



105

2024 BUDGET

PUBLIC UTILITY DISTRICT
NO. 1 OF SKAGIT COUNTY

Adopted | November 14, 2023

Skagit
PUD
PUBLIC UTILITY DISTRICT

In accordance with Resolution No. 2262-19, we are pleased to present the Public Utility District No. 1 of Skagit County 2024 Budget.

SECTION 1: BUDGET OVERVIEW

The 2024 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 plus projected revenues, and “requirements” consist of authorized expenditures plus planned end-of-year reserve balances. The budget balances 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 of spending authority delegated to the General Manager.

The proposed budget was presented at a public hearing on October 10, 2023. Public comment was taken during the public hearing and at subsequent work sessions. Board members have the opportunity to incorporate public comments and direct changes to the budget before its adoption. The adopted budget will take effect on January 1, 2024.

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 the revised budget.

SECTION 2: FUND OVERVIEW

A. GENERAL REVENUE FUND

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

B. CAPITAL PROJECT FUND

Construction funds for large capital projects are commonly obtained from the issuance of bonds with the proceeds restricted by bond covenants. Federal or state loans and restricted grant funds may also be accounted for in this fund.

C. SYSTEM DEVELOPMENT FUND

This account is comprised of funds imposed as a condition of service on customers connecting to the system. Fees are based on a blend of historical and planned future capital investments in system infrastructure. The underlying premise being that future customers should pay an equitable share of capital costs that the utility has or will incur to provide system capacity. The funds are restricted by the Commission and used only 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 to pay principal and interest on all District debt and meet reserve requirements of the bond covenants.

SECTION 3: DISCUSSION OF 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, and meeting 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 by developing 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 the water system’s growth and capacity-related capital expenditures.

A3. REVENUE PROJECTIONS

The budget was developed utilizing FCS Group’s rate study recommendation of a five percent increase in base water rates. To promote conservation, the tiered water rates are increasing at a higher rate for high consumption customers. In addition, the District removed the capital surcharge and modified the tiered water rates to increase equity across water customers.

The proposed rate increases will take effect January 1, and are projected to increase water revenues by almost \$1.6 million in 2024. These funds will be used to fund the Capital Improvement Plan and related debt service. It is anticipated that capital contributions and non-operating revenue may be lower next year as the economy struggles with inflation, higher interest rates, supply chain issues, and economic uncertainty.

Exhibit 1: Projected Revenues

	2022 Actual	2023 Forecast	2024 Budget	2023-2024 % Change
Operating Revenues				
Residential/Multi-family	21,159,024	22,337,648	23,455,000	5.0%
Commercial & Government	6,320,000	7,464,134	7,837,000	5.0%
Agriculture	893,480	794,054	834,000	5.0%
Irrigation	815,791	660,660	694,000	5.0%
Resale	181,844	168,045	176,000	4.7%
Total Rate Revenue	29,370,139	31,424,541	32,996,000	5.0%
Misc Operating Revenues	90,279	169,292	178,000	5.1%
Total Operating Revenue	29,460,418	31,593,833	33,174,000	5.0%
Capital Contributions				
Work Orders for others	317,030	195,844	200,000	2.1%
Services	456,048	316,189	320,000	1.2%
System Development Fees	1,038,128	897,631	900,000	0.3%
Total Capital Contributions	1,811,206	1,409,665	1,420,000	0.7%
Non-Operating Revenues				
Rental Revenue	22,809	24,882	1,000	-96.0%
Investment Income	26,921	1,846,766	1,000,000	-45.9%
Misc Non-Operating Income	46,923	11,222	20,000	78.2%
LUD Assessments	83,970	67,904	65,000	-4.3%
Total Non-Operating Revenue	195,033	1,950,774	1,086,000	-44.3%
Total Revenue and Capital Contributions	31,466,657	34,954,272	35,680,000	2.1%

B. OPERATING EXPENSES

B1. SUMMARY OF OPERATING EXPENSES CHANGES

The financial forecast model includes a projection of operating expenses over 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 the cost of water purchased from Anacortes, the forecast assumes an annual aggregated cost increase of approximately 4.5%. In each budget cycle, line-item expenses are reviewed, adjusted according to current market conditions, and incorporated as part of the budget.

