

MINUTES  
FINANCE COMMITTEE MEETING  
May 8, 2023

The Finance Committee of the Board of Water Supply, County of Kauai met on Monday, May 8, 2023. Committee Chair Lawrence Dill called the meeting to order at 1:04 p.m. Quorum was achieved with 3 members present.

**COMMITTEE MEMBERS**

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

**PUBLIC TESTIMONY**

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

There were two (2) guests who joined the meeting remotely.

**NEW BUSINESS:**

1. Discussion and Possible Action on Department of Water's DRAFT Proposed Operating and Capital Budgets for FY 2023-2024 (*referred from May 3, 2023 special meeting*)

Chair Dill welcomed new Waterworks Controller Renee Yadao and expressed that the Committee is looking forward to working with her. Manager Tait stated that Ms. Yadao has been looking at numbers that are now mostly irrelevant, noting that last year's budget was a transitional budget, but this year is an entire restart and rebuild, which is currently still ongoing. Ms. Yadao has only been here for 6 days in which time she has been interfacing with all the division heads and staff, much more in the last few days than what was previously done over the last couple of years. What is being presented to the Board is a whole new format which will go over the operating budget, new capital outlays that staff is anticipating, requesting, deferring or deleting, and looking at the rollover of our outstanding purchase orders, contracts and agreements. Unlike previous years, everything will be included in one document rather going back and forth between documents. Manager Tait thanked Renee, Terri, Jonelle, and Anne for the amount of work they have done in the last several months, especially in the last few weeks to put this together in a new format in a very quick period of time. In response to Mr. Dill, Manager Tait clarified that the previous budget document received at the May 3 meeting serves as a backup document that will support this new outline of items presented today. This year, Renee and the fiscal team wanted to include more up-front summary documents.

Waterworks Controller Renee Yadao expressed her appreciation to the Committee for their introduction and praise, and to the very talented team she is working with. She provided an overview and summary.

Mr. Dill referenced Page 11, Revenue from Public Fire Protection, which is not a cash resource but rather an exchange for staff support and services provided by the County to DOW. He asked when that had been last updated or looked at. Ms. Yadao stated she wants to find that agreement and look into it. She added that when she first started with the County, it was under \$1 million,

but has increased over time due to the cost of the hydrants. She believes it would have been DOW that initiated that change.

Referencing the Facility Reserve Charge Fund pie chart on Page 12, which shows what is anticipated as revenue sources, Mr. Shigemoto asked whether \$1.2 million annually is a typical amount as it seems low to him. Manager Tait agreed it is low, noting that usually FRC's are higher for smaller utilities because they do not have the population base to provide the revenue. Mr. Shigemoto asked if that is a reflection of our economy and more development occurring. Manager Tait stated it comes down to managing it over time and making small adjustments rather than making one big leap.

Mr. Dill asked Ms. Yadao to point out anything she feels is worth noting, and where she sees significant variations from last year. Ms. Yadao stated the salary line item on Page 16 is a big one, noting that we are budgeting \$1.5 million for the 47 vacant positions in the next year. The total for budgeted salaries last year was approximately \$7.5 million, and the current proposal is at \$7.7 million.

Mr. Dill noted that he is curious why there is a lot more budgeted for design than construction. Deputy Manager Hinazumi clarified that because Engineering was consolidated and there is still some confusion over cost codes, it did not break Engineering out separately from the old cost codes.

On Page 21, Operations under line item Source - Salaries and Wages, Mr. Dill noted that the amount estimated through the end of the year is at \$287,000 and the proposed amount is at \$647,000; what accounts for the big difference? Ms. Yadao explained she believes there are vacant positions in that line item that were never budgeted for. She added that with the County transitioning to the WorkDay payroll software module, there were some issues relating to the integration and posting to the general on the County side that led to delays expenses posting to DOW's accounting. The estimated through the end of the year is based upon actuals that were received at that time. Mr. Dill pointed out the numerous blank lines he's seeing in the proposed budget column and asked what is happening there. Ms. Yadao explained that those are going to be consolidated into one line item.

On Page 22 under line item Operating Supplies – Invty. Stock, Mr. Dill noted that the proposed amount is for \$1.3 million; however, there is not a lot in the prior years. Ms. Yadao stated that is for the meter replacements. Mr. Dill requested that a summary of the overall Operations budget this year versus last year be provided at the next meeting.

Mr. Dill commented that he is consistently seeing across all the divisions that the estimated through 6/30 for Salaries and Wages is a lot less than the proposed budget; he wants to be conservative, but not too conservative.

On Page 27, Administration, under line item IT Professional Services, Mr. Dill noted asked why there is a negative number there. IT Manager Wayne Takabayashi noted that it showed up that way on the encumbrance report, which seems to be a bug that they are currently working to figure out.

On Page 28 under line item IT Repairs and Maintenance – Other than Water Systems, Mr. Dill noted it is a fairly significant number, and asked what is included in that. Mr. Takabayashi stated that CC&B cloud hosting for the billing system is the bulk of it, as well as the SCADA System Integrator Consulting and Maintenance. It's mainly for IT support for various applications.

On Page 29, Revenue Summary, Mr. Dill noted that column 4 is titled Revenue at 3/31, where elsewhere that column is titled estimated through 6/30. He requested that same column be added as it helps with comparisons on an annual basis. Ms. Yadao stated that would be updated accordingly. Mr. Dill stated that we received \$1.6 million in FRC this year, and we are only expecting \$1.18 million next year. If we are already at \$1.55 million this year, is there reason to believe we will receive less this year? Ms. Yadao stated they will look into that.

On Page 30, Operating Expense Summary, Mr. Dill noted the total estimated through 6/30 is at \$19.8 million, and we're proposing almost double that for next year, which seems high. He requested that more information be provided on that at a subsequent meeting.

Mr. Dill stated that instead of going through the expense details, he will leave it to each division to bring to the Committee's attention anything that they feel needs to be highlighted. His interested is in any significant differences from the previous year. He doesn't want to go through each individual line item, but would prefer to address the big picture comments, and would like to understand either why this budget is increasing so much, or if it can be cut back to something closer to last year's budget. Ms. Yadao stated she is unclear of the philosophy on prior years' budgets.

Mr. Dill stated he is not satisfied with how we got from the actuals in FY 21 to the current \$37.9 million, additionally, what is estimated for FY 23 is half of what is being requested for FY 24. He requested additional information to either justify that increase, or reduce the numbers, as it is a big jump. In response to Mr. Shigemoto, Mr. Dill stated the budget should be adopted by June 30. Mr. Shigemoto stated his reason for asking is that we don't have actuals through May and June which makes it challenging to know where we are. Manager Tait stated there is a strong possibility that a Supplemental Budget will be submitted this year.

Mr. Dill stated that unless there is something in particular to bring to the Committee's attention, there is not much more to accomplish today. Manager Tait stated that he has been highlighting all of the discrepancies the committee has noted and will return with those answers.

The meeting recessed at 1:57 p.m. and scheduled to reconvene on May 10, 2023 at 9:00 a.m.

Respectfully submitted,

Cherisse Zaima  
Commission Support Clerk