

Committee Meetings

June 6, 2006

Chairperson Josephine Sokei called the Committee Meetings to order at 10:18 a.m.

Board present: Josephine Sokei, Ian Costa, Donald Fujimoto, Steven Kyono, Lynn McCrory, and Bernie Sakoda. Absent & excused: Myles Shibata

Staff present: Wynne Ushigome, Paul Ganaden, Les Yoshioka, Gregg Fujikawa, Bruce Inouye, Keith Fujimoto. Absent & excused: Deputy County Attorney Galen Nakamura.

FINANCE COMMITTEE

Finance Committee Chair Steven Kyono called the Finance Committee Meeting to order at 10:18 a.m. Members present: Ian Costa, Donald Fujimoto, Steven Kyono, Lynn McCrory, Bernie Sakoda, and Josephine Sokei. Absent & excused: Myles Shibata.

Re: Claims Payable:

WATER UTILITY FUND:	\$560,698.21
BOND FUND:	\$ -0 -
FRC FUND:	\$ 50,585.50
STATE FUND:	\$ -0-
TOTAL	<u>\$611,283.71</u>

Mr. Costa moved that the claims be approved for payment, seconded by Ms. Sakoda; motion was carried.

Re: Proposed Budget for Fiscal Year 2006-07

Finance Chair Kyono submitted the following report as discussed at the May 30, 2006 Finance Committee Meeting:

The Finance Committee, after careful review and deliberations on the budget, found and recommended appropriate action on the following items.

We find that the proposed Operating Budget for FY 2006-07 is based upon projected operating resources of approximately \$31.305 million and a carry-over fund balance of \$13.288 million. The total operating fund resources of \$44.593 million are generally allocated as follows: \$19.766 million for operating expenditures; \$7.259 million for the Capital Improvement Program (CIP); and \$17.568 million for the Capital Rehabilitation Program (CRP).

Revenues from water sales and service charges are projected at \$14.748 million, which is \$1.085 million or 7.9% more as budgeted for the current fiscal year. The projection is based upon the scheduled increase in water rates adopted and effective January 1, 2007, along with a 1.25% increase in consumption and a 1% in customer growth, and an increase in cost of power adjustment revenues. Other revenue is estimated to increase by \$0.356 million or 31.9% and is primarily due to an increase in fire hydrant service charge of \$0.185 million and interest income of \$0.160 million. The increase in the fire hydrant service charge is a result of the increase in its rates effective January 1,

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2006, while the increase in interest income is due to anticipated higher interest rates and the scheduled maturities of the short-term investments. Other revenue – SRF Loan are projected to increase by \$3.645 million or 31.9% and is primarily due to an additional \$4.096 million in State Revolving Fund loan proceeds for the Poipu Road 16-inch main replacement project. The overall increase in total revenues and other resources is, therefore, estimated at \$5.086 million or 19.4%.

The fund balance at the end of the current fiscal year is estimated to be \$13.288 million. The fund balance is primarily the result of the following:

- (1) \$19.453 million from the CIP and CRP Budget, which is attributable to: \$8.748 million in encumbrances of appropriations for CIP and CRP projects in progress or planned in the near future; \$11.317 million in CIP and CRP contract encumbrances; and \$0.023 as a net result of un-required appropriation and contract balances.
- (2) A net negative carry-over balance of \$6.165 million from the Operating Budget. This is the difference between the estimated \$9.838 million in estimated operating resources under the current budget less the \$3.673 million in operating expenditures under the current budget.

The \$9.838 million shortfall in operating resources under the current budget is mainly attributable to water sales being estimated at \$0.403 million less than projected; SRF loan proceeds being \$10.514 less than the anticipated to be received in the current budget year and accordingly are expected to be received in the proposed budget year; other revenues being projected at \$0.240 million more than anticipated; and the receipt of \$0.841 million more in other resources, of which \$0.798 million are from SCADA private developer funds.

