

Finance Committee Meeting

May 24, 2017
1:30 p.m.

Committee Members Present: Chair Larry Dill called the Finance Committee meeting to order at 1:39 p.m. Present: Beth Tokioka; Thomas Canute was excused. Also present were Chair Sherman Shiraishi and Laurie Ho

Staff Present: Kirk Saiki, Marites Yano, Sandi Nadatani-Mendez, Keith Aoki, Dustin Moises, Val Reyna, Eddie Doi, Carl Arume, Christine Erorita, Mike Hinazumi, Kim Tamaoka, MJ Akuna, Deputy County Attorney Mahealani Krafft

Guest: Hall Parrott, Private Citizen

AGENDA

Chair Dill accepted the Agenda of the Finance Committee meeting which reconvened from the May 15, 2017; with no objections.

E. OLD BUSINESS

1. Draft Budget for Fiscal Year 2017-2018
 - a. Fiscal Year 2017 - 2018 – Draft Operating Budget
 - b. Fiscal Year 2017 - 2018 – Draft Capital Outlay Budget

F. NEW BUSINESS

1. Discussion and Possible Action on the Department of Water's proposals for new positions in the Draft Budget for Fiscal Year 2017-2018

Received for the Record – 1) Proposed Budget Revisions for May 24, 2017, 2) Budget Justification for new positions for Fiscal/Accounting & Billing & 3) Salaries & Wages FY 2018.

Waterworks Controller Ms. Yano went over Miscellaneous Revenues (Page 1) – There was a reduction of (\$518,896.00) due to the County of Maui's Customer Care & Billing (CC&B) portion initially presented as Miscellaneous Revenues. In the IT budget, it was shown as a reduction for their operating expenses.

Recap – The operation and capital outlay is at \$16,342,628.00 and was revised to \$18,408,476.97 with an increase of \$2,065,848.97. Operating Expenses increased at \$685,484.07 and Capital Outlay increased to \$1,380,000.00.

Adjustments made to Salaries & Wages – The Hawai'i Government Employees Association (HGEA) salary increased at 3.5%. Adjustments on vacant positions were funded at 50% with a reduction of \$280,789.03. Each division was able to justify their reason of proposing 50% on vacant positions.

DISCUSSION:

Fiscal – Salaries, Wages & Employee Benefits

Chair Dill asked if the numbers were accurate to add 100% to the payroll as of July 1st? Ms. Yano referred to Page 2 on the breakdown of Salaries and Wages by divisions which shows the proposed budget for 2017-2018. See Grand totals for proposed 2018 (Page 4). Budget increase to \$960,038.34 (includes employee benefits, FICA taxes, retirement contributions and health benefits). The rate increase for salaries increased to 6% benefits 27% and retirement benefits 54%. Retirement benefits for the prior year, the Department was

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required to put in 17%. For the next fiscal year, there was a proposal to the State legislature to increase the retirement benefits to 25%. Ms. Yano's calculations was at 24.5%.

Chair Dill mentioned the overtime for IT was high at 25% and asked if the OT could be reduced? He added \$50,000 last year is budgeted again at \$50,000 for FY 2017-2018. Manager Saiki explained IT's OT was high due to the CC&B support and program upgrade. He was not sure if additional support will be needed. With the additional IT person to be hired, OT will be reduced. Manager will meet with IT to discuss the reduction of OT.

Fiscal Accounting/Billing – Ms. Yano submitted a justification for two (2) new positions; one position at 50% and one position to be dollar funded. She will work with Department of Human Resources (DHR). OT will be kept at the same amount. Chair Dill asked why is there significant OT for Accounting and Billing every month?

