

## BOARD OF WATER SUPPLY

CITY AND COUNTY OF HONOLULU  
630 SOUTH BERETANIA STREET  
HONOLULU, HI 96843  
[www.boardofwatersupply.com](http://www.boardofwatersupply.com)



February 22, 2022

RICK BLANGIARDI, MAYOR

BRYAN P. ANDAYA, Chair  
KAPUA SPROAT, Vice Chair  
RAY C. SOON  
MAX J. SWORD  
NA'ALEHU ANTHONY

JADE T. BUTAY, Ex-Officio  
DAWN B. SZEWCZYK, Designate Ex-Officio

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

ELLEN E. KITAMURA, P.E.  
Deputy Manager and Chief Engineer

### NOTICE

The Board of Water Supply, City and County of Honolulu, will hold a Regular Meeting on Monday, February 28, at 2:00 p.m. in the Boardroom, Public Service Building, 630 South Beretania Street, Honolulu, Hawaii.

Pursuant to the Emergency Proclamation issued by Governor David Y. Ige on January 26, 2022, related to the COVID-19 emergency, in order to allow public participation in a manner consistent with social distancing practices, the following procedures are in effect for the meeting.

Some Board members may be participating in the meeting by interactive conference technology from remote locations.

#### TESTIMONY

Testimony can be submitted as follows:

- Written testimony may be emailed to [board@hbws.org](mailto:board@hbws.org) or faxed to (808) 748-5079. Testimony is due by Monday, February 28, 2022, at noon. Written testimonies should include the submitter's address, email address, and phone number. Written testimony will be posted to the BWS website at [boardofwatersupply.com](http://boardofwatersupply.com).
- Mail written testimony to Board of Water Supply, 630 S. Beretania St., Honolulu, HI 96843. Testimony is due by Monday, February 28, 2022, at noon.
- On-line testimony will be accepted at [boardofwatersupply.com/testimony](http://boardofwatersupply.com/testimony). Fill out the testimony form. Due by Monday, February 28, 2022, at noon.
- Telephone testimony will be accepted during the meeting at (808) 748-6040. Callers will be placed in a queue and brought up to testify one at a time.
- In-person testimony will not be accepted.

Testimony is limited to two (2) minutes and shall be presented by the registered speaker only.

#### MATERIALS AVAILABLE FOR INSPECTION

Meeting materials ("board packet" under HRS Section 92-7.5) are accessible at [www.boardofwatersupply.com/boardmeetings](http://www.boardofwatersupply.com/boardmeetings).

#### VIEWING THE MEETING

The meeting will be viewable via live streaming on:

- (1) the BWS website: [www.boardofwatersupply.com/live](http://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 (808) 748-5172 or email your request to [board@hbws.org](mailto:board@hbws.org) at least three business days prior to the meeting date.

The agenda for the February 28, 2022, 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 24, 2022
2. Adoption of Resolution No. 934, 2022, Acceptance of Gift to the Board of Water Supply from Hardware Hawaii (HH Holdings, Inc.) for Detect-A-Leak-Week
3. Adoption of Resolution No. 935, 2022, Acceptance of Gifts to the Board of Water Supply from Various Donors in Support of the 2022 Water Conservation Week Program
4. Resolution No. 936, 2022, Authorizing Up to \$200,000,000 Principal Amount of Series 2022 Bonds
5. Adoption of Resolution No. 937, 2022, Acceptance of Gift to the Board of Water Supply from the Trustees of the Estate of Bernice Pauahi Bishop dba Kamehameha Schools for Water for Life – Ka Wai Ola Coloring Book

**ITEMS FOR INFORMATION**

1. Financial Statement and Supplementary Information with Independent Auditors' Report, Fiscal Years Ended June 30, 2021, and 2020
2. Financial Update for the Quarter Ended December 31, 2021
3. Capital Improvement Program Quarterly Update
4. Status Update of Groundwater Levels at All Index Stations
5. Water Main Repair Report for January 2022

**EXECUTIVE SESSION**

1. Approval of the Minutes of the Executive Session Held on January 24, 2022
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)]
3. 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 Civil No. 1CCV-20-0000881 and Civil No. 1CCV-21-0000286, Relating to the Wahiawa Water Systems Improvement Project [HRS § 92-5(a)(4)]

# MINUTES

## THE REGULAR MEETING OF THE BOARD OF WATER SUPPLY

February 28, 2022

At 2:00 PM on February 28, 2022, in the Board Room of the Public Service Building at 630 South Beretania Street, Honolulu, Hawaii, Board Chair Andaya called to order the Regular Meeting.

**Present:** Bryan P. Andaya, Chair  
Kapua Sproat, Vice Chair via WebEx  
Max J. Sword, Board Member  
Ray C. Soon, Board Member  
Na'alehu Anthony, Board Member via WebEx  
Jade T. Butay, Board Member, Ex-Officio  
Dawn B. Szewczyk., Board Member,  
Ex- Officio via Webex

**Also Present:** Ernest Lau, Manager and Chief Engineer  
Ellen Kitamura, Deputy Manager and Chief Engineer  
via WebEx  
Jason Takaki, Program Administrator,  
Capital Projects Division via WebEx  
Jennifer Elflein, Program Administrator,  
Customer Care Division via Vimeo  
Kathleen Elliott-Pahinui, Information Officer,  
Communications Office via WebEx  
Raelynn Nakabayashi, Executive Assistant I,  
Executive Support Office via Vimeo  
Jason Nikaido, Program Administrator,  
Field Operations Division via WebEx  
Joseph Cooper, Waterworks Controller,  
Finance Division via WebEx  
Michele Thomas, Executive Assistant I,  
Human Resources Office via Vimeo  
Henderson Nuuhiwa, Program Administrator,  
Information Technology Division  
via Vimeo  
Michael Matsuo, Land Administrator, Land Division  
via Vimeo  
Erwin Kawata, Program Administrator,  
Water Quality Division via Vimeo  
Barry Usagawa, Program Administrator,  
Water Resources Division via WebEx  
Kevin Ihu, Program Administrator,  
Water System Operations Division  
via Vimeo  
Kathy Mitchell, Administrative Services Officer  
via Vimeo  
Deanna Thyssen, Manager Secretary



Tracy Burgo, Information Specialist II,  
Communications Office via WebEx  
Stella Bernardo, Information Specialist II,  
Communications Office via WebEx  
Michele Harman, Community Relations Specialist I,  
Communications Office via WebEx  
Blaine Fergerstrom, Information Specialist II,  
Communications Office via WebEx

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

## REGULAR MEETING

Chair Bryan Andaya requested a roll call for the Regular Meeting. Chair Andaya asked each Board Member to respond verbally and state others present in the room if participating via WebEx when their names were called. Vice Chair Kapua Sproat, aye and alone at her current location; Board Member Ray Soon, aye and present in the Board Room; Board Member Max Sword, aye and present in the Board Room; Board Member Na'alehu Anthony, aye and alone at his current location; Board Member Jade Butay, aye and alone at his current location; Board Member Dawn Szewczyk, aye and in a vehicle with Department of Facility Maintenance (DFM) Deputy Manager Warren Mamizuka.

As a reminder Chair Andaya announced following the new law that went into effect, Board Members attending any Board Meetings remotely must be visible to the public to be considered present and meet quorum guidelines.

Chair Andaya requested all attendees calling in or video conferencing to please mute their microphones when not speaking to the audience. When intending to speak, unmute their microphone and identify themselves before speaking.

Chair Andaya introduced those present in the Boardroom, Manager Ernest Lau, and Board Secretary Deanna Thyssen. Joining via WebEx to monitor public testimony is Tracy Burgo, Information Specialist II, Communications Office. Joining from the City and County Corporation Counsel were Deputy Jeff Lau and Deputy Jessica Wong via WebEx.

Chair Andaya stated under the Emergency Proclamation issued by Governor David Ige on January 26, 2021, to follow public participation in a matter consistent with COVID-19 practices. The following procedures are in effect for the meeting:

Board Members are participating from remote locations via WebEx.

Chair Andaya shared the various ways to submit testimony: Written testimony may be submitted by email to [board@hbws.org](mailto:board@hbws.org), by fax to (808) 748-5079; mailed to Board of Water Supply, 630 S. Beretania St., Honolulu, HI 96843; or online at the [boardofwatersupply.com/testimony](https://boardofwatersupply.com/testimony), which were all due on Monday, February 28, 2022, at noon. However, late testimony will be accepted by email, fax, or mail. Telephone testimony is accepted by calling (808)748-6040, where you will be put in the queue and allowed to testify one at a time. Unfortunately, due to the pandemic, in-person testimony is suspended. Pursuant to HRS Section 92-7.5, Board Meeting materials are available to view on our website at [www.boardofwatersupply.com/boardmeeting](https://www.boardofwatersupply.com/boardmeeting).

Chair Andaya also announced the Board Meeting is broadcasted live on the BWS website at [www.boardofwatersupply.com/live](https://www.boardofwatersupply.com/live).

APPROVAL OF MEETING	Approval of the Minutes of the Regular Meeting Held on January 24, 2022.
MOTION TO APPROVE	Ray Soon and Jade Butay motioned and seconded, respectively, to approve the Minutes of the Regular Meeting of January 24, 2022.

THE MINUTES OF THE REGULAR MEETING HELD ON  
 JANUARY 24, 2022 WERE APPROVED AT THE  
 FEBRUARY 28, 2022 BOARD MEETING

	AYE	NO	COMMENT
BRYAN P. ANDAYA	X		
KAPUA SPROAT	X		
RAY C. SOON	X		
MAX J. SWORD			ABSTAIN
NA'ALEHU ANTHONY	X		
JADE T. BUTAY	X		
DAWN B. SZEWCZYK.	X		

“February 28, 2022

ADOPTION OF  
RESOLUTION  
NO. 934, 2022,  
ACCEPTANCE OF  
GIFT TO THE  
BOARD OF WATER  
SUPPLY FROM  
HARDWARE  
HAWAII (HH  
HOLDINGS, INC.)  
FOR DETECT-A-  
LEAK-WEEK

Chair and Members  
Board of Water Supply  
City and County of Honolulu  
Honolulu, Hawaii 96843

Chair and Members:

Subject: Adoption of Resolution No. 934, 2022, Acceptance of  
Gift to the Board of Water Supply from Hardware  
Hawaii (HH Holdings, Inc.) for Detect-A-Leak-Week

We recommend acceptance of the proposed gift to the Board of Water Supply (BWS), City and County of Honolulu, from Hardware Hawaii (HH HOLDINGS, INC.) of 5,000 toilet leak detection dye tablets valued at \$515.50, in support of the BWS’s annual Detect-A-Leak Week campaign.

Detect-A-Leak Week will be observed from April 10, 2022, through April 16, 2022. The goal is to raise awareness and encourage the public to conserve water by detecting and repairing leaks.

According to the United States Environmental Protection Agency, minor water leaks caused from running toilets, dripping faucets, and other household leaks account for more than 1 trillion gallons of water wasted each year across the U.S. Even small leaks can create a significant amount of waste, costing customers money. One of the most common household leaks are found in toilets. An old or worn out flapper (sometimes called a “valve seal) can build up minerals or decay over time. Replacing them is relatively easy, quick, and inexpensive.

During Detect-A-Leak Week, the public can pick up toilet leak detection dye tablets at any Hardware Hawaii store, Satellite City Hall location, or in the lobby of the BWS’s Public Service Building at 630 South Beretania Street.

We greatly appreciate the continued participation and commitment of our community partners and customers who support this very worthwhile program, which encourages all customers to embrace their role as responsible stewards of our precious water resource.

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. No comments or discussion.

**MOTION  
TO APPROVE**

Max Sword and Ray Soon motioned and seconded, respectively, to approve the Adoption of Resolution 934, 2022, Acceptance of Gift to the Board of Water Supply from Hardware Hawaii (HH Holding, Inc.) for Detect-A-Leak-Week.

In lieu of a roll call vote, Chair Andaya requested a voice vote on the motion and requested that Board Members in favor of the motion say "Aye." The Board members present responded with a verbal "Aye." Chair Andaya then inquired if any Board Members would like to object or vote "Nay" on the motion. There were no objections or "Nay" votes. Chair Andaya announced that the motion was unanimously carried.

ADOPTION OF RESOLUTION NO. 934, 2022, ACCEPTANCE OF GIFT TO THE BOARD OF WATER SUPPLY FROM HARDWARE HAWAII (HH HOLDINGS, INC.) FOR DETECT-A-LEAK-WEEK, ADOPTED ON FEBRUARY 28, 2022			
	AYE	NO	COMMENT
BRYAN P. ANDAYA	X		
KAPUA SPROAT	X		
RAY C. SOON	X		
MAX J. SWORD	X		
NA'ALEHU ANTHONY	X		
JADE T. BUTAY	X		
DAWN B. SZEWCZYK	X		

BOARD OF WATER SUPPLY  
CITY AND COUNTY OF HONOLULU

RESOLUTION NO. 934, 2022

ACCEPTANCE OF GIFT FROM HARDWARE HAWAII (HH HOLDINGS, INC.), IN SUPPORT  
OF ANNUAL DETECT-A-LEAK WEEK CAMPAIGN

WHEREAS, the Board of Water Supply's (BWS) Detect-A-Leak Week campaign will be observed from April 10, 2022, through April 16, 2022, encouraging all Oahu residents to conserve water by detecting and fixing leaks as effective means to protect our most precious water supply; and

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

WHEREAS, Hardware Hawaii (HH Holdings, Inc.), is offering a gift of 5,000 toilet leak detection dye tablets valued at \$515.50 in support of the BWS's 2022 Detect-A-Leak Week campaign; and

WHEREAS, Hardware Hawaii's generous gift of free dye tablets allows water users to check for toilet leaks, often silent and out of view, wasting hundreds, even thousands, of gallons of water every year. The culprit is usually a worn-out or faulty flapper that is simple and inexpensive to replace; and

WHEREAS, fixing leaks eliminates water waste, saves customers money, and is an essential component of effective water management; and

BE IT RESOLVED that the BWS hereby accept the gift valued at and directs the Manager and Chief Engineer, or his delegate, to accept and thank Hardware Hawaii (HH Holdings, Inc.) for this gift.

ADOPTED:

  
BRYAN P. ANDAYA  
Chair of the Board

Honolulu, Hawaii  
February 28, 2022

RESOLUTION NO. 934, 2022, ACCEPTANCE OF GIFT TO THE BOARD OF WATER SUPPLY FROM HARDWARE HAWAII (HH HOLDINGS, INC.) FOR DETECT-A-LEAK WEEK PROGRAM, ADOPTED ON FEBRUARY 28, 2022			
	AYE	NO	COMMENT
BRYAN P. ANDAYA	X		
KAPUA SPROAT	X		
RAY C. SOON	X		
MAX J. SWORD	X		
NA'ALEHU ANTHONY	X		
JADE T. BUTAY	X		
DAWN B. SZEWCZYK	X		

ADOPTION OF  
RESOLUTION  
NO. 935, 2022,  
ACCEPTANCE  
GIFTS TO THE  
BOARD OF  
WATER SUPPLY  
FROM VARIOUS  
DONORS IN  
SUPPORT OF  
THE WATER  
CONSERVATION  
WEEK  
PROGRAM

Chair and Members  
Board of Water Supply  
City and County of Honolulu  
Honolulu, Hawaii 96843

Chair and Members:

Subject: Adoption of Resolution No. 935, 2022, Acceptance of Gifts to the Board of Water Supply from Various Donors in Support of the 2022 Water Conservation Week Program

We recommend the adoption of the attached Resolution No. 935, 2022, that accepts proposed gifts to the Board of Water Supply (BWS), City and County of Honolulu, in support of the 2022 Water Conservation Week (WCW) Program. Monetary and in-kind gifts from the donors total \$11,500.00.

<u>Donor Name</u>	<u>Amount</u>
Friends of Halawa Xeriscape Garden	\$ 2,000.00
Sodexo (Refreshments for awards ceremony)	\$ 2,000.00
Hawaiian Financial Federal Credit Union	\$ 2,000.00
Aloha Pacific Federal Credit Union	\$ 2,000.00
Times Supermarkets	\$ 1,000.00
Alexander and Baldwin, Incorporated	\$ 1,000.00
Hawaii Energy	\$ 1,000.00
Pasha Hawaii	\$ 500.00
TOTAL	\$11,500.00

This successful and well-established education outreach program is in its 43<sup>rd</sup> year of existence. It engages Oahu's students in grades Kindergarten through 12 and promotes water conservation learning through a poster and a poetry contest. It instills in participating students the value of water and the need to be water-efficient as, together, everyone in our community contributes to a larger, island-wide commitment to a sustainable water future. Through this program, the BWS hopes to motivate more customers to adopt behaviors that support water conservation.

Sponsor gifts will help the BWS offset program costs that include the printing of 15,000 copies of the 2023 Water Conservation Calendars that feature the winning entries from the 2022 contests, as well as an awards ceremony for place winners and honorable mentions of the 2022 WCW Poster and Poetry 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 resource.

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.

Board Member Ray Soon inquired how many children participate each year and is there a trend of increases or decreases in participants over time.

Ms. Kathleen Elliott-Pahinui replied that the Board of Water Supply (BWS) poster contest averages 1000 to 1500 poster contest entries per year. The first COVID year, 2020, there was a dramatic decrease in poster entries but the BWS received some entries and were able to still produce the 2021 BWS calendar. The BWS poetry contest has been gaining popularity and steadily increasing receiving 800 to 900 entries to date. The BWS reports these number to the City and County (C&C) of Honolulu as part of the BWS annual achievements.

Board Member Soon asked if there is the connection between the BWS conservation contests and customer satisfaction survey results.

Ms. Elliott-Pahinui responded that based on the amount of entries for the BWS’s poster and poetry contest it’s been proven to capture the attention of the public and gain popularity. She explained that involving children in what the BWS stands for instills values in children at an early age.

Chair Andaya asked if there were any further comments or questions. Hearing none he thanked Ms. Elliott-Pahinui for her presentation.

**MOTION  
TO APPROVE**

Max Sword and Dawn Szewczyk motioned and seconded, respectively, to approve the Adoption of Resolution 935, 2022, Acceptance of Gift to the Board of Water Supply from Various Donors in Support of the 2022 Water Conservation Week Program.

In lieu of a roll call vote, Chair Andaya requested a voice vote on the motion and requested that Board Members in favor of the motion say “Aye.” The Board members present responded with a verbal “Aye.” Chair Andaya then inquired if any Board Members would like to object or vote “Nay” on the motion. There were no objections or “Nay” votes. Chair Andaya announced that the motion was unanimously carried.



ADOPTION OF RESOLUTION NO. 935, 2022,  
 ACCEPTANCE OF GIFT TO THE BOARD OF WATER  
 SUPPLY FROM VARIOUS DONORS IN SUPPORT OF  
 THE 2022 WATER CONSERVATION WEEK PROGRAM,  
 ADOPTED ON FEBRUARY 28, 2022

	AYE	NO	COMMENT
BRYAN P. ANDAYA	X		
KAPUA SPROAT	X		
RAY C. SOON	X		
MAX J. SWORD	X		
NA'ALEHU ANTHONY	X		
JADE T. BUTAY	X		
DAWN B. SZEWCZYK	X		

BOARD OF WATER SUPPLY  
CITY AND COUNTY OF HONOLULU

RESOLUTION NO. 935, 2022

ACCEPTANCE OF GIFTS TO THE BOARD OF WATER SUPPLY  
FROM VARIOUS DONORS IN SUPPORT OF THE  
2022 WATER CONSERVATION WEEK PROGRAM

WHEREAS, the Board of Water Supply's (BWS) Water Conservation Week program is an annual outreach effort that cultivates personal water stewardship in Oahu's youth using a poster and poetry contest to focus their attention on the importance of using water efficiently, and it also shares the winning and honorable mention entries in an annual 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 coerces 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 Halawa Xeriscape Garden; Sodexo; Hawaiian Financial Federal Credit Union, Board of Water Supply Branch; Aloha Pacific Federal Credit Union; Times Supermarkets; Alexander and Baldwin, Incorporated; Hawaii Energy; and Pasha Hawaii are offering monetary and in-kind gifts totaling \$11,500.00 in support of the 2022 Water Conservation Week program Water Conservation Week program; and

WHEREAS, a gift to the BWS benefits the Department because it assists outreach efforts, such as the BWS's Water Conservation Week public education program, and lessens 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 15,000 Water Conservation Calendars featuring the contests' winning entries and efforts to reveal and 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 \$11,500.00 and directs the Manager and Chief Engineer, or his delegate, to accept and thank the various donors for these gifts.

ADOPTED:



BRYAN P. ANDAYA  
Chair

Honolulu, Hawaii  
February 28, 2022

RESOLUTION NO. 935, 2022, ACCEPTANCE OF GIFTS  
TO THE BOARD OF WATER SUPPLY FROM VARIOUS  
DONORS IN SUPPORT OF THE 2022 WATER  
CONSERVATION WEEK PROGRAM, ADOPTED ON  
FEBRUARY 28, 2022

	AYE	NO	COMMENT
BRYAN P. ANDAYA	X		
KAPUA SPROAT	X		
RAY C. SOON	X		
MAX J. SWORD	X		
NA'ALEHU ANTHONY	X		
JADE T. BUTAY	X		
DAWN B. SZEWCYZK	X		

“February 28, 2022

RESOLUTION  
NO. 936, 2022,  
AUTHORIZING  
UP TO  
\$200,000,000  
PRINCIPAL  
AMOUNT  
OF SERIES  
BONDS

Chair and Members  
Board of Water Supply  
City and County of Honolulu  
Honolulu, Hawaii 96843

Chair and Members:

Subject: Resolution No. 936, 2022, Authorizing Up to  
\$200,000,000 Principal Amount of Series 2022 Bonds

We recommend the adoption and approval of Resolution No. 936, 2022, which authorizes and approves the issuance by the Board of Water Supply (Board) at one time, of not to exceed \$200,000,000 principal amount of revenue bonds. The purposes for which the Series 2022 Bonds are being issued are: (1) to pay the cost of improvements authorized in the capital budget of the Board; (2) to pay the cost of issuance of the Series 2022 Bonds; and (3) to fund a trust fund to provide for the refunding and redemption of all or a portion of the Board's Water System Revenue Bonds, Series 2014A and/or Series 2014B. The bonds shall be on terms and conditions as the Board determined to be necessary and advisable.

Respectfully Submitted,

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

Attachment”

DISCUSSION:

Joseph Cooper, Waterworks Controller, Finance Division, gave the report.

Board Member Na'alehu Anthony inquired if there were any available data regarding future BWS debt services based on the rate of bonds to be issued for the BWS to continue safe and dependable water.

Mr. Cooper replied he would provide that information in the Financial Update for the Quarter Ended December 31, 2021 presentation later in the meeting.

Manager Ernest Lau reported the rating agency Standard & Poor's (S&P) released as of February 28, 2022, that the BWS continues to maintain a AAA rating with a stable outlook rating.

Board Member Soon asked what is the trust fund.

Mr. Joseph Cooper explained that the BWS established a trust fund and escrow account with the U.S. National Bank Association. The trust fund would provide money to refund the 2014 Series A and B bonds depending on the interest rate to cover the refund period. The escrow account would be used to deposit the refunded amount.

Board Member Soon inquired how much of the 2014 bonds would be retired.

Mr. Cooper replied that the BWS has identified \$54 million (M) in bonds would be retired, however, may change due to the fluctuation in the interest rate and U.S. Debt Market.

Chair Andaya asked how is the bond market being affected by the changes in the market.

Mr. Cooper replied the market is doing well. He shared that the 10-year U.S. Treasury yield a year ago was 2.19% and today the U.S. Treasury yield is 2.6%.

Board Member Jade Butay mentioned that at the end of January 2022 the market was at its worse.

Mr. Cooper agreed with Board Member Butay that the market was in bad condition but has since changed. He stated that the bond is refunded directly with the current rates of the day.

Chair Andaya asked if there were any further comments or questions. Hearing none he thanked Mr. Cooper for his presentation.

**MOTION  
TO APPROVE**

Na'alehu Anthony and Jade Butay motioned and seconded, respectively, to approve the Adoption of Resolution 936, 2022, Authorizing Up to \$200,000,000 Principal Amount of Series 2022 Bond.

In lieu of a roll call vote, Chair Andaya requested a voice vote on the motion and requested that Board Members in favor of the motion say "Aye." The Board members present responded with a verbal "Aye." Chair Andaya then inquired if any Board Members would like to object or vote "Nay" on the motion. There were no objections or "Nay" votes. Chair Andaya announced that the motion was unanimously carried.

ADOPTION OF RESOLUTION NO. 936, 2022, AUTHORIZING \$200,000,000 PRINCIPAL AMOUNT OF SERIES 2022 BOND, ADOPTED ON FEBRUARY 28, 2022			
	AYE	NO	COMMENT
BRYAN P. ANDAYA	X		
KAPUA SPROAT	X		
RAY C. SOON	X		
MAX J. SWORD	X		
NA'ALEHU ANTHONY	X		
JADE T. BUTAY	X		
DAWN B. SZEWCZYK	X		

Before moving onto the next item, Chair Andaya asked Ms. Tracy Burgo, Information Specialist II, if there were any testifies in the telephone queue.

Ms. Burgo indicated that there were no testifiers in the telephone queue.

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**BOARD OF WATER SUPPLY  
CITY AND COUNTY OF HONOLULU, HAWAII**

**WATER SYSTEM REVENUE BOND  
SERIES 2022 RESOLUTION NO. 936, 2022**

**AUTHORIZING UP TO  
\$200,000,000 PRINCIPAL AMOUNT OF SERIES 2022 BONDS**

**ADOPTED FEBRUARY 28, 2022**

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WATER SYSTEM REVENUE BOND  
SERIES 2022 RESOLUTION

AUTHORIZING UP TO  
\$200,000,000 PRINCIPAL AMOUNT OF SERIES 2022 BONDS

BE IT RESOLVED by the Board of Water Supply of the City and County of Honolulu, Hawaii, as follows:

ARTICLE I

DEFINITIONS AND STATUTORY AUTHORITY

Section 1.01. *Series 2022 Resolution.* (1) This Water System Revenue Bond Series 2022 Resolution, authorizing up to \$200,000,000 principal amount of Series 2022 Bonds, is supplemental to, and constitutes a Series Resolution within the meaning of and is adopted in accordance with Article X of, the Resolution, as hereinafter defined.

(2) It is hereby found and determined that it is necessary and required that the Board authorize and issue at this time a Series of Bonds to be designated as herein provided to provide monies to carry out one or more purposes of the Board.

Section 1.02. *Definitions.* (1) All terms which are defined in Section 1.01 of the Resolution shall have the same meanings, respectively, in this Series Resolution as such terms are given in said Section 1.01 of the Resolution.

(2) In addition, as used in this Series Resolution, unless the context shall otherwise require, the following terms shall have the following respective meanings:

“*Authorized Officer*” means the Manager, the Waterworks Controller or other officer designated by resolution of the Board.

“*Resolution*” means that certain resolution adopted by the Board on April 26, 2001, entitled “A Resolution Authorizing and Providing for the Issuance of Revenue Bonds of the Board of Water Supply of the City and County of Honolulu, Hawaii, for the Purposes of the Water System of Said City and County; Covenanteeing as to the Establishment, Maintenance, Revision and Collection of Charges and Rates for the Use and Services of Said Water System and the Collection and Disbursement of the Revenues Derived Therefrom; Pledging the Net Revenues Derived from Said Water System to the Payment of the Principal of and Interest on Said Bonds as the Same Fall Due; Creating and Establishing Certain Funds and Accounts; Setting Forth the Limitations or Conditions Upon the Issuance by the Board of Additional Bonds



Payable from the Aforesaid Revenues; and Making Other Covenants and Agreements in Connection with the Foregoing,” as amended and supplemented.

“*Series 2022 Bonds*” means the Bonds authorized by Article II of this Series 2022 Resolution.

“*Series 2022 Resolution*” means this Water System Revenue Bond Series 2022 Resolution authorizing up to \$200,000,000 principal amount of the Series 2022 Bonds.

“*Taxable Bonds*” means any Series 2022 Bonds which are not intended by the Board to be Tax-exempt Bonds.

“*Tax Certificate*” means the Tax Certificate executed by an Authorized Officer of the Board in connection with the issuance of the Series 2022 Bonds that are Tax-exempt Bonds.

(3) Words of any gender shall be deemed and construed to include correlative words of the other genders. Unless the context shall otherwise indicate, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include firms, associations and corporations, including public bodies, as well as natural persons.

(4) The terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder,” and any similar terms, as used in this Series 2022 Resolution, refer to the Series 2022 Resolution.

Section 1.03. *Authority for the Series 2022 Resolution.* This Series 2022 Resolution is adopted pursuant to the provisions of the Act and the Resolution.

## ARTICLE II

### AUTHORIZATION, TERMS AND ISSUANCE OF SERIES 2022 BONDS

Section 2.01. *Authorization of Series 2022 Bonds, Principal Amount, Designation and Series.* One or more Series of Bonds entitled to the benefit, protection and security of the Resolution are hereby authorized to be issued in an aggregate principal amount not to exceed \$200,000,000. Each such Series of Bonds shall be designated as and shall be distinguished from the Bonds of all other Series by the title “Water System Revenue Bonds, Series \_\_\_\_\_,” (having inserted in such blank the year of issuance and any appropriate letter designation), pursuant to and subject to the terms, conditions and limitations established in the Resolution and this Series 2022 Resolution.

Section 2.02. *Purposes.* The purposes for which the Series 2022 Bonds are being issued are (1) to pay the Costs of Improvements authorized in the capital budget of the Board; (2) to pay the costs of issuance of the Series 2022 Bonds; and (3) to fund a trust fund to provide for the refunding and redemption of all or a portion of the Board’s Water System Revenue Bonds, Series 2014A, and/or the Board’s Water System Revenue Bonds, Series 2014B (the “Outstanding Bonds”).

Section 2.03. *Delegation of Authority.* (1) There is hereby delegated to any Authorized Officer of the Board, subject to the limitations contained herein and in the Resolution and the Act, the power with respect to the Series 2022 Bonds to determine and carry out the following:

(a) The sale of the Series 2022 Bonds at public or private sale and, if at private sale, the underwriter or underwriters; provided, however, that in the case of a private sale the purchase price paid by the purchasers thereof shall not be less than ninety percent (90%) of the principal amount of the Series 2022 Bonds so sold;

(b) The principal amount of Series 2022 Bonds to be issued; *provided, however,* that the principal amount of Series 2022 Bonds shall not exceed \$200,000,000;

(c) The specific Improvements to be financed from the proceeds of the Series 2022 Bonds;

(d) The Series designation of each Series of the Series 2022 Bonds, the date or dates, maturity date or dates and principal amount of each maturity of the Series 2022 Bonds or the method for calculating such dates and amounts, the amount and date of each Sinking Fund Installment, if any, or the method for calculating the Sinking Fund Installments and which Series 2022 Bonds are Serial Bonds or Term Bonds, if any, and the Record Date or Record Dates of the Series 2022 Bonds for which the Record Date or Record Dates is other than the fifteenth (15th) day (whether or not a Business Day) of the month next preceding an interest payment date for such Bonds;

(e) The interest rate or rates, if any, of the Series 2022 Bonds or the manner of determining such rate or rates, the date from which interest on the Series 2022 Bonds shall accrue, the dates on which interest on the Series 2022 Bonds shall be payable, if any, and if any Series 2022 Bonds are Variable Rate Bonds, the Maximum Interest Rate and the Minimum Interest Rate for such Bonds, and the provisions, if any, as to the calculation or change of variable interest rates; provided, however, that the true interest cost (as determined by an Authorized Officer of the Board, which determination shall be conclusive) on the Series 2022 Bonds shall not exceed eight percent (8%) per annum in the case of Tax-exempt Bonds or ten percent (10%) per annum in the case of Taxable Bonds;

(f) The Series 2022 Bonds which are Capital Appreciation Bonds, if any, the Valuation Dates for such Bonds and the Accreted Value on each such Valuation Date;

(g) The Series 2022 Bonds which are Deferred Income Bonds, if any, the Valuation Dates for such Bonds, the Appreciated Value on each such Valuation Date and the Interest Commencement Date for such Bonds;

(h) If any Series 2022 Bonds are Capital Appreciation Bonds or Deferred Income Bonds, the manner in which and the period during which principal and interest shall be deemed to accrue on such Series 2022 Bonds;

(i) If any Series 2022 Bonds are Option Bonds, (1) provisions regarding tender for purchase or redemption thereof and payment of the purchase or Redemption Price thereof; and (2) provisions regarding the appointment of a Remarketing Agent;

(j) The denomination or denominations of and the manner of numbering the Series 2022 Bonds;

(k) The Series 2022 Bonds which are Book Entry Bonds, if any, and the Depository therefor;

(l) The Paying Agent or Paying Agents for the Series 2022 Bonds and the place or places of payment of the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on the Series 2022 Bonds;

(m) The Redemption Price or Redemption Prices, if any, and, subject to Article V of the Resolution, the redemption terms, if any, for the Series 2022 Bonds; provided, however, that the Redemption Price of Series 2022 Bonds at the election or direction of the Board shall not be greater than one hundred three percent (103%) of the principal amount of the Series 2022 Bonds to be redeemed, plus accrued interest thereon to the date of redemption; provided that the Redemption Price for any redemption of Taxable Bonds may be such higher price as may be appropriate for the sale of such Taxable Bonds;

(n) The form of the Series 2022 Bonds and the form of the Paying Agent's certificate of authentication thereon;

(o) Whether the Series 2022 Bonds shall be entitled to the benefit of the Common Reserve Account, and if so entitled, the amount of the Common Reserve Account Requirement and the method of funding or providing for such Common Reserve Account Requirement, the terms and provisions and credit quality of any Support Facility to be deposited therein, and any provisions with respect to subaccounts therein, if applicable;

(p) Any provisions with respect to funds and accounts and subaccounts therein, if applicable, and the Revenues and application thereof, as provided in Article VI of the Resolution;

(q) If the Series 2022 Bonds shall not be entitled to the benefit of the Common Reserve Account, whether a Series Reserve Account will be established for any of the Series 2022 Bonds, and if so determined to be established, the amount of the Series Reserve Account Requirement and the method of funding or providing for such Series Reserve Account Requirement, the terms and provisions and credit quality of any Support Facility to be deposited therein, and any provisions with respect to subaccounts therein, if applicable;

(r) Which Outstanding Bonds shall be refunded from proceeds of the Series 2022 Bonds and other available moneys, and directions for the application of the

proceeds of the Series 2022 Bonds, including directions with respect to the refunding of such Outstanding Bonds;

(s) Whether a Support Facility shall be obtained or an Interest Rate Exchange Agreement shall be entered into with respect to the Series 2022 Bonds, and if any Series 2022 Bonds are Option Bonds, (i) the appointment of a Support Facility Provider which shall supply a Support Facility with respect to such Series 2022 Bonds; and (ii) provisions for the establishment of separate accounts in which amounts drawn under a Support Facility for the Series 2022 Bonds are to be deposited;

(t) Directions for the application of the proceeds of the Series 2022 Bonds, including the interest on any Series 2022 Bonds to be capitalized from the proceeds thereof, if any, and the date or dates to which such capitalized interest shall accrue;

(u) [reserved];

(v) Which Series 2022 Bonds are to be issued as Tax-exempt Bonds and which, if any, are to be issued as Taxable Bonds; and

(w) Any other provisions deemed advisable by an Authorized Officer of the Board, not in conflict with the provisions hereof or of the Resolution.

