

Finance Committee Meeting

May 21, 2014
1:00 p.m.

Committee Members Present: Chair Larry Dill called the Finance Committee meeting to order at 1:22 p.m. Chair Dill and Laurie Ho answered present at Roll Call. It was noted that Hugh Strom was excused and Chair Clyde Nakaya was present.

Staff Present: Kirk Saiki, Marites Yano, Kim Tamaoka, Mary-jane Garasi, Val Reyna, Keith Aoki, Regina Flores

AGENDA

Ms. Ho moved to accept the agenda as circulated; with no objections.

MINUTES

None

OLD BUSINESS

1. Manager's Report No. 14-50 – Draft Budget FY 14-15

BACKGROUND

Acting Manager and Chief Engineer, Mr. Saiki reported Waterworks Controller, Ms. Yano made the requested budget changes from the May 13, 2014 Finance Committee meeting and summary of previous year's budget actuals.

The proposed budget (tabbed packet) will be given to the full Board if the budget is passed today.

The Finance Committee received (for their information only) a distributed packet of worksheets which included actual receipts and the expenditures column. Ms. Yano explained there was a capital purchase of \$230,000 for a backhoe. This was the difference between the worksheet of actual expenditures and the updated worksheet.

Budget Comparison Page 1 of 2 (info packet) – The 17% increase for Other Operating Expenses was detailed in the packet (\$2.9M breakdown).

Professional Services increased to \$325,000 for an additional request from Water Resources & Planning for the Hydraulic Modeling. \$150,000 was request from Fiscal for the next water rate study. As needed Engineering services was included in Professional Services - \$890,677 total budgeted.

Billing Costs – Increased to \$230,360 due to the Honolulu Board of Water Supply (HBWS) recouping their investment costs/capital recovery for the new billing system, Customer Care & Billing (CC&B). HBWS is proposing \$240,000.

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Public Relations – \$232,000 (grant) increased for PR, a receipt and expenditure item. Whatever is received from the grant will be spent by PR.

County Service Charge - \$359,412 increased

Repairs and Maintenance - \$430,220

Operating Supplies - \$314,951

Books, Publications, Subscriptions, and Memberships – \$11,485

Travel and Development - \$41,046

Travel and Per Diem – \$11,720

Meeting Expense - \$20,242

Miscellaneous Other Capital Expenditures Account #102, Page 18 (info packet) - \$360,000 budgeted for Operations Divisions.

Purchase of Meter and Meter Boxes, Account #107 - \$102,500 budgeted for Operations Division.

Operating Expense Detail, Page 11 of 21 (Summary) – Under Professional Services, the details on the increases were shown in the columns: 2013-2014 budget (Approved) and Proposed Budget for 2014-2015.

Engineering – Admin. Professional Services - increased to \$178,000 (as needed Engineering services)

Construction – Admin. Professional Services – increased to \$50,000 (as needed Engineering services)

Water Resources & Planning – Admin. Professional Services - \$735,000 increase

Billing – Collection – Professional Services - \$30,001 increased

Accounting – Admin. – Professional Services – \$135,000 – proposed for the new water rate study out of the \$171,000 increase.

Board Chair, Mr. Nakaya suggested Fiscal explain the large dollar increases in detail in preparation to the full Board.

Other Services, Page 11 of 21 -

Billing detailed in Tab No. 31, Page 3 of 7 – \$110,000 is a major increase for:

\$10,000 – Armored Car Service

\$100,000 - Billing System Enhancements (build an integrated Maintenance Prevention Evaluation Technique (MPET))

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Misc, Capital contracts & Other Encumbrances, Page 18 - \$1.9M was increased in the operating expenses for the proposed budget. Significant decrease in Capital Outlay had a significant decrease.

Operating Expense Detail - Page 7 of 21 (Summary)

T & D Special Pay (Stand by plus Hazard Pay) – \$256,536

Special Pay will be renamed to “Stand by.”

Change other “Salary and Wages” to “Temporary Assignment” (TA)

Fiscal will itemize separately: Overtime, TA and Stand by, all others will be categorized as salaries.

Salaries and Wages, Page 6 of 21 - \$606,745 increased for Administration.

Engineering – Admin – Decreased by \$6,000

Stand by – Increased by \$140,000

Water Resources & Planning (WR&P) – new proposed position was not highlighted under Salaries and Wages for Hydraulic Modeler.

Total Operating Expenses \$26.471M, Page 2 of 21 (Summary) was budgeted.

Special, Page 7 of 21 – Increased to \$100,000.

Accounting - Salaries, Page 6 of 21 – Decreased from \$479,307 to \$442,000.

WR&P – Funded for ½ a year at \$10,000 for a new position (to be proposed at the Board meeting).

New Capital Outlay, Page 15 of 21 -

PLH-28 Hanamā'ulu Main Replacement (Hoohana Street) - \$150,000 proposed FRC at 100%.

\$51,000 is WU

\$99,000 will go under FRC

Fiscal will provide the breakdown of percentages for the projects.

Fiscal would provide a negative fund balance under FRC to correct the books but at the end of the year, the Board can pass a resolution to do a fund transfer from Water Utility (WU) to the FRC fund.

