

MINUTES
FINANCE COMMITTEE MEETING
April 30, 2026
(continued from April 28, 2026)

The Finance Committee of the Board of Water Supply, County of Kauai reconvened its meeting on Thursday, April 30, 2026 at 10:00 a.m. Quorum was achieved with 3 members present.

COMMITTEE MEMBERS

Troy Tanigawa, *Chair*
Micah Finnila
Eric Fujikawa

EXCUSED

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 provided an overview of the updated Summary of Highlights and updated budget packet provided reflecting some adjustments that were made after additional internal budget meetings.

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Vacancies

The vacancy chart has been updated to accurately reflect the twelve (12) current vacancies. There are four (4) positions in recruitment, one (1) recruitment offer in progress, and two (2) dollar funded positions.

Fund Balance

The fund balance projection has changed from the previous meeting. There is an additional \$1.4 million anticipated to be encumbered prior to June 30, which will decrease the available fund balance projection to \$400,000 instead of \$1.8 million. However, the reserve fund amount of \$9.6 million is still intact, but is for contingencies.

Committee member Fujikawa asked for clarification from the last meeting where the question was posed about what the ideal number would be for the reserve fund. Ms. Yadao explained that there is a resolution for that 30% reserve, and as the Department is going through the rate process, the consultant has designed a different classification for the reserve policy that will increase that amount dramatically. Ms. Yadao stated she is not comfortable with the current number, but it's what we have to work with, so the goal is to implement these rate increases as soon as possible. However, it is a lengthy process and will take some time. The Department would like to get back to a place where we can bring in enough revenue to put away and reinvest monies in perpetuity. Manager Joe Tait stated that generally you would want to have 6 to 12 months of operating revenue in reserve.

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Administration Division

There was an overall increase of \$44,000 from the prior year. Ms. Yadao stated that prior to the budget being presented today, the Department did make cuts to the budget that was initially presented to the Board at the April 16, 2026 meeting. Some of the more notable cuts were to overtime and travel.

Committee member Finnila referenced the overtime, noting that the actuals from last year compared to what is being proposed is a tremendous cut. She asked whether this is feasible considering the workload. Manager Joe Tait stated that achieving the budget goals for overtime are unpredictable because water system issues that would require after-hours sampling cannot be predicted. Regulatory mandates that are new to the Department also make it challenging to know exactly how much overtime will be needed. However, the Board will be informed if the Department does exceed the overtime budget and be provided with a reason for the overage.

Committee Chair Tanigawa noted the significant reduction in the travel budget to which Ms. Yadao explained that mainland travel was cut in every division and limited to inter-island travel required for training and certifications. In the event something comes up the Manager will have to approve and should we go over budget, the Board will be informed. Manager Tait mentioned that there are virtual options for some training and meetings.

Manager Tait stated there has been a phenomenal amount of work happening in the IT section since IT Manager Brit Yates came on board. We are spending as much of the unspent funds as we can as Mr. Yates has been so proactive in lining up all the previously budgeted work that had not moved forward in the last 2 years.

Ms. Yadao noted a housekeeping item she caught to move \$325,000 from Professional Services for the Great Plains replacement to the subscription-based arrangements, so it's just moving from one line item to another.

Committee member Fujikawa referenced Manager Tait's comments about using up monies, noting that \$610,000 was budgeted for this year, but only \$23,000 has been expended. He asked if the Department is trying to use up the remaining money. Manager Tait explained that those funds were intended to be used 2 years ago, and the IT Manager has been working on getting programs installed to try and use as much funds as possible this year. IT Manager Brit Yates stated that there was approximately \$2 million budgeted when he started, and he anticipates the IT budget will be down to less than \$700,000 by the end of this fiscal year.

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Administration – Regulatory Compliance

Effective July 1, 2026 the water quality section under Engineering will be changed to Regulatory Compliance and will fall under Administration. The proposed budget reflects that change. Committee member Finnila referenced the Professional Services line item and asked what falls into that category to make it go from \$150,000 to \$344,000. Executive Engineer-Advisor to the Manager Michael Hinazumi explained that an emergency response plan for

UWIA compliance is required every 5 years; we are in year 5. First submittal of the plan is due by June 30, 2026 and second submittal is due by December 31, 2026.

