



2021 BUDGET

PUBLIC UTILITY DISTRICT
NO. 1 OF SKAGIT COUNTY

Adopted | November 10, 2020

Skagit
PUD
PUBLIC UTILITY DISTRICT

In accordance with District Resolution No. 2262-19, we are pleased to present the 2021 Proposed Budget for Public Utility District No. 1 of Skagit County.

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.

The Proposed Budget will be presented at a public hearing on October 13, 2020. Public comments will be taken during the public hearing and at upcoming budget work sessions. Board members will have the opportunity to incorporate public comments and direct changes to the proposed budget before adoption. The Adopted Budget will take effect January 1, 2021.

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 PROPOSED 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 management plan that meets the projected total financial needs of the District. Financial needs include expenses to operate and manage the water system, funding for capital projects, funding of 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 for growth and capacity related capital expenditures for the water system.

A3. REVENUE PROJECTIONS

The Proposed 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 high consumers. In addition, the District removed the capital surcharge and modified the tiered water rates to increase equity across water customers over time. These rate increases take effect January 1, 2021 and are projected to increase rate revenues by nearly \$1.2 million, which is needed to fund the next ten-years of the Capital Improvements Plan financing plan.

Revenue projections for the Proposed Budget are shown in Exhibit 1.

Exhibit 1: Projected Revenues

	2019 Actual	2020 Budget	2020 Forecast	2020-2021 % Change	2021 Proposed
Operating Revenue					
Residential/Multifamily	17,135,576	18,620,000	18,462,613	5.0%	19,386,000
Commercial & Gov't.	5,664,747	6,357,822	5,323,277	5.0%	5,590,000
Agriculture	720,674	775,000	705,902	5.0%	741,000
Irrigation	820,387	825,000	493,025	5.1%	518,000
Resale	136,662	115,000	114,361	4.9%	120,000
Total Rate Revenue	24,478,046	26,692,822	25,099,178	5.0%	26,355,000
Misc Service Charges	212,000	238,000	126,854	4.8%	133,000
Late Fees	87,179	100,000	20,000	0.0%	20,000
Broadband	9,532	9,000	8,800	2.3%	9,000
Misc Operating Revenues	313,838	355,000	155,654	4.7%	163,000
Total Operating Revenue	24,791,884	27,047,822	25,254,832	5.0%	26,518,000
Capital Contributions					
Wrk Ord Deposits (Non-Donated Plant)	201,919	285,426	98,509	1.5%	100,000
Services	391,743	420,576	308,509	-2.8%	300,000
System Development Fees	1,610,315	1,374,074	1,250,456	0.8%	1,260,000
Capital Grants		200,000	1,200,000	-100.0%	-
Total Capital Contributions	2,836,827	2,280,076	2,858,947	-41.9%	1,660,000
Non-Operating Revenue					
Rental Revenue	23,500	24,000	20,736	0.0%	20,736
Investment Income	388,092	561,952	100,000	0.0%	100,000
Misc Non-Operating Income	47,389	10,000	80,000	0.0%	80,000
LUD Interest Income	16,788	10,000	14,746	0.0%	14,746
LUD Penalty Income	3,129	5,000	2,860	0.0%	2,860
LUD Assessments	105,811	100,000	100,000	-10.0%	90,000
Total Non-Operating Revenue	584,709	710,952	318,342	-3.1%	308,342
Total Revenue and Capital Contributions	28,213,420	30,038,850	28,432,121	0.2%	28,486,342

B. OPERATING COSTS

B1. SUMMARY OF OPERATING COST CHANGES

The financial forecast developed by FCS Group includes a projection of Operating expenses based on the historical five-year 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%.

Periodically, there are unanticipated expenses that arise that were not included in the financial forecast. Some of these expenses are one-time costs, while others are ongoing expenses that will need to be included in future budgets.

Exhibit 2 is a summary of these additional expenses.

Exhibit 2: Additional Expenses

Department Projects Summary	
Recurring Costs	
DOH Security Mandates	\$144,000
Vehicle Replacement	100,000
Cross Connection Incentive Program	50,000
Annual Reservoir Cleaning	40,000
SCADA Improvements	40,000
One-time Costs	
Server hardware replacement / upgrades	\$350,000
Replace CAT 309 Hydraulic Excavator	148,000
Two ton service truck	135,000
Emergency Response Plan	75,000
Chlorine & Carbon Dioxide Alarm Integration	68,000
Software Integration (CityWorks & NorthStar)	40,000
Total	\$1,190,000

Exhibit 3 shows department budgets distributed across District functions.

