

CITY COUNCIL AGENDA TOPIC

Briefing on Cascade Water Alliance 2027-2028 Budget and Rates Proposal and the Cascade Supply Program

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EXECUTIVE SUMMARY**INFORMATION
ONLY**

John Taylor, Chief Executive Officer, and Andy Baker, Economist, at Cascade Water Alliance will brief City Council on their 2027-2028 budget and rates proposal and provide a status update on the Cascade Supply Program, including the Capital Funding Plan, to connect to the Tacoma Public Utilities system. Cascade is proposing a 9.5% rate increase per year for 2027 and 2028. For Bellevue, this would translate to a 9.19% cost increase for 2027 and an 8.87% cost increase in 2028. This is an opportunity for the council to ask questions and provide input to Bellevue's representatives on the Cascade Board of Directors, Deputy Mayor Hamilton (representative) and Councilmember Bhargava (alternate).

RECOMMENDATION

N/A

BACKGROUND/ANALYSIS

Created on April 1, 1999, the Cascade Water Alliance (Cascade) currently consists of seven member agencies, including Bellevue, Kirkland, Issaquah, Redmond, Tukwila, Sammamish Plateau Water, and Skyway Water and Sewer District. Cascade was created to provide members with a voice and a vote and control of its future water supply. Cascade represents a partnership, as these agencies joined together to provide the Puget Sound region with a safe, clean, and reliable water supply for 400,000 residents and 380,000 employees. Cascade's current strategy is to use contract wholesale water supplies until the development of its own permanent water supply system. Bellevue buys 100% of the city's water from Cascade.

A Board of Directors (Board), consisting of an elected official from each member agency, oversees the business of Cascade. Deputy Mayor Dave Hamilton represents Bellevue on the Board. Councilmember Vishal Bhargava is the city's alternate to the Board.

Cascade makes decisions using a “dual majority” model, meaning Board decisions are based on a majority of the number of members and a majority of water demand shares. Bellevue currently accounts for approximately 51% of Cascade’s total water demand shares.

The Board adopts a biennial budget and is tentatively scheduled to act on the 2027-2028 budget and proposed rate increases in September.

Long-Term Water Supply Contracts

Cascade currently contracts with Seattle Public Utilities (SPU) to provide drinking water for its members. Cascade’s supply contract with SPU is a declining block agreement, which begins to decline in 2039. In March 2025, Cascade and the City of Tacoma finalized two agreements that would begin supplementing SPU’s declining block supply with water from Tacoma Public Utilities (TPU) beginning in 2041.

These agreements provide water supply certainty and flexibility, allowing Cascade to defer development of the Lake Tapps Reservoir system, which was purchased in 2009 as a future source of municipal drinking water, until the 2060s. By that time, Cascade anticipates the need for a new water treatment plant and other major infrastructure to meet drinking water demand.

Cascade Supply Program

The Cascade Supply Program (CSP) will change the regional supply of water through a future connection with TPU’s Pipeline 5 in north Pierce County.

Major project components are planned in three phases:

- **Phase I – 2026-2040: Transmission.** Connect Tacoma and Cascade through:
 - Tacoma-Cascade Transmission Line (TCTL)
 - Cascade storage tank
 - Cascade re-chlorination station
 - Building facilities for supervisory control and data acquisition (SCADA) and operations
 - Building facilities for storage and maintenance
- **Phase II – 2030-2053: Distribution.** Member Distribution through:
 - Potential additional storage tank
 - Potential Bellevue-Issaquah Pipeline (BIP) distribution improvements
 - Potential pump station
 - Potential Eastside distribution lines serving Bellevue, Kirkland, and Redmond (BKR)
- **Phase III – 2043-2060: Water Supply Development.** Treatment, pumping, and transmission pipeline through:
 - Lake Tapps Reservoir water treatment plant (water intake and filtration)
 - Lake Tapps Transmission Line
 - Potential appurtenant facilities
 - Phase capacity buildout

In Phase I, the focus will be on the TCTL. The TCTL will be approximately 20-30 miles of pipe, approximately 54” in diameter, to deliver up to 32.5 million gallons per day (MGD) of water from TPU. In addition to the TCTL, Cascade anticipates requiring the construction of a water storage tank and a re-chlorination station near the north end of the TCTL.

