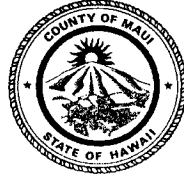


ALAN M. ARAKAWA
Mayor



DAVID TAYLOR, P.E.
Director

GLADYS C. BAISA
Deputy Director

DEPARTMENT OF WATER SUPPLY
COUNTY OF MAUI
200 SOUTH HIGH STREET
WAILUKU, MAUI, HAWAII 96793-2155
www.mauiwater.org

April 10, 2017

Ms. Lynn A.S. Araki-Regan
Budget Director, County of Maui
200 South High Street
Wailuku, Hawaii 96793

W

Al Arakawa

RECEIVED
MAY 10 2017
MAY 10 2017
MAY 10 2017

Honorable Alan M. Arakawa
Mayor, County of Maui
200 South High Street
Wailuku, Hawaii 96793

For Transmittal to:

Honorable G. Riki Hokama
Chair, Budget and Finance Committee
Maui County Council
200 South High Street
Wailuku, Hawaii 96793

Dear Chair Hokama:

SUBJECT: FISCAL YEAR ("FY") 2018 BUDGET (WS-1) (BF-1)

Thank you for your April 4, 2017 letter regarding the above-referenced subject. The Department of Water Supply ("Department") is transmitting for your review and offers the following response to your question:

Question:

1. *The actual expenditure for water meter inventory (index 953083B, sub-object 6013 on page 19-13 of the Budget Details) for FY 2016 was \$331,888, the appropriation for FY 2017 is \$700,000, and the request for FY 2018 is \$550,000. Explain the request for \$550,000, and why it's not based on actual expenditures? Provide the number of water meters currently on-hand in inventory and number on order or in transit. Include the number of meters used annually. (MW)*

"By Water All Things Find Life"

Answer: The Department is currently in the process of replacing aging meters. The Department is servicing approximately 36,000 services which covers all of Maui and the island of Molokai.

From the 36,000 services, 18,000 or 50% of the meters were installed between 1995 to 1999. These meters have reached their useful life. Also, there are approximately 6,000 transponders that are being replaced. The new transponders that will replace the 6,000 have the capability of profiling and identifying leaks by providing a diagram.

The current demand is the 5/8" residential meter which currently cost about \$52.00 and the transponder which is the brain that picks up the reading currently cost about \$118.00.

The Department currently has couple of hundred meters and transponders. The Department has on order 2,000 meters and 2,000 transponders. One of the projects that the Department will use these 2,000 meters and transponders will be the island of Molokai which has approximately 1,700 services, and finishing up Hana District which is about 300 meters. The Department will need the FY 2018 budget of \$550,000 to concentrate on replacing the aging meters and transponders for the island of Maui excluding Hana which the department is currently finishing.

Question:

2. *Provide a breakdown of the request for \$400,000 for stores inventory expense (index 953083B, sub-object 6014 on page 19-13 of the Budget Details). (MW)*

Answer: The warehouse must be always stocked with various types of fittings especially when an emergency occurs. The warehouse will stock approximately 260 different size brass fittings, 90 different types and sizes of copper fittings which also includes copper pipes of various sizes, 260 different sizes of Ductile Iron fittings which includes valves, gaskets, flanges, and pipe. About 100 different sizes of Leak Repair Clamps.

In addition to the normal usage of pipes, fittings and accessories, the warehouse will have to increase the quantity of fittings (stop or ball valves, pipes, meter boxes, gaskets) associated with the meter replacement program.

Our anticipated expenditures by fiscal year end will total approximately \$260,000. Every year at this time we go out to bid for fittings, pipes and materials to stock our warehouse.

Question:

3. *As it relates to the water billing system:*
- a. *Provide an itemized list of expenditures, including all contracts, purchase orders, purchasing card transactions, etc., to implement the new system.*

Answer:

<u>Paid Through Water Department</u>		<u>Paid Through Environmental</u>	
Prithibi (Consultant)	\$ 590,587.20	Prithibi Phase II	\$392,351.00
Brenda Lee (Consultant)	\$ 105,416.85		
Intergovernmental Due to Kauai	\$ 170,304.78		
Add'l Est. Charges for Fiscal Year	\$ 46,806.32		
Oracle Licenses	\$ 84,000.00		
UC4 Maintenance	<u>\$ 6,500.00</u>		
Total Est. Cost to be Paid by Water	\$ 1,003,615.15		
Total Cost to Date Paid by ENV	<u>\$ 392,351.00</u>		
Total Est. Cost for Project	<u>\$ 1,395,966.15</u>		

- b. *Is the cost share with Kauai based on a 50-50 split or on the number of users and bills issued? Explain.*

Answer: The cost is broken down in the Memorandum of Agreement with Kauai.