(2) Such Authorized Officer shall execute one or more Series Certificates evidencing determinations or other actions taken pursuant to the authority granted herein or in the Resolution and any such Series Certificate shall be conclusive evidence of the action or determination of such Authorized Officer as to the matters stated therein.

(3) All Series 2022 Bonds of like Series, maturity and tenor issued pursuant to this Series 2022 Resolution shall be identical in all respects, except as to denominations and numbers.

Section 2.04. Authority to Enter into Agreements. (1) In the event any of the Series 2022 Bonds are sold at private sale as provided in clause (a) of subsection (1) of Section 2.03, any Authorized Officer of the Board is hereby authorized to execute one or more Bond Purchase Contracts in the name and on behalf of the Board in substantially the form as presented to and on file with the Board, which form is hereby approved, with such changes, insertions and omissions as may be approved by such Authorized Officer, such execution being conclusive evidence of such approval.

(2) The form of the Continuing Disclosure Certificate, as presented to and on file with the Board, is hereby approved. Any Authorized Officer of the Board is hereby authorized to execute one or more Continuing Disclosure Certificates substantially in such form, with such changes, insertions and omissions as may be approved by such Authorized Officer, such execution being conclusive evidence of such approval.

(3) The form of the Escrow Agreement by and between the Board and a financial institution as trustee thereunder, as presented to and on file with the Board, is hereby approved. Any Authorized Officer of the Board is hereby authorized to select a qualified financial

institution to serve as trustee and to execute the Escrow Agreement in the name and on behalf of the Board substantially in such form, with such changes, insertions and omissions as may be approved by such Authorized Officer, such execution being conclusive evidence of such approval.

Section 2.05. *Official Statements.* (1) The form of Preliminary Official Statement, as presented to and on file with the Board, is hereby approved. The distribution in connection with the offering and sale of the Series 2022 Bonds of one or more Preliminary Official Statements in such form, with such changes, insertions and omissions as an Authorized Officer of the Board deems advisable, is hereby authorized.

(2) Any Authorized Officer of the Board is hereby authorized to execute and deliver, in the name and on behalf of the Board, one or more final Official Statements in substantially the form of the Preliminary Official Statement, with such changes, insertions and omissions as such Authorized Officer deems advisable, and to permit the distribution of said Official Statement or Official Statements in connection with the offering and sale of the Series 2022 Bonds.

Section 2.06. *Execution of Documents.* Any Authorized Officer of the Board is hereby authorized to execute and deliver, in the name and on behalf of the Board, any and all documents and instruments, and to do and cause to be done any and all acts and things, said Authorized Officer deems necessary or advisable in connection with the offering, sale and issuance of the Series 2022 Bonds and to carry out the transactions contemplated by this Series 2022 Resolution.

### ARTICLE III

#### EXECUTION AND AUTHENTICATION OF THE SERIES 2022 BONDS

Section 3.01. *Execution and Authentication of Series 2022 Bonds.* (1) Pursuant to the provisions of Sections 4.02 and 4.03 of the Resolution, the Chair or Vice-Chair of the Board is hereby authorized and directed to execute by his or her manual or facsimile signature the Series 2022 Bonds in the name of the Board; the program administrator, Finance Division, as the Waterworks Controller, is hereby authorized and directed to countersign by his or her manual or facsimile signature the Series 2022 Bonds, and the seal of the Board shall be affixed or a facsimile of such seal shall be imprinted on the Series 2022 Bonds.

(2) If a Paying Agent for the Series 2022 Bonds is appointed as provided in clause (1) of subsection (1) of Section 2.03, such Paying Agent is hereby authorized to authenticate by manual signature the Series 2022 Bonds, and deliver the same to or upon the order of the Board, in such amounts and at such times as such Paying Agent shall be directed in writing by an Authorized Officer.



## ARTICLE IV

### APPLICATION OF PROCEEDS

Section 4.01. *Application of Proceeds and Deposit of Moneys.* On the date of delivery of the Series 2022 Bonds, the proceeds of the sale of the Series 2022 Bonds shall be applied in accordance with the written direction of any Authorized Officer given pursuant to Section 2.03(1)(r) of this Series 2022 Resolution.

## ARTICLE V

### SPECIAL COVENANTS

Section 5.01. *Tax Status.* The interest on the Series 2022 Bonds that are Tax-exempt Bonds is intended to be excluded from gross income for purposes of federal income taxation. In order to maintain such exclusion, the Board affirms that the tax covenants made in Section 8.13 of the Resolution shall apply to the Series 2022 Bonds that are Tax-exempt Bonds. In furtherance of the foregoing, the Board shall comply with the provisions of the Tax Certificate executed by any Authorized Officer of the Board in connection with the applicable Series 2022 Bonds that are Tax-exempt Bonds.


Section 5.02. *Survival of Covenant.* The obligation of the Board to comply with the provisions of the Tax Certificate with respect to any required payments to the Department of the Treasury of the United States of America shall remain in full force and effect so long as the Board shall be required by the Code to make such payments, notwithstanding that the Series 2022 Bonds that are Tax-Exempt Bonds are no longer Outstanding.

## ARTICLE VI

### MISCELLANEOUS

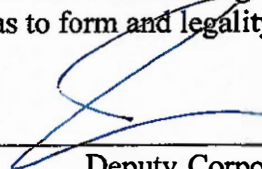
Section 6.01. *Effectiveness.* The Series 2022 Resolution shall become effective immediately upon its adoption.

INTRODUCED BY:

  
Bryan P. Andaya, Chair  
Date of Introduction: February 28, 2022

RESOLUTION NO. 936, 2022, AUTHORIZING UP TO \$200,000,000 PRINCIPAL AMOUNT OF SERIES 2022 BONDS, ADOPTED ON FEBRUARY 28, 2022			
	AYE	NO	COMMENT
BRYAN P. ANDAYA	X		
KAPUA SPROAT	X		
RAY C. SOON	X		
MAX J. SWORD	X		
NA'ALEHU ANTHONY	X		
JADE T. BUTAY	X		
DAWN B. SZEWCYZK	X		

The above and foregoing resolution is hereby approved as to form and legality this February 28, 2022.

  
JEFF A. LAU  
Deputy Corporation Counsel  
City and County of Honolulu

“February 28, 2022

ADOPTION OF  
RESOLUTION  
NO. 937, 2022,  
ACCEPTANCE OF  
GIFT TO THE  
BOARD OF WATER  
SUPPLY FROM  
KAULU BY  
KAMEHAMEHA  
SCHOOLS  
DIGITAL FOR  
WATER FOR  
LIFE – KAI WAI  
OLA COLORING  
BOOK

Chair and Members  
Board of Water Supply  
City and County of Honolulu  
Honolulu, Hawaii 96843

Chair and Members:

Subject: Adoption of Resolution No. 937, 2022, Acceptance of  
Gift to the Board of Water Supply from Kaulu by  
Kamehameha Schools Digital for Water for Life – Ka  
Wai Ola Coloring Book

We recommend acceptance of the proposed gift to the Board of Water Supply (BWS), City and County of Honolulu, of 8,000 printed copies of the Water for Life – Ka Wai Ola coloring book in the Hawaiian language from Kaulu by Kamehameha Schools Digital. The gift is of an estimated value of \$4,800.00 and will support the BWS educational programs and will be distributed to more than 50 Hawaiian language immersion, public, private and charter schools on Oahu.

The Kaulu KS Digital education team took the initiative to translate the BWS coloring book into the Hawaiian language for the first time and print a supply of books for free distribution. It shares the story of the water cycle and how drinking water travels from sources to tap, as told through the fictional character Waiola. This is the first time this children’s educational piece is made available in the Hawaiian language.

We greatly appreciate the participation and commitment of our community partners to help us educate our youth on how to be responsible stewards of our precious water resource.

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.

Manager Lau expressed his appreciation to Kamehameha Schools for the unexpected donation to the BWS and for incorporating Olelo Hawaii into the BWS coloring books.

Chair Andaya echoed Manager Lau’s comments. He asked if there were any further comments or questions. Hearing none he thanked Ms. Elliott-Pahinui for her presentation.



**MOTION  
TO APPROVE**

Kapua Sproat and Dawn Szewczyk motioned and seconded, respectively, to approve the Adoption of Resolution 937, 2022, Acceptance of Gift to the Board of Water Supply from Kaulu by Kamehameha Schools Digital for Water for Life – Ka Wai Ola Coloring Book.

In lieu of a roll call vote, Chair Andaya requested a voice vote on the motion and requested that Board Members in favor of the motion say “Aye.” The Board members present responded with a verbal “Aye.” Chair Andaya then inquired if any Board Members would like to object or vote “Nay” on the motion. There were no objections or “Nay” votes. Chair Andaya announced that the motion was unanimously carried.

ADOPTION OF RESOLUTION NO. 937, 2022, ACCEPTANCE OF GIFT TO THE BOARD OF WATER SUPPLY FROM KAULU BY KAMEHAMEHA SCHOOLS DIGITAL FOR WATER FOR LIFE -- KA WAI OLA COLORING BOOK, ADOPTED ON FEBRUARY 28, 2022			
	AYE	NO	COMMENT
BRYAN P. ANDAYA	X		
KAPUA SPROAT	X		
RAY C. SOON	X		
MAX J. SWORD	X		
NA'ALEHU ANTHONY	X		
JADE T. BUTAY	X		
DAWN B. SZEWCZYK	X		

**BOARD OF WATER SUPPLY  
CITY AND COUNTY OF HONOLULU**

**RESOLUTION NO. 937, 2022**

**ACCEPTANCE OF GIFT FROM THE TRUSTEES OF THE ESTATE OF BERNICE  
PAUHI BISHOP DBA KAMEHAMEHA SCHOOLS IN SUPPORT OF WATER FOR  
LIFE – KA WAI OLA COLORING BOOK**

**WHEREAS, the Board of Water Supply's (BWS) Water for Life – Ka Wai Ola coloring book is an educational tool that teaches our youth about the water cycle and how drinking water travels from sources to tap; and**

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

**WHEREAS, Kaulu by Kamehameha Schools Digital is a new digital learning portal that grows and connects students and families to a broad range of community-created learning opportunities built on a Hawaiian cultural foundation; and**

**WHEREAS, The Trustees of the Estate of Bernice Pauahi Bishop dba Kamehameha Schools is seeking to support the BWS educational outreach efforts to pre-K to 12 grade learners by helping to make available existing BWS learning materials in the Hawaiian language; and**

**WHEREAS, The Trustees of the Estate of Bernice Pauahi Bishop dba Kamehameha Schools, is offering a gift valued at \$4,800.00 by printing 8,000 copies of a Hawaiian language version of the Water for Life – Ka Wai Ola coloring book; and**

**WHEREAS, this will be the first time the Water for Life – Ka Wai Ola coloring book will be made available in the Hawaiian language; and**

**WHEREAS, the Hawaiian language is one of the two official languages of the State of Hawai'i along with English; and**

**WHEREAS, the Hawaiian language version of the Water for Life – Ka Wai Ola coloring book will be distributed to more than 50 schools on Oahu; and**

**WHEREAS, the gift to the BWS is beneficial because it will reduce the cost of printing; now, therefore,**

**BE IT RESOLVED that the BWS hereby accept the gift valued at and directs the Manager and Chief Engineer, or his delegate, to accept and thank the Kamehameha Schools for this gift.**

ADOPTED:



**BRYAN P. ANDAYA**  
Chair of the Board

Honolulu, Hawaii  
February 28, 2022

**RESOLUTION NO. 937, 2022, ACCEPTANCE OF GIFT TO THE BOARD SUPPLY FROM TRUSTEES OF THE ESTATE OF BERNICE PAUHI BISHOP DBA KAMEHAMEHA SCHOOLS FOR WATER FOR LIFE – KA WAI OLA COLORING BOOK, ADOPTED ON FEBRUARY 28, 2022**

	AYE	NO	COMMENT
BRYAN P. ANDAYA	X		
KAPUA SPROAT	X		
RAY C. SOON	X		
MAX J. SWORD	X		
NA'ALEHU ANTHONY	X		
JADE T. BUTAY	X		
DAWN B. SZEWCZYK	X		



**KAMEHAMEHA SCHOOLS®**

February 22, 2022

Ernest Y.W. Lau, P.E.  
Manager and Chief Engineer  
Board of Water Supply  
City and County of Honolulu  
Honolulu, Hawaii 96843

Subject: Gifting printed copies of Hawaiian language version of BWS' Ka Wai Ola Coloring Book

Aloha Chief Engineer Lau,

The Kamehameha Schools is grateful for the work of the Board of Water Supply of Honolulu for serving the municipal water needs of the residents and business of O'ahu. We commend the Board's Community Relations & Education Office for its many years of service to educate our school children and residents about our island's unique hydrology, how water is delivered each day to our homes and businesses, and how we can do our part to conserve this most precious resource.

Kamehameha Schools recognizes the needs of our island's classroom teachers to have the proper resources to engage their students in learning about *wai*- the precious gift of water. With this in mind, our staff at Kaula by KS Digital, has worked with your Community Relations staff to have the popular BWS Ka Wai Ola Coloring Book translated into the Hawaiian language so that school children in Hawaiian language medium classrooms may enjoy this valuable education resource in their language of instruction, ka 'ōlelo Hawai'i.

We have printed 8,000 paper copies of the Hawaiian version of Ka Wai Ola as a gift to the Board of Water Supply of Honolulu for its use and distribution to O'ahu schools, teachers, and other interested organizations. The total monetary value of this gift is \$4,599.16. As a way to expedite printed copies, Kamehameha Schools will assist the BWS in distributing up to 2,000 copies from this print run to our network of preschool to Grade 6 DOE, Charter, and Independent Hawaiian language and Hawaiian culture-based schools.

Recognizing the original source material is the sole property of the Board of Water Supply of Honolulu, Kamehameha School's effort to help translate this resource into Hawaiian is provided for the public good, at no charge. We acknowledge the Board of Water Supply of Honolulu retains all copyright and ownership of the Ka Wai Ola Coloring Book in its original English, and now, in its Hawaiian language format.

In closing, I reiterate the Board's motto- "Uē Ka Lani, Ola ka Honua" and share that Kamehameha Schools also embraces this concept with great reverence to our precious water and our shared responsibility to learning and practicing the value of "mālama i ka wai-" to care for water.

Me ka ha'aha'a,

A handwritten signature in black ink, appearing to read "M. Wai'ale'ale Sarsona". The signature is fluid and cursive, with a long horizontal stroke at the end.

M. Wai'ale'ale Sarsona, Ed.D  
Vice President, Hi'ialo

## City and County of Honolulu

<b>DECLARATION OF GIFT</b>	
<b>NAME OF DONOR</b>	Trustees of the Estate of Bernice Pauahi Bishop dba Kamehameha Schools.
<b>DONOR'S ADDRESS</b>	Kawaiaha'o Plaza 567 S. King Street Suite 304 Honolulu, HI 96813
<b>DONOR'S TELEPHONE</b>	808-534-8435
<b>STATEMENT OF OWNERSHIP AND/OR TERMS OF CONVEYANCE</b>	
<p>The Trustees of the Estate of Bernice Pauahi Bishop dba Kamehameha Schools desires to give 8,000 printed copies of Ka Wai Ola – Ka Mo'olelo o Ko Kākou Wai Coloring Book to the Board of Water Supply (BWS) of the City and County of Honolulu. To carry out our purpose, and in support of BWS educational goals, we do hereby absolutely and without condition or reservation give, grant, and convey the property to the BWS.</p>	
<b>DESCRIPTION OF GIFT</b>	<b>VALUE</b>
Printing of 8,000 copies and direct delivery of Hawaiian language version of the Board of Water Supply's Ka Wai Ola coloring book.	\$4,600.00

<b>Signature:</b> <i>M. Sarsona</i>	<b>Date:</b> February 22, 2022
<b>Print Name:</b> M. Wai'ale'ale Sarsona, Ed.D	<b>Title:</b> VP Hi'ialo, Kamehameha Schools

**ITEM FOR INFORMATION NO. 1**

"February 28, 2022

**FINANCIAL  
STATEMENT  
AND  
SUPPLEMENTARY  
INFORMATION  
WITH  
INDEPENDENT  
AUDITORS'  
REPORT, FISCAL  
YEAR ENDED  
JUNE 30, 2021,  
AND 2020**

**Chair and Members  
Board of Water Supply  
City and County of Honolulu  
Honolulu, Hawaii 96843  
Chair and Members:**

**Subject: Financial Statement and Supplementary Information with  
Independent Auditors' Report, Fiscal Year Ended  
June 30, 2021, and 2020**

Our auditors, N&K CPAs, Inc., 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 are no weaknesses on internal control over financial reporting.

Attached is the auditors' required communication letter dated November 12, 2021. Copies of the financial statements of the Board of Water Supply and the reports thereon by N&K CPAs, Inc., covering the results of their examination of the accounts and financial status of the Board of Water Supply for the years ended June 30, 2021 and 2020 as required under Article VII, Section 7-108 of the Revised Charter, are also attached.

Lawrence Chew and Ryan Iwane from N&K CPAs, Inc. will present 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:**

Lawrence Chew, Principal Auditor & Ryan Iwane, Senior Certified Public Accountant, N&K CPAs, Inc., gave the report.

Manager Lau expressed his appreciation to N&K CPAs for their hard work in performing the annual financial audit of the BWS.

Chair Andaya also expressed his appreciation.

Mr. Ryan Iwane thanked Manager Lau, Mr. Cooper, and Ms. Leanne Matsumoto, Assistant Program Administrator, Finance Division, for the opportunity to work with BWS on the financial audit. Mr. Iwane was grateful for working with the Finance Division management and staff who displayed competence, integrity, and displayed a willingness to work hard and accountability in the financial audit process.





N&K CPAs, Inc.

ACCOUNTANTS|CONSULTANTS



# Board of Water Supply

City and County of Honolulu

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Single Audit for the Fiscal Year Ended

June 30, 2021

## Scope of Services

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- To express an opinion on the fair presentation of the Board of Water Supply's financial statements as of and for the fiscal year ended June 30, 2021.
- To express an opinion on compliance with applicable federal requirements that could have a direct and material effect on each of the Board of Water Supply's major federal programs for the fiscal year ended June 30, 2021.
- Our audit was performed in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, and the audit requirements of the Uniform Guidance (Title 2 CFR Part 200)

# Summary of Auditor's Results

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## **Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

yes

no

Significant deficiency(ies) identified?

yes

none reported

Noncompliance material to financial statements noted?

yes

no

## **Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified?

yes

no

Significant deficiency(ies) identified?

yes

none reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes

no

# Summary of Auditor's Results (Continued)

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Identification of major federal programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
66.468	Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between type A  
and type B programs:

\$750,000

Auditee qualified as a low-risk auditee?

yes       no

## **SECTION II - FINANCIAL STATEMENT FINDINGS**

No matters were reported.

## **SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.

## Required Communication with Those Charged with Governance at the Conclusion of the Audit

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- Auditor's views about the BWS's significant accounting policies, sensitive accounting estimates and financial statement disclosures.
- No significant difficulties were encountered during the audit.
- No disagreements with management about financial accounting, reporting, or auditing matters arose during the course of the audit.
- None of the misstatements detected as a result of audit procedures were considered material, either individually or in the aggregate, to the BWS's financial statements taken as a whole.



N&K CPAs, Inc.

ACCOUNTANTS|CONSULTANTS

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

**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITOR'S REPORT**

**Fiscal Years Ended June 30, 2021 and 2020**

**BOARD OF WATER SUPPLY  
CITY AND COUNTY OF HONOLULU**

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**Board of Water Supply  
City and County of Honolulu  
INTRODUCTION  
Fiscal Year Ended June 30, 2021**

**MISSION**

The BWS 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, conserve and manage Oahu's water supplies and watersheds now and into the future through adaptive and integrated strategies.
- **Operational Sustainability (Dependable).** Build an effective organization that continuously works to improve dependable service.
- **Financial Sustainability (Affordable).** Implement sound fiscal strategies to provide safe, dependable and affordable water service.

**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 22,529 chemical tests, 33,826 microbiological tests, and collected 21,757 samples from BWS sources, distribution systems and treatment facilities to ensure all water served is safe to drink; tests performed during Fiscal Year 2021 include regulatory compliance testing, groundwater quality testing, and response to customer inquiries about water quality; BWS continues to monitor the Red Hill Fuel Storage Facilities and provide input to the Administrative Order of Consent as subject matter experts.
- In June 2021, 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](http://www.boardofwatersupply.com). The BWS also placed ads in Honolulu newspapers, including various ethnic language publications, to inform community members of the distribution.
- Issued \$136,548 in rebates and achieved an estimated freshwater savings of more than 33 million gallons per year through the BWS water conservation rebate program for efficient clothes washing machines, rain barrels, and weather-based irrigation controllers.
- BWS continues to work on loi kalo restoration projects on BWS lands in Makaha and Manoa; these agricultural farms have watershed protection and cultural components; a community nonprofit group is evaluated and selected through an RFP process; and this effort builds community support of the BWS mission for the protection and management of Oahu's freshwater resources.

**Board of Water Supply  
City and County of Honolulu  
INTRODUCTION  
Fiscal Year Ended June 30, 2021**

- The BWS sponsored its 43<sup>rd</sup> annual Water Conservation Week Poster Contest and the 13<sup>th</sup> annual Water Conservation Week Poetry Contest. Due to the impacts of COVID-19, we saw a significant drop in entries receiving 152 posters and 131 poems from 11 Oahu schools, focused on the theme "Conserve Today for Tomorrow". All winning entries will be featured in the 2022 Water Conservation Calendar scheduled for distribution in December 2021.

**Operational Sustainability (Dependable)**

- May 2021 marked the sixth year of the Stakeholder Advisory Group (SAG) - a group comprised of nearly 30 local residents, civic organization leaders, and business and environmental professionals, covering all City Council districts - whose purpose is to provide important feedback on the BWS Water Master Plan, financial plan, proposed rate study and other important initiatives such as water conservation, recycled water and watershed management; and the SAG effort demonstrates the BWS commitment to increase responsiveness and transparency of public engagement and communications.
- Responded to 343 main breaks, or about 16 breaks per 100 miles of pipeline, and conducted leak detection surveys for 166 miles of pipeline, which resulted in the Leak Detection Team finding and repairing 10 leaks before major property damages or system interruptions occurred.
- BWS staff helped protect Oahu's water resources and prevent damage to BWS infrastructure by handling 11,205 One Call underground pipeline location requests and providing in-field support for 593 water line leaks and breaks. In fiscal year 2021, 18,065 meter investigations were conducted to ensure accurate and timely billing and assisted 4,837 customers with concerns about bills reflecting high water consumption. BWS staff assisted 126,460 customers: 105,202 (83.2%) by phone; 20,747 (16.4%) via web requests; and 511 (0.4%) in-person.

**Financial Sustainability (Affordable)**

- The BWS Series 2020 and Series 2021 water revenue bonds are rated AAA by S&P Global and AA+ by Fitch Ratings. This allows the board to access capital financing at reasonable rates.
- As of June 30, 2021, the BWS awarded \$184 million in construction contracts and \$17 million in professional service contracts for projects to maintain and improve water system facilities, including:
  - Well and booster stations, reservoirs and corporation yards, and for the systematic replacement of aging and corroded water mains and fire protection improvements;
  - Scheduled construction work for the replacement of 7 miles of pipelines in the Haleiwa, Kahaluu, Kamehameha Heights, Makakilo, Pauoa, Waikele, Waimanalo, and Waipio areas;
  - Initiated design work for future construction of 15 miles of water main replacements in Ala Moana, Ewa Beach, Hauula, Hawaii Kai, Kaneohe, Kapolei, Kuliouou, Manoa, Moanalua, Waialae Iki, and Waipahu;

**Board of Water Supply  
City and County of Honolulu  
INTRODUCTION  
Fiscal Year Ended June 30, 2021**

- Awarded design and construction contracts for renovations and improvements of the following BWS facilities: Aiea Wells, Halawa 418 Reservoir, Halawa Xeriscape Garden, Hawaii Loa Booster Nos 1-3, Hoaeae Wells, Honouliuli Well II, Kaahumanu Wells, Kaimuki Pump Station, Kalihi Corporation Yard, Keanu Tunnel, Kunia Wells Iii-IV, Lualualei 242 Reservoir, Makiki 180 Reservoir, Manoa Wells II, Mariners Ridge Booster No. 2, Newtown Wells, Nuuanu 640 Reservoir, Pacific Heights 578 reservoir and Booster, Pupukea 170 Reservoir, St. Louis Heights Reservoir and Booster, Waialae Iki 640 Reservoir, Waiau Wells, Waimalu Well III, Waimanalo Wells III, Waipahu Well IV, and Woodlawn 705 Reservoir;
- BWS processes payments through various methods: automatic bill payment (33.6%); lockbox (30.8%); online customer portal (18.4%); BWS Cashiers (13%); Call Center (3.2%); automated pay-by-phone (0.9%) and Satellite City Hall locations (0.1%).

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

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 fiscal years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the BWS's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### **Opinion**

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

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10 through 16 and the schedules of proportionate share of the net pension liability, contributions (pension), changes in the net OPEB liability and related ratios, and contributions (OPEB) on pages 61 to 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the BWS's basic financial statements. The introduction and 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 were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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.

The introduction has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2021 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.

*N + K CPAs, INC.*

Honolulu, Hawaii  
November 12, 2021

**Board of Water Supply  
City and County of Honolulu  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Fiscal Years Ended June 30, 2021 and 2020**

This section presents management's discussion and analysis of the BWS's financial condition and activities for the fiscal year ended June 30, 2021. This information should be read in conjunction with the BWS's basic financial statements.

**Financial Highlights**

The BWS implemented the third of five rate increases on July 2020 to meet cost of delivering water to customers and to support the continuation of the capital improvements needed to meet the mission of the Board of Water Supply. In fiscal year 2021, water rates increased by approximately 2%, which equates to \$1.60 of the monthly water charges for an average single-family residential customer effective July 1, 2020.

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 \$17.7 million in fiscal year 2021 compared to the \$56.9 million increase in fiscal year 2020.
- Total assets were \$1.9 billion as of June 30, 2021 and \$1.8 billion as of June 30, 2020, which exceeded liabilities by \$1.2 billion as of June 30, 2021 and 2020.
- The BWS's unrestricted current assets at June 30, 2021 were 4.6 times its related current liabilities compared to 5.2 times at June 30, 2020.
- The BWS's debt to equity ratio was 35.4% and 30.5% at June 30, 2021 and 2020, 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.

Management's discussion and analysis ("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 present 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  
Fiscal Years Ended June 30, 2021 and 2020**

**Results of Operations**

**CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
(Amounts in thousands)**

	2021	2020	2019	2021 - 2020		2020 - 2019	
				Increase (decrease)	% Change	Increase (decrease)	% Change
Operating revenues	\$ 238,003	\$ 231,107	\$ 228,662	\$ 6,896	3.0%	\$ 2,445	1.1%
Operating expenses							
Administrative and general	81,822	71,191	72,031	10,631	14.9%	(840)	-1.2%
Depreciation	47,142	45,796	47,266	1,346	2.9%	(1,470)	-3.1%
Power and pumping	32,574	35,044	35,139	(2,470)	-7.0%	(95)	-0.3%
Other operating expenses	62,562	60,688	49,563	1,874	3.1%	11,125	22.4%
Total operating expenses	224,100	212,719	203,999	11,381	5.4%	8,720	4.3%
Operating income	13,903	18,388	24,663	(4,485)	-24.4%	(6,275)	-25.4%
Nonoperating revenues (expenses)							
Interest income	7,792	7,994	7,549	(202)	-2.5%	445	5.9%
Interest expense	(9,761)	(9,261)	(9,661)	(500)	5.4%	400	-4.1%
Others, net	(9,339)	11,895	10,710	(21,234)	-178.5%	1,185	11.1%
Total nonoperating revenues (expenses)	(11,308)	10,628	8,598	(21,936)	-206.4%	2,030	23.6%
Contributions in aid of construction	15,150	27,887	12,976	(12,737)	-45.7%	14,911	114.9%
Change in net position	\$ 17,745	\$ 56,903	\$ 46,237	\$ (39,158)	-68.8%	\$ 10,666	23.1%

Operating revenues for the fiscal year ended June 30, 2021 totaled \$238 million, an increase of \$6.9 million or 3% from the fiscal year ended June 30, 2020. This was due to the increase in water consumption for the single-family residential class by \$8.1 million, and multi-family residential class by \$2.2 million in fiscal year 2021. Such increases were offset by a decrease in non-residential rate class of \$3.3 million.

Operating revenues for the fiscal year ended June 30, 2020 totaled \$231.1 million, an increase of \$2.4 million or 1.1% from the fiscal year ended June 30, 2019. This was mainly due to the increase in water consumption rates for the single family and multi-family residential customer class. Meter charges went from a flat rate to a monthly charge based on the meter size.

Total operating expenses increased by \$11.4 million in fiscal year 2021. Factors contributing to this change are explained below:

- Administrative and general increased by \$10.6 million in fiscal year 2021. The increase is due to an increase in professional services, other services, and claims.
- Power and pumping decreased by \$2.4 million in fiscal year 2021, at the total of \$32.6 million compared to \$35.0 million in fiscal year 2020.
- Other operating expenses increased by \$1.9 million during fiscal year 2021 mainly due to the increase in maintenance costs and customers' accounting and collection.



**Board of Water Supply  
City and County of Honolulu  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Fiscal Years Ended June 30, 2021 and 2020**

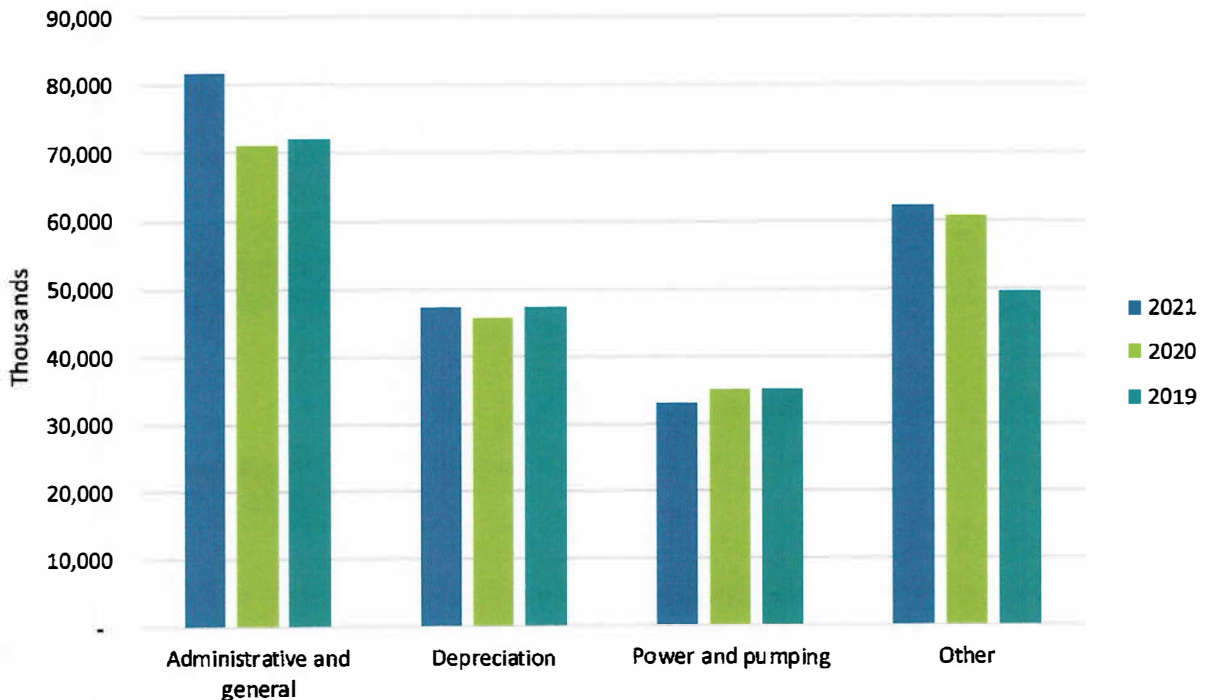
Total operating expenses increased by \$8.7 million in fiscal year 2020. Factors contributing to this change are explained below:

- Power and pumping remained relatively consistent in FY 20 at \$35.0 million compared to FY 19 at \$35.1 million. Administrative and general also remained relatively consistent in FY20 at \$71.2 million compared to last year's \$72.0 million.
- Other operating expenses increased by \$11.1 million during fiscal year 2020 mainly due to the increase in transmission and distribution, and maintenance costs.