Exhibit 2: Operations Budget by Line Item

Skagit PUD - 2024 Budget		2022	2023	2024	\$ Change	% Change
Summary by Line Item		Actual	Budget	Budget	2023-2024	
6010	Salary, Wages and Benefits	\$ 10,346,326	\$ 11,806,755	\$ 12,449,064	\$ 642,309	5%
6100	Water Purchased from Others	214,827	200,000	200,000	\$ -	0%
6150	Power Purchased for Pumping	582,363	530,000	530,000	\$ -	0%
6180	Chemicals	587,596	685,200	719,060	\$ 33,860	5%
6200	Materials & Supplies	581,124	1,046,100	1,023,100	\$ (23,000)	-2%
6204	Broadband Sales Costs	4,561	5,000	-	\$ (5,000)	-100%
6205	Broadband Supplies and Materials	19,464	15,000	-	\$ (15,000)	-100%
6215	Rain Barrels	5,171	4,500	5,500	\$ 1,000	22%
6221	Community Relations	5,106	53,500	20,500	\$ (33,000)	-62%
6222	Insurance Claims and Reimbursements	11,336	20,000	20,000	\$ -	0%
6225	Maintenance Contracts	12,306	8,800	8,800	\$ -	0%
6226	Memberships, Licenses, Certifications	77,397	90,367	98,743	\$ 8,376	9%
6228	General Supplies & Non-Professional Services	419,396	407,924	406,564	\$ (1,360)	0%
6229	Postage and Shipping	81,131	80,100	70,100	\$ (10,000)	-12%
6230	Professional Services	348,853	699,587	1,020,143	\$ 320,556	46%
6231	Security	3,924	134,040	134,040	\$ -	0%
6232	Tools and Small Equipment	158,854	104,000	117,930	\$ 13,930	13%
6234	Utilities	264,121	387,490	369,030	\$ (18,460)	-5%
6235	Permits	35,299	35,365	35,365	\$ -	0%
6251	Computer Hardware, Communications, SCADA	224,155	179,000	148,500	\$ (30,500)	-17%
6252	Computer Software, Licenses and Support	444,588	492,954	606,980	\$ 114,026	23%
6255	Education and Professional Development	133,641	171,672	173,093	\$ 1,421	1%
6260	Building, Furniture, Grounds and Roads	445,011	373,064	368,014	\$ (5,050)	-1%
6261	Safety	50,798	90,461	55,280	\$ (35,181)	-39%
6266	Advertising	20,569	29,400	28,900	\$ (500)	-2%
6267	Bad Debts	89,836	40,000	40,000	\$ -	0%
6500	Transportation-Fuel	111,126	100,000	100,000	\$ -	0%
6501	Transportation-Parts	51,202	60,000	60,000	\$ -	0%
6502	Transportation-Outside Services	37,327	30,000	30,000	\$ -	0%
6505	Transportation-Enterprise Fleet Mgmt Fee	7,788	4,178	4,178	\$ -	0%
6560	Insurance-Property	352,593	398,180	445,576	\$ 47,396	12%
6570	Insurance-Liability	355,452	393,058	417,972	\$ 24,914	6%
6590	Insurance-Other	1,301	2,000	2,000	\$ -	0%
<i>Expenditure Offsets:</i>						
6550	Transportation Overhead Charge	(196,961)	(455,000)	(455,000)	\$ -	0%
6750	Inventory Administrative Overhead	(206,222)	(250,000)	(250,000)	\$ -	0%
6751	Administrative Expense Transferred	(778,099)	(725,000)	(725,000)	\$ -	0%
<i>State Taxes:</i>						
4080	Utility Taxes	1,449,364	1,500,000	1,616,000	\$ 116,000	8%
<i>Other Expenditures:</i>						
4082	State Excise Taxes	34,771	50,000	88,000	\$ 38,000	76%
4084	Fire and Dike District Taxes	14,302	16,520	16,520	\$ -	0%
4087	Miscellaneous Taxes	4,128	600	600	\$ -	0%
Total Operating Expenditures		\$ 16,405,825	\$ 18,814,816	\$ 19,999,553	\$ 1,184,737	6.3%

The 2024 budget increases operating expenses by \$1,184,737 or 6.3%. The largest dollar increase is in the *Salary, Wages & Benefits* line of \$642,309. There is one new part-time records management position as well as cost-of-living adjustments and increases to medical, vision, dental, and life insurance benefits for all employees. Other line items with significant dollar increases include *Chemicals* \$33,860 used at the water treatment plant, *Professional Services* \$320,556 contracts for new regulations, water rights, watershed monitoring, actuary services, Rate Study, and facility permitting, *Computer Software & Licenses* \$114,026 for districtwide software, *Insurance Property & Liability* \$72,310 for a general increase in insurance rates, and *Utility taxes* \$116,000 that correspond to the increase in rate revenue.

