

# Finance Committee Meeting

May 11, 2018  
10:00 a.m.

Committee Members Present: Finance Committee Chair Lawrence Dill, Thomas Canute and Lyle Tabata. Also present were Board Members Laurie Ho (*entered at 10:19 a.m.*) and Michael Dahilig (*entered at 10:41 a.m.*)

Staff Present: Manager Bryan Wienand, Deputy County Attorney (DCA) Mahea Krafft, Marites Yano, Keith Aoki, Jonell Kaohelaulii, Ryan Smith (*entered @ 11:13 a.m.*)

Guest: Mr. Hall Parrott, Private Citizen

## **AGENDA**

Agenda was accepted with no objections.

### **E. NEW BUSINESS**

1. Draft Budget for Fiscal Year 2018-2019
  - a. Fiscal Year 2018 - 2019 – Draft Capital Outlay Budget

### **DISCUSSION:**

The Capital Improvement Project (CIP) items were presented by Waterworks Controller Mrs. Yano. She commented that the Operating Budget was discussed on April 3<sup>rd</sup>, April 12<sup>th</sup>, and April 27<sup>th</sup> which included additional items that would be discussed in this meeting after the CIP is presented.

CIP – New Capital Outlay – All Funds (Page 8) - The Department determines the CIP if they are expansion or rehab and replacement. Source is identified as Water Utility (WU) Fund, Facility Reserve (FRC) Fund and State Revolving Fund (SRF). The WU funds are expansion, rehab and replacement. FRC fund is restricted to expansion projects only. The Bond Fund is restricted to the project list submitted through a Board resolution. If projects are added to the list, the Department would go through a Board resolution to amend the list. Expansion projects are funded from WU and payments are kept tracked from the FRC fund. Ms. Yano explained when the budget is prepared, the WU fund was not used but the FRC fund was used. If there is not enough money in the FRC fund, an Interfund transfer is done. Currently there are no FRC projects funded by the WU. Bond funded FRC is related to projects and 30% of the bond issued is transferred yearly toward WU. Fiscal has been behind the last two years while the Department is trying to complete the 2016 FRC portion of debt services.

Capital Outlay / Water Utility Fund \$7.3M (Page 9) – From the \$7.3M, \$2M is proposed for capital purchases that includes a budget for IT. \$1.3M is for Replacement& Rehab (R&R). New purchases were corrected in the proposed budget at \$648,000 (not \$528,000).

Capital Outlay – Capital Improvement Projects: R&R \$5.3M – Manager Wienand reported that \$20K for design is budgeted for the R&R project's budget. There has been reoccurring permitting fees and costs on various levels of the design stages. Engineering may come back to the Board for additional funds. This is a line item in the Capital Budget for design. Chair Dill would like to see the costs related to projects. Mr. Aoki added that once costs are expended, they would be attached to the project.

For construction – R&R has two proposed projects (vulnerability assessment island wide): Paua Valley tank repair - \$1.4M & Kīlauea 1&2 Motor Control Center (MCC) replacement - \$3.76M plus there will be three major projects in construction going out. Chair Dill requested to see more detail on how projects

were reprioritized for funding construction. Manager Wienand briefly explained how projects were prioritized from November 2017 and the priority list.

Paua Valley tank repair addresses a health and safety issue where polychlorinated biphenyl (PCB) were discovered last year in Kekaha. Currently, this tank is out of service which needs to be rehabilitated. Engineering is trying to resolve the PCB issue separately but is currently in the pre-design stages. Bids will go out next fiscal year.

*At 10:19 a.m., Ms. Ho entered the meeting.*

Kīlauea 1&2 MCC is outdated and needs repair of its outdated mechanical and electrical components. In Kīlauea, there is only source and a tank side-by-side. If the existing MCC fails, there is no back to support water for Kīlauea. The existing enclosure will be transferred to a temporary enclosure during construction and the new permanent MCC will be enclosed. Design is in the final stages and waiting for construction that needs to clear the use permit stage and waiting to be constructed. Construction Managements (CM's) challenge will be the staffing capacity with five high priority projects. Mr. Aoki also mentioned a use permit for the generator shelter is being worked on for the MCC. Chair Dill encouraged to use outside service to get projects out which Manager Wienand agreed.

Mr. Canute asked about the second tank in Kīlauea. Manager Wienand said the design is ongoing for the second tank and is going through a use permit. Kīlauea Well No. 3 will have a new location which is in the design stage which will be in the same service zone.

The top seven priority projects include: Three State projects, Eleele booster rehab, Koloa 16 A&B in construction, Paua Valley tank repair - #1 on the new revised priority list and Kīlauea 1&2 MCC replacement - #5 priority. Chair Dill requested to see the priority list that include columns for the Category, Expansion, Health & Safety and R&R. The ongoing construction has been funded.

*At 10:33 a.m., Chair Dill called for a Recess.*

*At 10:41 a.m., Mr. Dahilig entered the meeting.*

*At 10:43 a.m., Chair Dill called the meeting back to order.*

Mr. Dahilig wanted to make sure there is a plan in place to enhance the systems in the Līhu'e area that include funds for Environmental Impact Statement, permitting, exploratory drilling. He ask if Water Plan 2020 addresses these issues? Manager Wienand explained that Water Plan 2020 addresses source, storage and transmission. Mr. Dahilig's issue was where the infrastructure is located in relation to building the area for the water line capacity. He encouraged the Department to have the entitlement path that anticipates the huge build out of the Līhu'e area and to make the system safe. Planning should be on the same page as the Department's Water Plan 2040.

