

FINANCE COMMITTEE MEETING

Thursday, May 21, 2020

Committee Members Present: Finance Committee Chair Lawrence Dill, Ka'aina Hull and Elesther Calipjo. Also present was Board Advisor Steven Kyono, Gregory Kamm & Troy Tanigawa (joined @ 8:30 a.m.)

Staff Present: Marites Yano, Keith Aoki, Marcelino Soliz, Michael Hinazumi, Bryan Wienand, Eddie Doi, Valentino Reyna, Dustin Moises, Christine Erorita, Jas Banwait, DCA Mahealani Krafft, Maryjane Akuna (joined approx. 10 am)

Chair Dill reconvened the meeting at 8:10 a.m.; with no objections.

E. NEW BUSINESS

1. Draft Budget for Fiscal Year 2020-2021
 - a. Fiscal Year 2020 - 2021 – Draft Operating Budget
 - b. Fiscal Year 2020 - 2021 – Draft Capital Outlay Budget

Engineering

Civil Engineer Mr. Keith Aoki reported that there are a total of five positions. Two current positions are filled in charge of all DOW design and private projects. Currently the Water System Standards are being updated. County and Department of Transportation projects are prioritized and Engineering agreed to work faster on the designs. Mr. Hull suggested that plan review should not be a barrier.

DISCUSSION:

Mr. Dill mentioned that various cuts would be in travel and staffing. Engineering needs to look at open ended contracts. Mr. Hull clarified that vacant positions that are vacant over one year would be cut. Engineering has the challenge of attracting qualified applicants to fund the vacant position.

Professional Services (Page 88) – The Department requested State aid for the Baseyard Master Plan for phase 1 design.

Wailua Homesteads Granulated Activated Carbon (GAC) is mandated by the Department of Health. GAC filters out mercury from water in wells and DOH requires the Department to evaluate the GAC unit (a new request). This supports Water Quality.

The University of Hawai'i (UH) Experimental tank is contingent on the Department in getting land rights from UH to move forward with the design.

Mānoa Stream, Water Line Repairs – Negotiations have not been done with the consultant. Mr. Aoki requested to add \$130,000 for FY 2020-2021.

Mr. Tanigawa joined the meeting at 8:30 a.m.

Open ended budget contracts for Engineering Services was increased for FY2021. Mr. Hull suggested to \$1 funded vacant positions and allocated salaries could be moved to open ended contracts and doubled. Engineering Services will be encumbered this fiscal year.

Mr. Wienand commented that funding was included in the Baseyard Master Plan as the preliminary Engineering report and funding for full design and flagged for the Board's consideration. If funds are received and used from the legislature, the Department would front the money for the design contract, and the Department would be reimbursed by the State. If the Department does not receive funds from

the legislature, it would inflate the budget and could be taken out. Mr. Dill suggested to add a budget proviso that requires the Department to not spend those funds unless State funds are confirmed to cover the cost; if taken out, the Department can come back to the Board. Mr. Aoki confirmed that the legislature will need a copy this line item in the budget for \$1.6M.

Mr. Hull urged Mr. Aoki to have remote interviews or teleconference for the CE II position.

Kapa'a Well No. 4 (Esaki project), (Page 95) - \$450,000 could be trimmed (under FRC & does not affect operating fund); PER is \$100,000. Mr. Doi indicated there is progress on this project and the soliciting for a real estate appraisers to get onto the property.

