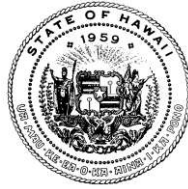


DAVID Y. IGE
GOVERNOR OF HAWAII



ELIZABETH A. CHAR, M.D.
DIRECTOR OF HEALTH

STATE OF HAWAII
DEPARTMENT OF HEALTH
P. O. BOX 3378
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In reply, please refer to:
File: SDWB

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September 30, 2022

TO: The Honorable David Y. Ige
Governor of Hawaii

FROM: Elizabeth A. Char, M.D.
Director of Health

A handwritten signature in blue ink, appearing to read "Elizabeth A. Char".

SUBJECT: REPORT TO THE GOVERNOR ON THE EFFECTIVENESS OF THE
STATE'S CAPACITY DEVELOPMENT PLAN FOR PUBLIC WATER
SYSTEMS

This 2022 report is provided as required by the capacity development provisions in the Safe Drinking Water Act (SDWA). This report is required two years after the State adopts the capacity development strategy and every three (3) years thereafter.

The capacity development strategy was adopted on September 18, 1999, and the first report to the governor was provided on July 31, 2001, and has been provided triennially since.

The report is provided as an enclosure since the capacity development provisions of the SDWA stipulates that this report shall be made available to the public. The EPA has no objections to publicizing the availability of the report through alternate methods instead of a newspaper notice, such as using the Safe Drinking Water Branch's newsletter "The Water Spot," and making the report available on the Branch's website at <http://health.hawaii.gov/sdwb/newsletters/>.

If there are any questions, please call Mr. Gaudencio C. Lopez, P.E., Chief, Safe Drinking Water Branch, at (808) 586-4258.

AWS:cw

Enclosure: *2022 Report to the Governor on Capacity Development Strategic Plan, dated September 8, 2022*

c: Ms. Corine Li, US EPA, Region 9 (w/ encl.) [via li.corine@epa.gov only]
Ms. Anna Yen, US EPA, Region 9 (w/ encl.) [via yen.anna@epa.gov only]

**REPORT TO THE GOVERNOR
ON THE
EFFECTIVENESS OF THE CAPACITY DEVELOPMENT STRATEGIC PLAN
TO IMPROVE PUBLIC WATER SYSTEMS IN THE STATE OF HAWAII**

The capacity development provisions in the 1996 Amendments to the Federal Safe Drinking Water Act (SDWA) Sections 1452 and 1420 mandate a report to the Governor every three (3) years. This report addresses the efficacy of the strategy and the progress made towards improving the technical, managerial, and financial (TMF) capacity of public water systems in the State. This report covers the period July 1, 2019, through June 30, 2022. Future reports will be submitted every third state fiscal year in the month of September.

History of the Capacity Development Program

The Safe Drinking Water Branch (SDWB) in the Department of Health (DOH), Environmental Management Division, has primacy responsibility to implement the Federal SDWA requirements in Hawaii. The capacity development provisions in the SDWA introduced the following new terms into the drinking water regulations nomenclature:

- Capacity means the overall capability of a water system to consistently produce and deliver water meeting all national and state primary drinking water regulations in effect, or likely to be in effect, when new or modified operations begin. Capacity includes the technical, managerial, and financial capacities of the water system to plan for, achieve, and maintain compliance with applicable national and state primary drinking water regulations.
- Technical capacity refers to the physical infrastructure of the water system, including but not limited to the adequacy of the water source(s), treatment, storage, and distribution systems; and the ability of the water system personnel to adequately operate and maintain the system; and to otherwise implement technical knowledge.
- Managerial capacity refers to the ability of the water system to manage itself, including clear ownership, organization, communications, and accountability; adequate management, staffing, policies, training, and information management; and effective relationships with customers, and regulatory agencies.
- Financial capacity refers to the financial resources of the water system, including maintaining an adequate budget, adequate fiscal controls, and credit worthiness.

