

# FINANCE COMMITTEE MEETING

Friday, April 5, 2019

Committee Members Present: Finance Committee Chair Lawrence Dill, Ka`aina Hull (*entered at 1:34 p.m.*) and Lester Calipjo. Also present was Vice Chair Laurie Ho (*entered @ 3:11 pm*)

Staff Present: Bryan Wienand, Marites Yano, Dustin Moises, Sandi Nadatani-Mendez, Keith Aoki, Valentino Reyna, Carl Arume, DCA Mahealani Krafft

Guest(s): Brio Consultant Nancy Learner, Hall Parrott, Private Citizen

Chair Dill reconvened the meeting at 1:33 p.m. and quorum was established.

## **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

### **Information Technology**

Information Specialist Sandi Nadatani-Mendez explained that IT oversees the whole network at the Department of Water (DOW), SCADA network for all of the software, financial systems, email, maintains the Share Point server, Project Management software for Construction Management (CM) Division, annual Water Quality Reports, and Help Desk. Brio consultant Ms. Learner has been a resource for the IT Strategic Plan. Manager Wienand added that a formal presentation will be at the May Board Meeting and wanted to provide this information to the Finance Committee vs. withholding initiatives that might be finalized after the budget review. After reviewing the IT budget, the Manager said the line items are anticipated with final recommendations at the May Board meeting.

Mrs. Nadatani-Mendez indicated there are three requests from the IT Strategic Plan that have not been budgeted previously as follows:

Financial System Upgrade (Page 54) – Upgrade the Great Planes financial system with the Paramount purchase requisition of \$150,000. Upgrades are part of maintenance but not implementation. The \$150,000 will help with implementation, and the correct training processes for the financial system for the fiscal staff. The system was upgraded 5 years ago. The maintenance agreement is directly with Microsoft (\$12,000 for Great Planes & \$3,000 for purchase requisition module).

Replacement Asset Management System (Page 64) – Previously budgeted at \$317,500 for FY2017-2018 & FY2018-2019 which is upgraded to \$705,000 for software and implementation but made aware that [inaudible] does the Cloud Hosting and will be integrating an Asset Management for the billing system. Mrs. Nadatani-Mendez will get an estimated quote in two weeks hopefully for less than \$705,000. Chair Dill asked if there was enough time to review the Asset Management systems on which one will be selected? She said that the consultant for the Customer, Care & Billing (CC&B) has an Asset Management system which could be used that is less than \$705,000 for software integration. Chair Dill asked what if they are both \$705,000? If one quote was \$605,000 vs. \$705,000 but the \$705,000 was better? How do you know which one would you choose? How much should be put in the budget? Timing to review is short. Mrs. Nadatani-Mendez would weigh the options of administering it and would discuss options with the Manager who said a selection has not been made yet on the system. Chair Dill agrees there should be a stronger Asset Management system and added that some money needs to be put in the budget to address the system as a conservative number. With Ms. Learner's help, Brio came up with this number. Mr. Hull suggested that if this is a conservative number to be kept in the budget and when it is presented to the full Board, could the Board amend this number? Chair Dill agreed with Mr. Hull's suggestion that if the number is available prior to the last Finance Committee meeting, it could be incorporated in the budget; if not, the \$705,000

will be kept in the budget. If the new number is available, it would be requested for Board approval in the budget.

Mr. Hull asked if the DOW is using Geographical Information System (GIS) in its Asset Management and data collection. Mrs. Nadatani-Mendez said the GIS has the pipeline, tanks, and hydrants covering 80% of the island. The GIS would be integrated with an Asset Management system and majority of the staff could use the system where the value or meter is. Mr. Hull inquired if the Department has been in discussion with the Administration on the activity with Limited Information Management System (LIMS)? Mrs. Nadatani-Mendez thought that Waterworks Information Technology Officer Jeffery Mendez was involved with previous discussions. Chief of Construction Management Mr. Moises was in the LIMS committee and spoke to Mr. Mendez about this regarding a focus group. The LIMS committee was going to meet individually with IT Departments but he was not sure when the LIMS committee was going to interface with IT. Mr. Hull said he would be the one to push the LIMS committee because they went after \$2M for the LIMS system to move forward and the meetings are happening. Mr. Hull will follow up with Dale (in Planning) so that the Department can get involved in the discussions. Chair Dill agreed that the Department also reach out to the County for the same information.

#### Action Items:

\$705,000 new asset management software:

- Provide estimate (IT stated consultant was gathering info to provide a quote)
- Based on the Consultant's quote, update the projected line item dollar figure
- Communicate with County re: accessibility between systems

Manager Wienand referred to SharePoint Upgrades (Page 64) – This has not be funded and shown as zero in the proposed budget. \$295,000 would be included for the next five years with the IT Strategic Plan. Ms. Learner explained that SharePoint is a Microsoft product that is used to management documents, workflow, web pages, and the internet which is a sophisticated technology that requires specialized expertise. She commended the DOW who implemented SharePoint without specialized training. A company who specialized in SharePoint would be brought in with the technology to improve performance, make things easier to find and to leverage the capabilities of the technology. Ms. Learner added the consequence of failure is not critical vs. the SCADA system. She added it is important because everyone is interacting with document management to improve productivity with the frequency of accessing documents. A full time person is recommended to be a master of SharePoint and other responsibilities. Chair Dill said the Department can bring this recommendation to the full Board during the budget discussion. Manager Wienand highlighted the recent news on the Asset Management system and if a new quote could be reduced from \$705,000 or to cut it in half to be included in the budget.

