Finance Committee Meeting

March 19, 2015
8:00 a.m.

Committee Members Present: Chair Larry Dill called the Finance Committee meeting to order at 8:05 a.m. Chair Dill, Laurie Ho and Hugh Strom answered present at Roll Call. Vice Chair, Clyde Nakaya was also present.

Staff Present: Kirk Saiki, Deputy County Attorney Andrea Suzuki, Marites Yano, Ryan Smith, Keith Aoki, Dustin Moises, Joel Bautista, Sandi Nadatani-Mendez, Kim Tamaoka, Jeff Mendez, Mary-Jane Akuna

AGENDA
Hugh Strom moved to accept the Finance Meeting agenda as circulated; seconded by Laurie Ho; with no objections; motion carried with 3 ayes.

ACCEPTANCE OF MINUTES
Review and approval of
Finance Committee Meeting – August 18, 2014
Chair Dill approved the Finance Committee Meeting minutes of August 18, 2014 with no objections.

Finance Committee Meeting – September 12, 2014
Chair Dill approved the Finance Committee Meeting minutes of August 18, 2014 with no objections.

OLD BUSINESS
Chair Dill commented that the Department will give an update on the Facilities Reserve Charge soon.

NEW BUSINESS
1. Draft Budget for Fiscal Year 2015-2016
   a. Fiscal Year 2015 – 2016 Draft Operating Budget
   b. Fiscal Year 2015 – 2016 Draft Capital Outlay Budget

BACKGROUND:
Manager Saiki commented that the biggest item was projections for more water revenues this year.

YTD Actual Receipts for the current FY, Revenue Water Utility Fund (Page 2 of 18) - reflected $17M in Water Sales divided by 7 x 12 = $29.5M. The budget showed $3M less than the $29.5M. Chair Dill questioned why the Water Sales revenues were so conservative.

Waterworks Controller Ms. Yano explained that revenues from Water Sales were projected based on estimated total consumption in gallons. The total YTD Billed Consumption in gallons divided by the number of months (6 months as of December) times 12 months then multiplied by the existing rate.
Manager Saiki also added the Department looked at the water sales trend the last couple of years which kept dropping. Chair Dill stated the drop in consumption is not shown on the budget.

Chair Dill requested the following:
- To see the Actual Expenditures for FY 2014 to help understand what the actual costs were.
- Include the four (4) columns on the entire budget.
- Provide information on the water consumption trends.

Ms. Yano explained that water sales from January to June were normally lower than the first six (6) months of the fiscal year; July to December. Eight months YTD sales data as of February, 2015 (current year) and prior fiscal year four (4) months sales were analyzed and used to calculate the projection. This is assuming the collection of money the next four (4) months is the same amount.

Water Consumption Comparable Chart which appeared FY 2013 water sales there does not look like there was a great difference in the water usage (Page 57, Regular Board Meeting (RBM) packet). This chart showed that the consumption was down. There was a cumulative decrease in consumption of $130M gallons as of January 2015. This cumulative consumption numbers are taken from “billed consumption report” generated from the CC&B billing system (adjustments are not shown in the chart).

The cash receipts and billed revenues show increases compared to last year. Mr. Dill questioned why was the chart showing a billed revenue increase for this year?

Ms. Yano explained the Estimated YTD Gallons (Page 35 RBM packet) - $3.7M on the General Water Rates. Ag Sales are at 121,000M gallons; Leak Adjustments are 45M gallons; and Net projected consumption gallons is 3.8M gallons. For 2014 – 2015, there might be a consumption at the end of the year at 3.8M gallons which is compared to total projected water sales numbers. No water rate increase will be for the 2015 – 2016 fiscal year.

Ms. Yano did not want to overestimate the water revenue if the decline in water revenue continues to go down. Estimating a higher revenue may lead to higher projection of expenses. This is why the projected revenues were more conservative for this fiscal year.

Leak adjustments are after the meters. Manager Saiki stated that the Department assists customers if there is a leak in their home below ground.

Reading articles from known organizations on water consumption; the trend is going down and Ms. Yano commented that this is a result of a nationwide green energy drive and the use of slow flow fixtures is one of them. If this nationwide effort on water conservation becomes a consumer habit, it is expected that water consumption will likely continue to go down.

Chair Dill referred to the Consumption report, cumulative consumption in gallons for February YTD FY 2015 (Page 56 RMB packet) – if that number is projected for 12 months it = 4M gallons per year. Ms. Yano commented that last four (4) months of last fiscal year’s actual consumption and this year’s eight (8) month YTD consumption were summed up to make the estimate. The estimated revenues can still be adjusted based on actual water usage in future budget meetings.
Cost of Power Adjustment – The Department is using 12 cents per gallon which may go up from 12 cents to 17 cents. Data until March, 2015 was not available yet; need to wait until after March for an exact power adjustment. The Department uses actual pumping cost and water consumption reports from April 2014 to March 2015; the power adjustment is calculated once a year.

Mr. Strom asked if the Department receives a monthly Kaua‘i Island Utility Coop (KIUC) power adjustment surcharge statement. Ms. Yano said "yes" but the Department uses the actual pumping costs from our utility expenses (i.e., the Department looks at what was projected last year and what the actual costs are).

The projected unit cost in the water rate study, the budgeted unit cost and actual unit costs are all taken into account. Last year 0.77 cents per unit projection on power adjustment was used; actual per unit cost was $0.80 cents.

- Ms. Yano will add the Power Pumping Costs to the worksheet.
- Actual Costs will be incorporated to the budget.

FRC Fund Column (Page 1) - Estimated Beginning Balance of FRC Fund - $1.5M with an Ending Balance of negative -$5.2M – Chair Dill asked if the Department was planning to transfer funds from the Water Utility (WU) fund to cover the negative balance in the FRC fund?

Ms. Yano explained that the negative FRC fund is from the proposed capital projects of $6.7M which are not encumbered. If the projects are encumbered, the Department would come back to the Board to transfer money to finance projects under FRC.

- Chair Dill suggested that the Department show how to cover the proposed cost of new capital projects from the new WU General Fund.

WU has an estimated ending balance of $9M – if capital projects need to be financed, the Department would come back to the Board to ask to transfer funds to the FRC fund.

- Chair Dill suggested that the Department identify on Page 1 a transfer of $5.2M from the WU general fund to the FRC fund (show the plan for the year).

Ms. Yano commented that if the project needs to be encumbered and the project is already in the approved budget, the report is only presented in the Manager’s Update. Board approval would not be required.

- Vice Chair, Mr. Nakaya suggested to add a Footnote at the bottom of the page and that the plan will cover the shortage.

Construction Project Management Officer, Dustin Moises commented that if money is moved from FRC and WU, it should be in a Manager’s Report to be transparent to the Board. Chair Dill stated any transfers would require approval from the Board.

Ms. Yano commented that FRC projects listed under BAB proposed projects could be funded from either BAB or WU. The Department could spend down the BAB money to fund projects that are available to go out now.
Under New Capital Outlay – Capital Projects FRC Fund is $6.7M and Bond Fund as $14.3M – Chair Dill asked if these projects will be done this year and will the money be spent this year.

➢ Mr. Dill suggested to show the financial plan of which projects will be done this year.
➢ Mr. Dill suggested adding a Footnote to explain how the Department will address the negative balance -$5.2M in the FRC Fund or to fund the $6M projects.

Under the WU General Fund / Transfers in (Out) - Ms. Yano explained that the Department will collect $1.2M from FRC. The negative is a transfer to WU to pay a proportionate share of the BAB loans (principal & interest). The $1.2M is not the equivalent of 30% FRC share in debt service but the Department is transferring what is available.

➢ Ms. Yano will research the 30% share details.

WU General Fund – Estimated Beginning Balance is $19.4M with Estimated Ending Balance of $10M less the $5M estimated interfund transfer to the FRC fund which makes the estimated ending balance $15M less. This shows a decline in the WU Utility Fund. Chair Dill asked if this is a trend over the years. Ms. Yano commented that the fund balance for the last two (2) years were higher; this depends on how fast capital projects are going out to bid to encumber the funds.

Estimated Beginning Balance - Total is $44M but the Ending Balance Total is $14M which shows that the Department is spending $30M more than revenues this year (part is Bond Fund).

Ms. Yano mentioned that $30M is new capital projects ($27.9M + $2.2M Capital Expenditures). $13.7M are prior year encumbrances which comes to $43.7M Total Capital Expenditures.

Chair Dill asked Mr. Moises if the Department will run out of money based on the expenses on capital projects. Mr. Moises indicated when the rate study was done five (5) years ago, it was based on an era that the DOW was doing $15M to $20M a year which was not sustainable. When the 11.7% increase was set, the ear mark was $8M to $10M in capital replacement and rehab projects. In the past three (3) years, besides the new building, the Department has not incurred any big construction costs.

Civil Engineer, Mr. Aoki has several design projects to be completed within two (2) years and Construction Management (CM) will not be able to complete every single project once the bond money will run out. Based on the completion of the design projects, if the tanks are completed, the bond money would be gone. Going forward, the FRC rates need to be approved in a couple months to get funding. But Engineering is doing $8M to $10M projects. Currently there are three (3) engineers who could do projects for $10M of rehab and replacement. The Department will need to catch up the last two years to spend down BAB and WU. Three (3) years from now, there may be issues that $8M to $10M of WU may not fulfill all the projects. FRC would need to be prioritized.

Mr. Moises has seen the past two (2) years, several customers put in their prior lateral because they thought the FRC would increase. He recalled from a previous Board meeting it was projected that 200 5/8" meters per year would be installed and believes that this amount will be less which would affect the expansion projects.
The New Capital Outlay reflects $8M to $10M in current new design with 10% of construction at $100M. The single construction is not the same 10% (i.e., new building). If there is $8M to $10M value, it could cost $120M to do all the construction.

Manager Saiki stated that the projects would not be budgeted if there was no revenue. The next rate study would be done next year.

