

MINUTES

WORKSHOP MEETING OF THE BOARD OF WATER SUPPLY

May 14, 2018

At 2:00 PM on May 14, 2018 in the Board Room of the Public Service Building at 630 South Beretania Street, Honolulu, Hawaii, Board Chair Andaya called to order the Workshop Meeting to Discuss the Proposed FY 2018-2019 Operating and Capital Improvement Program Budget.

Present: Bryan P. Andaya, Board Chair
Kapua Sproat, Vice Chair
David C. Hulihee
Ray C. Soon
Jade T. Butay

Also Present: Ernest Lau, Manager and Chief Engineer
Ellen Kitamura, Deputy Manager and Chief Engineer
Robert Morita
Stuart Wong
Michele Thomas
Jason Takaki
Michael Domion
Joe Cooper
Lester Fujikami
Kathleen Pahinui
Barry Usagawa
Marc Chun
Erwin Kawata
Mike Matsuo
Mike Fuke
Jennifer Elflein
Henderson Nuuhiwa
Kevin Ihu

Others Present: Li Li, Deputy Corporation Counsel

Absent: Ross S. Sasamura
Kay C. Matsui

Manager Lau stated that Robert Morita, Executive Support Office Executive Assistant, would be providing a presentation on the proposed Operating Budget for fiscal year (FY) 2018-2019. Jason Takaki, Capital Projects Division Program Administrator, will be providing a presentation on the proposed CIP Budget for FY 2018-2019.

Before he began his presentation, Mr. Morita recognized Stuart Wong, Budget Program Specialist, and thanked him for his hard work on the budget.

Mr. Morita stated that because positions and vacancies for the Board of Water Supply (BWS) play a major role in the FY 2019 Operating Budget, he would be focusing in on an entire section of it in his presentation. He continued with his presentation with operating expenditures.

Mr. Morita went over the composition of the FY 2019 Budget and pointed out the new category of waivers. Mr. Lau explained that this category includes the proposed potential waivers related to affordable housing, homelessness, fire sprinkler retrofit, and others.

In comparing the budget expenditures in FY 2018 and FY 2019, Mr. Morita pointed out that the biggest change is in debt service with a decrease of \$9.9 million. He explained that in the current fiscal year, some of the high interest rate State Revolving Fund Loans were refinanced at a lower interest rate. BWS would not be repeating that approach in FY 2019.

Mr. Morita continued his presentation with Positions and Vacancies. He explained that BWS has asked the Board for new positions in past budgets. However, although BWS has been able to offset new positions by using existing vacancies that would not be used in the near future, they are now at a point where they need to request an increase in positions to be able to meet the plans set forth to ramp up to 21 miles of pipe replacement annually.

Mr. Morita explained that all positions and requests for new positions must be submitted through the annual Operating Budget.

Michele Thomas, Human Resources Office Executive Assistant, explained the process in which BWS follows to fill positions. It takes approximately eight months, if there are no complications or classification issues. If there are issues or reorganizations, the process could take anywhere from 12-24 months.

Mr. Lau asked if the process is similar to what other agencies follow to fill positions. Ms. Thomas responded that it is a considerably faster process for BWS because they are able to recruit internally.

Mr. Morita stated that the Water Master Plan calls for an increase in pipeline replacement. To increase pipeline replacement from six miles per year to 21 miles per year, staff must also be increased.

Following Mr. Morita's presentation, Board Member Soon asked if increased staff is only needed because of the increases reflected in the Water Master Plan. Mr. Morita responded that it is the primary motivator. If BWS could stop pipes from aging, then it might be possible to survive with existing staff. Mr. Lau added that pipe replacement to bring main breaks down is a key component, but it is not the only component. Water sources, pumps, tanks, investment in watersheds, and water conservation are all drivers.

Board Member Butay asked why only one Mechanical Engineer position for Capital Projects is being requested, when BWS will be increasing pipe replacement to 21 miles per year. Mr. Lau explained that BWS will be gradually ramping up to 21 miles per year, and referred back to Slide 9. He explained that what BWS is trying to do is rightsize its Operating Budget and push more money into the CIP Budget. Mr. Lau added that it is a good indicator of the CIP programs growing.

Ms. Thomas commented that the positions requested do not necessarily correlate with what is going to happen in the first year of the CIP. She added that they are working closely with the Capital Projects Division to create economies in that area by reorganizing the different areas and making sure that all of the current vacancies are filled before additional positions are requested.

Mr. Lau added that 16 vacancies in the Capital Projects Division are in process of being filled. Mr. Butay expressed his concern of those 16 vacancies, and only six miles of pipe replacement a year. Mr. Lau responded that as BWS ramps up the pipe replacement, more staff will be needed. BWS is trying to create positions as needed. He explained that BWS has an implementation plan. BWS projects that the number of its engineers needs to increase to about 90 positions in the long term.

Mr. Takaki stated that the Capital Projects Division is at 63 total positions and is actively recruiting. Recruitment has started early because they need them to be at the journey-level to execute ramping up to 21 miles replaced a year.

Mr. Soon asked if BWS does their own engineering and construction management in-house. Mr. Takaki responded that BWS does in-house design, but contracts consultants for a majority of the design work. The majority of construction inspection is done in-house because of the difficulty in finding expertise in the private sector for work on the water system. Mr. Lau added that BWS is using Construction Managers to supplement their existing staff.

Mr. Soon asked, with the work increasing, is BWS making structural changes as to how the work is done. Mr. Takaki stated that BWS has made significant changes within the Capital Projects Division to improve efficiencies. They have implemented some new information systems, and introduced Project Coordinators into the work force. Mr. Soon commented that Project Coordinators are cheaper than engineers. Mr. Takaki agreed and added that they can be used by their BWS's inspectors and engineers so that the inspectors have more time on the job site and the engineers have more time to work on projects.

Mr. Takaki began his presentation on the CIP Budget. He stated that the division heads and staff officers are present to answer any questions that the Board members may have on any project.

Following Mr. Takaki's presentation, Mr. Butay asked if all BWS projects mentioned in the presentation are "shovel-ready". Mr. Takaki responded that they are in various stages of design and stated that although there are many variables in Capital Improvement Program projects, they are all at a point where BWS can confidently execute.

Mr. Andaya asked if the permits are approved and ready to proceed to construction for main replacement construction in Moanalua Valley, Waianae, Pacific Heights, Lanakila and Hawaii Kai, or are they still in the process for approval. Mr. Takaki responded that they are continuing that process.

Mr. Soon referred to Slide 40 and asked what is the Beretania Complex extension. Mr. Takaki answered that BWS is planning to build a new office building in the parking lot above the

Engineering Building. Mr. Lau added that BWS did an analysis of the existing spaces within the existing buildings and developed standards based on the type of position and how many square feet is needed for each workstation. From that, BWS projected what its future space needs would be as the staff's needs expand and found that they are short by 35,000 square feet gross. That includes aisle and workstation spaces. Mr. Lau continued that BWS is starting the design process for a small office building.

Mr. Soon commented that at one time, the Board was considering redeveloping the entire complex. He asked if those plans have been abandoned. Mr. Lau responded no, and explained that BWS issued a Request for Proposal (RFP) for the redevelopment of the entire complex. At the last moment, the last developer withdrew before negotiations. Because the buildings are so historic, none of the developers wanted to touch the existing buildings. BWS has since retooled the process and plans to go out with another RFP, but with the focus on the open parking lots on the property. Mr. Andaya commented that there is a committee working on this project, and recommended Mr. Soon join the next meeting.

Mr. Morita provided the concluding remarks for the presentation.

Mr. Soon asked what the process is of getting the budget approved. Mr. Lau answered that BWS will be sending the Board members a draft of the full budget, for their review. If the Board feels comfortable with it, they can move to adopt. Mr. Lau added that if the Board has any questions or would like BWS to address certain things in the budget, the last chance would be at the June Board meeting. Mr. Lau stated that it is important that the Board adopt the Operating and CIP Budget for FY 2018-2019 before June 30, the ending of the fiscal year.

There were no further questions by the Board.

