting and compliance.

Accuity LLP

Honolulu, Hawaii
November 15, 2024

**Board of Water Supply
City and County of Honolulu
Management's Discussion and Analysis (Unaudited)
June 30, 2024**

This section presents management's discussion and analysis ("MD&A") of the financial condition and activities for the Board of Water Supply of the City and County of Honolulu (the "BWS") for the year ended June 30, 2024. This information should be read in conjunction with the BWS's basic financial statements.

Financial Highlights

The BWS approved another five-year rate adjustment schedule effective February 1, 2024 to continue to provide safe and dependable water to the customers and meet increased operating and infrastructure improvement expenses. In fiscal year 2024, water rate increased by 10%, which equates to \$5.56 of the monthly water charges for a single-family residential customer with average water consumption of 9,000 gallons per month.

The BWS maintains a relatively strong financial performance with a manageable capital program. Meanwhile, management continues to carefully evaluate the BWS's finances to ensure optimum performance. In addition to meeting all debt covenants, outstanding debt and cash reserves were kept at levels appropriate for maintaining favorable bond ratings. Key financial highlights are listed below:

- Net position increased by \$89.5 million in fiscal year 2024, compared to the \$46.0 million increase in fiscal year 2023.
- Total assets were \$2.3 billion as of June 30, 2024 and \$2.1 billion as of June 30, 2023, which exceeded liabilities by \$1.4 billion as of June 30, 2024 and \$1.3 billion as of June 30, 2023.
- The BWS's unrestricted current assets at June 30, 2024 were 10.5 times its related current liabilities, compared to 7.7 times at June 30, 2023.
- The BWS's debt-to-equity ratio was 40.3% and 40.7% at June 30, 2024 and 2023, respectively, indicating the continuance of capacity to issue additional debt.

Overview of the Financial Statements

The BWS is a semi-autonomous agency of the City. The 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 MD&A represents management's analysis and comments on the BWS's financial condition and performance. Summary financial data, key financial and operational indicators used in the BWS's annual report, budget, bond resolutions, and other management tools were used for this analysis.

The basic financial statements include the statement of net position, statement of revenues, expenses, and changes in net position, statement of cash flows, and notes to the financial statements. The statement of net position presents the resources and obligations of the BWS as of the end of the reporting period. The statement of revenues, expenses, and changes in net position presents the changes in net position for the fiscal year then ended, and the resultant ending net position balance. The statement of cash flows presents changes in cash and cash equivalents (short-term investments with original maturities of three months or less from the date of acquisition), resulting from operating, investing, capital and related financing activities, and non-capital financing activities.

Board of Water Supply
City and County of Honolulu
Management's Discussion and Analysis (Unaudited)
June 30, 2024

Results of Operations

Condensed Statements of Revenues, Expenses, and Changes in Net Position
(Amounts in thousands)

| | 2024 | 2023 | 2024 – 2023 | |
|---------------------------------------|------------|------------|------------------------|-------------|
| | | | Increase (Decrease) | % Change |
| Operating revenues | \$ 260,139 | \$ 244,712 | \$ 15,427 | 6.3 % |
| Operating expenses | | | | |
| Administrative and general | 69,760 | 68,375 | 1,385 | 2.0 % |
| Depreciation and amortization | 50,343 | 53,381 | (3,038) | (5.7)% |
| Power and pumping | 44,609 | 44,761 | (152) | (0.3)% |
| Other operating expenses | 55,367 | 48,445 | 6,922 | 14.3 % |
| Total operating expenses | 220,079 | 214,962 | 5,117 | 2.4 % |
| Operating income | 40,060 | 29,750 | 10,310 | 34.7 % |
| Nonoperating income (expenses) | | | | |
| Interest income | 18,780 | 11,029 | 7,751 | 70.3 % |
| Interest expense | (14,037) | (13,579) | (458) | 3.4 % |
| Others, net | 23,806 | (3,868) | 27,674 | (715.5)% |
| Total nonoperating income (expenses) | 28,549 | (6,418) | 34,967 | (544.8)% |
| Contributions in aid of construction | 20,903 | 22,652 | (1,749) | (7.7)% |
| Change in net position | \$ 89,512 | \$ 45,984 | \$ 43,528 | 94.7 % |

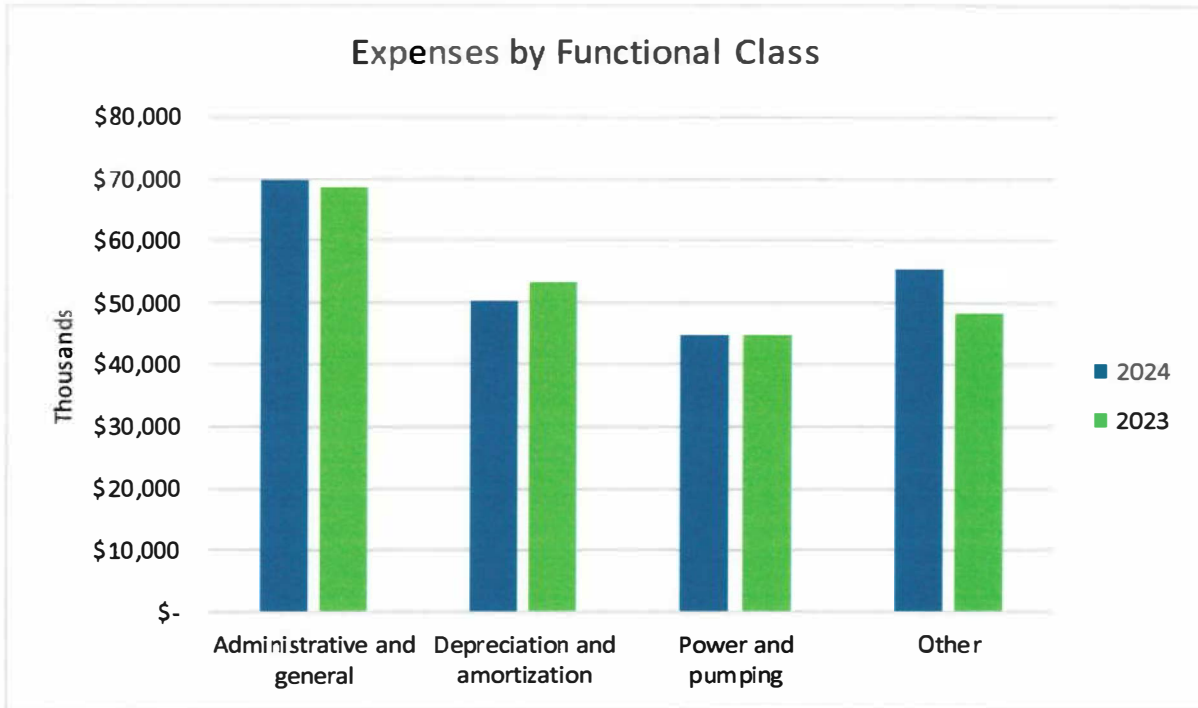
Operating revenues for the year ended June 30, 2024 totaled \$260.1 million compared to \$244.7 million for year ended June 30, 2023; an increase of \$15.4 million or 6.3% from the year ended June 30, 2023. This was due to increases in water consumption for the single family residential class by \$5.3 million, non-residential class by \$5.1 million, and the multi-family residential class by \$1.8 million in fiscal year 2024.

Total operating expenses increased by \$5.1 million in fiscal year 2024. Factors contributing to the increase are explained below:

- Administrative and general expenses increased by \$1.4 million in fiscal year 2024. The increase is due to health benefits for active employees, employer's share of retirement contributions, and professional services increases.
- Other operating expenses increased by \$6.9 million during fiscal year 2024 mainly due to the increase in transmission and distribution, maintenance costs, and water reclamation.
- Power and pumping and depreciation expenses decreased in fiscal year 2024 to offset the increase in total of operating expenses.

For the year ended June 30, 2024, net nonoperating income (expenses) increased by \$35.0 million. This was the result of increases in Federal Grant Revenue of \$9.0 million, net realized and unrealized gains on investments of \$18.5 million, and increase in interest income by \$7.8 million.

**Board of Water Supply
City and County of Honolulu
Management's Discussion and Analysis (Unaudited)
June 30, 2024**



Contributions in aid of construction resulting from the Water System Facilities Charges ("WSFC") are levied against all new developments and residential properties requiring water from the BWS's systems. Those contributions do not include developments that have paid for and installed a complete water system including sources, transmission, and daily storage facilities. In addition, contributions of capital assets from governmental agencies, developers and customers are recorded at their cost as contributions in aid of construction. The BWS realized contributions in aid of construction of \$20.9 million in fiscal year 2024 compared to \$22.7 million in fiscal year 2023. The decrease was primarily due to decreases in contributions from government of \$2.8 million and from developers of \$2.5 million, offset by an increase in SRF debt principal forgiveness of \$3.9 million. During the year ended June 30, 2024, the major developments were Kapolei Harborside Phase 1A Backbone Roadway Improvements, Ho'opili Development Industrial Mixed-Use Improvement, and Ho'opili Developments at Honouliuli.

Board of Water Supply
City and County of Honolulu
Management's Discussion and Analysis (Unaudited)
June 30, 2024

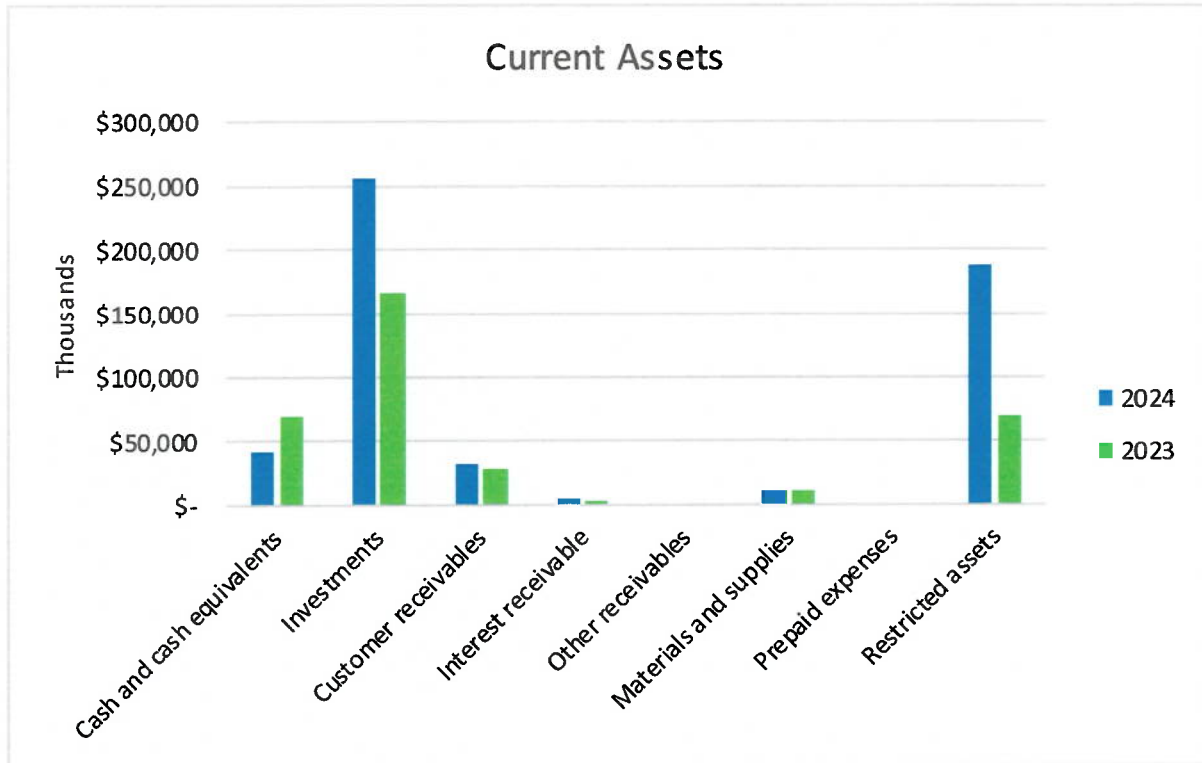
Financial Condition

Condensed Statements of Net Position
(Amounts in thousands)

| | 2024 | 2023 | 2024 – 2023 | |
|--|---------------------|---------------------|------------------------|-------------|
| | | | Increase (Decrease) | % Change |
| Current assets | \$ 537,044 | \$ 348,588 | \$ 188,456 | 54.1 % |
| Noncurrent assets | | | | |
| Capital assets, net | 1,433,737 | 1,366,641 | 67,096 | 4.9 % |
| Investments | 184,466 | 224,594 | (40,128) | (17.9)% |
| Restricted and other assets | 121,793 | 196,113 | (74,320) | (37.9)% |
| Total assets | <u>2,277,040</u> | <u>2,135,936</u> | <u>141,104</u> | 6.6 % |
| Deferred outflows of resources | <u>43,795</u> | <u>45,215</u> | <u>(1,420)</u> | (3.1)% |
| Total assets and deferred outflows of resources | <u>\$ 2,320,835</u> | <u>\$ 2,181,151</u> | <u>\$ 139,684</u> | 6.4 % |
| Current liabilities | \$ 135,277 | \$ 104,656 | \$ 30,621 | 29.3 % |
| Noncurrent liabilities | | | | |
| Bonds payable, noncurrent | 429,634 | 393,665 | 35,969 | 9.1 % |
| Notes payable, noncurrent | 124,060 | 129,810 | (5,750) | (4.4)% |
| Net pension liability | 128,552 | 121,159 | 7,393 | 6.1 % |
| Net OPEB liability | 28,726 | 30,887 | (2,161) | (7.0)% |
| Other liabilities | 15,276 | 17,458 | (2,182) | (12.5)% |
| Total liabilities | <u>861,525</u> | <u>797,635</u> | <u>63,890</u> | 8.0 % |
| Deferred inflows of resources | <u>24,843</u> | <u>38,561</u> | <u>(13,718)</u> | (35.6)% |
| Net position | | | | |
| Net investment in capital assets | 1,092,038 | 1,033,479 | 58,559 | 5.7 % |
| Restricted for capital activity and debt service | 4,039 | 15,741 | (11,702) | (74.3)% |
| Unrestricted | <u>338,390</u> | <u>295,735</u> | <u>42,655</u> | 14.4 % |
| Total net position | <u>1,434,467</u> | <u>1,344,955</u> | <u>89,512</u> | 6.7 % |
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 2,320,835</u> | <u>\$ 2,181,151</u> | <u>\$ 139,684</u> | 6.4 % |

The BWS's current assets were 4.0 times its related current liabilities as of June 30, 2024 and 2023, respectively. The current investments increased by \$89.0 million and current restricted assets increased by \$119.7 million, offset by a decrease in current cash and cash equivalents of \$26.6 million. The current liabilities also increased by \$30.6 million as of June 30, 2024.

Board of Water Supply
City and County of Honolulu
Management's Discussion and Analysis (Unaudited)
June 30, 2024



Noncurrent assets decreased by \$47.4 million in fiscal year 2024. The decrease is primarily due to the decrease in noncurrent investments by \$40.1 million and noncurrent restricted assets by \$74.4 million, offset by the increase in net capital assets of \$67.1 million during fiscal year 2024.

Bonds payable increased by \$36.3 million as of June 30, 2024. The increase is attributed to the issuance of Series 2024A Bonds that resulted in the receipt of net bond proceeds of \$54.0 million during fiscal year 2024, offset by scheduled debt service payments in fiscal year 2024.

Notes payable decreased by \$5.5 million as of June 30, 2024. The decrease is due to \$8.4 million in scheduled debt service payments in fiscal year 2024, offset by the receipt of loan proceeds for new projects utilizing financing from the state revolving fund loan program totaling \$2.9 million.

The net pension liability increased by \$7.4 million as of June 30, 2024, which was mainly due to unfavorable net difference between projected and actual investment earnings, and unfavorable changes in proportionate share of contributions.

The net OPEB liability decreased by \$2.2 million as of June 30, 2024, which was mainly due to decrease in the OPEB expense, favorable net difference between expected and actual experience, and favorable change in assumptions.

**Board of Water Supply
City and County of Honolulu
Management's Discussion and Analysis (Unaudited)
June 30, 2024**

Capital Assets and Long-Term Debt

During fiscal years 2024 and 2023, the BWS capitalized \$46.5 million and \$71.7 million, respectively, to its utility plant in service. Major assets added during fiscal year 2024 were rehabilitation of Pipelines and Tunnels at Moanalua and Quarry Tunnels, \$12.1 million; replacement of Diamond Head Line Booster Pump, \$4.8 million; improvement of Kapolei Harborside Phase 1A Backbone Roadway, \$4.1 million; and rehabilitation of Barbers Point Line Booster Improvements, \$2.4 million.

The BWS issues long-term bonds to finance part of its capital improvement program. The BWS has maintained a low debt-to-equity ratio at 40.3% and 40.7% as of June 30, 2024 and 2023, respectively.

All outstanding bonds have been assigned underlying ratings of AAA from S&P Global and AAA from Fitch Ratings.

Rate Covenant

The BWS is required under its bond indenture, among other things, to fix, charge and collect such rates and other charges in each fiscal year to meet the net revenue requirement for such fiscal year. The net revenue requirement is the greater of 1) the sum of the aggregate debt service and all deposits required by bond resolution to be made, or 2) 1.20 times the aggregate debt service. The BWS met the net revenue requirements for the year ended June 30, 2024.

Red Hill Bulk Fuel Storage Facility

The U.S. Navy's Red Hill Bulk Fuel Storage Facility ("RHBFSF") consists of 20 steel-lined underground storage tanks that were built from 1940 to 1943. Each tank is 100 feet in diameter and 250 feet tall. The RHBFSF can store up to 250 million gallons of fuel. The tanks are located 100 feet above the groundwater aquifer that the Navy uses to provide water to Pearl Harbor and the Board of Water Supply also uses to provide drinking water to its metropolitan Honolulu water system, spanning from Moanalua Valley to Hawaii Kai. Following the 27,000 gallon leak of jet fuel in January 2014, the Navy entered into an Administrative Order of Consent with the U.S. Environmental Protection Agency and Hawaii State Department of Health to conduct various studies to improve tank inspection, repair and maintenance practices, understand the condition of the tanks, identify upgrade alternatives, assess the risk of future leaks, determine the area's groundwater flow direction, and investigate and remediate releases.

The Navy's RHBFSF experienced additional leaks in 2021. On December 2, 2021, the BWS shut down the Hālawā Shaft pumping station to prevent any fuel contamination of the BWS Honolulu water system. The Hālawā Shaft delivered 20% of the water to the metropolitan Honolulu water system. On December 8, 2021, the BWS also shut down its 'Aiea Well and Hālawā Well to prevent such contamination.

The BWS is pumping at higher rates from other well stations that also serve metropolitan Honolulu to make up for the production loss from shutting down the Hālawā Shaft, 'Aiea Well, and Hālawā Well. This condition is being monitored closely as extended pumping at higher rates can cause water salinity levels to rise and affect both the aquifer and the water pumped. Presently, the situation with the BWS wells serving urban Honolulu is stable. However, extended closure of these three sources could result in mandatory water conservation measures and moratoriums on new water use to prevent the effects of over pumping other well stations.

**Board of Water Supply
City and County of Honolulu
Management's Discussion and Analysis (Unaudited)
June 30, 2024**

On March 7, 2022, Lloyd Austin, Secretary of Defense, announced that the Navy would permanently close the RHBFSF. The tanks completed gravity defueling in March 2024 and is in the process of venting, cleaning and closing the facility. The Navy continues to work to determine the nature and extent of the contamination in the aquifer affecting its Red Hill Shaft water source. This finding is critical to determining the long-term impact of the contamination on the aquifer and to existing water sources in the area.

Polycyclic aromatic hydrocarbons (PAHs), chemicals indicating petroleum contamination, were first detected in BWS ground water monitoring well DH-43 located in Moanalua Valley on August 4, 2022. More recently, PAHs were also detected during regular water quality monitoring on May 13, 2024 and June 4, 2024, at the currently shutdown BWS 'Aiea Well. The PAH levels are very low and not expected to pose a significant threat to human health or the environment. Further study is warranted and BWS will increase the testing of its wells to monitor for any changes in levels and occurrence. The detections of PAHs affirm the necessity of the BWS's decision to shut down Hālawā Shaft, Hālawā Well, and 'Aiea Well to prevent any petroleum contamination in the aquifer from reaching those sources and ultimately entering the BWS urban Honolulu water system.

The BWS is tracking the costs of its actions in response to this incident. The BWS cannot predict the ultimate costs of these actions or whether and to what extent it will be reimbursed by the Navy. The BWS's 2018 Long Range Financial Plan developed a scenario for handling a major water source contamination event. The related financial impact on the BWS's financial statements cannot be reasonably determined at this time.

Requests for Information

This financial report is designed to provide a general overview of the BWS's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Board of Water Supply, City and County of Honolulu, 630 S. Beretania Street, Honolulu, Hawaii 96843.

Board of Water Supply
City and County of Honolulu
Statement of Net Position
June 30, 2024

Assets

Current assets

| | |
|---|--------------------|
| Cash and cash equivalents | \$ 42,455,443 |
| Investments | 256,342,919 |
| Interest receivable | 4,357,629 |
| Customer receivables | |
| Billed, less allowance for uncollectible accounts of \$3,840,468 | 19,379,196 |
| Unbilled | 13,012,769 |
| Other receivables, less allowance for uncollectible accounts of \$510,868 | 932,342 |
| Materials and supplies | 11,269,039 |
| Prepaid expenses | 1,226,218 |
| Restricted assets | |
| Cash and cash equivalents | 56,140,530 |
| Prepaid expenses | 21,762,425 |
| Investments | 110,165,758 |
| Total current assets | <u>537,044,268</u> |

Noncurrent assets

Capital assets

| | |
|---|------------------------|
| Infrastructure | 1,732,246,401 |
| Building and improvements | 208,931,462 |
| Equipment and machinery | 422,320,887 |
| | <u>2,363,498,750</u> |
| Less: Accumulated depreciation and amortization | <u>(1,305,376,930)</u> |

1,058,121,820

| | |
|-------------------------------|----------------------|
| Land | 32,370,754 |
| Construction work-in-progress | 343,244,419 |
| Net capital assets | <u>1,433,736,993</u> |

| | |
|-------------|-------------|
| Investments | 184,465,537 |
|-------------|-------------|

Restricted assets

| | |
|-------------|-------------|
| Investments | 118,731,773 |
|-------------|-------------|

| | |
|--------------|------------------|
| Other assets | <u>3,061,194</u> |
|--------------|------------------|

| | |
|-------------------------|----------------------|
| Total noncurrent assets | <u>1,739,995,497</u> |
|-------------------------|----------------------|

| | |
|--------------|----------------------|
| Total assets | <u>2,277,039,765</u> |
|--------------|----------------------|

Deferred Outflows of Resources

| | |
|--|------------|
| Deferred loss on refunding of debt and other | 11,306,628 |
|--|------------|

| | |
|--|------------|
| Deferred outflows of resources related to pensions | 21,848,999 |
|--|------------|

| | |
|--|-------------------|
| Deferred outflows of resources related to OPEB | <u>10,639,878</u> |
|--|-------------------|

| | |
|--------------------------------------|-------------------|
| Total deferred outflows of resources | <u>43,795,505</u> |
|--------------------------------------|-------------------|

| | |
|---|------------------------|
| Total assets and deferred outflows of resources | <u>\$2,320,835,270</u> |
|---|------------------------|

(continued)

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

Board of Water Supply
City and County of Honolulu
Statement of Net Position
June 30, 2024

Liabilities

Current liabilities

| | |
|---|--------------------|
| Payable from current assets | |
| Accounts payable | \$ 16,077,573 |
| Contracts payable, including retainages | 8,820,439 |
| Accrued vacation – current | 3,518,528 |
| Accrued workers' compensation – current | 995,580 |
| Other | <u>3,791,267</u> |
| Total payable from current assets | 33,203,387 |
| Payable from restricted assets | |
| Contracts payable, including retainages | 28,064,348 |
| Accrued interest payable | 7,049,674 |
| Bonds payable – current | 15,150,000 |
| Notes payable – current | 8,679,223 |
| Refundable advances | <u>43,130,629</u> |
| Total payable from restricted assets | <u>102,073,874</u> |
| Total current liabilities | 135,277,261 |

Noncurrent liabilities

| | |
|--|--------------------|
| Bonds payable – noncurrent | 429,633,547 |
| Notes payable – noncurrent | 124,059,885 |
| Net pension liability | 128,552,203 |
| Net OPEB liability | 28,725,876 |
| Accrued vacation – noncurrent | 4,179,747 |
| Accrued workers' compensation – noncurrent | 2,401,336 |
| Customer advances | 475,135 |
| Claims liabilities | 3,747,742 |
| Other | <u>4,472,020</u> |
| Total noncurrent liabilities | <u>726,247,491</u> |
| Total liabilities | 861,524,752 |

Deferred Inflows of Resources

| | |
|---|------------------|
| Deferred inflows of resources related to pensions | 3,994,124 |
| Deferred inflows of resources related to OPEB | 18,477,408 |
| Deferred inflows of resources related to leases | <u>2,371,766</u> |
| Total deferred inflows of resources | 24,843,298 |

Net Position

| | |
|--|------------------------|
| Net investment in capital assets | 1,092,038,163 |
| Restricted for capital activity and debt service | 4,038,638 |
| Unrestricted | <u>338,390,419</u> |
| Total net position | <u>1,434,467,220</u> |
| Total liabilities, deferred inflows of resources, and net position | <u>\$2,320,835,270</u> |

(concluded)

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

Board of Water Supply
City and County of Honolulu
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2024

| | |
|---|------------------------|
| Operating revenues | |
| Water sales | \$ 257,491,103 |
| Other, principally contract and service fees | <u>2,648,337</u> |
| Total operating revenues | <u>260,139,440</u> |
| Operating expenses | |
| Administrative and general | 69,759,639 |
| Depreciation and amortization | 50,342,969 |
| Power and pumping | 44,608,679 |
| Transmission and distribution | 27,574,520 |
| Maintenance | 14,230,694 |
| Water reclamation | 6,174,438 |
| Customers' accounting and collection | 4,088,262 |
| Central administrative services expense fees | <u>3,300,000</u> |
| Total operating expenses | <u>220,079,201</u> |
| Operating income | 40,060,239 |
| Nonoperating income (expenses) | |
| Interest income | 18,780,333 |
| Interest expense, net of amortization of bond premiums of \$2,502,422 | (14,036,558) |
| Bond issuance costs | (531,150) |
| Gain from disposal of capital assets | 44,880 |
| Net increase in the fair value of investments | 14,903,120 |
| Federal grant revenue | 9,035,346 |
| Other | <u>352,845</u> |
| Total nonoperating income, net | 28,548,816 |
| Contributions in aid of construction | <u>20,902,708</u> |
| Change in net position | 89,511,763 |
| Net position | |
| Beginning of year | <u>1,344,955,457</u> |
| End of year | <u>\$1,434,467,220</u> |

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

Board of Water Supply
City and County of Honolulu
Statement of Cash Flows
Year Ended June 30, 2024

| | |
|---|----------------------|
| Cash flows from operating activities | |
| Cash received from customers | \$ 256,017,490 |
| Payments to suppliers for goods and services | (132,839,008) |
| Payments to employees for services | (62,218,506) |
| Other | (6,289,168) |
| Net cash provided by operating activities | <u>54,670,808</u> |
| Cash flows from capital and related financing activities | |
| Acquisition and construction of capital assets | (95,271,384) |
| Customer payments for capital projects | 5,489,448 |
| Federal grants received | 26,865,975 |
| Net proceeds from bond issuance | 79,354,287 |
| Principal paid on bonds | (14,845,000) |
| Interest paid on bonds | (12,573,192) |
| Advanced refunding of previously issued debt | (26,264,287) |
| Proceeds from notes payable | 7,820,251 |
| Interest paid on notes payable | (1,936,232) |
| Principal paid on notes payable | (8,463,073) |
| Lease receipts | 158,111 |
| Lease and subscription payments | (957,785) |
| Net cash used in capital and related financing activities | <u>(40,622,881)</u> |
| Cash flows from investing activities | |
| Purchase of investments | (502,018,036) |
| Proceeds from maturity of investments | 411,679,888 |
| Interest on investments | 16,758,417 |
| Net cash used in investing activities | <u>(73,579,731)</u> |
| Net decrease in cash and cash equivalents | (59,531,804) |
| Cash and cash equivalents | |
| Beginning of year | <u>158,127,777</u> |
| End of year | <u>\$ 98,595,973</u> |
| Reconciliation of cash and cash equivalents to the statement of net position | |
| Unrestricted | \$ 42,455,443 |
| Restricted | 56,140,530 |
| | <u>\$ 98,595,973</u> |

(continued)

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

**Board of Water Supply
City and County of Honolulu
Statement of Cash Flows
Year Ended June 30, 2024**

Reconciliation of operating income to net cash provided by operating activities

| | |
|--|----------------------|
| Operating income | \$ 40,060,239 |
| Adjustments to reconcile operating income to net cash provided by operating activities | |
| Depreciation and amortization | 52,852,721 |
| Provision for doubtful accounts | 409,939 |
| Changes in operating assets, deferred outflows of resources, operating liabilities, and deferred inflows of resources | |
| Customer receivables | (4,926,214) |
| Other receivables | 16,698 |
| Materials and supplies | (194,739) |
| Prepaid expenses and other | (21,501,016) |
| Deferred outflows of resources related to pensions | 1,822,395 |
| Deferred outflows of resources related to OPEB | (2,018,086) |
| Accounts and contracts payable | (3,623,116) |
| Accrued vacation | (149,839) |
| Accrued workers' compensation | (63,348) |
| Other liabilities | 320,070 |
| Net pension liability | 7,392,937 |
| Net OPEB liability | (2,161,193) |
| Deferred inflows of resources related to pensions | (8,075,267) |
| Deferred inflows of resources related to OPEB | (5,491,373) |
| Net cash provided by operating activities | <u>\$ 54,670,808</u> |

Supplemental schedule of noncash investing, capital, and related financing activities

| | |
|---|---------------|
| Changes in fair value of investments | \$ 14,903,120 |
| Forgiveness of principal due on notes payable | 4,890,865 |
| Contributions of capital assets from government agencies, developers and customers that are recorded as contributions in aid of construction | 9,560,989 |
| Capital asset additions included in contracts and accounts payable at year-end | 36,884,748 |
| Subscription and leased asset additions included in equipment and machinery at year-end | 463,979 |
| Bond proceeds deposited directly with escrow agent for refunding of previously issued debt | 26,264,287 |
| Bond issuance costs deducted from bond proceeds | 531,150 |
| Amortization of bond premium, net, and other costs | 2,502,469 |
| Amortization of deferred loss on refunding | 1,615,233 |
| | (concluded) |

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

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1. Operations

The Revised Charter of the City and County of Honolulu provides for the operation of the Board of Water Supply (the "BWS") as a semi-autonomous body of the City and County of Honolulu (the "City") government. The BWS has full and complete authority to manage, control and operate the City's water system and related properties.