Exhibit 3: Summary of Operating Budget by Function

	2021 Proposed O&M Budget						Expenditure Offsets	Taxes and Non-Oper	Total
	01 Supply	03 Treatment	05 T&D	06 Broadband	07 Cust Svc	08 Admin			
Commissioner						255,418		255,418	
Executive						1,193,112		1,193,112	
Human Resources						244,589		244,589	
Safety						187,454		187,454	
Information Technology			53,400			1,373,411		1,426,811	
Broadband				114,300				114,300	
Finance						704,172		704,172	
Stores						378,630	(250,000)	128,630	
Meters					594,414			594,414	
Customer Service					699,888			699,888	
Billing					284,185			284,185	
Community Relations					231,107			231,107	
Engineering	26,000		55,200			1,862,410		1,943,610	
Construction & Maintenance			1,728,072			319,953		2,048,024	
Operations Support		-	28,000			900,369	(555,000)	373,369	
Water Treatment Plant	407,500	2,355,359						2,762,859	
Water Quality and Lab	15,000	22,000	135,343			194,574		366,918	
Distribution	383,000	5,000	146,865			1,152,930		1,687,795	
Facilities		-	86,000		-	207,621		293,621	
Non-Departmental						59,496	(625,000)	1,335,120	
Total Cash Operating Expenses	831,500	2,382,359	2,232,880	114,300	1,809,594	9,034,139	(1,430,000)	1,335,120	16,309,892

The next exhibit compares budget and actual expenses by function.

Exhibit 4: Historical Summary of Operating Budget by Function

Budget Summary by Function	2019 Actual	2020 Budget	2021 Proposed	Budget Comparison	
				2020-2021 \$ Change	2020-2021 % Change
Supply (01)	1,129,350	818,080	831,500	13,420	1.6%
Treatment (03)	2,021,686	2,228,336	2,382,359	154,024	6.9%
Transmission & Dist (05)	1,157,249	2,171,637	2,232,880	61,243	2.8%
Customer Service (07)	1,641,716	1,924,134	1,809,594	(114,540)	-6.0%
Administration (08)	7,283,689	7,613,974	7,718,439	104,464	1.4%
Taxes and Other (09)	1,260,529	1,347,120	1,335,120	(12,000)	-0.9%
Total	14,494,219	16,103,281	16,309,892	206,611	1.3%

The increase in the Treatment Function budget is largely due to the costs of chemicals used at the Water Treatment Plant increasing and two projects that will be undertaken at the plant in the coming year. The first project calls for the installation of CO2/CL2 alarms that will be integrated into the SCADA system to allow remote monitoring and response. The second project will rebuild the Ammonia tank at the plant.

The decrease in the Customer Service Function budget is the result of efficiency gains achieved with new staff and training and by utilizing a lockbox service to process electronic and check utility bill payments.

The budget was prepared using estimates for the number of projects that would be capitalized during the year. Projects that are capitalized reduce the District's operations budget for salaries and benefits, inventory, and equipment, while staff work on capitalized projects. The proposed budget anticipates fewer capital projects and more repair and maintenance projects that extend the useful life of District assets.

The following chart compares the estimated capitalized labor expense between last year's budget and the 2021 Proposed Budget. The result is that in 2021 there is an additional \$160,000 of salary and benefits budgeted in the operations and maintenance budget.

Exhibit 5: Salary & Benefits Capitalization Comparison

2020 Proposed Budget	Salary & Benefits Cost			2021 Proposed Budget	Salary & Benefits Cost			
	Total	To Capital	To O&M		Total	To Capital	% to Capital	To O&M
Commissioner	-	-	-	Commissioner	-	-	0%	-
Executive	-	-	-	Executive	-	-	0%	-
Human Resources	-	-	-	Human Resources	-	-	0%	-
Safety	-	-	-	Safety	-	-	0%	-
Information Technology	627,561	31,378	596,183	Information Technology	-	-	0%	-
Broadband	-	-	-	Broadband	-	-	0%	-
Finance	-	-	-	Finance	-	-	0%	-
Stores	-	-	-	Stores	-	-	0%	-
Meters	-	-	-	Meters	-	-	0%	-
Customer Service	-	-	-	Customer Service	-	-	0%	-
Billing	-	-	-	Billing	-	-	0%	-
Community Relations	-	-	-	Community Relations	-	-	0%	-
Engineering	3,001,504	1,245,497	1,756,007	Engineering	2,943,302	1,162,701	40%	1,780,600
Construction & Maintenance	1,671,754	164,096	1,507,658	Construction & Maintenance	1,555,949	131,775	8%	1,424,174
Operations Support	644,537	13,969	630,568	Operations Support	-	-	0%	-
Water Treatment Plant	-	-	-	Water Treatment Plant	-	-	0%	-
Water Quality and Lab	-	-	-	Water Quality and Lab	-	-	0%	-
Distribution	-	-	-	Distribution	-	-	0%	-
Facilities	-	-	-	Facilities	-	-	0%	-
Total	5,945,356	1,454,940	4,490,416	Total	4,499,251	1,294,476	29%	3,204,775

Exhibit 6 compares District operating expenses for the years 2019-2021.