Software Licensing costs are prorated based on number of installed active water meters. Maui share is currently 62.5% of costs.

Annual software maintenance and support costs will be the same as above at 62.5%.

Project management and Technical support will be 50-50.

- c. *Provide a cost comparison on the system with the Honolulu Board of Water Supply and after the implementation of the new system.*

Answer: Please refer to EXHIBIT "A".

d. *Is the new system fully implemented? If not, provide the expected date of completion.*

Answer: We continued with the Oracle system but went with Oracle cloud and the system went live October 1, 2016. We are fully operational at this time. We are currently working on Phase II items that were promised to us by HBWS but never implemented. We will be going live on the service cloud for customers in the next couple of weeks. We are anticipating going live with the Field Services Management in the next couple months. We will be finishing up all Phase II items by June 2017. We are anticipating the Upgrade to start July 1st and should finish before the end of the year.

Question:

4. *Provide an itemized breakdown of Other Services (index 953083B, sub-object 6129 on page 19-14). It appears the Department was aware of a software upgrade upon implementation of the new billing system. Explain why the software upgrade was not negotiated to be included into the original contract. (SC)*

Answer:

FY2018 Itemized breakdown of Other Services, 953083B-6129:

\$225,000	Oracle Software Upgrade to Release 2.5.0
\$ 6,000	Confidential Document Shredding Services
\$ 3,000	First Hawaiian Bank Fees
<u>\$ 5,000</u>	Bank of Hawaii Fees
<u>\$239,000</u>	

The Oracle software upgrade was not included in the original contract as the Release 2.5.0 upgrade was still being tested.

Question:

5. *Explain why the anticipated balance as of June 30, 2017 for the Upcountry Water System Expansion Capital Improvement Reserve Fund is \$5,000,000 and does not include the transfer of \$1,440,718 as appropriated in the FY 2017 Budget. (RH)*

Answer: The Department will transfer the FY 2017 appropriation of \$1,440,718 to the Upcountry Water System Expansion Capital Improvement Reserve Fund on June 30, 2017.

Honorable G. Riki Hokama, Chair
Budget and Finance Committee
April 10, 2017
Page 5

Question:

6. *Provide a breakdown of funds for Capital Improvement Projects listed in the Program Budget book, based on the project description for the following: (1) Countywide Facility Improvements, page 732; (2) Countywide Upgrades and Replacements, page 734; (3) Upcountry Reliable Capacity, page 736; (4) Molokai Reliable Capacity, page 737; and (5) Central Maui Reliable Capacity, page 738.*

Answer: Please refer to EXHIBIT "B", reflecting the \$200,000 for Countywide Facilities Assessment - Water Treatment Plants under Countywide Facility Improvements.

We hope you find this information useful. Should further clarification be necessary, please contact me at Ext. 7514.

Sincerely,



DAVID TAYLOR, P.E.
Director of Water Supply

Attachments

xc: Lynn A.S. Araki-Regan, Budget Director
Gladys C. Baisa, Deputy, Department of Water Supply
Holly Ho, Waterworks Fiscal Officer
Wendy Taomoto, Engineering Program Manager

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ATTACHMENT TO QUESTION 3C

Honolulu Board of Water Supply (estimated charges)

HBWS	FY2017	FY2018	FY2019	FY2020	FY2021
Software/Cap Recovery	296,214.86	311,025.61	326,576.90	342,905.75	360,051.03
Capital Recovery		114,390.08	125,829.09	144,703.45	173,644.14
TOTAL	296,214.86	425,415.69	452,405.99	487,609.20	533,695.17