Mr. Strom asked if the list of capital projects are renewals or rehabs. Mr. Moises said every pipeline would have a percentage of expansion and every well is mostly FRC. Manager Saiki also added that FRC is collected for the expansion for pipes.

Mr. Strom questioned if the Department does a five (5) year forecast and if it would be in the red? Ms. Yano responded that the Department’s Water Rate Study has a five (5) year projection.

Vice Chair Mr. Nakaya asked how would the Water Rate Study compare to the proforma. The Department uses the project list in the Water Rate Study, explained Ms. Yano. Chair Dill asked how projections are tracked. Ms. Yano stated the Department does not do a comparison like what is done with the budget.

Reserves Established – Chair Dill asked what the Board policies and goals were. Ms. Yano stated that for the Emergency Reserve, 25% is set aside for the Operating Expenses every year less Interest Expense. Operating Expenses is $28,892M (25% is 5.9%); the proposed transfer is $1.1M into the Emergency Reserve ($5.9M). $4.960M is interest expense; Target is $6M. The Debt Reserve goal is 50% of the budgeted Debt Service Reserve of $8M. $8.5M annual Debt Service Reserve requirement is $4.3M.

FRC Fund – Chair Dill asked how was the revenues projects? Ms. Yano projected $1M on FRC receipts based on last year’s estimated revenue (based on a bulk estimate). The Department will not hit $1M. The YTD is $230,000. $1.2M is aggressive based on new FRC rates by July 2015. Chair Dill stated that raising the FRC rate will depress the number of customer that will come in.

Mr. Moises noticed that people are coming in with subdivisions and that the Department may give FRC credits.

It was hard for Mr. Strom to understand the tracking of the projects that were forecasted into the budget.

FRC Fund Revenues/Federal Grants (Page 2 of 18) – is the proportionate share in the BAB subsidy. Thirty percent (30%) was allocated to FRC, same proportion of 30% share in Debt Service/BAB.

➢ Chair Dill requested to reduce the $1M in FRC and reduce in half to $500,000.
➢ Ms. Yano will provide a recommendation and will work with Water Resources & Planning Civil Engineer Eddie Doi.

Mr. Dill asked what would a reasonable FRC projection be? Mr. Moises suggested using the $14,000 FRC rate for the 2nd half of the year to January 1, 2016.
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Vice Chair Mr. Nakaya referred to the State Grant/Revenues which will increase 100% from $1.5M. Ms. Yano stated that the Department anticipates to encumber the Kilauea state grant of $1.3M. $2M loan forgiveness from State Revolving Fund (SRF) is a grant. This year the Department estimates to receive $500,000 (reimbursement) since part of the job was done. ($200,000 and $3M were carried over from the previous year.)

Chair Dill referred to the Bond Fund’s balance of $23M (Page 1 of 18) and asked if $14M will be encumbered this year. Ms. Yano explained that $14M are for new projects; $8.3M are encumbrances (new building).

Manager Saiki was not aware about the floating bond in 2017 that the county will be considering which Chair Dill mentioned. The DOW would need to consider the floating bond.

SRF Fund – Chair Dill questioned if the $3.5M would be for the new building.

➢ Chair Dill requested to see Actual Expenditures for 2014 (in thousands)
➢ Insert YTD Actuals in Budget (indicate number of months)

Operating Expenses Insurance (Page 3 of 18) – Doubled from $360,000 to $710,000 because the DOW is self-insured ($500,000 deductible) and wanted to have enough coverage if there are big claims.

Salaries & Wages (Page 5 of 18) – Vice Chair Mr. Nakaya referred to the last three (3) items that had no dollar amounts for Ops – Source, Purification and Power and Pumping. The lump sum for FY 2015-2016 of $174,074 came from FY 2013-2014 Operations Budget. The reason why the chart of accounts was zero is because the items did not exist before.

➢ Vacancies - Chair Dill requested to see a separate report on Vacancies for the next Finance Committee meeting.

Standby Pay (Page 6 of 18) – Reflected the new Hawai‘i Government Employees Association (HGEA) agreement. Manager Saiki mentioned that HGEA will try to get a 5% increase which was not reflected in the budget.

➢ Ms. Yano will check with Chief of Operations Val Reyna on the Standby Pay approved budget amount.

Workman’s Compensation (Page 8 of 18) – Reflected no amount. Ms. Yano explained that expenditures for these are already included in the Salaries & Wages budget; so budget is zero since the usage is unknown during the year but actual usage will be posted under this chart of account to keep to track of actual usage. The Department could transfer the Salaries & Wages to this account during the year or truncate the report to show that it is under Salaries & Wages. In the past, the Department did not have a separate chart of account because it was a lump sum budget of Salaries & Wages and was never separated.

Billing Costs (Page 9 of 18) – The Honolulu Board of Water Supply (HBWS) agreement has been finalized and HBWS allowed the Department to use their billing system for three (3) years without paying the cost of investment recovery. After three (3) years, the HBWS will start charging an allocated portion of their investment. Ms. Yano explained, that was the reason the Department came
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before the Board to allow the Department to get our own billing system; an estimated capital outlay cost is in this budget. $292,380 will cover the billing system for the year.

Utilities Services (Page 10 of 18) -
➤ Correct chart of accounts number – Ops 551 for Power and Pumping.

Travel & Per Diem – Board (Page 12 of 18) – Ms. Yano clarified why the budget was cut in half from $25,188 to $15,675. In the FY 2013 – 2014 budget three (3) Board members to attend the national American Water Works Association (AWWA) Conference and not all of the funds were spent. It was then requested that the unused Board travel would be rolled over in the following year. For FY 2015 – 2016, three (3) Board members to attend the national AWWA Conference instead of six (6) members were considered in the budget.

Capital Projects - Rice Street Kapule Intersection (Page 13 of 18) – This was $1 funded and Mr. Aoki explained that a private developer is doing this improvement project and it depended on when the drawings are done and goes to construction. This is part of a water plan upgrade replacement of the existing pipes to oversized pipes. Kaua’i Lagoons is requiring the private developer to do this improvement and the DOW has no control when the project will be completed.


➤ Ms. Yano will delete this line because it is in Construction Management.
➤ Change to $1 funded the following items for budgetary reasons:
  Kūhiʻō Hwy. (N. Papaloa to Waikae Canal Main Replacement)
  Makanui Road and Kuai Road Main Replacement
  Wailani Road and Waihohonou Road Main Replacement
  Hoona, Pane Road Main Replacement

Chair Dill commented that the FRC for $6.7M will go down in Capital Projects.

Mr. Strom asked if the four (4) projects are shelved, they would not be ready until three (3) years. Manager Saiki said design will not be done because there is no money and the projects are low priority.

Blank Projects (Page 14 of 18) –
➤ Mr. Aoki will research why the following projects are blank for FY 2014-2015 and FY 2015-2016:  
  18” Cane Haul Road Main  
  Kūhiʻō Hwy. (Hardy-Oxford) 16” Main Replacement  
  Kilaeua 1.0 MG tank

FRC – Purchase Water System 2 (Page 14 of 18) – Zero funded.

➤ Change to $1 funded.

Water Utility Fund - Kaua’i Water Use Development Update (Page 16 of 18) – Manager Saiki commented that Fukanaga will be getting the draft out soon.
Water Utility Fund Capital Purchases (Page 16 of 18) – Zero funded items:
➤ Delete – Meters
➤ Delete - 2 WD Truck w/cab
➤ Delete – Pipelines, Waipouli, Hauiki, Olohana Roads
➤ Delete – Land Acquisition
➤ Delete – Wainiha Booster Bump Renovation (Page 18 of 18)

Revenues – Detailed Worksheets
Capital Contributions FY 15-16 is $294,803 – Contributions are $1.3M from the state.

➤ Be consistent with terminology
➤ Delete - PHL-03 – Drill and Develop Horizontal Wells (Page 18 of 18)

Admin Expenses - Publications, Subscriptions & Memberships (Page 13 of 21) –

➤ Add Footnote for Operations Certifications that will be transferred to Operations

AWWA Annual memberships ($75 x 7 Board Members) (Page 14 of 21) –

➤ Appropriate funding should be covered for memberships

Recognition Program (Page 15 of 21) - Chair Dill wanted to make sure the Department is addressing employee morale. Manager Saiki commented that the AWWA Conference funded was included in the 2014-2015 Budget which was taken out.

There were new HR Training requests:
Administration – HR
HR Training CEU – SES Seminar
HR training CEU – NBI Seminar
HR Training CEU – HR Law Seminar

➤ Ms. Yano will show how the training budget has increased.

At 9:49 a.m., Chair Dill recessed the Finance Committee meeting to Wednesday, March 25, 2015 at 1:30 pm.
Finance Committee Meeting

March 25, 2015
1:30 p.m.

Committee Members Present: Chair Larry Dill reconvened Finance Committee meeting from the March 19, 2015 Finance Committee meeting at 1:40 p.m. Chair Dill, Laurie Ho and Hugh Strom answered present at Roll Call.

Staff Present: Kirk Saiki, Marites Yano, Val Reyna, Keith Aoki, Dustin Moises, Joel Bautista, Sandi Nadatani-Mendez, Kim Tamaoka, Mary-Jane Akuna, Carl Arume

Guest(s): Hal Parrott, Private Citizen

AGENDA
Chair Dill Received for the Record the 2016 Confidential Proposed Payroll Budget and the updated Fund Balance Projections; with no objections.

NEW BUSINESS
1. Draft Budget for Fiscal Year 2015-2016
   a. Fiscal Year 2015 – 2016 Draft Operating Budget
   b. Fiscal Year 2015 – 2016 Draft Capital Outlay Budget

DISCUSSION:
Chair Dill referred to the Proposed Payroll Budget and 29 vacancies for the Department of Water (DOW). Proposed salaries included negotiated increases.