The original capacity development provisions in the SDWA required the following:

- The States are to implement regulations that new water systems starting operations after October 1, 2000, must demonstrate adequate TMF capacity.
- The States must create and implement a strategic plan to improve the TMF capacity of existing public water systems.
- The EPA Administrator is required to withhold twenty percent (20%) of each capitalization grant made under the Drinking Water State Revolving Fund (DWSRF) to a State, unless the State has met the capacity requirements of the SDWA.

The TMF capacity attributes for Hawaii were developed with a stakeholder group which included the American Water Works Association Hawaii Section, Maui Land and Pineapple Company, West Hawaii Water Company, Hawaii Association of Realtors, Rural Community Assistance Corporation, Campbell Estates, and American Savings Bank. Comments from County and privately-owned public water systems and the public were also solicited. In 1999, the TMF capacity attributes were codified in the Hawaii Administrative Rules (HAR), Title 11, Chapter 20, entitled “Rules Relating to Potable Water Systems.” As of November 28, 2011, HAR, Chapter 11-20 is now entitled “Rules Relating to Public Water Systems.”

1. STATE REGULATIONS FOR NEW WATER SYSTEMS TO DEMONSTRATE TMF CAPACITY

- a. In 1999, the DOH revised the HAR, Chapter 11-20 to require new water systems to demonstrate adequate TMF capacity before authorization is granted for a new water system to begin operation.
 - (1) Prior to starting work on the new water system’s infrastructure (excluding wells), the new water system must: (a) first obtain a satisfactory review by the DOH that the proposed raw water source can be approved as a new potable water source; (b) obtain DOH approval on the new water system construction plans; and (c) demonstrate that pre-construction TMF capacity attributes have been met.
 - (2) After the new water system’s infrastructure is constructed, the water system must: obtain DOH approval to use the raw water source to serve a public water system; provide a licensed professional engineer’s certification that the water system has been constructed in accordance with the approved plans and specifications; and demonstrate that all TMF capacity attributes are met. After satisfactorily meeting these requirements, DOH approval to operate the new water system is granted.

- b. To assist in developers demonstrating TMF capacity for their project, developers may incorporate into the covenants for their project that ownership of the water system will be transferred to the community association, and that the association will:
- (1) Contract a private water system operations company to manage and operate (includes providing certified operators) the new water system.
 - (2) Contract with a private financial management company to bill customers, collect the money owed, pay the water system's bills, and provide the financial records for the water system.

The developer must also demonstrate that the financial structure of the water system will generate sufficient funds to maintain and operate the water system, provide for end-of-life replacement of components, and perform emergency repairs as needed.

- c. Under the Rules and procedures described in Sections 1.a. and 1.b. above, the following regulated public water systems have been reviewed and approved through the capacity process in the three-year period of this report and, **if activated**, are operating in full compliance with State and Federal drinking water regulations. Projects which have been through the capacity process from prior report periods are listed in previous reports available online at <http://health.hawaii.gov/sdwb/newsletters/>.

PROJECT NAME	ISLAND	STATUS (year)
Baldwin Ranch Estates	Maui	Active (04/26/2021)
Pulehunui Industrial Subdivision	Maui	Active (03/09/2020)
Pulehu Farms/Kula `I`o Subdivision	Maui	Active (07/29/2020)

The following capacity projects have been constructed or are currently under construction.

PROJECT NAME	ISLAND	STATUS (year)
Koolau Ranch ("KR2")	Kauai	Approved for construction (2022)
ATC Makena	Maui	Approved for construction (2021)
Consolidated Baseyards (Waiko Light Industrial Subdivision)	Maui	Approved for construction (2018)
Villa Rose Farm	Oahu	Approved for construction (2018)

PROJECT NAME	ISLAND	STATUS (year)
Haiku Town Water Association	Maui	Approved for construction (2016)
Baldwin Ranch Estates	Maui	Approved for construction (2016)
Pulehu Farms/Kula `I`o Subdivision	Maui	Approved for construction (2010)
Omaopio Ridge	Maui	Approved for construction (2008)

The State's TMF capacity regulations are currently considered satisfactory on the basis that: the State's TMF capacity regulations were evaluated as satisfactory by the EPA; all capitalization grants made to Hawaii under the DWSRF program were fully funded; and since the inception of the capacity rules, all regulated water systems approved through this process meet all State and Federal drinking water standards.

