



2022 BUDGET

PUBLIC UTILITY DISTRICT
NO. 1 OF SKAGIT COUNTY

Adopted November 2021

In accordance with District Resolution No. 2262-19, we are pleased to present the Public Utility District No. 1 of Skagit County 2022 Adopted Budget.

SECTION 1: BUDGET OVERVIEW

The budget serves as a financial plan that guides and governs the spending commitments of the organization. It is designed to balance *resources* and *requirements* by fund, where “resources” consist of beginning fund balances + projected revenues, and “requirements” consist of authorized expenditures + planned end of year reserve balances. The budget is designed to balance resources with requirements to ensure sufficient funds are available to meet all the District’s financial commitments. By adopting the budget, the Board also creates *appropriations*, which is the upper limit on spending authority delegated to managers.

A proposed budget was presented at a public hearing on October 12, 2021. Public comment was taken during the public hearing and at subsequent work sessions. Board members have had the opportunity to incorporate public comments and direct changes to the budget before adoption. The adopted budget will take effect January 1, 2022.

During the year, circumstances may arise that affect the budget. Any modifications to the budget that may be needed will be approved by the Board and tracked as part of the revised budget.

SECTION 2: FUND OVERVIEW

A. GENERAL REVENUE FUND

This account receives all income, revenue, and receipts derived by the District plus any proceeds from the sale, lease, or deposition of District assets. The funds in this account are used for the general operation and maintenance of the district including repairs, replacements, construction of extensions, and improvements.

B. CAPITAL PROJECT FUND

Construction funds for large capital projects are most commonly obtained from the issuance of bonds and the proceeds are restricted for the use as stated in bond covenants. Federal or state loan or grant funds that are restricted would also be accounted for in this fund.

C. SYSTEM DEVELOPMENT FUND

This account is comprised of funds received from new services based on the cost of capital improvement to serve new customers. The funds are restricted by the Commission and used for growth or capacity related projects.

D. DEBT SERVICE & BOND RESERVE FUND

Funds are set aside in this account from the Revenue Fund and are used for the purpose of paying principal and interest on all District debt and to meet reserve requirements of the bond covenants.

SECTION 3: DISCUSSION OF ADOPTED BUDGET

A. REVENUES

A1. UTILITY RATE REVENUE

In 2019, the District engaged the services of FCS Group to complete a Cost-of-Service Analysis and Water Utility Rate study. The study provided the District with a sustainable, multi-year financial plan that meets the projected total financial needs of the District. Financial needs include expenses to operate and manage the water system, capital project funding, funds for new and existing debt obligations, as well as meet the fiscal policy goals established by the Board.

The cost-of-service analysis established a basis for assigning costs and establishing “equity” between water system customers. This was accomplished with the development of a series of allocations based on customer data and engineering/planning criteria to assign utility cost recovery to customers in proportion to their estimated demands.

A2. SYSTEM DEVELOPMENT FEES

System Development Fees (SDF) are one-time fees imposed as a condition of service on new development or on expanded connections to the system. The cost-of-service study included a review and update of the SDF calculation. SDF revenue is accounted for in a separate fund and used only for growth and capacity related capital expenditures for the water system.

A3. REVENUE PROJECTIONS

The Adopted Budget was developed utilizing FCS Group’s rate study recommendations of a five percent increase in base water rates. To promote conservation, the tiered water rates are phasing in larger increases for certain high consumers. In addition, the District removed the capital surcharge and modified the tiered water rates to increase equity across water customers over time.

The rate increases take effect January 1, 2022 and are projected to increase revenues by nearly \$1.4 million. These funds will be used to fund the next ten-years of the Capital Improvement Plan and the corresponding debt service. It is anticipated that capital contributions as well as non-operating revenue may be lower next year as the economy struggles with the pandemic and supply chain issues.

	2020 Actual	2021 Budget	2021 Forecast	2022 Budget	2021-2022 % Change
Operating Revenues					
Residential/Multi-family	18,836,691	19,386,000	20,260,385	21,273,000	5.0%
Commercial & Gov't.	5,138,111	5,590,000	5,790,002	6,079,000	5.0%
Agriculture	752,366	741,000	751,846	789,000	4.9%
Irrigation	651,704	518,000	700,000	735,000	5.0%
Resale	142,728	120,000	150,000	158,000	5.3%
Total Rate Revenue	25,768,258	26,355,000	27,652,233	29,034,000	5.0%
Misc Service Charges	107,065	134,000	76,156	80,000	5.0%
Late Fees	19,018	20,000	20,000	20,000	0.0%
Total Operating Revenue	25,897,917	26,509,000	27,748,389	29,135,000	5.0%
Capital Contributions					
Wrk Ord Deposits (Non-Donated Plant)	203,121	100,000	377,911	250,000	-33.8%
Services	302,188	300,000	437,118	350,000	-19.9%
System Development Fees	1,235,521	1,260,000	1,859,625	1,300,000	-30.1%
Total Capital Contributions	1,740,830	1,660,000	2,676,127	1,900,000	-29.0%
Non-Operating Revenues					
Rental Revenue	24,883	20,736	24,883	24,883	0.0%
Investment Income	117,279	100,000	85,000	90,000	5.9%
Misc Non-Operating Income	99,437	80,000	80,000	80,000	0.0%
LUD Interest Income	16,467	14,746	21,374	21,374	0.0%
LUD Penalty Income	3,193	2,860	2,614	2,614	0.0%
LUD Assessments	97,601	90,000	85,000	77,000	-9.4%
Total Non-Operating Revenue	358,860	308,342	298,871	295,871	-1.0%
Total Revenue and Capital Contributions	27,997,607	28,477,342	30,723,387	31,330,871	2.0%

B. OPERATING EXPENSES

B1. SUMMARY OF OPERATING EXPENSES CHANGES

The financial forecast includes a projection of Operating expenses for the next ten-years based on the historical average of the Consumer Price Index (CPI) and the Construction Cost Index (CCI). For salaries, benefits, and cost of water purchased from Anacortes, the forecast assumes an annual aggregated cost increase of approximately 4.5%. Each budget cycle, line item expenses are reviewed and adjusted according to current market conditions and incorporated as part of the adopted budget.