Action Items for Engineering

- KH - suggested to split Engineering & CM due to inefficiencies; possible reorganization.
- Permit review should not be a barrier.
- Review open ended contracts in current budget; Add \$50,000 to = \$100,000
- Travel & expenses – cut 60%, remove travel not necessary for 1 year.
- Granulated Activated Carbon (GAC) – Add \$130,000 (Page 88)
- Mānoa Stream water line project – Add \$130,000 (Page 88)
- Pursue grant funding from legislature & confirm; take funding out from the budget. Project will be shown on budget; will be provided to legislature. Baseyard Master plan – Tess will correct grant funding amount to \$1.6K not \$160K (Page 88)
- AWWA Travel & conferences – cut to 0 (Page 92)
- Meeting Supplies – reduce to 60% (Page 93)
- Chair Dill – Requested a separate line item for Travel in Admin. Board Advisor to approve from Admin. Budget to meet the 60% reduction (Page 92)
- Paua Valley Tank Repair (testing for PCB) – add \$85,000 (Page 94)
- Mānoa Stream Line Repairs – add \$250K (Page 94)
- Vacancies (Page 190) - \$1.00 fund all positions
- 2358 CE V - \$1 fund; 2458 CE II – keep at 90%; 2468 & 2355 (vacant CE V) – Tess to correct salary (same step by diff. salaries)
- Chair Dill – \$1 funded positions do not have to come back to the Board; pull fund from Department wide positions. Proceed with virtual interviews for CE II; continue to recruit to CE V.

Total funded vacant positions = \$1.3M; Benefits approx. \$2M

Fiscal Review

Mrs. Yano presented the reduction on the budget made from yesterday's Finance Committee meeting. Projected Fund Balance at the end of the fiscal year – Operating Expenses is \$28M and with partial revisions and was down to \$28.4M. Chair Dill asked why the Estimated Ending Balance went up instead of going down? Revenues went down to \$31.5M from \$32.7M. From FY2019 Actuals in April, water sales was reduced by 22% or 71.8 million gallons in water consumption. The total YTD = 86% over the total projected water consumption. May and June water sales were used in April with an estimated water usage of 3.87 billion gallons of annual consumption. The first 10 months = 86%; last 2 months = 14% with a total reduction of 6.5%. This percentage was matched on the dollar YTD water sales. Projected salaries came out to \$26M. Mrs. Yano mentioned this trend is too aggressive and suggested a conservative approach with a projection of \$22.9M in water sales instead of water consumption.

Projected water sales = \$26M for FY2020

If sales remains the same for the next 12 months for FY2021, April's sales = 7%

12 months was used to calculate the monthly average sales the next 12 months = \$22M assuming a flat water sales. 3% was used as possible adjustment = \$22.9M projected water sales.

DISCUSSION:

Chair Dill mentioned FY2019 actual water sales showed \$27.959M; FY2020 is YTD \$23.316M. Water sales projections were \$1.86M per month for residential (April, May, June; actuals used for May & June). Mrs. Yano indicated that the Department can't depend on projection based on the historical trend of due to the COVID pandemic without the hotels and major commercial entities on the island for the next two months. For 2020 = \$26.294M at the end of this fiscal year divided by 12 = \$2.191M was the average. \$1.8M = 7% revenues; 7% x 12 = 85% for FY2021. July/August water usages will increase and would not be shown this fiscal year due to the pandemic. A 3% adjustment was also added to the calculation = \$23M for FY2021. Mr. Hull agreed this is conservative along with the Reserve Fund for Board Policy No. 31.

Water Consumption for April: Commercial down 33%, hotels down 43%, low rise residential down 44%, resorts down 49% & State government down 40%.

Summary - Projected adjusted revenues and adjusted revised projected operating expenses.

Baseyard Master Plan – includes \$160K and \$1.1M was kept.

Kalāheo/Yamada Tank Project – showed all expenses and anticipating State funds. Projected this year is \$4.5M (1st yr.) that the State would release FY2020; Fiscal has not submitted any requests until the Department starts the project or pays the project; spent money could be reimbursed by a request. Mr. Wienand explained that the State grants is \$10.2M to be received from the State which is a two multi-year appropriation. The difference is \$9M an actual expense to the Department. The projects receiving State funds are Kalāheo \$2.2M, Kilauea \$1.3M, Waimea \$1M which on the Capital Improvement Project (CIP) list. Mrs. Yano added that the Department has to front money to award contracts. Mr. Dill suggested separating the Operating Budget from Capital Budget that may have ramifications which Mrs. Yano agreed for the next budget year.

