

**REPORT TO THE THIRTIETH LEGISLATURE
STATE OF HAWAII
2020**

DRINKING WATER TREATMENT REVOLVING LOAN FUND

**PURSUANT TO SECTION 340E-33
HAWAII REVISED STATUTES**

**RELATING TO THE
DRINKING WATER TREATMENT REVOLVING LOAN FUND
OF THE DEPARTMENT OF HEALTH**

**PREPARED BY:
STATE OF HAWAII
DEPARTMENT OF HEALTH
ENVIRONMENTAL MANAGEMENT DIVISION
SAFE DRINKING WATER BRANCH**

DECEMBER 2019

Table of Contents

OPERATIONS & ADMINISTRATION SECTION3

- A. INTRODUCTION 3
- B. PROGRAM SUMMARY 3
- C. MAJOR INITIATIVES 4
- Meeting Funding Requirements..... 5
 - 1. State Matching Funds..... 5
 - 2. Commitment of Funds..... 5
 - 3. Additional Subsidy 6
 - 4. Federal Funding Accountability and Transparency Act (FFATA)..... 7
 - 5. Reporting Requirements..... 7
 - 6. Minority Business Enterprises (MBE) / Woman Business Enterprises (WBE)..... 7
 - 7. Davis-Bacon Requirements..... 7
 - 8. American Iron and Steel (AIS)..... 8
 - 9. Signage Requirements..... 8
 - 10. Technical, Managerial, and Financial Capacity 8
- D. PROGRAM AND SET-ASIDE ACTIVITIES 8
 - 1. Administrative Loan Fees and Administrative Cost (4%)..... 9
 - 2. Small Systems Technical Assistance (2%)..... 11
 - 3. State Program Management (10%) 13
 - 4. Local Assistance and Other State Programs (15%)..... 14
- E. GOALS AND ACCOMPLISHMENTS 18
 - 1. Long Term Goals..... 19
 - 2. Short Term Goals 20
- F. COMPLIANCE ISSUES 21
- G. DWSRF NATIONAL STRATEGIC PLAN, LOAN RECIPIENT, PROJECTS & TYPES OF ASSISTANCE 22

FINANCIAL SECTION24

- A. INTERNAL CONTROLS 24
- B. ACCOMPLISHMENTS OF THE PROGRAM..... 24
 - 1. Sources of Funds 24
 - 2. State Match..... 25
 - 3. Executed Loan Agreements/Binding Commitments: 25
 - 4. Automated Standard Application for Payments (ASAP): 26
 - 5. Loan Repayments and Investment Interest: 26
- C. PROGRAM AND SET-ASIDE ACTIVITIES 26
- D. CREDIT RISKS OF THE DWTRLF LOANS 28

FY 2019 DWTRLF ANNUAL REPORT

E. OTHER INFORMATION 28

LIST OF ATTACHMENTS.....30

ATTACHMENT 1: SUMMARY OF THE DRINKING WATER TREATMENT REVOLVING
LOAN FUND 31

ATTACHMENT 2: STATEMENT OF NET POSITION..... 33

ATTACHMENT 3: STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION
..... 34

ATTACHMENT 4: STATEMENT OF CASH FLOWS 35

ATTACHMENT 5: NOTES TO FINANCIAL STATEMENTS..... 36

ATTACHMENT 6: SUMMARY OF ACTIVE PROJECTS IN SFY 2019 62

OPERATIONS & ADMINISTRATION SECTION

A. INTRODUCTION

This annual report is submitted to the State of Hawaii Legislature pursuant to Section 340E-33 of the Hawaii Revised Statutes. It covers the reporting period State Fiscal Year (SFY) July 1, 2018 to June 30, 2019 and describes how the Hawaii Drinking Water Treatment Revolving Loan Fund (DWTRLF) met its goals and objectives as identified in the Intended Use Plan (IUP) and Capitalization Grant Application. This report also discusses the sources and uses of the funds during SFY 2019.

B. PROGRAM SUMMARY

Nationally, the Drinking Water State Revolving Fund (DWSRF) program was established under the Safe Drinking Water Act (SDWA) Amendments of 1996, signed by President Clinton on August 6, 1996. This authorized the EPA to award capitalization grants to states.

The State of Hawaii DWTRLF program was established by the 1997 State Legislature as the result of the 1996 Federal amendments to the Safe Drinking Water Act. This allowed the state Department of Health (DOH) to accept the capitalization grants from the EPA.

Hawaii’s program provides low-interest loans to eligible drinking water systems for the construction of drinking water infrastructure projects. These projects help to achieve or maintain compliance with drinking water standards, improve and expand their drinking water infrastructure, and help protect the public’s health and the environment of Hawaii.

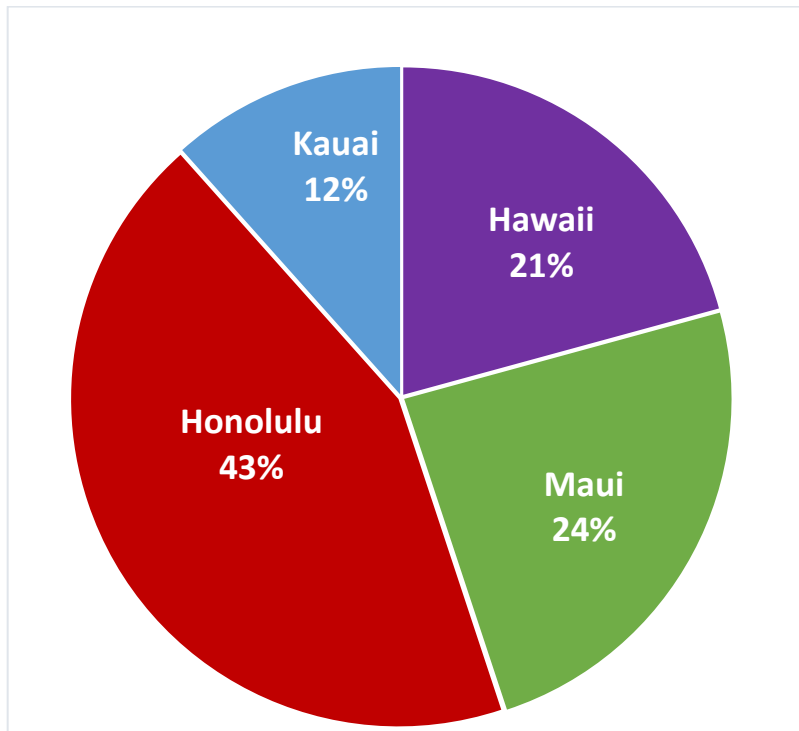
FY 2019 DWTRLF ANNUAL REPORT

C. MAJOR INITIATIVES

From SFY 1997 through SFY 2019 the DWSRF has issued \$364,004,945.50 of final loans to the state's four county water departments. The table below lists the cumulative loan amounts issued to each county.

County	Cumulative Final Loan Amount (\$)
Kauai	42,460,755.18
Honolulu	156,171,555.66
Maui	88,119,896.15
Hawaii	77,252,738.51
Total	364,004,945.50

The chart below illustrates the share of loans issued to each county since the program's inception.



Final Loan Agreements executed in SFY 2019:

FY 2019 DWTRLF ANNUAL REPORT

Borrower	Project Name	Project Location	Loan Amount (\$)
County of Honolulu, Board of Water Supply	Energy Savings Performance Contracting-BWS Facilities (Supplemental loan increase 2)	Honolulu, HI	10,960,611.00
County of Hawaii, Department of Water Supply	Hawaii DWS Pro-Fi SFY 2019	Hilo, HI	7,000,000.00
County of Honolulu, Board of Water Supply	Honolulu BWS Pro-Fi SFY 2019	Honolulu, HI	8,000,000.00
County of Maui, Department of Water Supply	Maui DWS Water System Improvements 1	Maui, HI	4,500,000.00
Total Final Loan Agreements			30,460,611.00

Meeting Funding Requirements

1. State Matching Funds

Required state matching funds equal to 20 percent of the total capitalization grant were provided by the Hawaii State Legislature.

Federal regulations, 40 CFR §35.3550(g) requires that the State must agree to deposit into its SRF an amount equaling to at least 20 percent of the amount of each grant payment. The State must also identify the source of the matching amount in the capitalization grant application and must establish to EPA’s Regional Administrator satisfaction that the source is not Federal money.

Since 1998, the Hawaii DWSRF program has disbursed \$ 340.08 million¹ in cumulative project assistance and has received cumulative state match contributions of \$40.85 million². This is an 833% return on federal investment for the state of Hawaii in terms of translating state match dollars into safe drinking water infrastructure.

2. Commitment of Funds

¹ Disbursement based on the Loans and Grants Tracking System (LGTS) Disbursement Log Report (by warrant date) totals through June 30, 2019.

² Total based on LGTS Program Data, State Match “Net Amount Received” through the FFY 2018 grant.

FY 2019 DWTRLF ANNUAL REPORT

The requirement is to commit funds in an amount equal to the amount of each Capitalization Grant payment (Capitalization Grant less set-aside and in-kind services amounts) of \$11,107,000.00 and the accompanying State Match that is deposited into the Loan Fund.

This requirement was met with the execution of \$30,460,611.00 in final loan agreements, as summarized in Section C.

Of the projects listed on the SFY 2019 Fundable List, only two (2) were not executed by the end of SFY 2019. The DW213-0018 Pookela Well B Development loan was postponed due to the exploratory phase complications with the rig and drilling the relatively deep well. The P-DW243-0001 loan began routing for execution at the end of SFY 2019 but was not executed until the beginning of SFY 2020 due to the additional time and review needed for the DWSRF program's first loan with a privately-owned entity.

In SFY 2020, on July 24, 2019, the program received an additional \$1,990.00 in loan funds for the FFY 2017 Capitalization Grant in Amendment No. FS99986518-3. This \$1,990.00 amount was committed to the County of Honolulu, Board of Water Supply's Diamond Head Water System Improvements, Part II project, which will be executed in SFY 2020. The \$398.00 increase in state match, additional subsidy and FFATA reporting is due to the additional \$1,990.00 in FFY 2017 loan funds. On August 28, 2019 via email, EPA Region 9 granted the DWSRF an extension to expend the balances remaining for the FFY 2017 grant given the circumstances of the lateness of the modified award "and therefore have three open at the same time." The DWSRF plans to expend all FFY 2017 grant set-aside funds before June 30, 2020.

The FFY 2017 Grant Amendment No. FS 99986518-1 awarded on October 30, 2018 shifted \$147,000.00 from the loan fund (DA) to EPA In-Kind services (DA) and No. FS 99986518-3 awarded on July 24, 2019 shifted \$81,850.00 from the EPA In-Kind services (DA) to the loan fund (DA). On September 25, 2019, the Hawaii DOH requested that the balance remaining from EP-C-16-001 WA Number 2-14, Hawaii Management Study of \$65,150.00 be immediately placed in the Region 9 Environmental Financing Center grant to be expended in support of Hawaii finance-related needs (e.g., Hawaii Funding Forum meeting in January 2020). The DWSRF plans to expend all the FFY 2017 grant In-Kind services funds by September 30, 2020.

3. Additional Subsidy

In SFY 2019 the DWSRF program was required to provide loan recipients \$2,221,400.00 in additional subsidy from the FFY 2018 capitalization grant. Additional subsidy is required to be committed in final loan agreements within one year of the award of the capitalization grant and is in the form of principal forgiveness.

FY 2019 DWTRLF ANNUAL REPORT

The additional subsidy for SFY 2019 was committed to the P-DW243-0001 Kaeleku Tank Replacement, and the HBWS-PF20 Honolulu BWS Pro-Fi SFY 2020. The P-DW243-0001 loan was executed on July 15, 2019. The HBWS-PF20 loan is anticipated to be executed in October 2019.

The increase in additional subsidy from the FFY 2017 funds mentioned above in the amount of \$398.00 is assigned to the County of Honolulu, Board of Water Supply's Diamond Head Water System Improvements, Part II project, which will be executed in SFY 2020.

4. Federal Funding Accountability and Transparency Act (FFATA)

The FFATA requires the reporting of funded projects whose loan amounts add up to the amount of the capitalization grant.

This requirement was met with the Energy Savings Performance Contracting – BWS Facilities (Supplemental Loan Agreement 1) for \$10,813,611.00 and the Honolulu BWS Pro-Fi SFY 2019 for \$293,389.00.

5. Reporting Requirements

The major reporting vehicles were the DWSRF Project Benefits Reporting (PBR) system and the Drinking Water State Revolving Fund National Information Management System (DWNIMS). Reporting included information for projects with executed final loan agreements such as the use of funds for the GPR and Additional Subsidization.

PBR was last updated to ensure accurate DWNIMS reporting, and was submitted on August 30, 2019.

6. Minority Business Enterprises (MBE) / Woman Business Enterprises (WBE)

As part of the program's compliance with the federal SRF requirements, form 5700-52A (*U.S. Environmental Protection Agency MBE/WBE Utilization under Federal Grants, Cooperative Agreements, and Interagency Agreements*) is now submitted to EPA on an annual basis.

All forms are signed by the program's authorized representative and are on file with EPA.

7. Davis-Bacon Requirements

All DWSRF funded projects must meet the requirements of the Davis-Bacon Act in paying at or above Federal wage rates. The program requires the borrower's signature on each payment request that certifies compliance with the Act.

8. American Iron and Steel (AIS)

Each DWSRF-funded project must meet the requirements of AIS. Borrowers were asked to submit AIS certifications to DOH, when applicable. Certifications must have the following elements: be on the manufacturer letterhead, mention the location (city and state) that the material(s) was manufactured, the list of ordered materials, the project for which the item(s) was supplied, and signed by the manufacturer representative.

Certifications were uploaded to the respective project files in LGTS. Visible AIS compliant items were also verified during the 11 site inspections conducted during SFY 2019.

No deficiencies of materials were found, however, there were certifications that had to be reissued because they did not contain all the required elements. The updated certifications were uploaded to LGTS. The projects that needed updated certifications were the Kalihi Pump Station Renovation (part of the Honolulu BWS Pro-Fi SFY 2019 loan), and the Waimea Water Treatment Plant Upgrades.

The DWSRF program allows its borrowers to use the AIS *De Minimis* waiver, at their discretion, as long as it is tracked and reported to DOH by the borrower. Only one (1) project listed components as *de minimis* – the Energy Savings Performance Contracting – BWS Sites project. Invoices were for the *de minimis* items and the costs and descriptions were provided by the borrower. The waived material cost and certification were uploaded to the project file in LGTS.

9. Signage Requirements

The program must comply with the SRF Signage Guidelines to enhance public awareness of EPA assistance agreements nationwide. This must be done for projects up to the amount of the capitalization grant.

The requirement was met with the Energy Savings Performance Contracting – BWS Facilities. A photo of the sign has been uploaded to the project file in LGTS.

10. Technical, Managerial, and Financial Capacity

Each DWSRF funded project must be reviewed for Technical, Managerial, and Financial (TMF) Capacity. TMF Capacity Review for loans issued in SFY 2019 were completed and supporting documents uploaded to the respective project file in LGTS.

D. PROGRAM AND SET-ASIDE ACTIVITIES

Sections 1452(g)(2) and 1452(k) of the Safe Drinking Water Act allows each state to set-aside up to 31 percent of its federal capitalization grant to support various drinking water program activities

FY 2019 DWTRLF ANNUAL REPORT

including administration, State program management, technical assistance and other special activities. The following activities were conducted in SFY 2019 under these set-asides:

1. Administrative Loan Fees and Administrative Cost (4%)

The state does not contribute any money toward administering the DWTRLF Program and its drinking water-related programs. Furthermore, federal law requires that the DWTRLF program be operated in perpetuity. Thus, to pay for employee salaries and benefits and to comply with the federal law, the DOH implemented a loan fee program on May 17, 2000. For SFY 2019, the DWSRF program collected \$2,319,803.00 in administration loan fees.

