AGENDA
November 9, 2021
4:30 PM

The public is invited to attend in person or via Zoom. Face coverings are required for in-person audience members.

Join our meeting: https://skagitpud.zoom.us/j/82185755016?pwd=STZXbHlRTGlpaC9TWFDaTGl3SFByZzQt09
Meeting ID: 821 8575 5016
Passcode: 778663
Or dial: 1-253-215-8782

Please turn your audio and video off during the meeting. Use the "Raise Hand" feature if you would like to speak during Audience Comments.

If you have a question or comment for the Board, please submit it by 5:00 PM the Monday prior to the meeting by calling (360) 848-4472 or send an email to pud@skagitpud.org

PLEDGE OF ALLEGIANCE

CONSENT AGENDA
1. Approval of Agenda 11/09/21
2. Approval of Minutes 10/26/21 Regular Meeting & 11/02/21 Budget Work Session
3. Ratification of Voucher 11/02/21
4. Voucher Approval 11/09/21
5. Project Acceptance:
   a. Skagit Self Storage, Sedro-Woolley
   b. MVSD Tenant I-5 Business Park, Mount Vernon
6. Safety Practice & Procedure #3004, District Safety Committee
7. General Manager Performance Evaluation

BUDGET
- Additional Budget Discussion if Requested

AUDIENCE COMMENTS

OLD BUSINESS
8. Manager’s Report
9. Engineering Department Update

NEW BUSINESS
10. Resolution 2288-21 Adopting 2022 Final Budget - Action
11. 2022 General Manager’s Goals - Discussion

INFORMATION
12. Judy Reservoir Data Report
13. News article

COMMISSIONER COMMENTS

ADJOURNMENT
MINUTES OF THE REGULAR MEETING OF THE COMMISSION
PUBLIC UTILITY DISTRICT NO. 1 OF SKAGIT COUNTY, WASHINGTON

October 26, 2021

The regular meeting of the Commission of Public Utility District No. 1 was held in the Aqua Room of the utility located at 1415 Freeway Drive, Mount Vernon, Washington, with masks and social distancing.

The meeting was called to order at 4:30 PM. Those Commissioners in attendance were: Joe Lindquist, President; Germaine Kornegay, Vice President; and Andrew Miller, Secretary.

Also in attendance were: George Sidhu, Luis Gonzales, Catherine Price, Jay Sedivy, Brian Henshaw, Dale Ragan, Kathy White, Krista Lewis, Alistair Boudreaux and Ben Hansen.

 Appearing remotely were: Doug Streeter, Sam Shipp, Gary Braaten, Mike Fox, Sally Saxton, Kevin Tate, Attorney Peter Gilbert, Ryan Anderson, Cherri, and Mark C. Handzlik.

Commissioner Lindquist led the Pledge of Allegiance.

CONSENT AGENDA

Commissioner Miller moved to approve the Consent Agenda for October 26, 2021, as presented.

1. Approval of Agenda 10/26/21
2. Approval of Minutes:
   a. 10/12/21 Regular Meeting
   b. 10/19/21 Budget Work Session #1
3. Ratification of Vouchers 10/19/21 No. 3002 ($1,307,083.66)
   Accounts Payable Voucher No. 22035 - 22083 ($254,256.64)
   Electronic Funds Transfer ($1,052,827.02)
4. Voucher Approval 10/26/21 No. 3003 ($839,451.92)
   Accounts Payable Voucher No. 22084 - 22141 ($554,786.59)
   Electronic Funds Transfer ($99,037.99)
   Payroll Electronic Funds Transfers and Checks No. 035062 - 035140 ($185,627.34)

The motion passed.

BUDGET

Administrative, Human Resources, Safety and Information Technology department budgets were reviewed by their respective department managers.

QUARTERLY FINANCIAL REPORT

Finance Manager Henshaw provided, by PowerPoint presentation, a summary of finances from July 1, 2021, through September 30, 2021.

AUDIENCE COMMENTS

Neighboring property owner and longtime customer Dale Ragan inquired about what will happen with the poplar trees on the north side of the property when the new building is constructed. He encouraged the District to consider removing the trees for safety reasons.

OLD BUSINESS

5. Manager’s Report: General Manager Sidhu provided an update on the following:
   • 2022 Budget: 11/2 Budget Work Session #2 at 4:30 PM will include Community Relations, Finance and Customer Service. The budget will be proposed for adoption at the 11/9 meeting, and SkagitNET will present their 2022 Budget on 11/23.
   • Staffing: Executive Assistant/Clerk of Board and Customer Service both had good responses to job advertisements and interviews are in process.
   • Judy Reservoir to MV Transmission Line: There are ongoing pipe production issues, but they are not currently impacting the schedule.
   • Raw Water Pump Station: The roof framing is nearly complete and the electrical contractor is setting equipment in the electrical room.
   • WPUDA Annual Awards: Recommendation to nominate Madeline Tollefson for the education scholarship selection.
6. **Community Relations Department Update:**
Community Relations Manager Tate provided an update including the Pipeline newsletter, news publications and articles on multiple platforms, public announcements, social media accounts, style guide, content management system including website upgrades and the upcoming employee slide show.

**INFORMATION**
7. Finance Report, September
8. Safety Practice & Procedure #3004, District Safety Committee
9. Judy Reservoir Data Report

**COMMISSIONER COMMENTS**
None.

**CLOSED SESSION**
At this time, Commissioner Lindquist recessed the regular meeting to go into closed session to discuss collective bargaining matters [RCW 42.30.140(4)(a)] for an approximate duration of 10-20 minutes. Commissioner Lindquist stated that there would be no action following the closed session. The meeting was recessed at 5:31 PM. The closed session convened at 5:34 PM.

Commissioner Lindquist reconvened the regular meeting of the Commission at 6:13 PM.

**EXECUTIVE SESSION**
At this time, Commissioner Lindquist recessed the regular meeting to go into executive session to review performance of a public employee [RCW 42.30.110(1)(g)] for an approximate duration of 20-30 minutes. Commissioner Lindquist stated that there would be no action following the executive session. The meeting was recessed at 6:13 PM. The executive session convened at 6:13 PM.

