Recessed Finance Committee Meeting

April 16, 2013
8:00 a.m.

Recessed on April 12, 2013, the Finance Committee reconvened on Tuesday, April 16, 2013, in the Second Floor, Microbiology Lab building. Chair Dill convened the Finance Committee meeting at 8:06 a.m.

Committee Members Present: Larry Dill, *Chair*, Clyde Nakaya

Board Members Present: Randy Nishimura, *Board Chair*

Staff Present: David Craddick, Kirk Saiki, Marites Yano, Keith Aoki, Sandi Nadatani-Mendez, Joy Buccat, Dustin Moises, Val Reyna, Aaron Zambo, Mary-jane Garasi

CORRESPONDENCE

Chair Dill received for the record correspondence from Board Chair, Mr. Nishimura regarding the Deferral of Water Rate Increases.

Department of Water County of Kaua'i

Water has no substitute.......Conserve it

RECEIVED FOR THE RECORD

MEMO

To: Mr. Larry Dill, P.E., Finance Committee Chair

From: Mr. Randall T. Nishimura, Board of Water, Chairman

Date: April 16, 2013

Subject: Deferral of Water Rate Increases

It is my understanding that the Department is recommending deferral of water rate increases to January 2014. The Department has proposed its budget for FY 213 – 2014 approval based upon that assumption. While I am delighted that we are potentially able to afford this, I want assurances from the Department that such deferral will not have a negative impact on either operations or our operational and debt reserves.

Please have the Department transmit these assurances as part of their budget report to the Finance Committee and the Full Board. Further, I would like to see options for dealing with any potential shortfalls during the fiscal year as part of the manager's report to the Board.

RTN:ein

Board Chair, Mr. Nishimura's correspondence confirmed statements from the last Finance Committee meeting on April 12th that any deferral will not have a negative impact on either operations or operational and debt services. Options from the Department were requested dealing with potential shortfalls during the fiscal year to the Full Board in the manager's report.

6. **NEW BUSINESS**

Manager's Report No. 13-40 - Draft FY2014 Budget

a. Draft FY2014 Budget
   i. Operations Budget
   ii. Accrual Budget Format
   iii. Capital Budget
   iv. Recommendation to Board on Rate implementation for first half of FY14

Chair Dill reported the Finance Committee came to a consensus on the operating budget.

Manager Craddick presented the update on the budget by saying the Build America Bond (BAB) subsidy may be reduced by 8.7%. The earlier proposed subsidy was 35% but of the 35%, 8.7% would be gone reducing the subsidy to 32%. The subsidy for water utility was $715,615 and FRC was $306,692. (Tab 14) There was a reduction in the Department of Water (DOW) operations, administration and micro lab budget of $200,000 which could be spent on the new building to be built next year. Money spent on the existing building would be revoked because it would require displacement of staff in the building. The budget would have extra money if there are other things that need to be done. The air conditioner is on its last legs and may not last another year. Moisture could be coming up from the slab due to mold issues. The removal of the carpet could be done due to breathing problems in the office.

As a result of the changes in the BAB subsidy reduction, Chair Dill noticed there appears to be a reduction in the total resources.

Manager Craddick indicated there would be a wash in the $100,000 lost in subsidy with a $200,000 drop in expenditures.

Ms. Yano explained that the 8.7% reduction on the BAB subsidy was from the opinion letter received from the bond counsel which was taken from the original amount of $715,000. The BAB subsidy would go down from $715,000 to $653,000 which is a $62,000 reduction from the budgeted 2012 – 2013 on the proposed 2014 budget. (Tab 3) Ms. Yano calculated 91.3% x $306,692 should equal $280,000 for the 2014 budget which clarified the $62,000 reduction. (Tab 14)

The Department's EUTF rates for medical premiums were budgeted at 60%/40%. The Department will pay the 60%. Ms. Yano was unsure of the sharing proportion but if the Department's proportion becomes 50/50, this proportion would be safe. No other operating items will affect the budget.

Two (2) items options were noted: 1) $5M in the CIP reserve could be brought back into the operations budget if inter-fund borrowing is done and 2) The debt reserve is currently being funded for two (2) years. If this was spread out for more years, this year less money would be put in. A decision should be made if the budget is passed to fund in two (2) or four (4) years at $2.1M (½) of what is needed in the total CIP reserve and debt service at $4M. Any leftover balance can go to the CIP reserve.

Chair Dill commented that to get the debt reserve in place is to demonstrate to the potential lenders the Department's debt managing responsibility.