WATER FOR LIFE

Safe, dependable, and affordable water now and into the future



Board of Water Supply
City and County of Honolulu

FY 2019 Budget Workshop



Board of Water Supply
May 14, 2018



Agenda

- Opening Remarks
- Operating Budget
 - Positions and Vacancies
- Capital Improvement Program Budget
- Summary



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Board of Water Supply
City and County of Honolulu

FY 2019 Operating Budget



Operating Fund Revenue Expenditure Summary

(millions of dollars)

	FY 2018	FY 2019	Change	
	Adopted	Proposed	\$ Mil.	%
Revenues	\$236.5	\$239.2	\$2.7	1.2%
Total Operating Expenditures	\$191.5	\$185.8	\$-5.7	-3.0%



Operating Fund Resources and Expenditures

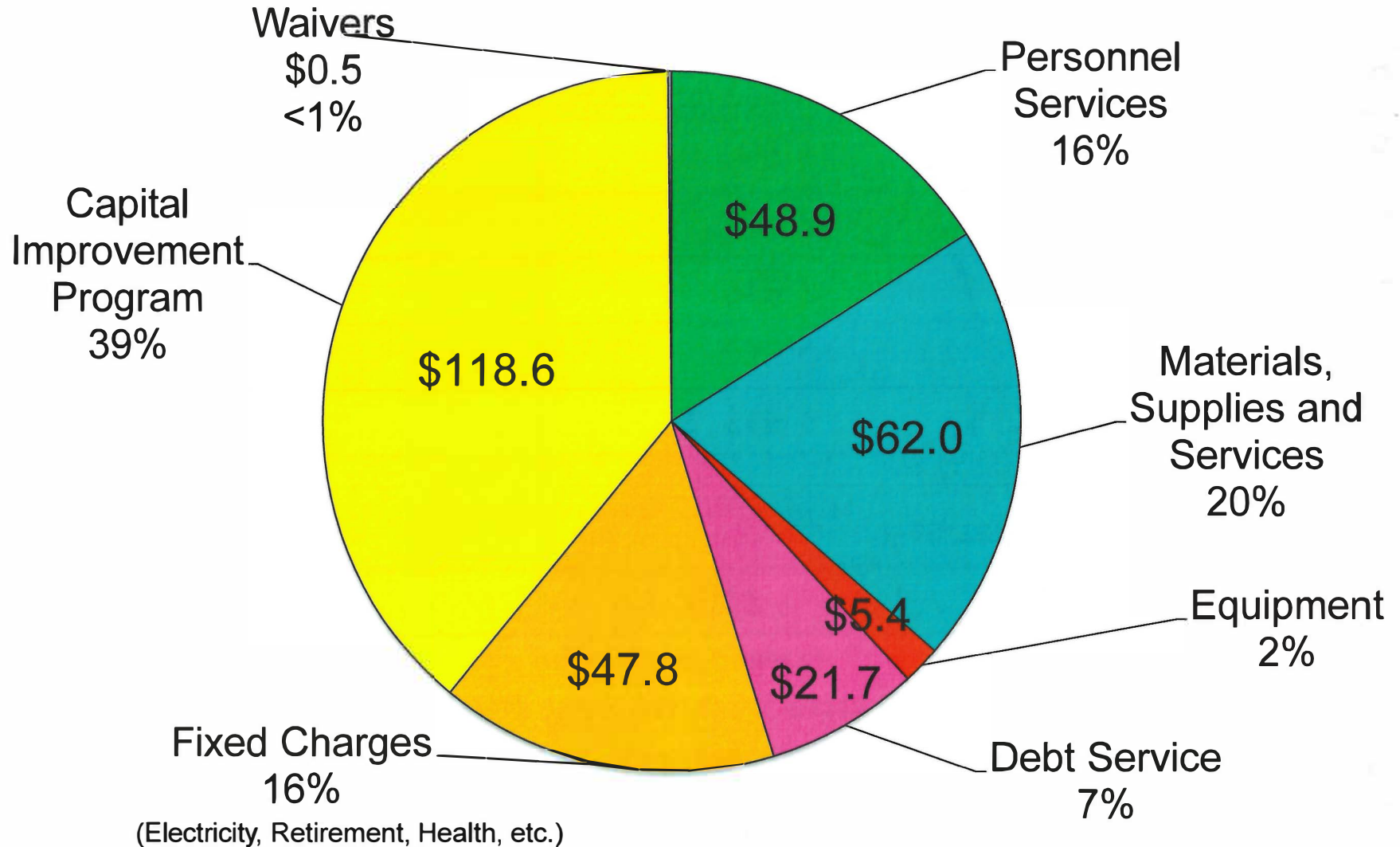
(millions of dollars)

	FY 2017	FY 2018	FY 2019
	Actual	Estimated Actual	Budget
Beginning Balance	\$ 115.1	\$120.7	\$ 98.3
Revenues	235.4	240.5	239.2
Lapses/ Adjustments	13.7	1.8	-
Total Resources	364.2	363.0	337.5
Operating Expenditures	169.1	162.7	185.8
Capital Improvement Program	74.4	102.0	118.6
Transfer to Special Ex. Fund (WSFC waivers – Affordable Housing Program)			0.5
Total Expenditures	243.5	264.7	304.9
Ending Balance	120.7	\$98.3	\$ 32.6