Under the new implementation of the accounting system, all the cash will be pulled into one cash account.

\$32,301,909 Total in Capital Outlay

\$10M is WU / R&R

\$15M of Capital Outlay is FRC related projects

\$230,000 change in Capital Outlay for Operations

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Information Technology, Page 15 of 21 - \$1,768,300 was decreased from \$1.9M (without the backhoe trailer).

Fiscal will:

- a) Add the percentage in front of the Expansion column title and the R&R column title for easier identification on the projects.
- b) If a fund has to be broken up, list the break down.
- c) Water Utility inter-fund to FRC to fund expansion will be updated.

Prioritizing projects that would generate FRC revenue was not done in the budget but would be in the agenda for the May 22nd Board meeting. Projects should be incorporated into the budget for funding. The top two (2) projects are currently in design and in the budget.

No. 3 - Open contracts and projects will be updated by the end of the year (prior year's budget with open encumbrances). As of June 30th there will be no unpaid balances.

No. 4 – Revenues – Will be corrected to reflect \$1.9M (county service charge on Revenue Section, Page 4). Water Resources & Planning Division provided an actual count.

The BAB fixed comparative chart is under investment interest income.

New Capital Outlay – Page 17 of 21 – Līhu'e Baseyard Improvements is \$1 under BAB and \$4M in the Proposed Budget. Expansion cannot be funded from an SRF loan. \$2M out of the \$4M will be from a grant.

No. 9 – Creation of Engineering I position - \$21,000 proposed budget is funded for six (6) months without out fringe benefits.

No. 10 – General Expenses – Billing / Investigate credit card and other options (Page 2 of 7) - \$1 funded.

Break down \$1,000 000 – Billing System Enhancements (Tab #30, Page 3 of 7).

No. 11 – General Expenses – Accounting, (Tab #31, Page 3 of 8) – Description changed to “Consulting services as needed.” Consultant fee was increased to \$20,000 from \$15,000.

Fiscal will provide an update on the new accounting system that will be effective on July 1st.

One bank account should be maintained and will be approved with County Finance Director, Mr. Steve Fund. Checks are currently signed by the County Finance Director and/or Treasury. When checks are cut, some money is taken from the operating account and transferred to the County pooled cash account which the County funds the accounts from the payable bank account. This process could be simplified by consolidated into one bank account. A payable report would be given to the County Finance.

Software support training, (Tab #31, Page 7 of 8) – Will be listed only as “Training”
“Training and related support for transition to new accounting system”

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“Request the Board for miscellaneous local trainings \$2,000”

The Government Finance Officers Association (GFOA) training was reduced from \$7,000 to \$3,500 for one staff member to attend.

Operations T & D/ Other Services (Tab #40) - County Roadway Maintenance Contract \$50,000 was deleted and put in one account (T and D/Repairs and Maintenance – Other than Water System, (Page 10 of 19) (roads) under Rehab and Restoration Services - \$175,000.

“State Highway” was deleted and renamed to “Roadway rehab and repairs, including Baseyard driveway and parking lot” - \$304,000.

New line item “Baseyard Driveway & Parking Lot was added - \$25,000.

Rentals and Leases (Page 7 of 19) - Combined Construction equipment rentals & miscellaneous with Miscellaneous construction equipment rental - \$70,000.

Miscellaneous Capital - \$360,000

Repairs & Maintenance – Water System (Page 10 of 19) – Operations will explore asset plant pumps (pump replacement & performance).

Operating Supplies (Page 11 of 19) - Replacement 5/8” meters
Description should be identified the meters as “New & Replacement meters” - \$92,500.

Capital Outlay – Rehab & Replacement/Equipment – Operations will explore lease to own equipment \$235K added to 2013-2014 Budget

Capital Outlay – Expansion/Equipment (Page 19 of 19) – “New position” was deleted in the description of “(Water Service Leak Investigator) needs vehicle” which is no longer a new position.

Water Utility Fund: \$12M – Capital Purchases (Manager’s Report Page 6 of 7) –
Ms. Yano will correct the budget amount of \$265K for three (3) pickups (not two (2) pickups) and will delete the duplicate K (\$265K~~K~~) in the report.

Backhoe and Trailer - \$230,000

Operations pointed out Stand by pay (Special Pay) was based on the UPW Agreement.

Salaries

Fiscal Division and Administration Division reallocation salaries will be added in the budget.

Ms. Yano explained that the operations budget decreased by \$1M.

A supplemental breakdown with details was provided.

Future presentations will include:

- a) YTD actuals will be provided the next FY 2014-2016.

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- b) Fiscal year actuals throughout the report
- c) Show previous budget numbers

Fiscal will:

- a) Provide a budget schedule.
- b) Present the proposed budget at the **March 2015 Regular Board Meeting.**
- c) Start the budget presentation at the **May 2015 Regular Board Meeting.**

The next Finance Committee meeting was scheduled for Thursday, May 29th at 3:00 p.m.

A tentative recessed meeting was scheduled Monday, June 2nd at 1:00 p.m.

At 3:26 p.m., Chair Dill adjourned the Finance Committee meeting with no objections.

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