Manager Craddick recommended to fund in four (4) years and did not foresee the Department borrowing bond money for projects during this time frame. It would be the Finance Committee's choice to fund in two (2) years. Four (4) years out may be difficult as time goes on.

Board Chair, Mr. Nishimura suggested Manager Craddick provide different scenarios (i.e., 2, 3, 4 years) of the plus/minuses of what the Department would propose and where the excess monies would go specifically if it does not go to the debt reserve. If the rate structure can handle more jobs, it could go to the debt reserve to free it up for operating expense.

Chair Dill agrees with Board Chair, Mr. Nishimura because the budget adequately funds the operation expenses. If the funds are put in the CIP reserve it could allow the Board to authorize a transfer from the CIP reserve because this is the justification given to the rate holders.

Manager Craddick clarified that it would not be a transfer but would be an inter-fund borrowing Board Resolution. If the FRC fund could borrow money and pay it back with interest, it could remain in the CIP reserve or in the water utility fund. The water utility fund has no access to tap into but could borrow from the CIP reserve. This was done in the past without the Board's recognition. When SRF monies for projects came in the mid 2000's, it went into the general fund instead of the FRC fund. There was no paperwork to memorialize that transaction.

The debt service reserve can be increased any time. It would not look good to put the money in the reserve and later take the money out to do a project. To roll back the rates would be better and to put it in the CIP reserve. In January, the funds could be taken out of the CIP reserve to fund the debt service reserve.

Manager Craddick would provide a report to the Finance Committee on the Department's proposed options of putting monies in the debt service reserve or in the CIP reserve.

Board Chair, Mr. Nishimura inquired what potential contract increase percentages would the Department consider in the bargaining agreements.

Civil Engineer, Mr. Aoki explained that the Hawai'i Government Employees Association (HGEA) negotiated separately but he is only familiar with Bargaining Unit (BU) 13. HGEA advised the members that proposed negotiations may bring back step movements and a 4% increase in pay in alternating years (i.e., one year a step movement, then the next year there will be an increase in pay).

Collective bargaining over 5% is included in the budget. Ms. Yano indicated the step movement is usually 4-1/2%. But if the wage was restored to what it was, plus a step movement, then the increase would be 9%. The budget can be funded now for the 9% or can be set aside if another increase occurs. Manager Craddick suggested holding the 5% and rolling it over to next year if it becomes 9%. It was agreed by Chair Dill and Board Chair, Mr. Nishimura that 5% is reasonable for the Department.

Manager Craddick commented that it is possible to return $20M on the debt service since $40M was spent out of the $60M. The $20M could be used to pay down the proceeds and debt service proceeds.

Board Chair, Mr. Nishimura thought the bond could not pay down the debt and suggested Manager Craddick request a determination from bond counsel if this is allowable and if there are any options.

Manager Craddick questioned why would the Department consider this? $60M could be used for expansion projects that lend themselves to debt service payment because they are not recurring jobs.

Many projects were not on the BAB list. The shifting of priorities is the reason the Board has to amend the Resolutions every year.

Board Chair, Mr. Nishimura requested to see the capital list, a list of priorities and source of funding. By sifting through the various projects, it was difficult to determine what the status is.

The BAB and CIP projects budgeted at $21,970,680 for FY 2013. Some jobs were contracted and need to be paid out. FY 2014 was budgeted less at $400,000. The CIP projects of $10,751,838 are estimated payments contracted in FY 2013 but was budgeted at $10.9M. The estimated column can go up or down and the FY 2014 payments could be higher. (Tab 15)

Discussion continued on the BAB encumbrances for the land acquisition which was approved by the Board for $121,000 (Moloa'a project/Mr. Davey Jones). There was never an agreement on the price of $190,000 that the Board approved. (Tab 15)

Job 02-06, Kīlauea 1.0MG Tank encumbered $4M but was not budgeted for FY 2014 because Manager Craddick initially wanted to have the well done in 180 days. Since there were no bids, an extension of 280 days would ensure that a good well would be built before the tank was put in. The bid will be advertised in May and awarded in July or August.

K02, Drill & Test Kīlauea Well #3 encumbered at $750,000. The same amount was budgeted for FY 2014.

The Department plans to spend $5M cash fund from the water utility fund on the K-01, Yamada Tank (Nursery Tank) and Connecting Pipeline project. The Nursery tank is 100,000 gallons which replaced a 500,000 gallon tank (20% replacement). Clear Well has a new tank which takes 500,000 gallons (50% replacement). The pipeline goes from the Nursery tank to Clear Well to the existing Kalāheo 908/Puuwai.