Operating Budget Expenditures for FY 2019

Total budget = \$311.4 million



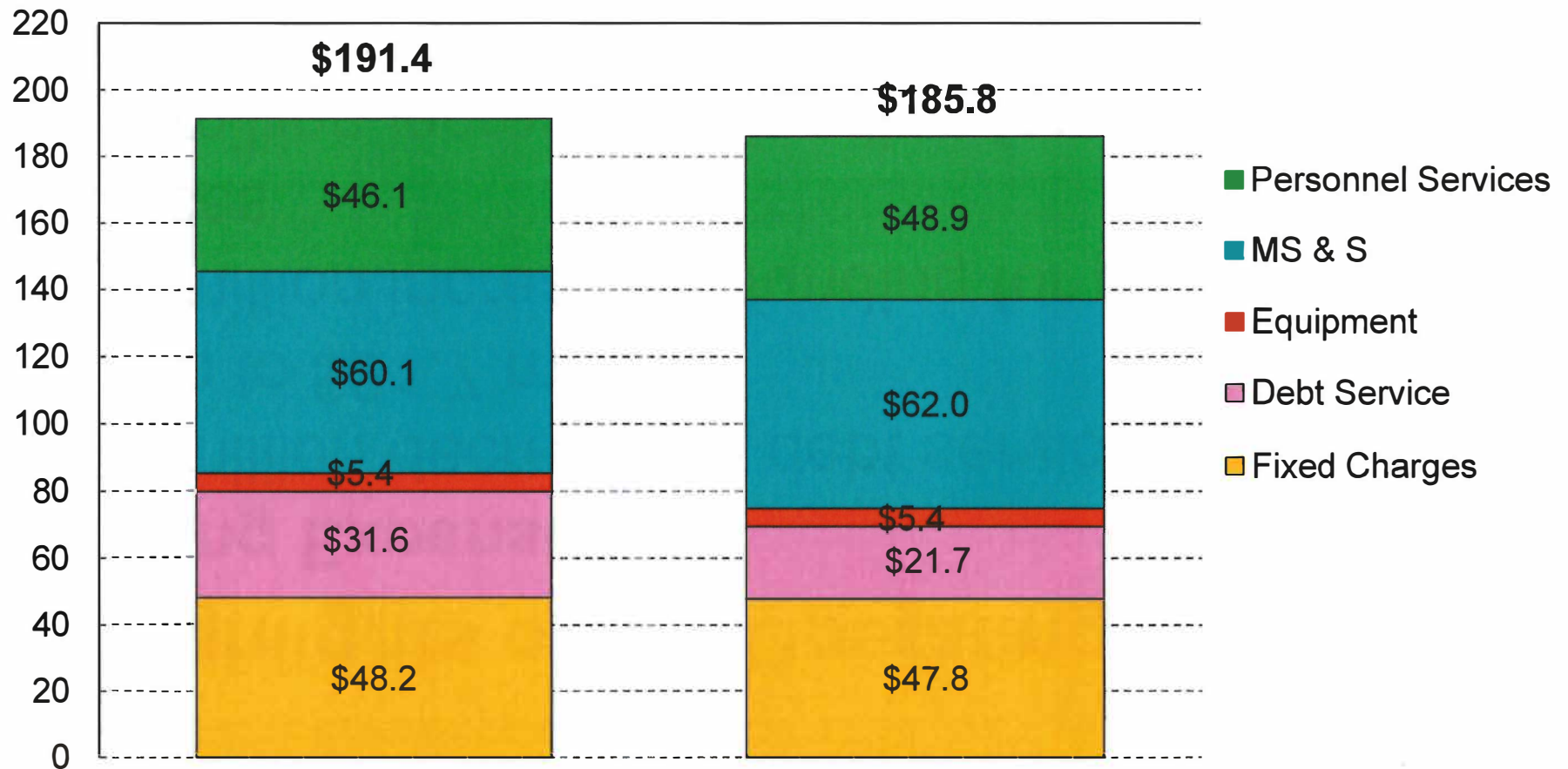
Operating Budget Expenditures

FY 2018 Budget vs. FY 2019 Budget

\$ millions

FY 2018 Budget

FY 2019 Budget



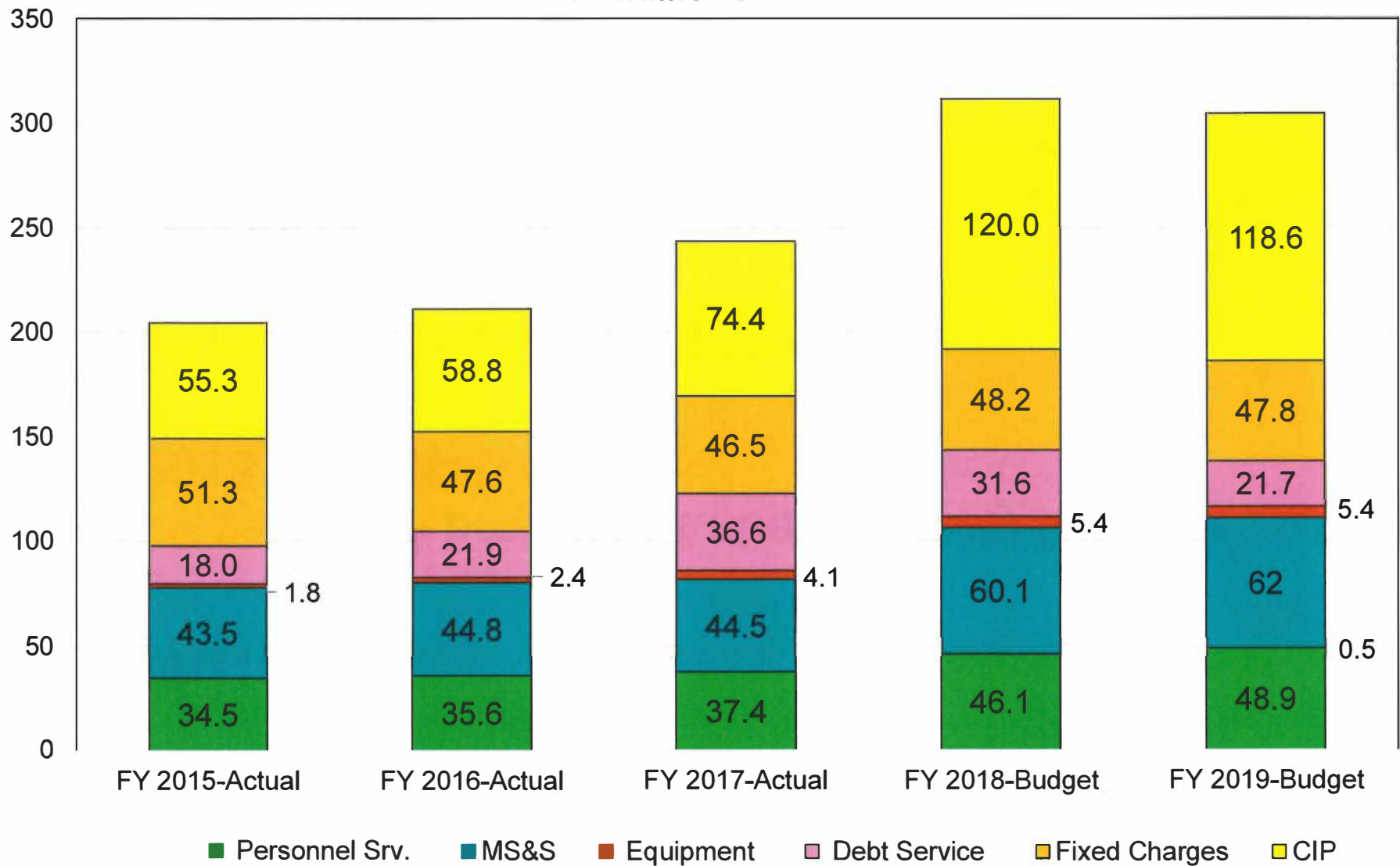


Highlights of the Operating Budget

Operating Expenses:

- \$9.9 million decrease in debt service (from \$31.6 million to \$21.7 million)
- \$2.8 million increase in funding for personnel services.
- \$1.8 million increase in funding for water quality and treatment studies.
- \$1 million increase in funding for emergency road repairs.
- \$1.2 million decrease in funding for the purchase of meters.

Operating Fund Expenditures in millions



Revenues

- Water sales are projected to be relatively flat over FY 2018 Budget-Estimated.
- No water rate increases in FY 2019

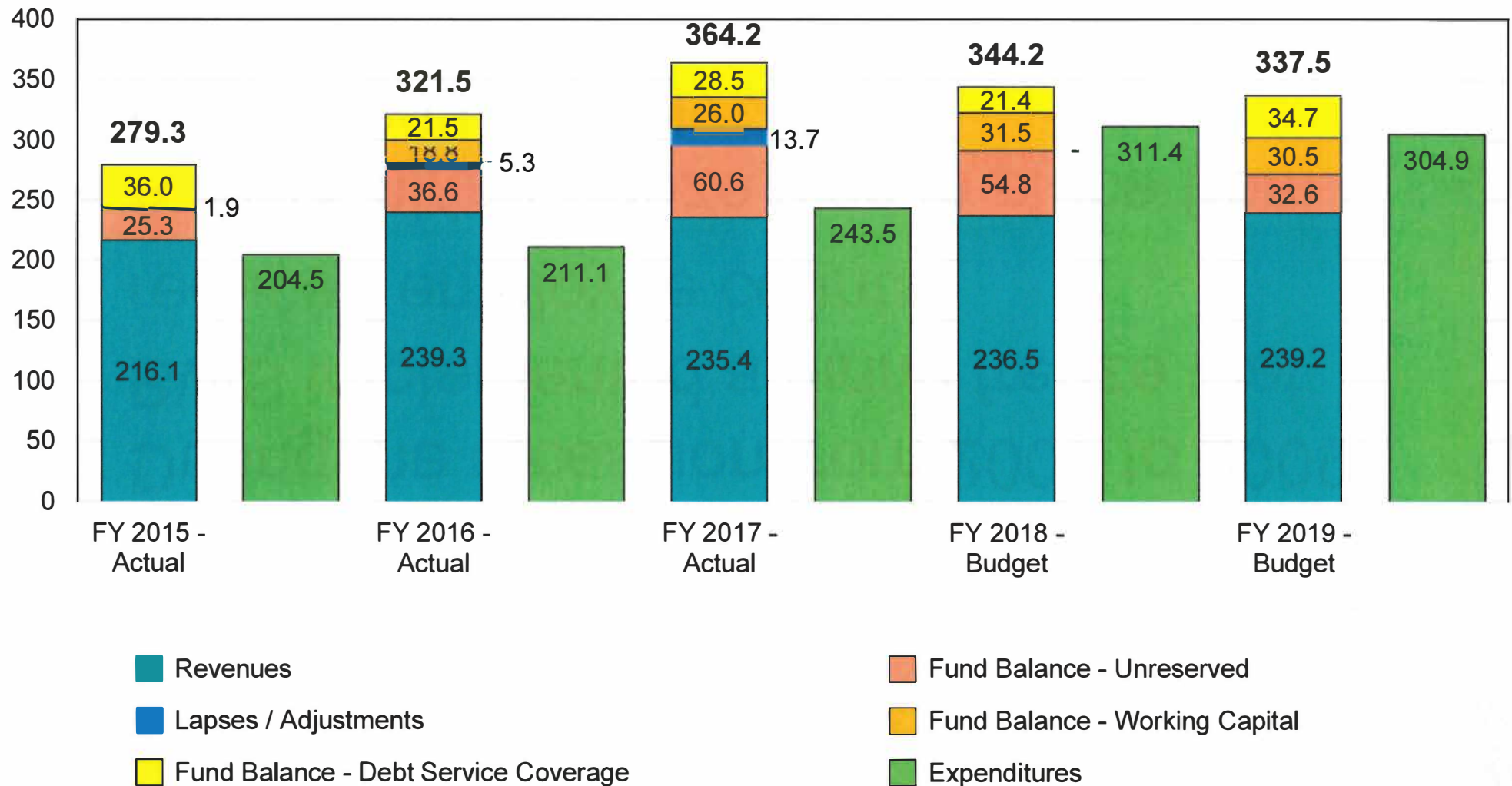
The FY 2019 projection is primarily due to stable potable water consumption in the near term.

UHERO remains positive in its economic forecast that Hawaii's economy will continue to grow.

-- May 4, 2018



Total Resources vs. Total Expenditures in millions





Positions and Vacancies

- During the recession from 2007 to 2009, BWS implemented a hiring freeze that reduced employee counts.
- A BWS hiring freeze was in place from about 2008 to early 2012.
- The department held many positions vacant in order to generate budget savings.