#### Action Item:

- SharePoint upgrade line item. Include FT staffing person dedicated to SharePoint.

Upgrade of SCADA and Replacement of Servers (page 64) – A total cost of \$2,318,000 is for five years. Initially the proposed budget was \$500,000 but after reviewing the IT Strategic Plan, it was decreased to \$270,000. The Telemetry system upgrade is needed because the system is getting old; slowly sections of the island would be done.

#### Action Item:

- \$270,000 SCADA Upgrade & Replacement of Servers - Initially budgeted at \$500,000 but reduced to \$270,000 based on the IT Strategic Plan recommendation.

Web based GIS viewer and mapping layers (page 65) – Ms. Learner said the Department completed mapping on the infrastructure. Web based applications can be developed for industry standard which makes

it easy to use with infrastructure that people can interacted with. GIS will be useful for the employees and effort is needed to construct the applications to build functions. She added that GIS development firms are brought in to do on-the-job training with staff on the technology to see the maps, automated and communicating map changes. Map changes would be an error report or new construction or replacement of construction which is management of this communication and to keep it up to date. A staffing recommendation later is to have a dedicated GIS Editor and GIS Systems Administrative Assistant but first applications need to be supported and built. Ms. Learner also mentioned to leverage the GIS on line technology. Licensing may need to be augmented to support the staff. The County owns the licensing with ESRI which the Department is entitled to use funds for the license.

Mr. Hull referred to the 80% of the assets that are already mapped and the \$315,000 would have a consultant to bring in the last 20%. Mrs. Nadatani-Mendez said yes to make it a web base and the software is needed to go on Safari or internet explorer for the DOW employees. This can be utilized in the field with a smart phone.

### IT Staffing

Manager Wienand mentioned that current IT staff includes three people. The five year plan projects three new IT staff. The draft plan will discuss the positions which are not reflected in the Table of Organization (TO). Chair Dill requested the proposed TO but was presented only with the existing TO for IT. This coming fiscal year, only one Information Specialist III is requested in the budget. Manager Wienand recommended that the reorganization would be done sequentially. Step 1 is part of the full five year plan. Chair Dill mentioned Step 1, by hiring another Information Specialist III would be supervised by Waterworks Information Technology Officer (Jeff Mendez).

Ms. Learner commented that the role of the individual of "C" on IT's report, would be responsible in the SharePoint, document management, web sites internet and intranet, back up for financial and billing system and automated meter ready system. This person would be a back up to position "B" responsible for the billing system, financial system and automated meter reading. Position "C" will be backed up by position "B" and position "B" would backup position "C". Both positions would spend time on the various document portals initially.

Ms. Learner mentioned funding options for an individual who works on a project on the SharePoint technical development for a year, could cost capital dollars while the project is executed. The Department does not have project funded positions. Manager Wienand indicated the intent is to have a full time position. He recommended to leave this position in the budget or remove it and if the Board accepts the IT Strategic Plan, which is inclusive of the recommendation, to put it back in the budget.

Chair Dill commented since the IT Specialist III supports Systems Analyst for SharePoint, website & internet, he supports funding to implement SharePoint upgrades for this position. Mr. Hull is hesitant to support this position and did not know this was up for discussion. He does agree with Chair Dill that the Department has to move with the digital age. Because there will be discussions on increasing the water rates prior to increasing positions (i.e., Mr. Moises recently explained at a Board meeting the creation of new positions by saving the Department a lot of money), the Department will hold Mr. Moises to this that this will pay off. To increase digitized capacity, Mr. Hull said it is hard to connect the numbers but is not against it but needs more justification to warrant the new position and that the Board will be revising water rates increased soon. Manager Wienand noted that the last IT Strategic Plan was accepted in 2013 with the acceptance of the money with the full Board. The Department can remove the recommendations and could be presented in May with the added costs. Chair Dill said if this is not part of the rate increase, this may be more difficult to consider that is not a planned budget in the long term. Mr. Hull agrees but the criticism is that a rate increase is done to create more jobs. He would like an interface between the digital systems could save the rate payer money or more efficient in the long run.

Mr. Calipjo inquired who is doing SharePoint? Mr. Jeffery Mendez does more of the SharePoint management than Mrs. Nadatani-Mendez as well as other applications. Their overtime hours is large and the new position would decrease the overtime costs.

Proposed Salaries and Wages (Page 190) – YTD Actual overtime wage costs as of 2/28/19 is \$40,218.83 which should be \$60,000 year based on this year's burn rate. Ms. Leaner explained that the three future positions were determined based on the workflow. By supporting a major technology, there is usually a full time Administrator. Billings systems, financial systems, and SharePoint has a team of people for support and a CMMS has a full time Administrator. For a small company, you could have a System Administrator handle a couple of areas. Based on the skills, the positions were divided up logically. She looked at the staffing number and Gartner, an international benchmarking firm for IT performance throughout the world for public and private sectors. Gardner provides benchmarks on the number of people supported and the number of service supported. IT is understaffed and adding the additional staff makes it an optimal support with positions to back each other up.