The following section of the budget compares expenses across district functions, departments, and years. These comparisons are included to provide insight into district operations and expenditures.

Exhibit 3: Summary of Operations Budget by Function

2024 O&M Budget	Transmission			Customer		Expenditure		Taxes and	Total
	Supply	Treatment	Distribution	Service	Administration	Offsets	Non-Operations		
Commissioner					281,092				281,092
Executive					1,651,494				1,651,494
Human Resources					501,510				501,510
Safety					254,214				254,214
Information Technology			78,000		1,908,385				1,986,385
Finance					698,705				698,705
Stores					401,782	(250,000)			151,782
Meters				675,259					675,259
Customer Service				840,476					840,476
Billing				256,672					256,672
Community Relations				335,004					335,004
Engineering	138,000		312,200		2,145,893				2,596,093
Construction & Maintenance	20,000	50,000	1,965,425		376,760				2,412,185
Operations Support		-	8,000		1,126,625	(455,000)			679,625
Water Treatment Plant	406,500	2,722,294							3,128,794
Water Quality and Lab	18,000	26,600	159,285		218,333				422,217
Distribution	421,000	5,000	87,865		1,271,476				1,785,341
Facilities		-	71,000	-	228,224				299,224
Non-Departmental					47,359	(725,000)	1,721,120		1,043,479
Total Cash Operating Expenses	\$ 1,003,500	\$ 2,803,894	\$ 2,681,775	\$ 2,107,412	\$ 11,111,851	\$ (1,430,000)	\$ 1,721,120	\$	\$ 19,999,553

District Functions:

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

3 - Treatment: the water treatment plant located at Judy Reservoir and the Guemes Island osmosis water treatment plant are the assets associated with this function

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

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 budget section.

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 capital projects.

Exhibit 4: Historical Summary of Operating Budget by Function

Summary by Function	2022	2023	2024	Budget Comparison	
	Actual	Budget	Budget	\$ Change	% Change
Supply (01)	775,407	876,500	1,003,500	127,000	14%
Treatment (03)	2,391,783	2,737,847	2,803,894	66,047	2%
Transmission & Dist. (05)	1,572,309	2,155,715	2,681,775	526,060	24%
Customer Service (07)	1,829,109	2,115,043	2,107,412	(7,631)	0%
Administration (08)	8,334,652	9,362,590	9,681,851	319,261	3%
Taxes and Other (09)	1,502,565	1,567,120	1,721,120	154,000	10%
Total	\$ 16,405,825	\$ 18,814,816	\$ 19,999,553	\$ 1,184,737	6.3%

The increase in the *Supply* (01) budget from the prior year is associated with utility costs for pumping water to the Judy reservoir and for consulting services to protect PUD water rights and assist with regulatory permitting.

The *Transmission & Distribution* (05) budget increase is to pay for a comprehensive study of service lines as part of a new lead inventory regulations implemented by the Department of Health. In addition, there is a general increase in salaries & benefits for the construction and maintenance crews.

The *Taxes & Other* (09) budget increase is for the corresponding 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.

Exhibit 5: Changes in Department Budgets

Department	2023 YTD	2023	2024	Change	Description
	September	Budget	Budget		
Human Resources	308,053	468,154	501,510	7.1%	Benefits Administration Consultant
Commissioners	151,382	267,620	281,092	5.0%	
Administration	945,337	1,542,951	1,651,494	7.0%	Property and Liability Insurance
Safety Program	147,093	205,070	254,214	24.0%	Districtwide training expenses & Equipment
Const. Maintenance	1,049,953	2,370,105	2,412,185	1.8%	
Water Treatment Plant	2,066,889	3,025,747	3,128,794	3.4%	
Distribution	1,045,871	1,765,242	1,785,341	1.1%	
Lab & Water Quality	243,336	401,335	422,217	5.2%	Increase in supplies & materials
Operations Support	536,853	627,945	679,625	8.2%	
PUD Main Campus	191,613	299,224	299,224	0.0%	
Information Technology	1,259,671	1,918,647	1,986,385	3.5%	Cyber security & software
Finance	406,976	619,822	698,705	12.7%	Professional Services - actuary & rate study
Stores	126,818	145,702	151,782	4.2%	
Meter Crew	475,446	660,729	675,259	2.2%	
Customer Service	573,927	817,152	840,476	2.9%	Increase in vendor services
Billing	153,213	258,807	256,672	-0.8%	
Community Relations	192,273	378,355	335,004	-11.5%	Customer Survey off year
Engineering	1,620,638	2,164,852	2,596,093	19.9%	Professional Services
Non-departmental	794,754	886,356	1,043,479	17.7%	Taxes, merit pool, administrative overhead
Total	\$ 12,290,096	\$ 18,823,815	\$ 19,999,553	6.3%	