Article VII of the Revised Charter of the City and County of Honolulu states that the BWS's seven-member Board of Directors has the authority to establish and adjust water rates and charges so that the revenues derived shall be sufficient to make the BWS self-supporting. The Board of Directors is required to follow certain procedures that include holding public hearings before implementing changes in the water rate schedules.

2. Summary of Significant Accounting Policies

Financial Statement Presentation

The BWS is a component unit of the City (the "primary government"). The accompanying financial statements present only the financial position and activities of the BWS and do not purport to, and do not present the financial position of the City, the changes in its financial position, or its cash flows.

Measurement Focus and Basis of Accounting

The accompanying financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Use of Estimates

The preparation of the financial statements in accordance 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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 the carrying amount of capital assets, allowance for uncollectible receivables, accrued workers' compensation, and pensions and postretirement benefits. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the BWS considers all cash on hand, demand deposits, and short-term investments (including restricted assets) with original maturities of three months or less from the date of acquisition to be cash and cash equivalents.

Investments

Investments are measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The cost of securities sold is generally determined by the weighted average method.

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Receivables

Receivables are recorded at the invoiced amount and do not bear interest. The allowance for uncollectible accounts is the BWS's best estimate of the amount of probable credit losses in the BWS's existing receivables. The BWS determines the allowance based on past collection experience and the length of time individual receivables are past due. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Materials and Supplies

Materials and supplies are stated at weighted average cost (which approximates the first-in, first-out method). The cost of materials and supplies are recorded as expenses when consumed rather than when purchased.

Restricted Assets

Restricted assets are comprised of cash and cash equivalents and investments maintained in accordance with bond resolutions and other agreements for the purpose of funding certain debt service payments, construction, improvements, and renewal and replacements of the water system. When both restricted and unrestricted assets are available for use, it is the BWS's policy to use restricted assets first, then unrestricted assets as they are needed. Restricted assets comprise the following:

- The debt service account accumulates transfers from the operating account throughout the fiscal year to make principal and interest payments on the outstanding water system revenue bonds and other notes payable.
- The renewal and replacement account and the reserve release fund provide funding for improvements, reconstruction, emergency or extraordinary repairs, and renewals or replacements of the water system.
- The improvement account holds the proceeds of the series bond issuance pursuant to the series resolution or series certificates. These proceeds are only applied to costs specified in the applicable series resolution or series certificates.
- The extramural account holds reimbursements received from any governmental agency or private entity, pursuant to negotiated agreements, contracts and/or grants.

Capital Assets

Capital assets include those assets in excess of \$5,000 with a useful life of more than one year. Capital assets are stated at cost and include contributions by governmental agencies, private subdividers, and customers at their cost or estimated cost of new construction.

Major replacements, renewals and betterments are capitalized. The BWS also capitalizes certain indirect costs to construction work based upon actual construction direct labor. Maintenance, repairs and replacements that do not improve or extend the lives of the assets are recorded to operating expenses.

Assets are depreciated over the estimated useful life of the individual assets using the straight-line method. Depreciation on both purchased and contributed assets is charged against operations.

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The estimated useful lives of capital assets are as follows:

| | |
|-------------------------------------|--------------------|
| Source of Supply | 20 to 100 years |
| Pumping Plant | 20 to 50 years |
| Water Treatment Plant | 20 to 30 years |
| Transmission and Distribution Plant | 13-1/3 to 50 years |
| Water Reclamation Plant | 20 to 50 years |
| Ocean Cooling Plant | 20 years |
| General Plant | 5 to 50 years |

Gains or losses resulting from the sale, retirement or disposal of capital assets in service are recorded to nonoperating income (expenses).

Leases – Lessee

The BWS has a policy to recognize a lease liability and a right-to-use lease asset ("ROU asset") in the statement of net position. The BWS recognizes lease liabilities with an initial, individual value of \$5,000 or more and a lease term greater than one year. Variable payments based on future performance of the lessee or usage of the underlying asset are not included in the measurement of the lease liability.

At the commencement of a lease, the BWS initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made.

ROU assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the ROU asset into service. ROU assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the BWS has determined reasonably certain of being exercised. In this case, the ROU asset is amortized over the useful life of the underlying asset.

Key estimates and judgments related to leases include how the BWS determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) the lease term, and (3) lease payments.

- The BWS uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the BWS generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease as well as any periods covered by the BWS's option to extend the lease if it is reasonably certain, based on all relevant factors, that the BWS will exercise that option. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the BWS is reasonably certain to exercise.

The BWS monitors changes in circumstances that would require a remeasurement of its lease and will remeasure any ROU asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. The BWS's ROU assets and lease liabilities are recorded in equipment and machinery and other noncurrent liabilities, respectively, in the statement of net position.

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Leases – Lessor

The BWS is a lessor for leases of special purpose utility facilities, office and commercial space. The BWS recognizes lease receivables and deferred inflows of resources in the financial statements with an initial, individual value of \$5,000 or more and a lease term greater than one year. Variable payments based on future performance of the lessee or usage of the underlying asset are not included in the measurement of the lease receivable.

At the commencement of a lease, the BWS initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of the lease payments received. The deferred inflows of resources are initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources are recognized as revenue over the life of the lease term in a systematic and rational method.

Key estimates and judgments include how the BWS determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) the lease term, and (3) lease receipts.

- The BWS uses its estimated incremental borrowing rate as the discount rate.
- The lease term includes the noncancellable period of the lease as well as any periods covered by the lessee's option to extend the lease if it is reasonably certain, based on all relevant factors, that the lessee will exercise that option. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lease.

The BWS monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable. The BWS's lease receivables are recorded in other assets in the statement of net position.

Subscription-Based Information Technology Arrangements ("SBITA")

The BWS has a policy to recognize a subscription liability and a right-to-use subscription asset ("subscription asset") in the statement of net position. The BWS recognizes subscription liabilities with an initial, individual value of \$5,000 or more and a term greater than one year.

At the commencement of an arrangement, the BWS initially measures the subscription liability at the present value of payments expected to be made during the term. Subsequently, the subscription liability is reduced by the principal portion of payments made.

Subscription assets are recorded at the amount of the initial measurement of the subscription liabilities, less any payments made to the SBITA vendor before the commencement of the subscription term, and capitalizable initial implementation cost, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Subscription assets are amortized using the straight-line method over the shorter of the term or the useful life of the underlying asset unless the agreement contains a purchase option that the BWS has determined reasonably certain of being exercised. In this case, the asset is amortized over the useful life of the underlying asset.

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Key estimates and judgments related to SBITAs include how the BWS determines (1) the discount rate it uses to discount the expected payments to present value, (2) the term, and (3) payments.

- The BWS uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the lessor is not provided, the BWS generally uses its estimated incremental borrowing rate as the discount rate for the arrangement.
- The term includes the noncancellable period of the arrangement as well as any periods covered by the BWS's option to extend the subscription asset if it is reasonably certain, based on all relevant factors, that the BWS will exercise that option. Payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price that the BWS is reasonably certain to exercise.

The BWS monitors changes in circumstances that would require a remeasurement of its SBITA and will remeasure any subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability. The BWS's subscription assets and liabilities are recorded in equipment and machinery and other noncurrent liabilities, respectively, in the statement of net position.

Bond Issue Prepaid Insurance Costs, Original Issue Discounts or Premiums, and Deferred Loss on Refunding of Debt

Bond issue costs are expensed when incurred, except for prepaid insurance, which are amortized over the life of the respective issue on a straight-line basis. Bond issue prepaid insurance costs are presented as other assets in the statement of net position.

Original issue discounts or premiums are amortized using the effective interest method over the terms of the respective issues. Original issue discounts or premiums are offset against or added to bonds payable in the statement of net position.

Deferred loss on refunding of debt is amortized using the straight-line method over the remaining life of the refunded debt or the life of the new debt, whichever is shorter. The deferred loss on refunding of debt is presented as deferred outflows of resources in the statement of net position.

Accrued Vacation and Compensatory Pay

Vacation is earned at the rate of one and three-quarters working days for each month of service. Vacation days may be accumulated to a maximum of 90 days as of the end of the calendar year and are convertible to pay upon termination. The BWS accrues a liability for compensated absences and additional amounts for certain salary-related payments including payroll taxes and fringe benefits.

As of June 30, 2024, accumulated sick leave approximated \$19,986,000. Sick leave accumulates at the rate of one and three-quarters working days for each month of service without limit, but can be taken only in the event of illness and is not convertible to pay upon termination of employment. However, an employee who retires or leaves government service in good standing with 60 or more unused sick days is entitled to additional service credit in the State of Hawaii's Employees' Retirement System.

Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position is classified in the following three components: net investment in capital assets, restricted for capital activity and debt service, and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding debt that is

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attributable to the acquisition, construction or improvement of those assets. Debt related to unspent proceeds or other restricted cash and investments at year-end is not included in the calculation of net investment in capital assets. Restricted for capital activity and debt service consists of net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations or enabling legislation. Unrestricted consists of the remaining balance not included in the above categories.

Operating Revenues and Expenses

The BWS distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the BWS's principal ongoing water operations. The principal operating revenues are derived 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.

Revenue Recognition

Charges for water sales are based on usage. The BWS's policy is to bill customers on a cyclical monthly basis. The accrual for unbilled water revenues and related receivables reflected in the accompanying financial statements is based on estimated usage from the latest meter reading date to the end of the fiscal year.

Contributions in Aid of Construction

Contributions in aid of construction represent cash or capital assets received by the BWS to aid in the construction of infrastructure assets. It also includes the forgiveness of principal due on state revolving fund loans that were used to finance the costs of infrastructure needed to maintain the water system. Contributions in aid of construction are recognized when they are accepted by the BWS and when all applicable eligibility requirements have been met.

Water System Facilities Charge

A water system facilities charge is levied against all new developments and residential properties requiring water from the BWS's systems, except those developments that have paid for and installed a complete water system, including source, transmission and daily storage facilities. The amounts collected are initially recorded as customer advances and are recognized as contributions in aid of construction when water service is made available to the customer. The use of these funds is designated for the construction of water facilities.

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 (the "ERS") and additions to/deductions from the ERS's fiduciary net position have been determined using the accrual basis of accounting, which is the same basis as they are reported by the ERS. For this purpose, employer and member contributions are recognized in the period in which the contributions are legally due, and benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. 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, the EUTF recognizes benefit payments when due and payable in accordance with the benefit terms.

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Investments are reported at fair value, except for investments in commingled and money market funds, which are reported at net asset value ("NAV"). The NAV is based on the fair value of the underlying assets held by the respective fund less its liabilities.

Deferred Compensation Plan

All full-time employees are eligible to participate in the City and County of Honolulu's Public Employees' Deferred Compensation Plan (the "Plan"), adopted pursuant to Internal Revenue Code Section 457. The Plan permits eligible employees to defer a portion of their salary until future years. The deferred compensation amounts are not available to employees until termination, retirement, death or unforeseeable emergency.

A trust fund was established to protect plan assets from claims of general creditors and from diversion to any uses other than paying benefits to participants and beneficiaries. Accordingly, the BWS has excluded the Plan's assets and liabilities from the financial statements because the BWS and the City do not have significant administrative involvement in the Plan nor perform the investment function for the Plan.

Risk Management

The BWS 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, and (5) employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters.

The ranges of insurance limits and deductibles are as follows:

| Policy | Limit (in millions) | Deductibles |
|------------------------------|--------------------------------|--------------------|
| Property | \$60 | \$ 500,000 |
| Public entity liability | 10 | 1,000,000 |
| Excess workers' compensation | 25 | 600,000 |
| Employment practices | 5 | 100,000 |
| Storage tank liability | 6 | 10,000 |
| Pollution legal liability | 5 | 1,000,000 |
| Crime | 5 | 25,000 |
| Cyber liability | 3 | 100,000 |

There have been no significant reductions in insurance coverages from the prior fiscal year.

Recently Adopted Accounting Pronouncements

GASB Statement No. 99

The GASB issued Statement No. 99, *Omnibus 2022*, in April 2022. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. Certain requirements of this Statement were effective upon issuance, while other requirements were effective for periods beginning after June 15, 2022 and periods beginning after June 15, 2023. The provisions effective for periods beginning after June 15, 2023 clarified the accounting and financial reporting requirements for financial guarantees. BWS did not have any such arrangements as of June 30, 2024.

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GASB Statement No. 100

The GASB issued Statement No. 100, *Accounting Changes and Error Corrections*, in June 2022. This Statement enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. This Statement was effective for fiscal years beginning after June 15, 2023. The BWS adopted the provisions of this Statement in the year ended June 30, 2024 with no material effect to its financial statements.

Recently Issued Accounting Pronouncements

GASB Statement No. 101

The GASB issued Statement No. 101, *Compensated Absences*, in June 2022. This Statement aims to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement is effective for fiscal years beginning after December 15, 2023. Management has not yet determined the effect this Statement will have on the BWS's financial statements.

GASB Statement No. 102

The GASB issued Statement No. 102, *Certain Risk Disclosures*, in December 2023. This Statement aims to provide users of government financial statements with essential information about the risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement is effective for fiscal years beginning after June 15, 2024. Management has not yet determined the effect this Statement will have on the BWS's financial statements.

GASB Statement No. 103

The GASB issued Statement No. 103, *Financial Reporting Model Improvements*, in April 2024. This Statement improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions or Conditions. Furthermore, this Statement stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed. This Statement emphasizes that the analysis provided in MD&A should avoid unnecessary duplication by not repeating explanations that may be relevant to multiple sections and that "boilerplate" discussions should be avoided by presenting only the most relevant information, focused on the primary government. In addition, this Statement clarifies the definition and reporting of unusual or infrequent items and updates the presentation of proprietary fund statement of revenue, expenses, and changes in net position. This Statement is effective for fiscal years beginning after June 15, 2025. Management has not yet determined the effect this Statement will have on the BWS's financial statements.

GASB Statement No. 104

The GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*, in September 2023. This Statement provides users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. This Statement is effective for fiscal years beginning after

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June 15, 2025. Management has not yet determined the effect this Statement will have on the BWS's financial statements.

3. Cash and Investments

Cash deposited with the City is maintained by the Department of Budget and Fiscal Services of the City. The City maintains a cash and investment pool that is used by all of the City's Funds and the BWS. The Hawaii Revised Statutes ("HRS") provide for the City's Director of Finance to deposit the cash with any national or state bank or federally insured financial institution authorized to do business in the State of Hawaii, provided that all deposits are fully insured or collateralized. The City's demand deposits are fully insured or collateralized with securities held by the City or its agents in the City's name.

The HRS authorizes the BWS to invest, with certain restrictions, in obligations of the State of Hawaii or the United States of America, in federally insured savings accounts, time certificates of deposit, and bank repurchase agreements with federally insured financial institutions authorized to do business in the State of Hawaii. The BWS's portfolio is managed by various investment managers. These investments consist of U.S. Treasury obligations and U.S. government agencies securities.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the term of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses, the BWS invests operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Excluding cash deposited with the City, all cash, money market mutual funds, and investment securities as of June 30, 2024 were held in trust by two financial institutions in the State of Hawaii.

All investment securities are registered in the name of the BWS and are not exposed to custodial credit risk. Money market mutual funds are not considered investment securities for purposes of custodial credit risk classification and are not exposed to custodial credit risk. Cash held in trust with these financial institutions are uncollateralized, however, amounts in excess of depository insurance are covered by commercial insurance obtained by each financial institution designed to insure against losses resulting from errors and omissions or fraud.

Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. Concentration of credit risk is the risk of a loss attributed to the magnitude of a government's investment in a single issuer. As of June 30, 2024, all investment securities and money market mutual funds were rated Aaa and Aaa-mf, respectively, by Moody's Investors Services. The BWS's concentration of credit risk related to investments in debt securities has been mitigated by limiting such investments to only debt obligations of the U.S. government and U.S. government agencies.

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The historical cost and estimated fair value of investments at June 30, 2024 consisted of the following:

| | Cost | Fair Value |
|---------------------------|-----------------------|-----------------------|
| U.S. Treasury obligations | \$ 601,070,795 | \$ 589,244,558 |
| U.S. government agencies | 82,046,861 | 80,461,429 |
| | <u>\$ 683,117,656</u> | <u>\$ 669,705,987</u> |

As of June 30, 2024, the credit exposure as a percentage of total investments was as follows:

| | Percent of Total | Fair Value |
|--|-----------------------------|-----------------------|
| U.S. Treasury obligations | 88 % | \$ 589,244,558 |
| U.S. government agencies | | |
| Federal National Mortgage Association | 2 % | 15,371,331 |
| Federal Home Loan Mortgage Corporation | 2 % | 15,570,498 |
| Federal Home Loan Bank | 6 % | 37,982,545 |
| Federal Farm Credit Bank | 2 % | 11,537,055 |
| | <u>100 %</u> | <u>\$ 669,705,987</u> |

The fair value of investments by contractual maturity at June 30, 2024 is shown below:

| | Investment Maturities (In Years) | | |
|---------------------------|---|-----------------------|-----------------------|
| | Fair Value | Less Than 1 | 1 – 5 |
| U.S. Treasury obligations | \$ 589,244,558 | \$ 330,483,766 | \$ 258,760,792 |
| U.S. government agencies | 80,461,429 | 36,024,911 | 44,436,518 |
| | <u>\$ 669,705,987</u> | <u>\$ 366,508,677</u> | <u>\$ 303,197,310</u> |

4. Restricted Assets

At June 30, 2024, the BWS's restricted assets were comprised of cash, cash equivalents, prepaid expenses, and investments and were held for the following purposes:

| | |
|---|-----------------------|
| Construction, renewals and replacements | \$ 271,499,683 |
| Debt service | 35,300,803 |
| | <u>\$ 306,800,486</u> |

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5. Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

- **Level 1** – Inputs to the valuation methodology are quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.
- **Level 2** – Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include:
 - Quoted prices for similar assets or liabilities in active markets.
 - Quoted prices for identical or similar assets or liabilities in markets that are not active.
 - Inputs other than quoted prices that are observable for the asset or liability.
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- **Level 3** – Inputs that are unobservable for an asset or liability.

Following is a description of the valuation techniques used by the BWS to measure fair value:

- **U.S. Treasury obligations** – Valued using quoted prices in active markets for identical assets.
- **U.S. government agencies obligations** – Valued using quoted prices for identical or similar assets in markets that are not active.

The following table sets forth by level, within the fair value hierarchy, assets measured at fair value on a recurring basis as of June 30, 2024:

| | Assets at Fair Value | | | |
|---------------------------|-----------------------------|-----------------------|----------------------|----------------|
| | Total | Level 1 | Level 2 | Level 3 |
| U.S. Treasury obligations | \$ 589,244,558 | \$ 589,244,558 | \$ - | \$ - |
| U.S. government agencies | <u>80,461,429</u> | <u>-</u> | <u>80,461,429</u> | <u>-</u> |
| | <u>\$ 669,705,987</u> | <u>\$ 589,244,558</u> | <u>\$ 80,461,429</u> | <u>\$ -</u> |

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6. Capital Assets

Capital assets activity during the year ended June 30, 2024 was as follows:

| | Balance July 1, 2023 | Additions | Transfers | Retirements | Balance June 30, 2024 |
|--------------------------------|-------------------------|---------------|---------------|--------------|--------------------------|
| Depreciable assets | | | | | |
| Infrastructure | \$ 1,704,420,117 | \$ 9,472,211 | \$ 18,740,934 | \$ (386,861) | \$ 1,732,246,401 |
| Building and improvements | 207,114,752 | - | 1,967,885 | (151,175) | 208,931,462 |
| Equipment and machinery | 407,368,837 | 4,480,960 | 11,805,869 | (5,064,785) | 418,590,881 |
| Leased equipment and machinery | 924,991 | 235,028 | - | - | 1,160,019 |
| Subscription assets | 2,341,036 | 228,951 | - | - | 2,569,987 |
| Total depreciable assets | 2,322,169,733 | 14,417,150 | 32,514,688 | (5,602,821) | 2,363,498,750 |
| Less: accumulated depreciation | (1,257,331,274) | (51,842,074) | - | 5,509,243 | (1,303,664,105) |
| Less: accumulated amortization | (670,329) | (1,010,647) | (31,849) | - | (1,712,825) |
| Total depreciable assets, net | 1,064,168,130 | (38,435,571) | 32,482,839 | (93,578) | 1,058,121,820 |
| Land | 32,370,754 | - | - | - | 32,370,754 |
| Construction work-in-progress | 270,101,624 | 105,625,634 | (32,482,839) | - | 343,244,419 |
| Capital assets, net | \$ 1,366,640,508 | \$ 67,190,063 | \$ - | \$ (93,578) | \$ 1,433,736,993 |

The BWS recorded approximately \$52,853,000 of total depreciation expense, of which \$2,510,000 of depreciation charges were recorded to various functions, for the year ended June 30, 2024.

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7. Bonds Payable

At June 30, 2024, bonds payable consisted of the following:

| | |
|--|-----------------------|
| Water System Revenue Bonds, Series 2020A, annual principal due ranging from \$1,035,000 to \$3,165,000 through July 1, 2049, with interest ranging from 2.50% to 5.0%. | \$ 55,840,000 |
| Water System Revenue Bonds, Series 2020B, annual principal due ranging from \$580,000 to \$5,370,000 through July 1, 2033, with interest ranging from 1.72% to 2.38%. | 44,960,000 |
| Water System Revenue Bonds, Series 2021A, annual principal due ranging from \$855,000 to \$2,955,000 through July 1, 2050, with interest ranging from 3.0% to 5.0%. | 48,265,000 |
| Water System Revenue Bonds, Series 2021B, annual principal due ranging from \$60,000 to \$8,155,000 through July 1, 2031, with interest ranging from 0.52% to 2.07%. | 40,025,000 |
| Water System Revenue Bonds, Series 2022A, annual principal due ranging from \$1,385,000 to \$4,290,000 through July 1, 2051, with interest ranging from 3.0% to 5.0%. | 81,315,000 |
| Water System Revenue Bonds, Series 2022B, annual principal due ranging from \$55,000 to \$8,770,000 through July 1, 2036, with interest ranging from 2.14% to 3.14%. | 51,805,000 |
| Water System Revenue Bonds, Series 2023, annual principal due ranging from \$565,000 to \$885,000 through July 1, 2048, with interest of 5.0%. | 17,425,000 |
| Water System Revenue Bonds, Series 2024A, annual principal due ranging from \$0 to \$7,325,000 through July 1, 2053, with interest ranging from 4.0% to 5.25%. | 72,815,000 |
| | <u>412,450,000</u> |
| Add: Unamortized premium | 32,333,547 |
| | <u>444,783,547</u> |
| Less: Current portion | 15,150,000 |
| Noncurrent portion | <u>\$ 429,633,547</u> |

The BWS has pledged future revenues, net of specified operating and maintenance expenses, for the security and payment of the water system revenue bonds outstanding. Proceeds from the bonds were used to finance the construction of various components of the water system or to refund the principal amounts of previously issued water system revenue bonds. As of June 30, 2024, the total principal and interest remaining to be paid on the bonds totaled \$625,276,000. Aggregate debt service for the current year and revenues, net of specified operating and maintenance expenses, were approximately \$28,017,000 and \$111,693,000, respectively.

The BWS's outstanding water system revenue bonds contain a provision that, in the event of a default, the holders of not less than 25% of the bonds may declare the principal and interest due immediately. An event of default includes, but is not limited to, the following situations: failure to pay the principal and interest due, failure to punctually perform any of the covenants, agreements or conditions of the resolution, and bankruptcy. The BWS has covenanted and agreed to maintain the water system in good repair; to fix rates and charges sufficient to meet the Net Revenue Requirement, as defined in the bond indenture; not to dispose of the properties comprising the water system; to maintain and keep proper books; and other actions consistent with conducting the business of the water system in an efficient and economical manner.

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In April 2024, the BWS issued \$72,815,000 in Water System Revenue Bonds, Series 2024A, to fund the costs of certain improvements, betterments and extensions of the Water System and to provide the funds needed to refund certain outstanding water system revenue bonds previously issued by the BWS. This resulted in present value savings of \$503,600 and bond issuance costs of \$531,150.

As of June 30, 2024, the total amount of debt defeased for financial reporting purposes that remains outstanding was \$110,655,000.

Water system revenue bonds are subject to redemption on and after specific dates prior to maturity at the option of the BWS. The redemption amount equals the outstanding principal amount plus accrued interest without premium on the date of redemption.

Debt service requirements on bonds payable at June 30, 2024 are as follows:

| | Principal | Interest | Total |
|------------------------------|-----------------------|-----------------------|-----------------------|
| Years ending June 30, | | | |
| 2025 | \$ 15,150,000 | \$ 13,864,000 | \$ 29,014,000 |
| 2026 | 16,865,000 | 14,178,000 | 31,043,000 |
| 2027 | 17,690,000 | 13,590,000 | 31,280,000 |
| 2028 | 18,195,000 | 13,082,000 | 31,277,000 |
| 2029–2033 | 95,505,000 | 57,126,000 | 152,631,000 |
| 2034–2038 | 72,510,000 | 42,865,000 | 115,375,000 |
| 2039–2043 | 51,995,000 | 31,656,000 | 83,651,000 |
| 2044–2048 | 63,460,000 | 20,180,000 | 83,640,000 |
| 2049–2054 | 61,080,000 | 6,285,000 | 67,365,000 |
| | <u>\$ 412,450,000</u> | <u>\$ 212,826,000</u> | <u>\$ 625,276,000</u> |

8. Notes Payable

At June 30, 2024, notes payable from direct borrowings consisted of the following:

Notes payable to Department of Health

| | |
|---|-------------------|
| Note payable in semi-annual installments of approximately \$146,900, including interest and loan fees at 1.5% per annum, due May 2034. | \$ 2,543,190 |
| Note payable in semi-annual installments of approximately \$145,900, including interest and loan fees at 1.5% per annum, due May 2034. | 2,526,168 |
| Note payable in semi-annual installments of approximately \$144,000, including interest and loan fees at 1.5% per annum, due November 2034. | 2,602,351 |
| Non-interest bearing note payable in semi-annual installments of approximately \$202,000, including loan fees at 1.0% per annum, due November 2034. | 3,737,618 |
| Non-interest bearing note payable in semi-annual installments of approximately \$764,900, including loan fees at 1.0% per annum, due April 2034. | <u>13,538,928</u> |
| Subtotal | 24,948,255 |

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| | |
|---|-----------------------|
| Subtotal carried forward | 24,948,255 |
| Non-interest bearing note payable in semi-annual installments of approximately \$258,700, including loan fees at 1.0% per annum, due December 2037. | 6,518,872 |
| Non-interest bearing note payable in semi-annual installments of approximately \$865,600, including loan fees at 1.0% per annum, due February 2039. | 24,059,176 |
| Note payable in semi-annual installments of approximately \$148,300, including interest and loan fees at 1.5% per annum, due October 2036. | 3,366,090 |
| Note payable in semi-annual installments of approximately \$231,800, including interest and loan fees at 1.25% per annum, due October 2038. | 6,126,393 |
| Note payable in semi-annual installments of approximately \$418,500, including interest and loan fees at 1.75% per annum, due October 2039. | 11,302,268 |
| Note payable in semi-annual installments of approximately \$175,700, including interest and loan fees at 0.25% per annum, due April 2040. | 5,851,364 |
| Note payable in semi-annual installments of approximately \$119,500, including interest and loan fees at 2.15% per annum, due March 2039. | 3,148,441 |
| Note payable in semi-annual installments of approximately \$364,500, including interest and loan fees at 1.75% per annum, due October 2040. | 10,400,711 |
| Note payable in semi-annual installments of approximately \$193,400, including interest and loan fees at 2.15% per annum, due January 2040. | 5,219,298 |
| Note payable in semi-annual installments of approximately \$349,300, including interest and loan fees at 1.75% per annum, due October 2041. | 10,487,103 |
| Note payable in semi-annual installments of approximately \$577,100, including interest and loan fees at 1.75% per annum, due October 2042. | 18,166,524 |
| Note payable in semi-annual installments of approximately \$89,000, including interest and loan fees at 1.75% per annum, due October 2043. | 2,929,386 |
| | <u>132,523,881</u> |
| Note payable to other lenders | |
| Note payable in monthly installments of approximately \$15,700, including interest at 5.0%, due September 2025. | 215,227 |
| | <u>132,739,108</u> |
| Less: Current maturities | <u>8,679,223</u> |
| Noncurrent portion | <u>\$ 124,059,885</u> |

The notes payable to the Department of Health are state revolving fund loans and are secured by the net revenue of the BWS, subject to and subordinate to the pledge of the net revenue securing the outstanding water system revenue bonds described in Note 7. Proceeds from the loans were used to finance the construction of various components of the water system. As of June 30, 2024, the total principal, interest and loan fees remaining to be paid on the loans totaled \$148,331,000.

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The BWS's outstanding state revolving fund loans contain a provision that, in the event of default, the outstanding amounts become due immediately with the consent of the majority of the holders of the BWS's water system revenue bonds. An event of default includes, but is not limited to, the following situations: failure to pay the principal and interest due; failure to punctually perform any of the covenants, agreements or conditions of the resolution; and bankruptcy. The BWS has covenanted and agreed to maintain the water system in good repair; to fix rates and charges sufficient to meet the Net Revenue Requirement, as defined in the bond indenture; not to dispose of the properties comprising the water system; to maintain and keep proper books; and other actions consistent with conducting the business of the water system in an efficient and economical manner.

