



2020 BUDGET

PUBLIC UTILITY DISTRICT
NO. 1 OF SKAGIT COUNTY

Adopted | November 12, 2019

Skagit
PUD
PUBLIC UTILITY DISTRICT

In accordance with District Resolution No. 2262-19, we are pleased to present the 2020 Adopted 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 plus projected revenues, and “requirements” consist of authorized expenditures plus 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 Adopted Budget was presented at a public hearing on October 8, 2019. Public comments were considered during the public hearing and at several budget work sessions. Board members then incorporated public comments and direct changes to the budget before it was adopted. The Adopted Budget will take effect January 1, 2020.

During the year, circumstances may arise that affect the budget. Any modifications to the budget that may be needed will be presented to the Board for approval and become 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 the reserve requirements of the bond covenants.

SECTION 3: DISCUSSION OF ADOPTED BUDGET

A. REVENUES

A1. UTILITY RATE REVENUE

In 2019, the District engaged the services of FCS Group to complete a Cost-of-Service Analysis and Water Utility Rate study. The study provides 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, fund capital projects, pay new and existing debt obligations, and meet fiscal policy goals established by the Board.

The cost-of-service analysis establishes a basis for assigning costs and establishing “equity” for 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 a one-time fee imposed as a condition of service on new development or on expanded connections to the system. The FCS Group study included a review and update of the SDF calculation to incorporate the Water System Plan capital program currently being developed. SDF revenue is kept in a separate fund and used for growth and/or capacity related capital expenditures for the water system.

A3. REVENUE PROJECTIONS

The Adopted Budget was developed utilizing the rate study recommendation from FCS Group of a five percent increase in water rates. In addition, the rate study recommended modifications to the rate structure replacing the capital surcharge and modifying the tiered water rates. These changes would increase equity across water customers as well as promote conservation. Currently, these recommendations are under consideration by the Board and may also be implemented next year. The rate increase will take effect January 1, 2020 and is projected to increase rate revenues by \$1.2 million.

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

Exhibit 1: Projected Revenues

	2018 Actual	2019 Budget	2019 Forecast	2019-2020 % Change	2020 Proposed
Operating Revenue					
Residential/Multifamily	15,897,438	17,150,000	17,356,629	7.3%	18,620,000
Commercial/Fire Protection	5,303,771	5,854,000	6,541,452	9.0%	7,132,822
Irrigation	805,048	690,000	758,800	8.7%	825,000
Resale	124,853	105,000	108,236	6.2%	115,000
Total Rate Revenue	22,742,465	24,467,000	24,765,117	7.8%	26,692,822
Misc Operating Revenues	164,634	366,720	337,692	5.1%	355,000
Total Operating Revenue	22,907,099	24,833,720	25,102,809	7.7%	27,047,822
Capital Contributions					
Wrk Ord Deposits (Non-Donated Plant)	325,758	420,000	285,426	0.0%	285,426
Services	399,984	493,000	420,576	0.0%	420,576
System Development Fees	1,652,743	1,595,000	1,360,469	1.0%	1,374,074
Capital Grants	382,950	-	600,000	-66.7%	200,000
Pipe Replacement Fee	626,652	686,500	681,012		*
Total Capital Contributions	3,388,087	3,194,500	3,347,483	-31.9%	2,280,076
Non-Operating Revenue					
Rental Revenue	20,736	21,774	20,736	15.7%	24,000
Investment Income	323,969	170,200	416,404	35.0%	561,952
Misc Non-Operating Income	8,032	10,000	25,920	-61.4%	10,000
LUD Interest Income	29,733	33,000	9,198	8.7%	10,000
LUD Penalty Income	4,995	5,000	4,544	10.0%	5,000
LUD Assessments	148,727	200,000	86,878	15.1%	100,000
Total Non-Operating Revenue	536,192	439,974	563,680	26.1%	710,952
Total Revenue and Capital Contributions	26,831,378	28,468,194	29,013,973	3.5%	30,038,850

*Capital surcharge now included in monthly meter charges based on meter size

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%.

Each year, there are operating expenses that arise that were unanticipated in prior financial forecasts. Some of these expenses are one-time costs, while others are ongoing costs that will need to be included in future budgets.

Material one-time and recurring operating costs are shown in Exhibit 2.

Exhibit 2: Additional Expenses

Operation & Maintenance Expenses	
Recurring Costs	
DOH Security Mandates	\$144,000
Vehicle Replacement	100,000
Customer Notification	5,000
SCADA enhancements	35,000
One-time Costs	
Risk & Resiliency Plan	40,000
Sedro Woolley Transmission Line Condition Assessment	65,000
Water loss control action plan	35,000
Cayenta fixed asset module	75,000
Gilligan Creek Watershed improvements	20,000
Customer service projects	40,000
Sludge Removal	35,000
Server hardware replacement / upgrades	100,000
Document Management implementation	120,000
Total	814,000
2020 Budgeted O&M Costs	16,103,281
2020 O&M Costs less Recurring and One-time Costs	15,289,281
2019 Budgeted O&M Costs	14,510,685
Change in Budgeted O&M Costs (\$)	\$778,597
Change in Budgeted O&M Costs (%)	5.37%

Exhibit 3 shows how the department budgets are distributed across District functions.