Exhibit 6: Historical Summary of Operating Budget by Line Item

Skagit PUD - 2021 Proposed Budget		2019	2020	2021	% Change
Summary by Line Item		Actual	Adopted	Proposed	Adopted
6010	Salary, Wages and Benefits	\$ 9,571,811	\$ 10,537,316	\$ 10,283,028	-2.4%
6100	Water Purchased from Others	120,018	200,000	200,000	0.0%
6150	Power Purchased for Pumping	615,996	530,000	530,000	0.0%
6180	Chemicals	383,350	561,280	598,000	6.5%
6200	Materials & Supplies	551,139	906,900	951,600	4.9%
6204	Broadband Sales Costs	4,678	4,500	4,500	0.0%
6205	Broadband Supplies and Materials	15,537	16,300	16,300	0.0%
6215	Rain Barrels	3,485	3,600	3,600	0.0%
6221	Community Relations	43,675	58,600	21,500	-63.3%
6222	Insurance Claims and Reimbursements	11,225	20,000	20,000	0.0%
6225	Maintenance Contracts	21,643	20,500	16,000	-22.0%
6226	Memberships, Licenses, Certifications	83,865	83,980	89,649	6.8%
6228	General Supplies & Non-Professional Services	260,350	336,549	372,224	10.6%
6229	Postage and Shipping	74,720	83,120	83,100	0.0%
6230	Professional Services	500,590	562,953	560,908	-0.4%
6231	Security	3,591	3,240	3,240	0.0%
6232	Tools and Small Equipment	55,330	77,600	82,060	5.7%
6234	Utilities	215,618	265,616	271,455	2.2%
6235	Permits	34,021	35,365	35,365	0.0%
6251	Computer Hardware, Communications, SCADA	71,628	154,500	284,310	84.0%
6252	Computer Software, Licenses and Support	297,404	509,513	547,453	7.4%
6255	Education and Professional Development	99,832	151,685	150,740	-0.6%
6260	Building, Furniture, Grounds and Roads	306,757	229,264	365,764	59.5%
6261	Safety	64,584	43,280	60,163	39.0%
6242	Rental Expense	227	-	-	
6266	Advertising	18,122	24,400	23,900	-2.0%
6267	Bad Debts	12,317	42,000	40,000	-4.8%
6500	Transportation-Fuel	102,308	100,000	100,000	0.0%
6501	Transportation-Parts	58,164	60,000	60,000	0.0%
6502	Transportation-Outside Services	18,908	30,000	30,000	0.0%
6505	Transportation-Enterprise Fleet Mgmt Fee	3,807	4,178	4,178	0.0%
6560	Insurance-Property	222,617	226,592	281,648	24.3%
6570	Insurance-Liability	253,342	300,980	311,737	3.6%
6590	Insurance-Other	3,236	2,350	2,350	0.0%
<i>Expenditure Offsets:</i>		-	-	-	
6550	Transportation Overhead Charge	(217,598)	(555,000)	(555,000)	0.0%
6750	Inventory Administrative Overhead	(108,756)	(250,000)	(250,000)	0.0%
6751	Administrative Expense Transferred	(543,851)	(625,000)	(625,000)	0.0%
<i>State Taxes:</i>		-	-	-	
4080	Utility Taxes	1,203,819	1,295,000	1,293,000	-0.2%
<i>Other Expenditures:</i>		-	-	-	
4082	State Excise Taxes	45,548	35,000	25,000	-28.6%
4084	Fire and Dike District Taxes	10,505	16,520	16,520	0.0%
4087	Miscellaneous Taxes	657	600	600	0.0%
4299	Miscellaneous Expenses	-	-	-	
Total Cash Operating Expenditures		\$ 14,494,219	\$ 16,103,281	\$ 16,309,892	1.3%

B2. AGENCY MEMBERSHIPS

The District is a member and participates in several local groups and events where a business interest has been identified. Exhibit 7 is a listing of the various organizations and groups that the District has included in the 2021 Proposed Budget.

Exhibit 7: Memberships and Sponsorships

Memberships	
Washington PUD Association (WPUDA)	60,324
American Water Works Association (AWWA)	6,700
Chlorine Institute	5,000
Salmon Festival	5,000
Washington Water Utilities Council (WWUC)	2,600
Economic Development Association of Skagit County (EDASC)	2,500
Skagit Council of Governments (SCOG)	1,436
Mount Vernon Chamber	850
Washington Association of Sewer & Water Districts	600
Burlington Chamber	600
Total	\$ 85,610