**ADJOURNMENT**
Commissioner Lindquist reconvened the regular meeting of the Commission at 6:33 PM. Having no further business to come before the Board, Commissioner Lindquist moved for adjournment. The motion passed and the meeting of October 26, 2021 was adjourned at 6:33 PM.

**ATTEST**

Joe Lindquist, President

Andrew Miller, Secretary

Germaine Kornegay, Vice President
PUBLIC UTILITY DISTRICT NO. 1 OF SKAGIT COUNTY

COMMISSIONERS’ WORK SESSION

November 2, 2021

4:30 PM

CALL TO ORDER
Commissioner Lindquist called the meeting to order at 4:30 PM

2022 BUDGET REVIEW
   o Community Relations
   o Finance
   o Customer Service

The next regular Board meeting is November 9 at 4:30 PM.

ADJOURNMENT
With no further business to come before the Board, the meeting was adjourned at 5:27 PM.

ATTEST

Joe Lindquist, President

Andrew Miller, Secretary  Germaine Kornegay, Vice President
As of November 02, 2021

We, the undersigned Board of Commissioners of Public Utility District No. 1 of Skagit County, Washington, do hereby certify that the merchandise and /or services hereinafter specified have been received and are hereby approved for payment in the amount of $256,564.47 this 2nd day of November, 2021.

The total is comprised of the following:

Accounts Payable voucher No. from 22142 through 22184 in the amount of $129,367.88, Electronic Funds Transfer in the amount of $127,196.59. Payroll Electronic Funds Transfers and checks No. through in the amount of $0.00.

Attest:

Date: 11/01/2021

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256,564.47
November 09, 2021

Board of Commissioners
Public Utility District No. 1 of Skagit County
1415 Freeway Drive
Mount Vernon, WA  98273-1436

RE:  Project Acceptance

Name of Project:    Skagit Self Storage
Reference:          C.O. # 5103   Project # 3836
Location:           Sedro Woolley
Developer:          Campbell I LLC,
Contractor:         TRICO

Commissioners:

The District has approved the plans and specifications and has inspected the installation of the new water plant within the above project. The Engineering Department has received satisfactory pressure and bacteriological test results. All documentation for this project has been completed.

I recommend that the Commission accept this project.

Respectfully submitted,

Mark C. Handzlik, P.E.
Engineering Manager

Attachment:  Map

cc:    George Sidhu, P.E., General Manager
       Michael E. Demers, Engineering Technician
This map was created from available public records and existing map sources, not from field surveys. While great care was taken in this process, maps from different sources rarely agree as to the precise location of geographic features. The relative positioning of map features to one another results from combining different map sources without field verification.

The PUD #1 of Skagit County disclaims any warranty of merchantability or warranty of fitness of this map for any particular purpose, either expressed or implied. No representation or warranty is made concerning the accuracy, currency, completeness or quality of data depicted on this map. Any user of this map assumes all responsibility for use thereof, and further agrees to hold the PUD #1 of Skagit County harmless from any damage, loss, or liability arising from the use of this map.
November 09, 2021

Board of Commissioners
Public Utility District No. 1 of Skagit County
1415 Freeway Drive
Mount Vernon, WA  98273-1436

RE:  Project Acceptance

Name of Project:  MVSD Tenant I-5 Business Park
Reference:  C.O. # 5097   Project # 3829
Location:  Mount Vernon
Developer:  Skagit I-5 Business Park LLC
Contractor:  TRICO

Commissioners:

The District has approved the plans and specifications and has inspected the installation of the new water plant within the above project. The Engineering Department has received satisfactory pressure and bacteriological test results. All documentation for this project has been completed.

I recommend that the Commission accept this project.

Respectfully submitted,

Mark C. Handzlik, P.E., Engineering Manager

cc:  George Sidhu, P.E., General Manager
     Michael E. Demers, Engineering Technician
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Legend:
- Domestic
- Existing Main
- Fire
- Awaiting Acceptance

MVSD Tenant Skagit I-5 Business Park
PROJECT CLOSEOUT

NAD 1983 StatePlane Washington North FIPS 4601 Feet
Author: zemp
4/2/2021
District Safety Committee
Safety Practice & Procedure #3004

Purpose
This Safety Practice and Procedure (SP&P) describes how the District shall utilize a Safety Committee to design and steer the safety and health practices of the organization.

Previous Practice
District Administrative Practice & Procedure (AP&P) #2022, District Safety Committee Plan is replaced by this SP&P.

Safety Practice
The District shall maintain a Safety Committee that complies with Washington Administrative Code (WAC) 296-800-13020.

The Safety Committee shall:
- Meet at least once per quarter to:
  1. Discuss incidents, inspection findings, and other notices of hazards to make corrections
  2. Evaluate the District Safety and Administrative Practice and Procedures to determine current relevance, promulgate needed policies, and make recommendations to the General Manager regarding safety policies and practices
  3. Document all Safety Committee activity and attendance in the minutes and approve the minutes from the last regular meeting
  4. Make suggestions as to the priority of work for the General Manager and Safety Coordinator in regard to the District’s health and safety programs
- Elect a Chair at least every 3 years
- Follow Robert’s Rules of Order for conducting its meetings, and observe a simple majority (at least half of the voting members) as quorum, and a simple majority (more than 50 percent) for accepting or rejecting motions made by Committee members
- Nominate, discuss and, with a majority vote, decide which employees might best serve the Committee
- Consist of between six and seven members that represent the District’s sub-groups at Committee meetings – typically, each department or major functional unit shall have at least one representative
- Limit the management-appointed members to no more than those elected by the employee members of the Committee, with all members serving a minimum one-year term.
  1. Members may serve more than one term consecutively, but only if nominated by the Committee and only if the member agrees to do so.
The Chair shall:
- Call all meetings of the Safety Committee and be chiefly responsible for the activities of the Committee and its agenda
- Be a voting member of the Committee, but always cast the last vote
- Organize and record all motions and actions on motions made by members of the Committee
- Be allowed to, without a vote, table items on the agenda when good cause exists for the good of order and progress of the Committee

