

2025 BUDGET

PUBLIC UTILITY DISTRICT
NO. 1 OF SKAGIT COUNTY

Adopted | November 12, 2024

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 2025 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* of the District, 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 managers.

The Proposed Budget is published in October on the District’s website as well as presented at a public hearing. Public comment is accepted during the public hearing and at subsequent work sessions until the budget is adopted in November. Board members may incorporate public comments and make changes to the budget before its adoption. The adopted budget takes effect on January 1, 2025.

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 disposal 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 would 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 the system infrastructure – its underlying premise is 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 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 continuing to utilize the 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 consumption customers.

The proposed rate increase of five (5%) percent will take effect on January 1, 2025, and is projected to increase water revenue by nearly \$1,600,000. These funds will finance the Capital Improvement Plan and related debt service. It is anticipated that capital contributions and non-operating revenue will be lower next year as the economy continues to struggle with inflation, supply chain issues, high interest rates, and economic uncertainty.

Exhibit 1: Projected Revenues

	2023 Actual	2024 Forecast	2025 Budget	2024-2025 % Change
Operating Revenues				
Residential/Multi-family	22,665,546	22,000,000	23,100,000	5.0%
Commercial & Government	8,049,154	7,568,324	7,947,000	5.0%
Agriculture	766,071	750,000	788,000	5.1%
Irrigation	846,057	660,660	694,000	5.0%
Resale	206,365	180,000	189,000	5.0%
Total Rate Revenue	32,533,193	31,158,984	32,718,000	5.0%
Misc Operating Revenues	236,770	238,579	251,000	5.2%
Total Operating Revenue	32,769,963	31,397,563	32,969,000	5.0%
Capital Contributions				
Work Orders for others	227,680	195,844	200,000	2.1%
Services	264,297	316,189	320,000	1.2%
System Development Fees	1,023,642	897,631	900,000	0.3%
Total Capital Contributions	1,515,619	1,409,665	1,420,000	0.7%
Non-Operating Revenues				
Investment Income	2,034,697	1,600,000	800,000	-50.0%
Misc Non-Operating Income	86,728	11,222	20,000	78.2%
LUD Assessments	84,936	67,904	65,000	-4.3%
Total Non-Operating Revenue	2,227,390	1,679,126	885,000	-47.3%
Total Revenue and Capital Contributions	36,512,972	34,486,353	35,274,000	2.3%

**Forecast based on September year-to-date numbers*

B. OPERATING EXPENSES

B1. SUMMARY OF OPERATING EXPENSES CHANGES

The financial forecast model includes a projection of operating expenses for the next five (5) 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 - 2025 Budget		2023	2024	2025	\$ Change	% Change
Summary by Line Item		Actual	Budget	Budget	2024-2025	
6010	Salary, Wages and Benefits	\$ 10,507,301	\$ 12,449,064	\$ 13,576,646	\$ 1,127,582	9%
6100	Water Purchased from Others	224,120	200,000	200,000	\$ -	0%
6150	Power Purchased for Pumping	758,318	530,000	655,000	\$ 125,000	24%
6180	Chemicals	493,777	719,060	756,500	\$ 37,440	5%
6200	Materials & Supplies	571,426	1,023,100	943,100	\$ (80,000)	-8%
6204	Broadband Sales Costs	4,544	-	-	\$ -	
6205	Broadband Supplies and Materials	23,661	-	-	\$ -	
6215	Rain Barrels	5,238	5,500	5,500	\$ -	0%
6221	Community Relations	41,276	20,500	21,500	\$ 1,000	5%
6222	Insurance Claims and Reimbursements	(16,914)	20,000	-	\$ (20,000)	-100%
6225	Maintenance Contracts	12,143	8,800	8,800	\$ -	0%
6226	Memberships, Licenses, Certifications	79,507	98,743	101,329	\$ 2,586	3%
6228	General Supplies & Non-Professional Services	463,384	406,564	414,200	\$ 7,636	2%
6229	Postage and Shipping	82,032	70,100	70,100	\$ -	0%
6230	Professional Services	315,964	1,020,143	662,919	\$ (357,224)	-35%
6231	Security	135,582	134,040	141,800	\$ 7,760	6%
6232	Tools and Small Equipment	73,907	117,930	200,230	\$ 82,300	70%
6234	Utilities	294,236	369,030	344,710	\$ (24,320)	-7%
6235	Permits	35,658	35,365	35,365	\$ -	0%
6251	Computer Hardware, Communications, SCADA	117,144	148,500	230,500	\$ 82,000	55%
6252	Computer Software, Licenses and Support	897,497	606,980	731,038	\$ 124,058	20%
6255	Education and Professional Development	116,751	173,093	171,464	\$ (1,629)	-1%
6260	Building, Furniture, Grounds and Roads	367,813	368,014	473,015	\$ 105,001	29%
6261	Safety	64,378	55,280	50,280	\$ (5,000)	-9%
6266	Advertising	21,972	28,900	29,900	\$ 1,000	3%
6267	Bad Debts	32,973	40,000	30,000	\$ (10,000)	-25%
6500	Transportation-Fuel	164,508	100,000	100,000	\$ -	0%
6501	Transportation-Parts	54,187	60,000	60,000	\$ -	0%
6502	Transportation-Outside Services	60,689	30,000	30,000	\$ -	0%
6505	Transportation-Enterprise Fleet Mgmt Fee	10,641	4,178	4,178	\$ -	0%
6560	Insurance-Property	413,979	445,576	534,247	\$ 88,671	20%
6570	Insurance-Liability	428,287	417,972	458,721	\$ 40,749	10%
6590	Insurance-Other	3,716	2,000	2,360	\$ 360	18%
<i>Expenditure Offsets:</i>					\$ -	
6550	Transportation Overhead Charge	(267,547)	(455,000)	(455,000)	\$ -	0%
6750	Inventory Administrative Overhead	(222,192)	(250,000)	(250,000)	\$ -	0%
6751	Administrative Expense Transferred	(616,746)	(725,000)	(725,000)	\$ -	0%
<i>State Taxes:</i>					\$ -	
4080	Utility Taxes	1,612,874	1,616,000	1,614,814	\$ (1,186)	0%
<i>Other Expenditures:</i>					\$ -	
4082	State Excise Taxes	33,389	88,000	90,000	\$ 2,000	2%
4084	Fire and Dike District Taxes	13,513	16,520	16,520	\$ -	0%
4087	Miscellaneous Taxes	813	600	600	\$ -	0%
Total Operating Expenditures		\$ 17,413,799	\$ 19,999,553	\$ 21,335,337	\$ 1,335,784	6.7%

