

MINUTES  
FINANCE COMMITTEE MEETING  
September 9, 2022

The Finance Committee of the Board of Water Supply, County of Kauai resumed its meeting on Friday, September 9, 2022. Committee Chair Lawrence Dill called the meeting to order at 2:14 p.m. Quorum was achieved with 2 members present.

**COMMITTEE MEMBERS**

Lawrence Dill, *Committee Chair*  
Ka‘aina Hull

**EXCUSED**

Kurt Akamine

**PUBLIC TESTIMONY**

The department received no public testimony prior to the meeting, and there were no registered speakers.

There were two (2) guests who joined the meeting remotely.

**NEW BUSINESS:**

1. *Manager’s Report No. 23-03* Discussion and Possible Action on the Approval of the Department of Water (DOW)’s Supplemental Budget for Fiscal Year 2023 (*referred from August 25, 2022 Regular Board Meeting*)

Commission Support Clerk Cherisse Zaima noted there was one item to be received for the record, which had been posted to the Department’s website and made available to the public.

Committee Chair Dill stated that he would like a better understanding of what the original proposed number was in the budget that was approved by the Board, what the updated number is, and what is causing the change in the Supplemental Budget. Waterworks Controller Marites Yano explained that the Supplemental Budget consists of Purchases Orders and other Encumbrances that DOW has not expended, but that were included as part of the FY 22 Budget approved by the Board. The FY 23 Budget that was approved by the Board in May 2022 included estimated purchase orders and contracts to be encumbered. At that time the estimated Purchase Orders were \$16,083,221. At the request of Chair Dill, the Budget Resolution approved in May was provided to the Committee as a reference. Ms. Yano provided a recap of the Fund Balance Projections stating that the prior year encumbrances were at \$16 million during which time they were working on some contracts of which \$14 million was estimated to be encumbered. Because the budget was prepared in early April, the existing purchase orders at the time were reviewed, but within the 2-month period between May and June, they encumbered additional contracts that totaled approximately \$12.8 million; \$10.6 million was encumbered under the SRF funds. In response to Chair Dill, Ms. Yano explained that the \$10.6 million was not estimated as of April 2022 but is included under the Adjusted Balance line item ‘New Capital Outlay’ at the bottom of the page as they were able to encumber that at the end of the fiscal year. Referencing the prior year encumbrances under Fund Balance Projections line items ‘PO & Contracts’ and ‘Current Fiscal Year – Contracts in Progress’ that reflect \$16 million and \$17.3 million respectively, Ms. Yano explained that Page 4 of the Supplemental Budget presented today shows \$37.8 million in Capital Outlay, noting that the increase is a result of the last two

items – SAF and SRF – that total \$23.4 million. Manager Joe Tait asked to clarify how much of this came in after the Board approved the Budget Resolution in May. Ms. Yano explained that \$14 million were estimated to be encumbered for State grants, noting that only the grants that were set to expire by June 30, 2022 were encumbered.

Referencing the (WU) Water Utility/State Grants column under Fund Balance Projections, Mr. Dill asked why it reflects negative \$16,575,711. Ms. Yano explained that those resources are on a reimbursement basis, meaning the department spends the money up-front and submit a claim to the State for reimbursement once they spend any money on the project. She added that it is shown as a negative as there is no beginning cash balance. Mr. Dill noted under that same column in line item ‘Transfers (Out) it shows \$26,425,711 and stated he would assume that would be under ‘Transfers In’ to which Ms. Yano confirmed it was placed one line off in error.

Mr. Dill asked to clarify that this Fund Balance Projections worksheet is what was approved by the Board in May and asked if there is an updated worksheet that shows the changes for the Supplemental Budget. Ms. Yano stated she did not have one prepared but can prepare one for the Board meeting. Mr. Dill stated he would like to see those changes.

Mr. Dill referenced Page 4 of the Manager’s Report under the ‘Water Utility’ line item that shows \$12.5 million, comparing it to the Fund Balance Projections worksheet that shows an increase of a half a million dollars and asked if that was due to the actual being different from what was projected. Ms. Yano replied yes, noting that some purchase orders were encumbered before the end of the fiscal year.

