

# Finance Committee Meeting

May 9, 2017  
1:00 p.m.

Committee Members Present: Chair Larry Dill called the Finance Committee meeting to order at 1:06 p.m. Beth Tokioka, and Thomas Canute (*entered meeting @ 1:12 p.m.*) were present. Also present were Chair Sherman Shiraishi, Lyla Tabata, and Laurie Ho (*entered meeting @ 1:45 p.m.*).

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

Guest: Hall Parrott, Private Citizen

## AGENDA

Chair Dill accepted the Agenda with no objections.

### E. NEW 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

Received for the Record were two (2) updated documents on the General Expenses for Construction Management (CM) which included the re-prioritization of projects and the Fund Balance Projects. These will be discussed under the CM division.

### DISCUSSION:

Ms. Tokioka mentioned there were over budgeting in some areas based on past experience.

Chair Dill would like to address the following items:

1. Overtime and workload under Accounting.
2. Public Relations line items to fund Aloha Items in accordance with Board of Ethics requirements.
3. Discuss changes in CM budget reflecting the reprioritization of projects on what is being done and why the re-prioritization is being done.

*At 1:45 p.m., Ms. Ho entered the meeting.*

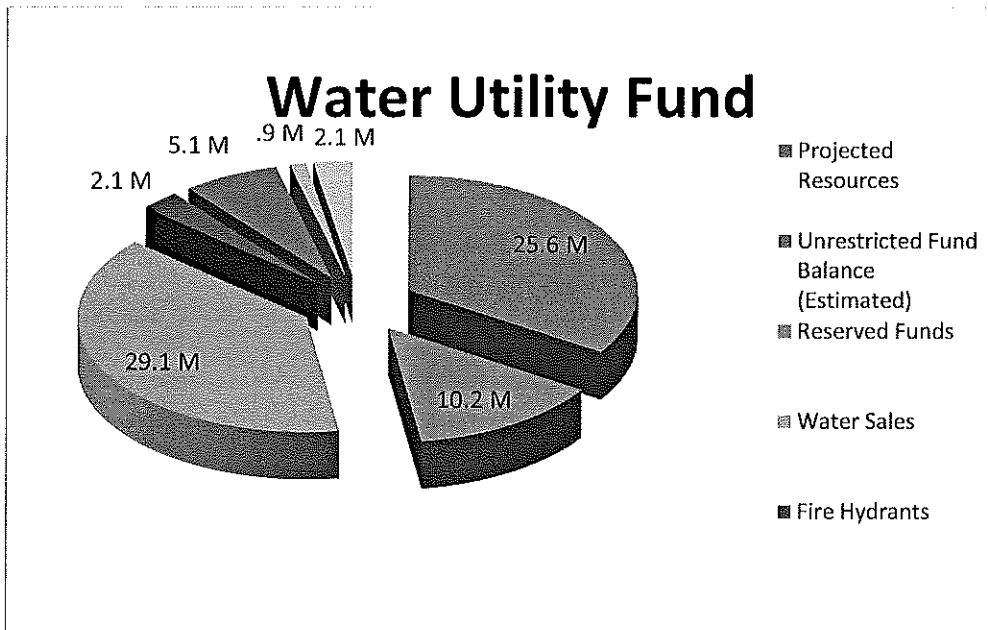
- Proposed Budget for FY 2017-2018 (Page 2, Item III.) - Rollover of Outstanding Purchase orders (PO) are not available and will be done separately as a supplement budget after FY 2017 year ending closing.
- \$2.6M was reserved for the prior year encumbrances for outstanding P.O.'s (Page 4, Item 1.).

Waterworks Controller Ms. Yano will explain later the difference between Item III and Item 1 above. Manager Saiki mentioned the actual rollovers are the end of the fiscal year, with the estimated \$2.6M is the rollover from the budget.