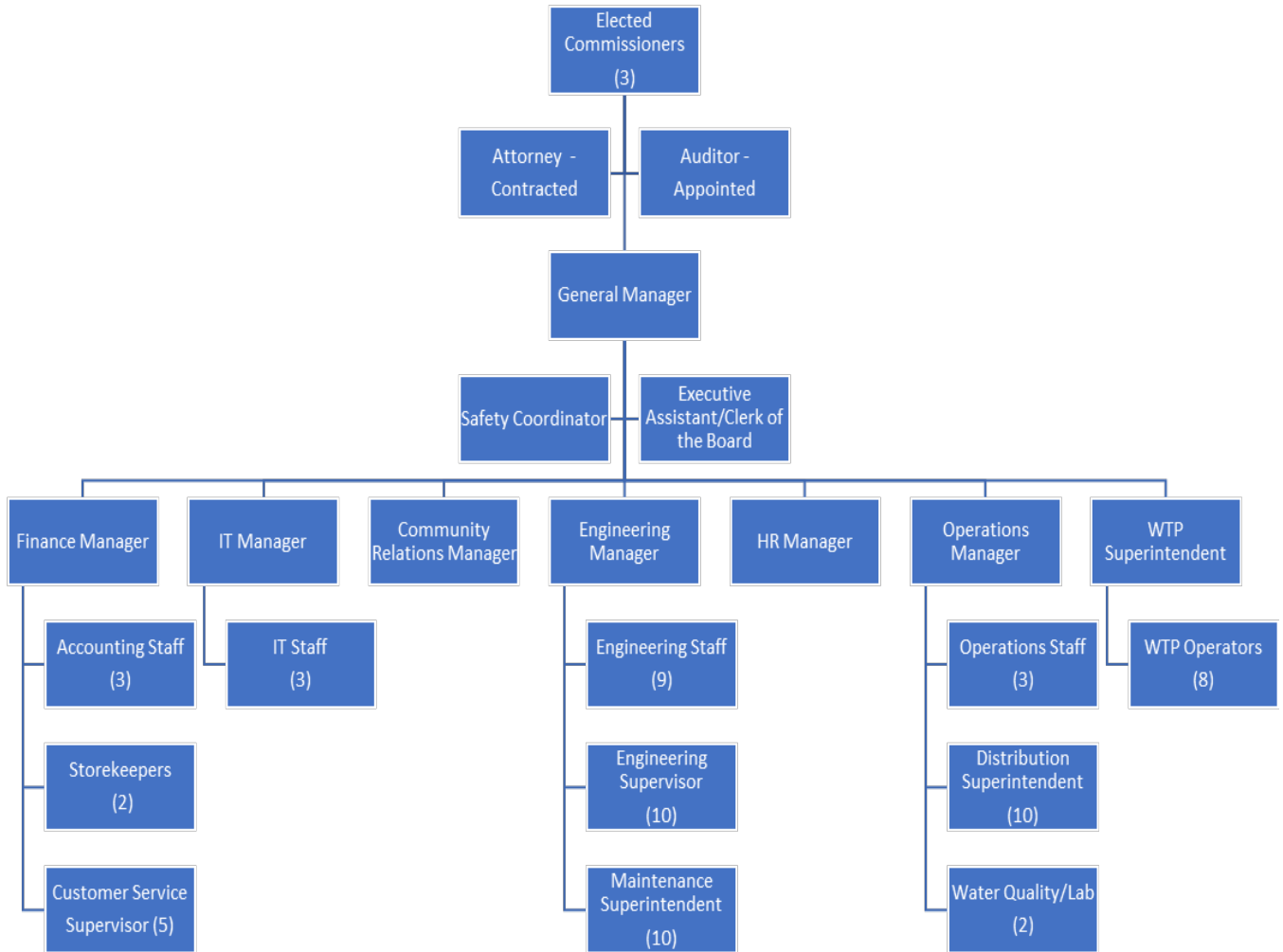
B3. STAFFING

The District continues to assess its core functions and level of service and adjusts staffing levels and operations accordingly. Recently, there have been several positions filled internally including: the new Distribution Superintendent position, Meter Technician, and Water Quality Technician positions. The engineering department added new positions in 2020 to support the large capital projects program now underway including the Transmission Line, Judy - Mount Vernon Phase 2, Water Treatment Plant upgrades, and the remodel of the District's main campus building.

Exhibit 8: Summary of Full-Time Equivalent Positions (FTEs)

2021 Proposed Budget	2019	2020	2021 Proposed	2020-2021 Change	Description
Authorized FTEs by Department					
Commissioner	-	-	-	-	
Executive	3.00	2.25	2.00	(0.25)	Overlap for retirement
Human Resources	1.00	1.00	1.00	-	
Safety	1.05	1.05	1.05	-	
Information Technology	4.00	4.00	4.00	-	
Broadband	-	-	-	-	
Finance	4.25	4.25	4.00	(0.25)	No intern
Stores	2.00	2.00	2.00	-	
Meters	4.00	4.00	4.00	-	
Customer Service	5.63	6.00	5.00	(1.00)	Operational efficiencies
Billing	1.00	1.00	1.00	-	
Community Relations	1.00	1.00	1.00	-	
Engineering	19.80	21.80	21.80	-	Large capital projects program
Construction & Maintenance	14.00	12.00	11.00	(1.00)	Filled Water Quality Technician position
Operations Support	4.42	4.42	4.42	-	
Water Treatment Plant	9.50	9.50	9.50	-	
Water Quality and Lab	2.00	2.00	2.00	-	
Distribution	6.00	7.50	7.50	-	Overlap for 2022 SCADA retirement
Facilities	0.20	0.20	0.20	-	Chinook Services employee
Total	82.85	83.97	81.47	(2.50)	

