

MINUTES
FINANCE COMMITTEE MEETING
April 28, 2026

The Finance Committee of the Board of Water Supply, County of Kaua'i was called to order on Tuesday, April 28, 2026 at 2:03 p.m. Quorum was achieved with 2 members present.

COMMITTEE MEMBERS

Eric Fujikawa
Micah Finnila

EXCUSED

Troy Tanigawa

Committee Member Eric Fujikawa presided over the Finance Committee meeting in the absence of the Chair.

PUBLIC TESTIMONY

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

NEW BUSINESS:

1. Manager's Report No. 26-39 Discussion and Possible Action on the Department of Water (DOW) DRAFT Proposed Operating and Capital Budgets for FY 2026-2027

Waterworks Controller Renee Yadao outlined the highlights of the FY2027 Draft Operating and Capital Budget Overview and went over the Summary Highlight document for each division.

Page 1

Organizational Changes

Effective July 1, 2026 the Water Quality section, previously under the Engineering division, will be renamed Regulatory Compliance and will fall under the Administration division in order to provide greater transparency and direct oversight by the Manager and Chief Engineer.

The Department is requesting three (3) new positions:

1. Customer Service Representative – support staff, coverage, and succession planning (Fiscal Division)
2. Payroll Technician – Position will operate out of County of Kaua'i Department of Human Resources to provide DOW payroll and Workday software support (Administration)
3. Procurement Specialist – additional procurement support and coverage for the Contract Officer; position is at top range as the goal is to hire at a level VI

Build American Bonds (BABs)

The Department received \$60M of the bonds in 2010. In January 2025, the County refunded the remaining principal of \$32.6M to Series 2024 General Obligation (GO) Bonds. As a result of the bond refunding, the Department must reappropriate the remaining encumbrances (\$9.3M), cash and investments balances (\$10.4M) to the Water Utility Fund. Awaiting advisement on whether we can proceed with reclassifying some old water utility payments and project expenses, and offset that with the remaining BAB in order to be in good standing with them. The County is doing this as well and are encouraging DOW to do so, but there is hesitancy to do so without that approval because it is difficult to undo once they have moved forward.

Vacancies

There are currently twelve (12) vacancies, one of which is being offered for an IT position in Admin.

Salaries and fringe benefits for all employees are approximately \$2.2 million which is currently being funded in our budget.

Page 2 through 4

1st Draft Cuts

Initial Draft budget would have resulted in exhausting available Fund Balance and leaving a Reserve Fund of \$5.5M. The Department went through a thorough review and scrub that resulted in a better outcome being presented today. Majority and large cuts to operational expenses were from Engineering, Operations, and Administration – IT Divisions. Additionally, department-wide cuts to overtime and out-of-state travel were made.

- Administration IT Division – SBITA and Capital purchases decreased \$855,000
There was a duplication error in the SBITA line item resulting in an data redundancy of \$380,000 that has since been removed; \$475,000 decrease to Capital Outlays for batteries and Great Plains upgrade.
- Engineering Division – Professional Services decreased \$1.8 million
- Operations Division – Capital Purchases decreased \$918,000
Committee member Eric Fujikawa pointed out the proposal to cut \$400,000 for the repair and replacement of the Administration building's A/C unit, which he expressed concern about noting that he has experienced being in an Administration building with no AC for a couple of years and it was not pleasant. Manager Tait stated that the Department had an outage about a year ago and though we will not be budgeting for a whole end-to-end replacement of the A/C system, regardless of the budget we will need to make sure at least the IT server room and the communications room has backup as those rooms must be temperature regulated.

Page 5

Overtime, Premium Pay

Overtime was decreased by \$333,000 across all divisions, and travel was reduced by \$163,000. Out-of-state travel has been significantly reduced Department-wide; and inter-island travel will be primarily limited to required training and certifications for Operations.

Page 7

Fund Balance

Proposed Operating and Capital Budget for Fiscal Year 2027 requires \$8.6M in available fund balance to cover revenue shortfalls and balance the budget.