For the fiscal year ended June 30, 2021, net nonoperating revenues (expenses) decreased by \$21.9 million. This was the result of a decrease in net realized and unrealized gain on investments by \$21.3 million.

For the fiscal year ended June 30, 2020, net nonoperating revenue increased by \$2.0 million. This was the result of an increase in interest income of \$0.4 million, an increase in net realized and unrealized gain on investments of \$1.4 million, and a decrease in interest expense of \$0.4 million.

**Expenditures by Functional Class**



Contributions in aid of construction result from Water System Facilities Charges (WSFC) that are 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 sources, transmission, and daily storage facilities. In addition, contributions of capital assets from governmental agencies, developers and customers are recorded as contributions in aid of construction at their cost. The BWS realized contributions in aid of

**Board of Water Supply  
City and County of Honolulu  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Fiscal Years Ended June 30, 2021 and 2020**

construction of \$15.1 million in fiscal year 2021 compared to \$27.9 million in fiscal year 2020. The decrease was primarily due to decreases in contributions by private developers of \$6.6 million, decreases in contributions by government of \$3.1 million, and SRF debt forgiveness of \$2.9 million that was recognized in fiscal year 2020. During the fiscal year ended June 30, 2021, the major developments were Ho'opili Development Phase 6, Backbone Roadway Improvements, Ho'opili Development Phase 2 Offsite Water Improvements, and Ho'opili Development Phase 6, Parcel 11.

The BWS realized contributions in aid of construction of \$27.9 million in fiscal year 2020 compared to \$13.0 million in fiscal year 2019. The increase was primarily due to increases in WSFC revenue of \$5.1 million, increases in contributions by private developers of \$4.4 million, and SRF debt principal forgiveness of \$2.9 million. During the fiscal year ended June 30, 2020 the major developments were Kapolei 215' Reservoir No. 2, Kapolei Business Park West Phase 1, and Honolulu Rail Transit Utility Relocation.

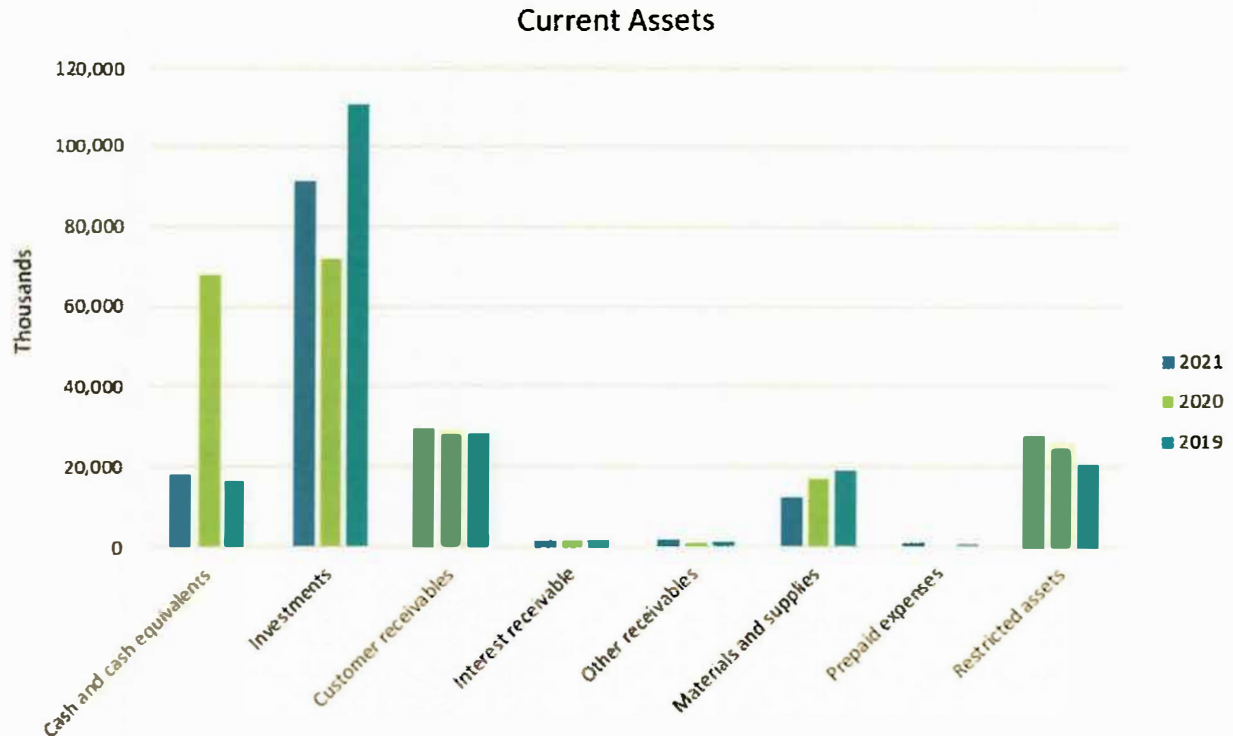
**Financial Condition**

**CONDENSED STATEMENTS OF NET POSITION  
(Amounts in thousands)**

	2021	2020	2019	2021 - 2020		2020 - 2019	
				Increase (decrease)	% Change	Increase (decrease)	% Change
Current assets	\$ 185,152	\$ 214,591	\$ 200,951	\$ (29,439)	-13.7%	\$ 13,640	6.8%
Noncurrent assets							
Capital assets, net	1,302,822	1,247,700	1,188,906	55,122	4.4%	58,794	4.9%
Investments	315,325	306,912	283,878	8,413	2.7%	23,034	8.1%
Restricted and other assets	131,485	75,769	24,351	55,716	73.5%	51,418	211.2%
Total assets	1,934,784	1,844,972	1,698,086	89,812	4.9%	146,886	8.7%
Deferred outflows of resources	59,546	48,195	53,064	11,351	23.6%	(4,869)	-9.2%
Total assets and deferred outflows of resources	\$ 1,994,330	\$ 1,893,167	\$ 1,751,150	\$ 101,163	5.3%	\$ 142,017	8.1%
Current liabilities	\$ 62,615	\$ 62,511	\$ 54,045	\$ 104	0.2%	\$ 8,466	15.7%
Noncurrent liabilities							
Bonds payable, noncurrent	316,115	267,636	213,780	48,479	18.1%	53,856	25.2%
Notes payable, noncurrent	114,474	97,966	78,163	16,508	16.9%	19,803	25.3%
Net pension liability	132,989	114,808	120,348	18,181	15.8%	(5,540)	-4.6%
Net OPEB liability	67,508	73,815	73,128	(6,307)	-8.5%	687	0.9%
Other liabilities	15,938	14,265	11,766	1,673	11.7%	2,499	21.2%
Total liabilities	709,639	631,001	551,230	78,638	12.5%	79,771	14.5%
Deferred inflows of resources	16,530	11,750	6,408	4,780	40.7%	5,342	83.4%
Net position							
Net investment in capital assets	977,271	929,869	885,600	47,402	5.1%	44,269	5.0%
Restricted for capital activity and debt service	29,405	29,005	38,677	400	1.4%	(9,672)	-25.0%
Unrestricted	261,485	291,542	269,235	(30,057)	-10.3%	22,307	8.3%
Total net position	1,268,161	1,250,416	1,193,512	17,745	1.4%	56,904	4.8%
Total liabilities, deferred inflows of resources and net position	\$ 1,994,330	\$ 1,893,167	\$ 1,751,150	\$ 101,163	5.3%	\$ 142,017	8.1%

**Board of Water Supply  
City and County of Honolulu  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Fiscal Years Ended June 30, 2021 and 2020**

The BWS's current assets were 3.0, 3.4, and 3.7 times its related current liabilities as of June 30, 2021, 2020, and 2019, respectively. The ratio decrease at June 30, 2021 was due to a decrease in cash and cash equivalents by \$49 million, offset by an increase in investments of \$21 million. The ratio decrease at June 30, 2020 was due to an increase in cash, cash equivalents, and investments that were offset by an increase in accounts and contracts payable.



Non-current restricted and other assets increased by \$55.7 million in fiscal year 2021. The increase is primarily due to the receipt of Series 2021A net bond proceeds of \$61 million during fiscal year 2021. Restricted and other assets increased by \$51.4 million in fiscal year 2020. The increase is primarily due to the receipt of Series 2020A net bond proceeds of \$65.3 million during fiscal year 2020.

Bonds payable increased by \$49.7 million as of June 30, 2021. The increase is also attributed to the issuance of Series 2021A Bonds that resulted in the receipt of net bond proceeds of \$61 million during fiscal year 2021, offset by scheduled debt service payments in fiscal year 2021. Bonds payable increased by \$54.9 million as of June 30, 2020. The increase represents the issuance of Series 2020A Bonds during fiscal year 2020.

Notes payable increased by \$17.7 million as of June 30, 2021. The increase is due to the receipt of loan proceeds for new projects utilizing financing from the state revolving fund loan program totaling \$23.5 million. Notes payable increased by \$21.4 million as of June 30, 2020. The increase is primarily due to the receipt of loan proceeds for projects utilizing financing from the state revolving fund loan program totaling \$28.6 million.

**Board of Water Supply  
City and County of Honolulu  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Fiscal Years Ended June 30, 2021 and 2020**

The net pension liability increased by \$18.1 million as of June 30, 2021, which was mainly due to an increase in the BWS's proportionate share of the collective net pension liability and unfavorable net difference between projected and actual investment earnings. The net pension liability decreased by \$5.5 million as of June 30, 2020, which was mainly due to a .09% decrease in the BWS's proportion of the net pension liability.

The net OPEB liability decreased by \$6.3 million as of June 30, 2021, which was mainly due to favorable differences between expected and actual experience. The net OPEB liability increased by \$0.6 million as of June 30, 2020, which was mainly due to differences in investment earnings and unfavorable changes in assumptions.

**Capital Assets and Long-Term Debt**

During fiscal years 2021 and 2020, the BWS capitalized \$58.8 million and \$56.8 million, respectively, to its utility plant in service. Major assets added in fiscal year 2021 were Energy Savings Performance Contract, \$8.5 million; Moiliili Water System Improvements, Part IV, \$6.2 million; Rehabilitation of Pipeline and Tunnels: Makapuu Tunnel, \$5.1 million; Lunalilo Home Road Water System Improvements, \$4.8 million; and Mililani Wells III GAC Valve Replacement and Backwash System Isolation, \$3.9 million.

During fiscal years 2020 and 2019, the BWS capitalized \$56.8 million and \$50.9 million, respectively, to its utility plant in service. Major assets added in fiscal year 2020 were Energy Savings Performance Contract, \$8.1 million; Kapolei 215' Reservoir No. 2, \$7.5 million; Kapahulu Water System Improvements, Part I, \$4.7 million; Kamehame Utility Tunnel 36" Main Rehabilitation, \$4.3 million; Kunia Wells II: Remove and Replace GAC Tank Pad Piping, \$3.8 million; and Wilhelmina Rise Water System Improvements, Part V, \$3.7 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 35.4%, 30.5%, and 25.5% as of June 30, 2021, 2020, and 2019, respectively.

All outstanding bonds have been assigned underlying ratings of AAA from S&P Global and AA+ 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 fiscal years ended June 30, 2021 and 2020.

**Board of Water Supply  
City and County of Honolulu  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Fiscal Years Ended June 30, 2021 and 2020**

**Novel Coronavirus (COVID-19)**

The unprecedented outbreak of COVID-19 caused economic and operational uncertainties for government and the private sectors in 2020. In 2021, the BWS did not see a significant overall impact to revenues. Year over year residential revenue increased from July 2020 through January 2021 and remained stable from February through July 2021. Annual residential revenues increased by \$10,378,000 or 7.3%

Non-residential revenues decreased from July 2020 through April 2021 and began increasing in May and June 2021. Annual non-residential revenues decrease by \$3,367,000 or 4.4%.

Agricultural revenues did not show a pattern related to COVID-19. Annual agricultural revenues increased by \$97,000 or 5.5%.

Total revenue increased by \$6,896,000 or 3.0%. The delinquency rate is 11.22% and 10.89% for fiscal year 2020 and 2021, respectively.

To assist with the costs incurred by COVID-19, the BWS received CARES funding of approximately \$902,000 and \$13,000 in fiscal year 2021 and 2020, respectively.

BWS has adequate working capital reserves to cover operating costs for a sustained period. In addition, because the BWS's CIP is funded 50% with cash, management can defer some capital projects and reallocate those funds to cover current operating costs.

**Request 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 requests 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  
STATEMENTS OF NET POSITION  
June 30, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 18,449,630	\$ 67,877,735
Investments	91,025,003	71,832,987
Interest receivable	2,056,296	1,866,206
Customer receivables		
Billed, less allowance for uncollectible accounts of \$5,302,918 in 2021 and \$3,794,392 in 2020	17,787,697	16,925,540
Unbilled	11,968,019	12,082,404
Other receivables, less allowances for uncollectible accounts of \$510,868 in 2021 and 2020	1,491,403	1,014,802
Materials and supplies	12,267,404	17,024,618
Prepaid expenses	1,571,502	378,034
Restricted assets		
Cash and cash equivalents	26,184,526	25,589,110
Investments	2,350,913	--
Total current assets	<u>185,152,393</u>	<u>214,591,436</u>
<b>Noncurrent assets</b>		
<b>Capital assets</b>		
Infrastructure	1,617,263,462	1,586,973,234
Building and improvements	194,281,691	189,954,834
Equipment and machinery	364,500,386	347,463,706
	2,176,045,539	2,124,391,774
Less accumulated depreciation	(1,161,124,227)	(1,118,403,479)
	1,014,921,312	1,005,988,295
Land	32,370,754	32,373,064
Construction work in progress	255,530,013	209,338,479
Net capital assets	<u>1,302,822,079</u>	<u>1,247,699,838</u>
Investments	315,325,221	306,911,972
Restricted assets		
Cash and cash equivalents	--	64,893,617
Investments	131,483,636	10,874,633
Other assets	565	612
Total noncurrent assets	<u>1,749,631,501</u>	<u>1,630,380,672</u>
Total assets	<u>1,934,783,894</u>	<u>1,844,972,108</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred loss on refunding of debt and other	15,976,326	14,780,122
Deferred outflows of resources related to pensions	28,791,640	21,818,025
Deferred outflows of resources related to OPEB	14,778,103	11,596,553
Total deferred outflows of resources	<u>59,546,069</u>	<u>48,194,700</u>
Total assets and deferred outflows of resources	<u>\$ 1,994,329,963</u>	<u>\$ 1,893,166,808</u>

See accompanying notes to financial statements.

**Board of Water Supply  
City and County of Honolulu  
STATEMENTS OF NET POSITION (Continued)  
June 30, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payable from current assets		
Accounts payable	\$ 13,329,673	\$ 16,042,971
Contracts payable, including retainages	13,007,891	13,079,867
Accrued vacation, current portion	2,664,192	2,850,143
Accrued workers' compensation, current portion	1,416,262	1,271,067
Other	3,661,588	3,677,477
Total payable from current assets	34,079,606	36,921,525
Payable from restricted assets		
Contracts payable, including retainages	5,353,804	5,138,173
Accrued interest payable	4,929,337	4,423,920
Bonds payable, current portion	11,125,000	9,910,000
Notes payable, current portion	6,937,565	5,754,780
Refundable advances	189,733	362,237
Total payable from restricted assets	28,535,439	25,589,110
Total current liabilities	62,615,045	62,510,635
<b>Noncurrent liabilities</b>		
Bonds payable, noncurrent portion	316,115,113	267,636,345
Notes payable, noncurrent portion	114,474,028	97,965,810
Net pension liability	132,989,070	114,807,821
Net OPEB liability	67,507,849	73,815,255
Accrued vacation, noncurrent portion	5,209,444	4,486,874
Accrued workers' compensation	3,659,542	3,530,561
Customer advances	652,615	2,348,616
Other	6,416,480	3,898,713
Total noncurrent liabilities	647,024,141	568,489,995
Total liabilities	709,639,186	631,000,630
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows of resources related to pensions	7,036,558	10,283,163
Deferred inflows of resources related to OPEB	9,492,810	1,467,196
Total deferred inflows of resources	16,529,368	11,750,359
<b>NET POSITION</b>		
Net investment in capital assets	977,271,400	929,869,437
Restricted for capital activity and debt service	29,404,481	29,004,758
Unrestricted	261,485,528	291,541,624
Total net position	1,268,161,409	1,250,415,819
Total liabilities, deferred inflows of resources and net position	\$ 1,994,329,963	\$ 1,893,166,808

See accompanying notes to financial statements.

**Board of Water Supply  
City and County of Honolulu  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
Fiscal Years Ended June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>OPERATING REVENUES</b>		
Water sales	\$ 235,431,118	\$ 228,467,575
Other, principally contract and service fees	<u>2,572,365</u>	<u>2,639,953</u>
Total operating revenues	<u>238,003,483</u>	<u>231,107,528</u>
<b>OPERATING EXPENSES</b>		
Administrative and general	81,821,963	71,190,600
Depreciation	47,141,796	45,796,106
Transmission and distribution	32,937,298	33,022,657
Power and pumping	32,573,830	35,044,263
Maintenance	16,624,691	14,839,903
Water reclamation	4,851,947	4,986,298
Customers' accounting and collection	4,694,915	4,154,640
Central administrative services expense fees	3,300,000	3,300,000
Source of supply	<u>153,090</u>	<u>384,146</u>
Total operating expenses	<u>224,099,530</u>	<u>212,718,613</u>
Operating income	<u>13,903,953</u>	<u>18,388,915</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	7,792,266	7,994,046
Interest expense, net of amortization of bond premiums of \$2,634,555 in 2021 and \$1,845,668 in 2020	(9,760,864)	(9,260,845)
Bond issuance costs	(556,864)	(682,715)
Loss from disposal of capital assets	(488,196)	(675,481)
Net increase (decrease) in the fair value of investments	(9,005,333)	12,327,374
Federal grant revenue	348,964	658,355
Other	<u>361,850</u>	<u>267,177</u>
Total nonoperating revenues (expenses)	<u>(11,308,177)</u>	<u>10,627,911</u>
<b>CONTRIBUTIONS IN AID OF CONSTRUCTION</b>	<u>15,149,814</u>	<u>27,886,677</u>
Change in net position	17,745,590	56,903,503
<b>NET POSITION</b>		
Beginning of year	<u>1,250,415,819</u>	<u>1,193,512,316</u>
End of year	\$ <u>1,268,161,409</u>	\$ <u>1,250,415,819</u>

See accompanying notes to financial statements.



**Board of Water Supply  
City and County of Honolulu  
STATEMENTS OF CASH FLOWS  
Fiscal Years Ended June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 235,167,222	\$ 232,215,173
Payments to suppliers for goods and services	(94,772,853)	(92,987,403)
Payments to employees for services	(66,794,242)	(60,448,018)
Net cash provided by operating activities	<u>73,600,127</u>	<u>78,779,752</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(100,507,386)	(89,728,278)
Customer payments for capital projects	8,605,695	10,329,332
Federal grants received	176,460	1,020,592
Net proceeds from bond issuance	61,004,531	65,293,753
Principal paid on bonds	(9,910,000)	(8,820,000)
Interest paid on bonds	(8,964,086)	(8,902,128)
Advanced refunding of previously issued debt	(2,175,044)	(1,083,073)
Proceeds from notes payable	23,572,671	28,543,912
Interest paid on notes payable	(1,279,268)	(957,567)
Principal paid on notes payable	(5,881,668)	(4,168,725)
Net cash used in capital and related financing activities	<u>(35,358,095)</u>	<u>(8,472,182)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(301,372,060)	(135,927,883)
Proceeds from maturity of investments	141,801,546	174,695,679
Interest on investments	7,602,176	8,110,203
Net cash provided by (used in) investing activities	<u>(151,968,338)</u>	<u>46,877,999</u>
Net increase (decrease) in cash and cash equivalents	(113,726,306)	117,185,569
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>158,360,462</u>	<u>41,174,893</u>
End of year	\$ <u>44,634,156</u>	\$ <u>158,360,462</u>
Reconciliation of cash and cash equivalents to the statement of net position		
Unrestricted	\$ 18,449,630	\$ 67,877,735
Restricted	<u>26,184,526</u>	<u>90,482,727</u>
	\$ <u>44,634,156</u>	\$ <u>158,360,462</u>

See accompanying notes to financial statements.

**Board of Water Supply  
City and County of Honolulu  
STATEMENTS OF CASH FLOWS (Continued)  
Fiscal Years Ended June 30, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>RECONCILIATION OF OPERATING INCOME</b>		
<b>TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income	\$ 13,903,953	\$ 18,388,915
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	49,215,024	47,505,377
Provision for doubtful accounts	1,772,159	1,018,275
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Customer receivables	(2,519,931)	(1,017,396)
Other receivables	(114,751)	649,832
Materials and supplies	4,757,214	2,074,415
Prepaid expenses and other	(1,193,468)	78,412
Deferred outflows of resources related to pensions	(6,973,615)	5,955,093
Deferred outflows of resources related to OPEB	(3,181,550)	(1,878,182)
Accounts and contracts payable	(2,039,600)	2,176,977
Accrued vacation	536,619	562,881
Accrued workers' compensation	274,176	952,786
Other liabilities	2,511,045	1,822,872
Net pension liability	18,181,249	(5,540,520)
Net OPEB liability	(6,307,406)	687,572
Deferred inflows of resources related to pensions	(3,246,605)	6,832,897
Deferred inflows of resources related to OPEB	8,025,614	(1,490,454)
Net cash provided by operating activities	\$ 73,600,127	\$ 78,779,752
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Changes in fair value of investments	\$ (9,520,714)	\$ 10,709,380
Contributions of capital assets from government agencies, developers and customers that are recorded as contributions in aid of construction	\$ 4,848,118	\$ 14,549,677
Capital asset additions included in contracts and accounts payable at year end	\$ 18,361,657	\$ 18,891,700
Bond proceeds deposited directly with escrow agent for refunding of previously issued debt	\$ 43,266,203	\$ 47,231,940
Bond issuance costs deducted from bond proceeds	\$ 556,864	\$ 682,715
Amortization of other costs	\$ 47	\$ 47
Amortization of bond premium, net	\$ 2,634,555	\$ 1,845,668
Amortization of deferred loss on refunding	\$ 1,646,601	\$ 1,529,163
Forgiveness of principal due on notes payable	\$ —	\$ 2,942,000

See accompanying notes to financial statements.

**Board of Water Supply  
City and County of Honolulu  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020**

**NOTE A - 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 government (the "City"). 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.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- (1) **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.
- (2) **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.
- (3) **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, valuation allowances for receivables, accrued workers' compensation, and pensions and postretirement benefits. Actual results could differ from those estimates.
- (4) **Cash and Cash Equivalents** - 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.
- (5) **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.

**Board of Water Supply  
City and County of Honolulu  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- (6) **Receivables** - Receivables are recorded at the invoiced amount and do not bear interest. The allowance for doubtful 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.
- (7) **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.
- (8) **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 provides 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.
- (9) **Capital Assets** - Capital assets include those assets in excess of \$5,000 for buildings, infrastructure, and equipment and machinery 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.

**Board of Water Supply  
City and County of Honolulu  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 charged to expense.

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

The estimated useful lives of capital assets are as follows:

Source of supply plant	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
General plant	5 to 50 years

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

- (10) ***Bond Issue Prepaid Insurance Costs, Original Issue Discount or Premium 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 statements of net position.

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

- (11) ***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 ninety 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.

**Board of Water Supply  
City and County of Honolulu  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

As of June 30, 2021 and 2020, accumulated sick leave aggregated approximately \$19,743,000 and \$19,401,000, respectively. 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.

- (12) **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 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.
- (13) **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.
- (14) **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.
- (15) **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.

**Board of Water Supply  
City and County of Honolulu  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- (16) ***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.
- (17) ***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.
- (18) ***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. 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.
- (19) ***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 or perform the investment function for the Plan.

**Board of Water Supply  
City and County of Honolulu  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- (20) **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:

<u>Policy</u>	<u>Limits (Millions)</u>	<u>Deductibles</u>
Property	\$ 60	\$ 50,000
Public entity liability	\$ 15	\$ 750,000
Excess workers' compensation	\$ 25	\$ 600,000
Employment practices	\$ 5	\$ 75,000
Storage tank liability	\$ 2	\$ 10,000
Pollution legal liability	\$ 5	\$ 250,000
Crime	\$ 5	\$ 25,000
Cyber liability	\$ 3	\$ 50,000

There have been no significant reductions in insurance coverage's from the prior fiscal year.

- (21) **New Accounting Pronouncements** - The Governmental Accounting Standards Board (the "GASB") issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Management has not yet determined the effect this Statement will have on the BWS's financial statements.

The GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an



**Board of Water Supply  
City and County of Honolulu  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. Management has not yet determined the effect this Statement will have on the BWS's financial statements.

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITA) for government end users. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. Management has not yet determined the effect this Statement will have on the BWS's financial statements.

**NOTE C - 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.

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**NOTE C - CASH AND INVESTMENTS (Continued)**

**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, 2021 and 2020 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, 2021 and 2020, 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.

The historical cost and estimated fair value of investments at June 30, 2021 and 2020 consisted of the following:

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
U. S. Treasury obligations	\$ 440,665,919	\$ 445,073,389	\$ 307,193,842	\$ 319,258,382
U. S. government agencies	<u>94,341,209</u>	<u>95,111,384</u>	<u>67,727,392</u>	<u>70,361,210</u>
	<u>\$ 535,007,128</u>	<u>\$ 540,184,773</u>	<u>\$ 374,921,234</u>	<u>\$ 389,619,592</u>

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**NOTE C - CASH AND INVESTMENTS (Continued)**

As of June 30, 2021 and 2020, the credit exposure as a percentage of total investments were as follows:

	2021		2020	
	Percent of Total	Fair Value	Percent of Total	Fair Value
U. S. Treasury obligations	82%	\$ 445,073,389	82%	\$ 319,258,382
U. S. government agencies				
Federal National Mortgage Association	7%	38,523,607	7%	26,020,686
Federal Home Loan Mortgage Corporation	2%	9,089,710	1%	3,683,028
Federal Home Loan Bank Federal Farm Credit Bank	7%	38,523,738	8%	33,346,320
	2%	8,974,329	2%	7,311,176
	<u>100%</u>	<u>\$ 540,184,773</u>	<u>100%</u>	<u>\$ 389,619,592</u>

The fair value of investments by contractual maturity at June 30, 2021 and 2020 are shown below:

	Investment Maturities (In Years) at June 30, 2021		
	Fair Value	Less Than 1	1 - 5
U. S. Treasury obligations	\$ 445,073,389	\$ 100,906,900	\$ 344,166,489
U. S. government agencies	<u>95,111,384</u>	<u>22,026,779</u>	<u>73,084,605</u>
	<u>\$ 540,184,773</u>	<u>\$ 122,933,679</u>	<u>\$ 417,251,094</u>

	Investment Maturities (In Years) at June 30, 2020		
	Fair Value	Less Than 1	1 - 5
U. S. Treasury obligations	\$ 319,258,382	\$ 56,637,691	\$ 262,620,691
U. S. government agencies	<u>70,361,210</u>	<u>17,205,051</u>	<u>53,156,159</u>
	<u>\$ 389,619,592</u>	<u>\$ 73,842,742</u>	<u>\$ 315,776,850</u>

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**NOTE D - RESTRICTED ASSETS**

At June 30, 2021 and 2020, the BWS's restricted assets were comprised of cash, cash equivalents and investments and were held for the following purposes:

	<u>2021</u>	<u>2020</u>
Construction, renewals and replacements	\$ 128,344,144	\$ 71,036,203
Debt service	<u>31,674,931</u>	<u>30,321,157</u>
	<u>\$ 160,019,075</u>	<u>\$ 101,357,360</u>

**NOTE E - 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.

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**NOTE E - FAIR VALUE MEASUREMENTS (Continued)**

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, 2021 and 2020:

	Assets at Fair Value at June 30, 2021			
	Total	Level 1	Level 2	Level 3
U. S. Treasury obligations	\$ 445,073,389	\$ 445,073,389	\$ --	\$ --
U. S. government agencies	<u>95,111,384</u>	<u>--</u>	<u>95,111,384</u>	<u>--</u>
	<u>\$ 540,184,773</u>	<u>\$ 445,073,389</u>	<u>\$ 95,111,384</u>	<u>\$ --</u>
	Assets at Fair Value at June 30, 2020			
	Total	Level 1	Level 2	Level 3
U. S. Treasury obligations	\$ 319,258,382	\$ 319,258,382	\$ --	\$ --
U. S. government agencies	<u>70,361,210</u>	<u>--</u>	<u>70,361,210</u>	<u>--</u>
	<u>\$ 389,619,592</u>	<u>\$ 319,258,382</u>	<u>\$ 70,361,210</u>	<u>\$ --</u>

**NOTE F - CAPITAL ASSETS**

Capital assets activity during the fiscal years ended June 30, 2021 and 2020 were as follows:

	Balance July 1, 2020	Additions	Transfers	Retirements	Balance June 30, 2021
Depreciable assets					
Infrastructure	\$ 1,586,973,234	\$ 4,949,460	\$ 27,058,739	\$ (1,717,971)	\$ 1,617,263,462
Building and improvements	189,954,834	258,770	4,092,417	(24,330)	194,281,691
Equipment and machinery	<u>347,463,706</u>	<u>5,305,510</u>	<u>17,175,010</u>	<u>(5,443,840)</u>	<u>364,500,386</u>
Total depreciable assets	2,124,391,774	10,513,740	48,326,166	(7,186,141)	2,176,045,539
Less accumulated depreciation	<u>(1,118,403,479)</u>	<u>(49,215,024)</u>	<u>--</u>	<u>6,494,276</u>	<u>(1,161,124,227)</u>
Total depreciable assets - net	1,005,988,295	(38,701,284)	48,326,166	(691,865)	1,014,921,312
Land	32,373,064	--	(2,310)	--	32,370,754
Construction work in progress	<u>209,338,479</u>	<u>104,245,593</u>	<u>(58,054,059)</u>	<u>--</u>	<u>255,530,013</u>
Net capital assets	<u>\$ 1,247,699,838</u>	<u>\$ 65,544,309</u>	<u>\$ (9,730,203)</u>	<u>\$ (691,865)</u>	<u>\$ 1,302,822,079</u>

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**NOTE F - CAPITAL ASSETS (Continued)**

	Balance July 1, 2019	Additions	Transfers	Retirements	Balance June 30, 2020
Depreciable assets					
Infrastructure	\$ 1,556,510,343	\$ 14,745,795	\$ 17,370,010	\$ (1,652,914)	\$ 1,586,973,234
Building and improvements	186,259,899	-	3,794,520	(99,585)	189,954,834
Equipment and machinery	328,433,517	4,703,282	16,243,633	(1,916,726)	347,463,706
Total depreciable assets	<u>2,071,203,759</u>	<u>19,449,077</u>	<u>37,408,163</u>	<u>(3,669,225)</u>	<u>2,124,391,774</u>
Less accumulated depreciation	(1,073,891,290)	(47,505,377)	-	2,993,188	(1,118,403,479)
Total depreciable assets - net	<u>997,312,469</u>	<u>(28,056,300)</u>	<u>37,408,163</u>	<u>(676,037)</u>	<u>1,005,988,295</u>
Land	32,373,064	-	-	-	32,373,064
Construction work in progress	159,220,947	99,930,235	(49,812,703)	-	209,338,479
Net capital assets	<u>\$ 1,188,906,480</u>	<u>\$ 71,873,935</u>	<u>\$ (12,404,540)</u>	<u>\$ (676,037)</u>	<u>\$ 1,247,699,838</u>

Depreciation charges allocated to various functions for the fiscal years ended June 30, 2021 and 2020 totaled \$2,073,228 and \$1,709,271, respectively.