2. CAPACITY DEVELOPMENT STRATEGIC PLAN TO IMPROVE THE CAPACITY OF EXISTING WATER SYSTEMS

The SDWA capacity regulations require States to develop a strategic plan to identify and prioritize the *existing* public water systems most in need of assistance and to provide assistance to those systems as needed. However, the SDWA capacity regulations do not provide States with the authority to mandate that these deficient water systems take actions to improve their TMF capacity.

- a. The State's Initial Capacity Development Strategic Plan in 2001 incorporated the following actions during the first three (3) years:
 - (1) Identified the five public water systems that were most in need of improvement in the State and provide assistance to improve the TMF capacity of these water systems. The SDWB personnel identified the five (5) water systems most in need of improvement in the State as:

- Kauai – Gay & Robinson
- Oahu – Dillingham Ranch (formerly known as Mokuleia Land Company)
- Maui – Hana Water Company
- Molokai – Kualapuu
- Hawaii – Hawaiian Shores

The SDWB provided assistance to improve capacity to these systems through a two-year contract paid by the DWSRF set-aside grant from the EPA. The assistance started in July 2001 and the assistance did result in a gradual improvement in performance over the two (2) years, which continued after the contract ended. These systems are considered satisfactory at this time.

This one-time effort to address those water systems most in need of improvement indicated that improvements to water system performance can be realized through gradual changes over time. In October 2004, the SDWB instituted a Circuit Rider Program to have an experienced water system operator go to the water systems and provide hands-on assistance to the operators and managers as needed. This program replaced the specific assistance to five (5) water systems most in need of improvement and is explained in more detail in the following sections of this report.

- (2) Provided training to certify public water system distribution system operators. The SDWA requires States to certify all public water system distribution system operators. To obtain certification in Hawaii, the distribution system operators need to pass a written examination prepared and graded by the Association of Boards of Certification (ABC), an independent and nationally recognized organization used by most states for the certification of operators.

In 1999, the SDWB administered a contract to provide statewide training to prepare the distribution system operators for the certification examination. A non-profit contractor provided the training at no cost to the operators, and initially, 280 operators (75%) passed the certification examinations on the first try. The training contract was funded by the DWSRF set-aside grant funds from the EPA. The one-time training contract resulted in almost all water systems in the State reaching the goal of having certified distribution system operators (four (4) water systems out of 131 systems did not attain the goal).

- (3) Providing a three-year continuing education training program for water system operators to improve knowledge levels and provide continuing education credits. The State regulations require water treatment plant and distribution system operators to re-certify every two (2) years by obtaining continuing education credits (CEUs). In May 2001, the SDWB initiated a continuing education training program over a three-year period through a contract paid for by DWSRF set-aside funds from the EPA. This program provided low cost continuing education training courses on all islands. This training contract expired on June 30, 2004, and was replaced by a self-sustaining training program administered by the University of Hawaii's Outreach College as explained below.

- b. The Capacity Development Strategic Plan was revised in 2004 and again in 2008, to include the following:

- (1) Provide a self-sustaining training program for water system operators. In 2003, the SDWB approached the University of Hawaii's Outreach College on whether a long-term self-sustaining operator training program could be developed for operators on all islands. The University agreed to provide the continuing education training for operators and in 2004, through an EPA grant, began developing and implementing a self-sustaining water system operator training program.

The University's Outreach College encountered problems with having to offer courses only during the summer when University facilities are available and tuition charges were higher than the subsidized courses offered in the past. Consequently, operator attendance was below expected levels.

As a response to the low operator attendance, all the County water systems agreed to begin coordinating their own in-house training needs with the University. The County water systems also offered the use of their training rooms at no cost, which allowed the University to offer courses at any time during the year. The DOH offices on Oahu, Maui, Hawaii, and Kauai also offered to provide their conference rooms to the Outreach College at no cost.