The \$3.673 million in operating expenditures under the current budget, is mainly attributable to: \$0.832 million in encumbrances in the equipment account, \$0.496 million in unexpended salaries primarily due to vacancies; and accordingly, \$0.216 in related employee benefits; \$0.728 million in contracted encumbrances, \$0.475 million in contractual services encumbrances; \$0.412 million in purchase of water; \$0.131 million in provisions for insurance liabilities; \$0.414 million in property and supply as provided for emergency repairs and a pump replacement program, \$0.343 million in debt service requirements; \$0.138 million for other capital expenditure contract encumbrances; \$0.030 million in other operational savings; and less \$0.542 million in pump electrical costs over the current budget.

The total expenditures for the proposed Operating Budget for FY 2006-07 are budgeted at \$44.593 million. The operating expenditures, which accounts for 44.3% of the total budget, are budgeted at \$19.766 million. This represents an increase of \$1.053 million or 5.6% over the total operating expenditures budgeted for the current fiscal year. Earmarked for CIP and CRP are \$7.259 million or 16.3% and \$17.568 million or 39.4% of the total budget, respectively. Combined, the CIP and CRP budget account for \$24.827 million or 55.7% of the total budget, which is \$0.523 million or 2.1% less than the current budget. Taken together, the proposed budget is \$0.530 million or 12.0% more than the current budget. Highlights of the proposed budget by major expenditure categories are described as follows:

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The salaries budget of \$5.183 million has increased overall by \$0.436 million or 9.2% over the budgeted salaries for the current fiscal year. The increase reflects \$0.134 million in provisions for salary increases based on collective bargaining agreements, \$0.030 million resulting from promotions, reallocations and collective bargaining increases incurred during the current budget year, a provision of \$0.067 million for salary increases, \$0.068 million for two (2) additional positions, and an increase in overtime provisions of \$0.137 million, as a result of pay increases and anticipated increases in overtime requirements for pipeline repairs and the AMR project. The number of departmental permanent positions is proposed to increase from 90 to 92 full-time positions. Proposed in the salary budget is the addition of a Waterworks Inspector I and an Assistant Water Plant Operator position. It should be noted that both positions were included and adopted in Water Plan 2020. Also proposed and included in the salaries budget is the contract renewal for the Waterworks Legal Advisor position.

The Normal Expenditures budget of \$10.108 million shows an overall decrease of \$0.092 million or 0.9%. Administrative, Office and Engineering expenditures overall has increased by \$0.140 million or 6.2%. Most notable is the overall increase of \$0.168 million in contractual service requirements. Major projects added to contractual services are \$0.220 million for a Strategic Plan implementation for Tasks 1 & 2, and \$0.100 million for general engineering support services. It should also be noted, included in the contractual services account are the encumbrances of \$0.220 million for a Strategic plan development and needs assessment study, \$0.150 million for GIS implementation support, \$0.100 million for a County Water Use Development plan update, and \$0.175 million for a depreciation and capital reserve study, \$0.100 million for general engineering support services, and the contract encumbrances of \$0.153 million for the Automated Meter Reading, (AMR) Study. Insurance and Employee Benefits has decreased overall by \$0.101 million or 4.8%. This is a net result of a projected increase of \$0.086 million in employer retirement contributions and a projected decrease in employer's share of health benefits of \$0.187 million. The increase in retirement contributions is a result of the projected increase in salaries as the contribution rate as remained at 13.75%. The decrease in health benefits is a net result of \$0.143 million encumbered in the current budget for prior year health fund premiums for retirees and a decrease in health benefits costs of \$0.043 million due to an overall decrease in premium costs. Operations and Maintenance expenditures has decreased overall by \$0.324 million or 6.0%. This reflects a decrease of \$0.0645 million in the material and supplies account and is a result of \$0.680 million being encumbered in the current budget year for roadway restoration services, a decrease of 0.083 million for the safe drinking water act program, also due to contracted services encumbered in the current budget year and an increase of \$0.370 million for pump-electrical costs due to anticipated rising fuel prices. The County Service Charge which reflects the same amount as for the Public Fire Protection revenues, has increased by \$0.184 million or 41.9% and is due the increase in its rates as adopted and effective January 1, 2006.