The Water Infrastructure Improvements for the Nation (WIIN) Act of 2016, §2103, provided “states with two additional options to calculate the maximum allowable Administration and Technical Assistance set-aside that can be taken for capitalization grants awarded after 12/16/2016. States may take up to \$400,000.00, 1/5th of a percent of the current valuation of the fund, or 4 percent of capitalization grants awarded, whichever is greater” (2017 CIFA National Policy Conference presentation slide, N. Chamberlain). For SFY 2019, DOH used \$400,000.00. The budget included funding of three positions which would draw \$280,000.00 of the budget within one state fiscal year. The remaining \$120,000.00 of the budget would be used for related travel, single audit expenses, and other miscellaneous expenses and would be drawn in its entirety within one state fiscal year.

The DWSRF program used \$1,114,782.43 in loan fee income to pay for employee salaries, benefits and other related SDWB operating expenses. A listing from the SFY 2019 IUP page 7 follows:

1. DWSRF Administrative activities - costs of processing, issuing and servicing loans, supporting engineering services, financial and legal consulting fees, reimbursement for support services from the State, and other DWSRF activities.
2. Public Water System Supervision Program (PWSSP) - costs to support:
 - a. Travel and other expenses for Neighbor Island sanitary surveys
 - b. Travel and other expenses for quality assurance quality control monitoring
 - c. Educational, scientific, laboratory, and computer supplies
 - d. Equipment for Electronic Sanitary Surveys
3. Other SDWB activities costs to cover the budget shortages in the:
 - a. Groundwater Protection Program (GWPP)
 - b. 10% Set-Aside budget:
 - i. Travel and other expenses for Administration, Surveillance, Training & Technical Assistance
 - ii. Laboratory Maintenance Contracts for Chemistry and Micro Labs and training
 - iii. Attorney General support

FY 2019 DWTRLF ANNUAL REPORT

- iv. Other operating expenses – advertising, office rental equipment; Motor Pool rental, gas, oil, maintenance; printing, Training and Registration Fees; utilities; telephone
- v. Computer equipment purchases
- c. 15% Set-Aside Budget:
 - i. Circuit Rider Contract
 - ii. The 2018 Joint Government Water Conference (five days on four islands) theme is “Protecting Hawaii’s Groundwater” and will be held in July-August 2018 (SFY 2019). EPA Grants Policy Issuance, GPI-11-02 (Food Policy) - Approved via SFY2017 and SFY2018 IUPs and EPA grant awarded on September 28, 2017. Comptroller approval request, dated April 16, 2018. The estimated total cost for five (5) one-day Joint State Water Conference is \$46,864.84 (food and beverage cost =\$25,598.36; hotel/facilities cost=\$12,936.48; balance is travel and other supplies). Budget of \$40,000.00 in SFY 2017 continued to SFY 2018 to plan and make deposits; Budget of \$6,900.00 in SFY 2019 to pay balance due.
 - iii. Technical Assistance - The Governor’s approval to contract for staffing resources in the new 2019-2021 Circuit Rider contract was received on June 23, 2017, and an amendment to increase the total contract period to three (3) years and amount to \$750,600.00 was approved on December 28, 2018. The Request for Proposals was posted in SFY2018 for contract execution in SFY2019 and will initially be funded in the first 12 months for \$250,200.00 with DWSRF 15% funds. Each of the following two (2) 12-month periods of the contract will be funded by \$100,400.00 of DWSRF 15% funds and \$400,000.00 of Fees.
- d. 1/5% of net assets for administration of the DWSRF program:
 - i. Personnel salary, fringe, and indirect for 10 positions (portions of Safe Drinking Water Branch Engineering Staff, full and portions for Water Revolving Fund Staff, other attached Environmental Health Administration office staff)
 - ii. Training and Registration Fees
 - iii. Single audit expenses
- 4. DWSRF loan fund – funds within the DWSRF administrative loan fee account, less encumbrances, which are more than \$2 million are transferred each year to the DWSRF repayment accounts to be used for DWSRF loans.

In addition, the Hawaii Water Works Association Annual Conference on November 7-9, 2018 was also funded by \$20,000.00 of Fees disbursed on December 10, 2018. This conference for 172 attendees included the following SDWB and/or DWSRF-related presentations:

- “Water Audit Findings” and “Water Audit Evaluation and Next Steps” by Reinhard Strum and Kris Williams of Water Systems Optimization

- “Hawaii DWSRF Assistance for Capacity Development” by Alan Dillon of SDWB
- “Project WET” by Jonell Kaohelaulii of Kauai Department of Water
- “Hawaii Rates Dashboard” by Glenn Barnes of University of North Carolina Environmental Finance Center
- “Source Water and Your Drinking Water Program” by Daniel Chang of SDWB
- “Cesspools in Hawaii and the Source Water Program” by Daniel Chang of SDWB and Miles Nishioka of the Wastewater Branch
- “Source Water / Wellhead Protection” by Bob Whittier of SDWB.

2. Small Systems Technical Assistance (2%)

Using \$19,150.00³ of the 2% set-aside, the SDWB provided free registration for 53 small water system operators and board members to the 2019 Pacific Water Conference (PWC) which is the joint conference between the American Water Works Association-Hawaii Section and the Hawaii Water Environment Association (water and wastewater). The pre-conference on February 19, 2019, included a Water Operator Workshop presented by Rural Community Assistance Corporation. The conference on February 20-21, 2019 included manufacturers’ exhibits, technical presentations, and networking opportunities for water system staff. SDWB and/or DWSRF-related presentations included:

- “New Guidelines for Membrane Filtration Systems in Hawaii” by Jennifer Nikaido of SDWB and Greg Wetterau of CDM Smith
- “Groundwater Protection Strategy: Monitoring for Emerging Contaminants of Concern” by Daniel Chang of SDWB
- Water Loss Audit Track in Room 315 (related to the Water Loss Audit funded by 15% set-aside funds)
 - “Working Across Utility Boundaries on Water Loss Control” by Reinhard Strum of Water Systems Optimization, Inc.
 - Panel Discussion: County Water Departments’ Water Audit Experiences” moderated by Neal Fujii of the Department of Land and Natural Resources Commission on Water Resource Management
 - “DWSRF Loans for Public Water System Infrastructure Renewal” by Alan Dillon and Joan Corrigan of SDWB
- “How your SRF Project Can Comply with the American Iron and Steel Requirements” by Jorge Medrano of EPA Headquarters
- “Investing in Infrastructure Resilience” by Karen Edwards of EPA Headquarters
- “Response to E. Coli Contamination in a Drinking Water System” by Jennifer Nikaido of SDWB and Maleeyah Machado of Pural Water Specialty Co., Inc.

³ This payment was done in SFY2020.

FY 2019 DWTRLF ANNUAL REPORT

- “Hawaii Rural Small Water and Wastewater Response Network (WARN)” by Juanita Colon of Hawaii Rural Water Association and Kevin Baughman of Rural Community Assistance Corporation
- “Small Water Systems Round Table” with AWWA-Hawaii Section Small Systems Committee Chair Joy Gannon of Pulama Lanai
- “EPA Drinking Water Regulatory Update” by Anna Yen of EPA Region 9

The request for approval for Allowability of Costs for Light Refreshments and Meals (GPI-11-02) Food Policy was submitted on July 9, 2018 and acknowledged to be added to the funding package.

The remaining \$198,990.00 balance of the FFY 2018 set-aside (including the \$850 remaining from the 2019 PWC) was used to partially fund the small systems technical assistance for Engineering Consulting and Asset Management contracts (also known as the Engineering Services Contract or ESC). Eight (8) qualified engineering services consultants were selected for a contract award on August 3, 2018. Contracts with six (6) of these consultants became effective on January 1, 2019 with an expiration of July 31, 2019. They are actively engaged with providing engineering assistance to small water systems. Modifications to the six (6) contracts are currently in process to extend the period of performance to July 31, 2020 and change the source of funding. Due to the delay in execution of the contracts, the program requested and was awarded FFY 2017 Grant Amendment No. FS-99986518-4 on August 1, 2019 to shift \$138,520.00 from the set-aside (DE) to the loan fund (DA). Portions of the contracts will be funded with FFY 2018 and FFY 2019 Grant set-aside funds and Program Fees (see table below).

ASO Log No.	19-148	19-167	19-168	19-185	19-186	19-187	20-147
# & Consultant	Contract #1 = Okahara	Contract #2 = BCH	Contract #3 = Towill	Contract #4 = Akinaka	Contract #5 = ISLE	Contract #6 = Pryzm	Contract #7 = Imata
PWS Assignment	150 Napu`u	437 MIC	248 Kawela	251 Mahanalua Nui	168 Keopu	201 Hana	106 Pepeekeo
PO #	249771	249812	249814	249817	249811	249818	in progress
FFY2017 (2%)							
FFY2017 (15%)							
FFY2018 (2%)	\$ 41,480.00	\$ 30,000.00			\$ 76,660.00	\$ 50,000.00	\$ 850.00
FFY2018 (15%)	\$ 58,520.00	\$ 70,000.00					
FFY2018 (Fees)							
FFY2019 (2%)			\$ 47,510.00		\$ 23,340.00	\$ 50,000.00	\$ 79,150.00
FFY2019 (15%)							\$ 20,000.00
FFY2019 (Fees)			\$ 52,490.00	\$ 100,000.00			
TOTAL	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00

We are in the process of executing a contract with a seventh consultant (last column of the above table). We do not yet have a small water system applicant request for services for the eighth consultant.

3. State Program Management (10%)

The Safe Drinking Water Act Amendments of 1996 provided that up to 10 percent of the DWSRF Capitalization Grant could be used for State Program Management. These funds were generally delegated to support four major activities.

“The WIIN Act of 2016, §2103, eliminated the statutory text mandating the additional 1:1 match for the State Program Management set-aside. For capitalization grants awarded after December 16, 2016, states are no longer required to provide the additional match to receive this set-aside,” (2017 CIFA National Policy Conference presentation slide, N. Chamberlain).

a. Public Water System Supervision Program

The SDWB continues to successfully implement the terms of the many drinking water rules for which it either has primary enforcement authority (primacy) or intends to apply for primacy. These include: the Revised Total Coliform Rule; the Ground Water Rule; the Surface Water Treatment Rule; Enhanced Surface Water Treatment Rule; the LT1 and LT2 Enhanced Surface Water Treatment Rules; the Phase 1 Volatile Organic Chemical Rule; Phase II SOC/IOC Rule; the Phase V SOC/IOC Rule; Lead and Copper Rule, including Minor and Short-Term Revisions; Revised Public Notification Rule; Revised Radionuclides Rule; Consumer Confidence Rule; Filter Backwash Recycling Rule; Stage 1 and Stage 2 Disinfectant/Disinfection By-Products Rules; Arsenic Rule; and more.

The Hawaii Public Water System Supervision Program (PWSSP) continues to make substantial progress in improving our sanitary survey compliance. The SDWB completed 25 sanitary surveys of public water systems throughout the state during SFY 2019. These surveys contribute significantly to strengthening the protection of drinking water quality. The SDWB Engineering section has been at 50% staff level since March 2018 and has been unable to fill the vacant positions due to a lack of qualified candidate lists in the State as of September 2019. The Compliance section has one vacant engineering position due to the time it took for the position to be re-described and approved. Engineers from the Engineering and Compliance Sections performed all surveys in-house in SFY 2019.

The program continued to compile laboratory certification information regarding laboratories performing safe drinking water analyses. This information is made available to the water purveyors and the public. Approximately 10 microbiological laboratories and 44 chemistry laboratories hold certifications for one (1) or more drinking water contaminants.

b. Capacity Development Program

The program's capacity development program efforts for SFY 2019 were concentrated in the Technical Assistance Contract described in the Local Assistance and Other State Programs (15%) discussion of this report.

c. Operator Certification Program

The SDWB continues to administer an operator certification program for water treatment plant operators and distribution system operators.

For the period July 1, 2018 to June 30, 2019:

- 68 Applications were received for certification review.
- 2 Reciprocal certifications were issued.
- 42 Persons were tested for the WTPO certification. (Examinations administered in July 2018 & January 2019.)
- 13 Persons passed the WTPO certification examination.
- 125 Persons were tested for the DSO certification. (Examinations administered in October 2018 and April 2019.)
- 38 Persons passed the DSO certification examination.
- 213 WTPO certifications were active as of June 30, 2019.
- 482 DSO certifications were active as of June 30, 2019.
- 21 Public water systems required to have level 1 certified water treatment plant operators by the level of the plant.
- 11 Public water systems required to have level 2 certified water treatment plant operators by the level of the plant.
- 3 Public water systems required to have level 4 certified water treatment plant operators by the level of the plant.
- 132 Public water systems with at least one distribution system operator certified at the level of the distribution system of the water system.

4. Local Assistance and Other State Programs (15%)

The *Hawaii DWSRF 15% Set-Aside Multi-Year Business Plan, SFY2017 – SFY2022*, provides goals and objectives of Technical Assistance and Source Water/Wellhead Protection Program for the use of the fund. The SDWB will review the business plan for the 15% set-aside annually to ensure workplan tasks are producing pertinent outputs, funds are able to be disbursed in a two-year time frame, and the program is achieving public/environmental health protection outcomes. When planning the project start date and payment schedule, the SDWB will consider the requirements of the state procurement system and any QA/QC review needed.

a. Source Water Protection Program

Source water protection efforts have been focused on educating water systems, the public, and other applicable organizations on development and implementation of protection strategies and plans. This year, the SDWB continued to meet with water systems and government agencies on the result of the assessments and plans for source water protection. Source water assessments are also being conducted on new drinking water sources as they proceed through the new source approval and engineering report process.

- i. SWAP Modeling Upgrade and Characterize the Regional Groundwater Flow Paths: “An investigation of Groundwater Flow Paths in South-Central and Southeast Oahu” was proposed in January 2018 by the University of Hawaii – Water Resources Research Center to be conducted between February 1, 2018 to September 2, 2019 for \$80,000.00 of the FFY 2017 Grant set-aside funds.

The Memorandum of Agreement (SDWB-18-001-RW) was executed on March 1, 2018. This was to be the first of the statewide source water protection program projects to update the SWAP model. In SFY 2019, on July 24, 2018, the project officer was informed that, due to the delay in the Quality Assurance review of the Work Plan and Sample Analysis Plan, the funding for this project was being moved to the Program Fees fund. The program requested and was awarded FFY 2017 Grant Amendment No. FS-99986518-4 on August 1, 2019 to shift \$80,000.00 from the set-aside (DG) to the loan fund (DA).

The project period of performance was extended to June 30, 2020. The project is in progress and we expect to submit a final report prior to the end of the period of performance. Currently we have conducted a gravity survey of the Aliamanu and Salt Lake Tuff Rings to image dense sub-surface structures that may be barriers to groundwater flow. The project has also collected 30 rainwater and 13 groundwater samples for isotopic and major ion analysis. We expect to collect up to 15 more groundwater samples and 20 more precipitation samples. We are currently working on interpreting and modeling the data. We expect to use this data to better define the pathways that groundwater takes from areas of recharge to our public drinking water wells. Currently, the project is 60 percent complete.

- ii. Cesspool Contamination Risk Evaluation: “An Evaluation of the Cesspool Contamination Risk to Public Drinking Water Sources on Kauai and Maui” was proposed to begin disbursing \$90,000.00 of the FFY 2017 Grant set-aside funds in February 2018. The project was converted to the “Investigation of Cesspool Upgrade Alternatives for Upcountry Maui” to be conducted by the University of Hawaii – Water Resources Research Center between June 1, 2018 to May 31, 2019 for \$99,609.00 with FFY 2017 Grant set-aside funds. The Memorandum of Agreement (SDWB-19-001-RW) was executed on August 13, 2018. This project is in its final phase. The modeling and the public meetings have been completed, and a draft report was submitted for public review

in June 2019. The final report will be submitted prior to December 31, 2019. The project is currently 95% complete.

