

JOSH GREEN, M.D.  
GOVERNOR OF HAWAII  
KE KIA'ĀINA O KA MOKU'ĀINA 'O HAWAII'



DEPT. COMM. 100-250  
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STATE OF HAWAII  
DEPARTMENT OF HEALTH  
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In reply, please refer to:  
File:

December 26, 2024

The Honorable Ronald D. Kouchi,  
President and Members of the Senate  
Thirty-third State Legislature  
State Capitol, Room 409  
Honolulu, Hawaii 96813

The Honorable Nadine K. Nakamura,  
Speaker  
and Members of the House of  
Representatives  
Thirty-third State Legislature  
State Capitol, Room 431  
Honolulu, Hawaii 96813

Dear President Kouchi, Speaker Nakamura, and Members of the Legislature:

For your information and consideration, I am transmitting a copy of the report relating to the Drinking Water Treatment Revolving Loan Fund of the Department of Health, pursuant to Section 340E-33, Hawaii Revised Statutes.

In accordance with Section 93-16, Hawaii Revised Statutes, I am also informing you that the report may be viewed electronically at:

<https://health.hawaii.gov/opppd/departments-of-health-reports-to-2025-legislature/>

Sincerely,

A handwritten signature in black ink, appearing to read "Ken Fink".

Kenneth S. Fink, M.D., M.P.H., M.G.A.  
Director of Health

Enclosures

c: Legislative Reference Bureau  
Hawaii State Library System (2)  
Hamilton Library

**REPORT TO THE THIRTY-THIRD LEGISLATURE  
STATE OF HAWAII**

**2025**

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**DRINKING WATER TREATMENT REVOLVING LOAN FUND**

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

**PURSUANT TO ACT 218 SESSION LAWS OF 2024**

**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 2024**

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# SFY 2024 DWTRLF ANNUAL REPORT

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## OPERATIONS & ADMINISTRATION SECTION

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### 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, 2023, to June 30, 2024, 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 2024.

### 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 and other eligible projects as defined by 40 CFR 35.3520. 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.

### C. MAJOR INITIATIVES

From SFY 1997 through SFY 2024 the DWSRF has issued \$516,657,025.45 of final loans to the state's regulated water systems. The cumulative loan amount issued to each borrower is:

<b>Borrower</b>	<b>Cumulative Final Loan Amount (\$)</b>
Kauai Department of Water (KDOW)	61,336,502.18
Honolulu Board of Water Supply (HBWS)	241,492,485.96
Maui Department of Water Supply (MDWS)	91,051,744.28
Hawaii Department of Water Supply (HDWS)	112,930,149.75

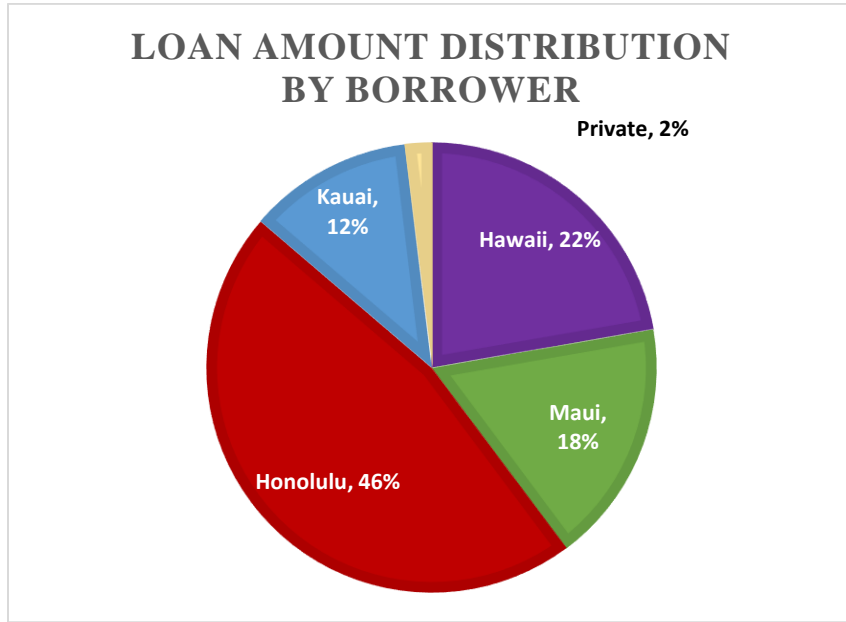


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<b>Borrower</b>	<b>Cumulative Final Loan Amount (\$)</b>
Privately-owned Water Systems	9,846,143.28
<b>Total</b>	<b>516,657,025.45</b>

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



Final Loan Agreements executed in SFY 2024:

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<b>Project Number</b>	<b>Project Name</b>	<b>Location</b>	<b>Loan Amount (\$)</b>
HDWS-0002	Emergency Well Repairs 2	Hawaii, Island wide	2,000,000.00
HDWS-PF24	Hawaii DWS Pro-Fi SFY 2024	Hawaii, Island wide	10,000,000.00
HBWS-PF24	Honolulu BWS Pro-Fi SFY 2024	Oahu, Island wide	20,000,000.00
KDOW-PF24	Kauai DWS Pro-Fi SFY 2024	Kauai, Island wide	5,000,000.00
P-DW209-0002	Backup Generator and SCADA Upgrades	Olowalu, Maui	150,231.33
P-DW251-0004	Backup Generator and SCADA Upgrades	Launiupoko, Maui	401,834.46
HDWS-LS01	HDWS LCRR Compliance	Hawaii, Island wide	3,588,723.00
P-DW437-0001	Repair/Replace 0.5 MG Tank	Moloaa, Kauai	2,388,168.26
KDOW-LS01	Kauai DOW LCRR Compliance	Kauai, Island wide	875,747.00
<b>Total Final Loan Agreements</b>			<b>44,404,704.05</b>

**Meeting Funding Requirements**

The projects used to meet the following requirements are summarized in Attachment 7.

**1. State Matching Funds**

Required state matching funds 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 at least 20% of the amount of the base capitalization grant and 10% of the Bipartisan Infrastructure Law (BIL) General Supplemental grant payments. 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.

**2. Commitment of Funds**

The requirement is to commit funds in an amount equal to the amount of each Base Capitalization Grant and BIL Supplemental payments (grant less set-aside and in-kind services amounts) of \$4,938,000.00 and \$21,055,000.00, respectively, and the accompanying State Match that is deposited into the Loan Fund. This requirement was met with the execution of \$44,404,704.05 in final loan agreements, as summarized above.

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Of the 22 projects listed on the amended SFY 2024 Fundable List, nine (9) were executed by the end of SFY 2024. Private water systems needed extra guidance and time to get the necessary information to the DWSRF program and new borrowers needed to be set up with the appropriate vendor codes in the State system to receive payment. The remaining 13 projects that did not have executed loan agreements and their respective reasons are listed below.

- **HDWS-0003, FFY 2022 Earmarks Project Match** –borrower is still waiting to see how much Congressionally Directed Spending (CDS) funds will be awarded and confirming requirements are met for State permitting and required cross-cutter consultation.
- **P-DW303-0002, Emergency Generator** – the applicant decided to redirect its focus on its GAC installation project to address PFAS. The loan is expected to be executed in mid-SFY 2025 and will receive BIL EC funds.
- **DW215-0015, Upper Kula Transmission Replacement** – borrower redirected its priorities to other projects due to the Lahaina wildfire.
- **P-DW168-0004, Keopu Water System Improvements** – the DWSRF program is still working closely with the community and its consultant on meeting all DOH and DWSRF requirements.
- **DW331-0081, Kahilinai Place and Aiea Heights Drive Area Water System Improvements** - Community is waiting for more information on how CDS funds will be awarded and confirming requirements are met for required cross-cutter consultations.
- **P-DW263-0001, 125 KW Standby Emergency Generator** – borrower is still working on completing all DWSRF requirements.
- **P-DW372-0001, Tank Replacements and Water System Improvements** – the applicant had not yet completed all the DWSRF requirements but are expected to do so in time to execute this loan in SFY 2025.
- **P-DW251-0002, Storage Tank #3** – applicant is still working on completing DWSRF requirements.
- **DW213-0023, Haiku-Kauhikoa Tank Replacement** – borrower redirected its priorities to other projects due to the Lahaina wildfire and may possibly pursue other funding sources.
- **HBWS-LS01, HBWS LCRR Compliance** – borrower was clarifying eligibility questions and did not submit all requirements in time to execute in SFY 2024. The loan was executed in SFY 2025 instead.
- **MDWS-LS01, Compliance with Lead and Copper Rule Revisions** – it took the borrower longer than expected to get its contract in place. The loan was executed in the beginning of SFY 2025.
- **P-DW303-EC03, GAC and New Source Well** – the borrower is still working on completing all DWSRF requirements. The loan is expected to execute in SFY 2025.
- **HBWS-EC01, Professional Services to Address Emerging Contaminants and PFAS** – the borrower has not yet submitted the required loan documents because it is considering pursuing a different funding source.

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**3. Additional Subsidy**

In SFY 2024 the Consolidated Appropriations Act (P.L. 117-35)0F<sup>1</sup> required the DWSRF program to provide 14% of the capitalization grant (\$691,320.00) as additional subsidy to eligible recipients. AWIA and BIL increased the minimum additional subsidy to 12% (up to 35%) of the capitalization grant (\$592,560.00) to be provided to disadvantaged water systems. Disadvantaged water systems are those that score 25 or higher for affordability, based on the *DWSRF Project Rating Criteria* in the IUP. The BIL Supplemental capitalization grant requires 49% of the grant to be provided as additional subsidy to disadvantaged water systems. 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.

The projects with executed loan agreements in SFY 2024 that include additional subsidy are summarized in the table below.

<b>SFY / FFY</b>	<b>Grant (Base, BIL, Both)</b>	<b>Project number, Project Name</b>
<b>SFY 2025 / FFY 2024</b>	BIL	P-DW437-0001, Repair/Replace 0.5 MG Tank
	BIL	HDWS-LS01, HDWS LCRR Compliance
<b>SFY 2024 / FFY 2023</b>	Both	KDOW-PF24, Kauai DOW Pro-Fi SFY 2024
	BIL	HBWS-PF24, Honolulu BWS Pro-Fi SFY 2024
	BIL	HDWS-PF24, Hawaii DWS Pro-Fi SFY 2024
	BIL	P-DW437-0001, Repair/Replace 0.5 MG Tank
	BIL	HDWS-LS01, HDWS LCRR Compliance
<b>SFY 2023 / FFY 2022</b>	Base	P-DW251-0004, Backup Generator and SCADA Upgrades
	BIL	P-DW209-0002, Backup Generator and SCADA Upgrades
	BIL	P-DW437-0001, Repair/Replace 0.5 MG Tank
	BIL	HDWS-LS01, HDWS LCRR Compliance
	BIL	KDOW-LS01, Kauai DOW LCRR Compliance

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<sup>1</sup> Consolidated Appropriations Act (P.L. 117-103) public law <https://rules.house.gov/sites/democrats.rules.house.gov/files/BILLS-117HR2471SA-RCP-117-35.pdf>, beginning on page 828 line 14 to page 841 line 14.

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4. 15% Funds Obligated to Small Systems (< 10,000 persons)

Per 40 CFR 35.3525(a)(5), 15% of year’s available funds must be obligated to a small system serving less than 10,000 persons. For larger systems, the program also looked at service area (or “pocket communities”) that benefitted from a project. For Pro-Fi loans, the program considered sub-project populations in their first year of disbursement, up to that year’s Pro-Fi loan amount.

