

**BOARD OF WATER SUPPLY  
KA 'OIHANA WAI  
CITY AND COUNTY OF HONOLULU**

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September 23, 2024

Chair and Members  
Board of Water Supply  
City and County of Honolulu  
Honolulu, Hawai'i 96843

Chair and Members:

Subject: Adoption of Resolution No. 990, 2024, Amending the 2024-2025  
Operating and Capital Improvement Program Budget and Appropriating  
Funds Therefor and Revision of the 2024-2025 Operating and Capital  
Improvement Program Budget – Amendment No. 1

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We recommend adoption of the attached Resolution No. 990, 2024, which shall:

1. **Increase funding in the Operating Budget of the Office of the Manager and Chief Engineer by \$1,000,000.00.** The additional funds are required for the development of the Source Water Protection Program framework for implementation.
2. **Amend funding sources and amounts in the Capital Improvement Program (CIP) Budget.** These changes are required, specifically for the following FY25 CIP Projects:
  - a. **Project No. 6: Environmental Investigation of Emerging Contaminants.** Funding of \$4,900,00.00 was originally budgeted in the State Revolving Fund (SRF) to reflect an anticipated low-interest loan from the Department of Health (DOH). DOH has informed the BWS that the requested funds will be provided as a Grant and on an annual reimbursement basis, subject to availability of federal appropriations. This amendment reflects the addition of \$3,000,000.00 in the Operating Fund to cover project expenditures while the BWS works with the DOH to finalize the grant agreement.

- b. **Project No. 7: Construction Management for Various BWS Construction Projects.** Funding of \$2,000,000.00 was originally budgeted to support selected BWS construction projects. As our CIP grows and the regulatory environment changes, our workload in managing active construction projects increases. Additionally, as we deploy diversified funding strategies, the BWS will require additional \$3,000,000.00, for a total of \$5,000,000.00, in Construction Management support to ensure projects remain on track and follow all legal and regulatory requirements.
- 3. **Add \$5,000,000.00 for a new CIP Project in Section II. Renewal and Replacement - Treatment.** This new project is required to address the temporary installation of water treatment systems at various locations throughout the island.
- 4. **Make amendments to the provisions of the Budget resolution, thereby allowing for temporary transfers.** This will allow the BWS Manager and Chief Engineer to make temporary transfers, no longer than 12 months, from the Operating Fund to other Funds, as needed. This flexibility is required as the BWS pursues additional financing opportunities, such as grants, which may operate on a reimbursable basis only.

We recommend adoption of the amended Operating and CIP Budgets for the fiscal year beginning July 1, 2024, and ending June 30, 2025, as submitted to the Board on September 23, 2024.

A public hearing to consider the proposed amended budget, as required by the City Charter, was held on September 23, 2024. The affidavit attesting to the publication of the public hearing notice is attached.

This resolution will make the following changes to the FY 2025 Operating and CIP Budgets:

- 1. Increases the appropriation in the following Operating Program Budget line:

Business Unit: Office of the Manager and Chief Engineer (5100)  
Account No.: Professional Services (4270)

<u>Appropriation</u>	<u>Present</u>	<u>Proposed</u>
OPERATING FUND	45,000	1,045,000

Reason: The additional funds are required for the development of the Source Water Protection Program framework for implementation.

2. Increases the appropriation in following CIP Budget projects:

Item No. 6. ENVIRONMENTAL INVESTIGATION OF EMERGING CONTAMINANTS

Provide environmental, engineering, and hydrology-geology consulting services related to emerging contaminants in groundwater supply.

<u>Appropriation</u>		<u>Present</u>	<u>Proposed</u>
STATE REVOLVING FUND	Const	4,900,000	0
OPERATING FUND	Const	0	3,000,000

Reason: DOH informed the BWS that the requested funds for this project will be awarded to the BWS as a "Grant" (US EPA Federal Grant No. 48-98T77301-0, BIL SDC), which was awarded to the DOH and included BWS as a sub awardee. This grant provides for reimbursement/funding of eligible expenditures only after they are incurred.

Item No. 7. CONSTRUCTION MANAGEMENT FOR VARIOUS BWS CONSTRUCTION PROJECTS

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

<u>Appropriation</u>		<u>Present</u>	<u>Proposed</u>
OPERATING FUND	Const	2,000,000	5,000,000

Reason: BWS will add funding of \$3,000,000.00 for a total amount of \$5,000,000.00 in Construction Management support to ensure projects remain on track and comply with all legal and regulatory requirements.