Mr. Moises explained when the SRF list replacement and rehab jobs were redone for the fiscal year, the Department reviewed projects which were sufficient to use SRF funds as opposed to the BAB. The $7M consists of four (4) different packages in the design: Package A Clear Well, Package B Yamada, Package C and Pipeline and Package D were various PRV stations. The $7M estimate for the packages would not happen in the next fiscal year. Projects would be done in segments and would depend on project plan approvals through the different agencies and be out in approximately two (2) years.

Ms. Yano clarified that K-01 Yamada Tank was reduced by $1.5M and initially budgeted at $5M for the water utility fund. $4.5M has been encumbered for 2012-2013 and will be reduced by $3M because of the SRF. The BAB $5M notation will be taken out and corrected. (Tab 12)

The Eleele pipeline project for the affordable housing is not part of the budget which Manager Craddick confirmed. Infrastructure would be set back for one year. The project could be completed the following year if state money is available for design, then construction could move forward. The Department could assign money for the design but is not a priority. The Department has had meetings with the county's affordable housing agency and has indicated they have no money or anyone to do the project. Habitat for Humanity is not impacted by the pipeline project or their subdivision. There would be an impact on the system if the Department loses the Eleele pipeline project. Affordable housing started their preliminary water plan which could take one year. If the Department does the pipeline design it would take a year also. The design cost is approximately $4,000 or $5,000. Civil Engineer, Mr. Aaron Zambo verified that the design was not budged or planned for this year.

Board Chair, Mr. Nishimura questioned if 11-06 Rehabilitate Moalepe Tunnel and Access Road, WK-02 Akulikuli Tunnel and Kokolau started this year or not. (Tab 15)

Manager Craddick explained that a study is being done by AE Com on all of the surface water plans and Kokolau. AE Com has not made any recommendations on what the Department should do. From a meeting regarding the high level well, a group is threatening designation on a portion of the island which is the stream that feeds into Menehune Fish Pond on the side of Niumalu water surfaces. All three (3) tunnel projects are not ready for construction. The feasibility study should be done in several plans which may be a package plan that includes design. No monies for design have been budgeted.

Board Chair, Mr. Nishimura indicated that the tunnels may or may not need remediation depending on how bad their condition is. This would eliminate pumping costs which the Department wants to avoid and is not reflected in the budget.

Manager Craddick recommended that Kokolau would be getting rid of pumping costs. It is the only available source in Līhu'e which could start soon. The study is looking at the two (2) tunnels and Alexander Dam. The Moalepe Tunnel is located in Kapaʻa Homesteads which is live. The improvements are in the tunnel and the access road with the pipeline is going to Makaleia Tank.

Chair Dill was hoping to see a report and the status on the Capital Improvements that would help the committee understand the expenditures for the new fiscal year.

Mr. Zambo and Mr. Moises updated the following BAB projects (Tab 15):

K-01 Yamada Tank - 89% completed; pending land issues

PLH-39 Baseyard Improvements – 99% construction completed; pending Public Works comments. Constructions for water, sewer and building would use $8M.

Board Chair, Mr. Nishimura raised a concern that $8M out of $20M would be a lot of money for something that will be not provide water and would not perceive well for the Board and the Department. It would be better to dollar fund some projects for energy savings.

Manager Craddick confirmed that 1/3 of the debt would be paid from FRC funds which are expansion related. Some of the staff have been out sick almost weekly. The Department would like to avoid any law suits that deal with health issues. This is the biggest reason the Department is pushing for the new building.

Major renovation would be needed to remove the entire air conditioning system and to rip out carpets to eliminate the environment issues. Room to work in would be limited during a renovation. A study would not be necessary to justify that the existing building would cost $5M for a renovation. The new building would also house the operations staff who are already crowded in their work areas. Operations should be used for the shops. Separate areas would be designated for welding, the carpenter shop and the diesel fumes. The Department could rent a place and renovate faster. This would be the perfect project for bond financing and to get the construction of the building done.

Mr. Moises further explained that the original master plan reflected renovating the existing building but the construction cost was high. Compounded costs would include relocating the operations staff to trailers or to different locations. The consultant recommended the triangle lot for the new building to provide better interaction with customers after Manager Craddick suggested the lot.

