

County of Maui Water
Supply

BOARD OF WATER SUPPLY

County of Maui

Budget Workshop

Wednesday, November 1, 2006

9:00 a.m.

Planning Department Conference Room

First Floor, Kalana Pakui Building

250 South High Street

Wailuku, HI 96793

Chair-elect Kenneth Okamura stated that for this meeting, Michael Victorino will conduct

this final Budget Workshop. Chair-elect Okamura will conduct the November 16, 2006

meeting.

I. Call to Order

Chair pro tem Michael Victorino called the November 1, 2006 Board of Water Supply's

Budget Workshop to order at 9:10 a.m.

II. Attendance

Board Members Present:

Staff Present:

Michael Howden

Eric Yamashige,

Deputy Director

Vice Chair Lee Aldridge

Holly Perdido,

Fiscal Officer

Marion Haller

Helene Kau, Assistant

Fiscal Officer

Chair-elect Kenneth Okamura

Ellen Kraftsow,

Planning Program Manager

Chair pro tem Michael Victorino

Alva Nakamura,

Engineering Division Head

Gaye Hayashida,

Commission Support Clerk

Excused:

Also Exused:

Carl Holmberg

George Tengan, Director

Kui Lester

Edward Kushi, Jr.,

Deputy Corporation Counsel

Scott Luck

Ginny Parsons

III. Announcements

A. None.

IV. Testimony from the Public

A. None.

V. Budget Items

The Chair announced that the Department has distributed copies of Summary of Variances -

FY05 Actual vs. FY08 Proposed and also Chair-elect Okamura distributed copies of the

2004 Water Rate Study and the Fiscal Year 2006 Water Rate Study.

Member Okamura asked if there is a report showing the '06 budgeted amounts and actual

amount spent? Ms. Kau stated not yet, but the Department is in the process of having

their audited financials completed and the report he is asking for is prepared after the

audit in the event that there are proposed adjustments by the auditor.

Ms. Perdido stated that the final audit will be done at the end of November and will be

available at the Board's December meeting.

Chair Victorino asked what would promulgate adjustments by the auditor. Ms. Perdido stated

that the auditor will give them a breakdown between cash and advancements from the County

and will also look at the Department's claims to come up with an adjusted number if needed.

Ms. Kau stated that the more substantive increases in electricity were budgeted in the

current year and the bigger increases were anticipated in the '07 budget. So the '05

budget was before the Department incurred the significant increases.

Ms. Perdido pointed out that the budget has a column for FY 2006 and that is the

preliminary actual numbers. Those numbers are pretty much final but there will be a few

adjustments from the auditors.

Member Aldridge asked if the differences between what was budgeted for salaries and what

the actual was has been carried through from '05, '06, '07, etc. Ms. Kau stated yes.

Member Aldridge stated that for future reference it would be nice to see actual versus

budgeted for each preceding year.

Ms. Kau stated that the Department still has to budget for vacant positions even though

there have been a consistent level of vacancies in the past few years.

Member Aldridge asked what would have happened if all the positions were filled and the

Department didn't have the money to pay for the electricity bills? Ms. Perdido stated

that they would have to go for a budget amendment and take it from any reserves.

At this time Member Okamura read from his handout regarding the Board's role according

to the Charter.

1. Review and submit to the mayor the Department of Water Supply's request for an annual

appropriation for operations and capital improvements.

2. Recommend the establishment and adjustment of rates and charges for furnishing water;

such rates and charges shall be submitted to the mayor for review and approval. If approved

by the mayor, proposed rates and charges shall be submitted to the council for enactment

by ordinance.

Member Okamura stated that he is concerned about the process that the Board is going through

and that the increases that are being asked for in this budget will be reflected in the

rates charged to customers.

According to the 2004 Water Rate Study future rate and revenue increases were to be as

follows:

Fiscal Year	2005	No rate increase
	2006	12.0% increase on July 1, 2005
	2007	2.5% increase on July 1, 2006
	2008	3.5% increase on July 1, 2007
	2009	3.5% increase on July 1, 2008
	2010	7.0% increase on July 1, 2009

The rate increase had to be re-formulated because of new data so in October of that year

a 2006 Water Rate Study came out. However in this one, the stakeholders did not take

part in adjusting the rates and it was never brought to the Board's attention that the

increases were to be increased again.

Fiscal Year	2005	No rate increase
	2006	12.0% increase on July 1, 2005
	2007	7.0% increase on July 1, 2006
	2008	3.8% increase on July 1, 2007

2009 3.8% increase on July 1, 2008

2010 3.8% increase on July 1, 2009

But on July 1, 2006 the rate increase was another 12.0% not 7.0% as was proposed. He

feels that there have been too many increases in too short a period of time. If the

Board agrees with this proposed 18.0% increase that means the rates would be increased

42% over 3 years.

Member Okamura feels that for the average consumer this increase would be a problem. He

suggested that the Board submit this budget to the Mayor without approving it, and include

with it the following Board's concerns and recommendations:

1. Recommend no increase or a low increase for this year.

2. Recommend that the Council fund \$3 million for capital improvement needs for the Water

Department and \$5 million of the \$7 million of debt service from property tax collections.

3. Recommend that the Department place a high priority on energy efficiency and possibly

energy generation in their operations.

4. Recommend that the Department develop a plan for an energy surcharge to meet some of

the costs of the current high price of electricity

The Board should take this opportunity to attach some strong recommendations to this budget.

Member Howden suggested that we should exempt the ordinary agricultural users from any rate

increase.

Member Haller asked if Member Okamura looked at changing the Department's billing so that

it reflects an energy surcharge. Member Okamura stated yes, but that he didn't know how

the Department could do it and that is why he suggests that the Department "develop a

plan for an energy surcharge."

Deputy Director Yamashige stated that R. W. Beck's recommendations for the '07 rate

structure will be addressing that.

Member Aldridge stated that he fundamentally agrees with what Member Okamura has proposed.

An 18% increase for one year is very substantial and this just points out the problem

when you don't increase rates for many years. He further stated that the energy surcharge

may be a sound idea but it doesn't decrease the cost to the consumer.

Ms. Perdido stated that the Water Department is a special revenue fund and have always

been self-sustaining. One of the reasons there were no increases in prior years was that

the Department had money and was required to use what monies there was before they were

allowed to have rate increases. The Department would not be self-sustaining if it

receives money from the general fund.

Ms. Kraftsow stated that the Department's financial picture is so tight right now that

they cannot fund necessary improvements. The more the Department

is forced to rely on

debt the less financially healthy the Department will be.
The Department cannot serve

the public without more income.

Motion: By Member Okamura to submit the budget to the Mayor
with recommendations.

Second: By Member Aldridge

Discussion: None.

Vote: Unanimous.

VI. Adjournment

The Board of Water Supply's Budget Workshop was adjourned at 10:20
a.m.

and submitted by:

Prepared

Support Clerk

Gaye Hayashida

Commission

Approved on: _____

"By Water All Things Find Life"

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