Positions and Vacancies

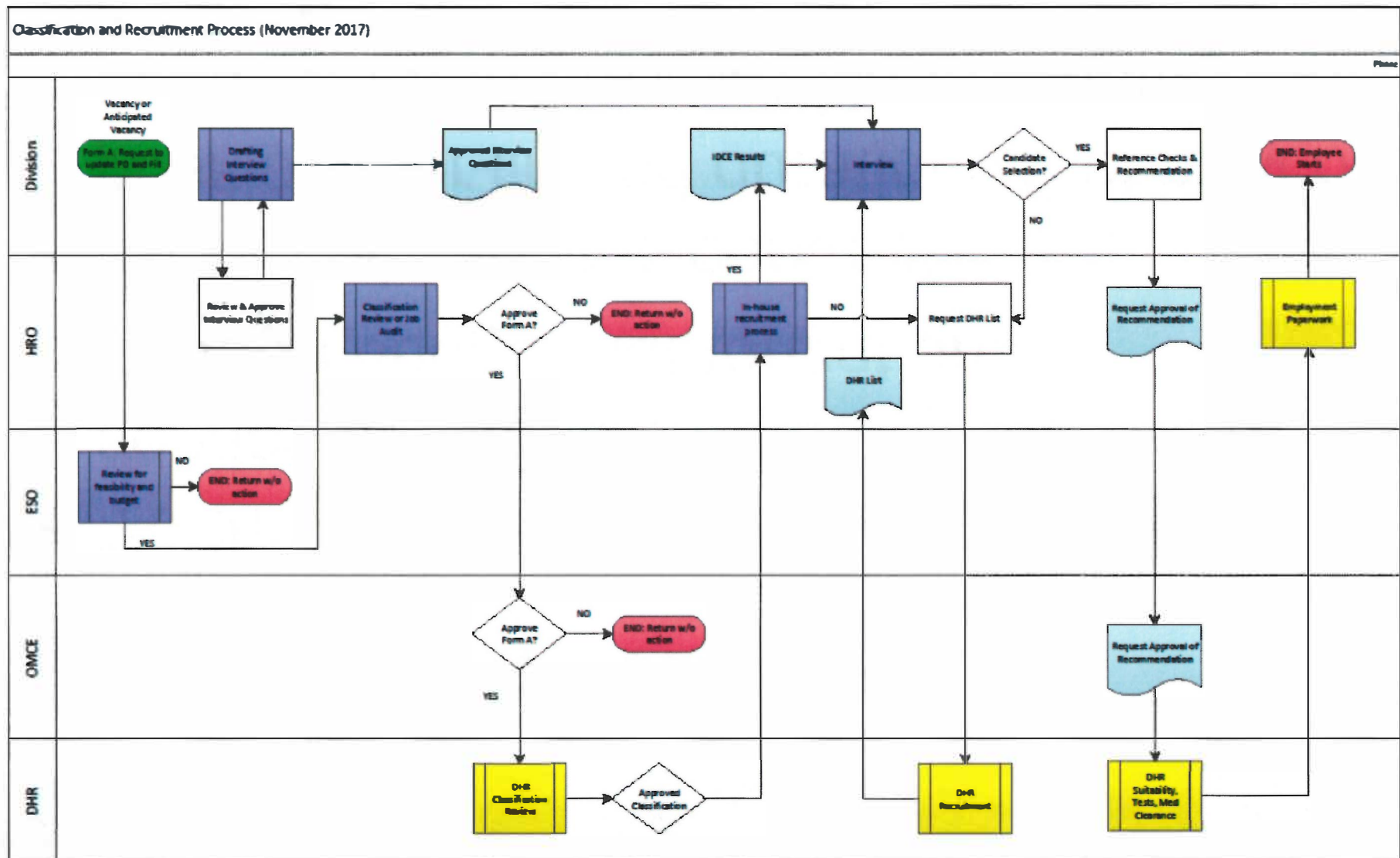
- Vacancies at supervisory levels creates a cascading effect of subsequent vacancies that takes more time to fill. Effects are still being felt today.
- Positions held vacant ranged from journey positions to apprentices.
- This affected supervisory and apprentice to journey ratios (2:1)



Budget Process

- All positions must be budgeted in the operating budget;
- Requests for new positions must be submitted through the annual budget;
- Current practice is that new position requests require that long-standing vacant positions be used.

Classification and Recruitment Process (November 2017)





Position Control

- “Authorized positions” are permanent, civil service positions created by the Board through budget authorization.
- “Personal services contracts” are positions for limited durations that may be used for temporary workload staffing or to perform duties while a position is being recruited.