When Manager Craddick first started with the DOW, $200,000 and $600,000 was budgeted for years to move staff from the front office to the Microlab building. There were also plans to have another access to the base yard during 911. Extending the existing building around and to chop the other building up could have worked. The building is still useful and the outer wings are new which could house the operations staff. The center portion could turn out to be a warehouse without doing expensive work.

The land was worked on for years which were rezoned. The subdivision portion is with the Planning Department and will be cut up into four (4) lots. The subdivision plan was submitted in February and approval is tentatively expected at the end of the year. A temporary TMK will be given by the Building Division. The Department will do the offsite work. The building permit would be done by the time the offsite work is completed if the new building moves forward. The land was given to the Department in gratis from the county in exchange for putting in sewer lines, electrical connection and water connection. The overall plan has been worked on since the inception of the 2020 plan. The new building was initially envisioned on the Department's own property.

Chair Dill remembered a previous Board meeting discussion to look at the options for development and funding for design. It makes sense that the parcel should be a DOW asset because it is contiguous with the current operation. Chair Dill is still not comfortable with the project in light of the current circumstance. It makes sense in the long term but the Department and Board is having a challenging time with the FRC being accepted by the public. If the public understands that part of the FRC increase it is to pay the debt service for a million dollar new building, this would be a very difficult pill to swallow. Chair Dill was assured at the time, when the Board voted on the design funds that it was not the vote. The construction funding would come back to the Board. There are ways of mitigating the mold issue in the existing building without building a new building for $8M.

Manager Craddick explained that the Department will add a cost estimate to the BAB. Last year the other $4M was funded in the water utility fund to make it half/half. It was not appropriate to fund this with cash because it is a long lived asset and is not a reoccurring project. Since the engineers estimated the cost, there was no bid for the construction cost estimate which could be less. There are ways to reduce the cost but not with SRF funds. The Department could possibly get SRF funding for the photo voltaic.

The Department did not provide the consultants a construction estimate. Because the consultants did not know the bidding environment on Kaua'i, they thought the cost would be less than $7M but submitted an estimate of $8M.

During last year’s budget time, the estimate was $6M which got bumped up to $7M which was Mr. Moises’ estimate. The $4M were approved by the Board and budgeted for the Moloa'a and Grove Farm tanks. If Moloa'a and Grove Farm tank projects did not happen, the Department would come before the Board to take the money which was funded for the tanks for the new building.

Design bids out but the cost has been rising which Mr. Moises has been trying to keep down without making a shell. There is a 50 year planning horizon for the building which is expansion. In regards to the FRC, staff is being counted towards expansion. The Department has been struggling if the expansion is on the number of staff or is it how staff will deal with the water expansion. As the Department goes forward, the percentage needs to be determined if the new building is considered 100% replacement or 100% expansion.

The Finance Committee was struggling on the proposed increase of the FRC. The Board previously mentioned it is appropriate to build a new building but the *timing* is the problem and suggested to have a discussion at the full Board level.

Mr. Moises also suggested to the Finance Committee that budget was based on an estimate. The Department could advertise to get a price, and then come back to the full Board to review the funding. If the Board does not approve the building, then the Department will not go forward.

Board Chair, Mr. Nishimura agreed with Chair Dill and Mr. Moises that the timing is not good. It was not known that the plans accommodated phasing. Overall costs would drive the cost up substantially but primarily the savings would be on the finishes (use for storage) or for the building to house operations and IT. Board Chair, Mr. Nishimura cannot see furnishing the building with one person getting a large office. The perception to the public would be poor. Manager Craddick pointed out that the largest office would be the Board room.

The current plan is not to phase the construction. Mr. Moises suggested that the top level would be built first, then later go vertical, then build the whole building.

Manager Craddick recommended moving the estimate to the original $6M so that the bidding prices could come closer to $6M. The previous estimate was not $4M, as clarified by Mr. Moises, but there was an estimate of $6M with an additional of $2M. The new building is best suited for debt financing. Debt financing would probably not be used to refurbish the existing building and the operations.

Chair Dill recommended delaying the approval of the BAB funding to a later date after the committee sees the hard costs. A zero proposed new addition was suggested for this budget and to defer this until later in the year if there was a bases for the new building. Board approval would be needed before bids are made.

Manager Craddick commented that an appropriation of $1 could be put in. If the Board is not going to fund the new building at all then there is no sense to fund it at any amount based on the perception issue.

Mr. Moises provided the building size of 15,000 sq. ft. which costs $300 to $400 per sq. ft. The site work is within the $7M.