#### Action Items:

- Provide Table of Organization for existing & proposed for IT
- Follow up on reduction in overtime (OT) costs based on the new FT position.
  - Include cost savings, morale generation, keeping up with the curve (justifications)
- Provide bench marking details and benchmarking comparison with other water companies in Hawai'i

Communication Services (Page 55) - Communication Services (phone lines, cell phones, and internet):

#### Action Items:

- Contingency (Page 55 & 56) – should be changed to “Unanticipated Costs” – This budget is unknown for new employees for cell phones.

Safe deposit box (Page 58) – is for off-site back up of financial network which may be relocated back to the DOW (same area but two separate buildings).

Repairs and Maintenance (Page 59) – Other than Water System, Dell Maintenance (Page 59) – Yearly maintenance for virtual servers and appellate storage. Chair Dill asked what was the reason from going from \$2,500 to \$24,000 in the proposed budget? Initially the budget came from the operating funds but is needed with the servers go down; Sunday the network went down.

ESRI Costs (Page 59) – is the Department's portion of using the software.

AutoCAD (Page 59) – highlighted for internal use.

Oracle Cloud Services (Page 59) – zero

Cloud Hosing Services (Page 59) - \$250,000 for a five year contract executed in January 2019 that supports the billing system.

Training & Development (Page 62) – Encouraged to use the training budget for staff.

Purchase of New computers/Servers/Storage (Page 65) – was moved from 604 to 605.

Audio Equipment (Page 64) – Replacement of Board Recording System - \$20,000

800 Mhz Radios: provide updated actuals (\$61,000) (Page 65) – Budget cost is zero; purchase this fiscal year. Amount paid was \$61,808.56 and another order was just received.

Mr. Hall Parrott, private citizen provided handouts to the Finance Committee as “Received for the Record” - copies to be available at the April 10<sup>th</sup> Finance meeting (published reports and past sales) [inaudible]

### Engineering

Civil Engineer Mr. Aoki provided an overview of the Engineering Capital Improvement Projects and private development projects. There are five permanent positions in the Engineering Division; two positions are filled and three are vacant and overseeing 25 projects. Professional Services Budget (Page 81) - Starting design on the Kapa‘a Homestead Well No. 4 at \$100,000. FRC Budget (Page 88) - \$450,000.

Mr. Hull asked if there is movement up from the Administration in the Salary Range (SR) in the negotiation bargaining unit. He mentioned that engineers are creating a new classification and a problem everywhere. Mr. Aoki said previous a higher step was requested to the Department of Human Resources (DHR). Mr. Hull added that various DHR are not on the same page. He asked if Unit 13 engineers could work together to systematically move the SR up for engineers? Planning Department’s front counter staff position is hard to fill. With more regulations that are applied, it is becoming easier to become a Planner as the Front Counter Technician. He explained that a Planner has an upward mobility. Less people are willing to do the Front Counter Technician position because they are not qualified. Mr. Hull is planning a new category for the Front Counter Technician that is able to start with a higher SR. He suggested other out-of-the-box thinking to stop this problem if the DOW is in the same situation and to save Engineers from leaving the Department for higher pay.

When Manager Wienand came from the City & County of Honolulu, they had a shortage differential which is included in the pay on top of where the SR classification is. When there are vacancies, the pay is bumped up until those vacancies are filled (pros and cons). This helps by attracting but not necessarily retaining staff. The Department is doing everything to attract and retain and is open to suggestions. Mr. Hull will send the Department Planning’s proposal to DOW to consider. Chair Dill also mentioned Department of Transportation (DOT) has a shortage differential to attract and retain. DOT works with DHRD and the State Human Resources to recruit above minimum staff and still struggling to fill positions. Mr. Aoki added there are very few applicants that are qualified through DHR. Mr. Hull commented that there are a lot of qualified engineers in the State but not willing to apply. Mr. Moises asked if DOT is offering a step [inaudible] and Chair Dill said there is no simple answer but depends on what is justified.

Mr. Aoki was asked to explain the three “yes” under Professional Services (Page 81) – Engineering Services is for “As Needed Surveying” for \$50,000. The “As Needed Surveying” is procured up front to take care of unexpected items that come up.

Limahuli and Mānoa Stream repairs from the April flood (Page 81, 88) - \$130,000 is budgeted if Engineering cannot get a contract before July 2019. Procurement needs to be done to select and hire a consultant this year before the end of the fiscal year because there may not be any money after July. Mr. Hull asked if any ACT 12 monies was used from the legislature appropriation? Mr. Aoki answered not for the DOW. Manager Wienand mentioned that the projects generated from the flood are eligible for 75% FEMA reimbursement. Mrs. Yano added from the 100% estimated budget reimbursement amount, 75% reimbursement is anticipated and when it comes back to the Department it would be grant monies). Mr. Aoki said the \$130,000 is for design and would have to come back to the Board for construction funds.

Kukuiolono Tank site exchange (Page 81) – the title insurance and escrow appraisals are required by the Department’s agreement for the land swap.