A significant amount of outstanding purchase orders (POs) for outstanding goods, services, and construction contract balances of \$36M is reducing the available fund balance available for budgeting purposes. These are committed funds and cannot be removed unless the PO and/or contract is cancelled.

- a. Majority of this balance is made up of professional services and contracts tied to construction projects, of approximately \$27.1M;

- b. The spenddown of encumbrances follows the priority listed below:
- 1st priority - State Appropriation Fund
 - 2nd priority - Facility Reserve Charge Fund
 - 3rd priority - State Revolving Fund
 - Last priority - Water Utility Fund

Our estimated fund balance for Fiscal Year 2027 is \$10.4 million, in contrast to last year's number which was \$22 million. This decrease is primarily due to the revenues not being sufficient enough to cover our operational expenses and our debt service, and because we were not able to reinvest any monies. We have been cashing out the investments that are currently being managed by our County Treasurer to fund our payroll as the County's Department of Human Services manages our payroll. It functions like an interfund where we hold an account on their end which they use to offset the salaries being paid to our employees whenever they process payroll.

Proposed Operating and Capital Budget

Our total revenue is \$35.1 million, and our operating expenses are \$41.2 million; our revenues are not enough to cover our expenses leaving us with a deficit of a little over \$6 million needed to balance the budget.

Board member Micah Finnila asked if any calculations have been done to see how the proposed rate increase would offset this deficit for next year. Ms. Yadao stated that we were hoping to implement new rates effective July 1, 2026, but because of the lengthy rule change process, if approved, the increased rates would likely not take effect until November, so we wouldn't see any actual positives until year 2, possibly year 3.

Referencing the table on Page 8 of the Highlights where it shows that we would be spending \$6 million more than we are anticipated to gain, Board member Eric Fujikawa asked to clarify that without the rate increases, that \$6 million would need to be taken out of our reserve funds. Ms. Yadao stated yes, and added that if look forward to FY2028 without a rate increase, the revenue would stay at \$35 million, but our operating expenses would continue to creep up possibly another \$3 to 4 million. Mr. Fujikawa stated for clarification that it's his understanding that if the rate increase gets approved, it won't be reflected on customers' bills until November. Staff provided the Committee with information on rule change process which includes a review of the proposed rules by the Small Business Regulatory Review Board, and potential timelines.

Ms. Finnila referenced Pg. 7 and stated for clarification that the reserve fund is \$9.6 million, and we are using \$8.5 million of the \$10.4 million available fund balance, leaving us with \$1.8 million in fund balance and keeps the reserve fund intact. She asked if there is a sweet spot number in mind for the reserve fund to make sure it is adequate for emergency coverage. Ms. Yadao stated that yes, this budget leaves our reserve fund intact, but the amount is nowhere near what is desirable. However, at this point in time, without making any more cuts, this is what it is.

Ms. Finnila expressed her support and appreciation for what is being presented but also wants to be sure that the Department is able to deliver on everything that it needs to be successful. If that

requires tapping into the reserves, there is a bigger conversation to be had with the Finance Committee. However, if the Department feels confident that it can deliver with this budget, she wants to get behind them on that. Ms. Yadao stated that we want to keep this budget as it is as much as possible and they can chip away at other items, but the only way to make a significant difference is to dollar fund positions since salaries and fringe make up the larger expenses.

Mr. Fujikawa requested a copy of our org chart with the vacancies identified to help him further understand the vacancy situation. Referencing the paragraph at the bottom of Page 14 of the budget packet Mr. Fujikawa asked for an explanation of the adjustments for anticipated dates of hire and on-boarding in FY 2027. Ms. Yadao clarified that certain positions were budgeted for when they are planned to be onboarded, which may be only a partial year.

Referencing Page 15, Number 6. Mr. Fujikawa asked if the Water Purchases totaling \$1,934,935 are for what we are purchasing from the Princeville system. Ms. Yadao stated that it's in the Operating division for both Grove Farm (Surface Water Treatment Plant) and Princeville.

The next Finance Committee meeting is scheduled for Thursday, April 30, 2026 at 10:00 a.m.

RECESS

The meeting recessed at 2:53 p.m.

Respectfully submitted,



Cherisse Zaima
Commission Support Clerk