The self-sustaining operator training program succeeded through FY2008 with the support from the County water systems. In 2008, the National Rural Water Association (NRWA) began providing water system operator training classes at no cost to the operators, which led to low operator attendance at the fee-based Outreach College's classes. In 2009, the Outreach College's operator training classes were discontinued. A Hawaii branch of NRWA was established in late-2010 as the Hawaii Rural Water Association (HRWA), which continued to offer operator training classes at no cost on Kauai, Oahu, Maui, Molokai, and the Island of Hawaii through September 2011.

In 2012, the SDWB contracted with HRWA to develop a self-sustaining operator training program. Through an EPA grant, the SDWB would subsidize the course fees until a self-sustaining fee could be reached in the third year of the program. HRWA solicited feedback from all interested parties on course content, duration, fees, and presentations to modify the program as necessary to ensure its longevity. However, the SDWB terminated the contract five (5) months before it was scheduled to conclude in February 2016 because of substandard performance by HRWA. Presentation content and communication were poor, and there was

no clear plan for the long-term success of a self-sustaining program. HRWA continues to provide SDWB-approved operator training classes on their own and advertisements are posted in “The Water Spot” through SFY2022.

- (2) Provided free training to certify public water system distribution system operators. At present, all water systems have certified distribution system and water treatment plant operators of the appropriate grade. There are 482 certified distribution system operators and 213 certified water treatment plant operators in the State. The total number of certified operators fluctuates as new operators are certified and other operators retire and allow their certifications to lapse.

In SFY2009-SFY2011 and SFY2013-SFY2019, the SDWB has worked with HRWA to provide free state-wide training in certification examination preparation. Up until SFY2018, the trainings concentrated on topics which operators have historically performed poorly. Overall pass rates improved from 30% to 58% when the free training was provided. In SFY2019, the certification examinations were updated, and the examination preparation training was adjusted accordingly by utilizing the recommended reference books.

- (3) Circuit Rider Program. In October 2004, the State instituted a Circuit Rider Program to provide hands-on technical, managerial, and financial capacity assistance to the water system operators and managers. This program is used by several states on the mainland with excellent results in improving water system performance, and thereby improving the water system’s TMF capacity. The Circuit Rider Program identifies the TMF problems noted at the systems and provides training and hands-on assistance to resolve problems. The circuit rider’s function is to train the managers and operators and not do the work for them.

The Circuit Rider Program initially resulted in operational improvements in the Hawaiian Beaches, Puuwaawaa, Hawaiian Shores, and Wood Valley water systems on Hawaii; the Hana Water Resources, Hana Water Company, and West Kuiaha Meadows water systems on Maui; and the Lanai City and Manele Bay water systems on Lanai.

In October 2006, the SDWB revised the Circuit Rider Program to expand the program to provide assistance to all small public water systems serving 10,000 or less people in the State, which includes privately-owned, State, County and Federal (national parks and

military) water systems. The original contract limited the circuit riders to only private water systems serving 3,300 people or less. The Circuit Rider Program was paid by the DWSRF 2% set-aside grant funds for small water systems.

On September 30, 2009, the original five-year Circuit Rider Program came to its conclusion. Based on the positive results the Circuit Rider Program had generated, the SDWB continues to renew the Circuit Rider contract. The most recent three-year contract with the Rural Community Assistance Corporation (RCAC) is effective February 1, 2019, through January 31, 2022. There is currently a one-year extension to this contract that runs through January 31, 2023. The SDWB is currently developing a new contract for a circuit rider to be decided once the current contract has concluded.

More recently, the Circuit Rider Program has focused on raising the technical abilities of water system operators, provided managerial training to board members, brought awareness to the importance of emergency preparations due to climate change, cross connection control within their own water system infrastructure, and has assisted water system managers in understanding the many facets of 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 and a small systems roundtable at the annual Pacific Water Conference, both of which allow the water systems the opportunity to network.