The Safety Coordinator shall:
- Provide subject matter expertise to the Safety Committee, or be responsible for obtaining expertise as needed
- Record all minutes, attendance and be responsible for timekeeping of Committee meetings
- Post minutes for all Committee meetings on the Safety Committee bulletin board at the main campus and the employee information board at the Water Treatment Plant.
- Act as a non-voting advisor to the Safety Committee
- Act as the non-voting Chair in the absence of the Chair
- Only vote in the Committee if needed for a tiebreaker, and only if in the presence of the Chair
- Coordinate all efforts to communicate policies and other suggestions to the General Manager, and vice versa
- Compose an agenda and ensure the Chair and Committee members are given the agenda ahead of each meeting.
- Carry out the collective will of the Committee as much as feasibly possible
- Assist the Safety Committee Chair with organizing meetings and the other activities of the Committee as much as possible
- Notify employees of their nominations for the Safety Committee and solicit their service as nominated and elected members of the Safety Committee
  1. If the selected member refuses the nomination, the Safety Coordinator will notify the Safety Committee and the Committee shall select a new nominee as soon as possible.

Recordkeeping
Records of the Safety Committee shall be kept in electronic files managed by the Safety Coordinator’s office for a period of not less than seven years.

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<td>Revision Date:</td>
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General Manager Signature: Date:
November 9, 2021

TO: Brian Henshaw, Finance Manager
FROM: Joe Lindquist, Commission President
SUBJECT: General Manager Performance Evaluation

Requested Action:
Include the General Manager’s merit increase in the 2022 Budget.

Background:
The Commission held a Special Meeting and Executive Session on October 26, 2021, to discuss the annual performance evaluation of the District’s General Manager George Sidhu. At that meeting, the Commission agreed upon a total 4.1% salary increase to be effective January 1, 2022. This includes both the scheduled 2.6% COLA given to all employees and an additional 1.5% merit increase, which have been combined for 2022.

cc: Personnel File
Payroll
November 9, 2021

TO: George Sidhu, P.E., General Manager
FROM: Brian Henshaw, Finance Manager

SUBJECT: Adoption of 2022 Budget

Requested Action:
Approve Resolution No. 2288-21 adopting the budget for the calendar year 2022.

Background:
The 2022 Revised Budget continues implementing the capital and financial plans that were adopted at the end of 2019. The multi-year financial plan meets both the anticipated operational and capital needs of the District while undertaking a Capital Improvement Plan (CIP) that anticipates construction of $35 million of capital projects next year. The focus continues on maintaining existing water system infrastructure as well as replacing critical infrastructure that is beyond its useful life.

The 2022 Proposed Budget was presented at a Public Hearing on October 12, 2021. Department Manager’s presented their operation and capital budget requests during three work sessions held in October and early November. Based on these discussions, updated financial information, and 2022 rate information a revised 2022 Budget is presented to you for adoption.

The 2022 operating budget is $17,260,455, which is a 6.4% increase over last year’s budget. Overall, operating expenses increased $1,045,216 with the largest increase in the salaries & benefits category. The majority of the $702,323 increase is associated with the addition of three new positions: a HR Administrator, an IT Server Administrator, and a construction / maintenance worker. In addition, employees received a COLA of 2.6% (90% of the 3 year average of CPI-All Urban Consumers Index) as well as a merit increase for eligible employees. Other expense categories with material changes include property & liability insurance increase of $126,486, utility taxes increase of $122,000, and $103,820 of additional expense for computer & SCADA hardware and software projects.

There were two changes between the proposed budget of October 12th and tonight’s budget. First, the revenue forecast was increased by $359,000 based on September’s financial report that showed increased consumption due to dry weather and improving economic activity. Second, payroll & benefits expenses increased $219,000 due to higher benefit rates for Health Insurance, L&I, and Washington Paid Family & Medical Leave and a formula error in the FICA tax calculation.

Fiscal Impact:
The 2022 Budget incorporates a five-percent increase in base water rates and larger increases in the tiered water rates for high consumption. The rate increases take effect January 1, 2022 and are projected to increase rate revenue by $1.4 million, which will be used to finance the Capital Improvements Plan.
RESOLUTION NO. 2288-21

A RESOLUTION OF THE COMMISSION OF PUBLIC UTILITY DISTRICT NO. 1 OF SKAGIT COUNTY, WASHINGTON, ADOPTING THE FINAL BUDGET FOR THE CALENDAR YEAR 2022

WHEREAS, in conformity with RCW 54.16.080, this Commission prepared and filed a proposed budget of the contemplated financial transactions of the District for the ensuing year of 2022, and notice of hearing on said proposed budget was given by publication in the Skagit Valley Herald on September 30, 2021 and October 7, 2021, and

WHEREAS, the Board of Commissioners of said District met on October 12, 2021 and proceeded with the public hearing and consideration of said budget as provided by law, and

WHEREAS, the Board of Commissioners deemed it to be in the best interest of the District that the final budget for the year 2022 be finally determined and adopted as presented.

NOW, THEREFORE, BE IT RESOLVED that the Board of Commissioners of Public Utility District No. 1 of Skagit County, Washington, does hereby adopt the budget as finally determined as set out in the copy of said budget attached to this resolution, and by reference is made a part thereof.

ADOPTED by the Commission of Public Utility District No. 1 of Skagit County, Washington, at a regular meeting held this 9th day of November 2021.

