

MINUTES
FINANCE COMMITTEE MEETING
May 24, 2024
(continued from May 22, 2024)

The Finance Committee of the Board of Water Supply, County of Kauai reconvened its meeting on Monday, May 24, 2024 at 2:36 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 *(continued from May 22, 2024 Finance Committee session)*

Operations

Chief of Operations Ryan Smith asked the committee how they would like his budget presented. Chair Dill stated he would like to note any significant changes and anything Mr. Smith feels is worthy of highlighting. The committee will ask questions as necessary.

Mr. Smith stated they have stripped just under \$3 million compared to last year to try and get to an even overall budget for the Department. One of the big changes was to the inventory stock items (Pg. 125) which was reduced from \$3 million to \$1.5 million because they were able to utilize this fiscal year's funds to purchase meter inventory.

Things of note are in Capital Outlay R&R on Pg. 130 GL 10-40-00-604-999 for replacement of the following vehicles and equipment:

- 3 trailer-mounted emergency generators from the Hurricane Iniki event in 1992, so they are over 30 years old
- 2 Maintenance Worker trucks from 2007 that have over 120,000 miles and are starting rack up some serious repair costs
- 1 Lead Pipefitter truck, which is the oldest truck with over 200,000 miles of engine run time on it and are accumulating significant repair costs
- 1 Meter Reader truck which has over 200,000 miles on it; by the time we get a new one it will likely be 250-300,000 miles on it
- Takeuchi Excavator is a bit too small for their needs and has been seeing a lot of wear and tear; they want to replace it with a larger one in better shape. Mr. Shigemoto noted that Fiscal Year 2023 budget shows an excavator for replacement and asked whether that money had not been expended. Mr. Smith stated the money was expended and a new excavator was purchased. Mr. Dill that the FY23 budget shows we budgeted \$3.3

million, but only spent \$500,000 so we didn't acquire much of the equipment we budgeted for. Waterworks Controller Renee Yadao stated that a purchase order would have been made, encumbrance would have been held and expended during the year the equipment was received. There were some things purchased in 2023, but not received until 2024. Mr. Dill stated the continuing issue he has is that with the way the budget is presented, it is impossible for him to determine that. He would prefer to see the expenditures rather than encumbrances so he can compare apples to apples, otherwise these numbers are meaningless to him. Ms. Yadao stated that it is difficult for them to provide details because the current software they have is not user friendly. Mr. Dill requested that future budgets be formatted differently to provide more clarity on these numbers. Mr. Shigemoto asked what happens to the old vehicle once they are replaced to which Mr. Smith stated they are either disposed of at Puhi Metals recycling or auctioned off.

Referencing line item Repair and Replacement of building equipment, Mr. Smith explained that we are expecting to completely replace one of our A/C units and most likely one of the units at the baseyard.

Referencing Pg. 112, Committee member Ka'aina Hull compared the \$14 million budgeted in 2024 versus the \$10 million being requested in the upcoming FY25 budget and asked for some details on where some of the budget reductions are coming from. Mr. Smith stated we are currently processing a P.O. to purchase \$1.49 million in transponders and registers so we don't have to budget for that in the upcoming budget. Mr. Hull noted there is a big difference in line item 10-40-60-563-010 Operating Supplies and Inventory Stock that goes from \$3.6 million in 2024 to \$2 million. Ms. Yadao explained the Department made a lot of purchases this fiscal year so our budget would have increased by moving budget from elsewhere. The additional \$1.5 million is yet to be encumbered. FY25 budget is reduced by \$1.5 million because we are using the current year's budget for those purchases.

Referencing Pg. 118, Mr. Smith pointed out that the Storage Tanks cleaning and repairs by \$100,000 just to try and trim down the budget. Mr. Dill stated for clarification that the 2 line items in the Operations budget that show significant decreases in Inventory Stock from \$3.7 million to \$2.1 million, and in Miscellaneous Capital Purchases from \$2.5 million down to \$1.2 million; what are we not purchasing next year? Mr. Smith stated that the Paua Valley MCC replacement was removed as well as the Kilohana Sodium Hypochlorite on-site generation unit which will be pushed out into the following fiscal year as they are still in construction with the building. Facility Improvements Security and Hardening has also been removed from Ops, but some of that is included in Engineering's budget for some of their design projects. Mr. Dill pointed out that many of these items are shown in FY23, FY24, and now in FY25 with some to be pushed out later and asked how we get these things finished? Mr. Smith stated staffing issues make it difficult.

Pg. 132 – The demolition of the Administration building has been removed and pushed out to the following fiscal year.

Administration

Waterworks Controller Renee Yadao provided a summary of the changes to the Administration Division Budget. (handout on file)

Fiscal

Referencing Pg. 66, Mr. Hull asked for clarification on line item 10-20-20-550-000 Subscription Based IT Arrangements. Ms. Yadao explained that this is for GASB 98 because of the amount of subscriptions the Department has. There are 2 accounts for this, one it IT and one in Fiscal.

One of the new additions was the document workflow database repository which is to address an audit finding to address operational efficiency and effectiveness.

Waterworks Controller Renee Yadao provided a summary of the changes to the Fiscal Division Budget. (handout on file) She noted that the billing section is the key driving force in bringing in the Department's main source of income.

Ms. Yadao stated the number of service connections are increasing due to projected developments, new accounts, etc. There is a lot of potential for growth but it is contingent upon our ability to provide. In a meeting with Brown and Caldwell and saw the number of capital improvements that are greatly needed, but the ability to do it with our current resources is hindering our progress.