The 2025 budget increases operating expenses by \$1,335,784, or 6.7% over the current year's budget. The largest dollar increase is in the *Salary, Wages & Benefits* line item of \$1,127,582 for one new position at the Water Treatment Plant, a temporary position in the meter department for an upcoming retirement, cost-of-living adjustments and increases to medical, vision, dental, and life insurance benefits. Other line items with significant dollar increases include *Electrical Power for Pumping* \$125,000, to pay for pumping water to the Judy reservoir, *Tools & Equipment* \$82,300, *Computer Hardware & Communications* \$82,000, *Computer Software, Licenses and Support* of \$124,058, and *Property & Liability Insurance* \$129,420.

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

Exhibit 3: Summary of Operations Budget by Function

2025 O&M Budget	Supply	Treatment	Transmission Distribution	Customer Service	Administration	Expenditure Offsets	Taxes	Total
Commissioner					262,569			262,569
Executive					1,796,024			1,796,024
Human Resources					529,116			529,116
Safety					246,147			246,147
Information Technology			78,000		2,096,490			2,174,490
Finance					711,076			711,076
Stores					408,817	(250,000)		158,817
Meters				845,654				845,654
Customer Service				854,546				854,546
Billing				268,607				268,607
Community Relations				340,534				340,534
Engineering	138,000		113,200		2,417,438			2,668,638
Construction & Maintenance	20,000	50,000	2,002,930		427,121			2,500,052
Operations Support		-	76,000		1,180,208	(455,000)		801,208
Water Treatment Plant	396,500	3,084,606						3,481,106
Water Quality and Lab	18,000	26,600	161,492		231,354			437,446
Distribution	366,000	5,000	142,865		1,346,504			1,860,369
Facilities		-	71,000	-	278,985			349,985
Non-Departmental					52,017	(725,000)	1,721,934	1,048,951
Total Cash Operating Expenses	\$ 938,500	\$ 3,166,206	\$ 2,645,488	\$ 2,309,341	\$ 11,983,867	\$ (1,430,000)	\$ 1,721,934	\$ 21,335,337

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 function assets.

3 - Treatment: the water treatment plant located at the Judy Reservoir and at 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: Summary of Operating Budget by Function

Summary by Function	2023 Budget	2024 Budget	2025 Budget	Budget Comparison	
				2024-2025 \$ Change	% Change
Supply (01)	876,500	1,003,500	938,500	(65,000)	-6.5%
Treatment (03)	2,737,847	2,804,103	3,166,206	362,103	12.9%
Transmission & Dist. (05)	2,155,715	2,681,775	2,645,488	(36,287)	-1.4%
Customer Service (07)	2,115,043	2,107,412	2,309,341	201,929	9.6%
Administration (08)	9,362,590	9,682,828	10,553,867	871,039	9.0%
Taxes and Other (09)	1,567,120	1,719,934	1,721,934	2,000	0.1%
Total	\$ 18,814,816	\$ 19,999,553	\$ 21,335,337	\$ 1,335,784	6.7%

The increase in the *Treatment* (03) budget from the prior year is associated with a new position at the water treatment plant, cost-of-living and benefit adjustments, and increased costs for chemicals, utilities, and other materials and supplies to operate the Water Treatment Plant.

The *Customer Service* (07) budget increase is associated with temporary position in the meter department to cover the transition of an upcoming retirement and to pay for a customer engagement identified in the District’s strategic plan, inflationary increases in postage, supplies, and customer processing fees.

The increase in the *Administration* (08) budget is primarily due to increased property and liability insurance premiums as the reinsurance and excess insurance markets continue to respond to unfavorable global underwriting events. In addition, there are several planned expenditures for computer hardware, software, professional services, and security services to enhance our cyber security infrastructure.

