

“RECEIVED for the RECORD DOCUMENTS– April 15, 2019

**BOARD OF WATER SUPPLY of the COUNTY OF KAUA'I
FINANCE COMMITTEE MEETING**

**Board Room, Second Floor, Kaua'i County Department of Water
4398 Pua Loke Street, Lihu'e, Kaua'i, Hawai'i 96766**

DEPARTMENT BUDGET REVIEWS

Monday, April 1, 2019	2:30 pm – 4:30 pm <i>or shortly thereafter</i>
Friday, April 5, 2019	1:30 pm – 4:30 pm <i>or shortly thereafter</i>
Wednesday, April 10, 2019	1:30 pm – 4:30 pm <i>or shortly thereafter</i>
Monday, April 15, 2019	2:30 pm – 4:30 pm <i>or shortly thereafter</i>

The Finance Committee of the Board of Water Supply will follow this schedule in reviewing, deliberating, and preliminary decision-making on the annual budget for fiscal year 2019-2020 of the Department of Water. **Meeting dates after the initial meeting are a continuation of the initial meeting and may be canceled.**

AGENDA

- A. CALL TO ORDER**
- B. ROLL CALL**
- C. ACCEPTANCE OF AGENDA**
- D. OLD BUSINESS**
- E. NEW BUSINESS**
 - 1. Draft Budget for Fiscal Year 2019-2020
 - a. Fiscal Year 2019 – 2020 – Draft Operating Budget
 - b. Fiscal Year 2019 2020 – Draft Capital Outlay Budget
- F. ADJOURNMENT**

This notice has been physically posted at the following locations: Council Services,
Board of Water Meeting Room, and the Department of Water Lobby

This notice has been electronically posted on the Department of Water website: www.kauaiwater.org and on the County of Kaua'i
calendar at www.kauai.gov/calendar

(This notice is not subject to the filing requirements of HRS Sec. 92-7.)

NOTE: If you need an auxiliary aid/service or other accommodation due to a disability, contact Edie Ignacio-Neumiller at 245-5406 as soon as possible. Requests made as early as possible will allow adequate time to fulfill your request. Upon request this notice is available in alternate formats such as large print, Braille, or electronic copy. To request an alternate format please email: edieumiller@kauaiwater.org.

Revised 7-24-14, 8-28-14

BOARD OF WATER SUPPLY POLICY NO. 26

RECEIVED

APR 15 2019

Re: Emergency Reserve Fund (ERF)

The Board of Water Supply (BOW) deems it prudent to establish an Emergency Reserve Fund (ERF) as a contingency for unforeseen events or crises that may arise.

Purpose: The purpose of this policy is to set aside funds that may be used in emergencies, disasters, or other severe crises during which the Department of Water (DOW) is unable to collect sufficient revenues to pay necessary operating expenses and emergency capital expenditures that may arise. ~~The establishment of the ERF provides a separate fund for the DOW to use that is not to be used for normal and ordinary business purposes.~~

Establishment of the Emergency Reserve Fund (ERF): The establishment of the ERF provides a separate fund for the DOW to use that is not to be used for normal and ordinary business purposes.

~~The DOW shall establish and maintain the ERF in an amount equal 25% of the DOW's Total Operating Expenses budget, excluding Interest Expenses, Depreciation Expenses and any non-cash expenditure in the budget. The amount in the ERF shall be reviewed and approved annually during the preparation of the DOW annual operating and capital budget.~~

ERF Requirements:

1. The ERF shall be funded from the DOW's general operating account.
2. A separate general ledger fund account shall be established and maintained.
3. The amount in the ERF shall be reviewed and approved annually during the preparation of the DOW's annual operating and capital outlay budget.

~~At the beginning of each fiscal year, the ERF shall be adjusted to equal 25% of the fiscal year's total operating budget, excluding interest, depreciation expenses and any non-cash expenditure in the budget. If necessary, an accounting entry to "transfer in" or "transfer out" funds in the ERF shall be done in accordance with the approved annual operating budget to record the adjustment.~~

4. The ERF Funding requirement shall be the total of:
 - a. The maximum deductible limit on the County of Kaua'i's insurance policy, plus
 - b. 25% of the DOW's Total Operating Expenses based on the prior year's audited financial statements, less
 - c. Interest Expenses, less
 - d. Depreciation & Amortization Expenses, less
 - e. Any non-cash operating expenses, (i.e. The County of Kaua'i's contra-claim).

5. At the beginning of each fiscal year, the ERF shall be adjusted to equal the ERF amount as shown above. If necessary, an accounting entry to "transfer in" or "transfer out" funds in the ERF shall be done in accordance with the approved annual operating budget to record the adjustment.

6. No disbursements from the ERF shall be allowed unless and until the BOW determines that an emergency, disaster, or severe crisis exists and that the DOW's anticipated revenues are or will be insufficient to pay necessary expenditures.

