

MINUTES
FINANCE COMMITTEE MEETING
May 6, 2022

The Finance Committee of the Board of Water Supply, County of Kauai resumed its meeting on Wednesday, May 6, 2022. Committee Chair Lawrence Dill called the meeting to order at 1:02 p.m. Quorum was achieved with 3 members present.

COMMITTEE MEMBERS

Lawrence Dill, *Committee Chair*
Ka'aina Hull
Kurt Akamine

STAFF:

Manager & Chief Engineer Joseph Tait	Waterworks Controller Marites Yano
Deputy County Attorney Mahealani M. Krafft	Info. and Education Specialist Jonell Kaohelaulii
Commission Support Clerk Cherisse Zaima	Chief of Operations Valentino Reyna
Deputy Manager Judith Hayducsko	I.T. Specialist Wayne Takabayashi
Civil Engineer VII Michael Hinazumi	

PUBLIC TESTIMONY

The department received no public testimony prior to the meeting, and there were no registered speakers.

There were two (2) members of the public who joined in the meeting.

NEW BUSINESS:

1. Discussion and possible action on Draft Budget for Fiscal Year 2022-2023
 - a. Draft Operating Budget FY 2022-2023
 - b. Draft Capital Outlay Budget FY 2022-2023

FISCAL (cont. from May 6, 2022 session)

Committee Member Dill asked how many positions are in Fiscal and how many of those are vacant to which Ms. Yano replied 22 positions, with 2 vacant which have been vacant for less than a year. Mr. Dill asked how many bills are processed by billing staff to which Ms. Yano replied approximately 271,000 bills were processed last year and there are 13 staff in the billing section. Mr. Dill asked to clarify how many staff actually process the bills and prepare the bills for customers. Ms. Yano explained that the bills are automated. After the meter readings are uploaded into the system it goes into a batch processing system handled by a third-party provider. Any exemptions that are generated within that batch processing period are reviewed by the billing staff. There are other errors that may come up which the billing staff also process. Mr. Dill asked to clarify that the bills for customers with malfunctioning meters are processed based on recent history to which Ms. Yano replied yes. She added that customer service staff review exemptions daily and if it shows high readings, the meter readers are dispatched to check for abnormalities or leaks. The customer are then contacted by billing staff to inform them of excessive usage.

Mr. Dill asked how many vendor invoices are processed each year by billing staff. Ms. Yano stated she does not have the exact amount of vendors, but the number of checks cut last year were approximately 1, 379 payable checks. In response to Mr. Dill, Ms. Yano stated she does not have a count of the number of customers who are served at the counter, but noted that it changed a lot during the pandemic with customers now using the drop-box more frequently and many signing up for auto-pay. She will get back to the committee on the percentage of customer who use auto-pay.

Mr. Dill requested a report on the changes made on how DOW reports their profit and loss and how the OPEB is handled. He asked that since there are a substantial amount of funds in our bank accounts, how does the Department invest and manage those funds. Ms. Yano explained that the Department works with the County Treasurer on the investments, most of which are invested in treasury notes, government securities and certificates of deposits. When investments reach maturity they are reinvested; if there is a need for additional cash, they are not reinvested. Mr. Dill asked if there is a rule of thumb on how much the Department keeps that are liquid and available. Ms. Yano stated that 3-5 short-term maturities and whenever they mature and are not needed, they are reinvested. Mr. Dill asked what the term is to which Ms. Yano replied it is less than a year. Referencing the reserve fund, a portion of which is emergency reserves, Mr. Dill asked if the Department makes it a point to have at least that much liquid cash readily available to deal with an emergency. Ms. Yano stated, no, the \$9.3 million in reserve funds are not dedicated as a short-term investment, it goes into the full amount of the investment. So whatever is readily available to cash out, that is what would be used if there is a need for immediate cash. They also try to maintain six or seven million dollars in their bank account for operating cash.

Mr. Dill requested a written response and short presentation on DOW's fiscal procurement policies for purchasing materials and supplies to understand what sort of controls are in place, who is authorized to make purchases, and what the checks and balances are.

