

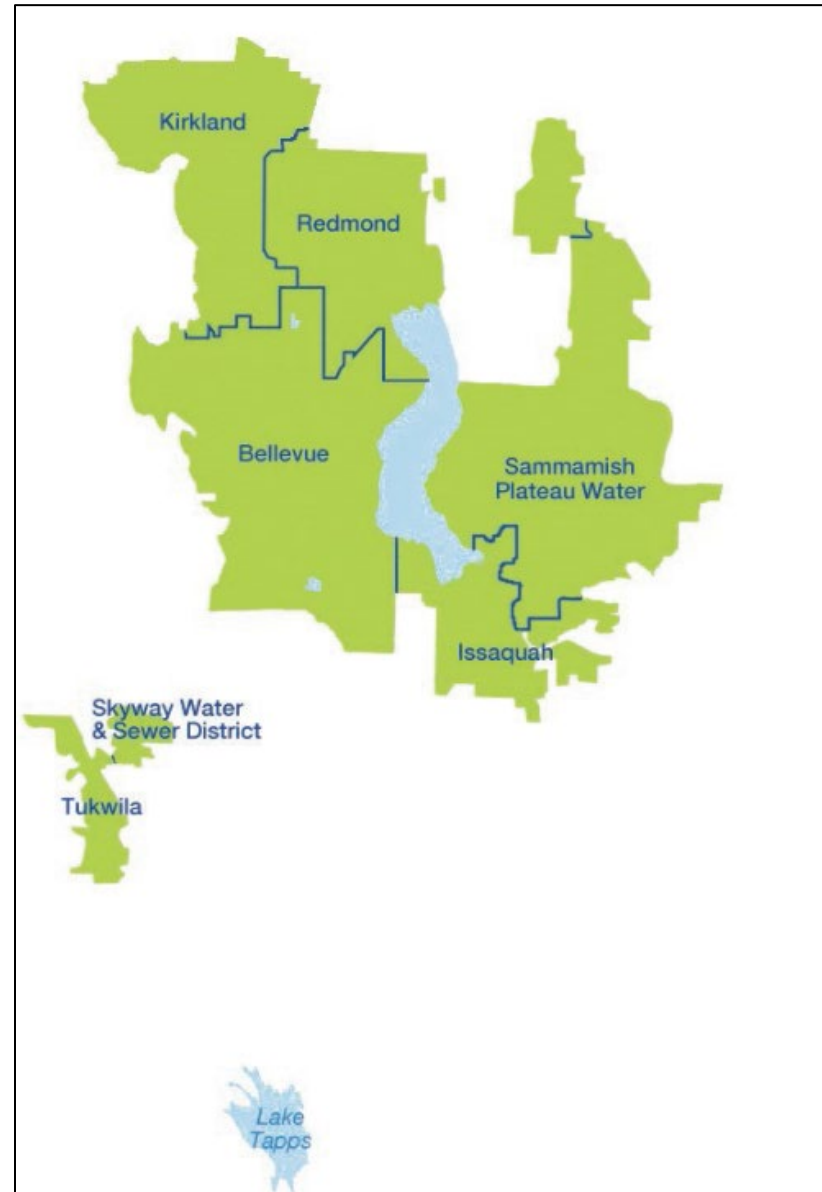


Cascade Water Alliance  
**2023-2024 Proposed  
Budget & Rates**

Informational Briefing to Bellevue City Council

# Cascade Overview

- Regional wholesale water supplier to seven members.
- Serves 380,000 people and 20,000 businesses.
- Governed by Board of Directors of member agencies' elected officials.
- Purchases water from Seattle; contracted supply begins to decline in 2039, ends in 2063.
- Mission is to secure long-term water supply; Lake Tapps Reservoir acquired as future source.