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	2024 YTD	2024	2025	2024 -2025	Description
	September	Budget	Budget	Change	
Human Resources	347,013	501,510	529,116	5.5%	No election Property and Liability Insurance
Commissioners	174,471	281,092	262,569	-6.6%	
Administration	1,002,565	1,651,494	1,796,024	8.8%	
Safety Program	182,721	254,214	246,147	-3.2%	New position
Construction Mainten	1,344,887	2,412,185	2,500,052	3.6%	
Water Treatment Plan	2,175,678	3,128,794	3,481,106	11.3%	
Distribution	1,135,021	1,785,341	1,860,369	4.2%	Tank inspections, cathodic protection, well replacement
Lab & Water Quality	260,083	422,217	437,446	3.6%	
Operations Support	634,306	679,625	801,208	17.9%	
PUD Main Campus	247,532	299,224	349,985	17.0%	New building janitorial & landscaping transition
Information Technolo	1,527,932	1,986,385	2,174,490	9.5%	Cyber security & software
Finance	411,578	698,705	711,076	1.8%	Temporary Position for Retirement Transition
Stores	106,247	151,782	158,817	4.6%	
Meter Crew	567,408	675,259	845,654	25.2%	
Customer Service	601,338	840,476	854,546	1.7%	Customer engagement
Billing	169,077	256,672	268,607	4.6%	
Community Relations	195,843	335,004	340,534	1.7%	
Engineering	1,806,008	2,596,093	2,668,638	2.8%	Non-departmental
Non-departmental	1,066,080	1,043,479	1,048,951	0.5%	
Total	\$ 13,955,788	\$ 19,999,553	\$ 21,335,337	6.7%	

The budget is prepared using an estimate for the number of developer and capital projects that will be undertaken during the coming year. Capitalized projects 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 and the 2025 budget. There is no change to the percentage of construction & maintenance salaries budgeted for capital projects next year, but there is a small decrease in the percentage of engineering staff time dedicated to projects and an increase in dollars. It is anticipated that 28% of salaries and benefits, or \$1,618,751, will be charged to capital projects.

Exhibit 6: Salary & Benefits Capitalization Comparison

Salary & Benefits Cost				
2025 Budget	Total	To Capital	% Capital	To O&M
Engineering	3,522,328	1,276,790	36%	2,245,538
Construction & Maint.	2,189,663	341,962	16%	1,847,702
Total	5,711,991	1,618,751	28%	4,093,240

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

B2. AGENCY MEMBERSHIPS

The District is a member and participates in several local and regional organizations and events where a District business interest has been identified. The following list of these organizations and groups is included in the District’s operational budget.

Exhibit 7: Memberships and Sponsorships

Memberships & Sponsorships	
Washington PUD Association (WPUDA)	\$ 63,000
American Water Works Association (AWWA)	6,700
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	\$ 83,429