Debt service requirements on notes payable from direct borrowings at June 30, 2024 are as follows:

| | Principal | Interest | Loan Fee | Total |
|------------------------------|-----------------------|---------------------|----------------------|-----------------------|
| Years ending June 30, | | | | |
| 2025 | \$ 8,679,000 | \$ 427,000 | \$ 1,446,000 | \$ 10,552,000 |
| 2026 | 8,631,000 | 394,000 | 1,354,000 | 10,379,000 |
| 2027 | 8,687,000 | 367,000 | 1,261,000 | 10,315,000 |
| 2028 | 8,782,000 | 342,000 | 1,167,000 | 10,291,000 |
| 2029 | 8,879,000 | 316,000 | 1,072,000 | 10,267,000 |
| 2030-2034 | 45,891,000 | 1,174,000 | 3,895,000 | 50,960,000 |
| 2035-2039 | 34,598,000 | 505,000 | 1,625,000 | 36,728,000 |
| 2040-2044 | 8,592,000 | 44,000 | 203,000 | 8,839,000 |
| | <u>\$ 132,739,000</u> | <u>\$ 3,569,000</u> | <u>\$ 12,023,000</u> | <u>\$ 148,331,000</u> |

9. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2024 are as follows:

| | Balance July 1, 2023 | Additions | Reductions | Balance June 30, 2024 | Current Portion |
|-------------------------------|-------------------------|-----------------------|-------------------------|--------------------------|----------------------|
| Bonds payable | \$ 380,565,000 | \$ 72,815,000 | \$ (40,930,000) | \$ 412,450,000 | \$ 15,150,000 |
| Add: Unamortized premium | 27,944,819 | 7,070,437 | (2,681,709) | 32,333,547 | - |
| Total bonds payable | 408,509,819 | 79,885,437 | (43,611,709) | 444,783,547 | 15,150,000 |
| Notes payable | 138,272,795 | 7,820,251 | (13,353,938) | 132,739,108 | 8,679,223 |
| Accrued vacation | 7,848,114 | 3,368,689 | (3,518,528) | 7,698,275 | 3,518,528 |
| Accrued workers' compensation | 3,460,264 | 936,936 | (1,000,284) | 3,396,916 | 995,580 |
| Customer advances | 1,436,541 | 6,461,578 | (7,422,984) | 475,135 | - |
| Net pension liability | 121,159,266 | 60,121,979 | (52,729,042) | 128,552,203 | - |
| Net OPEB liability | 30,887,069 | 12,791,518 | (14,952,711) | 28,725,876 | - |
| Claims liability | 3,255,206 | 1,958,403 | (1,465,867) | 3,747,742 | - |
| Lease liability | 538,195 | 235,030 | (286,973) | 486,252 | - |
| Subscription liability | 2,036,707 | 228,952 | (714,246) | 1,551,413 | - |
| Other | 3,046,579 | 249,998 | (862,222) | 2,434,355 | - |
| | <u>\$ 720,450,555</u> | <u>\$ 174,058,771</u> | <u>\$ (139,918,504)</u> | <u>\$ 754,590,822</u> | <u>\$ 28,343,331</u> |

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10. Net Position

The BWS's net position consisted of the following as of June 30, 2024:

| | |
|---|------------------------|
| Net investment in capital assets | |
| Capital assets, net | \$1,433,736,993 |
| Deferred loss on refunding of debt | 11,306,628 |
| Less: Water system revenue bonds payable | (444,783,547) |
| Less: Notes payable | (132,739,108) |
| Unspent debt proceeds | 224,517,197 |
| | <u>1,092,038,163</u> |
| Restricted for capital activity and debt service | |
| Restricted cash and cash equivalents | 56,140,530 |
| Restricted prepaid expenses | 21,762,425 |
| Restricted investments | 228,897,531 |
| Less: Unspent debt proceeds | (224,517,197) |
| Less: Accrued interest payable | (7,049,674) |
| Less: Contracts payable | (28,064,348) |
| Less: Refundable advances | (43,130,629) |
| | <u>4,038,638</u> |
| Unrestricted | 338,390,419 |
| | <u>\$1,434,467,220</u> |

11. Leases

The BWS leases certain properties to other users, primarily utility and telecommunications companies, under multi-year license agreements with terms ranging from five to thirty years through December 2041. At June 30, 2024, lease receivables of approximately \$2,572,000 were reported in other assets. For the year ended June 30, 2024, lease revenue and interest revenue of approximately \$151,000 and \$70,000, respectively, were reported in other nonoperating revenues.

The BWS leases space for its deep seawater cooling project on O'ahu under a lease that extends through September 2025. The BWS also has leases conveying the right to use various office and information technology equipment under contracts that extend through May 2029.

12. Subscription-Based Information Technology Arrangements

The BWS has agreements conveying the right to use various information technology systems under contracts that extend through April 2028.

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The future principal and interest requirements for the subscription liability at June 30, 2024 are as follows:

| | Principal | Interest | Total |
|------------------------------|---------------------|------------------|---------------------|
| Years ending June 30, | | | |
| 2025 | \$ 744,000 | \$ 52,000 | \$ 796,000 |
| 2026 | 461,000 | 24,000 | 485,000 |
| 2027 | 211,000 | 10,000 | 221,000 |
| 2028 | 135,000 | 3,000 | 138,000 |
| | <u>\$ 1,551,000</u> | <u>\$ 89,000</u> | <u>\$ 1,640,000</u> |

13. Related Party Transactions

The BWS has an agreement with the City's Department of Environmental Services to provide certain services relating to the billing and collection of sewer service charges. For the year ended June 30, 2024, fees related to these services totaled approximately \$3,831,000, which are netted against operating expenses on the statement of revenues, expenses, and changes in net position.

The BWS has an agreement with the City to pay a central administrative services expense ("CASE") fee for treasury, personnel, purchasing and other services that the City provides to the BWS on an on-going basis. The BWS's Charter allows for CASE fees to the extent that they represent reasonable charges for services necessary for the BWS to perform its duties. CASE fees totaled \$3,300,000 for the year ended June 30, 2024.

As of June 30, 2024, amounts due from the City for water charges totaled approximately \$987,000 and are included in customer receivables in the statement of net position.

The BWS has entered into several agreements with the City for joint capital projects. As of June 30, 2024, the unexpended advanced funds totaled approximately \$1,156,000.

14. Retirement Benefits

Pension Plan

Plan Description

The Employees' Retirement System ("ERS") is a cost-sharing, multiple-employer public employee retirement system established as a defined benefit pension plan to administer a pension benefits program for all eligible employees of the state and counties of Hawaii. Benefit terms, eligibility, and contribution requirements are governed by Chapter 88 of the HRS and can be amended through legislation. The ERS issues publicly available annual financial reports that can be obtained at the ERS website: <http://ers.ehawaii.gov/resources/financials>.

Benefits Provided

The ERS Pension Trust is comprised of three pension classes for membership purposes and considered to be a single plan for accounting purposes since all assets of the ERS may legally be used to pay the benefits of any of the ERS members or beneficiaries. The ERS provides retirement, disability and death benefits with three membership classes known as the noncontributory, contributory and hybrid retirement classes. The three classes provide a monthly retirement allowance equal to the benefit multiplier (generally 1.25% or 2.25%) multiplied by the average final compensation multiplied by years of credited service. Average final compensation for members hired prior to July 1, 2012 is an average of the highest salaries during any three

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years of credited service, excluding any salary paid in lieu of vacation for members 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 members 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.

Each retiree's original retirement allowance is increased on each July 1 beginning the calendar year after retirement. Retirees first hired as members prior to July 1, 2012 receive a 2.5% increase each year of their original retirement allowance without a ceiling. Retirees first hired as members after June 30, 2012 receive a 1.5% increase each year of their original retirement allowance without a ceiling. The annual increase is not compounded.

The following summarizes the provisions relevant to the largest employee groups of the respective membership class. 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 thirty 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 are 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 surviving dependent children, no benefit is payable.

Ordinary death benefits are available to employees who were active at the time of death with at least ten years of credited service. The surviving spouse/reciprocal beneficiary (until remarriage/re-entry into a new reciprocal beneficiary relationship) and surviving dependent children (up to age 18) receive a benefit equal to a percentage of the 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 and the surviving dependent children receive a percentage of the member's accrued maximum allowance unreduced for age.

Contributory Class for Members 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.

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- **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 are required for ordinary disability. Ordinary disability benefits are determined as 1.75% of average final compensation multiplied by the years of credited service but are payable immediately, without an actuarial reduction, and at a minimum of 30% of average final compensation.
- **Death Benefits** – For service-connected deaths, the designated 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 until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/reciprocal beneficiary, surviving dependent children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or surviving 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 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 twelve 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 Members Hired After June 30, 2012

- **Retirement Benefits** – General employees' retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with ten years of credited service are eligible to retire at age 60.
- **Disability and Death Benefits** – Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 50% of their average final compensation plus refund of contributions and accrued interest. Ten years of credited service are required for ordinary disability.

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

Hybrid Class for Members 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 thirty 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 are 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.

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- **Death Benefits** – For service-connected deaths, the designated 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 until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/reciprocal beneficiary, surviving dependent children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or surviving 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 Members 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 thirty years of credited service are eligible to retire at age 60. Sewer workers, water safety officers, and emergency medical technicians may retire with 25 years of credited service at age 55.
- **Disability and Death Benefits** – Provisions for disability and death benefits generally remain the same except for ordinary death benefits. Ordinary death benefits are available to employees who were active at time of death with at least ten years of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest, or 50% joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Contributions

The employer contribution rate is a fixed percentage of compensation. The employer contribution rate for general employees was 24% for the year ended June 30, 2024. For the year ended June 30, 2024, contributions to the pension plan from the BWS totaled approximately \$11,272,000.

The employer is required to make all contributions for noncontributory members. For contributory class employees hired prior to July 1, 2012, general employees are required to contribute 7.8% of their salary. For contributing class employees hired after June 30, 2012, general employees are required to contribute 9.8% of their salary. Hybrid class members hired prior to July 1, 2012 are required to contribute 6.0% of their salary. Hybrid class 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, 2024, the BWS reported a liability of approximately \$128,552,000, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The BWS's proportion of the net pension liability was based on the actual employer contributions to the

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pension plan relative to the contributions of all participating employers. At June 30, 2023, the BWS's proportionate share was 0.93%.

For the year ended June 30, 2024, the BWS recognized pension expense of approximately \$12,412,000. At June 30, 2024, the BWS 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 |
|--|---|--|
| Differences between expected and actual experience | \$ 2,532,849 | \$ 1,319,309 |
| Changes of assumptions | 42,330 | 1,155,934 |
| Net difference between projected and actual earnings on pension plan investments | 1,399,208 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 6,602,415 | 1,518,881 |
| Employer contributions subsequent to the measurement date | 11,272,197 | - |
| | <u>\$ 21,848,999</u> | <u>\$ 3,994,124</u> |

At June 30, 2024, the BWS reported approximately \$11,272,000 of deferred outflows of resources related to pensions resulting from BWS contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2024 will be recognized in pension expense as follows:

| | Net Deferred Outflows |
|------------------------------|----------------------------------|
| Years ending June 30, | |
| 2025 | \$ 1,351,199 |
| 2026 | (903,167) |
| 2027 | 4,602,170 |
| 2028 | 1,492,336 |
| 2029 | 40,140 |
| | <u>\$ 6,582,678</u> |

Actuarial Assumptions

The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|--|----------------|
| Inflation | 2.50 % |
| Investment rate of return, including inflation at 2.50% | 7.00 % |
| Projected salary increases, including inflation at 2.50% | |
| General employees | 3.75% to 6.75% |

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Mortality rates used in the actuarial valuation as of June 30, 2023 were based on the following:

- **Active members** – Scale MP-2022 mortality table for active employees based on the occupation of the member.
- **Healthy retirees** – The 2022 Public Retirees of Hawaii mortality tables. The rates are projected on a fully generational basis by Scale MP from the year 2022 (with immediate convergence) and with multiplier and setbacks based on plan and group experience.
- **Disabled retirees** – Base Table for healthy retiree's occupation, set forward three years, generational projection using the MP projection table from the year 2022 with immediate convergence. Minimum mortality rate of 3.5% for males and 2.5% for females.

The actuarial assumptions used in the actuarial valuation as of June 30, 2023 were based on the results of an experience study as of June 30, 2021, with most of the assumptions based on the period from July 1, 2016 through June 30, 2021.

The long-term expected rate of return on pension plan investments was determined using a "top down approach" of the 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 nominal real rates of return (real returns + inflation) by the target asset allocation percentage. The rate of returns, based on ERS's investment consultant as of June 30, 2023, is summarized in the following table:

| Strategic Allocation (Risk-Based Classes) | Target Allocation | Expected Long- Term Geometric Average Return* |
|--|------------------------------|--|
| Broad growth | 65.00 % | 8.70 % |
| Diversifying strategies | 35.00 % | 5.20 % |
| | <u>100.00 %</u> | <u>7.70 %</u> |

*Uses an expected inflation of 2.6%.

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2023 was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be 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 active and inactive employees. 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.

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Sensitivity of the BWS's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the BWS's proportionate share of the net pension liability calculated as of the year ended June 30, 2024 using the discount rate of 7.00%, as well as what the BWS's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|--|--------------------------------|--|--------------------------------|
| Proportionate share of the net pension liability | <u>\$ 171,003,959</u> | <u>\$ 128,552,203</u> | <u>\$ 93,394,831</u> |

Pension Plan Fiduciary Net Position

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 <https://ers.ehawaii.gov/resources/financials>.

Payable to the Pension Plan

At June 30, 2024, the amounts payable to the ERS totaled approximately \$1,436,000, which consists of excess pension costs required by the HRS for fiscal year 2024.

Postemployment Benefits Other Than Pensions ("OPEB")

Plan Description

Chapter 87A of the HRS established the EUTF, an agent multiple-employer defined benefit plan, which provides a single delivery system of health and other benefits for state and county workers, retirees and their eligible dependents. The EUTF issues a stand-alone financial report that is available to the public on its website at <https://eutf.hawaii.gov/reports>. The report may also be obtained by submitting a request to the EUTF at 201 Merchant Street, Suite 1700, Honolulu, HI 96813.

Benefits Provided

Chapter 87A of the HRS grants the authority to establish and amend the benefit terms to the board of trustees of the EUTF. The EUTF currently provides medical, prescription drug, dental, vision, chiropractic, supplemental medical and prescription drug, and group life insurance benefits for retirees and their dependents. The following table provides a summary of the number of employees covered by the benefit terms as of July 1, 2023:

| | |
|--|--------------|
| Inactive employees or beneficiaries currently receiving benefits | 597 |
| Inactive employees entitled but not yet receiving benefits | 50 |
| Active employees | <u>549</u> |
| | <u>1,196</u> |

Contributions

The BWS's contribution levels are established by Chapter 87A of the HRS. For the year ended June 30, 2024, the BWS was required to contribute a minimum amount equal to 100% of the annual required contribution ("ARC"), as determined by an actuary retained by the board of trustees of the EUTF. The ARC represents a level of funding that is sufficient to cover (1) the normal cost, which is the cost of the other postemployment benefits attributable to the current year of service; and (2) an amortization payment, which is a catch-up

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payment for past service costs to fund the unfunded actuarial accrued liability over the next thirty years. For the year ended June 30, 2024, contributions to the OPEB plan from the BWS totaled \$8,303,000, which resulted in an average contribution rate of approximately 19% of covered-employee payroll.

For employees hired before July 1, 1996, the BWS pays the entire base monthly contribution for employees retiring with ten or more years 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. The BWS's contribution is based on the plan selected by the retiree (single, two-party, or family plans).

For employees hired after June 30, 1996, but before July 1, 2001, and who retire with fewer than ten years of service, the BWS makes no contributions. For those retiring with at least ten years but fewer than 15 years of service, the BWS pays 50% of the base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service, the BWS pays 75% of the base monthly contribution. For those employees retiring with at least 25 years of service, the BWS pays 100% of the base monthly contribution. The BWS's contribution is based on the plan selected by the retiree (single, two-party, or family plans).

For employees hired on or after July 1, 2001, and who retire with fewer than ten years of service, the BWS makes no contributions. For those retiring with at least ten years but fewer than 15 years of service, the BWS pays 50% of the base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service, the BWS pays 75% of the base monthly contribution. For those employees retiring with at least 25 years of service, the BWS 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.

Net OPEB Liability

The BWS's net OPEB liability as of June 30, 2024 was measured as of July 1, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of those dates.

Actuarial Assumptions

The total OPEB liability in the July 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|--------------------------------------|---|
| Inflation | 2.50% |
| Salary increases | 3.75% to 6.75% including inflation |
| Investment rate of return | 7.00% |
| Healthcare cost trend rates | |
| PPO* | Initial rate of 6.3%, declining to a rate of 4.25% after 21 years |
| HMO* | Initial rate of 6.3%, declining to a rate of 4.25% after 21 years |
| Part B and base monthly contribution | Initial rate of 5.0%, declining to a rate of 4.25% after 21 years |
| Dental | 4.00% |
| Vision | 2.50% |
| Life insurance | 0.00% |

*Blended rates for medical and prescription drugs.

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Mortality rates used in the actuarial valuation as of July 1, 2023 were based on the system-specific mortality tables utilizing ultimate scale MP-2021 to project generational mortality improvement.

The actuarial assumptions used in the actuarial valuation as of July 1, 2023 were based on the results of an experience study as of June 30, 2021, with most of the assumptions based on the period from July 1, 2016 through June 30, 2021.

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 weighing 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 major asset class as of July 1, 2023 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-----------------------------|------------------------------|---|
| Global equity | 27.50 % | 7.60 % |
| Private equity | 15.00 % | 10.00 % |
| Real assets | 12.00 % | 4.30 % |
| Private credit | 10.00 % | 7.80 % |
| Trend following | 10.00 % | 2.40 % |
| Long treasuries | 5.50 % | 2.40 % |
| TIPS | 5.00 % | 2.00 % |
| Reinsurance | 5.00 % | 3.40 % |
| Alternative risk premia | 5.00 % | 3.30 % |
| U.S. microcap | 3.00 % | 8.70 % |
| Tail risk / Long volatility | 2.00 % | (1.10%) |
| Total investments | <u>100.00 %</u> | |

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2024 was 7.00%. The projection of cash flows used to determine the discount rate assumed that BWS contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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Changes in the Net OPEB Liability

The following schedules present the changes in the net OPEB liability for the year ended June 30, 2024:

| | Increase (Decrease) | | |
|---|--------------------------------|-----------------------|------------------------------------|
| | Total OPEB Liability (a) | Net Position (b) | Net OPEB Liability (a) - (b) |
| Balance at July 1, 2023 | \$ 149,928,478 | \$ 119,041,409 | \$ 30,887,069 |
| Changes for the fiscal year | | | |
| Service cost | 2,404,066 | - | 2,404,066 |
| Interest on the total OPEB liability | 10,342,694 | - | 10,342,694 |
| Difference between expected and actual experience | (1,297,649) | - | (1,297,649) |
| Changes of assumptions | - | - | - |
| Contributions – employer | - | 8,180,000 | (8,180,000) |
| Net investment income | - | 5,475,062 | (5,475,062) |
| Benefit payments | (6,755,471) | (6,755,471) | - |
| Administrative expense | - | (7,948) | 7,948 |
| Other | - | (36,810) | 36,810 |
| Net changes | 4,693,640 | 6,854,833 | (2,161,193) |
| Balance at June 30, 2024 | \$ 154,622,118 | \$ 125,896,242 | \$ 28,725,876 |

The healthcare trend assumption was updated in the July 1, 2023 actuarial valuation to reflect the 2022 ERS actuarial experience study, which resulted in an increase to the total OPEB liability as of June 30, 2024.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the BWS, as well as what the BWS's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

| | 1% Decrease (6.00%) | Discount Rate (7.00%) | 1% Increase (8.00%) |
|--------------------|------------------------|--------------------------|------------------------|
| Net OPEB liability | \$ 50,248,191 | \$ 28,725,876 | \$ 11,513,772 |

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the BWS, as well as what the BWS's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

| | 1% Decrease | Current Healthcare Cost Trend Rates | 1% Increase |
|--------------------|--------------|---|---------------|
| Net OPEB liability | \$ 9,728,147 | \$ 28,725,876 | \$ 52,893,298 |

Board of Water Supply
City and County of Honolulu
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June 30, 2024

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

For the year ended June 30, 2024, the BWS recognized OPEB expense of approximately \$1,368,000. At June 30, 2024, the BWS 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 |
|--|---|--|
| Differences between expected and actual experience | \$ - | \$ 15,096,479 |
| Changes of assumptions | 74,148 | 3,380,929 |
| Net difference between projected and actual earnings on OPEB plan investments | 2,262,730 | - |
| Employer contributions subsequent to the measurement date | 8,303,000 | - |
| | <u>\$ 10,639,878</u> | <u>\$ 18,477,408</u> |

At June 30, 2024, the BWS reported \$8,303,000 as deferred outflows of resources related to OPEB resulting from BWS contributions subsequent to the measurement date, which will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2024 will be recognized in OPEB expense as follows:

| Years ending June 30, | Net Deferred Inflows |
|------------------------------|---------------------------------|
| 2025 | \$ (6,371,321) |
| 2026 | (6,399,001) |
| 2027 | (1,321,028) |
| 2028 | (1,844,711) |
| 2029 | (204,469) |
| | <u>\$ (16,140,530)</u> |

15. Commitments and Contingencies

Contract Commitments

Commitments, primarily for capital improvements, approximated \$549,949,000 as of June 30, 2024. Such amounts are to be funded by operating revenues, contributed capital, cash and investments on hand.

Workers' Compensation Self-Insurance Liability

The BWS is self-insured for workers' compensation and disability claims up to \$600,000 and in excess of \$25,000,000. The BWS has obtained excess insurance coverage for claims that are not self-insured. The BWS provides reserves for claims not covered by insurance that in the opinion of management will result in probable judgment against the BWS.

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The liability for losses and loss adjustment expenses is comprised of case reserves and incurred but not reported loss reserves ("IBNR"). Case or outstanding loss reserves represent estimates of ultimate costs to settle reported claims.

Determination of a reserve account for workers' compensation is a significant estimate. It is reasonably possible that one or more future events could result in a material change in the estimated claims loss in the near term.

Safe Drinking Water

The BWS is subject to the requirements of the Safe Drinking Water Act (the "Act"), which is administered by the State Department of Health on behalf of the U.S. Environmental Protection Agency. Management believes that the BWS is in full compliance with the requirements of the Act and is not aware of any matters under the Act that may materially affect the BWS's customer service area.

Temporary Hazard Pay

Public worker unions in Hawaii are currently pursuing claims for temporary hazard pay. To date, the BWS has not paid any COVID-related temporary hazard pay. As part of the City and County of Honolulu, the BWS will be bound by the decisions rendered in the ongoing arbitration proceedings related to COVID-related temporary hazard pay. Due to the current status and availability of information, the BWS has not accrued any liability as of June 30, 2024.

Other Legal Matters

The BWS 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, after considering insurance coverage, will not have a material adverse effect on the BWS's financial position, results of operations, or liquidity.

16. Red Hill Bulk Fuel Storage Facility

The Navy reported a fuel spill from its Red Hill Bulk Fuel Storage Facility ("RHBFSF") in late November 2021. On December 2, 2021, following the Navy's determination that its Red Hill Shaft water source was contaminated with petroleum from that leak, the BWS immediately shut down the Hālawā Shaft pumping station. On December 8, 2021, the BWS took further precautionary measures and shut down its 'Aiea Well and Hālawā Well. On March 7, 2022, the Secretary of Defense directed the Navy to permanently close the RHBFSF. The tanks completed gravity defueling in March 2024 and is in the process of venting, cleaning and closing the facility.

The BWS remains vigilant in protecting its current water sources as well as developing new water sources. The related financial impact on the BWS's financial statements cannot be reasonably determined at this time.

**Required Supplementary Information
(Unaudited)**

Board of Water Supply
City and County of Honolulu
Schedule of Proportionate Share of the Net Pension Liability
Last Ten Fiscal Years

| Measurement Period Ended | Proportion of the Net Pension Liability | Proportionate Share of the Net Pension Liability | Covered Payroll | Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|---|--|---|----------------------------|--|---|
| June 30, 2023 | 0.93 % | \$ 128,552,203 | \$ 39,568,266 | 325 % | 61.91 % |
| June 30, 2022 | 0.93 % | 121,159,266 | 39,674,737 | 305 % | 62.80 % |
| June 30, 2021 | 0.87 % | 106,763,854 | 41,699,341 | 256 % | 64.25 % |
| June 30, 2020 | 0.87 % | 132,989,070 | 39,537,387 | 336 % | 53.18 % |
| June 30, 2019 | 0.81 % | 114,807,821 | 38,390,927 | 299 % | 54.87 % |
| June 30, 2018 | 0.90 % | 120,348,341 | 36,816,067 | 327 % | 55.48 % |
| June 30, 2017 | 0.88 % | 113,350,294 | 35,912,898 | 316 % | 54.80 % |
| June 30, 2016 | 0.87 % | 116,342,916 | 34,536,085 | 337 % | 51.28 % |
| June 30, 2015 | 0.93 % | 81,526,553 | 33,412,761 | 244 % | 62.42 % |
| June 30, 2014 | 0.91 % | 73,141,824 | 32,202,276 | 227 % | 63.92 % |

See report of independent auditors and accompanying note to the required supplementary information.

Board of Water Supply
City and County of Honolulu
Schedule of Pension Contributions
Last Ten Fiscal Years

| Year Ended | Statutorily Required Contribution | Contributions in Relation to Statutorily Required Contributions | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|-------------------|--|--|---|----------------------------|---|
| June 30, 2024 | \$ 11,272,197 | \$ 11,272,197 | \$ - | \$ 40,982,176 | 27.5 % |
| June 30, 2023 | 11,376,565 | 11,376,565 | - | 39,568,266 | 28.8 % |
| June 30, 2022 | 10,978,412 | 10,978,412 | - | 39,674,737 | 27.7 % |
| June 30, 2021 | 10,642,688 | 10,642,688 | - | 41,699,341 | 25.5 % |
| June 30, 2020 | 9,411,347 | 9,411,347 | - | 39,537,387 | 23.8 % |
| June 30, 2019 | 7,387,857 | 7,387,857 | - | 38,390,927 | 19.2 % |
| June 30, 2018 | 7,561,614 | 7,561,614 | - | 36,816,067 | 20.5 % |
| June 30, 2017 | 6,885,401 | 6,885,401 | - | 35,912,898 | 19.2 % |
| June 30, 2016 | 6,647,884 | 6,647,884 | - | 34,536,085 | 19.2 % |
| June 30, 2015 | 6,686,641 | 6,686,641 | - | 33,412,761 | 20.0 % |

See report of independent auditors and accompanying note to the required supplementary information.

Board of Water Supply

City and County of Honolulu

Note to Required Supplementary Information Required by GASB Statement No. 68 Year Ended June 30, 2024

1. Changes of Assumptions

There were no changes of assumptions or other inputs that significantly affected the measurement of the total pension liability since the measurement period ended June 30, 2019.

Amounts reported in the schedule of the proportionate share of the net pension liability as of the measurement period ended June 30, 2023 (year ended June 30, 2024) were impacted by the following changes in actuarial assumptions:

- The assumed salary increase schedules include an ultimate component for general wage inflation that may add on additional increases for individual merit and then an additional component for step rates based on service.
- Mortality rates generally decreased due to the continued improvements in using a fully generational approach and Scale MP-2021.
- The rates of turnover were lowered to reflect recent experience.

See report of independent auditors.

**Board of Water Supply
City and County of Honolulu
Schedule of Changes in the Net OPEB Liability and Related Ratios
Last Ten Fiscal Years***

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total OPEB liability | | | | | | | |
| Service cost | \$ 2,404,066 | \$ 2,607,754 | \$ 2,597,273 | \$ 2,663,788 | \$ 2,598,017 | \$ 2,480,098 | \$ 2,404,087 |
| Interest on the total OPEB liability | 10,342,694 | 11,172,814 | 11,002,680 | 11,182,364 | 10,592,452 | 10,129,142 | 9,685,512 |
| Difference between expected and actual experience | (1,297,649) | (14,141,673) | (5,031,426) | (9,526,120) | (28,736) | (2,312,485) | - |
| Changes of assumptions | - | (4,884,122) | - | (822,863) | 1,247,028 | 2,183,447 | - |
| Benefit payments | (6,755,471) | (6,268,080) | (6,018,504) | (6,043,131) | (5,985,550) | (5,855,338) | (5,724,727) |
| Net change in total OPEB liability | 4,693,640 | (11,513,307) | 2,550,023 | (2,545,962) | 8,423,211 | 6,624,864 | 6,364,872 |
| Total OPEB liability | | | | | | | |
| Beginning of year | 149,928,478 | 161,441,785 | 158,891,762 | 161,437,724 | 153,014,513 | 146,389,649 | 140,024,777 |
| End of year | <u>\$ 154,622,118</u> | <u>\$ 149,928,478</u> | <u>\$ 161,441,785</u> | <u>\$ 158,891,762</u> | <u>\$ 161,437,724</u> | <u>\$ 153,014,513</u> | <u>\$ 146,389,649</u> |
| Plan fiduciary net position | | | | | | | |
| Contributions – employer | \$ 8,180,000 | \$ 8,918,000 | \$ 8,452,000 | \$ 8,165,000 | \$ 7,945,000 | \$ 8,855,338 | \$ 11,724,727 |
| Net investment income | 5,475,062 | (2,258,563) | 24,898,909 | 1,666,459 | 3,430,974 | 5,235,037 | 6,029,726 |
| Benefit payments | (6,755,471) | (6,268,080) | (6,018,504) | (6,043,131) | (5,985,550) | (5,855,338) | (5,724,727) |
| Administrative expense | (7,948) | (10,108) | (12,847) | (13,407) | (25,068) | (15,933) | (13,794) |
| Other | (36,810) | (29,490) | (13,821) | (13,477) | 2,370,283 | - | 78,200 |
| Net change in plan fiduciary net position | 6,854,833 | 351,759 | 27,305,737 | 3,761,444 | 7,735,639 | 8,219,104 | 12,094,132 |
| Plan fiduciary net position | | | | | | | |
| Beginning of year | 119,041,409 | 118,689,650 | 91,383,913 | 87,622,469 | 79,886,830 | 71,667,726 | 59,573,594 |
| End of year | <u>\$ 125,896,242</u> | <u>\$ 119,041,409</u> | <u>\$ 118,689,650</u> | <u>\$ 91,383,913</u> | <u>\$ 87,622,469</u> | <u>\$ 79,886,830</u> | <u>\$ 71,667,726</u> |
| Net OPEB liability | <u>\$ 28,725,876</u> | <u>\$ 30,887,069</u> | <u>\$ 42,752,135</u> | <u>\$ 67,507,849</u> | <u>\$ 73,815,255</u> | <u>\$ 73,127,683</u> | <u>\$ 74,721,923</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 81.42 % | 79.40 % | 73.52 % | 57.51 % | 54.28 % | 52.21 % | 48.96 % |
| Covered-employee payroll | \$ 41,993,204 | \$ 41,719,615 | \$ 43,914,484 | \$ 41,038,526 | \$ 39,801,114 | \$ 38,254,167 | \$ 36,968,407 |
| Net OPEB liability as a percentage of covered-employee payroll | 68.41 % | 74.03 % | 97.35 % | 164.50 % | 185.46 % | 191.16 % | 202.12 % |

* This schedule is intended to present information for ten years for each respective fiscal year. Additional years will be built prospectively as information becomes available.