Construction Management Budget (Page 106) – Building Permit Fees (\$10K) - are handled by CM.

*At 10:52 a.m., Chair Dill called for a Recess.*

*At 10:53 a.m., Chair Dill called the meeting back to order.*

Certain projects have multiple building projects which has been an issues between design and CM that did not have separate budgets for either divisions. This line item will stream line this process.

Mrs. Yano commented that the total proposed budget for Capital Outlay – CPI R&R is \$5.2M. Manager Wienand added that after the major floods & landslides, the tanks and well sites were in tack. There were small main line breaks near Tunnels Beach and Weke Road which are long term repairs with FEMA assistance. Underground main lines will have to be monitored frequently if there leaks and possibility

reprioritize a project in that area. Chair Dill noted a vulnerability assessment line item in the budget. Manager Wienand added the intent of the vulnerability assessment is to look at all of the potential weak points in the system, then prioritize and reprioritize based on the Department's needs. The following projects are encumbered: Eleele Booster rehab is in construction, Hanapēpē pipeline will be awarded for construction and Kapaia bids were opened May 10<sup>th</sup>; DCA Krafft mentioned a complaint that was filed.

See Summary of the Proposed Capital Outlay (Page 22)

Fund Balance Projects (est.) (Page 10) - WU General Fund - \$32M with added the projected revenues. The estimated fund balance at the end of the year is \$73.3M. Projection for operations expenses is \$29.5M; \$4.9M will be the principal payment. Furniture, Fixture Equipment (FFE) and Technology is \$2M. Refer to Page 22 for two categories on the \$2M; Replacement is \$1.3M and \$648,000 new capital purchases by divisions. An added budget for IT was for the communication equipment at \$120,000; computer replacements were also added to the IT budget.

Capital Outlay – IT (Page 66) – Purchase of new replacement for computers is \$110,000. Increased computer purchase 5 years replacement for WR&P changed to \$20,000.

R&R / Expansion (Page 67) – Added \$120,000 for Emergency Communication

Mr. Dahilig inquired if there was any investment on data management system. Mrs. Yano said there is a line item for Geographic Information System (GIS) \$190,000. Manager Wienand added the long term vision for GIS implementation is to have an asset management software that will work together with the operations of the Water Resources & Planning (WR&P). GIS will be web based which WR&P will use this information for project development. Mr. Dahilig stressed that the Department address this issue soon of having someone with the expertise in GIS management or to partner with a shared data agreement with the County. Mr. Aoki mentioned that a CE III in WR&P was approved for the GIS position about 1-2 years ago.

Mr. Dahilig discussed the bond issuance and to plan out FY 2020. Chair Dill would like to look at the bond issuance during Water Plan 2040 and if there is SRF. Manager Wienand said the target to complete Water Plan 2040 is this year. Mrs. Yano said this is useful information for the Water Rate Study.

Operating Budget Changes (Page 10) - \$567,000 FRC transferred to WU to complete the FRC portion on of debt services that is paid yearly. \$1M from the proposed budget if for the transfer recording of FRC to WU which was added.

Bulk Water Purchase (Page 13) – The 'Anini, Princeville agreements were included in the proposed budget at \$1.8M to be spent by year end 2018 (increased \$10,000). This would cover the increase of additional 4M gallons of water.

Pipe Tapping (Page 34) – \$8,000 was transferred from PR to Operations budget.

Recognition Program (Page 46) - Added \$5,500.

Oracle Cloud Services (Page 61) – Reduced \$84,500 to \$200,000 (due to the cost sharing with Maui County).

Beacon Subscription Fee (Page 61) – Reduced \$73,600 to \$15,000

Emergency Communication Equipment (Page 67) – Added \$120,000

MCC Replacement (Page 90) - \$150,000 is a best estimate. Chair Dill requested the notes for MCC be for "island wide vulnerability assessment" for consistency on listed line items.

Travel (Page 132) - \$3,765 was put back in the budget. Fiscal needs to send staff to trainings this year.

Baseyard Renovation (Page 165) – Increased \$75,000; now \$275,000 that will be encumbered this year. There will be a master plan for the baseyard to project growth with the old Admin. building.

Construction equipment rentals (Page 168) – Increased \$50,000; now \$70,000

Budget for 'Anini (Page 180) – budget was \$49,000; now \$59,376

Training & Development (Page 181) – Decreased \$7,500

Travel & Per Diem (Page 182) – Decreased \$8,000

Pipe Tapping (Page 183) - \$8,000 transferred from PR to Operations

Salaries (Page 15) – Initial budget for Waterworks Inspector I, was a 1<sup>st</sup> Step is now at a range which increased the budget requested by CM.


Chair Dill thanked the Department for their hard work on the proposed budget.

Chair Dill said the Finance Committee will present the budget recommendations to the Board at the May meeting.

**F. ADJOURNED**

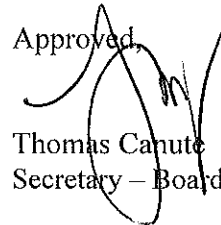
Chair Dill adjourned the Finance Committee meeting at 11:31 a.m., with no objections.

Respectfully submitted,



Edith Ignacio Neumiller  
Commission Support Clerk

Approved,



Thomas Canute  
Secretary – Board of Water Supply