Exhibit 3: Summary of Operating Budget

	2020 Proposed O&M Budget						Expend Offsets	Taxes and Non-Oper	Total
	01 Supply	03 Treatment	05 T&D	06 Broadband	07 Cust Svc	08 Admin			
Commissioner						230,419		230,419	
Executive						1,231,825		1,231,825	
Human Resources						255,448		255,448	
Safety						181,564		181,564	
Information Technology			53,400			1,383,738		1,437,138	
Broadband				39,300				39,300	
Finance						746,957		746,957	
Stores						377,419	(250,000)	127,419	
Meters					607,350			607,350	
Customer Service					773,984			773,984	
Billing					266,294			266,294	
Community Relations					275,506			275,506	
Engineering	41,000		10,200			1,800,440		1,851,640	
Construction & Maintenance			1,860,458			307,237		2,167,695	
Operations Support		-	3,000			886,872	(555,000)	334,872	
Water Treatment Plant	380,000	2,201,956						2,581,956	
Water Quality and Lab	14,080	21,380	131,714			195,204		362,378	
Distribution	383,000	5,000	92,865			1,146,870		1,627,735	
Facilities		-	20,000		1,000	200,879		221,879	
Non-Departmental						59,800	(625,000)	1,347,120	
Total Cash Operating Expenses	818,080	2,228,336	2,171,637	39,300	1,924,134	9,004,674	(1,430,000)	1,347,120	16,103,281

The next exhibit compares budget and actual expenses by function.

Exhibit 4: Historical Summary of Operating Budget by Function

2020 Budget Summary by Function	Forecast Comparison					
	2018 Actuals	2019 Budget	2019 Forecast	2020 Proposed	2019-2020 \$ Change	2019-2020 % Change
Supply (01)	697,532	887,580	621,668	818,080	196,412	31.6%
Treatment (03)	2,253,000	2,233,049	1,997,623	2,228,336	230,713	11.5%
Transmission & Dist (05)	969,521	1,045,892	1,313,921	2,171,637	857,717	65.3%
Customer Service (07)	1,632,931	1,822,822	1,582,454	1,924,134	341,680	21.6%
Administration (08)	6,245,699	7,271,221	7,511,352	7,613,974	102,623	1.4%
Taxes and Other (09)	1,156,384	1,250,120	1,159,372	1,347,120	187,748	16.2%
Total	12,955,067	14,510,685	14,186,389	16,103,281	1,916,892	13.5%

The increase in the Transmission & Distribution Function budget is due to the Districts transition from capital construction projects to maintenance projects. Historically, the budget was prepared using estimates for the number of projects that would be capitalized during the year. Inventory, equipment, and contracts for service would be budgeted in the capital projects budget and not in operations. The 2020 Budget is the first year in which these operational expenses have been broken out under the Transmission and Distribution function. The adopted budget anticipates

capitalizing less of these expenses to capital projects shifting to and increasing the operations and maintenance budget. The Transmission & Distributions budget is the one impacted the most by these changes.

The following chart compares the estimated capitalized labor between last year’s budget and the 2020 Adopted Budget. The result is that in 2020 there is an additional \$791,000 of salary & benefits budgeted in the operations and maintenance budget.

Exhibit 5: Salary & Benefits Capitalization Comparison

2019 Proposed Budget	Salary & Benefits Cost			2020 Proposed Budget	Salary & Benefits Cost		
	Total	To Capital	To O&M		Total	To Capital	To O&M
Commissioner	-	-	-	Commissioner	-	-	-
Executive	-	-	-	Executive	-	-	-
Human Resources	-	-	-	Human Resources	-	-	-
Safety	-	-	-	Safety	-	-	-
Information Technology	599,894	67,252	532,641	Information Technology	627,561	31,378	596,183
Broadband	-	-	-	Broadband	-	-	-
Finance	-	-	-	Finance	-	-	-
Stores	-	-	-	Stores	-	-	-
Meters	-	-	-	Meters	-	-	-
Customer Service	-	-	-	Customer Service	-	-	-
Billing	-	-	-	Billing	-	-	-
Community Relations	-	-	-	Community Relations	-	-	-
Engineering	2,568,368	1,063,902	1,504,465	Engineering	3,001,504	1,245,497	1,756,007
Construction & Maintenance	1,837,249	775,473	1,061,776	Construction & Maintenance	1,671,754	164,096	1,507,658
Operations Support	621,225	13,147	608,078	Operations Support	644,537	13,969	630,568
Water Treatment Plant	-	-	-	Water Treatment Plant	-	-	-
Water Quality and Lab	-	-	-	Water Quality and Lab	-	-	-
Distribution	-	-	-	Distribution	-	-	-
Facilities	-	-	-	Facilities	-	-	-
Total	5,626,735	1,919,774	3,706,961	Total	5,945,356	1,454,940	4,490,416

Exhibit 6 compares District operating expenses for the years 2018-2020.