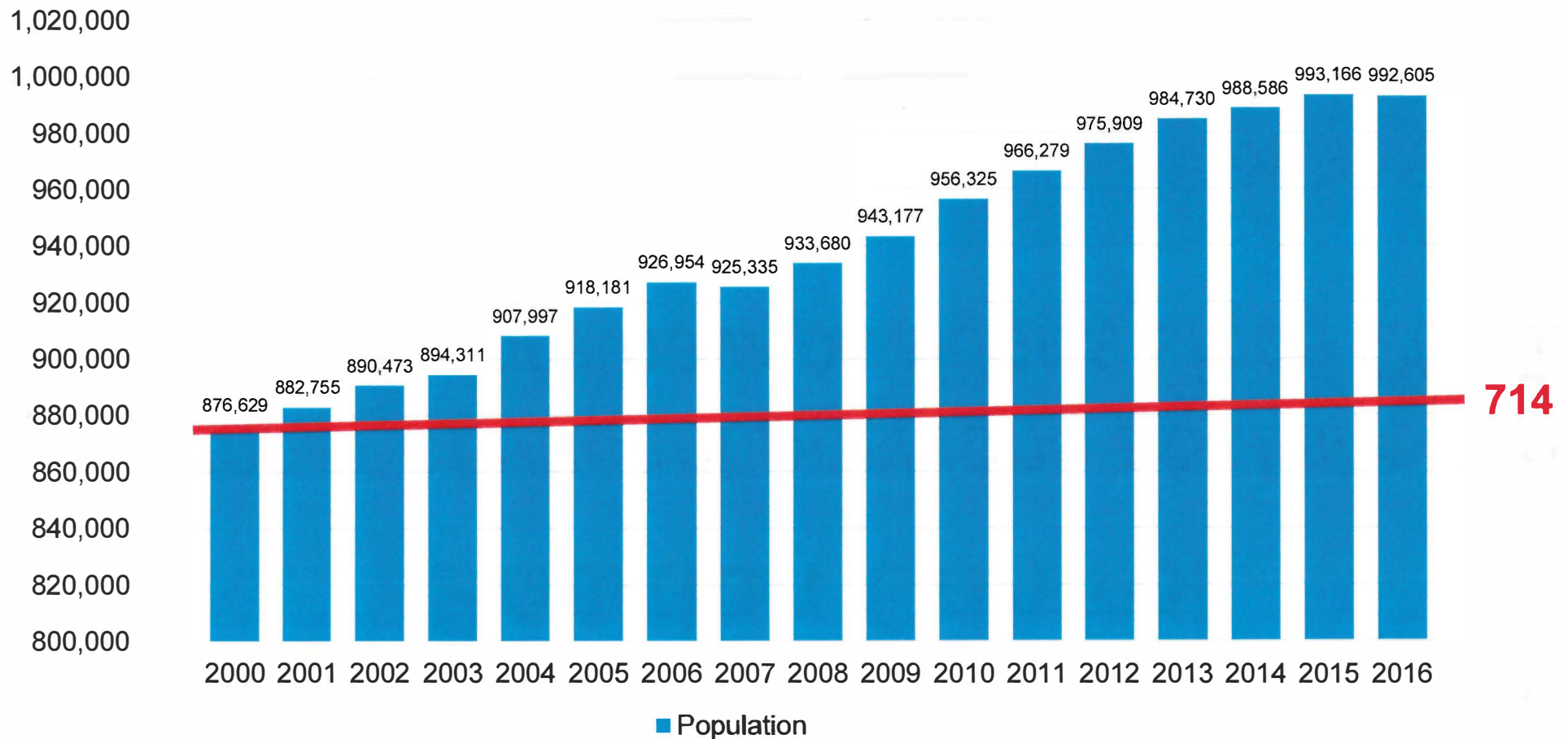
Position Control

*Number of vacant positions abolished to
accommodate new positions since 2015:*

52



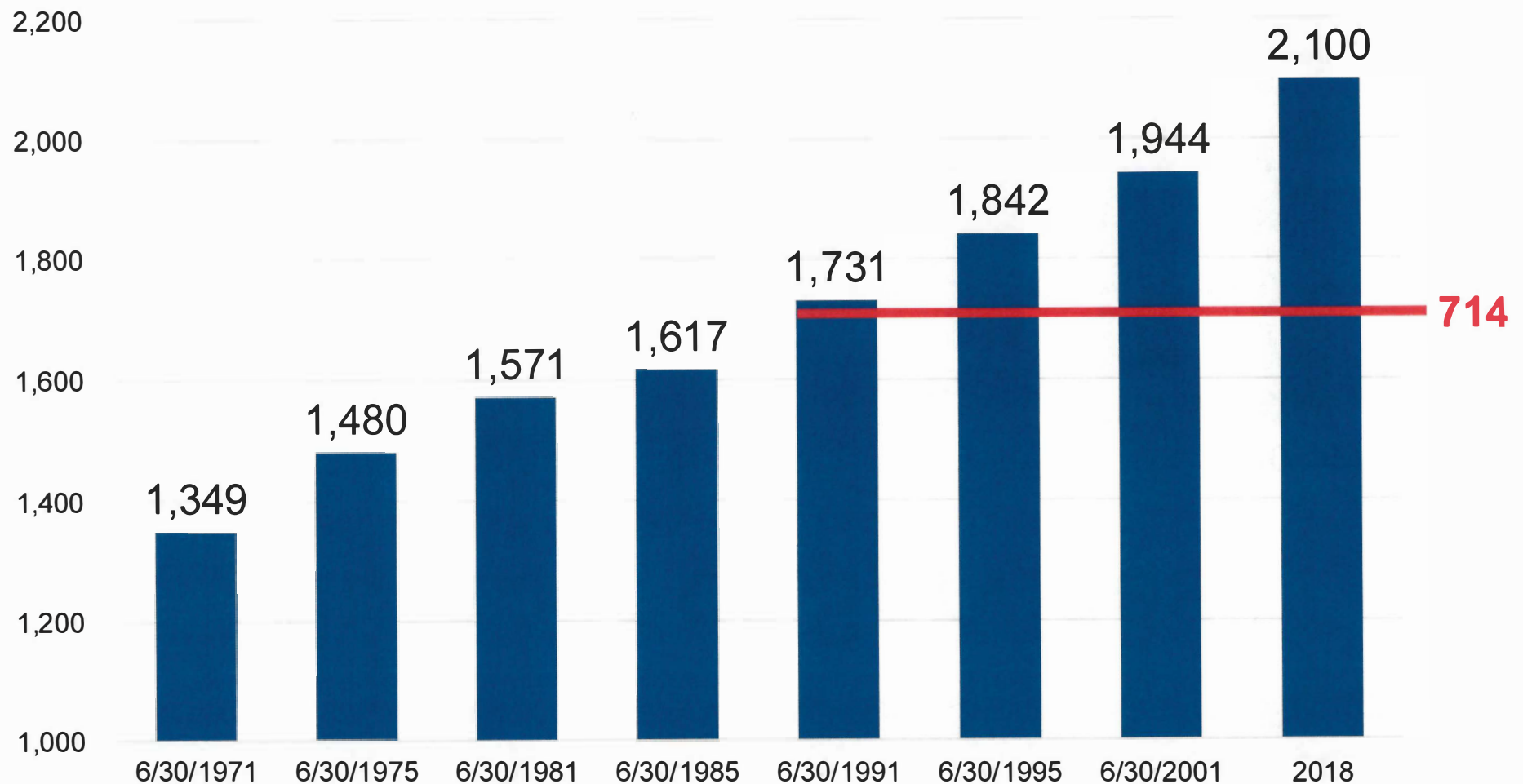
Honolulu Population



Source: Department of Business, Economic Development and Tourism

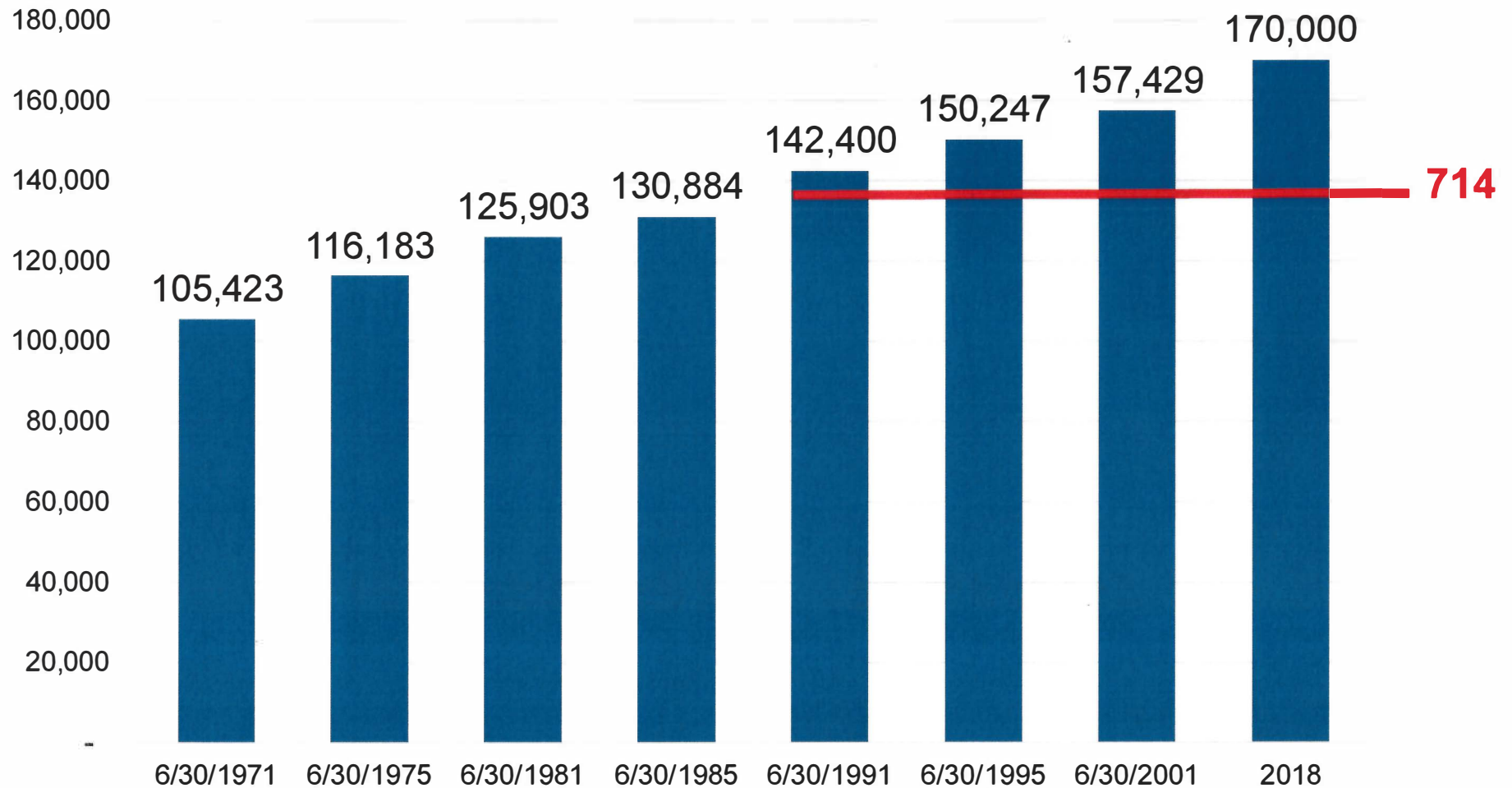


Miles of Pipeline



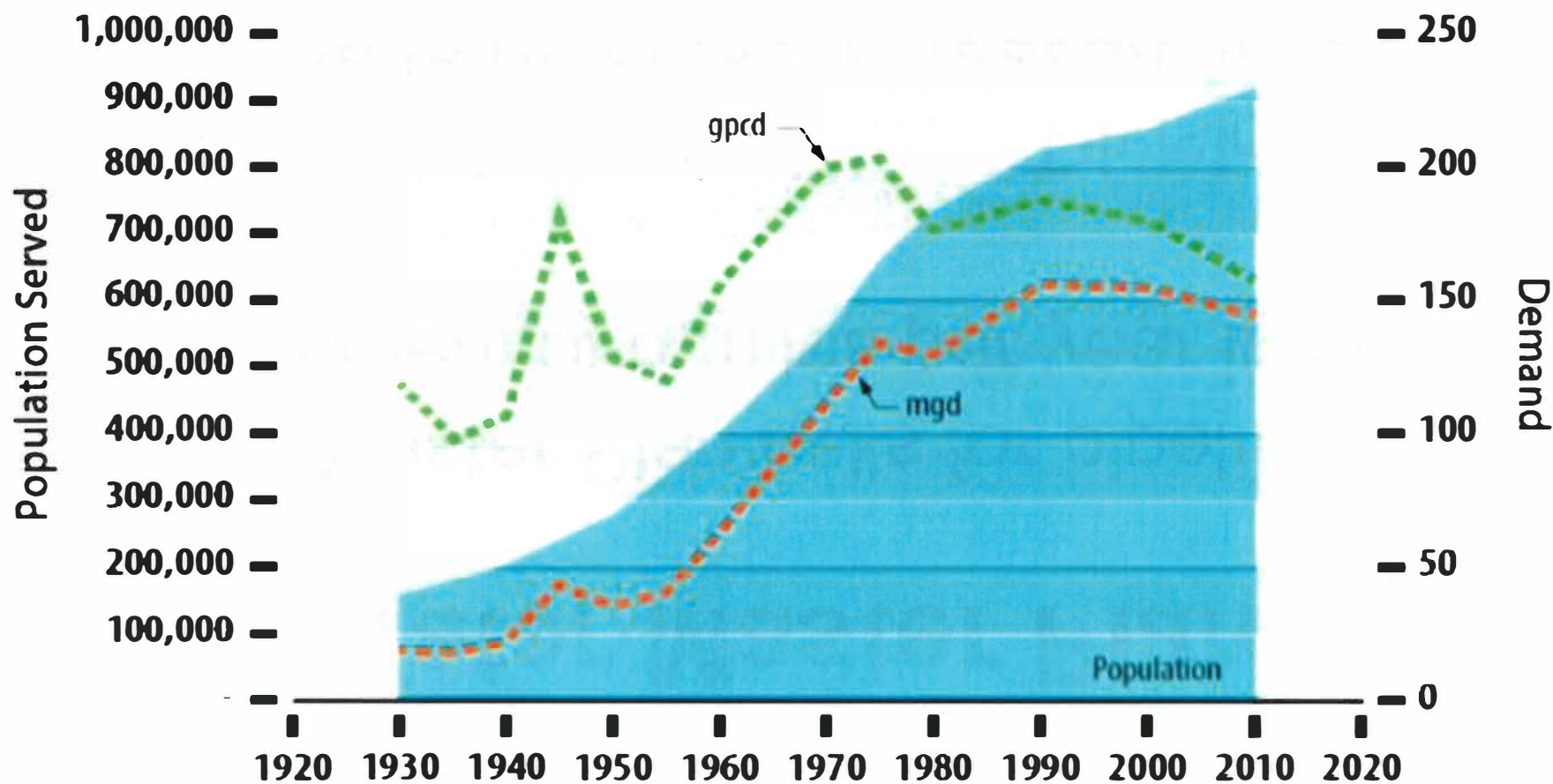


Number of Services





Water Demand





Water Master Plan

- Water Master Plan calls for pipeline replacement of 6 miles per year increased to 21 miles per year.
- Staffing in Capital Projects Division must increase to meet the increased workload.
- Support staffing in BWS must also increase to meet demands.



Current Vacancy Levels

Division/Section	Gross Vacancies	In Process	Net Vacancies
Customer Care	14	10	4
Communications	1	1	-
Capital Projects	16	16	-
Executive Support	5	4	1
Finance	8	7	1
Field Operations	86	75	11
Human Resources	2	2	-
Information Technology	16	14	2
Water Quality	2	2	-
Water Resources	6	3	3
Water System Operations	25	17	8
Total	181	151	30



Why Does Hiring Take So Long?

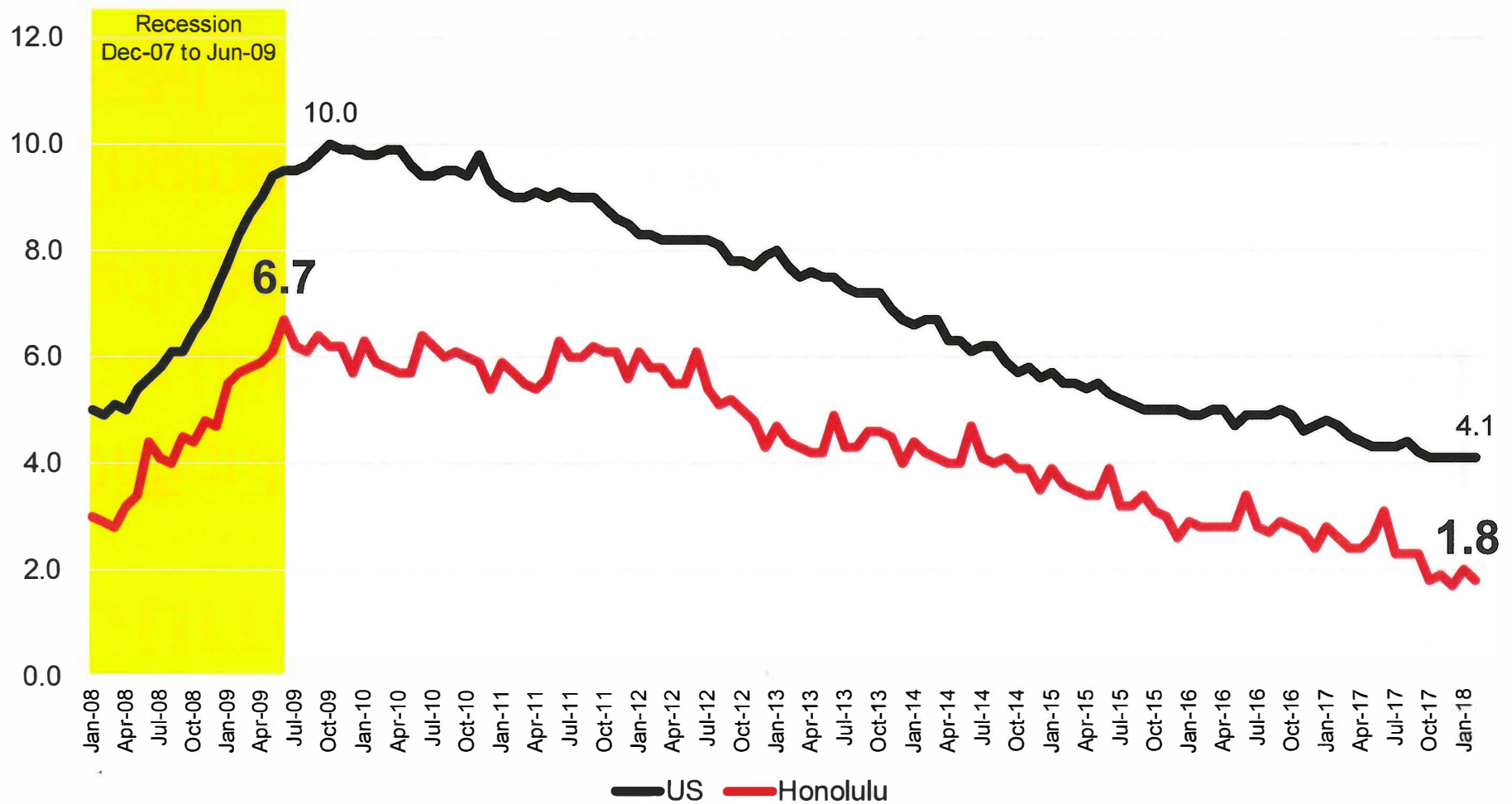
- Creating new job classes is lengthy as they have statewide impact
- Reorganizations and changes to job classes are complex and require long lead times
- Water Systems Operations and Field Operations Divisions are subject to journey to apprentice ratios that affect recruitment

Current Vacancy Challenges

- Difficulty in attracting recruits due to record low unemployment, salary competition and reduced benefits
- Engineering and Information Technology positions remain difficult to fill.
 - Engineers III, IV, V; and
 - Data Processing System Analysts



Unemployment Rate





City struggles to keep qualified workers on staff

By: Manolo Moraes

Updated: Mar 13, 2018 08:14 PM HST