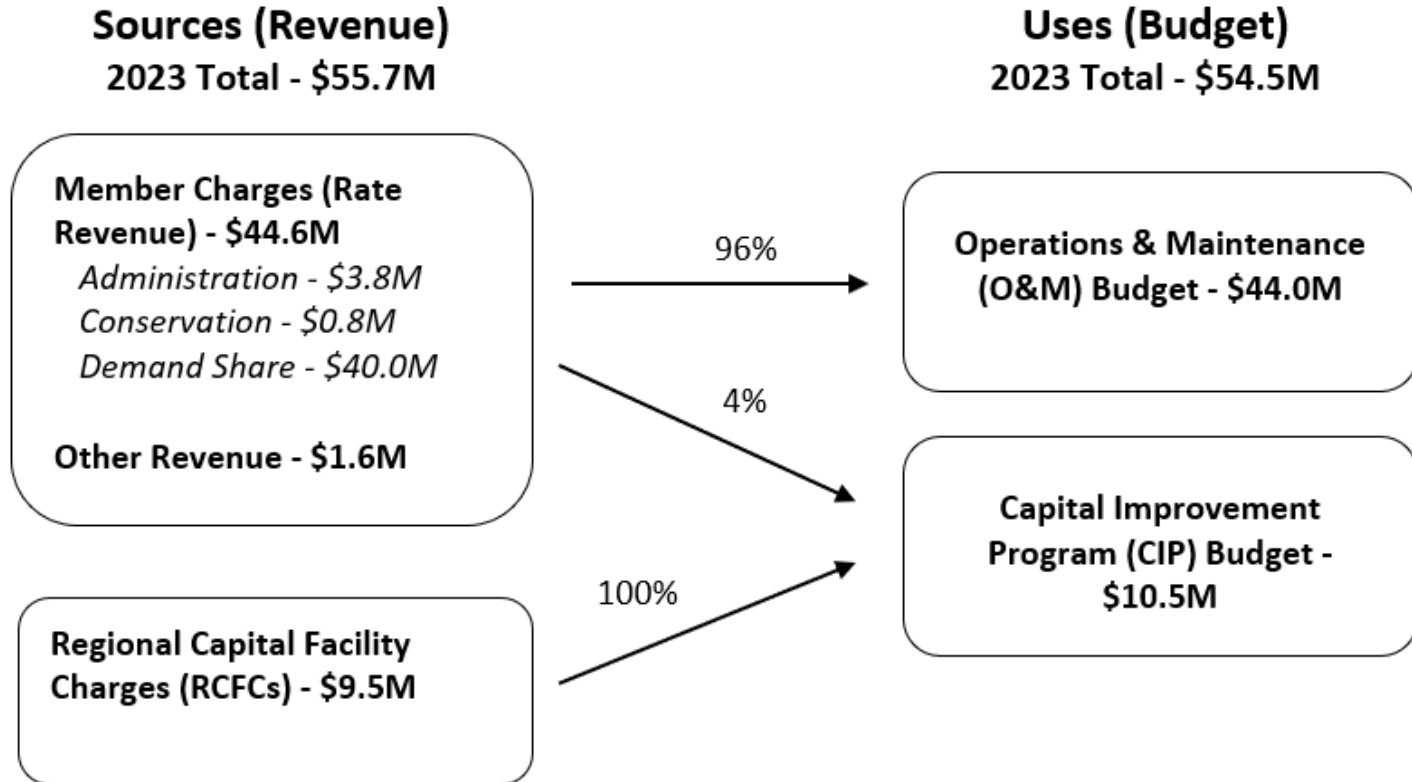
# Cascade Overview

Cascade's proposed 2023-2024 rates and budget implement its Strategic Plan goals while maintaining financial stability:

- 1) Optimize Cascade's assets to support current and future needs.
- 2) Ensure flexibility, certainty and resiliency of Cascade's future water supply.
- 3) Protect the natural environment by advancing water resource stewardship.
- 4) Lead, influence and serve as a convener on regional water-related issues.
- 5) Provide the most cost-effective services possible.
- 6) Address emergent issues while maintaining accountability to ratepayers.