Cascade anticipates that construction of the TCTL will begin in 2032. Design and construction of the other program components and connections to member agencies would follow behind. Cascade staff anticipate sharing TCTL route and tank site alternatives with the Board in early 2027. This work will also include flow allocations and demand analysis, criteria scoring and weighting, comparative cost framework, and resiliency evaluations.

Capital Funding Plan

The Capital Funding Plan (Plan) provides a roadmap for funding Phase I of the CSP and has a planning horizon from 2026 to 2040. It identifies potential funding sources and scenarios to establish a recommended rate and funding strategy. The Plan also assesses known risks and opportunities related to the capital program and provides a flexible framework for the Board's near- and longer-term decision making.

Pre-planning cost projections for Phase I range between \$1.13 billion to \$1.35 billion in current (2026) dollars. Cascade staff developed over ten scenarios to evaluate how changes in project costs, schedule, availability of external (state and federal) funding sources, and other factors would have on member rates through 2040. Based on this evaluation, Cascade staff recommend a funding plan that includes:

- Directing Cascade staff to aggressively pursue external funding assistance, particularly the federal Water Infrastructure Finance and Innovation Act (WIFIA) loan program,
- Mitigating initial risks and uncertainty by increasing rates by 9.5% and the Regional Capital Facilities Charge (RCFC) by 20% in 2027 and 2028.
- Issuing a \$60 million revenue bond as part of the 2027-2028 proposed budget to provide initial capital funding flexibility for the CSP and Cascade's capital program, and
- Re-evaluating the assumptions and recommendations of the Plan at least every other year as part of the biennial budget exercise.

POLICY & FISCAL IMPACTS

Policy Impact

Per Bellevue's Water System Plan and Comprehensive Financial Policies, payments to Cascade for water supply services are passed through to Bellevue's water customers via Bellevue water utility rates.

Fiscal Impact

Cascade costs are one of the biggest cost centers for Bellevue Utilities. Bellevue will pay Cascade \$24,056,638, or about 27% of the total 2026 budget for Bellevue's water utility.

Although Cascade is proposing a 9.5% general rate increase each year of the 2027-2028 budget, Bellevue's projected rate impact is lower due to a true-up to correct prior year overcharges and overall water consumption changing at a slower rate compared to other Cascade members. Cascade incorporates a reconciliation or "true-up" methodology to the second year of the biennium and applies actual Cascade Equivalent Residential Unit (CERU) counts and water demand statistics.

For Bellevue, the corresponding change to total charges paid to Cascade are summarized below:

- For 2027, Bellevue will pay \$26,267,496 in total charges to Cascade, which represents a 9.19% increase compared to 2026.

- For 2028, Bellevue will pay \$28,598,372 in total charges to Cascade, which represents an 8.87% increase compared to 2027.

The 2026 typical Bellevue residential utility bill for water, sewer, and storm and surface water services is \$229.52 per month, with water service representing \$81.58, or 36% of the total bill. The 2026 monthly amount dedicated to Cascade is approximately \$23.66, which is about 29% of Bellevue's typical residential water bill or about 10% of the typical total residential utility bill.

The impact of Cascade's proposed rate increase to a typical Bellevue residential customer would be a \$2.54 increase per month in 2027 and a \$2.82 increase per month in 2028. This does not reflect other changes to the total utility bill for a typical residential customer.

Cascade's proposed general rate increases have been incorporated into the Early Outlook Forecast developed by the Bellevue Utilities Department and presented to the council on June 23. Final numbers for Cascade's proposed cost increases to Bellevue will be incorporated into the department's 2027-2028 budget proposal prior to City Council adoption.

There is no net fiscal impact to the city from the proposed RCFC increases as revenue collected through these connection charges is passed directly through to Cascade.

OPTIONS

N/A

ATTACHMENTS

N/A

AVAILABLE IN COUNCIL LIBRARY

N/A