Recessed Finance Committee Meeting

June 23, 2011

Recessed on June 23, 2011, the Finance Committee reconvened on Thursday, June 23, 2011, in the Second Floor, Microbiology Lab Building. Chair Larry Dill convened the meeting of the Finance Committee at 10:38 a.m.

Committee Members Present: Larry Dill, Chair, Raymond McCormick, Randall Nishimura

Board Members Present: Clyde Nakaya, Michael Dahilig, Daryl Kaneshiro, Roy Oyama

Staff Present: David Craddick, Marites Yano, Joy Buccat, Sandi Nadatani-Mendez

OLD BUSINESS *(continued from 9:22 am June 23, 2011)*

a. ***Manager's Report No. 11 – 49*** – R.W. Beck Report on Financial Planning Analysis and Water Rate Study

DISCUSSION:
Manager Craddick said the bill is based on the average residence with a 5/8" meter and 10,000 gallons. We keep track of the average gallons not by the class of the residence, but instead with the meter size.

Mrs. Yano confirmed that Scenario #9 top left is different from everything else to show the fixed amount of emergency reserve fund of $1.2M every year. We were using the 7K gallon assumption whereas the rest is 10K gallons.

Manager Craddick recommended Scenario #10 because with a lot of projects to do, the higher the rates are the more likely we are able to fund our projects; otherwise it would be recommended to go with Scenario #9. Scenario #6, #7, and #8 would not be recommended because if we wanted to stick to the coverage of the Emergency Reserve Fund, we won't meet the target in Scenario #6. If the intention is to go with the higher rates to have a lower FRC, then if it is comes to 40%, this will be in a problem area. In addition to Scenario #7, if we still show the FRC and take care of the FRC in the level where it is recommended by the consultant we should have the revenue to pay the FRC. The benefit will not work out if we end up having the 40% out of BAB because it's FRC reimbursable. With Scenario #8, it was not smoothed out with a 19% rate increase for the first year. This scenario does not keep up with our goals trying to slowly blend in the rates to get up to what is needed to cover the full debt service when the three years runs out on the BAB interest only payments.

Mr. Nishimura suggests Scenario #6 would seem like a good option, but was noted by Manager Craddick that the difference is that the first three years, our target will not be made. What is the biggest difference between the current FRC payback as oppose to the 30% payback model? What will FRC be paying for? Manager Craddick justified that almost all of the projects are source related except for the High Level Well and if we don't fund those there are not many more pipeline projects except Maka Ridge, Waipouli, and Wailua Houselots. These will not take place up to 30%.

Mr. Moises explained that the pipeline replacements are 5% FRC related and the current dollar is estimated with 8-10 projects, 2 would be expansion so roughly $5-6M. Based on the Kapilimao and Piwai Tanks, it is estimated at $5M per year.

Chair Larry Dill leaves at 11 a.m.

According to the Best Practices under the Government Finance Association, Mrs. Yano suggested that an Operating Reserve balance carried every year should equal to two months of working capital.

In the 2012 column under the CIP, Option 6 cash finance Line 60 is $7.9M. The difference with this versus Option 9, it is $6.729M. By spending the cash, you are keeping the rate down. Mrs. Yano also stated if we change Option 9 based on the 10,000 gallons, the rate will not change. The fund balance will change and have a higher ending balance.

Mr. Nishimura moved to remove Option 6, seconded by Mr. McCormick; by a unanimous vote, motion was carried.

At 11:05 am, Mr. Nishimura moved to recess the Finance Committee meeting to Monday, June 27, 2010 at 10:00 am or shortly after the Committee of the Whole meeting at the Department of Water Board Conference Room, seconded by Mr. McCormick. Unanimously approved.

mjg