Skagit PUD - 2022 Budget		2021	2022	\$ Change	% Change
Summary by Line Item		Budget	Budget	Budget	2021-2022
6010	Salary, Wages and Benefits	\$ 10,188,375	\$ 10,890,697	\$ 702,323	6.9%
6100	Water Purchased from Others	200,000	200,000	\$ -	0.0%
6150	Power Purchased for Pumping	530,000	530,000	\$ -	0.0%
6180	Chemicals	598,000	601,200	\$ 3,200	0.5%
6200	Materials & Supplies	951,600	988,200	\$ 36,600	3.8%
6204	Broadband Sales Costs	4,500	4,500	\$ -	0.0%
6205	Broadband Supplies and Materials	16,300	16,300	\$ -	0.0%
6221	Community Relations	21,500	16,000	\$ (5,500)	-25.6%
6222	Insurance Claims and Reimbursements	20,000	20,000	\$ -	0.0%
6225	Maintenance Contracts	16,000	24,000	\$ 8,000	50.0%
6226	Memberships, Licenses, Certifications	89,649	94,511	\$ 4,862	5.4%
6228	General Supplies & Non-Professional Services	372,224	370,474	\$ (1,750)	-0.5%
6229	Postage and Shipping	83,100	83,100	\$ -	0.0%
6230	Professional Services	560,908	579,808	\$ 18,900	3.4%
6231	Security	3,240	18,240	\$ 15,000	463.0%
6232	Tools and Small Equipment	82,060	86,460	\$ 4,400	5.4%
6234	Utilities	271,455	236,730	\$ (34,725)	-12.8%
6235	Permits	35,365	35,365	\$ -	0.0%
6251	Computer Hardware, Communications, SCADA	284,310	238,800	\$ (45,510)	-16.0%
6252	Computer Software, Licenses and Support	547,453	561,473	\$ 14,020	2.6%
6255	Education and Professional Development	150,740	192,300	\$ 41,560	27.6%
6260	Building, Furniture, Grounds and Roads	365,764	378,664	\$ 12,900	3.5%
6261	Safety	60,163	65,113	\$ 4,950	8.2%
6266	Advertising	23,900	25,800	\$ 1,900	7.9%
6267	Bad Debts	40,000	50,000	\$ 10,000	25.0%
6500	Transportation-Fuel	100,000	100,000	\$ -	0.0%
6501	Transportation-Parts	60,000	60,000	\$ -	0.0%
6502	Transportation-Outside Services	30,000	30,000	\$ -	0.0%
6505	Transportation-Enterprise Fleet Mgmt Fee	4,178	4,178	\$ -	0.0%
6560	Insurance-Property	281,648	344,989	\$ 63,341	22.5%
6570	Insurance-Liability	311,737	374,882	\$ 63,145	20.3%
6590	Insurance-Other	2,350	2,350	\$ -	0.0%
<i>Expenditure Offsets:</i>				\$ -	
6550	Transportation Overhead Charge	(555,000)	(555,000)	\$ -	0.0%
6750	Inventory Administrative Overhead	(250,000)	(250,000)	\$ -	0.0%
6751	Administrative Expense Transferred	(625,000)	(625,000)	\$ -	0.0%
<i>State Taxes:</i>				\$ -	
4080	Utility Taxes	1,293,000	1,415,000	\$ 122,000	9.4%
<i>Other Expenditures:</i>				\$ -	
4082	State Excise Taxes	25,000	30,000	\$ 5,000	20.0%
4084	Fire and Dike District Taxes	16,520	16,520	\$ -	0.0%
4087	Miscellaneous Taxes	600	600	\$ -	0.0%
Total Operating Expenditures		\$ 16,215,239	\$ 17,260,455	\$ 1,045,216	6.4%

The 2022 Adopted Budget increases operating expenses by \$1,045,216, or 6.4%. The largest dollar increase is in the *Salary, Wages & Benefits* (\$702,323) line item for three new positions, cost-of-living increases for staff, as well as other benefit rate increases. Other line items with significant dollar increases include *Materials & Supplies* (\$36,600) for general inflationary increases in goods, *Education & Professional Development* (\$41,560) in anticipation of more “live” conferences and continuing education training, *Insurance Property* (\$63,341) & *Liability* (\$63,145) for industry increases in response to global events, *Utility taxes* (\$122,000) for corresponding increase in rate revenue.

The following section provides insight into District operations by comparing expenses across functions, departments, and years.

2022 Operations & Maintenance Budget								
	Supply	Treatment	Transmission Distribution	Customer Service	Administration	Expenditure Offsets	Taxes and Non-Operations	Total
Commissioner					266,563			266,563
Executive					1,391,964			1,391,964
Human Resources					444,037			444,037
Safety					196,486			196,486
Information Technology			53,400		1,654,290			1,707,690
Broadband					39,300			39,300
Finance					709,145			709,145
Stores					387,155	(250,000)		137,155
Meters				618,776				618,776
Customer Service				712,237				712,237
Billing				296,222				296,222
Community Relations				244,960				244,960
Engineering	26,000		55,200		1,834,106			1,915,306
Construction & Maintenance	20,000	50,000	1,818,416		333,058			2,221,475
Operations Support		-	28,000		882,024	(555,000)		355,024
Water Treatment Plant	387,000	2,276,493						2,663,493
Water Quality and Lab	15,000	22,600	141,327		188,260			367,188
Distribution	400,000	5,000	146,865		1,253,471			1,805,336
Facilities		-	91,000	-	230,520			321,520
Non-Departmental					9,457	(625,000)	1,462,120	846,578
Total Cash Operating Expenses	848,000	2,354,093	2,334,209	1,872,195	9,819,838	(1,430,000)	1,462,120	17,260,455

District Functions:

1 - Supply: pipes or mains used to convey water from the source to the water treatment plant. Judy Reservoir, watershed intakes, and wells are all examples of supply expenses.