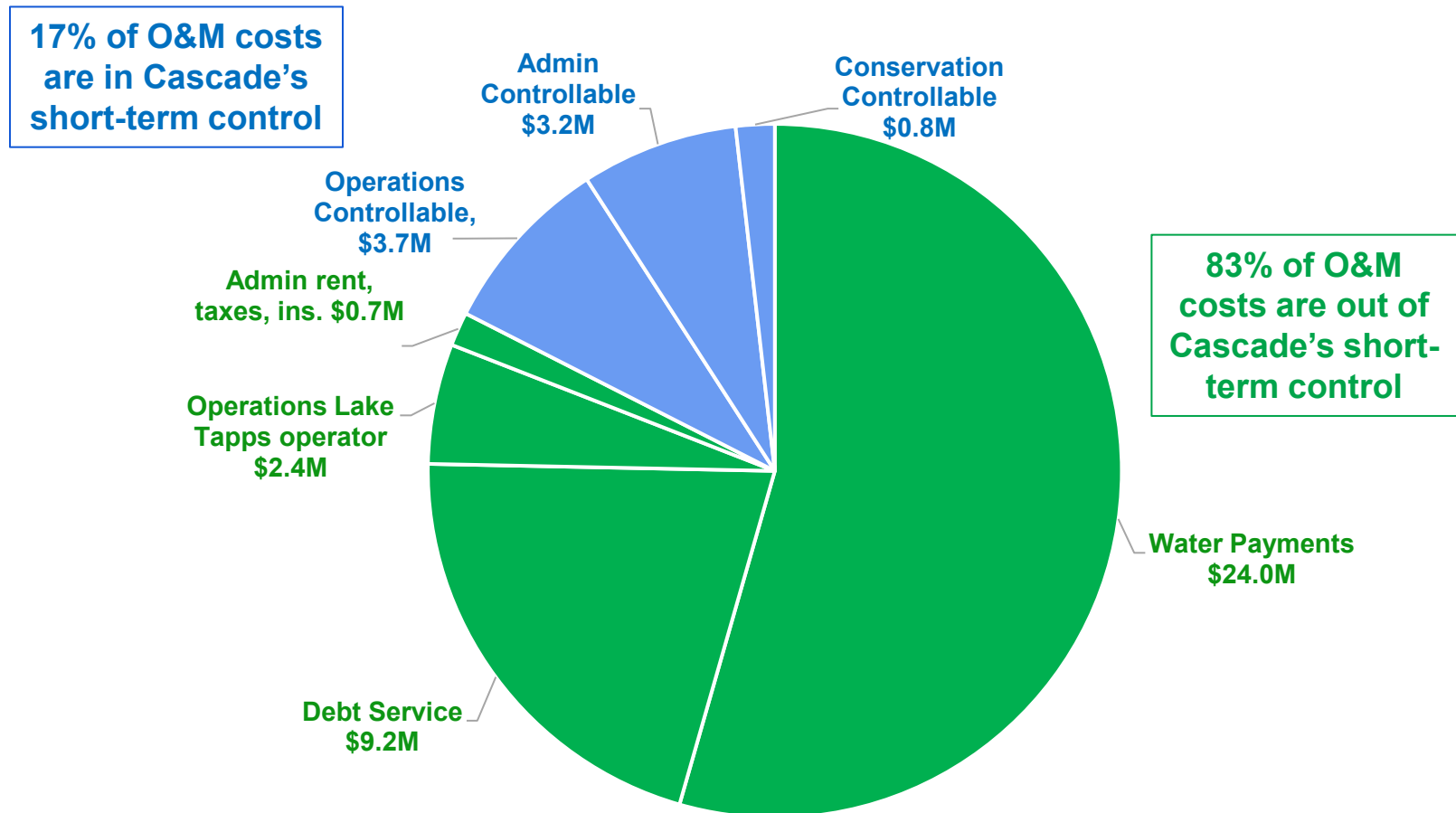
# Financial Overview



- Other sources include bond proceeds.
- Other uses include the Water Supply Development Fund (WSDF) and reserves.
- Revenue and budget do not match due to rate smoothing, reserve requirements, interfund transfers, and prior year adjustments.

# Proposed 2023 Budget

## Total 2023 Operations & Maintenance (O&M) Budget - \$44.0M





# Proposed 2023-2024 Budget

## Operations and Maintenance (O&M) Budget

O&M Program	2022 Adopted	2023 Proposed	Change from Prior Year	2024 Proposed	Change from Prior Year
Administration	\$3.9M	\$3.9M	1.1%	\$3.8M	-2.8%
Conservation	\$0.8M	\$0.8M	-5.1%	\$0.8M	0.9%
Operations	\$5.7M	\$6.1M	8.2%	\$6.4M	4.5%
Debt Service	\$9.8M	\$9.2M	-5.9%	\$10.8M	17.3%
Water Payments	\$22.7M	\$24.0M	5.4%	\$24.4M	1.8%
<b>O&amp;M Total Budget</b>	<b>\$42.9M</b>	<b>\$44.0M</b>	<b>2.6%</b>	<b>\$46.2M</b>	<b>5.0%</b>

\* Dollar amounts and percentages are rounded.