The purchase of furniture, vehicles and equipment is estimated to cost \$1.302 million. This includes the cost of \$0.832 million for those items that are currently budgeted for and have been re-budgeted. This consists of \$0.364 million for office furniture and equipment, which mainly includes \$0.153 million for computer related equipment purchases, \$0.100 million for future system upgrades, enhancements, customization, and additions to the computerized accounting system, and \$0.100 million for phone system improvements. The remaining \$0.469 million is for vehicles and equipment,

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of which \$0.352 million is for vehicle purchases. The amount added for new purchases amounted to \$0.450 million and consists of \$0.185 million for office furniture and equipment and \$0.265 million for vehicle purchases. A major portion for office furniture and equipment is \$0.100 million for the micro-lab second floor design and furniture and \$0.071 million for computerization related purchases. The \$0.260 million for vehicle purchases are for the normal replacement of five (5) vehicles.

The debt service requirement is budgeted at \$2.268 million, which is \$0.601 million or 36.1% more than the current budget and is approximately 15.4% of projected operating revenues as compared to the 11.7% for the current budget year. Added to the budget is \$0.183 million for the additional semi-annual debt service requirement for three (3) existing SRF loans, \$0.252 million as the projected semi-annual debt service requirement for the additional SRF loan for the Poipu Road project, and an additional \$0.202 million for the DOW Bond 2005 Series bond issue and the refunded portion of the 2001 bond issue. It should be noted that the interim and final SRF loan agreements for the Wailua Homesteads 8-inch main replacement of \$3.0 million and the Waimea Canyon Drive 12-inch waterline replacement project of \$3.0 million are expected to be executed in the proposed budget year and the debt service requirement for these loans be budgeted in the subsequent budget year.

Property and Supply is budgeted at \$0.767 million and is relatively the same as the amount budgeted for the current year. This is attributable to a \$0.073 million increase for the purchase of automated radio read meters and a \$0.100 million decrease for the pump replacement program.

The Capital Improvement Program (CIP), which totals \$7.259 million and accounts for 16.3% of the total budget, is appropriated as follows: \$4.831 million in appropriation encumbrances; \$1.327 million in contract encumbrances; \$0.867 million in funding for new and existing CIP projects; and a CIP reserve of \$0.233 million. The highlight of the proposed new additions is the \$0.700 million in construction funds budgeted for the Kapaa Homesteads 0.5 MG and Kapahi 1.0 MG storage tanks project, WK-08 and WK-09, respectively. Combined with the \$1.900 million budgeted in the FRC Fund, the total amount budgeted for this project is \$2.600 million.

The Capital Rehabilitation Program (CRP), which totals \$17.568 million and accounts for 39.4% of the total budget. This consists of \$3.917 million in appropriation encumbrances; \$9.990 million in contract encumbrances; and \$3.661 million in funding for new and existing CRP projects. Highlights of the new additions include the re-appropriation of the construction funds for the Wailua Houselots 8-inch mainline replacement, WK-28 for \$3.0 million, the Waimea Canyon Drive 12-inch replacement, KW-14 for \$0.661 million. It should be noted that these projects are proposed to be SRF loan funded.

A Capital Improvement Program Budget of \$4.796 million is proposed to be financed from the FRC Fund. The FRC-CIP Budget consists of \$1.097 million in appropriation encumbrances; \$1.506 million in contract encumbrances; \$2.125 million in funding for new and existing CIP projects; and CIP reserve of \$0.068 million. Highlights of the proposed new additions include construction funds of \$1.900 million for the Kapaa Homesteads 0.5 MG and Kapahi 1.0 MG tanks project, WK-08 and WK-09, respectively.