- iii. Cesspool Contamination Risk Evaluation: “An Evaluation of the Cesspool Contamination Risk to Public Drinking Water Sources on Kauai” was proposed to begin disbursing \$90,000.00 of the FFY2018 Grant set-aside funds in May 2019. This project has been postponed. The program requested and was awarded FFY 2018 Grant Amendment No. FS-99986519-1 on June 27, 2019 to shift \$90,000.00 from the set-aside (DG) to the loan fund (DA).
- iv. Characterize the Regional Groundwater Flow Paths: “Investigate Groundwater Flow in Kauai” was proposed to begin disbursing \$75,000.00 of the FFY 2018 Grant set-aside in May 2019. This project has been postponed. The program requested and was awarded FFY 2018 Grant Amendment No. FS-99986519-1 on June 27, 2019 to shift \$75,000.00 from the set-aside (DG) to the loan fund (DA).

b. Wellhead Protection Program

Hawaii’s Wellhead Protection (WHP) Program Plan includes a Financial Assistance Program (FAP) that allowed the SDWB to provide funding/grants to public water systems for water protection planning and implementation protection projects and activities. This past year, funds were used for education activities on water quantity and quality/protection issues for the general public, public water systems, water industry professionals, and stakeholders.

In SFY 2020 and per Goal 2 of the *Hawaii DWSRF 15% Set-Aside Multi-Year Business Plan SFY2017-SFY2022 [Hawaii Groundwater Protection Strategy (HIGWPS) Goal 3, Objective 2 and Business Plan Objective 2.3]*, dated September 22, 2017, the WHP-FAP application will be revised and distributed to the public water systems for future protection projects which may include:

- Fund public water systems groundwater protection planning and implementation activities.
- Fund the evaluation of the impact of reused/recycled wastewater on water resources.
- Fund cesspool replacement projects in areas that impact drinking water sources.
- Identify abandoned wells within SWP Areas and fund the sealing and closure of these wells.
- Fund watershed protection projects that impact drinking water sources.

c. Technical Assistance Programs for Water System Operators

i. Circuit Rider Program

The SDWB issued consecutive contracts to provide training to small water systems starting in October 2009 and continuing through September 2018. These contracts are more commonly known as the “Circuit Rider Program.” Under the terms of this contract,

the contractor (Rural Community Assistance Corporation) has been meeting with the staff of small, publicly- and privately-owned public water systems and providing hands-on training in technical, financial, and managerial areas.

This program has focused on raising the technical abilities of water system operators, provided managerial training to board members, and has assisted water system managers in understanding the financial capacity arena. The Circuit Riders are also utilizing different outreach formats, like peer group sessions to discuss topics common to several water systems which also allow the water systems the opportunity to network. The circuit riders made visits to 28 different small public water systems in SFY 2019. Overall, the circuit rider program has made a significant contribution to improving the technical, managerial and financial capacity of existing water systems.

The Governor's amended approval to contract for staffing resources was approved on December 28, 2018. The 2019-2022 Circuit Rider contract, effective February 1, 2019 through January 30, 2022, was executed on July 22, 2019. The contract is funded by \$350,600.00 of DWSRF 15% set-aside funds and \$400,000.00 of DWSRF Program Fees.

ii. Continuing Education Training Program for Water System Operators

HRWA has continued to independently provide both online and classroom courses on all major islands. The Hawaii Operator Certification Program still supports those efforts to aid in certification renewal.

iii. Water Loss Audit Training and Technical Assistance Program for Water Systems

For SFY 2017 -SFY 2020, the SDWB continues to collaborate with the Department of Land and Natural Resources – Commission on Water Resource Management to provide a water loss control audit training and technical assistance program to county and large capacity water systems, as defined in Act 169, 06/30/2016, (Gov. Msg. No. 1271) - http://www.capitol.hawaii.gov/session2016/bills/GM1271_.pdf (\$200,000.00 by June 30, 2017; \$250,000.00 by June 30, 2018; and \$150,000.00 by June 30, 2019). The full amount of \$200,000.00 from the FFY 2016 grant allocation was disbursed by April 17, 2018. Over 65% of the FFY 2017 grant allocation of \$250,000.00 was disbursed by June 30, 2019. The FFY 2018 grant allocation of \$150,000.00 was awarded on September 24, 2018 (Grant No. FS-99986519-0).

iv. Technical Assistance Needs of Water Systems

For SFY 2019, the SDWB continued to:

FY 2019 DWTRLF ANNUAL REPORT

- (1) Identify technical assistance needs of water systems (e.g., operation and maintenance manuals, asset management, valve exercise program, water meter evaluation, identify valve replacement, engineering services evaluation, address and solve deficiency, emergency response plan, meter replacement program, etc.).
- (2) Partially fund the small systems technical assistance for Engineering Service Contracts. Eight (8) qualified engineering services consultants were selected for a contract award on August 3, 2018. Due to the delay in execution of the contracts, the program requested and was awarded FFY 2017 Grant Amendment No. FS-99986518-2 on October 31, 2018 to shift \$268,520.00 from the set-aside (DG) to the loan fund (DA).

Contracts with six (6) of these consultants became effective on January 1, 2019 with an expiration of July 31, 2019. They are actively engaged with providing engineering assistance to small water systems. Modifications to the six (6) contracts are currently in process to extend the period of performance to July 31, 2020 and change the source of funding. Due to the further delay in execution of the contracts, the program requested and was awarded FFY 2017 Grant Amendment No. FS-99986518-4 on August 1, 2019 to shift \$21,480.00 from the set-aside (DG) to the loan fund (DA). Portions of the contracts will be funded with FFY 2018 and FFY 2019 Grant set-aside funds and Program Fees (see table below).

ASO Log No.	19-148	19-167	19-168	19-185	19-186	19-187	20-147
# & Consultant	Contract #1 = Okahara	Contract #2 = BCH	Contract #3 = Towill	Contract #4 = Akinaka	Contract #5 = ISLE	Contract #6 = Pryzm	Contract #7 = Imata
PWS Assignment	150 Napu'u	437 MIC	248 Kawela	251 Mahanalua Nui	168 Keopu	201 Hana	106 Pepekeo
PO #	249771	249812	249814	249817	249811	249818	in progress
FFY2017 (2%)							
FFY2017 (15%)							
FFY2018 (2%)	\$ 41,480.00	\$ 30,000.00			\$ 76,660.00	\$ 50,000.00	\$ 850.00
FFY2018 (15%)	\$ 58,520.00	\$ 70,000.00					
FFY2018 (Fees)							
FFY2019 (2%)			\$ 47,510.00		\$ 23,340.00	\$ 50,000.00	\$ 79,150.00
FFY2019 (15%)							\$ 20,000.00
FFY2019 (Fees)			\$ 52,490.00	\$ 100,000.00			
TOTAL	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00

E. GOALS AND ACCOMPLISHMENTS

Section 1452(b) of the Safe Drinking Water Act requires the State to prepare an IUP, identifying the uses of funds in the DWSRF and describing how those uses support the goals of the DWSRF program. The IUP is a requirement in the State’s SRF Capitalization Grant Application process to

FY 2019 DWTRLF ANNUAL REPORT

EPA. It is prepared annually and made available for public comment and review. The program posted its finalized IUP for SFY 2019 in July 2018. A copy of the latest version (Amendment 1, May 2019) is available at https://health.hawaii.gov/sdwb/files/2019/05/SFY19-AP18_IUP_Amendment-1_Signed_ToBePosted.pdf.

The following is a summary of the goals and accomplishments for SFY 2019 and a summary of the program achievements throughout the year.

- In SFY 2019, four (4) final loan agreements totaling \$30,460,611.00 were executed.
- \$26,772,261.83 of loan disbursements were made in SFY 2019⁴. A summary of projects with actively disbursing loans in SFY 2019 is attached as Attachment 20.
- As of July 1, 2019, the DOH had a Federal ULO of 3.8%.
- In SFY 2019, the DWSRF expanded to allow loans to privately-owned, regulated public water systems. The first loan to a privately-owned entity (Kaeleku Tank Replacement project for \$1,000,000.00) began routing at the end of SFY 2019 and was executed at the beginning of SFY 2020, in July 2019.
- In SFY 2019, assigned six (6) of eight (8) consulting engineering companies to privately-owned water systems under the ESC to provide professional engineering assistance for water system improvements to be funded through a DWSRF loan. As of this report, a seventh consultant was assigned to a water system as well.

1. Long Term Goals

- a. To assist as many water purveyors as possible to attain compliance with State and Federal Drinking Water Regulations through the low interest loan program.

The DWSRF program continues to work with all four (4) counties in Hawaii to provide SRF loan funds. The four (4) counties own and manage most of the public water systems statewide with small, medium, and large sized systems and the low interest loan funds provide an affordable means of financing numerous projects in different systems. The various projects in the different systems are thus able to aid many people throughout the State of Hawaii.

The DWSRF program was also marketed to privately-owned water systems to let them know that the program would provide low interest loans to non-county systems beginning in SFY 2019.

⁴ Disbursement based on the LGTS Disbursement Log Report (by warrant date) totals from 7/1/2018 to 6/30/2019.

- b. To maintain a perpetual, self-sustaining revolving loan fund program through the strategic use of recycled loan funds, administrative fees, interest earnings, and EPA annual appropriations through capitalization grants to the State each year.

To supplement the administrative demands, the program assesses fees to ensure that the administrative needs are financed in perpetuity. The cash flow modeling is enhanced using the Financial Operations and Cash-flow Utilization in the SRF (FOCUS) financial model, which began full implementation in March 2018.

The program continued to offer a tiered loan rate structure, as shown in the table below, in SFY 2019 to offer competitive rates to our borrowers and to encourage larger loans. These rates were in place until June 30, 2019 and increased by 0.25% for each tier from the SFY 2018 rates.

Total Loan Rate (%)	Interest Rate (%)	Loan Fee (%)	Project Loan Amount (\$)
1.25	0.25	1.00	Over 8 million
1.75	0.75	1.00	4 million to 8 million
2.25	1.25	1.00	Less than 4 million

2. Short Term Goals

- a. Continue implementation of some of the recommendations from the Northbridge Environmental Management Consultants’ October 22, 2014 *Hawaii SRF Management Study for the CWSRF and DWSRF Programs* to streamline the Hawaii DWSRF program and increase the program’s pace to ensure the efficient and expeditious use of funds.

The DOH continued implementing some of the recommendations from the Management Study in SFY 2019. The following are at various stages of implementation:

- Forward funding
- Accepting digital signatures for loan agreements are at various stages of implementation.

- b. Continue modification of the Functional Procedures and the Operating Agreement to reflect and meet the DWSRF requirements and needs.

Most of the Functional Procedures were updated. The State Environmental Review Process was approved by the EPA on February 20, 2018. Other procedures resulting from the Northbridge Management Study are in the process of being developed. The Operating Agreement will be updated following the completion of the Functional Procedures updates.

FY 2019 DWTRLF ANNUAL REPORT

- c. Continue working with Northbridge on the development and implementation of the LGTS to track the required items, which include accounting, management, set-asides, compliance and customer service concerns.

LGTS went into live production on September 2, 2015. The LGTS is actively used daily by the Hawaii SRF program. It is currently being used by staff and management to:

1. Serve as the primary data repository for all borrower information and loan agreements, loan letters, purchase orders, repayment billings to the Counties, payment requests, repayment receipts
2. Keep track of all project information and status;
3. Record payment requests and obligations;
4. Produce amortization schedules;
5. Generate repayment billings;
6. Record repayments;
7. Record and track grants and state match;
8. Maintain and generate the SRF Programs priority lists;
9. Track project milestones;
10. Maintain project checklists;
11. Generate the following reports: repayment logs, loan balances, disbursement logs, obligation logs, accrued interest and P&I cash flow; and
12. Provide data to the FOCUS financial model.

LGTS will continue to be tested and more functions will be fully integrated. The SRF Program fully implemented LGTS with generated financial reports for SFY 2018 by July 31, 2019. The DOH is committed to using the LGTS for future annual program financial statements and reports.

- d. Continue implementation for providing professional engineering services through an Engineering Services Contract to small, privately-owned water systems in SFY 2019. The DOH approved eight (8) consultants that responded to the DOH solicitation for the professional services.

F. COMPLIANCE ISSUES

The Hawaii DWSRF program has complied with the applicable requirements outlined in the Operating Agreement, Chapter II, Implementation, Section D, State Assurances for the DWSRF Program, and Section E, State Requirements for the Capitalization Grant Agreement. The requirements included the following:

1. Environmental Review - Each DWSRF project has undergone an environmental assessment and review. Environmental assessment documents were prepared by the County Water Departments

FY 2019 DWTRLF ANNUAL REPORT

in accordance with HRS Chapter 343 (Environmental Impact Statements) and Hawaii Administrative Rules, Chapter 11-200, and were submitted to the Office of Environmental Quality Control (OEQC) of the State of Hawaii for review and publication. For exempt projects, DWSRF Exempt Project Certification forms were submitted to the DWSRF program with the qualifying exemption identified.

Federally funded projects (based on equivalency) have also undergone a National Historic Preservation Act (NHPA) Section 106 review, in accordance with 36 CFR 800 (Protection of Historic Properties).

DOH has implemented the updated State Environmental Review Process that was approved by EPA on February 20, 2018. This process included an updated checklist, a formal process for the National Historic Preservation Act, Section 106 review, and an online posting of DOH concurrence with project determinations made by the borrower and/or its consultant.

2. Intended Use Plan - The DWSRF IUP for the State of Hawaii SFY 2019 / FFY 2018 Appropriation was finalized in June 2018. A notice for public participation and input was published on June 25, 2018 with an open comment period until July 25, 2018. No public comments were received within the open comment period.

Amendment 1 to the IUP, dated April 2019, was posted to the on the DWSRF webpage. The comment period was open from April 12, 2019 to May 12, 2019. No public comments were received. The amendments were to update Section I.C. Table 1; Section I.C.3.iii. Technical assistance; Section I.C.4. EPA in-kind services; Section I.D. Additional subsidization; Section I.F. Table 3. Equivalency projects for FFY 2018 capitalization grant; Section IV. Table 5. Set asides overview; Section IV.A. DWSRF administration fund, Section IV.C. Small systems technical assistance (2% set-aside), and Section IV.D. Local assistance and other state programs (15% set-aside); Section V.G. Fundable list of projects; Appendix A - DWSRF priority list of projects for SFY 2019; Appendix C – FFY 2018 federal capitalization grant payments and disbursement schedule for FFYs 2019 and 2020; and Appendix D - notice of public participation and input.

3. Other Federal Requirements - The County Water Departments certify for each of their DWSRF projects that they are following American Iron and Steel (AIS), Davis-Bacon, and all the federal cross-cutter rules and regulations. Each project must include the Federal Boiler Plates in the project specifications used for bidding.

G. DWSRF NATIONAL STRATEGIC PLAN, LOAN RECIPIENT, PROJECTS & TYPES OF ASSISTANCE

FY 2019 DWTRLF ANNUAL REPORT

U.S. Environmental Protection Agency, Drinking Water State Revolving Fund (DWSRF) Strategic Plan Goals and Objectives⁵.

Strategic Plan Goal 1: A Cleaner, Healthier Environment – Deliver a cleaner, safer, and healthier environment for all Americans and future generations by carrying out the Agency’s core mission.

Strategic Plan Objective 1.2: Provide for Clean and Safe Water – Ensure waters are clean through improved water infrastructure and, in partnership with states and tribes, sustainably manage programs to support drinking water, aquatic ecosystems, and recreational, economic, and subsistence activities.

Hawaii’s Contribution and Support of the National EPA DWSRF Strategic Plan:

The Hawaii DWSRF program supports the above mentioned National USEPA DWSRF Strategic Plan Goal 1 (A Cleaner, Healthier Environment), and Objective 1.2 (Provide for Clean and Safe Water). Specifically, Hawaii has established and is managing the revolving loan fund to make low-cost loans to water systems to finance the cost of infrastructure projects to achieve or maintain compliance with Safe Drinking Water Act requirements. Hawaii DWSRF activities support USEPA Program Reporting Code (PRC) 201B81E.

Every summer, Hawaii and USEPA negotiate Hawaii’s Strategic Plan commitments for the SFY starting July 1st. Hawaii submitted its Strategic Plan commitments for the Federal Fiscal Year starting on October 1st.

All DWSRF loans have assisted public water systems to meet the federal and state drinking water compliance requirements. Details of Hawaii’s DWSRF activities supporting the National USEPA Strategic Plan will be submitted to EPA as part of the DWNIMS data collection effort. Last year’s National plan is available at: http://water.epa.gov/resource_performance/planning/.

