

Finance Committee Meeting

April 20, 2016
10:00 a.m.

Committee Members Present: Chair Larry Dill called the Finance Committee meeting to order at 10.09 a.m. Chair Dill, Clyde Nakaya and Wallace Rezentes, Jr. were present. Board Chair Laurie Ho was also present (*entered meeting at approx.10:13 a.m.*).

Staff Present: Kirk Saiki, Marites Yano, Keith Aoki, Eddie Doi, Val Reyna, Dustin Moises, Carl Arume, Ann Parrott, Fay Tateishi, Sandi Nadatani-Mendez, Christine Erorita

Guest: Hall Parrott, Private Citizen

AGENDA

Chair Dill accepted the Agenda with no objections.

MINUTES

None.

OLD BUSINESS

None.

NEW BUSINESS

Draft Budget for Fiscal Year 2016-2017

- a. Fiscal Year 2016 - 2017 – Draft Operating Budget
- b. Fiscal Year 2016 - 2017 – Draft Capital Outlay Budget

Chair Dill anticipated a recommendation to the Board on the Draft Budget for Fiscal Year 2016-2017 by May 26th. Final approval of the Draft Budget must be done by June 30, 2016.

Manager Saiki commented that an overview of the draft budget would be presented. Each division head will summarize their budget and explain how it changed from last year.

A copy of the Table of Organization was distributed to the Finance Committee members which was Received for the Record.

At approx. 10:13 a.m., Board Chair Ho entered the meeting.

The Board discussed an over view of the proposed Budget for FY 2016-2017, Fund Balance Projections presented by Waterworks Controller, Ms. Yano. Three (3) budget components: Operating Budget, New Capital Outlay and the rollover of P.O.'s and contracts.

Beginning Balance as of 7-1-15 (from audited numbers in the Financial Statement) include:

Water Utility General Fund (Unrestricted) - \$20,369,810

Water Utility - Emergency Reserve - \$4,800,000

Water Utility - Debt Reserve - \$4,200,000

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Revenues projected plus the Total Adjusted Balance which includes the Beginning Balance of \$20M = \$60.6M, the projected amount to fund the Capital and Operating budget of fiscal year 2016 - 2017.

Interfund Transfer / Capital Outlay – An anticipated transfer from Water Utility Fund (WU) to Facilities Reserve Charge (FRC Fund) will require a Manager’s Report to the Board for approval of the transfer.

Chair Dill commented on the Estimated Change in Fund Balances of \$1.1M in the WU Emergency Reserve but the bottom box on the chart indicated the Budget required FY 2017 = \$0. He asked isn’t the money that is added to the reserves to stay with the goal of 25%?

Fiscal Accountant Ms. Parrott, staff present, clarified the confusion that the budgeted transfers is a change in the estimated fund balance as these reserves will be funded by the current year 2015-2016 and that there is a year gap.

- It is anticipated that there will be around \$5M addition to the Estimated Fund Balance in the current year which was not shown; which amount would be rolled over in FY2016-2017. The \$5M would be an addition to the \$20M.
- To eliminate the confusion in the worksheet, the date, 7/1/2016 will be added to the “Estimated Change in Fund Balances” line item.
- The “Ending Balance will be re-described as “Estimated Ending Balance, 6/30/2017.”
- There was a typo in the December numbers which should be “February” numbers instead.
- The “\$” will be deleted in the last column to reflect “%” format.
- The last column should be changed to “12/31/15.”

Revenue Summary

\$1.9M YTD FRC was collected. There was a drop in FRC applications 3 months after the FRC was raised. 50 meter applications at \$14,000 in 2016 were submitted.

Operating Expense Summary

Chair Dill said the line items for Compensated Annual Leave (\$90K) and Compensated Compensatory Time (\$10K) are not tracked on the chart. FY 2016-2017 Proposed Budget of \$90K is to fund retirements, if any.

- Better descriptions could be used for line items 520-010 and 520-030 (i.e., “Payouts for Retirements”).