Exhibit 9: Organization Chart



C. CAPITAL IMPROVEMENT PLAN

Exhibit 10 is a summary of the ten-year rolling Capital Improvement Plan (CIP). It contains revised estimates for projects planned and authorized through 2030. The new CIP table reflects updates in schedule for the Transmission Line, Judy – Mount Vernon Phase 2, which finished design and bid in late 2020. The table also shows new projects at the Water Treatment Plant that were identified during the need's assessment study conducted during the past year. This resulted in several other pipeline project schedule changes in order to balance the overall workload and expenditures.

The CIP anticipates \$155 million of projects over the next ten-years. There are several large projects that have been updated and modified as part of this year's budget including: several Water Treatment Plant projects that were identified in the assessment study, Raw water pump station upgrade. The District has determined that the best location for a new campus building is at our current location. The District has engaged Driftmier Architects to design the new facility on the southwest portion of our current site. These revisions to project schedules kept the overall cost estimate of the CIP the same. However, it did increase the projects (\$102 million) that are anticipated to be completed within the first five-years of the CIP.

Capital Improvement needs were identified through

- Comprehensive system planning process
- Internally developed capital improvement plan

Capital Improvement Plan Budget Phases

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

Capital funding plan identifies possible funding sources available

- 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

Exhibit 10: Summary of Planned Capital Improvements Projects 2021-2030

System Water Plan #	Description	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Department Capital:										
	Computer Software/ IT	\$ 705,000	\$ 500,000	\$ 300,000	\$ 550,000	\$ 300,000	\$ 800,000	\$ 700,000	\$ 300,000	\$ 300,000	\$ 300,000
	Customer/ Meter	105,000	125,000	75,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
	Equipment/Ops	445,000	150,000	150,000	150,000	150,000	200,000	200,000	200,000	200,000	200,000
	Water Treatment Plant	150,000	150,000	150,000	200,000	200,000	200,000	200,000	250,000	250,000	250,000
	Engineering	50,000	50,000	50,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000
	Department Capital Total:	\$ 1,455,000	\$ 975,000	\$ 725,000	\$ 1,025,000	\$ 775,000	\$ 1,325,000	\$ 1,225,000	\$ 875,000	\$ 875,000	\$ 875,000
	Pipe Replacement:										
MP13-7	Burklund Road Pipeline	3,200,000									
MP20-3	Sky Ridge Pipe Replacement and Booster Pump Station	1,000,000									
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					
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	2,300,000	2,300,000								
	State Grant Needed to fund Project	(2,300,000)	(2,300,000)								
MP13-8	North Fork Skagit River Crossing				-	-			1,000,000	8,600,000	
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	500,000	500,000	500,000
	Pipe Replacement Total:	\$ 4,700,000	\$ 900,000	\$ 4,200,000	\$ 2,200,000	\$ 2,560,000	\$ 1,700,000	\$ 3,485,000	\$ 2,600,000	\$ 9,250,000	\$ 500,000
	Major Capital:										
	Operations & Maintenance:										
MO20-1	Raw Water Pump Station Upgrade	3,650,000									
MO20-2	WTP Backwash Pump Replacement / Portable Generator	200,000	1,500,000								
MO13-6	WTP Dry Scrubber Retrofit	500,000									
MO20-4	WTP SCADA Replacement	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						
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	400,000									930,000
MO13-8	Badger ORION 5/8 Meter Transmitter Replace 9Th Street Pump		80,000	1,500,000	1,500,000	1,500,000					
	Operations & Maintenance Total:	\$ 4,940,000	\$ 2,420,000	\$ 2,770,000	\$ 3,500,000	\$ 1,500,000	\$ -	\$ 600,000	\$ -	\$ 50,000	\$ 1,770,000

Exhibit 10: Summary of Planned Capital Improvement Projects 2021-2030 – Continued