⁵ FY 2018-2022 EPA Strategic Plan dated February 2018 (Updated September 2019); <https://www.epa.gov/planandbudget/strategicplan>.

FINANCIAL SECTION

The following is a summary of the financial activities of the program for the state fiscal year ended June 30, 2019. The DOH considers the DWTRLF to be a special revolving fund. The fund was established to receive proceeds from specific revenue sources such as Federal Capitalization Grants, State Capital Improvement Project (CIP) Appropriations for State Match, loan repayments, and interest earnings from investments and fees.

A. INTERNAL CONTROLS

The DWTRLF program is responsible for establishing and maintaining a system of internal accounting controls to ensure compliance with applicable laws and regulations related to federal and state financial assistance programs. The objective of an internal control system is to provide the program with reasonable, but not absolute, assurances that assets are safeguarded against loss from unauthorized use or disposition. It also ensures that transactions are executed and recorded with proper authorization to permit preparation of financial statements in accordance with generally accepted accounting principles.

Based on annual Performance Evaluation Reviews by EPA and annual financial audits by independent auditors, we believe that the DWTRLF program's internal controls adequately safeguard assets and provide reasonable assurances of proper recording of financial transactions.

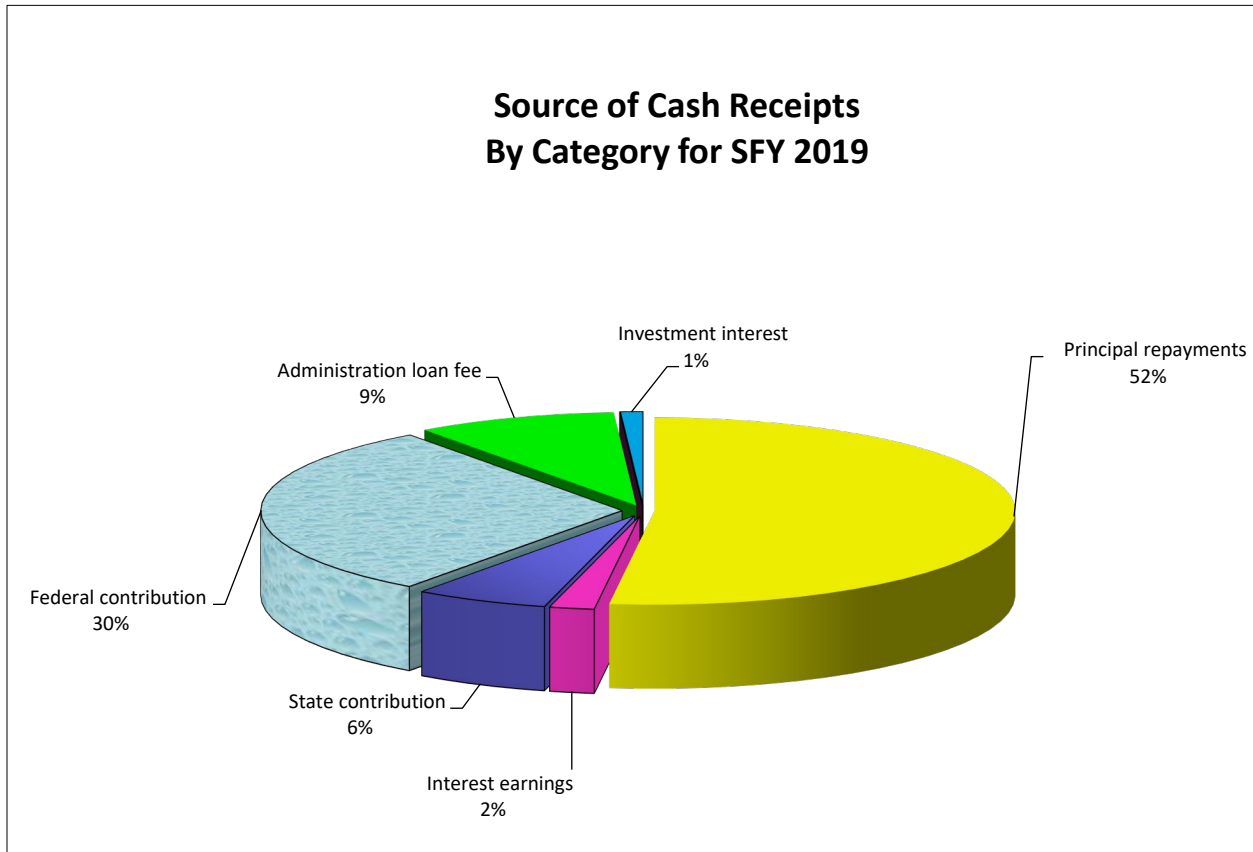
B. ACCOMPLISHMENTS OF THE PROGRAM

1. Sources of Funds

Since the program's inception, the DOH has received a total of \$211,607,058.00⁶ in federal capitalization grants. Of this amount, \$31,297,604.42 was set aside to support other drinking water program initiatives and administration of the loan program with the remaining \$180,309,453.58 earmarked for DWSRF loan funds.

The Graph below illustrates the percentage breakdown of sources of cash for the SRF program by category received for the SFY 2019.

⁶ Includes \$19.5 million from ARRA and does not include withholdings by EPA of a total of \$1,599,500.00 which consists of \$1,492,000.00 for the 2014-2019 Northbridge work assignments, \$6,000.00 for the 2016 Cadmus survey, and \$101,500.00 of other in-kind expenses in 2000, 2001, and 2005. The total listed matches the amount listed in the Cumulative through 6/30/2019 column of Table 1 of the SFY 2019 IUP at https://health.hawaii.gov/sdwb/files/2019/05/SFY19-API18_IUP_Amendment-1_Signed_ToBePosted.pdf. The total including ARRA and the amounts withheld by EPA is \$213,206,558.00.



2. State Match

Pursuant to Act 53/SLH18, the Hawaii State Legislature appropriated monies from general obligation bond funds for the required 20% state match for the FFY 2018 EPA SRF Capitalization Grant. The state match was transferred into the DWTRLF account in December 2018.

Hawaii State law prohibits the program from using State CIP funds (match funds) for administrative purposes. To comply with EPA's disbursement requirement, the program obligates all its state match funds to loan projects.

3. Executed Loan Agreements/Binding Commitments:

As of June 30, 2019, the DOH committed \$160,644,453.58 federal capitalization grant funds and \$38,741,312.00 state match funds to DWSRF projects. These funds benefit communities of all sizes throughout the State of Hawaii. See Attachment 1.

FY 2019 DWTRLF ANNUAL REPORT

The total available for loans since inception was \$344,057,841.47. The program committed \$345,504,945.50 or over 100% with \$1,447,104.03 more funds than available.

4. Automated Standard Application for Payments (ASAP):

The program drew \$7,934,563.78 of its capitalization grant funds from the ASAP system during SFY 2019. Of this amount, \$6,296,471.24 was used for DWSRF loans and \$1,638,092.54 for DWSRF set-aside operations.

5. Loan Repayments and Investment Interest:

Under the DWSRF, the program established several accounts or activity codes to track the program's revenue sources. These funds are legally restricted for use to fund expenditures for drinking water infrastructure projects, eligible costs for program set-aside activities under the Safe Drinking Water Act, and administrative costs relating to the operation and maintenance of the DWSRF Program.

Activity Code	Revenue Source	SFY 2019 Amount Received (\$)
422	Principal from repayments	13,793,998.20
423	Interest from repayments	446,472.99
424	Investment interest	316,280.26

C. PROGRAM AND SET-ASIDE ACTIVITIES

Highlights of the program's activities are as follows:

To administer the DWSRF program and its related drinking water programs, the program spent \$29,282,042.79. This consisted of the following program expenses:

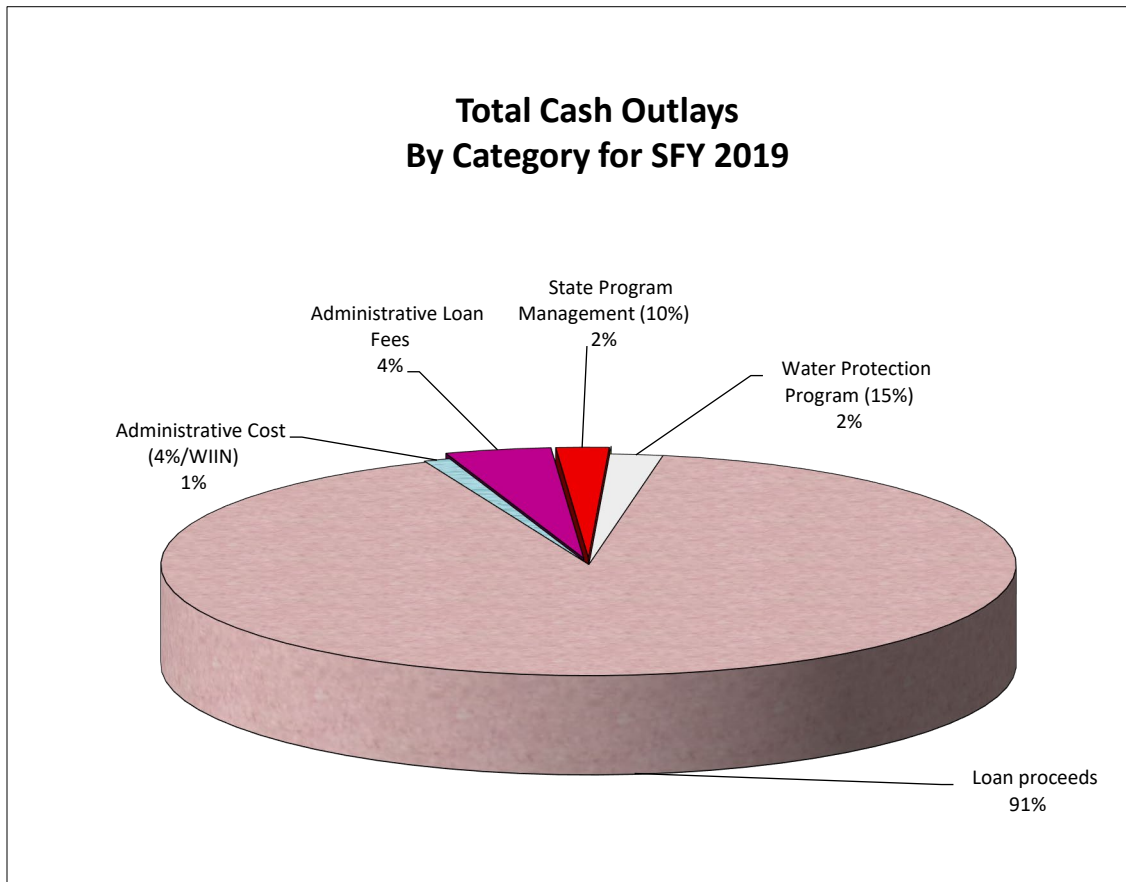
Activity Code	Program	SFY 2019 Amount Expended (\$)
420, 421, 422, 423, 424	Loan Disbursement	26,772,261.83
425, 426, 430, 441	Administrative Costs	1,319,666.18
427	State Program Management (10%)	663,598.60
428	Small Systems Technical Assistance (2%)	0.00*
435	Operator Certification (10%)	9,844.70

FY 2019 DWTRLF ANNUAL REPORT

Activity Code	Program	SFY 2019 Amount Expended (\$)
436	Wellhead Protection Program (15%)	347,284.08
437	Technical or Financial Assistance to PWSs (15%)	169,387.40
Total Program Expenditures		29,282,042.79

Note: * \$19,150.00 was paid in SFY2020.

The Graph below shows the significance of loan proceeds in relation to all costs associated with the DWTRLF's operations.



FY 2019 DWTRLF ANNUAL REPORT

D. CREDIT RISKS OF THE DWTRLF LOANS

The SRF program requires that every applicant pledge a dedicated source of revenue to repay the loan. Dedicated sources of revenue include a pledge of the county's full faith credit and/or a pledge of general obligation bonds or a dedicated revenue source.

The following table contains specific information regarding the credit worthiness of our four (4) DWTRLF loan recipients. The table displays the credit rating categories for these recipients. The General Obligation (G.O.) Bond credit agencies, Moody's Investors Service and Fitch Ratings, gave every Hawaii Board of Water Supply or Water Board a High-Quality rating.

In summary, the DOH feels that the DWTRLF loan portfolio carries a high degree of solvency.

Recipients	Committed Amount (\$)	Moody's/Fitch Bond Rating	Percentage of DWSRF Loan Portfolio
City and County of Honolulu, Board of Water Supply	147,031,290.66	Aa1/AA+	43%
County of Hawaii, Water Board	72,510,538.51	Aa2/AA+	21%
County of Kauai, Board of Water Supply	40,511,143.18	Aa2/AA	12%
County of Maui, Board of Water Supply	84,451,973.15	Aa1/AA+	24%
Private	1,000,000.00	---	0%
Totals	345,504,945.50		100%

E. OTHER INFORMATION

This report was prepared in accordance with the Generally Accepted Accounting Principles (GAAP) and Reporting Requirements requested by EPA.

Independent Audit: The accounting firm of KMH LLP was selected by the DOH to perform a financial audit of the DWSRF Program's activities for SFY 2019.

The KMH LLP auditor's report for the SFY 2019 DWSRF financial statements was published on November 27, 2019 and states: "In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the DWTRLF as of June 30, 2019, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America."

FY 2019 DWTRLF ANNUAL REPORT

Program information: For further information regarding this report, please contact SDWB at: (808) 586-4258 or Water Revolving Fund Staff at: (808) 586-4274.

LIST OF ATTACHMENTS

- ATTACHMENT 1: SUMMARY OF THE DRINKING WATER TREATMENT REVOLVING
LOAN FUND
- ATTACHMENT 2: STATEMENT OF NET POSITION
- ATTACHMENT 3: STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION
- ATTACHMENT 4: STATEMENT OF CASH FLOWS
- ATTACHMENT 5: NOTES TO FINANCIAL STATEMENTS
- ATTACHMENT 6: SUMMARY OF ACTIVE DWSRF PROJECTS IN SFY 2019