The budget is prepared using an estimate for the number of developer, capital projects, and maintenance projects that will be undertaken during the coming year. Capitalized projects done for others offset the District’s operations budget for salaries and benefits, inventory, and equipment expenses. The budget anticipates roughly the same number of capital and maintenance projects as the current year.

The following chart compares the estimated capitalized labor expense between the current year’s budget and the 2024 budget. There is a small reduction to the percentage of salaries and benefits budgeted for capital projects next year and a corresponding decrease in dollars. It is anticipated that 29% of engineering and construction maintenance salaries and benefits, or \$1,567,727, will be charged to capital projects.

Exhibit 6: Salary & Benefits Capitalization Comparison

Salary & Benefits Cost				
2024 Budget	Total	To Capital	% Capital	To O&M
Engineering	3,290,750	1,231,527	37%	2,059,223
Construction & Maint.	2,049,035	336,200	16%	1,712,835
Total	5,339,785	1,567,727	29%	3,772,058

Salary & Benefits Cost				
2023 Budget	Total	To Capital	% Capital	To O&M
Engineering	3,413,033	1,447,403	42%	1,965,630
Construction & Maint.	1,820,394	154,584	8%	1,665,810
Total	\$5,233,427	\$1,601,987	31%	\$3,631,440

B2. AGENCY MEMBERSHIPS

The District is a member and participates in several local and regional organizations and events where a business interest has been identified. It is anticipated that the District will continue to support the following organizations and is included in the budget.

Exhibit 7: Memberships and Sponsorships

Memberships & Sponsorships	
Washington PUD Association (WPUDA)	\$ 65,000
American Water Works Association (AWWA)	7,400
Chlorine Institute	5,000
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	\$ 86,129

B3. STAFFING

The District continues to assess its core functions and level of service and adjusts operations and staffing levels accordingly. The budget shows a slight decrease in the overall number of full-time equivalent employees. 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 maintenance foreman, server administrator, Human Resources assistant, and accounting positions.

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

2024 Budget FTEs by Department	2022	2023	Budget 2024	2023-2024 Change	Description
Executive	2.00	2.00	2.25	0.25	PT Records
Human Resources	2.00	2.00	2.25	0.25	PT Records
Safety	1.00	1.00	1.00	-	
Information Technology	5.00	5.00	5.00	-	
Finance	3.80	3.00	3.00	-	
Stores	2.00	2.00	2.00	-	
Meters	4.00	4.00	4.00	-	
Customer Service	5.00	5.00	5.00	-	
Billing	1.00	1.00	1.00	-	
Community Relations	1.00	1.00	1.00	-	
Engineering	21.80	21.80	19.80	(2.00)	Construction PM & Inspector
Construction & Maintenance	13.00	13.00	14.00	1.00	
Operations Support	4.42	5.00	5.00	-	
Water Treatment Plant	9.50	9.00	9.00	-	
Water Quality and Lab	2.00	2.00	2.00	-	
Distribution	8.00	7.00	7.00	-	
Total	85.52	83.80	83.30	(0.50)	