Corrections will be made to:
➢ Fund the Manager and Chief Engineer position 100%.
➢ Correct spelling in the 1st column for Engineer (not “Eincrease”).

Updated Fund Balance Changes:
Salaries and Wages, Page 4 of 17 - Waterworks Controller Marites Yano reported that the only change made was the Salaries budget as a result of funding the Deputy Manager from 50% to 100%.

Revenue Summary, Page 3 of 17 - Has four (4) columns vs. six (6) columns on the Operating Expense Summary, Page 4 of 17. Ms. Yano explained that she added a column for Actual Expenses FY 2013-2014. Additional changes will be made to update the Fuel budget with actual expenses year to date. The 5th column was also added; remaining balance as of February 28, 2015, the difference between the approved budgets less actual expenses FYTD. The Proposed Budget for 2015-2016 is the last column.

Operating Expense Detail, Pages 7 & 8 of 17 – The red numbers indicate negative balances or expenses are higher than the budget. The cells highlighted in red was intended as a note to signify that the actual expenses for total compensated leaves were added to Salaries & Wages. Totals were deleted to prevent adding the numbers twice. Some other cells were also highlighted but Ms. Yano indicated
that those other color coded cells were used as a marker while preparing the budget worksheet and bears no significance on the budget.

Books, Publications, Subscriptions & Memberships for the Board, Page 33 – Membership for the Board is $75.00.

Recognition Program, Page 35 – Reduced from $8,560 to $500. Manager Saiki stated that part of the money was included for the AWWA conference for the Departmental staff and for the Employee of the Year to attend the AWWA conference.

Chair Dill asked where it shows the Recognition Program is funded in other events besides the AWWA conference. Manager Saiki would like to take out the cash awards and mentioned that the Department’s New Year’s party was funded by Recognition Program.

Last year’s Water Bucks gift cards was appropriated $6,520; $2,040 for Recognition (i.e., retirees are given $25 - $100 per person based on number of years of service). Private Secretary, Mary-jane Akuna clarified that the plaques, Employee of the Year Banquet and AWWA conference travel are from $2,040.

Information Tech Specialist, Ms. Nadatani-Mendez further clarified the $6,520 for Water Bucks (calculation of number of water bucks that can be given per quarter x a certain amount determined by the previous Water Bucks committee. The $2,040 is for employee recognition which is given out every quarter and the New Year’s Party. No monies were allocated for Retirees.

The Water Buck breakdown was provided by Ms. Nadatani-Mendez as follows:
- 80 employees at 2 Water Bucks per employee = $160 Water Bucks per quarter.
- $10 is given out per Water Buck = $1600 per quarter + $25 extra for Employee of the Quarter = $1,625 per quarter x 4 quarters + $30 for Employee of the Year = $6,550.
- The Recognition Program of $2,040 divided by 4 times a year = $510 per quarter divided by 80 employees. No more than $6.38 could be spent for each person.

Ms. Yano commented that the Water Buck comes out of the Recognition Program line item.

Ms. Nadatani-Mendez provided additional information for the new Board members on how the Recognition Program from the Strategic Plan under employee morale. A committee was formed on how to improve employee morale through the Water Bucks which was approved by Department of Personnel Services, the County Attorney’s Office and the Mayor’s Office. The Water Bucks committee receives nominations each quarter.

Ms. Yano brought up the recent New Year’s party and stated that it shouldn’t be paid 100% from the Department’s budget; it could be subsidized instead which is why it was brought up with Manager Saiki. This is why the proposed budget was reduced to $500.

➢ Chair Dill requested the Department to review the funding for the Recognition Program and to see what is reasonable.
➢ IT will provide a breakdown on the details for Water Bucks.
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Admin. Conference, Airfare and Per Diem (Mainland), Page 16 – had nothing funded for 2014-2015 Budget. Ms. Akuna commented that this was in last year’s budget for $5,000 or $6,000; the airfare and per diem was split vs. registration cost.

Seminars & Workshops, Page 17 of 21 – Indicated $5,500 to zero for FY 2014 – 2015. Registration fees were moved to the Meeting Expenses on Page 38. Ms. Yano commented that the Travel and Per Diem for the Board YTD Expenses was $1,195. Major travel usually occurs within the last quarter of the year.

➢ The Department will add $1,500 to Seminars & Workshops for FY 2015 – 2016 for Air & Travel.

Operating Expense Detail, Admin. OT – Salaries OT, Page 6 of 17 –
➢ Chair Dill requested to reduce OT from $20,000 to $15,000. The Department can come back to the Board for more money.

IT Overtime, Page 6 of 17– for (3) three of the staff could be done after hours.

IT Expenses, Cell Phones (for office staff), Page 1 of 11 – is based on 81 employees. Chair Dill questions why the telephone expenses were going up to $16,000?

➢ The Department will provide a recommendation on Telephones with Board Policy #17. Policy #17 will also be in the April 23rd Board Agenda.

Chief of Operations Val Reyna commented that Operations has 25 cell phones with a staff of 34. The budget for cell phone expenses is $48,260; total cell phone budget is $74,000.

Admin. IT – Shipping Leased Computer, Page 3 of 11 – went down from $8,000 to $2,290.

Admin./Repairs & Maintenance – Other than Water System, Page 5 of 11 – Items listed as New Requests “Yes” should be “No.”

FIS Hosting, Page 5 of 11 – FIS hosting will not be budgeted for FY 2015 – 2016. $20,000 was spent for FY 2014 – 2015.

Ms. Nadatani-Mendez mentioned that Maintenance will be cut. The computer batteries crashed on New Year’s Day which brought down the system. IT has a program on the UPS to replace them on a regular program? Chair Dill asked if there is a generator back up.

Mr. Strom commented that simple solutions such as a transfer switch (cost $4,200) could reduce OT and inconveniences. Mr. Reyna agreed that an automatic transfer switch would help.

Construction Project Management Officer Dustin Moises added that there is a transfer switch to move the backup generator to power the new building and to cool the servers.

Capital Outlay – Rehabilitation & Replacement/Capital Purchases, Develop capabilities for Asset based Work Order System, Page 10 of 11 - FY 2015 – 2016 is $95,000. This is part of the IT Strategic Plan to look into an Asset Based Work Order System which is partially funded to start next fiscal year.

Ms. Nadatani-Mendez commented IT could go through Brio or write a Request for Proposal (RFP).
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IT Training & Registration, Page 8 of 11 – increased from $15,000 to $18,761 for in depth financial program training to install a new update or service pack to keep maintenance cost down. This will also be for more IT training and project management.
➢ Mr. Strom suggested having an executive summary to explain the different changes to show a trail on internal efforts.

Asset Management Program, Page 10 of 11 – This is part of the IT Strategic Plan which is to look at the Asset Based Work Order System which is partially funded. Brio could research for IT or IT could write an RFP. Ms. Nاداتاني-مendez is checking the web to see how the software program works.
➢ Ms. Akuna will forward to Ms. Nاداتاني-مendez the State procurement a listing used by Federal and State agencies regarding management programs.

Upgrade Network Cabling, Page 10 of 11 – IT needs to buy new switches for the new building. The existing system will be kept for the new building.

The contingencies are doubling - $13,300 is for Project Management and the $15,875 is for asset base MMIS. The amounts were taken from the IT Strategic Plan.

Develop Web based GIS viewer and mapping layers, Page 11 of 11 – IT will be able to continuously develop layers in-house.

Water Quality Division, Water Sampling Testing Service, Page 2 of 9 – According to Water Microbiologist, Carl Arume the biggest budget amount is the water sample testing services from $65,000 to $85,000 that has to be done this year. It is estimated next year that the contract cost will go down to the $25,000 level.

Training classes, Page 7 of 9 – Doubled. Next year staff members will attend a technical conference.

Ice Machine, Page 9 of 9 – Delivery of the ice machine has been delayed because the A/C is being fixed in the same room. By using regular ice (instead of blue ice), the samples are delivered cooler.

Water Quality Reports (CCR’s), Page 5 of 9 – Ms. Nاداتاني-مendez commented that the Water Quality reports could be cut from $10,000 to $8,800 because the booklets are no longer mailed out. Instead, a letter is mailed to the customer with a link to their applicable Water Quality report. 120 hard copies were mailed out of 21,000 customers at their request.

Engineering - Professional Services Budget, Page 2 of 11 –
Civil Engineer, Mr. Keith Aoki commented that the original Capital Budget needs to be adjusted to reflect the Professional Services Budget the last Finance Committee meeting (March 19th). Manager Saiki explained from the last Finance Committee meeting, the Department had to cut back on the number of projects to start because the costs associated with preliminary Engineering reports are now considered as an operating cost and not a capital cost.

Mr. Aoki added that some of the projects that are budgeted for the proposed FY 2015-2016 are currently in negotiations with consultants. If negotiations are not completed, additional funds will be requested to the Board this FY 2014-2015 and would carry over projects for FY 2015-2016 (these are new changes).
Mr. Strom requested a short explanation of the changes which would be helpful for the Board. **Preliminary Engineering Reports (PER), Page 21 of 11** – The six (6) PER are $1 funded (which are new changes).

**New Capital Outlay, Page 13 of 17 (handout)** – The following four projects will be $1 funded: Kūhiʻō Hwy. (N. Papaloa to Waikaa Canal) Main Replacement, Makahui and Kuai Road Main Replacement, Wailani Road & Waihohonou Road Main Replacement and Hoona, Hoone, Pane Road Main Replacement.

**FRC Fund (Capital Projects – Expansion), Page 14 of 17** – The following projects will be $1 funded: Po'ipū IMG Storage Tank, Wailua Homesteads 1.0 MG Tank, Kapaia SWTP Expansion, land acquisitions: Wailua Homestead Tank and Po'ipū Tank.

**Engineering – Operating Expenses, Page 1 of 11** – had significant changes as well as Capital projects.

**Capital Purchases, Page 10 of 11** –

- Wailani Road & Waihohonou Road Main Replacement - 72%; cell was hidden which Ms. Yano will check.