See report of independent auditors and accompanying note to the required supplementary information.

**Board of Water Supply
City and County of Honolulu
Schedule of OPEB Contributions
Last Ten Fiscal Years**

| Year Ended | Actuarially Determined Contribution | Contributions in Relation to the Actuarially Determined Contributions | Contribution Deficiency (Excess) | Covered- Employee Payroll | Contributions as a Percentage of Covered- Employee Payroll |
|-------------------|--|--|---|--|---|
| June 30, 2024 | \$ 8,303,000 | \$ 8,303,000 | \$ - | \$ 43,819,952 | 18.9 % |
| June 30, 2023 | 8,180,000 | 8,180,000 | - | 41,993,204 | 19.5 % |
| June 30, 2022 | 8,918,000 | 8,918,000 | - | 41,719,615 | 21.4 % |
| June 30, 2021 | 8,452,000 | 8,452,000 | - | 43,914,484 | 19.2 % |
| June 30, 2020 | 8,165,000 | 8,165,000 | - | 41,038,526 | 19.9 % |
| June 30, 2019 | 7,945,000 | 7,945,000 | - | 39,801,114 | 20.0 % |
| June 30, 2018 | 8,467,000 | 8,855,338 | (388,338) | 38,254,167 | 23.1 % |
| June 30, 2017 | 8,181,000 | 11,724,727 | (3,543,727) | 36,968,407 | 31.7 % |
| June 30, 2016 | 8,826,000 | 11,728,539 | (2,902,539) | 35,467,175 | 33.1 % |
| June 30, 2015 | 8,528,000 | 10,750,399 | (2,222,399) | 34,329,374 | 31.3 % |

See report of independent auditors and accompanying note to the required supplementary information.

**Board of Water Supply
City and County of Honolulu**

**Note to Required Supplementary Information Required by GASB Statement No. 75
Year Ended June 30, 2024**

1. Significant Methods and Assumptions

The actuarially determined annual required contributions ("ARC") for the year ended June 30, 2024 was developed in the July 1, 2021 valuation. The following summarizes the significant methods and assumptions used to determine the actuarially determined contribution for the year ended June 30, 2024:

| | |
|--|---|
| Actuarial valuation date | July 1, 2021 |
| Actuarial cost method | Individual Entry Age Normal |
| Amortization method | Level percent, closed |
| Equivalent single amortization period | 14.0 as of year ending June 30, 2024 |
| Asset valuation method | 4-year smoothed market |
| Inflation | 2.50% |
| Investment rate of return | 7.00% |
| Payroll growth | 3.50% |
| 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 as conducted for the Hawaii Employees' Retirement System ("ERS") |
| 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. Healthcare participation rates of 25%, 65% and 90% for retirees that receive 0%, 50% or 75% of the base monthly contribution, respectively. 100% for life insurance and 98% for Medicare Part B. |
| Healthcare cost trend rates | |
| PPO | Initial rate of 7.25%, declining to an ultimate rate of 4.70% after 12 years |
| HMO | Initial rate of 7.25%, declining to an ultimate rate of 4.70% after 12 years |
| Part B | Initial rate of 5.00%, declining to an ultimate rate of 4.70% after 9 years |
| Dental | 4.00% |
| Vision | 2.50% |
| Life insurance | 0.00% |

The actuarial valuation as of July 1, 2009, which was used to develop the ARC for fiscal year 2011, included a reduction to the discount rate used from the prior valuation. The discount rate changed from a blended discount rate of 7% -8% to 7%. This resulted in an overall increase to the actuarially determined OPEB liability and the ARC.

There were no other factors that significantly affected trends in the amounts reported in the schedule of changes in the net OPEB liability and related ratios or the schedule of OPEB contributions.

See report of independent auditors.

Supplementary Information

**Board of Water Supply
City and County of Honolulu
Schedule of Bonds Payable
June 30, 2024**

| | Interest Rate | Bond Dated | Maturing Serially From | Call Dates (1) | Outstanding June 30, 2024 |
|--|--------------------------|-----------------------|---------------------------------------|---------------------------|--------------------------------------|
| Water System Revenue Bonds | | | | | |
| Series 2020A (Tax Exempt) | | | | | |
| Insured Serial Bonds | 5.000 % | 3/25/2020 | 7/1/2024 | (2) | \$ 1,200,000 |
| Insured Serial Bonds | 5.000 % | 3/25/2020 | 7/1/2025 | (2) | 1,265,000 |
| Insured Serial Bonds | 5.000 % | 3/25/2020 | 7/1/2026 | (2) | 1,330,000 |
| Insured Serial Bonds | 5.000 % | 3/25/2020 | 7/1/2027 | (2) | 1,395,000 |
| Insured Serial Bonds | 5.000 % | 3/25/2020 | 7/1/2028 | (2) | 1,470,000 |
| Insured Serial Bonds | 5.000 % | 3/25/2020 | 7/1/2029 | (2) | 1,545,000 |
| Insured Serial Bonds | 5.000 % | 3/25/2020 | 7/1/2030 | (2) | 1,620,000 |
| Insured Serial Bonds | 5.000 % | 3/25/2020 | 7/1/2031 | 7/1/2030 | 1,705,000 |
| Insured Serial Bonds | 5.000 % | 3/25/2020 | 7/1/2032 | 7/1/2030 | 1,790,000 |
| Insured Serial Bonds | 5.000 % | 3/25/2020 | 7/1/2033 | 7/1/2030 | 1,885,000 |
| Insured Serial Bonds | 2.500 % | 3/25/2020 | 7/1/2034 | (2) | 1,955,000 |
| Insured Serial Bonds | 4.000 % | 3/25/2020 | 7/1/2035 | 7/1/2030 | 2,020,000 |
| Insured Serial Bonds | 4.000 % | 3/25/2020 | 7/1/2036 | 7/1/2030 | 2,105,000 |
| Insured Serial Bonds | 4.000 % | 3/25/2020 | 7/1/2037 | 7/1/2030 | 2,190,000 |
| Insured Serial Bonds | 2.625 % | 3/25/2020 | 7/1/2038 | (2) | 2,265,000 |
| Insured Serial Bonds | 4.000 % | 3/25/2020 | 7/1/2039 | 7/1/2030 | 2,340,000 |
| Insured Serial Bonds | 2.750 % | 3/25/2020 | 7/1/2040 | (2) | 2,420,000 |
| Insured Serial Bonds | 3.000 % | 3/25/2020 | 7/1/2041 | 7/1/2030 | 2,490,000 |
| Insured Serial Bonds | 3.000 % | 3/25/2020 | 7/1/2042 | 7/1/2030 | 2,565,000 |
| Insured Serial Bonds | 3.000 % | 3/25/2020 | 7/1/2043 | 7/1/2030 | 2,645,000 |
| Insured Serial Bonds | 3.000 % | 3/25/2020 | 7/1/2044 | 7/1/2030 | 2,725,000 |
| Insured Serial Bonds | 3.000 % | 3/25/2020 | 7/1/2045 | 7/1/2030 | 2,805,000 |
| Insured Serial Bonds | 3.000 % | 3/25/2020 | 7/1/2046 | 7/1/2030 | 2,895,000 |
| Insured Serial Bonds | 3.000 % | 3/25/2020 | 7/1/2047 | 7/1/2030 | 2,980,000 |
| Insured Serial Bonds | 3.000 % | 3/25/2020 | 7/1/2048 | 7/1/2030 | 3,070,000 |
| Insured Serial Bonds | 3.000 % | 3/25/2020 | 7/1/2049 | 7/1/2030 | 3,165,000 |
| | | | | | <u>55,840,000</u> |
| Water System Revenue Bonds | | | | | |
| Series 2020B Taxable Serial Bonds | | | | | |
| Insured Serial Bonds | 1.720 % | 3/25/2020 | 7/1/2024 | (2) | 610,000 |
| Insured Serial Bonds | 1.770 % | 3/25/2020 | 7/1/2025 | (2) | 4,535,000 |
| Insured Serial Bonds | 1.933 % | 3/25/2020 | 7/1/2026 | (2) | 4,620,000 |
| Insured Serial Bonds | 1.983 % | 3/25/2020 | 7/1/2027 | (2) | 4,715,000 |
| Insured Serial Bonds | 2.027 % | 3/25/2020 | 7/1/2028 | (2) | 4,815,000 |

(1) Call dates indicated are optional.

(2) Noncallable.

(continued)

See report of independent auditors.

**Board of Water Supply
City and County of Honolulu
Schedule of Bonds Payable
June 30, 2024**

| | Interest Rate | Bond Dated | Maturing Serially From | Call Dates (1) | Outstanding June 30, 2024 |
|-----------------------------------|------------------|---------------|------------------------------|-------------------|------------------------------|
| Insured Serial Bonds | 2.077 % | 3/25/2020 | 7/1/2029 | (2) | 4,910,000 |
| Insured Serial Bonds | 2.127 % | 3/25/2020 | 7/1/2030 | (2) | 5,015,000 |
| Insured Serial Bonds | 2.227 % | 3/25/2020 | 7/1/2031 | (2) | 5,125,000 |
| Insured Serial Bonds | 2.327 % | 3/25/2020 | 7/1/2032 | (2) | 5,245,000 |
| Insured Serial Bonds | 2.377 % | 3/25/2020 | 7/1/2033 | (2) | 5,370,000 |
| | | | | | <u>44,960,000</u> |
| Water System Revenue Bonds | | | | | |
| Series 2021A (Tax Exempt) | | | | | |
| Insured Serial Bonds | 5.000 % | 3/25/2021 | 7/1/2024 | (2) | 945,000 |
| Insured Serial Bonds | 5.000 % | 3/25/2021 | 7/1/2025 | (2) | 995,000 |
| Insured Serial Bonds | 5.000 % | 3/25/2021 | 7/1/2026 | (2) | 1,045,000 |
| Insured Serial Bonds | 5.000 % | 3/25/2021 | 7/1/2027 | (2) | 1,100,000 |
| Insured Serial Bonds | 5.000 % | 3/25/2021 | 7/1/2028 | (2) | 1,155,000 |
| Insured Serial Bonds | 5.000 % | 3/25/2021 | 7/1/2029 | (2) | 1,215,000 |
| Insured Serial Bonds | 5.000 % | 3/25/2021 | 7/1/2030 | (2) | 1,275,000 |
| Insured Serial Bonds | 5.000 % | 3/25/2021 | 7/1/2031 | (2) | 1,340,000 |
| Insured Serial Bonds | 5.000 % | 3/25/2021 | 7/1/2032 | 7/1/2031 | 1,410,000 |
| Insured Serial Bonds | 5.000 % | 3/25/2021 | 7/1/2033 | 7/1/2031 | 1,480,000 |
| Insured Serial Bonds | 3.000 % | 3/25/2021 | 7/1/2034 | 7/1/2031 | 1,540,000 |
| Insured Serial Bonds | 4.000 % | 3/25/2021 | 7/1/2035 | 7/1/2031 | 1,595,000 |
| Insured Serial Bonds | 4.000 % | 3/25/2021 | 7/1/2036 | 7/1/2031 | 1,660,000 |
| Insured Serial Bonds | 3.000 % | 3/25/2021 | 7/1/2037 | 7/1/2031 | 1,720,000 |
| Insured Serial Bonds | 4.000 % | 3/25/2021 | 7/1/2038 | 7/1/2031 | 1,785,000 |
| Insured Serial Bonds | 4.000 % | 3/25/2021 | 7/1/2039 | 7/1/2031 | 1,855,000 |
| Insured Serial Bonds | 4.000 % | 3/25/2021 | 7/1/2040 | 7/1/2031 | 1,930,000 |
| Insured Serial Bonds | 3.000 % | 3/25/2021 | 7/1/2041 | 7/1/2031 | 2,000,000 |
| Insured Serial Bonds | 4.000 % | 3/25/2021 | 7/1/2042 | 7/1/2031 | 2,070,000 |
| Insured Serial Bonds | 4.000 % | 3/25/2021 | 7/1/2043 | 7/1/2031 | 2,155,000 |
| Insured Serial Bonds | 4.000 % | 3/25/2021 | 7/1/2044 | 7/1/2031 | 2,245,000 |
| Insured Serial Bonds | 4.000 % | 3/25/2021 | 7/1/2045 | 7/1/2031 | 2,335,000 |
| Insured Serial Bonds | 4.000 % | 3/25/2021 | 7/1/2046 | 7/1/2031 | 2,430,000 |
| Insured Serial Bonds | 5.000 % | 3/25/2021 | 7/1/2047 | 7/1/2031 | 2,545,000 |
| Insured Serial Bonds | 5.000 % | 3/25/2021 | 7/1/2048 | 7/1/2031 | 2,675,000 |
| Insured Serial Bonds | 5.000 % | 3/25/2021 | 7/1/2049 | 7/1/2031 | 2,810,000 |
| Insured Serial Bonds | 5.000 % | 3/25/2021 | 7/1/2050 | 7/1/2031 | 2,955,000 |
| | | | | | <u>48,265,000</u> |

(1) Call dates indicated are optional.

(2) Noncallable.

(continued)

See report of independent auditors.

**Board of Water Supply
City and County of Honolulu
Schedule of Bonds Payable
June 30, 2024**

| | Interest Rate | Bond Dated | Maturing Serially From | Call Dates (1) | Outstanding June 30, 2024 |
|--|------------------|---------------|------------------------------|-------------------|------------------------------|
| Water System Revenue Bonds | | | | | |
| Series 2021B Taxable Serial Bonds | | | | | |
| Insured Serial Bonds | 0.520 % | 3/25/2021 | 7/1/2024 | (2) | 3,445,000 |
| Insured Serial Bonds | 0.950 % | 3/25/2021 | 7/1/2025 | (2) | 990,000 |
| Insured Serial Bonds | 1.160 % | 3/25/2021 | 7/1/2026 | (2) | 1,000,000 |
| Insured Serial Bonds | 1.450 % | 3/25/2021 | 7/1/2027 | (2) | 7,700,000 |
| Insured Serial Bonds | 1.600 % | 3/25/2021 | 7/1/2028 | (2) | 6,890,000 |
| Insured Serial Bonds | 1.820 % | 3/25/2021 | 7/1/2029 | (2) | 7,965,000 |
| Insured Serial Bonds | 1.970 % | 3/25/2021 | 7/1/2030 | (2) | 8,155,000 |
| Insured Serial Bonds | 2.070 % | 3/25/2021 | 7/1/2031 | (2) | 3,880,000 |
| | | | | | <u>40,025,000</u> |
| Water System Revenue Bonds | | | | | |
| Series 2022A (Tax Exempt) | | | | | |
| Insured Serial Bonds | 5.000 % | 3/23/2022 | 7/1/2024 | (2) | 1,460,000 |
| Insured Serial Bonds | 5.000 % | 3/23/2022 | 7/1/2025 | (2) | 1,530,000 |
| Insured Serial Bonds | 5.000 % | 3/23/2022 | 7/1/2026 | (2) | 1,610,000 |
| Insured Serial Bonds | 5.000 % | 3/23/2022 | 7/1/2027 | (2) | 1,695,000 |
| Insured Serial Bonds | 5.000 % | 3/23/2022 | 7/1/2028 | (2) | 1,780,000 |
| Insured Serial Bonds | 5.000 % | 3/23/2022 | 7/1/2029 | (2) | 1,870,000 |
| Insured Serial Bonds | 5.000 % | 3/23/2022 | 7/1/2030 | (2) | 1,965,000 |
| Insured Serial Bonds | 5.000 % | 3/23/2022 | 7/1/2031 | (2) | 2,070,000 |
| Insured Serial Bonds | 5.000 % | 3/23/2022 | 7/1/2032 | (2) | 2,175,000 |
| Insured Serial Bonds | 5.000 % | 3/23/2022 | 7/1/2033 | 7/1/2032 | 2,285,000 |
| Insured Serial Bonds | 5.000 % | 3/23/2022 | 7/1/2034 | 7/1/2032 | 2,405,000 |
| Insured Serial Bonds | 4.000 % | 3/23/2022 | 7/1/2035 | 7/1/2032 | 2,515,000 |
| Insured Serial Bonds | 4.000 % | 3/23/2022 | 7/1/2036 | 7/1/2032 | 2,615,000 |
| Insured Serial Bonds | 5.000 % | 3/23/2022 | 7/1/2037 | 7/1/2032 | 2,735,000 |
| Insured Serial Bonds | 4.000 % | 3/23/2022 | 7/1/2038 | 7/1/2032 | 2,865,000 |
| Insured Serial Bonds | 4.000 % | 3/23/2022 | 7/1/2039 | 7/1/2032 | 2,980,000 |
| Insured Serial Bonds | 4.000 % | 3/23/2022 | 7/1/2040 | 7/1/2032 | 3,100,000 |
| Insured Serial Bonds | 4.000 % | 3/23/2022 | 7/1/2041 | 7/1/2032 | 3,230,000 |
| Insured Serial Bonds | 4.000 % | 3/23/2022 | 7/1/2042 | 7/1/2032 | 3,360,000 |
| Insured Serial Bonds | 4.000 % | 3/23/2022 | 7/1/2043 | 7/1/2032 | 3,495,000 |
| Insured Serial Bonds | 4.000 % | 3/23/2022 | 7/1/2044 | 7/1/2032 | 3,640,000 |
| Insured Serial Bonds | 5.000 % | 3/23/2022 | 7/1/2048 | 7/1/2032 | 4,290,000 |
| | | | | | <u>55,670,000</u> |

(1) Call dates indicated are optional.

(2) Noncallable.

(continued)

See report of independent auditors.

**Board of Water Supply
City and County of Honolulu
Schedule of Bonds Payable
June 30, 2024**

| | Interest Rate | Bond Dated | Maturing Serially From | Call Dates (1) | Outstanding June 30, 2024 |
|--|------------------|---------------|------------------------------|-------------------|------------------------------|
| Water System Revenue Bonds | | | | | |
| Series 2022A (2047 Term Bond) | | | | | |
| 2047 Term Bond | 4.000 % | 3/23/2022 | 7/1/2045 | 7/1/2032 | 3,790,000 |
| 2047 Term Bond | 4.000 % | 3/23/2022 | 7/1/2046 | 7/1/2032 | 3,940,000 |
| 2047 Term Bond | 4.000 % | 3/23/2022 | 7/1/2047 | 7/1/2032 | 4,105,000 |
| | | | | | <u>11,835,000</u> |
| Water System Revenue Bonds | | | | | |
| Series 2022A (2051 Term Bond) | | | | | |
| 2051 Term Bond | 3.000 % | 3/23/2022 | 7/1/2049 | (2) | 4,465,000 |
| 2051 Term Bond | 3.000 % | 3/23/2022 | 7/1/2050 | (2) | 4,600,000 |
| 2051 Term Bond | 3.000 % | 3/23/2022 | 7/1/2051 | (2) | 4,745,000 |
| | | | | | <u>13,810,000</u> |
| Water System Revenue Bonds | | | | | |
| Series 2022B Taxable Serial Bonds | | | | | |
| Insured Serial Bonds | 2.144 % | 3/23/2022 | 7/1/2024 | (2) | 220,000 |
| Insured Serial Bonds | 2.174 % | 3/23/2022 | 7/1/2025 | (2) | 225,000 |
| Insured Serial Bonds | 2.274 % | 3/23/2022 | 7/1/2026 | (2) | 6,620,000 |
| Insured Serial Bonds | 2.377 % | 3/23/2022 | 7/1/2027 | (2) | 55,000 |
| Insured Serial Bonds | 2.477 % | 3/23/2022 | 7/1/2028 | (2) | 55,000 |
| Insured Serial Bonds | 2.489 % | 3/23/2022 | 7/1/2029 | (2) | 1,955,000 |
| Insured Serial Bonds | 2.539 % | 3/23/2022 | 7/1/2030 | (2) | 1,995,000 |
| Insured Serial Bonds | 2.589 % | 3/23/2022 | 7/1/2031 | (2) | 2,040,000 |
| Insured Serial Bonds | 2.639 % | 3/23/2022 | 7/1/2032 | (2) | 6,510,000 |
| Insured Serial Bonds | 2.789 % | 3/23/2022 | 7/1/2033 | (2) | 6,690,000 |
| Insured Serial Bonds | 2.939 % | 3/23/2022 | 7/1/2034 | (2) | 8,255,000 |
| Insured Serial Bonds | 3.039 % | 3/23/2022 | 7/1/2035 | (2) | 8,415,000 |
| Insured Serial Bonds | 3.139 % | 3/23/2022 | 7/1/2036 | (2) | 8,770,000 |
| | | | | | <u>51,805,000</u> |
| Water System Revenue Bonds | | | | | |
| Series 2023 (Tax Exempt) | | | | | |
| Insured Serial Bonds | 5.000 % | 3/23/2023 | 7/1/2034 | 7/1/2033 | 565,000 |
| Insured Serial Bonds | 5.000 % | 3/23/2023 | 7/1/2035 | 7/1/2033 | 590,000 |
| Insured Serial Bonds | 5.000 % | 3/23/2023 | 7/1/2036 | 7/1/2033 | 620,000 |
| Insured Serial Bonds | 5.000 % | 3/23/2023 | 7/1/2037 | 7/1/2033 | 655,000 |
| Insured Serial Bonds | 5.000 % | 3/23/2023 | 7/1/2038 | 7/1/2033 | 690,000 |
| Insured Serial Bonds | 5.000 % | 3/23/2023 | 7/1/2039 | 7/1/2033 | 725,000 |

(1) Call dates indicated are optional.

(2) Noncallable.

(continued)

See report of independent auditors.

**Board of Water Supply
City and County of Honolulu
Schedule of Bonds Payable
June 30, 2024**

| | Interest Rate | Bond Dated | Maturing Serially From | Call Dates (1) | Outstanding June 30, 2024 |
|--|------------------|---------------|------------------------------|-------------------|------------------------------|
| Insured Serial Bonds | 5.000 % | 3/23/2023 | 7/1/2040 | 7/1/2033 | 760,000 |
| Insured Serial Bonds | 5.000 % | 3/23/2023 | 7/1/2041 | 7/1/2033 | 800,000 |
| Insured Serial Bonds | 5.000 % | 3/23/2023 | 7/1/2042 | 7/1/2033 | 840,000 |
| Insured Serial Bonds | 5.000 % | 3/23/2023 | 7/1/2043 | 7/1/2033 | 885,000 |
| | | | | | <u>7,130,000</u> |
| Water System Revenue Bonds Series 2023 (2048 Term Bond) | | | | | |
| 2048 Term Bond | 5.000 % | 3/23/2023 | 7/1/2044 | 7/1/2033 | 930,000 |
| 2048 Term Bond | 5.000 % | 3/23/2023 | 7/1/2045 | 7/1/2033 | 975,000 |
| 2048 Term Bond | 5.000 % | 3/23/2023 | 7/1/2046 | 7/1/2033 | 1,025,000 |
| 2048 Term Bond | 5.000 % | 3/23/2023 | 7/1/2047 | 7/1/2033 | 1,080,000 |
| 2048 Term Bond | 5.000 % | 3/23/2023 | 7/1/2048 | 7/1/2033 | 1,135,000 |
| | | | | | <u>5,145,000</u> |
| Water System Revenue Bonds Series 2023 (2052 Term Bond) | | | | | |
| 2052 Term Bond | 5.000 % | 3/23/2023 | 7/1/2044 | 7/1/2033 | 1,190,000 |
| 2052 Term Bond | 5.000 % | 3/23/2023 | 7/1/2045 | 7/1/2033 | 1,255,000 |
| 2052 Term Bond | 5.000 % | 3/23/2023 | 7/1/2046 | 7/1/2033 | 1,320,000 |
| 2052 Term Bond | 5.000 % | 3/23/2023 | 7/1/2047 | 7/1/2033 | 1,385,000 |
| | | | | | <u>5,150,000</u> |
| Water System Revenue Bonds Series 2024A (Tax Exempt) | | | | | |
| Insured Serial Bonds | 5.000 % | 4/3/2024 | 7/1/2024 | (2) | 7,270,000 |
| Insured Serial Bonds | 5.000 % | 4/3/2024 | 7/1/2025 | (2) | 7,325,000 |
| Insured Serial Bonds | 5.000 % | 4/3/2024 | 7/1/2026 | (2) | 1,465,000 |
| Insured Serial Bonds | 5.000 % | 4/3/2024 | 7/1/2027 | (2) | 1,535,000 |
| Insured Serial Bonds | 5.000 % | 4/3/2024 | 7/1/2028 | (2) | 2,300,000 |
| Insured Serial Bonds | 5.000 % | 4/3/2024 | 7/1/2031 | (2) | 4,265,000 |
| Insured Serial Bonds | 5.000 % | 4/3/2024 | 7/1/2037 | 7/1/2034 | 1,875,000 |
| Insured Serial Bonds | 5.000 % | 4/3/2024 | 7/1/2038 | 7/1/2034 | 1,975,000 |
| Insured Serial Bonds | 5.000 % | 4/3/2024 | 7/1/2039 | 7/1/2034 | 2,075,000 |
| Insured Serial Bonds | 5.000 % | 4/3/2024 | 7/1/2040 | 7/1/2034 | 2,180,000 |
| Insured Serial Bonds | 5.000 % | 4/3/2024 | 7/1/2041 | 7/1/2034 | 2,295,000 |
| Insured Serial Bonds | 4.000 % | 4/3/2024 | 7/1/2042 | 7/1/2034 | 2,400,000 |
| Insured Serial Bonds | 5.000 % | 4/3/2024 | 7/1/2043 | 7/1/2034 | 2,510,000 |
| Insured Serial Bonds | 4.000 % | 4/3/2024 | 7/1/2044 | 7/1/2034 | 2,625,000 |
| | | | | | <u>42,095,000</u> |

(1) Call dates indicated are optional.

(2) Noncallable.

(continued)

See report of independent auditors.

**Board of Water Supply
City and County of Honolulu
Schedule of Bonds Payable
June 30, 2024**

| | Interest Rate | Bond Dated | Maturing Serially From | Call Dates (1) | Outstanding June 30, 2024 |
|--------------------------------------|--------------------------|-----------------------|---------------------------------------|---------------------------|--------------------------------------|
| Water System Revenue Bonds | | | | | |
| Series 2024A (2049 Term Bond) | | | | | |
| 2049 Term Bond | 5.250 % | 4/3/2024 | 7/1/2045 | 7/1/2034 | 2,750,000 |
| 2049 Term Bond | 5.250 % | 4/3/2024 | 7/1/2046 | 7/1/2034 | 2,895,000 |
| 2049 Term Bond | 5.250 % | 4/3/2024 | 7/1/2047 | 7/1/2034 | 3,055,000 |
| 2049 Term Bond | 5.250 % | 4/3/2024 | 7/1/2048 | 7/1/2034 | 3,220,000 |
| 2049 Term Bond | 5.250 % | 4/3/2024 | 7/1/2049 | 7/1/2034 | 3,390,000 |
| | | | | | <u>15,310,000</u> |
| Water System Revenue Bonds | | | | | |
| Series 2024A (2053 Term Bond) | | | | | |
| 2053 Term Bond | 5.000 % | 4/3/2024 | 7/1/2050 | 7/1/2033 | 3,570,000 |
| 2053 Term Bond | 5.000 % | 4/3/2024 | 7/1/2051 | 7/1/2033 | 3,750,000 |
| 2053 Term Bond | 5.000 % | 4/3/2024 | 7/1/2052 | 7/1/2033 | 3,945,000 |
| 2053 Term Bond | 5.000 % | 4/3/2024 | 7/1/2053 | 7/1/2033 | 4,145,000 |
| | | | | | <u>15,410,000</u> |
| | | | | | <u>\$ 412,450,000</u> |
| Total | | | | | |

(1) Call dates indicated are optional.

(concluded)

See report of independent auditors.

**Board of Water Supply
City and County of Honolulu
Schedule of Net Revenue Requirement
Year Ended June 30, 2024**

Revenues

| | |
|----------------------|--------------------|
| Water sales | \$ 257,491,103 |
| Interest income, net | 18,709,948 |
| Other | <u>2,648,337</u> |
| Total revenues | <u>278,849,388</u> |

Deductions

| | |
|--------------------------------------|-----------------------|
| Operating expenses | 220,079,201 |
| Less: Depreciation and amortization | (50,342,969) |
| Less: Allocated depreciation charges | <u>(2,509,752)</u> |
| Total deductions | <u>167,226,480</u> |
| Net revenues | <u>\$ 111,622,908</u> |

Net revenue requirement

Greater of

| | |
|---|----------------------|
| 1) Aggregate debt service | \$ 28,017,410 |
| Required deposits | <u>-</u> |
| | <u>\$ 28,017,410</u> |
| 2) Aggregate debt service | \$ 28,017,410 |
| Minimum required debt service ratio | <u>x 1.20</u> |
| Net revenue requirement | <u>\$ 33,620,892</u> |
| Net revenue to aggregate debt service ratio | <u>3.98</u> |

See report of independent auditors.