### Primary O&M budget drivers:

- **Operations:** 2023 salary/benefits inflation, 7% increase to Lake Tapps operator
- **Debt Service:** 2024 one-time increase in principal payments
- **Water Payments:** Seattle annual payments, 2023 true-up costs



# Proposed 2023-2024 Budget

## Capital Improvement Program (CIP) Budget

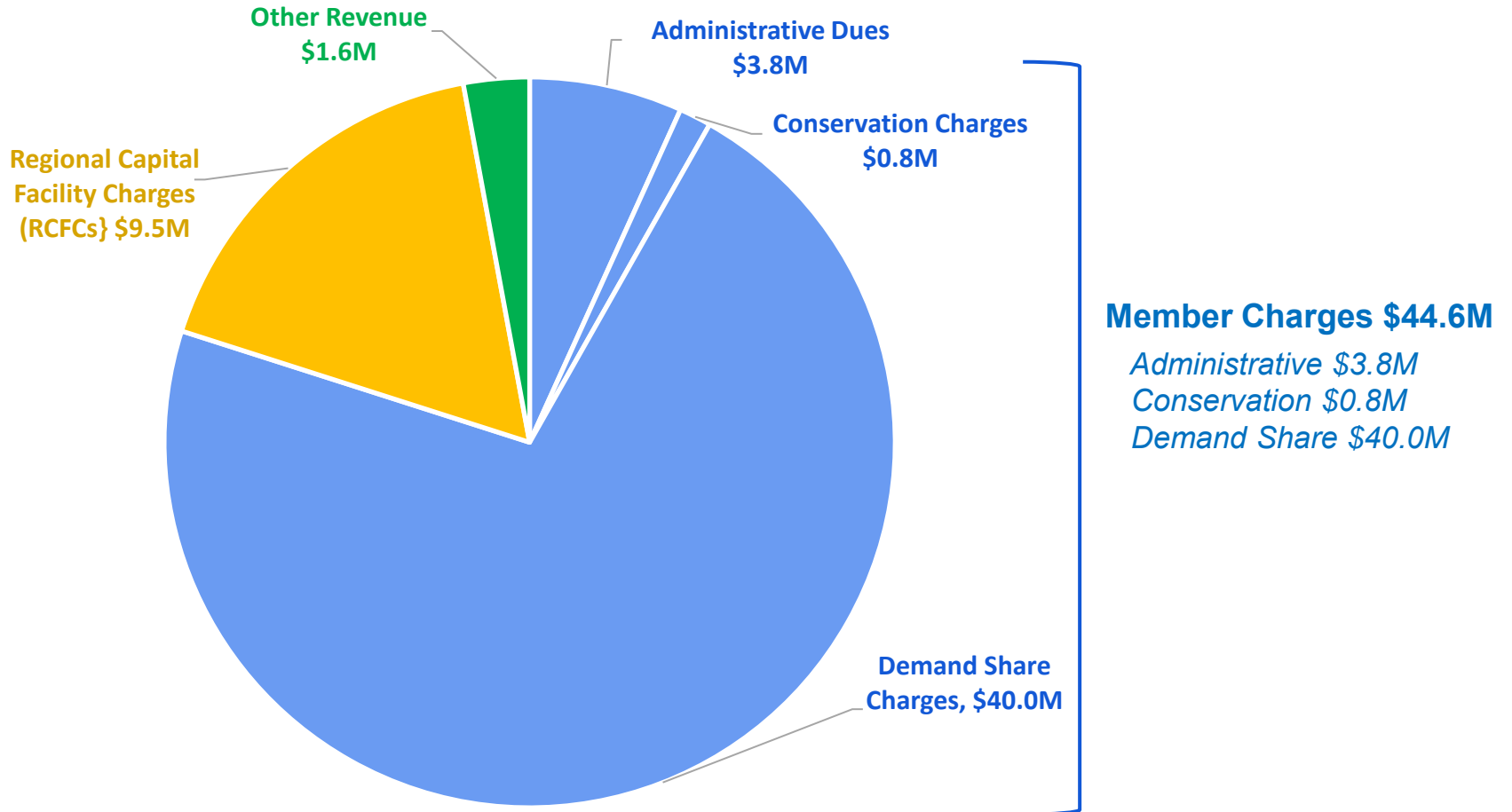
Project	2023 Proposed	2024 Proposed	2025 Proposed	2026 Proposed	2027 Proposed	2028 Proposed	2023-2028 Total
301-Upper Conveyance	\$3.4M	\$275K	\$50K	\$50K	\$500K	\$2.0M	<b>\$6.3M</b>
303-Lower Conveyance	\$0	\$1.0M	\$2.5M	\$3.0M	\$1.5M	\$100K	<b>\$8.1M</b>
304-Lake Tapps Reservoir	\$100K	\$0	\$0	\$1.2M	\$600K	\$0	<b>\$1.9M</b>
305-SCADA and Security	\$50K	\$0	\$0	\$0	\$0	\$0	<b>\$50K</b>
306-Facilities	\$200K	\$200K	\$0	\$0	\$100K	\$100K	<b>\$0.6M</b>
307-Equipment	\$75K	\$75K	\$75K	\$75K	\$75K	\$75K	<b>\$0.5M</b>
310-Bellevue-Issaquah Pipeline	\$50K	\$130K	\$550K	\$550K	\$0	\$0	<b>\$1.3M</b>
324-IT Infrastructure	\$25K	\$35K	\$25K	\$35K	\$25K	\$35K	<b>\$0.2M</b>
<b>Subtotal - Projects</b>	<b>\$3.9M</b>	<b>\$1.7M</b>	<b>\$3.2M</b>	<b>\$4.9M</b>	<b>\$2.8M</b>	<b>\$2.3M</b>	<b>\$18.9M</b>
315-Capital Risk	\$500K	\$500K	\$500K	\$600K	\$600K	\$600K	<b>\$3.3M</b>
309-Tacoma Agreement	\$6.1M	\$6.2M	\$6.3M	\$6.5M	\$6.6M	\$6.7M	<b>\$38.4M</b>
322-Seattle Agreement	\$0	\$5.0M	\$0	\$0	\$0	\$0	<b>\$5.0M</b>
<b>Grand Total</b>	<b>\$10.5M</b>	<b>\$13.4M</b>	<b>\$10.0M</b>	<b>\$12.0M</b>	<b>\$10.0M</b>	<b>\$9.6M</b>	<b>\$65.6M</b>