In 2011, IT's implementation took two years and Billing had to keep up with the data gathering, testing, and reconciling. When the conversion with Honolulu Board of Supply (BSW) was completed, the Department had to separate from BSW. CC&B was completed and went live on October 2016. There was a major billing change from bi-monthly to monthly billing of 21,000 customers. The meter readings are uploaded into the system and sometimes there were irregular readings that staff investigated. Two accounting staff have been supporting billing. If an additional position is added, Fiscal will come back to Finance with a lower OT budget amount. Ms. Tokioka added if the positions are needed, one position does not have to go to Department of Human Resources (DHR) it could be filled within six (6) months. The second position should be a priority and should not take a full year to fill. Chair Dill approved the second position at 50%. Chair Dill requested Fiscal to cut the OT in half.

Action Items:

- Cut Overtime (OT) to ½
- Add one (1) Billing position @ 50%
- Add one (1) Accounting position @ 50%

Field Operations / OT – Chief of Operations Division Mr. Reyna indicated most of the OT was due to 90% call outs, after hours & regular hours of emergency calls.

Budget as a Whole

Action Item(s):

- Contingency – Zero out throughout the budget. Ms. Yano to reconfirm.

General Budget Notes (For Ms. Yano)

- Chair Dill made a reference to incorrect notes, but there are also spelling errors throughout budget. Ensure each division head is spell checking and reading the notes for grammar and accuracy. For e.g. (22) WRP page in original budget, last column "Propsoed"
- WRP Division section does not have the header or title as do the other divisions, please be sure the printouts do not cut off columns, headers/footers, etc.

Revised Budget

- FY 12-17 YTD actual should be \$56, 216 (p. 51)
- Remove dual monitors line item (p. 106)
- Training for billing and accounting was supposed to be the same, if not justify p. 96 & 98 vs. 107 & 109

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Administration (Page 21)

Special Counsel – reduced from \$125,000 to \$100,000.

Training & Development (Page 35) – Previous discussion by Chair Dill was to reduce the line item by \$17,500.00. Manager Saiki reviewed the budget and estimated the cost of \$22,200.00 from \$25,800.00. Private Secretary Ms. Akuna added the actuals were included as of May 20th and airfares were adjusted.

Travel and Per Diem (Page 36) – Initially proposed \$58,100 down to \$45,890.

Fresh Water Council – added line item.

Water Loss Control Committee - an added line item.

Seminar Workshops – includes Admin. at \$8,000 / PR for \$4,000.

HWWA Hawai'i Section Conference – last year was lower because some staff stayed with friends.

Pacific Island Conference – was lowered to \$300 round trip air fare.

Travel and Per Diem – Board (Page 37) – included single rooms for attendees.

Admin/Meeting Expense – Board (Page 39) – decreased \$300.

Action Items:

- ESRI – is zero - Delete “Yes” in New Request column. (Page 35)
- General Expenses-Meeting Expense / Legislative meeting – Delete amount; should be zero. (Page 38)

Information Technology

Professional Services (Page 42) – reduced \$225,000 but would be limited to \$225,000 for procurement which includes maintenance. Information Technology Specialist Ms. Nadatani-Mendez received an email from the consultant on a Statement of Work with a revised full cost estimate from \$450,000 to \$640,000. She would like to get this done in 3-1/2 months for more testing. Follow up items were to see if the cost could be split by customers for Professional Services – the MOA was executed with Maui in April. Professional Services is system wide and not customer based. Maui's manager would probably not agree to customer base. Ms. Yano could switch the budget amount back to Miscellaneous Revenue by showing the full amount as expenses. Manager Saiki suggested to add a note to the description that ½ of the full cost estimate would be reimbursed by Maui. After discussion, Chair Dill agreed to add the full cost estimate to the budget of \$640,000.

Repairs & Maintenance – Other than Water System (Page 46).

Oracle Cloud Services – Remove -\$177,843 and add a memo. Chair Dill asked if IT would have the same procurement challenge? Ms. Nadatani-Mendez Oracle could invoice the Department up front for the full year at \$650,000, then have Maui reimburse the Department. IT could handle Oracle without Maui; Maui would have to get their own system.

As of May 22, the actuals were added in. IT has a pending invoice and contract signing for Oracle Clouds Services, Great Plains, and As Needed Text Support. The agreements are to be signed and approved at the May 26th Board meeting.