3. Add a new project under Section II. Renewal and Replacement in the CIP Budget:

Item No. 54. TEMPORARY DRINKING WATER TREATMENT SYSTEMS

Install temporary drinking water treatment systems at various locations.

<u>Appropriation</u>		<u>Present</u>	<u>Proposed</u>
OPERATING FUND	Const	0	5,000,000

Reason: The temporary drinking water treatment systems will allow the BWS to continue serving water that meets all drinking water standards while we develop permanent treatment facilities.

4. Adds a provision to allow the Manager and Chief Engineer to approve the temporary transfer of monies between funds, which will be repaid within 12 months and requires the Waterworks Controller report on these transfers after the end of FY 2025.

The following is a summarization of the FY 2024-2025 CIP Budget Amendment No. 1:

Resolution 985, 2024

FY 2025 Operating Budget (as Adopted)	\$272,619,998
FY 2025 CIP Budget (as Adopted)	\$310,291,000

Resolution 990, 2024

FY 2025 – Amendment No. 1	
Addition to Operating Budget	+\$ 1,000,000
OPERATING BUDGET SUB-TOTAL	\$273,619,998
Projects – Added (Operating Fund)	+\$ 11,000,000
Projects – Deleted (SRF)	(\$ 4,900,000)
CIP BUDGET SUB-TOTAL	\$316,391,000
FY 2025 Operating Budget (as Amended)	\$273,619,998
FY 2025 CIP Budget (as Amended)	\$316,391,000
<b>TOTAL APPROPRIATION</b>	<b>\$590,010,998</b>

Upon approval, the appropriate pages of the CIP budget will be revised for distribution.

Respectively submitted,



ERNEST Y.W. LAU, P.E.  
Manager and Chief Engineer

**APPROVED**

Attachments



BOARD OF WATER SUPPLY  
CITY AND COUNTY OF HONOLULU

RESOLUTION NO. 990, 2024

**RESOLUTION AMENDING THE OPERATING AND CAPITAL IMPROVEMENT  
PROGRAM BUDGET FOR FISCAL YEAR 2025 AND APPROPRIATING FUNDS  
THEREFOR**

BE IT RESOLVED by the Board of Water Supply, City and County of Honolulu, State of Hawai'i, that in accordance with the provisions of Article VII of the Revised Charter of the City and County of Honolulu, the sum of TWO HUNDRED SEVENTY-THREE MILLION SIX HUNDRED NINETEEN THOUSAND NINE HUNDRED AND NINETY-EIGHT DOLLARS (\$273,619,998) be and the same is hereby appropriated out of all monies placed to the credit of the Operating Fund for expenditures of the Board of Water Supply Operating Budget for the fiscal year beginning July 1, 2024 and ending June 30, 2025 as follows:

OPERATING BUDGET

OPERATING FUND.....\$273,619,998

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

BE IT FURTHER RESOLVED that the Manager and Chief Engineer, at his discretion, shall have the authority to increase said Operating Fund appropriation provided

that the total consolidated appropriation of Operating Funds within the Operating Budget and Capital Improvement Program Budget remains the same; and

BE IT FURTHER RESOLVED that the sum of SEVENTY-NINE MILLION FOUR HUNDRED SIXTY THOUSAND DOLLARS (\$79,460,000) be and the same is hereby appropriated out of all monies placed to the credit of the Operating Fund, the sum of ONE HUNDRED SIX MILLION EIGHT HUNDRED SEVENTY-SIX THOUSAND DOLLARS (\$106,876,000) be and the same is hereby appropriated out of all monies placed to the credit of the State Revolving Fund, the sum of FORTY-EIGHT MILLION TWO HUNDRED SEVENTY-FIVE THOUSAND DOLLARS (\$48,275,000) be and the same is hereby appropriated out of all monies placed to the credit of the Improvement Fund, the sum of SEVEN MILLION ONE HUNDRED TEN THOUSAND DOLLARS (\$7,110,000) be and the same is hereby appropriated out of all monies placed to the credit of the Special Expendable Fund, the sum of TWENTY MILLION DOLLARS (\$20,000,000) be and the same is hereby appropriated out of all monies placed to the credit of the Extramural Fund, and the sum of FIFTY-FOUR MILLION SIX HUNDRED SEVENTY THOUSAND DOLLARS (\$54,670,000) be and the same is hereby appropriated out of all monies placed to the credit of the Water Infrastructure Finance and Innovation Act for a total of THREE HUNDRED SIXTEEN MILLION THREE HUNDRED NINETY-ONE THOUSAND DOLLARS (\$316,391,000) for expenditures of the Board of Water Supply Capital Improvement Program Budget for the fiscal year beginning July 1, 2024 and ending June 30, 2025, as follows:

CAPITAL IMPROVEMENT PROGRAM BUDGET

OPERATING FUND.....	\$ 79,460,000
STATE REVOLVING FUND.....	\$106,876,000

IMPROVEMENT FUND.....	\$ 48,275,000
SPECIAL EXPENDABLE FUND.....	\$ 7,110,000
EXTRAMURAL FUND.....	\$ 20,000,000
WATER INFRASTRUCTURE FINANCE	
AND INNOVATION ACT FUND.....	\$ 54,670,000
TOTAL.....	\$ 316,391,000

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 amounts appropriated out of the Operating Fund, Improvement Fund, Special Expendable Fund, and/or 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

BE IT FURTHER RESOLVED that the Board of Water Supply may receive monies which use is specified or otherwise limited by the monies' source from any government or quasi-governmental agency. When such funds are received in amounts that may be necessary to finance projects listed in the Board of Water Supply Capital Improvement Program Budget and designated to be financed from the Extramural Fund, the Board of Water Supply shall maintain accounts showing the monies so received and specifying the purposes for which they have been received and held; and

BE IT FURTHER RESOLVED that expenditure of all monies described in the preceding paragraph, and for the purposes set forth, shall be deemed approved, and the Manager and Chief Engineer deemed authorized to receive and expend the funds provided as provided by law; and

BE IT FURTHER RESOLVED that in the event there are monies, excluding monies set aside for the redemption of bonds or the payment of interest thereon, in any fund that, in the judgment of the Manager and Chief Engineer, are in excess of the amounts necessary for the immediate requirements of the respective funds, and where, in the judgment of the Manager and Chief Engineer, such action will not impede the necessary or desirable financial operations of the Board of Water Supply, the Manager and Chief Engineer may make temporary transfers or loans therefrom to the other funds of the Board of Water Supply. Following the end of the fiscal year, the Waterworks Controller will report to the Board of Water Supply on: (1) the amount of the transfer or loan required; (2) the reason or justification for the transfer or loan; (3) the total amount outstanding and unreimbursed in temporary transfers and loans after making the subject transfer or loan; and (4) the anticipated date of the reimbursement or repayment. All transfers or loans under this provision shall be reimbursed or repaid no later than 12 months from the date on which the transfer or loan was made unless a later date is approved by the Board of Water Supply by resolution adopted on one reading without publication; and

BE IT FURTHER RESOLVED that the Board of Water Supply acknowledges that these budgets, as appropriated, may result in temporary deviation from the financial policies adopted by Resolution 873, 2017, namely, to establish a target requirement to never have less than 60 days of working capital. As the Board of Water Supply contends with inflationary pressures that have outpaced revenue growth, these Budgets reflect the possibility of having less than the minimum 60 days of working capital cash on hand. The Board of Water Supply recognizes that the reserve of working capital was designated for the purpose of addressing economic and revenue downturns and emergency situations,



such that the reserve of working capital could be accessed when required to ensure continued operations and capital expenditures; and

BE IT FINALLY RESOLVED that revenue bonds of the Board of Water Supply, City and County of Honolulu, general obligation bonds of the City and County of Honolulu, commercial paper or other alternative forms of financing deemed appropriate by the Board of Water Supply, are authorized for issuance to yield the amount that may be necessary to finance projects listed in the Board of Water Supply Capital Improvement Program Budget and designated to be financed from the Improvement Fund and such additional amounts as may be deemed necessary to pay the expenses of issuance of such bonds or other financing; provided that the Board of Water Supply shall by resolution, and the City Council of the City and County of Honolulu for general obligation bonds shall by ordinance, determine the form, date, amount, denomination, and maturity of the bonds herein authorized.

ADOPTED:



NĀ'ĀLEHU ANTHONY  
Chair

Honolulu, Hawai'i  
September 23, 2024

ADOPTION OF RESOLUTION NO. 990, 2024, AMENDING THE 2024-2025 OPERATING AND CAPITAL IMPROVEMENT PROGRAM BUDGET AND APPROPRIATING FUNDS THEREFOR AND REVISION OF THE 2024-2025 OPERATING AND CAPITAL IMPROVEMENT BUDGET – AMENDMENT NO. 1 WAS ADOPTED ON SEPTEMBER 23, 2024			
	AYE	NO	COMMENT
NĀ'ĀLEHU ANTHONY	X		
JONATHAN KANESHIRO	X		
KAPUA SPROAT	X		
BRYAN P. ANDAYA	X		
LANCE WILHELM	X		
EDWIN H. SNIFFEN	X		
GENE C. ALBANO	X		