U.H. Experimental Station Tank (Page 81) - \$50,000 is for the soil investigation. Chair Dill asked if the \$300,000 is in the current year budget? Was it spent for the engineering design for the structures at the remote sites? Mr. Aoki said the contract will be encumbered this fiscal year. Manager Wienand added the scope was finalized and the note (line items) from last year was rolled into the island wide vulnerability resiliency assessment which is a more comprehensive study which includes the emergency generators. The

total contract cost is above that and these funds are being used as part of the vulnerability and resiliency assessment of the whole island instead of concentrating on the emergency generators.

Travel and Conference Per Diem (Page 85) – budget was cut in half to \$1,800.00. Mr. Aoki added that training would be for a new Engineer if hired. The current staff will not be traveling for conferences on the mainland only interisland.

#### Action Item

- 18-8 Limahuli and Mānoa Stream repairs (Page 87) - update “New Request?” column

Moloka'a Tank site acquisition (Page 89) - Mr. Hull inquired about the Moloka'a Well tank site acquisition if it is anticipated to be acquired? Mr. Aoki said it is County property. Manager Wienand mentioned it is unlikely that this would be pursued. A study was done about a year and a half ago on acquiring the Moloka'a Well. Mr. Hull thought this was the farmer's tank.

U.H. Experimental Station Tank land acquisition (Page 88) – FRC budget

#### Action Item

- U.H. Experimental Station Tank – land acquisition for \$150,000 is not expected to be used next year. Remove \$150,000 from budget.

#### Water Quality

Water Microbiologist Mr. Carl Arume gave an overview of Water Quality which insures that water quality for customers is up to standard by the State and Environmental Protection Agency (EPA) for water consumption. Water Quality does testing to keep water quality safe on the chemical and biological side, handle customer complaints related to water quality, assist with Operations when installing or repairing wells, testing before coming back on line, and water quality testing issues with water breaks.

Staffing includes Mr. Arume, Water Microbiologist IV Ms. Peggy Yoshioka and Chemist Andrew Canavan. Ms. Yoshioka is part of Certification Microbiology and tests for water chloroform, E.coli and met atrophic count. Mr. Canavan is in charge of extensive chemical sampling required by the EPA. The chemical samples are not done in the Micro Lab; samples are shipped to the mainland to make sure the samples are timely at different times of the year.

Professional Services (Page 70) – is this is the same as last year. This year there is Phase 2 and Phase 5 testing which coincides with [inaudible] testing (EPA requirements).

Operations Supplies – Water Quality Reports (Page 73) – was previously in the Water Quality budget which are now in the IT budget. Water Quality only provides the data and the Water Quality Report link is available on the DOW web site ([www.kauaiwater.org](http://www.kauaiwater.org)) on the water bills or mailed to customers if requested. The Water Quality Reports is EPA mandated to report all findings yearly. This report contains a brief overview of each system on the island (tanks, wells water quality, pH) and data from the wells and reports all the hits from the last year 2018. This year's report will include all the data collected from 2018.

Standard Methods Books (Page 74) – requested for a new book.

Training classes (Page 75) – no training requested.

Capital Outlay – Replacement/Lab Vehicle (Page 76) – a new car is on order for this year. Water Quality has been borrowing Operation's vehicle.

#### Construction Management (CM)

Chief of Construction Management Mr. Dustin Moises manages construction of private projects and Department funded projects. All Department funded designs are reviewed from preliminary to final design (design can save the Department money long term) [inaudible] CM enforces DOW standards, specs and an important initiative, the Project Management (PM) web. The Department is the only government in the state that utilizes PM, a customized PM software managing submittals, RFI's, change requests, change orders, engineering design field changes and monthly estimates which is integrated with Fiscal. There are several internal users and about 120 design consultants, contractors "As-Needed" CM's. Transparency is a big plus and the expedient approvals has been a great tool as well as Mr. Moises learning to administrate PM web. The County of Maui Department of Water Supply and County of Hawai'i Department of Water Supply are considering PM web also.

Staffing – 7 of 8 positions are filled in CM and supplemented "As-Needed" CM position. When the Board recently approved for more CM positions in March, it was with the understanding that Mr. Moises would come for funding with positions to be filled by July 1<sup>st</sup>.

Summary – Professional Services (Page 98) – "As-Needed" CM; initially funded at \$1.4M for the next fiscal year but based on the new positions Mr. Moises reduced the budget to \$700,000. If staffing is filled, the "As-Needed" CM will not be used. Chair Dill mentioned that the FY2018-2019 YTD Actual was \$316,522 and \$500,000 would be within budget which Mr. Moises agreed. It depends on these project activities: Kōloa Well No. 16 almost ending, Hanapēpē waterline is going strong and Kapa'a Well No. 4 had a delay on a design issue on the drainage. When those projects are going, CM spends \$36,000 a month per project (averages \$30,000 to \$50,000/mo.). In the beginning, costs were high because of the ramping up of with submittals and provided with three Engineers for three projects at \$60,000 a month. This would include an Inspector at the site for eight hours a day (a big cost) and a Project Engineer working two to eight hours a day. This is why Mr. Moises created two Inspector positions for projects. \$700,000 would cover one project for CM from 12 to 18 months depending on the Scope of Work. Chair Dill asked when projects are done in house, does Mr. Moises assign one Inspector and one Engineer per project? Mr. Moises said yes; when it is staggered he can send Inspectors or Engineers to do projects at Waikoko, Waipa or Kōloa Village. The Department's projects are not stuck to one project and paying one Inspector or one Engineer the top of their salary and fringe benefits and the company to profit. An Inspector or Engineer may make \$12,000 out of the \$36,000 every month. In his Manager's Report, Mr. Moises showed the original salary plus cost of 73% of benefits; the Department would save an average \$700,000 a year.