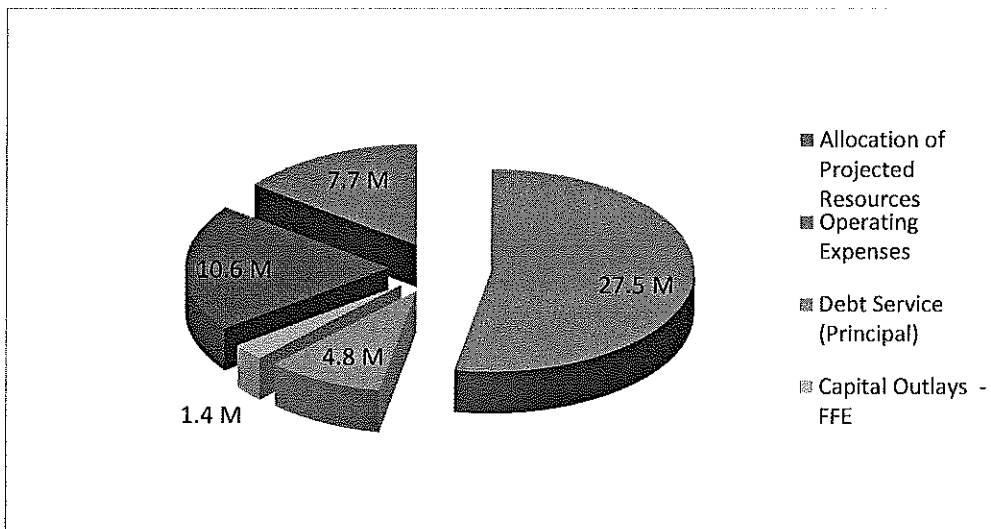
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Ms. Yano provided the budget overview for the Department of Water (DOW). The proposed budget is compiled of all the division's budget. DOW consists of three (3) different funds: Water Utility (WU) Fund, Facilities Reserve fund (FRC), and Build America Bond (BAB) fund. WU is the general operating account (operating expenses & water sales). FRC is a restricted fund (collections from FRC), also known as impact fees and restricted only for Capital Improvement Projects (CIP). BAB is borrowed money and restricted for only identified CIP.

Water Utility Fund Breakdown chart of projected resources (Page 4) - \$25.6M is the beginning estimated Unrestricted Fund Balance which involved the amount the Department started with for FY 2017 and P.O. rollovers in 2017. The numbers are the beginning balance for 2018.