Exhibit 6: Historical Summary of Operating Budget by Line Item

Skagit PUD - 2020 Proposed Budget		2018	2019	2019	2020	% Change
Summary by Line Item		Actual	Budget	Forecast	Proposed	Forecast
6010	Salary, Wages and Benefits	\$ 8,435,545	\$ 9,432,442	\$ 9,536,732	\$ 10,537,316	10.5%
6100	Water Purchased from Others	194,759	200,000	101,304	200,000	97.4%
6150	Power Purchased for Pumping	497,653	530,000	550,492	530,000	-3.7%
6180	Chemicals	506,483	523,380	364,193	561,280	54.1%
6200	Materials & Supplies	561,743	642,900	457,085	906,900	98.4%
6204	Broadband Sales Costs	-	4,500	9,634	4,500	-53.3%
6205	Broadband Supplies and Materials	28,187	16,300	14,947	16,300	9.0%
6215	Rain Barrels	2,428	3,600	-	3,600	
6221	Community Relations	16,804	50,900	4,240	58,600	1281.9%
6222	Insurance Claims and Reimbursements	18,190	-	20,885	20,000	-4.2%
6225	Maintenance Contracts	24,203	14,500	9,484	20,500	116.2%
6226	Memberships, Licenses, Certifications	81,455	87,389	96,384	83,980	-12.9%
6228	General Supplies & Non-Professional Services	213,775	296,124	212,014	336,549	58.7%
6229	Postage and Shipping	77,293	83,120	61,703	83,120	34.7%
6230	Professional Services	374,754	580,500	296,664	562,953	89.8%
6231	Security	3,470	3,240	3,036	3,240	6.7%
6232	Tools and Small Equipment	67,801	78,900	38,040	77,600	104.0%
6234	Utilities	207,207	235,516	211,361	265,616	25.7%
6235	Permits	34,011	35,365	70,065	35,365	-49.5%
6251	Computer Hardware, Communications, SCADA	80,856	76,500	46,824	154,500	230.0%
6252	Computer Software, Licenses and Support	372,355	510,409	479,180	509,513	6.3%
6255	Education and Professional Development	118,954	184,860	114,019	151,685	33.0%
6260	Building, Furniture, Grounds and Roads	240,977	261,764	231,153	229,264	-0.8%
6261	Safety	146,676	49,630	45,481	43,280	-4.8%
6242	Rental Expense	1,568	-	467	-	-100.0%
6266	Advertising	14,539	20,550	16,387	24,400	48.9%
6267	Bad Debts	39,537	42,000	10,600	42,000	296.2%
6500	Transportation-Fuel	56,166	100,000	105,312	100,000	-5.0%
6501	Transportation-Parts	56,926	60,000	43,203	60,000	38.9%
6502	Transportation-Outside Services	111,087	30,000	19,439	30,000	54.3%
6505	Transportation-Enterprise Fleet Mgmt Fee	1,303	4,178	3,835	4,178	9.0%
6560	Insurance-Property	187,973	226,592	218,431	226,592	3.7%
6570	Insurance-Liability	211,052	300,980	233,896	300,980	28.7%
6590	Insurance-Other	24,598	4,425	2,949	2,350	-20.3%
<i>Expenditure Offsets:</i>						
6550	Transportation Overhead Charge	(457,572)	(555,000)	(219,541)	(555,000)	152.8%
6750	Inventory Administrative Overhead	(240,488)	(250,000)	(92,638)	(250,000)	169.9%
6751	Administrative Expense Transferred	(513,585)	(625,000)	(290,242)	(625,000)	115.3%
<i>State Taxes:</i>						
4080	Utility Taxes	1,091,487	1,190,000	1,079,056	1,295,000	20.0%
<i>Other Expenditures:</i>						
4082	State Excise Taxes	47,205	43,000	48,696	35,000	-28.1%
4084	Fire and Dike District Taxes	16,110	16,520	30,097	16,520	-45.1%
4087	Miscellaneous Taxes	1,581	600	1,353	600	-55.7%
4299	Miscellaneous Expenses	-	-	171	-	
Total Cash Operating Expenditures		\$ 12,955,067	14,510,685	14,186,389	\$ 16,103,281	13.5%

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 2020 Adopted Budget.