Mr. Moises has a list of projects listed on his white board and Engineering added projects from their budget. He feels there will be enough work of the projects but if the economy is slow, there may not be projects.

Manager Wienand mentioned BAB money is being spent down on the Kīlauea Tank. Chair Dill asked how many bond projects are left? Manager Wienand said the money could be spent down with the new two projects (Kīlauea Tank and Kalāheo water line improvements next fiscal year) [inaudible] Chair Dill asked about the BAB timeframe. Mr. Moises said BAB needs to be encumbered by 2013 and spent by 2015 and to use the subsidy. The bond funding is being subsidized. Chair Dill said as long as the Department can incur more money from the money left, then the Department would be okay if there are no penalties. Mr. Moises added the subsidy could be taken away. For next year's budget, there needs to be a priority to encumber the rest of the money.

Specialty Inspection (Page 99) – The Department has an open contract. \$50,000 is a two year contract FY2017-2018. Next fiscal year this will be added to the budget.

Training and Development (Page 102) – Take advantage of training in CM. Mr. Moises is very involved with the Contractors Association of Kaua'i (CAK) and has taken on-line training. Newer staff will be sent to training off-island. Mr. Hull mentioned that in the past, only senior level management have gone on trainings but it is the newer staff that need to attend trainings. Manager Wienand mentioned there has been a high volume of training this past year mainly in leadership and free in house Skill Path webinar training for all staff (3 trainings per month). Mr. Moises sent a CM staff to the American Water Works Association

conference with funding coming from Admin (Page 103). He has been training his staff for the benefit of the DOW. Early training has been hands on by exposure to CM projects and Mr. Moises is open to training for his staff. Sometimes due to low attendance, training is cancelled.

#### CK 1750 Replacement Truck (2), Capital Purchases (Page 105)

##### Action Item

- Remove line item Truck (2) from Page 105; See Page 106 for \$90,000 for 2 Inspectors

Capital Projects (Page 107) – Kalāheo 1111' & 1222' Water System Improvements is marked red \$0 because Mr. Moises said initially the project was to be funded this fiscal year. Projects are being cut for future years. Initially Kīlauea Tank and Kalāheo Tank was in the budget from WU along with Paua Valley Tank and Kukuilono Tank. Kukuilono Tank will be demo by the end of the year. Paua Valley Tank's correct NTP is August 2019. Kīlauea Tank is BAB funded initially a portion of the \$19M from Package A, B, C as fully funded from BAB but took away Package A, B, C. Mr. Moises switched Package A, B, C, then switched funding for Kīlauea to spend the BAB fund.

#### Expansion/Capital Projects (Pages 108 & 109) – FRC

R&R/Capital Projects (Page 110) – Kīlauea 466 Tank NTP should be April 2020.

Expansion/Capital Projects (Page 111) – Kīlauea 466 Tank budget \$4,500,000.

#### Operations

Chief of Operations Mr. Valentino Reyna explained that his Division has two sections: 1) Plant Section takes care of source, storage and treatment facilities and 2) Field Section manages repairs, maintenance of the distribution system of pipe and main lines, and up to water meters. Operations works closely with Water Quality after the water is treated. This past year, gas chlorine (hazardous material) was converted in all wells to sodium hypochlorite (bleach) in house. This fiscal year a contract was executed for an on-site generation sodium hypochlorite vs. buying bleach and price increases. The third section is Operation's Admin. Section of Clerks that support the Plant and Field Sections.

Staffing - There are 49 funded positions (field, plant & admin.). Mr. Reyna mentioned there are 5 vacancies, 58 permanent positions. He added that 10 positions were approved by the Board in November 2018 but are not funded yet. Manager Wienand explained that 9 positions were presented at the November 2018 Board meeting with some of the positions being filled this upcoming fiscal year; other positions would possibly be filled within the next 2 to 3 years.

Chair Dill inquired about the on-site generation sodium hypochlorite regarding the purchase of salt. Mr. Reyna said the purchase of commercial grade salt will be from Wal-Mart, Ace Hardware or Home Depot. The sodium hypochlorite is only available from one vendor who raised their prices.

Highlights and changes from last year and positions that will be included in the budget were provided to the Finance Committee.

Summary of Operating Expenses (Page 167) - for the year vs. current fiscal year is approximately \$200,000 less. Expenses will be cut from the prior fiscal year.

Division for Professional Services – General (Page 167) - \$35,001 FY2018-2019 was transferred to Engineering for the Baseyard Master Plan. The evaluation of the Island-wide Vulnerability and Resiliency was another big item – Manager Wienand said Operations was looking primarily at generator shelters and the Motor Control Centers. Because Operations is always busy though, Engineering was given the responsibility to take on the Professional Services Contract administration.