FY 2019 DWTRLF ANNUAL REPORT

ATTACHMENT 1: SUMMARY OF THE DRINKING WATER TREATMENT REVOLVING LOAN FUND

Actual and Planned Binding Commitments

No.	Binding Commitment Date	Project Description (Project Name - Based on the Final Loan Agreement)	Rate	Loan Amount
1	11/15/1999	213-0001 Kamole Water Treatment Plant	1.55%	7,840,087.00
2	7/15/2001	130-0001 Waimea Treatment Plant Upgrades-Phase II [Interim 11/15/00]	1.37%	739,210.00
3	7/15/2001	410-0001 Damage Repairs to Kokolau Tunnel [Interim 11/15/00]	1.37%	1,663,201.02
4	10/15/2001	101-0001 Saddle Road Well "A" [Interim 11/15/00]	1.37%	1,610,048.59
5	4/15/2002	133-0001 Kukuihaele Well "A" (Replace Waiulili Spring) [Interim 7/15/01]	1.01%	334,240.00
6	4/15/2002	139-0001 Makapala Well (Replace Murphy Tunnel) [Interim 7/15/01]	1.01%	1,292,914.85
7	4/15/2002	109-0001 Pahala Well "B" (Replace Alii Tunnel) [Interim 7/15/01]	1.01%	2,326,821.30
8	4/15/2002	107-0001 Kaieie Mauka (Replace Kaieie & Papaikou Springs) [Interim 7/15/01]	1.01%	2,227,682.96
9	4/15/2002	406-0001 Kekaha Well (Kapilimao Well) [Interim 7/15/01]	1.01%	862,882.74
10	3/15/2004	413-0002 Waiiua Homesteads Well No. 3 [Interim 7/15/03]	0.54%	397,736.50
11	7/15/2003	404-0001 Rehabilitation of 27" Steel Pipe, Hanapepe-Eleele Water System [Interim 5/15/02]	0.99%	691,134.00
12	7/15/2003	404-0002 Replace Pipeline at Hanapepe River Crossing and Control of Slope Failure at Hanapepe Well #3 [Interim 5/15/02]	0.99%	1,243,976.74
13	1/15/2005	410-0005 Rehabilitate Lihue Steel Tanks 1 & 2 [Interim 7/15/03]	0.46%	1,243,017.00
14	1/15/2005	413-0005 Ornellas 0.2 MG Tank Refurbish [Interim 7/15/03]	0.58%	809,398.00
15	12/15/2004	331-0002 Waimanalo Well III [Interim 3/15/04]	0.10%	2,147,710.20
16	8/15/2005	335-0004 Pailani Street Water System Improvements [Interim 8/15/05]	0.00%	2,790,658.33
17	8/15/2005	413-0006 16 inch Waterline Replacement along Kuhio Highway, Leho Drive to North Papaloa Road, Waiiua, Kauai, Hawaii [Interim 1/15/05]	0.16%	2,305,093.02
18	9/15/2005	333-0001 California Avenue Water System Improvements, Parts II and III [Interim 4/15/05]	0.31%	3,788,303.68
19	9/15/2005	335-0003 Ewa Shaft Granular Activated Carbon (GAC) Treatment Facility [Interim 3/15/04]	0.10%	12,096,983.25
20	11/15/2005	335-0002 Kunia Wells II-Nitrate Treatment Facility [Interim 3/15/04]	0.10%	395,054.20
21	1/15/2007	408-0002 Poipu Road 16 inch Main Replacement [Interim 1/15/05]	0.16%	5,158,885.83
22	2/15/2007	105-0001 Honomu Well "A" (Replace Akaka Falls Spring) [Interim 12/15/03]	0.41%	3,968,080.00
23	3/15/2007	213-0003 Kamole Weir Water Treatment Facility Clear Well Replacement [Interim 1/15/05]	0.15%	9,704,849.00
24	3/15/2008	331-0018 Pearl City Water System Improvements [Interim 5/15/07]	0.01%	1,255,435.00
25	3/15/2008	331-0024 Alewa Water System Improvements [Interim 5/15/07]	0.01%	2,666,036.00
26	3/15/2008	331-0025 Liliha Water System Improvements, Phase B [Interim 5/15/07]	0.01%	1,934,183.88
27	2/15/2009	214-0009 Napili Well "A" Site Improvements [2/15/09]	0.37%	1,629,992.00
28	3/15/2009	400-0001 Stable 1.0 MG Tank & Connecting Waterline [Interim 1/15/08]	0.26%	7,274,997.83
29	4/15/2009	154-0001 Hakalau Spring Improvement [4/15/09]	0.62%	606,167.00
30	5/15/2009	331-0031 Oahu Ave and Huelani Drive 8-inch Mains [Interim 5/15/08]	0.36%	1,324,452.00
31	8/15/2009	406-0005 Kaunuaui Highway 12-inch Main Replacement Elepaio Road to Huakai Road, Job No. 05-04, kW-27, Kekaha-Waimea, Kauai, Hawaii [Interim 8/15/09]	0.32%	3,989,537.33
32	8/15/2009	434-0003 Waha, Wawae, and Niho Roads Main Replacement, Job No. 05-07, K-07, LO-13, at Kalaheo, Kauai, Hawaii [Interim 8/15/09]	0.32%	1,936,018.00
33	1/15/2010	406-0003 Kapilimao 0.5 MG Tank [Interim 8/15/08]	0.42%	3,793,779.17
34	8/15/2010	133-0002 Kapulena Well Development Phase 1 (Interim 11/15/09)	0.00%	1,000,154.00
35	8/15/2010	130-0004 Waimea Water Treatment Plant Sludge Drying Beds (Interim 8/15/10)	0.12%	3,458,753.00
36	4/15/2011	213-0006 Makawao Waterline Improvements- Ai Street, Kehau, Mole, & Malu Place (Interim 4/15/11)	0.00%	674,409.00
37	8/15/2011	213-0008 Kamole Water Treatment Plant High Lift Pumps (Interim 8/15/11)	0.35%	1,794,000.00
38	8/15/2011	247-0005 Upper Omaopio Road Tank Replacement (Interim 8/15/11)	0.00%	1,082,117.00
39	8/15/2011	247-0006 Middle and Lower Omaopio Road Tanks Replacements (Interim 8/15/11)	0.35%	576,043.00
40	11/15/2011	212-0007 Lower Paia Water Tank Replacement [Interim 11/15/11]	0.35%	1,012,994.00
41	4/15/2012	212-0010 Uluniu Road and Ewa Place Waterline Replacement (Interim 11/15/11)	1.00%	850,000.00
42	8/15/2012	106-0001 Kulaimano Production Well and Supporting Facilities (Interim 8/15/11)	1.00%	1,239,445.80
43	8/15/2012	217-0005 Waku Well Replacement (Interim 11/15/11)	0.50%	2,006,056.25
44	8/15/2012	400-0004 Job No. PLH-03, Kahili Horizontal Directional Drilled Well (Interim 2/15/12)	1.00%	678,402.00

FY 2019 DWTRLF ANNUAL REPORT

Actual and Planned Binding Commitments (continued)

No.	Binding Commitment Date	Project Description (Project Name - Based on the Final Loan Agreement)	Rate	Loan Amount
45	12/15/2012	129-0002 Kynnersley #1- 0.3 MG Reservoir Replacement (Interim 11-15-11)	1.00%	2,178,762.00
46	4/15/2013	213-0009 Kaupakalua Road Waterline Improvements Phase 1 (Interim 2/15/12)	1.00%	846,047.00
47	4/15/2013	331-0038 Kealakaha Dr., Pooholua Dr., and Waipao PI 8-in Mains (Commitment 10/4/12)	1.00%	1,064,405.29
48	4/15/2013	331-0049 Kona Street 8-inch Main (Commitment 10/4/12)	0.50%	2,512,721.30
49	4/15/2013	331-0057 Ward Avenue 12-inch and 8-inch Water Mains (Commitment 10/4/12)	1.00%	2,296,015.30
50	4/15/2013	413-0008 Job No. 02-15, WK28, Wailua Houselots Main Replacement, Phase I (Interim 2/15/12)	0.50%	4,463,084.00
51	5/15/2013	215-0003 Waikamoi Flume Repair/Replacement (Commitment 11/9/12)	0.00%	7,963,427.38
52	8/15/2013	215-0004 Oihina Water Treatment Plant - Relining of the 8.5 MG Sedimentation Basin (Interim 11/15/11)	1.00%	1,283,418.00
53	10/15/2013	247-0004 Piholo Water Treatment Plant Improvements - Organic Carbon Reduction (Interim 2/15/12)	0.50%	4,283,817.10
54	1/15/2014	213-0014 Paia-Kuau Water System Improvements (Commitment 4/22/13)	1.00%	693,370.03
55	2/15/2014	212-0011 Maui Meadows Booster Pump Station #18 Improvements (Commitment 4/22/13)	1.00%	1,100,000.00
56	4/15/2014	212-0009 Wailuku Well Development (Interim 2/15/12)	1.00%	2,000,000.00
57	5/15/2014	331-0042 Foster Village Water System Improvements, Part III (Commitment 6/24/13)	1.00%	1,031,787.00
58	5/15/2014	331-0052 Mapunapuna Water System Improvements, Part I (Commitment 6/24/13)	0.50%	802,769.35
59	5/15/2014	331-0062 Kamehameha Highway 16-Inch and 8-Inch Mains (Heeia) (Commitment 6/24/13)	0.50%	6,253,645.60
60	5/15/2014	331-0063 Kapiolani Boulevard 12-Inch Main (Commitment 6/24/13)	0.50%	5,472,724.00
61	5/15/2014	331-0059 Woodlawn Drive 8-Inch Main (Commitment 6/24/13)	1.00%	3,397,180.55
62	10/15/2014	HBWS-0002 Honolulu BWS Loan Refinance 1 (No Commitment)	0.00%	26,400,910.01
63	10/15/2014	331-0047 Kalihi Water System Improvements, Part III (Commitment 4/29/14)	0.50%	5,068,079.00
64	11/15/2014	HBWS-0001 Honolulu BWS Water System Improvements 1 (Commitment 9/15/14)	0.00%	6,797,455.69
65	12/15/2014	400-0011 PLH-39, Lihue Baseyard Improvements for the Department of Water (No Commitment)	0.50%	4,000,000.00
66	1/15/2015	213-0015 Halimaile Tank Replacement (Commit 8/27/13)	1.00%	674,167.39
67	4/15/2015	215-0010 Kula 200 #1 Tank Replacement (Commit 6/27/13)	1.00%	749,330.00
68	11/15/2015	102-0001 Laupahoehoe 0.5 MG Reservoir (Commit 9/15/14)	0.50%	3,672,263.42
69	11/15/2015	129-0001 Halaula Well Development Phase 1 (No Commit Issued)	1.00%	823,420.00
70	11/15/2015	130-0003 Waimea WTP Microfiltration (Commit 6/1/15)	0.00%	12,896,000.00
71	11/15/2015	161-0002 Ahualoa-Honokaa Transmission Waterline (Commit 8/30/13)	1.00%	3,200,000.00
72	12/15/2015	HBWS-0003 Honolulu BWS Water System Improvements 2 (Commit 7/6/15)	0.00%	11,652,948.03
73	3/15/2016	133-0004 Kapulena Well Development Phase 2 (Production Well and 0.3 MG Reservoir) (Commit 5/28/14)	0.50%	4,388,782.00
74	3/15/2016	212-0018 Wailuku Heights Tank 30 Booster Replacement (Commit 4/15/15)	1.00%	1,804,849.00
75	3/15/2016	215-0009 Phase 6 Booster Pump Upgrades (Commit 8/27/13)	0.50%	4,000,000.00
76	3/15/2016	233-0002 Kualapuu MCC Upgrades (Commit 4/15/15)	1.00%	500,000.00
77	3/15/2016	247-0008 Omaopio 2.1 MG Tank Replacement (Commit 4/15/15)	0.50%	4,183,000.00
78	3/15/2016	MDWS-0001 Source Generator Installation - 4 Sites (Commit 4/15/15)	1.00%	1,200,000.00
79	5/15/2016	112-0004 Olaa No. 6 Production Well and 1.0 MG Reservoir (No Commit Issued)	0.50%	6,829,188.42
80	11/15/2016	HBWS-PF17 Honolulu BWS Pro-Fi SFY 2017 (Commit 5/23/16)	0.50%	5,000,000.00
81	11/15/2016	101-0003 Pihonua-Kukuau Reservoir and Transmission Improvements (Commit 5/25/16)	0.00%	9,429,173.00
82	1/15/2017	212-0015 Iao Surface Water Treatment Plants Upgrades (Commit 3/22/16)	0.00%	21,500,000.00
83	2/15/2017	331-0068 Energy Savings Performance Contracting-BWS Facilities (Commit 5/23/16)	0.00%	32,881,833.00
84	1/15/2018	HDWS-PF18 Hawaii DWS Pro-Fi SFY 2018 (No Commit Issued)	0.25%	3,089,432.17
85	8/15/2018	MDWS-0002 Maui DWS Water System Improvements 1 (Commit 5/10/17)	0.75%	4,500,000.00
86	12/15/2018	HBWS-PF19 Honolulu BWS Pro-Fi SFY 2019 (Commit 5/1/18)	0.25%	8,000,000.00
87	12/15/2018	HDWS-PF19 Hawaii DWS Pro-Fi SFY 2019	0.25%	7,000,000.00
TOTAL FINAL PROJECTS				\$ 344,504,945.50
Planned (Future) Binding Commitments				
No.	Date	Project Description (Project Name - Based on the Commitment Letter)	Rate	Loan Amount
1	3/25/2019	C P-DW243-0001 Kaeleku Tank Replacement	0.00%	1,000,000.00
TOTAL PLANNED (FUTURE) COMMITMENTS				\$ 1,000,000.00
TOTAL FINAL & PLANNED (FUTURE) PROJECTS				\$ 345,504,945.50

FY 2019 DWTRLF ANNUAL REPORT

ATTACHMENT 2: STATEMENT OF NET POSITION

State of Hawaii
Drinking Water Treatment Revolving Loan Fund

STATEMENT OF NET POSITION

June 30, 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current Assets

Cash and cash equivalents in State Treasury	\$ 23,023,601.31
Accrued Interest	102,413.72
Accrued Interest from Investment	-
Accrued Loan Fees	627,962.65
Due from state treasury	575,220.58
Due from federal government	117,865.79
Accounts Receivable	1,269.60
Current maturities of loans receivable	<u>11,318,606.13</u>

Total Current Assets 35,766,939.78

Loans Receivable, net of current maturities 178,012,849.02

Capital Assets

Capital Assets	3,162,184.41
Less: Accumulated Depreciation	<u>(2,317,457.69)</u>

Total Capital Assets 844,726.72

Total Assets \$ 214,624,515.52

Deferred outflows of resources related to pensions \$ 620,229.35

Deferred outflows of resources related to OPEB \$ 261,613.83

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES \$ 215,506,358.70

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

Current Liabilities

Payroll Payable	\$ 108,515.75
Accounts Payable	73,800.69
Indirect Payable	204,460.27
Due to state treasury	-
Accrued Vacation, current portion	<u>61,685.56</u>

Total Current Liabilities 448,462.27

Accrued Vacation, net of current portion 141,784.47

Net pension liability 2,486,211.04

Net OPEB liability 2,814,137.17

Total Liabilities 5,890,594.95

Deferred inflows of resources related to pensions 495,004.88

Deferred inflows of resources related to OPEB 58,086.84

Net Position

Net Investment in Capital Assets	844,726.72
Restricted	208,217,945.31
Unrestricted	<u>-</u>

Total Net Position 209,062,672.03

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION \$ 215,506,358.70

The accompanying notes are an integral part of this statement.

FY 2019 DWTRLF ANNUAL REPORT

ATTACHMENT 3: STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION

State of Hawaii
Drinking Water Treatment Revolving Loan Fund

STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION

For the Year Ended June 30, 2019

OPERATING REVENUES

Interest earnings from Loans	\$ 441,377.84
Administration loan fee earnings	<u>2,306,899.41</u>
Total Operating Revenues	2,748,277.25

OPERATING EXPENSES BY PROGRAM ACTIVITIES

Administrative Cost - 4% set-aside	-
Admin. Technical Assistance - 4% set-aside	-
Administrative Cost - WIIN set-aside	231,538.76
State Program Management - 10% set-aside	849,980.03
Source Water Protection - 10% set-aside	-
Capacity Development - 10% set-aside	-
Operator Certification - 10% set-aside	11,846.90
Small Systems Technical Assistance - 2% set-aside	19,150.00
Water Protection Program - 15% set-aside	-
Wellhead Protection Program - 15% set-aside	515,290.05
Technical or Financial Assistance - 15% set-aside	149,754.86
Admin Loan Fee - Program	1,341,892.79
Admin Loan Fee - Non Program	72,055.00
Principal forgiveness for SRF	<u>1,684,826.30</u>
Total Operating Expenses	<u>4,876,334.69</u>

OPERATING LOSS (2,128,057.44)

NON-OPERATING REVENUES

Federal contribution	8,335,818.16
State matching contribution	1,648,000.00
Interest earnings (loss) from Investment	686,469.75
Non-imposed fringe	<u>4,522.14</u>

Total Non-operating revenues and expenses 10,674,810.05

CHANGE IN NET POSITION 8,546,752.61

NET POSITION

Beginning of year	<u>200,515,919.42</u>
End of year	<u>\$ 209,062,672.03</u>

The accompanying notes are an integral part of this statement.

