



AGENDA ITEM #8.

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November 12, 2025

MEMORANDUM

TO: Board of Commissioners
FROM: Brian Henshaw
SUBJECT: Adoption of the 2026 Budget

Requested Action:

Approve the 2026 Budget for the Public Utility District No. 1 of Skagit County.

Background:

The 2026 Budget focuses on maintaining existing water system infrastructure as well as replacing critical infrastructure that is nearing the end of its useful life. The 2026 Budget was presented at a public hearing on October 14, 2025. Department Managers presented their operation and capital budget requests during three work sessions. Based on these discussions and updated financial information, changes outlined below have been incorporated into the 2026 Budget presented to you tonight for adoption.

The 2026 operating budget is \$21,720,606, which is a 1.8% increase over last year's budget. Overall, operating expenses increased \$385,269, with the largest increase in the salaries & benefits category of \$254,903. Cost-of-living adjustments and increases to medical, vision, dental, and life insurance benefits were offset with two fewer positions and a decrease in the contribution rate for the Public Employee Retirement System. Other line items with significant dollar increases include Maintenance Contracts \$36,000 for fiber, copiers, AV services, Security spending increased by \$119,728 for cyber protection and cloud data backup, and Utilities \$63,900 of expenditures for fiber, sewer, gas, and electricity.

Modifications between the proposed budget of October 14th and tonight's budget are outlined below. Most of the changes pertain to the timing of capital projects with one reduction in professional services for hydraulic modeling.

The 2026 Budget incorporates a five-percent increase in base water rates, blocks one and two water rates, System Development Fees, and installation charges. It should be noted that block 3 water rate is being raised at 8.5% to incentivize conservation.

Fiscal Impact:

The 2026 Budget incorporates these higher rates into the revenue forecast. The rate increases will take effect January 1, 2026, and are projected to increase revenue by \$1.6 million. The additional funds will be used to finance the Capital Improvements Plan projects outlined in the

Enclosures: 1. [Updated Budget](#)