

MINUTES
FINANCE COMMITTEE MEETING
May 22, 2024

The Finance Committee of the Board of Water Supply, County of Kauai reconvened its meeting on Monday, May 22, 2024 at 2:32 p.m. Quorum was achieved with 3 members present.

COMMITTEE MEMBERS

Lawrence Dill, *Committee Chair*
Ka'aina Hull
Tom Shigemoto

EXCUSED

PUBLIC TESTIMONY

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

NEW BUSINESS:

1. Discussion and Possible Action on the Department of Water (DOW) DRAFT Proposed Operating and Capital Budgets for FY 2024-2025

Finance Committee Chair Larry Dill stated today's goal is to get through the Proposed draft budget so the Committee can recommend its adoption by the Board with any possible revisions or amendments that may come up during the scheduled Finance Committee meeting sessions. It is anticipated that the Draft Budget will be approved at the June Board meeting so that the Department may begin the Fiscal Year with an approved budget.

Waterworks Controller Renee Yadao began by presenting the changes that were made to the draft budget since the May 16, 2024 submittal to the Board. A summary of the changes and a description of the highlighted changes were provided with a verbal overview.

Ms. Yadao provided an explanation for each of the Fund Balance Projections categories:

- The Water Utility General Fund is the general operating account
- The 30% column next to it is the reserve and is not to be spent down, only to be used in an emergency situation
- Facility Reserve Charge are revenues collected from future developments
- Build America Bond Fund reflects the 2010 bond floats
- State Appropriations are monies that have been appropriated through legislative actions and are paid by the State to fund our projects with a fund match from the utility.
- State Revolving Fund Lead & Copper Rule Revisions is a new category and is to fund the LCRR project. They anticipate \$875,000 to become a loan with \$290,000 to be forgiven
- State Revolving Fund is for direct project loans, and this fund primarily consists of the Kalaheo Water Improvement Project
- State Revolving Fund Pro-Fi is also a new category which comes from the Drinking Water State Revolving Loan Fund that is a programmatic financing loan that would provide DOW proceeds for various pre-approved projects on a reimbursement basis; we anticipate loan forgiveness for this as well

Committee member Hull noted there were discussions on eventually revising the FRC analysis and the associated costs and asked what the timeline is on that and if it will impact this budget. Ms. Yadao stated there is a plan to revise the FRC rates, though it will not be part of this budget. DOW is working with consultants to assist with a rate study and we will be looking at our water rates first.

Engineering

Engineering Division Head Jason Kagimoto provided an overview of the Engineering budget pointing out some of the noted changes:

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- The Annual Kauai Watershed Alliance line item has been moved to Admin's budget
- The joint funding agreement for USGS remains the same as last year
- There are 2 pots of money for professional services at \$1.4 million each for Technical Design and Specialty Engineering Services and As-Needed Project Management and Inspectional Services. This will be used to move forward with our Capital Improvement Projects that are currently in design. In previous years we have put some of that money into Capital Outlay, but the guidance has been that this is more appropriately placed in Professional Services. Board member Dill asked if the \$1.4 million in each line item is based on specific project estimates to which Mr. Kagimoto stated it is based on what they were able to get budget after they had to make some difficult budget decision. He added that there are 19 projects in design and last year they budgeted for a lot of those projects to move forward to permitting and preliminary design. The goal was to move approximately 30% forward to final design, however, given the amount of projects, there would not be enough money, so they had to prioritize which ones they would fund to move forward.
- Kauai Water Use and Development Plan Update – No monies have been budgeted for that this year as the hope is that the current contract amount will suffice.
- Kukuioolono Tank Site Exchange – There is money in the current budget for this and the land exchange is anticipated to go before the Board in June. There is also money based on the appraisal amount to cover the difference in price. Assuming the land exchange documents can make it to the June Board meeting, there is no anticipation of needing more money for this next fiscal year.
- Safe Drinking Water Testing – this has increased some due to ongoing sampling requirements that continue to increase
- LCRR Update – These costs will decrease for the next fiscal year
- Water System Investment Plan – on-going project; budgeted for potential contingencies

Chair Dill stated that for the upcoming presentations, in the interest of time, he would like to request that the Waterworks Controller touch on any significant changes for the Committee to discuss, and then allow the Committee to do its own review and ask any questions as they see fit. He noted that he greatly appreciates Mr. Kagimoto's intimate knowledge of all the budget items but does not feel it necessary to go into that level of detail at this time.

Committee member Ka'aina Hull asked what Engineering is juggling, money-wise, among all the 19 projects that were previously mentioned. Mr. Kagimoto stated that all of the projects they are overseeing exceed the 19 mentioned. There is \$14 million in contracted design fees, \$69