The projects fulfilling this requirement for SFY 2023 and 2024, with minimum \$3,341,177.79 and \$5,292,571.99, respectively, are in the tables below.

<b>Project No.</b>	<b>Project Name</b>	<b>Amount Obligated to Small System/Service Area (\$)</b>	<b>Percentage of Funds Available for that SFY (%)</b>
<b>SFY 2023</b>			
P-DW150-0002	Napuu Water System Improvements	1,572,484.20	3.35
P-DW328-0001	Honolulu BWS Metered Connection to Lot B (Kipapa)	271,156.80	0.58
DW434-0012	Kalaheo Water System Improvements	13,000,000.00	27.66
HDWS-PF23	Hawaii DWS Pro-Fi SFY 2023	1,520,533.37	3.24
<i>SFY 2023 TOTAL</i>		<i>16,364,174.37</i>	<i>34.82</i>
<b>SFY 2024</b>			
P-DW209-0002	Backup Generator and SCADA Upgrades (Olowalu)	150,231.33	0.17
PDW251-0004	Backup Generator and SCADA Upgrades (Launiupoko)	401,834.46	0.46
HDWS-PF24	Hawaii DWS Pro-Fi SFY 2024	7,455,084.92	8.45
HDWS-0002	Emergency Well Repairs 2	621,822.10	0.70
P-DW437-0001	Repair/Replace 0.5 MG Tank (Moloaa Irrigation Coop)	2,388,168.26	2.71
<i>SFY 2024 TOTAL</i>		<i>11,017,140.97</i>	<i>12.49</i>

<b>EXCESS TOTALS</b>	
Through SFY 2022	8,766,972.30
SFY 2023	9,315,044.58
Used for SFY 2024	(2,216,681.22)
<b>TOTAL EXCESS AVAILABLE FOR FUTURE SFY</b>	<b>15,865,335.66</b>

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### 5. 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 (equivalency projects). The FFY 2023 grant requires that the equivalent amount of funds of the base and BIL supplemental grants (\$4,938,000.00 and \$21,055,000.00, respectively) be used on projects that meet equivalency requirements.

Equivalency Projects must comply with all the following: a) FFATA Reporting Requirements, b) Single Audit Act (see 2 CFR 200 Subpart F), c) Federal Cross Cutters, d) Disadvantaged Business Enterprise, e) signage requirement and f) other equivalency requirements set forth in the current Capitalization Grant terms and conditions.

An EPA memo dated 11/7/2023 titled Clarification of Federal Funding Accountability and Transparency Reporting Requirements in the State Revolving Fund Programs, informed states that the FFATA reported equivalent amount should be reduced by set-asides taken. DOH has historically assigned FFATA based on the full capitalization grant award. DOH will revise its FFATA equivalency assignment based on this memo.

### 6. Reporting Requirements

Prior to 2021, 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 Green Project Reserve (GPR) and Additional Subsidization.

The Office of Water State Revolving Funds (OWSRF) of EPA launched a new data system for reporting to replace the previous PBR system in 2021.

### 7. 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.

### 8. 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.

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### 9. 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 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 the Loans and Grants Tracking System (LGTS). No deficiencies were noted for SFY 2024.

There were no AIS waivers requested by the HI DWSRF program in SFY 2024.

The DWSRF program allows its borrowers to use the AIS *De Minimis* waiver, at their discretion, if it is tracked and reported to DOH by the borrower. There were no projects that claimed *de minimis* in SFY 2024.

### 10. Build American, Buy American (BABA)

The BIL added a new Build America, Buy America Act of 2021 (BABA) requirement to the DWSRF program. BABA expands the existing AIS requirements to include construction materials and manufactured goods.

From the FFY 2022 and each fiscal year after, equivalency projects with loan agreements executed after May 14, 2022, will need to comply with BABA. After the implementation date, none of the funds from DWSRF loans may be used for a project, unless all the iron, steel, manufactured products, and construction materials are produced in the United States.

Borrowers have the option to apply for waivers in cases where domestic content procurement would be inconsistent with the public interest; applicable materials are not produced in sufficient quantities or satisfactory quality in the United States; or such inclusion will increase the cost of the project by more than 25 percent.

EPA approved an Amended Adjustment Period Waiver that allows eligible projects the use of non-domestic manufactured products and construction materials if its project design planning was initiated prior to May 14, 2022, and the funding was from FFY 2022 or 2023.

Project specific BABA waivers were requested in SFY 2024 and 2025 and are summarized in the below table.

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Borrower	Project Name	Status
HDWS	Kahaluu Shaft Pump Discharge Piping Repair	Waiver #09-DWB-0025 approved on 8/2/2024 ( <a href="https://www.epa.gov/system/files/documents/2024-08/stainless-steel-nozzle-check-valves.pdf">https://www.epa.gov/system/files/documents/2024-08/stainless-steel-nozzle-check-valves.pdf</a> )
HDWS	Waimea WTP Backwash & Service Water Boosters	Waiver requested on 10/11/2024
HDWS	Emergency Well Repair Pump Prepositioning	Waiver requested on 10/15/2024
HDWS	Kulaimano Deepwell B Repair Flowise Submersible Vertical Turbine Pump	EPA market research completed. DOH working on waiver request
HDWS	Holualoa Deepwell Repair	DOH waiting for EPA to complete market research before submitting waiver request.
HDWS	Kahaluu Shaft Phased Pump Repairs (Pump #2)	DOH waiting for EPA to complete market research before submitting waiver request.

### 11. Signage Requirements

The program must comply with the SRF Signage Guidelines to enhance public awareness of EPA assistance agreements nationwide. Base signage is required for construction projects up to the amount of the base capitalization grant. Additionally, construction projects receiving equivalency and/or additional subsidy from the BIL grants are required to post signage meeting Infrastructure Investment and Jobs Act requirements. Evidence of meeting the signage requirements are uploaded to respective project files in LGTS.

### 12. 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 2024 were completed and supporting documents uploaded to the respective project file in LGTS.

## D. PROGRAM AND SET-ASIDE ACTIVITIES

SDWA Sections 1452(g)(2) and 1452(k) allows each state to set-aside up to 31% of its federal capitalization grant to support various drinking water program activities including administration, State program management, technical assistance, and other special activities. The following activities were conducted in SFY 2024 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



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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 2024, the DWSRF program collected \$2,787,286.59 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, 1/5<sup>th</sup> of a % of the current valuation of the fund, or 4% of capitalization grants awarded, whichever is greater” (2017 CIFA National Policy Conference presentation slide, N. Chamberlain).

For SFY 2024, DOH used a total of \$996,129.00 available under the 4 percent set aside of which \$194,972.00 and \$801,157.00 is from the Base Federal Grant and the BIL General Supplemental Grant, respectively. The budget included full funding for four positions and partial funding of six positions (salary, fringe, and indirect) which would draw \$443,101.00 of the budget within one state fiscal year. The remaining budget would be used for related training registration fees and would be drawn in its entirety within one state fiscal year.

DOH also originally budgeted \$250,000.00 from the 4% Set-Aside for EPA In-Kind Services to fund an IPA position to assist with DWSRF and BIL related activities but was unable to fill this position in SFY 2024. This will be moved to the following SFY.

The balance remaining in the Admin DD (4% set-aside) as of June 30, 2024:

- FFY 2022 - \$153,291.54
- BIL FFY 2022 - \$76,772.27
- FFY 2023 - \$194,972.00
- BIL FFY 2023 - \$801,157.00

The DWSRF program used \$563,296.33<sup>2</sup> in loan fee income to pay for employee salaries, benefits and other related SDWB operating expenses. A listing from the SFY 2024 IUP pages 6-7 follows with updates:

1. Public Water System Supervision Program (PWSSP) - costs to support:
  - a. Personnel salary, fringe, and indirect for one and a half positions
  - b. Scientific supplies
2. Other SDWB activities costs to cover the budget shortages in the:
  - a. Groundwater Protection Program (GWPP)

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<sup>2</sup> Based on cash/FAMIS numbers for SFY 2024

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- i. Personnel salary, fringe, and indirect for one and three-fourths positions
  - ii. Interisland travel and other expenses for Surveillance (Protection), Training and Technical Assistance, and Public Participation
  - iii. Educational, scientific, and laboratory supplies
  - iv. Laboratory analysis for Pharmaceutical and personal Care Products Projects
  - v. Dues
  - b. 10% Cap Grant and BIL Supplemental Set-Aside budget:
    - i. Office, educational, scientific, laboratory, field survey, automotive, and computer supplies
    - ii. Other expenses such as air freight, dues, postage, printing, maintenance and repair of office equipment, scientific instruments, and buildings, subscriptions, training/registration fees, and utilities
    - iii. Safe Drinking Water Branch System Enhancement Contracts to begin the rebuild of the:
      - (a) Safe Drinking Water Information System (SDWIS) Viewer;
      - (b) Sample Analysis and Tracking System (SATS) or Laboratory Information Management System (LIMS) project and training; and
      - (c) Sample Collection and Reservation System (SCRS).
  - c. 15% Set-Aside Budget – no SFY 2021 Fees used for 15% Set-Aside support
  - d. 4% Cap Grant and BIL Supplemental Set-Aside Budget:
    - i. Personnel salary, fringe, and indirect for three positions
    - ii. Interisland travel and other expenses for Surveillance (Protection), Project Review, and Training and Technical Assistance, and Public Participation Office supplies
    - iii. Audit expenses
    - iv. 2% Cap Grant and BIL Supplemental Set-Aside Budget – The Safe Drinking Water Branch used \$20,000.00 to fund the small systems technical assistance for Engineering Consulting and Asset Management contracts (also known as the Engineering Services Contract.
  - e. General Funds – Mainland and interisland travel for Surveillance (Protection), Compliance, and Training and Technical Assistance
3. 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.

### 2. Small Systems Technical Assistance (2%)

For SFY 2024, DOH used \$421,100.00 from the BIL General Supplemental Grant to fund the Circuit Rider contract to provide small systems with technical, managerial, and financial capacity assistance. The program banked the entire \$98,760.00 from the Base Capitalization Grant.

The balance remaining in the 2% set-aside DE as of June 30, 2024:

- BIL FFY 2022 - \$243,713.75

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- BIL FFY 2023 - \$421,100.00

### 3. State Program Management (10%)

The Safe Drinking Water Act Amendments of 1996 provided that up to 10% of the DWSRF Capitalization Grant could be used for State Program Management. For SFY 2024, DOH used a total of \$2,105,500.00 from the BIL General Supplemental Grant. DOH also budgeted \$250,000.00 from the BIL Supplemental 10% Set-Aside Fund for EPA In-Kind Services for an IPA technical assistance for source water protection, actions related to the Navy Water System Incident (Hazard Evaluation and Emergency Response Office Incident No. 20211128-1848), and other Public Water System Supervision Program actions. The program banked the entire \$493,800.00 from the Base Capitalization Grant.

These funds were generally delegated to support four major activities listed below. It included full funding of nine positions and partial funding of one position, interisland and mainland travel, supplies, Information System upgrades and enhancements, LIMS for the State Laboratories Division, and other expenses to draw the 10% Set-Asides in entirety in SFY 2023 and SFY 2024.

“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).

The balance remaining in the 10% set-aside DF as of June 30, 2024:

- FFY 2022 - \$700,800.00
- BIL FFY 2022 - \$418,772.78
- BIL FFY 2023 - \$2,105,500.00

#### 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

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19 sanitary surveys of public water systems throughout the state in SFY 2024. These surveys contribute significantly to strengthening the protection of drinking water quality. The SDWB Engineering section has been at 0% staff level since January 2023 and the engineering section supervisor retired at the end of May 2023. SDWB was able to fill the Engineering Section supervisor position and three (3) of the four (4) vacant positions in SFY 2024. The Compliance section had two (2) vacant engineering positions at the end of SFY 2024 but was able to get a temporary hire who has since been hired permanently in SFY 2025. Engineers from the Engineering and Compliance Sections performed all surveys in-house in SFY 2024.