HONOLULU (KHON2) - The city is struggling to find qualified workers, and Honolulu's mayor says it's enough to drive him crazy.

Near-record-low unemployment makes hiring a challenge for all businesses, and the mayor says the city needs to do a better job of recruiting.



New Positions in FY 2019

Division	Position	Count	Status
Executive Support Office			
	Procurement and Specifications Specialist IV	1	Permanent
	Planner IV	1	Permanent
	Security Officer I	1	Permanent
	Administrative Services Officer II	1	Permanent
Human Resources			
	Senior Clerk-Typist	1	Permanent
Communications			
	Community Relations Specialist II	1	Permanent
Customer Care			
	Senior Clerk-Typist	1	Permanent
	Customer Service Representative II	1	Permanent
	Customer Relations Assistant	1	Permanent



New Positions in FY 2019

Division	Position	Count	Status
Capital Projects			
	Mechanical Engineer I	1	Permanent
Finance			
	Water Data Collection Clerk I	9	LTA
	Water Data Collection Clerk I	5	Permanent
Information Technology			
	Data Processing Systems Analyst II	1	Permanent
	Data Processing Systems Analyst I	1	Permanent
	Radio Engineer	1	Permanent
		27	



Positions Changes in FY 2019


- +18 permanent positions
- +9 limited term positions
- Reduction of 22 personal services contracts
- **First requested increase in authorized position count since FY 1992**
- Total authorized position count from 714 to 732 Permanent and 9 Limited Term

WATER FOR LIFE

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Board of Water Supply
City and County of Honolulu



FY 2019 Capital Improvement Program Budget



FY 2019 CIP

- Supports the BWS mission of **Water For Life: Safe, dependable and affordable water now and into the future**
- Aligned with the BWS Strategic Plan 2018-2022, Divisions' Goals & Objectives and the Six-Year Capital Improvement Program