3 - Treatment: the water treatment plant located at Judy Reservoir and the Guemes Island osmosis water treatment plant are the treatment function expenses.

5 – Transmissions & Distribution: the daily operations and maintenance of the transmission, distribution, and service lines to District customers throughout Skagit County.

7 – Customer Service: expenses related to customer service, billing, and meter reading departments.

8 – Administration & General Expenses: costs incurred for the general operations of the District not related to a specific water system.

9 – Taxes & Other Non-Operations Expenses: taxes including property, excise, utility, fire, and dike assessments are included in this section of the budget.

Expenditure Offsets: allocations for services provided by staff to other departments and projects. These allocations reduce District operating expenses by charging them to outside entities and/or capital projects.

Summary by Function	2020	2021	2022	Budget Comparison	
	Actual	Budget	Budget	2021-2022 \$ Change	2021-2022 % Change
Supply (01)	661,603	831,500	848,000	16,500	2.0%
Treatment (03)	2,302,937	2,377,109	2,354,093	(23,016)	-1.0%
Transmission & Dist. (05)	1,381,510	2,214,567	2,334,209	119,642	5.4%
Customer Service (07)	1,774,223	1,787,835	1,872,195	84,360	4.7%
Administration (08)	7,842,988	7,669,108	8,389,838	720,729	9.4%
Taxes and Other (09)	1,290,593	1,335,120	1,462,120	127,000	9.5%
Total	15,253,854	16,215,239	17,260,455	1,045,216	6.4%

The small *treatment* (03) budget decrease from the prior year is due to the completion of several maintenance projects at the water treatment plant in 2021. The projects installed new CO2/CL2 alarms that were integrated into the SCADA system to allow remote monitoring and response. Another project rebuilt the ammonia tank used at the water treatment plant.

The *transmission & distribution* (05) budget increase is the result of one new maintenance position and general inflationary increases in supplies.

The increase in the *administration* (08) budget is primarily due to a new position in human resources and another one in the IT department. In addition, there was a significant increase (\$126,486) in property and liability insurance premiums as the reinsurance and excess insurance markets continue to respond to unfavorable global underwriting events. There are several planned project expenditures for computer hardware, software, and Supervisory Control and Data Acquisition (SCADA) infrastructure projects.

The *taxes & other* (09) budget increase is for the taxes associated with the anticipated growth in rate revenue.

Department budgets are prepared by each manager based on their goals and objectives for the coming year. Variations between years are usually due to changes in personnel or new projects being undertaken.

Department	2021 August YTD	2021 Budget	2022 Budget	% Change	Change
Human Resources	128,144	244,589	444,037	82%	New Position
Commissioners	120,990	255,418	266,563	4%	
Administration	724,840	1,193,112	1,391,964	17%	Insurance, Professional Services
Safety Program	123,328	187,454	196,485	5%	
Const. Maintenance	1,005,450	2,048,024	2,221,474	8%	New Position
Water Treatment Plant	1,537,690	2,762,859	2,663,492	-4%	
Distribution	908,097	1,687,795	1,805,336	7%	Overlap SCADA retirement
Lab & Water Quality	211,930	366,918	367,187	0%	
Operations Support	435,160	373,369	355,023	-5%	
PUD Main Campus	145,242	293,621	321,519	10%	Utilities, HVAC
Information Technology	902,289	1,541,111	1,746,990	13%	New Position
Finance	394,428	704,172	709,144	1%	
Stores	83,285	128,630	137,155	7%	
Meter Crew	565,365	594,414	618,775	4%	
Customer Service	426,935	699,888	712,237	2%	
Billing	154,534	284,185	296,222	4%	
Community Relations	137,414	231,107	244,959	6%	
Engineering	1,211,119	1,943,610	1,915,305	-1%	
Total	\$ 9,216,240	\$ 15,540,276	\$ 16,413,867	6%	

The adopted budget is prepared using an estimate for the number of developer and capital projects that will be worked on during the upcoming year. Projects that are capitalized offset the District's operations budget for salaries & benefits, inventory, and equipment expenses. The adopted budget anticipates about the same number of capital projects and maintenance projects as the current year.

The following chart compares the estimated capitalized labor expense between last year's budget and the adopted 2022 budget. There is an increase in estimated salaries & benefits budgeted towards capital projects next year. It is anticipated that 30% of all salaries and benefits or \$1,392,561 will be charged to capital projects.

2022 Budget				
	Total	Salary & Benefits Cost		To O&M
		To Capital	% Capital	
Engineering	3,019,625	1,218,169	40%	1,801,456
Construction & Maint.	1,697,016	174,391	10%	1,522,625
Total	4,716,641	1,392,561	30%	3,324,081
2021 Budget				
	Total	Salary & Benefits Cost		To O&M
		To Capital	% Capital	
Engineering	2,943,302	1,162,701	40%	1,780,600
Construction & Maint.	1,555,949	131,775	8%	1,424,174
Total	\$ 4,499,251	\$ 1,294,476	29%	\$ 3,204,774

B2. AGENCY MEMBERSHIPS

The District is a member and participates in several local and regional organization and events where a business interest has been identified. The following listing of these organizations and groups that are included in the District’s 2022 Adopted Budget.