The following water systems' capacity improved with the assistance of the circuit rider program:

PWS #	PWS Name	Circuit Rider Assistance Provided
115	Mauna Loa Macadamia Nut (currently inactive)	Assisted MLMN with follow-up activities after a contamination incident. Helped with planning for short- and long-term water needs, review of external proposals.
117	Hawaiian Beaches	Addressed staffing changes (loss) and imminent second failure of newer source water well pump.
167	Pepeekeo	Provided assistance on long-term water improvement planning.

PWS #	PWS Name	Circuit Rider Assistance Provided
168	Keopu Water Association	Mock sanitary survey assistance done; Board training provided. Assistance with storage tank evaluation. Jointly developed, develop emergency response plan.
201	Hana Water Systems	Conducted and completed sanitary survey.
222	Haleakala National Park	Assisted with filter media replacement. Responded to a call to trouble shoot and replace the Pressure Reducing Valve and review the operation of the hydraulically operated globe valves for the system pressure control. Provided new operator training. Started the Consumer Confidence Report (CCR) and review of the theory of pressure. Initiated the sanitary survey.
229	Kaulapuu (Molokai Ranch)	Site visit and providing assistance on CCR.
230	Hoolehua (Department of Hawaiian Home Lands)	Hydrant maintenance/system flushing instruction. Worked on basic Standard Operating Procedures for system operation. Assisted in data collection and completion of State required Water Audit. Reviewed data and assisted in populating the water audit software.
231	Maunaloa-Kaluakoi (Molokai Ranch)	Conducted site visit. Provided emergency trouble shooting of the Manawainui tank line.
233	Ualapue	Completed sanitary survey. Inspected tank. Provided assistance on the feed pump. Marketed service plans and provided template for Emergency Response Plan (ERP). Assisted in the Groundwater Under the Direct Influence (GWUDI) study.

PWS #	PWS Name	Circuit Rider Assistance Provided
234	Kaunakakai	Completed sanitary survey. Inspected tank.
237	Lanai City	Completed sanitary survey.
238	Manele Bay	Conducted a virtual site visit. Reviewed pumps and motors.
239	Kalaupapa National Park	Completed sanitary survey. Provided assistance on the sump pump installation and the ERP.
245	Kipu (Molokai Ranch)	Conducted site visit.
248	Kawela Plantation	Provided technical assistance on selection of generator and installation. Advised on issue of water quality versus brackish water. Completed sanitary survey.
249	Kahakuloa	Assisted booster pump station/pressure reducing valve station and storage tank operation to optimize pumping/and significantly reduce electrical costs. Completed sanitary survey. Provided assistance on intermittent chlorine feed issue and main break.
303	Kunia Village	Mock sanitary survey/recommendations for sanitary improvements. Assistance developing and reviewing engineering plans for infrastructure improvements.
312	Queens Medical Center	Technical assistance after Legionella outbreak - chlorination/disinfection system operational advice; review and comments on other water system improvements suggested by outside consultants.
314	St. Stephen's Diocesan Center	Assisted with chlorination/disinfection system assessment and correction. Started new O&M procedures for new well and disinfection equipment.

PWS #	PWS Name	Circuit Rider Assistance Provided
320	Mililani Memorial Park	Operations & Maintenance Manual/Standard Operating Procedures development following new membranes change out.
325	Laie Water Company	Sanitary survey completed.
328	Kipapa Acres	Assisted with well pump replacement procedures.
348	Waiawa Correctional Facility	Assisted in developing Emergency Response Plan for storage tank potential failure.
355	Kalaeloa Water Company (Barbers Pt.)	Assisted in revision of Total Coliform Rule site sampling plan. Reviewed system layout plan and existing plan
371	Pomoho Estates	Board training. Provided assistance with Cross-Connection Control/Backflow Prevention program. Assisted with board/management issues.
421	Koloa (Grove Farm)	Marketing and outreach.
423	Kealia	Marketing and outreach.
425	Kokee State Park	Marketing and outreach.
428	Princeville	Marketing and outreach.
437	Moloaa Irrigation Cooperative (MIC)	Assisted with U.S. Department of Agriculture loan process. Assisted with DWSRF initial contact to DOH. Provided detailed peer review of engineering consultant reports for needed improvements. Assisted with tank overflow and low chlorine incidents. Provided assistance on well construction, reviewed Request for Proposal for engineering services and design, Operation & Maintenance costs. Explored funds options with US Department of Agriculture, DWSRF, and State/County.
266	Baldwin Ranch Estates	Conducted and completed sanitary survey.