SWTP Water Treatment Delivery Agreement (Page 167) - \$1.6M budget is the replacement cost which is being evaluated. The Water Treatment Delivery Agreement with Grove Farm requires a replacement cost for the treatment plant with a shared expense (2/3 BWS, 1/3 GF split) which is the Department's estimated portion of the cost based on a recent proposal from Grove Farm. Staff is reviewing the proposal which needs to be worked out with Grove Farm. The membranes at the SWTP need to be replaced which is one of the primary reasons for the cost. The degradation has not been thoroughly researched by the Department yet. There is an approximate 10 year expected life; Grove Farm is on year 15. The Department needs to work with Grove Farm to agree on what to purchase for replacing the membranes and other items.

Mr. Hull is hesitant if the \$1.6M proposed budget is sent to the Board because it authorizes \$1.6M. Manager Wienand said an update would be provided by the April 10<sup>th</sup> Finance Committee meeting. Mr. Hull commented he would like the full analysis on the details of the project for the Board to appropriate to \$1.6M.

#### Action Items

- Keep this in the budget.
- Provide justification on the request at the April or May Regular Board Meeting; prepare for a robust discussion with the Board to understand.

*At 3:32 p.m., Mr. Calipjo exited the meeting*

One Call Center Service (Page 169) – Mr. Reyna explained that contractors call the One Call Center for Operations to mark water lines. Operations pays the One Call Center for work. Chair Dill said the money paid to the One Call Center is recouped in the reduction to the damage of the lines.

*At 3:34 p.m., Mr. Calipjo re-entered the meeting.*

Pump replacement program (Page 173) – Chair Dill asked if this is being replaced with high efficiency? Mr. Reyna said in house replacement is done on booster pumps, pumps and motors or older pumps.

Outside services – Island wide SCADA control system remote site maintenance (Page 174) – Mr. Dill asked how does this overlap on what IT does? Mr. Reyna explained that Operations uses Supervisory Control Acquisition Data (SCADA) which informs Operations 24 hours/day, 7 days a week on problems with the remote sites. An alarm is sounded off when a tank is running low, if a pump is not running as scheduled or if a booster pump is not properly working as designed. This is when overtime increases after hours. The SCADA electronic system can remotely deal with issues by running pumps remotely and tie in electrical. This system is mainly for Operations troubleshooting.

Roadway rehab and repairs (Page 175) – Reduced from \$75,000 to \$55,000.

Alarm Services and Maintenance (Page 175) – was in Admin. but was transferred back to Operations.

Chemical supplies for disinfection – BEI price increase (Page 177) – Mr. Hull mentioned that Operations will be reducing costs of the bleach. He asked why is cost going up? Manager Wienand added one site is a pilot project for on-site generation island wide. The vendor continues to raise the sodium hypochlorite prices. Chair Dill asked if Operations was still buying gas in 2017 which Mr. Wienand said yes, but only at a few sites. Mr. Reyna added that in 2018 all sites had been converted to sodium hypochlorite. Gas is cheaper but risky to handle.

Pilot project for Sodium Hypochlorite on-site generation (Page 178) – Chair Dill inquired if Operations is doing the pilot project with a consultant? Mr. Reyna said a vendor provides the equipment and assembles the system. Operations provides the electrical mechanical connections.

AMI Meter Pilot tests (Page 181) – Chair Dill asked it this got started. Mr. Reyna said a contract was drafted with National Meter Automation for goods (meter parts and appetences) and services (IT software). The quote received was outdated and Mr. Reyna requested for a new quote but the initial submittal's tax was 4.166% which is now 4.72%. Manager Wienand added that AMI Meter is a new technology that will replace the DOW's system. The technology in the meter uses radio frequency (AMR) that picks up meter readings. The AMI system uses cell phone towers and the Department is waiting for the AMI system which has a transponder that goes with the meter. The AMI system will no longer require the meter readers to drive around to get the readings. During the past year, Badger and representatives have given the Department different quotes for different technology. The Department wants to be sure they try the right equipment first and doesn't want to get stuck with one vendor if the technology is proprietary. There is a subscription fee with the AMI technology. \$14,000 is a roll over and the Department is still researching this equipment with the hopes it can get started this year as a pilot.

AMI Meter Pilot tests (Page 181) - Mr. Reyna said if the contract can be executed by the end of this fiscal year, for next fiscal year the budget will be \$250,000 to purchase more units to move to the next phase to install 1,000 units @ \$250.00 each. Chair Dill inquired if Operations would get the first batch to pilot for six months before proceeding with the next batch? Manager Wienand clarified that the 1,000 units is part of the pilot and it is unlikely that the \$250,000 would be spent this fiscal year. In the next 14 months, the Department would not be able to spend \$500,000 so if \$250,000 for this fiscal year was not spent, the Manager would not include another \$250,000 in the budget. Chair Dill requested when this item comes up with the Board, Operations would know if the funds would be spent this year or next year. The Manager and Mr. Reyna agreed that if the funds are spent this fiscal year, it would be removed in the budget for next fiscal year.

#### Action Item

- AMI Meter Pilot tests (1000 units @ \$250 each)

*At 3:45 p.m., Mr. Hull exited the meeting.*

*At 3:47 p.m., Mr. Hull re-entered the meeting.*

Training & Development (Page 184) – Chair Dill encouraged Operations to take trainings for staff.

Tapping Team Expenses (Page 185) – Mr. Reyna said there will be no Tapping Team this fiscal year because there are challenges for staff to volunteer for unpaid practice after hours. Chair Dill would like to discuss this later with the Manager and Mr. Reyna.