Exhibit 7: Agency Memberships the District Participates In

Memberships	2020
Skagit Council of Governments (SCOG)	1,450
Washington PUD Association (WPUDA)	58,400
Washington Water Utilities Council (WWUC)	2,000
Economic Development Association of Skagit County (EDASC)	2,500
Washington Association of Sewer & Water Districts	550
American Water Works Association (AWWA)	6,100
Chlorine Institute	5,100
Salmon Festival	5,000
Mount Vernon Chamber	825
Burlington Chamber	600
Sedro Woolley Chamber	800
Total	\$ 83,325

B3. STAFFING

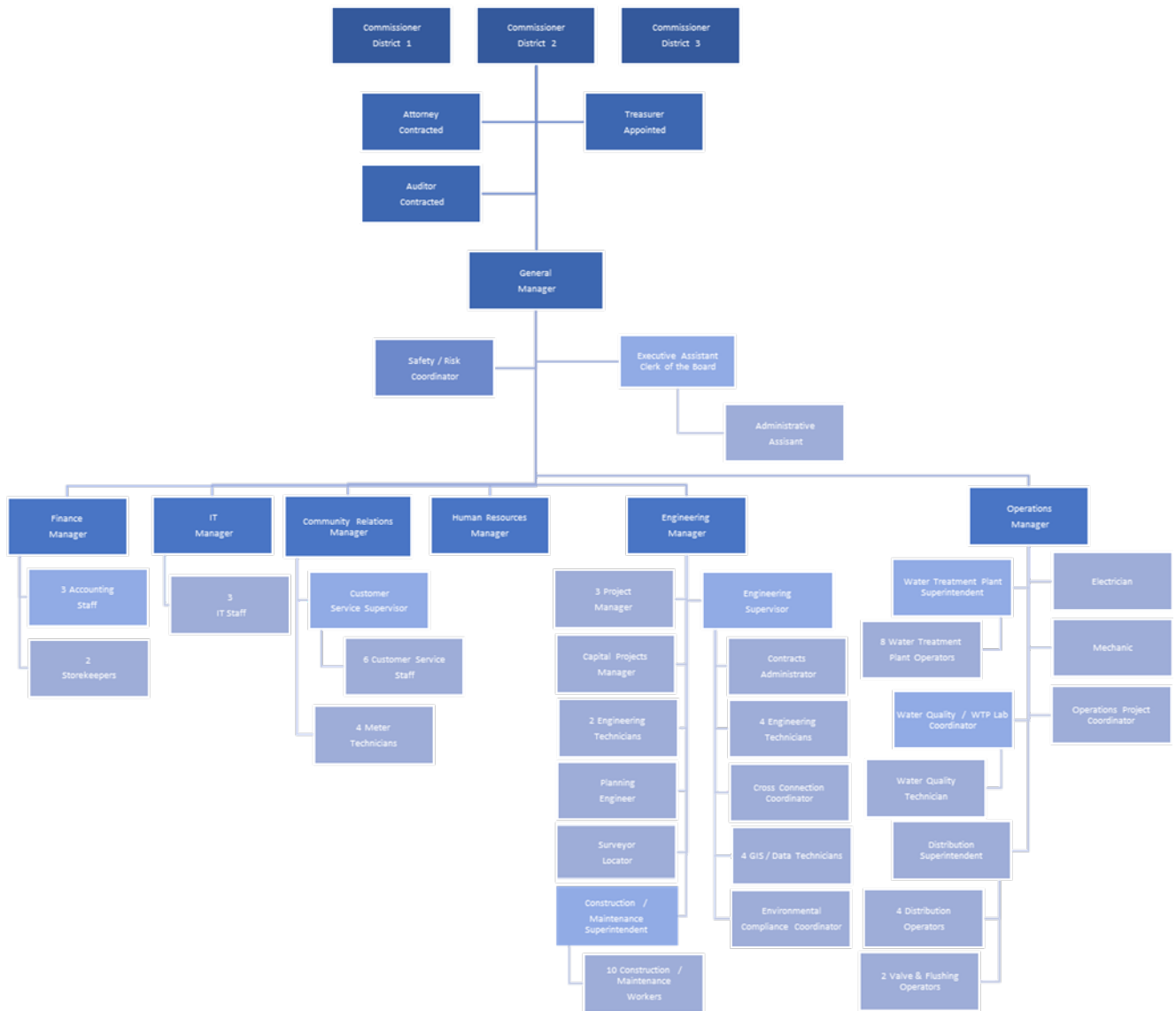
The District continues to assess its core functions and level of service and adjusts staffing levels or operations to make improvements. Recently, there have been several positions filled internally including: Maintenance Superintendent, Distribution Superintendent position, and to backfill an opening in the meter department. The engineering departments new positions are to support the large capital projects program underway including the Judy Transmission Line, Water Treatment Plant upgrades, and the remodel of the District's main campus building.

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

2020 Proposed Budget			2020	2019-2020	
Authorized FTEs by Department	2018	2019	Proposed	Change	Changes in 2020
Commissioner	-	-	-		
Executive	3.00	3.00	2.25	(0.75)	move to engineering*
Human Resources	1.00	1.00	1.00	-	
Safety	1.00	1.05	1.05	-	
Information Technology	4.00	4.00	4.00	-	
Broadband	-	-	-	-	
Finance	4.25	4.25	4.25	-	
Stores	2.00	2.00	2.00	-	
Meters	4.42	4.00	4.00	-	
Customer Service	5.63	5.63	6.00	0.37	increase to full-time
Billing	1.00	1.00	1.00	-	
Community Relations	1.00	1.00	1.00	-	
Engineering	20.00	19.80	21.80	2.00	capital project staff - Transmission line
Construction & Maintenance	14.00	14.00	12.00	(2.00)	1 to meter & 1 vacant
Operations Support	4.00	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	6.00	7.50	1.50	new superintendent & 1/2 SCADA*
Facilities	0.42	0.20	0.20	-	Chinook Services employee
Total	83.22	82.85	83.97	1.12	

*Partial FTE for training due to retirement

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 2029. The new CIP table reflects updates in schedule for the Judy to Mount Vernon Transmission Line, which was designed in 2019 and will start construction in 2020. The table also shows new projects at the Water Treatment Plant that were identified during the need's assessment study conducted in 2019. This resulted in several other pipeline project schedule changes to keep a balance in the overall workload and expenditures.

