

Proposed 2023-2024 Operating Budget

The table below summarizes the proposed Cascade operating budget.

Table A-1: 2023-2024 Cascade Operating Budget

| Operating Budget | 2022 Adopted | 2023 | Proposed | | |
|---------------------------------|---------------------|---------------------|-------------|---------------------|-------------|
| | | | % Change | 2024 | % Change |
| Water Payments | \$22,730,886 | \$23,969,287 | 5.4% | \$24,402,498 | 1.8% |
| Debt Service | 9,779,981 | 9,199,941 | -5.9% | 10,795,666 | 17.3% |
| Operations | 5,682,685 | 6,151,503 | 8.2% | 6,426,349 | 4.5% |
| Administration | 3,858,337 | 3,901,116 | 1.1% | 3,792,256 | -2.8% |
| Conservation | 839,874 | 796,627 | -5.1% | 804,019 | 0.9% |
| Total - Operating Budget | \$42,891,763 | \$44,018,474 | 2.6% | \$46,220,788 | 5.0% |

Cascade's budget is made up of five main categories of costs:

Water Payments – Cascade has a long-term contract with Seattle to purchase water supply for its members. These payments represent 53 percent of Cascade's 2022 operating budget. Payments for water supply are subject to an annual increase based on the contract with Seattle. Payments are expected to increase by 5.4 percent in 2023, and 1.8 percent in 2024.

Debt Service – Cascade has outstanding debt associated with its purchase of Lake Tapps and other capital investments. These payments represent 23 percent of Cascade's 2022 operating budget. Cascade has \$98.7 million of outstanding debt, which will be repaid over the next 16 years. Debt service cost is forecasted to average \$9.4 million for the next seven years, including a one-time increase of \$1.6 million in 2024, due to the timing of principal repayment. Cascade's annual debt service schedule is included as Attachment B.

Operations – Cascade's costs for operation of both White River/Lake Tapps and the Bellevue-Issaquah Pipeline (BIP). These payments include both Cascade staff and the contract operator for White River/Lake Tapps. These payments represent 13 percent of Cascade's 2022 operating budget. The largest line item in the Operations budget is the White River/Lake Tapps operating contract, which is budgeted to increase by seven percent in both 2023 and 2024 due to an inflation adjustment in the contract.

Administration – Cascade's costs for the administration and management of Cascade, including staff, professional services, insurance, and rent. These costs represent nine percent of Cascade's 2022 operating budget.

Conservation – These costs represent the cost of the water efficiency and conservation programs that Cascade administers on behalf of its members. These costs represent two percent of Cascade's 2022 operating budget.

Operating Revenues

Cascade's operating budget is funded by the following sources:

Demand Share Charges - These are costs for water supply and are based on a rolling actual three-year demand history. For example, the 2023 Demand Share Charges are based on the actual water usage for 2019-2021. These charges account for the majority (87 percent) of Cascade's operating revenues in 2022.

Administrative Dues - These are based on budgeted administrative costs and actual number of Cascade Equivalent Residential Units (CERUs) reported by each Member. There is a contractual limit of nine percent of total revenue requirements. These charges account for about eight percent of Cascade's operating revenues in 2022.

Conservation Charges - These charges pay for Cascade's water conservation functions and are based on the estimated CERUs for the biennial budget. These charges account about two percent of Cascade's operating revenues in 2022.

Other

Cascade occasionally has other revenue sources, such as interest earnings and system development charges from Auburn. These charges account for about three percent of Cascade's operating revenues in 2022.

2023-2028 Capital Budget & Funding

Cascade develops a six-year Capital budget, reflecting the investments necessary to replace and improve Cascade's assets and make payments to Tacoma and Seattle to secure water supply. These are payments for the right to access the supply and are in addition to the water payments to Seattle, reflected in the operating budget above.

The capital budget is summarized in **Table A-2** below.