Joe Lindquist, President

Germaine Kornegay, Vice President

ATTEST

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

SECTION 1: BUDGET OVERVIEW

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

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

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

SECTION 2: FUND OVERVIEW

A. GENERAL REVENUE FUND

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

B. CAPITAL PROJECT FUND

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

C. SYSTEM DEVELOPMENT FUND

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

D. DEBT SERVICE & BOND RESERVE FUND

Funds are set aside in this account from the Revenue Fund and are used for the purpose of paying principal and interest on all District debt and to meet reserve requirements of the bond covenants.
SECTION 3: DISCUSSION OF PROPOSED BUDGET

A. REVENUES

A1. UTILITY RATE REVENUE

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

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

A2. SYSTEM DEVELOPMENT FEES

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

A3. REVENUE PROJECTIONS

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

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

B1. SUMMARY OF OPERATING EXPENSES CHANGES

The financial forecast includes a projection of Operating expenses for the next ten-years based on the historical average of the Consumer Price Index (CPI) and the Construction Cost Index (CCI). For salaries, benefits, and cost of water purchased from Anacortes, the forecast assumes an annual aggregated cost increase of approximately 4.5%. Each budget cycle, line item expenses are reviewed and adjusted according to current market conditions and incorporated as part of the proposed budget.
The 2022 Proposed Budget increases operating expenses by $1,045,216, or 6.4%. The largest dollar increase is in the Salary, Wages & Benefits ($702,323) line item for three new positions, cost-of-living increases for staff, as well as other benefit rate increases. Other line items with significant dollar increases include Materials & Supplies ($36,600) for general inflationary increases in goods, Education & Professional Development ($41,560) in anticipation of more “live” conferences and continuing education training, Insurance Property ($63,341) & Liability ($63,145) for industry increases in response to global events, Utility taxes ($122,000) for corresponding increase in rate revenue.

<table>
<thead>
<tr>
<th>Line Item</th>
<th>2021 Budget</th>
<th>2022 Budget</th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary, Wages and Benefits</td>
<td>$10,188,375</td>
<td>$10,890,697</td>
<td>$702,323</td>
<td>6.9%</td>
</tr>
<tr>
<td>Water Purchased from Others</td>
<td>$200,000</td>
<td>$200,000</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Power Purchased for Pumping</td>
<td>$530,000</td>
<td>$530,000</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Chemicals</td>
<td>$598,000</td>
<td>$601,200</td>
<td>$3,200</td>
<td>0.5%</td>
</tr>
<tr>
<td>Materials &amp; Supplies</td>
<td>$951,600</td>
<td>$988,200</td>
<td>$36,600</td>
<td>3.8%</td>
</tr>
<tr>
<td>Broadband Sales Costs</td>
<td>$4,500</td>
<td>$4,500</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Broadband Supplies and Materials</td>
<td>$16,300</td>
<td>$16,300</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Community Relations</td>
<td>$21,500</td>
<td>$16,000</td>
<td>(5,500)</td>
<td>-25.6%</td>
</tr>
<tr>
<td>Insurance Claims and Reimbursements</td>
<td>$20,000</td>
<td>$20,000</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Maintenance Contracts</td>
<td>$16,000</td>
<td>$24,000</td>
<td>$8,000</td>
<td>50.0%</td>
</tr>
<tr>
<td>Memberships, Licenses, Certifications</td>
<td>$89,649</td>
<td>$94,511</td>
<td>$4,862</td>
<td>5.4%</td>
</tr>
<tr>
<td>General Supplies &amp; Non-Professional Services</td>
<td>$372,224</td>
<td>$370,474</td>
<td>(1,750)</td>
<td>-0.5%</td>
</tr>
<tr>
<td>Postage and Shipping</td>
<td>$83,100</td>
<td>$83,100</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Professional Services</td>
<td>$560,908</td>
<td>$579,808</td>
<td>$18,900</td>
<td>3.4%</td>
</tr>
<tr>
<td>Security</td>
<td>$3,240</td>
<td>$18,240</td>
<td>$15,000</td>
<td>463.0%</td>
</tr>
<tr>
<td>Tools and Small Equipment</td>
<td>$82,060</td>
<td>$86,460</td>
<td>$4,400</td>
<td>5.4%</td>
</tr>
<tr>
<td>Utilities</td>
<td>$271,455</td>
<td>$236,730</td>
<td>(34,725)</td>
<td>-12.8%</td>
</tr>
<tr>
<td>Permits</td>
<td>$35,365</td>
<td>$35,365</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Computer Hardware, Communications, SCADA</td>
<td>$284,310</td>
<td>$238,800</td>
<td>(45,510)</td>
<td>-16.0%</td>
</tr>
<tr>
<td>Computer Software, Licenses and Support</td>
<td>$547,453</td>
<td>$561,473</td>
<td>$14,020</td>
<td>2.6%</td>
</tr>
<tr>
<td>Education and Professional Development</td>
<td>$150,740</td>
<td>$192,300</td>
<td>$41,560</td>
<td>27.6%</td>
</tr>
<tr>
<td>Building, Furniture, Grounds and Roads</td>
<td>$365,764</td>
<td>$378,664</td>
<td>$12,900</td>
<td>3.5%</td>
</tr>
<tr>
<td>Safety</td>
<td>$60,163</td>
<td>$65,113</td>
<td>$4,950</td>
<td>8.2%</td>
</tr>
<tr>
<td>Advertising</td>
<td>$23,900</td>
<td>$25,800</td>
<td>$1,900</td>
<td>7.9%</td>
</tr>
<tr>
<td>Bad Debts</td>
<td>$40,000</td>
<td>$50,000</td>
<td>$10,000</td>
<td>25.0%</td>
</tr>
<tr>
<td>Transportation-Fuel</td>
<td>$100,000</td>
<td>$100,000</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Transportation-Parts</td>
<td>$60,000</td>
<td>$60,000</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Transportation-Outside Services</td>
<td>$30,000</td>
<td>$30,000</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Transportation-Enterprise Fleet Mgmt Fee</td>
<td>$4,178</td>
<td>$4,178</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Insurance-Property</td>
<td>$281,648</td>
<td>$344,989</td>
<td>$63,341</td>
<td>22.5%</td>
</tr>
<tr>
<td>Insurance-Liability</td>
<td>$311,737</td>
<td>$374,882</td>
<td>$63,145</td>
<td>20.3%</td>
</tr>
<tr>
<td>Insurance-Other</td>
<td>$2,350</td>
<td>$2,350</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Transportation Overhead Charge</td>
<td>(555,000)</td>
<td>(555,000)</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Inventory Administrative Overhead</td>
<td>(250,000)</td>
<td>(250,000)</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Administrative Expense Transferred</td>
<td>(625,000)</td>
<td>(625,000)</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Utility Taxes</td>
<td>$1,293,000</td>
<td>$1,415,000</td>
<td>$122,000</td>
<td>9.4%</td>
</tr>
<tr>
<td>State Excise Taxes</td>
<td>$25,000</td>
<td>$30,000</td>
<td>$5,000</td>
<td>20.0%</td>
</tr>
<tr>
<td>Fire and Dike District Taxes</td>
<td>$16,520</td>
<td>$16,520</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Miscellaneous Taxes</td>
<td>$600</td>
<td>$600</td>
<td>-</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

The Total Operating Expenditures are $16,215,239 in 2021 and $17,260,455 in 2022, an increase of $1,045,216, or 6.4%.
The following section of the budget provides insight into District operations by comparing expenses across functions, departments, and years.