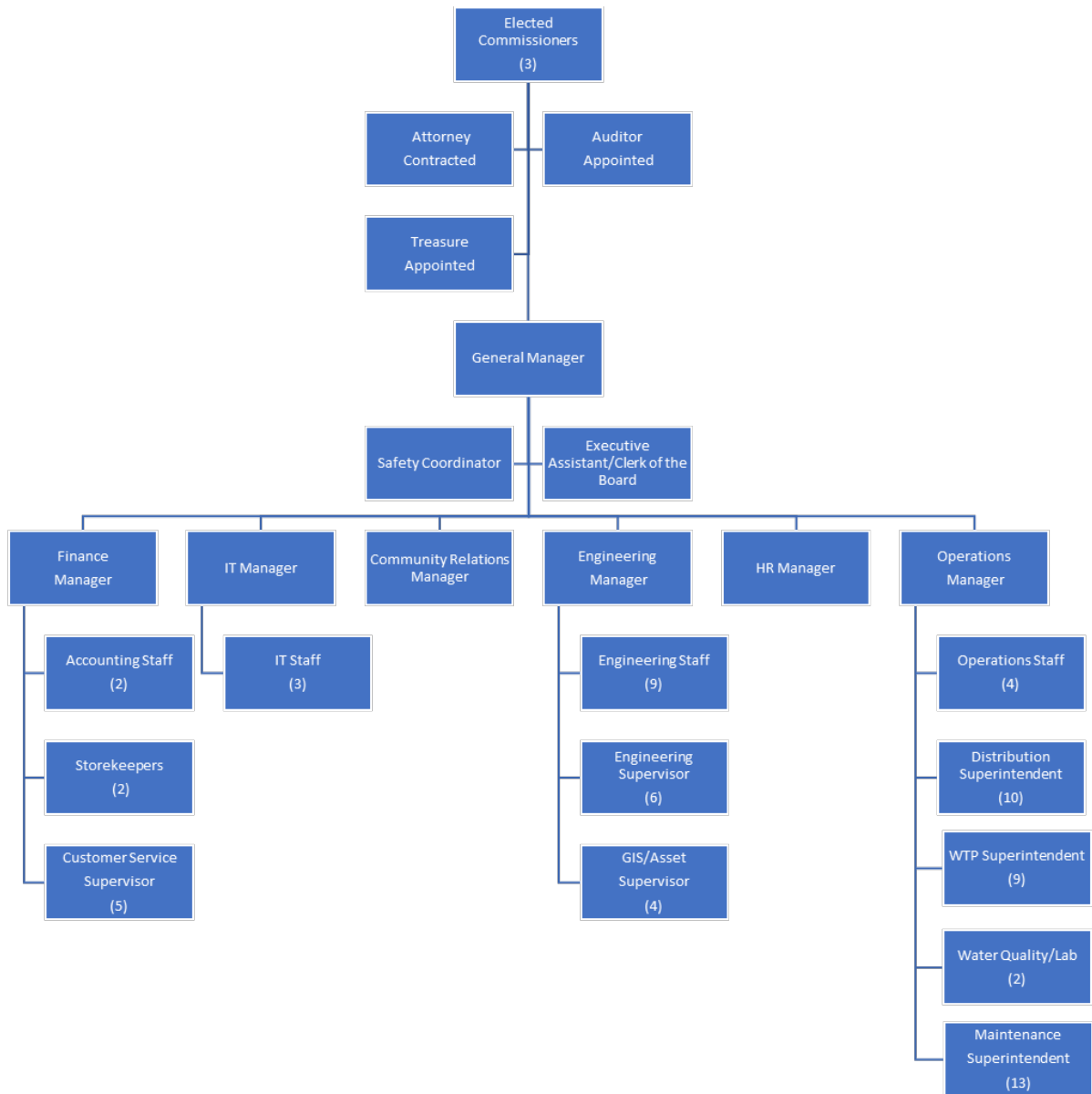
B3. STAFFING

The District continues to assess its core functions and level of service and adjusts operations and staffing levels accordingly. The budget shows an increase in the overall number of full-time equivalent employees. There is one added position at the Water Treatment Plant and a temporary increase in the meter department to prepare for an upcoming retirement. 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 the Customer Service Supervisor, distribution, engineering, and meters.

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

2025 Budget FTEs by Department	2023	2024	Budget 2025	2024-2025 Change	Description
Commissioner	-	-	-	-	
Executive	2.00	2.25	2.25	-	
Human Resources	2.00	2.25	2.25	-	
Safety	1.00	1.00	1.00	-	
Information Technology	5.00	5.00	5.00	-	
Finance	3.00	3.00	3.00	-	
Stores	2.00	2.00	2.00	-	
Meters	4.00	4.00	5.00	1.00	Retirement Transition
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	19.80	19.80	-	
Construction & Maintenance	13.00	14.00	14.00	-	
Operations Support	5.00	5.00	5.00	-	
Water Treatment Plant	9.00	9.00	10.00	1.00	New Operator Position
Water Quality and Lab	2.00	2.00	2.00	-	
Distribution	7.00	7.00	7.00	-	
Total	83.80	83.30	85.30	2.00	

Exhibit 9: Organization Chart



Like most organizations the District’s expenses are influenced by and will fluctuate with the economy as a whole. Some of these expenses are 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 needed. Material changes in the budget are summarized below.

Exhibit 10: Additional Expenses 2025

Department Projects Summary	
Recurring Costs	
Remote Site Security Upgrades	\$180,000
Out of Region Disaster Recovery	\$115,000
Detection & Response Management Systems	\$50,000
PRV Valve Repair Program	\$50,000
One-time Costs	
Badger Meter Transmitter Replacement	\$400,000
Equipment Replacement	\$350,000
Dump Truck	\$250,000
Design Data Center at WTP	\$200,000
Turbidimeters & Piezometers at WTP	\$110,000
Chlorine Alarm Integration	\$50,000
Total	\$1,755,000

C. CAPITAL IMPROVEMENT PLAN

Exhibit 11 is a summary of the ten-year rolling Capital Improvement Plan (CIP). It contains estimates for projects planned through 2034. The new CIP table reflects updates in the schedule for timing and expenses based on current market conditions. Other projects were updated as needed for market conditions and to balance the overall workload of staff and expenditures. The CIP anticipates \$119.6 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