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Fiscal - Billing

A new Customer Service Representative position is being requested for Billing for coverage, continuity and succession planning. Overtime has been cut largely due to the decrease in manpower needs that were dedicated to the transponder change-outs we went through. Travel and training expenses were also cut.

Committee member Fujikawa noted that there was a huge effort in changing out the meter transponders, and he asked how the use of the new technology has impacted the meter readers, and what is required of them now versus with the old technology. Ms. Yadao explained that the meters are still utilizing the AMR transponders, which allow for drive-by readings versus having to physically pop the meter box open to take manual readings with the older technology. Transponder technology did not change during this change-out, but they transponders were old and failing which resulted in incorrect or no data being picked up by the scanners. In those cases, the meter readers had to stop and do manual reads. In addition, there were supply and shipping challenges with getting the new transponders in a timely manner. This transponder change-out event was more reactive to the failures that had already occurred and were continuing to occur, so moving forward the Department will need to be proactive to avoid this type of mass-failure change-out. Ms. Yadao added that they did look into using cellular technology for the meters, but there are huge challenges with picking up the signal since our meter boxes are in-ground. Operations has been leaning toward installing technology that will allow customers to look up their usage, but our meter boxes are not readily equipped for cellular.

Mr. Fujikawa stated his reason for asking is that if there is technology that looks promising, it could be an investment in our future to reduce manpower costs considering we are going to have a lot of growth island-wide which will mean many more meters. If we are able to acquire technology that will assist with those drive-by readings, or a way to remotely gather data, that may allow for the team to be more of a trouble-shooting team rather than having to drive out to every single meter in service. Mr. Fujikawa expressed his interest in seeing the ability to have more advanced technology that can help reduce our labor costs. Ms. Yadao stated that she is also interested in looking at possible upgrades to the meter itself as technology continues to improve. Mr. Fujikawa agreed, noting that often times government is the last to adopt new technologies, and he would like to see DOW being pioneers in trying new things and establish proof of concept and seek higher investment in that area. He encourages and fully supports our staff in keeping their eyes open when they attend conferences and training as to what is available.

Committee Chair Tanigawa expanded on Mr. Fujikawa's comments related to training and asked if those types of conferences can be dollar funded in the event something comes up that may be beneficial. Ms. Yadao stated that with the potential rate increases anticipated for next fiscal year, she does not foresee her division doing any traveling, which is why she cut Fiscal travel to zero. However, she would love to budget for that in the following year to invest in staff training and improvement. She also noted that there are online training opportunities that she, herself, has

participated in. However, if a good opportunity does come about, she will definitely consult with the Manager to see how they can accommodate that.

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Fiscal - Accounting

Overall decrease of \$83,000 from prior year. The majority of overtime was due to the transponder issues with billing as well as software issues with the Great Plains legacy system; that software is planned to be replaced soon, but there will be a significant transition period. Because they receive Federal funds, Fiscal's budget is relatively small compared to other divisions. Primary expenses are for labor and fringe.

Committee member Fujikawa asked if the Great Plains upgrade will satisfy their needs and meet the shortcomings currently being experienced. Ms. Yadao stated that it will not be an upgrade, but rather a totally new software system. There will be a learning curve, but a newer software would be very helpful now and in perpetuity. This will be the system the accounting team will use for budgeting and financial statements. Mr. Fujikawa asked how this compares to the County's platform, and will DOW's software be different. Ms. Yadao stated that she is familiar with their legacy system, Central Square, but is aware that they too are looking for new software. However, they are functioning on a much bigger scale with multiple funding sources. There are a lot of options out there, but a lot of time and effort was put into researching what was best for the staff in charge of the financial statements and reporting.

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Engineering – Admin.

There are 5 active employees and 1 vacancy in this subsection. There is an overall budget increase of \$148,000 from the prior year which includes the salary increase for the Engineering class pricing as well as all the bargaining unit raises.

