Honolulu Board of Water Supply

TO: ERNEST Y.W. LAU, P.E.
MANAGER & CHIEF ENGINEER

DATE: April 24, 2023

FROM: RAELYNN NAKABAYASHI
EXECUTIVE SUPPORT OFFICE

SUBJECT: Approval of the Revision of the Fiscal Year 2022-2023 Capital Improvement – Program Budget and Operating Budget – Amendment No. 2

We request your approval to reduce funding in the following operating funded projects listed in the Fiscal Year 2023 (FY 2023) Capital Improvement Program (CIP) Budget to increase the FY 2023 Operating Budget line for Electric Power – Water Distribution Facilities (Object Code 4610). The recommended reprogramming of the project funds will enable the department to fund the projected Operating Budget shortfall resulting from unexpected increases in the cost of electricity in FY 2023.

Pursuant to the adoption of Resolution 941, 2022 (Operating and Capital Improvement Program Budget for FY2023), the Board has provided the following:

> *"Be it further resolved that the said Operating Fund appropriation may be increased to the extent that any State or Federal environmental law, regulation, and/or electric power cost, causes the Board of Water Supply to exceed the cost thresholds as specified in the Schedule of Rates and Charges for the Furnishing of Water and Water Service; and"*

Pursuant to the adoption of Resolution 950, 2022 (Amended Capital Improvement Program Budget for FY2023), the Board has provided the following:

> *"Be it further resolved that the Manager and Chief Engineer, at his discretion, shall have the authority to adjust the method of funding the Capital Improvement Program Budget and that the Manager and Chief Engineer may increase or decrease the amount appropriated out of the Operating Fund, Improvement Fund, Special Expendable Fund, and Extramural Fund in the Capital Improvement Program Budget, provided that the total consolidated appropriation of the Operating Budget and Capital Improvement Program Budget remains the same; and"*

The amendment outlined below is a direct result of an increase in electric power cost and will allow the Board of Water Supply to ensure sufficient funding is available in the Operating Budget, while reducing the funding available in the Capital Improvement Program Budget, therefore keeping the total consolidated appropriation of the Operating Budget and Capital Improvement Program Budget the same.

As the Board, through Resolutions 941, 2022 and 950, 2022 has provided the mechanism to adjust funding, if the total consolidated appropriation remains the same, we recommend Manager and Chief Engineer approve the following:

1. Reduce appropriations for the following CIP projects:

Item No. 2 EXPLORATORY WELLS FOR RED HILL CONTAMINATION RESPONSE

Description: Drill, case, install test pump and sample up to three (3) exploratory wells as possible replacement sources for the loss of Halawa Shaft due to the Red Hill fuel contamination.

Appropriation		Present	Proposed
OPERATING FUND	CONST	7,567,250	3,296,252

Reason: The proposed amount reflects the total funding required for the construction of one (1) Aiea 497' Exploratory Well. The funding and construction of other exploratory wells will be addressed in FY 2024. The balance of the funds for this project will be reappropriated into the Operating Budget for electric power (Object Code 4610).

Item No. 5 CONSTRUCTION MANAGEMENT FOR VARIOUS BWS CONSTRUCTION PROJECTS

Description: Provide construction management and training services for selected BWS projects.

Appropriation		Present	Proposed
OPERATING FUND	P&E	2,000,000	1,270,998

Reason: Construction Management Services are aligned with the timing of construction projects. The full amount of funding will not be required in Fiscal Year 2023. The balance of the funds for this project will be reappropriated into the Operating Budget for electric power (Object Code 4610).

2. Increase appropriations for the following Operating Budget line:

Business Unit: Fixed Charges and Debt Service (5990), Account 4610: Electric Power – Water Distribution Facilities.

Appropriation	Present	Proposed
OPERATING FUND	26,000,000	31,000,000

Reason: The proposed amount reflects additional funding required to cover projected electricity costs, through June 30, 2023. The additional funding requirement is a result of unanticipated increases in the cost of electricity in FY 2023.

The following is a summarization of the FY 2023 Budget Amendment No. 2:

Resolution 941, 2022	
FY 2023 CIP Budget (as Adopted)	$181,109,325
FY 2023 Operating Budget (as Adopted)	$237,240,444
TOTAL APPROPRIATION:	$418,349,769
Resolution 950, 2022	
FY 2023 – Amendment No. 1	
Projects – Added	+$33,500,000
Projects – Deferred	($30,920,000)
Construction Cost Index Account	+$387,000
Contract Adjustment Account – Operating	($6,500,000)
Contract Adjustment Account – Special EX	+$6,500,000
CIP APPROPRIATION (As Amended)	$184,076,325
FY 2023 Operating Budget (as Adopted)	$237,240,444
TOTAL APPROPRIATION:	**$421,316,769**
FY 2023 – Amendment No. 2	
Projects – Modified Appropriations	($5,000,000)
CIP SUB-TOTAL	$179,076,325
Reprogram to Operating Budget	+$5,000,000
OPERATING BUDGET SUB-TOTAL	$242,240,444
FY 2023 CIP Budget (as Amended)	$179,076,325
FY 2023 Operating Budget (as Amended)	$242,240,444
TOTAL APPROPRIATION	**$421,316,769**

Upon approval, the appropriate pages of the current FY 2023 Operating and Capital Improvement Program Budget will be revised.

APPROVED/ DISAPPROVED:

ERNEST Y.W. LAU, P.E. Date

CC: Finance
Capital Projects
ESO-MBO - Original