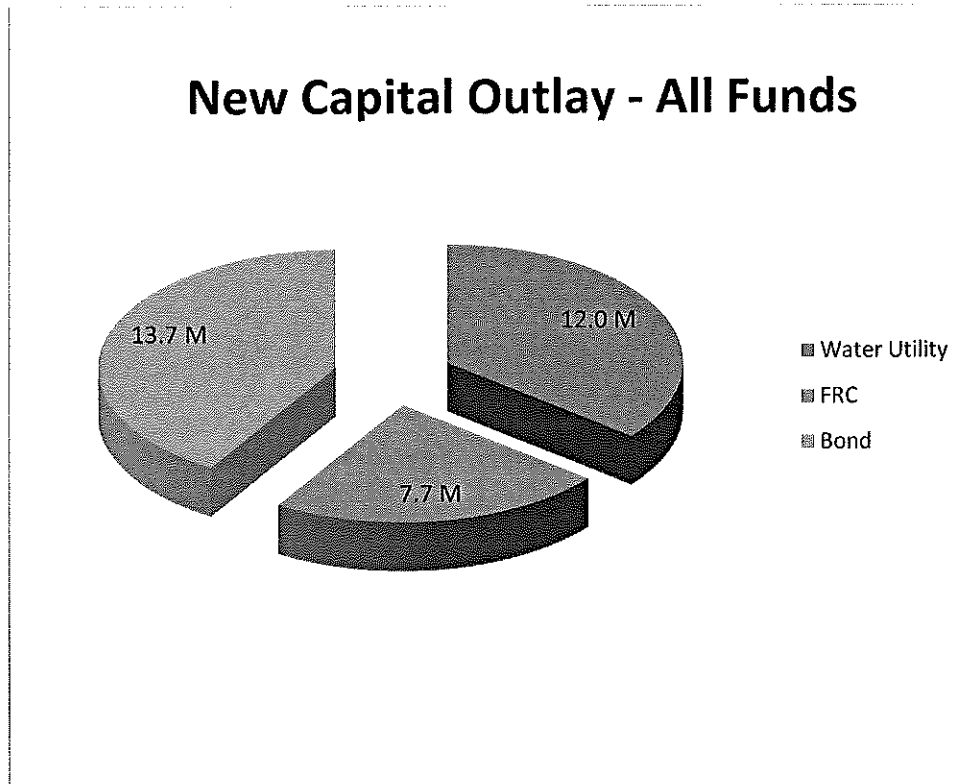


Allocation of Projected Resources (Page 6)



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New Capital Outlay Projects – All Funds (Old Versions) (Page 8) – Proposed changes will be updated after the Board discusses proposed changes. The \$7.7M in FRC is borrowed money from the WU fund. By transferring funds from WU to fund FRC projects, the Department would need to submit a Manager’s Report for Board approval for the transfer.



Chair Dill referred to Item 2.2 Revenue from Public Fire Protection which states “The County does not pay the DOW for this bill but in exchange, DOW benefits from countywide services that the County of Kaua’i provides to the DOW and its staff.” (Page 5)

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Action Items:

- Provide an analysis in next year’s budget to confirm if \$2,122,038.00 is a reasonable number.
- Add audit of Public Fire Protection.

Operating Expenses (3.5% Salary increase and in benefits) (Page 6) – Benefits more than doubled the rate of salaries.

Action Items:

- Item 1.2 - Provide increase in detail.
- Item 1.1 - Follow-up on the benefits increase; confirm the numbers and calculations.

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Mr. Tabata mentioned benefits increased across the county. Employee Retirement System (ERS) is accelerating to catch up.

Item 1.1 Five (5) Dollar funded positions in the prior year which are funded at 100% in this proposed budget, 18 vacancies are funded @ 100% (this year) (Page 6)

Action Item:

- Previous budget was 50% funded vacant positions; the proposed budget is 100% - change to 50% starting July 1<sup>st</sup>.

Items 1.5 – 1.7 Utility Services decreased; Repairs & Supplies for Repairs & Maintenance for water systems, decreases but Human Resources for Books, Publications & Memberships, training & Development, Travel & per diems increased (Page 7)

Action Items:

- Provide cost clarification to maintain system decreases but costs increase; relates to Items 1.5 - 1.7.
- Justify travel.

Bond Interest – DOW pays its own bond interest.

Fund Balance Projections Overview & Proposed Changes (Page 11)

Beginning Balance as of 7/1/16 - \$25,638,219 (audited number)

WU General Fund - \$25.6M unrestricted

WU Emergency Reserve and WU Debt Reserve internally restricted by the Department

State Revolving Fund has been expended

Rollovers from last year \$2.6M are encumbered from last year

Projected Revenues - \$27M

Unanticipated Transfer from FRC - \$2.8M is collected form FRC will be transferred to WU to pay off corresponding Debt Service (30% will pay back WU). A 30% BAB is allocated for payment of Debt Service which is allocated to FRC to pay back WU.

Estimate projected resources - \$64.9M broken down to:

Operating Costs - \$27.5M

Debt Principal Repayment - \$4.8M (furniture, fixtures & equipment)

Capital Outlay Projects – (-\$200,000) decreased in the WU Emergency Reserve and Debt Reserve.

\$7M is estimated transfer to fund the projected FRC projects which will decrease to \$400,000.

Estimated ending balance the end of FY - \$13.2M unrestricted fund.

FRC started with \$1.8M; \$402,000 encumbered for P.O. rollovers last year; \$1.4M is available.

Estimated \$680,000 to be collected in FRC that includes BAB subsidy. Total the estimated FRC balance was \$2,080,000 but FRC owes WU for Debt Service payments.

\$2M will be transferred back to WU; FRC is zero balance.

BAB balance was \$16M as of 7/1/16.