**NOTE G - BONDS PAYABLE**

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

	<u>2021</u>	<u>2020</u>
Water System Revenue Bonds, Series 2012A, annual principal due ranging from \$6,865,000 to \$8,535,000 through July 1, 2022, with an interest rate at 5.0% per annum.	\$ 15,400,000	\$ 27,115,000
Water System Revenue Bonds, Series 2014A, annual principal due commencing from July 1, 2023, ranging from \$410,000 to \$9,205,000 through July 1, 2036, with interest ranging from 3.0% to 5.0%.	69,370,000	101,655,000
Water System Revenue Bonds, Series 2014B, annual principal due ranging from \$1,540,000 to \$2,585,000 through July 1, 2031, with interest ranging from 2.62% to 3.86%.	20,295,000	25,085,000
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%.	<u>59,105,000</u>	<u>59,105,000</u>
Balance brought forward	<u>\$ 164,170,000</u>	<u>\$ 212,960,000</u>

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**NOTE G - BONDS PAYABLE (Continued)**

	<u>2021</u>	<u>2020</u>
Balance carried forward	\$ 164,170,000	\$ 212,960,000
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 1.41% to 2.38%.	46,730,000	47,530,000
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%.	50,020,000	--
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 0.16% to 2.07%.	<u>43,515,000</u>	<u>--</u>
	304,435,000	260,490,000
Add: unamortized premium	<u>22,805,113</u>	<u>17,056,345</u>
	327,240,113	277,546,345
Less: current portion	<u>11,125,000</u>	<u>9,910,000</u>
Noncurrent portion	<u>\$ 316,115,113</u>	<u>\$ 267,636,345</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, 2021 and 2020, the total principal and interest remaining to be paid on the bonds totaled \$424,770,000 and \$359,722,000, respectively. Principal and interest paid for the current year and revenues, net of specified operating and maintenance expenses, were approximately \$18,874,000 and \$71,622,000, respectively.

The BWS's outstanding 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, 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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**NOTE G - BONDS PAYABLE (Continued)**

In March 2021, the BWS issued \$43,515,000 in Water System Revenue Bonds, Series 2021B, to advance refund \$7,395,000 of outstanding Series 2012A bonds with an interest rate of 5.0% per annum and \$32,285,000 of outstanding Series 2014A bonds with an interest rate at 5.0% per annum. The net proceeds of \$43,266,203 (after payment of \$248,797 in bond issuance costs) plus an additional \$2,178,165 in debt service reserve fund monies were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2012A bonds and Series 2014A bonds. As a result, \$7,395,000 in Series 2012A bonds and \$32,285,000 in Series 2014A bonds are considered to be defeased and the liability for those bonds have been removed from the BWS's statements of net position.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,851,972. This difference, reported in the accompanying financial statements as deferred outflows of resources, is being charged to operations through fiscal year 2031. The BWS completed the advance refunding to reduce its total debt service payments over the next 11 years by \$5,587,084 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$3,209,930.

In March 2020 the BWS issued \$47,530,000 in Water System Revenue Bonds, Series 2020B, to advance refund \$43,615,000 of outstanding Series 2012A bonds with interest ranging from 4.5% to 5.0%. The net proceeds of \$47,231,940 (after payment of \$298,060 in bond issuance costs) plus an additional \$1,078,884 of Series 2012A debt service reserve fund monies were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2012A bonds. As a result, these Series 2012A bonds are considered to be defeased and the liability for those bonds have been removed from the BWS's statements of net position.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$718,163. This difference, reported in the accompanying financial statements as deferred outflows of resources, is being charged to operations through fiscal year 2031. The BWS completed the advance refunding to reduce its total debt service payments over the next 14 years by \$7,535,785 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$5,259,514.

As of June 30, 2021 and 2020, the total amount of debt defeased for financial reporting purposes that remains outstanding was \$83,295,000 and \$43,615,000, respectively.

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.



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**NOTE G - BONDS PAYABLE (Continued)**

Debt service requirements on bonds payable at June 30, 2021 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 11,125,000	\$ 9,536,000	\$ 20,661,000
2023	12,605,000	9,679,000	22,284,000
2024	13,245,000	9,166,000	22,411,000
2025	13,690,000	8,705,000	22,395,000
2026	15,620,000	8,186,000	23,806,000
2027 - 2031	85,590,000	33,427,000	119,017,000
2032 - 2036	73,525,000	20,872,000	94,397,000
2037 - 2041	29,475,000	11,124,000	40,599,000
2042 - 2046	24,035,000	7,169,000	31,204,000
2047 - 2051	<u>25,525,000</u>	<u>2,471,000</u>	<u>27,996,000</u>
Total	<u>\$ 304,435,000</u>	<u>\$ 120,335,000</u>	<u>\$ 424,770,000</u>

**NOTE H - NOTES PAYABLE**

At June 30, 2021 and 2020, notes payable from direct borrowings consisted of the following:

	<u>2021</u>	<u>2020</u>
Notes payable to Department of Health (DOH):		
Note payable in semi-annual installments of approximately \$146,900, including interest and loan fees at 1.5% per annum, due May 2034.	\$ 3,281,560	\$ 3,525,273
Note payable in semi-annual installments of approximately \$145,900, including interest and loan fees at 1.5% per annum, due May 2034.	3,259,706	3,501,824
Note payable in semi-annual installments of approximately \$144,000, including interest and loan fees at 1.5% per annum, due November 2034.	3,321,203	3,558,475
Non-interest bearing note payable in semi-annual installments of approximately \$202,000, including loan fees at 1.0% per annum, due November 2034.	<u>4,805,509</u>	<u>5,161,473</u>
Balance brought forward	<u>\$ 14,667,978</u>	<u>\$ 15,747,045</u>

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**NOTE H - NOTES PAYABLE (Continued)**

	<u>2021</u>	<u>2020</u>
Balance carried forward	\$ 14,667,978	\$ 15,747,045
Non-interest bearing note payable in semi-annual installments of approximately \$764,900, including loan fees at 1.0% per annum, due April 2034.	17,600,607	18,954,499
Non-interest bearing note payable in semi-annual installments of approximately \$258,700, including loan fees at 1.0% per annum, due December 2037.	7,852,111	8,220,611
Non-interest bearing note payable in semi-annual installments of approximately \$865,600, including loan fees at 1.0% per annum, due February 2039.	28,453,912	26,721,419
Note payable in semi-annual installments of approximately \$148,300, including interest and loan fees at 1.5% per annum, due October 2036.	4,085,677	4,318,459
Note payable in semi-annual installments of approximately \$231,800, including interest and loan fees at 1.25% per annum, due October 2038.	7,262,355	7,631,670
Note payable in semi-annual installments of approximately \$418,500, including interest and loan fees at 1.75% per annum, due October 2039. In fiscal year 2020, principal of \$1,221,400 was forgiven by the DOH.	13,162,686	13,778,600
Note payable in semi-annual installments of approximately \$175,700, including interest and loan fees at 0.25% per annum, due April 2040. In fiscal year 2020, principal of \$1,230,600 was forgiven by the DOH.	<u>6,067,443</u>	<u>4,156,814</u>
Balance brought forward	\$ <u>99,152,769</u>	\$ <u>99,529,117</u>

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**NOTE H - NOTES PAYABLE (Continued)**

	<u>2021</u>	<u>2020</u>
Balance carried forward	\$ 99,152,769	\$ 99,529,117
Note payable in semi-annual installments of approximately \$119,500, including interest and loan fees at 2.15% per annum, due March 2039. In fiscal year 2020, principal of \$490,000 was forgiven by the DOH.	3,552,359	3,345,746
Note payable in semi-annual installments of approximately \$364,500, including interest and loan fees at 1.75% per annum, due October 2040.	12,000,000	--
Note payable in semi-annual installments of approximately \$193,400, including interest and loan fees at 2.15% per annum, due January 2040.	6,007,022	--
Notes payable to other lenders:		
Note payable in monthly installments of approximately \$15,700, including interest at 5.0%, due September 2025.	<u>699,443</u>	<u>845,727</u>
	121,411,593	103,720,590
Less current maturities	<u>6,937,565</u>	<u>5,754,780</u>
	<u>\$ 114,474,028</u>	<u>\$ 97,965,810</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 G. Proceeds from the loans were used to finance the construction of various components of the water system. As of June 30, 2021 and 2020, the total principal, interest, and loan fees remaining to be paid on the loans totaled \$136,014,000 and \$115,469,000, respectively. Principal, interest, and loan fees paid for the current year and revenues, net of specified operating and maintenance expenses, were approximately \$7,161,000 and \$71,622,000, respectively. 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 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, 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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**NOTE H - NOTES PAYABLE (Continued)**

Debt service requirements on notes payable from direct borrowings at June 30, 2021 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Loan Fee	Total
2022	\$ 6,937,000	\$ 430,000	\$ 1,175,000	\$ 8,542,000
2023	7,006,000	404,000	1,108,000	8,518,000
2024	7,078,000	376,000	1,040,000	8,494,000
2025	7,151,000	347,000	972,000	8,470,000
2026	7,076,000	317,000	902,000	8,295,000
2027-2031	36,207,000	1,252,000	3,452,000	40,911,000
2032-2036	33,323,000	685,000	1,655,000	35,663,000
2037-2041	16,634,000	167,000	320,000	17,121,000
	<u>\$ 121,412,000</u>	<u>\$ 3,978,000</u>	<u>\$ 10,624,000</u>	<u>\$ 136,014,000</u>

**NOTE I - LONG-TERM LIABILITIES**

Changes in long-term liabilities for the fiscal years ended June 30, 2021 and 2020 are as follows:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Current Portion
Bonds payable	\$ 260,490,000	\$ 93,535,000	\$ (49,590,000)	\$ 304,435,000	\$ 11,125,000
Add: unamortized premium	17,056,345	11,292,598	(5,543,830)	22,805,113	-
Total bonds payable	277,546,345	104,827,598	(55,133,830)	327,240,113	11,125,000
Notes payable	103,720,590	23,572,671	(5,881,668)	121,411,593	6,937,565
Accrued vacation	7,337,017	3,200,811	(2,664,192)	7,873,636	2,664,192
Accrued workers' compensation	4,801,628	1,367,098	(1,092,922)	5,075,804	1,416,262
Customer advances	2,348,616	9,091,860	(10,787,861)	652,615	-
Other	3,898,713	3,186,571	(668,804)	6,416,480	-
	<u>\$ 399,652,909</u>	<u>\$ 145,246,609</u>	<u>\$ (76,229,277)</u>	<u>\$ 468,670,241</u>	<u>\$ 22,143,019</u>

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**NOTE I - LONG-TERM LIABILITIES (Continued)**

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Current Portion
Bonds payable	\$ 206,290,000	\$ 106,635,000	\$ (52,435,000)	\$ 260,490,000	\$ 9,910,000
Add: unamortized premium	16,310,455	6,573,408	(5,827,518)	17,056,345	—
Total bonds payable	222,600,455	113,208,408	(58,262,518)	277,546,345	9,910,000
Notes payable	82,287,403	28,543,912	(7,110,725)	103,720,590	5,754,780
Accrued vacation	6,774,136	3,413,024	(2,850,143)	7,337,017	2,850,143
Accrued workers' compensation	3,848,842	1,835,004	(882,218)	4,801,628	1,271,067
Customer advances	2,414,284	10,660,105	(10,725,773)	2,348,616	—
Other	2,737,613	2,565,403	(1,404,303)	3,898,713	—
	<u>\$ 320,662,733</u>	<u>\$ 160,225,856</u>	<u>\$ (81,235,680)</u>	<u>\$ 399,652,909</u>	<u>\$ 19,785,990</u>

**NOTE J - NET POSITION**

The BWS's net position consisted of the following as of June 30, 2021 and 2020:

	2021	2020
<b>Net investment in capital assets</b>		
Capital assets, net	\$ 1,302,822,079	\$ 1,247,699,838
Deferred loss on refunding of debt	15,967,160	14,761,789
Less: water system revenue bonds payable	(327,240,113)	(277,546,345)
Less: notes payable	(121,411,593)	(103,720,590)
Less: contracts and accounts payable attributable to capital assets	(18,361,657)	(18,891,700)
Unspent debt proceeds	125,495,524	67,566,445
	<u>977,271,400</u>	<u>929,869,437</u>
<b>Restricted for capital activity and debt service</b>		
Restricted cash and cash equivalents	26,184,526	90,482,727
Restricted investments	133,834,549	10,874,633
Less: unspent debt proceeds	(125,495,524)	(67,566,445)
Less: accrued interest payable	(4,929,337)	(4,423,920)
Less: refundable advances	(189,733)	(362,237)
	<u>29,404,481</u>	<u>29,004,758</u>
<b>Unrestricted</b>	<u>261,485,528</u>	<u>291,541,624</u>
	<u>\$ 1,268,161,409</u>	<u>\$ 1,250,415,819</u>

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**NOTE K - LEASES**

The BWS leases space for its deep seawater cooling project on Oahu under an operating lease that extends through September 2025. The BWS also has operating leases conveying the right to use various office and information technology equipment under contracts that extend through March 2026. For the fiscal years ended June 30, 2021 and 2020, rent expense under these leases totaled \$295,000 and \$288,000, respectively.

The BWS leases certain properties to other users, primarily utility and telecommunications companies, under multi-year license agreements. The terms of these agreements range from 5 to 30 years through December 2031. The agreements are generally based on fixed annual amounts, with provisions for increases.

The future minimum rental payments and revenue from these operating leases at June 30, 2021 were as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Future Minimum Rental Payments</u>	<u>Future Minimum Rental Revenue</u>
2022	\$ (294,000)	\$ 138,000
2023	(271,000)	124,000
2024	(175,000)	104,000
2025	(168,000)	104,000
2026	(35,000)	104,000
2027-2031	--	508,000
2032-2036	--	50,000
	<u>\$ (943,000)</u>	<u>\$ 1,132,000</u>

**NOTE L - RELATED PARTY TRANSACTIONS**

The BWS has an agreement with the Department of Environmental Services, City and County of Honolulu to provide certain services relating to the billing and collection of sewer service charges. For the fiscal years ended June 30, 2021 and 2020, fees related to these services totaled \$2,668,951 and \$2,656,182, respectively.

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 it represents a reasonable charge for services necessary for the BWS to perform its duties. CASE fees totaled \$3,300,000 for each of the fiscal years ended June 30, 2021 and 2020.

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**NOTE L - RELATED PARTY TRANSACTIONS (Continued)**

As of June 30, 2021 and 2020, amounts due from the City for water charges totaled \$1,500,262 and \$1,876,582, respectively, and are included in customer receivables in the statements of net position.

The BWS has entered into several agreements with the City for joint capital projects. The BWS received \$-0- and \$1,500,000 in advances from the City during the fiscal years ended June 30, 2021 and 2020, respectively. Unexpended advanced funds totaled \$2,325,955 and \$2,513,309 as of June 30, 2021 and 2020, respectively, and are included in other liabilities in the statements of net position.

The BWS received \$13,003 and \$902,356 in Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") funds from the City in fiscal year 2021 and 2020, respectively. These funds must be used for necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019. The BWS expended \$185,507 and \$540,119 as of June 30, 2021 and 2020; unspent amounts totaling \$189,733 and \$362,237 as of June 30, 2021 and 2020, are presented as refundable advances in the statements of net position.

**NOTE M - EMPLOYEE BENEFIT PLANS**

**Pension Plan**

*Plan description.* The 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 established by Chapter 88 of the Hawaii Revised Statutes and can be amended through legislation.

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

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

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**NOTE M - EMPLOYEE BENEFIT PLANS (Continued)**

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 10 years of credited service are eligible to retire at age 62. Employees with 30 years of credited service are eligible to retire at age 55.
- *Disability Benefits* - Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 12.5% of average final compensation.
- *Death Benefits* - For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a monthly benefit of 30% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. Additional benefits are payable to surviving dependent children up to age 18. If there is no spouse/reciprocal beneficiary or dependent children, no benefit is payable.

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

Contributory Class for Employees Hired Prior to July 1, 2012

- *Retirement Benefits* - General employees' retirement benefits are determined as 2% of average final compensation multiplied by the years of credited service. General employees with five years of credited service are eligible to retire at age 55.
- *Disability Benefits* - Members are eligible for service-related disability benefits regardless of length of service and receive a one-time payment of the member's contributions and accrued interest plus a lifetime pension of 50% of their average final compensation. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined as 1.75% of average final compensation multiplied by the years of credited service but are payable immediately, without an actuarial reduction, and at a minimum of 30% of average final compensation.



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**NOTE M - EMPLOYEE BENEFIT PLANS (Continued)**

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

Ordinary death benefits are available to employees who were active at time of death with at least one year of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage of the salary earned in the 12 months preceding death, or 50% Joint and Survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least 10 years of service and designated one beneficiary, or 100% Joint and Survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Contributory Class for Employees Hired After June 30, 2012

- *Retirement Benefits* - General employees' retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with 10 years of credited service are eligible to retire at age 60.
- *Disability and Death Benefits* - Disability and benefits for contributory class members hired after June 30, 2012 are generally the same as those for contributory class members hired June 30, 2012 and prior.

Hybrid Class for Employees Hired Prior to July 1, 2012

- *Retirement Benefits* - General employees' retirement benefits are determined as 2% of average final compensation multiplied by the years of credited service. General employees with five years of credited service are eligible to retire at age 62. General employees with 30 years of credited service are eligible to retire at age 55.
- *Disability Benefits* - Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation plus refund of their contributions and accrued interest. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 25% of average final compensation.

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**NOTE M - EMPLOYEE BENEFIT PLANS (Continued)**

- *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 children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or dependent children/parents, the death benefit is payable to the designated beneficiary.

Ordinary death benefits are available to employees who were active at time of death with at least 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 10 years of service and designated one beneficiary, or 100% Joint and Survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Hybrid Class for Employees Hired After June 30, 2012

- *Retirement Benefits* - General employees' retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with 10 years of credited service are eligible to retire at age 65. Employees with 30 years of credited service are eligible to retire at age 60.
- *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 10 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 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% and 22% for the fiscal years ended June 30, 2021 and 2020, respectively. For the fiscal years ended June 30, 2021 and 2020, contributions to the pension plan from the BWS totaled \$10,642,688 and \$9,411,347, respectively.

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.

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**NOTE M - EMPLOYEE BENEFIT PLANS (Continued)**

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

At June 30, 2021 and 2020, the BWS reported a liability of \$132,989,070 and \$114,807,821, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and 2019, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The BWS's proportion of the net pension liability was based on the actual employer contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2020 and 2019, the BWS's proportion was 0.87% and 0.81%, respectively, which was a change of 0.06% and -0.09% from its proportion measured as of June 30, 2019 and 2018, respectively.

The actuarial assumptions used in the June 30, 2020 actuarial valuation are the same as those used in the prior valuation. The following changes were made to the actuarial assumptions used in the June 30, 2019 valuation:

- 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 BB.
- The rates of disability of active employees increased for all general employees and teachers, and for police and fire from duty-related reasons.
- There were minor increases in the retirement rates for members in certain groups based on age, employment group, and/or membership class.

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**NOTE M - EMPLOYEE BENEFIT PLANS (Continued)**

For the fiscal years ended June 30, 2021 and 2020, the BWS recognized pension expense of \$18,606,707 and \$16,642,432, respectively. At June 30, 2021 and 2020, the BWS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,488,024	\$ --
Changes of assumptions	3,743,080	--
Net difference between projected and actual earnings on pension plan investments	4,649,765	--
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,268,083	7,036,558
Employer contributions subsequent to the measurement date	<u>10,642,688</u>	<u>--</u>
	<u>\$ 28,791,640</u>	<u>\$ 7,036,558</u>
	June 30, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,008,709	\$ 229,779
Changes of assumptions	7,816,545	--
Net difference between projected and actual earnings on pension plan investments	--	315,151
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,581,424	9,738,233
Employer contributions subsequent to the measurement date	<u>9,411,347</u>	<u>--</u>
	<u>\$ 21,818,025</u>	<u>\$ 10,283,163</u>

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**NOTE M - EMPLOYEE BENEFIT PLANS (Continued)**

At June 30, 2021, the BWS reported \$10,642,688 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 fiscal year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2021 will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	Net Deferred Outflows
2022	\$ 3,826,250
2023	2,388,660
2024	2,055,799
2025	2,511,712
2026	329,973
	\$ 11,112,394

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

	2020	2019
Inflation	2.50%	2.50%
Investment rate of return, including inflation	7.00%	7.00%
Salary increases, including inflation		
Police and fire employees	5.00% to 7.00%	5.00% to 7.00%
General employees	3.50% to 6.50%	3.50% to 6.50%
Teachers	3.75% to 5.75%	3.75% to 5.75%

Mortality rates used in the actuarial valuation as of June 30, 2020 and 2019 were based on the following:

Active members - Multiples of the RP 2014 mortality table for active employees based on the occupation of the member.

Healthy retirees - The 2019 Public Retirees of Hawaii mortality table, generational projection using the BB projection table from the year 2019 and with multipliers based on plan and group experience.

Disabled retirees - Base table for healthy retirees' occupation, set forward five years, generational projection using the BB projection table from the year 2019. Minimum mortality rate of 3.5% for males and 2.5% for females.

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**NOTE M - EMPLOYEE BENEFIT PLANS (Continued)**

The actuarial assumptions used in the actuarial valuation as of June 30, 2020 and 2019 were based on the results of an experience study as of June 30, 2018, with most of the assumptions based on the period from July 1, 2013 through June 30, 2018.

The long-term expected rate of returns 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 allocation percentage. The target allocation and best estimates of geometric real rates of return as of June 30, 2020 and 2019 are summarized in the following tables:

Strategic Allocation (Risk-Based Classes)	June 30, 2020		
	Target Allocation	Long-Term Expected Rate of Return	Long-Term Expected Real Rate of Return *
Broad growth	63.00%	7.90%	5.70%
Diversifying strategies	37.00%	3.70%	1.50%
	<u>100.00%</u>		

\* Uses an expected inflation of 2.20%

Strategic Allocation (Risk-Based Classes)	June 30, 2019		
	Target Allocation	Long-Term Expected Rate of Return	Long-Term Expected Real Rate of Return *
Broad growth	63.00%	7.65%	5.40%
Principal protection	7.00%	3.00%	0.75%
Real return	10.00%	4.55%	2.30%
Crisis risk offset	20.00%	5.15%	2.90%
	<u>100.00%</u>		

\* Uses an expected inflation of 2.25%

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**NOTE M - EMPLOYEE BENEFIT PLANS (Continued)**

*Discount rate.* The discount rate used to measure the total pension liability at June 30, 2021 and 2020 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.

*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 fiscal years ended June 30, 2021 and 2020 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 1-percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2021		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate share of the net pension liability	\$ <u>170,790,555</u>	\$ <u>132,989,070</u>	\$ <u>101,825,319</u>
	June 30, 2020		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate share of the net pension liability	\$ <u>148,949,493</u>	\$ <u>114,807,821</u>	\$ <u>90,226,450</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, 2021 and 2020, the amounts payable to the ERS totaled \$1,425,220 and \$1,454,111, respectively, which consists of statutorily required employer contributions for the months of June 2021 and 2020, respectively, and excess pension costs required by the HRS for fiscal years 2021 and 2020, respectively.

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**NOTE M - EMPLOYEE BENEFIT PLANS (Continued)**

**Postemployment Benefits Other Than Pensions (OPEB)**

***General Information about the OPEB Plan***

*Plan description.* Chapter 87A of the Hawaii Revised Statutes (“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>.

*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, 2020 and 2019:

	2021	2020
Inactive employees or beneficiaries currently receiving benefits	578	582
Inactive employees entitled but not yet receiving benefits	55	54
Active employees	570	579
	1,203	1,215

*Contributions.* The BWS’s contribution levels are established by Chapter 87A of the HRS. For the fiscal years ended June 30, 2021 and 2020, 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 payment for past service costs to fund the unfunded actuarial accrued liability over the next thirty years. For the fiscal years ended June 30, 2021 and 2020, contributions to the OPEB plan from the BWS totaled \$8,452,000 and \$8,165,000, respectively, which resulted in an average contribution rate of approximately 19.2% and 19.9%, respectively, of covered-employee payroll.



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**NOTE M - EMPLOYEE BENEFIT PLANS (Continued)**

For employees hired before July 1, 1996, the BWS pays the entire base monthly contribution for employees retiring with 10 or more years of credited service, and 50% of the base monthly contribution for employees retiring with fewer than 10 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 10 years of service, the BWS makes no contributions. For those retiring with at least 10 years of service but fewer than 15 years of service, the BWS pays 50% of the base monthly contribution. For employees retiring with at least 15 years of service but fewer than 25 years of service, the BWS pays 75% of the base monthly contribution. For 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 less than 10 years of service, the BWS makes no contributions. For those retiring with at least 10 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. The BWS's contribution is based on the single plan base monthly contribution. Retirees can elect family coverage but must pay the difference.

***Net OPEB Liability***

The BWS's net OPEB liability as of June 30, 2021 and 2020 was measured as of July 1, 2020 and 2019, respectively, 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, 2020 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	3.50% to 7.00%, including inflation
Investment rate of return	7.00%
Healthcare cost trend rates	
PPO	Initial rate of 7.50%, declining to a rate of 4.70% after 13 years
HMO	Initial rate of 7.50%, declining to a rate of 4.70% after 13 years

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**NOTE M - EMPLOYEE BENEFIT PLANS (Continued)**

Part B & base monthly contribution	Initial rate of 5.00%, declining to a rate of 4.70% after 10 years
Dental	Initial rate of 5.00% for first year, followed by 4.00% for all future years
Vision	Initial rate of 0.00% for first year, followed by 2.50% for all future years
Life insurance	0.00%

The total OPEB liability in the July 1, 2019 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	3.50% to 7.00%, including inflation
Investment rate of return	7.00%
Healthcare cost trend rates	
PPO	Initial rate of 8.00%, declining to a rate of 4.86% after 12 years
HMO	Initial rate of 8.00%, declining to a rate of 4.86% after 12 years
Part B & base monthly contribution	Initial rate of 5.00%, declining to a rate of 4.70% after 11 years
Dental	Initial rate of 5.00% for first two years, followed by 4.00%
Vision	Initial rate of 0.00% for first two years, followed by 2.50%
Life insurance	0.00%

Mortality rates used in the actuarial valuation as of July 1, 2020 and 2019 were based on the following:

Active members - Multiples of the RP 2014 mortality table for active employees based on the occupation of the member.

Healthy retirees - The 2019 Public Retirees of Hawaii mortality table, generational projection using the BB projection table from the year 2019 and with multipliers based on plan and group experience.

**Board of Water Supply  
City and County of Honolulu  
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June 30, 2021 and 2020**

**NOTE M - EMPLOYEE BENEFIT PLANS (Continued)**

Disabled retirees - Base table for healthy retirees' occupation, set forward five years, generational projection using the BB projection table from the year 2019. 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, 2020 and 2019 were based on the results of an experience study as of June 30, 2018, with most of the assumptions based on the period from July 1, 2013 through June 30, 2018.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of July 1, 2020 and 2019 are summarized in the following table:

Asset Class	2021		2020	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Non-U.S. equity	16.00%	7.72%	17.00%	6.90%
U.S. equity	14.00%	6.23%	15.00%	5.35%
Private equity	10.00%	9.66%	10.00%	8.80%
Core real estate	10.00%	5.98%	10.00%	3.90%
Trend following	8.00%	2.12%	9.00%	3.25%
U.S. microcap	6.00%	7.85%	7.00%	7.30%
Global options	6.00%	4.65%	7.00%	4.75%
Private credit	6.00%	5.50%	6.00%	5.60%
Long treasuries	6.00%	0.86%	6.00%	2.00%
Alternate risk premia	5.00%	1.56%	5.00%	2.75%
TIPS	5.00%	0.11%	5.00%	1.20%
Reinsurance	5.00%	4.34%	0.00%	0.00%
Core bonds	3.00%	0.08%	3.00%	1.50%
	<u>100.00%</u>		<u>100.00%</u>	

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June 30, 2021 and 2020**

**NOTE M - EMPLOYEE BENEFIT PLANS (Continued)**

*Discount rate.* The discount rate used to measure the total OPEB liability at June 30, 2021 and 2020 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.

***Changes in the Net OPEB Liability***

The following schedules present the changes in the net OPEB liability for the fiscal years ended June 30, 2021 and 2020:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
<b>Balance at June 30, 2020</b>	\$ <u>161,437,724</u>	\$ <u>87,622,469</u>	\$ <u>73,815,255</u>
<b>Changes for the fiscal year:</b>			
Service cost	2,663,788	--	2,663,788
Interest on the total OPEB liability	11,182,364	--	11,182,364
Difference between expected and actual experience	(9,526,120)	--	(9,526,120)
Changes of assumptions	(822,863)	--	(822,863)
Contributions - employer	--	8,165,000	(8,165,000)
Net investment income	--	1,666,459	(1,666,459)
Benefit payments	(6,043,131)	(6,043,131)	--
Administrative expense	--	(13,407)	13,407
Other	--	(13,477)	13,477
<b>Net changes</b>	<u>(2,545,962)</u>	<u>3,761,444</u>	<u>(6,307,406)</u>
<b>Balance at June 30, 2021</b>	\$ <u>158,891,762</u>	\$ <u>91,383,913</u>	\$ <u>67,507,849</u>

The healthcare trend assumption was updated in the July 1, 2020 actuarial valuation to reflect the repeal of the "Cadillac Tax" on high-cost employer health plans, which resulted in a decrease to the total OPEB liability as of June 30, 2021.

**Board of Water Supply  
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NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020**

**NOTE M - EMPLOYEE BENEFIT PLANS (Continued)**

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
<b>Balance at June 30, 2019</b>	\$ <u>153,014,513</u>	\$ <u>79,886,830</u>	\$ <u>73,127,683</u>
<b>Changes for the fiscal year:</b>			
Service cost	2,598,017	--	2,598,017
Interest on the total OPEB liability	10,592,452	--	10,592,452
Difference between expected and actual experience	(28,736)	--	(28,736)
Changes of assumptions	1,247,028	--	1,247,028
Contributions - employer	--	7,945,000	(7,945,000)
Net investment income	--	3,430,974	(3,430,974)
Benefit payments	(5,985,550)	(5,985,550)	--
Administrative expense	--	(25,068)	25,068
Other	--	2,370,283	(2,370,283)
<b>Net changes</b>	<u>8,423,211</u>	<u>7,735,639</u>	<u>687,572</u>
<b>Balance at June 30, 2020</b>	\$ <u>161,437,724</u>	\$ <u>87,622,469</u>	\$ <u>73,815,255</u>

*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 1-percentage point lower or 1-percentage point higher than the current discount rate:

	June 30, 2021		
	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability	\$ <u>91,034,131</u>	\$ <u>67,507,849</u>	\$ <u>48,945,425</u>
	June 30, 2020		
	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability	\$ <u>98,004,905</u>	\$ <u>73,815,255</u>	\$ <u>54,701,539</u>

**Board of Water Supply  
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NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020**

**NOTE M - EMPLOYEE BENEFIT PLANS (Continued)**

*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 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:*

	June 30, 2021		
	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability	\$ <u>48,480,126</u>	\$ <u>67,507,849</u>	\$ <u>91,969,052</u>
	June 30, 2020		
	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability	\$ <u>54,216,408</u>	\$ <u>73,815,255</u>	\$ <u>98,973,632</u>

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

For the fiscal years ended June 30, 2021 and 2020, the BWS recognized OPEB expense of \$6,988,658 and \$5,483,936, respectively. At June 30, 2021 and 2020, the BWS reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	June 30, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ --	\$ 8,819,719
Changes of assumptions	1,731,095	673,091
Net difference between projected and actual earnings on OPEB plan investments	4,595,008	--
Employer contributions subsequent to the measurement date	<u>8,452,000</u>	<u>--</u>
	\$ <u>14,778,103</u>	\$ <u>9,492,810</u>

**Board of Water Supply  
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NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020**

**NOTE M - EMPLOYEE BENEFIT PLANS (Continued)**

	June 30, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ --	\$ 1,467,196
Changes of assumptions	2,375,747	--
Net difference between projected and actual earnings on OPEB plan investments	1,055,806	--
Employer contributions subsequent to the measurement date	8,165,000	--
	\$ 11,596,553	\$ 1,467,196

At June 30, 2021 the BWS reported \$8,452,000 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 fiscal year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2021 will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	Net Deferred Inflows
2022	\$ (677,009)
2023	(347,544)
2024	(308,406)
2025	(903,035)
2026	(930,713)
	\$ (3,166,707)

**NOTE N - COMMITMENTS AND CONTINGENCIES**

**Contract Commitments**

Commitments, primarily for capital improvements, approximated \$407,246,000 and \$334,971,000 as of June 30, 2021 and 2020, respectively. Such amounts are to be funded by operating revenues, contributed capital, cash and investments on hand.

**Board of Water Supply  
City and County of Honolulu  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020**

**NOTE N - COMMITMENTS AND CONTINGENCIES (Continued)**

**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.

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.

**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.

**NOTE O - COVID-19**

On March 11, 2020, the World Health Organization declared the outbreak of novel coronavirus disease (COVID-19) as a pandemic, which has led to an economic downturn on a global scale that has created significant uncertainty, volatility, and disruption across economies and financial markets. The pandemic has also resulted in federal, state, and local governments and private entities mandating various restrictions, including travel and business restrictions, temporary closures of nonessential businesses, and wide-sweeping quarantines and stay-at-home orders. While the disruption caused by COVID-19 is expected to be temporary, there is uncertainty around the duration and severity of this pandemic. The related financial impact on the BWS's financial statements cannot be reasonably determined at this time.



**REQUIRED SUPPLEMENTARY INFORMATION**

**Board of Water Supply  
City and County of Honolulu  
SCHEDULE OF PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
Last Ten Fiscal Years \***

<b>Measurement Period Ended</b>	<b>Proportion of the Net Pension Liability</b>	<b>Proportionate Share of the Net Pension Liability</b>	<b>Covered Payroll</b>	<b>Proportionate Share of the Net Pension Liability as a %age of Covered Payroll</b>	<b>Plan Fiduciary Net Position as a %age of the Total Pension Liability</b>
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%
June 30, 2013	0.78%	\$ 69,992,291	\$ 29,761,149	235%	57.96%

\* This schedule is intended to present information for ten years, as of the measurement date of the collective net pension liability for each respective fiscal year. Additional years will be built prospectively as information becomes available.