The CIP anticipates \$160 million of projects over the next ten-years. There are several large projects that have been added including: Water Treatment Plant, Skagit River Diversion, Raw Water Pump Station improvements that were identified in the assessment study. The PUD campus replacement project has also been refined now that the decision to remain at the current location and to build/remodel the existing building has been made. In addition, the shuffling of projects described above and revisions to projects in the out years increased the overall cost estimate of the CIP. The present schedule anticipates that 60% of the projects will be completed in the next five-years.

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 Improvement Projects 2020-2029

No.	Description	Total 2020-29 (Constant \$)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	Department Capital:											
1	Computer Software/ IT	4,642,916	\$ 493,700.00	\$ 633,918.44	\$ 304,800.59	\$ 297,227.41	\$ 551,136.51	\$ 314,876.34	\$ 829,639.20	\$ 710,314.35	\$ 253,651.82	\$ 253,651.82
2	Customer/ Meter	586,290	136,290	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
3	Equipment/Ops	994,000	319,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000
4	Water Treatment Plant	2,120,000		120,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
5	Engineering	1,570,000	120,000	50,000	175,000	175,000	175,000	175,000	175,000	175,000	175,000	175,000
	Major Capital:											
	Operations and Maintenance:											
6	Raw Water Pump Station Upgrade	4,000,000	2,000,000	2,000,000								
7	WTP Backwash Pump Replacemer	1,300,000	300,000	1,000,000								
8	WTP Cleanout & Mechanical Syste	750,000	750,000									
9	Dedicated Power feed Norlum sub	4,000,000		250,000	250,000	3,500,000						
10	WTP Disinfection System Replacem	2,000,000		-	500,000	500,000	1,000,000					
11	WTP Filters - Convert to air scour	2,000,000				300,000	1,700,000					
12	Micro Hydro @ Division St. booste	50,000	50,000									
13	Document Management Software	310,000	240,000	50,000	20,000							
14	Badger ORION 5/8 Meter Transmi	4,500,000				1,500,000	1,500,000	1,500,000				
	Transmission Pipelines:											
15	Transmission Line, Judy - MV Phas	25,500,000	11,000,000	11,000,000	3,500,000							
16	Judy SW Transmission Phase 2 top	5,500,000		-	-	-			-	-	1,000,000	4,500,000
17	Judy SW TransmissionPhase 3 rive	8,400,000			-	1,300,000	1,300,000	5,800,000				
18	Judy SW Transmission Phase 4	19,700,000				-	-	500,000	700,000	9,250,000	9,250,000	
	Pipelines:											
19	Burklund Road Pipeline	3,400,000	200,000	3,200,000								
20	North Fork Skagit River Crossing	9,600,000					-	-			1,000,000	8,600,000
21	N 18th Street E Division to Highland, Fir St N Laventure to N 30th St	1,700,000	1,700,000									
22	Avon Ave, N Spruce, Nwaulnut, N Oak, N Cherry, N Pine, N Anacortes & Magnolia Ave, N Victoria to Washington	1,700,000					1,700,000					
23	Sky Ridge Pipe Replacement and Booster Pump Station	2,000,000	2,000,000	-								
24	College Way, Urban to LaVenture and Crossing at Leigh, Windsor, N. 19th and 8inch Crossing W. of 30th	2,000,000			2,000,000							
25	Peterson, Pulver - Avon Allen and Sunrise Lane E	1,100,000	-				-			1,100,000		
26	Eagle Drive Fairway W, Fairway Drive, Country Club Drive, Fairway to Rainer	2,100,000				2,100,000						

Exhibit 10: Summary of Planned Capital Improvement Projects 2020-2029 – Continued