The Finance Committee would propose a recommendation of the additional $2M which will be discussed with the Board. The $2M would be put back into the Yamada tank.

WK 39, Drill & Test Kapa‘a Homesteads Well #4 – Passed for bidding. This is an exploratory well which the DOW bid on above the estimate. There were concerns on where the test water would be. This was intended to be packaged with Kapahi Tank.

Manager Craddick mentioned the design was done by DOW. If the Kulikuli project moves forward, a tank would be needed. The existing tank would be converted. Before the project moves forward, the well drill could be done by the end of the year. The county has shifted their affordable housing direction towards Eleele.

Mr. Moises explained that the 2014 budget of $750,000 is conservative. The sole contractor put in a large contingency because the DOW did not have a mechanism to discharge the testing water during drilling. The adjacent land owner did not want the easement to be used. The contractor would have to put in a temporary drain line for drilling purposes. A drain easement for the tank is being blocked by the land owner for the new tank. The well would have to be re-bid.

H8, H12, Hanalei Well – 60% design completed.

H8, H12, Wainiha Test Wells – Design is completed and is in the process of being passed for bidding. $750,000 is for construction.

Job 11-01, Replace Grove Farm Tanks–60% design completed; dollar funded and contingent on the Safeway project.

WK K02, Drill & Test Kīlauea Well #3 – 99% ready to go.

Job 02-14, Kapahi 1.0 MG Tank – 98% completed; specs are getting ready for bid.

Job 02-12, WK-12, Waipouli Main Replacement – Kūhiʻō Hwy – dollar funded last year but used the water utility fund; out to construction.

Job-04-03, WK-30, Pipeline Replacement along Waipouli Road and Olohena Road – cash funded; in construction.

KW-28, AMFAC Well – Submitted engineering report; a better design contract is being negotiated due to a high proposal.

Job 10-01, 'Anini Pipeline – Phase 1 – 90% completed and ready to go in two (3) months, construction will start approximately when funds are available. Phase 1 will go from the Princeville system to Princeville system. Mr. Zambo will re-verify the start and end locations. Phase 2 – not complete.

Job 11-05, Omao-Lāwaʻi Pipeline – 60% completed.

Job 11-06 Rehabilitate Moalepe Tunnel and Access Road – No submittal received yet and working with the consultant.

Job 11-07, Hanapēpē & Kōloa Well MCC – Began design and MCC improvement; change order was received. The Kōloa Well construction would probably not be done at the end of next year based on past performances. A proposal was received for the Hanapēpē Well, a replacement job; no design bid has been put out yet.

Job 11-08, Po'ipū 1 MG Tank – Pending procurement of a consultant.

WK-02, Akulikuli Tunnel – (no additional discussion made)

The total BAB fund balance came to $21M. The Department needs to find funding for dollar funded projects and not necessarily from BAB funds. If replacement projects are not funded from BAB then it gets funded somewhere else.

The Waipouli project is cash funded from the SRF which was funded initially from the water utility fund. The Department of Health (DOH) will reimburse the water utility fund.
Chair Dill requested to have a list of projects showing 1) project cost and 2) where the funding is coming from.

This may be the argument to not defer the rate increase because these projects may need to be funded through the rates.

The replacement projects or water utility projects were underfunded this year at $5M. Board Chair, Mr. Nishimura questioned if this should to be funded at $10M a year. Manager Craddick indicated in a couple of years this could be funded at $10M. Initially it was funded for $7M a year. (Tab 12, page 10).

Chair Dill exits the meeting at 9:53 a.m.

The BAB pipeline projects are in design. There are other projects not in BAB but in the design pipeline. The DOW could hold off on the rate increase this year, because there are not enough jobs to fund this year.

Board Chair, Mr. Nishimura suggested that if the DOW needs funding in a year, then the rate increase should not be deferred. Justification for the Board is needed for deferring or not deferring and where the impacts will be and/or which projects will be put off.

Manager Craddick is aware that no jobs will be put off due to the delays and no construction will begin this year.

The balances of the reserves and operations spending may be affected. If the Department receives the money, Board Chair, Mr. Nishimura would fund the reserves. A suggestion was made to have a five (5) year plan to show the status of all the jobs until completion.

Chair Dill re-entered the meeting at 10:00 a.m.

Millions of money were spent on the Stable Tank. There was no restrictions on this system with no demand to use it. Two (2) projects in Waipouli may come back on line. Board Chair, Mr. Nishimura inquired if these projects would be affected by Stable Tank. Manager Craddick mentioned that they are source and storage projects. The Department is moving forward to do the well. The county may need to have a better way to move forward on their projects regarding job prioritization.