Exhibit 11: Capital Improvements Projects 2025-2034

System Water Plan #	Description	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
	Department Capital:										
	Computer Software/ IT	\$ 450,000	\$ 800,000	\$ 700,000	\$ 300,000	\$ 300,000	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000
	Equipment/Ops	730,000	400,000	400,000	400,000	1,000,000	500,000	500,000	500,000	500,000	500,000
	Water Treatment Plant	200,000	200,000	200,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
	Safety - Safe Access to District Infrastructure	52,000	58,000								
	Department Capital & O&M Total:	\$ 1,432,000	\$ 1,458,000	\$ 1,300,000	\$ 950,000	\$ 1,550,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000
	Pipe Replacement:										
MP20-4	College Way, Urban to LaVenture (4,500 LF)	2,000,000									
MP20-7	MV Belmont / Clarmont Pipeline Replacement (3,050 LF)	-		150,000	1,600,000						
MP20-9	Peterson, Pulver - Avon Allen (4,300 LF)			-	400,000	1,400,000					
MP20-10	MV Hillcrest District Pipeline Replacement (6,400 LF)		250,000	2,500,000							
MP20-11	Bayview Community Pipe Replacement (4,700 LF)				150,000	1,500,000					
MP24-1	Conway Pipeline (3,100 LF)	250,000	2,500,000								
MP24-2	Alta Vista (4,070 LF)(crew)	1,300,000									
MP24-3	East division (1,000 LF)(crew)	500,000									
MP24-5	South MV Pressure Zone Realignment		100,000	1,000,000							
MP24-5	Blackburn Pipeline (710 LF)		284,000								
	Sedro-Woolley Central Area Pipeline Replacement (5,060 LF)			250,000	2,000,000						
	East Victoria Pipeline Replacement (550 LF) (crew)	200,000									
	Pipeline Replacement Program						3,000,000	3,200,000	3,400,000	3,700,000	4,000,000
	Pipeline Replacements Total:	\$ 4,250,000	\$ 3,134,000	\$ 3,900,000	\$ 4,150,000	\$ 2,900,000	\$ 3,000,000	\$ 3,200,000	\$ 3,400,000	\$ 3,700,000	\$ 4,000,000
Coordinated Pipeline Replacement	Francis Road Pipe replacement 1		450,000								
	Francis Road Pipe replacement 3	-		450,000							
	John Liner to Jones Road Extension (1,075 LF)	40,000	400,000								
	Township Pipeline Replacement (1,700 LF) (crew)	750,000									
	Coordinated Pipeline Replacement & Infill	200,000	400,000	400,000	400,000	400,000	500,000	500,000	500,000	500,000	500,000
	Coordinated Pipeline Replacements Total:	\$ 990,000	\$ 1,250,000	\$ 850,000	\$ 400,000	\$ 400,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
Agency Pipeline Relocations	Pipeline Relocation at Alger Interchange	1,650,000									
	Grant - Commerce	(150,000)									
	Grant - EPA Community Grant	(1,500,000)									
	Pipeline Relocation at Henson Road (District 10)	450,000									
	Pipeline Relocation at Cedardale Road (District 10)	180,500									
	Infrastructure Assistance Program (District 10)	(630,500)									
	Pipeline Relocation at SR 9 N of Kalloch Road (District 39)	350,000									
	Pipeline Relocation on SR 20 E of Ranger Station Road (Olson Creek) (District 39)	600,000									
	Dist. 39 Infrastructure Assistance Program	(582,000)									
	Dist. 39 Infrastructure Assistance Program 2024 Funding	(300,000)									
Garden of Eden Pipeline Relocation	75,000										
Old 99 at Thomas Creek Pipeline Relocation	100,000	400,000									
Bulson Creek Pipeline Relocation		125,000	400,000								
	Agency Pipeline Relocation Total:	\$ 243,000	\$ 525,000	\$ 400,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contingent on Grant Funding	Little Mountain		3,000,000	5,000,000							
	TBD Grant Funding		(3,000,000)	(5,000,000)							
	North Fork Skagit River Crossing										
	Conway to Lake McMurray Extension					50,000					
	South Conway Extension					50,000					
	Bow Hill to Alger					50,000					
TBD Grant Funding					(150,000)						
	Pipe Replacement Total:	\$ 5,483,000	\$ 4,909,000	\$ 5,150,000	\$ 4,550,000	\$ 3,300,000	\$ 3,500,000	\$ 3,700,000	\$ 3,900,000	\$ 4,200,000	\$ 4,500,000