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 11 microbiological laboratories and 49 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 2024 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, 2023, to June 30, 2024:

81	Applications were received for certification review.
10	Reciprocal certifications were issued.
42	Persons were tested for the WTPO certification.
23	Persons passed the WTPO certification examination.
106	Persons were tested for the DSO certification.
32	Persons passed the DSO certification examination.
223	WTPO certifications were active as of June 30, 2024.
418	DSO certifications were active as of June 30, 2024.
24	Public water systems required to have level 1 certified water treatment plant operators by the level of the plant.
12	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.

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- 136 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%)

For SFY 2024, the DOH used \$2,306,371.00 from the 15% BIL General Supplemental Grant Set-Aside. This set-aside will be drawn in its entirety within two (2) state fiscal years. The program directed the entire 15 percent Base Federal Grant Set-Aside of \$740,700.00 and balance remaining of the 15 percent BIL General Supplemental Grant Set-Aside of \$851,879.00 to the loan fund. The budget included funding of three (3) positions (salary, fringe, and indirect).

The balance remaining in the 15% set-aside DG as of June 30, 2024:

- BIL FFY 2022 - \$852,491.97
- BIL FFY 2023 - \$2,306,371.00

#### a. Source Water Protection Program

The Source Water Protection Program (SWPP) 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, 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.

Summary of SWPP efforts:

- Performed Source Water Assessments for five new public drinking water sources.
- Assisted the U.S. Navy and the Honolulu Board of Water Supply with their development of source water protection plans.
- Assisted the National Oceanographic and Atmospheric Administration in assessing the marine impacts of on-site sewage disposal systems. The on-site sewage disposal system data was a SWPP product from 2014 that continues to be widely used by numerous agencies and organizations environmental impact studies.
- Provided expert testimony in support Maui County's Well Head Protection Ordinance.
- Assisted Hawaii County in its efforts to close cesspools by providing OSDS data and expert advice on groundwater transport.
- Served as committee member for a PhD candidate investigating the geo- and isotopic-chemistry of the hydrologic with the end goal of using chemistry to better constrain groundwater flow paths.
- Worked with the U.S. Army and the University of Hawaii to mitigate the impact of wastewater disposal on a planned drinking water source at the Pohakaloa Training Activity on the Island of Hawaii.

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- Continuing to work with DOH Clean Water Branch on developing regulations for underground water injection activities that will likely require a NPDES permit due to the Lahaina decision.
- Consulted with the Honolulu Department of Environmental Services on locating a proposed landfill so as not to impact drinking water wells.
- Assisted the DOH Hazard Evaluation and Emergency Response Branch on integrating the Source Water Assessments with their incident reporting database to ensure timely identification of potentially impacted public water sources in case of an environmental release.
- Continue to be a Subject Matter Expert providing technical support for the Red Hill Fuel Storage Facility environmental investigations and fuel removal.
- Provided a fundamentals of Hawaii Hydrogeology presentation at a Groundwater Symposium in Kona Hawaii sponsored by the Hawaii Leeward Planning Conference.

### 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, no funds were used for education activities on water quantity and quality/protection issues for the public, water systems, water industry professionals, and stakeholders due to COVID-19.

The WHP-FAP application was updated 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.

The review and approval of the first project application received on August 19, 2021, has been delayed due to the Red Hill Drinking Water Emergency and other duties. Once approved, SDWB will begin development and execution of the contract as well as to publicize the availability of the funding.

### c. Technical Assistance Programs for Water System Operators

#### i. Continuing Education Training Program for Water System Operators

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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.

### ii. Circuit Rider Program

The SDWB issued consecutive contracts to provide training to small water systems since October 2004, with the most recent contract executed in June 2023 for the 2023-2025 period. 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 23 different small public water systems in SFY 2024. Overall, the circuit rider program has made a significant contribution to improving the technical, managerial, and financial capacity of existing water systems.

### iii. Technical Assistance Needs of Water Systems

For SFY 2024, the SDWB continued to:

- 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.).
- Provide means for private PWS to receive assistance to meet the requirement of the Lead and Copper Rule Revisions to develop a Lead Service Line Inventory by the October 15, 2024, due date. Systems received help through the circuit rider contract and PG Environmental. Funds were from the FFY 2022 Grant set-aside funds.

## E. GOALS, ACCOMPLISHMENTS, AND OTHER PROGRAM ACTIVITIES

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

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EPA. It is prepared annually and made available for public comment and review. The program posted its finalized IUP for SFY 2024 on August 3, 2023, and the Amendment 1 was posed April 16, 2024. A copy of the IUP is available on the Drinking Water State Revolving Fund section of the SDWB website at [Safe Drinking Water Branch | Drinking Water State Revolving Fund \(hawaii.gov\)](#).

The following is a summary of the goals and accomplishments for SFY 2024 and a summary of the program achievements throughout the year.

- In SFY 2024, nine (9) final loan agreements totaling \$44,404,704.05 were executed, which is the program's fourth highest dollar amount executed in a given year since program inception.
- \$30,795,252.01 of loan disbursements were made in SFY 2024<sup>3</sup>. A summary of projects with actively disbursing loans in SFY 2024 is attached as Attachment 21.
- As of July 1, 2024, the DOH had a Federal unliquidated obligation of 2.2%.

### 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 the regulated drinking water systems in Hawaii to provide SRF loan funds. Marketing and outreach opportunities are done through conferences, and in finding needs through sanitary surveys and the circuit rider assistance to small water systems contract.
- 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 offered three different types of loans in SFY 2024, with the rates shown in the table below. These rates were in place until June 30, 2024.

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<sup>3</sup> Disbursement based on the LGTS Disbursement Log Report (by warrant date) totals from 7/1/2023 to 6/30/2024.



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<b>Loan type</b>	<b>Interest Rate</b>	<b>Fee Rate</b>	<b>Total Annual Loan Rate</b>	<b>Loan Repayment Period</b>
Municipal Project-Based	0.65%	1.50%	2.15%	20 years
	0.90%	1.50%	2.40%	30 years
Pro-Fi and BIL LSL	0.25%	1.50%	1.75%	20 years
	0.50%	1.50%	2.0%	30 years
Privately-Owned Water Systems	2.75%	Up to \$1,000.00	2.75%	Up to 30 years; DAC may be up to 40 years

- c. To promote sustainable infrastructure and energy efficiency.  
The program continues to encourage its borrowers to incorporate sustainable infrastructure and energy efficiency in their designs through discussions and by offering additional points that will rank the project higher on the DWSRF Priority List of Projects.
- d. To promote an equitable share of funding to small systems serving DAC.  
The program expanded its DAC definition to ensure funds reached more DAC, especially where additional subsidies are assigned.

**2. Short Term Goals**

- a. Continue implementation of the digital/electronic signatures on loan agreements recommendation 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.
- 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.

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- c. Continue working on the implementation of the Financial Operations and Cash Flow Utilization in the SRF (FOCUS) financial planning model to better plan the use of funds in the DWSRF Program.  
The program's use of cash flow modeling aided in efficient planning. At the end of SFY 2024, the DWSRF loan fund had a 98.67% utilization rate for grant and match funds and a 92.06% total utilization rate<sup>4</sup>.
- d. 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 and will continue to be tested and more functions will be fully integrated.
- e. Continue marketing and outreach to offer loans to privately-owned water systems and DAC.  
The program increased its funding obligations to privately-owned water systems by 159% compared to the previous SFY. The privately-owned water systems that received loans were also new to the program, so they were receiving DWSRF assistance for the first time since program inception.

### 3. Transfers Between Hawaii SRF Programs

From July 1, 2024, Hawaii Revised Statutes (HRS) Section 340E authorized transfers between the Water Pollution Control Revolving Fund and the Drinking Water Treatment Revolving Loan Fund (more commonly known as the Clean Water and Drinking Water SRF programs, respectively), as also allowed in 40 CFR 35.3540(c). DOH is required to provide information to the legislature no later than twenty (20) days prior to each regular session, in accordance with Act 218. This includes details on all transfers between the programs, as well as an assessment of compliance with federal law regarding these transfers. For this reporting period, zero (0) dollars were transferred between programs.

## 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 in

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<sup>4</sup> Based on the DWSRF Fund Utilization and Efficiency Plan (FUEP) as of June 30, 2024.

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accordance with Hawaii Revised Statutes Chapter 343 and Hawaii Administrative Rules, Chapter 11-20, and were submitted to the Office of Planning and Sustainable Development, Environmental Review Program (OPSD, ERP) 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 at <https://health.hawaii.gov/sdwb/drinking-water-state-revolving-fund/> 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 2024 / FFY 2023 Appropriation was finalized on August 3, 2023, with Amendment 1 on April 16, 2024.
3. Other Federal Requirements- Each respective borrower certifies for each of their DWSRF projects that they are following American Iron and Steel (AIS), Davis-Bacon, and all 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

#### National Priorities for the Drinking Water State Revolving Fund Program

The program supports the FFY 2022-2026 EPA Strategic Plan<sup>5</sup> dated March 28, 2022. Specifically, Hawaii has established and manages the revolving loan fund that provides low-cost loans and other types of assistance to water systems by financing the cost of infrastructure projects to achieve or maintain compliance with SDWA requirements. Hawaii DWSRF activities support EPA Program Reporting Code 201B81E.

EPA's specific national Long-Term Performance Goals (LTPG) for drinking water in the FY 2022-2026 are listed below:

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<sup>5</sup> <https://www.epa.gov/system/files/documents/2022-03/fy-2022-2026-epa-strategic-plan.pdf>

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### Strategic Plan Goal 5: Ensure Clean and Safe Water for all Communities:

Provide clean and safe water for all communities and protect our nation's waterbodies from degradation.

#### *Strategic Plan Objective 5.1: Ensure Safe Drinking Water and Reliable Water Infrastructure*

Protect public health from the risk of exposure to regulated and emerging contaminants in drinking and source waters by improving the reliability, accessibility, and resilience of the nation's water infrastructure to reduce the impacts of climate change, structural deterioration, and cyber threats.

- LTPG: By September 30, 2026, reduce the number of community water systems still in noncompliance with health-based standards since March 31, 2021, from 752 to 500.
- LTPG: By September 30, 2026, leverage an additional \$45 billion in non-federal dollars through EPA's water infrastructure financing programs (CWSRF, DWSRF, and WIFIA).
- LTPG: By September 30, 2026, provide 2,203 Tribal, small, rural, or underserved communities with technical, managerial, or financial training or assistance to improve operations of their drinking water or wastewater systems.

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

Every summer, Hawaii and USEPA negotiate Hawaii's Strategic Plan commitments for the SFY starting July 1<sup>st</sup>. 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/](http://water.epa.gov/resource_performance/planning/).