See accompanying notes to required supplementary information.

**Board of Water Supply  
City and County of Honolulu  
SCHEDULE OF CONTRIBUTIONS (PENSION)  
Last Ten Fiscal Years**

<b>Fiscal Year Ended</b>	<b>Statutorily Required Contribution</b>	<b>Contributions in Relation to Statutorily Required Contributions</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contributions as a %age of Covered Payroll</b>
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%
June 30, 2014	\$ 5,931,238	\$ 5,931,238	\$ --	\$ 32,202,276	18.4%
June 30, 2013	\$ 4,604,149	\$ 4,604,149	\$ --	\$ 29,761,149	15.5%
June 30, 2012	\$ 4,404,845	\$ 4,404,845	\$ --	\$ 29,353,916	15.0%

See accompanying notes to required supplementary information.

**Board of Water Supply  
City and County of Honolulu  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
REQUIRED BY GASB STATEMENT NO. 68  
Fiscal Years Ended June 30, 2021 and 2020**

**NOTE A - 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, 2016.

Amounts reported in the schedule of the proportionate share of the net pension liability as of the measurement period ended June 30, 2016 (fiscal year ended June 30, 2017) were significantly impacted by the following changes of actuarial assumptions:

- The investment return assumption decreased from 7.65% to 7.00%
- Mortality assumptions were modified to assume longer life expectancies as well as to reflect continuous mortality improvement

Prior to the measurement period ended June 30, 2016 (fiscal year ended June 30, 2017), there were no other factors, including the use of different assumptions that significantly affect trends reported in these schedules.

**Board of Water Supply  
City and County of Honolulu  
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY  
AND RELATED RATIOS  
Last Ten Fiscal Years \***

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB liability</b>				
Service cost	\$ 2,663,788	\$ 2,598,017	\$ 2,480,098	\$ 2,404,087
Interest on the total OPEB liability	11,182,364	10,592,452	10,129,142	9,685,512
Difference between expected and actual experience	(9,526,120)	(28,736)	(2,312,485)	-
Changes of assumptions	(822,863)	1,247,028	2,183,447	-
Benefit payments	<u>(6,043,131)</u>	<u>(5,985,550)</u>	<u>(5,855,338)</u>	<u>(5,724,727)</u>
Net change in total OPEB liability	(2,545,962)	8,423,211	6,624,864	6,364,872
<b>Total OPEB liability - Beginning</b>	<u>161,437,724</u>	<u>153,014,513</u>	<u>146,389,649</u>	<u>140,024,777</u>
<b>Total OPEB liability - Ending</b>	<u>\$ 158,891,762</u>	<u>\$ 161,437,724</u>	<u>\$ 153,014,513</u>	<u>\$ 146,389,649</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 8,165,000	\$ 7,945,000	\$ 8,855,338	\$ 11,724,727
Net investment income	1,666,459	3,430,974	5,235,037	6,029,726
Benefit payments	(6,043,131)	(5,985,550)	(5,855,338)	(5,724,727)
Administrative expense	(13,407)	(25,068)	(15,933)	(13,794)
Other	<u>(13,477)</u>	<u>2,370,283</u>	<u>--</u>	<u>78,200</u>
Net change in plan fiduciary net position	3,761,444	7,735,639	8,219,104	12,094,132
<b>Plan fiduciary net position - Beginning</b>	<u>87,622,469</u>	<u>79,886,830</u>	<u>71,667,726</u>	<u>59,573,594</u>
<b>Plan fiduciary net position - Ending</b>	<u>\$ 91,383,913</u>	<u>\$ 87,622,469</u>	<u>\$ 79,886,830</u>	<u>\$ 71,667,726</u>
<b>Net OPEB liability</b>	<u>\$ 67,507,849</u>	<u>\$ 73,815,255</u>	<u>\$ 73,127,683</u>	<u>\$ 74,721,923</u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	57.51%	54.28%	52.21%	48.96%
<b>Covered-employee payroll</b>	\$ 41,038,526	\$ 39,801,114	\$ 38,254,167	\$ 36,968,407
<b>Net OPEB Liability as a Percentage of Covered-employee payroll</b>	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 accompanying notes to required supplementary information.

**Board of Water Supply  
City and County of Honolulu  
SCHEDULE OF CONTRIBUTIONS (OPEB)  
Last Ten Fiscal Years**

<b>Fiscal Year Ended</b>	<b>Actuarially Determined Contribution</b>	<b>Contributions in Relation to the Actuarially Determined Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered-Employee Payroll</b>	<b>Contributions as a %age of Covered-Employee Payroll</b>
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%
June 30, 2014	\$ 8,977,000	\$ 11,982,667	\$ (3,005,667)	\$ 32,993,059	36.3%
June 30, 2013	\$ 8,674,000	\$ 12,732,550	\$ (4,058,550)	\$ 30,236,942	42.1%
June 30, 2012	\$ 10,750,000	\$ 10,718,550	\$ 31,450	\$ 30,013,958	35.7%

See accompanying notes to required supplementary information.

**Board of Water Supply  
City and County of Honolulu  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
REQUIRED BY GASB STATEMENT NO. 75  
Fiscal Years Ended June 30, 2021 and 2020**

**NOTE A - SIGNIFICANT METHODS AND ASSUMPTIONS**

The actuarially determined annual required contributions (“ARC”) for the fiscal year ended June 30, 2021 was developed in the July 1, 2018 valuation. The following summarizes the significant methods and assumptions used to determine the actuarially determined contribution for the fiscal year ended June 30, 2021:

Actuarial valuation date	July 1, 2018
Actuarial cost method	Entry Age Normal
Amortization method	Level percent, closed
Equivalent single amortization period	16.8 as of June 30, 2021
Asset valuation method	Smoothed
Inflation rate	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, 2015 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 10%, declining to a rate of 4.86% after 13 years
HMO	Initial rate of 10%, declining to a rate of 4.86% after 13 years
Part B	Initial rates of 4% and 5%; declining to a rate of 4.7% after 12 years
Dental	5% for the first 3 years; then 4% for all future years
Vision	0% for the first 3 years; then 2.5% for all future years
Life Insurance	0%

**Board of Water Supply  
City and County of Honolulu  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
REQUIRED BY GASB STATEMENT NO. 75 (Continued)  
Fiscal Years Ended June 30, 2021 and 2020**

**NOTE A - SIGNIFICANT METHODS AND ASSUMPTIONS (Continued)**

The actuarially determined ARC for the fiscal year ended June 30, 2020 was developed in the July 1, 2018 valuation. The following summarizes the significant methods and assumptions used to determine the actuarially determined contribution for the fiscal year ended June 30, 2020:

Actuarial valuation date	July 1, 2018
Actuarial cost method	Entry Age Normal
Amortization method	Level percent, closed
Equivalent single amortization period	17.9 as of June 30, 2020
Asset valuation method	Smoothed
Inflation rate	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, 2015 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 10%, declining to a rate of 4.86% after 13 years
HMO	Initial rate of 10%, declining to a rate of 4.86% after 13 years
Part B	Initial rates of 4% and 5%; declining to a rate of 4.7% after 12 years
Dental	5% for the first 3 years; then 4% for all future years
Vision	0% for the first 3 years; then 2.5% for all future years
Life Insurance	0%



**Board of Water Supply  
City and County of Honolulu  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
REQUIRED BY GASB STATEMENT NO. 75 (Continued)  
Fiscal Years Ended June 30, 2021 and 2020**

**NOTE A - SIGNIFICANT METHODS AND ASSUMPTIONS (Continued)**

The actuarial valuation as of July 1, 2009, which was used to develop the ARC for fiscal year 2011 and 2012, 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 contributions (OPEB).

**SUPPLEMENTARY INFORMATION**

**Board of Water Supply  
City and County of Honolulu  
SCHEDULE OF BONDS PAYABLE  
June 30, 2021**

	<u>Interest Rate</u>	<u>Bond Dated</u>	<u>Maturing Serially From</u>	<u>Call Dates (1)</u>	<u>Outstanding June 30, 2021</u>
<b>Water System Revenue Bonds</b>					
<b>Series 2012A</b>					
Insured Serial Bonds	5.000%	3/29/2012	7/1/2021	(2)	\$ 6,865,000
Insured Serial Bonds	5.000%	3/29/2012	7/1/2022	(2)	<u>8,535,000</u>
					<u>15,400,000</u>
<b>Water System Revenue Bonds</b>					
<b>Series 2014A (Non-AMT)</b>					
<b>Tax-Exempt Serial Bonds</b>					
Insured Serial Bonds	5.000%	12/9/2014	7/1/2023	(2)	5,585,000
Insured Serial Bonds	3.000%	12/9/2014	7/1/2024	(2)	410,000
Insured Serial Bonds	5.000%	12/9/2014	7/1/2024	(2)	5,455,000
Insured Serial Bonds	5.000%	12/9/2014	7/1/2025	7/1/2024	6,165,000
Insured Serial Bonds	5.000%	12/9/2014	7/1/2026	7/1/2024	6,480,000
Insured Serial Bonds	3.000%	12/9/2014	7/1/2028	(2)	930,000
Insured Serial Bonds	3.250%	12/9/2014	7/1/2031	(2)	4,470,000
Insured Serial Bonds	4.000%	12/9/2014	7/1/2032	7/1/2024	6,575,000
Insured Serial Bonds	4.000%	12/9/2014	7/1/2033	7/1/2024	6,840,000
Insured Serial Bonds	4.000%	12/9/2014	7/1/2034	7/1/2024	8,500,000
Insured Serial Bonds	4.000%	12/9/2014	7/1/2035	7/1/2024	8,755,000
Insured Serial Bonds	4.000%	12/9/2014	7/1/2036	7/1/2024	<u>9,205,000</u>
					<u>69,370,000</u>
<b>Water System Revenue Bonds</b>					
<b>Series 2014B (AMT)</b>					
<b>Taxable Serial Bonds</b>					
Insured Serial Bonds	2.619%	12/9/2014	7/1/2021	(2)	2,585,000
Insured Serial Bonds	2.755%	12/9/2014	7/1/2022	(2)	1,540,000
Insured Serial Bonds	2.915%	12/9/2014	7/1/2023	(2)	1,585,000
Insured Serial Bonds	3.135%	12/9/2014	7/1/2024	(2)	1,625,000
Insured Serial Bonds	3.285%	12/9/2014	7/1/2025	(2)	1,670,000
Insured Serial Bonds	3.385%	12/9/2014	7/1/2026	(2)	1,730,000
Insured Serial Bonds	3.485%	12/9/2014	7/1/2027	(2)	1,785,000
Insured Serial Bonds	3.585%	12/9/2014	7/1/2028	(2)	1,845,000
Insured Serial Bonds	3.685%	12/9/2014	7/1/2029	(2)	1,910,000
Insured Serial Bonds	3.760%	12/9/2014	7/1/2030	(2)	1,975,000
Insured Serial Bonds	3.860%	12/9/2014	7/1/2031	(2)	<u>2,045,000</u>
					<u>\$ 20,295,000</u>

(1) Call dates indicated are optional.

(2) Noncallable.

**Board of Water Supply  
City and County of Honolulu  
SCHEDULE OF BONDS PAYABLE (Continued)  
June 30, 2021**

	<u>Interest Rate</u>	<u>Bond Dated</u>	<u>Maturing Serially From</u>	<u>Call Dates (1)</u>	<u>Outstanding June 30, 2021</u>
<b>Water System Revenue Bonds</b>					
<b>Series 2020A (Tax Exempt)</b>					
Insured Serial Bonds	5.000%	3/25/2020	7/1/2021	(2)	\$ 1,035,000
Insured Serial Bonds	5.000%	3/25/2020	7/1/2022	(2)	1,085,000
Insured Serial Bonds	5.000%	3/25/2020	7/1/2023	(2)	1,145,000
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>\$ 59,105,000</u>

(1) Call dates indicated are optional.

(2) Noncallable.

**Board of Water Supply  
City and County of Honolulu  
SCHEDULE OF BONDS PAYABLE (Continued)  
June 30, 2021**

	<u>Interest Rate</u>	<u>Bond Dated</u>	<u>Maturing Serially From</u>	<u>Call Dates (1)</u>	<u>Outstanding June 30, 2021</u>
<b>Water System Revenue Bonds</b>					
<b>Series 2020B</b>					
<b>Taxable Serial Bonds</b>					
	1.408%	3/25/2020	7/1/2021	(2)	\$ 580,000
	1.508%	3/25/2020	7/1/2022	(2)	590,000
	1.661%	3/25/2020	7/1/2023	(2)	600,000
	1.720%	3/25/2020	7/1/2024	(2)	610,000
	1.770%	3/25/2020	7/1/2025	(2)	4,535,000
	1.933%	3/25/2020	7/1/2026	(2)	4,620,000
	1.983%	3/25/2020	7/1/2027	(2)	4,715,000
	2.027%	3/25/2020	7/1/2028	(2)	4,815,000
	2.077%	3/25/2020	7/1/2029	(2)	4,910,000
	2.127%	3/25/2020	7/1/2030	(2)	5,015,000
	2.227%	3/25/2020	7/1/2031	(2)	5,125,000
	2.327%	3/25/2020	7/1/2032	(2)	5,245,000
	2.377%	3/25/2020	7/1/2033	(2)	5,370,000
					<u>46,730,000</u>
<b>Water System Revenue Bonds</b>					
<b>Series 2021A (Tax Exempt)</b>					
	5.000%	3/25/2021	7/1/2022	(2)	855,000
	5.000%	3/25/2021	7/1/2023	(2)	900,000
	5.000%	3/25/2021	7/1/2024	(2)	945,000
	5.000%	3/25/2021	7/1/2025	(2)	995,000
	5.000%	3/25/2021	7/1/2026	(2)	1,045,000
	5.000%	3/25/2021	7/1/2027	(2)	1,100,000
	5.000%	3/25/2021	7/1/2028	(2)	1,155,000
	5.000%	3/25/2021	7/1/2029	(2)	1,215,000
	5.000%	3/25/2021	7/1/2030	(2)	1,275,000
	5.000%	3/25/2021	7/1/2031	(2)	1,340,000
	5.000%	3/25/2021	7/1/2032	7/1/2031	1,410,000
	5.000%	3/25/2021	7/1/2033	7/1/2031	1,480,000
	3.000%	3/25/2021	7/1/2034	7/1/2031	1,540,000
	4.000%	3/25/2021	7/1/2035	7/1/2031	1,595,000
	4.000%	3/25/2021	7/1/2036	7/1/2031	1,660,000
	3.000%	3/25/2021	7/1/2037	7/1/2031	1,720,000
	4.000%	3/25/2021	7/1/2038	7/1/2031	1,785,000
	4.000%	3/25/2021	7/1/2039	7/1/2031	1,855,000

(1) Call dates indicated are optional.

(2) Noncallable.

**Board of Water Supply  
City and County of Honolulu  
SCHEDULE OF BONDS PAYABLE (Continued)  
June 30, 2021**

<u>Interest Rate</u>	<u>Bond Dated</u>	<u>Maturing Serially From</u>	<u>Call Dates (1)</u>	<u>Outstanding June 30, 2021</u>
4.000%	3/25/2021	7/1/2040	7/1/2031	1,930,000
3.000%	3/25/2021	7/1/2041	7/1/2031	2,000,000
4.000%	3/25/2021	7/1/2042	7/1/2031	2,070,000
4.000%	3/25/2021	7/1/2043	7/1/2031	2,155,000
4.000%	3/25/2021	7/1/2044	7/1/2031	2,245,000
4.000%	3/25/2021	7/1/2045	7/1/2031	2,335,000
4.000%	3/25/2021	7/1/2046	7/1/2031	2,430,000
5.000%	3/25/2021	7/1/2047	7/1/2031	2,545,000
5.000%	3/25/2021	7/1/2048	7/1/2031	2,675,000
5.000%	3/25/2021	7/1/2049	7/1/2031	2,810,000
5.000%	3/25/2021	7/1/2050	7/1/2031	2,955,000
				<u>\$ 50,020,000</u>

**Water System Revenue Bonds  
Series 2021B  
Taxable Serial Bonds**

0.160%	3/25/2021	7/1/2021	(2)	\$ 60,000
0.360%	3/25/2021	7/1/2023	(2)	3,430,000
0.520%	3/25/2021	7/1/2024	(2)	3,445,000
0.950%	3/25/2021	7/1/2025	(2)	990,000
1.160%	3/25/2021	7/1/2026	(2)	1,000,000
1.450%	3/25/2021	7/1/2027	(2)	7,700,000
1.600%	3/25/2021	7/1/2028	(2)	6,890,000
1.820%	3/25/2021	7/1/2029	(2)	7,965,000
1.970%	3/25/2021	7/1/2030	(2)	8,155,000
2.070%	3/25/2021	7/1/2031	(2)	3,880,000
				<u>43,515,000</u>
				<u>\$ 304,435,000</u>

- (1) Call dates indicated are optional.  
(2) Noncallable.

**Board of Water Supply  
City and County of Honolulu  
SCHEDULE OF NET REVENUE REQUIREMENT  
Fiscal Years Ended June 30, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>REVENUES</b>		
Water sales	\$ 235,431,118	\$ 228,467,575
Interest	7,792,266	7,994,046
Other	<u>3,283,179</u>	<u>3,565,485</u>
Total revenues	<u>246,506,563</u>	<u>240,027,106</u>
<b>DEDUCTIONS</b>		
Operating expenses	224,099,530	212,718,613
Less: depreciation expense	(47,141,796)	(45,796,106)
Less: allocated depreciation charges	<u>(2,073,228)</u>	<u>(1,709,271)</u>
Total deductions	<u>174,884,506</u>	<u>165,213,236</u>
Net revenues	\$ <u>71,622,057</u>	\$ <u>74,813,870</u>
<b>NET REVENUE REQUIREMENT</b>		
Greater of:		
1) Aggregate debt service	\$ 20,460,975	\$ 18,464,913
Required deposits	<u>          --</u>	<u>          --</u>
	\$ <u>20,460,975</u>	\$ <u>18,464,913</u>
2) Aggregate debt service	\$ 20,460,975	\$ 18,464,913
Minimum required debt service ratio	x <u>1.20</u>	x <u>1.20</u>
Net revenue requirement	\$ <u>24,553,170</u>	\$ <u>22,157,896</u>
Net revenue to aggregate debt service ratio	<u>3.50</u>	<u>4.05</u>

**BOARD OF WATER SUPPLY  
CITY AND COUNTY OF HONOLULU**

**SINGLE AUDIT REPORTS**

**Fiscal Year Ended June 30, 2021**



**BOARD OF WATER SUPPLY  
CITY AND COUNTY OF HONOLULU**

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**PART I**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS**

**INDEPENDENT AUDITOR'S REPORT 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 ("BWS"), a component unit of the City and County of Honolulu, as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated November 12, 2021.

**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 may exist that have not been identified.

### **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 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*N + K CPAs, INC.*

Honolulu, Hawai'i  
November 12, 2021

**PART II**

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND  
REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE**

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;  
AND REPORT ON 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**

We have audited the Board of Water Supply’s (“BWS”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the BWS’s major federal programs for the fiscal year ended June 30, 2021. The BWS’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

**Management’s Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor’s Responsibility**

Our responsibility is to express an opinion on compliance for each of the BWS’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements

referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the BWS's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the BWS's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the BWS complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2021.

### **Report on Internal Control over Compliance**

Management of the BWS is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the BWS's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the BWS's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 the BWS as of and for the fiscal year ended June 30, 2021, and have issued our report thereon dated November 12, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 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 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 financial statements or to the 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 financial statements as a whole.

*N + K CPAs, INC.*

Honolulu, Hawai'i  
November 12, 2021



**Board of Water Supply  
City and County of Honolulu  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Fiscal Year Ended June 30, 2021**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<b>DEPARTMENT OF HOMELAND SECURITY</b>			
Hazard Mitigation Grant	97.039	N/A	\$ <u>163,457</u>
Total Department of Homeland Security			<u>163,457</u>
<b>DEPARTMENT OF THE TREASURY</b>			
Pass-through City and County of Honolulu			
Coronavirus Relief Fund	21.019	N/A	<u>185,507</u>
Total Department of the Treasury			<u>185,507</u>
<b>ENVIRONMENTAL PROTECTION AGENCY</b>			
Pass-through Department of Health, State of Hawai'i			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	ASO Log 17-118 ASO Log 21-092	3,092,505 <u>9,797,800</u>
Total Environmental Protection Agency			<u>12,890,305</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			\$ <u>13,239,269</u>

The accompanying notes are an integral part of this schedule.

**Board of Water Supply  
City and County of Honolulu  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Fiscal Year Ended June 30, 2021**

**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of BWS under programs of the federal government for the fiscal year ended June 30, 2021. The information in this Schedule 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 BWS, it is not intended to and does not present the financial position, changes in net position, or cash flows of BWS.

**NOTE B - 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.

**NOTE C - INDIRECT COST RATE**

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

**PART III**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Board of Water Supply  
City and County of Honolulu  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2021**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

yes       no

Significant deficiency(ies) identified?

yes       none reported

Noncompliance material to financial statements noted?

yes       no

**Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified?

yes       no

Significant deficiency(ies) identified?

yes       none reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes       no

Identification of major federal programs:

Assistance  
Listing Number

66.468

Name of Federal Program or Cluster

Capitalization Grants for Drinking  
Water State Revolving Funds

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as a low-risk auditee?

yes       no

**SECTION II - FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.

**PART IV**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**Board of Water Supply  
City and County of Honolulu  
Status Report  
Fiscal Year Ended June 30, 2021**

No prior audit findings which apply under the current criteria of the Uniform Guidance were noted.

ITEM FOR INFORMATION NO. 2

“February 28, 2022

FINANCIAL  
UPDATE  
FOR THE  
QUARTER  
ENDED  
DECEMBER  
31, 2021

Chair and Members  
Board of Water Supply  
City and County of Honolulu  
Honolulu, Hawaii 96843  
Chair and Members:

Subject: Financial Update for the Quarter Ended December 31, 2021

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

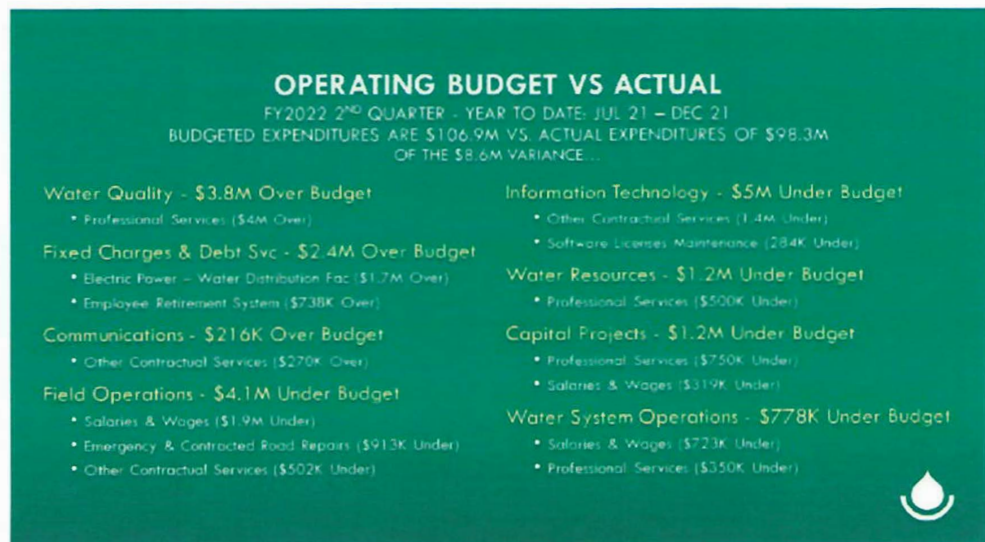
Respectfully Submitted,

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

Attachment”

The foregoing was for information only.

DISCUSSION: Joseph Cooper, Waterworks Controller, Finance Division, gave the report.  
Chair Andaya asked what is driving the utility cost to rise.



Mr. Cooper responded that the increase in utility cost is due to the rise in unit cost per kilowatt-hour (kwh). The cost per kwh has increased 40% from last year.

Chair Andaya inquired what causes debt services for retirement contributions to increase.

Mr. Cooper replied that it's caused by a timing difference and reflects an additional month of payment.

Vice Chair Kapua Sproat asked how will the BWS energy costs will be impacted since there is a conflict with Russia which is the main source of oil.

Mr. Cooper responded that there will be a direct impact on the BWS energy cost. He explained that the BWS will be doing a cost of service review this year which will factor in the all rising cost. The BWS will work together to conserve and find or generate new sources to face the upcoming concerns.

Board Member Max Sword inquired if the difference in budgeted and actual cost for personnel services is due to unfilled positions.

Mr. Cooper confirmed that the difference in budgeted and actual personnel cost is due to unfilled positions.

Chair Andaya asked if the BWS is tracking additional expenses related to Red Hill.

Mr. Cooper responded that the BWS has a separate account for Red Hill. Mr. Cooper indicated that these were mainly cost from the extra testing requirements at BWS sources.

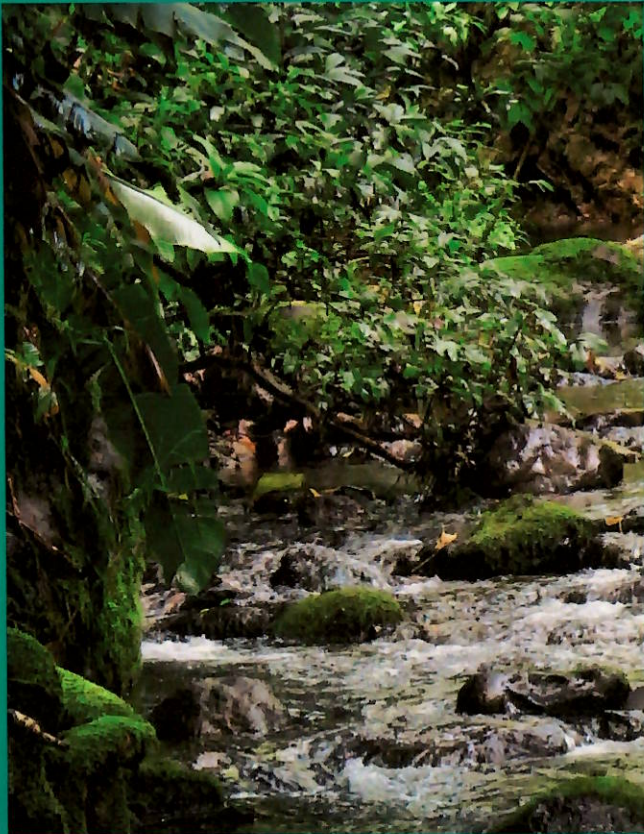
Manager Lau added that personnel cost is also being tracked relating to Red Hill. However, his salary is not.

Board Member Sword asked how much overtime has been accumulated relating to Red Hill.

Manager Lau responded that the remediating of the Red Hill crisis is just beginning, therefore over time information is still being gathered.

Chair Andaya asked if there were any further comments or questions. Hearing none he thanked Mr. Cooper for his presentation.





# FINANCIAL PERFORMANCE JULY 2021–DEC 2021

Joe Cooper  
February 28, 2021  
[boardofwatersupply.com](http://boardofwatersupply.com)



## BUDGET TO ACTUAL JULY 2021 – DEC 2021

- Actual Revenue \$133.3 million vs.
- Budgeted Revenue \$130.3 million
  
- Operating costs are \$98.6 million vs.
- Budgeted costs of \$107.0 million
  
- Actual Net Revenue \$34.7 million vs.
- Budgeted Net Revenue \$23.4 million





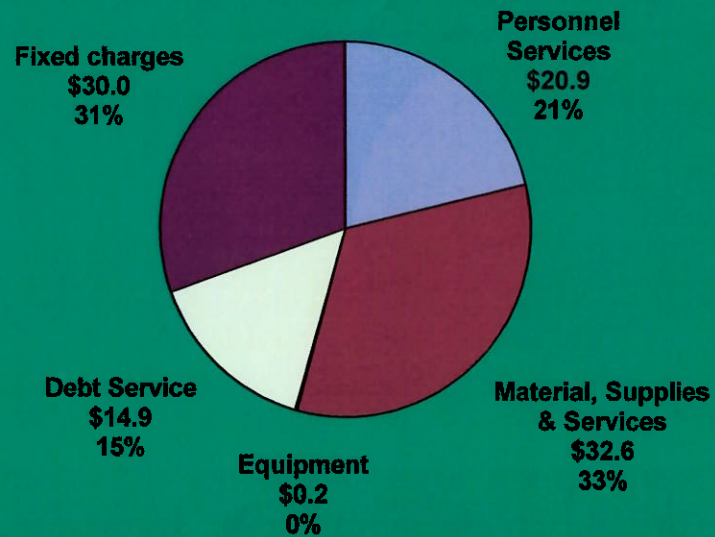
## COST DRIVERS

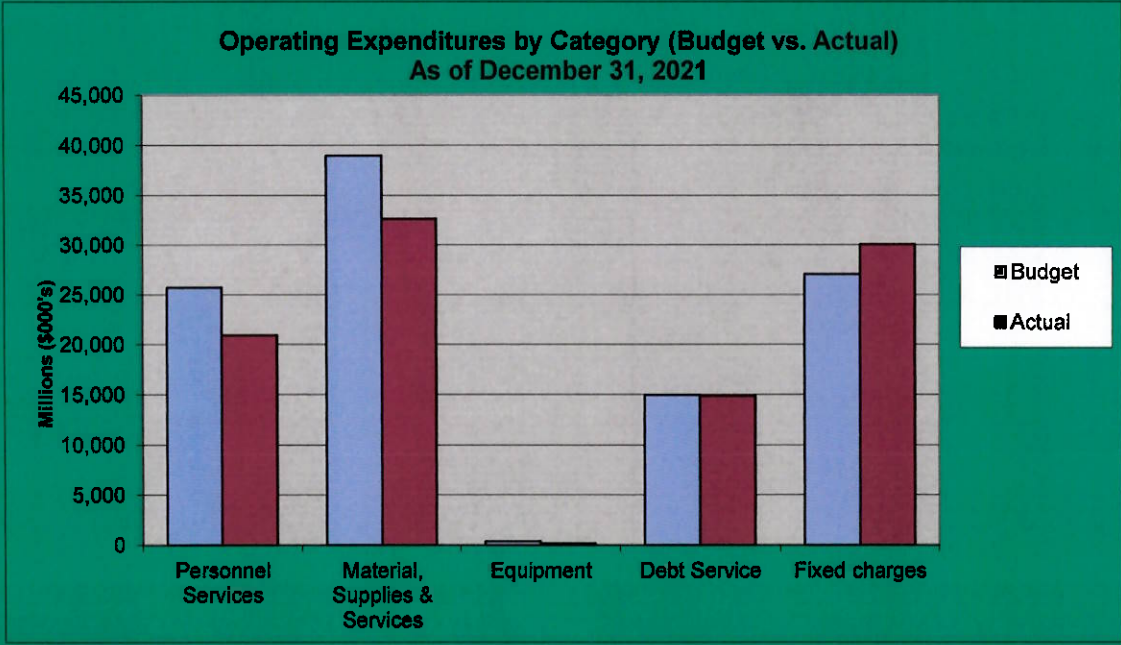
Year to Date Dec 2021

	Actual (millions)	Budget (millions)
• Personnel	\$20.9	\$25.7
• Services/Supplies	\$32.6	\$39.0
• Equipment	\$ 0.2	\$ 0.3
• Debt Service	\$14.9	\$15.0
• Utilities	\$13.4	\$11.6