The Circuit Riders continue to meet with water systems to identify TMF capacity issues and provide hands-on assistance to resolve the issues.

- (4) Sanitary survey program. The SDWB’s sanitary survey program periodically inspects all water systems in the State for pathways where insects, rain run-off water, or other contaminants can affect the safety of the drinking water. The sanitary surveys are a key part of assuring that the water systems maintain adequate technical capacity.

Sanitary surveys are conducted once every three (3) to five (5) years. The SDWB’s goal is to conduct an average of at least 26-27 sanitary surveys on a calendar year basis. A total of 38 surveys are expected to be completed before the end of calendar year 2022.

Sanitary Surveys of Drinking Water Systems (CY 2007-22)

Calendar Year	Target Number of Systems Surveyed in a year	Surveys Actually Completed Annually	Target Cumulative Number of Systems Surveyed*	Actual Cumulative Number of Systems Surveyed
2007	26	23	26	23
2008	26	31	52	54
2009	26	28	78	82
2010	26	27	104	109
2011	26	41	130	150
2012	26	43	156	193
2013	26	20	182	213
2014	26	28	208	241
2015	26	28	234	269
2016	26	29	260	298
2017	26	35	286	333
2018	26	25	312	358
2019	26	26	338	384
2020	22	20	360	404
2021	44	44	404	448
2022	38	9 *	442	457 *

* Note that surveys conducted in the second half of calendar year 2022 are not included in this report.

During each sanitary survey, the SDWB staff also evaluates the TMF capacity of the water system to identify those systems, whose performance may have deteriorated and are now in need of attention. Any water system deemed in need of attention is encouraged to utilize the Circuit Rider Program to improve TMF capacity. Capacity questions were recently updated in 2021 with

the assistance of the Environmental Finance Center at California State University at Sacramento (CSUS).

c. Efficacy of the Capacity Development Strategic Plan

Since the State of Hawaii's adoption of the EPA-mandated capacity requirements in 1999, the SDWB has been successful at: integrating those requirements into HAR, Chapter 11-20; developing robust and consistent evaluative procedures for new PWSs; enhancing existing PWS capacity by offering a diversity of operator training opportunities; making no-cost, confidential circuit rider assistance available to small water systems Statewide; and maintaining a strict sanitary survey program.

These accomplishments are summarized herein:

- (1) Implementing a self-sustaining water system operator training program on all islands. Clearly, this strategic initiative has faced the most challenges, whether it be funding options, maintaining competitive pricing for the training sessions, geographical challenges present on the neighbor islands, or ensuring quality instruction. However, the SDWB's focus remains steadfast on ensuring that the State's operators are provided with adequate training opportunities to: meet their regular certification requirements and enhance their technical and working knowledge of the water systems that they operate.

Update: Although the SDWB terminated its contract with HRWA in developing a self-sustaining operator training program in 2015, HRWA has continued its own efforts through SFY 2022. In addition to classroom and onsite courses available throughout the state, HRWA has also incorporated online courses for CEU credit. HRWA continues to solicit feedback from all interested parties, including the SDWB, on course content, duration, fees, and presentation to modify their program as necessary to ensure its longevity.

Circuit Rider Program. Since 2004, the Circuit Rider Program has improved the TMF capacity of water systems using the diversity of technical, hands-on, IT-based, management and financial consulting services offered by the circuit rider staff. Expanding the program to also reach County, State and Federal small water systems has, over the years, resulted in a gradual improvement in small water system performance statewide in technical, managerial, and financial capacity. This program will be continued with a new three-year contract in 2023. There is currently a one-year extension to this contract that runs through January 31, 2023. The SDWB is

currently developing a new contract for a circuit rider to be decided once the current contract has concluded.

