

Finance Committee Meeting

December 6, 2013
2:00 p.m.

Committee Members Present: Larry Dill, *Chair*, Clyde Nakaya and Hugh Strom answered present at Roll Call.

Board Members Present: Randy Nishimura, *Board Chair* (entered at 2:38 p.m.)

Staff Present: Kirk Saiki, Marites Yano, Kim Tamaoka, Eddie Doi, Regina Flores, Keith Aoki, Mary-Jane Garasi, Deputy County Attorney Andrea Suzuki

At 2:15 p.m., Chair Dill called the Finance Committee meeting to order.

AGENDA

Commission Support Clerk requested a Point of Order that Manager's Report No. 14-18 is New Business Item No. 6 regarding Review, discussion and possible action of Board Policy No. 3 – Expenditure of Water Utility Funds Proposed New Language (11-21-13) instead of Item No. 2 in Old Business.

Chair Dill accepted the amended agenda with no objections.

ACCEPTANCE OF MINUTES

None

OLD BUSINESS

1. Manager's Report 14-16 – Part 4 Fixing Rates for Water Service, Section VII Facilities Reserve Charge (10-15-13), i. Part 4, Section VII (10-15-13)

BACKGROUND:

From the last Regular Board meeting, *Acting Manager* Kirk Saiki stated that 3” meters and larger were to be confirmed by the Department on the methodology and cost that corresponded with the consultant, Leidos report (formerly SAIC). The consultant confirmed that 1) max day flow can be used for larger meters and to change the methodology and 2) an error in the calculations were found.

The FRC for the 5/8” meter and larger, lowered the cost from \$17,160 to \$14,160. The calculation affected the source, storage and transmission components of the FRC. The consultant's calculation mistake was that they previously used average day to calculate the cost. When the consultant switched to max day demand all the calculations were not updated.

In Part 4 Rule, Schedule 1 and Schedule 2 the numbers were changed. Schedule 3 was deleted for 3” and larger meters. The FRC language would be based on max day demand for new water service

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suggested by Leidos. Schedule 4 was changed to Schedule 3 and the percentages on the offsets were also changed on the calculation.

DISCUSSION:

Mr. Dill was relieved that Leidos found the calculation error and lowered FRC cost. He found it disappointing that the error was found late in the game.

Question 3c (meters above 2") - Mr. Dill asked the Department how is max day demand determined for individual service?

Acting Manager, Mr. Saiki commented that the Department sizes larger meters by fixture units but will access the FRC by max day demand. The max day demand is determined for commercial areas by using 3,000 gallons per day per acre. The Department relies on the consultants for a negotiated number. The standards call for average use for certain criteria.

The Department will provide an SOP for the applicant who will provide a max day demand calculation to be reviewed and approved by the Department. Leidos will be asked to provide a methodology for the Department to address the max day demand to implement with applicants.

Mr. Strom questioned if the Department has the ability to annually adjust average usage?

Acting Manager, Mr. Saiki recalled a similar proposal where an applicant applied for max day demand. After a year, their max day demand became larger and they were assessed additional FRC. Currently, this is no longer done for the same meter. Max day demands are not indicated in building codes.

The Department will confirm if Plumbing Permits are seen by the Department. The approval list would be changed on the plumbing list and could be put on an addendum in the rule.

An applicant that needs a bigger meter would be assessed an FRC.

Civil Engineer VI, Mr. Aoki questioned if a 4" meter was approved for an applicant but reapplied for the existing meter and needed more water and added more fixtures, would the Department access more FRC?

Deputy County Attorney commented that because the meter is not based on fixture units and if it moved to the next meter size, she was unsure how to access more money.

Currently the FRC is based on max day demand. Max day demand was for 2" meters (based on a ratio for a 5/8" meter).

Mr. Doi mentioned that the max day demand would be calculated and based on a standard which is not referenced. More research would be done on how to gauge a hotel.

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Chair Dill requested what the Department's recommendation would be on how to manage and determine max day demand for meters larger than 2". *Acting* Manager, Mr. Saiki will follow up with Leidos regarding the max day demand.

Page 4 Table 4-8 – FRC Comparison with Other Hawai'i Water Utilities - Maui's FRC is assessed by a fixed cost per meter. Honolulu assesses FRC by fixture units.

The Department will follow up on the following items:

- How did Maui come up with \$123,000 for 2" commercial meters?
- How did other agencies arrive with their numbers?
- How did the other counties do their methodology?
- Is there a flat rate for 2" commercial meter for other counties?
- How did the Department come up with numbers?
- Is it for a 2" meter capacity?
- Is it MDD x cost per gallon per day that is derived in a cost of service study with other counties?
- Check FRC assessment with other counties
- Follow up with Honolulu BOWS
- Check percentage of offsets for Schedule 4
- Concerns re Option 1 of the report will be discussed at the next Finance meeting.

NEW BUSINESS

2. *Manager's Report No. 14-18* – Review, discussion and possible action of Board Policy No. 3 – Expenditure of Water Utility Funds Proposed New Language (11-21-13)

BACKGROUND:

Acting Manager, Mr. Saiki clarified that Board Policy No. 3 was a modification change of the interfund loan to help the FRC.

Revisions/corrections to be made by staff:

- 1) Paragraph after Item No. 4 – The Water Utility Fund (WUF) shall include revenues **from** water sales, ...
- 2) Item No. 3 – last sentence Page 1 – Make classification plural ...expenditure classifications

Chair Dill explained that this gives the Manager flexibility within the budgeted amount of the classification. With the county, there is less flexibility to move funds around. Every month a report of operating and capital expenditures are available for review and county line items vary.

Board Chair Mr. Nishimura commented that if the Manager exceeds a certain threshold, he would have to come back to the Board to transfer money. He also asked what is the threshold? Would this be a good way to budget?

Ms. Yano noted that actual expenditures can go up or down within a classification. An actual amount will show up on how the money was spent. Transfers could be indicated in the Manager's Update Report if there is an increased on budgeted amounts.

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Mr. Nakaya requested Ms. Yano to show transfer amounts in the Manager's Update Report to the Board on the overall transfers on the line items.

- 3) Item No. 5, Page 2 - Define *Super Majority* in the policy.
- 4) Item No. 5, Page 2 - ... outlining the loan **terms**, conditions ...
- 5) Item 6d, Page 2 – Clarification to add after ... through a Manager's Update or a Report *to the Manager* **from staff**.
- 6) Item No. 7, Page 2 - ... The Debt Service Fund (DSF) is okay for future Board members.

Mr. Nakaya moved to accept Board Policy No. 3 with changes as discussed regarding the Water Utility Fund to be forwarded to the Board for approval; seconded by Mr. Strom; with no objections, motion was carried with 3 ayes.

ADJOURNMENT

Chair Dill recessed the Finance Committee meeting at 3:14 p.m. and will reconvene on Thursday, December 12, 2013 in the DOW Board Room at 3:30 p.m.; with no objections.

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