Project Categories

Research and Development

Renewal and Replacement

Capacity Expansion



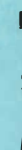


Capital Improvement Program Budget FY 2019

	Categories	Operating Fund	Operating Fund (SRF Eligible)	Special Expendable Fund	Total
I.	Research & Development	\$ 4,400,000			\$ 4,400,000
II.	Renewal & Replacement	84,615,000	7,470,000		92,085,000
III.	Capacity Expansion	5,200,000		18,170,000	23,370,000
	Sub-Total	94,215,000	7,470,000	18,170,000	119,855,000
	Adjustment	16,142,000	747,000	1,717,000	18,606,000
	Total	\$ 110,357,000	\$ 8,217,000	\$ 19,887,000	\$ 138,461,000

- DESIGN
- CONSTRUCTION

1. Kunia Wells III
2. Waipio Heights Wells and Wells I
3. Weialae Iki 180 Reservoir Repairs
4. Waimanalo 230 Reservoir Repairs
5. Ala Aolani: 12-Inch Water Main
6. Puhawai Road, Kuwale Road And Puuhulu Road Water System Improvements
7. Lanakila Water System Improvements
8. Lunaillo Home Road Water System Improvements
9. Pensacola Street 8-Inch Main, Kinau Street to Young Street
10. Pacific Heights Water System Improvements, Part II
11. Waiiau Water System Improvements, Part II
12. Rehabilitation of Pipeline and Tunnel: Makapuu Tunnel
13. Installation of Fire Hydrants at Various Locations in Kailua
14. Installation of Fire Hydrants at Various Locations, Part C
15. School Street Box Drain Repair
16. Service Lateral Replacement at Various Locations
17. Kuaheha Street Water System Improvements, Waiohale Road to 2373 Kuaheha Street
18. Farrington Highway 24-Inch Main Rehabilitation
19. Water System Improvements at Various Locations in Manoa
20. Kamehameha Highway 16-Inch Main Relocation, Hauula Homestead Road Vicinity
21. Farrington Highway Water System Improvements, Waipahu Depot Road Vicinity
22. Kamehameha Highway Water System Improvements, Pupukey Road Vicinity
23. Kilihaui Street, Ahua Street and Kakoi Street 12-Inch and 8-Inch Mains
24. Paleka Road and Waikalua Road Area Water System Improvements
25. Maillili Road 20-Inch Main, Paakea Road to Lualualei Homestead Road
26. Kahlilani Place and Alea Heights Drive Area Water System Improvements
27. Allipoe Drive and Palhi Street Area Water System Improvements
28. Keana Road Area Water System Improvements
29. Paliko Drive 8-Inch Main
30. Waipio Place, Waihua Place and Waimomona Place Water System Improvements
31. Waikalua Road Water System Improvements
32. Kaneohe Bay Drive and Kamehameha Highway Water System Improvements
33. Farrington Highway Water System Improvements, Hookele Street Vicinity
34. Service Lateral Replacement at Various Locations
35. Security Fencing at Diamond Head 180 Reservoir
36. Nuuanu Reservoir No. 1 Dam Improvements
37. Beretanla Complex Electrical Survey
38. Kalawahine 180 2.0 MG Reservoir
39. Ala Moana Boulevard 24-Inch Main, Ala Wai Canal to Kalakaua Avenue
40. Kapolei Base Yard and Brackish Water Desalination Facility
41. Beretanla Complex Office Building and Parking Structure



Project Category Highlights

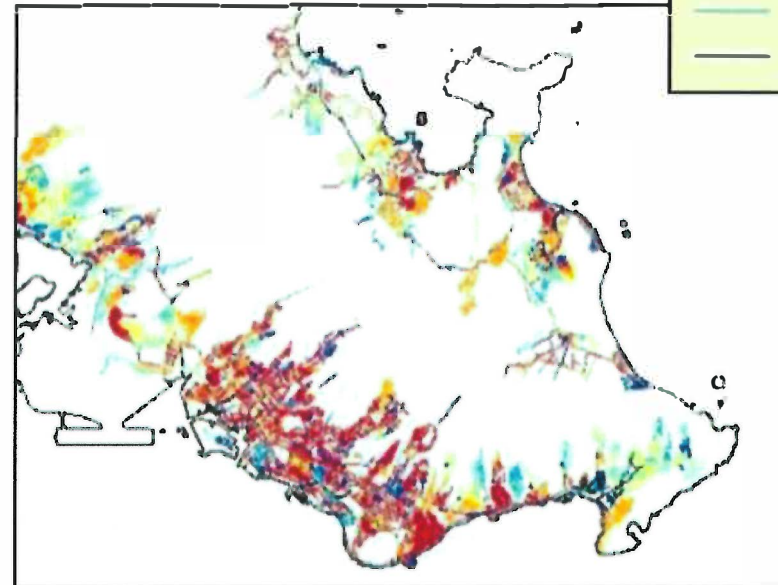
Research and Development (\$4.4 million)

- Construction Management for Various BWS Construction Projects
- Project and Program Management for Various BWS Projects
- Pipeline Condition Assessment

Legend

INSTALL YEAR

- 1903 - 1955
- 1956 - 1965
- 1966 - 1975
- 1976 - 1985
- 1986 - 1995
- 1996 - 2005





Project Category Highlights

Renewal and Replacement (\$92.1 million)

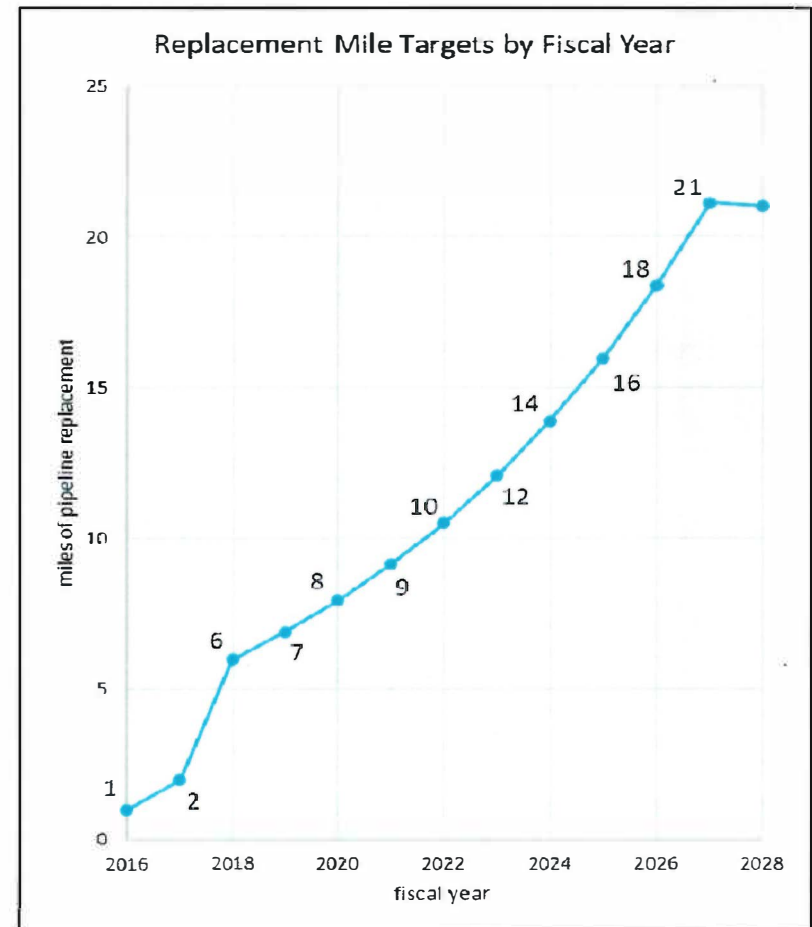
- Pump Renewal and Replacement
- Reservoir repairs
- GAC Facility Improvements
- Water Meter Transponders Replacement – Phase II
- Security Improvements at Various Locations



Project Category Highlights

Renewal and Replacement (continued)

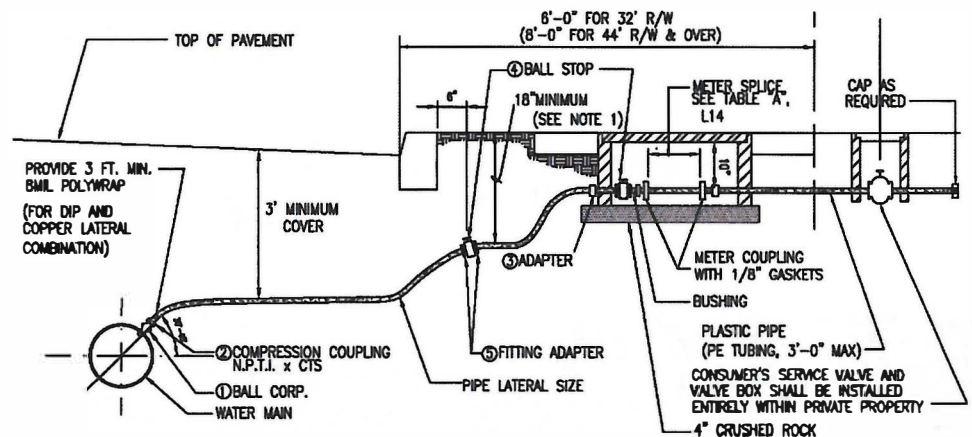
- Main replacement construction in Waianae, Moanalua Valley, Pacific Heights, Lanakila and Hawaii Kai – **7 miles**
- Main replacement design will be initiated in various location including Pupukea, Waipahu, Waiau, Kaneohe, Manoa and Palolo – **18.5 miles**