Water CAD - should have been for Maintenance and Troubleshooting. Ms. Nadatani-Mendez said nothing was done for Water CAD. \$19,513.13 was listed on the incorrect line item.

Web Sense - \$8,511.95 (budgeted an extra \$4,000). Web Sense is a hardware which was purchased to update the appliance from Maintenance/Troubleshooting.

Phone System (Page 51) – Budgeted from \$65,000 and reduced to \$35,000.

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Customized Search Feature for SharePoint (Page 52) – New line item added to the budget. Ms. Nadatani-Mendez mentioned everything in the document management program was migrated into SharePoint. There were limitations with searching which was not a fit with the Department. It was better to upgrade to the current system then do the customization for the search feature. She said if the search is done first, there was no guarantee that the customized search will operate with SharePoint. Upgrading is almost done and there are no funds to add next fiscal year.

Staffing follow up from the May 15th Finance meeting – Ms. Nadatani-Mendez contacted the following counties on their IT staff:

County of Maui / Department of Water - No dedicated IT positions; 199 employees.

IT support is from the entire county - 2,075 county employees; 38 information system analysis, 1 chief, 1 buyer, 1 service assistant

County of Hawai'i - 5 IT staff; 158 employees

3 positions are dedicated to server application, computer and system administration & 2 Geographic Information System, (GIS) positions.

Honolulu Board of Water Supply – 4 IT staff; 582 employees.

County of Kaua'i – 2 IT staff; 1 position to be posted on 5/31; 85 employees.

Action Items:

- CC&B Upgrade - Add full price for consultant \$640,000 (cost est.) (Page 42)
- Return the CC&B line item amounts to the “Miscellaneous Revenue” – show whole amount as expense and include a note which indicates the amount that is excepted to be received from Maui Co. for BWS’ proportionate share of the cost (pgs. 42 & 46)
- Confirm actual amounts for each line item (Page 46)
- Expansion/Capital Purchases \$20,000 – Added new from proposed budget (Page 52)
- New IT position posted on 5/31/17
- Verify the IT positions of the other counties (filled/not filled)

Engineering

Civil Engineer Mr. Aoki said two (2) projects are currently in negotiations (Kilauea Well No. 3 and Paua Valley tank repair) (Page 62, 68).

Funds will not be encumbered this fiscal year for Hanalei Well No. 2, Kīlauea Well No. 3 & Wainiha Well No. 4 (Page 69).

Follow up from the May 15th Finance meeting - the size of UH experimental tank is a 250,000 gallon tank. The Kōloa Well F justification on leasing or purchasing the site – Grove Farm does not want to sell the property but would like to lease it to the Department of Water. The Department is not sure about condemning the land based its working relationship with Grove Farm.

Construction Management (CM)

Kapaia Cane Haul Road 18” Main (Pages 81 & 84) – This project received a State grant for \$3M; the project was initially funded by BAB. The Department cannot double dip from the State grant and the BAB. Funding has not been switched from BAB to WU fund. \$3M was zeroed out from BAB (Page 84).

Chief of Construction Management Mr. Moises and Mr. Aoki met with Kodani & Associates this week to move up the project schedule. The Environmental Assessment is a critical part to get done. The Notice to Proceed (NTP) is scheduled to a new date, June 2018. Reimbursement is not anticipated until next year. The

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State grant needs to be encumbered by June 30, 2017. Execution of the contracted is needed so that the funding is not lost. If the State grant lapse past June 30th, there are still funds in WU or go back to BAB.

Resolution 14-7 was approved by the Board several years ago which included a project list. Many of the projects are completed. Designs currently being worked on are Kapa'a Homestead Well No. 4, Kukuilono Tank, Kōloa Main Replacement, Kalāheo dollar funded, Weke, Anae, Mahimahi and Pahee Road. Grove Farm Tank was cancelled.