No.	Description	Total 2020-29 (Constant \$)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
27	Belmont St., Clarmont Place, E. Montgomery, N 15th E. & N. 18th, E. Division to Highland	1,100,000						1,100,000				
28	N. Wall, W. Lincln, Cosgrove, Cascade, N. Barkr, Garfield & Baker	1,200,000							1,200,000			
29	10th, Skagit-Hazel; Hazel, 10th-11th; 12th, Section to Fowler;	1,700,000								1,700,000		
30	2nd. St., 3rd St., B. St, E St., Bayvie	1,100,000									1,100,000	
31	Little Mountain	5,200,000	600,000	4,600,000								
	State Grant Needed to fund Pro	(5,200,000)	(600,000)	(4,600,000)								
	Fiber:											
32	Annual Fiber Optic Installation Pro	2,400,000	200,000	225,000	225,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
	Reservoirs:											
33	Cascade Ridge Reservoir	50,000										50,000
34	Big Lake Reservoir	50,000										50,000
35	Pleasant Ridge Area Reservoir	100,000		-	-							100,000
36	Panorama - 2 MG storage tank & t	4,000,000	400,000	1,800,000	1,800,000							
	Facilities											
37	WTP Dam Pipe Replacement	300,000	300,000									
38	Potlatch RO Replacement	60,000		60,000								
39	PUD Campus Design & Constructio	20,000,000	1,000,000	5,000,000	10,000,000	4,000,000						
	Other:											
40	Mountain View Consolidation	1,400,000	1,400,000									
41	Coordinated Opportunites with Ot	5,000,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
42	Annual Pipe Replacement Infill	9,500,000	500,000	500,000	1,000,000	1,000,000	1,000,000	-	1,000,000	1,500,000	1,500,000	1,500,000
	Total Capital Projects	\$ 159,483,206	\$ 23,608,990	\$ 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
	5-Year Average Annual (2020-2024) CIP Comparison											
	2020 Budget	19,324,215										
	2019 Budget	18,122,000										
	Increase/(Decrease)	1,202,215										
	10-Year Average Annual (2020-2029) CIP Comparison											
	2020 Budget				854,801	847,227	1,101,137	864,876	1,379,639	1,260,314	803,652	803,652
	2019 Budget				1,000,000	1,000,000	1,000,000	-	1,000,000	1,500,000	1,500,000	1,500,000
	Increase/(Decrease)				-145,199	-152,773	101,137	864,876	379,639	-239,686	-696,348	-696,348
	Total Department Capital	9,913,206	1,068,990	928,918	854,801	847,227	1,101,137	864,876	1,379,639	1,260,314	803,652	803,652
	Total Major Capital	140,070,000	22,040,000	25,085,000	18,795,000	13,950,000	7,950,000	9,650,000	2,650,000	12,800,000	13,100,000	14,050,000
	Total Annual Pipe Replacement	9,500,000	500,000	500,000	1,000,000	1,000,000	1,000,000	-	1,000,000	1,500,000	1,500,000	1,500,000
	Total CIP	159,483,206	23,608,990	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

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.

Major Capital – Are large capital projects that are typically associated with a Capital Improvement Program. Projects include pipeline replacement, reservoir construction, fiber optic construction, etc. It also includes large department capital projects such as the Water Treatment Plant upgrades.

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.

C2. CAPITAL PROGRAM SUMMARY

Based on the updated capital plan for the 2020 budget, the total value of the capital projects for the next ten- years is \$160 million. Several capital projects were added to the CIP including: WTP backwash pump replacement, WTP cleanout & mechanical, Raw Water Pump Station improvements that were identified during the assessment study. The PUD campus replacement project has also been refined now that the decision to remain at the current location and to build/remodel the existing building has been made.

a) Department Capital

The 2020 Adopted Budget includes \$1.1 million of department capital projects from Operations, Engineering, Water Treatment Plant, Meters, and the IT Departments. This is down approximately \$400,000 from last year and includes; vehicles replacements as part of our fleet rotation, Risk & Resiliency Assessment, Emergency Response Plan, software & server upgrades, transmission line assessment, security and reliability improvements at the Water Treatment Plant, and IT department has planned life cycle replacements for server hardware, improvements to the SCADA system and completion of Department of Health (DOH) security mandates.

b) 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 2020 include: \$200,000 of fiber installation, \$3 million for the Raw water pump upgrades & replacement, \$11 million for the Judy Reservoir to Mount Vernon Transmission Line, \$1.4 million for the Mountain View consolidation, \$500,000 for Coordinated Opportunity Projects with other Agencies, and \$1 million for design of the PUD campus remodel project.

c) Pipe Replacement

Historically, a placeholder of \$3.5 million was budgeted for pipe replacement each year. The 2020 CIP allocates this money between specific pipe replacement infill projects including: \$2 million Sky Ridge pipe replacement and booster station, \$1.7 million Fir Street pipe replacement, \$1.4 million Mt. View Consolidation, and projects with other agencies, and the

remainder placed into annual pipe replacement projects. The mix of projects will be managed as specific needs are identified and the capacity of our current staffing level.

D. CAPITAL BUDGET AND DEBT SERVICE

Exhibit 11 compares the first year of the 2020 CIP capital budget to the prior year’s budget. The adopted budget shows a decrease in departmental projects of \$355,000. Major capital projects increased more than \$8.7 million for the Judy Mount Vernon Transmission Pipeline, Raw Water Pump Station upgrades, and other projects at the Water Treatment Plant. In addition, several specific small diameter pipe replacement projects have been identified that were previously budgeted as annual pipe replacement are now included as separate projects in the capital plan.