## **FINANCIAL SECTION**

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The following is a summary of the financial activities of the program for the state fiscal year ended June 30, 2024. 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**

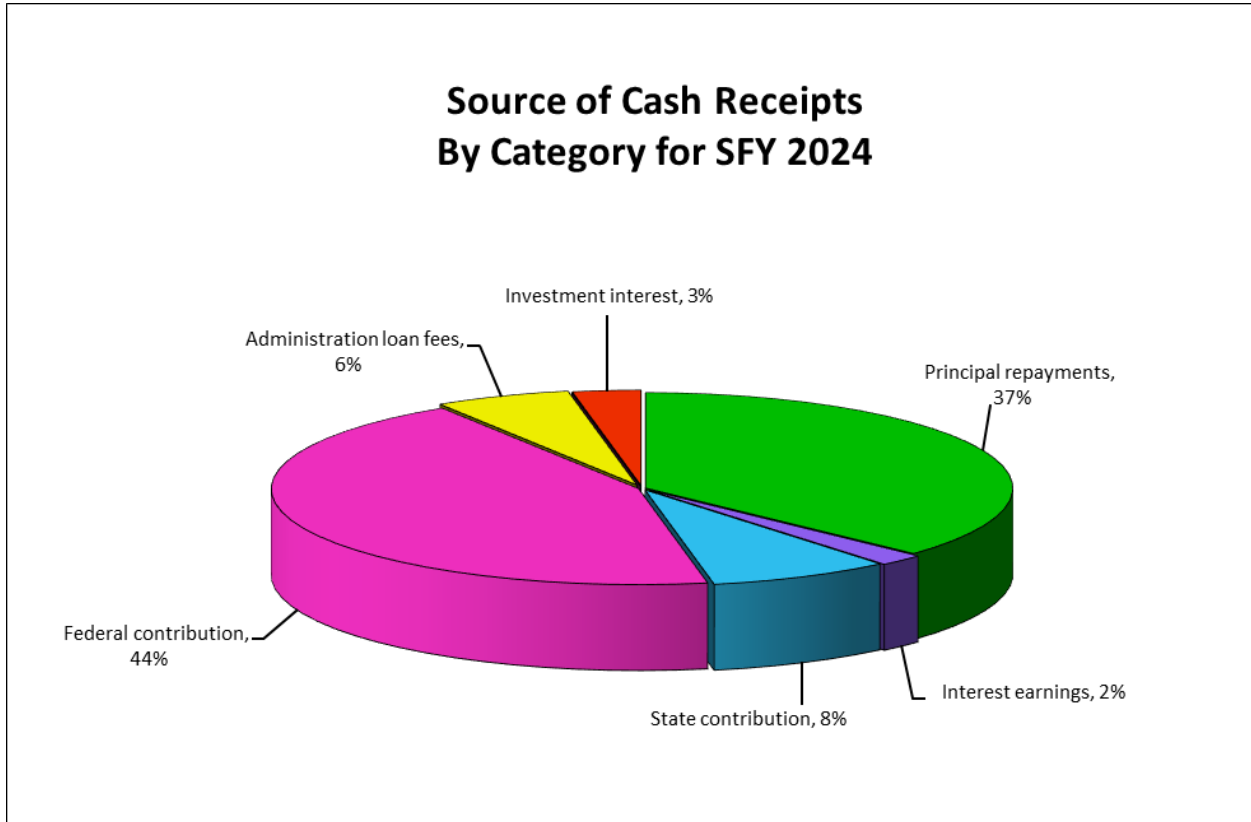
#### **1. Sources of Funds**

Since the program's inception, the DOH has received a total of \$324,460,188.00<sup>6</sup> in federal capitalization grants. Of this amount, \$48,750,433.67 was set aside to support other drinking water program initiatives and administration of the loan program with the remaining \$275,709,754.33 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 2024.

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<sup>6</sup> Includes \$19.5 million from ARRA and withholdings by EPA of a total of \$1,517,650.00 which consists of \$1,410,150.00 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 sum of the Base and BIL Grants listed in the Cumulative through 6/30/2024 column of Table 1 of the SFY 2024 IUP.



## 2. State Match

Pursuant to Act 164/SLH2023, the Hawaii State Legislature appropriated monies from general obligation bond funds for the required 20% state match for the FFY 2023 EPA SRF Capitalization Grant. The state match was transferred into the DWTRLF account in December 2023.

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.

### State Match for SFY 2024

	SFY	FFY	State Match Amount	State Match Project	Loan Amount	Percent Met?
Base	2024	2023	\$987,600.00	Hawaii DWS Pro-Fi SFY 2024	\$10,000,000.00	Yes
BIL	2024	2023	\$2,105,500.00	Hawaii DWS Pro-Fi SFY 2024	\$10,000,000.00	Yes

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The project listed above was used for state match and was executed on December 15, 2023. The state match amounts for Base and BIL were disbursed on June 3, 2024 and June 14, 2024, respectively.

The table below shows how the cash draw ratio requirements were met.

Cash Draw Ratio Requirement

	SFY	FFY	State Match Received	State Match Disbursed	First Drawdown Date	Cash Draw Ratio Requirement Satisfied?
Base	2024	2023	12/28/2023	6/3/2024	4/9/2024	Yes
BIL	2024	2023	12/28/2023	6/14/2024	6/4/2024	Yes

The first drawdown for the FFY 2023 grant was for set-aside expenses.

### 3. Executed Loan Agreements/Binding Commitments

As of June 30, 2024, the DOH committed \$241,939,856.98 federal capitalization grant funds and \$51,658,610.00 state match funds to DWSRF projects. These funds benefit communities of all sizes throughout the State of Hawaii. See Attachment 1.

The total available for loans since inception was \$536,819,828.40. The program committed \$511,176,298.10 or over 95%.

### 4. Automated Standard Application for Payments (ASAP)

The program drew \$19,035,304.02 of its capitalization grant funds from the ASAP system during SFY 2024. Of this amount, \$16,582,158.25 was used for DWSRF loans and \$2,453,145.77 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.

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<b>Activity Code</b>	<b>Revenue Source</b>	<b>SFY 2024 Amount Received (\$)</b>
422	Principal from repayments	16,131,114.67
423	Interest from repayments	763,493.49
424	Investment interest	1,403,392.71

**C. PROGRAM AND SET-ASIDE ACTIVITIES**

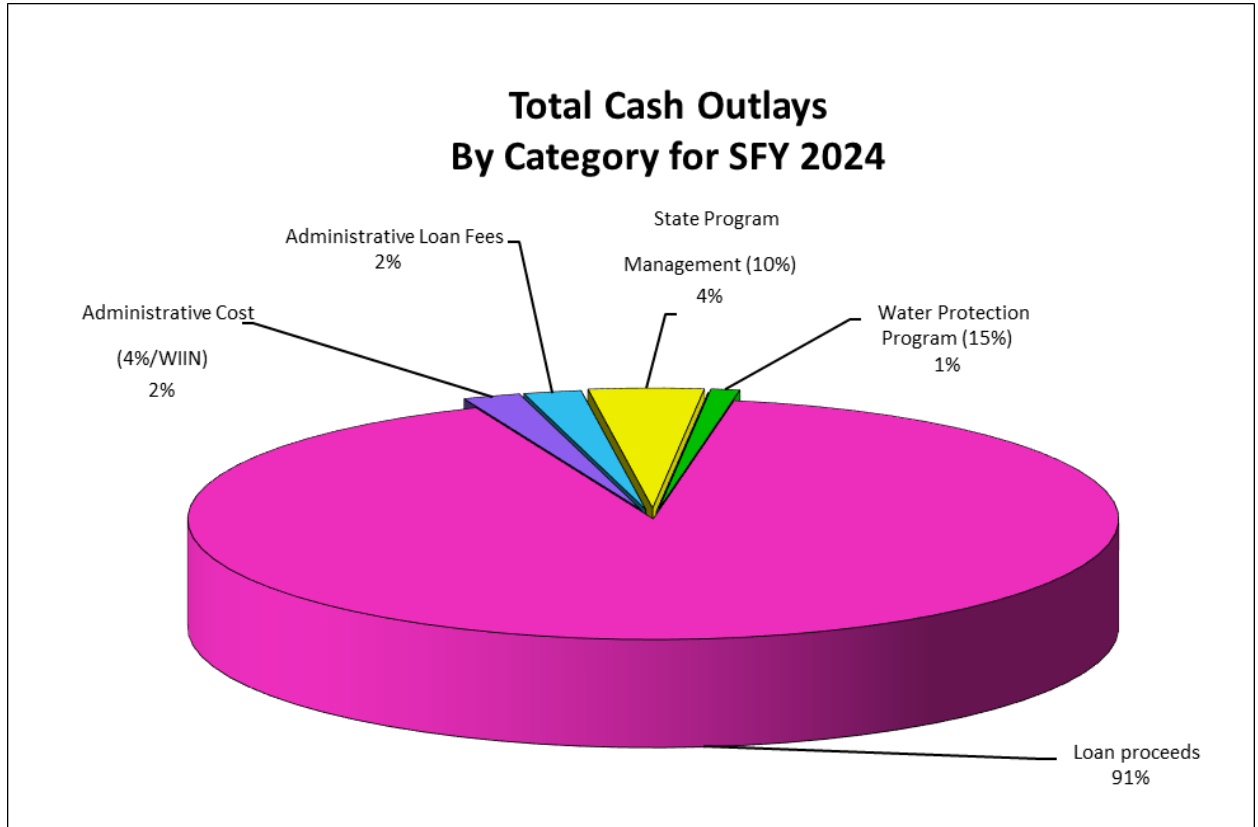
Highlights of the program’s activities are as follows:

To administer the DWSRF program and its related drinking water programs, the program spent \$34,081,095.11. This consisted of the following program expenses:

<b>Activity Code</b>	<b>Program</b>	<b>SFY 2024 Amount Expended (\$)</b>
420, 421, 422, 423, 424	Loan Disbursement	30,795,252.01
425, 426, 430, 441	Administrative Costs	1,336,530.68
427	State Program Management (10%)	1,376,236.51
428	Small Systems Technical Assistance (2%)	116,126.25
433	Source Water Protection (10%)	1,247.96
435	Operator Certification (10%)	19,001.97
436	Wellhead Protection Program (15%)	312,242.52
437	Technical or Financial Assistance to PWSs (15%)	124,457.21
<b>Total Program Expenditures</b>		<b>34,081,095.11</b>

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





#### 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 DWTRLF municipal county 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. Non-municipal, privately-owned systems are not required to have a bond rating. In lieu, they undergo a separate financial capacity review by the DWTRLF.

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

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<b>Borrowers</b>	<b>Committed Amount (\$)</b>	<b>Moody's/Fitch Bond Rating</b>	<b>Percentage of DWSRF Loan Portfolio</b>
City and County of Honolulu, Board of Water Supply	237,962,220.96	Aa2/AA+	47%
County of Hawaii, Water Board	108,187,949.75	Aa2/AA+	21%
County of Kauai, Board of Water Supply	64,386,890.18	Aa2/AA	13%
County of Maui, Board of Water Supply	88,886,223.93	Aa2/AA+	17%
Privately-owned Water Systems	12,094,548.35	---	2%
<b>Totals</b>	<b>511,517,833.17</b>		<b>100%</b>

**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 2024.

The KMH LLP auditor's report for the SFY 2024 DWSRF financial statements was published on December 2, 2024 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, 2024, 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."