**Three (3) Engineering Positions** – are vacant. The Board approved to change the CE II to CE I. Mr. Aoki added that a CE V has been selected and an offer will be submitted soon. The other CE V will not be filled immediately. The CE III will be given a chance to get his license by October.

**Construction Management Division, Page 1 of 14** – Construction Project Management Officer, Mr. Moises provided a summary of the CIP side was the new building. Private projects completed this year was two (2) subdivisions in Kukui‘ula, Eleele Habitat, Rice Camp and Longs Kapa‘a. Because Design was short staffed, he assisted with design and review to get the CIP projects out.

The biggest budget Mr. Moises will be surrendering to get next year is the Construction Manager position but hopes to post the Project Management position in April. Of the reallocations submitted, one reallocation was approved and one reallocation was rejected. A letter was sent to Human Resources requesting an administrative review of the positions which could be finalized by the end of this fiscal year. By July 1st, three people could be hired for CM.

**Professional Service, Page 2 of 14** - By the end of this calendar year, Ms. Moises commented that there is a possibility of putting out four (4) to five (5) CIP projects with private developers. A Construction Manager position (as needed for $290,000) would be utilized to assist with these projects if a Project Manager is not hired.

**Admin/Meeting Expense, Page 6 & 7 of 14** – is budgeted at $6,000 to $8,000 to send CM staff to a water related construction project management/inspection trainings off-island. Mr. Moises plans to send the CM staff to the mainland in April for training on “Geotechnical Compaction for Non-Engineers.”

**Rehabilitation and Replacement/Capital Purchases, Page 8 & 9 of 14** – In 2007 - 2008 the Department lost the exemption to pay the building permit fee on projects. This year, if the design of tanks is completed, $10,000 will be enough to pay the building permit fee up front and the contractor pays the building permit fee in the back end.
Pre-final drawing plans will go through construction by next year as follows: Kolo Road (RFP by April); Kōloa Well D (need to review); 'Anini Road (need to review); Kōloa Road (will be gotten to by June 2016); Grove Farm tanks (need to review); Līhu'e Baseyard (review done); Kīlauea Tank (review done); and Weke Road (review done). These projects might go to bid this calendar year: Kolo Road, Halewili Road, Weke Road and Kōloa Well D.

Kōloa Well’s (16A/E and 16B) preliminary design budget went up from $1.4M to $1.6M. Mr. Moises noticed that water project estimates in the past were lower than the final engineering estimate because the engineer did not intend to do pre design.

➢ Ms. Yano will correct Engineering headers to reflect 2014-2015 Budget (not 2015-2016).
➢ Chair Dill requested CM and Engineering to do a separate chart on projected Notice to Proceed (NTP) with all of the projects for the next Finance Committee Meeting.

Water Resources and Planning Division, Page 2 of 7 – Hydraulic Model Update was dropped from $500,000 to $300,000.

Manager Saiki reported the progress on the Hydraulic Model, Page 4 of 4 - a consultant has not been procured yet. The Department is working to complete the Facility Reserve Charge (FRC) first before the water model.

Water Use & Development Plan, Page 4 of 4 – has been encumbered and the draft is almost ready to be submitted by the consultant. The Department plans to partner with United States Geographical Survey (USGS) on the ongoing Groundwater Monitoring Project (for stream flow study). USGS is asking for $45,000. The study will include every stream on every island. Manager Saiki will check with Mr. Steven Anthony on why there is a federal study to use the Department’s money.

➢ Chair Dill agreed that Water Resources and Planning need to get the FRC going.
➢ Provide the progress on the Water Use & Development Plan.

Training and Development went up by $9,000.

Vacancies – includes CE 1 for the Hydraulic Model and the Chief of the Water Resources and Planning Division. The Hydraulic Model hiring should start for this position.


Changes in the Professional Services, CC&B Support & Change Request, Page 2 of 9 - $30,000 for CC&B request for changes was reduced to $5,000.

Project Management/Billing System Enhancements – Page 3 of 9 - Added $100,000 for a new billing program software in-house due to bringing in the new Customer Information System (CIS).

Billing – Other Services was decreased from $110,000 to $30,000. One of the items that was reduced: Billing System Enhancements, Page 3 of 9 - went from $100,000 down to $20,000.
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March 25, 2015

Bill Processing Fees, Page 4 of 9 – went up by $5,000 per bill charge which is paid to an outside provider. Postage for Water Bills, Page 4 of 9 – went up from $30,000 to $92,400; this is to reflect actual expenses on postage.

Billing System, Page 4 of 9 – The annual billing cost is reduced by $100,020. Charges from Honolulu for billing system software hosting (annual software maintenance and prorated implementation recovery) were reduced from $260K to $70,700. This budget is for technical support paid to the Honolulu Board of Water Supply for the CC&B hosting. The proposed investment recovery cost that HBWS charge DOW for CC&B won’t start till July 1, 2017.

➤ Customer Service Rep 1 (was filled this month) – The vacant position should be funded 100% which Ms. Yano will correct.
➤ Ms. Yano will submit a cost analysis at the next Finance Committee meeting.

Lock Box Service/Bank Fee, Page 4 of 9 – for 2015-2016 is $20,000. Ms. Yano explained that when the lock box is in place, bills will go to a P.O. Box; the bank will pick up the bills and will process and post to the Department’s system. Mr. Strom stressed that electronic bill payment would eliminate the handling of cash.

Supplies, Page 5 of 9 – was cut by $200 (based on a 6% cut).

HR Staff Training, Page 7 of 9 – reduced by $5,000.

2W pick up truck, Page 8 of 9 – Billing went to procurement but only received one (1) bid which was over the budget. The pick up truck will be purchased this year.

New Billing System, Page 9 of 9 – is budgeted for training and implementation for $1,000,000.
➤ Ms. Yano will confirm if the budget includes necessary hardware.

Accounting – Budget from FY 2014-2015, Page 1 of 9 - was $368,775 down to $363,885.

Accounting Position – has been vacant over a year and was 100% budgeted. Chair Dill request that the column is filled out.

New Water Rate Study, Page 2 of 9 – to be encumbered this year and the $135,000 would be eliminated in next year’s budget.

Performance Audit (See Admin Budget), Page 2 of 21 – is budgeted for $150,000. Chair Dill indicated the Board would be receptive if more money is needed.

GFOA Conference, Page 9 of 9 - $3,500 - $7,000. Ms. Yano plans to send one (1) staff from Accounting and one (1) staff from Billing to attend the GFOA Conference in the mainland.

Training, Page 8 of 9 – are miscellaneous training for staff from $2,000 to $5,000.
➤ Ms. Yano will identify and itemize training so that goals are measured after training and identify who will be going to training.

Fiscal Administrative Expenses - Other Post-Employment Benefits, Page 2 of 16 - Retiree benefits has been fully funded.
Amortization is based on FY 2014 financials FY 2015-2016. Ms. Yano proposed that in the next Water Rate Study, the depreciation expense will be included in the operating expense budget. The equivalent amount of money can be set aside as a capital rehabilitation fund.

- Ms. Yano will change Amortization to Depreciation.

Transfer from FRC, Page 10 of 16 – is a negative expense. The FRC transfer of $1.294M down to negative ($794,000) will go to the WU fund. FRC should pay a portion of the debt service. The transfer of FRC to the WU fund will be used to pay for its proportionate share of the WU loans and bonds debt service.

- Ms. Yano will update the Summary.

Debt Service Reserve (50% of annual debt service, $1.2M transferred), Page 11 of 16 - from $2,100,000 to $100,000 – the 50% funding goal would be achieved.

Emergency Reserve (25% of Operating Revenues, $3.6M transferred), Page 12 of 16 – from $1,200,000 to $1,100,000.

Transfer to WU/FRC Debt Service, Page 13 of 16 – will be $794,000.

Transfer SRF Loan Proceeds from WU, Page 15 of 16 – will be a wash.

Operations, Page 1 of 20 – Chief of Operations, Val Reyna reported that the current fiscal year operating budget is $7.9M and the proposed FY 2015-2016 was cut down to $7.8M.

Capital Outlay reduced the replacement by $400,000. Heavy equipment purchases will be delayed until the finances are better. Some Expansion capital outlay is higher this year.

Design services for emergency generators housing structures at remote sites, Page 2 of 20 – is $50,000.

- This description will be corrected because the $100,000 will be used on the materials for the covered Photo Voltaic (PV) parking.

The consultant has been selected for the PV parking; Operations is going through the scoping and pricing negotiations in the coming week. This project will be contracted and encumbered this year. Based on the Preliminary Engineer Review (PER) will determine if the project will proceed or not.

MMIS – MPET Additional Services $20,000, Page 3 of 20 – The contract with MPET is with IT used by Operations. MPET is for inventory, time cards and work orders.

- Chair Dill was reluctant to budget $20,000 if it is going to go away in a year and requested that this line item be deleted.

Diesel for utility fleet, Page 4 of 20 – amounts remained the same.

Communication Services/Cell phones for standby personnel, Page 5 of 20 – Chair Dill asked why does Operations need 25 cell phones? Mr. Reyna explained that each essential employee is provided with a cell phone. If a crew member is called, they would only answer on the company cell phone, not their personal cell phone.

There are two (2) vacant positions for the Water Plant Operator and Plant Superintendent.

Five (5) standby phones - for standby personnel.
Field crews are - 3 man crews  
Water plant operator – 1 man crew  
Electricians – are 2 man or 3 man crews  
Pipefitters – have phones  
Supervisors – have 1 phone each

Mr. Reyna said radios are expensive and the crew leaves the radio in the truck.

➢ Chair Dill suggested Mr. Reyna look into cutting to 1 phone per crew and to reduce cost by 30%.

Repairs and Maintenances, Page 8 of 20 – Operations replaced motor with low efficiency motors were completed. Operations also received feedback from Ben Sullivan Energy Manager from the County Office of Economic Development who stated that the Department of Water saved $200,000 on electricity as of December 2015.