Hanapēpē River Bridge's NTP is December 2017 (Page 82).

NTP for Kapaia Cane Haul Road 18" Main is June 2018 (Page 83). Mr. Moises said FY 2017-2018 budget is \$45,675 because the grant money was less than \$3.1M; Expansion portion was left in BAB.

Kōloa Well A & B will be advertised Friday, NTP is September 2017 (Page 83).

Kapa'a Well No. 4 has a \$750,000 grant which needs to be moved from BAB (balance could remain in BAB) to FRC or Expansion minus \$750,000 (June 30th deadline); \$1.6M minus \$750,000 (Page 84).

Action Items:

- Kōloa Well 4 – move \$750K of the grant from BAB to WU Expansion \$850 should remain in BAB (Pages 81 & 84).

Water Resources & Planning

Chief of Water Resources & Planning, Mr. Doi commented on Water Plan 2040 proposed budget of \$1.35M based on a 4% inflation rate from the May 15th Finance meeting. He reviewed the man hours and scope and revised the proposed budget to \$1.04M. The start of the Water Plan 2040 will begin the later part of next year and after the General Plan is completed. The estimated time of completion is within two (2) years.

Action Items:

- Water Plan 2040 – revised proposed budget to \$1.04M (includes man hours and scope) to be completed in 2 years after General Plan Update. May come back to the Board with the justification for additional funds (Page 87).

Fiscal – Accounting

Ms. Yano requested \$20,000 in addition on the proposed budget. The ongoing Water Rate Study is not completed which may require additional work requested by the Board.

A new line item was requested to add a new budget software program. Great Plains can upload the new application to work on the budget. Ms. Tokioka asked how will the new software speed the process? Ms. Yano said it will be with a budget solution program and that will reduce the details in the budget.

Action Items:

- Add New Water Rate Study for FY 2017-2022 – \$20,000 (Page 103)
- New line item – Accounting budget software; Manager's Report will be submitted to the Board to present options to the Board, to advise what the program can do for DOW, and the exact funding amount needed.

Operations

Professional Services – General (Page 128)

Design Services for emergency generators housing structures at remote sites - \$75,000 carried over.

Preliminary Engineering Report and Assessment - \$125,000 carried over.

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Motor Control Center replacement (MCC) – Consultants were evaluated this fiscal year. A Pressure Relief Value (PER) project could be included for the MCC because it is not in good condition. Mr. Reyna would like to proceed with negotiations for a contract before the price quote expires. Engineering has available funds to transfer this fiscal year.

Medical Practitioner \$50,000 – Need to work with DHR, legal and the Union regarding procurement.

Contingency was removed (Page 143).

SCADA System - \$150,000 was removed (Page 134) – This project started this month.

Vehicles & Equipment budget was carried over (Page 147) – Bids will be opened this week. The contract may not be executed the next 30 days.

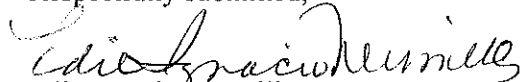
Action Items:

- Professional Services – General: Line item, Design Services for “Old” Admin. Building renovation. Insert “Old” in front of Admin. (Page 128)
- Motor Control Center replacement (MCC) – Plans to proceed with negotiations to do a contract; A Manager’s Report will be done for the June Board meeting. (Page 128)
- Medical Practitioner - Work with DHR, Deputy County Attorney & the Union to address and review legal procurement. (Page 128)
- SCADA System Integrator Consulting & Maintenance Contract –Mr. Reyna clarified last meeting’s comment - “Fix SCADA” – SCADA is working properly & there is nothing to fix. (Page 134)

G. ADJOURNMENT

Chair Dill adjourned the Finance Committee meeting at 3:16 p.m. with no objections. The Finance Committee Meeting will continue on Monday, June 5, 2017 at 3:00 p.m.

Respectfully submitted,


Edie Ignacio Neumiller
Commission Support Clerk

Approved,


Beth Tokioka
Secretary – Board of Water Supply