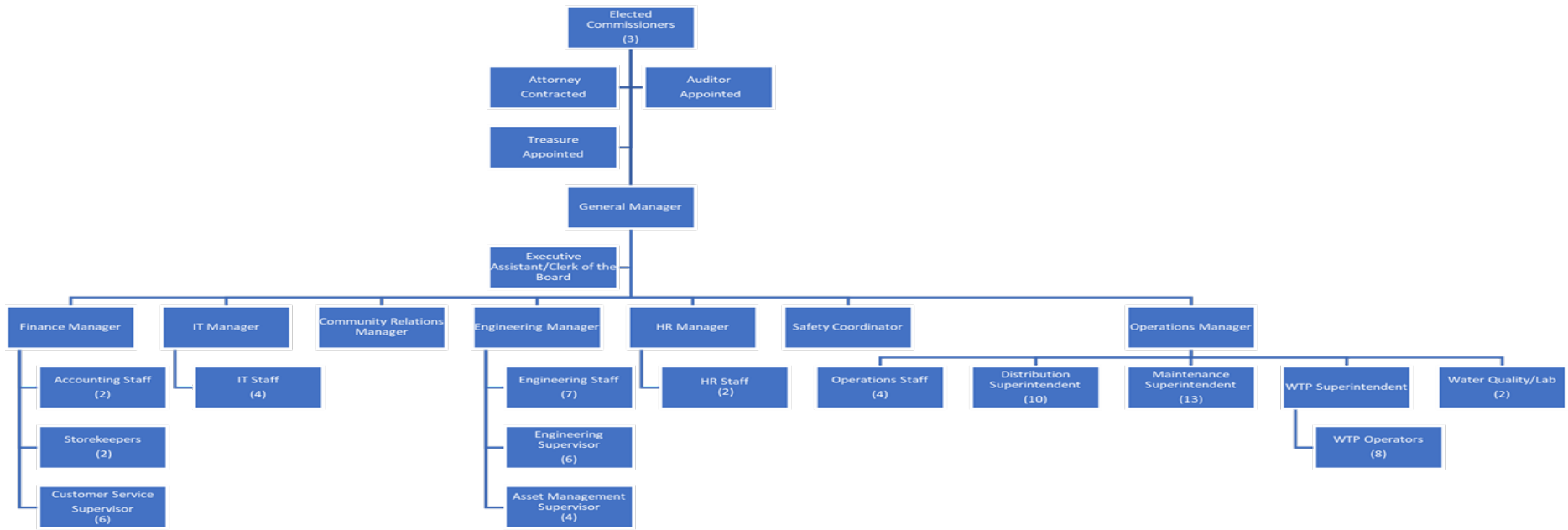


Exhibit 9: Organization Chart

Like all organizations, changing circumstances in the economy, such as the pandemic and the subsequent supply chain disruptions, increase District expenses. Some of these expenses are identified as one-time impacts, while others create ongoing costs that need to be included in future budgets. The capital improvement and financial plans are adjusted for these events as they arise. Highlights of some of these changes in the budget are summarized below.

Exhibit 10: Additional Expenses 2024

Department Projects Summary	
Recurring Costs	
Detection & Response Management System	\$50,000
Security for Raw Water Pump Station	\$75,000
DOH Security Mandates	\$150,000
Vehicle Replacement	\$550,000
One-time Costs	
WTP Flocculators Basin Stabilization Study	\$500,000
Storage, network, communication servers	\$400,000
DOH Lead Service Line Inventory	\$400,000
WTP Disinfection Study - System Replacement	\$375,000
General Ledger Software Upgrade	\$320,000
Equipment Replacement	\$66,000
Automatic Gate at WTP	\$75,000
Rate Study	\$50,000
Total	\$3,011,000