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\$2.6M was encumbered P.O.'s from last year.  
\$13.7M is the estimated beginning balance for FY2018.  
\$50,000 investment revenues; totaling \$13.5M.  
SRF is zero  
CIP is \$32M (unadjusted projected fund balance)  
\$23.2M estimated ending balance as of the end of 2018.

Ms. Yano explained the appropriate balance to carry is based off of the Water Rates Study which calculated the required cash to finance proposed projects. If there are several projects the next year fiscal year paid this year, it would be rolled over to next year.

Chair Dill asked on the operating needs, how much working capital should the Department have? Ms. Yano said operating expenses plus a 25% operating reserve is ideal.

**Fund Balance Projections**

**General Expenses - Administration Division (Page 32)**

Manager Saiki commented on the biggest change in the budget item is travel based on single occupancy rooms for staff who attend conferences (Travel and Per Diem, Page 48). Chair Dill questioned why the increase for single occupancy rooms and could not justify the increase. Manager Saiki did not have a problem dropping back the budgeted amount for FY 2017-2018 but when it gets closer for registration, the Department could come back to the Board if the amount did double.

**Action Items:**

- Track items separately each line item or create sub-GL accounts to do so (Page 48)
- Adjust the totals to more accurately reflect actuals (Page 48)
- Delete - ESRI Conference \$5,500.00 (Page 48)
- Insurance - should be \$750,000 based on county's current insurance deductible amount (Page 40)
- Books – can be dropped (Page 32).
- Line Items Travel and Per Diem and Travel and Per Diem for the Board (Page 48) – Does not include June travels. Project Wet is included in conference travel.  
No actual numbers were shown/broken down.  
(Single occupancy rooms) - Reduce travel budget but then the Department can come back to the Board for funds.
- Special Counsel – Professional Services (Page 33)  
Put \$25,000 or appropriate number to carry over to the next Board meeting if legal help is needed.
- Performance Audit - \$150,000 (Page 33)  
Manager Saiki will follow up on a Performance Audit to procure a consultant this fiscal year.
- Training & Development (Page 47)  
Administrative Conference – FY 2016-2017 YTD - Actuals did not show the 43rd Annual Administrative Professional Conference for October 2016 (included lodging).  
Adjust conferences to \$17,500.00 (based on actuals).  
Manager Saiki will look at previous budget actual numbers (\$25,000) then modify for single occupancy rooms for FY 2017-2018; Department can come back to the Board if needed.
- Postage (Page 38)  
Neopost - departmental postage – Outline what accounts for this total; recheck Postage.

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- Training and Development - Modify proposed budget total to \$17,500 from \$25,800 (Page 47)  
Need details to enable Board to discern whether a different amount is acceptable (Page 47)
- Legislature meeting - remove from budget unless and until a Board of Ethics advisory opinion is received which permits this practice (Page 50)
- Legal - review Special Counsel budget.

### **General Expenses – IT (Page 57)**

Professional Services (includes consulting services to system upgrade & license) was the biggest increase. IT needs consultants to assist with converting the testing and moving data to the new version. As-needed technical support was added for billing and share point. This is done with County of Maui which the Department pays the full amount but would be reimbursed (\$225,000 is the Department's portion). Total annual licensing cost \$315,000 for whole software, Maui pays their 62.5%.

Current software version 2.4 will end updates soon. The Department will need to change the software language from Cobalt to Java to make the system current. Every two years there is a major upgrade with Oracle. The Department is not Oracle certified and this software would include the licensing that the Department's pays. Included in the budget is to hire another IT person to help with the training on the Oracle software.

#### Action Items:

- Negotiate cost on portion the Department pays and what County of Maui pays – Needs to be written in the Memorandum of Agreement (MOA).
- Modify MOA with Maui to be based solely on the number of users (Page 57)
- For proposed budget amounts, account for the anticipated “refund” from Maui here not in Miscellaneous Receipts (Page 57)
- Oracle Cloud Services - Department pays \$284,500 proportionate share (Page 66).  
Show credit under Oracle Cloud Services instead of Miscellaneous Receipts.

Contracts are being worked on for Oracle Cloud Services (\$284,500) and Customer Care & Billing Licenses (\$30,000 Department's portion). When contracts are in place, the two share cost amount will be paid in FY 2017.