### 2022 Operations & Maintenance Budget

<table>
<thead>
<tr>
<th>Commissioner</th>
<th>Supply</th>
<th>Treatment</th>
<th>Transmission</th>
<th>Customer</th>
<th>Service</th>
<th>Administration</th>
<th>Expenditure Offsets</th>
<th>Taxes and Non-Operations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive</td>
<td>1,391,964</td>
<td>39,000</td>
<td>39,300</td>
<td>709,145</td>
<td>709,145</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human Resources</td>
<td>444,037</td>
<td>709,145</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Safety</td>
<td>196,486</td>
<td>709,145</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Information Technology</td>
<td>53,400</td>
<td>2,276,493</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Broadband</td>
<td>1,654,290</td>
<td>1,707,690</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Finance</td>
<td>709,145</td>
<td>709,145</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stores</td>
<td>387,155</td>
<td>(250,000)</td>
<td></td>
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<tr>
<td>Meters</td>
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<td>618,776</td>
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<td></td>
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<tr>
<td>Customer Service</td>
<td>712,237</td>
<td>712,237</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Billing</td>
<td>296,222</td>
<td>296,222</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community Relations</td>
<td>244,960</td>
<td>244,960</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engineering</td>
<td>26,000</td>
<td>1,834,106</td>
<td>1,915,306</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Construction &amp; Maintenance</td>
<td>20,000</td>
<td>50,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operations Support</td>
<td>333,058</td>
<td>355,024</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Treatment Plant</td>
<td>387,000</td>
<td>2,276,493</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Water Quality and Lab</td>
<td>188,260</td>
<td>367,188</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distribution</td>
<td>400,000</td>
<td>5,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Facilities</td>
<td>1,8234,106</td>
<td>9,457</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Departmental</td>
<td>9,457</td>
<td>(625,000)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Cash Operating Expenses</td>
<td>848,000</td>
<td>2,354,093</td>
<td>2,334,209</td>
<td>1,872,195</td>
<td>9,819,838</td>
<td>(1,430,000)</td>
<td>1,462,120</td>
<td>17,260,455</td>
<td></td>
</tr>
</tbody>
</table>

### District Functions:

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

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

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

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

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

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

**Expenditure Offsets**: allocations for services provided by staff to other departments and projects. These allocations reduce District operating expenses by charging them to outside entities and/or capital projects.
The small treatment (03) budget decrease from the prior year is due to the completion of several maintenance projects at the water treatment plant in 2021. The projects installed new CO2/CL2 alarms that were integrated into the SCADA system to allow remote monitoring and response. Another project rebuilt the ammonia tank used at the water treatment plant.

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

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

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

Department budgets are prepared by each manager based on their goals and objectives for the coming year. Variations between years are usually due to changes in personnel or new projects being undertaken.
The Proposed Budget is prepared using an estimate for the number of developer and capital projects that will be worked on during the upcoming year. Projects that are capitalized offset the District’s operations budget for salaries & benefits, inventory, and equipment expenses. The proposed budget anticipates about the same number of capital projects and maintenance projects as the current year.

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

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

<table>
<thead>
<tr>
<th>Department</th>
<th>Salary &amp; Benefits Cost</th>
<th>2022 To Capital</th>
<th>% Capital</th>
<th>To O&amp;M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engineering</td>
<td>3,019,625</td>
<td>1,218,169</td>
<td>40%</td>
<td>1,801,456</td>
</tr>
<tr>
<td>Construction &amp; Maint.</td>
<td>1,697,016</td>
<td>174,391</td>
<td>10%</td>
<td>1,522,625</td>
</tr>
<tr>
<td>Total</td>
<td>4,716,641</td>
<td>1,392,561</td>
<td>30%</td>
<td>3,324,081</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Department</th>
<th>Salary &amp; Benefits Cost</th>
<th>2021 To Capital</th>
<th>% Capital</th>
<th>To O&amp;M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engineering</td>
<td>2,943,302</td>
<td>1,162,701</td>
<td>40%</td>
<td>1,780,600</td>
</tr>
<tr>
<td>Construction &amp; Maint.</td>
<td>1,555,949</td>
<td>131,775</td>
<td>8%</td>
<td>1,424,174</td>
</tr>
<tr>
<td>Total</td>
<td>$ 4,499,251</td>
<td>$ 1,294,476</td>
<td>29%</td>
<td>$ 3,204,774</td>
</tr>
</tbody>
</table>
B2. AGENCY MEMBERSHIPS

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

<table>
<thead>
<tr>
<th>Memberships &amp; Sponsorships</th>
<th>2021 Budget</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Washington PUD Association (WPUDA)</td>
<td>$62,134</td>
<td></td>
</tr>
<tr>
<td>American Water Works Association (AWWA)</td>
<td>6,700</td>
<td></td>
</tr>
<tr>
<td>Chlorine Institute</td>
<td>5,000</td>
<td></td>
</tr>
<tr>
<td>Habitat for Humanities (In-kind)</td>
<td>18,000</td>
<td></td>
</tr>
<tr>
<td>Washington Water Utilities Council (WWUC)</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$100,563</strong></td>
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B3. STAFFING