C. CAPITAL IMPROVEMENT PLAN

Exhibit 11 is a summary of the 10-year rolling Capital Improvement Plan (CIP). It contains estimates for projects planned for 2024-33. The CIP table reflects updates to the schedule and cost of construction for all projects. Other projects were updated as needed for market conditions and to balance the overall workload of staff and expenditures. The CIP anticipates over \$100 million of projects during 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	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	Major Capital:										
MO20-2	WTP Generator	600,000	2,400,000								
MO20-4	WTP SCADA Replacement	50,000	-								
MO20-6	WTP Disinfection Study - System Replacement	375,000									
MO20-16	Disinfection System Replacement		500,000	1,000,000	1,000,000						
MO24-6	WTP Flocculators Basin Stabilization Study	500,000									
	WTP Flocculators Basin Stabilization Repairs										
MO24-2	WTP W-1 Pump System Replacement	200,000	1,600,000								
MO24-4	SRD Transformer										
MO24-5	WTP Data Center	200,000	750,000								
MO24-3	WTP Backwash pump upgrade		400,000	1,200,000							
MO20-13	Finished Water Flow Meter	-	-	450,000							
MO13-8	Badger ORION 5/8 Meter Transmitter Replace	2,250,000	2,000,000								
	Overhang in front of shop	10,000	200,000								
	9Th Street Pump			100,000							
	Operations & Maintenance Total:	\$ 4,185,000	\$ 7,850,000	\$ 2,750,000	\$ 1,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Transmission Pipelines:										
MT13-4	Transmission Line, Judy - MV Phase 2										
MT13-4	Transmission Line, Judy - County Portion Bridge										
MT20-1	Judy SW Transmission Phase 2 top of hill	300,000	1,400,000	6,000,000	-					-	-
	Transmission Pipelines Total:	\$ 300,000	\$ 1,400,000	\$ 6,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Reservoirs:										
MR13-5	N. Sedro Woolley Storage (430/350 HGL)	300,000	1,200,000	8,000,000							
	Clearwell Painting				1,000,000						
	9th and Highland Storage Tank	-									
	Storage Tank Recoating Program			250,000	500,000	250,000	250,000	250,000	250,000	250,000	250,000
	Seismic Resilience of District Critical Infrastructure	205,000	75,000	410,000	75,000	410,000	75,000	410,000	75,000	410,000	75,000
	Reservoirs Cathodic Protection - Ongoing	90,000	33,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
	Reservoirs Total:	\$ 595,000	\$ 1,308,000	\$ 8,710,000	\$ 1,625,000	\$ 710,000	\$ 375,000	\$ 710,000	\$ 375,000	\$ 710,000	\$ 375,000
	Facilities										
MO20-3	Potlatch RO Replacement	400,000									
MX20-2	PUD Campus Design & Construction	12,000,000	3,000,000								
	2023 State Grant Aqua Room	(199,820)									
	SRD Recondition Pumps & Set Motors Rotation			500,000			500,000			500,000	
	Alger Well Capacity (pump & pumphouse)	500,000									
	Facilities Total:	\$ 12,700,180	\$ 3,000,000	\$ 500,000	\$ -	\$ -	\$ 500,000	\$ -	\$ -	\$ 500,000	\$ -
	Fiber & Other:										
MX13-3	WTP to PUD Campus	875,000									
	9th and Highland Micro Hydro	800,000									
	Trans Alta	(450,000)									
	Rural Clean Energy Fund	(550,000)									
	Major Capital Total:	\$ 18,455,180	\$ 13,558,000	\$ 17,960,000	\$ 2,625,000	\$ 710,000	\$ 875,000	\$ 710,000	\$ 375,000	\$ 1,210,000	\$ 375,000
	Total Capital Projects	\$ 29,673,680	\$ 19,208,000	\$ 20,271,600	\$ 7,186,600	\$ 4,196,600	\$ 4,346,200	\$ 4,165,800	\$ 3,765,400	\$ 4,600,400	\$ 3,765,401

Total from 2023 Budget	36,056,800	19,231,200	10,509,200	11,846,600	14,696,600	12,796,600	3,726,200	4,590,800	3,915,400	9,125,400	
Increase/(Decrease) from 2023	(6,383,120)	(23,200)	9,762,400	(4,660,000)	(10,500,000)	(8,450,400)	439,600	(825,400)	685,000	(5,359,999)	
Average Annual Capital - First Five Years CIP (2024-2028)						Average Annual Capital - Ten Year CIP (2024-2033)					
	2024 Budget \$ 16,107,296					2024 Budget \$ 10,117,968					
	2023 Budget \$ 18,468,080					2023 Budget \$ 12,649,480					
	Increase/(Decrease) \$ (2,360,784)					Increase/(Decrease) \$ (2,531,512)					
Department Capital	1,686,000	1,225,000	1,286,600	1,186,600	836,600	821,200	805,800	740,400	740,400	740,401	
Pipeline Replacement	9,532,500	4,425,000	1,025,000	3,375,000	2,650,000	2,650,000	2,650,000	2,650,000	2,650,000	2,650,000	
Major Capital	18,455,180	13,558,000	17,960,000	2,625,000	710,000	875,000	710,000	375,000	1,210,000	375,000	
Total Capital Improvement Projects	\$ 29,673,680	\$ 19,208,000	\$ 20,271,600	\$ 7,186,600	\$ 4,196,600	\$ 4,346,200	\$ 4,165,800	\$ 3,765,400	\$ 4,600,400	\$ 3,765,401	

C1. CATEGORIES OF CAPITAL PROJECTS:

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

Pipe Replacement – The District’s pipe replacement program includes surveying, designing, and constructing pipe replacement projects to replace old, undersized, or defective pipes that are at the end of their useful life.