*Program information: For further information regarding this report, please contact SDWB at: (808) 586-4258 or Water Revolving Fund Staff at: (808) 586-4294.*

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### **LIST OF ATTACHMENTS**

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- ATTACHMENT 1: SUMMARY OF THE DRINKING WATER TREATMENT REVOLVING 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: EQUIVALENCY ASSIGNMENTS FOR OPEN CAPITALIZATION GRANTS
- ATTACHMENT 7: SUMMARY OF ACTIVE DWSRF PROJECTS IN SFY 2024

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ATTACHMENT 1: SUMMARY OF THE DRINKING WATER TREATMENT REVOLVING FUND

## 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 (Commit 3/23/99)	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 Wailua 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-Elseele 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, Wailua, 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 Kaunualii Highway 12-inch Main Replacement Elepaio Road to Huakai Road, Job No. 05-04, KW-27, Kekaha-Waimea, Kaua'i, 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, Kaua'i, 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 Wakiu 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
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 Waipaoa 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

## Summary of the Drinking Water Treatment Revolving Loan Fund

No.	Binding Commitment Date	Project Description (Project Name - Based on the Final Loan Agreement)	Rate	Loan Amount
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 Olinda 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 (Commiment 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%	4,549,585.69
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%	5,042,821.28
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 Hallimaile Tank Replacement (Commit 8/27/13)	1.00%	674,167.39
67	4/15/2015	215-0010 Kula 200 #1 Tank Replacement (Commit 8/27/13)	1.00%	749,330.00
68	11/15/2015	102-0001 Laupahoehoe 0.5 MG Reservoir (Commit 9/15/14)	0.50%	3,872,263.42
69	11/15/2015	129-0001 Halaula Well Development Phase 1 (No Commit Issued / Initial Interim Cancelled)	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%	9,119,367.02
73	3/15/2016	133-0004 Kapulena Well Development Phase 2 (Production Well and 0.3 MG Reservoir) (Commit 5/28/14)	0.50%	4,298,629.75
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%	4,139,686.00
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 Piihonua-Kukuau Reservoir and Transmission Improvements (Commit 5/25/16)	0.00%	8,951,042.90
82	1/15/2017	212-0015 Iao Surface Water Treatment Plants Upgrades (Commit 4/15/15)	0.00%	21,479,524.55
83	2/15/2017	331-0068 Energy Savings Performance Contracting-BWS Facilities (Commit 8/14/15)	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%	4,491,000.30
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 (No Commit Issued)	0.25%	1,853,483.49
88	7/15/2019	P-DW243-0001 Kaeleku Tank Replacement (Commit 3/25/19)	0.00%	999,474.30
89	8/15/2019	HBWS-PF20 Honolulu BWS Pro-Fi SFY 2020 (Commit 8/1/19)	0.75%	15,000,000.00
90	9/15/2019	331-0043 Diamond Head Water System Improvements, Part II (Commit 8/1/19)	1.15%	4,295,885.30
91	7/15/2020	331-0080 Moiliili Water System Improvements, Part IV (Commit 4/22/20)	1.15%	6,007,022.04
92	8/15/2020	HBWS-PF21 Honolulu BWS Pro-Fi SFY 2021 (Commit 7/15/20)	0.75%	12,000,000.00
93	10/15/2020	HDWS-PF21 Hawaii DWS Pro-Fi SFY 2021 (No Commit Issued)	0.75%	7,000,000.00
94	10/15/2020	P-DW303-0001 Kunia Village Potable Water System Upgrades (Commit 5/11/20)	0.00%	1,621,805.00
95	10/15/2020	213-0018 Pookela Well B Development (Commit 12/4/19)	1.15%	3,004,637.28
96	7/15/2021	HDWS-0001 Emergency Well Repairs 1 (No Commit issued)	0.25%	1,000,000.00
97	9/15/2021	HDWS-PF22 Hawaii DWS Pro-Fi SFY 2022 (No Commit issued)	0.25%	10,000,000.00
98	9/15/2021	HBWS-PF22 Honolulu BWS Pro-Fi SFY 2022 (No Commit issued)	0.25%	11,500,000.00
99	11/15/2021	P-DW201-0002 Helani Waterline Replacement (No Commit issued)	0.00%	960,468.93
100	2/15/2022	P-DW156-0004 Water System Fire Hydrant Replacement (No Commit issued)	0.00%	275,000.00

## Summary of the Drinking Water Treatment Revolving Loan Fund

No.	Binding Commitment Date	Project Description (Project Name - Based on the Final Loan Agreement)	Rate	Loan Amount
101	4/15/2022	P-DW167-0001 North Easements Waterline Replacement (Commit 09/30/21)	0.00%	1,149,750.00
102	4/15/2022	P-DW156-0005 Water System Auto Read Meter Transmitter Replacement (No Commit issued)	0.00%	55,770.00
103	2/15/2023	HDWS-PF23 Hawaii DWS Pro-Fi SFY 2023 (No Commit Issued)	0.25%	7,803,487.10
104	2/15/2023	HBWS-PF23 Honolulu BWS Pro-Fi SFY 2023 (No Commit Issued)	0.25%	20,000,000.00
105	1/15/2023	434-0012 Kalaheo Water System Improvements (Commit 06/30/22)	0.65%	13,000,000.00
106	4/15/2023	P-DW150-0002 Napuu Water System Improvements (No Commit Issued)	0.00%	1,572,484.20
107	4/15/2023	P-DW328-0001 Honolulu BWS Metered Connection to Lot B (No Commit Issued)	0.00%	271,156.80
108	10/15/2023	HBWS-PF24 Honolulu BWS Pro-Fi SFY 2024 (Commit 09/22/23)	0.25%	20,000,000.00
109	11/15/2023	HDWS-0002 Emergency Well Repairs 2 (No Commit Issued)	0.25%	2,000,000.00
110	12/15/2023	HDWS-PF24 Hawaii DWS Pro-Fi SFY 2024 (No commit Issued)	0.25%	10,000,000.00
111	1/15/2024	KDOW-PF24 Kaua'i DOW Pro-Fi SFY 2024 (Commit 09/25/23)	0.25%	5,000,000.00
112	2/15/2024	P-DW251-0004 Backup Generator and SCADA Upgrades (No Commit Issued)	0.00%	401,834.46
113	3/15/2024	HDWS-LS01 HDWS LCRR Compliance (No Commit Issued)	0.25%	3,588,723.00
114	4/15/2024	KDOW-LS01 Kaua'i DOW LCRR Compliance (Commit Issued 03/25/2024)	0.25%	875,747.00
115	4/15/2024	P-DW209-0002 Backup Generator and SCADA Upgrades (No Commit Issued)	0.00%	150,231.33
116	5/15/2024	P-DW437-0001 Repair/Replace 0.5 MG Tank (Commit Issued 03/25/2024)	0.00%	2,388,168.26
<b>TOTAL FINAL PROJECTS</b>				<b>\$ 497,157,025.45</b>
<b>Planned Binding Commitments</b>				
No.	Date	Project Description (Project Name - Based on the Commitment Letter)	Rate	Loan Amount
1	12/14/2023	DW331-0081 Kahilina Place and Aiea Heights Drive Area Water System Improvements	0.90%	5,610,000.00
2	2/16/2024	MDWS-LS01 Lead and Copper Rule Revision Compliance	0.25%	1,502,402.65
3	6/28/2024	P-DW303-EC03 GAC and New Source Well	0.00%	2,248,405.07
4	6/7/2024	KDOW-PF25 Kaua'i DOW Pro-Fi SFY 2025	0.50%	5,000,000.00
<b>TOTAL PLANNED COMMITMENTS</b>				<b>\$ 14,360,807.72</b>
<b>TOTAL FINAL &amp; PLANNED PROJECTS</b>				<b>\$ 511,517,833.17</b>

ATTACHMENT 2: STATEMENT OF NET POSITION



State of Hawaii  
Drinking Water Treatment Revolving Fund  
**Statement of Net Position**  
June 30, 2024

**Assets and Deferred Outflow of Resources**

Current Assets	
Cash and cash equivalents in State Treasury	44,687,180.42
Accrued Interest	185,723.54
Accrued Interest from Investment	944,616.81
Accrued Administrative Loan Fees	686,768.56
Due from State Treasury	201,200.31
Due from Federal Government	589,212.30
Accounts Receivable	0.00
Current maturities of loans receivable	16,671,910.17
Total for Current Assets	63,966,612.11
Loans Receivable, net of current maturities	216,542,878.84
Capital Assets	
Capital Assets	2,865,662.01
Less: Accumulated Depreciation	(2,760,968.63)
Total for Capital Assets	104,693.38
Total for Assets	280,614,184.33
Deferred outflows of resources related to pensions	408,912.89
Deferred outflows of resources related to OPEB	350,809.73
<b>Total Assets and Deferred Outflow of Resources</b>	<b>281,373,906.95</b>

**Liabilities, Deferred Inflow of Resources, and Net Position**

Liabilities	
Current Liabilities	
Payroll Payable	299,456.82
Accounts Payable	241,668.68
Indirect Payable	274,541.56
Due to state treasury	41,993.56
Accrued Vacation, current portion	78,512.98
Total for Current Liabilities	936,173.60
Accrued Vacation, net of current portion	207,665.00
Net Pension liability	2,720,612.47
Net OPEB liability	2,386,465.71
Total for Liabilities	6,250,916.78
Deferred inflows of resources related to pensions	366,013.12
Deferred inflows of resources related to OPEB	355,301.17
Net Position	
Net Investment in Capital Assets	104,693.38
Restricted	274,296,982.50
Unrestricted	0.00
Total for Net Position	274,401,675.88
<b>Total Liabilities, Deferred Inflow of Resources, and Net Position</b>	<b>281,373,906.95</b>

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

State of Hawaii  
Drinking Water Treatment Revolving Fund  
**Statement of Revenues, Expenses and Changes in Net Position**  
Year Ended June 30, 2024

Operating Revenues	
Interest earnings from loans	766,092.34
Administration loan fee earnings	2,800,057.27
Total for Operating Revenues	3,566,149.61
Operating Expenses	
Administrative Cost - 4% set-aside	918,722.12
Admin. Technical Assistance - 4% set-aside	0.00
Administrative Cost - WIIN set-aside	43,259.91
State Program Management - 10% set-aside	1,558,505.33
Source Water Protection - 10% set-aside	1,247.96
Capacity Development - 10% set-aside	0.00
Operator Certification - 10% set-aside	16,643.65
Small Systems Technical Assistance - 2% set-aside	224,403.75
Water Protection Program - 15% set-aside	0.00
Wellhead Protection Program - 15% set-aside	360,945.27
Technical or Financial Assistance - 15% set-aside	177,048.79
Admin Loan Fee	489,883.98
Principal Forgiveness for SRF	19,347,084.71
Total for Operating Expenses	23,137,745.47
<b>Total Operating Income/(Loss)</b>	<b>(19,571,595.86)</b>
<b>Nonoperating Revenue/(Expense)</b>	
Federal contribution	19,305,482.68
State matching contribution	3,604,000.00
Interest earnings (loss) from investment	1,747,394.90
Non-imposed fringe	17,925.36
<b>Total Nonoperating Revenue/(Expense)</b>	<b>24,674,802.94</b>
<b>Total Change in Net Position</b>	<b>5,103,207.08</b>
<b>Total Net Position - Beginning of Year</b>	<b>269,298,468.80</b>
<b>Total Net Position - End of Year</b>	<b>274,401,675.88</b>

ATTACHMENT 4: STATEMENT OF CASH FLOWS

State of Hawaii  
Drinking Water Treatment Revolving Fund  
**Statement of Cash Flows**  
Year Ended June 30, 2024