System Water Plan #	Description	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
MT13-4	Transmission Pipelines: Transmission Line, Judy - MV Phase 2	16,200,000	16,200,000								
MT13-9	Judy SW Transmission Phase 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		
MT20-1	Judy SW Transmission Phase 2 top of hill	-	-	-			-	-		1,000,000	4,500,000
	Transmission Pipelines Total:	\$ 16,200,000	\$ 16,200,000	\$ 1,300,000	\$ 1,300,000	\$ 6,300,000	\$ 700,000	\$ 9,250,000	\$ 9,250,000	\$ 1,000,000	\$ 4,500,000
MR20-1	Reservoirs: Panorama - 2 MG storage tank & replace pump in RWPS	560,000	2,300,000	2,300,000							
MR13-2	Cascade Ridge Reservoir (.1 MG)									255,000	
MR13-3	Big Lake Storage Tank (356 HGL)									510,000	
MR13-4	Pleasant Ridge Area Storage (290 HGL)	-	-							640,000	
MR13-5	N. Sedro Woolley Storage (430/350 HGL)	-	-							320,000	
	Reservoirs Total:	\$ 560,000	\$ 2,300,000	\$ 2,300,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,725,000	\$ -
MO20-3	Facilities WTP Dam Pipe Replacement	300,000									
MX20-2	Potlatch RO Replacement	100,000									
	PUD Campus Design & Construction	3,500,000	10,000,000	6,000,000							
	Facilities Total:	\$ 3,900,000	\$ 10,000,000	\$ 6,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FO13-5	Fiber & Other: Annual Fiber Optic Installation Program	29,000	70,000	150,000	150,000	150,000	200,000	200,000	200,000	200,000	250,000
FO13-6	Kulshan Trail Fiber	76,000									
FO13-4	Kulshan Ave. Fiber	120,000									
MX13-3	9Th Street Fiber		80,000								
MO13-5	Micro Hydro @ Division St. booster pump station	50,000									
	Document Management Software Implementation	150,000									
	Major Capital Total:	\$ 26,025,000	\$ 31,070,000	\$ 12,520,000	\$ 4,950,000	\$ 7,950,000	\$ 900,000	\$ 10,050,000	\$ 9,450,000	\$ 2,975,000	\$ 6,520,000
	Total Capital Projects	\$ 32,180,000	\$ 32,945,000	\$ 17,445,000	\$ 8,175,000	\$ 11,285,000	\$ 3,925,000	\$ 14,760,000	\$ 12,925,000	\$ 13,100,000	\$ 7,895,000
	Total from 2020 Budget	26,513,918	20,649,801	15,797,227	10,051,137	10,514,876	5,029,639	15,560,314	15,403,652	16,353,652	4,203,652
	Increase/(Decrease) from 2020	5,666,082	12,295,199	1,647,773	(1,876,137)	770,124	(1,104,639)	(800,314)	(2,478,652)	(3,253,652)	3,691,348
	Average Annual Capital - First Five Years CIP (2021-2025)										
	2021 Budget	20,406,000									
	2020 Budget	19,324,215									
	Increase/(Decrease)	1,081,785									
	Average Annual Capital - Ten Year CIP (2021-2030)										
	2021 Budget	15,463,500									
	2020 Budget	13,774,797									
	Increase/(Decrease)	1,688,703									
	Department Capital	1,455,000	975,000	725,000	1,025,000	775,000	1,325,000	1,225,000	875,000	875,000	875,000
	Pipeline Replacement	4,700,000	900,000	4,200,000	2,200,000	2,560,000	1,700,000	3,485,000	2,600,000	9,250,000	500,000
	Major Capital	26,025,000	31,070,000	12,520,000	4,950,000	7,950,000	900,000	10,050,000	9,450,000	2,975,000	6,520,000
	Total Capital Improvement Projects	\$ 32,180,000	\$ 32,945,000	\$ 17,445,000	\$ 8,175,000	\$ 11,285,000	\$ 3,925,000	\$ 14,760,000	\$ 12,925,000	\$ 13,100,000	\$ 7,895,000

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, etc.

C2. CAPITAL PROGRAM SUMMARY

Based on the updated capital plan for the 2021 budget, the total value of the capital projects over the next ten- years is \$155 million. Some of next year’s larger capital projects include: Raw Water Pump Station improvements, Burklund Road pipeline, Transmission Line, Judy – Mount Vernon Phase 2, Panorama storage tank, and a new District campus.

a) Department Capital

The 2021 Proposed Budget includes \$1.4 million of department capital projects from Operations, Engineering, Water Treatment Plant, Meters, and the IT Departments. This year’s projects include vehicle replacements, Emergency Response Plan, software & server upgrades, security and reliability improvements at the Water Treatment Plant, and planned life cycle replacements for server hardware, improvements to the SCADA system and Department of Health (DOH) security mandates.

b) Pipe Replacement

The 2021 Proposed Budget includes two pipe replacement projects. There is a \$1 million Sky Ridge pipe replacement and booster station project planned and a \$3.2 million Burklund Road pipeline, and \$500,000 for projects with other agencies that are yet to be identified.

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 2021 include: \$225,000 of fiber installation, \$3.7 million for the Raw water pump replacement, \$16 million for the Transmission Line, Judy - Mount Vernon Phase 2, \$500,000 for the WTP Dry Scrubber retrofit, and \$3.5 million to complete the design and start construction of the District’s new campus building.