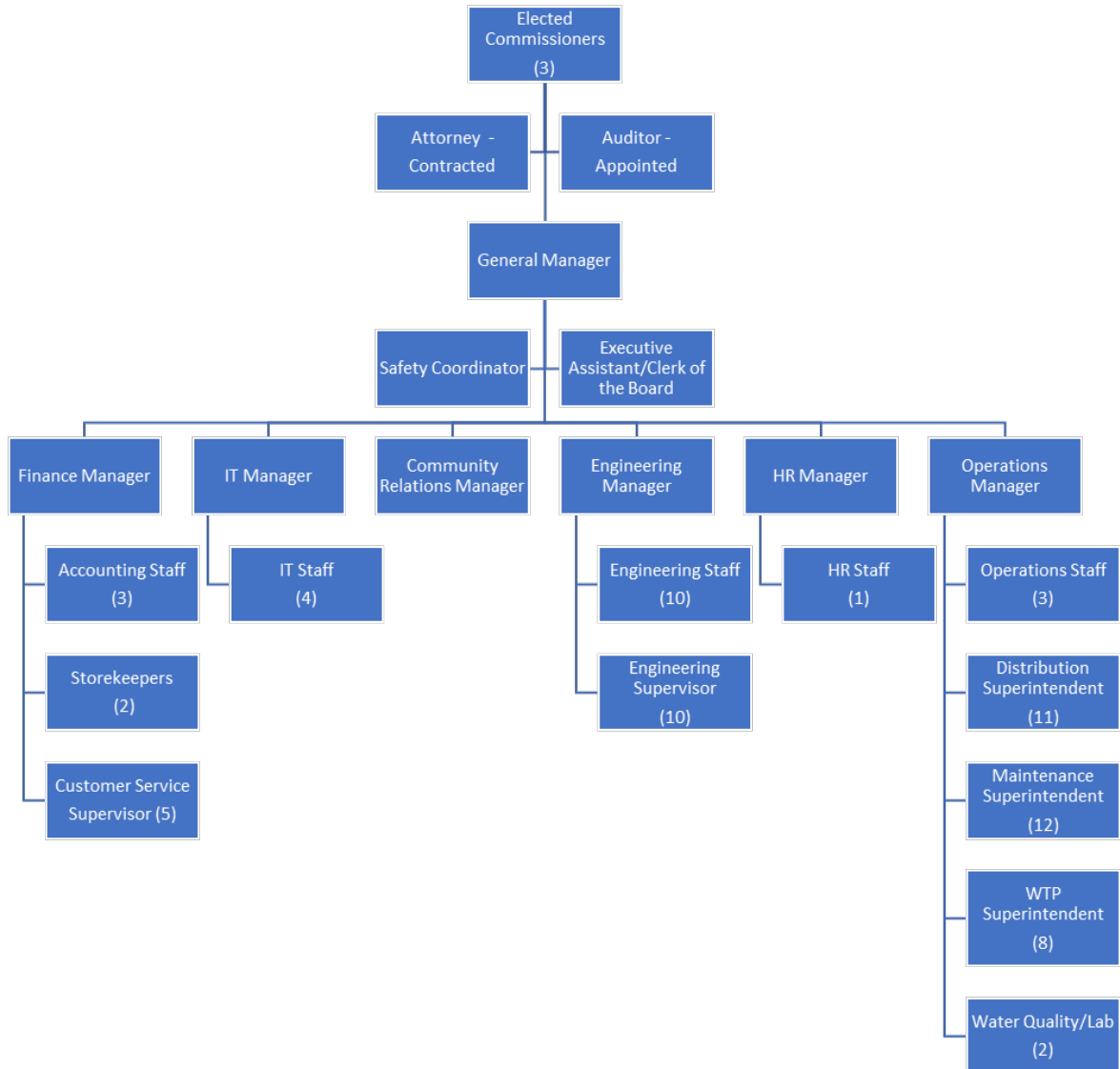
Memberships & Sponsorships	
Washington PUD Association (WPUDA)	\$ 62,134
American Water Works Association (AWWA)	6,700
Chlorine Institute	5,000
Habitat for Humanities (In-kind)	18,000
Washington Water Utilities Council (WWUC)	2,600
Economic Development Association of Skagit County (EDASC)	2,600
Skagit Council of Governments (SCOG)	1,479
Mount Vernon Chamber	850
Washington Association of Sewer & Water Districts	600
Burlington Chamber	600
Total	\$100,563

B3. STAFFING

The District continues to assess its core functions and level of service and adjusts operations and staffing levels accordingly. The adopted budget adds three new positions: a Payroll and Human Resource Administrator, a Server Administrator, and an additional Maintenance position. The District promotes professional development and looks to fill positions internally whenever there is an interest and a qualified applicant. Recent positions filled with internal promotions include: a new Distribution Superintendent position, Meter Technician, and the Payroll Administrator positions.

2022 Budget	2021	2022	2021-2022	
FTEs by Department	Budget	Budget	Change	Description
Commissioner	-	-	-	
Executive	2.00	2.00	-	
Human Resources	1.00	2.00	1.00	Transfer from finance
Safety	1.05	1.00	-	
Information Technology	4.00	5.00	1.00	New Server Administrator
Finance	4.00	3.80	(0.20)	Change to PT
Stores	2.00	2.00	-	
Meters	4.00	4.00	-	
Customer Service	5.00	5.00	-	
Billing	1.00	1.00	-	
Community Relations	1.00	1.00	-	
Engineering	21.80	21.80	-	
Construction & Maintenance	12.00	13.00	1.00	Additional Maintenance Position
Operations Support	4.42	4.42	-	
Water Treatment Plant	9.50	9.50	-	
Water Quality and Lab	2.00	2.00	-	
Distribution	7.50	8.00	0.50	Overlap for 2022 SCADA retirement
Total	82.27	85.52	3.30	

Exhibit 9: Organization Chart



Like all organizations, changing circumstances in the economy like the pandemic and the subsequent supply chain disruptions increase District expenses. Some of these expenses are one-time impacts, while others create ongoing expenses that will need to be included in future budgets. The capital improvement plan as well as the financial plan are adjusted for these events as needed with Board approval. Material changes in the adopted budget are summarized below.

