

Finance Committee Meeting

March 24, 2017
9:00 a.m.

Committee Members Present: Chair Larry Dill called the Finance Committee meeting to order at 9:05 a.m. Thomas Canute, Chair Sherman Shirashi (*entered meeting at 9:07 a.m.*), Vice Chair Laurie Ho and Michael Dahilig (*entered meeting @ 9:06 am*) was present.

Excused: Finance Committee Member Beth Tokioka

Staff Present: Kirk Saiki, Marites Yano, Sandi Nadatani-Mendez, Dustin Moises, Chris Nakamura, MJ Akuna, Deputy County Attorney Mahealani Krafft

Guest: Hall Parrott, Private Citizen

AGENDA

Chair Dill accepted the Agenda with no objections.

D. NEW BUSINESS

1. Manager's Report No. 17-29 - Discussion and Possible Action on the Financial Management Planning and Water Rate Analysis for the Department of Water for July 2017 to June 2021 and submit an Impact Statement to the Small Business Regulatory Review Board

BACKGROUND:

Chair Dill stated the Finance Committee would review the Financial Management Planning and Water Rate Analysis provided by the consultant Raftelis.

DISCUSSION:

Manager Saiki commented last month the consultant Raftelis presented the Financial Management Planning and Water Rate Analysis with a Workshop for the Board and staff. The proposed rate increase was based on Schedule A or Schedule B to be in effect in a few years.

There are several items that would potentially affect the rate study. Item #1 is the direction the Board gives the Department on how to handle the affordable housing Additional Dwelling Unit (ADU) and Facilities Reserve Charge (FRC) price change. The Department may suggest to the Board to have a ceiling if the Board helps to subsidize affordable housing. The purposed ceiling could estimate whether it is in the rates or in the budget and what number to potentially spend.

Manager Saiki added because of the ADU, the affordable housing subsidies could affect the budget and rate study and if the Board decides "yes" we want to make up the subsidies through rates, then the rates need to be adjusted. If the Board decides not to make up the affordable housing subsidies, then the budget needs to be adjusted. He suggested to decide on affordable housing subsidies, look at the budget and adjust the rates. Also, there is no rush to get the rates until it is formalized.

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Mr. Canute commented FRC was dedicated to the Capital Improvement Projects (CIP) in the budget which cannot be used for operations to pay for expansion. If rates are increased to make up for the loss of FRC, some of the money could be dedicated which Manager Saiki agreed. When the system is expanded, it is not just FRC and a large amount is from the Water Utility where the rates are from. When the Department collects \$1.5M a year in FRC, it is accounted for.

Chair Dill added that Water Utility can be used for expansion for FRC purposes and should keep track of how much Water Utility money is used for FRC and hopefully to reimburse the money.

The current schedule rates were extended and are in effect through June 30, 2017 confirmed by Waterworks Controller Ms. Yano. She added the proposed budget does indicate "no rate increase."

Chair Dill is confident the Board can extend the existing rates through the next fiscal year. The rate study would not increase the rates through the next fiscal year. There would be no financial problem to defer the rates. There are issues to resolve first related to the budget and affordable housing.

Per Ms. Yano, the consultants did not provide information on the recent Workshop presentation regarding the Building America Bond (BAB) subsidy received every year (\$687,000). This does not affect the rate study; it affects the fund balance for the fiscal year. The rate study could also be updated, Ms. Yano mentioned, with actual revenues and expenditures.

The Finance Committee decided to further review the Financial Management Planning and Water Rate Analysis and to see if, at the end of this fiscal year, the information Ms. Yano provided resolves the issue of the affordable housing Facilities Reserve Charge (FRC).

Mr. Hall Parrott provided his testimony.

Mr. Parrott requested the Finance Committee review the following:

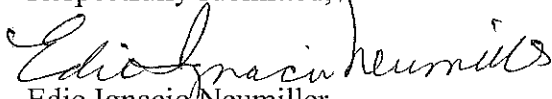
Page 11 – Finance Committee Agenda, refer to Capital Improvements reflects \$13M.

Page 72 - Regular Board Meeting Agenda, refer to Proposed Budget Total Column - Capital Improvements reflects \$32M which should be the same.

E. RECESSED

At 9:18 a.m., Chair Dill recessed the Finance Committee meeting to Friday, March 31, 2017 at 10:00 am in the Board Room with no objections.

Respectfully submitted,


Edie Ignacio Neumiller
Commission Support Clerk

Approved,


Beth Tokioka
Secretary – Board of Water Supply