**Board of Water Supply
City and County of Honolulu**

**Single Audit of Federal Financial Assistance Programs
Year Ended June 30, 2024**



**Board of Water Supply
City and County of Honolulu
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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

Report of Independent Auditors on Compliance for Each Major Program, Internal Control Over
Compliance, and the Schedule of Expenditures of Federal Awards Required by the Uniform
Guidance

Schedule of Expenditures of Federal Awards

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Summary Schedule of Prior Audit Findings

Single Audit Reports



**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 Directors
Board of Water Supply
City and County of Honolulu

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 Board of Water Supply (the "BWS"), a component unit of the City and County of Honolulu, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the BWS's basic financial statements, and have issued our report thereon dated November 15, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the BWS'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the BWS's internal control. Accordingly, we do not express an opinion on the effectiveness of the BWS'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 entity'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. However, material weaknesses or significant deficiencies may exist that were not identified.


Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the BWS's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an

999 Bishop Street
Suite 2300
Honolulu, HI 96813

OFFICE 808.531.3400
FAX 808.531.3433
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objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 BWS'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 BWS's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Accuity LLP

Honolulu, Hawaii
November 15, 2024



**Report of Independent Auditors on Compliance
for Each Major Program, Internal Control Over
Compliance, and the Schedule of Expenditures of
Federal Awards Required by the Uniform Guidance**

To the Board of Directors
Board of Water Supply
City and County of Honolulu

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Board of Water Supply's (the "BWS") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the BWS's major federal programs for the year ended June 30, 2024. The BWS's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the BWS complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

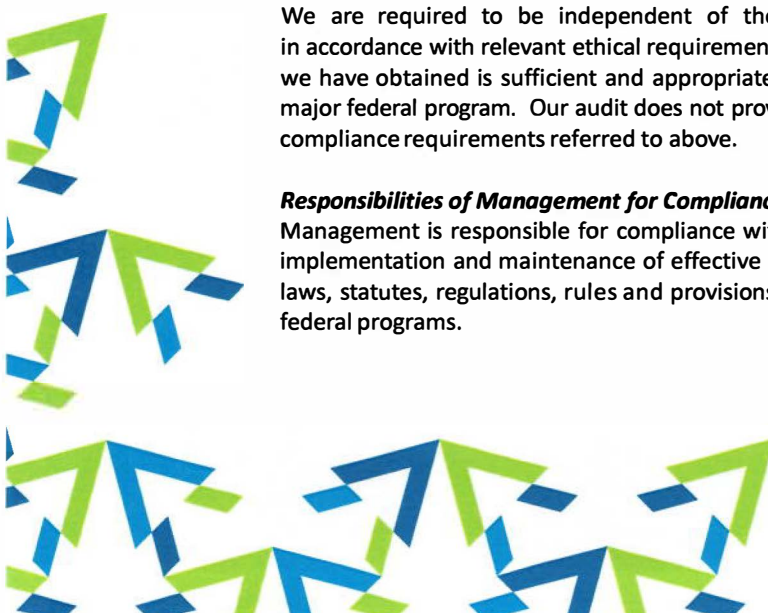
We are required to be independent of the BWS and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the BWS's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the BWS's federal programs.

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Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the BWS's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the BWS's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:


- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the BWS's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the BWS's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the BWS's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any



deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of BWS as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the BWS's basic financial statements. We issued our report thereon dated November 15, 2024, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Accuity LLP

Honolulu, Hawaii
November 15, 2024

Schedule of Expenditures of Federal Awards

**Board of Water Supply
City and County of Honolulu
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024**

| Federal Program or Pass-through Entity | Assistance Listing Number | Pass-through Entity Identifying Number | Federal Expenditures |
|---|--|---|---------------------------------|
| U.S. Department of the Treasury | | | |
| Pass-through from the City and County of Honolulu | | | |
| COVID-19 Coronavirus State and Local Fiscal Recovery Funds | 21.027 | 24823-3030 | \$ 9,035,346 |
| Total U.S. Department of the Treasury | | | <u>9,035,346</u> |
| U.S. Environmental Protection Agency | | | |
| Pass-through from the State of Hawaii, Department of Health | | | |
| Drinking Water State Revolving Fund Cluster | | | |
| Capitalization Grants for Drinking Water State | | | |
| Revolving Funds | 66.468 | ASO LOG #24-090 | <u>7,820,250</u> |
| Total U.S. Environmental Protection Agency | | | <u>7,820,250</u> |
| Total expenditures of federal awards | | | <u><u>\$ 16,855,596</u></u> |

See report of independent auditors and notes to the schedule of expenditures of federal awards.

**Board of Water Supply
City and County of Honolulu
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024**

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Board of Water Supply (the "BWS") under programs of the federal government for the year ended June 30, 2024 and is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the BWS, it is not intended to and does not present the financial position, changes in net position, or cash flows of the BWS.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Expenditures under the Capitalization Grants for Drinking Water State Revolving Funds program are reported when incurred and when reimbursed by federal loan proceeds received from the pass-through entity during the audit period. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The BWS has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

See report of independent auditors.

Schedule of Findings and Questioned Costs

Board of Water Supply
City and County of Honolulu
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

Section I – Summary of Auditors' Results

Financial Statements

| | | |
|---|-----------------|----------------------------|
| Type of auditors' report issued | Unmodified | |
| Internal control over financial reporting | | |
| • Material weakness(es) identified? | <u> </u> yes | <u> X </u> no |
| • Significant deficiency(ies) identified? | <u> </u> yes | <u> X </u> none reported |
| Noncompliance material to financial statements noted? | <u> </u> yes | <u> X </u> no |

Federal Awards

| | | |
|--|-----------------|----------------------------|
| Internal control over major programs | | |
| • Material weakness(es) identified? | <u> </u> yes | <u> X </u> no |
| • Significant deficiency(ies) identified? | <u> </u> yes | <u> X </u> none reported |
| Type of auditors' report issued on compliance for major programs | Unmodified | |
| Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? | <u> </u> yes | <u> X </u> no |

Identification of major programs

Assistance Listing

| Number | Name of Federal Program or Cluster | |
|---|--|----------------|
| 21.027 | COVID-19 Coronavirus State and Local Recovery Fund | |
| Dollar threshold used to distinguish between type A and type B programs | | \$750,000 |
| Auditee qualified as low-risk auditee? | <u> X </u> yes | <u> </u> no |

See report of independent auditors.

**Board of Water Supply
City and County of Honolulu
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024**

Section II – Financial Statement Findings

None noted.

See report of independent auditors.

**Board of Water Supply
City and County of Honolulu
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024**

Section III – Federal Award Findings and Questioned Costs

None noted.

See report of independent auditors.

Board of Water Supply
City and County of Honolulu
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2024

There were no prior year findings or questioned costs.

ITEM FOR INFORMATION NO. 5

"February 24, 2025

PETITION
FOR THE
DESIGNATION
OF THE
WAI'ANAE
SECTOR AS A
GROUND WATER
MANAGEMENT
AREA

Chair and Members
Board of Water Supply
City and County of Honolulu
Honolulu, Hawai'i 96843

Chair and Members:

Subject: Petition for the Designation of the Wai'anae Sector as a
Ground Water Management Area

Water Resources will provide a briefing on our petition the State Commission on Water Resource Management for the designation of the Wai'anae Aquifer Sector as a Ground Water Management Area to increase the protection and management as it currently exists for the rest of O'ahu's aquifers. Climate change is causing decreasing rainfall trends affecting groundwater levels and stream flows in Wai'anae, while growth and increasing temperatures will drive up water demand as evapotranspiration rates increase. As supply diminishes and demand increases, water conservation efficiencies in Wai'anae will become increasingly important.

More than half of Wai'anae's drinking water is imported from the Pearl Harbor aquifer and if climate change and associated resource management and regulatory actions require a reduction in sustainable yields in the Makaha and Wai'anae aquifers, new Pearl Harbor sources will be needed to compensate. Designation will provide more clarity on climate change impacts and the resource management and infrastructure challenges and decisions needed to mitigate those risks and uncertainties.

During the petition development, BWS and our consultant, Kahālāwai Consulting, LLC conducted a comprehensive outreach effort to gain important feedback and elevate the community awareness of the benefits

and requirements of designation. The feedback received indicated broad support for designation. The petition can be viewed at the below link.

<https://www.boardofwatersupply.com/bws/media/files/BWS-Letter-to-CWRM-Waianaee-Designation-Petition-Submittal-2025-01-07.pdf>

Respectfully submitted,

/s/ ERNEST Y. W. LAU, P.E
Manager and Chief Engineer

Attachment"

The foregoing was for information only.

DISCUSSION:

Barry Usagawa, Program Administrator, Water Resources Division and Jonathan Scheuer, Kāhālawai Consulting, LLC, gave the report.

After Mr. Barry Usagawa's presented slide 11, Chair Anthony inquired if any of the eight criteria listed could trigger groundwater designation?

**CWRM CONSIDERS EIGHT CRITERIA THAT CAN
TRIGGER GROUNDWATER DESIGNATION**

1. **Whether an increase in water use or authorized planned use may cause the maximum rate of withdrawal from the ground water source to reach 90% of the sustainable yield of the proposed ground water management area;**
2. **There is an actual or threatened water quality degradation as determined by the Department of Health;**
3. **Whether regulation is necessary to preserve the diminishing ground water supply for future needs, as evidenced by excessively declining ground water levels;**
4. **Whether the rates, times, spatial patterns, or depths of existing withdrawals of ground water are endangering the stability or optimum development of the ground water body due to upconing or encroachment of salt water;**
5. **Whether the chloride contents of existing wells are increasing to levels which materially reduce the value of their existing uses;**
6. **Whether excessive preventable waste of ground water is occurring;**
7. **Serious disputes respecting the use of ground water resources are occurring;**
8. **Whether water development projects that have received any federal, state, or county approval may result, in the opinion of the commission, in one of the above conditions.**

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Bold = applicable criteria

Mr. Barry Usagawa responded yes.

Chair Anthony asked, since outreach efforts to the Navy were unsuccessful, what that meant.

Dr. Jonathan Scheuer explained that he and his team tried various efforts to talk and brief the Navy about taking water from the spring behind Lualualei without any follow-up.

Manager Lau offered to put Dr. Scheuer in touch with the head of the Navy Region in Hawaii.

Mr. Usagawa shared that the general response was in support of the designation.

Dr. Scheuer added that when the designation map was shared and explained, the community spoke in support of protecting the waters on the west side.

Board Member Wilhelm asked what the next step would be since the petition was submitted on January 7, 2025.

Dr. Scheuer added that after the CWRM meets, Chair Dawn Chang, the Chair of the Board of Land and Natural Resources (BLNR), and the CWRM will determine whether they believe there are enough facts to support and move forward with the designation. He shared that Deputy Ciara Kahahane, CWRM, said an analysis would also be done before a recommendation is made. If it is recommended to move forward, a public hearing will be held for the community to testify, then finally, return to the CWRM to vote on whether Wai'anae would become a groundwater management area. If the petition for the designation is passed, a notice will be posted in the Star Advertiser three times. The third notice is the start date for the existing well users to apply for existing water use permits.

1" = 5 MILES

NORTH
56 MGD / 3040

KAWAILOA
23 MGD / 30480

WAILUA
17 MGD / 30402

WAIHAWA
23 MGD / 30501

CENTRAL
23 MGD / 305

KAHANA
15 MGD / 30603

KOOLAUPOKO
28 MGD / 30603

KEAAU
3 MGD / 30308

MAKAHA
2 MGD / 30204

WAIANAE
3 MGD / 30303

WAIANAE
13 MGD / 303

LUALUALEI
3 MGD / 30302

WAIAPAHU-WAIKAWA
186 MGD / 30205

WAIMANALO
9 MGD / 30604

NANAKULI
1 MGD / 30301

MAKAHIA
30225

EWA-KUNIA
16 MGD / 30294

KAPOLEI
166 MGD / 30201

EWA C/A PROCK
166 MGD / 302

PEARL HARBOR
166 MGD / 302

PULUA
166 MGD / 30201

HONOLULU
48 MGD / 30501

KALII
9 MGD / 30105

MOANALUA
16 MGD / 30104

NUUANU
16 MGD / 30102

PALOLO
6 MGD / 30101

HONOLULU
48.5 MGD / 301

WAILALEE-EAST
2 MGD / 30108

WAILALEE-WEST
2.5 MGD / 30105

**STATE OF HAWAII
COMMISSION ON
WATER RESOURCE MANAGEMENT**

**ISLAND OF OAHU
TOTAL = 393.5 MGD**

**HYDROLOGIC UNITS
Sustainable Yield / Aquifer Code**

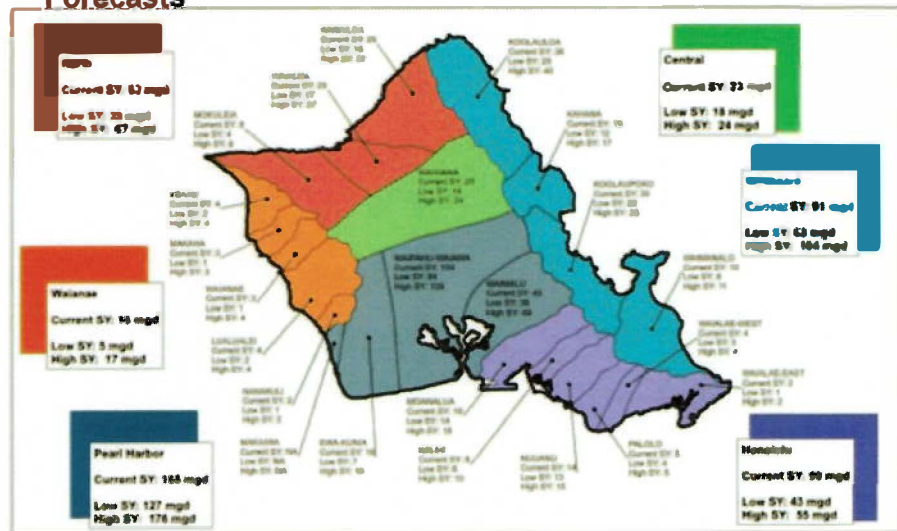
WINDWARD
27 MGD / 306

LEGEND

Blue = Ewa Caprock overlying 30203, 30204 & 30205 basalt aquifer systems

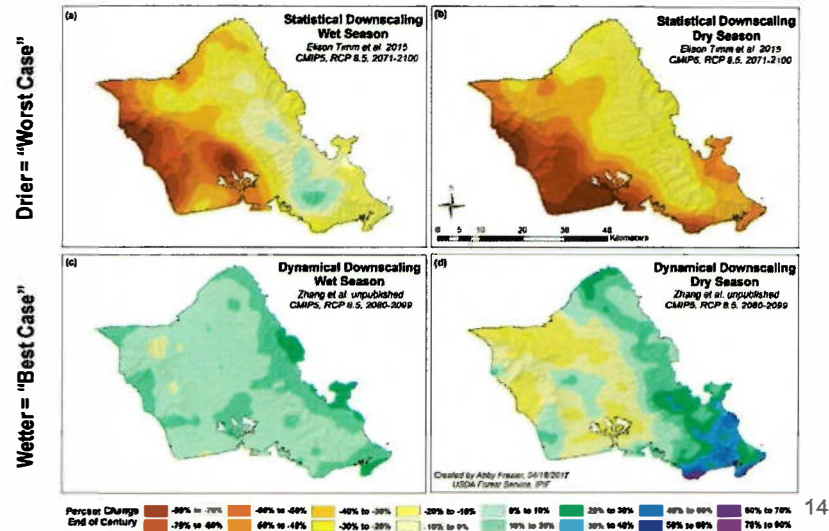
Mr. Usagawa replied that the climate forecast is for the year up to 2100.

Current SY and Potential Range of SY from Climate Forecasts



Page 21 of 27

UH 2100 rainfall forecasts using 2 downscaled climate models show decreasing rainfall in Wai'anae. In the worst-case statistical model, rainfall could decrease an average of 65% in important mauka recharge areas, reducing the amount of water that can be sustainably withdrawn from the aquifer.



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Dr. Scheuer explained that statistical downscaling and dynamic downscaling are different in that statistical downscaling looks at historical rainfall patterns and projects them into the future. In contrast, dynamical downscaling is a global climate model that tries to predict global climate and where it would be meaningful to Hawai'i. The areas that have been converged are on the leeward sides of the island. Statistical and dynamical downscaling indicate an end-of-century change to a drier climate in drier regions such as Wai'anae.

Chair Anthony commented that the comparison from when Mr. Usagawa started his journey with the BWS til today is great. The BWS continues its messaging about water conservation, whereas Oahu's affordable housing crisis calls for an increase in water. However, at the same time, the sustainable yield continues to trend down as access to water gets tighter and tighter.

Manager Lau referred back to slide 6. He asked Mr. Usagawa about the islands sustainable yield, which is over 38% less island-wide. He commented that the sustainable yield for Oahu is currently 393.5 mgd and has only seen it go lower over time.

Mr. Usagawa responded that of the 393.5 mgd, the island-wide groundwater use is approximately 200 mgd, and there are areas where its sustainable yield is not fully utilized. He explained that if the sustainable yield is lowered by just one mgd in areas such as Honolulu, it would affect the operations of the BWS.

Manager Lau inquired if areas such as Wahiawa and up North are where the sustainable yield is not being fully utilized.

Mr. Usagawa responded that Manager Lau was correct that areas in the Central and North are not entirely using its sustainable yield.

Manager Lau commented that the placement of a new municipal landfill needs careful thought as it could affect the water quality for years to come.

Dr. Scheuer shared that the CWRM is actively re-examining the model to calculate sustainable yield, which did not consider the groundwater-dependent ecosystems. Groundwater-dependent ecosystems include streamflow, and also coastal wetlands, and fishponds. Therefore, the CWRM is working to add that to the sustainable yield model, putting pressure on the amount of water available for extraction.

Chair Anthony commented that each island has its own unique challenges and surpluses since each island is geologically different. It is really important to implement the lessons learned and understand the movement of the water, the effects of rising chlorides, and the right to use the water.

Manager Lau added the importance of conservation and efficient water use. Our islands are 100% dependent on groundwater resources for drinking water, which eventually will diminish over time as needs are met.

Chair Anthony inquired about the area in Makaha where it is hard to move water to higher urban areas.

Mr. Usagawa shared that The Harry and Jeanette Weinberg Foundation donated vacant urban parcels in the Makaha Valley to MA'O Farms. The understanding is that MA'O Farms is working with the U.S. Fish and Wildlife Service to recover some of the vegetation, native plants, and endangered species in the area. He stated that the BWS supports rehabilitating the land. However, the area has other demands, including potentially reopening a second golf course. Mr. Usagawa is hesitant about whether enough water exists to support a second golf course, although a well was already drilled. He explained that the request for a designation would require an additional water use permit. The existing sources are showing a decline in water levels.

Chair Anthony asked if MA'O Farms had reached out to the BWS.

Dr. Scheuer replied that MA'O Farms were briefed early on in the development of the petition for designation in the Wai'anae Sector. They also shared the information after the petition was filed and a consultation with them. Another meeting is scheduled for this week.

Mr. Usagawa shared that the BWS made an attempt to investigate groundwater-dependent ecosystems and the beneficial effect of water flowing into the coast. A portion of recharge is not included in the sustainable yield that is allowed to flow to the coast. The placement of

new wells further away from groundwater-dependent ecosystems is important since it can dry up streams and springs.

Board Member Kēhaulani Pu'u inquired about an email from CWRM sent to board members requesting comments.

Manager Lau replied that board members can send comments individually or as a group and offered to assist.

Chair Anthony commented that responding together as a Board is the best way to respond to the CWRM email.

Board Member Pu'u stated that the response deadline is March 7, 2025.

Dr. Scheuer explained that the water code is written in a way that any petition for designation filed by any community group or body requires consultation with the Mayor, the BWS, and the City Council of its respective county. The email was sent because this is the first time the BWS has been the petitioner, and there are no special provisions.



Protecting Wai for Wai‘anae

*Groundwater Management Area
Designation of the Wai‘anae Aquifer Sector*

Water Resources
February 24, 2025

www.boardofwatersupply.com

PRESENTATION OUTLINE: GROUNDWATER MANAGEMENT AREA DESIGNATION OF THE WAI'ANAE AQUIFER SECTOR

- What is being proposed
- What is Designation
- Why is Designation needed
- What happens when CWRM approves Designation
- Who did BWS outreach to



WHAT IS BEING PROPOSED

- BWS with assistance from Kahālāwai Consulting, has prepared and submitted a petition the State Commission on Water Resources Management for the designation of the Wai`anae Aquifer Sector as Ground Water Management Area (WMA), to increase protection and management of groundwater resources equal to the rest of O`ahu aquifers.



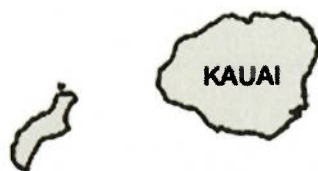
DESIGNATED WATER MANAGEMENT AREAS



Surface Water Management Area



Ground Water Management Area



ISLAND OF OAHU

Ground Water

Central Sector
Honolulu Sector
North Sector
Pearl Harbor Sector
Windward Sector



ISLAND OF MOLOKAI

Ground Water

Central Sector
Northeast Sector
Southeast Sector
West Sector



ISLAND OF MAUI

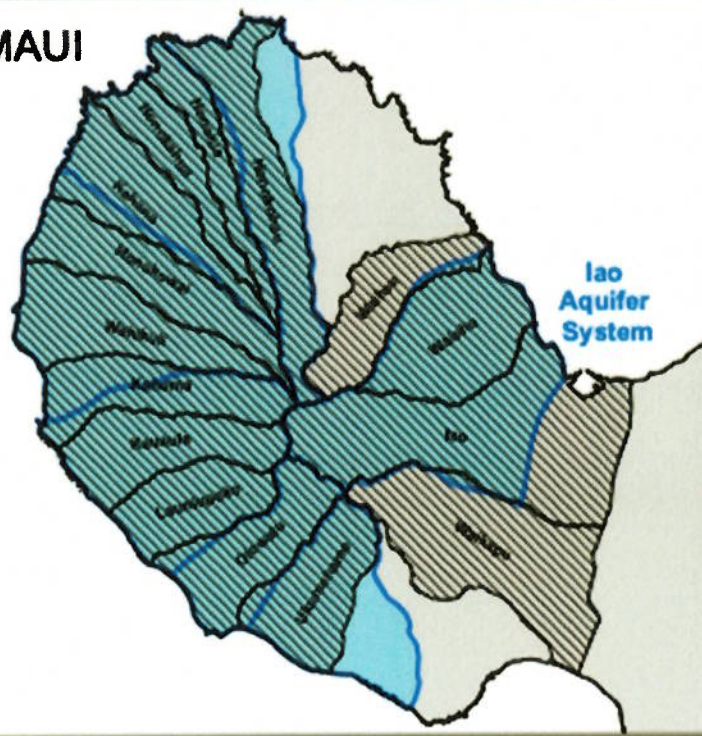
Ground Water Surface Water

Lahaina Sector
Iao System
Honokohau
Honolua
Honokahua
Kahana
Honokowai
Wahikuli
Kahoma
Kauaula
Launiupoko
Olowalu
Ukumehame
Waihee
Waiehu
Iao
Waikapu



WEST MAUI

Lahaina
Aquifer
Sector



Iao
Aquifer
System



STATE OF HAWAII
Department of Land and Natural Resources
Commission on Water Resource Management

Map Projection: NAD 1983 UTM Zone 4N Date: 5/17/2023



Designation Petition submitted to CWRM on January 7, 2025.

**BOARD OF WATER SUPPLY
KA 'OIHANA WAI
CITY AND COUNTY OF HONOLULU**

830 SOUTH BERETANIA STREET • HONOLULU, HAWAII 96843
Phone: (808) 748-5000 • www.boardofwatersupply.com

RICK BLANCHARD
MAYOR
MTA

ERNEST Y. W. LAU, P.E.
MANAGER AND CHIEF ENGINEER
MANAKA A ME KAHU WILK

ERWIN KAWATA
DEPUTY MANAGER
HOPE MANAKA



January 7, 2025

Ms. Dawn Chang, Chairperson
State of Hawaii Department of Land and Natural Resources
Commission on Water Resource Management
1151 Punchbowl Street
Honolulu, Hawaii 96813

Dear Ms. Chang:

Subject: Petition for the Designation of the Wai'anae Aquifer
Sector as a Ground Water Management Area

The Honolulu Board of Water Supply (BWS) respectfully submits a Petition for the Designation of the Wai'anae Aquifer Sector as a Ground Water Management Area, in accordance with Chapter 174C-41(b).

The Wai'anae aquifer sector remains the only non-designated aquifer sector on O'ahu and would significantly benefit from a higher level of resource management and community involvement that designation provides. The petition was prepared in consultation with Commission on Water Resource Management staff, the Wai'anae and Nānākuli Neighborhood Boards, elected officials, large landowners and community groups in Wai'anae from 2021 to 2024.

The petition provides a comprehensive compilation of hydro-geological research, historical records, stakeholder consultation, a factual criteria basis for ground water designation, and analyses of uncertainties, contingencies, strategies and implications for designation.

We appreciate your support and if you have any questions, please contact Barry Usagawa, Water Resources Division at (808) 748-5900 or at busagawa@hbws.org.

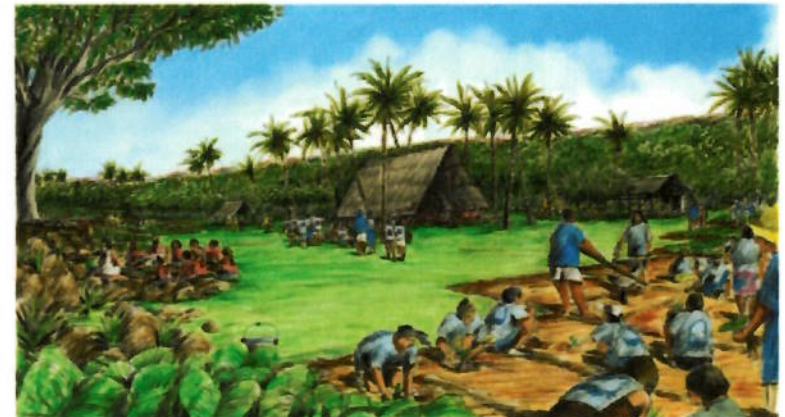
Very truly yours,

ERNEST Y. W. LAU, P.E.
Manager and Chief Engineer

Enclosure

cc: Kahālāwai Consulting, LLC

**Final Petition to Designate the Wai'anae Aquifer Sector
as a Ground Water Management Area**



MAKANA VALLEY CULTURAL CENTER
741 MOHAKA I KA WAI

Submitted to
Commission on Water Resource Management

Submitted by
Honolulu Board of Water Supply

Prepared by
Kahālāwai Consulting, LLC

December 30, 2021

WHAT IS DESIGNATION

- Designation of an aquifer provides a higher level of regulation of ground water use due to potential over-extraction or degradation of water resources, requiring water use permits approved by CWRM, that limit water withdrawals to reasonable and beneficial uses that are in the public interest.

STATE WATER CODE, HRS §174C-41 REGULATION OF WATER USE

“When it can be reasonably determined, after conducting scientific investigations and research, that the water resources in an area may be threatened by existing or proposed withdrawals or diversions of water, the commission shall designate the area for the purpose of establishing administrative control over the withdrawals and diversions of ground and surface waters in the area to ensure reasonable beneficial use of the water resources in the public interest.”



Permits in Non-Designated vs. Designated Areas

| Undesignated Areas | Designated Areas |
|---------------------------|--------------------------|
| Well Construction Permit | Well Construction Permit |
| Pump Installation Permit | Pump Installation Permit |
| | Water Use Permit* |

* Water Use Permit Applications have public notice and process requirements



WHAT IS DESIGNATION

Designation provides scientific, policy and legal analyses in a formal public process to protect and manage Wai`anae's water resources in a context of competing public trust and non-public trust uses of water, such as:

- Potential decreases in sustainable yields from climate change*
- Water availability for affordable housing, Department of Hawaiian Home Lands and agriculture*
- Water conservation and reuse to reduce freshwater use,*
- Forest management, restoration of streams and habitat, and protecting traditional and customary practices*
- Balance water resource protection, management and use centering around watershed health.*



WHY IS DESIGNATION NEEDED

- Designation of the entire Wai`anae sector is needed to elevate protection and management of groundwater resources equal to the rest of O`ahu. Specifically, designation is needed because:
 - Wai`anae aquifer production meets the 90% designation criteria. Authorized planned use in Mākaha could increase pumpage to 90% of sustainable yield.
 - Climate change is causing decreasing rainfall trends affecting groundwater levels and stream flows, despite production levels below the adopted aquifer sustainable yields.
 - Increasing temperatures drive up water demand as evapotranspiration rates increase.
 - Potential water quality degradation from military land use, such as in Makua
 - BWS seeks to be responsive to the Wai`anae community advocating for designation to proactively avoid serious conflicts.
- Designation will serve to provide more clarity on regulatory requirements for resource management and infrastructure to address climate change impacts and resilience.