<b>Cash flows from operating activities</b>	
Personnel Costs	(2,025,440.36)
Payments to vendors	(1,220,159.80)
<b>Total Cash flows from operating activities</b>	<b>(3,245,600.16)</b>
<b>Cash flows from noncapital financing activities</b>	22,639,304.02
<b>Total Cash flows from noncapital financing activities</b>	<b>22,639,304.02</b>
<b>Cash flows from capital and related financing activities</b>	
Purchase of equipment	(40,242.94)
<b>Total Cash flows from capital and related financing activities</b>	<b>(40,242.94)</b>
<b>Cash flows from investing activities</b>	
Interest income from loans	763,493.49
Administrative loan fees	2,787,286.59
Principal repayments on loans	16,131,114.67
Disbursement of loan proceeds	(30,795,252.01)
Interest from investments	1,403,392.71
<b>Total Cash flows from investing activities</b>	<b>(9,709,964.55)</b>
<b>Total Net increase/(decrease) in cash and cash equivalents</b>	<b>9,643,496.37</b>
<b>Total Cash and Cash Equivalents - Beginning of Year</b>	<b>35,043,684.05</b>
<b>Total Cash and Cash Equivalents - End of Year</b>	<b>44,687,180.42</b>
<b>Reconciliation of operating income (loss) to net cash</b>	
<b>Provided by (used by) operating activities</b>	
<b>Total Operating Income (Loss)</b>	<b>(19,571,595.86)</b>
<b>Adjustments to reconcile operating income to net cash</b>	
Depreciation	82,532.47
Principal Forgiveness for SRF	19,347,084.71
Interest income from loans	(766,092.34)
Administrative loan fees	(2,800,057.27)
In-kind contribution from EPA	0.00
Non-imposed fringe	17,925.36
<b>Total Adjustments to reconcile operating income to net cash</b>	<b>15,881,392.93</b>
<b>Change in assets, deferred outflows, liabilities, and deferred inflows</b>	
Due from state treasury	(27,948.10)
Accounts Receivable	0.00
Accrued salaries and other administrative costs	738,872.61
Net deferred outflows / inflows of resources	(368,567.85)
Net Pension Liability	117,818.24
Net OPEB liability	(15,572.13)
<b>Total Change in assets, deferred outflows, liabilities, and deferred inflows</b>	<b>444,602.77</b>
<b>Total Net cash used by operating activities</b>	<b>(3,245,600.16)</b>

ATTACHMENT 5: NOTES TO FINANCIAL STATEMENTS

**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 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 and private borrowers. 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, 2024, 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 certain loans allow for portions of the loan 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 asset's 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, 2024, accumulated sick leave was approximately \$635,000.

## 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. Administrative 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, 2024:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Related to Pensions	\$ 408,912.89	\$ (366,013.12)
Related to Other Postemployment Benefits	350,809.73	(355,301.17)
	<u>\$ 759,722.62</u>	<u>\$ (721,314.29)</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 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, 2024, the DWTRLF had outstanding loan receivables with the following government entities:

Sixteen loans with the City & County of Honolulu, Board of Water Supply; due in semiannual payments, including interest ranging from 0.00% to 1.15%, 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. \$126,672,517.22

Twenty-one loans with the County of Hawaii, Water Board; 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. 55,796,006.36

Seventeen loans with the County of Maui, Board of Water Supply; due in semiannual payments, including interest ranging from 0.00% to 1.15%, 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. 38,111,747.19

Twelve loans with the County of Kauai, Board of Water Supply; due in semiannual payments, including interest ranging from 0.16% to 0.65%, 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. 12,634,518.24

	233,214,789.01
Less: current maturities	(16,671,910.17)
	\$216,542,878.84

Loans are expected to mature at various dates through 2045. The scheduled principal payments on loans maturing in subsequent years are as follows:

SFY2025	\$ 16,671,910.17
SFY2026	\$ 16,737,736.93
SFY2027	\$ 16,799,432.29
SFY2028	\$ 16,477,295.34
SFY2029	\$ 16,657,897.20
SFY2030-2034	\$ 79,490,433.87
SFY2035-2039	\$ 56,673,371.73
SFY2040-2045	\$ 13,706,711.48
	\$233,214,789.01

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 2024, \$19,347,084.71 in loans were forgiven. Loans and advances were forgiven in accordance with the required conditions.

As of June 30, 2024, the DWTRLF were earmarked to be loaned under existing commitment notices to the following borrowers:

City & County of Honolulu, Board of Water Supply	\$ 5,610,000.00
County of Hawaii, Water Board	-
County of Kauai, Board of Water Supply	5,000,000.00
County of Maui, Board of Water Supply	1,502,402.65
Private Water Systems	1,906,870.00
Total	\$14,019,272.65

**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, 2024, EPA has awarded \$304,960,188.00 to the State of Hawaii, of which \$260,423,333.94 has been drawn down for loans and set asides and the remaining \$1,517,650.00 is related to EPA in-kind draws. Total draws including EPA in-kind draws is \$261,940,983.94.

The following summarizes the EPA capitalization grants, amounts drawn on each grant, and the balances available for future loans at June 30, 2024:

Capitalization Grant ID	Budget Period	FFY	Amount	DWTRLF Cash Draws	EPA Draws* (deducted prior to issuance of cap grant)	Funds Available
<b>Balance from Previous Years:</b>		<b>97-18</b>	<b>193,708,548.00</b>	<b>193,708,548.00</b>	<b>1,517,650.00</b>	<b>1 0.00</b>
FS999865-20	10/01/2019 - 06/30/2026	19	11,103,000.00	11,103,000.00	0.00	0.00
FS999865-21	07/01/2020 - 06/30/2025	20	11,011,000.00	11,011,000.00	0.00	0.00
FS999865-22	08/01/2021 - 06/30/2026	21	11,001,000.00	11,001,000.00	0.00	0.00
FS999865-23	07/01/2022 - 06/30/2029	22	7,008,000.00	6,153,908.46	0.00	854,091.54
4D98T447-01	07/01/2022 - 06/30/2029	22	17,992,000.00	16,400,249.23	0.00	1,591,750.77
4E98T855-01	10/01/2023 - 06/30/2029	22	7,555,000.00	0.00	0.00	7,555,000.00
4L98T738-01	10/01/2023 - 06/30/2029	22	19,588,640.00	0.00	0.00	19,588,640.00
4D98T770-01	10/01/2023 - 06/30/2030	23	21,055,000.00	7,820,250.25	0.00	13,234,749.75
FS999865-24	10/01/2023 - 06/30/2028	23	4,938,000.00	4,743,028.00	0.00	194,972.00
			<b>304,960,188.00</b>	<b>261,940,983.94</b>	<b>1,517,650.00</b>	<b>43,019,204.06</b>

\*Amount was deducted prior to issuance of cap grant. Therefore, the amount shows up in EPA's records and not in FAMIS.

1 \$25,000.00 deducted as in kind from the 2000 grant, from Administrative Expenses set-aside.;\$50,000.00 deducted as in kind from the 2000 grant, from State Program Management set-aside.;\$24,000.00 deducted as in kind from the 2001 grant, from State Program Management set-aside.;\$2,500.00 deducted as in kind from the 2005 grant, from Administrative Expenses set-aside.;\$450,000.00 deducted as in kind from the 2013 grant, from Administrative Expenses set-aside.;\$586,000.00 deducted as in kind from the 2015 grant, from Administrative Expenses set-aside.;\$315,000.00 deducted as in kind from the 2016 grant, from Administrative Expenses set-aside.;\$147,000.00 deducted as in kind from the 2017 grant, from Administrative Expenses set-aside, for: \$81,850 was transferred back to the loan fund during a grant amendment in FFY 19. Therefore, \$65,150 shows up in EPA's records and not in FAMIS.

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. For the FFY22-23 BIL General Supplemental grant, the required State match is reduced from 20% to 10%. Through June 30, 2024, the Fund was in compliance with the State matching requirement. The required State match through June 30, 2024 approximated \$51.7 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, 2024.

Federal Fiscal Year	Source of State Funds		20% State Match Amount
<b>Balances from previous years (1997 - 2013):</b>			<b>\$ 29,694,500.00</b>
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	\$ 1,648,598.00	
	Total 17 Match		\$ 1,648,598.00
2018	Act 106/12 Act 53/18	\$ 573,400.00 \$ 1,648,000.00	
	Total 18 Match		\$ 2,221,400.00
2019	Act 40/19	\$ 2,220,600.00	
	Total 19 Match		\$ 2,220,600.00
2020	Act 006/20	\$ 2,202,200.00	
	Total 20 Match		\$ 2,202,200.00
2021	Act 88/21	\$ 2,200,200.00	
	Total 21 Match		\$ 2,200,200.00
2022	Act 248/22 Act 248/22	\$ 1,401,600.00 \$ 1,799,200.00 *	
	Total 22 Match		\$ 3,200,800.00
2023	Act 164/23 Act 164/23	\$ 987,600.00 \$ 2,105,500.00 *	
	Total 23 Match		\$ 3,093,100.00
Total 20% State Match			<u>\$ 51,658,610.00</u>

\* Required State Match reduced from 20% to 10% for subject year's BIL Supplemental Capitalization Grant

NOTE E - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2024 was as follows:

	Balance at July 1, 2023	Additions	Retirements/ Disposals	Balance at June 30, 2024
Equipment	\$2,176,520.44	\$40,242.94	\$ -	\$2,216,763.38
Intangible Assets - Software	648,898.63	-	-	648,898.63
Accumulated Depreciation	(2,678,436.16)	(82,532.47)	-	(2,760,968.63)
	<u>\$ 146,982.91</u>	<u>\$(42,289.53)</u>	<u>\$ -</u>	<u>\$ 104,693.38</u>



**NOTE F – ACCRUED VACATION**

The changes to the accrued vacation liability during 2024 were as follows:

Balance at July 1, 2023	\$ 186,846
Increase	188,137
Decrease	<u>(88,805)</u>
Balance at June 30, 2024	286,178
Less: Current portion	<u>(78,513)</u>
Noncurrent portion	<u>\$ 207,665</u>

**NOTE G – TEMPORARY HAZARD PAY**

The State entered into multiple settlement agreements regarding the Temporary Hazard Pay (THP) with unions for periods covering dates in March 2020 through March 2022, for those employees who performed essential functions during the COVID-19 pandemic. Total DWTRLF accrued payroll for the fiscal year ended June 30, 2024, related to temporary hazard pay was \$105,285.

Act 049, SLH 2024 provided emergency appropriations for public employment cost items and cost adjustments for employees of certain collective bargaining units. Effective July 1, 2024, the State appropriated a total of \$458.8 million as a result of a negotiated settlement for employees who met certain requirements during the COVID-19 pandemic.

As of December 2, 2024, the State continues to negotiate with the remaining unions, and it was not practical to estimate the total liability owed to eligible employees.

**NOTE H - 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 the ERS website: <https://ers.ehawaii.gov/resources/financials>.

*Benefits Provided*

The ERS Pension Trust is comprised of three pension classes for membership purposes and considered to be a single plan for accounting purposes since all assets of the ERS may legally be used to pay the benefits of any of the ERS members or beneficiaries. The ERS provides retirement, disability and death benefits with three membership classes known as the noncontributory, contributory and hybrid retirement plans. The three classes provide a monthly retirement allowance equal to the benefit multiplier (generally 1.25% to 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 surviving 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 surviving dependent children (up to age 18) receive a benefit equal to a percentage of the member's accrued maximum allowance unreduced for age or, if the member was eligible for retirement at the time of death, the surviving spouse/reciprocal beneficiary receives 100% joint and survivor lifetime pension and the surviving dependent children receive a percentage of the member's accrued maximum allowance unreduced for age.

Contributory Class for Members Hired Prior to July 1, 2012

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

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

- Ordinary death benefits are available to employees who were active at time of death with at least one year of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage of the salary earned in the 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 age 55, 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.

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 surviving dependent children/parents, the ordinary death benefit is payable to the designated beneficiary.