The adopted budget assumes that new debt will be issued to fund the next several years of capital projects. Total principal and interest payments will increase an estimated \$2.6 million dollars to \$5.9 million for a couple of years until some debt is retired.

Exhibit 11: Capital Budget and Debt Service

Summary of Capital Budgets	2019 Adopted Budget	2020 Proposed Budget
Capital Budget		
Department Capital	\$ 1,424,336	\$ 1,068,990
Major Capital	13,345,400	22,040,000
Annual Pipe Replacement	500,000	500,000
Total Capital Budget	\$ 15,269,736	\$ 23,608,990

2020 Debt Service	Principal	Total
Total Bonds (New & Existing)	\$ 1,396,250	\$ 3,642,252
Total P WTF Loans	\$ 1,281,201	\$ 1,300,351
Total DWSRF Loans	\$ 826,830	\$ 989,782
Total Other State Loans	\$ 59,625	\$ 61,549
Total Debt Service	\$ 3,563,906	\$ 5,993,935
Federal Tax Credit	\$ -	\$ (60,235)
Net of Federal Tax Credit	\$ 3,563,906	\$ 5,933,700

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 Adopted Budget meets or exceeds the District financial targets.

a) Revenue Fund Ending Balance

Target: 2.5 months O&M + Depreciation = \$4,438,000.

Projected: \$16,027,000 is above 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: 940 days, which exceeds the target because of the bond issuance

c) Debt Service Coverage

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

Projected: 3.9 on bonded debt, which is above the target.

Debt service coverage on all debt is 2.4, which exceeds the targeted amount.

d) Capital

Target: Capital Expenditures funded by revenue fund target = \$3.5 million

Projected: Capital Budget in 2020 is \$24 million, of which \$4.4 million is funded by revenue and exceeds the target.

Exhibit 12: Comparison of 2020 Adopted Budget with Fiscal Management Targets

Fiscal Policy Check	2019 Actual Forecast	2020 Proposed
Liquidity Target		
Ending Balance, All Funds	\$ 18,467,147	\$ 47,594,881
No. Days of O&M Expenses	475 Days	1120 Days
Target (Minimum)	180 Days	180 Days
Above/(Below) Target	295 Days	940 Days
Revenue Fund Balance		
Ending Balance Revenue Fund	\$ 10,048,862	\$ 16,027,522
Target (Minimum)		
2.5 months of O&M Expenses plus Depreciation	4,034,182	4,417,668
Above/(Below) Target	6,014,681	11,609,854
Debt Service Coverage		
Bonded Debt Service	\$ 1,108,517	\$ 3,642,252
Total Revenue excluding Debt Proceeds and Transfers	\$ 28,253,473	\$ 29,838,850
Projected O&M Expenses	14,186,389	15,509,806
Projected Net Operating Revenue	\$ 14,067,083	\$ 14,329,043
Bonded Debt Service Coverage	12.69	3.93
Target (Minimum)	2.00	2.00
Above/(Below) Target	10.69	1.93
Information:		
Total Debt Service, including State Loans	\$ 3,234,654	\$ 5,933,700
Debt Service Coverage on All Debt	4.35	2.41
Rate-Funded Capital		
Capital Expenditures funded by Revenue Fund	\$ 7,295,000	\$ 4,400,000
Target (Minimum)	3,500,000	3,500,000
Above/(Below) Target	\$ 3,795,000	\$ 900,000
100% of Annual Depreciation	5,177,682	5,695,000
Above/(Below) Annual Depreciation	2,117,318	(1,295,000)

F. RATE FORECAST SUMMARY

The Adopted Budget assumes a 5% rate increase as recommended during FCS Group 2019 Rate Study. The rate revenue increase of \$1.2 million will be used to pay the debt service on new debt issued that will fund the planned capital improvement program.

For 2020, the average residential rate impact of this budget is approximately \$4.74 per billing cycle, assuming 6 ccf of water use.

