

Finance Committee Meeting

August 18, 2014

August 18, 2014
1:00 p.m.

Committee Members Present: Chair Larry Dill called the Finance Committee meeting to order at 1:00 p.m. Chair Dill, and Laurie Ho answered present at Roll Call. Hugh Strom was excused. Board Chair Clyde Nakaya was present.

Staff Present: Kirk Saiki, Marites Yano, Dustin Moises, Val Reyna, Keith Aoki, Eddie Doi, Regina Flores, Jeff Mendez, Sandi Nadatani-Mendez, Mj Akuna, Deputy County Attorney Andrea Suzuki

AGENDA

Chair Dill accepted the Finance Meeting agenda as circulated.

ACCEPTANCE OF MINUTES

Review and approval of:

Finance Committee Meeting – May 12, 2014

Chair Dill approved the Finance Committee Meeting Minutes of May 12, 2014, with no objections.

Finance Committee Meeting – May 13, 2014 - *Recessed*

Chair Dill approved the Finance Committee Meeting Minutes of May 13, 2014, with no objections.

Finance Committee Meeting – May 21, 2014

Chair Dill approved the Finance Committee Meeting Minutes of May 21, 2014, with no objections.

Finance Committee Meeting – May 29, 2014

Chair Dill approved the Finance Committee Meeting Minutes of May 29, 2014, with no objections.

OLD BUSINESS

1. Manager's Report No. 14-16 – Part 4 Section VII, Facilities Reserve Charge, Proposed Rule Amendments

Chair Dill commented that Manager's Report No. 14-16 – Part 4 Section VII, Facilities Reserve Charge, Proposed Rule Amendments would be discussed at a future Finance Committee meeting.

NEW BUSINESS

1. Manager's Report No. 15-01 – Committee Discussion on Draft Capital Outlay Budget for FY 14-15

Chair Dill announced that today's discussion will include the Capital Outlay Budget which was delayed for the Department to provide their best efforts to expend projects to allow and build FRC revenue.

BACKGROUND:

The 2015 Operating Budget was approved in the Regular Board meeting on June, 2014. The proposed Capital Outlay and the Net Rollover from FY 2014 which consisted of Open Contracts and other Encumbrances were deferred for further review and discussions.

The new Capital Outlay consists of the State Revolving Fund (SRF) - \$4M; Water Utility Fund - \$7.4M; Bond Fund - \$16.4M and Facilities Reserve Charge (FRC) - \$4.4M.

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Capital Outlay is funded and categorized:

1. Capital Purchases
 - New
 - Rehabilitation and Replacements (R&R)
2. Capital Projects – R&R
 - Design Budget
 - Construction Budget
3. Capital Project - Expansion
 - Design Budget
 - Construction Budget

The budget was broken down as follows:

- Capital Purchases - \$2.6M
- Replacements - \$2.3M. Proposed budget for new AMR transponders for document imaging system, \$266K and Other IT projects, \$118K.

Vehicle Replacement – Proposed budget - \$495K:

- Purchase two (2) F450 pickup trucks
- One (1) F250 pickup with lift gate
- One (1) backhoe and trailer equipment
- Replace padlocks and keys - \$145K
- One (1) replacement pickup truck for Fiscal/Billing – Meter Reader - \$25K

New Capital Purchase - \$299K

- IT requested an GIS Map viewer and mapping layers for \$199,500
- Operations new request for one (1) new truck for leak detection and security equipment proposed budget – \$95,000
- Water Quality Section for one (1) ice machine at \$4,000

Total Capital Purchases = \$2.6M

New Capital Outlay, Worksheet Page 2 of 12

Capital Projects / R&R - \$4.78M (under Design/Expansion, Design/Construction)

Engineering - Design has 7 proposed projects - \$926,001; Construction is \$3.58M = \$4.8M

2 are partially R&R; portion is Expansion

1 project is funded at \$1 Rice Street. Kapule Intersection

Capital Projects / Expansion – None under Water Utility Fund (WUF)

FRC Fund Capital Outlay - \$4.4M, (Worksheet details Page 2 & 3 of 12).

- Design - \$1.6M
- Construction - \$2.8M

Civil Engineer VI, Mr. Aoki explained how FRC was determined to generate projects. After the previous Finance Committee meeting, Water Resources and Planning (WRP, Operations and Engineering met to review the different projects and the Department needs. The Amfac Shaft Well design will be dropped from the original proposed budget.

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Engineering Design projects that will move forward:

- Wailua Homesteads 538 Storage Well Tank
- Wailua Homesteads Well No. 2 project will be unsuspending and the Surface Water Treatment Plant will be expansion budgeted at \$350,000
- Hanalei Well No. 2 – an ongoing project but suspended and to complete the design at \$60,000 which is the remainder of the contract.
- Construct - Hā'ena 144' Storage Tank (Professional Services/Supplemental Budget
- Construct - Wainiha 224' Storage Tank (Professional Services/Supplemental Budget

Waterworks Controller, Ms. Yano explained the new proposed budget has design costs that were re-categorized from a Capital Outlay budget to Operating Expenses such as feasibility study, design study, and preliminary engineering costs.