- (2) Sanitary survey program. The sanitary survey program has been strengthened by the EPA's 2006 promulgation of the Ground Water Rule, which requires water systems to correct identified significant deficiencies or be faced with a SDWA violation and appropriate fines. In the past, the SDWB could only offer recommendations, which were not enforceable. The Groundwater Rule was included in HAR, Chapter 11-20 in 2011. The SDWB continues to utilize opportunities to strengthen the technical capabilities of our sanitary survey inspectors. Sanitary survey training from USEPA Region 9 staff is expected to be conducted later this calendar year 2022.

Moreover, the satisfactory implementation of the State's capacity development plan's strategies has translated into benefits of the utmost importance to the health and welfare of this State's consumers of drinking water:

- Compliance with microbiological monitoring requirements. All water systems in Hawaii are currently in compliance with the microbiological monitoring requirements.
- Compliance with chemical monitoring requirements. All water systems (136 out of 136) in Hawaii are currently in compliance with chemical monitoring requirements.
- Compliance with lead and copper regulations. 135 out of 135 (100%) of the water systems in Hawaii are currently in compliance with the lead and copper regulations.
- Compliance with surface water regulations. All surface water systems in Hawaii are in compliance with surface water regulations.
- Compliance with community reporting requirements. 119 out of 119 (100%) of the water systems in Hawaii are in compliance with the community reporting requirements for water systems to provide customers with an annual report on the quality of drinking water.
- Certified operator regulations. All water systems in Hawaii have certified distribution system and water treatment plant operators as required by regulations.
- Sanitary survey program. The sanitary survey program is currently up to date with EPA targets for frequency of sanitary survey performance.

- Compliance orders. There is one active compliance order against a public water system in the State. A Notice of Tier 3 Violation of the Stage 2 Disinfectants and Disinfectant Byproducts Rule for the 2021 monitoring period was issued to Pulehunui Water Association (PWS 264), dated June 15, 2022. The owner has been working diligently with SDWB to correct the violation.

d. Areas for Improvement

There is still much work to do in maintaining the technical, managerial, and financial capacity of regulated water systems in the State. The following items focus on improvements in the managerial and financial capacity areas:

- (1) Changing small water system management attitudes. Improving the capacity of some small privately-owned water systems continues to be a challenge. The managers of these systems do not feel there is an incentive to invest resources in their systems to improve capacity if there are no compliance orders to force them to do so. There are also water systems that refuse to take advantage of the free assistance to improve performance provided by the Circuit Rider Program. The SDWB will continue to stress the advantages of the Circuit Rider Program and the need for improvements in water system performance with appropriate managers during sanitary surveys.
- (2) Provide low-interest DWSRF loans to water systems. The SDWA includes a DWSRF program to assist public water systems in improving or upgrading their facilities by providing low-interest loans. This program is administered by the SDWB. After many years of substandard performance of the loan program, the program underwent significant changes and beginning in 2013 the DWSRF program had four (4) consecutive record-breaking years of executing new loans to county water systems. The amount in loan executions in the last seven years (from 2013 through 2022) accounts for 69% (\$257.3M) of the total loan commitments since the program was established 21 years ago. The SDWB expanded the DWSRF program in 2019 to offer loans to non-county public water systems, including small, privately-owned systems. So far, nine private systems have expressed interest in the program. The first private loan was executed in August 2019. With the passing of the Bipartisan Infrastructure Law, the DWSRF will have \$18 million in funds for drinking water programs and

\$28 million for lead service line replacement projects. The DWSRF is currently working with water systems to utilize these funds to expand and improve the infrastructure of Hawaii's water systems.