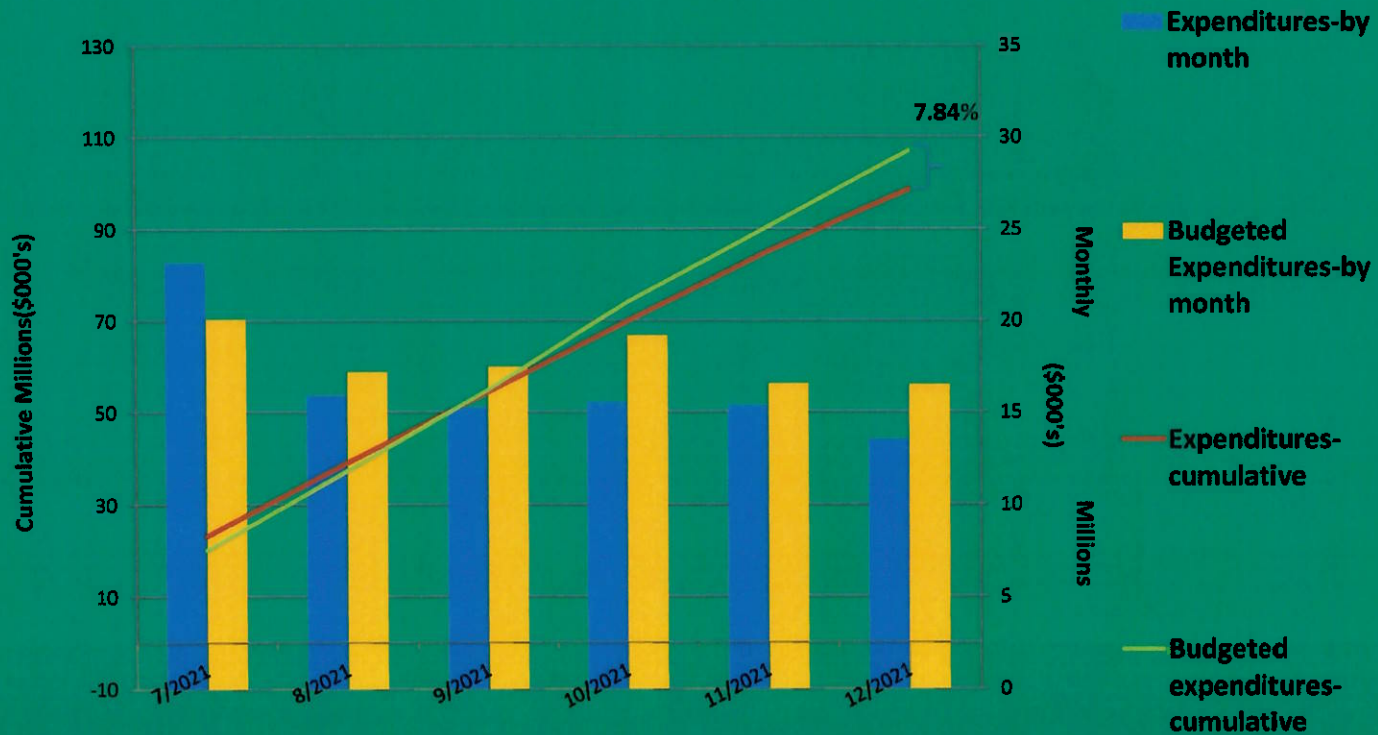


**Total Operating Expenditures - \$98.6**  
**As of December 31, 2021**  
(millions of dollars)



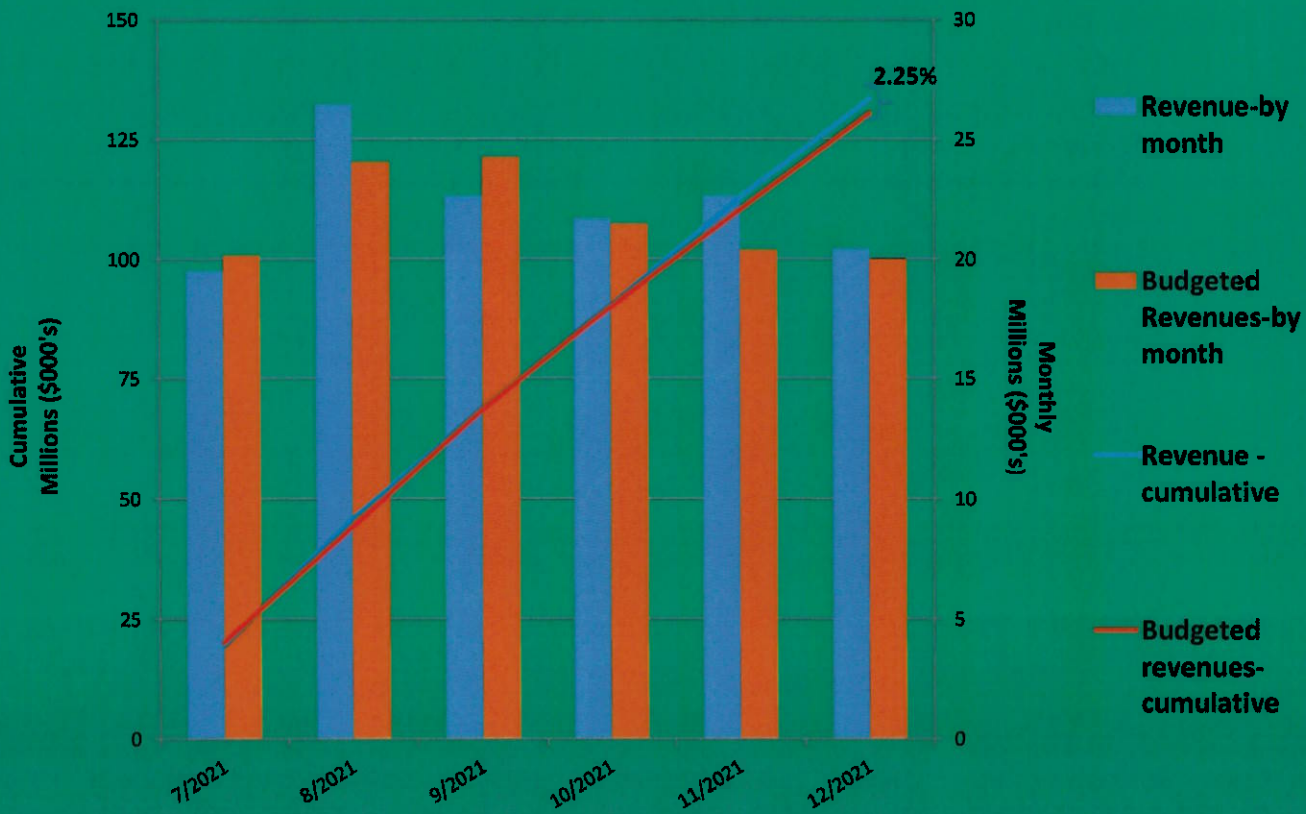


### BUDGETED OPERATING EXPENDITURES FY 2022





### BUDGETED OPERATING REVENUES FY 2022





Mahalo!

BOARD OF WATER SUPPLY

[WWW.BOARDOFWATERSUPPLY.COM](http://WWW.BOARDOFWATERSUPPLY.COM)





Budget vs. Actual  
Revenue and Expense Totals  
As of December 31, 2021

	<b>YTD Actuals</b>	<b>YTD Budget</b>	<b>Favorable/ (Unfavorable) Variance</b>
Revenues	133,250	130,317	2,933
Operating Expenses	(98,578)	(106,963)	8,385
Net Revenues (expenditures)	<u>34,672</u>	<u>23,354</u>	<u>11,318</u>

Board Of Water Supply  
Statement of Revenues, Expenses And Change In Net Assets  
As of December 31, 2021

Current Month Actual	% Revenue	Last Year Actual	% Revenue	Description	Year to Date Actual	% Revenue	Last Year to Date Actual	% Revenue	% Change
				REVENUE					
19,897,044.30	100.00	19,265,814.07	100.00	OPERATING REVENUE	130,220,955.26	100.00	126,071,713.09	100.00	3.29
19,897,044.30	100.00	19,265,814.07	100.00	REVENUE	130,220,955.26	100.00	126,071,713.09	100.00	3.29
				OPERATING EXPENSES					
3,134,150.28-	15.75	3,601,978.51-	18.70	LABOR COSTS	19,473,956.67-	14.95	20,313,184.03-	16.11	4.13-
3,740,459.10-	18.80	4,119,715.32-	21.38	SERVICES	14,866,848.31-	11.42	13,589,556.54-	10.78	9.40
506,739.24-	2.55	403,081.10-	2.09	SUPPLIES	2,406,655.90-	1.85	2,139,607.21-	1.70	12.48
337.39-		1,529.83-	.01	EDUCATION & TRAINING	9,170.95-	.01	5,871.45-		56.20
2,726,982.60-	13.71	1,812,865.77-	9.41	UTILITIES	11,440,429.66-	8.79	9,371,971.39-	7.43	22.07
108,884.84-	.55	582,968.31-	3.03	REPAIR AND MAINTENANCE	983,872.84-	.76	1,102,098.23-	.87	10.73-
1,244,562.84-	6.26	2,368,441.48-	12.29	MISC	9,279,892.72-	7.13	15,616,690.93-	12.39	40.58-
2,062,223.05-	10.36	2,088,473.03-	10.84	RETIREMENT SYSTEM CONTRIBUTIO	12,831,214.03-	9.85	11,784,940.84-	9.35	8.88
41,740.70-	.21	46,056.11	.24	MISC EMPLOYEES' BENEFITS	1,169,757.91-	.90	132,173.57-	.10	785.02
13,566,080.04-	68.18	14,932,997.24-	77.51	OPERATING EXPENSES	72,461,798.99-	55.65	74,056,094.19-	58.74	2.15-
620,393.33-	3.12	389,997.08-	2.02	NON OPERATING REVENUE AND EXPE	5,469,351.97-	4.20	4,151,636.58-	3.29	31.74
167,070.49	.84	354,238.61	1.84	CONTRIBUTION IN AID	6,158,688.91	4.73	4,912,146.78	3.90	25.38
20,644.91-	.10			LEASE	124,539.18-	.10			
4,113,027.21-	20.67	3,935,629.84-	20.43	OTHER EXPENSES	29,190,384.96-	22.42	22,453,893.46-	17.81	30.00
1,743,969.30	8.76	361,428.52	1.88	Change In Net Assets	29,133,569.07	22.37	30,322,235.64	24.05	3.92-

Board Of Water Supply  
Balance Sheet  
As of December 31, 2021

Description	***** Amounts *****			***** Change *****	
	Current	Last Month End	Last Year End	This Month	This Year
<b>ASSETS</b>					
CURRENT ASSETS	69,357,410.60	67,163,318.90	56,771,730.90	2,194,091.70	12,585,679.70
RESTRICTED ASSETS	19,502,141.85	17,362,888.96	23,656,197.45	2,139,252.89	(4,154,055.60)
INVESTMENTS	529,677,540.28	532,444,750.37	549,395,205.49	(2,767,210.09)	(19,717,665.21)
OTHER ASSETS	14,469,236.88	14,730,633.29	15,190,138.67	(261,396.41)	(720,901.79)
PROPERTY / PLANT	1,311,738,487.55	1,307,917,545.71	1,302,822,075.36	3,820,941.84	8,916,412.19
DEFERRED OUTFLOWS OF RESOURCE	14,778,103.00	14,778,103.00	14,778,103.00	-	-
DEFERRED OUTFLOWS OF RESOURCE	30,914,249.66	30,914,249.66	30,914,249.66	-	-
<b>ASSETS</b>	<b>1,990,437,169.82</b>	<b>1,985,311,489.89</b>	<b>1,993,527,700.53</b>	<b>5,125,679.93</b>	<b>(3,090,530.71)</b>
<b>LIABILITIES</b>					
CURRENT LIABILITIES	25,154,169.64	20,576,826.01	47,745,706.21	4,577,343.63	(22,591,536.57)
OTHER LIABILITIES	43,325,213.33	43,443,314.06	44,458,667.15	(118,100.73)	(1,133,453.82)
BONDS PAYABLE, NONCURRENT	404,334,646.04	405,385,062.71	414,022,196.70	(1,050,416.67)	(9,687,550.66)
LEASE LIABILITY	1,188,441.27	1,215,556.87		(27,115.60)	1,188,441.27
NET PENSION LIABILITY	132,989,070.00	132,989,070.00	132,989,070.00	-	-
NET OPEB LIABILITY	77,000,659.00	77,000,659.00	77,000,659.00	-	-
DEFERRED INFLOWS OF RESOURCES	9,150,001.00	9,150,001.00	9,150,001.00	-	-
<b>LIABILITIES</b>	<b>693,142,200.28</b>	<b>689,760,489.65</b>	<b>725,366,300.06</b>	<b>3,381,710.63</b>	<b>(32,224,099.78)</b>
<b>NET ASSETS</b>					
RETAINED EARNINGS	287,971,941.53	283,804,269.21	247,919,574.75	-	-
FUND BALANCE	594,633,831.66	594,633,831.66	594,633,831.66	-	-
RESERVE FOR ENCUMBRANCES	385,555,627.28	389,723,299.60	425,607,994.06	-	-
CURRENT YEAR CHANGES TO FU	29,133,569.07	27,389,599.77		1,743,969.30	29,133,569.07
<b>NET ASSETS</b>	<b>1,297,294,969.54</b>	<b>1,295,551,000.24</b>	<b>1,268,161,400.47</b>	<b>1,743,969.30</b>	<b>29,133,569.07</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>1,990,437,169.82</b>	<b>1,985,311,489.89</b>	<b>1,993,527,700.53</b>	<b>5,125,679.93</b>	<b>(3,090,530.71)</b>

Budget vs Actual Appropriation Budget - Total BWS Summary

(\$000's)

CIFIS 22820-3021

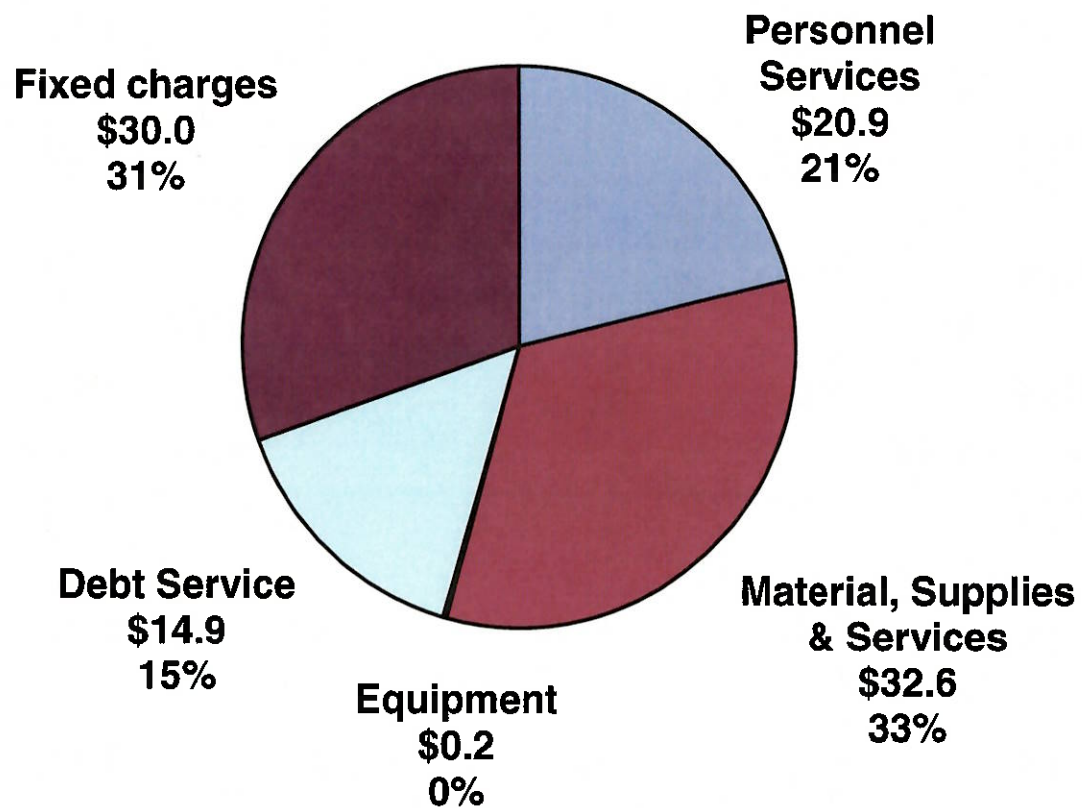
AS OF 12/31/2021

OPER UNIT ALL

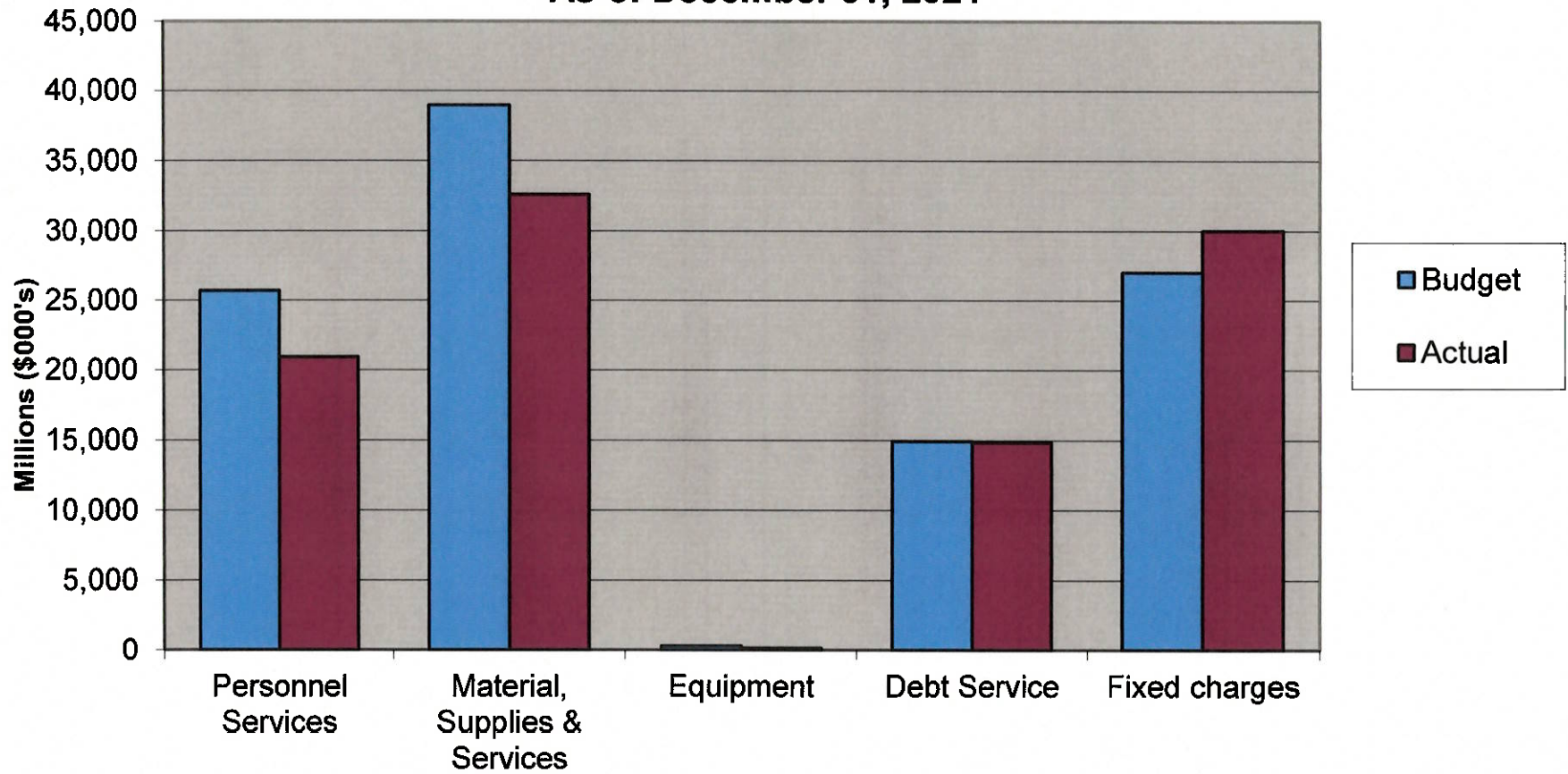
BUSINESS UNIT ALL

YTD-TO-DATE				FOR THE FISCAL YEAR					
YTD Actuals	YTD Budget	Avail/ (Over)	%	Object Description	Revenues/ Expend	Open Encumb	Annual Budget	Avail/ (Over)	%
<u>133,250</u>	<u>130,317</u>	<u>(2,933)</u>	<u>2.25-</u>	<u>REVENUE</u>	<u>133,250</u>		<u>248,848</u>	<u>115,598</u>	<u>46.45</u>
				<b>OPERATING EXPENSES:</b>					
20,911	25,686	4,775	18.59	Personnel Services	20,911		51,486	30,575	59.39
				<b>MATERIALS AND SUPPLIES</b>					
17,961	23,339	5,378	23.04	Services	6,702	11,259	44,086	26,125	59.26
7,045	6,762	(283)	4.19-	Supplies	3,641	3,404	14,428	7,383	51.17
16	235	219	93.19	Education & Training	16		474	458	96.62
	1	1	100.00	Utilities			2	2	100.00
1,219	1,307	88	6.73	Repairs & Maint	889	330	2,571	1,352	52.59
6,376	7,314	938	12.82	Misc	5,966	410	13,775	7,399	53.71
157	331	174	52.57	Equipment	14	143	4,601	4,444	96.59
14,867	14,956	89	.60	Debt Service	14,867		29,588	14,721	49.75
				<b>FIXED CHARGES:</b>					
13,380	11,610	(1,770)	15.25-	Utilities	13,380		23,220	9,840	42.38
1,650	1,650			Case Fees	1,650		3,300	1,650	50.00
7,736	7,100	(636)	8.96-	Retirement System Contribution	7,736		14,200	6,464	45.52
7,260	6,672	(588)	8.81-	Misc Employees' Benefits	6,828	432	13,411	6,151	45.87
<u>98,578</u>	<u>106,963</u>	<u>8,385</u>	<u>7.84</u>	<b>TOTAL OPERATING EXPENDITURES</b>	<u>82,600</u>	<u>15,978</u>	<u>215,142</u>	<u>116,564</u>	<u>54.18</u>
<u>34,672</u>	<u>23,354</u>	<u>(11,318)</u>		<b>NET REVENUES (EXPENDITURES)</b>	<u>50,650</u>	<u>(15,978)</u>	<u>33,706</u>	<u>(966)</u>	

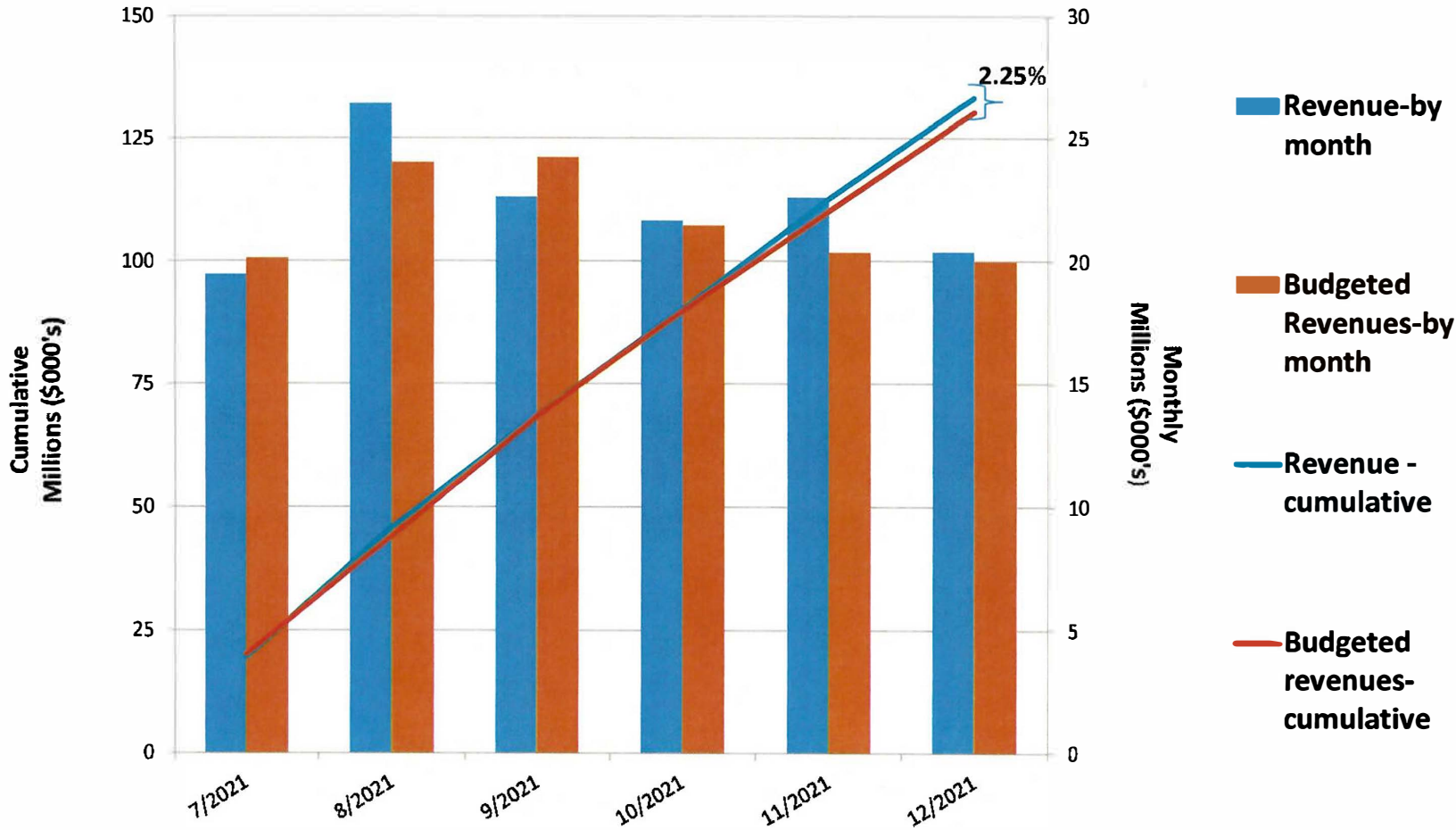
**Total Operating Expenditures - \$98.6**  
**As of December 31, 2021**  
(millions of dollars)



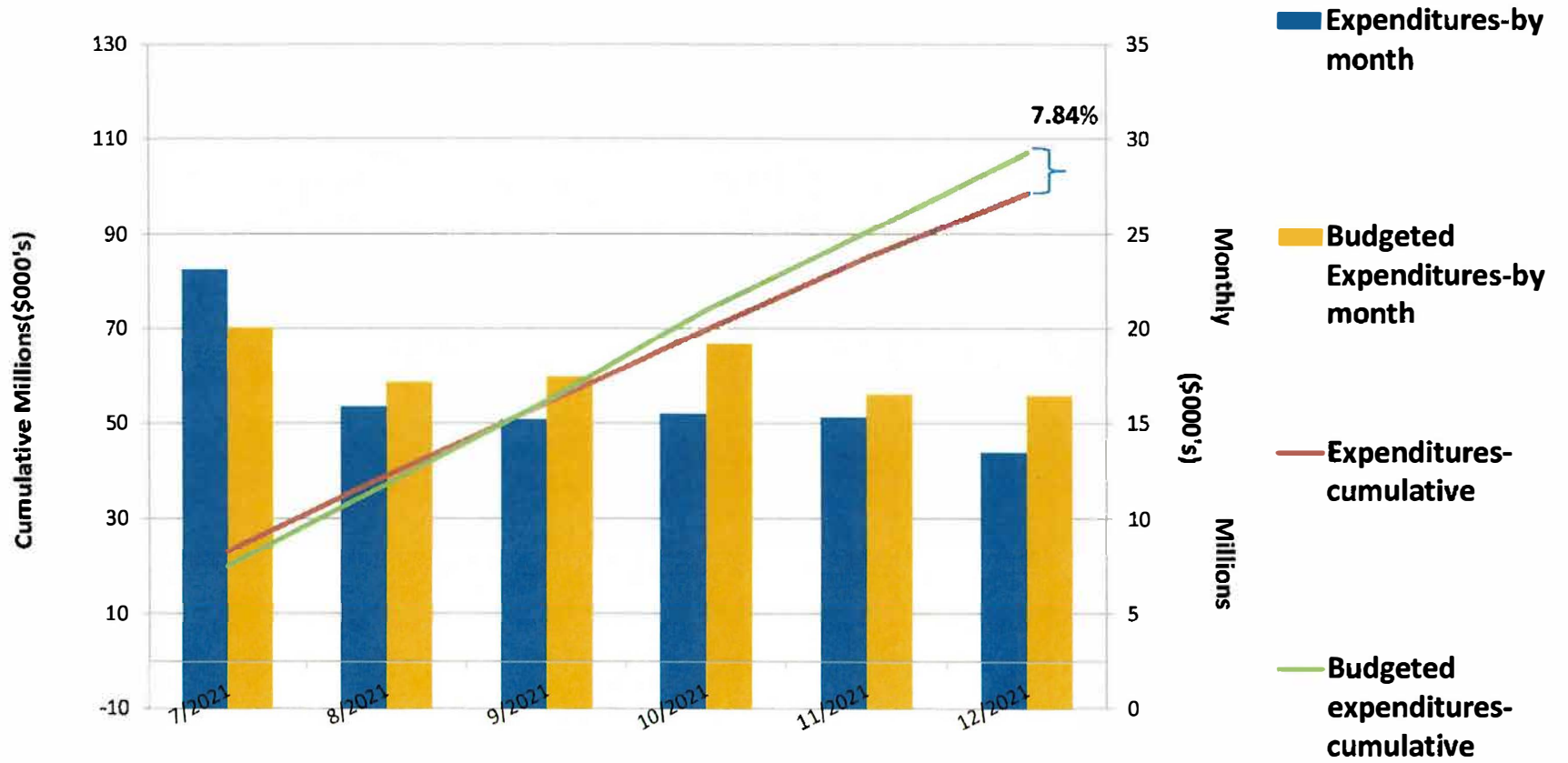
### Operating Expenditures by Category (Budget vs. Actual) As of December 31, 2021



### BUDGETED OPERATING REVENUES FY 2022



### BUDGETED OPERATING EXPENDITURES FY 2022





ITEM FOR INFORMATION NO. 3

"February 28, 2022

CAPITAL  
IMPROVEMENT  
PROGRAM  
QUARTERLY  
UPDATE

Chair and Members  
Board of Water Supply  
City and County of Honolulu  
Honolulu, Hawaii 96843

Chair and Members:

Subject: Capital Improvement Program Quarterly Update

Jason Takaki, Program Administrator, Capital Projects Division, will provide an update on the Capital Improvement Program.

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

Attachment"

The foregoing was for information only.

**DISCUSSION:**

Jason Takaki, Program Administrator, Capital Projects Division, gave the report.

Board Member Anthony asked, to understand the effects of the staff shortages, how many projects would one engineer be involved in as projects proceed.

Mr. Jason Takaki responded that one engineer can be involved in up to 30 project contracts in various stages, including projects that are in the construction phase, but which may or may not have started physical construction. He stated that the Capital Projects (CP) staff work very hard to support one another and complete projects.

Board Member Soon inquired if there are any concerns in meeting the CIP budget since most projects are awarded in the back half of the fiscal year.

Mr. Takaki replied that the CP Division is committed to awarding all of the Division's projects. He explained that this fiscal year has been challenging with a number of bid protests and contract award protests from last year. The BWS is working through to ensure the BWS does not face the same exposures in the current fiscal year. However, all CP projects are on schedule and will begin advertising contracts.

Board Member Soon asked how much of the CIP budget does not belong to the CP Division.

Mr. Takaki responded that \$30M of the \$150,575,000 CIP budget belongs to other Divisions projects.

Mr. Takaki shared that some of the BWS's concerns are the shortages in materials, shipping delays, and inflation, which can increase the cost for the CIP projects. However, the BWS is doing its best to move all projects forward. The BWS each year budgets additional funds in the construction cost index account to cover overages if bids are higher than the budgeted amount.

Chair Andaya inquired if the cost index is calculated with an algorithm or some other measure of the relative cost of construction.

Mr. Takaki replied that the cost index is a percentage of that fiscal year's construction budget.

Chair Andaya asked if there were any further comments or questions. Hearing none, he thanked Mr. Takaki for his presentation.