Mr. Dill asked what percentage of our customers are on auto-pay to which Ms. Yadao stated she is unsure but pointed out that a lot of payments come in via walk-in and drop box so they do get a lot of front facing customers every day and it is continuous. Mr. Dill stated he would assume that the use of auto-pay reduces the workload of the billing staff to which Ms. Yadao replied yes. Mr. Dill also noted that the use of transponders likely makes that work more efficient. Manager Tait stated that the workload is heavy right now due to the large number of failing transponders and the backlog of bills that need to be adjusted, but at some point it will slow down.

Referencing Pg. 2 of the Fiscal budget presentation handout (on file), Ms. Yadao noted 3 new positions that she is requesting, but has not been included in the budget. The 3 positions were presented during the Department's internal budget sessions but are not included in the actual budget itself. She shared her justifications for her requests:

- Accountant I – will be tasked with Residential Accounts and primarily overseeing the front-facing Customer Service Representatives. Fiscal would like to eventually branch off residential and commercial because it is a growing area so it would be better to do that transition to plan for succession and maintain continuity there.
- Meter Reader I – There are currently 4 meter readers, though one has been on extended leave and can retire soon. They would like to provide additional coverage in the event of unanticipated circumstances.
- Contracts Specialist – Fiscal currently has 1 Procurement Officer, but that position does not have coverage or backup.

Ms. Yadao acknowledged that the budget request is a lot, but this is the impact of where we are now. Mr. Dill stated that it would help him to see how this fits into their organizational chart,

especially relating to succession planning. He requested that be provided at the next meeting. Mr. Dill asked to clarify that this is not a request for new positions, but a reallocation of existing vacant positions to which Mr. Tait replied budget-wise we could not do new positions. Mr. Dill added that his assumption is that budget-wise there will be no consequence to the upcoming budget because the positions are already existing. He stated that he does not think this is something for the Committee to consider as part of the budget discussion, adding that his understanding is that this is just a small piece of the puzzle and does not reflect the whole picture for the entire Department. Mr. Tait agreed and stated that bigger reorganization would come before the board at the appropriate time. Mr. Dill stated that he would like to understand that which 3 positions will be reallocated and who will be losing positions. He doesn't feel this is a discussion for this budget discussion because those positions have already been budgeted for, and it's more appropriate to discuss more comprehensively at the Board level.

Mr. Shigemoto asked if the Accountant I would be a reallocation of a staff member already within the Department to which Mr. Tait stated not necessarily as you would go out for recruitment and the pool of candidates may come from anywhere. Ms. Yadao stated she understands that each division has needs and she does not want to take any positions from any other division. She noted there used to be 8 in billing, but they went down to 6 because the need was elsewhere, but now billing suffers. Mr. Tait stated that there are 3 different areas in Fiscal – Accounting, Billing because of the transponder issues and Customer Service because the positions are entry level and often a stepping stone to another position.

Mr. Dill acknowledged that Fiscal seems to need more help but noted that other divisions need help as well. He cannot say in a vacuum that he's good with Fiscal's request because he does not know where the additional positions are coming from. He would like the Department to come up with a department-wide recommendation to present to the Board.

Mr. Hull noted revisited his request to provide the Board with the data on the regional breakdown of the island on water meter availability which he feels it is purposeful in managing the growth of the island and matching its needs. He emphasized that he does not want this information publicly available, but it will help the Board understand exactly where the inadequacies are at, the timeline to meet those inadequacies, and to determine whether it is appropriate to cut a bunch of Engineering's vacant positions with the understanding that for the next few years the money will go toward procurement contracts which then may necessitate having another contract person. That is the information he would need to enter a discussion about adding positions. Mr. Dill would like to sit down with the Engineering leadership before there are any further discussions about cuts and adds.

Mr. Shigemoto asked to clarify that Fiscal's intent is to separate Residential and Commercial billing and that the Accountant I would oversee the Residential section. Ms. Yadao stated it wouldn't happen right away but that would be the plan. Mr. Shigemoto asked if you have one person overseeing both sections, who assumes their responsibilities in her absence. Ms. Yadao stated Fiscal does cross-train and does try to cross-train to their fullest extent, but they have not had time to do so with the Procurement Specialist. Accounting staff assists billing when they are short staffed and they have all assisted with rebilling, which is the backlog but have not had time to cross-train on the intricacies of billing and meter reading. Ms. Yadao stated when looking at

staffing they compared themselves to County Wastewater who has 2 Accountants for 5,000 accounts. They looked at KIUC who have 40,000 customers, and 8 Customer Service Representatives, but do not have face-to-face customers because they have a kiosk and online payments.

Mr. Dill stated that he can see that there is a real need for staff but does not feel this is the appropriate venue for those discussions. However, he encourages the Department to do an overall assessment and come back to the Board for discussion.

Assistant Waterworks Controller began a presentation on the proposed rate study. Commission Support staff noted that this item is not on the agenda and cannot be discussed.

Board member Shigemoto moved to refer Manager's Report No. 24-18 back to the full Board for review and approval, seconded by Mr. Hull; with no objections, motion carried with 3 Ayes.

ADJOURNMENT

The meeting adjourned at 3:52 p.m.

Respectfully submitted,

Cherisse Zaima
Commission Support Clerk