Exhibit 10: Additional Expenses 2022

Additional Expenses	
Recurring Costs	
Badger Meter Battery Replacements	\$300,000
DOH Security Mandates	150,000
Out-of-region disaster recovery	78,000
Cross Connection Incentive Program	50,000
Pressure Relief Valve Program	50,000
One-time Costs	
Vehicle Replacement	\$350,000
Security Improvements Yard	148,000
Reservoir Vent Repairs (DOH)	135,000
Strategic Plan	50,000
Total	\$1,311,000

C. CAPITAL IMPROVEMENT PLAN

Exhibit 11 is a summary of the ten-year rolling Capital Improvement Plan (CIP). It contains revised estimates for projects planned and authorized through 2031. The new CIP table reflects updates in schedule for the Transmission Line, Judy – Mount Vernon Phase 2, which is now under construction. The table also shows new pipeline and culvert projects that have been added as priority projects due to coordination with other entities and external deadlines. This resulted in other project schedule changes in order to balance the overall workload of staff and expenditures. The CIP anticipates \$145 million of projects over the next ten-years.

Capital Improvement needs were identified through

- Comprehensive system planning process
- Internally developed capital improvement plan

Capital Improvement Plan Phases

- Phase 1 - Needs / Condition Assessment
- Phase 2 - Cost analysis, feasibility, and prioritization
- Phase 3 - Design
- Phase 4 – Construction

The capital funding plan identifies the following funding sources:

- Cash reserves, rate funding, System Development Fees, developer contributions, loans, grants, and debt

Rate funded capital replacement is a prudent fiscal target with the following purposes:

- Ongoing system reliability / sustainability
- Equity, charge customers commensurate with the consumption of facility useful life
- Rate stability

System Water Plan #	Description	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	Department Capital:										
	Computer Software/ IT	\$ 400,000	\$ 300,000	\$ 550,000	\$ 300,000	\$ 800,000	\$ 700,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000
	Customer/ Meter	125,000	75,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
	Equipment/Ops	800,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	125,000
	Water Treatment Plant	150,000	150,000	200,000	200,000	200,000	200,000	250,000	250,000	250,000	250,000
	Engineering	50,000	50,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000
	Department Capital Total:	\$ 1,525,000	\$ 775,000	\$ 1,075,000	\$ 825,000	\$ 1,325,000	\$ 1,225,000	\$ 875,000	\$ 875,000	\$ 875,000	\$ 800,000
	Pipe Replacement:										
MP13-7	Burklund Road Pipeline	800,000									
MP20-3	Sky Ridge Pipe Replacement & Pump Station	2,000,000									
MP20-4	College Way, Urban to LaVenture and Crossing at Leigh, Windsor, N. 19th and 8inch Crossing W. of 30th	400,000	1,600,000								
MP20-5	Skagit Country Club Pipeline Replacement		2,100,000								
MP20-6	NW Burlington Pipeline Replacement			1,700,000							
MP20-2	Bored Crossings				960,000						
MP20-7	MV Belmont / Clarmont Pipeline Replacement				1,100,000						
	Sky Ridge supply pipeline				2,500,000						
MP20-8	West Mount Vernon Pipeline Replacement					1,200,000					
MP20-9	Peterson, Pulver - Avon Allen and Sunrise Lane E			-			1,285,000				
MP20-10	MV Hillcrest District Pipeline Replacement						1,700,000				
MP20-11	Bayview Community Pipe Replacement							1,100,000			
MP20-1	Little Mountain	-	3,000,000	3,000,000							
	State Grant Needed to fund Project	-	(3,000,000)	(3,000,000)							
MP20-14	Bow Hill to Alger								50,000		
MP20-13	South Conway Extension								50,000		
MP20-12	Conway to Lake McMurray Extension								50,000		
MX20-3	Coordinated Pipeline Replacement & Infill				500,000	500,000	500,000	500,000	500,000	500,000	500,000
Anacortes Projects	Driver Road Pipe Replacement	400,000									
	Satterlee PRV Relocation		250,000								
	Bridgeway Reservoir Abandonment and Transmission Connection at SR20	450,000									
	Satterlee Gibraltar to Mashie Street	550,000									
Known Coordinated Pipeline Replacement & Infill	Gauges Slough	400,000									
	Curtis Street	400,000									
	Francis Road Pipe replacement	350,000									
	Laventure, Hoag, Martin, Intersection Improvement		800,000								
	BNSF Casing Modification										
Fish Passage Pipeline Relocations	SR 534 (Pioneer Hwy) Fish Passage	300,000									
	State Credit SR534	(300,000)									
	SR 538 (College Way) Fish Passage	50,000									
	Alger I-5 Lake Samish Road Fish Passage		250,000	2,000,000							
	I-5 at Anderson Road Fish Passage		100,000	400,000							
	SR9 and Kalloch Fish Passage		100,000	250,000							
	SR20 at Marblemount Fish Passage	75,000	300,000								
	Pipe Replacement Total:	\$ 5,875,000	\$ 5,500,000	\$ 4,350,000	\$ 5,060,000	\$ 1,700,000	\$ 3,485,000	\$ 1,600,000	\$ 650,000	\$ 500,000	\$ 500,000