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

Hybrid Class for Members Hired After June 30, 2012

- Retirement Benefits – General employees’ retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with ten years of credited service are eligible to retire at age 65. Employees with 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 2024 were 41% for police officers and firefighters and 24% for all other employees. Contributions to the pension plan from the DWTRLF were \$263,937 for the fiscal year ended June 30, 2024.

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, 2024, the DWTRLF reported a liability of \$2,720,612 for its proportionate share of net pension liability of the State. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of 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, 2023 and 2022, the DWTRLF's proportion of the State's share was 0.03% and 0.04%, respectively.

There were no changes in actuarial assumptions as of June 30, 2022 to June 30, 2023. There were no changes between the measurement date, June 30, 2023, and the reporting date, June 30, 2024, that are expected to have a significant effect on the proportionate share of the net pension liability.

For the year ended June 30, 2024, the DWTRLF recognized pension expense of \$213,824. At June 30, 2024, 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
Net Differences between expected and actual experience	\$62,832	\$ --
Changes in assumptions	53,946	(30,398)
Net difference between projected and actual earnings on pension plan investments	--	(327,712)
Changes in proportion and difference between DWTRLF contributions and proportionate share of contributions	28,198	(7,903)
DWTRLF contributions subsequent to the measurement date	<u>263,937</u>	<u>--</u>
	<u>\$ 408,913</u>	<u>\$ (366,013)</u>

At June 30, 2024, the \$263,937 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 ending June 30, 2025.

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>
2025	\$ (96,759)
2026	(79,179)
2027	(76,853)
2028	27,512
2029	4,242
Total	<u>\$ (221,037)</u>



*Actuarial Assumptions*

The total pension liability in the June 30, 2023 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 August 8, 2022, based on the 2021 Experience Study for the five-year period from July 1, 2016 through June 30, 2021:

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 2022 Public Retirees of Hawaii mortality table with full generational projections in future years. Pre-retirement mortality rates are based on multiples of the Pub-2010 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 nominal rates of return (real returns plus inflation) by the target asset allocation percentage. The rate of returns based on ERS’s investment consultant as of June 30, 2023, are summarized in the following table:

	<b>Strategic Class Weights</b>	<b>Long-term Expected Geometric Rate of Return</b>
<b>Classes</b>		
Broad growth		
Private equity	13.5%	10.0%
Global equity	20.0%	7.9%
Low volatility equity	4.0%	7.1%
Global options	4.0%	5.8%
Credit	6.0%	8.0%
Core real estate	6.0%	6.0%
Non-core real estate	4.5%	7.9%
Timber/agriculture/infrastructure	5.0%	7.2%
Diversifying strategies		
TIPS	2.0%	3.2%
Global macro	4.0%	6.0%
Reinsurance	4.0%	7.0%
Alternative risk premia	8.0%	5.0%
Long Treasuries	5.0%	3.8%
Intermediate government	4.0%	3.2%
Systematic trend following	10.0%	4.7%
Total Investments	100.0%	

*Discount Rate*

The discount rate used to measure the net pension liability was 7.00%, consistent with the 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>\$3,621,943</u>	<u>\$2,720,612</u>	<u>\$1,974,156</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’s financial statements are prepared using the accrual basis of accounting under which expenses are recorded when the liability is incurred, and revenues are recorded in the accounting period in which they are earned and become measurable. Employer and member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment purchases and sales are recorded as of their trade date. Administrative expenses are financed exclusively with investment income.

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

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, 2024, 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. Postemployment 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 that replaced the Hawaii Public Employees Health Fund 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 at <https://eutf.hawaii.gov/reports/>. The report may also be obtained by writing to the EUTF at P.O. Box 2121, Honolulu, Hawaii 96805-2121.

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

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

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

#### *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 Annual Comprehensive Financial Report (ACFR). The basis for the allocation is the proportionate share of contributions made by each component unit or proprietary fund for retiree health benefits.

#### *Contributions*

Contributions are governed by HRS Chapter 87A and may be amended through legislation. Contributions to the OPEB plan from the DWTRLF was \$252,305 for the fiscal year ended June 30, 2024. 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, 2024, the DWTRLF reported a net OPEB liability of \$2,386,466 for its proportionate share of net OPEB liability of the State. The net OPEB liability was measured as of July 1, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. 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, 2023 and 2022, the DWTRLF’s proportion of the State’s share was 0.01% and 0.02%, respectively.

There were no changes between the measurement date, July 1, 2023, and the reporting date, June 30, 2024, that are expected to have a significant effect on the proportionate share of the net OPEB liability.

For the year ended June 30, 2024, the DWTRLF recognized OPEB expense of \$36,096. At June 30, 2024, the DWTRLF reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ --	\$ (305,737)
Changes in assumptions	20,095	(49,564)
Net difference between projected and actual earnings on OPEB plan investments	78,410	--
DWTRLF contributions subsequent to the measurement date	<u>252,305</u>	<u>--</u>
	<u>\$ 350,810</u>	<u>\$ (355,301)</u>

At June 30, 2024, the \$252,305 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 ending June 30, 2025.

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 Year Ending June 30,	Amount
2025	\$ (78,997)
2026	(83,244)
2027	(52,431)
2028	(37,675)
2029	(4,449)
Total	\$ (256,796)

*Actuarial Assumptions*

The total OPEB liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions adopted by the EUTF’s Board of Trustees on January 9, 2023, based on the experience study covering the five-year period ended June 30, 2022 as conducted for ERS:

Inflation	2.50%
Salary increases	3.75% to 6.75% including inflation
Investment rate of return	7.00%
Healthcare cost trend rates	
PPO*	Initial rate of 6.30%; declining to a rate of 4.25% after 21 years
HMO*	Initial rate of 6.30%; declining to a rate of 4.25% after 21 years
Part B and Base	
Monthly Contribution	Initial rate of 5.00%; declining to a rate of 4.25% after 21 years
Dental	4.00%
Vision	2.50%
Life insurance	0.00%

\* Blended rates for medical and prescription drugs.

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

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

and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Rate of Return
Private equity	15.0%	10.0%
U.S. microcap	3.0%	8.7%
Global equity	27.5%	7.6%
Global options	0.0%	4.9%
Real assets	12.0%	4.3%
Private credit	10.0%	7.8%
TIPS	5.0%	2.0%
Long Treasuries	5.5%	2.4%
Reinsurance	5.0%	3.4%
Alternative risk premia	5.0%	3.3%
Trend following	10.0%	2.1%
Tail risk/Long volatility	2.0%	(1.1%)
Total investments	100.0%	

*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%. 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.

*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, regardless of the timing of the cash flows. 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 <https://eutf.hawaii.gov/reports/>.

#### *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, 2023.

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Beginning balance	\$ 3,238,075	\$ 836,037	\$ 2,402,038
Service cost	28,534	--	28,534
Interest on the total OPEB liability	97,700	--	97,700
Difference between expected and actual experience	(9,612)	--	(9,612)
Changes of assumptions	--	--	--
Employer contributions	--	108,402	(108,402)
Net investment income	--	23,728	(23,728)
Benefit payments	(54,336)	(54,336)	--
Administrative expense	--	(34)	34
Other	--	98	(98)
Net changes	62,286	77,858	(15,572)
Ending balance	\$ 3,300,361	\$ 913,895	\$ 2,386,466

*Sensitivity of the DWTRLF’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates*

The following table 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 discount 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>\$ 2,984,233</u>	<u>\$ 2,386,466</u>	<u>\$ 1,909,346</u>

The following table presents the DWTRLF’s proportionate share of the net OPEB liability calculated using the assumed 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 the trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
DWTRLF’s proportionate share of the net OPEB liability	<u>\$ 1,852,848</u>	<u>\$ 2,386,466</u>	<u>\$ 3,069,477</u>

*Payables to the OPEB Plan*

There was no contributions payable to the EUTF as of June 30, 2024.

*Required Supplementary Information and Disclosures*

The State’s ACFR includes the required note disclosures and supplementary information on the State’s OPEB plan.

**NOTE I - 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.

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ATTACHMENT 6: EQUIVALENCY ASSIGNMENTS FOR FFY2023/SFY 2024 AND OLDER OPEN CAPITALIZATION GRANTS

**SFY 2024 DWTRLF ANNUAL REPORT**

FFY 2022/ SFY 2023										
Project No.	Base Capitalization Grant			BIL Supplemental		BIL EC			BIL LSL	
	Equivalency / FFATA	CAA+optional extra Additional Subsidy (14% - 35%)	SDWA (AWIA+IIJA) Additional Subsidy DAC (12%)	Equivalency / FFATA	Additional Subsidy DAC	Equivalency / FFATA	Additional Subsidy 75%	BIL EC Additional Subsidy DAC 25%	BIL LSL Equivalency / FFATA	BIL LSL Additional Subsidy DAC
DW434-0012 <sup>1</sup>	4,719,680	140,160	840,960		776,948.93					
HBWS-PF23	2,008,000	626,362.82		17,992,000						
HDWS-PF23 <sup>1</sup>					3,500,000					
P-DW150-0002 <sup>1</sup>					1,354,598.01					
P-DW156-0004 <sup>1</sup>		108,905.14			166,094.86					
P-DW156-0005 <sup>1</sup>					55,290.4					
P-DW167-0001 <sup>1</sup>					1,123,187.55					
P-DW209-0002 <sup>1</sup>					150,231.33					
P-DW251-0004		401,834.46								
P-DW303-0001 <sup>1</sup>					155,538.48					
P-DW328-0001		271,156.80								
P-DW437-0001 <sup>1</sup>					1,534,190.44					
HDWS-LS01 <sup>1</sup>									3,588,723	2,179,275.89
KDOW-LS01 <sup>3</sup>									875,747	290,485.28
HBWS-LS02 <sup>3</sup>									13,621,767.35	6,365,451.88
MDWS-LS01 <sup>3</sup>									1,502,402.65	763,220.55
HBWS-EC04						2,306,594.93	2,306,594.93			
HBWS-EC02						1,500,000	1,500,000			
HBWS-EC03						1,500,000	1,500,000			
P-DW303-EC03						2,248,405.07	359,655.07	1,888,750.00		
Assigned	6,727,680	1,548,419.22	840,960	17,992,000	8,816,080	7,555,000	5,666,250	1,888,750	19,588,640	9,598,433.60
Min Required	6,727,650	981,120	840,960	17,992,000	8,816,080	7,555,000	5,666,250	1,888,750	19,588,640	9,598,433.60
Remaining Required	-	-	-	-	-	-	-	-	-	-
Remaining Available Max	-	1,044,540.78	-	-	-	-	-	-	-	-

**SFY 2024 DWTRLF ANNUAL REPORT**

FFY 2023/ SFY 2024										
Project No.	Base Capitalization Grant			BIL Supplemental		BIL EC			BIL LSL	
	Equivalency / FFATA	CAA+optional extra Additional Subsidy (14% - 35%)	SDWA (AWIA+IIJA) Additional Subsidy DAC (12%)	Equivalency / FFATA	Additional Subsidy DAC	Equivalency / FFATA	Additional Subsidy 75%	BIL EC Additional Subsidy DAC 25%	BIL LSL Equivalency / FFATA	BIL LSL Additional Subsidy DAC
DW331-0081				5,000,000						
HBWS-PF24 <sup>3</sup>				7,820,250.25	4,890,864.74					
HDWS-PF24 <sup>1</sup>					4,000,000					
KDOW-PF24 <sup>3</sup>	4,743,028		592,560	62,000	1,065,940					
P-DW372-0001		500,000								
P-DW168-0004		1,000,000								
DW160-0002				7,632,749.75						
P-DW254-0001 <sup>1</sup>					198,122.75					
HDWS-0003				540,000						
P-DW437-0001 <sup>1</sup>					162,022.51					
HBWS-EC04						693,405.07	693,405.07			
MDWS-EC02						100,000		100,000		
MDWS-EC04 <sup>1</sup>						6,846,594.93	5,036,594.93	1,810,000		
HBWS-LS02 <sup>3</sup>									7,810,232.65	3,649,721.72
HDWS-LS01 <sup>1</sup>										177,292.28
Assigned	4,743,028	1,500,000	592,560	21,055,000	10,316,950	7,640,000	5,730,000	1,910,000	7,810,232.65	3,827,014
Min Required	4,743,028	691,320	592,560	21,055,000	10,316,950	7,640,000	5,730,000	1,910,000	28,650,000	3,827,014
Remaining Required	-	-	-	-	-	-	-	-	20,839,767.35	-
Remaining Available Max	-	327,060	-	-	-	-	-	-	20,839,767.35	-

**NOTES**

<sup>1</sup> Project will serve a disadvantaged community

<sup>2</sup> All “pocket communities” or subcommunities for HBWS meet the BIL EC definition of small (serving less than 25,000 persons)

<sup>3</sup> Disadvantaged “pocket community” or subcommunity consideration for HBWS is 43.78%, MDWS is 63.58%, and KDOW is 33.17%

ATTACHMENT 7: SUMMARY OF ACTIVELY DISBURSING PROJECTS IN SFY 2024

## SFY 2024 DWTRLF ANNUAL REPORT

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### NAPUU WATER INC.