Equipment Rentals, Page 7 of 20 – The YTD on the $70,000 is on track at $30,000 spent.

Water Systems, Page 8 of 20 - $1,000 was added for payment on the easement for booster pump station on Wailapa. The easement is being leased from the property owner.

SCADA system Integrator Consultant & Maintenance Contract, Page 8 of 20 – The contractual amount is $150,000 for a maintenance agreement.

Pump Replacement Program – Page 9 of 20 – In July 2014, three (3) pumps broke down: Piwai Well, (burnt motor), Lāwa‘i Well (burnt motor) and Kīloha‘a Well. In the Lāwa‘i Well, all the column pipes/joints were corroded. The corrosion came from the column of water that was not draining out from the check valve. $425,000 are planned for Preventative Maintenance.

Mr. Strom suggested Mr. Reyna share success stories on an electrical return on behalf of the Department.

Roadway Rehab & Repairs, Page 10 of 20 – Chair Dill was disappointed the road repairs budget was cut from $175,000 to $100,000 and asked why? $67,000 was spent on roadway rehab & repairs. The State highway repair included hot mix.

Debris disposal at landfill, Page 10 of 20 – Why is $5,000 budgeted? Operations does not have a proper disposal site or a crusher.

➢ Change line item New Request to “Yes.”

New & Replacement – 5/8” meters, Page 11 of 20 – cut by 30%. Operations is doing more meter repair rather than tossing the meters out. The Operating Supplies are based on current expenditures.

More purchases will be made with defibrillators. Preventative maintenance is done twice a week by the first aid kit supplier who tests the batteries on all defibrillators throughout the Department.

Miscellaneous Rehab Projects (Preventative Maintenance), Page 12 of 20 – These are repair projects (i.e., pump house, remote facilities, Kōloa and Lāwa‘i Wells).

➢ Delete blank Contingency New Request on pages 12 of 13.

Bulk Water Purchases, Page 18 of 20 - bulk water prices remains the same.
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March 25, 2015

Capital Outlay — Rehab and Replacement/Equipment, Page 19 of 20 – Mileage on vehicles are over 100,000 (vehicles average 15,000 – 20,000 miles a year).

➢ New line item descriptions will be added to the existing line items.

Mr. Strom questioned the budget for a Backhoe and Trailer at $230,000 from FY 2014-2015. Operations plans to tow their own vehicles – $0 budget for FY 2015-2016. Mr. Reyna expressed that the repair line for vehicles is long due to having only one (1) mechanic. More money has been spent by contracting repairs out for vehicles.

Replacing 2007 CK2049 due to age and mileage (F450 pickup with utility body, Page 19 of 20 – The $110,000 will no longer be used for the CK2049 replacement new fiscal year. The $110,000 was requested to be reallocated and to transfer the budget amount to the General Ledger Account for the design to replace the Kilauea Motor Control Center (MCC). A starter coil needs to be purchased for Kilauea Deep Well site. Mr. Reyna stressed that there are no longer replacements parts available for the starter coil for the Kilauea Well. This purchase needs to be prioritize for the MCC for the Kilauea site because it is an isolated system. Manager Saiki agreed that Mr. Reyna could pull one budget from this list and to add to another line item list.

Mr. Strom suggested a design build approach which cuts costs re pump station control panels.

Capital Outlay — Expansion/Equipment, Page 20 of 20 -
Leak Detection Equipment, Updated equipment for leak detection, Page 20 of 20 – will be purchased this year fiscal year.

Mini excavator, Page 20 of 20 – is budgeted for FY 2015-2016 at $60,000. There are currently four (4) Equipment Operators and one (1) more Equipment Operator will be hired. This person will also need equipment but Mr. Reyna was not sure if an extra vehicle was budgeted. New employees are assigned equipment when hired.

➢ Mr. Strom requested to look to ways to utilize a vehicle when there are new hires.

Asphalt Pavement Recycle, Page 20 of 20 – is $0 funded. This equipment is back ordered for six (6) months. $85K is a lease option with a $4,000/mo. This line item will be revisited next year.

Service vehicle for Electricians, Page 20 of 20 – Chair Dill asked why the electricians need a service vehicle at $90,000. Mr. Reyna commented that one (1) electrician does not have a vehicle.

➢ Chair Dill recommended to delete the $90,000 (utility body pickup truck, F340, 4 x 4). When the fourth (4th) electrician is hired, Mr. Reyna can come back to the Board to request for funds for a vehicle.

Service vehicle for Assistant Chief of Operations, Page 20 of 20 – is budgeted at $45,000 for a pick up truck, 4 x 4.

Tanker truck, Page 20 or 20 – is $1 funded. Cost of the truck only is over $160,000 without the tanker (200 gallons).

Chair Dill thanked all the Division Heads for their efforts on the budget.

At 5:45 p.m., Chair Dill recessed the Finance Committee meeting to Wednesday, April 1, 2015 at 1:30 pm.

Ein
Committee Members Present: Chair Larry Dill reconvened Finance Committee meeting from the March 25, 2015 Finance Committee meeting at 1:44 p.m. Chair Dill, Laurie Ho and Hugh Strom were present.

Staff Present: Kirk Saiki, Marites Yano, Val Reyna, Keith Aoki, Dustin Moises, Sandi Nadatani-Mendez, Mary-Jane Akuna, Carl Arume, Eddie Doi, Deputy County Attorney, Andrea Suzuki

Guest(s): Hal Parrott, Private Citizen

NEW BUSINESS
1. Draft Budget for Fiscal Year 2015-2016
   a. Fiscal Year 2015 – 2016 Draft Operating Budget
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Waterworks Controller, Marites Yano went over the pages that applied to the questions from the March 25th Finance Committee meeting.

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   - Add comments to Notes: Meeting expenses for training and development travel for the Board.

IT/Admin. Communication Services, Cell Phones, Page 2 of 11 – changed from $26,400 to $22,500 (See back up of the Monthly Detail for cell phones in the office (not Operations), Page 52 ipad.)
   - IT will check number for Cell phones/communication devices.
   - IT will provide a breakdown, for future use to split ipads and ipad accessories cost out of the cell phones and Hotspots.

Hotspot – Cancelled, Page 52 (ipad) – due to no data usage.
   - IT will check to see why there was a huge jump in cost from $1,697.77 in July to $2,199.82 in November for CM Officer Mobile Hotspot Mobile WIFI (MIFI).

Construction Project Management Officer, Dustin Moises explained that all CM staff can remotely do their work from the cell phone Hotspots. All electronic submittals can be pulled in the field with lap tops (surface pro).
IT Training and Development, Page 8 of 11 – Notes were added; budget amount is the same $18,761. The original amount was $20,000 for IT trainings as clarified by Information Tech. Specialist, Ms. Ndatatani-Mendez. A total of three (3) trainings will assist with the IT Strategic Plan. Approximate cost for three (3) trips would be $10,000 budgeted for five (5) IT staff. This past fiscal year, Ms. Ndatatani-Mendez attended two (2) trips costing about $3,000. The Manager approves all trips for training. Chair Dill commented that he supports good training.

- Describe specific trips … “these types of training … Budgeted five (5) trips to the mainland…”

IT Travel and Per Diem, Page 9 of 11 – Notes were added; Per Diem is part of Training and Development; budget is lumped on Page 8 of 11.

- List type of training, if possible, break down Training and Development and Travel and Per Diem.

Network Switches, Page 10 of 11 – Note was changed to: Purchase and Installation/confirmation of network switches to integrate phone system in new building.

Chair Dill asked why the Network Switches were not part of the new building? Mr. Moises explained that all of the telephone wires come through the existing building. Instead of running the new lines into the Microbiology building, they would come into the existing building. According to Waterworks Info. Tech. Officer, Jeff Mendez, switches would be done after post design and could piggy back with the existing system here, then transfer it to the new building, which is also cheaper.

Water Quality, Water Quality Reports (CCR’s) Page 5 of 8 – reduced from $10,000 to $2,000. Notices were mailed to customers with their Water Quality Reports. These reports will be directly on their bill with the new billing system which will reduce extra costs.

Engineering, Capital Outlay – Rehab & Replacement/Capital Purchase, Page 8 of 11 – The following items are $1 funded: PLH-28 Hanamaulu Main Replacement (Hoohana Street) and WK-11a Upper Wailua Houselots Main Replacement.

Hanapepē Stream Crossing design; Civil Engineer, Keith Aoki explained that it is not feasible at this time due to access; the bridge needs to be built.

- Hanapepē Stream Crossing is $1.00 funded which was cut off on the bottom of the page.

Preliminary design is classified as Capital Outlay (an asset) but if the project does not go through, the cost is expensed out.

PLH-28 Hanamā’ulu Main Replacement, Page 10 of 11 - is $1 funded; design was taken out.

Hanalei Well No. 2, Page 10 of 11 – increased from $60,000 to $75,000.

‘Anini Waterline Phase B, Page 10 of 11 – Engineering is currently in negotiations; reduced original estimate amount to $50,000. Additional funding will be requested to the Board at the April 23rd Board meeting. If approved this fiscal year, the cost will be taken out for the next year’s budget.

Civil Engineer, Keith Aoki explained that projects were $1.00 funded because there is not enough money to do the Preliminary Engineering Reports (PER) so some projects were taken out.

Professional Services, Page 2 of 11 – from the March 25th Finance Committee Meeting, some projects under Professional Services (operating expense) budget were changed to $1.00 funded but the
corresponding design projects under Capital Outlay (capital expense) were not changed. This shows a balance on the operating revenue to fund the operating expenses. PER’s are operating costs and capital purchases are capital costs.

Mr. Aoki commented that the projects budgeted were of higher priority; projects were $1 funded based on by priority. Most of the projects have an expansion component. The overall priority list was between Water Resources and Operations. Chair Dill added that part of priority projects were to generate revenues.