Project Category Highlights

Renewal and Replacement (continued)

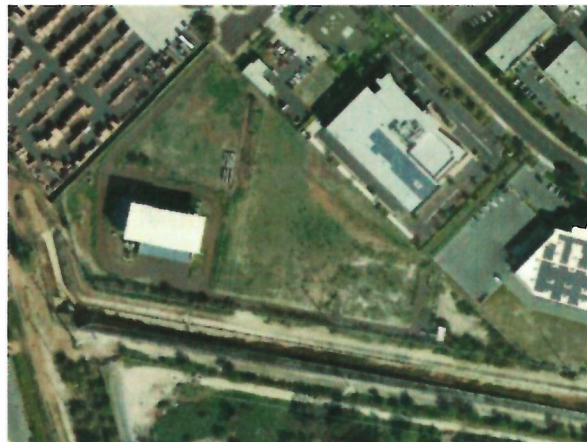
- Fire hydrant installations in Kailua
- Makapuu Pipeline Tunnel repair
- Service lateral replacements



Project Category Highlights

Capacity Expansion (\$23.4 million)

- Kalawahine 180 2.0 MG Reservoir
- Ala Moana Boulevard 24-inch Main upsized
- Kapolei Base Yard
- Beretania Complex Office Building/Parking Structure



WATER FOR LIFE

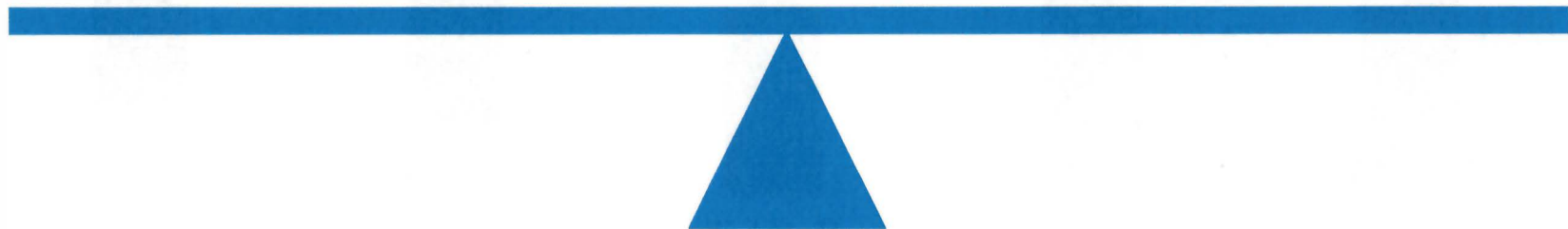
Safe, dependable, and affordable water now and into the future



Board of Water Supply
City and County of Honolulu

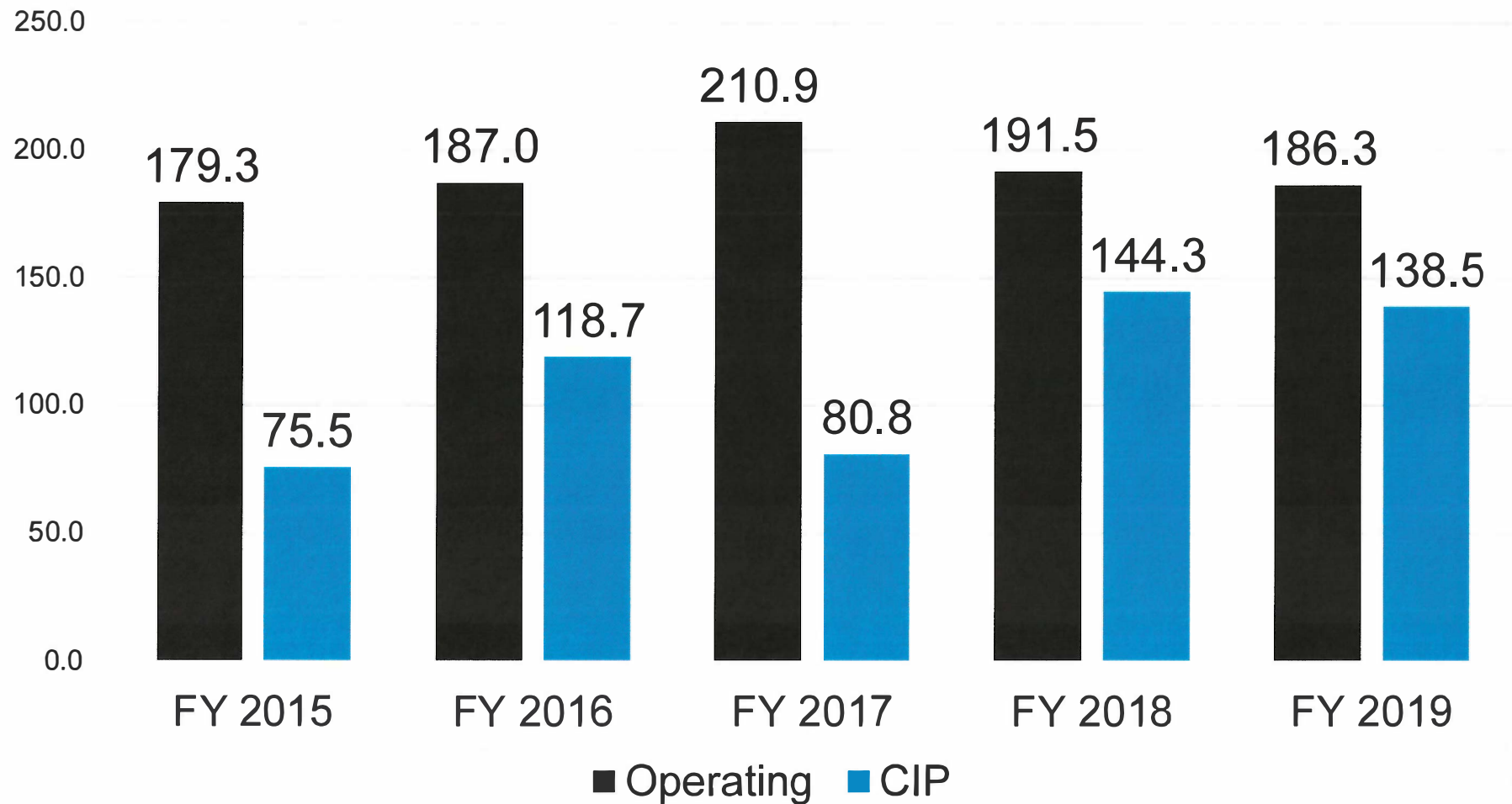
**Water Service
Adequacy and Dependability**

**Infrastructure Costs
Rate Affordability**





Operating & CIP Budget (millions of dollars)



FY 2019 Operating and Capital Improvement Program Budget Summary

	FY 2018 – Adopted	FY 2019 – Proposed	\$ Change	% Change
Operating Budget	\$191,468,692	\$186,320,999	- \$5,147,693	- 2.7%
Capital Improvement Program Budget	\$144,340,200	\$138,461,000	- \$5,879,200	- 4.1%
Total	\$335,808,892	\$324,781,999	- \$11,026,893	- 3.3%

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Board of Water Supply
City and County of Honolulu

Questions?

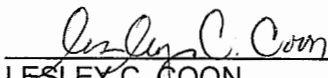


MOTION TO
ADJOURN

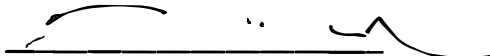
There being no further business, Chair Andaya at 3:02 PM called for a motion to adjourn the Budget Workshop. Kapua Sproat so moved; seconded by Jade Butay and unanimously carried.

Respectfully submitted,

THE MINUTES OF THE BUDGET WORKSHOP ON MAY 14, 2018 WERE APPROVED AT THE MAY 29, 2018 BOARD MEETING			
	AYE	NO	COMMENT
BRYAN P. ANDAYA	X		
KAPUA SPROAT	X		
DAVID C. HULIHEE	X		
KAY C. MATSUI			ABSENT
RAY C. SOON	X		
ROSS S. SASAMURA	X		
JADE T. BUTAY	X		


LESLEY C. COON

APPROVED:


BRYAN P. ANDAYA
Chair of the Board

MAY 29 2018

Date