Replace trailers (Page 187) – The 18 year old two trailers used for transporting field equipment are falling apart.

Expansion/Equipment (Page 188) – Tractor/Shredder/Sprayer are for remote site maintenance with various vegetation that are inaccessible and weed whacking is not strong enough to remove vegetation. Manager Wienand added there are two Maintenance Worker positions (two teams of two) that are proposed and approved by the Board in November 2018 that will assist with the 90+ remote sites. Chair Dill requested to see Operation's maintenance schedule.

Mr. Reyna explained that the equipment to be used for new positions, Meter Mechanic and Leak Investigator will be using the 4x4 P/U truck for the water audit for reducing non-revenue water loss and leak detection. Currently there is only one Leak Investigator for island wide leak detection and one Meter Mechanic that services over 21,000 meters. Work is being done reactively by one person to handle customer complains about defective meters or water meters. There are also safety issues with only one person working. A two person crew will include a Meter Mechanics and Leak Investigators to help with water loss.

Mr. Calipjo asked if the Leak Investigator detects before or after the meter. Mr. Reyna answered before the meter and after the meter is taken care of by the person living at the property.

Dump truck/trailer/excavator/for new Equipment Operator II (Page 188) – Mr. Reyna said a few years ago, Operations created a Plant Operator position that helped the crew maintain remote sites. The Equipment Operator uses set up equipment for remote sites (dump truck, back hoe loader, & steel truck excavator) making sure access to remote sites are clear, create driveways, and to clean up ditches. When this position was created, there was no equipment for the Plant Section Equipment Operator. The Plant Operator borrowed equipment from the Field Section. Since a Plant Operator retired, Operations has a new full time Plant Operator with necessary equipment and can now buy equipment for the Equipment Operator for the field. It is not an issue because there are two current vacancies with shared available equipment. When the two positions are filled, Operations will then have an Equipment Operator.

Mr. Hull asked how long would it take to fill the new Equipment Operator II regarding the new equipment? Mr. Reyna said it is hard to gauge. He interviewed an application but did not meet Operation's standards during the performance test. DHR will be reposting the position again because there is interest in house who has a CDL license. Equipment purchases would take about 3 to 9 months according to Mr. Reyna. Mr. Hull asked if the budget is approved, would Mr. Reyna start purchasing the equipment? Mr. Hull's concern is if the equipment is purchased and if the position is not filled for 2 to 3 years and the equipment is unused or other jobs will use the equipment. There is a possibility that Mr. Reyna would come back to the Board for more equipment. Mr. Reyna explained there are Temporary Assignment (TA) available for a lower level employee with a required license. With insufficient equipment, TA is not granted.

#### Fiscal

Waterworks Controller Mrs. Yano has two sections: Billing Section and Accounting Section. The Billing Section has four positions with one vacant position. There are three Meter Reader Field Collection Clerks and a Meter Reader Supervisor. They work on profiles and daily meter reading, turn on/turn offs, transfers, readings are done and automatically billed by an outside source provided. Three Customer Service Representatives (CRS) cover the front office walk-in customers, process water application, requests for turn on/turn off service from tenants. Two Customer Service Relations staff provide back up to the CRS. There two Accountants; one handles leak adjustments and one Accountant that supervises the Billing Section. They also make sure collections are processed daily and deposits. The Accounting Section processes payroll, account for fixed assets on all projects and payables for vendors. Two Janitors are under the Accounting Section. Fiscal was not successful in transferring these positions to Operations. Manager Wienand explained the Janitors are under Fiscal because if they need supplies ordered, it is efficient for the Accountant IV to process the purchase orders for supplies vs. Operations to purchase cleaning supplies.

As the Waterworks Controller, Mrs. Yano oversees the preparation of the budget, the year-end financial audit and coordinating with Operations and Water Resources & Planning (WRP) on the well water audit and found out how water sales have been dropping. She completed compiling the production from Operations on a calendar year by comparing 2017 and 2018 and found out production went down by 400M gallons of water; customer water usage has been going down.

Chair Dill asked how many positions are in Fiscal? How many filled? How many vacant? Mrs. Yano said Accounting will be fully staffed with a new Accountant starting April 16<sup>th</sup>. There are two open positions (vacant) in the Billing Section; Customer Service Representative and a Meter Reader. When the Meter Reader Field Collection Clerk was posted, there were no qualified applicants. One position may be downgraded to a trainee and then come back to the Board later for a reallocation. Overall there are 18 positions in Fiscal.

A new preliminary position for an Assistant Waterworks Controller was submitted for transparency which Manager Wienand is reviewing for the next fiscal year for the whole budget. This position will be fully presented in the April or May Regular Board meeting for consideration. If this position is removed, it will be included and discussed and approved in the May budget before the full Board.

Chair Dill expressed that the Assistant Waterworks Controller position should be brought up and discussed with the full Board with strong justification this position. Chair Dill asked if the Manager explored in house for this position. Manager Wienand said preliminary discussions and evaluations have not been completed but will be recommended to the full Board for transparency for the budget. Mr. Hull suggested a similar report that IT presented and would need more than the Explanation & Justification on Page 125. He said there needs to be a serious need if there are pitfalls in the current program. Manager Wienand agreed and did not anticipate that this position be approved today but wanted to make sure it was discussed with the Finance Committee.