Preliminary Engineering Report – Rehabilitate Jelly Factory BP Station (3-250 gpm), Page 2 of 11 – Manager Saiki explained that the $60,000 is for pre design report and $200,000 is for design.

- $1.00 All Land acquisitons, Page 10 of 11 - Pre design has not been started:
  
  Land acquisition Kīlauea Well #3  
  Land acquisition for Jelly Factory BP  
  Land acquisition for Wailua Homesteads tank  
  Land acquisition for Po'ipū Tank  
  Land acquisition for Hā'ena 0.2 MG Tank  
  Land acquisition for SWTP expansion

Construction Management, Page 10 of 14 – Added column titled: Anticipated Notice to Proceed (NTP). Headings were corrected to FY 2014-2015 (after the NTP column).

Mr. Moises commented that Yamada Tank, Page 10 of 14 – is not fully funded. The budget for FY 2015-2016 is $2,288,000. If more funds are needed, CM will come back to the Board.

Cost Allocation Analysis for the new CIS, Page 90 (ipad) – Ms. Yano explained that this is a one-time investment; with an estimated initial cost of $1.06M; the net present value of a 10 year period is around $1.8M. The agreement with Honolulu Board of Water Supply (HBWS) would require DOW a proportionate share in annual operating cost starting from $100,000 for HBWS to host the billing system. In addition, total cost at the end of amortizing the capital recovery cost is $660,000. If the Department purchased its own billing system, the cost to the Department is estimated to be around $1.06M up front. Using the net present value approach in comparing the two options, the difference is $270,000.

Mr. Strom suggested the Department check to see if Great Plains has the module to do the billing system and to find ways to beat the budget. Ms. Ho agreed to find ways to reduce costs on the billing system. Ms. Yano commented that doing a joint RFP with other water utilities is a possibility that could potentially save more or less 60% on implementation if done at the same time.

Accounting – Training and Development, Page 8 of 10 – The initial budget was $5,000 but was cut down to $2,000. Ms. Yano separated items from Training and Development and created Travel & Per Diem.

Travel & Per Diem, Page 9 of 10 – has itemized explanations. Part of the 2015-2016 budget was taken from GFOA Conference, Page 10 of 10 initially $7,000 down to $1,200. Trainings, Page 8 of 10, was initially $5,000 and was reclassified as Travel & Per Diem.

- Ms. Yano will complete Section 32 – Fiscal.
Emergency Reserve Transfer - Page 1 (ipad) – $1.2M showed a transfer to the Emergency Reserve but after the changes were done in the operating expenses, the Emergency Reserve transfer went down to $1.1M.

Operations – MMIS/MPET – Additional services $20,000, Page 3 of 20 – The 2015-2016 budget was $18,680 deleted to $0 because there would be no additional upgrade services the next fiscal year.

Ops/Power/Pump/Communication Services, Page 5 of 20 – Cell phones were reduced by 30%. The total cell phones is 23 issued to personnel, 3 cell phone for alarm surges; total is 26 cell phones down from $22,000 to $15,400. Cell phone overtime (OT) minutes will be managed and reduced. YTD expenses on actual cell phone lines are still being working on by Accounting.

- Correct the total cell phones to 26 (23 personnel, 3 for alarm surges).

5 DSL Services, Page 5 of 20 –
- Cut 4 DSL Services out of 5 to 1.

Pooling of minutes is working – there is no overage on OT minutes because the Department shares minutes.

Contingency line items were deleted on Page 3 of 20 to Page 13 of 20 which was all zero.

Travel and Per Diem, Page 16 of 20 – The budget was moved.

F 450 pickup with utility body/Replacing 2007 CK2049 due to age and mileage, Page 19 of 20 – deleted $110,000 to zero.

Expansion/Equipment – Mini-Excavator, Page 20 of 20 – from $60,000 to $1.00 funded.

Service Vehicle for Electrician – was deleted from $90,000 to zero.

PROPOSED PAYROLL BUDGET
Deputy Manager - was changed to 100% funded.

CE II – Engineering - $1.00 funded (which was 75%).

CM – Waterworks Project Manager was initially 25% but $1.00 funded.

Accountant I – $1.00 funded (was 100%). Interviewed 3 times, offered 3 times and was declined 3 times.

Water Resources & Planning CE I – changed to $1.00 (50%). A proposed reallocation was denied for Engineering Drafting Technician; the proposed salary will change. ($10,436 is the net effect decrease.)

Chief of Water Resources & Planning – Fully funded (100%)

Operations – The following positions were $1.00 funded:

- Water Field Operations Supervisor
- Heavy Equipment Mechanic
- Equipment Operator
- Groundskeeper
- Water Plant Operator I
- Electronics/Plant Electrical Tradesperson II
- Water Plant Supervisor - 10% funded
Admin - CE VII, Position #2350 - $1.00 funded. (This position normally has not been budgeted.)

Operating Expenses, Water Utility General Fund– Page 1, 1st Column – reduced to $27,869,508.

Projected ending balance – went from $9M to $13M (from Capital Outlay Budget).

FRC – went down from $5M to $2.9M.

Power of Cost Adjustment Calculation (sample form), Page 20 & 21 – calculations are done the end of March with actual usage cost.
- Page 2 – Check entire column of Water Sales Revenue Increase/Decrease columns.
- Page 3 – Water Sales Revenues – YTD is for eight (8) mos. Mr. Dill asked why there was a difference. Chair Dill gets $29M (8 mos. to 12 mos.) It appears the rate is under projected the rate.

Ms. Yano based the Water Sales Revenues on prior year’s sales; the first six (6) mos. are higher than the half of the year. Revenue Projection was calculated using the YTD billing summary from CC&B; water consumption was sorted and summed up per block usage. The usage in gallons was used for the Fiscal Year-to-Date Consumption (column N). Calculation used: gallons amount X 2 using the projected rate = usage for the whole year (2016). The service charge was based on 99% = $26M.

Mr. Dill asked how are differences in the calculations reconciled? The water billed consumption as of February, 2015 was $2.666M; with the assumption that the usage trend is consistent, Ms. Yano took the monthly average usage by dividing it by 8 mos. (Jul. 1st to Feb. 2015) then multiplied by twelve (X 12) mos. = use 4 billion gallons at the end of the year. As of February 2015, the cumulative usage in gallons in usage was $2.666M. The Department may reach 3.9 billion gallons of billed water consumption at the end of the year; an indication of declining water usage trend and contrary to the 1.1% increase projected in the Water Rate Study. Mr. Dill did not feel comfortable with the difference of numbers.
- Mr. Dill requested an update on the Revenue Projected Budget for the first 8 mos. of the year.

State Grant, Page 3 – $1.3M is for Kīlauea School from last year’s CIP.

State Grant, Page 3 - $2M is from Department of Health for Public Relations Specialist Project Wet.

Utility Service Power & Pump, Page 10 - $3.49M; Actual is $1.999 for 8 mos.
- Check if rates will go up next year.

Construction, Page 13 - $22M of new projects will begin in 18 months. Six (6) projects are near completion with design review.

Federal Grants, Page 18 -
- Be consistent with descriptions. Clarify capital contributions.

Admin/Insurance - Notes - Page 29 – Why did the $200,000 increase to $500,000?
- Add explanation to Notes – Change budget to match deductible.

Supplemental Budget from last year (not budgeted this year) - $375,000 was added to Mr. Reyna’s Operations budget for the three (3) wells.
- Ms. Yano will update the Revenue Projection the first eight (8) months.
- Include YTD columns

At 4:05 p.m., Chair Dill recessed the Finance Committee meeting to Tuesday, April 7, 2015 at 1:30 p.m.
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   ➢ IT will check to see why there was a huge jump in cost from $1,697.77 in July to $2,199.82 in November for CM Officer Mobile Hotspot Mobile WIFI (MIFI).

Construction Project Management Officer, Dustin Moises explained that all CM staff can remotely do their work from the cell phone Hotspots. All electronic submittals can be pulled in the field with lap tops (surface pro).
IT Training and Development, Page 8 of 11 – Notes were added; budget amount is the same $18,761. The original amount was $20,000 for IT trainings as clarified by Information Tech. Specialist, Ms. Nadatani-Mendez. A total of three (3) trainings will assist with the IT Strategic Plan. Approximate cost for three (3) trips would be $10,000 budgeted for five (5) IT staff. This past fiscal year, Ms. Nadatani-Mendez attended two (2) trips costing about $3,000. The Manager approves all trips for training. Chair Dill commented that he supports good training.

- Describe specific trips … “these types of training … Budgeted five (5) trips to the mainland…”

IT Travel and Per Diem, Page 9 of 11 – Notes were added; Per Diem is part of Training and Development; budget is lumped on Page 8 of 11.

- List type of training, if possible, break down Training and Development and Travel and Per Diem.

Network Switches, Page 10 of 11 – Note was changed to: Purchase and Installation/confirmation of network switches to integrate phone system in new building.

Chair Dill asked why the Network Switches were not part of the new building? Mr. Moises explained that all of the telephone wires come through the existing building. Instead of running the new lines into the Microbiology building, they would come into the existing building. According to Waterworks Info. Tech. Officer, Jeff Mendez, switches would be done after post design and could piggy back with the existing system here, then transfer it to the new building, which is also cheaper.

Water Quality, Water Quality Reports (CCR’s) Page 5 of 8 – reduced from $10,000 to $2,000. Notices were mailed to customers with their Water Quality Reports. These reports will be directly on their bill with the new billing system which will reduce extra costs.

Engineering, Capital Outlay – Rehab & Replacement/Capital Purchase, Page 8 of 11 – The following items are $1 funded: PLH-28 Hanamaulu Main Replacement (Hoohana Street) and WK-11a Upper Wailua Houselots Main Replacement.

Hanapēpē Stream Crossing design; Civil Engineer, Keith Aoki explained that it is not feasible at this time due to access; the bridge needs to be built.