Quarterly Capital Improvement Program Status Report  
All Divisions  
as of December 31, 2021

Quarter Awarded	JUL - SEP		OCT - DEC		JAN - MAR		APR - JUN		Awarded to Date	Total Budgeted
Design Contracts Awarded (#/\$)	0	\$0.00	0	\$0.00	0	\$0.00	0	\$0.00	\$0.00	\$23,215,000.00
Construction Contracts Awarded (#/\$)	3	790,781.00	8	2,388,313.00	0	0.00	0	0.00	3,179,094.00	127,260,000.00
Land Purchases (#/\$)	0	0.00	0	0.00	0	0.00	0	0.00	0.00	100,000.00
<b>Project Totals</b>	<b>3</b>	<b>\$790,781.00</b>	<b>8</b>	<b>\$2,388,313.00</b>	<b>0</b>	<b>\$0.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$3,179,094.00</b>	<b>\$150,575,000.00</b>

Quarter Completed	JUL - SEP		OCT - DEC		JAN - MAR		APR - JUN		Totals
Design Contracts Completed (#/\$)	0	\$0.00	13	\$5,096,880.70	0	\$0.00	0	\$0.00	\$5,096,880.70
Construction Contracts Completed (#/\$)	0	0.00	3	2,345,245.00	0	0.00	0	0.00	2,345,245.00
<b>Totals</b>	<b>0</b>	<b>\$0.00</b>	<b>16</b>	<b>\$7,442,125.70</b>	<b>0</b>	<b>\$0.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$7,442,125.70</b>

Ongoing Projects	
Ongoing Design Projects (#)	247
Ongoing Design Projects (\$)	\$110,090,357.44
Ongoing Construction Projects (#)	166
Ongoing Construction Projects (\$)	\$366,203,175.25

Quarterly Capital Improvement Program Status Report  
All Divisions

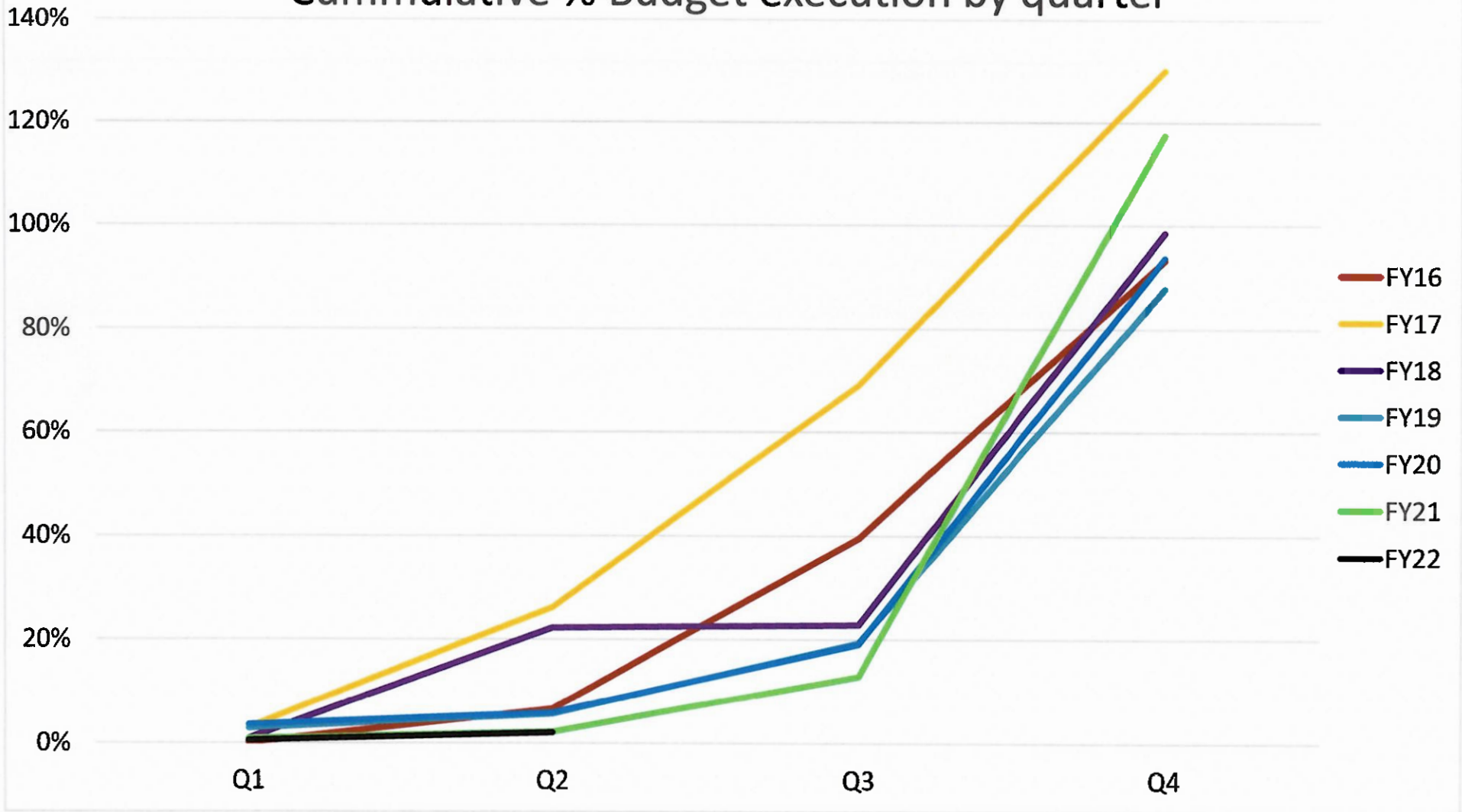
**DESIGN AND CONSTRUCTION PROJECTS AWARDED - SECOND QUARTER FY 2022**

Item #	Project Title	Expend Type	Budget Amount	Awarded
22-010E	HECO Waiiau Wells: Replacement of Pump No. 1B & No. 2B	CONST	\$190,578.00	\$190,578.00
22-010J	Kalihi High Service Booster Pump No. 1	CONST	278,634.00	278,634.00
22-010M	Kalauao Wells Pump No. 2 and No. 4	CONST	69,000.00	69,000.00
22-010K	Honouliuli Wells II Pump No. 4 Brush/Bail and Assessment	CONST	92,796.00	92,796.00
22-010N	Waimanalo Wells II: Replacement of Pumping Unit	CONST	337,345.00	337,345.00
22-010G	Punaluu Wells III Replacement of Pump No. 1	CONST	216,615.00	216,615.00
22-010Q	Kalauao Wells Replacement of Pump No. 1	CONST	266,345.00	266,345.00
22-010T	Wahiawa Wells I Pump No. 1	CONST	937,000.00	937,000.00
<b>2nd Quarter totals</b>			<b>\$1,757,305.00</b>	<b>\$2,388,313.00</b>

**DESIGN AND CONSTRUCTION PROJECTS COMPLETED - SECOND QUARTER FY 2022**

Job #	Project Title	Completion Date	Contract Amount
2000-024	Kamehameha Highway - Haleiwa Water System Improvements - Part I	11/18/2021	\$427,541.00
2000-025	Kamehameha Highway - Haleiwa Water System Improvements - Part II	10/18/2021	446,373.00
2001-076	Facilities Repair - Drainage Improvements Study for Kunia 655' Reservoir and Kahuku 228' Reservoir	10/18/2021	49,040.00
2005-041D	Hui Uili Street: 12-Inch, 8-Inch, and 4-Inch Mains	11/30/2021	20,300.00
2005-054B	Kalihi-Beretania Environmental Assessment for a 24-Inch Water Main	10/28/2021	103,300.00
2004-033J	Wilhelmina Rise Water System Improvements, Part III	10/18/2021	636,273.00
2011-030D	NPDES Permits for BWS Projects at Various Locations	10/11/2021	132,247.00
2011-033	Halawa Wells GAC System	10/11/2021	242,425.00
2012-040A	Archaeological Services for the Hahaione Water System Improvements Project	10/18/2021	103,240.00
14-008	Nuuanu Booster II: Repair of Pumping Unit	11/08/2021	477,845.00
2015-055E	Reroofing of Various Pump Buildings	11/10/2021	289,912.00
2017-031	Lunalilo Home Road Water System Improvements	11/30/2021	582,686.70
2018-055B	Archaeological and Cultural Monitoring for the Diamond Head Water System Improvements, Part II	10/18/2021	100,305.00
2019-066	Beretania Complex Office Building and Parking Structure	10/18/2021	1,963,238.00
20-020	Waihee Road Water System Improvements	11/09/2021	419,700.00
20-023	Service Lateral Replacement at Various Locations - Service Lateral Replacements in Waipio & Waikele	12/02/2021	1,447,700.00
<b>2nd Quarter totals</b>			<b>\$7,442,125.70</b>

# Cumulative % Budget execution by quarter



ITEM FOR INFORMATION NO. 4

"February 28, 2022

STATUS  
UPDATE OF  
GROUNDWATER  
LEVELS AT  
ALL INDEX  
STATIONS

Chair and Members  
Board of Water Supply  
City and County of Honolulu  
Honolulu, Hawaii 96843

Chair and Members:

Subject: Status Update of Groundwater Levels at All Index Stations

There were three aquifer index stations in low groundwater condition for the production month of January 2022. Kaimuki, Punaluu, and Waialua are in Caution Status. The monthly production average for January 2022 was 123.75 million gallons per day.

The Board of Water Supply rainfall index for the month of January 2022 was 107 percent of normal, with a 5-month moving average of 120 percent. As of February 1, 2022, the Hawaii Drought Monitor shows abnormally dry conditions throughout the island of Oahu. The National Weather Service (NWS) is forecasting above-normal precipitation for February 2022. In addition, due to the present La Nina conditions, NWS is forecasting enhanced probabilities for above-normal precipitation through the winter months and into Spring 2022.

Most monitoring wells exhibited stable head levels for the month, likely due to decreased pumping during the winter season. Average monthly Production for January 2022 was lower than the previous year and 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.

Vice Chair Sproat expressed her concerns about the dry groundwater conditions due to the lack of rain the past couple of months. She inquired if any groundwater calculations have been determined for the summer. Vice Chair also asked since Halawa Shaft has been offline how is it affecting the head levels.

Mr. Barry Usagawa replied that the BWS does not know what to expect in the coming months and into the summer since Halawa Shaft is offline.

However, he mentioned that the head levels at Halawa Shaft are good and have gone up 4.5 feet since being offline. Mr. Usagawa stated the BWS is currently discussing and evaluating the situation should there be a water shortage. The discussion includes more conservation messaging, adding additional wells, and improving the inter-connectivity between other BWS water systems.

Vice Chair Sproat asked when the BWS will know if there will be enough water to sustain the summer. Will there be permitting amendments to the existing water use permits.

Manager Lau responded that the BWS is working diligently to provide solid data to the Board. He stated that if the spring brings rain it would help reduce the demand and build storage in the underground aquifers, however, the summer weather conditions will determine how much water will be used.

Board Member Soon inquired if re-opening Halawa Shaft is an option since the head levels are up.

Manager Lau replied that re-opening Halawa Shaft is not an option right now. He stated the fuel contamination is still a concern and isn't willing to expose the Honolulu BWS water system to any contamination.

Board Member Dawn Szewczyk asked when does Water Conservation Week start.

Manager Lau responded Water Conservation Week begins in April.

Board Member Anthony asked when was the last time a water system was built to provide up to 15 million gallons per day (mgd).

Mr. Usagawa responded that the BWS is currently working on the Ewa Shaft which is as big as the Halawa Shaft. However, the BWS has encountered some challenges due to the proximity to Honouliuli Stream and has had to re-evaluate the scope to develop a well field. He stated that building a water system from start to finish could take approximately five to seven years.

Manager Lau echoed Mr. Usagawa's response. He stated that developing a new water system is contingent on the location. The BWS is exploring sites that are existing BWS facilities or land owned by the C&C near existing infrastructure to eliminate landowner approval, acquiring rights, or consent of entry.

Vice Chair Sproat asked if the Ewa Shaft located in the Campbell area is the same shaft that was EP 15/16?

Mr. Usagawa responded that the Ewa Shaft is the renovation of Campbell Estates EP 15/16 source.

Vice Chair Sproat inquired if new pumps and new wells are being drilled in the area.

Mr. Usagawa replied yes, however it's been a challenge because there's concern that the stream may be seeping into the aquifer. Wells will be less susceptible to seepage. The Ewa Shaft well concept would be simpler because a connecting pipeline and Granulated Activated Carbon (GAC) treatment plant already exist.

Vice Chair Sproat asked if the BWS had any additional information on the impact of the Red Hill crisis on the water resource since three wells are currently offline with the potential of other wells being affected.

Mr. Usagawa responded that the BWS is still evaluating the impact but noted additional monitoring wells will be installed as recently approved by the Board and have plans to add more.

Manager Lau added that the Department of Health (DOH) and Environmental Protection Agency (EPA) informed the BWS that the U.S. Navy has been directed to drill 13 monitor test wells surrounding Halawa Valley to determine where contamination may be moving in the underground aquifer. The DOH and EPA have shown interest to explore deeper into the underground aquifer by incorporating plume diving due to the potential of the contamination traveling deeper and away from the aquifer. Manager Lau state that it's vitally important Red Hill Fuel Bulk Storage be emptied immediately.

Board Member Anthony inquired if the BWS received new data from the U.S. Navy monitoring tests wells.

Manager Lau asked Mr. Erwin Kawata to share the latest information from the U.S. Navy's test wells at Red Hill.

Mr. Kawata responded that the U.S. Navy has been collecting additional data from their monitor test wells surrounding the Red Hill property. He shared that DOH and EPA are concerned about the test results. The data collected from the northwest side of the tanks, or between the Red Hill Facility and the BWS Halawa Shaft, indicated elevated levels of petroleum compared to historical levels that were approximately 10 to 100 times greater. The U.S. Navy has also noticed an increase in petroleum values in the monitoring wells closer to Halawa Shaft. Mr. Kawata stated that the U.S. Navy is looking to install additional monitor wells outside of the Red Hill property between the Red Hill Shaft and Halawa Shaft, closer to Halawa Industrial Park and Halawa quarry. The U.S. Navy continues to collect groundwater data that the DOH and EPA review, however, the BWS has not received any hard copies of that information since requested. Mr. Kawata shared that the BWS attends the Red Hill Aquifer Recovery Focus Group meetings twice a week to stay informed.

Vice Chair Sproat inquired based on the data collected does the BWS know whether the Red Hill fuel contamination will impact more than the three BWS wells that have already been shut down?



Mr. Kawata replied that the impact of the Red Hill fuel contamination has not been fully determined. The U.S. Navy continues to see greater amounts of petroleum in the vadose zone also known as the unsaturated rock beneath the tanks, and petroleum releases from the vadose zone into Red Hill Shaft. The lower portion of the tank farm and vertical shaft are the areas that appear to indicate petroleum has adhered to the rocks, therefore, difficult to determine the size of the plume. Although, the U.S. Navy continues to treat and remedy the contamination there seem to be challenges that continue to rise. Hence, the regulatory agencies request for additional monitor wells to gather more information. Mr. Kawata stated that eight sites have been identified to install monitor wells.

Vice Chair Sproat expressed her concern about the ongoing fuel contamination that continues at Red Hill Shaft and the damage to the aquifer. She asked if the divers are still looking into the releases happening in the aquifer?

Mr. Kawata responded that divers being sent to check on the fuel contamination at Red Hill has since been discontinued due to the minimal effectiveness of removing fuel contamination. He mentioned that the U.S. Navy shared a mapping and information of a different approach the U.S. Navy is trying, which the U.S. Navy is drilling small diameter boreholes near the Red Hill shaft and toward the lower part of the tunnel to determine the boreholes indicates that the fuel contamination from the vadose zone into the Red Hill Shaft is occurring in the lower access tunnel, closer to the shaft, and at the last set of tanks. However, the amount of fuel entering the water is still very noticeable.

Vice Chair Sproat expressed her appreciation for the information provided by Manager Lau and Mr. Kawata.

Chair Andaya asked if there were any further comments or questions. Hearing none he thanked Mr. Usagawa for his presentation.

**PRODUCTION, HEAD AND RAINFALL REPORT  
MONTH OF JANUARY 2022**

**POTABLE**

STATION	MGD
<b>HONOLULU (1)</b>	
KULIOUOU	0.00
WAILUPE	0.13
AINA KOA	0.04
AINA KOA II	0.56
MANOA II	0.55
PALOLO	1.16
KAIMUKI HIGH	1.19
KAIMUKI LOW	2.93
WILDER	7.11
BERETANIA HIGH	4.97
BERETANIA LOW	4.81
KALIHI HIGH	0.00
KALIHI LOW	0.00
KAPALAMA	1.14
KALIHI SHAFT	8.66
MOANALUA	1.08
HALAWA SHAFT	0.01
KAAMILO	0.87
KALAUAO	6.70
PUNANANI	12.31
KAHUMANU	0.28
HECO WAIU	2.62
MANANA	0.27
WELLS SUBTOTAL:	57.41
MANOA TUNNEL	0.17
PALOLO TUNNEL	0.00
GRAVITY SUBTOTAL:	0.17
HONO. SUBTOTAL:	57.58

STATION	MGD
<b>WINDWARD (2)</b>	
WAIMANALO II	0.00
WAIMANALO III	0.00
KUOU I	1.00
KUOU II	0.02
KUOU III	0.77
LULUKU	0.89
HAIKU	0.30
IOLEKAA	0.00
KAHALUU	0.55
KAHANA	0.00
PUNALUU I	0.00
PUNALUU II	0.64
PUNALUU III	1.74
KALUANUI	1.18
MAAKUA	0.27
HAUULA	0.26
WELLS SUBTOTAL:	7.62
WAIM. TUNNELS I & II	0.00
WAIM. TUNNELS III&IV	0.19
WAIHEE INCL. WELLS	0.38
WAIHEE TUNNEL	4.40
LULUKU TUNNEL	0.30
HAIKU TUNNEL	0.00
KAHALUU TUNNEL	1.68
GRAVITY SUBTOTAL:	6.95
WIND. SUBTOTAL:	14.58

STATION	MGD
<b>NORTH SHORE (3)</b>	
KAHUKU	0.32
OPANA	0.60
WAIALEE I	0.02
WAIALEE II	0.23
HALEIWA	0.00
WAIALUA	2.05
N.SHORE SUBTOTAL:	3.21

<b>MILILANI (4)</b>	
MILILANI I	1.14
MILILANI II	0.00
MILILANI III	0.59
MILILANI IV	2.16
MILILANI SUBTOTAL:	3.90

<b>WAHIAWA (5)</b>	
WAHIAWA	0.00
WAHIAWA II	2.92
WAHIAWA SUBTOTAL:	2.92

<b>PEARL CITY-HALAWA (6)</b>	
HALAWA 277	0.00
HALAWA 550	0.00
AIEA	0.00
AIEA GULCH 497	0.97
AIEA GULCH 550	0.65
KAONOHI I	1.54
WAIMALU I	0.00
NEWTOWN	0.73
WAIU	0.55
PEARL CITY I	0.83
PEARL CITY II	1.05
PEARL CITY III	0.24
PEARL CITY SHAFT	0.92
PEARL CITY-HALAWA SUBTOTAL:	7.49

STATION	MGD
<b>WAIPAHU-EWA (7)</b>	
WAIPIO HTS.	0.71
WAIPIO HTS. I	0.00
WAIPIO HTS. II	0.38
WAIPIO HTS. III	1.22
WAIPAHU	5.31
WAIPAHU II	1.74
WAIPAHU III	3.43
WAIPAHU IV	0.00
KUNIA I	4.21
KUNIA II	1.64
KUNIA III	1.49
HOAEAE	5.96
HONOULIULI I	0.00
HONOULIULI II	4.53
MAKAKILO	0.11
WAIPAHU-EWA SUBTOTAL:	30.72

<b>WAIANAE (8)</b>	
MAKAHA I	0.46
MAKAHA II	0.00
MAKAHA III	0.25
MAKAHA V	0.03
MAKAHA VI	0.00
MAKAHA SHAFT	0.00
KAMAILE	0.00
WAIANAE I	0.32
WAIANAE II	0.06
WAIANAE III	0.62
WELLS SUBTOTAL:	1.75
WAI. C&C TUNNEL	1.40
WAI. PLANT TUNNELS	0.21
GRAVITY SUBTOTAL:	1.61
WAIANAE SUBTOTAL:	3.36

**NONPOTABLE**

NONPOTABLE	MGD
KALAUAO SPRINGS	0.30
BARBERS POINT WELL	0.87
GLOVER TUNNEL NP	0.29
NONPOTABLE TOTAL:	1.46

**RECYCLED WATER (DECEMBER 2021)**

RECYCLED WATER	MGD
HONOULIULI WRF R-1	4.18
HONOULIULI WRF RO	1.34
RECYCLED WATER TOTAL:	5.52

**PRODUCTION, HEAD AND RAINFALL REPORT  
MONTH OF JANUARY 2022**

**PRODUCTION SUMMARIES**

TOTAL WATER	MGD
PUMPAGE	115.02
GRAVITY	8.73
POTABLE TOTAL:	123.75
NONPOTABLE	1.46
RECYCLED WATER	5.52
TOTAL WATER:	130.73

CWRM PERMITTED USE AND BWS ASSESSED YIELDS FOR BWS POTABLE SOURCES				
WATER USE DISTRICTS		A	B	C
		PERMITTED USE/ BWS YLDS	JAN 2022	DIFF. A-B
1	HONOLULU	82.93	57.41	25.52
2	WINDWARD	25.02	9.80	15.22
3	NORTH SHORE	4.70	3.21	1.48
4	MILILANI	7.53	3.90	3.63
5	WAHIAWA	4.27	2.92	1.35
6	PEARL CITY-HALAWA	12.25	7.49	4.76
7	WAIPAHU-EWA	50.63	30.72	19.91
8	WAIANAЕ	4.34	1.75	2.59
TOTAL:		191.67	117.19	74.47

CWRM PERMITTED USE FOR BWS NONPOTABLE SOURCES				
WATER USE DISTRICTS		A	B	C
		PERMITTED USE	JAN 2022	DIFF. A-B
7	WAIPAHU-EWA (BARBERS POINT WELL)	1.00	0.87	0.13
TOTAL:		1.00	0.87	0.13

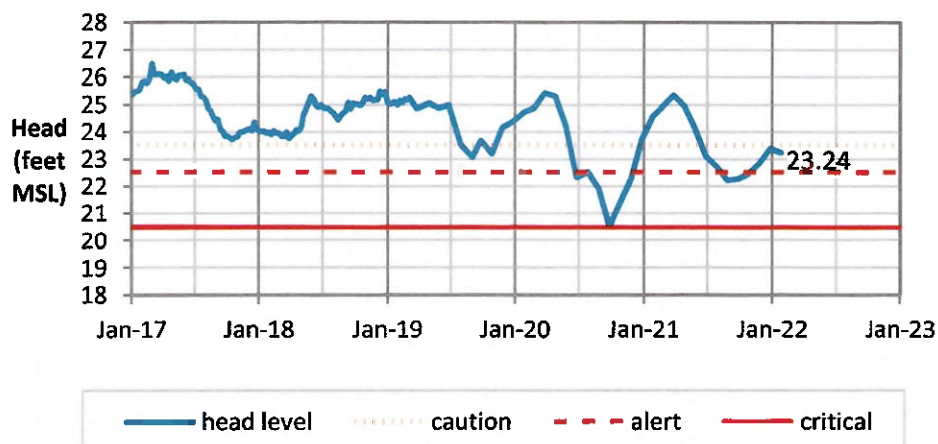
**EFFECTIVE WATER DEMAND PER DISTRICT**

IMPORT/EXPORT BETWEEN WATER USE DISTRICTS			
FROM	TO		MGD
2	1	WINDWARD EXPORT	0.02
7	8	BARBERS PT LB	4.68

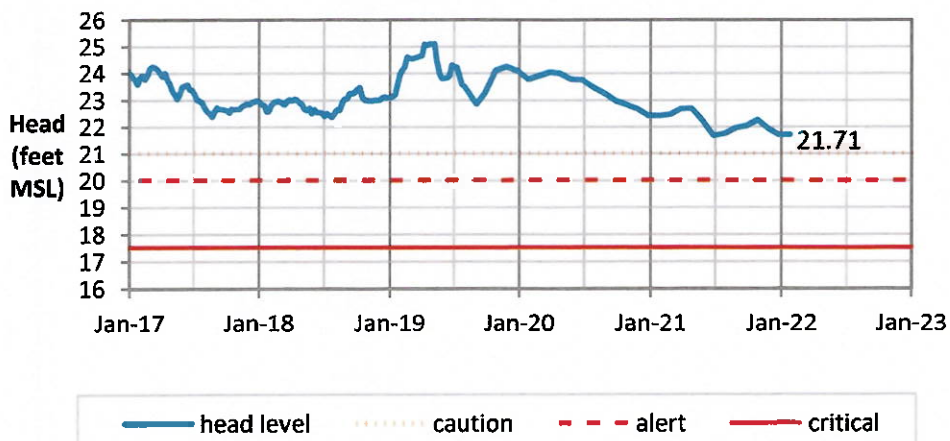
WATER USE DISTRICTS		SUBTOTAL	IMPORT	EXPORT	EFFECTIVE WATER DEMAND
1	HONOLULU	57.41	0.02	-	57.43
2	WINDWARD	9.80	-	0.02	9.78
3	NORTH SHORE	3.21	-	-	3.21
4	MILILANI	3.90	-	-	3.90
5	WAHIAWA	2.92	-	-	2.92
6	PEARL CITY-HALAWA	7.49	-	-	7.49
7	WAIPAHU-EWA	30.72	-	4.68	26.04
8	WAIANAЕ	1.75	4.68	-	6.42
TOTAL:		117.19	4.70	4.70	117.19

# Head Report

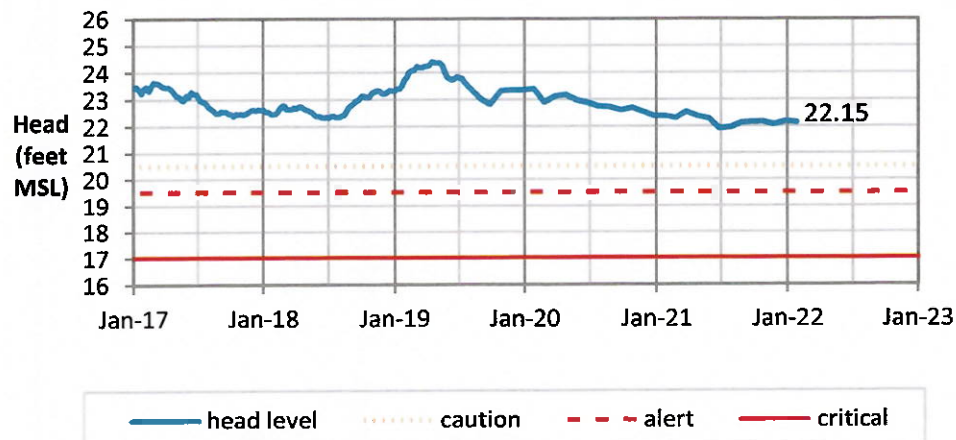
## Kaimuki 02/01/22



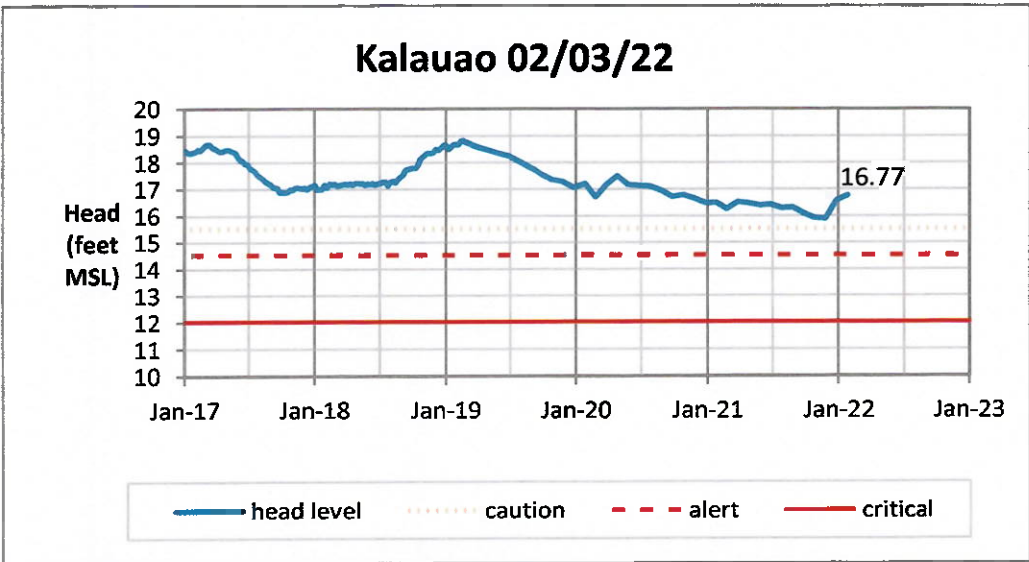
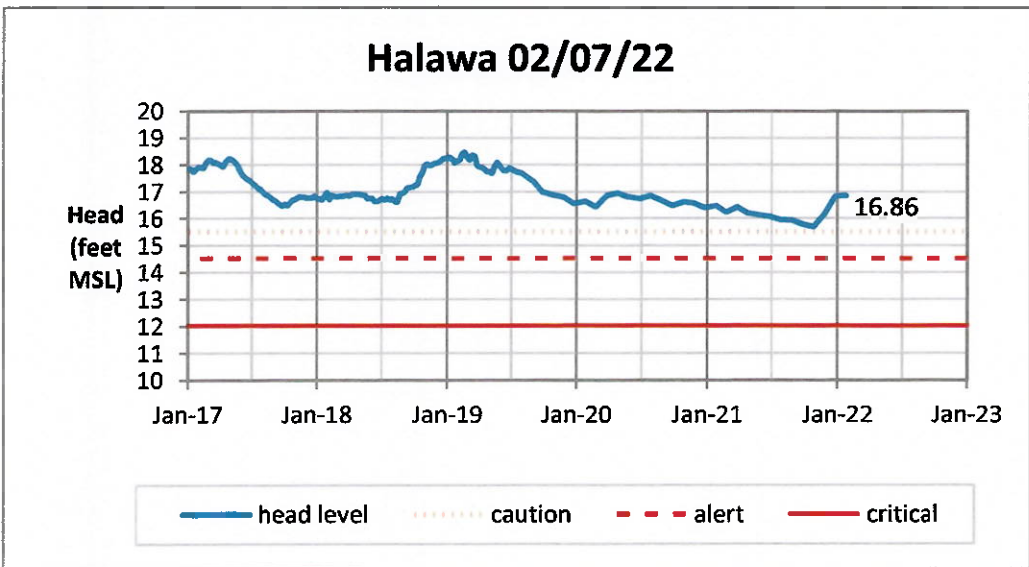
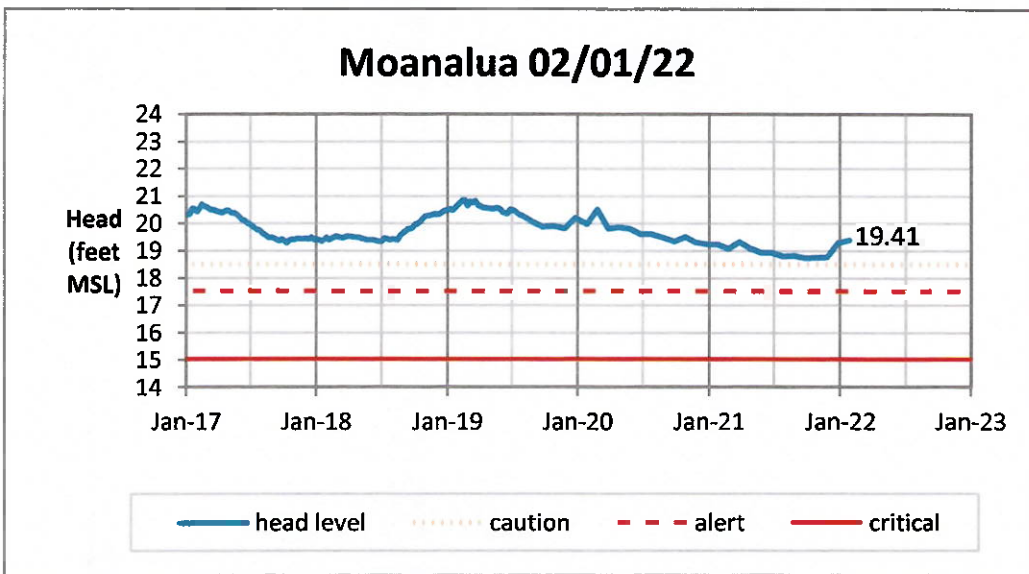
## Beretania 02/01/22



## Kalihi 02/01/22

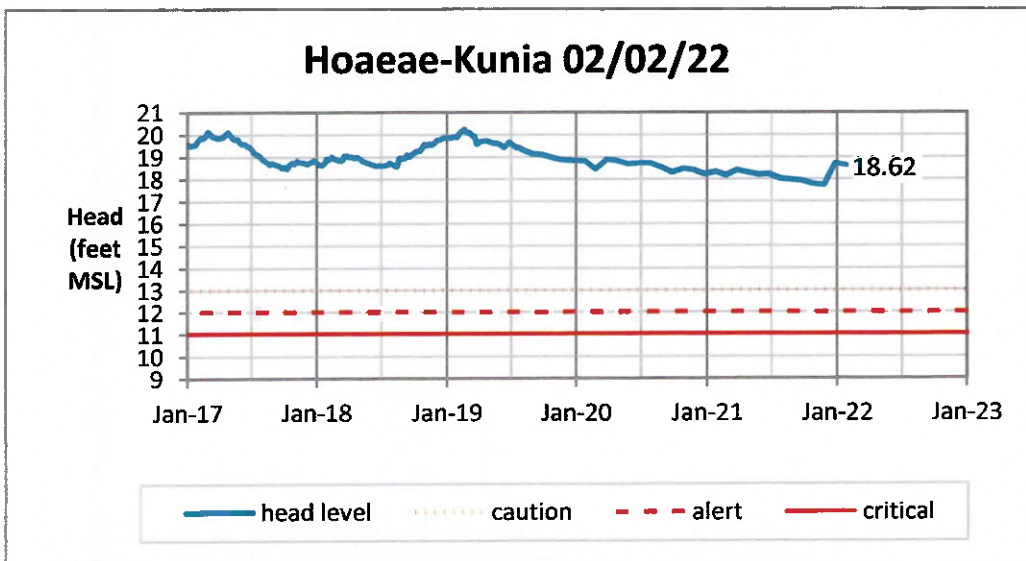
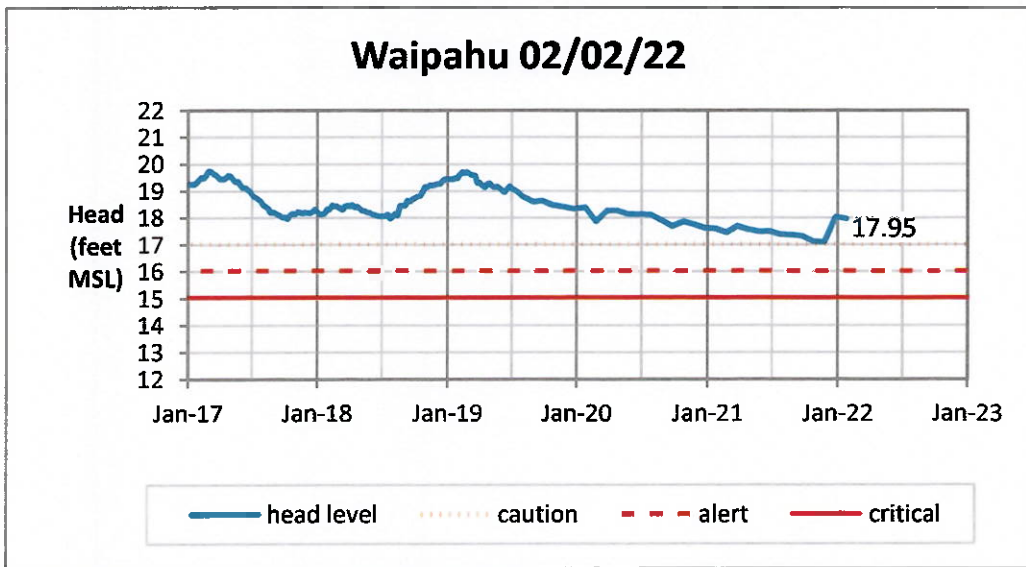
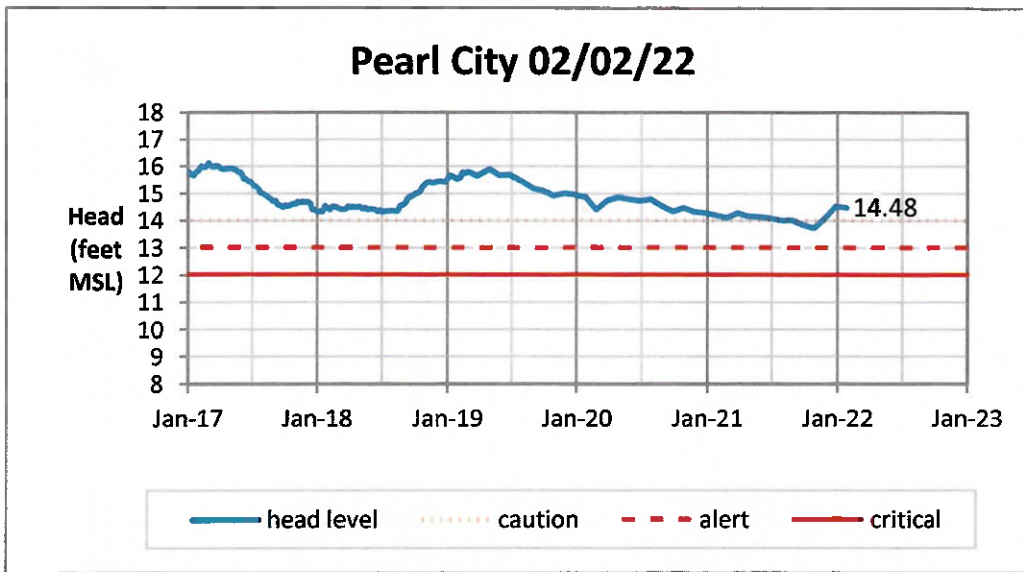