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

C2. CAPITAL PROGRAM SUMMARY

Based on the updated capital plan for the 2024 budget there are projects planned totaling \$100 million over the next ten-years. Highlights of next year’s capital projects include several fish passage projects, pipeline replacement projects, continued work the new District campus, and several projects at the Water Treatment Plant.

a) Department Capital

The 2024 budget includes \$1.7 million of department capital projects from Operations, Engineering, Water Treatment Plant, Meters, and IT Departments. Next year’s projects include vehicle and equipment replacements, software upgrades, security enhancements, improvements at the Water Treatment Plant, network and communication servers, and Department of Health (DOH) security mandates.

b) Pipe Replacement

The 2024 budget includes over \$9 million for pipe replacement projects. Two significant projects are the \$3.6 million Skagit Country Club pipeline replacement project and the completion of the \$2.4 million NW Burlington pipeline project. The other \$3 million of pipe replacement projects are split over several projects, including West Mount Vernon, Francis Road, College Way & Laventure, 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 2024 include \$600,000 WTP generator, \$2.25 million for meter replacements, permitting & design of North Sedro Woolley reservoir, WTP pump system replacement, and \$12 million for the construction of the District’s new campus building.

D. CAPITAL BUDGET AND DEBT SERVICE

Exhibit 12 compares the first year of the 2024 Capital Improvement Plan budget to the end of the year capital expenditure forecast. The budget anticipates a \$10 million increase in capital projects, primarily due to the construction of the District’s new building \$12 million, several Water Treatment Plant projects totaling \$4.2 million, and pipe replacement projects totaling \$9 million. The ability to complete these capital projects is dependent upon other agencies, permitting, and the ability to get supplies necessary to complete the projects.

Exhibit 12: Capital Budget

Summary of Capital Budgets	2023 Forecast	2024 Budget	Change
Capital Budget			
Department Capital	\$ 1,305,800	\$ 1,686,000	\$ 380,200
Major Capital	\$ 17,507,000	\$18,455,180	\$ 948,180
Annual Pipe Replacement	\$ 735,000	\$ 9,532,500	\$ 8,797,500
Total Capital Budget	\$ 19,547,800	\$29,673,680	\$10,125,880

This capital improvement plan assumes that no additional financing will be used to fund the ten-year buildout. End-of-year reserves, existing loans, and projected cash flow are sufficient to fund the CIP projects. The need for additional financing in the future is dependent upon emerging needs from operations and engineering studies that are underway. Federal and State grant and/or loan opportunities may be utilized on a case-by-case basis.

Exhibit 13: 2024 Debt Service

Existing Debt Service	Interest	Principal	Total
Total Bonds	\$ 582,679	\$ 1,102,912	\$ 1,685,591
Total Public Works Trust Fund Loans	\$ 145,506	\$ 1,007,820	\$ 1,153,326
Total Drinking Water State Revolving Loans	\$ 399,905	\$ 1,422,916	\$ 1,822,821
Total Other State Loans	\$ 18,380	\$ 53,621	\$ 72,001
Total Debt Service	\$ 1,146,470	\$ 3,587,269	\$ 4,733,740

E. FISCAL MANAGEMENT TARGETS

Budget adequacy is tested by looking at the long-term financial policies and whether this budget achieves the District's fiscal management targets. The 2024 budget anticipates spending reserves and utilizing existing 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 = \$5,984,000.

Projected: 2024 ending balance = \$16,051,000, 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: 466 days, which exceeds the target.

c) Debt Service Coverage

Target: Target for bonded debt is 2.0

Projected: 9.7 on bonded debt, which is above the target.

3.4 Total Debt service coverage, which exceeds the target.

d) Rate Funded Capital

Target: Capital Expenditures target = \$9.1 million = Depreciation expense

Projected: Capital paid by rates = \$26,000,000, which exceeds the target.