Chair Dill thought there was one new position but it appears to be two new positions in the budget. Mrs. Yano said the IT Specialist III position was on the Salaries worksheet.

Mrs. Yano referred to the new positions on Page 9. Chair Dill asked how many new positions are in the Fiscal budget? He noticed there were 10 newly created positions in Operations and the CM positions that were approved by the Board. The Manager said the Water Works Inspector I, Civil Engineer IV and the CM positions were approved by the Board. This report was done before those positions were approved.

Two new positions that were presented for this budget is the IT Specialist III position and the Assistant Waterworks Controller. Chair Dill commented that the Finance Committee has not approved the positions and suggested to zero out the funding for those positions. The Department needs to justify those positions for the Board as a whole at the Board meeting. Mr. Hull mentioned similar to what IT proposed, the Department needs to come back with an actual package for justification to the Finance Committee which he is okay with. The Assistant Waterworks Controller is a higher caliber position to justify. By seeing the new positions in the budget, Chair Dill said one could see the impact to the budget as shown. Manager Wienand said the Department is looking at a projected end balance which is low based on the historic reserves so the benefit is to see the impact on the whole budget. It could be zeroed for now but regardless, the Department would have to go before the full Board. Chair Dill agreed with Mr. Hull on the IT position that a hefty background investigation/evaluation is part of the IT Strategic Plan but not sure if the new positions are of the same support. Mr. Hull said to keep it in the budget for the Board to see but if there is not enough as presented, he would strike it down at the full Board meeting. Chair Dill mentioned the salary range and asked what is included in the budget? Mrs. Yano proposed 50% of \$75,624 (Page 125) and will submit a report for the Board. Chair Dill said to leave it in with a robust discussion with the full Board.

Chair Dill asked if DHR weighed in so far with the new positions? On the EM III Assistant Waterworks Controller position, Mrs. Yano said there was a Board proposed appropriation for a reorganization in Fiscal that was submitted to DHR got denied because the descriptions didn't fit the reallocation request. The Manager at that time, said to leave it as status quo. This is a different position with a higher level of accounting work. Since there is an Accountant I vacancy, some accounting work has been given to this staff member who is proficient and capable for advancement. Manager Wienand explained to the new Finance members, when a proposed position is submitted to DHR, they look at the duties and responsibilities but not necessarily performance. A person is considered by DHR to be eligible for promotion if they are doing the duties, meeting the responsibilities and meeting the classifications of the higher level position. Mr. Hull said it is expected that this person is doing the work by giving them the higher pay rate.

### Action Items

- Budget Request: Request for a new position, Assistant Waterworks Controller.
- Show the full Board strong justification in details to be presented at the April or May Board meeting.
- Keep the \$75,624 in the budget for now pending discussion
- Prepare a summary sheet for each Team to identify and show:
  - Number of Positions
  - Number of Vacancies
  - Number of Requests
  - Provide organizational chart for each Team

Professional Services/Billing (Page 138) – has been reduced due to project management. Chair Dill asked if the billing costs are the same from prior years which Mrs. Yano indicated yes. Last year the budget for Professional Services was for project management to assist with on line credit card payment and bill pay. A consultant is assisting Fiscal with the credit card payment and bill pay that is managed by IT. Manager Wienand mentioned Consulting Services to assist DOW with financial policies is actively being worked on by the Fiscal staff to make a selection for a contract to get executed. The scope on the financial policy issues are being reviewed to have a multi-year budget, handling encumbrances vs. actual spending to make sure what the budget is actual spending not the inflated budget which affects the rate study. Historically there has been financial policy issues and the Department hopes to make this a catch all for the consultant to adapt those policies. Manager Wienand is targeting to spend the \$150,000 if the contract is executed in time to be encumbered within the next three months; if not, it will be removed from the new budget.

#### Action Item

- Consulting Services – is being worked on. Targeting within the next 3 months, if the contracted is executed in time, \$150,000 will be removed from the budget.

Project Management (Page 128) - Fiscal highlights include the credit card on line payment in Billing that will not be encumbered this year. The budget in Billing remains the same.

Accounting / Professional Services (Page 138) – has not been spent much. Manager Wienand clarified that \$150,000 was already discussed.

Travel & Per Diem (Page 145) – Chair Dill encouraged Fiscal staff to take training. A new hire will be attending the Government Finance Officers Association Conference in May.

New Computer System (Page 147) – will be anticipated for a new hire EM Assistant Controller position.

The next Finance Committee meeting is on Wednesday, April 10<sup>th</sup> will include all the follow up updates from this meeting.

Manager Wienand added a follow up suggestion by Ann Parrott from Fiscal, that a Board Policy on the Insurance Deductible as a “Reserve” instead of budgeting \$1M every year, it would be its own reserve to be discussed at the April Board meeting. The annual budget would reflect spending based on historic numbers.

Various financial reports from the Department were “Received for the Record” from Mr. Hall Parrott, private citizen who will provide the Commission Support Clerk copies (for the April 10<sup>th</sup> meeting).

#### **F. RECESS**

Chair Dill recessed the Finance Committee meeting at 4:38 p.m. and to reconvene on Wednesday, April 10<sup>th</sup> at 1:30 pm; with no objections.

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