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

<table>
<thead>
<tr>
<th>2022 Budget FTEs by Department</th>
<th>2021 Budget</th>
<th>2022 Budget</th>
<th>2021-2022 Change</th>
<th>Description</th>
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Like all organizations, changing circumstances in the economy like the pandemic and the subsequent supply chain disruptions increase District expenses. Some of these expenses are one-time impacts, while others create ongoing expenses that will need to be included in future budgets. The capital improvement plan as well as the financial plan are adjusted for these events as needed with Board approval. Material changes in the Proposed Budget are summarized below.
C. CAPITAL IMPROVEMENT PLAN

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

Capital Improvement needs were identified through
- Comprehensive system planning process
- Internally developed capital improvement plan

Capital Improvement Plan Budget 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

### Department Capital:

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<th>Description</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
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**Department Capital Total:** $1,525,000

### Pipe Replacement:

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<tr>
<td>MP13-7</td>
<td>Burklund Road Pipeline</td>
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<tr>
<td>MP20-3</td>
<td>Sky Ridge Pipe Replacement &amp; Pump Station</td>
</tr>
<tr>
<td>MP20-4</td>
<td>College Way, Urban to LaVenture and Crossing at Leigh, Windsor, N. 19th and Birch Crossing W. of 30th</td>
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<tr>
<td>MP20-5</td>
<td>Skagit Country Club Pipeline Replacement</td>
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<tr>
<td>MP20-6</td>
<td>NW Burlington Pipeline Replacement</td>
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<td>MP20-7</td>
<td>Bored Crossings</td>
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<tr>
<td>MP20-8</td>
<td>West Mount Vernon Pipeline Replacement</td>
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<tr>
<td>MP20-9</td>
<td>Peterson, Pulver - Avon Allen and Sunrise Lane E</td>
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<tr>
<td>MP20-10</td>
<td>MV Hillcrest District Pipeline Replacement</td>
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<td>MP20-11</td>
<td>Bayview Community Pipe Replacement</td>
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<tr>
<td>MP20-12</td>
<td>Little Mountain</td>
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<tr>
<td>MP20-13</td>
<td>State Grant Needed to fund Project</td>
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<td>MP20-14</td>
<td>Bow Hill to Alger</td>
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<tr>
<td>MP20-15</td>
<td>South Conway Extension</td>
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<tr>
<td>MP20-16</td>
<td>Conway to Lake McMurray Extension</td>
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<tr>
<td>MX20-3</td>
<td>Coordinated Pipeline Replacement &amp; Infill</td>
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**Pipe Replacement Total:** $5,875,000

### Associated Projects:

<table>
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<tr>
<th>Description</th>
<th>Cost</th>
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<td>Driver Road Pipe Replacement</td>
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<tr>
<td>Satterlee PRV Relocation</td>
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<td>Bridgeway Reservoir Abandonment and Transmission</td>
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<td>Connection at SR20</td>
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### Known Coordinated Pipeline Relocations & Infill:

<table>
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<tr>
<td>Gauges Slough</td>
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<td>Francis Road Pipe replacement</td>
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<td>LaVenture, Hoag, Martin, Intersection Improvement</td>
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### Fish Passage Pipeline Relocations:

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<td>SR 538 (College Way) Fish Passage</td>
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<td>Alger I-5 Lake Samish Road Fish Passage</td>
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<td>I-5 at Anderson Road Fish Passage</td>
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<tr>
<td>SR9 and Kalloch Fish Passage</td>
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<tr>
<td>SR20 at Marblemount Fish Passage</td>
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</tbody>
</table>

**Pipe Replacement Total:** $5,875,000

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**November 9, 2021**

Public Utility District No. 1 of Skagit County

2022 Proposed Budget

Page 11
## System Water

### Plan # Description

<table>
<thead>
<tr>
<th>Description</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>2027</th>
<th>2028</th>
<th>2029</th>
<th>2030</th>
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<tbody>
<tr>
<td><strong>Major Capital</strong></td>
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<td>MO20-5 WTP Replace Flocculators &amp; Recycle Basin</td>
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<td>$ 14,774,933</td>
<td>$ 9,024,933</td>
<td>$ 12,075,000</td>
<td>$ 15,160,000</td>
<td>$ 12,325,000</td>
<td>$ 2,605,000</td>
<td>$ 3,650,000</td>
<td>$ 3,400,000</td>
</tr>
</tbody>
</table>

### Average Annual Capital - First Five Years CIP (2021-2025)

- **2022 Budget**: $21,500,946
- **2021 Budget**: $20,406,000
- **Increase/(Decrease)**: $1,094,946

### Average Annual Capital - Ten Year CIP (2021-2030)

- **2022 Budget**: $14,646,473
- **2021 Budget**: $15,463,500
- **Increase/(Decrease)**: $(999,027)
C1. **CATEGORIES OF CAPITAL PROJECTS:**

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

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

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

C2. **CAPITAL PROGRAM SUMMARY**

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

a) **Department Capital**

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

b) **Pipe Replacement**

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

c) **Major Capital**

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

Exhibit 12 compares the first year of the 2022 CIP capital budget to the end of the year forecasted capital expenditures. The proposed budget anticipates a $22.4 million increase in capital projects primarily the result of the Transmission Line, Judy - Mount Vernon Phase 2 project, District campus building, and other pipe replacement projects discussed earlier.

Exhibit 12: Proposed Capital Budget

<table>
<thead>
<tr>
<th>Summary of Capital Budgets</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department Capital</td>
<td>$1,455,000</td>
<td>$1,525,000</td>
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<tr>
<td>Major Capital</td>
<td>$2,081,000</td>
<td>$5,875,000</td>
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<tr>
<td>Annual Pipe Replacement</td>
<td>$9,271,735</td>
<td>$27,824,933</td>
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<tr>
<td>Total Capital Budget</td>
<td>$12,807,735</td>
<td>$35,224,933</td>
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</tbody>
</table>

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

Exhibit 13: 2022 Debt Service

<table>
<thead>
<tr>
<th>Existing Debt Service</th>
<th>Interest</th>
<th>Principal</th>
<th>Total</th>
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<td>Total DWSRF Loans</td>
<td>$223,963</td>
<td>$887,175</td>
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<td>Total Other State Loans</td>
<td>$20,481</td>
<td>$51,520</td>
<td>$72,001</td>
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<tr>
<td><strong>Total Debt Service</strong></td>
<td><strong>$834,677</strong></td>
<td><strong>$2,795,646</strong></td>
<td><strong>$3,630,322</strong></td>
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</tbody>
</table>
E. FISCAL MANAGEMENT TARGETS