Supplemental Budget

- Engineering Services as needed - \$190,000
- None of the Engineer Services projects are in final construction

Civil Engineer IV, Mr. Doi explained how the projects were selected. Two (2) tanks have restrictions on storage explained and a larger list was based on operating the system (Hanalei Well No. 2 for new source).

Hanapēpē Stream Crossing – \$50,000 was added for Operations

Water Utility Projects/Design, Page 2 of 12 -

- Hanamā'ulu Booster Pump (Rehab) – delayed to rehabilitate the Jelly Factory Booster pump. Water will be pumped from Lāwa'ī to the Kalaheo water system – Design \$200,000

Some engineering design projects were dropped to work on critical projects:

Paua Valley Well Rehab - \$150,000

Paua Valley Well Water Control Center - \$200,000

Kapa'a Town 8" Main Replacement - \$26,000 (would potentially generate some FRC)

Professional Services as needed – added \$10,000

Initial meetings with Grove Farm indicate they are okay with expanding the Service Water Treatment Plant Expansion (SWTP) to meet the Department's needs - \$350,000. Cost sharing is unknown with Grove Farm at this time. SWTP is not owned by DOW.

Chair Dill appreciated the Department's efforts in determining FRC projects.

Capital Outlay BAB Fund - \$16.4M, Manager's Report, Page 3 & Worksheet, Page 3 of 12 -

- Construction - R&R - \$5.133M
- Capital Projects – Expansion - \$11.2M (would provide FRC generation). Some expansion projects would provide fire flow/public safety and would allow development to occur.
- Design - \$165,000
- Construction budget - \$11.1M

Design projects which are FRC generated:

- Yamada Tank
- Kapaa Homesteads Tank
- Homesteads Well 4

Construction projects to be awarded this fiscal year:

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- 'Anini Well 1B
- Kōloa Wells 16A & 16E
- Lāwa'i L08 & L10
- Kōloa – Piko, Lāwa'i – pipeline
- Grove Farm Tanks 1 & 2
- Kilauea 466 Puu Pane Tank
- Halewili Water Line
- Weke Anae Water Line

Bond Fund / Expansion Construction:

- K06 Kahaleo Tank - \$1 funded (would not be completed this fiscal year)

Water Utility Fund – Capital Projects – R&R – Construction to be awarded this year, Page 2 of 12:

- Yamada Tank – design / pending due to a land issue (4 packages 2 tanks, booster pump & pipeline)
- Kōloa Road Main
- Eleele Booster Rehab
- Kōloa Well D - \$1

Construction Project Management Officer, Mr. Moises added that the Construction Management (CM) will have a supplemental budget for \$1M (as needed CM).

Board Chair Nakaya and Chair Dill requested the Department to footnote the projects that will be awarded should be in the Manager's Report for the full Board's approval this fiscal year. The Līhu'e Baseyard will be a future discussion.

Capital Projects - Proposed SRF Funds

- R&R – Construction/Proposed DOW Līhu'e Baseyard building - \$4M

Total new proposed Capital Outlay - \$32.2M, Page 1 of 12

The Finance Committee recommended the presentation of the Draft Capital Outlay to the full Board at the August 28th Board meeting.

Open Contracts and Projects, Worksheet details, Page 4 of 12

- Total prior net rollover of unexpended encumbrances for contracts and Purchase Orders - \$5M (non-capital items and other capital outlay budget).

Net rollover from Prior Year, Page 1 of 12 - \$5M are encumbrances that were budgeted in the prior year and the unexpended amounts are retained in the fund balance that will roll over into the new Fiscal Year. (See bottom of worksheet – represented as “in/out.”)

New Supplemental Budget, Worksheet details, Page 6 of 12

- Proposed Operating Expenditures - \$700,000 from Engineering Division
- Preliminary engineering studies and as needed Surveying Services - \$190,000 (previously listed under the Capital Budget). Re-categorized as part of the Operating Expenses.
- Professional Services - \$40,000 for a consultant to update FRC payments which never were activated manually. FRC payments would be updated and inputted in the Customer Care & Billing (CC&B). The Water Meter Readers could update the water meters on the weekend and WR&P could update the FRC information in the system.

After the capital outlay budget and net rollovers are approved, a Board resolution will be proposed for approval and adoption by the Board.

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The Finance Committee will be schedule a future meeting to discuss the FRC.

At 1:52 p.m., Chair Dill adjourned the Finance Committee meeting.

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