Admin. Changes

Deleted Insurance & Bonds - \$150,000

Delete Board Approved Claims - \$40,000

Deleted Subscription West Law – \$1,200

Admin. Travel & Per Diem – \$100,000 – Chair Dill & Mr. Hull agreed to create a single line item in Admin. not to exceed 40% of all originally proposed travel related expenses. Delete all travel & expenses from every division's budget.

Registration & Seminars – Travel includes off island & on-line workshops for registration.

Made Place holder – Reduce to \$5,000. Chair Hull suggested to leave the budget in for travel at 60% in each division and reduce remaining travel budget to 40% in Admin. to be approved case-by-case by the Board or Board Advisor Mr. Steven Kyono.

Mrs. Akuna will refine travel and non-travel registration fees to be cut by 60% except for the mandated travel for the Manager regarding Act 192 Section 5. Act 192 does not require registration (only in the Travel & Per diem budget). Act 192 for travel is inter-island was enacted by the State legislature for the Manager to participate. Meeting expense affects travel and non-travel related expenses for registration. Mr. Wienand added that Fresh Water Council would probably be digital and was not mandated but requested by the State. He suggested that the Department continue to participate. Mr. Hull did not want to keep the mandated travel but to cut it at 60%. Mr. Dill recommended to keep the Act 192 mandated conferences in the budget and include in the 40% calculation with an overall cut of 60% in Admin's. budget (all travel & travel related registration, per diem). (Page 56)

Mr. Hull strongly suggested that the draft budget and the Baseyard Master Plan needs to have a full discussion with the Board and did not expect action at the June Board meeting. Chair Dill suggested to leave in the Baseyard Master Plan in the budget but the Board could decide to leave in this in or take it out of the budget after Board discussion. Mrs. Yano would provide an overall summary on the travel budget and final draft to be sent to the Finance Committee and Board before the June meeting.

IT Changes

Repairs & Maintenance – Other than Water System (Page 61) - From the last Finance Committee meeting some IT budget was moved to Fiscal, Water Resources, Operations, and Construction Management. Total budget = \$458,900 was cut to \$90,700.

Beacon subscription fee – moved to Billing – cut \$9,000 to \$39,200

Meeting expense for IT cut to \$1,500

Unencumbered portion of \$295,000 was added that would roll over to the next fiscal year for the Share Point upgrade.

Water Quality (WQ) – Moved a budget line item CMPD to WQ.

Fund Projections - Ending balance 6/30/2021:

Projected ending in the Water Utility Fund = \$6.8M

Facilities Reserve Charge - \$700,000

Bond Fund – If the Kalāheo project spends \$6M with a balance of \$117,000

Action Items on Fiscal, Admin & IT

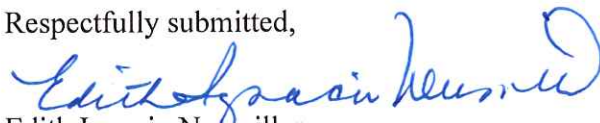
Consider separate operating budget from capital budget in the next budget year. Consultants to look at policies.

- Travel – Place hold & reduce to \$5,000 if the travel is on island or not.
- Cut mandated travel to 60%; then cut mandated travel to 40% on Admin. Budget (new line item)
- Tess to do an overall reduction for the Finance Committee on Fri. 5/22. This would be Received for the Record.
- Baseyard Master plan – leave in for discussion with the full Board.
- Final draft budget recap will be sent to the Finance Committee and Board before the May 28th Board meeting.
- IT – Auto Cad licenses to be left in IT to support other divisions.

F. ADJOURNMENT

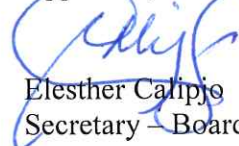
Chair Dill adjourned the Finance Committee meeting at 10:25 a.m.; with no objections.

Respectfully submitted,



Edith Ignacio Neumiller
Commission Support Clerk

Approved,



Elesther Calipjo
Secretary – Board of Water