### Primary CIP budget drivers in 2023-2024:

- **301-Upper Conveyance:** Diversion structure improvements project (shifted from 2022)
- **322-Seattle Agreement:** One-time payment per Seattle contract

# Proposed 2023 Revenue

**Total 2023 Revenues - \$55.7M**







# Proposed 2023-2024 Revenue

Revenue Source	2022 Adopted	2023 Proposed	Change from Prior Year	2024 Proposed	Change from Prior Year
Member Charges	\$43.6M	\$44.6M	2.2%	\$45.5M	2.2%
<i>Administrative Dues</i>	\$3.7M	\$3.8M	0.9%	\$3.7M	-1.9%
<i>Conservation Charges</i>	\$0.7M	\$0.8M	6.5%	\$0.8M	0.9%
<i>Demand Share Charges</i>	\$39.1M	\$40.0M	2.2%	\$41.0M	2.6%
Regional Capital Facility Charges (RCFC)	\$7.1M	\$9.5M	34.5%	\$9.9M	3.4%
Other Revenue	\$1.2M	\$1.6M	32.9%	\$1.7M	7.5%
<b>Total Revenue</b>	<b>\$51.9M</b>	<b>\$55.7M</b>	<b>7.3%</b>	<b>\$57.2M</b>	<b>2.57%</b>

\* Dollar amounts and percentages are rounded..