D. CAPITAL BUDGET AND DEBT SERVICE

Exhibit 11 compares the first year of the 2021 CIP capital budget to this year’s forecasted capital expenditures. The proposed budget anticipates a \$24 million increase in capital projects primarily the result of the Transmission Line, Judy - Mount Vernon Phase 2, Water Treatment Plant projects, and the two pipe replacement projects discussed earlier.

Exhibit 11: Capital Budget and Debt Service

Summary of Capital Budgets	2020 Forecast	2021 Proposed Budget
Capital Budget		
Department Capital	\$ 913,008	\$ 1,455,000
Major Capital	5,340,000	26,025,000
Annual Pipe Replacement	1,717,000	4,700,000
Total Capital Budget	\$7,970,008	\$ 32,180,000

The proposed budget assumes that additional financing will be needed to fund the capital improvement plan. The timing of the financing is dependent upon how fast the capital projects are completed and whether we are successful in our application for state loans/grants. Our current bank and loan capacity of approximately \$18 million is sufficient to fund the CIP projects through 2021.

2021 Debt Service	Interest	Principal	Total
Total Bonds (Existing)	\$ 336,326	\$ 760,013	\$ 1,096,339
Total PWTF Loans	\$ 13,185	\$1,281,201	\$ 1,294,386
Total DWSRF Loans	\$ 150,550	\$ 826,829	\$ 977,379
Total Other State Loans	\$ 21,500	\$ 50,501	\$ 72,001
Total Debt Service	\$ 521,561	\$2,918,544	\$ 3,440,105

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 2021 Proposed 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 = \$4,850,000.

Projected: 2021 ending balance = \$11,000,000, 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: 372 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: 11.6 on bonded debt, which is above the target.

3.7 Total Debt service coverage, which exceeds the target.

d) Rate Funded Capital

Target: Capital Expenditures target = \$7.5 million = Depreciation expense

Projected: Capital paid by rates = \$10,180,000, which exceeds the target.

Exhibit 12: Comparison of 2021 Proposed Budget with Fiscal Management Targets

Fiscal Policy Check	2020 Forecast	2021 Proposed
Liquidity Target		
Ending Balance, All Funds	\$ 22,249,212	\$ 16,014,283
No. Days of O&M Expenses	526 Days	372 Days
Target (Minimum)	180 Days	180 Days
Above/(Below) Target	346 Days	192 Days
Revenue Fund Balance		
Ending Balance Revenue Fund	\$ 13,900,050	\$ 11,010,014
Target (Minimum)		
2.5 months of O&M Expenses plus Depreciation	4,789,610	4,846,126
Above/(Below) Target	9,110,440	6,163,888
Debt Service Coverage		
Bonded Debt Service	\$ 1,108,517	\$ 1,096,339
Total Revenue excluding Debt Proceeds and Transfers	\$ 27,232,121	\$ 28,486,342
Projected O&M Expenses	15,437,940	15,709,217
Projected Net Operating Revenue	\$ 11,794,181	\$ 12,777,125
Bonded Debt Service Coverage	10.64	11.65
Target (Minimum)	2.00	2.00
Above/(Below) Target	8.64	9.65
<i>Information:</i>		
Total Debt Service, including State Loans	\$ 3,011,384	\$ 3,440,105
Debt Service Coverage on All Debt	3.92	3.71
Rate-Funded Capital		
Capital Expenditures	\$ 4,807,908	\$ 10,180,000
Target (Minimum Prior Year's Depreciation)	7,552,189	7,552,189
Above/(Below) Target	\$ (2,744,281)	\$ 2,627,811
100% of Annual Depreciation	7,552,189	7,552,189
Above/(Below) Annual Depreciation	(2,744,281)	2,627,811

F. RATE FORECAST SUMMARY

The Proposed Budget was developed utilizing the rate study recommendations of an annual five percent increase in base water rates and additional increases in the tiered rates to promote conservation. The rate increase is scheduled to take effect January 1, 2021 and is projected to increase rate revenues by approximately \$1.2 million. This additional revenue will be used to fund the ten-year Capital Improvements Plan.

The rate revenue increase of \$1.2 million will be used to pay the debt service on new and existing debt issued to fund the planned capital improvement program.

For 2021, the average residential rate impact of this budget is approximately \$5.66 per billing cycle, assuming 6 ccf of water use.

G. FUND SUMMARIES

The following two pages compare District fund summaries for the proposed budget and the prior year.