million in contracted construction fees, and \$2.3 million in contracted construction management fees. Mr. Hull asked if we still have any water facilities projects for regions where there was inadequate pressure and the project itself was just upgraded for adequacy but won't provide for expansion. His recollection is that is what was done in Wainiha where they were adequate for fire demands, but the tank being planned for that area would not necessarily allow for expansion to have additional units put there. Mr. Kagimoto stated he is uncertain about that specific area, but noted they are currently in design for source and storage for that water system, but they still need to address the source issue for that water restriction. He added that in the 2 years that he has been in his role, most of the projects have already been identified and scoped as part of Water Plan 2020, which they have been trying to push across the finish line. Mr. Hull further clarified his question by asking if there are any projects that are only looking at storage and not necessarily source to allow for the expansion as opposed to just meeting adequacy. Deputy Manager Michael Hinazumi explained that Water Plan 2020 identified source, storage, and fire protection transmission deficiencies, and also planned for the General Plan Project population projections, so there is a proponent for expansion. The Department is currently working on the Water System Investment Plan which has reanalyzed the Water Plan 2020 projects and the water systems. Through this effort, some additional information has identified areas of water savings in some areas, but still not enough to meet the needs of the system in totality when analyzing things through the General Plan update of 2018 as well as the Community Plan. Mr. Hull noted that they may not want to make the data public since the numbers relating to the amounts of water meters in a particular area can change often, but as Board members, having that information will help them understand where the deficiencies are, and allow them to line up which projects are going to those specific regions. Manager Tait noted they currently do that with the Housing Department who they have been meeting with regularly as many of these projects pertain to affordable housing strategies. With Brown and Caldwell's GIS hydraulic models they have been able to identify areas that they did not think they could serve but will be able to. Mr. Hull stated that as tank projects or supply projects come before the Board at regular meetings, it's difficult to understand what role or stake they play in the overall master plan of getting more houses for the local inventory and being able to put the matrix together between the deficiencies and the projects will help them have a better understanding moving forward.

Mr. Dill stated for clarification that all the projects that Engineering is working on have gone through a vetting process at the Board through Water Plan 2020 or some following discussion, and his understanding is that generally speaking they are providing for some element of growth when they size the infrastructure. He noted that he is looking forward to the Water System Investment Plan which he thinks will specifically address those needs to develop more housing, and will be an important process to help the Board and the Department determine where to prioritize funding for infrastructure.

Mr. Kagimoto noted the rest of the budget is fairly comparable to the previous budget. On Page 97, he pointed out that remediation of Paua Tank is wrapping up and the \$200,000 budgeted is for additional ground sampling that is required. The following changes were noted:

- Slight increase to both equipment and operating supplies and microlab supplies
- Slight decrease to books, publications, subscriptions, and memberships
- Training and Development has decreased for this year given the overall budget goals; staffing shortages have impacted the amount of training they can participate in.

Mr. Dill asked where as-needed Construction Management Services are identified to which Mr. Kagimoto explained that has been combined with as-needed professional services to now fall under As-Needed Project Management and Inspectional Services. Some of these funds will help with CM services that we are unable to do in-house such as the GIS hydraulic modeling.

Capital Improvement Projects

Referencing Pg. 134, Mr. Kagimoto noted the goal was projected to be at \$33 million for overall Capital Outlay, but it currently sits at just under \$17 million. About \$16 million had to be reduced to be able to get within the Water Utility Fund budget. Mr. Dill asked if they expect to expend all of these funds in the coming fiscal year to which Mr. Kagimoto replied yes. He noted the following:

- Currently working on executing 2 contracts by the end of this fiscal year which will encumber just under \$35 million in construction costs this year.
- Weke, Anae, Mahimahi and Hee Roads 6” and 8” Main Replacement – multi-year funding was done for this construction contract at \$3 million in this fiscal year’s budget and \$89,000 in next fiscal year’s budget. They will be utilizing As-Needed Project Management and Inspectional services for as-needed CM services.
- Kuhio Highway (Hardy-Oxford) 16’ Main Replacement – budgeted \$2.5 million. They anticipate bidding out early next fiscal year; Deputy Hinazumi was able to obtain 100% matching requirement from the State to bring the total budget amount to \$5 million
- Given the needs of both Lima Ola and DHHL housing projects, they are looking into short-term solutions while they figure out additional source. One of the quicker solutions to provide additional source to the Hanapepe-Eleele water system is the Hanapepe Town Well MCC, Chlorination Facilities. The design services have been budgeted for in this current fiscal year to do the pump capacity and water quality testing for the well. The \$500,000 proposed for next year’s budget is to bid out for the construction work.
- Looking to move forward with much needed improvements to the baseyard:
 - Purchasing an ATS (Automatic Transfer Switch) generator so the concern is that in a power outage, someone must physically come to the building to manually turn the generator on
 - Electrical conduits from the old Administration building to the baseyard warehouse needs to be relocated so the old Administration can be demolished and provide more baseyard storage space
 - Security Fencing for Administration building property
- Kapaa Homesteads Well No. 4 Pump and Controls – Will be 100% matched through State appropriations

Mr. Kagimoto stated that they initially had Kilauea 1 MG Tank and the Haena .2 MG tank, but some tough decisions had to be made. They are exploring different funding mechanisms that would help alleviate having to provide so much up-front money. They are in discussions with DOH to acquire an SRF project specific loan for both above-mentioned projects.

Mr. Kagimoto mentioned that there is an Emergency Response Plan update that needs to be added to the budget, so they will likely have to cut something from Professional Services to accommodate that in the upcoming budget.

Committee member Tom Shigemoto asked what the priority is for the Lima Ola and DHHL housing projects in getting enough water. Mr. Kagimoto stated Phase II of both developments have been approved, but to go beyond that there are facility improvements that need to be made. DOW has been in discussion with County counterparts who are looking to move ahead with some of the necessary infrastructure knowing that there will be a huge demand. It is a high priority for DOW to support both of those projects and they are looking at bringing the Hanapepe well back online. Beyond Phase II there will be a need for additional storage and source. They are budgeting for the pump capacity test in this budget, and they will assess how to move forward from there.

Staff noted that the scheduled May 23 Finance Committee session would be cancelled due to member scheduling conflicts, and the meeting will resume on May 24 at 2:30 p.m. or shortly thereafter.

RECESS

The meeting recessed at 3:35 p.m.

Respectfully submitted,

Cherisse Zaima

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Commission Support Clerk