Mr. Fujikawa asked to confirm whether this Engineering Admin. section includes the Environmental branch. Ms. Yadao stated that the positions under that branch do fall under Engineering, but the salary for the CEVI Manager comes out of the Administration division budget; the CE V Pos. 2355 is intended to be redescribed to a lower classification.

Mr. Tanigawa asked for further information on the \$200,000 increase in Professional Services. Ms. Yadao referenced Page 89 of the budget packet which lists all the line item details that make up the \$2.8 million in Professional Services. Mr. Fujikawa asked if there is a further breakdown of the line items for Technical Design and Specialty Technical Engineering Services and Project Management and Inspectional Services. Mr. Kagimoto stated that he can provide an itemized list of that at a later time.

Engineering – Project Management

Overall decrease of \$106,000 from the prior year. Ms. Yadao noted that these Engineering subsections will really only list Salaries and fringe benefits as the other expenses will be listed under Engineering – Admin.

Water Resources and Planning

Overall increase of \$201,000 from the prior year, which is all salary related including the Engineering class pricing and bargaining unit raises.

Mr. Fujikawa commented that Board member Hull shared his thoughts at the last Board meeting regarding building permit reviews and turnaround times County-wide including DOW. He understands that those permit applications go the Engineering division for review, and we are going through this rate transition process to help support the Department in some of those areas. He would like to keep in mind additional ways that could ease some of those turnaround struggles whether it be with current staff, training or resources. He would like to ease that perception from the public and would be happy to discuss with the Engineering leadership ways the Board may help do that. He understands there is a vacancy in Water Resources and Planning, but even with that filled it may not be enough to keep up with demand. Mr. Fujikawa suggested a combination of training and staff resources and is very much open to proposals on how these turnaround challenges can be addressed.

Manager Tait stated that as part of the new proposed budget, there will be some staff movements. There are 3 or 4 really experienced Engineers in the Department, one of which is Dustin Moises who is currently upstairs in Administration. He will be relocated downstairs to the Engineering division to work on the process management of all the applications that come in, and to provide initial assessments of projects to determine whether they need design review, etc. There is a demand that is not being met and is something that needs to be addressed right now. Mr. Tait stated he will continue to get the right people in the right positions whose experience in their areas of knowledge can help move things forward. Mr. Fujikawa thanked Mr. Tait for those efforts and commented that when he worked at DOW on the Engineering team, it was very important for their group to respond quickly to public applications, even if it will take some time to complete, just to keep them informed. That's something to take into account when establishing processes and will help us go a long way. Manager Tait agreed and noted that most of the calls he receives are applicants wanting project updates. The hope is that in redirecting Dustin's experience downstairs to manage those processes along with ramping up recruiting those issues can be addressed.

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Chief of Water Operations Ryan Smith provided clarification on the Maintenance section that was reorganized the previous year. There is a Building Maintenance Supervisor position that did not exist before and the janitorial staff has been moved into that section. This section is responsible for maintenance, upkeep and alteration of any of the buildings owned by DOW such as the Baseyard, Administration building, remote site facilities, and motor control buildings. They are also responsible for maintaining tanks, pipes, site fencing, etc.

Mr. Tanigawa asked for clarification on the 80% increase in the Power & Pump sections. Mr. Smith explained that section was also reorganized and includes 2 Electrician positions, one of which was filled last year, and we just had a new Assistant Plant Operator join the group recently. In response to Mr. Fujikawa, Ms. Yadao explained the what is contributing to the budget increases are funding of the positions that are still currently vacant, the reorganization of

sections and redesccribing positions to a higher level, and a previously dollar funded Water Plant Supervisor position that is being requested to be fully funded next year.