A Capital Improvement Program of \$4.504 million is proposed to be financed through bond proceeds. The bond proceeds derived are to be utilized for the purpose of funding construction and acquisition

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of improvements to the waterworks system. The projects proposed to be included and financed from the bond issue is the Wailua/Kapaa 1.0 MG Stable tank project, WK-42 for \$2.200 million and the Hanapepe/Eleele 6-inch waterline replacement project, HE-11 for \$1.200 million.

Your Committee finds that as part of the annual budget review process, the Department will review the actual unit costs of power for each twelve-month period ending March 31st and the budgeted unit power costs. At this time, the power costs adjustment for the upcoming fiscal year will be calculated as the sum of two components as described in Section X – Cost of Power Adjustment Clause of our Rules and Regulations. The sum of these two components, calculated on dollars per thousand-gallon basis, will be applied to all water consumption charges. Your Committee finds that the power costs adjustment for the proposed budget is calculated to be \$0.18 per 1,000 gallons. This is the sum of the calculated budgeted unit power costs of \$0.06 per 1,000 gallons and the actual unit power costs of \$0.12 per 1,000 gallons. Based on the projected total consumption of 4.508 billion gallons, revenues are projected at approximately \$0.811 million.

Any power costs adjustments will be implemented on July 1st of each year. Your Committee finds that in realizing that this adjustment allows the automatic pass through of unanticipated power cost increases to customers through the water consumption charges, your Committee recommends that the power costs adjustment be implemented for the proposed budget year to recover such costs.

Your Committee, also in its deliberations, finds that we are about to embark on two major studies, a strategic plan development and needs assessment study and a depreciation and capital reserve study. Your Committee recommends that at some point in time during the conduct and development of the strategic plan and needs assessment study, the issues and concerns of overtime, vacant positions, and staff shortages should be addressed for future budget considerations. Also to be addressed in the Strategic Plan and Needs Assessment is the budget to be determined as a comparison to actual results rather than the prior year budget. Your Committee further recommends that in relation to the depreciation and capital reserve study, the aspects, approaches, and methods of budgeting for capital reserves be also considered for future budget developments. Also requested was to have the capital expenditures be the same format on the monthly financial statement and the budget.

Your Committee also recommended for future budget deliberations, that the annual management audit recommendations be included in the budget to address any budgeted related issues of cost items, required positions, and/or programs.

Your Committee has revised the proposed budget to include an additional \$0.050 million in the public relations account for a charter amendment public relations program. We have also increased the equipment account to include an additional \$0.100 million for the design and furniture purchase for the micro-lab second floor office. Your Committee also found that included in the equipment budget was the re-budgeting of currently budgeted equipment purchase requests and recommended that the encumbrance of these requests be kept at a minimum.

The Finance Committee recommended approval of the actions taken and the adoption of the Budget for Fiscal Year 2006-2007.

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Ms. McCrory stated that there were a couple of points that were missing from the report that are double underlined in the previous paragraph, which was so noted.

Ms. McCrory moved to approve the Finance Committee Report, as amended, and to forward this item to the full Board at the Regular Meeting to follow, seconded by Mr. Fujimoto; motion was carried.

The Finance Committee Meeting was duly adjourned at 10:23 a.m.

PUBLIC AFFAIRS COMMITTEE

Public Affairs Committee Chair Bernie Sakoda called the meeting to order at 10:23 a.m. Members present were: Ian Costa, Donald Fujimoto, Steve Kyono, Lynn McCrory, and Josephine Sokei. Absent & excused: Myles Shibata

Re: Public Affairs Update

PA Committee Chair Sakoda gave the following report:

Ag Awareness Day: May 18, 2006 was Ag Awareness Day and the Department participated in this educational event for 5th graders at the UH Wailua Extension Facility. Thank you to Gregg Fujikawa and Carl Arume for attending and representing the Department at the Ag Awareness Event.