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

a) Revenue Fund Ending Balance
   Target: 2.5 months O&M + Depreciation = $5,434,000.
   Projected: 2022 ending balance = $6,299,000, which exceeds the target.

b) Net Liquidity
   Target: 180 days of O&M expenses, including fund balances for Revenue, Major Capital, SDF, and Debt Service funds.
   Projected: 299 days, which exceeds the target.

c) Debt Service Coverage
   Target: Minimum 1.25 for bonded debt; Planning target for bonded debt is 2.0
   Projected: 8.6 on bonded debt, which is above the target.
            4.0 Total Debt service coverage, which exceeds the target.

d) Rate Funded Capital
   Target: Capital Expenditures target = $9.5 million = Depreciation expense
   Projected: Capital paid by rates = $9,800,000, which meets the target.
F. RATE FORECAST SUMMARY

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

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

G. FUND SUMMARIES

The following two pages compare District fund summaries for the proposed budget and the prior year.
### Exhibit 15: Comparison by Fund

#### All Funds Summary forecast for 2021

<table>
<thead>
<tr>
<th>Cash Resources and Requirements</th>
<th>Revenue Fund</th>
<th>Major Capital Fund</th>
<th>System Development Fund</th>
<th>Debt Service</th>
<th>Combined</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Resources:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning Fund Balance</td>
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<td>6,455,501</td>
<td>1,487,977</td>
<td>22,978,497</td>
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<tr>
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</tr>
<tr>
<td>Rate Revenue</td>
<td>27,406,930</td>
<td>27,406,930</td>
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<td>System Development Fees</td>
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<td>1,859,625</td>
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</tr>
<tr>
<td>Capital Contributions</td>
<td>816,502</td>
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<td>816,502</td>
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<td></td>
</tr>
<tr>
<td>LUD Assessments, Interest, Penalties</td>
<td></td>
<td></td>
<td>108,988</td>
<td>108,988</td>
<td></td>
</tr>
<tr>
<td>Investment Income</td>
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<td></td>
<td></td>
<td>85,000</td>
<td></td>
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<tr>
<td>Non-Operating Revenues</td>
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<td></td>
<td></td>
<td>104,883</td>
<td></td>
</tr>
<tr>
<td><strong>Total External Revenue</strong></td>
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<td>1,859,625</td>
<td>108,988</td>
<td>30,381,928</td>
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<tr>
<td>Debt Proceeds -</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DWSRF Loan - Mountain View Loan</td>
<td>300,000</td>
<td></td>
<td>300,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PWTF Loan - MV Transmission Line</td>
<td>3,000,000</td>
<td></td>
<td>3,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt Proceeds - Bonds</td>
<td>11,000,000</td>
<td></td>
<td>11,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Debt Proceeds</strong></td>
<td>14,300,000</td>
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<td></td>
<td>14,300,000</td>
<td></td>
</tr>
<tr>
<td>Transfers from Other Funds:</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Major Capital Fund</td>
<td>3,300,000</td>
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<td>3,300,000</td>
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<tr>
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<td></td>
<td>3,462,143</td>
<td>3,462,143</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue Fund - Minimum Bond Reserve</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue Fund - New Debt Reserve</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Transfers from Other Funds</strong></td>
<td>3,300,000</td>
<td>3,462,143</td>
<td>6,762,143</td>
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<tr>
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<td>8,315,126</td>
<td>5,059,108</td>
<td>74,422,568</td>
</tr>
</tbody>
</table>

#### Uses:

| Operating Expenditures:         |              |                    |                         |              |          |
| Operations and Maintenance      | 13,651,314   | 13,651,314         |                         |              |          |
| Bond Issue Costs                |              |                    |                         |              |          |
| Utility and Excise Taxes        | 1,268,662    | 1,268,662          |                         |              |          |
| **Total Operating Expenditures**| 14,919,976   |                    |                         | 14,919,976   |          |
| Capital Expenditures:           |              |                    |                         |              |          |
| Service/Meters/Developer Projects| 815,029      | 815,029            |                         |              |          |
| Department Projects             | 1,455,000    | 1,455,000          |                         |              |          |
| Major Capital Projects          | 2,081,000    | 2,081,000          |                         |              |          |
| Pipe Replacement                | 9,271,735    | 9,271,735          |                         |              |          |
| **Total Capital Expenditures**  | 13,622,764   |                    |                         | 13,622,764   |          |
| Debt Service Payments:          |              |                    |                         |              |          |
| Interest Payments               | 612,873      | 612,873            |                         |              |          |
| Principal Payments              | 2,849,270    | 2,849,270          |                         |              |          |
| **Total Debt Service Payments** | 3,462,143    | 3,462,143          |                         | 3,462,143    |          |
| Transfers to Other Funds:       |              |                    |                         |              |          |
| Revenue                        | 3,300,000    |                    | 3,300,000               |              |          |
| Major Capital                  |              | 3,462,143          |                         | 3,462,143    |          |
| Debt Service                   |              |                    |                         |              |          |
| Debt Reserve                   |              |                    |                         |              |          |
| **Total Transfers to Other Funds** | 3,462,143 | 3,300,000          | 6,762,143               |              |          |
| **Total Expenditures**          | 32,004,863   | 3,300,000          | 3,462,143               | 38,767,026   |          |
| **Ending Fund Balance**         | 14,743,452   | 11,000,000         | 8,315,126               | 1,596,965    | 35,655,543 |