System Water Plan #	Description	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
	Major Capital:										
	Operations & Maintenance:										
MO20-2	WTP Generator	2,400,000									
MO20-7	WTP Filtration Conversion & Optimization	-	-								140,000
MO20-13	Finished Water Flow Meter	-	450,000								
	Dam A Pipe Refurbishment (600 LF)		300,000								
MO20-16	Disinfection System Replacement	500,000	1,000,000	3,000,000							
MO20-15	WTP Electrical Upgrades										1,000,000
	WTP Ozone Treatment										1,100,000
MO24-2	WTP W-1 Pump System Replacement	800,000									
MO24-5	WTP Data Center	200,000	750,000								
MO24-5	WTP Data Center backup power	75,000									
MO20-12	WTP Building Seismic Improvements						-				100,000
MO24-3	WTP Backwash pump upgrade	200,000	1,000,000								
MO20-18	Clearwell Seismic Expansion Joints								250,000		
MO13-8	Badger ORION 5/8 Meter Transmitter Replace	400,000	300,000	300,000							
	9Th Street Pump Monitor & Assessment		-		100,000						
	Operations & Maintenance Total:	\$ 4,575,000	\$ 3,800,000	\$ 3,300,000	\$ 100,000	\$ -	\$ -	\$ -	\$ 250,000	\$ -	\$ 2,340,000
	Transmission Pipelines:										
MT20-1	Judy SW Transmission Phase 2 top of hill	-	-	300,000	1,000,000	1,000,000			-	-	
	Transmission Pipelines Total:	\$ -	\$ -	\$ 300,000	\$ 1,000,000	\$ 1,000,000	\$ -	\$ -	\$ -	\$ -	\$ -
	Reservoirs:										
MR20-1	Panorama - 2 MG storage tank & replace pump in RWPS				1,000,000	6,000,000	5,000,000				-
MR13-5	N. Sedro Woolley Storage & Pump Station (430/350 HGL)	1,000,000	8,000,000	8,000,000							
MR24-1	Montborne Storage Tank (1.0 MG, 450 HGL)								-	-	1,000,000
MR24-2	Remove Little Mountain Storage Tank									100,000	100,000
	Bayview standpipe, Water Tank Rd reservoir	100,000								100,000	100,000
	Sky Ridge Pump Station			700,000	1,000,000			-	-		
	Tinas Coma Pressure Zone Modifications (506 HGL)						200,000	1,000,000			
	Clearwell Painting			1,000,000							
	Storage Tank Recoating 9th & Highland		1,000,000								
	Storage Tank Recoating Duke Hill & Eaglemont				1,000,000	-	1,000,000	-	500,000	-	250,000
	Seismic Resilience of District Critical Infrastructure						400,000		400,000		400,000
	Reservoirs Cathodic Protection - Ongoing	33,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
	Reservoirs Total:	\$ 1,133,000	\$ 9,050,000	\$ 9,750,000	\$ 3,050,000	\$ 6,050,000	\$ 6,650,000	\$ 1,050,000	\$ 950,000	\$ 250,000	\$ 1,900,000
	Facilities:										
MO20-3	WTP Dam Pipe Replacement				300,000						
	Potlatch RO Replacement	300,000									
	PUD Remodel of Operations	500,000	500,000	500,000							
	SRD Recondition Pumps & Set Motors Rebuild 1,2, & 4	300,000	300,000	300,000							
	SRD Recondition Pumps & Set Motors Rotation					500,000			500,000		
	Alger Well Capacity (Pump & Pumphouse)			500,000	800,000						
	Facilities Total:	\$ 1,100,000	\$ 800,000	\$ 1,300,000	\$ 1,100,000	\$ 500,000	\$ -	\$ -	\$ 500,000	\$ -	\$ -
	Fiber & Other:										
	SkagitNet Backbone (2 sites)	150,000									
	Remote Site Security	180,000									
	SCADA Alger, Lake 16, Skagit View, Cedar Grove		200,000		200,000		200,000		200,000		200,000
	WTP to PUD Campus	800,000									
	Division Street Bridge Painting (DOT)	250,000									
	Major Capital Total:	\$ 8,188,000	\$ 13,850,000	\$ 14,650,000	\$ 5,450,000	\$ 7,550,000	\$ 6,850,000	\$ 1,050,000	\$ 1,900,000	\$ 250,000	\$ 4,440,000
	Total Capital Projects	\$ 15,103,000	\$ 20,217,000	\$ 21,100,000	\$ 10,950,000	\$ 12,400,000	\$ 11,450,000	\$ 5,850,000	\$ 6,900,000	\$ 5,550,000	\$ 10,040,000

Total from 2024 Budget	19,208,000	20,271,600	7,186,600	4,196,600	4,346,200	5,095,800	4,515,400	4,850,400	4,065,401	31,007,436
Increase/(Decrease) from 2023	(4,105,000)	(54,600)	13,913,400	6,753,400	8,053,800	6,354,200	1,334,600	2,049,600	1,484,599	(20,967,436)
	Average Annual Capital - First Five Years CIP (2025-2029)					Average Annual Capital - Ten Year CIP (2025-2034)				
	2025 Budget \$ 15,954,000					2025 Budget \$ 11,956,000				
	2024 Budget \$ 11,041,800					2024 Budget \$ 10,474,344				
	Increase/(Decrease) \$ 4,912,200					Increase/(Decrease) \$ 1,481,656				
Department Capital	1,432,000	1,458,000	1,300,000	950,000	1,550,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000
Pipeline Replacement	5,483,000	4,909,000	5,150,000	4,550,000	3,300,000	3,500,000	3,700,000	3,900,000	4,200,000	4,500,000
Major Capital	8,188,000	13,850,000	14,650,000	5,450,000	7,550,000	6,850,000	1,050,000	1,900,000	250,000	4,440,000
Total Capital Improvement Projects	\$ 15,103,000	\$ 20,217,000	\$ 21,100,000	\$ 10,950,000	\$ 12,400,000	\$ 11,450,000	\$ 5,850,000	\$ 6,900,000	\$ 5,550,000	\$ 10,040,000

C1. CATEGORIES OF CAPITAL PROJECTS:

Department Capital – Capital expenses required to maintain the operation of District facilities and functions. Examples include vehicles, 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, defective, and pipes at the end of their useful life.

Major Capital – All other capital projects 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 2025 budget, the total value of capital projects planned for the next ten-years is \$119.6 million. Next year’s significant capital projects include the WTP generator, pipeline replacement projects on College Way, and Alta Vista, and Township and beginning design of a new storage tank and pump station in North Sedro Woolley.

a) Department Capital

The 2025 budget includes \$1.4 million of department capital projects from Operations, Engineering, Water Treatment Plant, Meters, and the IT Departments. Next year’s projects include vehicle and equipment replacements, software upgrades, security enhancements, improvements at the Water Treatment Plant, SCADA system replacements, and Department of Health (DOH) mandates.

b) Pipe Replacement

The 2025 budget includes \$5.5 million for pipe replacement projects. The two most significant projects are the \$1.6 million pipeline relocation project at the Alger Interchange and the \$2 million College Way, Urban to LaVenture pipeline projects. The other \$2 million of pipe replacement projects are split over several projects including Alt Vista, Conway, East Division, East Victoria 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 2025 include \$2.4 WTP generator, \$800,000 WTP pump system replacement, \$1 million for the design of North Sedro Woolley storage and pump station, and \$500,000 for the remodel of the District’s operation/warehouse.