FY 2019 DWTRLF ANNUAL REPORT

ATTACHMENT 4: STATEMENT OF CASH FLOWS

State of Hawaii
Drinking Water Treatment Revolving Loan Fund

STATEMENT OF CASH FLOWS

Year Ended June 30, 2019

Cash flows from operating activities:	
Personnel costs	\$ (1,619,637.48)
Payments to vendors	<u>(881,417.48)</u>
Net cash flows used by operating activities	(2,501,054.96)
Cash flows from noncapital financing activities:	
	<u>9,582,563.78</u>
Net cash flows provided by noncapital financing activities	9,582,563.78
Cash flows from capital and related financing activities:	
Purchase of equipment	<u>(4,175.76)</u>
Net cash flows used by capital and related financing activities	(4,175.76)
Cash flows from investing activities:	
Interest income from loans	446,472.99
Administrative loan fees	2,319,803.00
Principal repayments on loans	13,793,998.20
Disbursement of loan proceeds	(26,772,261.83)
Interest from investments	<u>316,280.26</u>
Net cash flows used by investing activities	(9,895,707.38)
NET DECREASE IN CASH	(2,818,374.32)
Cash Balance at July 1, 2018	<u>25,841,975.63</u>
Cash Balance at June 30, 2019	<u><u>\$ 23,023,601.31</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (2,128,057.44)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	239,272.22
Principal forgiveness for SRF	1,684,826.30
Interest income from loans	(441,377.84)
Administrative loan fees	(2,306,899.41)
In-kind contribution from EPA	-
Non-imposed fringe	4,522.14
Changes in assets, deferred outflows, liabilities, and deferred inflows:	
Due from State Treasury	-
Accounts Receivable	41.12
Accrued salaries and other administrative costs	216,076.78
Net deferred outflows/inflows of resources	145,166.11
Net pension liability	56,074.07
Net OPEB liability	<u>29,300.99</u>
Net cash used by operating activities	<u><u>\$ (2,501,054.96)</u></u>

Supplemental Disclosure of Non-cash Capital and Related Financing Activities:

The Fund received approximately \$649,000 for the year ended June 30, 2019, in contributions of capital assets from governmental agencies, which are recorded as federal contributions at estimated fair value.

The accompanying notes are an integral part of this statement.

ATTACHMENT 5: NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

State of Hawaii Drinking Water Treatment Revolving Loan Fund

NOTE A - ESTABLISHMENT AND PURPOSE OF THE DWTRLF

The Safe Drinking Water Act Amendments (SDWA) of 1996 (the Act) authorized the Environmental Protection Agency (EPA) to make capitalization grants to the states for the purpose of providing loans and other types of financial assistance to public water supply systems for drinking water infrastructure.

The Act also authorized the states to set aside funding for prevention programs and administration of the Drinking Water Treatment Revolving Loan Fund (DWTRLF or Fund), provided that the amount of funding did not exceed thirty-one percent (31%) of the annual capitalization grant as follows:

1. Up to fifteen percent (15%) may be used to provide local assistance and other state programs.
2. Up to four percent (4%) may be used to cover the costs of program administration.
3. Up to ten percent (10%) may be used for Public Water System Supervision (PWSS) program activities and other initiatives of the SDWA.
4. Finally, up to two percent (2%) may be used to support small systems technical assistance activities.

To receive the federal capitalization grants, the 1997 State of Hawaii Legislature established the DWTRLF. The DWTRLF is intended to provide loans in perpetuity to public drinking water systems for construction of drinking water treatment facilities. Such loans may be at or below market interest rates and must be fully amortized within twenty years. Prior to July 1, 2015, the first repayment of principal and interest occurs no later than one year after the notice to proceed for construction or the final agreement date, whichever is later. Beginning July 1, 2015, the first repayment of principal and interest occurs no later than one year after the final loan disbursement, one year after the project completion date or three years after the final agreement date, whichever is earliest. The Fund is administered by the Safe Drinking Water Branch, Environmental Management Division of the Department of Health (DOH), State of Hawaii.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

1. Financial Statement Presentation

The accompanying financial statements are intended to present the financial position, results of operations and cash flows of only that portion of the State and DOH that is attributable to the transactions of DWTRLF and do not purport to present the financial

position, results of operation or cash flows of the State or DOH.

The accompanying financial statements of the DWTRLF have been prepared in conformity with accounting principles generally accepted in the United States of America prescribed by the Governmental Accounting Standards Board (GASB).

2. Measurement Focus and Basis of Accounting

The accompanying financial statements are reported using the economic resources measurement focus (i.e., recognizing all revenues earned during the year) and the accrual basis of accounting. Revenues are reported when earned and expenses are reported when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from services or goods in connection with a proprietary fund's principal ongoing operation. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the DWTRLF are interest income and administrative loan fees on loans made to county governments. Federal grants, state matching funds, and interest income from investments are reported as non-operating revenue. Principal forgiveness for loans is reported as operating expenses.

3. Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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. Actual results could differ from those estimates. These estimates, among others, include the allowance for uncollectible accounts, depreciable lives of capital assets, and the pensions and other postemployment benefits (OPEB) liability.

4. Equity in Cash and Cash Equivalents and Investments in State Treasury

All monies of the DWTRLF are held in the State Treasury. The State Director of Finance is responsible for the safekeeping of cash in the State Treasury in accordance with State laws. The Director of Finance may invest any monies of the state, which in the Director's judgment are in excess of the amounts necessary for meeting the immediate

requirements of the state.

Effective August 1, 1999, cash was pooled with funds from other state agencies and departments and deposited into approved financial institutions or participates in the State Treasury Investment Pool System. Cash accounts that participate in the investment pool accrue interest based on the average weighted cash balances of each account. At June 30, 2019, information relating to the types, insurance, collateral, and related interest rate, credit and custodial risks of funds deposited with the State Treasury was not available since such information is determined on a statewide basis and not for individual departments. The State requires that the depository banks pledge, as collateral, government securities held in the name of the state for deposits not covered by federal deposit insurance.

5. Loans Receivable

Loans provided are funded by federal capitalization grants, State matching funds, repayments and investment interest income. Loan funds are disbursed to local agencies as they expend for the purposes of the loan, and request reimbursement from the Fund. Interest is calculated from the date that loan funds are disbursed, and after the final disbursement has been made, the payment schedule identified in the loan agreement is adjusted for the actual amounts disbursed, and interest accrued during the project period. The capitalization grants for federal fiscal years 2010 through 2018 allow for portions of loans to be forgiven upon satisfaction of certain requirements.

6. Administrative Loan Fees

The administrative loan fee program pays for the Fund's administration, including employee salaries and benefits. The program applies an administrative loan fee to all loans as provided for in Chapter 11-65 of the Hawaii Administrative Rules.

7. Capital Assets

Management capitalizes an asset if the cost is in excess of \$5,000 and the useful life exceeds one year. Purchased capital assets are valued at cost. Donated assets are recorded at their fair market value at the date of donation.

Depreciation expense is recorded in the financial statements. The straight-line method is utilized over the assets' estimated useful life. Generally, the useful life is three to seven years.

8. Accrued Vacation

Employees earn vacation leave at a rate of 14 hours for each month of service. Vacation leave can be accumulated up to a maximum of 720 hours at the end of the calendar year and is convertible to pay upon termination of service.

Included in accrued vacation is compensatory time off (CTO). Employees may elect to take CTO in lieu of cash payment for overtime worked. CTO can be accumulated up to 240 hours.

9. Accumulated Sick Leave

Sick leave accumulates at a rate of 14 hours for each month of service without limit, but may be taken only in the event of an illness and is not convertible to pay upon termination of employment. However, an employee who leaves government service in good standing with 60 days or more of unused sick leave is entitled to additional service credit in the Employees' Retirement System (ERS). At June 30, 2019, accumulated sick leave was approximately \$622,000.

10. Net Position

Net position are restricted when constraints placed on them are either externally imposed or imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally, it is management's policy to use restricted resources first, then unrestricted resources as they are needed.

DWTRLF's net position is classified into two net position categories.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and outstanding debt attributable to the acquisition, construction or improvement of those assets.

Restricted-expendable consists of restricted assets less liabilities whose use by the Fund are subject to externally-imposed stipulations that can be fulfilled by actions of the Fund pursuant to those stipulations or that expire by the passage of time.

11. Administration Costs

The accompanying financial statements do not reflect certain administration costs incurred which are paid for by other sources of funding from DOH. These costs include

the DOH and State’s overhead costs which DOH does not assess to the DWTRLF, since they are not practical to determine.

12. Fund Accounts

The DWTRLF consists of the State Revolving Fund (SRF) and non-SRF activity. The SRF activity consists exclusively of federal capitalization grant loans, state matching contributions, principal loan repayments, and interest from loans and other earning assets. Non-SRF activity consists of administrative loan fees and federal set aside funds.

13. Expenses

The statement of revenues, expenses and changes in net position presents expenses on a functional basis. The natural classifications of expenses are presented in the supplementary schedule of operating expenses.

14. Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that time. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The following is a breakdown of deferred outflows of resources and deferred inflows of resources as of June 30, 2019:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Related to Pensions	\$ 620,229.35	\$ (495,004.88)
Related to Other Postemployment Benefits	261,613.83	(58,086.84)
	<u>\$ 881,843.18</u>	<u>\$ (553,091.72)</u>

15. 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 ERS and additions to/deductions from the ERS's fiduciary net position have been determined on the same basis as they are reported by the ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at their fair value.

16. Other Post-employment Benefits (OPEB)

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

17. Indirect Cost

The state charges the DWTRLF federal grants an indirect cost on direct salaries and wages, including all fringe benefits. It is determined based on a negotiated Federal indirect rate.

18. Due from State Treasury

Due from State Treasury includes amounts due from other State departments and agencies, primarily related to interest income, which were not received at the end of the fiscal year.

NOTE C - LOANS RECEIVABLE

At June 30, 2019, the DWTRLF had outstanding loan receivables with the following government entities:

Nine loans with the City & County of Honolulu, Board of Water Supply; due in semiannual payments, including interest ranging from 0.00% to 0.50%, commencing not later than one year after project completion, notice to proceed, final loan disbursement or three years after loan agreement date. Final payment is due not later than twenty years after project completion. \$81,302,359.40

Twenty-one loans with the County of Hawaii, Water Board; due in semiannual payments, including interest ranging from 0.00% to 1.37%, commencing not later than one year after project completion, notice to proceed, final loan disbursement or three years after loan agreement date. Final payment is due not later than twenty years after project completion. 44,326,655.47

Sixteen loans with the County of Maui, Board of Water Supply; due in semiannual payments, including interest ranging from 0.00% to 1.00%, commencing not later than one year after project completion, notice to proceed, final loan disbursement or three years after loan agreement date. Final payment is due not later than twenty years after project completion. 45,397,982.01

Fifteen loans with the County of Kauai, Board of Water Supply; due in semiannual payments, including interest ranging from 0.16% to 1.37%, commencing not later than one year after project completion, notice to proceed, final loan disbursement or three years after loan agreement date. Final payment is due not later than twenty years after project completion. 18,304,458.27

	189,331,455.15
Less: current maturities	(11,318,606.13)
	\$178,012,849.02

FY 2019 DWTRLF ANNUAL REPORT

NOTES TO FINANCIAL STATEMENTS *(continued)*

State of Hawaii Drinking Water Treatment Revolving Loan Fund

Loans are expected to mature at various dates through 2041. The scheduled principal payments on loans maturing in subsequent years are as follows:

SFY2020	\$ 11,318,606.13
SFY2021	\$ 11,898,546.78
SFY2022	\$ 11,955,861.94
SFY2023	\$ 11,421,668.09
SFY2024	\$ 11,451,175.21
SFY2025-2029	\$ 56,322,066.56
SFY2030-2034	\$ 50,026,479.58
SFY2035-2039	\$ 24,799,778.47
SFY2040-2041	\$ 137,272.39
	\$189,331,455.15

Management believes that all loans will be repaid according to the loan terms or portions will be forgiven upon satisfaction of certain requirements; accordingly, no provision for uncollectible amounts has been recorded.

In fiscal year 2019, \$1,684,826 in loans were forgiven. Loans and advances forgiven are performed in accordance with the required conditions.

As of June 30, 2019, the DWTRLF were earmarked to be loaned under existing commitment notices to the following borrowers:

City & County of Honolulu, Board of Water Supply	\$ -
County of Hawaii, Water Board	-
County of Kauai, Board of Water Supply	-
County of Maui, Board of Water Supply	-
Private Water Systems	1,000,000.00
Total	\$ 1,000,000.00

NOTE D - CONTRIBUTED CAPITAL

The DWTRLF is capitalized by grants from EPA authorized by Section 1452 of the Safe Drinking Water Act (the Act) and matching funds from the State. As of June 30, 2019, EPA has awarded \$193,706,558.00 to the State of Hawaii, of which \$185,599,139.36 has been drawn down for loans and set asides.

FY 2019 DWTRLF ANNUAL REPORT

NOTES TO FINANCIAL STATEMENTS *(continued)*

State of Hawaii Drinking Water Treatment Revolving Loan Fund

The following summarizes the EPA capitalization grants, amounts drawn on each grant, and the balances available for future loans at June 30, 2019:

Budget Period	FFY	Amount	DWTRLF Cash Draws	EPA Draws (deducted prior to issuance of cap grant)	Funds Available
Carryover from previous years:	(1997 – 1999)	\$ 27,143,900.00	\$ 27,143,900.00	\$ -	\$ -
02/26/01 - 06/30/08	2000	\$ 7,757,000.00	\$ 7,682,000.00	\$ 75,000.00 ¹	\$ -
09/01/02 - 09/30/08	2001	\$ 7,789,100.00	\$ 7,765,100.00	\$ 24,000.00 ²	\$ -
10/01/03 - 06/30/11	2002	\$ 8,052,500.00	\$ 8,052,500.00	\$ -	\$ -
04/01/04 - 06/30/11	2003	\$ 8,004,100.00	\$ 8,004,100.00	\$ -	\$ -
10/01/05 - 06/30/13	2004	\$ 8,303,100.00	\$ 8,303,100.00	\$ -	\$ -
09/01/06 - 06/30/16	2005	\$ 8,285,500.00	\$ 8,283,000.00	\$ 2,500.00 ³	\$ -
07/01/07 - 06/30/17	2006	\$ 8,229,300.00	\$ 8,229,300.00	\$ -	\$ -
03/01/08 - 06/30/17	2007	\$ 8,229,000.00	\$ 8,229,000.00	\$ -	\$ -
03/01/09 - 06/30/18	2008	\$ 8,146,000.00	\$ 8,146,000.00	\$ -	\$ -
01/01/10 - 06/30/19	2009	\$ 8,146,000.00	\$ 8,146,000.00	\$ -	\$ -
04/01/11 - 06/30/17	2010	\$ 13,573,000.00	\$ 13,573,000.00	\$ -	\$ -
09/30/11 - 06/30/18	2011	\$ 9,268,000.00	\$ 9,268,000.00	\$ -	\$ -
09/28/12 - 06/30/19	2012	\$ 9,125,000.00	\$ 9,125,000.00	\$ -	\$ -
09/30/13 – 06/30/20	2013	\$ 8,421,000.00	\$ 7,971,000.00	\$ 450,000.00 ⁴	\$ -
12/01/14 - 06/30/21	2014	\$ 8,787,058.00	\$ 8,787,058.00	\$ -	\$ -
10/01/15 - 06/30/19	2015	\$ 8,787,000.00	\$ 8,201,000.00	\$ 586,000.00 ⁵	\$ -
10/01/16 - 06/30/20	2016	\$ 8,312,000.00	\$ 7,997,000.00	\$ 315,000.00 ⁶	\$ -
10/01/17 – 06/30/22	2017	\$ 8,241,000.00	\$ 7,580,760.66	\$ 147,000.00 ⁷	\$ 513,239.34
10/01/18 – 06/30/23	2018	\$ 11,107,000.00	\$ 3,512,820.70	\$ -	\$ 7,594,179.30
		\$193,706,558.00	\$183,999,639.36	\$1,599,500.00	\$ 8,107,418.64

- 1 The contract amounts for Northbridge (\$25,000) and Cadmus (\$50,000) were deducted from the set-asides (4% and 10%, respectively) FFY2000 cap grant. The money was deducted prior to the issuance of the cap grant and therefore shows up in EPA's records and not in FAMIS.
- 2 The \$24,000 was deducted from the FFY2001 cap grant, 10% set-aside for the Cadmus Contract. The money was deducted prior to the issuance of the cap grant and therefore shows up in EPA's records and not in FAMIS.
- 3 The \$2,500 was deducted from the 4% set-aside prior to the issuance of the FFY2005 cap grant for an EPA County workshop. The money was deducted prior to the issuance of the cap grant and therefore shows up in EPA's records and not in FAMIS.
- 4 The \$450,000 was deducted prior to the issuance of the FFY2013 cap grant to pay for the Northbridge LGTS computer system. The money was deducted prior to the issuance of the cap grant and therefore shows up in EPA's records and not in FAMIS.
- 5 The \$586,000 was deducted prior to the issuance of the FFY2015 cap grant to pay for the Northbridge LGTS computer system, Management Study, and Cadmus. The money was deducted prior to the issuance of the cap grant and therefore shows up in EPA's records and not in FAMIS.
- 6 The \$315,000 was deducted prior to the issuance of the FFY2016 cap grant to pay for the Northbridge LGTS computer system and Management Study. The money was deducted prior to the issuance of the cap grant and therefore shows up in EPA's records and not in FAMIS.
- 7 The \$147,000 was deducted from the FFY2017 cap grant during a grant amendment in FFY18 to pay for the Northbridge LGTS and Management Study and therefore shows up in EPA's records and not in FAMIS.