System Water Plan #	Description	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	Major Capital:										
	Operations & Maintenance:										
MO20-1	Raw Water Pump Station Upgrade	1,150,000									
MO20-2	WTP Backwash Pump Replacement / Portable Generator	100,000	1,300,000								
MO13-6	WTP Dry Scrubber Retrofit	300,000									
MO20-4	WTP SCADA Replacement & data center	190,000	570,000								
MO20-8	WTP Replace Flocculators & Recycle Basin	270,000	270,000								
MO20-7	WTP Filtration Conversion & Optimization				1,000,000	2,000,000					1,000,000
MO20-6	WTP Disinfection Study - System Replacement	-	-	-			600,000				
MO20-15	WTP Electrical Upgrades								50,000		
MO20-12	WTP Building Seismic Improvements									840,000	
MO20-14	Lagoons solid Handling Improvements									930,000	
MO20-5	Dedicated Power feed Norlum substation SW to the SRD &	-	-								50,000
MO20-11	Sodium Chlorite & CO2 Tank Replacement										700,000
MO20-13	Finished Water Flow Meter										100,000
MO13-8	Badger ORION 5/8 Meter Transmitter Replace	300,000	300,000	350,000	350,000	350,000	400,000	400,000			
	9Th Street Pump	-		80,000							
	Operations & Maintenance Total:	\$ 2,310,000	\$ 2,440,000	\$ 430,000	\$ 1,350,000	\$ 2,350,000	\$ 1,000,000	\$ 400,000	\$ 50,000	\$ 1,770,000	\$ 1,850,000
	Transmission Pipelines:										
MT13-4	Transmission Line, Judy - MV Phase 2	20,000,000	15,000,000								
MT13-4	Transmission Line, Judy - County Portion	(160,067)	(160,067)	(160,067)	(160,067)						
MT13-9	Judy SW TransmissionPhase 3 river section	-	-	1,300,000	1,300,000	5,800,000					
MT20-2	Judy SW Transmission Phase 4	-	-	-	500,000	700,000	9,250,000	9,250,000			
	Transmission Pipelines Total:	\$ 19,839,933	\$ 14,839,933	\$ 1,139,933	\$ 1,639,933	\$ 6,500,000	\$ 9,250,000	\$ 9,250,000	\$ -	\$ -	\$ -
	Reservoirs:										
MR20-1	Panorama - 2 MG storage tank & replace pump in RWPS	1,000,000	3,500,000	1,500,000							
MR13-2	Cascade Ridge Reservoir (.1 MG)									255,000	
MR13-3	Big Lake Storage Tank (356 HGL)								510,000		
MR13-5	N. Sedro Woolley Storage (430/350 HGL)	-							320,000		
	Reservoirs Total:	\$ 1,000,000	\$ 3,500,000	\$ 1,500,000	\$ -	\$ -	\$ -	\$ -	\$ 830,000	\$ 255,000	\$ -
	Facilities										
	Gilligan Creek Road/Intake Slide Repair	350,000									
	WTP Dam Pipe Replacement	-		300,000							
MO20-3	Potlatch RO Replacement		200,000								
	PUD Yard Security	75,000									
MX20-2	PUD Campus Design & Construction	4,000,000	9,000,000	5,750,000							
	Facilities Total:	\$ 4,425,000	\$ 9,200,000	\$ 6,050,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Fiber & Other:										
	Annual Fiber Optic Installation Program		150,000		150,000	200,000	200,000	200,000	200,000	250,000	250,000
FO13-5	Kulshan Trail Fiber			75,000							
FO13-6	Kulshan Ave. Fiber			75,000							
	PUD Campus Fiber Burlington (Market Street)	250,000									
FO13-4	9Th Street Fiber	-		80,000							
MX13-3	Micro Hydro @ Division St. booster pump station										
MO13-5	Document Management Software Implementation										
	Major Capital Total:	\$ 27,824,933	\$ 30,129,933	\$ 9,349,933	\$ 3,139,933	\$ 9,050,000	\$ 10,450,000	\$ 9,850,000	\$ 1,080,000	\$ 2,275,000	\$ 2,100,000
	Total Capital Projects	\$ 35,224,933	\$ 36,404,933	\$ 14,774,933	\$ 9,024,933	\$ 12,075,000	\$ 15,160,000	\$ 12,325,000	\$ 2,605,000	\$ 3,650,000	\$ 3,400,000

Average Annual Capital - First Five Years CIP (2021-2025)				Average Annual Capital - Ten Year CIP (2021-2030)									
	2022 Budget	\$ 21,500,946		2022 Budget	\$ 14,464,473								
	2021 Budget	\$ 20,406,000		2021 Budget	\$ 15,463,500								
	Increase/(Decrease)	\$ 1,094,946		Increase/(Decr)	\$ (999,027)								
Department Capital		1,525,000	775,000	1,075,000	825,000	1,325,000	1,225,000	875,000	875,000	875,000	800,000		
Pipeline Replacement		5,875,000	5,500,000	4,350,000	5,060,000	1,700,000	3,485,000	1,600,000	650,000	500,000	500,000		
Major Capital		27,824,933	30,129,933	9,349,933	3,139,933	9,050,000	10,450,000	9,850,000	1,080,000	2,275,000	2,100,000		
Total Capital Improvement Projects		\$ 35,224,933	\$ 36,404,933	\$ 14,774,933	\$ 9,024,933	\$ 12,075,000	\$ 15,160,000	\$ 12,325,000	\$ 2,605,000	\$ 3,650,000	\$ 3,400,000		

C1. CATEGORIES OF CAPITAL PROJECTS:

Department Capital – Are capital expenses that are required to maintain operation of District facilities and functions. Examples include vehicles, construction equipment, facility equipment, pump replacements, and replacement equipment at the Water Treatment Plant.

Pipe Replacement – The District’s pipe replacement program includes the survey, design, and construction of pipe replacement projects to replace old, undersized, or defective pipes.

Major Capital – Are all other large capital projects that are typically associated with a Capital Improvement Program. Projects vary from year-to-year and include pipeline replacement, reservoir construction, facility repairs, and fiber optic construction.