D. CAPITAL BUDGET AND DEBT SERVICE

Capital Funding Strategy for the PUD’s capital improvement program includes an analysis of available resources from rate revenues, debt financing, and other resources that may be available (e.g., grants, outside contributions, etc.).

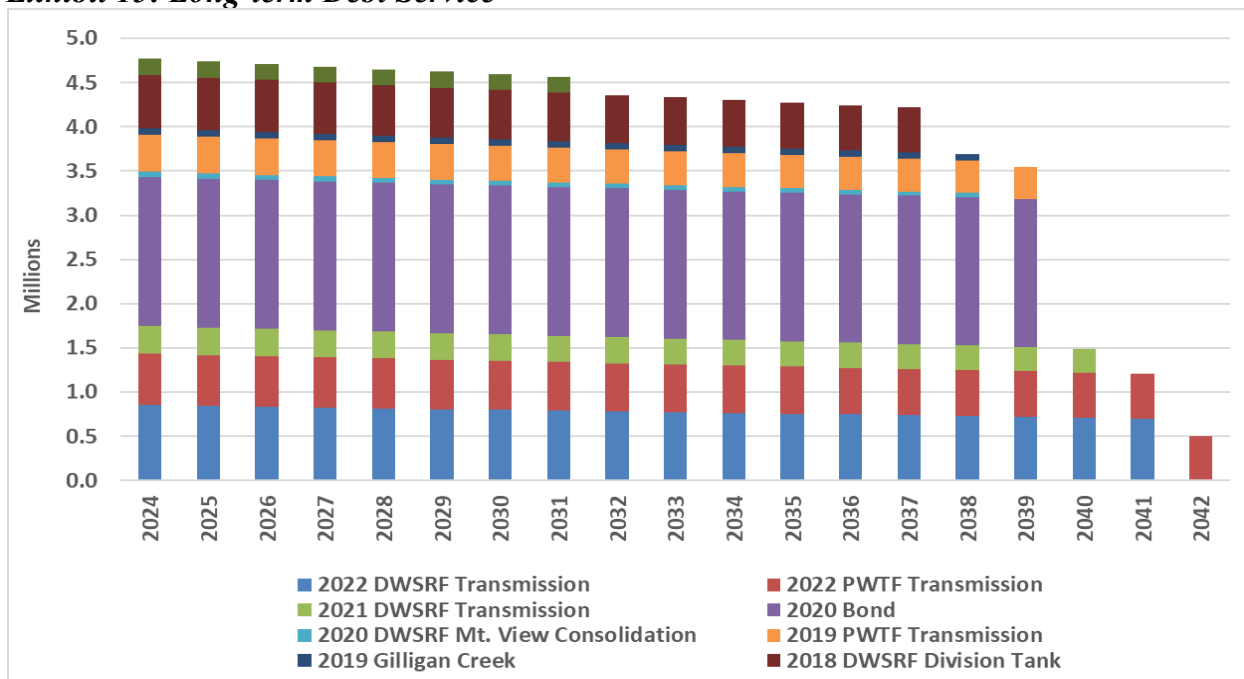
Exhibit 12 compares the first year of the 2025 Capital Improvement Plan budget to the end of the year capital expenditure forecast. The budget anticipates a \$15 million decrease in capital projects from the current year, primarily due to the completion of the Transmission Line - Judy Reservoir to Mount Vernon project and the District campus building.

Exhibit 12: Capital Budget

Summary of Capital Budgets	2024 Forecast	2025 Budget	Change
Capital Budget			
Department Capital	\$ 1,686,000	\$ 1,432,000	\$ (254,000)
Major Capital	\$ 18,640,180	\$ 8,188,000	\$ (10,452,180)
Annual Pipe Replacement	\$ 6,985,000	\$ 5,483,000	\$ (1,502,000)
Total Capital Budget	\$ 27,311,180	\$ 15,103,000	\$ (12,208,180)

This capital improvement plan budget assumes that no additional financing will be needed to fund the ten-year Capital Improvement Plan. District reserves and rate revenue are sufficient to fund the capital projects identified in the CIP.

Exhibit 13: Long-term Debt Service



The chart above shows the most recent loans that the District obtained to pay for the transmission line replacement as well as other capital project. The loans are through Drinking Water State Revolving Fund or the Public Works Trust Fund and have varying rates ranging from .94% to 1.75%. The Bond is for twenty-years and a rate of 2.65%. The current year's debt service totals \$4,736,895 dollars.

Exhibit 14: 2025 Debt Service

Existing Debt Service	Interest	Principal	Total
Total Bonds	\$ 551,454	\$ 1,132,140	\$ 1,683,594
Total Public Works Trust Fund Loans	\$ 136,749	\$ 1,034,209	\$ 1,170,958
Total Drinking Water State Revolving Loans	\$ 298,315	\$ 1,512,026	\$ 1,810,341
Total Other State Loans	\$ 17,298	\$ 54,703	\$ 72,001
Total Debt Service	\$ 1,003,817	\$ 3,733,078	\$ 4,736,895

E. FISCAL MANAGEMENT TARGETS

The budget adequacy 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 2025 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 = \$6,250,000.