In reviewing the budget line items for Operating Supplies and Inventory Stock, Mr. Fujikawa commented that whenever State Highways are able to do work in-house rather than getting a contractor on board, it definitely saves a lot of funds. State DOT is in trying to establish methods to minimize or reduce how much they rely on contractors and just wanted to put that thought out there. He acknowledged that it may be tough to establish, but suggested the implementation of a pipe replacement program or some kind of systematic process with the new staff coming on board doing planned repairs or planned replacements. He understands there is not a lot of money, and Mr. Fujikawa's impression of Mr. Smith is that he is an out-of-the-box thinker that may be able to spearhead something like that. Hopefully one day we can have a team of staff that systematically goes around the island on different routes doing pipe replacements; he would encourage something like that. It seems like we are working to obtain the equipment and knowledge and getting the right staff in place, and are doing pretty well in attracting applicants, so it seems like an attainable goal. Mr. Smith thanked Mr. Fujikawa and agreed that is the direction Operations is trying to go, noting that his crew loves the work they do, there is just not enough of them. They constantly get pulled on and off different projects, and its almost impossible to do things in a timely manner. However, if we had more materials, more trucks and equipment, they are fully capable of doing any of these projects in-house. Mr. Fujikawa stated that he understands the issue with crew moving back and forth between projects to where it may be cheaper to bring in a contractor at some point, but if we can focus on a goal to create a business plan to outline how we can achieve all these gains for the department, that would be a powerful group to add to the team. He commented that about a year and a half into his time with DOW during a time when the budget was tight, the Department was in need of a trailer, and our in-house team built one and got it DMV certified. He was surprised by the skills of our team to get that built and certified 100% by our guys. Based on his own department's initiatives in trying to find tasks that are within reach, Mr. Fujikawa thinks that having the equipment to do the trenching, recompacting and repaving could result in a lot of savings, and he would strongly encourage and personally support any initiatives to get something in place to achieve those results.

In response to Mr. Tanigawa, Ms. Yadao stated that the transponders are currently at 84% so we are at the point where the meter mechanics are replacing them as they fail. Mr. Tanigawa noted a \$90,000 reduction in this year's budget compared to last year to which Mr. Smith stated that thanks to Michael Mack, Krist'l Castillo-Gray, and Clarissa Amaral Operations have done two huge restocking orders of inventory that has brought them back up to where we should have been 2 years ago, which is why we can reduce that number for next year.

Mr. Fujikawa expressed what a great job the Fiscal division has done in filling their positions to 100%, which is impressive.

Mr. Fujikawa asked if there will be a presentation on the CIP portion of the budget at some point to which Engineering Division Head Jason Kagimoto offered to provide a few updates now. With the financial situation we are in now, the primary focus is to complete the existing

construction projects in progress. The money that is set aside here is to account for potential change orders with the existing construction projects.

Page 124 of the budget packet

- \$300,000 for potential change orders
- \$400,000 for Hardy-Oxford Main replacement project – they have been seeing much more unanticipated utilities in that corridor
- Our phone system relocation to reroute the electrical conduit to de-energize the old Admin. building is moving forward; Hawaiian Tel will be on-site Monday to start moving copper into this building followed by a splicer being on-site Thursday or Friday to make the connection. Once IT moves the router and switch out of the old building, we are live and off the old circuit
- Kapaa Homesteads project – monies for both potential change orders and for the drain line package
- Kilauea Puu Pane Tank project – due to Michael Hinazumi’s efforts, DOW received \$1 million in Federal money; current focus is getting existing construction projects completed and keeping things moving forward while being conscious of our financial situation

Engineering is currently looking to identify other projects that they can move forward with via SRF loan, which offers the advantage of not requiring us to make debt service payments on any construction specific project loans until the construction project is finished. They intend to bid out the Haena 0.2 million gallon tank and have several projects currently in design that are anticipated to be ready in FY28. The UH experimental station and Kuamoo are the next in line to get bid out; they are utilizing the Federal cost-cutters for all of those, or SFR loans.

Mr. Fujikawa asked if the intention to demolish the old Admin. building this fiscal year once the electrical is removed. Mr. Kagimoto stated ideally we would as we could utilize the area for a multitude of things, but weighing all of the needs we have, it isn’t a priority. The budget status could be revisited mid-fiscal year to see if we are able to pivot to other things that may have initially been removed from the budget. Manager Tait added that we are still currently using the old building to store some of our inventory storage.

Mr. Tanigawa asked if there are any ACM materials remaining in the old building that may potentially need to be tested. Mr. Hinazumi provided an update stating that an Engineering study was done and there are asbestos tiles that will need to be taken care of and will be part of the demolition permit. DOW did apply for a demolition permit, but it has since lapsed so we will need to reapply. There will be some cost impacts due to the hazardous materials.