Beacon Subscription fee – Zero budget.

Great Plains \$12,000 - The Department is currently working with the consultant.

Future contracts - will come before the Board regarding liability and indemnification in June to renew licensing.

- Delete Maintenance & Troubleshooting - \$50,000 (move to Professional Services) (Page 66)
- Delete Busch Consulting – Hours (move to Professional Services) (Page 66)
- Do breakdown for Professional Services

Implementation of New Project Management Software - Project Management software contract is being negotiated and working on the contract by June (Page 71)

Asset Management (\$317,500) – Request for Proposal (RFP) is being worked on and done by next fiscal year (includes licensing fee).

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- Phone System – (Page 71)  
Update from \$65,000 to \$35,000
- Labor – IT to hire an existing dollar funded IT position (budgeted 100% for \$34,130/salary) and to post now; new hire would start by July 1<sup>st</sup>.
- OK to take out 50% funds for an existing position, then Department can come back to the Board for funds. Use funding at 50% as standard for 18 positions.
- Vacant position - Follow up with HR on the possibility of reallocating one IT vacant position to transfer fully funded position from one division to IT
- Modify MOA with Maui to be based solely on the number of users (Page 57)
- For proposed budget amounts, account for the anticipated “refund” from Maui here not in miscellaneous receipts (Page 57)
- Provide a comparison of other Board of Water Supply IT divisions sizing so that Board may determine the appropriate staffing levels (i.e., County of Maui and County of Hawai'i).
- Provide detailed breakdown to enable Board to accurately determine the need/proposed budget (Page 66)

### **General Expenses - Water Quality (Page 77)**

Water Microbiologist Mr. Arume indicated \$30,000 for Purification/Professional Services will be for well testing to get back on line. If the wells are not on line by the end of the fiscal year, the money would be used to start early testing on Phase II and Phase V. Testing is done every three (3) years and Phase IV will start in 2018 by the Environment Protection Agency (EPA) on unregulated contaminant monitoring. Costs for Phase IV will increase significantly the next fiscal year.

Freight & Postage - Shipping cost increased due to testing by the state labs. Postage went to Admin.

Testing from the Department of Health (DOH) are different every year.

### **General Expenses – Water Resources & Planning (WR&P) (Page 131)**

Training & Development and Travel & Per Diem – had significant increases. WR&P plans to engage with other county departments (i.e., backflow programs discussions). Anticipate more training in the Hydraulic Model and Geographic Information System (GIS).

The Department may come back to the Board to budget \$600,000 to \$800,000 Water Plan 2020 Update.

### **Action Items:**

- Do cost analysis on Water Plan 2020 Update for a reasonable number (\$600,000 to \$800,000) in next year's budget.
- Hydraulic Model Update \$300,000 - may end up in Water Plan 2020 budget.

### **FRC Discussions:**

Manager Saiki mentioned the Board did not put in a ceiling on the FRC subsidy and would like to put a ceiling in the budget amount of \$1.25M or \$1.5M (multi-family homes).

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Action Items:

- Budget should account for the FRC revenue (and potential loss) as line item.
- How many units are taking advantage of the FRC discounts?
- Tracking to be done by Water Resources & Planning.

**CM Worksheet & Fund Balance Projects**

Action Items:

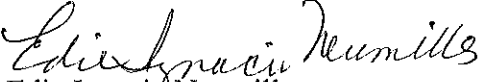
- Five (5) vacant positions will be discussed in each division.
- Update CM Worksheet.
- Add CM fund balance projections and amendments to budget.
- Update Fund Balance Projects.

Note: Request from Board member: Where color coding is used, title the charts or divisions of the charts.


**F. RECESSED**

At 3:14 p.m., Chair Dill recessed the Finance Committee meeting to Monday, May 15, 2017 at 1:30 pm in the Board Room with no objections.

Respectfully submitted,

  
Edie Ignacio Neumiller  
Commission Support Clerk

Approved,

  
Beth Tokioka  
Secretary – Board of Water Supply