# Head Report

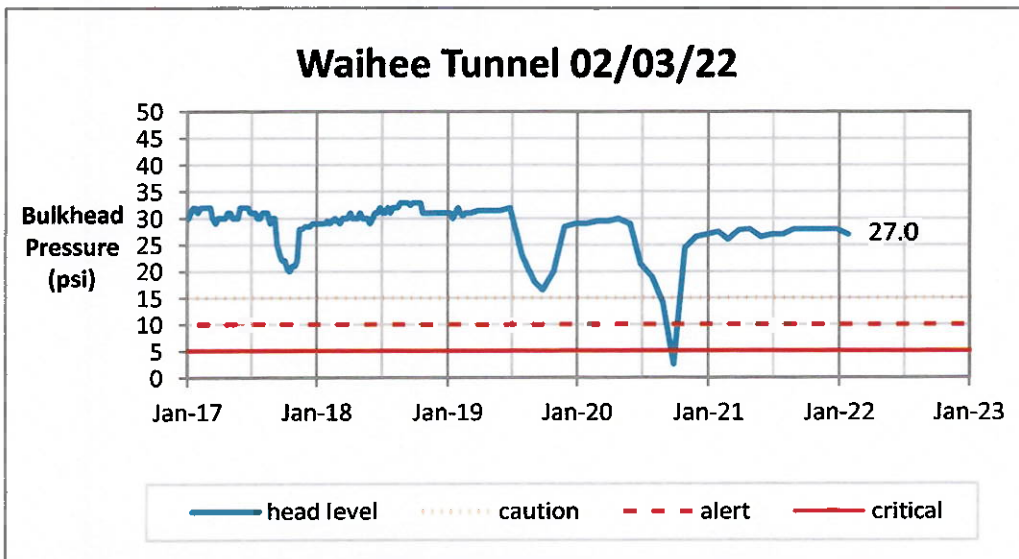
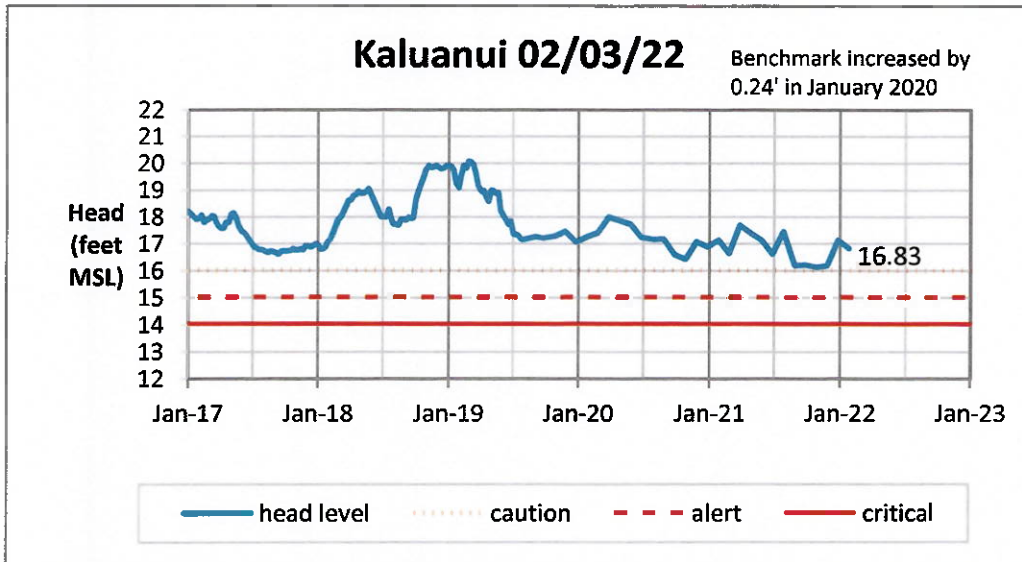
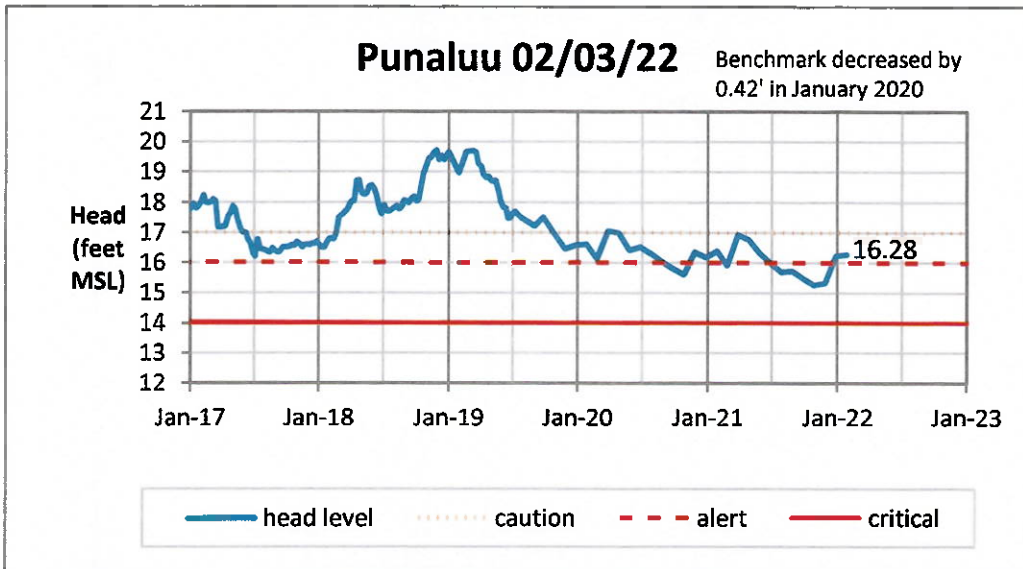




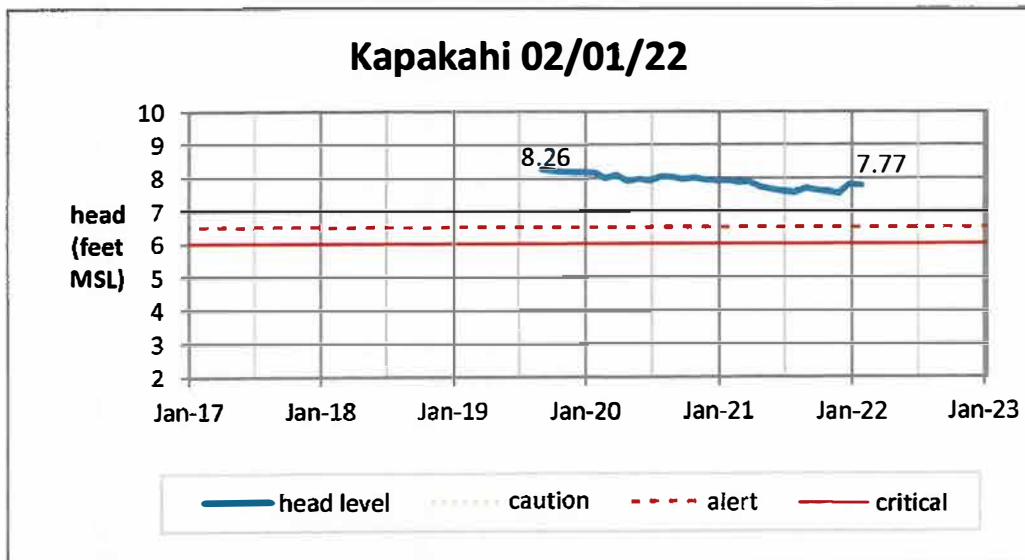
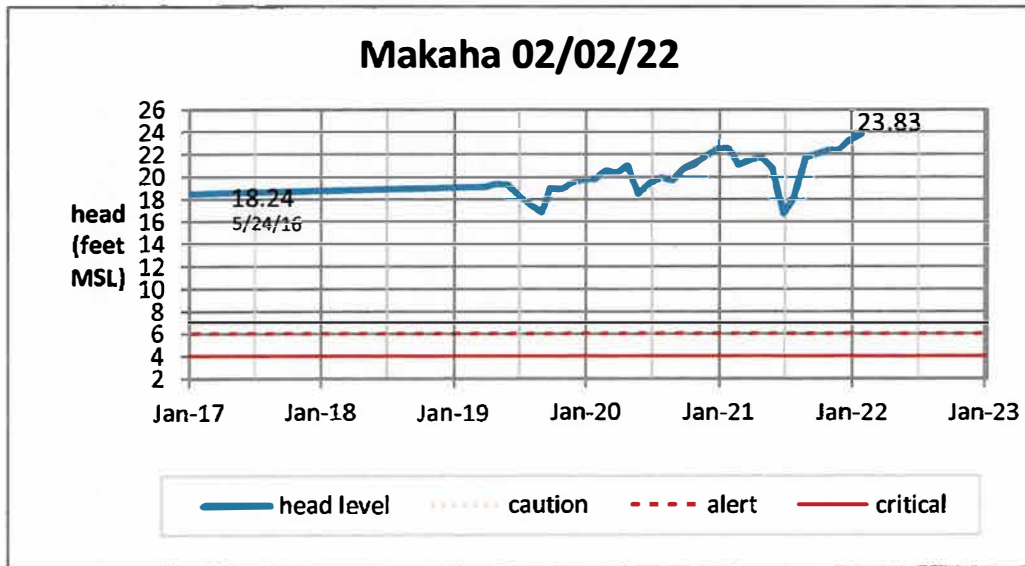
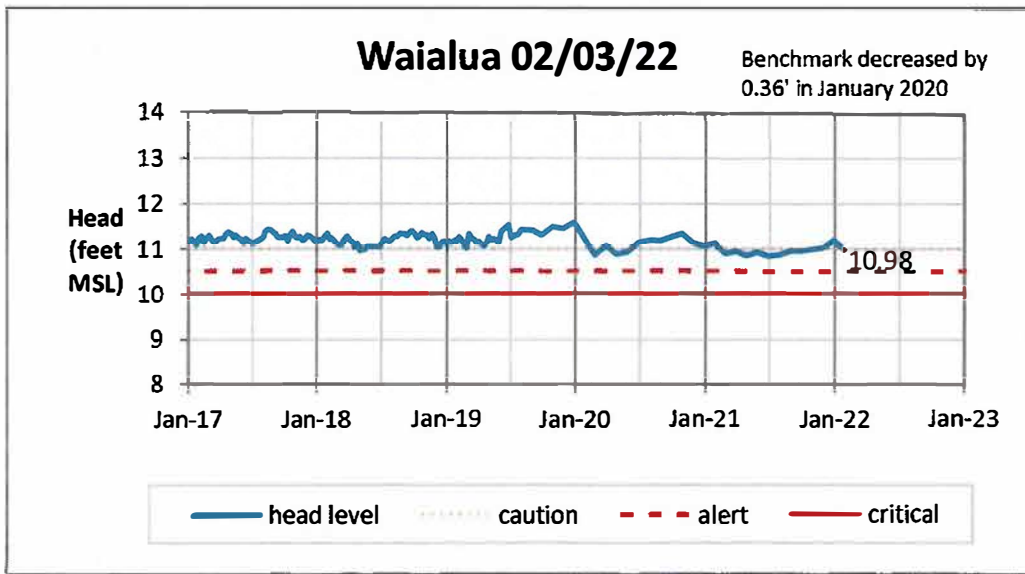
# Head Report



# Head Report

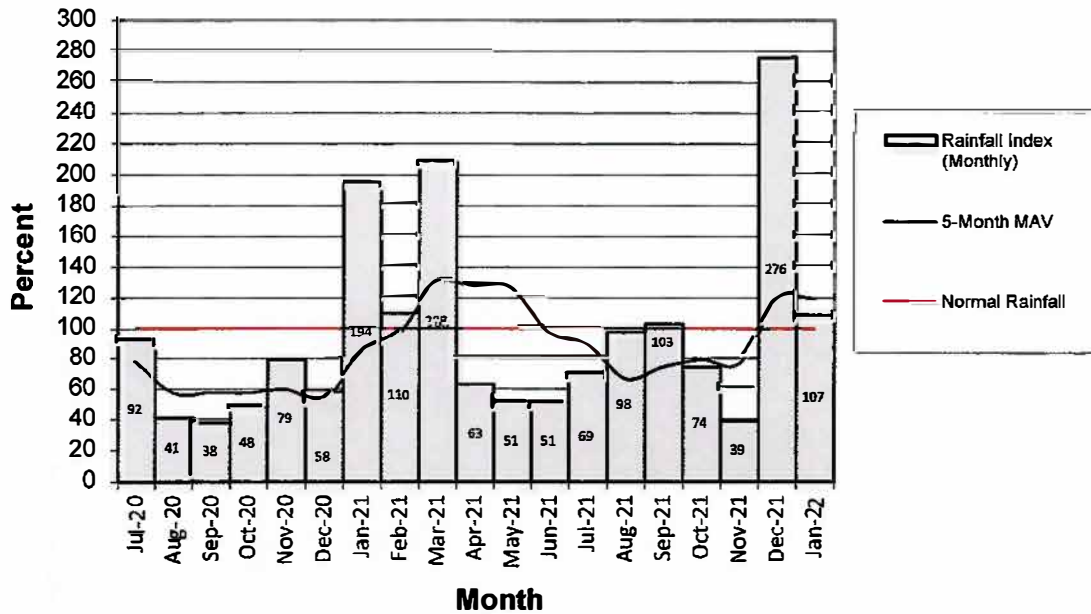


# Head Report

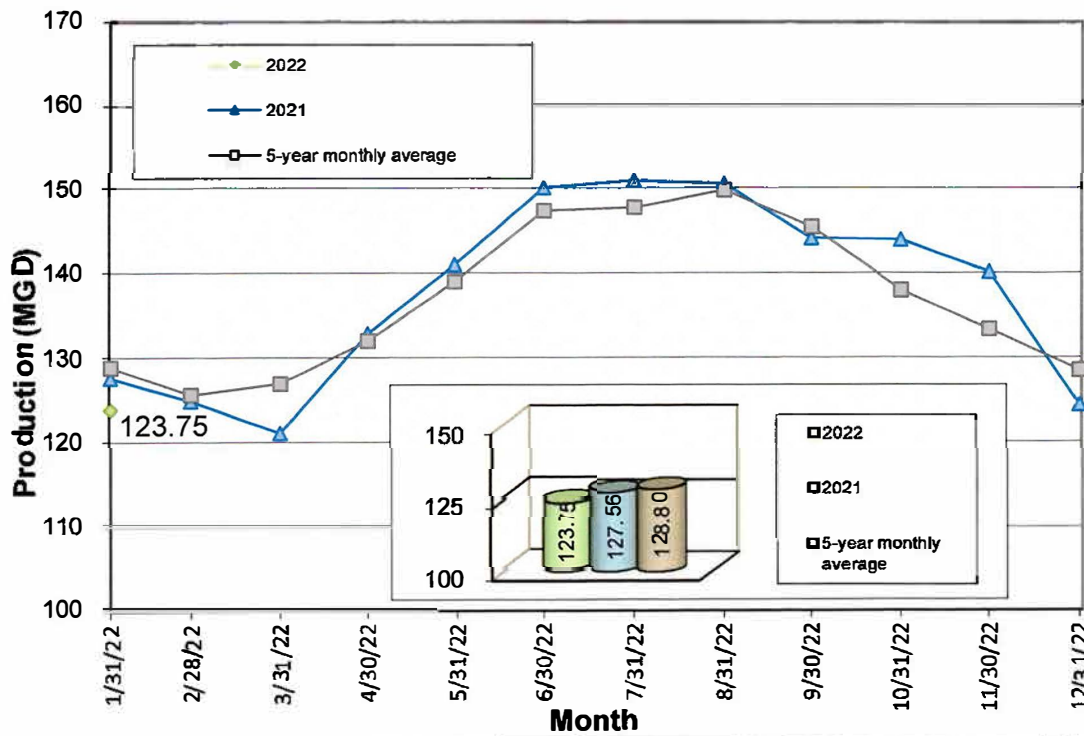




### HONOLULU WATERSHED AREA Rainfall Intake



### Monthly Production



ITEM FOR INFORMATION NO. 5

"February 28, 2022

WATER MAIN  
REPAIR  
REPORT FOR  
JANUARY 2022

Chair and Members  
Board of Water Supply  
City and County of Honolulu  
Honolulu, Hawaii 96843

Chair and Members:

Subject: Water Main Repair Report for January 2022

Jason Nikaido, Program Administrator, Field Operations Division, will report on water main repair work for the month of January 2022.

Respectfully submitted,

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

Attachment"

The foregoing was for information only.

DISCUSSION:

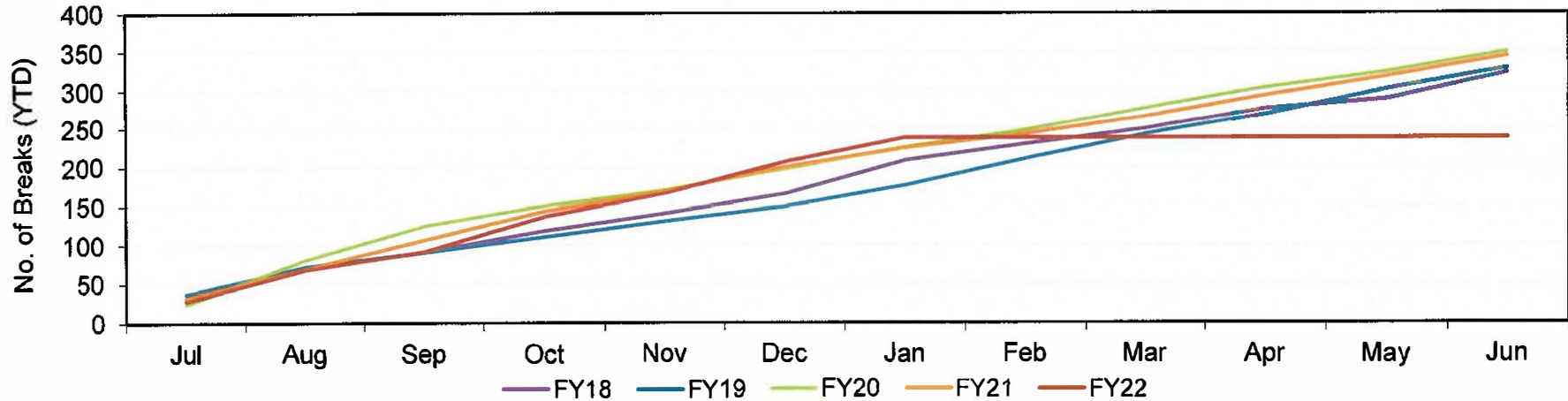
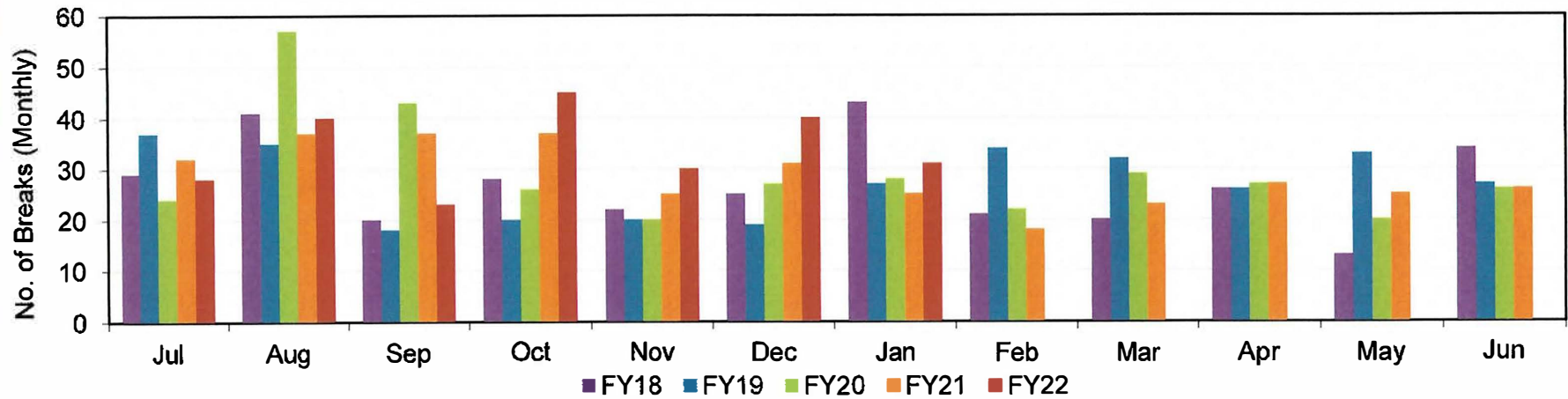
Jason Nikaido, Program Administrator, Field Operations Division, gave the report. No comments or discussion.

Chair Andaya asked if there were any further comments or questions. Hearing none he thanked Mr. Nikaido for his presentation.

**WATER MAIN REPAIR REPORT**  
**for January 2022**

**Monthly Main Breaks**

FY	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL
2022	28	40	23	45	30	40	31						237
2021	32	37	37	37	25	31	25	18	23	27	25	26	343
2020	24	57	43	26	20	27	28	22	29	27	20	26	349
2019	37	35	18	20	20	19	27	34	32	26	33	27	328
2018	29	41	20	28	22	25	43	21	20	26	13	34	322

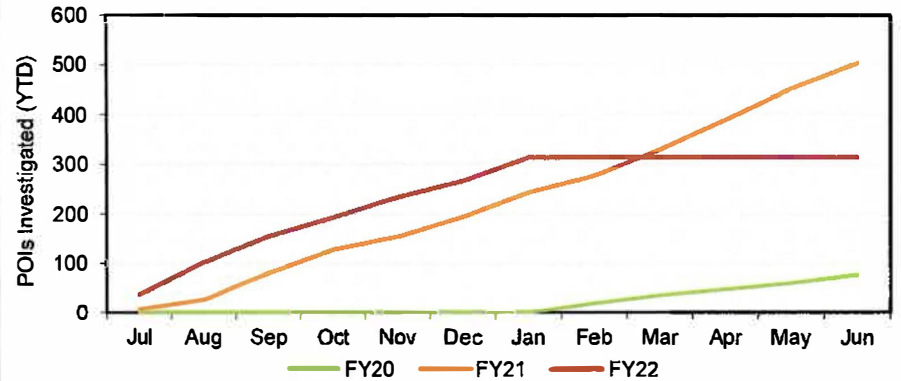
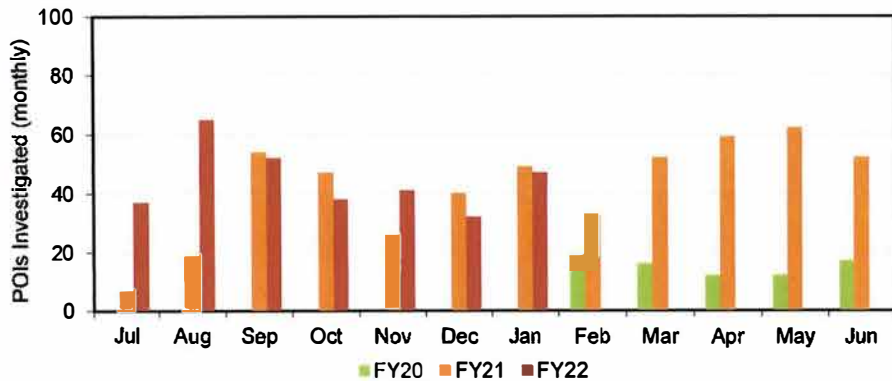


Date	Address	Size (In)	Pipe Type
1/2/2022	1527 Kapalama Ave, Honolulu	8	PVC
1/2/2022	753 Pahumele Pl, Kailua	8	AC
1/3/2022	98-1353 Nola St, Pearl City	4	CI
1/4/2022	740 9th Ave, Honolulu	6	CI
1/5/2022	94-1131 Awalai Pl, Waipahu	4	CI
1/5/2022	436 N Vineyard Blvd, Honolulu	8	CI
1/5/2022	1079 Keolu Dr, Kailua	12	CI
1/6/2022	98-1727 Kupukupu St, Aiea	8	CI
1/7/2022	2141 Makaanani Dr, Honolulu	6	CI
1/11/2022	46-241 Kapea St, Kaneohe	8	CI
1/13/2022	748 9th Ave, Honolulu	6	CI
1/18/2022	2263 Makaanani Dr, Honolulu	6	CI
1/19/2022	45-817 Apuakea St, Kaneohe	4	DI
1/19/2022	1744 Lime St, Honolulu	4	DI
1/20/2022	1736A Iwi Way, Honolulu	8	CI
1/20/2022	2134 Kanealii Ave, Honolulu	8	CI
1/20/2022	36 Bates St, Honolulu	6	CI
1/20/2022	215 Puiwa Rd, Honolulu	8	CI
1/21/2022	1630 Kino St, Honolulu	8	CI
1/21/2022	304 Auwaiolimu St, Honolulu	4	CI
1/24/2022	2229 Makaanani Dr, Honolulu	6	CI
1/26/2022	232 Kamani St, Honolulu	8	CI
1/26/2022	1436 Mamalu St, Honolulu	6	CI
1/26/2022	7186 Makaa St, Honolulu	8	DI
1/26/2022	94-150 Hulahe St, Waipahu	8	CI
1/27/2022	87-171 Saint John's Rd, Waianae	8	CI
1/27/2022	3428 McCarriston St, Honolulu	8	CI
1/28/2022	959 18th Ave, Honolulu	4	CI
1/29/2022	3434 McCarriston St, Honolulu	8	CI
1/29/2022	950 Kaluanui Rd, Honolulu	12	CI
1/30/2022	47-567 Hui Iwa St, Kaneohe	8	CI

**LEAK DETECTION  
for January 2022**

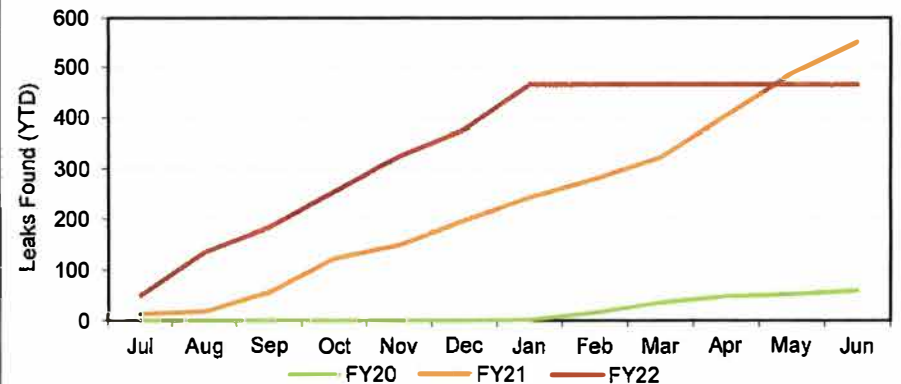
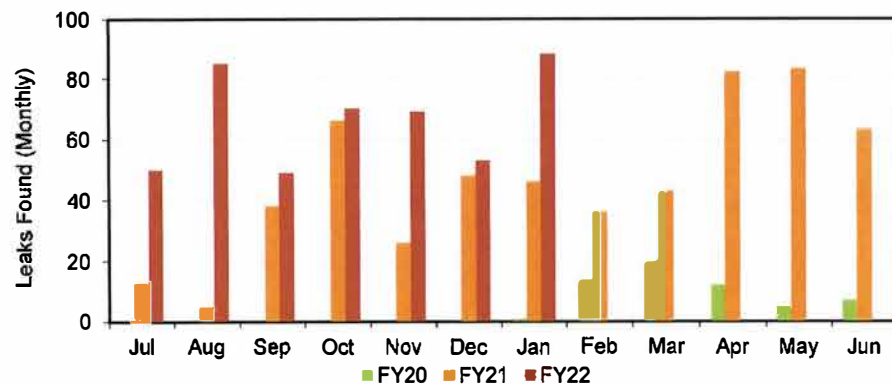
**POIs Investigated**

FY	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL
2022	37	65	52	38	41	32	47						312
2021	7	19	54	47	26	40	49	33	52	59	62	52	500
2020							0	19	16	12	12	17	76



**Leaks Found**

FY	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL
2022	50	85	49	70	69	53	88						464
2021	13	5	38	66	26	48	46	36	43	82	83	63	549
2020							1	14	20	12	5	7	59



**MOTION TO  
RECESS INTO  
EXECUTIVE  
SESSION**

There being no further business Chair Andaya at 3:53 PM called for a motion to adjourn the Open Session. Max Sword so moved; seconded by Kapua Sproat and unanimously carried.

Upon unanimous approved motion, the Board recessed into Executive Session Pursuant to [HRS § 92-5 (a)(4)] at 4:02 PM to Consider Issues Pertaining to Matters Posted for Discussion at an Executive Session.

**OPEN  
SESSION**

The Board reconvened in Open Session at 4:42 PM.

Chair Andaya announced that in Executive Session the Board met 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 Civil No. 1CCV-20-0000881 and Civil No. 1CCV-21-0000286, Relating to the Wahiawa Water Systems Improvement Project [HRS § 92-5(a)(4)].

In the Board discussion pertaining to matters concerning Civil No. 1CCV-20-0000881 and Civil No. 1CCV-21-0000286, relating to the Wahiawa Water Systems Improvement Project [HRS § 92-5(a)(4)] the Board motioned to approve and authorize the BWS to pursue a lawsuit against Allianz Insurance Company and Prism Design Consulting regarding the denial of coverage of a commercial general liability claim.

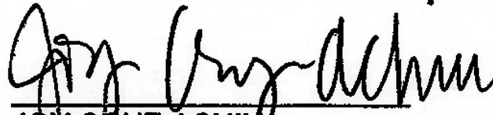
Chair Andaya requested Board Secretary Deanna Thyssen to conduct a roll call vote.

AUTHORIZING THE DEPARTMENT TO PURSUE A LAWSUIT AGAINST ALLIANZ INSURANCE COMPANY AND PRISM DESIGN CONSULTING COMPANY WAS APPROVED ON FEBRUARY 28, 2022			
	AYE	NO	COMMENT
BRYAN P. ANDAYA	X		
KAPUA SPROAT	X		
RAY C. SOON	X		
MAX J. SWORD			ABSENT
NA'ALEHU ANTHONY	X		
JADE T. BUTAY	X		
DAWN B. SZEWCZYK.	X		

**MOTION TO  
ADJOURN**


There being no further business Chair Andaya at 4:48 PM called for a motion to adjourn the Regular Session. Dawn Szewczyk so moved; seconded by Kapua Sproat and unanimously carried.

The minutes of the Regular Meeting held on February 28, 2022 are respectfully submitted,

  
 JOY CRUZ-ACHIU

THE MINUTES OF THE REGULAR SESSION BOARD MEETING ON FEBRUARY 28, 2022 WERE APPROVED AT THE MARCH 28, 2022 BOARD MEETING			
	AYE	NO	COMMENT
BRYAN P. ANDAYA	X		
KAPUA SPROAT	X		
RAY C. SOON			ABSENT
MAX J. SWORD	X		
NA'ALEHU ANTHONY	X		
JADE T. BUTAY	X		
DAWN B. SZEWCZYK	X		

APPROVED:

  
 BRYAN P. ANDAYA  
 Chair of the Board  
 MAR 28 2022

Date