- (3) Addition of Asset Management into the Capacity Development process. In late 2020 and early 2021, EPA Region 9 awarded the Environmental Finance Center at California State University, Sacramento (EFC at Sacramento State aka CSUS) funding through an existing grant to provide such support to the SDWB. The EFC is a program within Sacramento State's Office of Water Programs (OWP). After consultation with SDWB staff, the following objectives were identified:
- Develop and administer water system survey to inform SDWB capacity development priorities and resources;
 - Assist SDWB in incorporating asset management into their Hawaii capacity development program in accordance with the 2018 American Water Infrastructure Act (AWIA); and
 - Assist SDWB in improving their Sanitary Survey to facilitate data collection on managerial and financial capacity.

The scope proposed to complete these objects have been divided into four (4) tasks:

- Task 1: Review Capacity Development Requirements and State Implementation Programs.
- Task 2: Develop and Administer Capacity Development Survey.
- Task 3: Revise TMF Capacity Assessment Questions in Sanitary Survey.
- Task 4: Document Findings and Results.

The activities involved for each task are described below.

Task 1 intends to gather information with respect to existing capacity development requirements, including the new requirements for asset management, as well as capacity development support services currently provided by SDWB. Capacity development support services provided by other states with similar demographics (e.g., Vermont, Alaska, Nevada) will also be reviewed (including those provided for asset management), along with existing asset management resources such as those provided by other states, by EPA and Environmental Finance Centers. Gathering this information will help identify potential areas

of expansion for SDWB's capacity development program, inform appropriate survey questions to be developed, and track potential resources materials for future use by SDWB. Specific activities will include:

- Review existing EPA capacity development requirements, include Asset Management requirements;
- Review existing capacity development program, including Asset Management components; and
- Review capacity develop programs (including Asset Management components) from other states (Alaska, Vermont, Nevada).

Task 2 will result in survey questions and results intended to inform SDWB of capacity development components that Hawaii drinking water systems indicate support is needed, including asset management support. The EFC will use information gained from Task 1, along with consultation from SDWB staff, to categorize various components, identify components for which SDWB may wish to expand, and inform development and instructions for survey questions. Potential resulting actions based on various survey results will be developed for the survey questions as well. Survey questions will be based on information gathered from Task 1, the categorization of capacity development components developed under this task, potential outcomes identified under this task, a 2016 capacity development survey conducted by Vermont's Department of Conservation, and Nevada's Division of Environmental Protection. The survey will then be distributed to drinking water systems throughout Hawaii. Results will be synthesized and presented to SDWB staff for discussion. Specific activities include:

- Categorize capacity development components for SDWB use.
- Identify potential elements of expansion for Hawaii capacity development program.
- Develop survey questions and potential outcomes (including review of Vermont 2016 survey).
- Administer survey and synthesize results.
- Submit findings and discuss results with SDWB staff.

Task 3 is intended to revise and improve the capacity assessment section of the sanitary survey. Improvements will focus on ensuring that the sanitary survey effectively collects managerial and financial

capacity information during the field inspection portions of the survey. Additionally, the revised capacity assessment will allow for the updating of TMF capacity-related information that is collected in the Capacity Development Survey. Specific activities include:

- Revise existing capacity assessment questions.
- Add new capacity assessment questions.
- Optimize capacity assessment questions format.

Task 4 is intended to document the activities, findings, and results of Tasks 1 and 2, as well as support SDWB staff in developing a report on their asset management support services incorporated into their capacity development program. An initial outline for a project report will be submitted to the SDWB staff for review and comment, followed by a draft report. The report will include recommendations for prioritizing capacity development components. If desired by SDWB staff, EFC staff will host a presentation to preview and discuss the draft with Hawaii staff. After incorporating comments, a final report will be submitted. EFC staff will also support development of the report that is to be submitted to EPA regarding incorporation of asset management assistance into the Hawaii capacity development program. Support services may include review and/or development of an outline for the asset management section, development of text, figures, and tables for the section, and peer review of the capacity development report in its entirety.

- (4) The goal is to be able to have a final project report for the SDWB's review by November 30, 2022, which will facilitate a submittal of Hawaii Capacity Development Program revisions including asset management to EPA by December 31, 2022.