C2. CAPITAL PROGRAM SUMMARY

Based on the updated capital plan for the 2022 budget, the total value of capital projects planned for the next ten-years is \$145 million. Next year’s larger capital projects include completion of the raw water pump station, Sky Ridge pump station & pipe replacement project, continued work on the transmission Line, Judy – Mount Vernon Phase 2, Panorama storage tank, and a new District campus.

a) Department Capital

The 2022 Adopted Budget includes \$1.5 million of department capital projects from Operations, Engineering, Water Treatment Plant, Meters, and the IT Departments. Next year’s projects include vehicle replacements, software & server upgrades, security enhancements, improvements at the Water Treatment Plant, SCADA system replacements, and Department of Health (DOH) mandates.

b) Pipe Replacement

The 2022 Adopted Budget includes \$5.9 million of pipe replacement projects. The two largest projects are the \$2 million Sky Ridge pipe replacement project and the completion of the \$3.2 million Burklund Road pipeline. The other \$3 million of pipe replacement projects are split over several projects including: Driver Road, Bridgeview Reservoir, Gauges Slough, Curtis Street, Francis Road, and others depending upon permitting and coordination with other entities.

c) Major Capital

A review of the projects in this category was performed to update construction costs based on recent projects and market conditions. Major projects scheduled for 2022 include: \$250,000 of fiber installation, completion of the \$3.2 million for the Raw water pump replacement, \$20 million for the Transmission Line, Judy - Mount Vernon Phase 2, \$300,000 for the WTP Dry Scrubber retrofit, and \$4 million to complete the design and start construction of the District’s new campus building.

D. CAPITAL BUDGET AND DEBT SERVICE

Exhibit 12 compares the first year of the 2022 Capital Improvement Plan budget to the end of the year capital expenditure forecast. The adopted budget anticipates a \$22.4 million increase in capital projects primarily the result of the Transmission Line, Judy - Mount Vernon Phase 2 project, District campus building, and other pipe replacement projects discussed earlier.

Exhibit 12: Adopted Capital Budget

Summary of Capital Budgets	2021 Forecast	2022 Budget
Capital Budget		
Department Capital	\$ 1,455,000	\$ 1,525,000
Major Capital	\$ 2,081,000	\$ 5,875,000
Annual Pipe Replacement	\$ 9,271,735	\$27,824,933
Total Capital Budget	\$12,807,735	\$35,224,933

The capital improvement plan assumes that additional financing will be needed to fund a portion of the ten-year buildout. The timing of the financing is dependent upon how fast the capital projects are completed and whether we are successful in our application for additional state loans/grants. Our current bank and loan capacity of approximately \$18 million is sufficient to fund the CIP projects through 2022.

Exhibit 13: 2022 Debt Service

Existing Debt Service	Interest	Principal	Total
Total Bonds	\$ 583,013	\$ 1,118,173	\$ 1,701,186
Total PWTF Loans	\$ 7,220	\$ 738,777	\$ 745,996
Total DWSRF Loans	\$ 223,963	\$ 887,175	\$ 1,111,139
Total Other State Loans	\$ 20,481	\$ 51,520	\$ 72,001
Total Debt Service	\$ 834,677	\$ 2,795,646	\$ 3,630,322

E. FISCAL MANAGEMENT TARGETS

The adequacy of the budget is tested by looking at it in the context of long-term financial policies and whether the budget achieves the District's fiscal management targets. The 2022 Adopted Budget anticipates spending reserves and utilizing debt to pay for the capital improvements identified in this year's CIP.

a) Revenue Fund Ending Balance

Target: 2.5 months O&M + Depreciation = \$5,434,000.

Projected: 2022 ending balance = \$6,299,000, which exceeds the target.

b) Net Liquidity

Target: 180 days of O&M expenses, including fund balances for Revenue, Major Capital, SDF, and Debt Service funds.

Projected: 299 days, which exceeds the target.

c) Debt Service Coverage

Target: Minimum 1.25 for bonded debt; Planning target for bonded debt is 2.0

Projected: 8.6 on bonded debt, which is above the target.

4.0 Total Debt service coverage, which exceeds the target.

d) Rate Funded Capital

Target: Capital Expenditures target = \$9.5 million = Depreciation expense

Projected: Capital paid by rates = \$9,800,000, which meets the target.

Exhibit 14: Adopted Budget Fiscal Targets

Fiscal Policy Check	2021 Forecast	2022 Adopted
Liquidity Target		
Ending Balance, All Funds	\$ 35,997,002	\$ 13,612,162
No. Days of O&M Expenses	881 Days	299 Days
Target (Minimum)	180 Days	180 Days
Above/(Below) Target	701 Days	119 Days
Revenue Fund Balance		
Ending Balance Revenue Fund	\$ 15,084,911	\$ 6,299,083
Target (Minimum)		
2.5 months of O&M Expenses plus Depreciation	5,012,217	5,434,716
Above/(Below) Target	10,072,694	864,367
Debt Service Coverage		
Bonded Debt Service	\$ 1,108,517	\$ 1,701,186
Total Revenue excluding Debt Proceeds and Transfers	\$ 30,723,387	\$ 31,330,871
Projected O&M Expenses	14,919,976	16,626,637
Projected Net Operating Revenue	\$ 15,803,411	\$ 14,704,234
Bonded Debt Service Coverage	14.26	8.64
Target (Minimum)	2.00	2.00
Above/(Below) Target	12.26	6.64
Information:		
Total Debt Service, including State Loans	\$ 3,462,143	\$ 3,630,322
Debt Service Coverage on All Debt	4.56	4.05
Rate-Funded Capital		
Capital Expenditures	\$ 9,807,735	\$ 9,807,735
Target (Minimum Prior Year's Depreciation)	7,552,189	9,138,665
Above/(Below) Target	\$ 2,255,546	\$ 669,070
100% of Annual Depreciation	9,138,665	9,460,000
Above/(Below) Annual Depreciation	669,070	347,735

F. RATE FORECAST SUMMARY

The adopted budget was developed utilizing the rate study recommendations of annual five percent increases in base water rates and additional increases in the tiered rates to promote conservation. The rate increase is scheduled to take effect January 1, 2022 and is projected to increase rate revenues by approximately \$1.3 million. This additional revenue will be used to fund the ten-year Capital Improvements Plan projects and to pay debt service on new and existing debt issued to fund the planned capital improvement program.