- Hanapēpē Stream Crossing is $1.00 funded which was cut off on the bottom of the page.

Preliminary design is classified as Capital Outlay (an asset) but if the project does not go through, the cost is expensed out.

PLH-28 Hanamā'ulu Main Replacement, Page 10 of 11 - is $1 funded; design was taken out.

Hanalei Well No. 2, Page 10 of 11 – increased from $60,000 to $75,000.

'Anini Waterline Phase B, Page 10 of 11 – Engineering is currently in negotiations; reduced original estimate amount to $50,000. Additional funding will be requested to the Board at the April 23rd Board meeting. If approved this fiscal year, the cost will be taken out for the next year’s budget.

Civil Engineer, Keith Aoki explained that projects were $1.00 funded because there is not enough money to do the Preliminary Engineering Reports (PER) so some projects were taken out.

Professional Services, Page 2 of 11 – from the March 25th Finance Committee Meeting, some projects under Professional Services (operating expense) budget were changed to $1.00 funded but the
corresponding design projects under Capital Outlay (capital expense) were not changed. This shows a balance on the operating revenue to fund the operating expenses. PER’s are operating costs and capital purchases are capital costs.

Mr. Aoki commented that the projects budgeted were of higher priority; projects were $1 funded based on by priority. Most of the projects have an expansion component. The overall priority list was between Water Resources and Operations. Chair Dill added that part of priority projects were to generate revenues.

Preliminary Engineering Report – Rehabilitate Jelly Factory BP Station (3-250 gpm), Page 2 of 11 – Manager Saiki explained that the $60,000 is for pre design report and $200,000 is for design.

- $1.00 All Land acquisitions, Page 10 of 11 - Pre design has not been started:
  - Land acquisition Kīlauea Well #3
  - Land acquisition for Jelly Factory BP
  - Land acquisition for Wailua Homesteads tank
  - Land acquisition for Po'ipū Tank
  - Land acquisition for Hā'ena 0.2 MG Tank
  - Land acquisition for SWTP expansion

Construction Management, Page 10 of 14 – Added column titled: Anticipated Notice to Proceed (NTP). Headings were corrected to FY 2014-2015 (after the NTP column).

Mr. Moises commented that Yamada Tank, Page 10 of 14 – is not fully funded. The budget for FY 2015-2016 is $2,288,000. If more funds are needed, CM will come back to the Board.

Cost Allocation Analysis for the new CIS, Page 90 (ipad) – Ms. Yano explained that this is a one-time investment; with an estimated initial cost of $1.06M; the net present value of a 10 year period is around $1.8M. The agreement with Honolulu Board of Water Supply (HBWS) would require DOW a proportionate share in annual operating cost starting from $100,000 for HBWS to host the billing system. In addition, total cost at the end of amortizing the capital recovery cost is $660,000. If the Department purchased its own billing system, the cost to the Department is estimated to be around $1.06M up front. Using the net present value approach in comparing the two options, the difference is $270,000.

Mr. Strom suggested the Department check to see if Great Plains has the module to do the billing system and to find ways to beat the budget. Ms. Ho agreed to find ways to reduce costs on the billing system. Ms. Yano commented that doing a joint RFP with other water utilities is a possibility that could potentially save more or less 60% on implementation if done at the same time.

Accounting – Training and Development, Page 8 of 10 – The initial budget was $5,000 but was cut down to $2,000. Ms. Yano separated items from Training and Development and created Travel & Per Diem.

Travel & Per Diem, Page 9 of 10 – has itemized explanations. Part of the 2015-2016 budget was taken from GFOA Conference, Page 10 of 10 initially $7,000 down to $1,200. Trainings, Page 8 of 10, was initially $5,000 and was reclassified as Travel & Per Diem.

- Ms. Yano will complete Section 32 – Fiscal.
Emergency Reserve Transfer - Page 1 (ipad) – $1.2M showed a transfer to the Emergency Reserve but after the changes were done in the operating expenses, the Emergency Reserve transfer went down to $1.1M.

Operations – MMIS/MPET – Additional services $20,000, Page 3 of 20 – The 2015-2016 budget was $18,680 deleted to $0 because there would be no additional upgrade services the next fiscal year.

Ops/Power/Pump/Communication Services, Page 5 of 20 – Cell phones were reduced by 30%. The total cell phones is 23 issued to personnel, 3 cell phone for alarm surges; total is 26 cell phones down from $22,000 to $15,400. Cell phone overtime (OT) minutes will be managed and reduced. YTD expenses on actual cell phone lines are still being working on by Accounting.

- Correct the total cell phones to 26 (23 personnel, 3 for alarm surges).

5 DSL Services, Page 5 of 20 –

- Cut 4 DSL Services out of 5 to 1.

Pooling of minutes is working – there is no overage on OT minutes because the Department shares minutes.

Contingency line items were deleted on Page 3 of 20 to Page 13 of 20 which was all zero.

Travel and Per Diem, Page 16 of 20 – The budget was moved.

F 450 pickup with utility body/Replacing 2007 CK2049 due to age and mileage, Page 19 of 20 – deleted $110,000 to zero.

Expansion/Equipment – Mini-Excavator, Page 20 of 20 – from $60,000 to $1.00 funded.

Service Vehicle for Electrician – was deleted from $90,000 to zero.

PROPOSED PAYROLL BUDGET

Deputy Manager - was changed to 100% funded.

CE II – Engineering - $1.00 funded (which was 75%).

CM – Waterworks Project Manager was initially 25% but $1.00 funded.

Accountant I – $1.00 funded (was 100%). Interviewed 3 times, offered 3 times and was declined 3 times.

Water Resources & Planning CE I – changed to $1.00 (50%). A proposed reallocation was denied for Engineering Drafting Technician; the proposed salary will change. ($10,436 is the net effect decrease.)

Chief of Water Resources & Planning – Fully funded (100%)

Operations – The following positions were $1.00 funded:

- Water Field Operations Supervisor
- Heavy Equipment Mechanic
- Equipment Operator
- Groundskeeper
- Water Plant Operator I
- Electronics/Plant Electrical Tradesperson II
- Water Plant Supervisor - 10% funded
Admin - CE VII, Position #2350 - $1.00 funded. (This position normally has not been budgeted.)

Operating Expenses, Water Utility General Fund – Page 1, 1st Column – reduced to $27,869,508.

Projected ending balance – went from $9M to $13M (from Capital Outlay Budget).

FRC – went down from $5M to $2.9M.

Power of Cost Adjustment Calculation (sample form), Page 20 & 21 – calculations are done the end of March with actual usage cost.
- Page 2 – Check entire column of Water Sales Revenue Increase/Decrease columns.
- Page 3 – Water Sales Revenues – YTD is for eight (8) mos. Mr. Dill asked why there was a difference.
  Chair Dill gets $29M (8 mos. to 12 mos.) It appears the rate is under projected the rate.

Ms. Yano based the Water Sales Revenues on prior year’s sales; the first six (6) mos. are higher than the half of the year. Revenue Projection was calculated using the YTD billing summary from CC&B; water consumption was sorted and summed up per block usage. The usage in gallons was used for the Fiscal Year-to-Date Consumption (column N). Calculation used: gallons amount X 2 using the projected rate = usage for the whole year (2016). The service charge was based on 99% = $26M.

Mr. Dill asked how are differences in the calculations reconciled? The water billed consumption as of February, 2015 was $2.666M; with the assumption that the usage trend is consistent, Ms. Yano took the monthly average usage by dividing it by 8 mos. (Jul. 1st to Feb. 2015) then multiplied by twelve (X 12) mos. = use 4 billion gallons at the end of the year. As of February 2015, the cumulative usage in gallons in usage was $2.666M. The Department may reach 3.9 billion gallons of billed water consumption at the end of the year; an indication of declining water usage trend and contrary to the 1.1% increase projected in the Water Rate Study. Mr. Dill did not feel comfortable with the difference of numbers.
- Mr. Dill requested an update on the Revenue Projected Budget for the first 8 mos. of the year.

State Grant, Page 3 – $1.3M is for Kīlauea School from last year’s CIP.

State Grant, Page 3 - $2M is from Department of Health for Public Relations Specialist Project Wet.

Utility Service Power & Pump, Page 10 - $3.49M; Actual is $1.999 for 8 mos.
- Check if rates will go up next year.

Construction, Page 13 - $22M of new projects will begin in 18 months. Six (6) projects are near completion with design review.

Federal Grants, Page 18 -
- Be consistent with descriptions. Clarify capital contributions.

Admin/Insurance - Notes - Page 29 – Why did the $200,000 increase to $500,000?
- Add explanation to Notes – Change budget to match deductible.

Supplemental Budget from last year (not budgeted this year) - $375,000 was added to Mr. Reyna’s Operations budget for the three (3) wells.
- Ms. Yano will update the Revenue Projection the first eight (8) months.
- Include YTD columns

At 4:05 p.m., Chair Dill recessed the Finance Committee meeting to Tuesday, April 7, 2015 at 1:30 p.m.
Finance Committee Meeting

April 7, 2015
1:30 p.m.

Committee Members Present: Chair Larry Dill reconvened Finance Committee meeting from the April 1, 2015 Finance Committee meeting at 1:40 p.m. Chair Dill, Laurie Ho and Hugh Strom were present.

Staff Present: Kirk Saiki, Marites Yano, Val Reyna, Keith Aoki, Dustin Moises, Sandi Nadatani-Mendez, Mary-Jane Akuna, Carl Arume, Deputy County Attorney, Andrea Suzuki

Guest(s): Hall Parrott, Private Citizen

NEW BUSINESS
1. Draft Budget for Fiscal Year 2015-2016
   a. Fiscal Year 2015 – 2016 Draft Operating Budget
   b. Fiscal Year 2015 – 2016 Draft Capital Outlay Budget

DISCUSSION:
Manager Saiki commented that changes were done from the April 1st Finance Committee meeting. Waterworks Controller, Marites Yano will provide the calculations of the Revenues and cell phone distribution update.