Projected: 2025 ending balance = \$8,667,000, 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: 334 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: 3.1 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 = \$14,473,000, which exceeds the target.

F. RATE FORECAST SUMMARY

This budget was developed continuing 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, 2025 and is projected to increase rate revenues by approximately \$1.6 million. This additional revenue will be used to fund the projects identified in the Capital Improvement Plan and to pay existing debt service.

For 2025, this budget's average residential rate impact is approximately \$7.12 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 2024					
Cash Resources and Requirements					
	Revenue Fund	Major Capital Fund	System Development Fund	Debt Service	Combined
Resources:					
Beginning Fund Balance	30,022,135		5,669,779	2,524,924	38,216,838
External Revenue:					
Rate Revenue	31,397,563				31,397,563
System Development Fees			897,631		897,631
Capital Contributions	512,033				512,033
Grants - Little Mountain		200,000			200,000
LUD Assessments, Interest, Penalties				67,904	67,904
Investment Income	1,600,000				1,600,000
Non-Operating Revenues	11,222				11,222
Total External Revenue	33,520,818	200,000	897,631	67,904	34,686,353
Debt Proceeds:					
Debt Proceeds -					
PWTF Loan - MV Transmission Line					
Debt Proceeds - Bonds					
Total Debt Proceeds					
Transfers from Other Funds:					
System Development Fund					
Major Capital Fund	200,000				200,000
Revenue Fund				4,633,740	4,633,740
Total Transfers from Other Funds	200,000			4,633,740	4,833,740
Total Revenue	33,720,818	200,000	897,631	4,701,644	39,520,093
Total Resources	63,742,953	200,000	6,567,410	7,226,568	77,736,931
Uses:					
Operating Expenditures:					
Operations and Maintenance	17,270,220				17,270,220
Utility and Excise Taxes	1,244,890				1,244,890
Total Operating Expenditures	18,515,110				18,515,110
Capital Expenditures:					
Service/Meters/Developer Projects	512,033				512,033
Department Projects	1,686,000				1,686,000
Pipeline Replacement	6,985,000				6,985,000
Major Capital Projects	18,640,180				18,640,180
Total Capital Expenditures	27,823,213				27,823,213
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		200,000			200,000
Debt Service	4,565,836				4,565,836
Total Transfers to Other Funds	4,565,836	200,000			4,765,836
Total Expenditures	50,904,159	200,000		4,633,740	55,737,899
Ending Fund Balance	12,838,794		6,567,410	2,592,828	21,999,032
Total Uses	63,742,953	200,000	6,567,410	7,226,568	77,736,931

All Funds Summary forecast for 2025					
Cash Resources and Requirements					
	Revenue Fund	Major Capital Fund	System Development Fund	Debt Service	Combined
Resources:					
Beginning Fund Balance	12,838,794		6,567,410	2,592,828	21,999,032
External Revenue:					
Rate Revenue	32,969,000				32,969,000
System Development Fees			900,000		900,000
Capital Contributions	520,000				520,000
Grants - State Fish Passage		2,000,000			2,000,000
LUD Assessments, Interest, Penalties				65,000	65,000
Investment Income	800,000				800,000
Non-Operating Revenues	20,000				20,000
Total External Revenue	34,309,000	2,000,000	900,000	65,000	37,274,000
Debt Proceeds:					
Debt Proceeds - PWTF Loan - MV Transmission Line					
Debt Proceeds - Bonds					
Total Debt Proceeds					
Transfers from Other Funds:					
System Development Fund					
Major Capital Fund	2,000,000				2,000,000
Revenue Fund				4,736,894	4,736,894
Total Transfers from Other Funds	2,000,000			4,736,894	6,736,894
Total Revenue	36,309,000	2,000,000	900,000	4,801,894	44,010,894
Total Resources	49,147,794	2,000,000	7,467,410	7,394,722	66,009,926
Uses:					
Operating Expenditures:					
Operations and Maintenance	19,720,523				19,720,523
Utility and Excise Taxes	1,614,814				1,614,814
Total Operating Expenditures	21,335,337				21,335,337
Capital Expenditures:					
Service/Meters/Developer Projects	520,000				520,000
Department Projects	1,432,000				1,432,000
Pipeline Replacement	5,133,000				5,133,000
Major Capital Projects	7,388,000				7,388,000
Total Capital Expenditures	14,473,000				14,473,000
Debt Service Payments:					
Interest Payments				1,003,816	1,003,816
Principal Payments				3,733,078	3,733,078
Total Debt Service Payments				4,736,894	4,736,894
Transfers to Other Funds:					
Revenue		2,000,000			2,000,000
Debt Service	4,671,894				4,671,894
Debt Reserve - New Debt					
Total Transfers to Other Funds	4,671,894	2,000,000			6,671,894
Total Expenditures	40,480,231	2,000,000		4,736,894	47,217,126
Ending Fund Balance	8,667,563		7,467,410	2,657,828	18,792,801
Total Uses	49,147,794	2,000,000	7,467,410	7,394,722	66,009,926