#### P-DW150-0002 NAPUU WATER SYSTEM IMPROVEMENTS

LOAN AMOUNT: \$ 1,572,484.20  
PRINCIPAL FORGIVENESS: \$ 1,572,484.20 (100.0%)  
AMOUNT DISBURSED IN SFY 2024: \$ 1,354,598.01  
PUBLIC WATER SYSTEM (PWS) 150, NAPUU WATER  
SERVICE POPULATION: 468

**Project Description:** Water system improvements to address end of useful life, pressure concerns, and electrical upgrades. This includes installing a bypass line, isolation valve, PRV station, and well equipment and controls.

### HAWAIIAN SHORES ASSOCIATION

#### P-DW156-0004 WATER SYSTEM FIRE HYDRANT REPLACEMENT

LOAN AMOUNT: \$ 275,000.00  
PRINCIPAL FORGIVENESS: \$ 275,000.00 (100.0%)  
AMOUNT DISBURSED IN SFY 2024: \$ 31,895.99  
PUBLIC WATER SYSTEM (PWS) 156, HAWAIIAN SHORES  
SERVICE POPULATION: 1,360

**Project Description:** The water system has 40 fire hydrants that are over 50 years old and in need of replacement.

*Old fire hydrant to be replaced ➤*



#### P-DW156-0005 WATER SYSTEM AUTO READ METER TRANSMITTER REPLACEMENT

LOAN AMOUNT: \$ 55,770.00  
PRINCIPAL FORGIVENESS: \$ 55,770.00 (100.0%)  
AMOUNT DISBURSED IN SFY 2024: \$ 55,290.40  
PWS 156, HAWAIIAN SHORES  
SERVICE POPULATION: 1,360

**Project Description:** Replacement of approx. 400 auto read water meters and radio transmitters.



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### PEPEKEO WATER ASSOCIATION, INC.

#### P-DW167-0001 NORTH EASEMENTS WATERLINE REPLACEMENT

LOAN AMOUNT: \$ 1,149,750.00  
PRINCIPAL FORGIVENESS: \$ 1,149,750.00 (100.0%)  
AMOUNT DISBURSED IN SFY 2024: \$ 1,123,187.55  
PWS 167, PEPEKEO WATER ASSOCIATION, INC.  
SERVICE POPULATION: 60

**Project Description:** Realign a portion of the existing waterline into roadway easements and out of agricultural lots. This will improve ease of access for maintenance, repairs, and leak detection. The line will be replaced to 6-inch DI for about 4,500 LF.

### HAWAII DEPARTMENT OF WATER SUPPLY

#### HDWS-0002 EMERGENCY WELL REPAIRS 2

LOAN AMOUNT: \$ 2,000,000.00  
PRINCIPAL FORGIVENESS: \$ 0.00 (0.00%)  
AMOUNT DISBURSED IN SFY 2024: \$ 1,482,411.01  
ISLANDWIDE SERVICE POPULATION: 193,680

**Project Description:** Programmatic Financing loan for emergency well repairs. Wells repaired through this loan include Palani, Kahaluu C, Laupahoehoe A, Kalaoa #1, Hawi #1, Hawaii Ocean View Estates, Ookala, Honokohau, and Parker #3.

*PWS 129 North Kohala, Hawi Well #1* ➤



#### HDWS-PF24 HAWAII DWS PRO-FI SFY 2024

LOAN AMOUNT: \$ 10,000,000.00  
PRINCIPAL FORGIVENESS: \$ 4,000,000.00 (40.00%)  
AMOUNT DISBURSED IN SFY 2024: \$ 6,232,287.31  
ISLANDWIDE SERVICE POPULATION: 193,680

**Project Description:** Programmatic Financing loan for water system improvements on the Island of Hawaii. Sub-projects included, multiple deep well repair projects islandwide (Hualalai, Lalamilo A, Lalamilo B, Kapulena); North Kona Mid-Elevation Deepwell Phase I; Kahaluu Shaft Inclined Life Replacement; Chlorination Conversion Phase 1;

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WWTP Residuals Handling Improvements; Waikoloa Reservoir #1 Earthquake Repairs; Puako Waterline Replacement; and Halaula Well Development Phase 2.

### LOWALU WATER COMPANY, INC.

#### P-DW209-0002 BACKUP GENERATOR AND SCADA UPGRADES

---

LOAN AMOUNT: \$ 150,231.33  
PRINCIPAL FORGIVENESS: \$ 150,231.33 (100.0%)  
AMOUNT DISBURSED IN SFY 2024: \$ 119,851.62  
PWS 209, OLOWALU  
SERVICE POPULATION: 100

**Project Description:** One 60KW generator and accessories plus engineering; Upgrade and replace SCADA system.

### LAUNIUPOKO WATER COMPANY, INC.

#### P-DW251-0004 BACKUP GENERATOR AND SCADA UPGRADES

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LOAN AMOUNT: \$ 401,834.46  
PRINCIPAL FORGIVENESS: \$ 401,834.46 (100.0%)  
AMOUNT DISBURSED IN SFY 2024: \$ 311,133.10  
PWS 251, MAHANALUA NUI SUBDIVISION  
SERVICE POPULATION: 606

**Project Description:** One 120KW generator and accessories plus engineering; Upgrade and replace aging SCADA systems.

### MAUI DEPARTMENT OF WATER SUPPLY

#### DW213-0018 POOKELA WELL B DEVELOPMENT

## SFY 2024 DWTRLF ANNUAL REPORT

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LOAN AMOUNT: \$ 3,004,637.28

PRINCIPAL FORGIVENESS: \$ 557,800.00 (18.56%)

AMOUNT DISBURSED IN SFY 2024: \$ 1,086,502.08

PWS 213, MAKAWAO

SERVICE POPULATION: 37,811

**Project Description:** Water system improvements for the Pookela Well B exploratory well (\$2.5M).

◀ *Drilling of Pookela Well B*

### KIPAPA ACRES C.P.R.

P-DW328-0001 HONOLULU BWS METERED CONNECTION TO LOT B

LOAN AMOUNT: \$ 271,156.80

PRINCIPAL FORGIVENESS: \$ 271,156.80 (100.0%)

AMOUNT DISBURSED IN SFY 2024: \$ 123,513.58

PWS 328, KIPAPA ACRES C.P.R.

SERVICE POPULATION: 43

**Project Description:** Provide a metered connection from the Honolulu Board of Water Supply to Kipapa Acres CPR Lot B through the Koa Ridge development.

### HONOLULU BOARD OF WATER SUPPLY

HBWS-PF24 HONOLULU BWS PRO-FI SFY 2024

## SFY 2024 DWTRLF ANNUAL REPORT

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Repainting at the Kalihi Pump Station

LOAN AMOUNT: \$ 20,000,000.00

PRINCIPAL FORGIVENESS: \$ 4,890,864.74  
(24.45%)

AMOUNT DISBURSED IN SFY 2024: \$ 7,820,250.25

ISLANDWIDE SERVICE POPULATION: 986,999

**Project Description:** Water system improvements on the Island of Oahu. Sub-projects include the Kalihi Pump Station Renovation; Diamond Head Line Booster; Punaluu Wells II Renovation; Anoi Road Water System Improvements; Pearl City Wells II; Halawa Wells & Booster #2; Moanalua Wells Pump #1; Punanani Water System Improvements; Pipe Tunnel Renovations; Secondary Microbioloty Lab & Control System; and Makiki and Waialae Iki 180 Res- AV Assembly.

### MOLOAA IRRIGATION COOPERATIVE

#### P-DW437-0001 REPAIR/REPLACE 0.5 MG TANK

LOAN AMOUNT: \$ 2,388,168.26

PRINCIPAL FORGIVENESS: \$ 2,388,168.26 (100.00%)

AMOUNT DISBURSED IN SFY 2024: \$ 478,249.72

PWS 437, MOLOAA IRRIGATION COOPERATIVE

SERVICE POPULATION: 100

**Project Description:** Replace/repair the existing 1970s era 500,000 gallon potable water tank to resolve significant deficiencies noted during SDWB sanitary surveys, and tank site improvements (e.g., fencing, site work, etc.)

### KAUAI DEPARTMENT OF WATER SUPPLY

#### DW434-0012 KALAHEO WATER SYSTEM IMPROVEMENTS

LOAN AMOUNT: \$ 13,000,000.00

PRINCIPAL FORGIVENESS: \$ 5,200,000.00 (40.00%)

AMOUNT DISBURSED IN SFY 2024: \$ 5,576,081.39

PWS 434, KALAHEO-KOLOA

SERVICE POPULATION: 12,660

**Project Description:** Demolition of existing reservoir and installation of a 0.5 MG reservoir. Demolition of an existing reservoir and installation of a 0.1 MG reservoir. Additional piping, site clearing and grubbing, retaining walls, paving and site improvements. Installation of a new water line, demolition of an existing water line and relocating existing service laterals. Pipe installation consists of 12-, 8-, 6-, and 3-inch DIP totaling approximately 11,600 linear feet (lf).

## SFY 2024 DWTRLF ANNUAL REPORT

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### KDOW-PF24 KAUAI DWS PRO-FI SFY 2024

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LOAN AMOUNT: \$ 5,000,000.00

PRINCIPAL FORGIVENESS: \$ 1,658,500.00 (33.17%)

AMOUNT DISBURSED IN SFY 2024: \$ 5,000,000.00

ISLANDWIDE SERVICE POPULATION: 73,298

**Project Description:** Water system improvements on the Island of Kauai. Sub-projects include AMI Meter Replacement; Stand-By Generator Replacement; Hanapepe MCC; Kuamoo Road Water Main Replacement; Puupilo 0.125 MG Steel Tank Rehabilitation; UH Experimental Station, 605' Tank; Waialua Homesteads 538' Tank; Kuhio Highway 12" Waterline Replacement; 1 MG Kilauea Tank; Phase II – Kalaheo 1111' and 1222' Water System Improvements; and 0.2 MG Haena Tank.

### OVERALL TOTALS

Number of loans receiving disbursements in SFY 2024: 14

Disbursed amount: \$ 30,795,252.01