Federal Grants/Facilities Reserve Charge (FRC), Page 3 – was previously labeled Capital Contributions and was changed to Federal Grants. The reclassification was under State Grants and Capital Contributions.

Federal Grants under Revenues/Water Utility Fund, Page 3 – Reclassified SRF loan forgiveness from State Grants into Federal Grants; there was a shift in numbers ($1.8M and $2M). Totals are the same.

Yellow Highlights, Page 18 – is the corresponding change from Capital Contributions to Federal Grants.

Admin/Insurance, Page 29 – Notes added for Insurance and Bonds.

Contingency, Page 38 – Notes added for Board Training & Development – Travel.

Contingency, Page 40 – Notes added for Board trainings.

IT /Admin/Communication Services, Page 42 – Notes added for Cellular Phone. $22K down to $21K. Mr. Dill questioned the $3,000 increase from the previous year. Information Tech. Specialist, Sandi Nadatani-Mendez explained that IT was not in charge of cell phones. IT can now take the numbers from the previous months. She provided cell phone, ipad, MIFI, cost, plan, minutes used, data usage, and text usage details from the IT (Front Office) for February and March. Operations and IT are in separate details. The monthly charges for Operations in March were $1,685.61.

Terminated lines were done yesterday but were not removed in the March billing details, but the cost should go down. In the February billing detail, Equipment Purchases had an added column (includes
cell phones and accessories). Purchases on new phones will come from each division’s operating budget.

**IT Training, Page 48** – Original amount was $18,761 rounded to $18K. Each training is estimated to cost is $5,000 (includes registration, all travel cost, & per diem). A total of three training sessions is anticipated. Two (2) IT trainings from this year cost approximately $10,000.

**Engineering, Page 67** – The packet emailed to the Finance Committee was missing FY 2015-2016 column (which was distributed for the record). The Notice to Proceed (NTP) column was added on Pages 67, 68 & 69. Four (4) projects were changed to $1 funded (land acquisitions: Kīlauea Well #3, Jelly Factory Booster Pump & Hā‘ena 0.2 MG tank & Moloa‘a Tank site). The Kōloa Well land acquisition is ahead of the process.

At 1:52 p.m., Chair Dill recessed the Finance Committee meeting.

At 2:00 p.m., Chair Dill reconvened the Finance Committee meeting.

**Water Quality - Lab supplies, Page 56** – for FY 2015-2016 is $10,000. Water Microbiologist, Carl Arume requested to adjust/increase lab testing from $12,000 to $16,000. He would like to also add a PH meter. This increases the budget from $10,000 to $14,000.

The next two (2) years there will be Professional Services costs.

**Water Quality Reports (CCR’s), Page 56** – for FY 2015-2016 will stay the same at $2,000.

**Transfers to Other Funds, Pages 108 - 123** – was not added from the April 1st Finance meeting.

**Transfers to Other Funds/Transfer from FRC, Page 114** – FY 2015-2015 was -$794,803; FRC receipts transferred to Water Utility (W/U) to cover proportionate share of debt service. The amount is negative because instead of being under Expenses (Page 1), it is shown under Revenues.

**Transfer SRF Loan forgiveness is $1,130,327 (Page 114)** - The remainder of the loan forgiveness will be received in 2015-2016. -$794,803 is money coming in and $1.1M is going out to SRF. These are included as projected receipts under the Revenue section.

**Operations / Cell phones for Standby personnel, Page 128** – No. of phones were changed: 25 to 26.

> Mr. Yano will change the word “surges” to “circuits.”

**DSL, Service for employees to access SCADA from home, Page 238** – changed to one DLS service.

**Last Column, Increase (Decrease), Page 2** – the numbers were verified.

**Total Projected Revenues, Pages 19 & 20** – is $26.5M based on the summary billings as of December 31, 2014 which is lower than prior year’s budget.

**Revenues/W/U Fund, Page 21** – is based on the summary billings as of March 31, 2015. The fiscal YTD in gallons is 2.8M. Projected Water Sales was lower at $26.3M.

Refer to Block 1, 2, 3, 4, & 5, Page 21 – See highlighted FYTD Consumption column.

Mr. Dill referenced the YTD through March that there was 10.6% more billed revenue than last year. Cash receipts were 5% more billed revenue than last year. The budget showed a decrease by 10% in water sales compared to this year.
Finance Committee Meeting
April 7, 2015

Ms. Yano clarified that the percent increase was based on the approved budget and not on the actual YTD collection as of March.

Mr. Strom inquired how is the volume of water projected in gallons? What is the rationale of the continued declined?

The hydrant includes revenues but Manager Saiki added the Department does not get money from the County for hydrant revenues.

**Actuals in Water Consumption:**
- $47M decline in July
- $8M in August
- Predicting $69M in October

Ms. Yano indicated a $54M cumulative decrease in consumption. Mr. Dill commented that the YTD is $19.5 that is approximately $26M and a little ahead of the schedule.

**Net Rollover from Prior Year, (Anticipated Supplemental Budget), Page 1** – numbers will change after the actual expenditures as of June 30, 2015 are finalized.

**Open Contracts, Pages 16 & 17** – Last column will change and will be updated with actual payments up to June 30, 2015. This will have a rolling effect on the estimated beginning balances for 2016.

> Ms. Yano will update after each month.

**Mr. Hall Parrott provided testimony on the Proposed Budget.**

Mr. Parrott provided comments on the following:
1) $32M is for Revenues and $40.350M Expenses. He inquired about the deficit spending and asked what fund will this come out of?
2) The beginning balance is $19.364M but on line in the last year's budget, it showed an ending balance of $6,148,559; the numbers did not match.
3) **State Revolving Fund, Page 3 of 17** – The SRF is $1.130M in Grant Funds and $2M in Bond. Mr. Parrott's observations on line showed different agencies that contribute to the State Revolving Fund. The grants are specially linked to the communities and the number of people or monies that they are making. This is designed to reduce the cost of the project which does not go into the General Fund which is lost. There is no offset balance only the money coming in the General Fund. The SRF shows $2M; the $1.130M is shown as the full transaction which is washed through the General Fund (all columns).

Ms. Yano explained that the $2M was not showing under the transfer as this same amount was not shown as a receipt under the W/U General Fund; which is a wash. It can be shown as a non-revenue receipt with a “transfer out” to wash the transaction.

Mr. Parrott noted that it may be a wash but it does not track because it is split in two places which is being taken out of SRF where the money came from. For transparency, this grant is disappearing into the General Fund, which means it would be spent. He added if the money is kept in the SRF, it is tied to the SRF which is a matter to clarify (Refer to Page 3 of 17). The columns add up but asked if the SRF is being tracked?

**SRF/Loan Proceeds, Page 108** – is $2M for FY 2015-2016.
**W/U Loan Proceeds, Page 108** – is $2M for FY 2015-2016
The $2M is not shown on the receipt under W/U which is why a transfer out from W/U to SRF is not shown; this is directly credited under SRF.

Mr. Parrott commented that there is a lack of tracking of what is actually happening and breaking the bond. The W/U and SRF are tied together and where the grant is used to reduce the price and tied to the revolving fund.
➢ Ms. Yano will add a line item showing money coming in to W/U and money going out from W/U.

Transfers In (Out), Page 1 – The $2M if added will increase the transfer (out) to $2,235,524M and consequently increase the revenue receipts by $2M in W/U (a zero effect). The $2M would be included as Non-Revenue in W/U and a Transfer in(out). This is SRF loan proceeds or capital outlay reimbursement of expenditures. The differentiation with the proceeds from loan forgiveness is – the proceeds are treated as a W/U revenue.
➢ Mr. Dill requested Ms. Yano to follow up on Mr. Parrott’s comments 1 & 2 above.

Ms. Yano explained that the budget in prior years was prepared on a cash basis where actual cash balance at the end of the year was reported as the fund balance roll over. When Fiscal converted to the new system, Fiscal rolled over the payables and encumbrances which are reductions of the fund balance roll over. The estimated balance used as of February 2015 is the estimated unrestricted balance. Under this new budgeting process, Fiscal is not using the cash basis approach. The balance estimated at the end of the year may come close to $19M.

Budget Comparison, Page 2 – Budgeted Revenue is $32.8M FY 2015-2016 and Budgeted Expenses is $27.8M.

Bond Fund Balance, Page 1 – is $14.4M. Capital Outlays that are bond funded are not operating revenues. The Budgeted Revenue – is $32.8M.
➢ Mr. Dill requested to see the numbers and how last year’s ending balance of $6M vs. a projected beginning balance of $19.4M. Show the difference.

Ms. Yano commented that the ending balance in last year’s budget is not the actual cash balance at the end of the fiscal year because the budget was prepared using estimated beginning fund balance. This was a change made with the switch over to the new budget process. She will still show the actual cash balance at the end of the year. The estimated beginning balance changed when the budget format was changed. Ms. Yano provided the actual cash balances at the end of 2014 and estimated beginning balances.

Ms. Ho moved to receive the documents for the record; Mr. Strom seconded; with no objections, motion carried unanimously.
➢ Mr. Dill’s goal is to have the final approval of the beginning and ending balance.
➢ Ms. Yano will provide the Manager’s Report on the Proposed Budget FY 2015-2016 and will bring the YTD through March.
➢ Ms. Yano will include the amendments to the Water Quality budget.

A meeting on the final review of the budget package will be scheduled for May 15th at 1:30 p.m. with Manager Saiki, Ms. Yano and Mr. Dill which will then be presented to the Board.

Ms. Ho moved to recommend and accept the numbers in the proposed budget with amendments to the Board for approval subject to final review of the final packet for FY 2016 operating and capital budget package; seconded by Mr. Strom; with no objections, motion carried with 3 ayes.

At 2:56 p.m., Chair Dill adjourned the Finance Committee meeting.