CWRM CONSIDERS EIGHT CRITERIA THAT CAN TRIGGER GROUNDWATER DESIGNATION

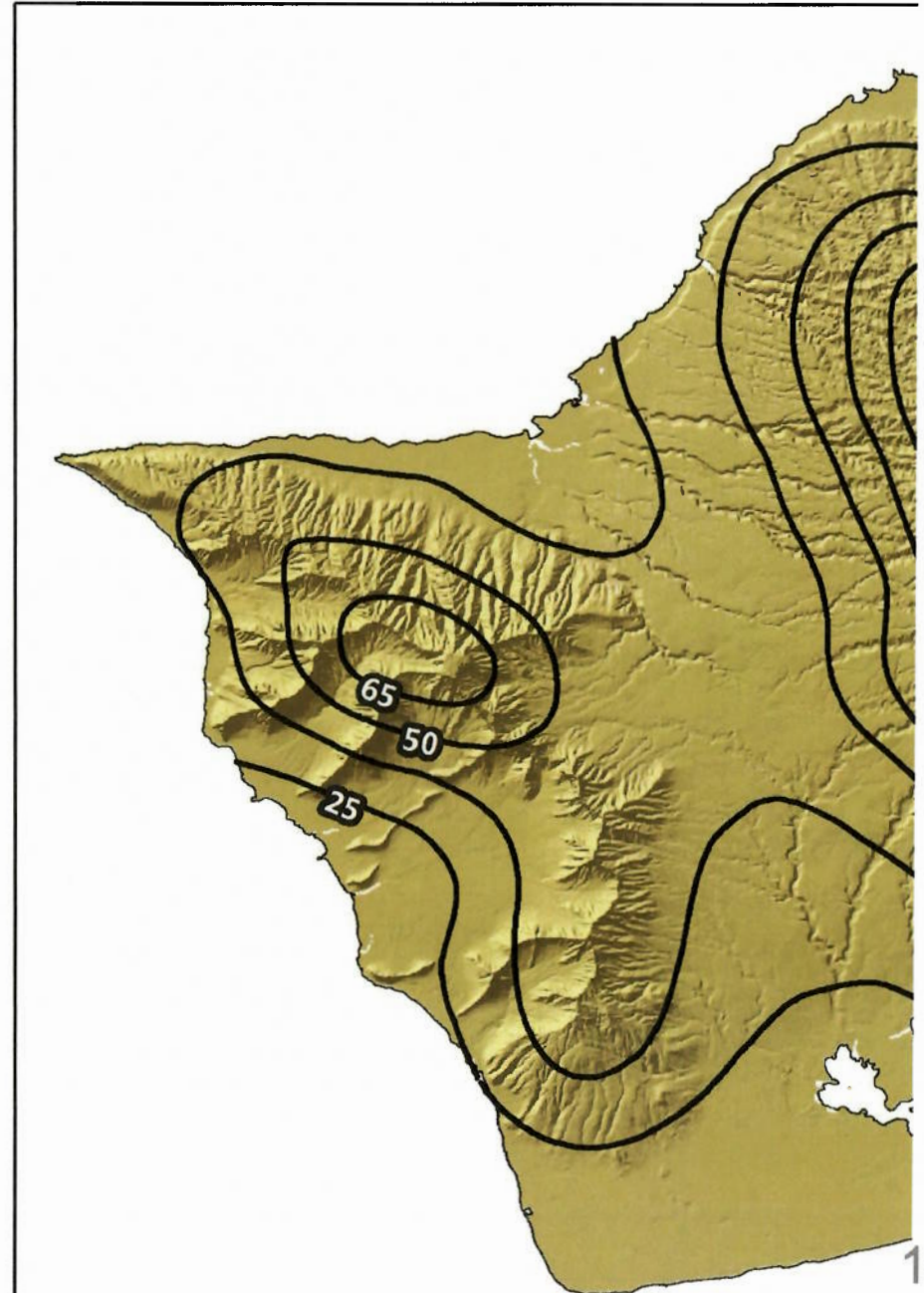
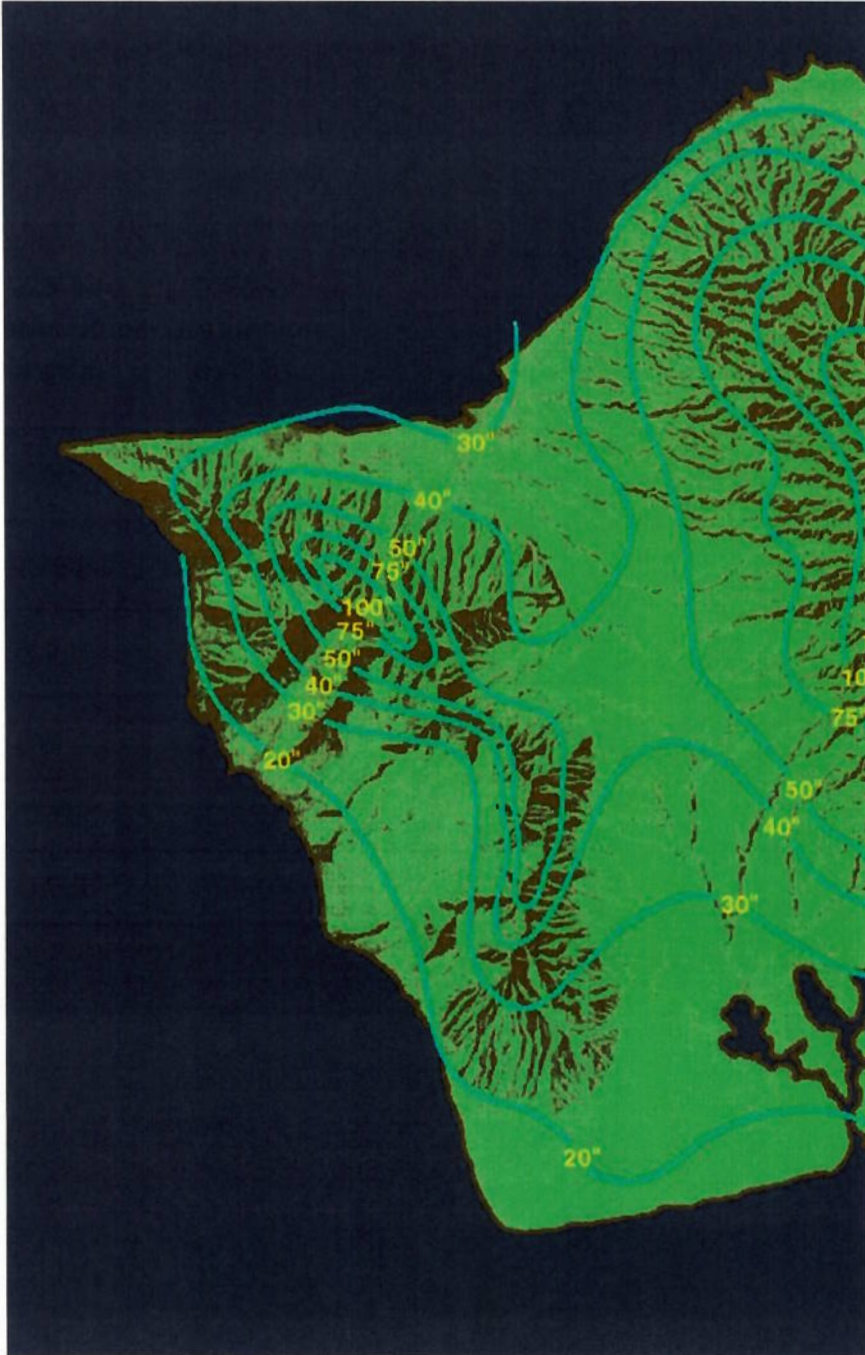
1. **Whether an increase in water use or authorized planned use may cause the maximum rate of withdrawal from the ground water source to reach 90% of the sustainable yield of the proposed ground water management area;**
2. **There is an actual or threatened water quality degradation as determined by the Department of Health;**
3. **Whether regulation is necessary to preserve the diminishing ground water supply for future needs, as evidenced by excessively declining ground water levels;**
4. Whether the rates, times, spatial patterns, or depths of existing withdrawals of ground water are endangering the stability or optimum development of the ground water body due to upconing or encroachment of salt water;
5. Whether the chloride contents of existing wells are increasing to levels which materially reduce the value of their existing uses;
6. Whether excessive preventable waste of ground water is occurring;
7. **Serious disputes respecting the use of ground water resources are occurring;**
8. Whether water development projects that have received any federal, state, or county approval may result, in the opinion of the commission, in one of the above conditions.

GROUNDWATER PRODUCTION BY AQUIFER AS A PERCENT OF SUSTAINABLE YIELDS, 2004-2024

| Aquifer system | 2019 Sustainable yield (mgd) | 2004 production (mgd) | 2004 production as % SY | 2016 production (mgd) | 2016 production as % SY | 2020-21 production (mgd) | 2020-21 production as % SY | 2023-24 production (mgd) | 2023-24 production as % SY |
|----------------|------------------------------|-----------------------|-------------------------|-----------------------|-------------------------|--------------------------|----------------------------|--------------------------|----------------------------|
| Nānākuli | 1 | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Lualualei | 3 | 0.54 | 18.00% | 0.13 | 4.33% | 0.724 | 24.13% | 0.264 | 8.80% |
| Wai'anae | 3 | 2.71 | 90.33% | 2.77 | 92.33% | 2.899 | 96.63% | 2.79 | 93.00% |
| Mākaha | 3 | 1.6 | 53.33% | 2.68 | 89.33% | 1.596 | 53.20% | 1.703 | 56.77% |
| Kea'au | 3 | 0.23 | 7.67% | 0 | 0.00% | 0.004 | 0.13% | 0.001 | 0.03% |
| Total | 13 | 5.08 | 39.08% | 5.58 | 42.92% | 5.223 | 40.18% | 4.758 | 36.60% |

2019 Adopted Water Resources Protection Plan, and CWRM data
CWRM is currently updating sustainable yields in Waianae
Due to decreasing rainfall from climate change, a reduction is possible.

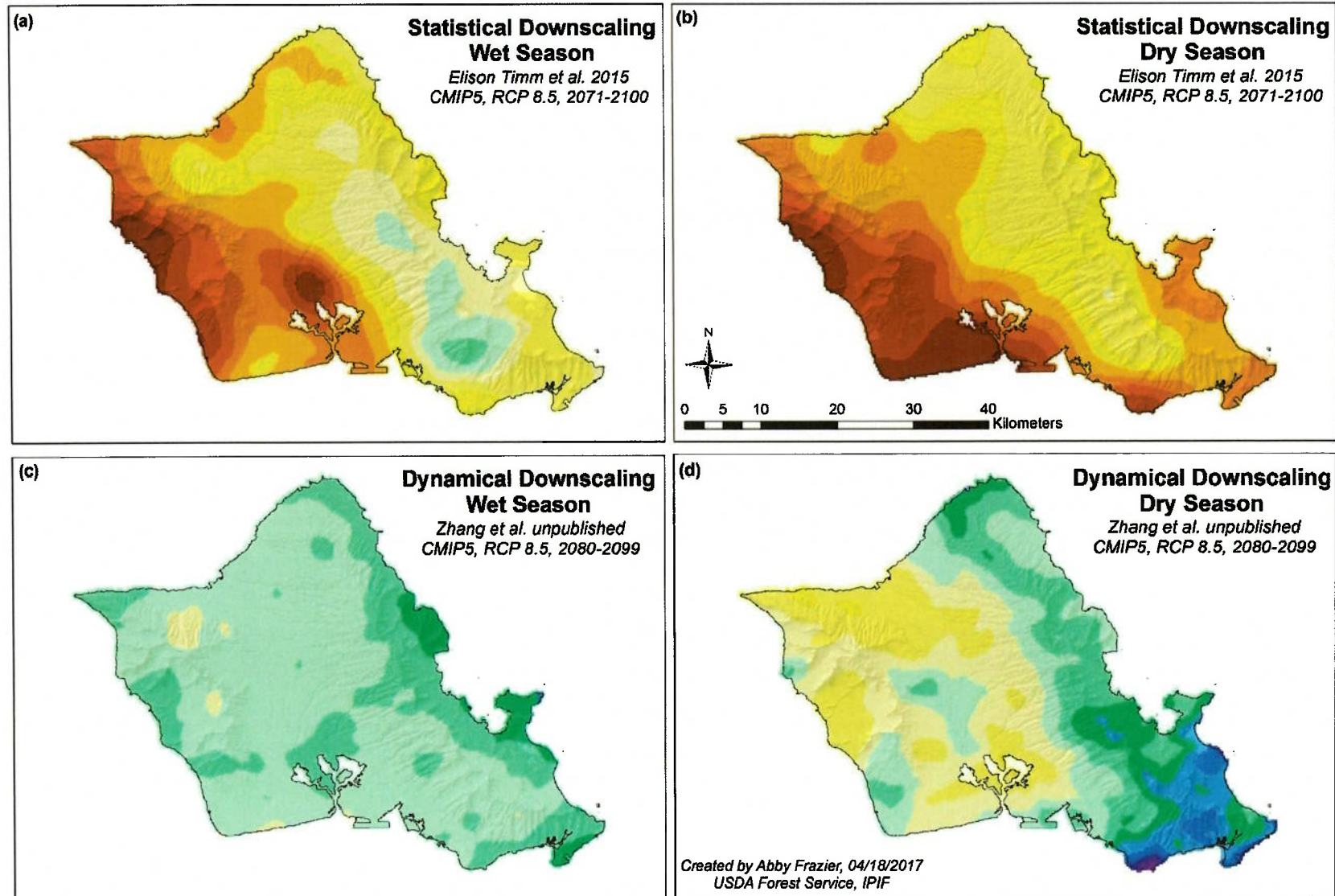
Mean Annual Rainfall has decreased in Waianae 1970's – 2011
from 100" to 65"



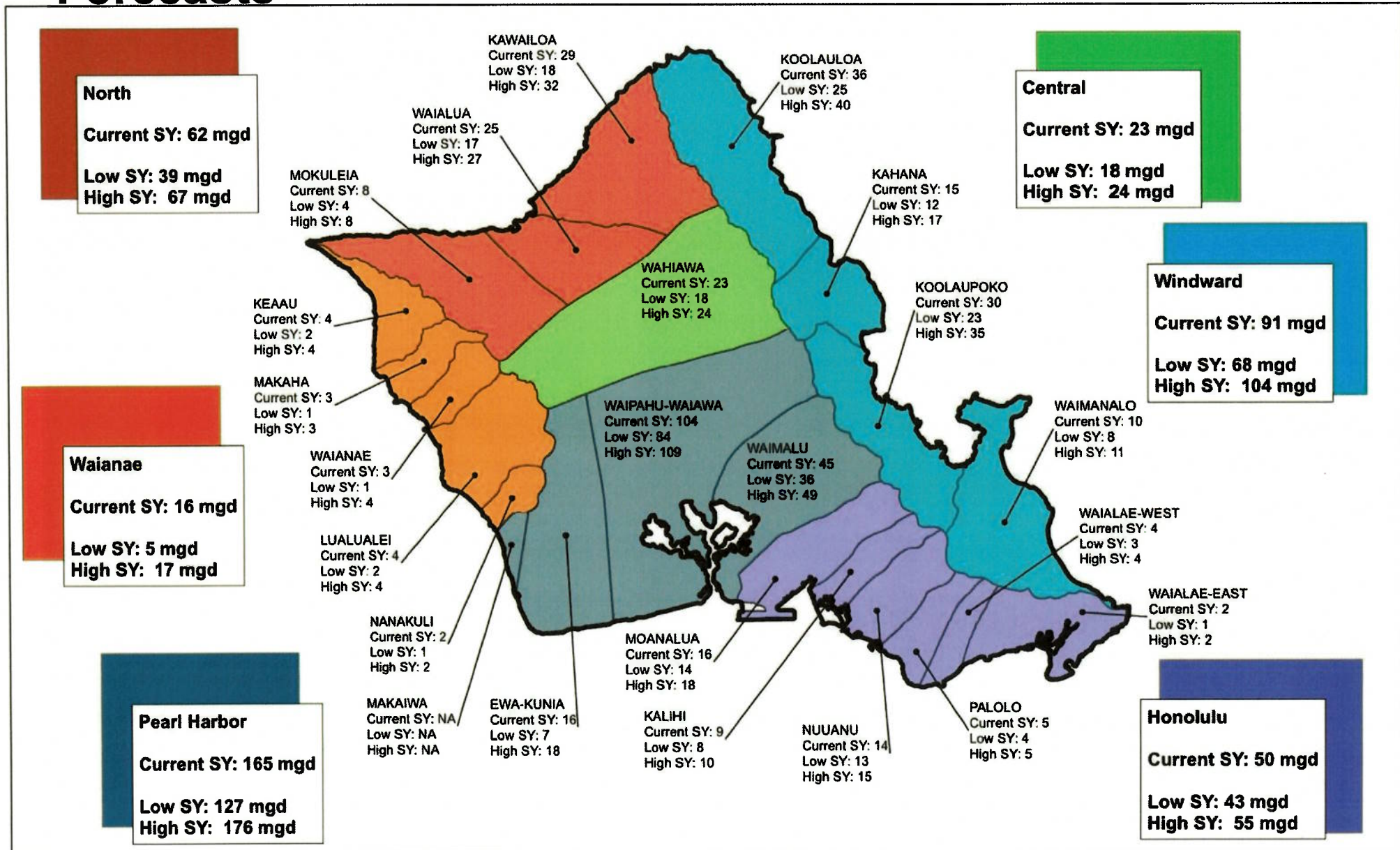
UH 2100 rainfall forecasts using 2 downscaled climate models show decreasing rainfall in Waiʻanae. In the worst-case statistical model, rainfall could decrease an average of 65% in important mauka recharge areas, reducing the amount of water that can be sustainably withdrawn from the aquifer.

Drier = "Worst Case"

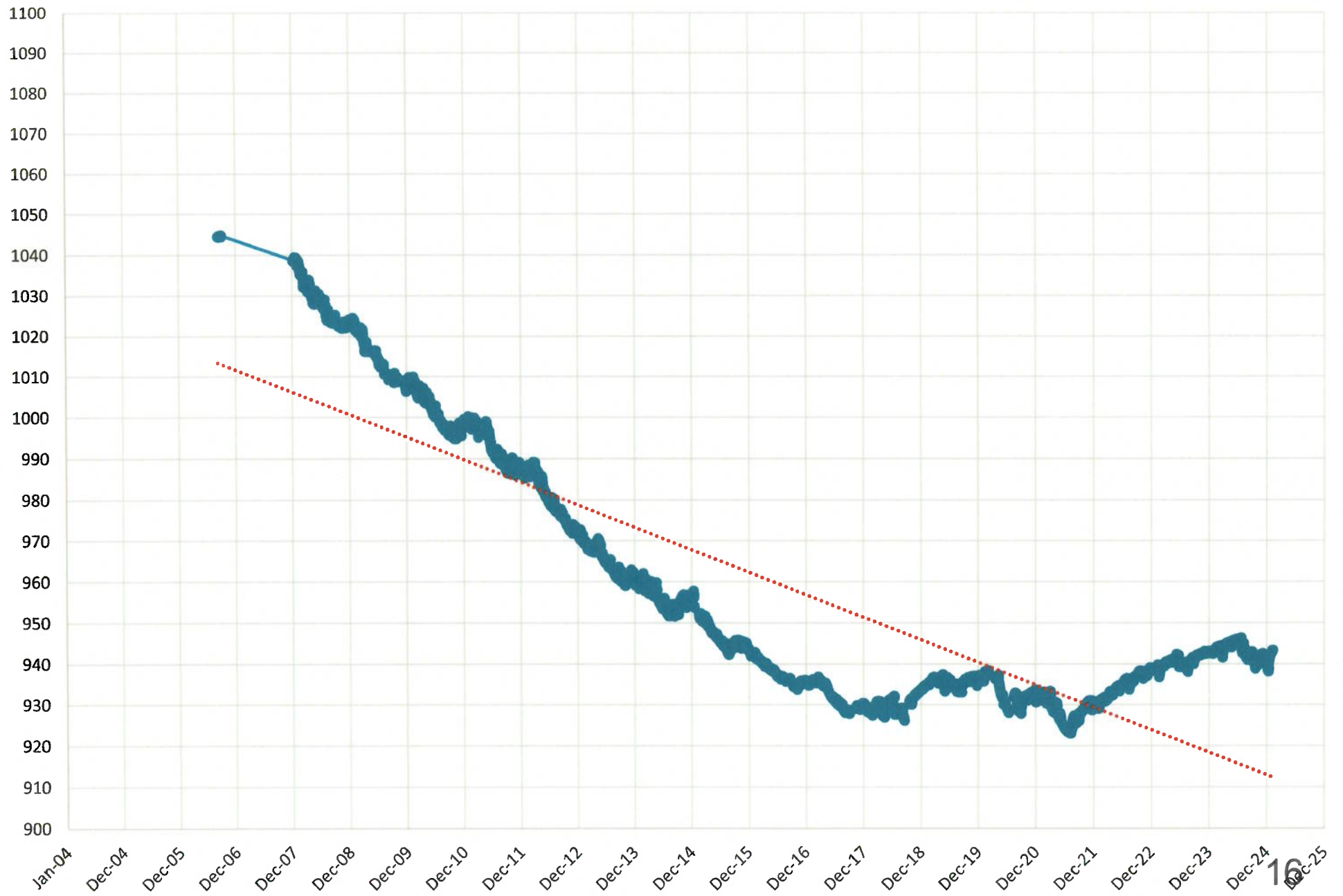
Wetter = "Best Case"



Current SY and Potential Range of SY from Climate Forecasts



Makaha Well IV Monitoring Well - Groundwater Elevation (feet MSL)

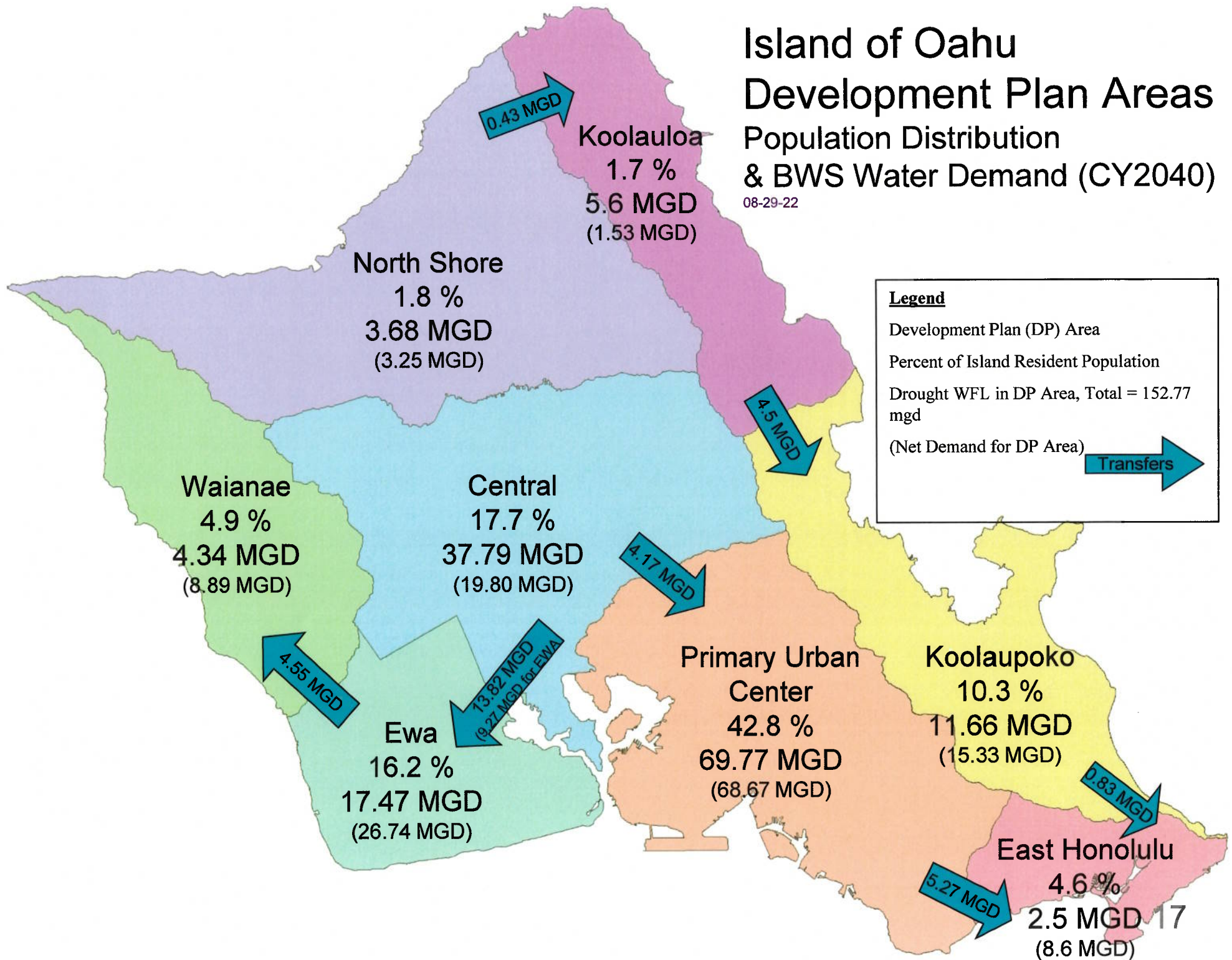


Island of Oahu

Development Plan Areas

Population Distribution & BWS Water Demand (CY2040)

08-29-22



CLIMATE CHANGE IMPLICATIONS TO BWS

- Sources in Mākaha and Wai`anae could require reduction if sustainable yields are reduced due to decreasing rainfall and higher temperatures caused by climate change.
- More than ½ of Wai`anae's drinking water is imported from the Pearl Harbor aquifer sector, so Wai`anae's freshwater security depends on water sources in Wai`anae and approximately 16 miles of BWS transmission pipelines, booster pumps and reservoirs.
- Increasing freshwater import into Wai`anae will require new sources in the Pearl Harbor aquifer, which BWS is actively pursuing. However, delays in CWRM and SHPD permitting coupled with potential decreases in sustainable yields in Mākaha and Wai`anae could create water shortage situations, placing more reliance on water conservation.

WHAT HAPPENS IF CWRM APPROVES DESIGNATION

- Large users (BWS, Military, Ag, Golf Course) are required to prepare a Water Use Permit application for each source, based on existing use.
- Existing water users have one year from the date of designation to file a Water Use Permit Application. The permit application process is not insignificant and can be challenged.

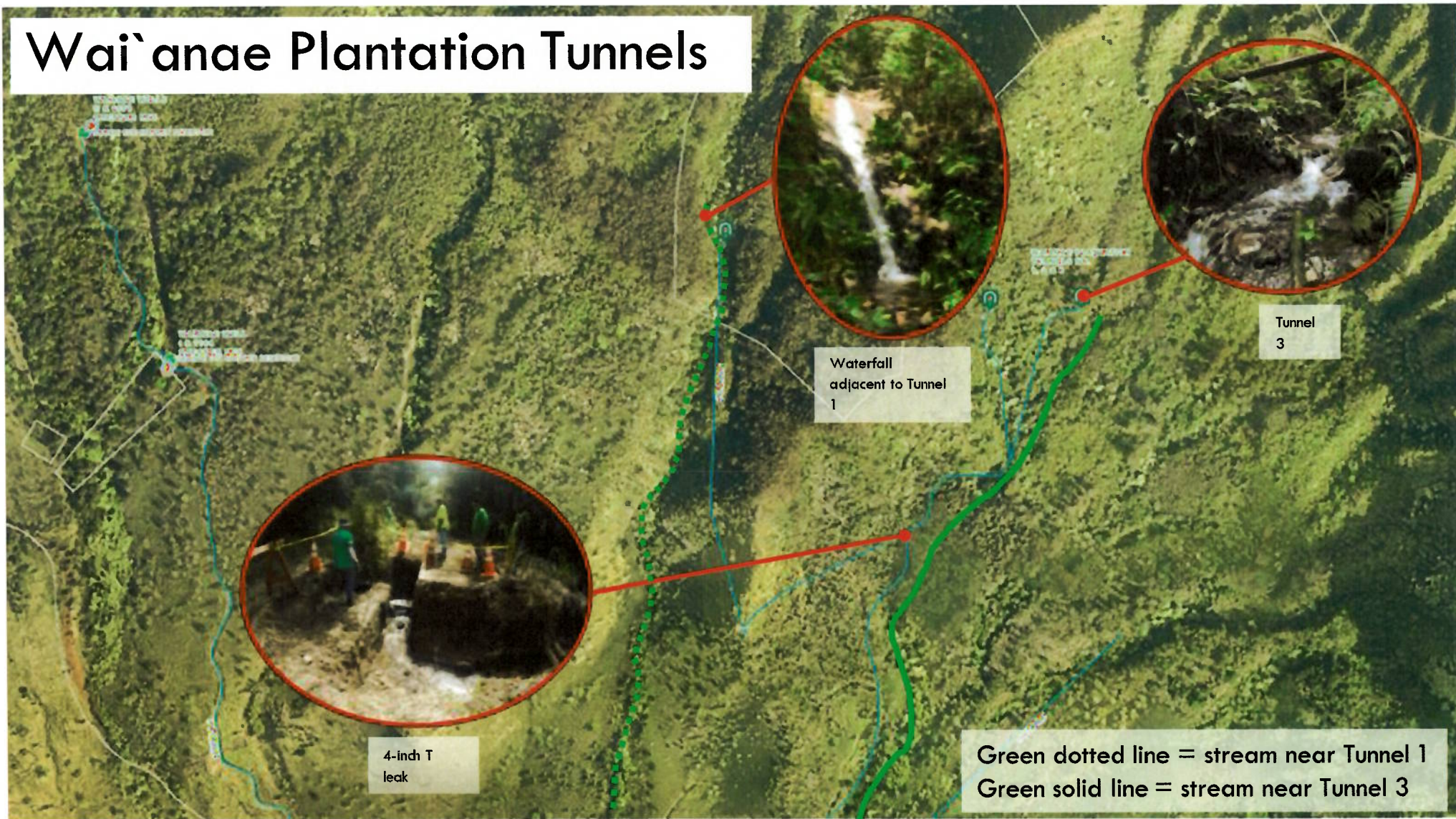
The State Water Code, HRS §174C-49 requires permit applicants to address their water uses:

1. Can be accommodated with the available water source;
2. Is a reasonable-beneficial use as defined in section 174C-3;
3. Will not interfere with any existing legal use of water;
4. Is consistent with the public interest;
5. Is consistent with state and county general plans and land use designations;
6. Is consistent with county land use plans and policies; and
7. Will not interfere with the rights of the department of Hawaiian Home Lands as provided in section 221 of the Hawaiian Homes Commission Act.