Operating Procedures: The ERF will be restricted to the following uses:

1. ~~The DOW shall procure or maintain emergency standby contracts for materials, services and equipment. The DOW shall periodically (but not less than annually) report to the BOW of the emergency standby contracts entered into by the DOW.~~
2. ~~Labor is to be furnished from DOW staff. If necessary, emergency contract labor may be utilized.~~
3. ~~BOW approval shall be required for the following:~~
 - a. ~~Contract amendment for any contract in danger of running short of funds;~~
 - b. ~~Contract labor costs in excess of \$225,000; and,~~
 - e. ~~Contract costs or amounts (other than contract labor costs) in excess of \$300,000 as of fiscal year 2014, increasing by 1% per fiscal year thereafter.~~

A. Insurance Claims not covered by the County of Kaua'i's Insurance Policy. The DOW is covered under the County of Kaua'i's insurance policy; however, the insurance deductible is subject to change. Therefore, should the maximum deductible amount change, the DOW shall adjust the ERF amount on the next budget year as soon as possible.

B. In the event of an emergency, the following shall be followed:

1. The DOW must continue to adhere to the procurement laws and regulations of the State of Hawai'i.
2. The DOW must submit a Manager's Report for board approval to use the ERF funds and to present the anticipated emergency needs of the DOW.
2. If necessary, the DOW will request a special board meeting to present the emergency needs of the DOW.
3. Labor is to be furnished from DOW staff. The budgeted funds for labor costs shall be exhausted in any budget year before any monies from the emergency operations reserve fund are used for the purpose of labor costs.
4. If necessary, emergency contract labor may be utilized. BOW approval will be required for the following:

- a. New Contracts,
- b. Contract amendment for additional funds;

5. After BOW authorization of expenditures from the ERF, the DOW shall provide the BOW with monthly (or more frequently if required by the BOW) reports of expenses and reimbursements from the emergency standby contracts, amounts invoiced and labor expenditures.

6. Funds that are expended from the ERF Fund shall be replaced as expeditiously as possible.

APPROVED BY:

Date:

Chairperson, Board of Water Supply

RE: EMERGENCY RESERVE FUND (ERF)

Effective date: _____

BOARD OF WATER SUPPLY POLICY NO. 26

RECEIVED

APR 15 2019

Re: Emergency Reserve Fund (ERF)

The Board of Water Supply (BOW) deems it prudent to establish an Emergency Reserve Fund (ERF).

Purpose: The purpose of this policy is to set aside funds that may be used in emergencies, disasters, or other severe crises during which the Department of Water (DOW) is unable to collect sufficient revenues to pay necessary expenses. The establishment of the ERF provides a separate fund for the DOW to use that is not to be used for normal and ordinary business purposes.

Establishment of the Emergency Reserve Fund (ERF): The DOW shall establish and maintain the ERF in an amount equal 25% of the DOW's Total Operating Expenses budget, excluding Interest Expenses, Depreciation Expenses and any non-cash expenditure in the budget. The amount in the ERF shall be reviewed and approved annually during the preparation of the DOW annual operating and capital budget.

ERF Requirements:

1. The ERF shall be funded from the DOW's general operating account.
2. A separate general ledger fund account shall be established and maintained.
3. At the beginning of each fiscal year, the ERF shall be adjusted to equal 25% of the fiscal year's total operating budget, excluding interest, depreciation expenses and any non-cash expenditure in the budget. If necessary, an accounting entry to "transfer in" or "transfer out" funds in the ERF shall be done in accordance with the approved annual operating budget to record the adjustment.
4. No disbursements from the ERF shall be allowed unless and until the BOW determines that an emergency, disaster, or severe crisis exists and that the DOW's anticipated revenues are or will be insufficient to pay necessary expenditures.

Operating Procedures:

1. The DOW shall procure or maintain emergency standby contracts for materials, services and equipment. The DOW shall periodically (but not less than annually) report to the BOW of the emergency standby contracts entered into by the DOW.
2. Labor is to be furnished from DOW staff. If necessary, emergency contract labor may be utilized.

3. BOW approval shall be required for the following:

- a. Contract amendment for any contract in danger of running short of funds;
- b. Contract labor costs in excess of \$225,000; and,
- c. Contract costs or amounts (other than contract labor costs) in excess of \$300,000 as of fiscal year 2014, increasing by 1% per fiscal year thereafter.

4. After BOW authorization of expenditures from the ERF, the DOW shall provide the BOW with monthly (or more frequently if required by the BOW) reports of expenses and reimbursements from the emergency standby contracts, amounts invoiced and labor expenditures.

APPROVED BY:

Date:



Chairperson, Board of Water Supply

8/28/14

RE: EMERGENCY RESERVE FUND (ERF)

Effective date: AUG 28 2014