If several dollar funded projects do not get funded in the BAB and if the BAB money runs out, these projects would be pushed back to the capital replacement funds. In this case, Manager Craddick recommended doing the rate increase.

Board Chair, Mr. Nishimura discussed the decision to defer or not defer is to avoid two (2) rate increase jobs because projects become suddenly ready. He suggested to have the rate increase and would push the Department to get the projects out sooner. $5M of added projects for this fiscal year are on the utility side. The rate increase was premised on $7M to $10M a year but now there is a lag. If there is a catch up on the design side and by next year there are $8M worth of projects available, the Department would still be short. The rates would be bumped up twice during the year. If projects keep sliding, the Department will never catch up. Board Chair, Mr. Nishimura questioned why didn't the Department base the water rates increases on a slower rate of what was needed?

Manager Craddick explained that the projects have already slid and there needs to be a better grip to move projects in a timely manner. It is the Board's decision to defer two (2) rate increases to the next calendar year. The deferral of six (6) months could result in two (2) increases within the same calendar year or have the slid rate go for the entire year. The last year with at a zero increase would now have half the year moving back, instead of a zero increase. The increase could spread throughout a five (5) year period instead of four (4) years.

Chair Dill assumed that the schedule deferrals would move back six (6) months. This deferral would move from July 1st to January 1, 2014. The subsequent deferrals scheduled would be for the following year on July 1, 2014. He questioned if that deferral would remain in place.

Board Chair, Mr. Nishimura raised concerns on the rate increases that are placed on the rate holders based on construction. If the rates are deferred, assurance needs to be made to avoid inflating the operations budget and to hurt the reserve budgets at the same time. The projects in the CIP and reserve budgets seem high which means that the Department needs to get the projects out.

Chair Dill inquired if the whole rate increase would slide into next year's project schedule.

Board Chair, Mr. Nishimura indicated there will be construction increases soon. The Department will be in the same position from five (5) years ago where they could not afford to do projects.

Current projects would start July 1st and the next rate increase to start on July 1st as scheduled according to Manager Craddick. The Finance Committee has not made a final decision to recommend deferral on the rates. The Board will need to take action if the rates are deferred. The public hearing would not happen by May 1st but probably would be completed by July 1st. If the committee recommends deferring the rate increase in six (6) months, the Board needs to be aware of this. The CIP reserve is at $7M which can go up/down depending on the actual numbers at the end of the year. (Tab 12, page 1). The FRC should not be deferred beyond January 1st.

Board Chair, Mr. Nishimura suggested that the Finance Committee report to the Board that if the rate increase is not approved by October 2013, it could be deferred for half a year. He questioned what if the rate increase is not approved by February or March 2014, what would the financial impacts be?

Manager Craddick explained that the Department would have to prove the rate increase with inter-fund borrowing. Projects that are 60% to 90% ready to start within the year, inter-fund borrowing would probably start August 2014. If the FRC is not adopted in October, borrowing could come from the CIP reserve which could take the rate interest until January 1st. \

Mr. Nakaya referenced the Finance Committee draft report that the proposed rate deferral is based on the proposed revenues and expenditures. The Finance Committee had final changes on the BAB before goes before the Board.

Mr. Moises reported that two of his staff vehicles are breaking down and operations recommended the vehicles be replaced. Both vehicles have 100,000 miles and are over 10 years old. An additional $75,000 would be added for the vehicles as a justification for the budget.

Manager Craddick indicated that funds can be added in the existing budget on Mr. Moises two (2) vehicles in Construction Management.

Chair Dill mentioned that the vehicles should have been brought to the Finance Committee's attention earlier in the process.

Mr. Zambo commented that projects relating to sliding were directed toward the design and explained that slide was based on the review of outside agencies. There are 34 projects in design within the budget that will be funded shortly.

The BAB for subsidy will be corrected for the FRC. The water utility should be $649,257 which will also be corrected in the budget by Ms. Yano. (Tab 14) Updates and finalization of the changes will be made for the next Finance Committee meeting.

Mr. Nakaya existed the meeting at 10:25 a.m.

Manager Craddick will forward the language from the Finance Committee report to Chair Dill for finalization.

At 10:30 a.m., Chair Dill adjourned the Finance Committee meeting at the Department of Water Board Conference Room; with no objections, motion was carried.

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