

June 13, 2016

CITY COUNCIL STUDY SESSION ITEM

SUBJECT

Cascade Water Alliance Update

STAFF CONTACTS

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POLICY ISSUES

Cascade's Chief Executive Officer Chuck Clarke will present a briefing regarding Cascade's proposed budget and rate for 2017.

DIRECTION NEEDED FROM COUNCIL

 Action

 X Discussion

 X Information

No formal action is required. Council may wish to provide feedback regarding the items presented. The Cascade Water Alliance Board of Directors is scheduled to take action on the proposed 2017 budget and rate in late September.

BACKGROUND/ANALYSIS

The Central Puget Sound region experienced a significant drought in 2015. Cascade, along with Seattle, Tacoma and Everett, went to water shortage advisories and voluntary curtailment. Residents responded by using about 14 percent less water than expected. The late fall rains in 2015 refilled reservoirs and reset the region's supplies to normal. The current water supply outlook for the summer looks normal.

Over the last several years, Cascade Water Alliance has engaged in major activities to ensure long-term water supply stability for its customers. Cascade made significant investments in infrastructure improvements at Lake Tapps that will ensure the entire Lake Tapps/White River system is functioning well and can, if necessary, be developed for water supply in the future. Cascade completed 15 major projects at Lake Tapps by March of 2015, and although the regional drought impacted its ability to refill the lake quickly, Cascade worked closely with the Corps of Engineers and its operation of Mud Mountain Dam to allow the lake to be full for about half the summer. With most of the major projects completed, capital spending will decline in 2016 and Cascade will be primarily focusing on regular operations and maintenance.

On May 16 Council received a briefing regarding the Central Puget Sound Water Supply Forum's Resiliency Project (The Forum consists of the water purveyors in the Puget Sound, including Seattle,

Tacoma, Everett and Cascade). In 2016, Cascade will continue to participate as a forum member and begin work on Phase 2 of the regional resiliency project. Cascade will also initiate follow-up work on the resiliency findings with Cascade members, focusing on earthquake and water quality issues. Bellevue will participate in that effort. Cascade will also continue to work closely with its members on water quality issues given the recent media attention on lead and schools in particular.

2017 Budget and Rate

Cascade's proposed 2017 operating budget is \$41.9 million, up from \$41.3 million in 2016. Increases include Seattle water contract costs, additional insurance coverage, Lake Tapps operator costs and contingency funding for potential retirement vacation buy outs for Cascade staff.

Cascade continues to provide a conservation program on behalf of its members, and it is being funded at a slightly lower level in 2017. Cascade's conservation program allows Bellevue to continue to meet state requirements for water efficiency programs and goals. Cascade provides both hardware programs (showerheads, aerators) and education and outreach programs (natural yard care classes, youth education and school projects) for all member areas.

Cascade's Capital Improvement Program (CIP) is projected to be \$7.2 million in 2017. About \$5 million of that is a required payment under Cascade's Tacoma agreement, and the rest will fund smaller projects at Lake Tapps such as ongoing improvements for dikes, security and facilities.

Cascade's overall rate increase for 2017 is 3.0%. The primary driver of the rate increase (about 2.3% of the total) is the policy decision by the Board to transition the use of Regional Capital Facilities Charges (RCFC) from debt repayments to direct capital funding. The RCFC is a one-time pass through charge paid by new customers connecting to the Cascade regional system. The RCFC is proposed to stay at the 2016 level of \$6,005 per connection. Currently about 55% of the RCFC revenues are used for capital, and the plan for 2017 is to increase that to 65%. This will enable Cascade to meet its capital needs without borrowing for the next five years. At the Council meeting, CEO Chuck Clarke will provide more information on rate drivers and the future rate forecast.

Actual charges for each particular member vary by water use and differing rates of water demand growth among members, so Bellevue's actual charges often vary from the average, as they do for this budget.

There are two elements that impact Bellevue's actual water supply charges in 2017. One element is an increase of \$324,933 or 1.7% in Bellevue's wholesale water supply costs based on Bellevue's water demand growth relative to other Cascade members. This results in a 0.8% retail rate increase for Bellevue customers and equates to an increase of about \$0.49 to the current monthly typical single-family water bill of \$58.42.

The second element impacting Bellevue's 2017 actual charges is the a reduction of \$293,114 to reflect water supply costs for the South Cove/Greenwood Pointe service area that will transfer from Bellevue to Issaquah effective January 1, 2017. This reduction in costs is accompanied by a corresponding reduction in revenues.

The total impact of these two elements result in a net increase of \$31,819 to Bellevue's wholesale water supply costs from \$19,360,588 in 2016 to of \$19,392,407 in 2017. These rates will be incorporated into the final Utilities rate proposal for Council in the fall budget process.

Cascade will provide more details for Council at the June 13 meeting. Bellevue staff will update Council if there are any significant changes to Cascade's budget as the budget is prepared for final adoption by the Cascade Board in late September.

ALTERNATIVES

N/A

RECOMMENDATION

N/A

ATTACHMENT(S)

N/A

AVAILABLE IN COUNCIL DOCUMENT LIBRARY

N/A