REGULATORY IMPLICATIONS TO BWS

- BWS water use permits may or may not reflect current production levels and design yields for future authorized planned use.
- In Mākaha, there are large vacant urban zoned parcels. Water availability will depend on what CWRM adopts as revised sustainable yields.
- CWRM may amend Interim Instream Flow Standards for Kaupuni Stream in Wai`anae. Effects to BWS permits are unknown at this time.
- BWS is proactively discharging Wai`anae Plantation Tunnel #3 water back into Kaupuni Stream since 2012 restoring stream flows and lo`i kalo, but the tradeoff is lower drinking water supply in mauka Wai`anae Valley. There are large vacant DHHL tracts that will need domestic water because DHHL is a public trust use.

Wai'anae Plantation Tunnels



WAI`ANAE PLANTATION TUNNEL #3 DISCONNECT AND RELEASE INTO KAUPUNI STREAM

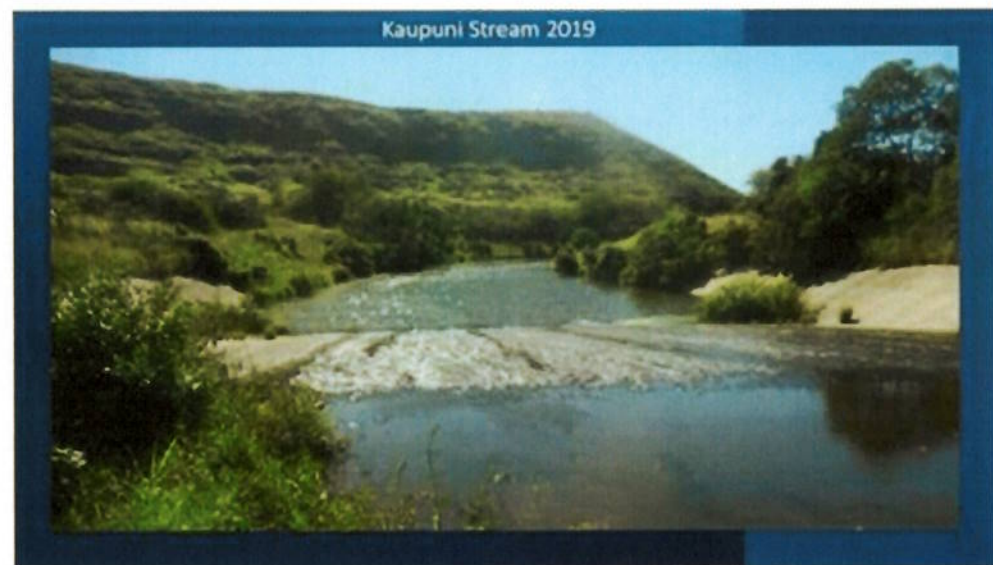


WAI`ANAE PLANTATION TUNNEL #3 RELEASE INTO KAUPUNI STREAM FLOWING TO THE COAST

Before



After



After 2019, the restoration of the Ka`ala Farm stream diversion reduced Kaupuni Stream flow so it no longer flows to the coast. But Ka`ala Farm was able to expand lo`i kalo.

WHO DID BWS OUTREACH TO

- For many years, Wai`anae communities have been expressing concern about water management and to how to proactively plan for restoration and climate resilience.
- The BWS and Kahālāwai Consulting conducted a comprehensive outreach effort from 2021 – 2022 to gain important feedback for the petition development and to elevate community awareness of the many important water resource issues and the benefits and requirements of designation.
- The draft petition was reviewed by CWRM staff and comments were incorporated.
- BWS has initiated the Wai`anae Watershed Management Plan update which is timely as the designation process proceeds in parallel.

WHO DID BWS OUTREACH TO

- *Appendix A details the outreach meetings conducted during drafting of the Petition*
- *Between 2020 and 2022, BWS staff and consultants met with or presented at:*
 - **Elected officials:** elected officials and/or their staff: Representatives, Senators, and Councilmembers, Neighborhood Boards
 - **Government Boards:** BWS (October 25, 2021), Hawaiian Homes Commission, CWRM Commissioners and staff (last briefing February 18, 2025)
 - **Community and homestead associations:** Concerned Elders of Wai‘anae, Ka‘ala Farms, Kingdom Pathways, Wai‘anae Economic Development Council, Wai‘anae Kūpuna Council, Mōhala i ka Wai, MA‘O Organic Farms
 - **School leadership:** Ka Waihona o Na‘auao, Kamaile Academy
 - **Businesses:** Mākaha Valley Country Club/ Pacific Links, other business leaders
 - **Trusts:** Harry & Jeannette Weinberg Foundation
 - **Military:** U.S. Army Clean Water Branch & Safe Drinking Water Program
 - **Community events:** Lā Ho‘iho‘i Ea



Mahalo!

BOARD OF WATER SUPPLY

Protecting Wai for Wai'anae

Water Resources

February 24, 2025

ITEM FOR INFORMATION NO. 6

"February 24, 2025

STATUS
UPDATE OF
GROUNDWATER
LEVELS AT
ALL INDEX
STATIONS

Chair and Members
Board of Water Supply
City and County of Honolulu
Honolulu, Hawai'i 96843

Chair and Members:

Subject: Status Update of Groundwater Levels at All Index Stations

Three aquifer index stations were in low groundwater condition for the production month of January 2025. Waialua is in Caution Status. Kaimukī and Punalu'u are in Alert Status. The monthly production average for January 2025 was 132.85 million gallons per day.

The Board of Water Supply rainfall index for the month of January 2025 was 190 percent of normal, with a 5-month moving average of 89 percent. As of February 4, 2025, the Hawai'i Drought Monitor shows abnormally dry to moderate drought conditions along the southern coast of O'ahu. The National Weather Service is forecasting above-normal precipitation through May 2025.

Most monitoring wells exhibited stable head levels for the month of January 2025. This likely reflects the combined effects of slightly higher-than-average production (but lower than summer maximums) and increased rainfall following two months of low rainfall. Average monthly production for January 2025 is higher than January 2024 and higher than the 5-year monthly average.

Respectfully Submitted,

/s/ ERNEST Y. W. LAU, P.E
Manager and Chief Engineer

Attachment"

The foregoing was for information only.

DISCUSSION:

Barry Usagawa, Program Administrator, Water Resources Division, gave the report. There were no comments or discussion.

**PRODUCTION, HEAD AND RAINFALL REPORT
MONTH OF JANUARY 2025**

POTABLE

| STATION | MGD |
|------------------|-------|
| HONOLULU (1) | |
| KULIOUOU | 0.06 |
| WAILUPE | 0.00 |
| AINA KOA | 0.00 |
| AINA KOA II | 0.57 |
| MANOA II | 0.86 |
| PALOLO | 1.43 |
| KAIMUKI HIGH | 2.52 |
| KAIMUKI LOW | 0.77 |
| WILDER | 8.73 |
| BERETANIA HIGH | 1.01 |
| BERETANIA LOW | 2.49 |
| KALIH HIGH | 3.80 |
| KALIH LOW | 3.39 |
| KAPALAMA | 0.16 |
| KALIH SHAFT | 7.67 |
| MOANALUA | 0.00 |
| HALAWA SHAFT | 0.00 |
| KAAMILO | 0.20 |
| KALAUAO | 9.14 |
| PUNANANI | 9.15 |
| KAAHUMANU | 0.28 |
| HECO WAIU | 2.72 |
| MANANA | 0.26 |
| WAIALAE IKI | 0.50 |
| WELLS SUBTOTAL: | 55.72 |
| MANOA TUNNEL | 0.17 |
| PALOLO TUNNEL | 0.00 |
| GRAVITY SUBTTL: | 0.17 |
| HONOLULU SUBTTL: | 55.89 |

| STATION | MGD |
|----------------------|-------|
| WINDWARD (2) | |
| WAIMANALO II | 0.15 |
| WAIMANALO III | 0.00 |
| KUOU I | 1.47 |
| KUOU II | 0.07 |
| KUOU III | 0.64 |
| LULUKU | 0.78 |
| HAIKU | 0.28 |
| IOLEKAA | 0.00 |
| KAHALUU | 0.57 |
| KAHANA | 0.63 |
| PUNALUU I | 0.00 |
| PUNALUU II | 1.90 |
| PUNALUU III | 1.13 |
| KALUANUI | 1.11 |
| MAAKUA | 0.45 |
| HAUULA | 0.22 |
| WELLS SUBTOTAL: | 9.38 |
| WAIM. TUNNELS I & II | 0.00 |
| WAIM. TUNNELS III&IV | 0.19 |
| WAIHEE INCL. WELLS | 0.31 |
| WAIHEE TUNNEL | 4.38 |
| LULUKU TUNNEL | 0.26 |
| HAIKU TUNNEL | 0.28 |
| KAHALUU TUNNEL | 1.75 |
| GRAVITY SUBTOTAL: | 7.17 |
| WIND. SUBTOTAL: | 16.55 |

| STATION | MGD |
|-------------------|------|
| NORTH SHORE (3) | |
| KAHUKU | 0.37 |
| OPANA | 0.97 |
| WAIALEE I | 0.43 |
| WAIALEE II | 0.00 |
| HALEIWA | 0.00 |
| WAIALUA | 1.31 |
| N.SHORE SUBTOTAL: | 3.08 |

| STATION | MGD |
|--------------------|------|
| MILILANI (4) | |
| MILILANI I | 3.12 |
| MILILANI II | 0.00 |
| MILILANI III | 0.64 |
| MILILANI IV | 0.57 |
| MILILANI SUBTOTAL: | 4.33 |

| STATION | MGD |
|-------------------|------|
| WAHIAWA (5) | |
| WAHIAWA | 1.20 |
| WAHIAWA II | 1.71 |
| WAHIAWA SUBTOTAL: | 2.92 |

| STATION | MGD |
|-----------------------------|------|
| PEARL CITY-HALAWA (6) | |
| HALAWA 277 | 0.00 |
| HALAWA 550 | 0.00 |
| AIEA | 0.00 |
| AIEA GULCH 497 | 0.88 |
| AIEA GULCH 550 | 0.22 |
| KAONOHI I | 1.86 |
| WAIMALU I | 0.00 |
| NEWTOWN | 1.86 |
| WAIU | 1.80 |
| PEARL CITY I | 0.77 |
| PEARL CITY II | 0.98 |
| PEARL CITY III | 0.21 |
| PEARL CITY SHAFT | 0.94 |
| PEARL CITY-HALAWA SUBTOTAL: | 9.51 |

| STATION | MGD |
|-----------------------|-------|
| WAIPAHU-EWA (7) | |
| WAIPIO HTS. | 1.88 |
| WAIPIO HTS. I | 0.74 |
| WAIPIO HTS. II | 0.18 |
| WAIPIO HTS. III | 1.23 |
| WAIPAHU | 6.74 |
| WAIPAHU II | 1.51 |
| WAIPAHU III | 3.19 |
| WAIPAHU IV | 2.56 |
| KUNIA I | 4.73 |
| KUNIA II | 1.81 |
| KUNIA III | 1.19 |
| HOAEAE | 5.33 |
| HONOULIULI I | 0.00 |
| HONOULIULI II | 5.57 |
| MAKAKILO | 0.15 |
| WAIPAHU-EWA SUBTOTAL: | 36.81 |

| STATION | MGD |
|---------------------|------|
| WAIANAE (8) | |
| MAKAHA I | 0.94 |
| MAKAHA II | 0.00 |
| MAKAHA III | 0.21 |
| MAKAHA V | 0.66 |
| MAKAHA VI | 0.00 |
| MAKAHA SHAFT | 0.00 |
| KAMAILE | 0.05 |
| WAIANAE I | 0.00 |
| WAIANAE II | 0.34 |
| WAIANAE III | 0.16 |
| WELLS SUBTOTAL: | 2.36 |
| WAI. C&C TUNNEL | 1.40 |
| WAI. PLANT. TUNNELS | 0.01 |
| GRAVITY SUBTOTAL: | 1.41 |
| WAIANAE SUBTOTAL: | 3.77 |

NONPOTABLE

| NONPOTABLE | MGD |
|--------------------|------|
| KALAUAO SPRINGS | 0.44 |
| BARBERS POINT WELL | 0.97 |
| GLOVER TUNNEL NP | 0.30 |
| NONPOTABLE TOTAL: | 1.71 |

RECYCLED WATER (DECEMBER 2024)

| RECYCLED WATER | MGD |
|--------------------|------|
| HONOULIULI WRF R-1 | 5.73 |
| HONOULIULI WRF RO | 1.49 |
| RECYCLED TOTAL: | 7.22 |

**PRODUCTION, HEAD AND RAINFALL REPORT
MONTH OF JANUARY 2025**

PRODUCTION SUMMARIES

| TOTAL WATER | MGD |
|----------------|--------|
| PUMPAGE | 124.11 |
| GRAVITY | 8.75 |
| POTABLE TOTAL: | 132.85 |
| NONPOTABLE | 1.71 |
| RECYCLED WATER | 7.22 |
| TOTAL WATER: | 141.79 |

| CWRM PERMITTED USE AND BWS ASSESSED YIELDS FOR BWS POTABLE SOURCES | | | | |
|---|-------------------|-------------------------------|-------------|--------------|
| WATER USE DISTRICTS | | A | B | C |
| | | PERMITTED USE/ BWS YLDS | JAN 2024 | DIFF. A-B |
| 1 | HONOLULU | 83.32 | 55.72 | 27.60 |
| 2 | WINDWARD | 25.02 | 16.55 | 8.47 |
| 3 | NORTH SHORE | 4.70 | 3.08 | 1.61 |
| 4 | MILILANI | 7.53 | 4.33 | 3.20 |
| 5 | WAHIAWA | 4.27 | 2.92 | 1.35 |
| 6 | PEARL CITY-HALAWA | 12.25 | 9.51 | 2.74 |
| 7 | WAIPAHU-EWA | 50.63 | 36.81 | 13.82 |
| 8 | WAIANAE | 4.34 | 3.77 | 0.57 |
| TOTAL: | | 192.06 | 132.68 | 59.37 |

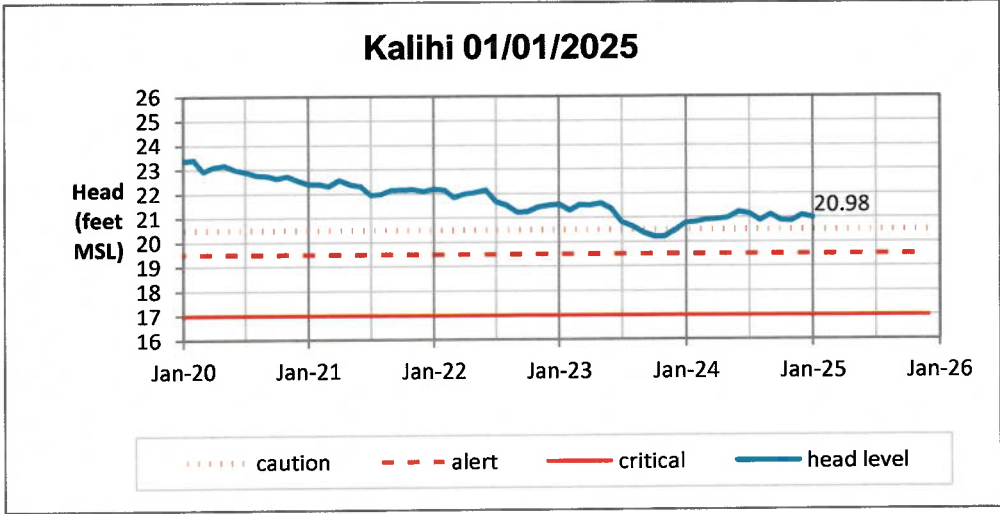
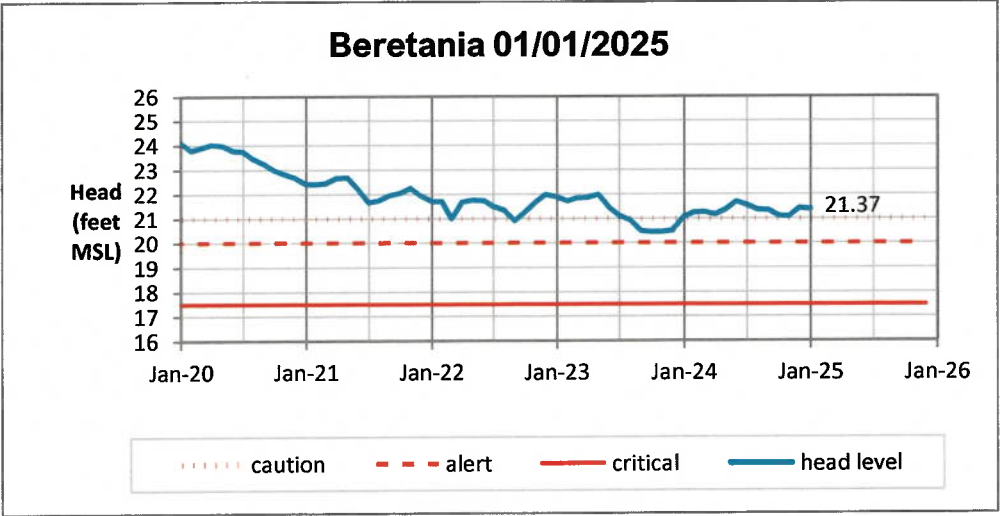
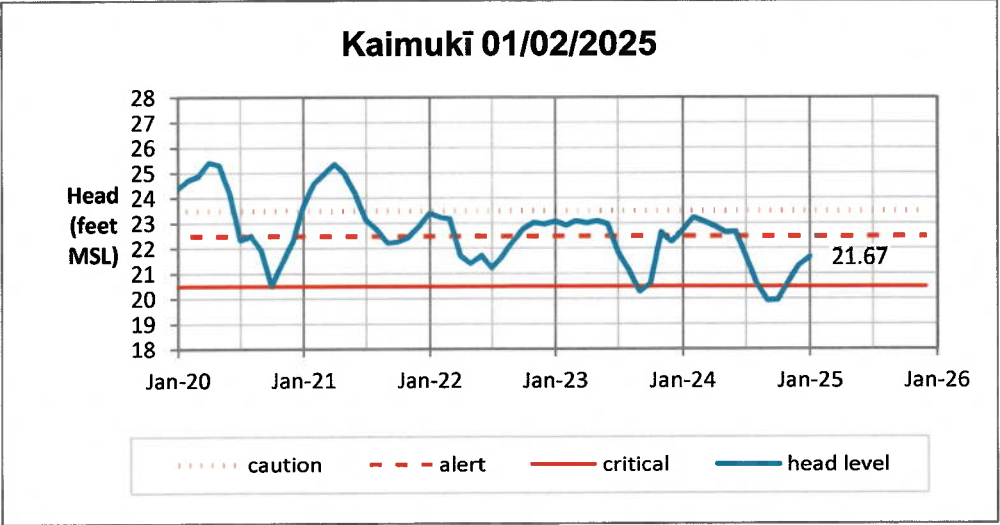
| CWRM PERMITTED USE FOR BWS NONPOTABLE SOURCES | | | | |
|--|--|------------------|-------------|--------------|
| WATER USE DISTRICTS | | A | B | C |
| | | PERMITTED USE | JAN 2024 | DIFF. A-B |
| 7 | WAIPAHU-EWA (BARBERS POINT WELL) | 1.00 | 0.97 | 0.03 |
| TOTAL: | | 1.00 | 0.97 | 0.03 |

EFFECTIVE WATER DEMAND PER DISTRICT

| IMPORT/EXPORT BETWEEN WATER USE DISTRICTS | | | |
|---|----|-----------------|------|
| FROM | TO | | MGD |
| 2 | 1 | WINDWARD EXPORT | 0.10 |
| 7 | 8 | BARBERS PT LB | 5.25 |

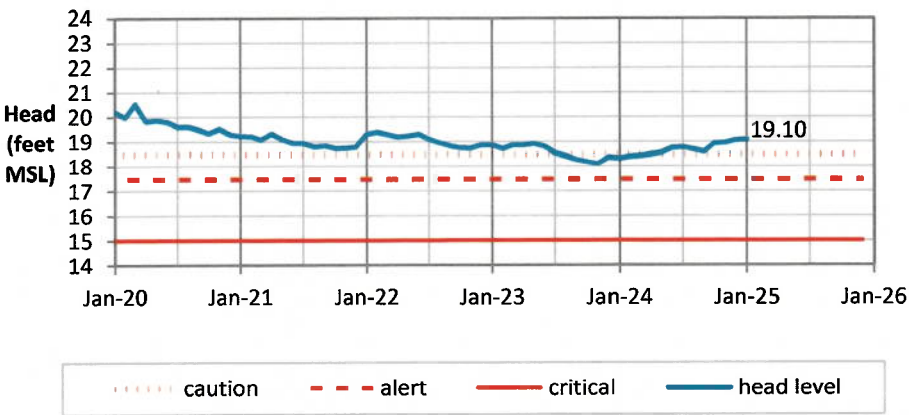
| WATER USE DISTRICTS | | SUBTOTAL | IMPORT | EXPORT | EFFECTIVE WATER DEMAND |
|---------------------|-------------------|----------|--------|--------|------------------------------|
| 1 | HONOLULU | 55.89 | 0.10 | - | 55.99 |
| 2 | WINDWARD | 16.55 | - | 0.10 | 16.45 |
| 3 | NORTH SHORE | 3.08 | - | - | 3.08 |
| 4 | MILILANI | 4.33 | - | - | 4.33 |
| 5 | WAHIAWA | 2.92 | - | - | 2.92 |
| 6 | PEARL CITY-HALAWA | 9.51 | - | - | 9.51 |
| 7 | WAIPAHU-EWA | 36.81 | - | 5.25 | 31.56 |
| 8 | WAIANAE | 3.77 | 5.25 | - | 9.02 |
| TOTAL: | | 132.85 | 5.35 | 5.35 | 132.85 |

Head Report

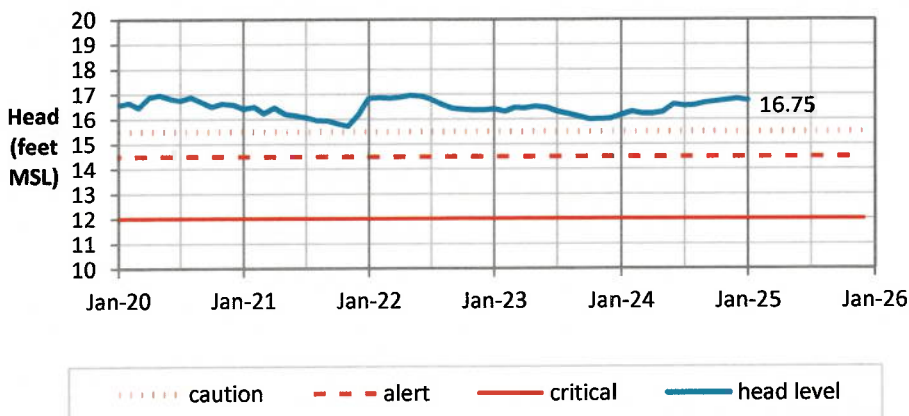


Head Report

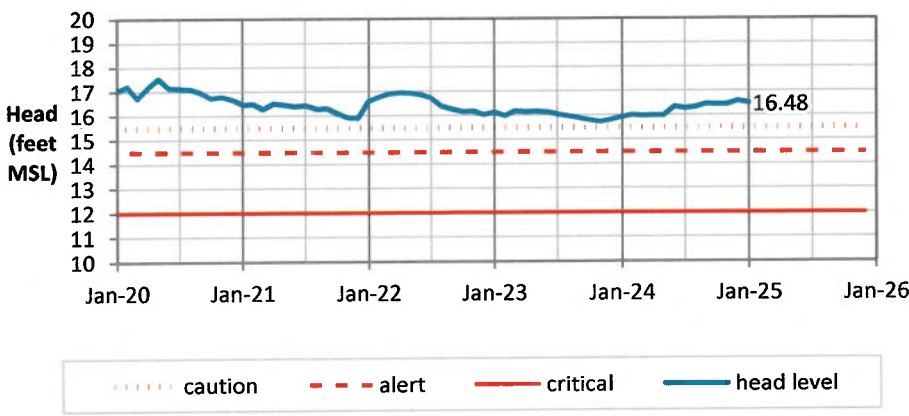
Moanalua 01/01/2025



Hālawā 01/01/2025

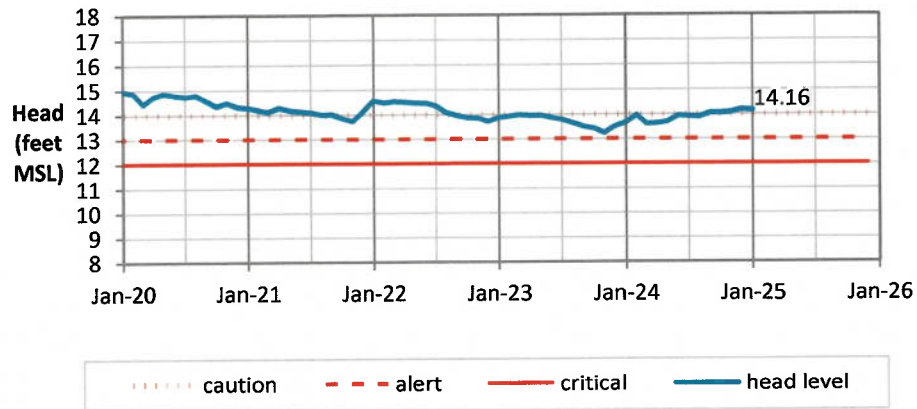


Kalauao 01/03/2025

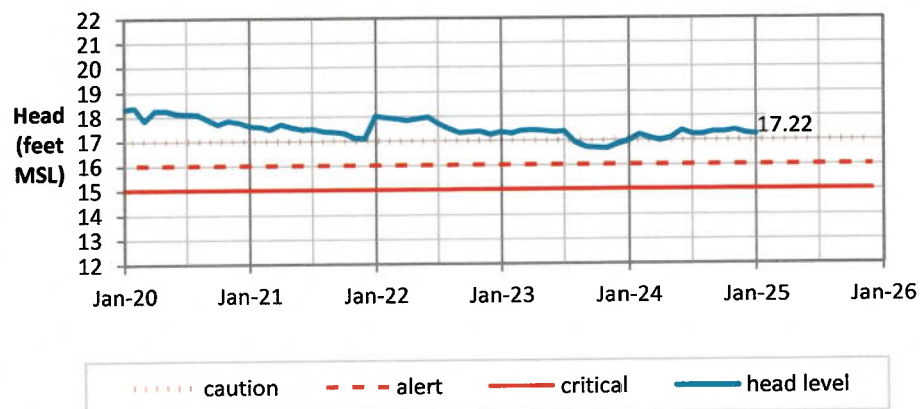


Head Report

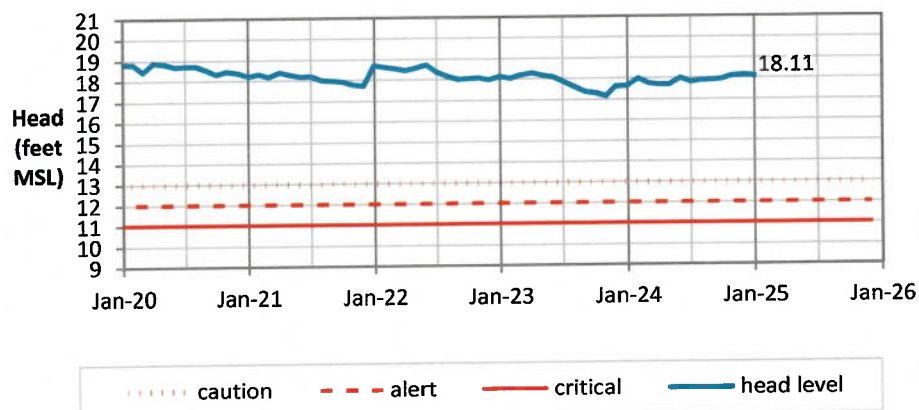
Pearl City 01/08/2025



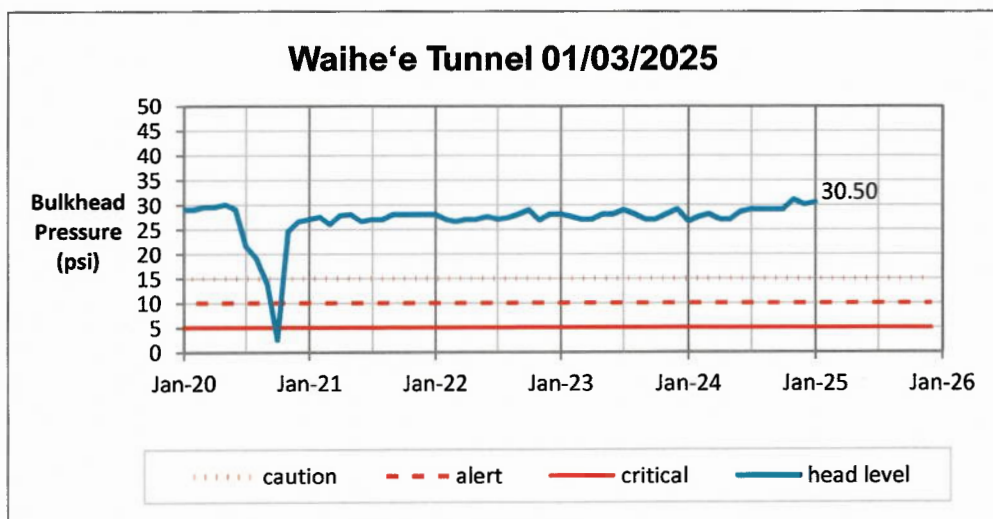
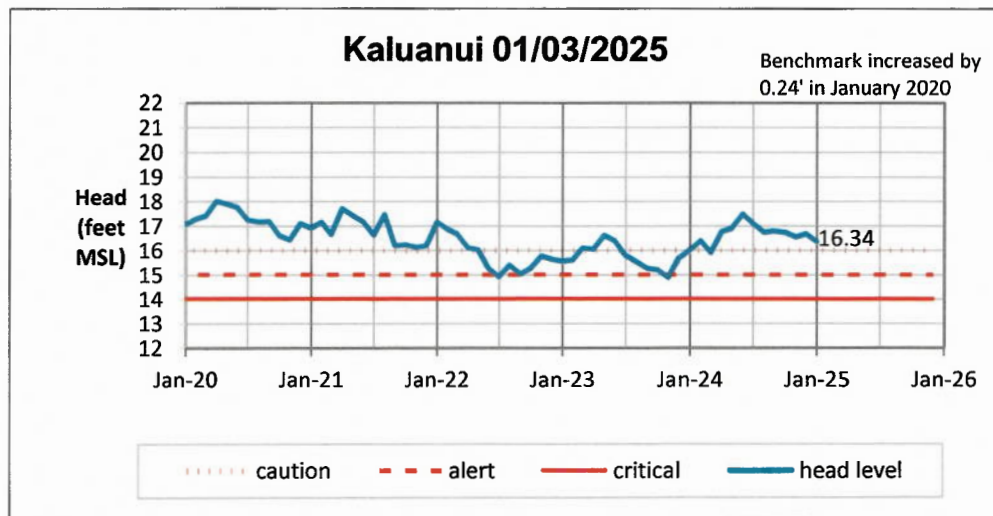
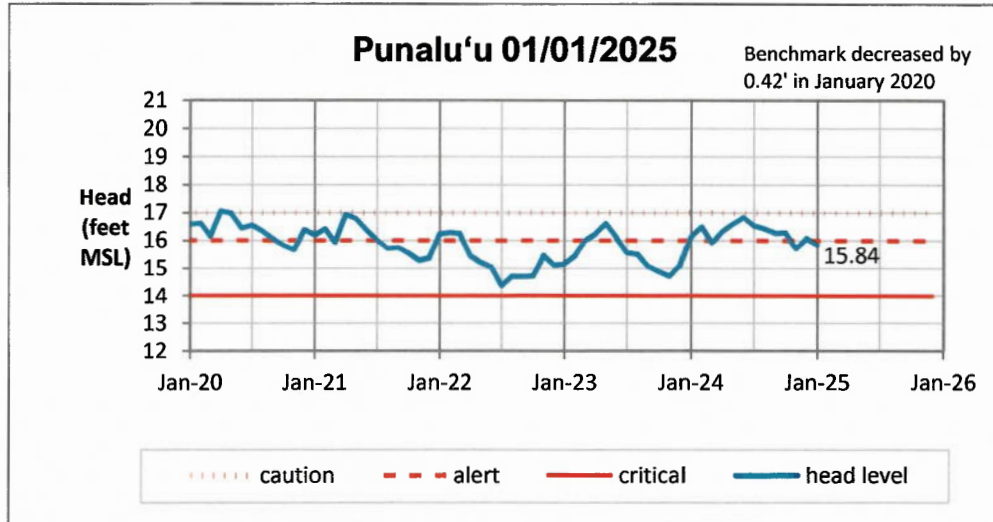
Waipahu 01/01/2025