Maui Department of Water MOU W/KAUAI	Estimated Total Charges	As of 3/30/17 Pd by Kauai	Currently Owed to Kauai Maui Share(62.5%)	Estimated Maui (62.5%)	Estimated Maui (62.5%)	Increase @2%	
2/23/16-2/22/17	235,937.64	235,937.64	147,461.03	188,393.00	192,161.00	196,005.00	199,926.00
2/23/17-6/2017 (est)	59,580.12						
(Currently only billed 3 quarters)			-				
Oracle Cloud 7/16-2/17	9,380.00	4,690.00	2,931.25	5,980.00	6,100.00	6,100.00	6,222.00
(Currently only billed 1/2 year)							
Field Services Management(FSM)	42,480.00 **	31,860.00	19,912.50	27,081.00	27,623.00	28,176.00	28,740.00
(Currently only billed 3 quarters)							
Total Charges	347,377.76	272,487.64	170,304.78	221,454.00	225,884.00	230,281.00	234,888.00

Projected
FY2017
(62.5% of Estimated above)

Oracle Software & Cloud Shared Costs (62.5%)	184,698.60						
Oracle Cloud(62.5%)	5,862.50						
FSM (62.5%)	26,550.00						
Oracle Licenses(Full cost Maui share)	84,000.00			41,000.00	41,820.00	42,840.00	43,700.00
UC4 Maintenance	6,500.00			6,630.00	6,763.00	6,900.00	7,038.00
Additional Report Writing				10,916.00			
Consultant charges				see contract	100,000.00	50,000.00	50,000.00
HBWS BILLING FOR 7/1/16-9/30/16				74,053.52			
				381,664.62	380,000.00	324,467.00	330,021.00

**One quarter still needs to be billed to Kauai

BOARD OF WATER SUPPLY-HONOLULU

POSTAGE		200,029.19	210,030.65	220,532.18	231,558.79	243,136.73
BILL PRODUCTION		74,957.07	78,704.92	82,640.17	86,772.18	91,110.78
TOTAL		274,986.26	288,735.57	303,172.35	318,330.97	334,247.51
MAUI						
POSTAGE + \$10,000 FOR OFFICE POSTAGE	est	200,000.00	200,000.00	204,000.00	208,000.00	210,000.00
BILL PRODUCTION	est	80,000.00	88,000.00	88,000.00	88,000.00	88,000.00
TOTAL		280,000.00	288,000.00	292,000.00	296,000.00	298,000.00

FY 2018 DWS CIP

Countywide Water System Modifications Contingency		WU	WR-SOURCE	WR-STORAGE	WR-WSDF	WR-LAPSING BOND	SRF	Total
C	COUNTYWIDE WATER SYSTEM MODIFICATION	\$ 500,000.00						
		\$ 500,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500,000.00

Countywide Facility Improvements		WU	WR-SOURCE	WR-STORAGE	WR-WSDF	WR-LAPSING BOND	SRF	Total
C	Well and Pump Station Replacement	\$ 500,000.00						
C	PIIHOLO WTP ROOF REPLACEMENT	\$ 475,000.00						
PER	COUNTYWIDE FACILITIES ASSESSMENT - WATER TREATMENT PLANTS	\$ 200,000.00						
C	MAHINAHINA WTP CONTROLS UPGRADE (LIKE PIIHOLO WTP)	\$ 1,400,000.00						
C	LAHAINALUNA ROAD EMERG. BOOSTER PUMP CONNECTIONS	\$ 400,000.00						
C	NAPILI 'A' & HONOKOWAI WATER TANK REFURBISHMENTS	\$ 400,000.00		\$ 274,000.00				
		\$ 3,375,000.00	\$ -	\$ 274,000.00	\$ -	\$ -	\$ -	\$ 3,649,000.00