Mr. Fujikawa thanked Mr. Kagimoto for the big list of updates provided, noting that it sound like the potential rate increase will keep us moving forward. He appreciates the energy the Engineering team and DOW is putting towards getting things to construction and having the foresight to look at upcoming years. A lot of the CIP budget is finishing up current projects, and is assuming a lot of the Professional Services are gearing up to culminate the design side of projects that are anticipated to be ready in FY28/29 when the funds could start increasing for CIP work. He feels it is important to continually show the community that the work is being put to good use.

Mr. Fujikawa asked if all of the projects listed will result in impacts to water meter restricted areas or are there other hurdles to get over. Mr. Kagimoto stated that both the Kapaa Homesteads and the Kilauea area need both source and storage and while moving ahead with tanks in both areas will be a big help, without the source, it won't remove the water meter restriction. He added that in the ongoing project related to Kilauea, a contract has been amended to include a consultant who is working on identifying a potential well site on the northern portion of the Kilauea water system. A draft report is expected in mid-month, outlining several locations for potential well sources. The team is collaborating with housing to move forward with several projects for drilling and testing in this area.

Mr. Tanigawa asked for an update on the Hanalei Waterline Replacement Project. Mr. Kagimoto stated that the contractor has been doing a lot of work recently despite juggling a number of projects and are about 90% done on Weke leaving 2 major street remaining: Anae and Mahimahi. They have been putting in 10-hour days to try to stay within the contract time and have been doing really great work.

Mr. Tanigawa asked for an update on the Kapaia Cane Haul Road 18-inch main project. Mr. Hinazumi explained that this project is currently on hold. The Department has an existing contract with H.E. Johnson for approximately \$3 million, but that is in 2016 dollars. We are about 18 months away from the EIS being cleared, and once that is done then both Grove Farm and DOW can start doing construction. Mr. Tanigawa asked who the accepting authority will be for the EIS to which Mr. Hinazumi stated that the Board is the authority for the EIS because a previous Board had requested the Department initiate acquisition and dedication of the Surface Water Treatment Plant, and at some point, an expansion of that plant. Mr. Fujikawa asked to clarify that the construction contract is still active, but on hold to which Mr. Hinazumi confirmed, adding that the reason we have not killed the contract is because it has about \$1.5 to \$2 million of State Legislative money, and if we cancel the contract the money goes back to the State. So, the contract is suspended but there will be a significant change order once everything clears up.

Mr. Fujikawa expressed his appreciation for what the Department has done to stay within budget and not touch the reserves for 2026 and thanked the team for providing explanations on the budget that he did not previously know. From what he is hearing, he is encouraged that the team here has the right intentions and are responsible enough to keep fiscal responsibility in mind as we accomplish things. When the potential rate increase rulings come into play, he is excited to see what else the Department is capable of accomplishing with this team. Just knowing the steps that were taken to make the budget a little leaner for the upcoming year helps him realize that we can continue in this fashion, and when additional funds do come in, it will be managed with due diligence and responsible decisions on where we add new staffing, new equipment and new initiatives. Mr. Fujikawa stated that while he did share some of the things he had in mind for the longer term, if we're lucky we may be able to implement these things sooner.

Mr. Tanigawa expressed his appreciation for the staff's time and effort that was put into preparing this budget. He did notice areas where costs will unavoidably increase such as contracts, salaries and other things out of our control and sacrifices were made in other areas to cover that. He added that the team dug deep and found areas where you could make do with less

and he greatly appreciates the effort put in. This was his first time on the Finance Committee, and he appreciated the education he received during this budget process.

Committee member Eric Fujikawa moved to refer Manager’s Report No. 26-39 back to the board for discussion and decision-making with a recommendation for approval of the Operating and Capital Budgets for FY 2026-2027, seconded by Ms. Finnila; with no objections, motion carried with 3 Ayes.

ADJOURNMENT

The meeting adjourned at 12:03 p.m.

Respectfully submitted,

A handwritten signature in cursive script that reads "Cherisse Zaima".

Cherisse Zaima
Commission Support Clerk