For 2022, the average residential rate impact of this budget is approximately \$6.14 per billing cycle, assuming 6 ccf of water use.

G. FUND SUMMARIES

The following two pages compare District fund summaries between this year's forecast and next year's budget.

Exhibit 15: Comparison by Fund

All Funds Summary forecast for 2021 Cash Resources and Requirements					
	Revenue Fund	Major Capital Fund	System Development Fund	Debt Service	Combined
Resources:					
Beginning Fund Balance	15,035,019		6,455,501	1,487,977	22,978,497
External Revenue:					
Rate Revenue	27,406,930				27,406,930
System Development Fees			1,859,625		1,859,625
Capital Contributions	816,502				816,502
LUD Assessments, Interest, Penalties				108,988	108,988
Investment Income	85,000				85,000
Non-Operating Revenues	104,883				104,883
Total External Revenue	28,413,315		1,859,625	108,988	30,381,928
Debt Proceeds:					
Debt Proceeds -					
DWSRF Loan - Mountain View Loan		300,000			300,000
PWTF Loan - MV Transmission Line		3,000,000			3,000,000
Debt Proceeds - Bonds		11,000,000			11,000,000
Total Debt Proceeds		14,300,000			14,300,000
Transfers from Other Funds:					
System Development Fund					
Major Capital Fund	3,300,000				3,300,000
Revenue Fund				3,462,143	3,462,143
Revenue Fund - Minimum Bond Reserve					
Revenue Fund - New Debt Reserve					
Total Transfers from Other Funds	3,300,000			3,462,143	6,762,143
Total Revenue	31,713,315	14,300,000	1,859,625	3,571,131	51,444,071
Total Resources	46,748,334	14,300,000	8,315,126	5,059,108	74,422,568
Uses:					
Operating Expenditures:					
Operations and Maintenance	13,651,314				13,651,314
Bond Issue Costs					
Utility and Excise Taxes	1,268,662				1,268,662
Total Operating Expenditures	14,919,976				14,919,976
Capital Expenditures:					
Service/Meters/Developer Projects	815,029				815,029
Department Projects	1,455,000				1,455,000
Major Capital Projects	2,081,000				2,081,000
Pipe Replacement	9,271,735				9,271,735
Total Capital Expenditures	13,622,764				13,622,764
Debt Service Payments:					
Interest Payments				612,873	612,873
Principal Payments				2,849,270	2,849,270
Total Debt Service Payments				3,462,143	3,462,143
Transfers to Other Funds:					
Revenue					
Major Capital		3,300,000			3,300,000
Debt Service	3,462,143				3,462,143
Debt Reserve					
Total Transfers to Other Funds	3,462,143	3,300,000			6,762,143
Total Expenditures	32,004,883	3,300,000		3,462,143	38,767,026
Ending Fund Balance	14,743,452	11,000,000	8,315,126	1,596,965	35,655,543
Total Uses	46,748,334	14,300,000	8,315,126	5,059,108	74,422,568

All Funds Summary forecast for 2022					
Cash Resources and Requirements					
	Revenue Fund	Major Capital Fund	System Development Fund	Debt Service	Combined
Resources:					
Beginning Fund Balance	15,084,911	11,000,000	8,315,126	1,596,965	35,997,002
External Revenue:					
Rate Revenue	29,135,000				29,135,000
System Development Fees			1,300,000		1,300,000
Capital Contributions	600,000				600,000
LUD Assessments, Interest, Penalties				100,988	100,988
Investment Income	90,000				90,000
Non-Operating Revenues	104,883				104,883
Total External Revenue	29,929,883		1,300,000	100,988	31,330,871
Debt Proceeds:					
Debt Proceeds -					
DWSRF Loan - Mountain View Loan					
PWTF Loan - MV Transmission Line		3,000,000			3,000,000
Debt Proceeds - Bonds					
Total Debt Proceeds		3,000,000			3,000,000
Transfers from Other Funds:					
System Development Fund	4,000,000				4,000,000
Major Capital Fund	14,000,000				14,000,000
Revenue Fund				3,630,322	3,630,322
Revenue Fund - Minimum Bond Reserve					
Revenue Fund - New Debt Reserve					
Total Transfers from Other Funds	18,000,000			3,630,322	21,630,322
Total Revenue	47,929,883	3,000,000	1,300,000	3,731,310	55,961,193
Total Resources	63,014,794	14,000,000	9,615,126	5,328,275	91,958,195
Uses:					
Operating Expenditures:					
Operations and Maintenance	15,845,455				15,845,455
Bond Issue Costs					
Utility and Excise Taxes	1,415,000				1,415,000
Total Operating Expenditures	17,260,455				17,260,455
Capital Expenditures:					
Service/Meters/Developer Projects	600,000				600,000
Department Projects	1,525,000				1,525,000
Pipeline Replacement	5,875,000				5,875,000
Major Capital Projects	27,824,933				27,824,933
Total Capital Expenditures	35,824,933				35,824,933
Debt Service Payments:					
Interest Payments				834,677	834,677
Principal Payments				2,795,646	2,795,646
Total Debt Service Payments				3,630,322	3,630,322
Transfers to Other Funds:					
Revenue		14,000,000	4,000,000		18,000,000
Major Capital					
Debt Service	3,630,322				3,630,322
Debt Reserve - Minimum Bond Reserve					
Debt Reserve - New Debt					
Total Transfers to Other Funds	3,630,322	14,000,000	4,000,000		21,630,322
Total Expenditures	56,715,710	14,000,000	4,000,000	3,630,322	78,346,033
Ending Fund Balance	6,299,083		5,615,126	1,697,953	13,612,162
Total Uses	63,014,794	14,000,000	9,615,126	5,328,275	91,958,195