FY 2019 DWTRLF ANNUAL REPORT

NOTES TO FINANCIAL STATEMENTS *(continued)*

State of Hawaii Drinking Water Treatment Revolving Loan Fund

The State is required to match 20 percent of the estimated amount of the grant from the EPA and does so in the year that the capitalization grant is awarded. Through June 30, 2019, the Fund was in compliance with the 20 percent State matching requirement. The required State match through June 30, 2019 approximated \$38.7 million, of which the entire amount has been utilized

The table below summarizes the state match funds for each EPA capitalization grant awarded to the DWTRLF. The list shows the federal fiscal year (grant year), source of state funds, and dollar amount of state match for each EPA capitalization grant as of June 30, 2019.

Federal Fiscal Year	Source of State Funds	20% State Match Amount
Totals from previous years:		\$ 18,358,700.00
	SFY's 1997 - 2007	
2008	Act 158/08	\$ 1,084,900.00
	Act 213/07	\$ 544,300.00
	Total 08 Match	\$ 1,629,200.00
2009	Act 162/09	\$ 1,043,100.00
	Act 158/08	\$ 586,100.00
	Total 09 Match	\$ 1,629,200.00
2010	Act 180/10	\$ 2,127,700.00
	Act 162/09	\$ 586,900.00
	Total 10 Match	\$ 2,714,600.00
2011	Act 164/11	\$ 1,266,300.00
	Act 180/10	\$ 587,300.00
	Total 11 Match	\$ 1,853,600.00
2012	Act 106/12	\$ 376,300.00
	Act 164/11	\$ 1,448,700.00
	Total 12 Match	\$ 1,825,000.00
2013	Act 134/13	\$ 1,684,200.00
	Total 13 Match	\$ 1,684,200.00
2014	Act 122/14	\$ 1,757,412.00
	Total 14 Match	\$ 1,757,412.00
2015	Act 119/15	\$ 1,757,400.00
	Total 15 Match	\$ 1,757,400.00
2016	Act 124/16	\$ 1,662,400.00
	Total 16 Match	\$ 1,662,400.00
2017	Act 49/17	\$ 1,648,200.00
	Total 17 Match	\$ 1,648,200.00
2018	Act 106/12	\$ 573,400.00
	Act 53/18	\$ 1,648,000.00
	Total 18 Match	\$ 2,221,400.00
	Total 20% State Match	\$ 38,741,312.00

FY 2019 DWTRLF ANNUAL REPORT

NOTES TO FINANCIAL STATEMENTS *(continued)*

State of Hawaii Drinking Water Treatment Revolving Loan Fund

NOTE E - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	Balance at July 1, 2018	Additions	Retirements / Disposals	Balance at June 30, 2019
Equipment	\$2,509,110.02	\$ 4,175.76	\$ -	\$2,513,285.78
Intangible Assets - Software	-	648,898.63	-	648,898.63
Accumulated Depreciation	(2,078,185.47)	(239,272.22)	-	(2,317,457.69)
	<u>\$ 430,924.55</u>	<u>\$ 413,802.17</u>	<u>\$ -</u>	<u>\$ 844,726.72</u>

NOTE F – ACCRUED VACATION

The changes to the accrued vacation liability during 2019 were as follows:

Balance at July 1, 2018	\$ 210,125
Increase	68,271
Decrease	(74,926)
Balance at June 30, 2019	203,470
Less: Current portion	(61,686)
Noncurrent portion	<u>\$ 141,784</u>

NOTE G - EMPLOYEE BENEFIT PLANS

1. Pension Plan

Plan Description

Generally, all full-time employees of the State and counties are required to be members of the ERS, a cost-sharing multiple-employer defined benefit pension plan that administers the State’s pension benefits program. Benefits, eligibility, and contribution requirements are governed by Hawaii Revised Statutes (HRS) Chapter 88 and can be amended through legislation. The ERS issues publicly available annual financial reports that can be obtained at ERS’ website: <http://www.ers.ehawaii.gov>.

Benefits Provided

The ERS Pension Trust is comprised of three pension classes for membership purposes and considered to be a single plan for accounting purposes since all assets of the ERS may legally be used to pay the benefits of any of the ERS members or beneficiaries. The ERS provides retirement, disability and death benefits with three membership classes known as

the noncontributory, contributory and hybrid retirement classes. The three classes provide a monthly retirement allowance equal to the benefit multiplier (generally 1.25% or 2.25%) multiplied by the average final compensation multiplied by years of credited service. Average final compensation for members hired prior to July 1, 2012 is an average of the highest salaries during any three years of credited service, excluding any salary paid in lieu of vacation for members hired January 1, 1971 or later and the average of the highest salaries during any five years of credited service including any salary paid in lieu of vacation for members hired prior to January 1, 1971. For members hired after June 30, 2012, average final compensation is an average of the highest salaries during any five years of credited service excluding any salary paid in lieu of vacation.

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

The following summarizes the provisions relevant to the largest employee groups of the respective membership class. Retirement benefits for certain groups, such as police officers, firefighters, some investigators, sewer workers, judges, and elected officials, vary from general employees.

Noncontributory Class

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

Ordinary death benefits are available to employees who were active at time of death with at least ten years of credited service. The surviving spouse/reciprocal beneficiary (until remarriage/reentry into a new reciprocal beneficiary relationship) and dependent children (up to age 18) receive a benefit equal to a percentage of the member's accrued maximum allowance unreduced for age or, if the member was eligible for retirement at the time of death, the surviving spouse/reciprocal beneficiary receives 100% joint and survivor lifetime pension and the dependent children receive a percentage of the member's accrued maximum allowance unreduced for age.

Contributory Class for Members Hired Prior to July 1, 2012

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

Police officers and firefighters' retirement benefits are determined using the benefit multiplier of 2.5% for qualified service, up to a maximum of 80% of average final compensation. Police officers and firefighters with five years of credited service are eligible to retire at age 55. Police officers and firefighters with 25 years of credited service are eligible to retire at any age, provided the last five years is service credited in these occupations.

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

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

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

Contributory Class for Members Hired After June 30, 2012

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

Police officers and firefighters' retirement benefits are determined using the benefit multiplier of 2.25% for qualified service, up to a maximum of 80% of average final compensation. Police officers and firefighters with ten years of credited service are eligible to retire at age 60. Police officers and firefighters with 25 years of credited service are eligible to retire at any age, provided the last five years is service credited in these occupations.

- Disability and Death Benefits - Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 50% of their average final compensation plus refund of contributions and accrued interest. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are 3% of average final compensation for each year of service for judges and elected officers. For police officers and firefighters, ordinary disability benefits are 1.75% of average final compensation for each year of service and are payable immediately, without an actuarial reduction, at a minimum of 30% of average final compensation.

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

Hybrid Class for Members Hired Prior to July 1, 2012

- Retirement Benefits – General employees' retirement benefits are determined as 2% of average final compensation multiplied by the years of credited service. General employees with five years of credited service are eligible to retire at age 62. General employees with 30 years of credited service are eligible to retire at age 55.
- Disability Benefits – Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation plus refund of their contributions and accrued interest. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are

determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 25% of average final compensation.

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

Ordinary death benefits are available to employees who were active at time of death with at least five years of service. Ordinary death benefits consist of a lump sum payment of the member’s contributions and accrued interest plus a percentage multiplied by 150%, or 50% Joint and Survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% Joint and Survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Hybrid Class for Members Hired After June 30, 2012

- Retirement Benefits – General employees’ retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with ten years of credited service are eligible to retire at age 65. Employees with 30 years of credited service are eligible to retire at age 60. Sewer workers, water safety officers, and emergency medical technicians may retire with 25 years of credited service at age 55.
- Disability and Death Benefits – Provisions for disability and death benefits generally remain the same except for ordinary death benefits. Ordinary death benefits are available to employees who were active at time of death with at least ten years of service. Ordinary death benefits consist of a lump sum payment of the member’s contributions and accrued interest, or 50% Joint and Survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% Joint and Survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Contributions

Contributions are governed by HRS Chapter 88 and may be amended through legislation. The employer rate is set by statute based on the recommendations of the ERS actuary resulting from an experience study conducted every five years. Since July 1, 2005, the employer contribution rate is a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liabilities. The contribution rates for fiscal year 2019 were 31% for police and firefighters and 19% for all other employees. Contributions to the pension plan from the DWTRLF were \$179,193 for the fiscal year ended June 30, 2019.

Per Act 17 (Session Laws of Hawaii (SLH) 2017), employer contributions from the State and counties are expected to increase over four years beginning July 1, 2017. The rate for all employees, except for police officers and firefighters, increased to 19% on July 1, 2018; and increases to 22% on July 1, 2019; and 24% on July 1, 2020.

The employer is required to make all contributions for noncontributory members. Contributory members hired prior to July 1, 2012 are required to contribute 7.8% of their salary, except for police officers and firefighters who are required to contribute 12.2% of their salary. Contributory members hired after June 30, 2012 are required to contribute 9.8% of their salary, except for police officers and firefighters who are required to contribute 14.2% of their salary. Hybrid members hired prior to July 1, 2012 are required to contribute 6.0% of their salary. Hybrid members hired after June 30, 2012 are required to contribute 8.0% of their salary.

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

At June 30, 2019, the DWTRLF reported a liability of \$2,486,211 for its proportionate share of net pension liability of the State. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The State's proportion of the net pension liability was based on a projection of the State's long-term share of contributions to the pension plan relative to projected contributions of all participants, actuarially determined. The DWTRLF's proportion of the net pension liability was based on an allocation of the State's net pension liability based on the proportionate share of qualified payroll. At June 30, 2018 and 2017, the DWTRLF's proportion of the State's share was 0.04%.

There was no change in actuarial assumptions as of June 30, 2017 to June 30, 2018. There were no changes in assumptions between the measurement date, June 30, 2018, and the reporting date, June 30, 2019, that are expected to have a significant effect on the proportionate share of the net pension liability.

FY 2019 DWTRLF ANNUAL REPORT

NOTES TO FINANCIAL STATEMENTS *(continued)*

State of Hawaii Drinking Water Treatment Revolving Loan Fund

For the year ended June 30, 2019, the DWTRLF recognized pension expense of \$377,098. At June 30, 2019, the DWTRLF reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 102,282	\$ (19,646)
Changes in assumptions	322,705	--
Net difference between projected and actual earnings on pension plan investments	--	(452,623)
Changes in proportion and difference between DWTRLF contributions and proportionate share of contributions	16,049	(22,736)
DWTRLF contributions subsequent to the measurement date	<u>179,193</u>	<u>--</u>
	<u>\$ 620,229</u>	<u>\$ (495,005)</u>

The \$179,193 reported as deferred outflows of resources related to pensions resulting from DWTRLF contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2020	\$ (5,812)
2021	(7,215)
2022	(11,728)
2023	(14,577)
2024	(14,637)
Total	<u>\$ (53,969)</u>

FY 2019 DWTRLF ANNUAL REPORT

NOTES TO FINANCIAL STATEMENTS *(continued)*

State of Hawaii Drinking Water Treatment Revolving Loan Fund

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions adopted by the Board of Trustees of the Employees’ Retirement System of the State of Hawaii on December 12, 2016, based on the most recent experience study dated July 5, 2016:

Inflation	2.50%
Payroll growth rate	3.50%
Investment rate of return	7.00% per year, compounded annual including inflation

There were no changes to ad hoc postemployment benefits including cost of living allowances.

Post-retirement mortality rates are based on the 2016 Public Retirees of Hawaii mortality table with adjustments based on generational projections of the BB projection table for 2016 and full generational projections in future years. Pre-retirement mortality rates are based on multiples of RP-2014 mortality table based on the occupation of the member.

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

Strategic Allocation (risk-based classes)	Target Allocation	Long-term Expected Real Rate of Return
Broad growth	63.0%	7.1%
Principal protection	7.0%	2.5%
Real return	10.0%	4.1%
Crisis risk offset	20.0%	4.6%
	<u>100%</u>	

FY 2019 DWTRLF ANNUAL REPORT

NOTES TO FINANCIAL STATEMENTS *(continued)*

State of Hawaii Drinking Water Treatment Revolving Loan Fund

Discount Rate

The discount rate used to measure the net pension liability was 7.00%, the same rate used at the prior measurement date. 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 the State 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 DWTRLF’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
DWTRLF’s proportionate share of the net pension liability	<u>\$3,233,953</u>	<u>\$2,486,211</u>	<u>\$1,869,813</u>

Pension Plan Fiduciary Net Position

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

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

The State's comprehensive annual financial report contains further disclosures related to the State's proportionate share of the net pension liability and employer pension contributions.

Payables to the Pension Plan

At June 30, 2019, there was no payable to the ERS.

2. Deferred Compensation Plan

The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all State employees, permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

All plan assets are held in a trust fund to protect them from claims of general creditors. The State has no responsibility for loss due to the investment or failure of investment of funds and assets in the plan, but has the duty of due care that would be required of an ordinary prudent investor.

3. Post-Employment Health Care and Life Insurance Benefits

Plan Description

The State provides certain health care and life insurance benefits to all qualified employees. Pursuant to Act 88, SLH 2001, the state contributes to the Hawaii Employer-Union Health Benefits Trust Fund (EUTF), an agent multiple-employer defined benefit plan, effective July 1, 2003. The EUTF was established to provide a single delivery system of health benefits for state and county workers, retirees, and their dependents. The EUTF issues an annual financial report that is available to the public. The report may be obtained by writing to the EUTF at P.O. Box 2121, Honolulu, Hawaii 96805-2121.

State Policy

The actuarial valuation of the EUTF does not provide OPEB information by department or agency. Accordingly, the state's policy on the accounting and reporting for OPEB is to allocate a portion of the State's net OPEB liability, deferred inflows and outflows, and OPEB expense, to component units and proprietary funds that are reported separately in stand-alone departmental financial statements or in the state's Comprehensive Annual Financial Report (CAFR). The basis for the allocation is the proportionate share of contributions made by each component unit or proprietary fund for retiree health benefits.

FY 2019 DWTRLF ANNUAL REPORT

NOTES TO FINANCIAL STATEMENTS *(continued)*

State of Hawaii Drinking Water Treatment Revolving Loan Fund

Contributions

Contributions are governed by HRS Chapter 87A and may be amended through legislation. Contributions to the OPEB plan from the DWTRLF was approximately \$229,000 for the fiscal year ended June 30, 2019. The employer is required to make all contributions for members.

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

At June 30, 2019, the DWTRLF reported a liability of \$2,814,137 for its proportionate share of net OPEB liability of the State. The net OPEB liability was measured as of July 1, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The State’s proportion of the net OPEB liability was based on a projection of the State’s long-term share of contributions to the EUTF relative to projected contributions of all participants, actuarially determined. The DWTRLF’s proportion of the net OPEB liability was based on an allocation of the State’s net OPEB liability based on the proportionate share of qualified payroll. At June 30, 2018 and 2017, the DWTRLF’s proportion of the State’s share was 0.03%.

There were no changes between the measurement date, July 1, 2018, and the reporting date, June 30, 2019, that are expected to have a significant effect on the proportionate share of the net OPEB liability.