Exhibit 14: Budget Fiscal Targets

F. RATE FORECAST SUMMARY

The 2024 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 on January 1, 2024, and is projected to increase rate revenues by approximately \$1.6 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 2024, this budget's average residential rate impact is approximately \$6.82 per two-month 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 2023					
Cash Resources and Requirements					
	Revenue Fund	Major Capital Fund	System Development Fund	Debt Service	Combined
Resources:					
Beginning Fund Balance	33,436,095		4,435,042	2,157,969	40,029,106
External Revenue:					
Rate Revenue	31,593,833				31,593,833
System Development Fees			897,631		897,631
Capital Contributions	512,033				512,033
Grants - Little Mountain		1,145,000			1,145,000
LUD Assessments, Interest, Penalties				67,904	67,904
Investment Income	1,846,766				1,846,766
Non-Operating Revenues	36,104				36,104
Total External Revenue	33,988,736	1,145,000	897,631	67,904	36,099,272
Debt Proceeds:					
Debt Proceeds -					
PWTF Loan - MV Transmission Line		5,850,000			5,850,000
Debt Proceeds - Bonds					
Total Debt Proceeds		5,850,000			5,850,000
Transfers from Other Funds:					
System Development Fund					
Major Capital Fund	6,995,000				6,995,000
Revenue Fund				4,633,740	4,633,740
Total Transfers from Other Funds	6,995,000			4,633,740	11,628,740
Total Revenue	40,983,736	6,995,000	897,631	4,701,644	53,578,011
Total Resources	74,419,831	6,995,000	5,332,673	6,859,613	93,607,117
Uses:					
Operating Expenditures:					
Operations and Maintenance	14,954,610				14,954,610
Utility and Excise Taxes	1,507,731				1,507,731
Total Operating Expenditures	16,462,341				16,462,341
Capital Expenditures:					
Service/Meters/Developer Projects	512,033				512,033
Department Projects	1,305,800				1,305,800
Pipeline Replacement	735,000				735,000
Major Capital Projects	17,507,000				17,507,000
Total Capital Expenditures	20,059,833				20,059,833
Debt Service Payments:					
Interest Payments				1,146,470	1,146,470
Principal Payments				3,487,269	3,487,269
Total Debt Service Payments				4,633,740	4,633,740
Transfers to Other Funds:					
Revenue		6,995,000			6,995,000
Debt Service	4,633,740				4,633,740
Total Transfers to Other Funds	4,633,740	6,995,000			11,628,740
Total Expenditures	41,155,914	6,995,000		4,633,740	52,784,654
Ending Fund Balance	33,263,917		5,332,673	2,225,873	40,822,464
Total Uses	74,419,831	6,995,000	5,332,673	6,859,613	93,607,117

All Funds Summary forecast for 2024					
Cash Resources and Requirements					
	Revenue Fund	Major Capital Fund	System Development Fund	Debt Service	Combined
Resources:					
Beginning Fund Balance	33,263,917		5,332,673	2,225,873	40,822,464
External Revenue:					
Rate Revenue	33,174,000				33,174,000
System Development Fees			900,000		900,000
Capital Contributions	520,000				520,000
Grants - State Fish Passage		1,000,000			1,000,000
LUD Assessments, Interest, Penalties				65,000	65,000
Investment Income	1,000,000				1,000,000
Non-Operating Revenues	21,000				21,000
Total External Revenue	34,715,000	1,000,000	900,000	65,000	36,680,000
Debt Proceeds:					
Debt Proceeds -					
PWTF Loan - MV Transmission Line		2,000,000			2,000,000
Debt Proceeds - Bonds					
Total Debt Proceeds		2,000,000			2,000,000
Transfers from Other Funds:					
System Development Fund					
Major Capital Fund	3,000,000				3,000,000
Revenue Fund				4,733,740	4,733,740
Total Transfers from Other Funds	3,000,000			4,733,740	7,733,740
Total Revenue	37,715,000	3,000,000	900,000	4,798,740	46,413,740
Total Resources	70,978,917	3,000,000	6,232,673	7,024,613	87,236,203
Uses:					
Operating Expenditures:					
Operations and Maintenance	18,383,553				18,383,553
Utility and Excise Taxes	1,616,000				1,616,000
Total Operating Expenditures	19,999,553				19,999,553
Capital Expenditures:					
Service/Meters/Developer Projects	520,000				520,000
Department Projects	1,686,000				1,686,000
Pipeline Replacement	9,532,500				9,532,500
Major Capital Projects	18,455,180				18,455,180
Total Capital Expenditures	30,193,680				30,193,680
Debt Service Payments:					
Interest Payments				1,146,470	1,146,470
Principal Payments				3,587,269	3,587,269
Total Debt Service Payments				4,733,740	4,733,740
Transfers to Other Funds:					
Revenue		3,000,000			3,000,000
Debt Service	4,733,740				4,733,740
Debt Reserve - New Debt					
Total Transfers to Other Funds	4,733,740	3,000,000			7,733,740
Total Expenditures	54,926,973	3,000,000		4,733,740	62,660,712
Ending Fund Balance	16,051,945		6,232,673	2,290,873	24,575,491
Total Uses	70,978,917	3,000,000	6,232,673	7,024,613	87,236,203