All Funds Summary forecast for 2020					
Cash Resources and Requirements					
	Revenue Fund	Major Capital Fund	System Development Fund	Debt Service	Combined
Resources:					
Beginning Fund Balance	10,357,000		5,306,000	2,553,000	18,216,000
External Revenue:					
Rate Revenue	25,254,832				25,254,832
System Development Fees			1,250,456		1,250,456
Capital Contributions	408,491				408,491
Grants - Little Mountain		1,200,000			1,200,000
LUD Assessments, Interest, Penalties				117,606	117,606
Investment Income	100,000				100,000
Non-Operating Revenues	100,736				100,736
Total External Revenue	25,864,059	1,200,000	1,250,456	117,606	28,432,121
Debt Proceeds:					
Debt Proceeds -					
DWSRF Loan - Mountain View Loan		1,112,100			1,112,100
PWTF Loan - MV Transmission Line		650,000			650,000
Debt Proceeds - Bonds					
Total Debt Proceeds		1,762,100			1,762,100
Transfers from Other Funds:					
System Development Fund		200,000			200,000
Major Capital Fund					
Revenue Fund		3,000,000		1,511,384	4,511,384
Revenue Fund - Minimum Bond Reserve					
Revenue Fund - New Debt Reserve					
Total Transfers from Other Funds		3,200,000		1,511,384	4,711,384
Total Revenue	25,864,059	6,162,100	1,250,456	1,628,990	34,905,605
Total Resources	36,221,059	6,162,100	6,556,456	4,181,990	53,121,605
Uses:					
Operating Expenditures:					
Operations and Maintenance	13,621,747				13,621,747
Bond Issue Costs					
Utility and Excise Taxes	1,150,852				1,150,852
Total Operating Expenditures	14,772,599				14,772,599
Capital Expenditures:					
Service/Meters/Developer Projects	407,018				407,018
Department Projects	913,008				913,008
Major Capital Projects		5,340,000			5,340,000
Pipe Replacement	1,717,000				1,717,000
Total Capital Expenditures	3,037,026	5,340,000			8,377,026
Debt Service Payments:					
Interest Payments				283,801	283,801
Federal Tax Credit for 2009B Bonds				(5,353)	(5,353)
Principal Payments				2,732,936	2,732,936
Total Debt Service Payments				3,011,384	3,011,384
Transfers to Other Funds:					
Revenue					
Major Capital	3,000,000		200,000		3,200,000
Debt Service	1,511,384				1,511,384
Debt Reserve					
Total Transfers to Other Funds	4,511,384		200,000		4,711,384
Total Expenditures	22,321,009	5,340,000	200,000	3,011,384	30,872,393
Ending Fund Balance	13,900,050	822,100	6,356,456	1,170,606	22,249,212
Total Uses	36,221,059	6,162,100	6,556,456	4,181,990	53,121,605

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	13,900,050	822,100	6,356,456	1,170,606	22,249,212
External Revenue:					
Rate Revenue	26,518,000				26,518,000
System Development Fees			1,260,000		1,260,000
Capital Contributions	400,000				400,000
Grants					
LUD Assessments, Interest, Penalties				107,606	107,606
Investment Income	100,000				100,000
Non-Operating Revenues	100,736				100,736
Total External Revenue	27,118,736		1,260,000	107,606	28,486,342
Debt Proceeds:					
Debt Proceeds -					
DWSRF Loan - Mountain View Loan					
PWTF Loan - MV Transmission Line		4,500,000			4,500,000
Debt Proceeds - Bonds		12,500,000			12,500,000
Total Debt Proceeds		17,000,000			17,000,000
Transfers from Other Funds:					
System Development Fund		5,000,000			5,000,000
Major Capital Fund					
Revenue Fund	4,500,000			3,459,374	7,959,374
Revenue Fund - Minimum Bond Reserve					
Revenue Fund - New Debt Reserve					
Total Transfers from Other Funds		9,500,000		3,459,374	12,959,374
Total Revenue	27,118,736	26,500,000	1,260,000	3,566,980	58,445,716
Total Resources	41,018,786	27,322,100	7,616,456	4,737,586	80,694,928
Uses:					
Operating Expenditures:					
Operations and Maintenance	14,201,398				14,201,398
Bond Issue Costs		187,500			187,500
Utility and Excise Taxes	1,293,000				1,293,000
Total Operating Expenditures	15,494,398	187,500			15,681,898
Capital Expenditures:					
Service/Meters/Developer Projects	400,000				400,000
Department Projects	1,455,000				1,455,000
Major Capital Projects		26,025,000			26,025,000
Pipe Replacement	4,700,000				4,700,000
Total Capital Expenditures	6,555,000	26,025,000			32,580,000
Debt Service Payments:					
Interest Payments				610,104	610,104
Federal Tax Credit for 2009B Bonds					
Principal Payments				2,849,270	2,849,270
Total Debt Service Payments				3,459,374	3,459,374
Transfers to Other Funds:					
Revenue					
Major Capital	4,500,000		5,000,000		9,500,000
Debt Service	3,459,374				3,459,374
Debt Reserve - Minimum Bond Reserve					
Debt Reserve - New Debt					
Total Transfers to Other Funds	7,959,374		5,000,000		12,959,374
Total Expenditures	30,008,772	26,212,500	5,000,000	3,459,374	64,680,646
Ending Fund Balance	11,010,014	1,109,600	2,616,456	1,278,212	16,014,283
Total Uses	41,018,786	27,322,100	7,616,456	4,737,586	80,694,928