For the year ended June 30, 2019, the DWTRLF recognized OPEB expense of \$261,524. At June 30, 2019, the DWTRLF reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ --	\$ (54,073)
Changes in assumptions	32,726	--
Net difference between projected and actual earnings on investments	--	(4,014)
DWTRLF contributions subsequent to the measurement date	<u>228,888</u>	<u>--</u>
	<u>\$ 261,614</u>	<u>\$ (58,087)</u>

FY 2019 DWTRLF ANNUAL REPORT

NOTES TO FINANCIAL STATEMENTS *(continued)*

State of Hawaii Drinking Water Treatment Revolving Loan Fund

The \$228,888 reported as deferred outflows of resources related to OPEB resulting from DWTRLF contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Years Ending June 30,	Amount
2020	\$ (5,232)
2021	(5,232)
2022	(5,232)
2023	(5,233)
2024	(4,432)
Total	\$ (25,361)

Actuarial Assumptions

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions adopted by the EUTF’s Board of Trustees on January 8, 2018, based on the experience study covering the five-year period ended June 30, 2015 as conducted for ERS, 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%, net of investment expenses, including inflation
Healthcare trend rates:	
PPO*	Initial rates of 10.00%; declining to a rate of 4.86% after 13 years
HMO*	Initial rate of 10.00%; declining to a rate of 4.86% after 13 years
Contribution	Initial rates of 4.00% and 5.00%; declining to a rate of 4.70% after 12 years
Dental	Initial rates of 5.00% for the first three years; followed by 4.00%
Vision	Initial rates of 0.00% for the first three years; followed by 2.50%
Life insurance	0.00%

* Blended rates for medical and prescription drug.

Mortality rates are based on system-specific mortality tables utilizing scale BB to project generational mortality improvement.

FY 2019 DWTRLF ANNUAL REPORT

NOTES TO FINANCIAL STATEMENTS *(continued)*

State of Hawaii Drinking Water Treatment Revolving Loan Fund

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 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Rate of Return
U.S. equity	15.00%	5.05%
Non-U.S. equity	17.00%	6.50%
U.S. microcap	7.00%	7.00%
Private equity	10.00%	8.65%
Private credit	6.00%	5.25%
Alternative risk premia	5.00%	2.45%
Core real estate	10.00%	4.10%
Global options	7.00%	4.50%
Core bonds	3.00%	1.30%
Long treasuries	6.00%	1.90%
Trend following	9.00%	3.00%
TIPS	5.00%	0.75%
	<u>100.0%</u>	

Single Discount Rate

The discount rate used to measure the net OPEB liability was 7.00%, based on the expected rate of return on OPEB plan investments of 7.00% and the municipal bond rate of 3.62% (based on the daily rate closest to but not later than the measurement date of the Fidelity “20-year Municipal GO AA Index”). Beginning with the fiscal year 2019 contribution, the State’s funding policy is to pay the recommended actuarially determined contribution, which is based on layered, closed amortization periods. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

FY 2019 DWTRLF ANNUAL REPORT

NOTES TO FINANCIAL STATEMENTS *(continued)*

State of Hawaii Drinking Water Treatment Revolving Loan Fund

Changes in Net OPEB Liability

The following table represents a schedule of changes in the net OPEB liability. The ending balances are as of the measurement date, July 1, 2018.

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Beginning Balance	\$ 3,024,986	\$ 240,150	\$ 2,784,836
Service Cost	70,784	--	70,784
Interest on the total OPEB liability	219,162	--	219,162
Changes of benefit terms	--	--	--
Difference between expected and actual experience	(64,805)	--	(64,805)
Changes of assumptions	39,222	--	39,222
Employer contributions	--	210,849	(210,849)
Net investment income	--	24,293	(24,293)
Benefit payments	(106,713)	(106,713)	--
Administrative expense	--	(80)	80
Other	--	--	--
Net Changes	<u>157,650</u>	<u>128,349</u>	<u>29,301</u>
Ending balance	<u>\$ 3,182,636</u>	<u>\$ 368,499</u>	<u>\$ 2,814,137</u>

Sensitivity of the DWTRLF's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
DWTRLF's proportionate share of the net OPEB liability	<u>\$ 3,326,985</u>	<u>\$ 2,814,137</u>	<u>\$ 2,411,164</u>

FY 2019 DWTRLF ANNUAL REPORT

NOTES TO FINANCIAL STATEMENTS *(continued)*

State of Hawaii Drinking Water Treatment Revolving Loan Fund

Sensitivity of the DWTRLF's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
DWTRLF's proportionate share of the net OPEB liability	<u>\$ 2,389,202</u>	<u>\$ 2,814,137</u>	<u>\$ 3,365,609</u>

OPEB Plan Fiduciary Net Position

The OPEB plan's fiduciary net position has been determined on the same basis used by the OPEB plan. The EUTF's financial statements are prepared using the accrual basis of accounting under which revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment purchases and sales are recorded on a trade-date basis. Administrative expenses are financed exclusively with investment income.

There were no significant changes after the report measurement date. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued EUTF financial report. The EUTF's complete financial statements are available at <http://eutf.hawaii.gov>.

Required Supplementary Information and Disclosures

The State's CAFR includes the required footnote disclosures and supplementary information on the State's OPEB plan.

NOTE H - INSURANCE COVERAGE

Insurance coverage is maintained at the State level. The State is self-insured for substantially all perils including workers' compensation. Expenditures for workers' compensation and other insurance claims are appropriated annually from the State's general fund.

DOH is covered by the State's self-insured workers' compensation program for medical expenses of injured DOH employees. However, the DOH is required to pay temporary total and temporary partial disability benefits as long as the employee is on the DOH's payroll. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claim liabilities may be re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

Workers' compensation benefit claims reported as well as incurred but not reported were reviewed at year end. The estimated losses from these claims were not material.

ATTACHMENT 6: SUMMARY OF ACTIVE PROJECTS IN SFY 2019

OVERALL TOTALS

Number of active loans: 13
Disbursed amount: \$26,772,261.63

BORROWER: HAWAII DEPARTMENT OF WATER SUPPLY

DW101-0003 PIIHONUA-KUKUAU RESERVOIR AND TRANSMISSION IMPROVEMENTS



▲ *New 2.0 MG tank*

LOAN AMOUNT: \$9,429,173.00
PRINCIPAL FORGIVENESS: \$1,757,400.00 (18.64%)
AMOUNT DISBURSED IN SFY 2019: \$497,556.00
PUBLIC WATER SYSTEM (PWS) 101 SERVICE
POPULATION: 38,885

Project Description: Replace the undersized and deteriorating 0.08 MG in ground reservoir with a new 2.0 MG concrete water tank and install a 16" transmission waterline to supplement existing waterlines that are inadequate to supply portions of the Hilo water system during peak usage.

DW130-0003 WAIMEA WATER TREATMENT PLANT MICROFILTRATION

LOAN AMOUNT: \$12,896,000.00
AMOUNT DISBURSED IN SFY 2019: \$ 127,830.42
PWS 130 SERVICE POPULATION: 9,480

Project Description: Construct a microfiltration plant to increase reliability and better turbidity removal performance to meet the Long Term 2 Surface Water Treatment Rule. The new treatment plant will also reduce the need to pump wells to supplement the water system's demands.



▲ *New treatment building*
◀ *Microfiltration basin*

FY 2019 DWTRLF ANNUAL REPORT

HDWS-PF19 HAWAII DWS PROFI SFY 2019

LOAN AMOUNT: \$7,000,000.00

PRINCIPAL FORGIVENESS: \$ 648,200.00 (9.26%)

AMOUNT DISBURSED IN SFY 2019: \$ 1,853,483.49

ISLANDWIDE SERVICE POPULATION: 193,680

Project Description: Water system improvements on the Island of Hawaii. Sub-projects include six (6) deep well repairs (Hawi #2, Parker #1 and #2, Waimea, Piihonua #1 C, and Hawaii Ocean View Estates (HOVE)), Waikoloa Reservoir #1 Earthquake Repairs, Kaieie Mauka Facility Improvements, Halaula Well Development Phase 2, Waiaha Transmission Waterline Improvements, Puako Waterline Replacement, Waiaha Source Development – Site Selection, Kahaluu Shaft Inclined Lift Replacement, and Milo Street WSI.



▲ HOVE well site

BORROWER: MAUI DEPARTMENT OF WATER SUPPLY

DW212-0011 MAUI MEADOWS BOOSTER PUMP STATION #18 IMPROVEMENTS

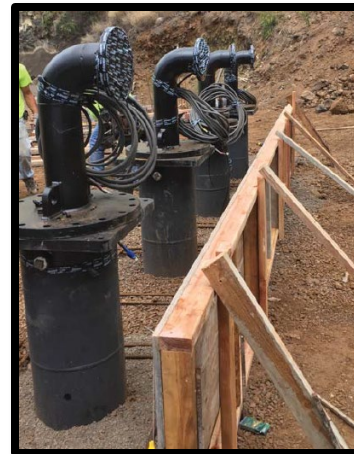
LOAN AMOUNT: \$ 1,100,000.00

PRINCIPAL FORGIVENESS: \$ 1,100,000.00 (100%)

AMOUNT DISBURSED IN SFY 2019: \$ 36,626.30

PWS 212 SERVICE POPULATION: 74,511

Project Description: Replace the two existing booster pumps and its electrical equipment, which are near the end of its service life. The project will provide a reliable pumping system to its service area.



New booster pumps ➤

FY 2019 DWTRLF ANNUAL REPORT

DW212-0015 IAO SURFACE WATER TREATMENT PLANTS UPGRADES



LOAN AMOUNT: \$21,500,000.00

AMOUNT DISBURSED IN SFY 2019: \$ 3,275,532.61

PWS 212 SERVICE POPULATION: 74,511

Project Description: Replace the temporary 1.2 MGD Iao Surface Water Treatment Plant that lacked shelter and was exposed to the elements. Install new microfiltration units and related filter backwash facilities (for a 1.2 MGD capacity) and high efficiency pumps.

▲ New treatment building (green, foreground) and chlorine contact tank (background)
◀ Membrane filtration units



DW212-0018 WAILUKU HEIGHTS TANK 30 BOOSTER REPLACEMENT

LOAN AMOUNT: \$1,804,849.00

AMOUNT DISBURSED IN SFY 2019: \$ 53,524.74

PWS 212 SERVICE POPULATION: 74,511

Project Description: Replace booster pumps and motors, and related piping. Replace the Motor Control Center (MCC) and related electrical controls.

One of the new booster pumps ➤



▲ MCC in new control building

FY 2019 DWTRLF ANNUAL REPORT

DW233-0002 KUALAPUU MCC UPGRADES

LOAN AMOUNT: \$500,000.00

AMOUNT DISBURSED IN SFY 2019: \$14,612.13

PWS 233 SERVICE POPULATION: 2,800

Project Description: Replace MCC and related electrical controls

DW247-0008 OMAOPIO 2.1 MG TANK REPLACEMENT

LOAN AMOUNT: \$4,183,000.00

PRINCIPAL FORGIVENESS: \$45,000.00 (1.08%)

AMOUNT DISBURSED IN SFY 2019: \$ 332,180.00

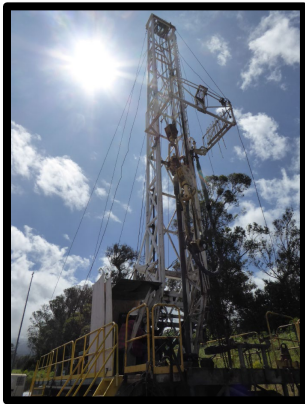
PWS 247 SERVICE POPULATION: 3,522

Project Description: Construct a new 2.1 MG concrete water tank to replace the existing Omaopio Tank, which is at the end of its useful life.

New Omaopio Tank ➤



MDWS-0002 MAUI WATER SYSTEM IMPROVMENTS, COMBO 1



LOAN AMOUNT: \$4,500,000.00

PRINCIPAL FORGIVENESS: \$1,000,000.00 (22.22%)

AMOUNT DISBURSED IN SFY 2019: \$2,532,843.36

PWS SERVICE POPULATION: 11,851

Project Description: Combined water system improvements for the Pookela Well B exploratory well (\$2.5M) and the Omaopio Tank - Booster Pump Replacement (\$2M)

◀ *Drilling of Pookela Well B*

BORROWER: HONOLULU BOARD OF WATER SUPPLY

DW331-0047 KALIHI WATER SYSTEM IMPROVEMENTS, PART III



LOAN AMOUNT: \$5,068,079.00
PRINCIPAL FORGIVENESS: \$750,000.00 (14.80%)
AMOUNT DISBURSED IN SFY 2019: \$1,053,727.12
PWS 331 SERVICE POPULATION: 630,266

Project Description: Install mains and appurtenances along Bannister Pl from Bannister St to dead end; along Bannister St from Laumaka St to North King St; along Gulick Ave from Wilcox Ln to North King St; along Kopke St from Wilcox Ln to North King St; along Factory St from Stanley St to North King St; along Puuhale Rd from Dillingham Blvd to North King St; along Wilcox Ln from Bannister St to Puuhale Rd; along Stanley St from Bannister St to Puuhale Rd; along Waterhouse St from *Bannister St +*

Bannister Pl Bannister St to Puuhale Rd; along Mokauea St from Democrat St to Kananui St; along Industrial Rd from Waterhouse St to Puuhale Rd - approx. 9,650 lin. ft.

DW331-0068 ENERGY SAVINGS PERFORMANCE CONTRACTING – BWS FACILITIES



▲ PV panels installed in the parking lot of the Beretania station

LOAN AMOUNT: \$ 32,881,833.00
PRINCIPAL FORGIVENESS:
\$1,662,400.00 (5.06%)
AMOUNT DISBURSED IN SFY 2019:
\$9,672,730.24
ISLANDWIDE SERVICE POPULATION:
998,714

Project Description: Implement an Energy Savings Performance Contract (ESPC) project on Honolulu Board of Water Supply (BWS) facilities, island wide, with a goal of reducing energy demand by 20%. Energy saving measures include installation of LED lighting, photovoltaic (PV) panels, hybrid vehicles and charging stations, etc.

FY 2019 DWTRLF ANNUAL REPORT

HBWS-0003 HONOLULU BWS WATER SYSTEM IMPROVEMENTS 2

LOAN AMOUNT: \$11,652,948.03

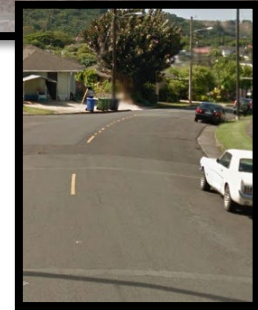
AMOUNT DISBURSED IN SFY 2019: \$3,086,390.31

PWS 331 SERVICE POPULATION: 630,266

Project Description: This project combines three (3) BWS waterline improvement projects to reduce the chance of water main breaks (approx.. 5,600 lin. ft. with the Liliha Water System Improvements, Part V; approx.. 6,520 lin. ft. for the Pensacola Street Water System Improvements; and approx. 8,400 lin. ft. for the Kapahulu Water Improvements, Part I).



Olu Street ↖
Kauai Street ➤



HBWS-PF19 HONOLULU BWS PRO-FI SFY 2019

LOAN AMOUNT: \$ 8,000,000.00

AMOUNT DISBURSED IN SFY 2019: \$ 8,000,000.00

ISLANDWIDE SERVICE POPULATION: 998,714

Project Description: Water system improvements on the Island of Oahu. Sub-projects include construction for the replacement/renovations of the Kalihi Pump Station and the Diamond Head Line Booster; construction management for the Kapiolani Boulevard 12-Inch Main; and professional engineering services for the Kalihi Pump Station Renovation; Pump Renewal and Replacement for Keanu Line Booster, Maunawili Booster, Mariner's Ridge Booster I, and Aina Koa Booster I; and the Pump Renewal and Replacement of Kaluanui Line Booster, Diamond Head Line Booster, Kaonohi Booster I, Waihee Line Booster, and Punaluu Wells II.

New MCC cabinets installed at the top ↖
level of the Kalihi Pump Station
Diamond Head Line Booster replacement ➤