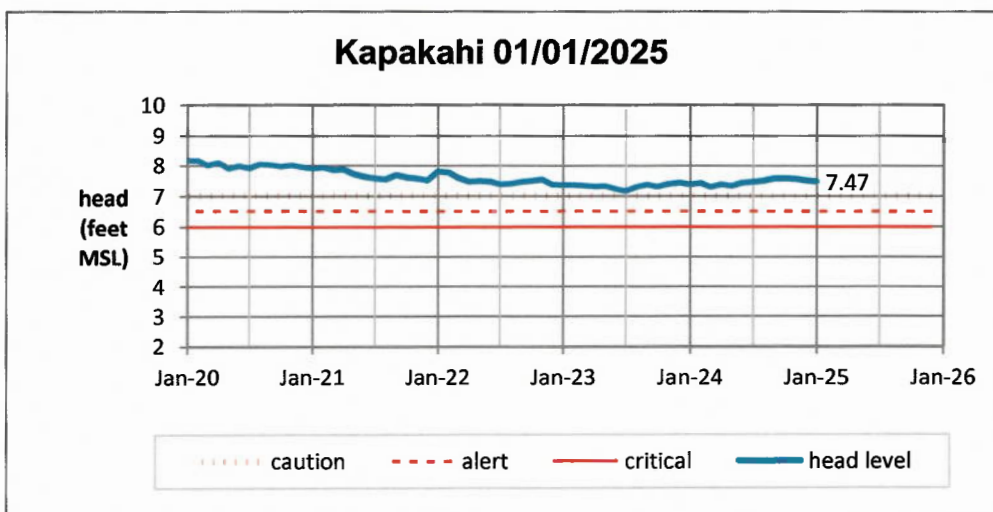
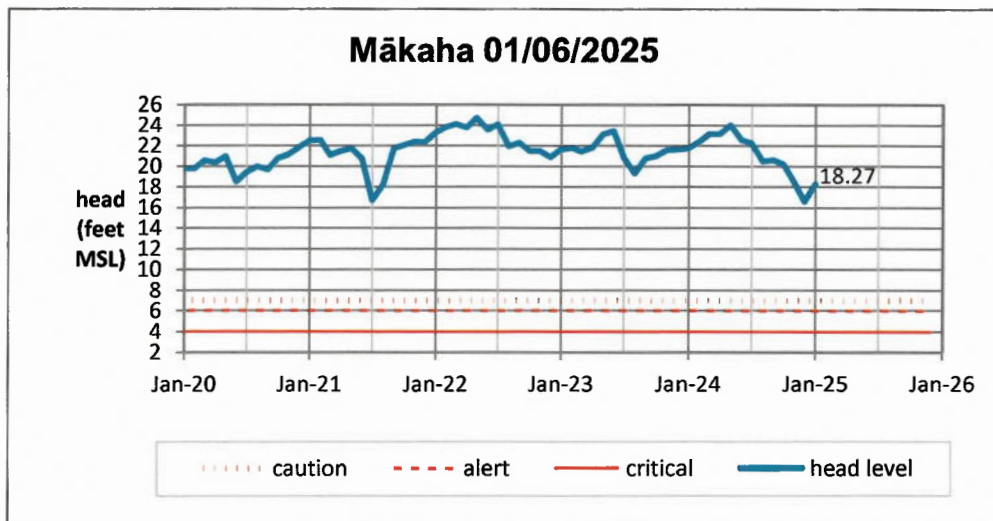
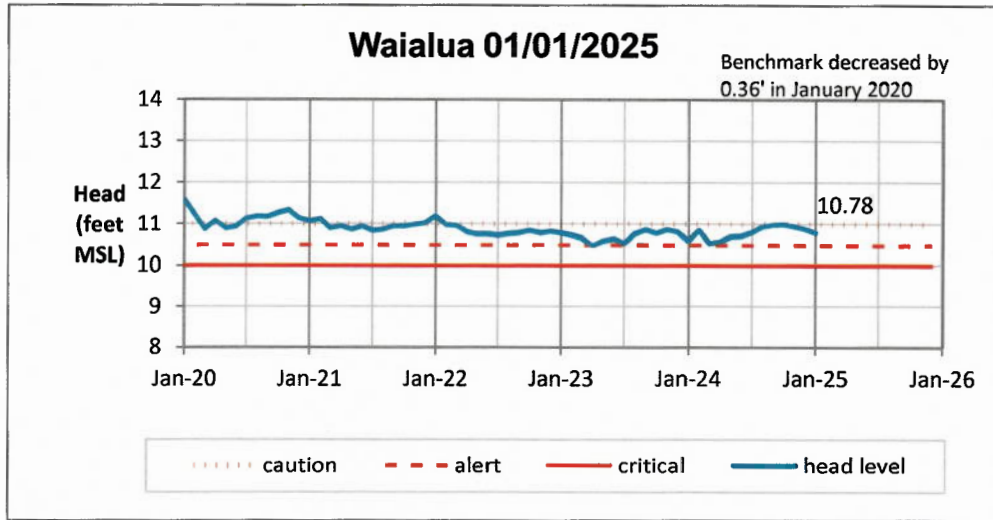
Hō'ae'ae-Kunia 01/01/2025

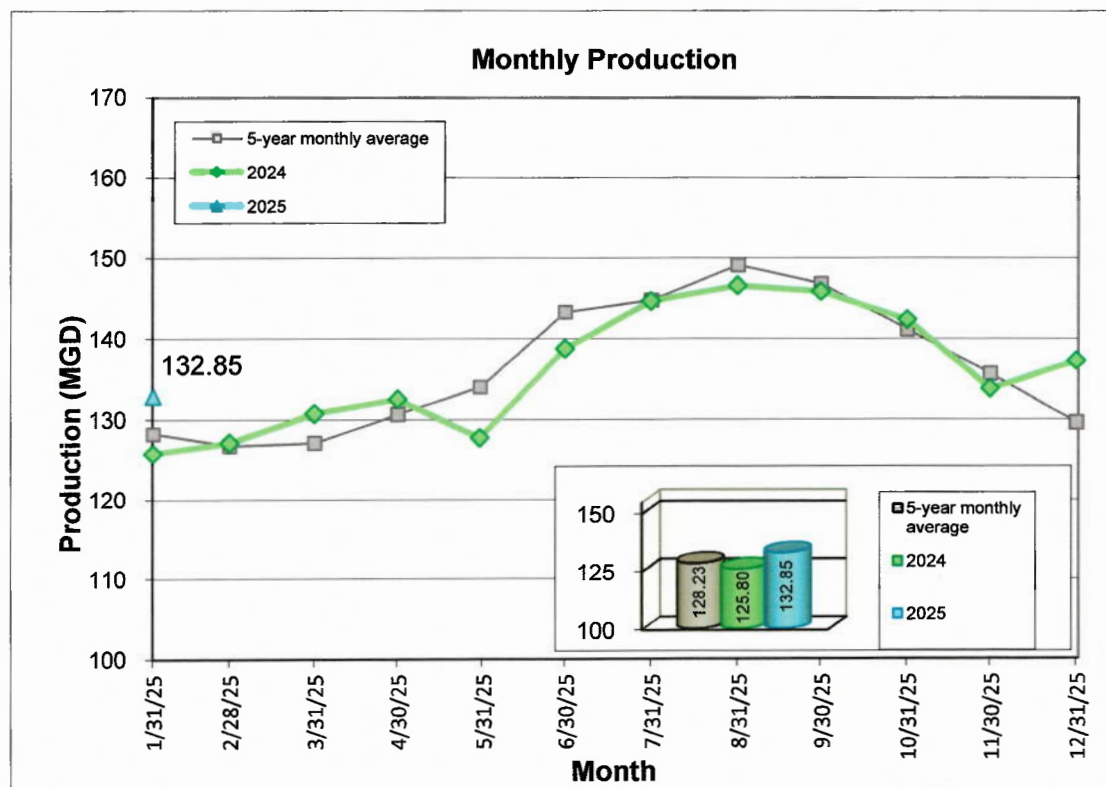
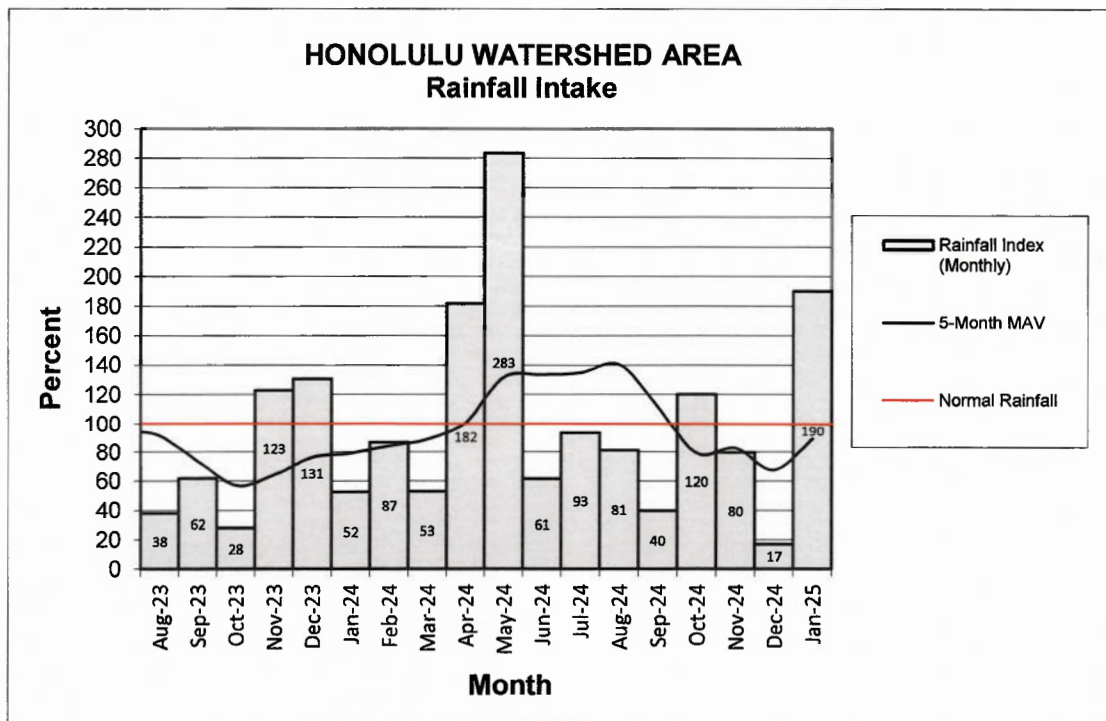


Head Report



Head Report





ITEM FOR INFORMATION NO. 7

"February 24, 2025

WATER MAIN
REPAIR
REPORT FOR
JANUARY 2025

Chair and Members
Board of Water Supply
City and County of Honolulu
Honolulu, Hawai'i 96843

Chair and Members:

Subject: Water Main Repair Report for January 2025

Wayne Tello, Acting Program Administrator, Field Operations Division,
will report on water main repair work for the month of January 2025.

Respectfully submitted,

/s/ ERNEST Y. W. LAU, P.E
Manager and Chief Engineer

Attachment"

The foregoing was for information only.

DISCUSSION:

Wayne Tello, Acting Program Administrator, Field Operations Division,
gave the report.

Chair Anthony inquired whether contractors are billed for water, damages,
and overtime.

Mr. Wayne Tello responded, yes.

Chair Anthony inquired if the water wasted can be measured.

Mr. Tello replied that there is no way of measuring the water wasted from
a main break.

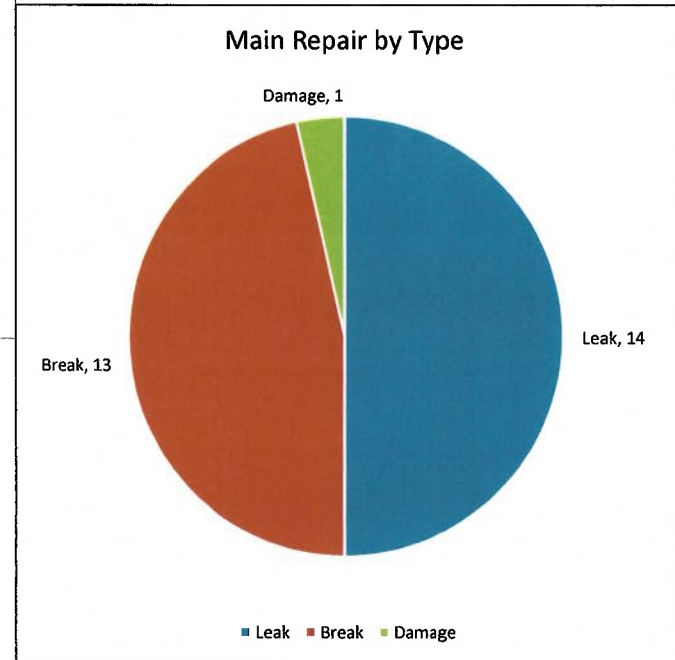
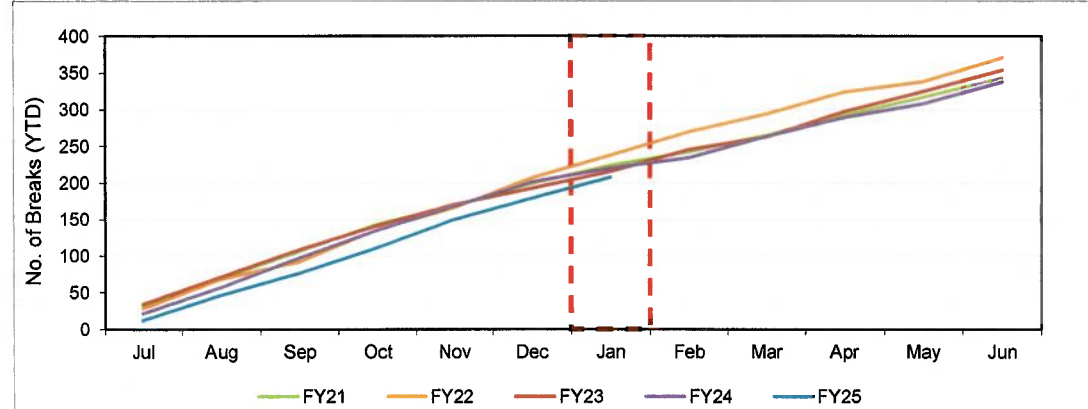
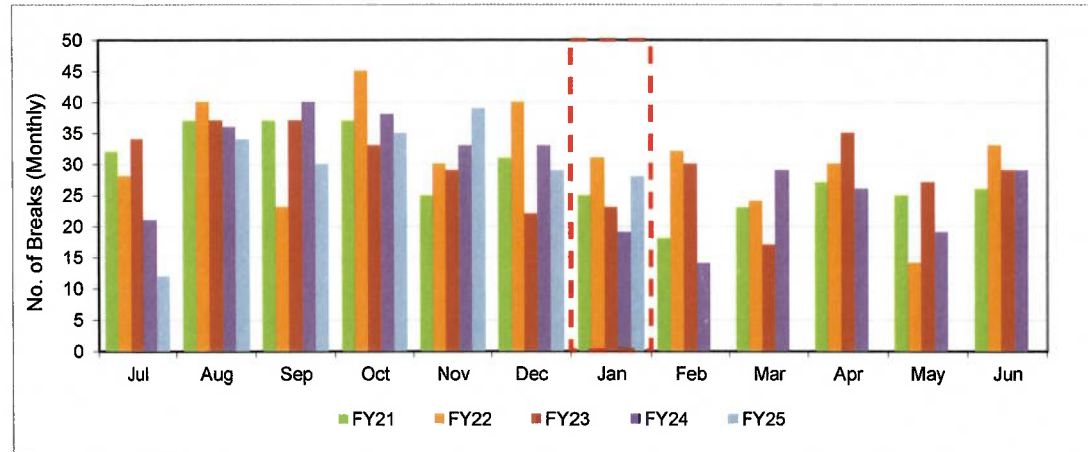
WATER MAIN REPAIR REPORT
for January 2025

Monthly Main Breaks

| FY | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN | TOTAL |
|------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-------|
| 2025 | 12 | 34 | 30 | 35 | 39 | 29 | 28 | -- | -- | -- | -- | -- | 207 |
| 2024 | 21 | 36 | 40 | 38 | 33 | 33 | 19 | 14 | 29 | 26 | 19 | 29 | 337 |
| 2023 | 34 | 37 | 37 | 33 | 29 | 22 | 23 | 30 | 17 | 35 | 27 | 29 | 353 |
| 2022 | 28 | 40 | 23 | 45 | 30 | 40 | 31 | 32 | 24 | 30 | 14 | 33 | 370 |
| 2021 | 32 | 37 | 37 | 37 | 25 | 31 | 25 | 18 | 23 | 27 | 25 | 26 | 343 |

Main Repair by Type

| Type | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN | TOTAL |
|--------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|----------|----------|----------|----------|----------|------------|
| Leak | 4 | 27 | 14 | 24 | 20 | 10 | 14 | -- | -- | -- | -- | -- | 113 |
| Break | 7 | 7 | 15 | 10 | 19 | 19 | 13 | -- | -- | -- | -- | -- | 90 |
| Damage | 1 | 0 | 1 | 1 | 0 | 0 | 1 | -- | -- | -- | -- | -- | 4 |
| Total | 12 | 34 | 30 | 35 | 39 | 29 | 28 | 0 | 0 | 0 | 0 | 0 | 207 |



| Date | Address | Size (In) | Pipe Type | Date | Address | Size (In) | Pipe Type |
|-----------|---------------------------------|-----------|-----------|------|---------|-----------|-----------|
| 1/1/2025 | 47-526 Nenehiwa Pl, Kaneohe | 8 | CI | | | | |
| 1/2/2025 | 5138 Poola St, Honolulu | 8 | CI | | | | |
| 1/3/2025 | 1236 Pihana St, Honolulu | 8 | CI | | | | |
| 1/6/2025 | 68-116 Au St, Waialua | 8 | CI | | | | |
| 1/6/2025 | 2318 Metcalf St, Honolulu | 8 | DI | | | | |
| 1/6/2025 | 3056 East Manoa Rd, Honolulu | 8 | PVC | | | | |
| 1/10/2025 | 45-543 Kuuipo Pl, Kaneohe | 4 | CI | | | | |
| 1/11/2025 | 98-111 Kalike Pl, Aiea | 6 | CI | | | | |
| 1/12/2025 | 37 Hauola Ave, Wahiawa | 6 | CI | | | | |
| 1/13/2025 | 91-809 Oama St, Ewa Beach | 8 | CI | | | | |
| 1/13/2025 | 92-1145 Hame St, Kapolei | 12 | DI | | | | |
| 1/15/2025 | 502 Dillingham Blvd, Honolulu | 12 | CI | | | | |
| 1/15/2025 | 909 Kaamahu Pl, Honolulu | 8 | CI | | | | |
| 1/16/2025 | 1824 Kamehameha Hwy, Honolulu | 8 | CI | | | | |
| 1/18/2025 | 99-410 Palaialii Wy, Aiea | 8 | PVC | | | | |
| 1/18/2025 | 85-145 Kaulawaha Rd, Waianae | 4 | GALV | | | | |
| 1/19/2025 | 98-513 Kamahao Pl, Pearl City | 12 | CI | | | | |
| 1/19/2025 | 89-1093 Puawiliwili Pl, Waianae | 8 | CI | | | | |
| 1/20/2025 | 2345 Maunalaha Rd, Honolulu | 4 | GALV | | | | |
| 1/21/2025 | 2646 Kilihau St, Honolulu | 8 | CI | | | | |
| 1/23/2025 | 3626 Manoa Rd, Honolulu | 12 | CI | | | | |
| 1/25/2025 | 1546 Kanalui St, Honolulu | 8 | CI | | | | |
| 1/25/2025 | 87-1747 Mohihi St, Waianae | 8 | PVC | | | | |
| 1/29/2025 | 91-1087 Kaunolu St, Ewa Beach | 8 | CI | | | | |
| 1/29/2025 | 1042 Nanialii St, Kailua | 8 | CI | | | | |
| 1/29/2025 | 86-449 Puuhulu Rd, Waianae | 8 | PVC | | | | |
| 1/31/2025 | 477 Kapahulu Ave, Honolulu | 24 | CC | | | | |
| 1/31/2025 | 826 16th Ave, Honolulu | 6 | CI | | | | |

LEAK DETECTION for January 2025

POIs Investigated

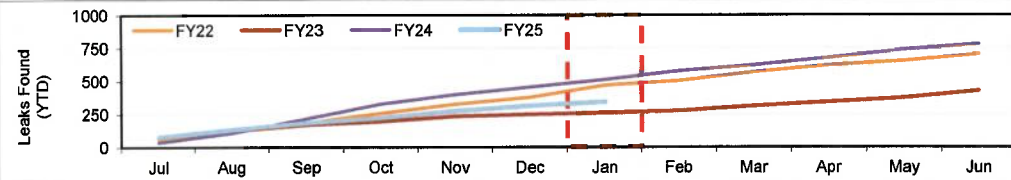
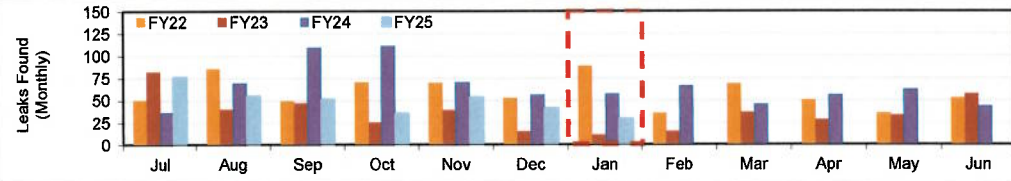
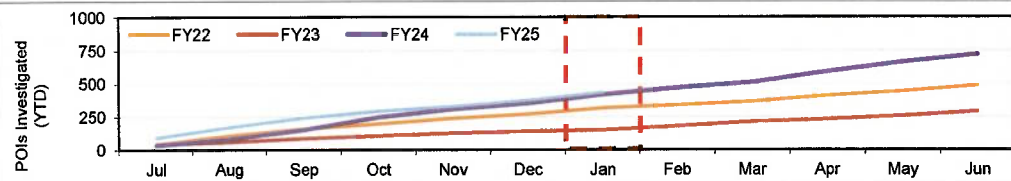
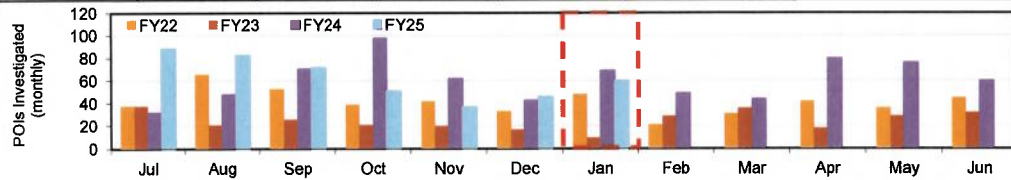
| FY | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN | TOTAL |
|------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-------|
| 2025 | 88 | 82 | 71 | 50 | 36 | 45 | 59 | -- | -- | -- | -- | -- | 431 |
| 2024 | 31 | 47 | 70 | 97 | 61 | 42 | 68 | 48 | 43 | 79 | 75 | 59 | 720 |
| 2023 | 37 | 20 | 25 | 20 | 19 | 16 | 9 | 28 | 35 | 17 | 28 | 31 | 285 |
| 2022 | 37 | 65 | 52 | 38 | 41 | 32 | 47 | 20 | 30 | 41 | 35 | 44 | 482 |

Leaks Found

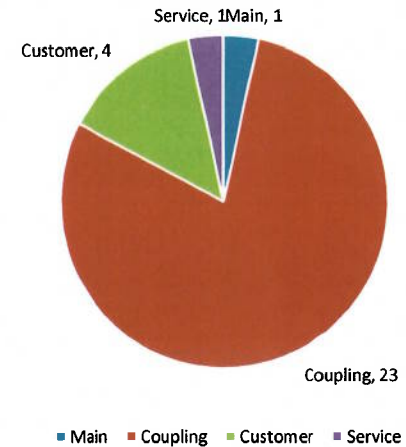
| FY | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN | TOTAL |
|------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-------|
| 2025 | 76 | 55 | 51 | 35 | 53 | 41 | 29 | -- | -- | -- | -- | -- | 340 |
| 2024 | 36 | 69 | 109 | 111 | 70 | 56 | 57 | 66 | 45 | 56 | 62 | 43 | 780 |
| 2023 | 82 | 40 | 47 | 25 | 39 | 15 | 11 | 15 | 36 | 28 | 33 | 57 | 428 |
| 2022 | 50 | 85 | 49 | 70 | 69 | 52 | 88 | 35 | 68 | 50 | 35 | 52 | 703 |

Satellite Leak by Type

| Type | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN | TOTAL |
|--------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|----------|----------|----------|----------|----------|------------|
| Main | 8 | 6 | 2 | 3 | 2 | 5 | 1 | -- | -- | -- | -- | -- | 27 |
| Coupling | 62 | 41 | 43 | 24 | 41 | 29 | 23 | -- | -- | -- | -- | -- | 263 |
| Customer | 3 | 4 | 1 | 5 | 3 | 4 | 4 | -- | -- | -- | -- | -- | 24 |
| Service | 3 | 4 | 5 | 3 | 7 | 3 | 1 | -- | -- | -- | -- | -- | 26 |
| Total | 76 | 55 | 51 | 35 | 53 | 41 | 29 | 0 | 0 | 0 | 0 | 0 | 340 |



Satellite Leak by Type



MOTION TO
RECESS INTO
EXECUTIVE
SESSION

There being no further business, Chair Anthony, at 3:55 PM, called for a motion to adjourn the Open Session. Lance Wilhelm so moved; seconded by Jonathan Kaneshiro and unanimously carried.

Upon unanimous approved motion, the Board recessed into Executive Session Pursuant to [HRS § 92-5 (a)(4)] at 3:56 PM to Consider Issues Pertaining to Matters Posted for Discussion at an Executive Session.

OPEN
SESSION

The Board reconvened in Open Session at 5:28 PM.


MOTION TO
ADJOURN

There being no further business, Chair Anthony, at 5:29 PM, called for a motion to adjourn the Regular Session. Jonathan Kaneshiro so moved, seconded by Lance Wilhelm, and unanimously carried.

The minutes of the Regular Meeting held on February 24, 2025, are respectfully submitted,


JOY CRUZ-ACHIU

APPROVED:


NĀ'ĀLEHU ANTHONY
Chair of the Board
MAR 24 2025
Date

| THE MINUTES OF THE REGULAR MEETING HELD ON FEBRUARY 24, 2025, WERE APPROVED AT THE MARCH 24, 2025, BOARD MEETING | | | |
|--|-----|----|---------|
| | AYE | NO | COMMENT |
| NĀ'ĀLEHU ANTHONY | X | | |
| JONATHAN KANESHIRO | X | | |
| BRYAN P. ANDAYA | | | ABSTAIN |
| LANCE WILHELM | X | | |
| KĒHAULANI PU'U | | | ABSENT |
| EDWIN H. SNIFFEN | | | ABSENT |
| GENE C. ALBANO | X | | |