- **Demand Share Charges:** Increase in Seattle payments plus ~\$500,000 true-up payment
- **RCFCs:** Increase from \$6,950 to \$7,201 in 2023 and \$7,454 in 2024 largely due to construction inflation; development “rebound” results in more RCFCs
- **Other Revenue:** Higher interest earnings



# Proposed 2023-2024 Rates

Breakdown of Proposed Rates	2023 \$	2023 %	2024 \$	2024 %
	Change from Prior Year	Change from Prior Year	Change from Prior Year	Change from Prior Year
<b>Total Rate Increase</b>	<b>\$959K</b>	<b>2.20%</b>	<b>\$980K</b>	<b>2.20%</b>
<b>O&amp;M</b>				
Water Payments	\$988K	2.27%	\$909K	2.04%
Operating Expenses*	\$683K	1.57%	\$274K	0.61%
Administration and Conservation*	\$84K	0.19%	(\$63K)	-0.14%
Debt Service	(\$576K)	-1.32%	\$1,596K	3.58%
<b>CIP</b>				
Rate Funded R&R	\$60K	0.14%	\$67K	0.15%
Contribution to WSDF	-	-	\$446K	1.00%
<b>Other</b>				
Change in Miscellaneous Revenues	(\$32K)	-0.07%	(\$29K)	-0.06%
Rate Smoothing	(\$248K)	-0.57%	(\$2,219K)	-4.98%

*\*Expenses are adjusted to exclude irregular expenses funded through reserve accumulation and related used of reserves.*

- Annual 2.2% average increases are as projected last budget cycle and below inflation
- Starting 2024, rates support Board-approved Water Supply Development Fund (WSDF) to build financial capacity for long-term water supply