Referencing Page 4 of the Manager’s Report Mr. Dill noted the ‘FRC’ line item reflects \$451,855 and asked what that number compares to in the Fund Balance Projections. Ms. Yano explained that the estimated rollover is about \$440,000 off. Mr. Dill stated for clarification that the total is \$451,000 but we projected only \$44,000 and asked what the reason was for that big difference. Ms. Yano stated that there was a drill and test at Kilauea costing \$346,000 that happened sooner than anticipated. Mr. Dill asked what the additional \$500,000 of the Water Utility was used for to which Ms. Yano stated there was a big encumbrance of \$250,000 for Professional Services relating to IT vulnerabilities.

Mr. Dill referenced the State Appropriation Fund (SAF) which shows \$12.8 million in the Supplemental Budget and asked to clarify that it corresponds to the \$14 million in the Fund Balance Projections ‘Current Fiscal Year – Contracts in Process’ line item to which Ms. Yano confirmed adding that the department is anticipating a \$14 million grant but have only encumbered \$12.8 million as of June 30. Mr. Dill asked why it is labeled Contracts in Process noting the terminology doesn’t provide a clear explanation.

In response to Mr. Dill’s request for clarification on the \$10.6 million under SRF, Ms. Yano explained they were not expecting to encumber it at the end of the fiscal year so it was put under the ‘New Capital Outlay’ line item in the amount of \$13 million.

Mr. Dill asked what the \$4.5 million under Operating Expenses on Page 4 of the Manager’s Report compares to on the Fund Balance Projections worksheet. Ms. Yano explained that it falls under the Water Utility General fund in Contracts in Process, noting that they had some encumbrances before the end of the fiscal year for as-needed construction monies for contracts. Mr. Dill again asked what the \$4.5 million in the Supplemental Budget compares to in the Fund

Balance Projections. Ms. Yano stated Operating Expenses are \$4.5 million and the ‘Prior Year Encumbrances – PO & Contracts’ and ‘Current Fiscal Year – Contracts in Process’ in the amounts of \$12 million and \$3 million, respectively, were for as-needed construction management services that were encumbered before the end of the year. Manager Tait questioned for clarification that Operating Expenses went from \$12.3 million to \$4.5 million to which Ms. Yano explained that the \$15 million that consists of both the ‘Prior Year Encumbrances – PO & Contracts’ and the ‘Current Fiscal Year – Contracts in Process’ can be compared to Page 4 of the Manager’s Report that shows \$12.5 million Water Utility and \$4.5 million of Operating Expenses. Mr. Dill expressed that he is struggling to see those comparisons because they are presented in two completely different formats. He pointed out that on the Fund Balance Projections worksheet there is an entry of \$30.8 million that’s called Operating Expenses. Ms. Yano asked that be disregarded, explaining that what is being discussed today is the comparison of the estimated purchase order rollovers before the actuals whereas the ‘Operating Expenses’ he is looking at reflects the new budget for FY 23. Mr. Dill stated what is being discussed today is the Supplemental Budget that was submitted for approval and what he wants to see is how it got from what was approved in May to what is being requested today. Ms. Yano stated what is being requested is what is shown in the top portion of the Fund Balance Projections. Manager Tait requested that a report be created in the same format that the Fund Balance Projections worksheet that would reflect the changes between the previously approved Budget Resolution and the Supplemental Budget. Ms. Yano stated she would reformat the report and provide it a the next Board meeting to which Mr. Dill stated he would like that by the next Finance Committee meeting.

Mr. Dill stated he will need to see that information in a format that better illustrates the information they are looking for. Committee member Hull agreed. For clarification, using the approved Fund Balance Projections worksheet as an example, Mr. Dill explained that he would like that exact same format used to show the Supplemental Budget numbers, suggesting additional columns be added to show those side-by-side comparisons. Board member Hull requested those drafts be sent to the Chair prior to the next Finance meeting to ensure it contains the information as requested by the committee in the appropriate format.

### **ADJOURNMENT**

The Finance Committee meeting recessed at 2:55 p.m. and scheduled to reconvene on Monday, September 19, 2022 at 2:30 p.m.

Respectfully submitted,

*Cherisse Zaima*

Cherisse Zaima  
Commission Support Clerk

Approved,

*kurt akamine*  
kurt akamine (Sep 26, 2022 09:31 HST)

Kurt Akamine  
Secretary, Board of Water Supply

# 09-09-22 Finance Committee Minutes

Final Audit Report

2022-09-26

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