G. FUND SUMMARIES

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

All Funds Summary for 2019 Cash Resources and Requirements					
	Revenue Fund	Major Capital Fund	System Development Fund	Debt Service	Combined
Resources:					
Beginning Fund Balance	7,394,415	4,589,450	3,634,481	2,812,075	18,430,421
External Revenue:					
Rate Revenue	25,102,809				25,102,809
System Development Fees			1,360,469		1,360,469
Capital Contributions	1,387,014				1,387,014
Grants - Little Mountain		600,000			600,000
LUD Assessments, Interest, Penalties				100,620	100,620
Investment Income	161,952	93,952	93,640	50,000	399,544
Non-Operating Revenues	46,656				46,656
Total External Revenue	26,698,431	693,952	1,454,109	150,620	28,997,113
Debt Proceeds:					
Debt Proceeds - Division St Tank Loan		0			0
Debt Proceeds - Mountain View Loan		1,112,100			1,112,100
Debt Proceeds - Gilligan Creek Loan		0			0
Debt Proceeds - Bonds		0			0
Total Debt Proceeds	0	1,112,100	0	0	1,112,100
Transfers from Other Funds:					
System Development Fund	0	1,000,000			1,000,000
Major Capital Fund	0				0
Revenue Fund		0		3,234,654	3,234,654
Revenue Fund - Minimum Bond Reserve					0
Revenue Fund - New Debt Reserve				1,367,000	1,367,000
Total Transfers from Other Funds	0	1,000,000	0	4,601,654	5,601,654
Total Revenue	26,698,431	2,806,052	1,454,109	4,752,274	35,710,867
Total Resources	34,092,846	7,395,502	5,088,590	7,564,349	54,141,288
Uses:					
Operating Expenditures:					
Operations and Maintenance	12,783,039				12,783,039
Bond Issue Costs					
Utility and Excise Taxes	1,079,056				1,079,056
Total Operating Expenditures	13,862,094	0	0	0	13,862,094
Capital Expenditures:					
Service/Meters/Developer Projects	706,002				706,002
Department Projects	1,424,336				1,424,336
Major Capital Projects	5,249,898	7,395,502			12,645,400
Pipe Replacement	500,000				500,000
Total Capital Expenditures	7,880,236	7,395,502	0	0	15,275,738
Debt Service Payments:					
Interest Payments				564,920	564,920
Federal Tax Credit for 2009B Bonds				(63,202)	(63,202)
Principal Payments				2,732,936	2,732,936
Total Debt Service Payments	0	0	0	3,234,654	3,234,654
Transfers to Other Funds:					
Revenue		0	0		0
Major Capital			1,000,000		1,000,000
Debt Service	3,234,654		0		3,234,654
Debt Reserve	1,367,000				1,367,000
					0
Total Transfers to Other Funds	4,601,654	0	1,000,000	0	5,601,654
Total Expenditures	26,343,984	7,395,502	1,000,000	3,234,654	37,974,140
Ending Fund Balance	7,748,862	0	4,088,590	4,329,695	16,167,147
Total Uses	34,092,846	7,395,502	5,088,590	7,564,349	54,141,288

All Funds Summary for 2020					
Cash Resources and Requirements					
	Revenue Fund	Major Capital Fund	System Development Fund	Debt Service	Combined
Resources:					
Beginning Fund Balance	10,048,862	0	4,088,590	4,329,695	18,467,147
External Revenue:					
Rate Revenue	27,047,822				27,047,822
System Development Fees			1,374,074		1,374,074
Capital Contributions	706,002				706,002
Grants		200,000			200,000
LUD Assessments, Interest, Penalties				115,000	115,000
Investment Income	161,952	250,000	100,000	50,000	561,952
Non-Operating Revenues	34,000				34,000
Total External Revenue	27,949,776	450,000	1,474,074	165,000	30,038,850
Debt Proceeds:					
Debt Proceeds - Division St Tank Loan		0			0
Debt Proceeds - Mountain View Loan		0			0
Debt Proceeds - Gilligan Creek Loan		1,700,000			1,700,000
Debt Proceeds - Bonds		40,000,000			40,000,000
Total Debt Proceeds	0	41,700,000	0	0	41,700,000
Transfers from Other Funds:					
System Development Fund	0	0			0
Major Capital Fund					0
Revenue Fund		0		5,331,609	5,331,609
Revenue Fund - Minimum Bond Reserve					0
Revenue Fund - New Debt Reserve				4,000,000	4,000,000
Total Transfers from Other Funds	0	0	0	9,331,609	9,331,609
Total Revenue	27,949,776	42,150,000	1,474,074	9,496,609	81,070,459
Total Resources	37,998,638	42,150,000	5,562,664	13,826,304	99,537,606
Uses:					
Operating Expenditures:					
Operations and Maintenance	14,001,985				14,001,985
Bond Issue Costs		600,000			600,000
Utility and Excise Taxes	1,295,000				1,295,000
Total Operating Expenditures	15,296,985	600,000	0	0	15,896,985
Capital Expenditures:					
Service/Meters/Developer Projects	706,002				706,002
Department Projects	1,068,990				1,068,990
Major Capital Projects	1,000,000	20,040,000			21,040,000
Pipe Replacement	500,000				500,000
Total Capital Expenditures	3,274,992	20,040,000	0	0	23,314,992
Debt Service Payments:					
Interest Payments				610,104	610,104
Federal Tax Credit for 2009B Bonds				(60,235)	(60,235)
Principal Payments				2,849,270	2,849,270
Total Debt Service Payments	0	0	0	3,399,139	3,399,139
Transfers to Other Funds:					
Revenue		0	0		0
Major Capital	0		0		0
Debt Service	3,399,139		0	1,932,470	5,331,609
Debt Reserve - Minimum Bond Reserve		0			0
Debt Reserve - New Debt		4,000,000			4,000,000
Total Transfers to Other Funds	3,399,139	4,000,000	0	1,932,470	9,331,609
Total Expenditures	21,971,116	24,640,000	0	5,331,609	51,942,725
Ending Fund Balance	16,027,522	17,510,000	5,562,664	8,494,695	47,594,881
Total Uses	37,998,638	42,150,000	5,562,664	13,826,304	99,537,606