#### Total Uses

<p>|                    | 46,748,334   | 14,300,000       | 8,315,126               | 5,059,108    | 74,422,568 |</p>
<table>
<thead>
<tr>
<th>Resources:</th>
<th>Revenue Fund</th>
<th>Major Capital Fund</th>
<th>System Development Fund</th>
<th>Debt Service</th>
<th>Combined</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Fund Balance</td>
<td>15,894,911</td>
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<td>8,315,126</td>
<td>1,596,965</td>
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<tr>
<td>External Revenue:</td>
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</tr>
<tr>
<td>Rate Revenue</td>
<td>29,135,000</td>
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<td>29,135,000</td>
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<tr>
<td>System Development Fees</td>
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<td>1,300,000</td>
<td>1,300,000</td>
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</tr>
<tr>
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<td>LUD Assessments, Interest, Penalties</td>
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<td>Non-Operating Revenues</td>
<td>104,883</td>
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<td>104,883</td>
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<td>Debt Proceeds:</td>
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<td>Debt Proceeds -</td>
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<td>DWSRF Loan - Mountain View Loan</td>
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<td>PWTF Loan - MV Transmission Line</td>
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<td>Debt Proceeds - Bonds</td>
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<tr>
<td>Transfers from Other Funds:</td>
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<tr>
<td>Revenue Fund - Minimum Bond Reserve</td>
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<tr>
<td>Revenue Fund - New Debt Reserve</td>
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<td>Debt Reserve - New Debt</td>
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<td>1,697,953</td>
<td>13,612,162</td>
<td></td>
</tr>
<tr>
<td>Total Uses</td>
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<td>14,000,000</td>
<td>9,615,126</td>
<td>53,282,275</td>
<td>91,958,195</td>
</tr>
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</table>
I typically incorporate the adopted 2018 – 2022 Strategic Plan to establish my goals for the upcoming year. Due to the limitations placed on us because of COVID-19, some of the objectives that are listed in the Strategic Plan are not able to be completed and it affected the ability for me to achieve those goals in 2020 and 2021. Looking forward to 2022, there is still uncertainty about the kinds of activities we can pursue with the public and our customers.

I have attempted to connect my goals for 2022 to the Strategic Plan where possible, but it should be noted that things are likely to continue to change and we must continue to adapt to the situation.

**STRATEGIC PLAN GOAL 1 – CUSTOMER FOCUSED SERVICES**

**Goal 1A – Water**

1. *Make prioritized and strategic capital infrastructure investments to maintain existing assets and quality to serve the growing Skagit community.*
2. *Steward partnership-based efforts that advance the strategic regional use of water resources*

A) A goal in this area is to complete a review of the Water Policy Manual and present the Board with updates for the sections that often come under the highest scrutiny, such as customer service, meter reading, leak adjustments and other issues related to billing.

B) Another goal is to actively work on projects that are outlined in the Fidalgo Island Water System transfer agreement with the City of Anacortes to ensure that the transfer timelines are met.
Goal 1B – Telecommunications

1. Invest in the telecommunications infrastructure necessary to securely and efficiently manage our water system and facilitate the extension of broadband infrastructure within Skagit County.
2. Stay current and decide whether we should enter the telecom industry as a retail provider if public utility districts are given the authority to do so.

A) A leftover telecom goal from 2020 is to develop a franchise agreement with Mount Vernon and Burlington to allow us to continue installing and operating our own fiber network, as well as agreeing on the operation of the SkagitNET fiber network.

B) With the completion of a franchise agreement, a leftover telecom goal from 2019 is to complete the project from Burlington to the District campus. This has direct benefits to the District by connecting our SCADA sites to our main campus, and it also has direct benefits to SkagitNET by providing a redundant path for the proposed backbone.

Goal 1C – Sewer

1. Explore and understand the connection between sewage and reclaimed water

A) There are no specific sewer related goals for me in 2022.

STRATEGIC PLAN GOAL 2 – COMMUNICATION WITH THE PUBLIC AND PARTNERS

A) One of the major goals for 2022 will be to develop fire hydrant maintenance agreements with Burlington and Sedro Woolley, similar to the agreement that we have with Mount Vernon. These agreements commit us to performing regular maintenance on the fire hydrants within the cities, but they also provide us with the assurance that our water systems will not be impacted by the activities of city staff.

B) I will continue to have quarterly meetings with each of the Mayors from Sedro Woolley, Burlington and Mount Vernon. The agenda for the meetings will range from simple relationship building to discussing specific projects that we are coordinating on.

C) A third goal is to continue making presentations to the local cities, county and some other community groups as part of the District’s roadshow. These are currently being performed via Zoom, but will hopefully return to in-person presentations in 2022.
STRATEGIC PLAN GOAL 3 – INTERNAL OPERATIONS, COMMUNICATION AND ORGANIZATIONAL DEVELOPMENT

A) The biggest goal in this area is to develop a new Strategic Plan for the period 2023 - 2028. The current plan expires in 2022 and I am planning on hiring the same consultant to work with us to develop a new Strategic Plan that will cover the next five years.

PROFESSIONAL DEVELOPMENT

There were professional development and leadership training activities that I had budgeted for in 2020 and 2021 that were not accomplished due to restrictions because of COVID-19. The timeline of our ability to gather in large groups and travel is still unknown, but I will budget for regular conferences and training in 2022 rather than sign up for a more involved professional development program. I will consider the following activities as part of the 2022 budget:

- American Water Works Association – Utility Management Conference
- American Water Works Association – Annual Conference and Exposition (ACE) 22
- Pacific Northwest Section – 2022 Section Conference

Research Training in 2023 for:

- Association of Metropolitan Water Agencies – Water and Wastewater Leadership Center
October 28 Elevation: 456.08 (ft)
November 04 Elevation: 457.34 (ft)
Change in Elevation: 1.26
Spillway Elevation: 465.10
Stream Inflow YTD: 731.47 MG
Skagit River YTD: 1515.34 MG
The hard work starts now. We have approval to proceed with permit drawings for the new offices of Skagit Public Utility District!

More details on our website:
https://inkd.in/gd-63z7F
Skagit PUD

Skagit PUD hired The Driftmier Architects to analyze and design the next chapter of their Administration Building. After exploring the feasibility of remodeling their existing facilities and options for relocation, it was determined that a new facility would be the most cost effective and efficient path forward. The new 2 Story, 23,000 SF building will house the Administrative, Engineering, Customer Service, I.T., and Finance departments as well as the board room, meetings rooms and other supporting spaces. The facility is also being designed to accommodate future expansion for the relocation of the Operations department.