ADMINISTRATION

Ms. Hayducsko stated one of the major changes to Administration costs is to travel and training costs which will be redirected back to their respective divisions. They do want to increase their professional services line item, which was missed during their initial review but will be added as part of the updated draft. Mr. Dill asked to clarify whether that increase would be in addition to the \$190,300 currently listed to which Ms. Hayducsko replied yes. Mr. Dill requested specifics on what those professional services are and the scope of those services.

Ms. Hayducsko noted that under Board funds they did budget for travel and training, but they did not budget for a performance audit at this time. Mr. Dill stated the performance audit is something the Board has been interested in for some time which has not come to fruition. He understands there is a new Administration team and respect that they will need some time. However, he feels that would be of great value to the Department and would like to include a performance audit in the next Fiscal Year.

Mr. Hull referenced the Admin. Insurance which has been significantly reduced in the past two years and is curious as to the reason. Ms. Yano stated that they used to budget \$1 million in the budget as they are a self-insured entity, but they changed the way they budget that item, and now include that \$1 million in their reserve fund policy in the event they need to pay any insurance related claims.

Mr. Dill referenced Page 34, noting the Safety Program has gone from the current year's budget of \$75,000 to a budget of \$5,000 and anytime we're cutting safety it catches his eye. Ms. Hayducsko explained the Department had budgeted for a safety program to be developed by a consultant; however, a staff member returned to the Department who was capable of drafting the safety plan. The \$75,000 has not been expended, but they do want to explore additional options to ensure they are not missing anything major, so the \$5,000 allows additional funds to hire an expert to come in and spot check the plan.

Mr. Dill stated he noticed that funding is being restored for opportunities to attend conferences in various fields, which he is in support of and sees much value in that, but he wants to ensure that those things are managed appropriately and diligently with frugality.

Mr. Hull noted that \$150,000 was budgeted for document scanning in the current budget, and \$100,000 is being budgeted for the upcoming fiscal year. He asked if any document scanning had been done this fiscal year. Ms. Hayducsko stated this is related to scanning of documents from the old Administration Building, which she was spearheading, unfortunately she had other obligations so they have rolled some of those funds over. Mr. Hull asked if that funding is to bring in contractors to do the scanning work to which Ms. Hayducsko stated yes, that is the intent to use the same type of contractor the County has used in the past.

Mr. Dill asked how many positions are in Administration and how many of those are vacant to which Ms. Hayducsko replied 15 positions with 5 vacancies including 2 in IT, 3 of which have been vacant since before she started with the Department. The previous interim manager was trying to be respectful to allow the new manager to decide priorities which resulted in a delay in moving forward with support staff.

Mr. Dill requested an update on where the Department is at in addressing the deficiencies in IT to be presented during the follow up after all division presentations.

Mr. Dill stated he has heard different things about the building the Department occupies and how it is full and not able to accommodate any additional staff. Manager Tait stated he has been meeting with Dustin Moises, who recently returned to the Department and who was involved in the transition from the old building and with the construction of this new building. The original floor plan looks to have 12 or 13 available work spots in this Admin, building and the former Board Room in the old building is still unoccupied which allows for some flexibility. Mr. Dill stated he believes he saw some funding to outfit the old Board room to accommodate Operations employees. He requested a follow up to that.

Referencing Page 53, Ms. Hayducsko stated there will be some impacts on the Department's needs for infrastructure improvement and I.T. They have recognized the need to protect our cybersecurity so there will be increases in proposed funds for professional services, capital improvement products such as additional servers, batteries, additional security cameras, etc. They are looking to replace assets that typically have short-term life which may not have been budgeted for adequately in the past. Mr. Dill referenced Page 59, noting the line item for SCADA System Integrator Consulting and Maintenance Contract, and questioned why he had not seen that appear in the budget in previous years. Ms. Hayducsko stated this was formerly in Operations and has been moved to I.T. Mr. Dill asked how many positions there are and how many vacancies to which I.T. Specialist Wayne Takabayashi stated there are 4 positions with 2 vacancies.