Line item 546-000 Insurance - The Department is self-insured and increased the Proposed Budget FY 2016-2017 to \$700,000.

Line item 563-000 Office Supplies – Various divisions noted that Office Supplies could be reduced.

- FYTD Actual Expense column should be As of “3/2015”

Line Item 572 Travel and Per Diem – Proposed budget is doubled and will be checked by Manager Saiki and Fiscal. (Refer to details of each division’s budget.)

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Operating Expense Detail (Manager Saiki reminded Ms. Yano to present the current packet to avoid confusion with the budget numbers and page numbering.)

Salaries and Wages for Construction Admin. and Planning Admin. showed a large increase between the FY 2016-2016 Budget and the FYTD Actual Expenses due to six vacancies and one anticipated retirement.

Post-Employment Benefits (OPEB) line item – Ms. Yano is following the bills related to OPEB. Mr. Rezentes commented if bills are passed, it may affect the budget. The Department would come back to the Board if there are any changes. Ms. Yano added this would affect the following FY 2017-2018 and possibly the unrestricted fund balance.

541-010 – Other Services-Admin. – included a janitorial position for next fiscal year which will be taken out.

541-020 – Billing Costs – The new CC&B billing system contract started April 1st. The data system for CC&B has not been implemented due to challenges with the Honolulu Board of Water Supply (HBWS). Projected implementation is undetermined. Manager Saiki has not communicated with the HBWS because both project teams need to iron out the billing data issues. The HBWS previously had privacy issues but are slowly providing data. The consultant should alleviate the problems with HBWS.

Regarding capital, Mr. Rezentes asked if the Department would be getting bond financing in the coming year. Manager Saiki replied “no” but SRF is more advantageous and if financing of projects is required, then the Department will use SRF monies. If the county gets a bond issue soon, the Department could receive some benefit if the county revises existing debt under debt service. Construction Project Management Officer, Mr. Moises learned from a county bond meeting that they will be obtaining a bond for CIP.

At 11:16 a.m., Mr. Nakaya exited the meeting.

New Capital Outlay

Capital Outlay - CIP (New Appropriations) – The Anticipated NTP column needs to have consistent information.

At 11:18 a.m., Mr. Nakaya re-entered the meeting.

- Water Utility Fund, Capital formatting need to be fixed.
- The Department will prioritize all projects with an anticipated date of the projects moving forward at the request of Mr. Rezentes.

Ms. Parrott added that during the Rate Study, the consultants asked for a 5 to 10 year projection in the capital (add spreadsheet for the Board). The Department needs to look at more planning sources or more financing. Part of the problem is to get positions filled.

Manager Saiki said the updated rate study list should be the priority list for the 5 year projection.

605-156 - Land acquisitions will come back to the Board for funding.

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Annual Operating and Capital Improvement Budget

Leak Adjustments/Adjustment factor of -3.0% = \$853,403 - The meter consumption did not reflect accurately in reality; a dollar amount was projected. Manager Saiki informed accounting to look at the dollars. Chair Dill asked if the leak adjustment factor in the Projected Water Sales should be a negative.

Ms. Parrott commented that the HBWS reports are inaccurate. Working through the rate study, there was a 10% error factor between consumption and revenue of what were charged for the tiers, HBWS would have a random number of what was billed. The volume data is inaccurate but the revenues are correct based on reconciliation of water sales and receivables.

Mr. Rezentes posted a worst case scenario question: What if HBWS was shorting the Department for years? How would it be proved? Is the Department's billing based on the right number? Ms. Parrott commented that auditors tested the conversion and the revenues every year.

Ms. Yano responded saying the outgoing water bills have been tested on individual accounts on usage and how they were billed which was correct. Ms. Yano was not comfortable on how the report was created because they were manually configured then transferred. It is the mapping of the usage reports that showed some discrepancy which is measured in terms of million gallons.

At 12:02 p.m., Chair Dill recessed the Finance Committee meeting with no objections to Tuesday, April 26, 2016 at 9:00 a.m. in the Board room.

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