Ono Water Contest: The Mayor's Kuleana Show will feature a segment highlighting the Department's winning entry in the recent Ono Water Contest at the AWWA, Hawaii Section conference. Water Microbiologist Carl Arume will be the Mayor's guest speaker providing information, background (and color commentary) on the winning entry from Nonou Well 9-1C. The Mayor's Kuleana Show will be airing on Hoike starting from Friday, June 8, 2006, one time at 6:00 p.m. Then Saturday, June 10, 2006 to Thursday, June 15, 2006, it will run 2 times a day at 6 a.m. and 6:00 p.m.

Acting Manager Ushigome added that we will be sending our water sample that won the local Ono Water Contest and is now eligible to enter into the National Best of the Best Water Contest at the AWWA San Antonio Conference on Monday, June 12, 2006.

King Kaumualii Elementary School Wet & Wild Celebration: On June 2nd, the school is hosting a water festival with hands-on activities for the students (kindergarten through 5th grade) and their parents. This festival is a follow up event culminating the lessons learned throughout the academic school year. Through a grant and in conjunction with the Children's Discovery Museum, the students participated in beach and watershed clean-up projects, learned water sampling and testing procedures. In support of the event, the Department provided the requested activities and token prizes to the students.

Also, Educator Debbie Berg mentioned the 5th grade enrichment students toured the new Grove Farm Water Purification Facilities, observing the process operations of the filtration system.

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Department Promotions & New Employees: Congratulations to Keith Konishi who has been promoted to Engineering Technician III. He is a valued member of the Water Resources and Planning Division's team and has been with the Department since February 3, 2003.

Starting June 1st, there will be a few new faces around the Department.....our summer interns. This year we are fortunate to have three (3) interns working among us; they are Ross Acoba (Operations), Cailee Koga (Administration), Robyn Nakata (Fiscal-Accounting Section).

Also, the Department welcomes Jeffery Silva who will be joining the Department on June 16th as a Pipefitter in the Operations Division.

Received for the record.

The Public Affairs Committee was duly adjourned at 10:27 a.m.

RULES COMMITTEE

Rules Committee Chair Lynn McCrory called the meeting to order at 10:27 a.m. Members present were Ian Costa, Donald Fujimoto, Steven Kyono, Bernie Sakoda, and Josephine Sokei. Absent & excused: Myles Shibata

Re: Rules Update

Ms. McCrory gave the following Rules Update:

There are no rules amendments being formalized on at this time. If the Board decides to develop or amend a policy or rule, the Department will begin to review and establish the necessary guidance criteria.

On query by Ms. McCrory, Acting Manager Ushigome stated that there were some questions from our customers on the Manager's Interim Directive for the FRC Offset Rule but it seems to be working as is. The Manager's Interim Directive could be incorporated into a revised FRC rule, which the timing will be determined at a later date.

Received for the record.

There being no further business, the Rules Committee was duly adjourned at 10:30 a.m.

rm

Finance Committee Meeting

June 27, 2006

Board present: , Ian Costa, Donald Fujimoto, Steven Kyono, Lynn McCrory, Bernie Sakoda, and Myles Shibata. Absent & excused: Josephine Sokei

Staff present: Wynne Ushigome, Paul Ganaden, Bruce Inouye, Keith Fujimoto, Edward Doi and Deputy County Attorney Jim Tagupa. Absent & excused: Les Yoshioka and Gregg Fujikawa.

FINANCE COMMITTEE

Finance Committee Chair Steven Kyono called the Finance Committee Meeting to order at 10:18 a.m. Members present: Ian Costa, Donald Fujimoto, Steven Kyono, Lynn McCrory, Bernie Sakoda, and Myles Shibata. Absent & excused: Josephine Sokei.

Re: Claims Payable:

WATER UTILITY FUND:	\$412,155.22
BOND FUND:	\$ -0 -
FRC FUND:	\$ -0 -
STATE FUND:.....	\$ -0-
TOTAL	<u>\$412,155.22</u>

Mr. Costa moved that the claims be approved for payment, seconded by Ms. McCrory; motion was carried.

The Finance Committee Meeting was duly adjourned at 10:23 a.m.

rm