ENGINEERING

Civil Engineer VII Michael Hinazumi provided an overview of the Engineering budget. Mr. Hinazumi clarified that the new Engineering division budget consists of the former Construction Management, former Design Engineering Services, and Water Resources and Planning which includes the micro lab. The Professional Services budget has rolled all of those together which totals approximately \$1.9 million, a good chunk of which is for construction management or project management support services as well as other necessary professional services for design, and contributions to the Water Shed Alliance as well as USGS. Additional funds are being requested for Repairs and Maintenance Other Than Water to repair equipment in the micro lab, much of which is approximately 25 years old. Operating Supplies have increased significantly much of which are related to the daily supplies required to operate the micro lab. Since training and development have moved back into the various divisions, they are budgeting for that as well as Travel and Per Diem and Meeting Expenses.

Mr. Dill asked what the plan is for Water Plan 2020 and is that budgeted for. The planning horizon is approximately 20 years, so 2040 would be the next targeted planning horizon. Mr. Hinazumi stated Water Plan 2020 is now being called the Water Systems Investment Plan kicked off in mid-February with Brown and Caldwell as the consultant. There is an encumbrance of \$1.6 million from the FY 2021-2022 budget; however the actual YTD spending is approximately \$200,000. In response to Mr. Dill, Mr. Hinazumi stated the anticipated completion date is early 2024. The first portion of its development is the creation of the much-needed GIS system for the Department. Another portion is a review of the impact fee by completing a needs assessment to look at how new water customers impact the water systems and apply an appropriate impact fee; this will lead to the proposal to consider a potential change to the rate structure for what is currently the Facilities Reserve Charge.

Mr. Dill asked if the budget for this upcoming fiscal year reflecting an increase in projects to be initiated and delivered. Mr. Hinazumi stated yes, noting that for the last couple of years they have had only 1 construction project, and 2 projects that have been bid, but were put on hold for various reasons. Moving forward, they look to refresh and complete 9 design projects and initiate 8 new design projects. The intent is to move these projects into construction as quickly as possible; 2 of those projects have State funding assistance which requires the project to move to construction award prior to 2023. Mr. Dill asked if they are adequately staffed and resourced for that additional work and increased number of projects to which Mr. Hinazumi stated they will rely heavily on construction management or consultant services to help support the Department.

Mr. Hinazumi provided an overview of the CIP program budget, briefly discussing various notable projects listed. Referencing the Hanalei Well Drill and Test on Page 25, Mr. Dill asked if the site well established. Mr. Hinazumi stated they are working on the land rights to the site. Referencing the BAB projects on Page 26 Mr. Dill asked whether they are all design to which Mr. Hinazumi stated they need to refresh the permits and hope to have that out to bid no later than this time next year. Referencing the AMI Meter Replacement line item on Page 26, Mr. Dill noted there is \$5 million in the current budget and asked if any of that has been spent. Mr. Hinazumi stated that in putting together the budget last year, it was thought they would receive SRF funding for it, but it was never received.

Committee member Akamine asked if the Department received any State funds for the budget. Mr. Hinazumi stated we received \$2 million for Kalaheo A,B, and C package which we are matching \$2,030,000. The Paua Valley Tank received \$1.2 million with a \$240,000 DOW

match, and Kilauea Wells 1 & 2 MCC and Chlorination facilities received \$2.6 million with a \$520,000 DOW match; a total of approximately \$14 million.

Mr. Dill would ideally like to wrap up the Finance Committee sessions before the next main Board meeting and present a recommended budget to the Board on May 26, 2022. At the next scheduled Finance Committee session, he would like to reassess and receive responses to the questions that came up with best case scenarios on those that cannot be resolved at that time. Either during that session or a subsequent session, the Finance Committee can wrap up and have a budget recommendation to present to the Board.

Chair Dill recessed the Finance Committee meeting at 2:12 p.m. to reconvene at 1:00 p.m. on May 16, 2022; the May 12, 2022 and May 13, 2022 sessions were cancelled.

Respectfully submitted,

Approved,

Cherisse Zaima
Commission Support Clerk

Kurt Akamine
Secretary, Board of Water Supply