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Table A-2: 2023-2028 Capital Budget

| Project | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|--|---------------------|---------------------|---------------------|--------------------|--------------------|--------------------|
| 301 - Upper Conveyance | \$3,425,000 | \$275,000 | \$50,000 | \$50,000 | \$500,000 | \$2,000,000 |
| 303 - Lower Conveyance | | 1,000,000 | 2,500,000 | 300,000 | 1,500,000 | 100,000 |
| 304 - Lake Tapps Reservoir | 100,000 | | | 1,200,000 | 600,000 | |
| 305 - SCADA and Security | 50,000 | | | | | |
| 306 - Facilities | 200,000 | 200,000 | | | 100,000 | 100,000 |
| 307 - Equipment | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 |
| 310 - Bellevue-Issaquah Pipeline (BIP) | 50,000 | 130,000 | 550,000 | 550,000 | | |
| 324 - IT Infrastructure | 25,000 | 35,000 | 25,000 | 35,000 | 25,000 | 35,000 |
| Subtotal - Projects | \$3,925,000 | \$1,715,000 | \$3,200,000 | \$2,210,000 | \$2,800,000 | \$2,310,000 |
| 315 - Capital Risk | \$500,000 | \$500,000 | \$600,000 | \$600,000 | \$600,000 | \$600,000 |
| 309 - Tacoma Agreement | 6,094,972 | 6,216,872 | 6,341,209 | 6,468,033 | 6,597,394 | 6,729,342 |
| 322 - Seattle Agreement | | 5,000,000 | | | | |
| Grand Total | \$10,519,972 | \$13,431,872 | \$10,041,209 | \$9,278,033 | \$9,997,394 | \$9,639,342 |

- The majority of the investment in Cascade’s capital budget (61 percent) is for payments to Tacoma for water purchase that Cascade is not currently fully utilizing. Payments to Tacoma are scheduled to end in 2042.
- This also includes the final capacity reservation fee of \$5.0 million in 2024 to Seattle.

Capital Funding

Pursuant to its fiscal policies, Cascade’s capital investments may be funded through a combination of Regional Capital Facility Charges (RCFCs), transfers of water supply assets, rates and charges, and the issuance of revenue bonds.

Regional Capital Facility Charges

In addition to water supply costs, developers also pay RCFCs to Cascade which pays for their share of growth. The current charge for RCFCs is \$6,950 per Cascade Residential Equivalent Unit. RCFC charges are expected to increase to \$7,201 in 2023 and \$7,454 in 2024. Cascade is budgeting \$9.6 million in 2023 and \$9.9 million in 2024 in RCFC revenues.

Debt

No new debt issuances are planned for the next ten years. Cascade’s current outstanding bond obligations are summarized in

Table A-3.

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Table A-3. Cascade Bond Obligations

| Description | Principal Outstanding |
|---|-----------------------|
| 2012 Water System Revenue Bonds | 4,410,000 |
| 2014 Refunding Bond | 20,105,000 |
| 2019 Refunding & Improvement Bonds | 45,065,000 |
| 2020 Water System Refunding Revenue Bonds | 29,110,000 |
| Total | \$98,690,000 |

Water Supply Development Fund

In addition to the 6-year capital budget, Cascade anticipates transferring \$287,000 in 2023 and \$760,000 in 2024 in operating funds to the Water Supply Development Fund (WSDF). The WSDF is funding for the development of White River/Lake Tapps as the future source of drinking water. Planned transfers to the WSDF and projected accumulation of funds are detailed in Attachment C.

Reserves

In addition to the proposed budget, Cascade has \$46.6 million in reserves, detailed in Table A-4.

Table A-4. Cascade Reserve Balances*

| Fund | Balance (millions) |
|-------------------------------|--------------------|
| <i>Operating</i> | \$12.8 |
| <i>Construction</i> | \$15.2 |
| <i>Bond</i> | \$11.5 |
| <i>Water Supply Dev. Fund</i> | \$5.0 |
| <i>Rate Stabilization</i> | \$2.1 |
| Total | \$46.6 |

*As of April 30, 2022