Countywide Upgrades and Replacements		WU	WR-SOURCE	WR-STORAGE	WR-WSDF	WR-LAPSING BOND	SRF	Total
D	KAMOLE WTP - TRAVELING SCREEN REPLACEMENT	\$ 50,000.00						
C	KAMOLE WTP - TRAVELING SCREEN REPLACEMENT	\$ 250,000.00						
D	LUNALILO/LIHOLIHO ST WATER LINE REPLACEMENT				\$ 250,000.00			
C	KULA 200 LOWER WATER TANK REPLACEMENT-100K GAL	\$ 1,200,000.00						
C	MOKUHAU, KULA AG, KEPANIWAI MCC UPGRADES	\$ 1,500,000.00						
C	KEANAE & KAWELA WELLS-MCC UPGRADES	\$ 295,000.00	\$ 205,000.00					
C	HOBRON AVENUE WATERLINE REPLACEMENT				\$ 1,500,000.00			
C	REPLACEMENT/RELOCATION OF 24" RAW WL - IAO WTP	\$ 400,000.00						
C	WAIKAMOI PENSTOCK REPLACEMENT (INFLOW PIPE TO RES.				\$ 300,000.00			
D	WAIHEE WELL - TANK BYPASS PIPING	\$ 60,000.00						
C	WAIHEE WELL - TANK BYPASS PIPING	\$ 100,000.00						
		\$ 3,855,000.00	\$ 205,000.00	\$ -	\$ 2,050,000.00	\$ -	\$ -	\$ 6,110,000.00

Countywide Conservation Program		WU	WR-SOURCE	WR-STORAGE	WR-WSDF	WR-LAPSING BOND	SRF	Total
C	Conservation Program -	\$ 1,000,000.00					\$ -	
		\$ 1,000,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,000,000.00

EXHIBIT "B"

FY 2018 DWS CIP

Central Maui Reliable Capacity		WU	WR-SOURCE	WR-STORAGE	WR-WSDF	WR-LAPSING BOND	SRF	Total
LAND	WAIHEE WATER TANK #2 (1-MG)	\$ 200,000.00						
LAND	WAIIEHU HEIGHTS REPLACEMENT WELL #1	\$ 100,000.00						
D	WAIIEHU HEIGHTS REPLACEMENT WELL #1 (EXPLOR)	\$ 200,000.00						
		\$ 500,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500,000.00
Molokai Reliable Capacity		WU	WR-SOURCE	WR-STORAGE	WR-WSDF	WR-LAPSING BOND	SRF	Total
LAND	KAWELA WELL #2 (EXPLOR) - MOLOKAI	\$ 100,000.00						
D	KAWELA WELL #2 (EXPLOR) - MOLOKAI	\$ 200,000.00						
LAND	KUALAPUU WELL #2 (EXPLOR) - MOLOKAI	\$ 200,000.00						
		\$ 500,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500,000.00
Upcountry Reliable Capacity		WU	WR-SOURCE	WR-STORAGE	WR-WSDF	U.C. Reserve Fund	SRF	Total
D	OPAEPILAU WATER SYSTEM STORAGE IMPROVEMENTS				\$ 150,000.00			
D	PHASE 10 BOOSTER PUMP UPGRADES (3-SITES UPCOUNTRY)	\$ 150,000.00						
C	PHASE 10 BOOSTER PUMP UPGRADES (3-SITES UPCOUNTRY)	\$ 3,000,000.00				\$ 5,000,000.00		
		\$ 3,150,000.00	\$ -	\$ -	\$ 150,000.00	\$ 5,000,000.00	\$ -	\$ 8,300,000.00
Kahului Water Tank #2		WU	WR-SOURCE	WR-STORAGE	WR-WSDF	WR-LAPSING BOND	SRF	Total
C	KAHULUI WATER TANK #2 - (W/MAUI LANI PARTNERS)				\$ 2,450,000.00			
		\$ -	\$ -	\$ -	\$ 2,450,000.00	\$ -	\$ -	\$ 2,450,000.00
West Maui Reliable Capacity		WU	WR-SOURCE	WR-STORAGE	WR-WSDF	WR-LAPSING BOND	SRF	Total
C	Mahinahina Well #1 Development	\$ 5,000,000.00					\$ 5,000,000.00	
		\$ 5,000,000.00	\$ -	\$ -	\$ -	\$ -	\$ 5,000,000.00	\$ 10,000,000.00
Fund Totals		WU	WR-SOURCE	WR-STORAGE	WR-WSDF	U.C. Reserve Fund	SRF	Total
		\$ 17,880,000.00	\$ 205,000.00	\$ 274,000.00	\$ 4,650,000.00	\$ 5,000,000.00	\$ 5,000,000.00	\$ 33,009,000.00

EXHIBIT "B"