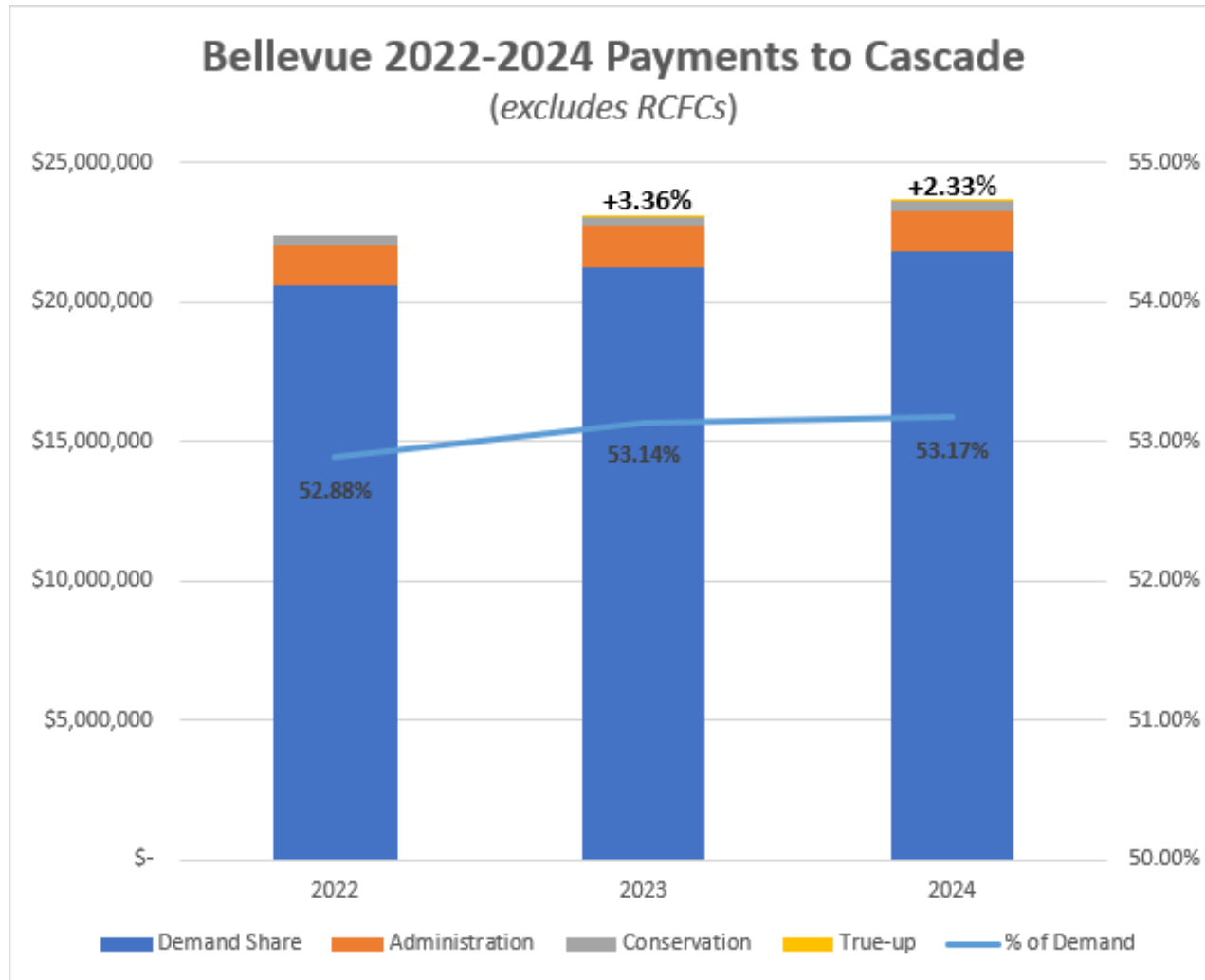
# Proposed Member Payments

Member	2022 Charges	2023 Charges	Change from 2022	2024 Charges	Change from 2023
Bellevue	\$22.36M	\$23.11M	3.36%	\$23.65M	2.33%
Issaquah	\$2.13M	\$2.19M	2.49%	\$2.27M	3.86%
Issaquah - <i>Temporary Water</i>	\$0	\$0	n/a	\$0.05M	n/a
Kirkland	\$6.00M	\$6.49M	8.25%	\$6.63M	2.20%
Redmond - <i>City</i>	\$7.78M	\$6.03M	-5.14%	\$6.07M	0.68%
Redmond - <i>Novelty Hill</i>	\$0	\$1.35M	n/a	\$1.38M	2.43%
Sammamish Plateau Water	\$1.99M	\$2.07M	4.23%	\$2.15M	3.94%
Skyway Water & Sewer	\$0.52M	\$0.54M	3.11%	\$0.54M	0.16%
Tukwila	\$2.80M	\$2.76M	-1.48%	\$2.77M	0.18%
<b>Total Cascade Members</b>	<b>\$43.6M</b>	<b>\$44.6M</b>	<b>2.20%</b>	<b>\$45.5M</b>	<b>2.20%</b>

*\*The 2023 and 2024 charges are not final and reflect spreading true-up costs over two years instead of one year.*

- Charges for individual members vary based on relative growth and demand trends.
- Bellevue’s 2023 charges increase due to higher than projected demands and growth.

# Proposed Bellevue Payments



- Upward trend driven in largely by a marked increase in Bellevue’s peak season demand
- Higher than average growth (new Cascade Equivalent Residential Units, CERUs)

# Actions Taken to Minimize Rate Increases

- Zero-based budgeting approach; inflation only included in a few items.
- Reduced \$581K in 2023 from the operations and maintenance budget.
- Reduced debt service payments by \$580K from a previous bond refunding.
- Reduced 2023-2026 capital risk budget by \$1.3M.
- Maintained AAA bond rating, resulting in lower interest payments.
- Funded SPU true-up from dedicated operating reserves.
- Funded major infrequent expenses (system plan, sediment removal) from accumulated and reserved funds.
- Installed Powerhouse solar panels which will result in lower energy bills.
- Generated shared benefits funds for the Water Supply Development Fund (WSDF) and to hold down rates.

# Upcoming Cascade Board Decisions

*(Cascade Staff Recommendations in Italics)*

1. **Rate Proposal:** *Revenue increase of 2.2% per year and related member charges*
2. **RCFC Proposal:** *Increase current RCFC of \$6,950 to \$7,201 in 2023 and to \$7,454 in 2024*
3. **Two-Year Rates and RCFCs:** *Continue to adopt two years of rates (with second year subject to true-up) and two years of RCFCs*





Thank you for  
your time.

Any questions?